Corrected Annual Report 2009

TUI AG

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Short Financial Year
1 January – 30 September 2009

2009

TUI
Aktiengesellschaft

Table of Contents

TUI Group in Figures

Corrected TUI Group in Figures

		SFY 2009	9M 2008	Var. %	2008 revised
Divisional turnover					
Tourism	€m	13,043.0	15,097.8	- 13.6	18,545.6
Discontinued Operations	€m	1,210.3	4,680.1	- 74.1	6,342.7
Others/consolidation	€m	- 9.2	64.8	n/a	- 21.4
Group	€m	**14,244.1**	**19,842.7**	**- 28.2**	**24,866.9**
Earnings before interest, tax. depreciation and amortisation (EBITDA)					
Tourism	€m	667.1	501.5	+ 33.0	556.5
Discontinued Operations	€m	946.0	354.4	+ 166.9	390.2
Others/consolidation	€m	- 31.1	8.2	n/a	- 24.2
Group	€m	**1,582.0**	**864.1**	**+ 83.1**	**922.5**
Divisional earnings (EBITA)					
Tourism	€m	228.7	138.9	+ 64.8	87.0
Discontinued Operations	€m	823.2	143.6	+ 473.3	105.9
Others/consolidation	€m	- 39.0	0.4	n/a	- 52.6
Group	€m	**1,012.9**	**282.9**	**+ 258.0**	**140.3**
Underlying divisional earnings (underlying EBITA)					
Tourism	€m	649.9	625.7	+ 3.9	580.3
Discontinued Operations	€m	- 248.7	214.9	n/a	193.5
Others/consolidation	€m	- 39.0	0.4	n/a	- 54.4
Group	€m	**362.2**	**841.0**	**- 56.9**	**719.4**
Net profit for the year	€m	**355.0**	**6.5**	**n/a**	**- 182.1**
Earnings per share	€	1.16	0.01	n/a	- 0.65
Assets					
Non-current assets	€m	9,116.0	7,903.9	+ 15.3	7,344.7
Current assets	€m	4,367.1	9,789.9	- 55.4	9,308.7
Total assets	€m	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**
Equity and liabilities					
Equity and liabilities	€m	2,257.5	2,830.4	- 20.2	2,167.5
Non-current liabilities	€m	5,035.3	6,018.0	- 16.3	5,796.2
Current liabilities	€m	6,190.3	8,845.4	- 30.0	8,689.7
Total equity and liabilities	€m	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**
Equity ratio	%	**16.7**	**16.0**	**+ 0.7*)**	**13.0**
Cash flow from operating activities	€m	**1,134.6**	**2,058.9**	**- 44.9**	**945.8**
Capital expenditure	€m	**340.4**	**810.1**	**- 58.0**	**952.4**
Net debt	€m	**2,329.9**	**2,344.7**	**- 0.6**	**4,082.8**
Employees	31 Dec/30 Sep	**69,536**	**79,192**	**- 12.2**	**70,254**

Differences may occur due to rounding

*) percentage points

Dr Michael Frenzel,
Chairman of the Executive Board

Chairman's Letter

Dear Shareholders,

2009 was characterised by the most severe economic crisis world-wide since 1929, threatening the very existence of companies and entire industries. Meanwhile, forecasts assume that the economic downturn has bottomed out and that the world economy will gradually start to grow again next year. It remains to be seen whether the recovery of markets will temporarily be curbed by an increase in unemployment following the crisis with a time lag.

The successful performance of our Tourism activities in the short financial year 2009 has impressively shown that our structural positioning in our core business is appropriate. In the light of the gloomier economic climate, we cut our capacity in good time and managed to generate operating earnings of €650m in Tourism, exceeding the level achieved in 2008.

The sound performance of our Tourism Division in the difficult economic environment proves that we took the right decision in forming TUI Travel. We merged two strong organisations with great determination and consistency, and will deliver sustainable synergies of £200m sterling annually. Thanks especially to consolidation in the UK, one of our key tourism markets, we enhanced earnings in crisis year 2009.

Our Group is excellently positioned today with strong brands and market positions and a unique portfolio of differentiated products. In the short financial year 2009 we pursued a margin-centred capacity policy to prepare for a decline in demand in due time and thus managed to achieve our performance targets. Many of our competitors have meanwhile adopted a similar margin-oriented approach, and so the major European source markets have not seen significant oversupplies of tourism services in spite of subdued demand caused by the difficult economic environment. Following years of very strong growth orientation, Tourism has thus matured into a yield-oriented sector.

In the first quarter of 2009 we completed the sale of Hapag-Lloyd AG to the Hamburg-based consortium and took a 43.33% stake in the purchasing company Albert Ballin. The difficult economic framework impacted operating earnings in Container Shipping as the year progressed. Additional capital and financial measures by all shareholders were therefore required to secure the long-term financial stabilisation of Hapag-Lloyd AG. Hapag-Lloyd also launched its own package of measures to generate substantial cuts in operating costs.

The restructuring contributions agreed on by the shareholders and Hapag-Lloyd AG paved the way for the granting of a state loan guarantee. The final approval of the application for a state loan guarantee for an additional credit facility worth €1.2bn by the federal government was granted on 6 October 2009. From our perspective, an essential step has thus been taken towards securing our financial investment totalling €2.6bn.

Due to the funds currently tied up in Hapag-Lloyd AG, TUI AG's priority is therefore to manage the existing shareholding portfolio with a view to maximising value, while at the same time securing and strengthening our liquidity position. The focus here is on two measures:

- Management of our indirect investment in Hapag-Lloyd AG with a view to maximising value:

  We will support the restructuring programme launched by Hapag-Lloyd in order to cope with the crisis in Container Shipping. However, we will also monitor any options to reduce TUI AG's financial investment in Hapag-Lloyd AG.

- Streamlining non-core assets not required for operational or strategic purposes:

  To create appropriate liquidity reserves for TUI AG and financial scope for the strategic development of the Group in the medium term, we have defined an asset streamlining programme intended to generate cash inflows of around €500m for TUI AG by 2012. The planned measures include, for instance, refinancing assets owned by TUI AG, such as cruise ships, hotels and other buildings, and selling non-core real estate. Asset streamlining will strengthen our liquidity position and create broader leeway to develop TUI AG further while maintaining all entrepreneurial options.

The TUI Group now comprises the majority stake in TUI Travel, an attractive portfolio of more than 240 hotels and a growing cruise business. We intend to further enhance the profitability of the Group's operative business on this basis. We seek to achieve profitability levels in excess of the cost of capital in the long term, above all thanks to the delivery of further synergies in TUI Travel and active management of invested capital.

With the placement of convertible bonds worth €218m in November 2009, we have strengthened TUI AG's liquidity. We are aiming to further reduce net debt for TUI AG and our Group, achieve an improvement in our credit rating and create leeway for the strategic development of our Group by implementing our asset streamlining project and continuing our restrictive investment policy.

Taking account of the above-mentioned factors, we aim to enhance the value of TUI shares and pay appropriate dividends to our shareholders again in the medium term.

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

Dr Michael Frenzel, CEO

5 Management Report

2009 – Successful Tourism performance in a difficult environment. Container Shipping stabilised thanks to shareholder contributions and state aid. Measures set to increase TUI AG's liquidity reserve.

Short financial year 2009: An overview

Successful performance in Tourism in a difficult market environment

Tourism, the TUI Group's core business, showed an overall positive performance in the short financial year 2009. While customers booked their holidays later on average due to the uncertain economic environment, the majority of all source markets reported robust demand, in particular in the important summer season. Overall, volumes fell year-on-year.

TUI Travel

TUI Travel adjusted its capacity in the package tour business to the expected decline in demand in due time and therefore managed to achieve its margin and capacity utilisation targets. Due to sound business development and higher realised synergies, underlying earnings (underlying divisional EBITA) rose by €44m to €526m in the short financial year as against the comparative period in 2008. The synergy target has been upgraded to £200m sterling by financial year 2010/11.

TUI Hotels & Resorts

The capacity reductions implemented by tour operators resulted in lower bed-night volumes in TUI Hotels & Resorts in the period under review. In addition, the UK market saw a shift in demand from destinations in the western Mediterranean to non-euro destinations due to the persistent weakness of sterling against the euro. This trend affected hotels in Spain in particular. Several hotels in Mexico had to close down temporarily in the spring of 2009 due to swine flu. These strains on operative business were not completely offset by strict cost management so that underlying earnings by TUI Hotels & Resorts fell to €123m, down €10m on the comparative period in 2008.

Cruises

In the Cruises Sector, Hapag-Lloyd Kreuzfahrten reported declines in capacity utilisation on the very good levels recorded in 2008. These declines were largely attributable to the economic climate. In May 2009, joint venture TUI Cruises commissioned its first vessel, which met with sound customer demand. Due to the associated start-up costs, underlying earnings by the Cruises Sector declined year-on-year, as expected, to €1m in the short financial year 2009.

Group

Overall, underlying earnings by Tourism were €24m up year-on-year, totalling €650m. At €611m, underyling earnings by the Group's Continuing Operations fell €15m short of comparative levels for 2008. The Group's underlying earnings were impacted by the negative profit contributions posted by Container Shipping for the first quarter, falling by €479m to €362m.

Container Shipping stabilised by shareholder contributions and state aid

TUI AG completed the sale of Hapag-Lloyd AG to Albert Ballin Holding GmbH & Co. KG in the first quarter of 2009 and took a 43.33% stake in the purchasing company. TUI AG also provided a financing facility to Hapag-Lloyd AG and the purchasing company. The total volume of this financing facility amounted to €1.7bn as of 30 September 2009. By the end of March, it is also planned, together with Albert Ballin GmbH & Co. KG and in proportion to the stake held, to convert a part of the remaining loans granted to Albert Ballin Holding GmbH & Co. KG into equity in Albert Ballin Holding GmbH & Co. KG. For TUI AG, this sum amounts to €153m.

The capital and financing measures granted by TUI AG and the other shareholders serve to ensure long-term financial stabilisation of Hapag-Lloyd AG. At the same time, Hapag-Lloyd has initiated a set of measures to generate substantial cost savings. With the restructuring contributions agreed on by the shareholders and Hapag-Lloyd, the company meets the conditions for a state loan guarantee worth €1.2bn, approved on 6 October 2009.

TUI AG seeks to reduce its financial investments in Container Shipping in the medium term.

Measures defined to increase TUI AG's liquidity reserve

The Executive Board has defined an asset streamlining programme aimed to generate an inflow of around €500m for TUI AG by 2012 in order to secure an appropriate liquidity reserve for TUI AG. The planned measures include in particular refinancing assets such as cruise ships and hotels, currently owned by TUI AG, and selling non-core real estate.

Early repayment of the shareholder loan initiated by TUI Travel

TUI Travel initiated early repayment of the shareholder loan granted by TUI AG with the successful placement of a convertible bond worth £350m sterling. TUI AG received €100m as per 30 September 2009; a further €250m will be due as per 1 April 2010. An additional amount of €509m will be repaid by 1 December 2010 at the latest. The remaining €160m of the shareholder loan will be redeemed as per 30 April 2011. The revised redemption schedule fits TUI AG's maturity profile, while also securing sufficient liquidity reserves for TUI Travel for the two next winter seasons. In order to maintain the majority of voting rights in TUI Travel PLC in the event of the exercise of all conversion options on the convertible bond, in September and October 2009 TUI AG purchased around 2.9% of the share capital of TUI Travel PLC.

Takeover of TUIfly's city business by Air Berlin

As of 25 October 2009, with the start of the 2009/10 winter schedule, Air Berlin PLC took over the city route network of Hapag-Lloyd Fluggesellschaft mbH (TUIfly). Air Berlin will initially charter 13 aircraft and crews from TUIfly for the 2009/10 winter season and then 14 from summer 2010 onwards. As a result, TUI Travel's German airline operations will be able to focus on the tourism route portfolio retained by TUIfly. Due to objections by the anti-trust authorities, the cross-shareholding initially agreed was not implemented. Instead, TUI Travel unilaterally took a 9.9% stake in Air Berlin PLC for €33.5m.

Group structure

The TUI Group and its key shareholdings operate in tourism. The Group structure comprises TUI Travel, TUI Hotels & Resorts and the Cruises Sector. Container Shipping was treated as a Discontinued Operations as defined by IFRS 5 until the end of the first quarter of 2009. The indirect 43.33% stake in Hapag-Lloyd AG taken after the completed sale is measured at equity and carried under Central Operations in 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 main Group companies conducting the Group's operative business in individual countries. Overall, TUI AG's Group of consolidated companies comprised 739 direct and indirect subsidiaries at the balance sheet date, of which 45 were based in Germany and 694 abroad. A further 18 affiliated companies and 35 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

Organisation and management

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

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

Board structure

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

TUI Travel

TUI Travel was formed in 2007 from the merger of the TUI Group's distribution, tour operator, 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 53 per cent, i.e. the majority, of the shares in this subsidiary.

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

Mainstream

The Mainstream Sector is the largest sector within TUI Travel. The vertically integrated tour operators included in this sector, such as Thomson, First Choice and TUI Deutschland, hold leading market positions in Europe and service around 22 million customers annually. Their portfolio comprises the sale of flights, accommodation and other tourism services, both as separate components and as package tours. Activities cover the three source markets Central Europe, Northern Region and Western Europe.

Specialist & Emerging Markets

The Specialist & Emerging Markets Sector has over 40 specialist tour operators servicing around 1.5 million customers annually. It breaks down along geographical lines into North America, Europe and emerging markets, in particular Russia. Specialist tour operators include those dedicated to for specific destinations, premium suppliers and student trip tour operators.

On 15 April 2009, TUI Travel and S-Group Capital Management established a joint venture to enter the Russian and Ukrainian travel market and benefit more from the growth in these markets. TUI Travel holds 49% of this joint venture, while S-Group holds 51%. The joint venture aims to occupy key positions in the tour operator and distribution business in Russia and the Ukraine.

Activity

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

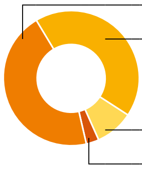
Accommodation & Destinations

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

TUI Hotels & Resorts

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

Financing structure
TUI Hotels & Resorts (in %)



	SFY 2009	9M 2008
Management	45	43
Ownership	43	45
Lease	9	9
Franchise	3	3

In the short financial year 2009, TUI Hotels & Resorts comprised a total of 243 hotels with around 154,000 beds. With 215 hotels the majority were four- or five-star hotels. 45% were operated under management contracts, 43% were owned by the respective hotel company, 9% were leased. 3% of the facilities were managed under franchise agreements.

TUI Hotels & Resorts

Hotel brand	3 stars	4 stars	5 stars	Total hotels	Beds	Main sites
Riu	9	63	27	99	77,500	Spain, Mexico, Carribean, Tunisia, Cape Verde Islands
Grupotel	15	16	2	33	13,104	Spain
Robinson	0	20	3	23	12,366	Spain, Greece, Turkey, Switzerland, Austria
Magic Life*)	2	11	1	14	12,238	Turkey, Egypt, Tunisia, Greece
Iberotel	0	16	8	24	13,821	Egypt, Turkey, Germany
Grecotel	0	10	10	20	10,127	Greece
Dorfhotel	0	5	0	5	2,923	Germany, Austria
Other hotel companies	2	15	8	25	11,458	Egypt, Austria
Total	**28**	**156**	**59**	**243**	**153,537**	

As at 30 September 2009
*) Discontinued Operation

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

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

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

Magic Life is the all-inclusive TUI Hotels & Resorts club brand. It offers a holiday concept with a balanced price/performance ratio and entertainment programmes in an international environment for families. Most of the club facilities are located in Turkey and Egypt. Following the decision to divest the Magic Life Group this activity has been classified as a Discontinued Operation.

Iberotel hotels offer a comprehensive level of comfort and excellent dining options. Most of the premium hotels are located in Egypt and Turkey. They offer top-quality products since they comply with the highest quality, safety and environmental standards. In 2009, the second German facility was opened with Iberotel Fleesensee.

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

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

Under the aQi hotel line, customers are offered holidays at an attractive price/performance ratio.

The Toscana Resort Castelfalfi project was initiated in 2007. It comprises eleven square kilometres of land in Tuscany, including a medieval village and a golf course. There are plans to build additional tourism facilities.

Cruises

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

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

Its flagship is the five-star-plus vessel Europa. It was awarded this category by the Berlitz Cruise Guide for the tenth time in succession and is the world's only ship awarded this category. The Europa primarily cruises on world tours. The Columbus, a three-star-plus vessel, also cruises the world's seven seas. Moreover, it is the only ocean-going liner capable of cruising the Great Lakes in North America. The Hanseatic is used, among other things, for expedition cruises to the Arctic and Antarctic. It is the world's only five-star passenger vessel with the highest Arctic class. The Bremen, a four-star vessel – also awarded the highest Arctic class – is another expedition ship travelling to similar destinations. Two of the ships were owned, the other two chartered. Average fleet age was 14 years.

TUI Cruises, a joint venture for TUI AG and the US shipping company Royal Caribbean Cruise Ltd., was formed in 2008. The Hamburg-based company has offered cruises to the German-speaking premium market since May 2009 with the vessel Mein Schiff. 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.

Container Shipping

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

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

Business activities

Tourism

Market

For 2009, the UNWTO expects total consumer spending to decline by 4-6% in the worldwide travel and tourism market (source: UNWTO World Tourism Barometer, September 2009). Following a decrease of around 7% in the first eight months of 2009, international arrivals are expected to recover slightly in the second half of the year. Overall, the worldwide deterioration in the economic environment has thus also impacted demand in the travel sector.

The market for business and leisure hotels was also impacted by the economic environment in 2009. City hotels in Europe recorded declines in private and business trips, which were partly offset by selective marketing strategies. Tighter capital market requirements rendered follow-up project financing more difficult for hotel operators (source: Deloitte, Hospitality Vision, March 2009). Holiday hotels in the Eurozone suffered from capacity cuts by the major tour operators and the weakness of sterling, which caused a shift in demand to destinations outside the Eurozone. The impact on hotels in Spain was particularly strong.

The European market for cruises remained a growth market. According to a study by the European Cruise Councils (ECC: Statistics and Markets, March 2009), the number of European passengers on ocean cruises grew by almost 11% year-on-year to 4.4m in 2008. The German ocean cruises market also achieved record levels in terms of passenger and turnover figures for 2008. Passenger volumes grew by 19% year-on-year to around 906 thousand (DRV: Der Kreuzfahrtenmarkt Deutschland 2008; March 2009). 2009 saw the commissioning of additional liners for the German ocean cruises market, including Mein Schiff, the first vessel for TUI Cruises.

Competition

In 2009, the European tourism sector was characterised by a considerable deterioration in the economic environment. Tour operators pursuing integrated or non-integrated business models competed with hotel companies, airlines and online agencies. The leading tour operators and airlines continued to pursue highly restrictive capacity policies in 2009. As a result, the travel market was not faced with oversupply in spite of declines in demand driven by the unfavourable economic conditions. Therefore, residual stock left for sale at reduced prices remained limited.

European tour operators only benefited to a limited extent from the decline in aircraft fuel prices in 2009 as fuel price hedges entered into in 2008 left some prices at a relatively high level. Travel was also impaired by the emergence of swine flu in the course of the summer of 2009. In this environment, TUI Travel continued to benefit from its strong market position and flexible business model.

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

The international ocean cruises market is dominated by a few large cruise companies. The German-speaking cruise market comprises national and international providers, the latter numerically outweighing the former. However, passengers travelling with German cruise companies account for 57% and thus a higher percentage than passengers travelling with international providers (DRV: Der Kreuzfahrtenmarkt Deutschland 2008; March 2009). In 2009, 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 69 years. This target group mainly originates from the package tour and individual travel market but also the cruises market.

Business model

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

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

Due to its broad customer base in 27 source markets, TUI Travel is able to compensate for fluctuating trends in individual source markets or product groups. In addition, TUI Travel pursues a flexible capacity management policy in its Mainstream business. Only a very small portion of flight and hotel commitments are fixed by means of contracts.

The flight capacity of Group-owned airlines is primarily oriented towards the needs of the respective tour operators. Thanks to staggered leasing agreements for the aircraft used by the Group's own airlines, with non-Group third-party airlines providing almost one third of the flight capacity required, TUI Travel is able to respond flexibly to changes in demand.

It only invests in its own assets where this provides the company with new unique selling propositions vis-à-vis the competition, for example by letting its own charter yachts.

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

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

With its current fleet, Hapag-Lloyd Kreuzfahrten occupies a leading position in the German-speaking market for luxury, expedition and study tours. Sharpening the profile of the four vessels has reinforced this position.

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

Strategy

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

- increasing the proportion of differentiated holiday products and strengthening web-based sales
- realising the integration and synergy benefits of £200m sterling per annum by financial year 2010/11 in TUI Travel
- expanding the tour operator business in growth markets like Russia and the Ukraine
- engaging in pro-active capacity management in TUI Travel's Mainstream business by adjusting flight and hotel commitments to align supply and demand
- focusing on a high-yield, differentiated hotel portfolio in TUI Hotels & Resorts
- expanding the market share in the German-speaking volume market for cruises
- pursuing restrictive cash and working capital management.

Economic framework

General development

Following the decline in the first half of the year, the world economy started to pick up again in the third quarter of 2009. This positive trend is expected to consolidate by the end of the year. For 2009, however, the International Monetary Fund (IMF, World Economic Outlook, October 2009) is still predicting a fall of 1.1% in global gross domestic product as a result of the recession in the first two quarters.

Development in the regions

America and Asia

In the United States, the decline in gross domestic product slowed down substantially in the second quarter before the trend reversed in the third quarter. Expanding government demand mainly drove this development. Private consumption, by contrast, declined due to the unfavourable framework that brought a rise in unemployment, significant losses of assets and uncertain income perspectives. Overall, gross domestic product is expected to decline by 2.7% in 2009. Canada also recorded a decline, which, at 2.5%, will be similar to that in the United States.

The Japanese economy, by contrast, already saw considerable trends towards recovery in the second quarter. However, the slump in the first quarter had been substantially bigger. For 2009 as a whole, GDP is still expected to contract by 5.4%. Other Asian economies already started to recover in the spring. In general, growth continues to be driven by China (+8.5%) and India (+5.4%). Significant growth is expected in particular for the second half of the year, since demand has picked up again in industrialised countries and pressure on the financial markets has decreased.

Eurozone

For the Eurozone, the IMF expects the economy to contract by 4.2% in 2009. The decline in gross domestic product almost came to a halt in the second quarter, followed by a reversal of the trend in the third quarter. However, different countries reported different trends. While Germany and France recorded notable increases early on, the Netherlands, Italy, Austria and in particular Spain, which continues to be hit by the real estate crisis, had to wait considerably longer to see positive movement.

Development of tourism

Tourism

According to the World Tourism Organisation (UNWTO, World Tourism Barometer, September 2009), the declining trend in tourism, which started in the second half of 2008, was further aggravated in the first half of 2009. International arrivals decreased by 7% in the first eight months of the year 2009. In July, however, the decline slowed down substantially. For 2009 as a whole, the UNWTO expects a 5% contraction in the tourism market.

Assessment of the economic framework

Overall, macroeconomic development in the short financial year 2009 did not fully match the expectations of the Executive Board. The scope and pace of the notable deterioration in macroeconomic parameters in the first half of 2009 had not been anticipated in the budget. While the impact on Tourism was limited, in particular thanks to TUI Travel's flexible business model, dramatic declines in volumes and freight rates in Container Shipping resulted in a fall in earnings by Hapag-Lloyd exceeding the expected level. Against this backdrop, TUI AG as the largest individual shareholder in Hapag-Lloyd made contributions to the financial stabilisation of Container Shipping, which had also not been expected in this form.

Group Turnover and Earnings Higher operating earnings despite lower turnover in Tourism. Group earnings impacted by Container Shipping.

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

The development of Container Shipping operations in the short financial year 2009 is described from page 34 of this report.

The Annual General Meeting on 13 May 2009 decided to change TUI AG's business year from the calendar year to the tourism year (1 October to 30 September). As a result, the short financial year 2009 only has nine months. For easier comparison, the figures for the short financial year 2009 recorded in this management report are presented alongside the figures for the corresponding period in 2008 (1 January to 30 September) and the balance sheet figures as per 30 September 2008. Comparing the figures for the short financial year with those for the full financial year 2008 is of limited value.

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

Correction of consolidated financial statements

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

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

Against this backdrop, the present Management Report has also been corrected. Further details and the effects, in particular on the consolidated profit and loss statement, are presented in a note on this item on pages 124 and 125 in the consolidated Notes.

Divisional turnover and earnings

Assessment of earnings

Tourism, the TUI Group's core business, recorded a weaker demand in the short financial year 2009 as a result of the uncertain economic environment and other external factors. Against this background, TUI Travel reduced capacity in the Mainstream business and cut its offerings in scheduled flying in Germany and UK. Customers also tended to book their holidays later than in previous years due to the uncertain economic environment. Nevertheless, the demand for differentiated holiday products at a balanced price/performance ratio remained intact in all key source markets, especially in the important summer season.

In this difficult market environment, TUI Travel achieved its price and load factor targets and increased its earnings. TUI Hotels & Resorts recorded satisfactory business development. Declines in occupancy caused by swine flu and lower bednight volumes were largely offset by cost savings. In the Cruises Sector, the TUI Cruises joint venture commissioned its first vessel in 2009. Earnings by the Cruises Sector were affected by the associated start-up costs, as expected.

Earnings by Tourism continued to be impacted by fuel costs, which were hedged at previous year's high level in the course of the season. Prices for sourcing hotel bed capacity also rose in the Eurozone due to the weakening of the sterling exchange rate.

Overall, underlying earnings by Continuing Operations in the short financial year matched the Executive Board's expectations. Within Discontinued Operation Hapag-Lloyd AG recorded a higher than expected drop in earnings in the first quarter.

Development of divisional turnover

Continuing Operations

The Continuing Operations comprise Tourism and Central Operations.

Divisional turnover

€ million	SFY 2009	9M 2008	Var. %	2008
Tourism	13,043.0	15,097.8	- 13.6	18,545.6
TUI Travel	12,624.8	14,652.2	- 13.8	17,974.9
TUI Hotels & Resorts	276.2	290.1	- 4.8	370.7
Cruises	142.0	155.5	- 8.7	200.0
Central Operations	49.3	64.8	- 23.9	85.8
Continuing Operations	**13,092.3**	**15,162.6**	**- 13.7**	**18,631.4**
Discontinued Operations	**1,210.3**	**4,680.1**	**- 74.1**	**6,342.7**
Consolidation	- 58.5	0.0	n/a	- 107.2
Divisional turnover	**14,244.1**	**19,842.7**	**- 28.2**	**24,866.9**

Turnover by the TUI Group's Continuing Operations was 14% down year-on-year, in particular due to lower turnover in Tourism. The decline in turnover by 14% by Tourism was above all attributable to a fall in volumes in TUI Travel's Mainstream business and the decline in the sterling exchange rate against the euro.

Turnover by Central Operations, which consist of the Group's holding companies and real estate companies, declined year-on-year by 24% to €49m.

Discontinued Operations

In the short financial year 2009, Discontinued Operations comprised the turnover of the Magic Life Group and the turnover, for the first quarter only, generated by Container Shipping. A year-on-year comparison with previous year's nine months is of limited value.

Divisional turnover

Since Container Shipping was no longer included as of the second quarter of 2009, aggregate turnover and earnings by the divisions are not fully comparable with the corresponding comparative periods in 2008.

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

Divisional earnings

Divisional earnings (EBITA)

	Underlying divisional EBITA			
€ million	SFY 2009	9M 2008	Var. %	2008
Tourism	649.9	625.7	+ 3.9	580.3
TUI Travel	525.5	481.6	+ 9.1	413.5
TUI Hotels & Resorts	123.1	132.9	- 7.4	160.0
Cruises	1.3	11.2	- 88.4	6.8
Others/Consolidation	0.0	0.0		0.0
Central Operations	- 39.0	0.4	n/a	- 54.4
All other segments	- 41.6	0.4	n/a	13.3
Consolidation	2.6	0.0		- 67.7
Continuing Operations	**610.9**	**626.1**	**- 2.4**	**525.9**
Discontinued Operations	**- 248.7**	**214.9**	**n/a**	**193.5**
Divisional earnings (EBITA)	**362.2**	**841.0**	**- 56.9**	**719.4**

€ million	SFY 2009	9M 2008	Var. %	2008
				EBITA by division
Tourism	228.7	138.9	+ 64.7	87.0
TUI Travel	104.3	- 5.2	n/a	- 76.0
TUI Hotels & Resorts	123.1	132.9	- 7.4	156.2
Cruises	1.3	11.2	- 88.4	6.8
Others/Consolidation	0.0	0.0		0.0
Central Operations	- 39.0	0.4	n/a	- 52.6
All other segments	- 41.6	0.4	n/a	15.1
Consolidation	2.6	0.0		- 67.7
Continuing Operations	**189.7**	**139.3**	**+ 36.2**	**34.4**
Discontinued Operations	**823.2**	**143.6**	**+ 473.3**	**105.9**
Divisional earnings (EBITA)	**1,012.9**	**282.9**	**+ 258.0**	**140.3**

Continuing Operations

For the Continuing Operations, operating earnings adjusted for special one-off effects (underlying divisional EBITA) declined slightly by 2% to €611m in the short financial year 2009.

Earnings by the Continuing Operations before adjustment for one-off effects (divisional EBITA) reflected special effects and other one-off expenses totalling around €421m in the short financial year 2009. The input costs included in this amount were incurred in order to create synergies. They will sustainably strengthen the profitability of Tourism and reduce the risk of future charges on earnings due to the measurement processes implemented in the short financial year under review.

Despite the one-off effects mentioned above reported earnings by the Continuing Operations rose significantly by 36% to €190m.

Underlying divisional EBITA: Tourism

€ million	SFY 2009	9M 2008	Var. %	2008
Divisional EBITA	**228.7**	**138.9**	**+ 64.7**	**87.0**
Gains on disposal	- 4.6	–		+ 3.8
Restructuring	+ 58.3	+ 310.6		+ 284.9
Purchase price allocation	+ 47.8	+ 46.4		+ 57.8
Other one-off items	+ 319.7	+ 129.8		+ 146.8
Underlying divisional EBITA	**649.9**	**625.7**	**+ 3.9**	**580.3**

Underlying earnings by Tourism rose by 4% year-on-year to €650m in the short financial year 2009. While earnings rose due to synergies, higher capacity utilisation and stronger margins in the Mainstream business as well as organic and external growth in TUI Travel's Specialist and Activity Sectors, these effects were partly offset by the decline in the average value of sterling in 2009. TUI Hotels & Resorts was impacted by swine flu in the period under review. Earnings in the Cruises Sector comprised start-up losses of TUI Cruises.

In the short financial year 2009, earnings before adjustment for one-off effects in Tourism were impacted by restructuring and integration expenses and other one-off expenses incurred by TUI Travel. These expenses totalled €421m (previous year: €487m). Due to realised synergies the reported earnings by Tourism rose by 65% to €229m despite a lower business volume and higher factor costs.

Underlying divisional EBITA: Central Operations

€ million	SFY 2009	9M 2008	Var. %	2008
Earnings by the holdings	- 41.6	- 8.3	- 401.2	- 67.7
Other operating areas	2.6	8.7	- 70.1	15.1
Divisional EBITA	**- 39.0**	**0.4**	**n/a**	**- 52.6**
Gains on disposal	–	–		- 1.8
Restructuring	–	–		–
Purchase price allocation	–	–		–
Other one-off items	–	–		–
Underlying divisional EBITA	**- 39.0**	**0.4**	**n/a**	**- 54.4**

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

Underlying earnings by Central Operations decreased by €39m against the first nine months 2008, which had been characterised by the reversal of provisions no longer required in the financial year under review.

Discontinued Operations

Underlying divisional EBITA: Discontinued Operations

€ million	SFY 2009	9M 2008	Var. %	2008
Divisional EBITA	**823.2**	**143.6**	**+ 473.3**	**105.9**
Gains on disposal	- 1,134.9	–		–
Restructuring	–	+ 7.3		+ 7.1
Purchase price allocation	+ 19.0	+ 56.6		+ 71.4
Other one-off items	+ 44.0	+ 7.4		+ 9.1
Underlying divisional EBITA	**- 248.7**	**214.9**	**n/a**	**193.5**

Until the end of the first quarter of 2009, Discontinued Operations comprised the Container Shipping operations, which have meanwhile been sold.

The 43.33% stake in Container Shipping taken in the framework of the sale was included at equity in consolidated financial statements and carried under the financial result for Central Operations as of the second quarter of 2009.

The development of Container Shipping operations in the short financial year 2009 is described in brief from page 34 of this report.

According to the fundamental decision to sell Magic Life, the company is now also part of Discontinued Operations.

Earnings by Discontinued Operations before adjustment for special one-off effects totalled €823m. They included the special income from the sale of Container Shipping worth €1,135m.

Underlying divisional EBITA: Group

€ million	SFY 2009	9M 2008	Var. %	2008
Divisional EBITA	**1,012.9**	**282.9**	**+ 258.0**	**140.3**
Gains on disposal	- 1,139.5	–		+ 2.0
Restructuring	+ 58.3	+ 317.9		+ 292.0
Purchase price allocation	+ 66.8	+ 103.0		+ 129.2
Other one-off items	+ 363.7	+ 137.2		+ 155.9
Underlying divisional EBITA	**362.2**	**841.0**	**- 56.9**	**719.4**

Divisional earnings

Overall, the TUI Group posted underlying divisional earnings of €362m for the short financial year 2009. A year-on-year comparison with the first nine months of 2008 is of limited use, as Container Shipping has only been included in 2009 for three months. Adjusted for the above-mentioned special income and expenses, reported divisional earnings rose by €730m to €1,013m.

Value-oriented Group management

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

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

Cost of capital

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

To reflect different return/risk profiles in Group sectors, specific pre-tax costs of capital are calculated for each division. In Tourism, the cost of capital was 11.7% (previous year: 10.4%). For TUI Travel, the cost of capital was 11.0% in 2009 (previous year: 11.1%), for TUI Hotels & Resorts it was 11.1% in 2009 (previous year: 9.7%), and for Cruises it was 13.1% (previous year: 10.5%). For the Group as a whole, the variable stood at 10.5% (previous year: 9.8%).

ROIC and value added

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

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

For the short financial year under review, the above-mentioned indicators have not been calculated since a comparison of the values with the reported values for 2008 would be of limited use due to the seasonal nature of the tourism business.

Business Development in the Divisions Earnings for Tourism rise in a difficult economic environment.

Following the sale of Container Shipping, completed in 2009, the TUI Group's Continuing Operations are Tourism and Central Operations. The Tourism Division comprises TUI Travel, TUI Hotels & Resorts and Cruises. Under 'All other segments', Central Operations embraces in particular the corporate centre functions of TUI AG and the interim holdings as well as the Group's real estate companies. Other activities allocated to Central Operations are inter-segmental consolidation effects.

Discontinued Operations comprised the Magic Life Group and for the first quarter of 2009 only, the Container Shipping activities, which have meanwhile been sold.

The 43.33% stake in Container Shipping taken in the framework of the sale was measured at equity in the consolidated financial statements as of the second quarter of 2009. Proportional at equity earnings are carried under Central Operations and are not included in operating earnings.

Turnover and earnings in Tourism

Tourism – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	**13,043.0**	**15,097.8**	**- 13.6**	**18,545.6**
Segment turnover	**13,057.0**	**15,097.8**	**- 13.5**	**18,569.6**
Cost of sales	11,762.4	13,782.9	- 14.7	17,104.8
Gross profit	**1,294.6**	**1,314.9**	**- 1.5**	**1,464.8**
Administration expenses	1,119.6	1,116.1	+ 0.3	1,333.2
Other income/expenses	15.9	- 102.7	n/a	- 69.2
Result from companies measured at equity	37.8	42.8	- 11.7	24.6
Divisional EBITA	**228.7**	**138.9**	**+ 64.7**	**87.0**
Gains on disposal	- 4.6	–		+ 3.8
Restructuring	+ 58.3	+ 310.6		+ 284.9
Purchase price allocation	+ 47.8	+ 46.4		+ 57.8
Other one-off items	+ 319.7	+ 129.8		+ 146.8
Underlying divisional EBITA	**649.9**	**625.7**	**+ 3.9**	**580.3**
Investments	262.2	469.6	- 44.2	545.9
Headcount (30 Sep)	64,336	66,294	- 3.0	59,706*)

*) 31 December

Turnover and earnings

In the short financial year 2009, turnover by the Tourism Division declined by 14% year-on-year to €13.0bn. This was due to the decrease in TUI Travel's business volume and the weakening of sterling on an annual average.

Turnover was netted with the cost of sales. The latter accounted for €11.8bn, down 15% year-on-year. In the short financial year 2009, gross profit, i.e. the difference between turnover and the cost of sales, totalled €1.3bn (previous year: €1.3bn).

Administrative expenses

Administrative expenses comprised expenses not directly caused by the realisation of turnover, e.g. expenses for general management functions. At €1.1bn, this item was on previous year´s level.

Other income and other expenses

Other income and other expenses primarily comprised profits or losses from the sale of fixed assets items. At €16m, this item was significantly up year-on-year. This increase was above all attributable to the rise in expenses in connection with the strategic realignment of TUI Travel's airline operations in 2008.

Equity result

The result from affiliated companies and joint ventures measured at equity comprised the proportionate share of profit for the year of the associated companies and joint ventures. At €38m, it declined by 12% year-on-year in the short financial year 2009. The profit contributions mainly resulted from the affiliated companies, companies and joint ventures in the Accommodation & Destinations Sector in TUI Travel, TUI Hotels & Resorts and the joint venture TUI Cruises.

Earnings in Tourism

In the short financial year 2009, operating earnings in Tourism grew by 4% to €650m on the first nine months of 2008. TUI Travel contributed €526m to these earnings, with TUI Hotels & Resorts accounting for €123m and Cruises €1m. Reported earnings by the Tourism Division rose by 65% overall to €229m as against the comparative period in 2008.

TUI Travel

TUI Travel – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	12,624.8	14,652.2	- 13.8	17,974.9
Divisional EBITA	**104.3**	**- 5.2**	**n/a**	**- 76.0**
Gains on disposal	- 4.6	–		–
Restructuring	+ 58.3	+ 310.6		+ 284.9
Purchase price allocation	+ 47.8	+ 46.4		+ 57.8
Other one-off items	+ 319.7	+ 129.8		+ 146.8
Underlying divisional EBITA	**525.5**	**481.6**	**+ 9.1**	**413.5**
Investments	210.8	325.2	- 35.2	380.4
Headcount (30 Sep)	50,285	52,920	- 5.0	48,508*)

*) 31 December

Turnover and earnings

In the short financial year 2009, turnover by TUI Travel declined by 14% due to changes in foreign exchange rates and capacity.

Underlying earnings by TUI Travel climbed 9% to €526m year-on-year in the short financial year 2009 compared with the same period for 2008. This growth in operating earnings mainly resulted from higher synergies. Moreover, occupancy rates and margins in the Mainstream business were slightly higher although demand was impacted by the economic environment. On the other hand, earnings decreased due to the decline in the average value of sterling in 2009.

The sustainable synergies target from the formation of TUI Travel was upgraded in 2009 by £25m to £200m sterling per annum by financial year 2010/11. This amount includes £160m sterling for the Mainstream activities in the UK, £7m sterling for central functions and £33m sterling for the remaining operative areas.

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

- gains on disposal of €5m
- restructuring costs of €58m, in particular on restructuring tour operator activities in France and Great Britain
- purchase price allocation of €48m, and
- one-off effects of €320m, in particular integration costs incurred for tour operator and incoming activities, one-off charges from the fair value measurement of aircraft in France and realignment of flight operations in Germany.

Reported earnings by TUI Travel rose by €110m to €104m in the short financial year 2009.

Mainstream

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

Customer numbers TUI Travel Mainstream

'000	SFY 2009	9M 2008	Var. %	2008
Central Europe	7,705	8,939	- 13.8	10,987
Northern Region	5,673	6,921	- 18.0	8,513
Western Europe	4,236	4,689	- 9.7	5,669
Total	**17,614**	**20,549**	**- 14.3**	**25,169**

Central Europe

In the Central Europe Division (Germany, Austria, Switzerland, Poland and airline TUIfly), customer volumes decreased by 14% in the short financial year 2009 as against the comparative period in 2008. This decline was mainly attributable to cuts in charter and seat-only capacity. Turnover by the Central Europe Sector fell due to a contraction in demand caused by the economic environment.

Thanks to active capacity management, TUI Deutschland slightly increased its load factors and average margins in the short financial year compared with the same period in 2008, despite the considerable declines in volume. By contrast, average prices generated per tour decreased slightly because sourcing benefits were passed on to customers. With more foreign tour operators entering the Swiss market, the travel market in Switzerland was characterised by overcapacity. In the short financial year 2009, TUI Suisse was therefore affected by increasing price competition and lower margins. In Austria, TUI Austria benefited from synergies from the integration of TUI activities with First Choice. Following significant growth in 2008, TUI Poland recorded a decline in demand in the short financial year 2009. This was mainly driven by the weaker exchange rate for the Polish zloty against the euro.

The target for sustainable synergies from the integration of TUI and First Choice activities in the Central Europe Sector continued to stand at £4m sterling.

Northern Region

In the Northern Region Division (UK, Ireland, Canada, Nordic countries and airlines Thomsonfly, TUIfly Nordic and First Choice Airways), customer volumes fell by 18%, in line with capacity reductions, in the short financial year 2009. In the UK, a strong lates business caused better margins and a year-on-year rise in load factors in the summer months. The Nordic TUI tour operators, in contrast, saw their business affected by a deterioration in consumer climate in Sweden and Denmark, in particular in the first half of the year. In the summer of 2009, however, bookings improved significantly. Business in the Canadian travel market, characterised by overcapacity, remained unsatisfactory.

In 2009, integration of activities in the UK market progressed as scheduled. The expected synergies were accordingly delivered. Additional potential was identified in the course of this project so that the target for sustainable annual synergies was upgraded by £20m to £160m sterling.

Western Europe

The Western Europe Division (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly) recorded a decrease in customer volumes by 10% in the short financial year 2009. TUI tour operators in France suffered from weaker demand caused by the economic environment and the adverse effects of the political unrest in Guadeloupe and Madagascar. TUI tour operators in the Netherlands also reported declines in volume. TUI operations in Belgium benefited from stable demand and an enhanced cost base for the Group-owned airline and posted a positive performance in the short financial year.

The target for sustainable synergies from the integration of TUI and First Choice activities in the Western Europe Division totals £5m sterling.

Specialist & Emerging Markets

The Specialist & Emerging Markets Sector, comprising specialist tour operators in Europe, North America and growth markets such as Russia, recorded 667 thousand customers (excl. Emerging Markets) in the short financial year 2009, down 14% year-on-year.

Specialist tour operators in Continental Europe reported gains in business development. The premium segment in the UK remained positive. Due to the integration of former TUI entities and First Choice, the benefits for long-haul tours were particularly strong. The target for sustainable synergies from the integration of specialist tour operators in the UK totals £7m sterling.

TUI Travel's business in North America was impacted by lower demand for expedition cruises on year-on-year capacity cuts.

Activity

The Activity Sector is comprised of travel companies operating in the Marine, Adventure and Ski, Student and Sport segments. It recorded a positive development of business in the short financial year. This growth mainly resulted from the profit contributions of the tour operators acquired in 2008 and 2009. Earnings also improved due to the integration of the TUI and First Choice ski business as well as cost savings.

The sustainable synergy target arising from the merger of operations in the Activity Sector totals £8m sterling.

Accommodation & Destinations (A&D)

The online services and incoming agencies previously pooled in the Online Destination Services Sector have been clustered under Accommodation & Destinations (A&D) since the second quarter of 2009.

The Online Services matched the sound development of 2008.

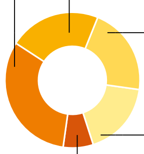
Earnings by incoming agencies fell year-on-year due to lower customer volumes and weaker excursion business in particular in Spain.

The sustainable synergy target from the merger of A&D activities is £9m sterling.

TUI Hotels & Resorts

Owned hotel beds according to regions (in %)

	SFY 2009	9M 2008
Western Mediterranean	32	33
North Africa/Egypt	22	21
Caribbean	21	20
Eastern Mediterranean	18	19
Other countries	7	7



TUI Hotels & Resorts is made up from the Group's hotel companies. Its portfolio comprises hotel companies in which majority interests are held, joint ventures with local partners, companies in which financial interests are held and hotels operated under management agreements. At the end of September 2009, the Sector operated a total of 243 hotels with a capacity of around 154,000 beds, mostly in the four- and five-star categories. The number of bednights in TUI Hotels & Resorts hotels, by contrast, declined by 4% to 15.6m. The individual hotel groups and regions reported varying business trends.

Turnover and earnings

TUI Hotels & Resorts – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	276.2	290.1	- 4.8	370.7
Divisional EBITA	**123.1**	**132.9**	**- 7.4**	**156.2**
Gains on disposal	–	–		+ 3.8
Restructuring	–	–		–
Purchase price allocation	–	–		–
Other one-off items	–	–		–
Underlying divisional EBITA	**123.1**	**132.9**	**- 7.4**	**160.0**
Investments	46.8	140.4	- 66.7	160.3
Headcount (30 Sep)	13,832	13,167	+ 5.1	10,989*)

*) 31 December

Consolidated turnover by TUI Hotels & Resorts was €0.3bn, down 5% on the comparative period in 2008. Due to a decline in demand driven, among other things, by the economic environment, sales of bednights fell year-on-year. Hotel occupancy declined in the short financial year on 5% more capacity. Average revenues per bednight, by contrast, grew year-on-year.

At €123m, underlying earnings fell by 7% year-on-year. This decrease reflected the impact of swine flu and lower customer volumes from major source markets, partly offset by cost savings.

Reported earnings by the Hotel Sector comprised no one-off effects.

TUI Hotels & Resorts

Hotel brand	Capacity ('000)[1] SFY 2009	9M 2008	Var. %	Occupancy rate (%)[2] SFY 2009	9M 2008	Var. % points	Average revenue per bed (€)[3] SFY 2009	9M 2008	Var. %
Riu	12,358	11,546	+ 7.0	80.7	88.6	- 7.9	47.21	45.84	+ 3.0
Grupotel	732	737	- 0.7	77.6	82.5	- 4.9	44.45	43.61	+ 1.9
Robinson	2,273	1,996	+ 13.9	65.6	74.4	- 8.8	80.64	76.71	+ 5.1
Magic Life[4]	2,304	2,391	- 3.6	73.7	78.0	- 4.3	42.85	42.91	- 0.1
Iberotel	2,062	2,068	- 0.3	60.9	66.5	- 5.6	35.96	33.57	+ 7.1
Grecotel	562	623	- 9.8	85.2	87.0	- 1.8	72.64	72.41	+ 0.3
Dorfhotel[5]	167	163	+ 2.5	63.1	64.8	- 1.7	35.78	35.44	+ 1.0
aQi	54	–	–	32.2	–	–	54.56	–	–
Total	**20,512**	**19,524**	**+ 5.1**	**76.0**	**83.0**	**- 7.0**	**49.64**	**48.03**	**+ 3.4**

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

Riu

Riu, one of the leading Spanish hotel groups, operated 99 hotels in the period under review. Capacity increased by 7% on the comparative period in 2008 to 12.4m available hotel beds in the short financial year 2009. In May and June, seven hotels in Mexico were closed due to the fall in demand caused by swine flu. Despite these temporary closures and due to a strict cost management, earnings by the Riu Group remained stable. Average occupancy rates in Riu hotels declined by 8 percentage points to 81% year-on-year. Average revenues per bed-night, by contrast, grew by 3%. This was mainly attributable to the rise in the US dollar exchange rate.

Canaries

Average occupancy of Riu hotels in the Canaries was down by 7 percentage points on the same period in 2008 to 84%. Besides the worldwide slowdown in economic activity, this decline in bookings was driven by tour operator capacity cuts. Bookings decreased in particular in the UK outbound market. This was due to the weakness of sterling.

Balearics

At 82%, Riu hotels in the Balearics achieved occupancy rates which were only slightly down year-on-year by 2 percentage points. This relatively positive development was above all attributable to stable tour operator capacity on a lower proportion of British customers compared with other destinations in Spain.

Mainland Spain

In mainland Spain, average occupancy of Riu hotels fell by 5 percentage points to 78% on the comparative 2008 levels. This development was due to selective reductions in airline capacity by tour operators and the unfavourable sterling exchange rate from the UK source market's point of view.

Long-haul destinations

For long-haul destinations (Mexico, Jamaica, Dominican Republic, Bahamas and USA), Riu hotels achieved average occupancy rates of 78%. This represents a decline of 11 percentage points on the comparable period in 2008. Business suffered from lower demand from the US driven by the weak economic environment and cancellations caused by swine flu.

Grupotel
The Grupotel chain operating 33 facilities on Majorca, Menorca and Ibiza had 13,104 beds in the period under review. Occupancy of Grupotel hotels declined by 5 percentage points year-on-year to 78%. Average revenues per bednight rose slightly year-on-year.

Robinson
In the short financial year 2009, the market and quality leader for club holidays in the premium segment operated a total of 23 club facilities with 12,366 beds in ten countries. Capacity rose substantially year-on-year since three new facilities were opened in Morocco, Portugal and Turkey. While facilities in Morocco, Portugal and Spain recorded lower occupancy rates, the clubs in Turkey, Switzerland, Austria, Greece and Italy matched the previous year's occupancy rates. Overall, occupancy declined year-on-year. Average revenues per bed grew by 5%.

Magic Life (Discontinued Operation)
Magic Life, the all-inclusive club brand, operated 14 facilities with a total capacity of 12,238 beds in the period under review. Most of its facilities were in Turkey, Egypt and Tunisia. Capacity was reduced by 4% year-on-year since two facilities in Tunisia opened later. Due to lower demand from the Belgian and Russian source market, utilisation fell by 4 percentage points. Average revenues per bed-night matched the comparable 2008 level.

Iberotel
In the short financial year 2009, Iberotel had 24 hotels with 13,821 hotel beds, located in Egypt, the United Arab Emirates and Germany. At 61%, occupancy of Iberotels fell by 6 percentage points year-on-year. Average revenues per bednight showed a positive development and were 7% up year-on-year.

Grecotel
Grecotel, the leading hotel company in Greece, operated 20 holiday complexes with a total of 10,127 beds in 2009. Capacity fell short of 2008 levels. This was due to the fact that some hotel facilities only opened later in the season due to customers' booking behaviour. Occupancy fell by 2 percentage points to 85%. Average revenues per bednight increased slightly year-on-year.

Dorfhotel
The two Group-owned Dorfhotel complexes in Austria generated higher average revenues per bednight on slightly lower occupancy in 2009 as against the comparative period in 2008. Other Dorfhotel complexes operated under management contracts are located in Land Fleesensee, Sylt and Boltenhagen on the Baltic Sea. Since Dorfhotels primarily offer family rooms and apartments with a correspondingly higher number of beds, average revenues, which were slightly up year-on-year, were lower than those of other hotel brands mainly offering double bedrooms.

aQi
The first hotel under the lifestyle hotel brand aQi achieved an occupancy rate of 32% in the first year since the business in the summer season failed the expectations significantly. Average revenues per bednight for the hotel in the budget leisure segment developed satisfying.

Cruises

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

Cruises – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	142.0	155.5	- 8.7	200.0
Divisional EBITA	**1.3**	**11.2**	**- 88.4**	**6.8**
Gains on disposal	–	–		–
Restructuring	–	–		–
Purchase price allocation	–	–		–
Other one-off items	–	–		–
Underlying divisional EBITA	**1.3**	**11.2**	**- 88.4**	**6.8**
Investments	4.6	4.0	+ 15.0	5.2
Headcount (30 Sep)	219	207	+ 5.8	209[1]
Utilisation				
Hapag-Lloyd Kreuzfahrten (in %)	76	80	- 3.8[2]	80
TUI Cruises (in %)	83	–	–	–

[1] 31 December
[2] percentage points

Turnover and earnings

Turnover by the Cruises Sector declined by 9% in the short financial year 2009 as against the comparative period in 2008. This performance was solely attributable to Hapag-Lloyd Kreuzfahrten since the TUI Cruises joint venture is only included at equity in TUI's consolidated financial statements, so that no turnover is shown here. Hapag-Lloyd Kreuzfahrten did not match the sound earnings level achieved in 2008 due to lower bookings in 2009.

Earnings by the Cruises Sector for 2009 included proportional start-up costs of €-4m for TUI Cruises. No adjustments had to be made.

Hapag-Lloyd Kreuzfahrten

Hapag-Lloyd Kreuzfahrten saw its business affected by the tight economic situation which adversely impacted bookings. The later booking trend was increasingly echoed in the cruise business. At 76%, occupancy of its fleet, still comprising the four cruise ships Europe, Columbus, Hanseatic and Bremen, fell overall year-on-year (80%). At €427, average fleet daily rates were slightly above the previous year's level. Total passenger days were 241,884.

TUI Cruises

The short financial year of TUI Cruises, the joint venture between TUI AG and Royal Caribbean Cruises in 2008, was characterised by the commissioning of the first vessel in May 2009. Demand for the cruises available for booking since September 2008 picked up in the course of the year. The recovery was flanked by a number of marketing and distribution measures like package offers or flex-price offers. Overall, Mein Schiff has achieved an occupancy rate of 83% since it was first commissioned, with 212,033 passenger days. The average daily rate per passenger was €174.

Central Operations

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

Central Operations – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	49.3	64.8	- 23.9	85.8
Earnings by the holdings	- 41.6	- 8.3	- 401.2	- 67.7
Other Operation Areas	2.6	8.7	**- 70.1**	15.1
Division EBITA	**- 39.0**	**0.4**	**n/a**	**- 52.6**
Gains on disposal	–	–		- 1.8
Restructuring	–	–		–
Purchase price allocation	–	–		–
Other one-off items	–	–		–
Underlying divisional EBITA	**- 39.0**	**0.4**	**n/a**	**- 54.4**
Investments	8.6	4.6	+ 87.0	6.4
Headcount (30 Sep)	675	762	- 11.4	665*)

*) 31 December

Underlying earnings by Central Operations amounted to €-39m in the short financial year 2009. The decline in earnings of €39m as against the first nine months of 2008 was mainly attributable to the reversal of provisions no longer required in the previous year.

The development of operative Container Shipping business

The 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG taken after the sale of Container Shipping has been measured at equity in TUI's consolidated financial statements since the second quarter of 2009. Since the stake in Albert Ballin is a financial investment from TUI AG's perspective, proportionate 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 per cent basis.

Container Shipping – Key figures

€ million	SFY 2009	9M 2008	Var. %	2008
Turnover	3,293.8	4,631.7	- 28.9	6,219.8
EBITA	**- 565.0**	**148.9**	**n/a**	**133.3**
Gains on disposal	- 296.3	–		–
Restructuring	+ 18.4	+ 5.7		+ 7.1
Purchase price allocation	+ 42.7	+ 56.6		+ 71.4
Other one-off items	+ 125.6	+ 0.7		- 0.7
Underlying EBITA	**- 674.6**	**211.8**	**n/a**	**211.1**

Turnover and earnings

Turnover from Container Shipping operations declined by 36% to around €3.3bn in the short financial year 2009. This development mainly resulted from the decline in transport volumes as well as a fall in freight rate levels.

Underlying earnings fell by €886m to €-675m in the period under review. In the short financial year, adjustments of €110m had to be carried for special effects. Earnings before adjustment for these special effects stood at €-565m, down €714m as against the first nine months in 2008. The development of earnings by Hapag-Lloyd was impacted by the rise in bunker prices in the course of the year. On the other hand, earnings benefited from the cost saving and restructuring measures adopted in early 2009 and successfully implemented in subsequent months.

Development of transport volumes and freight rates

Transport volumes and freight rates of Hapag-Lloyd

		SFY 2009	9M 2008	Var. %	2008
Transport volumes	in '000 TEU	3,494	4,229	- 17.4	5,546
Freight rates	in USD/TEU	1,220	1,581	- 22.8	1,590

In the short financial year, transport volumes totalled 3.5m TEU, down 17% on the comparative period in 2008. Average freight rate levels stood at 1,220 USD/TEU, down 23% on the first nine months in 2008.

The fall in transport volumes and average freight rates was attributable to the global economic downswing triggered by the financial crisis. Worldwide transport volumes started to decline due to the contraction in consumption. As a result, competition for the remaining transport volumes tightened, causing pressure on freight rates. Transports in the Far East and Atlantic trade lanes, in particular, suffered from the adverse effects of the decline in demand for consumer goods. To a lesser extent, volumes also declined due to selective cargo management based on profitability criteria. Freight rates bottomed out in the summer of 2009 and were increased again in all trade lanes towards the end of the short financial year. As a consequence the business development in the third quarter was above management's expectations.

Earnings Group earnings boosted by gain on disposal from sale of Container Shipping.

Consolidated profit and loss statement

€ million	SFY 2009	9M 2008	Var. %	2008 revised
Turnover	**13,092.3**	**15,162.6**	**- 13.7**	**18,631.4**
Cost of sales	11,802.2	13,810.9	- 14.5	17,174.4
Gross profit/loss	**1,290.1**	**1,351.7**	**- 4.6**	**1,457.0**
Administrative expenses	1,149.4	1,143.9	+ 0.5	1,366.3
Other income/other expenses	+ 18.1	- 83.5	n/a	- 65.8
Impairment of goodwill	8.9	76.1	- 88.3	107.2
Financial result	- 507.3	- 239.6	- 111.7	- 313.1
Financial income	161.8	125.6	28.8	215.4
Financial expenses	669.1	365.2	83.2	528.5
Share of results of joint ventures and associates	+ 178.0	40.5	n/a	33.7
Earnings before taxes on income	**- 535.4**	**- 150.9**	**- 254.8**	**- 361.7**
Reconciliation to underlying earnings:				
Earnings before taxes on income	- 535.4	- 150.9	- 254.8	- 361.7
Result from Container Shipping measured at equity	214.2	0.0		0.0
Interest result from the valuation of loans to Container Shipping	353.9	0.0		0.0
Interest result and earnings from the valuation of interest hedges	148.1	214.1	- 30.8	288.9
Impairment of goodwill	8.9	76.1	- 88.3	107.2
EBITA from Continuing Operations[1]	189.7	139.3	36.2	34.4
Adjustments:				
Gains on disposal	- 4.6	+ 0.0		+ 2.0
Restructuring	+ 58.3	+ 310.6		+ 284.9
Purchase price allocation	+ 47.8	+ 46.4		+ 57.8
Other one-off items	+ 319.7	+ 129.8		+ 146.8
Underlying EBITA from Continuing Operations	**610.9**	**626.1**	- 2.4	**525.9**
Earnings before taxes on income	**- 535.4**	**- 150.9**	**- 254.8**	**- 361.7**
Taxes on income	- 46.2	72.8	n/a	42.8
Result from Continuing Operations	**- 489.2**	**- 223.7**	**- 118.7**	**- 404.5**
Result from Discontinued Operations	844.2	230.2	+ 266.7	222.4
Group profit/loss for the year	**355.0**	**6.5**	**n/a**	**- 182.1**
attributable to shareholders of TUI AG of Group profit	309.1	13.8	n/a	- 142.3
attributable to minority interest of Group profit	45.9	- 7.3	n/a	- 39.8
Group profit/loss	**355.0**	**6.5**	**n/a**	**- 182.1**
Basic and diluted earnings per share in €	1.16	0.01	n/a	- 0.65

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

In the short financial year 2009, the item Result from Discontinued Operations includes earnings by Container Shipping for the first quarter of 2009. In addition, the Magic Life Group was classified as a Discontinued Operation in accordance with IFRS 5 in the period under review. The previous year's figures were restated accordingly in accordance with IFRS 5.

TUI AG's 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG, taken in the framework of the sale, was measured at equity in TUI's consolidated financial statements. In line with the character of the investment, the proportionate at equity result of the Container Shipping stake to be included in consolidated earnings as of the second quarter of 2009 was no longer included in the TUI Group's operating performance indicator EBITA.

In order to enhance comparability, group figures for the short financial year 2009 were presented alongside the figures for the comparative 9-month period in 2008 (1 January to 30 September 2008). The figures for the short financial year are not directly comparable with those for the full financial year 2008.

Turnover and cost of sales

Turnover comprised the turnover by the Continuing Operations, i.e. Tourism and Central Operations, which cover the Group's holding companies and real estate companies. At €13.1bn, Group turnover declined by 14% against the comparative period in 2008. The decrease was above all attributable to the decline in the business volume of TUI Travel driven by the capacity cuts and the year-on-year weakening of the exchange rate of sterling. Turnover is presented alongside the cost of sales, which accounted for €11.8bn, down 15% year-on-year. A detailed breakdown of turnover showing how it has developed is presented in the section Group Turnover and Earnings.

Gross profit

Gross profit, i.e. the difference between turnover and cost of sales, totalled €1.3bn in the completed short financial year 2009, down 5% year-on-year.

Administrative expenses

Administrative expenses comprised expenses not directly attributable to turnover transactions, in particular expenses for general management functions. In the short financial year 2009, they accounted for €1.1bn, matching the level recorded in the first nine months in 2008.

***Other income/
Other expenses***

Other income and other expenses primarily comprised profits or losses from the sale of fixed assets. At €18m, the balance of income and expenses improved by €102m against the value reported for the comparative period in 2008, which was lower due to expenses for sale-and-lease-back transactions.

Impairments of goodwill

Goodwill impairment totalled €9m. It related to the impairment of goodwill for the Moroccon airline Jet4You which has been classified as held for sale in the Tourism Division.

***Financial result
and net income***

The financial result included the interest result and the net income from marketable securities. In the short financial year 2009, financial income of €162m and financial expenses of €669m arose. The net financial result was €-507m. The financial expenses in the short financial year included charges for valuation effects totalling €354m from the loans granted to Container Shipping.

Adjusted for this expense, the financial result improved by €86m in the short financial year 2009 against the comparative period in 2008. This positive trend was attributable to lower interest rate levels and in particular the improvement in the financial position of the Continuing Operations.

***Result from companies
measured at equity***

The result from companies measured at equity comprised the proportionate net profit for the year of the associated companies and joint ventures and impairments of goodwill for these companies. The significant decline in the result from companies measured at equity in the short financial year 2009 was driven by the first-time measurement of the 43.33% stake retained by the TUI Group, following the sale of the majority stake in Container Shipping in March 2009, as an associated company in the consolidated financial statements. The proportionate negative earnings by Container Shipping in the short financial year 2009 were €-214m.

Underlying earnings (EBITA)

In the short financial year 2009, underlying earnings by Continuing Operations totalled around €611m, slightly down year-on-year. Underlying EBITA was adjusted for gains on disposal of investments, expenses in the framework of restructuring measures, amortisations on intangible assets of purchase price allocations and other one-off items. The adjustments are outlined in detail in the chapters Group Turnover and Earnings and Business Development in the Divisions.

Income taxes

Income taxes included taxes on the profits from ordinary business activities by the Continuing Operations. They totalled €-46m and comprised effective income taxes of €10m and deferred income taxes of €36m. The significant year-on-year decrease in income taxes was mainly attributable to a revaluation of tax risks and the use of tax losses carried forward by TUI Travel.

Result from Discontinued Operations

Earnings from Discontinued Operations comprised operating income and expenses by Container Shipping until the disposal date and the gain on disposal. The gain on disposal of Container Shipping, determined on the basis of early application of IAS 27, amounted to €1,135m, taking account of subsequent purchase price adjustments. Against the framework of current negotiations about the sale of the hotel company Magic Life comprising four hotels in Turkey, the group has also been reclassified as Discontinued Operation. Besides current operation losses of €26m in short financial year 2009, a writedown of assets of €44m had to be booked in connection with the reclassification of Magic Life as Discontinued Operation. A detailed breakdown is provided in the notes under Result from Discontinued Operations.

Group profit

Group profit improved by €349m to €355m on the first three quarters in 2008. The increase reflected in particular the book profit from the disposal of Container Shipping, carried in the year under review.

Minority interests

Minority interests in Group profit for the year totalled €46m and almost exclusively related to companies in the Tourism Division.

Earnings per share

The interest in Group profit for the year attributable to TUI AG shareholders (after deduction of minority interests and the dividend on the hybrid capital) totalled €309m. In relation to the weighted average number of shares of 251,444,305 units, basic earnings per share amounted to €1.16 (previous year: €0.01). In the short financial year, no dilution effect occured so that diluted earnings per share also stood at €1.16.

Earnings position of TUI AG

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code 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.

Profit and loss statement of TUI AG

€ million	SFY 2009	9M 2008
Turnover	**127.3**	**313.3**
Other operating income	2,177.7	3,103.7
Cost of materials	124.2	176.2
Personnel costs	32.3	98.2
Depreciation	1.4	182.1
Other operating expenses	1,323.8	2,429.7
Net income from investments	- 106.4	- 98.5
Write-downs of investments	756.3	1,731.6
Net interest	- 50.8	- 166.3
Profit on ordinary activities	**- 90.2**	**- 1,465.6**
Taxes	7.8	63.1
Net profit/loss for the year	**- 98.0**	**- 1,528.7**

The earnings situation of TUI AG, the Group's parent company, was mainly determined by the development of earnings by its Group companies, either directly associated with TUI AG via profit and loss transfer agreements or distributing their profits to TUI AG based on corresponding resolutions. The development of earnings by TUI AG was also materially affected by the completion of the sale of Container Shipping in the first quarter of 2009. The profit and loss statement for the short financial year 2009 was prepared using the type of expenditure format.

The Annual General Meeting of 13 May 2009 decided to change TUI AG's financial year to a financial year beginning on 1 October of any one year and ending on 30 September of the subsequent year. Accordingly, a short financial year was introduced for the period from 1 January to 30 September 2009. Since the period under review only comprised nine months, comparability with the 12-month period in 2008 is limited.

Turnover and other operating income

In the short financial year 2009, turnover almost completely resulted from renting out leased aircraft to Group-owned airlines. In 2008, turnover had also included rental income from Container Shipping assets until the sale of these assets.

Other operating income mainly comprised income from the reversal of provisions for anticipated losses for derivative financial instruments as well as gains on exchange. In line with commercial-law accounting, this item also included the income carried for the loss takeover, included in the purchase price for Hapag-Lloyd AG, for the company's short financial year ended on 28 February 2009 as income. Write-backs to investments taken through profit and loss were also carried in this item.

Expenses

The cost of materials mainly included expenses for aircraft rental agreements with third parties. The decline in personnel costs was due in particular a significant year-on-year decline in pension expenses. The measurement of pension provisions using a 7-year average interest result of 4.5%, applied for the first time in 2008, was retained unamended. The decline in depreciation mainly resulted from the sale of Shipping assets in 2008 so that depreciation was no longer effected. Other operating expenses included in particular expenses for exchange losses, expenses for anticipated losses from receivables from Group companies, fees, borrowing costs, financial and monetary transaction costs as well as charges and other administrative costs.

Investments

In the financial year under review, net income from investments mainly comprised dividend payments from TUI Travel PLC and companies in the TUI Hotels & Resorts Sector. Expenses for loss transfers mainly resulted from the negative commercial-law earnings of Hapag-Lloyd for its short financial year ended on 28 February 2009, introduced prior to the transfer of ownership to Albert Ballin Holding GmbH & Co. KG. Since these losses were offset in the purchase price, corresponding gains on disposal for Hapag-Lloyd AG were carried under Other operating income, in line with commercial-law presentation.

Write-downs of financial investments

Write-downs of investments included an amount of €296m for the shares in Group companies. Other write-downs carried under this item almost exclusively included the loans granted and the hybrid instruments to be provided to the new container shipping group.

Interest result

The interest result, only covering a period of nine months in the short financial year under review, was significantly characterised by the considerably lower interest rate level in the completed financial year, reflected in particular in lower interest expenses. Interest expenses declined further due to the reduction in debt.

Net loss for the year

The net loss for the year totalled €98m. An amount of €98m was withdrawn from the capital reserves to balance the net loss for the year.

Net Assets Balance sheet total reduced substantially by sale of Container Shipping.

In the short financial year 2009, the Group's net assets and capital structure changed materially due to the sale of Container Shipping and the acquisition of a 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG.

In order to enhance comparability, group figures for the short financial year 2009 were presented alongside the figures for the comparative 9-month period ending 30 September 2008.

Net assets of the Group

The Group's balance sheet total fell by 24% year-on-year to €13,483m. This change mainly resulted from the sale of Container Shipping and the acquisition of a 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG.

Development of the Group's asset structure

€ million	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Fixed assets	7,357.7	7,213.7	+ 2.0	6,604.5
Non-current assets	1,758.3	690.2	+ 154.8	740.2
Non-current assets	9,116.0	7,903.9	+ 15.3	7,344.7
Inventories	81.5	87.7	- 7.1	97.0
Current receivables	2,427.9	2,323.2	+ 4.5	3,021.7
Cash and cash equivalents	1,452.0	2,810.0	- 48.3	2,045.5
Assets held for sale	405.7	4,569.0	- 91.1	4,144.5
Current assets	4,367.1	9,789.9	- 55.4	9,308.7
Assets	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**
Equity	2,257.5	2,830.4	- 20.2	2,167.5
Liabilities	11,225.6	14,863.4	- 24.5	14,485.9
Equity and liabilities	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**

Structural indicators

Vertical structures

Non-current assets accounted for 68% of total assets, compared with 45% in the previous year. This increase mainly resulted from the acquisition of a 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG and the loans granted to Albert Ballin Holding GmbH & Co. KG in the framework of the sale of Container Shipping. The capitalisation ratio (ratio of fixed assets to total assets) rose from 41% to 55%.

Current assets accounted for 32% of total assets, compared with 55% in 2008. The considerable decrease primarily resulted from the decrease in assets held for sale due to the divestment of Container Shipping. The Group's liquid funds declined by 48% to €1,452m compared with the comparative 9-month period in 2008. They thus accounted for 11% of total assets, compared with 16% in the previous year.

Horizontal structures

At the balance sheet date, the ratio of equity to non-current assets was 25%, compared with 36% in 2008. The ratio of equity to fixed assets was 31% (previous year: 39%). The ratio of equity plus non-current financial liabilities to fixed assets was 74%, compared with 99% in 2008.

Structure of the Group's non-current assets

€ million	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Goodwilll	2,715.8	2,854.5	- 4.9	2,520.3
Other intangible assets	887.9	887.2	+ 0.1	815.8
Investment property	76.7	87.1	- 11.9	90.1
Property, plant and equipment	2,373.6	2,817.8	- 15.8	2,687.9
Companies measured at equity	1,200.7	446.3	+ 169.0	406.4
Financial assets available for sale	103.0	120.8	- 14.7	84.0
Fixed assets	7,357.7	7,213.7	+ 2.0	6,604.5
Receivables and assets	1,480.4	504.5	+ 193.4	520.9
Deferred income tax claims	277.9	185.7	+ 49.6	219.3
Non-current receivables	1,758.3	690.2	+ 154.8	740.2
Non-current assets	**9,116.0**	**7,903.9**	**+ 15.3**	**7,344.7**

Development of the Group's non-current assets

Goodwill

Goodwill declined by 5% to €2,716m. Goodwill for the Moroccon Airline Jet4You which has been classified for sale had to be impaired by €9m in the framework of IFRS 5. No further impairments were required in the framework of the annual impairment test for recognised goodwill.

At €2,289m or 84%, goodwill mostly related to TUI Travel. TUI Hotels & Resorts accounted for 16%.

Property, plant and equipment

At €2,374m, 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 €183m, down 30% year-on-year.

Development of property, plant and equipment

€ million	30 Sep 2009	31 Dec 2008	Var. %
Real estate with hotels	880.3	1,014.5	- 13.2
Other land	197.9	251.5	- 21.3
Aircraft	381.5	561.9	- 32.1
Ships	292.4	292.0	+ 0.1
Machinery and fixtures	421.0	428.6	- 1.8
Assets under construction, payments on accounts	200.5	139.4	+ 43.8
Total	**2,373.6**	**2,687.9**	**- 11.7**

Companies measured at equity

A total of 53 companies were measured at equity. This figure included 18 associated companies and 35 joint ventures. At €1,201m, their value increased by 169% year-on-year due to the acquired stake in Container Shipping.

Financial assets available for sale

Financial assets available for sale decreased by 15% to €103m. They comprised shares in non-consolidated subsidiaries, investments and other securities.

Structure of the Group's current assets

€ million	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Inventories	81.5	87.7	- 7.1	97.0
Trade accounts receivable and other receivables[1]	2,406.7	2,280.9	+ 5.5	2,976.1
Current income tax claims	21.2	42.3	- 49.9	45.6
Current receivables	2,427.9	2,323.2	+ 4.5	3,021.7
Cash and cash equivalents	1,452.0	2,810.0	- 48.3	2,045.5
Assets held for sale	405.7	4,569.0	- 91.1	4,144.5
Current assets	**4,367.1**	**9,789.9**	**- 55.4**	**9,308.7**

[1] incl. receivables from derivative financial instruments

Development of the Group's current assets

Inventories

At €82m, inventories declined by 7% year-on-year.

Current receivables

Current receivables comprised trade accounts receivable and other receivables, current income tax claims and claims from derivative financial instruments. At €2,428m, current receivables rose by 5% year-on-year.

Cash and cash equivalents

At €1,452m, cash and cash equivalents declined by 48% year-on-year.

Assets held for sale

Assets held for sale declined considerably to €406m due to the sale of Container Shipping in the period under review.

Unrecognised assets

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

Operating rental, lease and charter contracts

€ million	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Ships and containers	205.6	2,263.2	- 90.9	2,252.0
Aircraft	1,355.2	1,253.6	+ 8.1	1,408.1
Hotel complexes	674.6	575.0	+ 17.3	686.5
Administrative buildings	220.5	372.6	- 40.8	300.5
Travel agencies	409.2	492.4	- 16.9	436.7
Other	35.8	229.0	- 84.4	224.9
Total	**2,900.9**	**5,185.8**	**- 44.1**	**5,308.7**
Fair value	**2,446.0**	**4,146.3**	**- 41.0**	**4,318.5**

The financial liabilities from operating rental, lease and charter contracts fell by 44% to €2,901m due to the deconsolidation of Container Shipping. At 47%, aircraft accounted for the largest portion, with hotel complexes accounting for 23%.

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 on the consolidated financial statements.

Net assets of TUI AG

Net assets of TUI AG and its balance sheet structure are characterised by its function as the TUI Group's parent company. The balance sheet total fell by 18% to €7.2bn.

Development of fixed assets

At the balance sheet date, fixed assets accounted for 68% of total assets and were covered by equity and non-current financial assets at 41%. TUI AG's fixed assets included a portion of 99% for investments.

The major additions to investments were the acquisition of an entrepreneurial stake in the new container shipping group and the granting of loans, in particular to Albert Ballin Holding GmbH & Co. KG.

On 23 March 2009, TUI AG sold all shares in Hapag-Lloyd AG to Albert Ballin Holding GmbH & Co. KG, an indirect subsidiary of the Albert Ballin GmbH & Co. KG consortium, for €4.45bn. In order to acquire a 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG, the holder of the stake in the purchasing company of the shipping line, TUI AG established TUI-Hapag Beteiligungs GmbH and provided it with the requisite funding (€910m).

Following the sale of Hapag-Lloyd AG, TUI AG granted primarily medium- and long-term loans worth a total of €1,279m to Albert Ballin Holding GmbH & Co. KG in March and in the second half of May 2009. An amount of €200m of that total will be taken over by Albert Ballin GmbH & Co. KG at the end of March 2010 and was therefore carried under Other assets in Current assets. TUI AG also granted a non-current vendor loan of €179m to Hapag-Lloyd AG.

In order to support Hapag-Lloyd AG, a holding company established for that purpose acquired the 25.1% stake of the shipping line in Container Terminal Altenwerder. TUI AG contributed to the financing of this acquisition by the holding company by providing around 68% of equity and granting a corresponding loan of €214m, in proportion to that stake.

In order to meet the conditions of the federal and regional loan guarantees provided to the container shipping group, TUI AG will swap loans granted to Albert Ballin Holding GmbH & Co. KG with a nominal volume of €700m into hybrid capital. In this context, the stakes in the terminal holding company will be sold to Albert Ballin Holding GmbH & Co. KG and the loans granted to the holding company will be swapped into hybrid capital.

By the end of March 2010, it is also planned, together with Albert Ballin GmbH & Co. KG and in proportion to the stake held, to convert a part of the remaining loans granted to Albert Ballin Holding GmbH & Co. KG into equity in Albert Ballin Holding GmbH & Co. KG. For TUI AG, this sum amounts to €153m.

The commercial-law measurement of the hybrid instruments resulting from these measures (nominal volume €914m) and the loans remaining thereafter (nominal volume €406m) required impairments totalling €459m.

Development of current assets

The decrease in receivables from Group companies was mainly attributable to repayment of a portion of the interest-bearing shareholder loan granted to TUI Travel PLC.

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

€ million	30 Sep 2009	31 Dec 2008	Var. %
Intangible assets/property, plant and equipment	62.3	63.7	- 2.2
Investments	4,826.1	2,965.0	+ 62.8
Fixed assets	4,888.4	3,028.7	+ 61.4
Receivables	1,843.6	2,009.5	- 8.3
Cash and cash equivalents	493.5	3,731.2	- 86.8
Current assets	2,337.1	5,740.7	- 59.3
Prepaid expenses	8.8	24.4	- 63.9
Assets	**7,234.3**	**8,793.8**	**- 17.7**
Equity	2,018.1	2,116.1	- 4.6
Special non-taxed items	39.5	40.3	- 2.0
Provisions	589.7	1,154.6	- 48.9
Liabilities	4,577.6	5,467.6	- 16.3
Deferred income	9.4	15.2	- 38.2
Liabilities	**7,234.3**	**8,793.8**	**- 17.7**

Financial Position

In the framework of the economic crisis, especially in Container Shipping, the Hapag-Lloyd Group – the majority stake in which has been sold – made use of financing commitments undertaken by TUI AG. TUI AG also made financial contributions to the restructuring measures which have meanwhile been initiated. As per the end of the financial year under review, TUI therefore retained its exposure in Container Shipping, with an equity stake of €910m and outside capital worth almost €1.7bn.

In September 2009, TUI Travel PLC issued convertible bonds worth £350m sterling. In this context, an additional bank loan was taken out worth £140m sterling. These two measures had a positive effect on TUI's liquidity situation.

In the completed financial year, TUI AG cut its debt by a nominal amount of €636m.

The Group's financial position

Principles and goals of financial management

Principles

As a matter of principle, the TUI Group's financial management is centrally operated by TUI AG, which acts as the Group's internal bank. Financial management covers all Group companies in which TUI AG directly or indirectly holds an interest of more than 50%. It is based on policies covering all cash flow-oriented aspects of the Group's business activities. 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 supporting any measures designed to achieve an improvement in the current credit rating in the medium term.

Liquidity management

The Group's liquidity safeguards consist of two components:

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

Limiting financial risks

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

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

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

Capital structure of the Group

€ million	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Non-current assets	9,116.0	7,903.9	+ 15.3	7,344.7
Current assets	4,367.1	9,789.9	- 55.4	9,308.7
Assets	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**
Subscribed capital	642.8	642.3	+ 0.1	642.8
Reserves including net profit available for distribution	995.5	1,571.5	- 36.7	924.4
Hybrid capital	294.8	294.8	+ 0.0	294.8
Minority interest	324.4	321.8	+ 0.8	305.5
Equity	**2,257.5**	**2,830.4**	**- 20.2**	**2,167.5**
Non-current provisions	1,689.4	1,544.1	+ 9.4	1,585.0
Current provisions	530.9	580.9	- 8.6	565.5
Provisions	**2,220.3**	**2,125.0**	**+ 4.5**	**2,150.5**
Non-current financial liabilities	3,175.1	4,286.3	- 25.9	3,965.4
Current financial liabilities	539.7	868.4	- 37.9	1,009.3
Financial liabilities	**3,714.8**	**5,154.7**	**- 27.9**	**4,974.7**
Other non-current financial liabilities	170.8	187.6	- 9.0	245.8
Other current financial liabilities	4,939.5	5,536.5	- 10.8	4,614.3
Other financial liabilities	**5,110.3**	**5,724.1**	**- 10.7**	**4,860.1**
Liabilities related to assets held for sale	**180.2**	**1,859.6**	**- 90.3**	**2,500.6**
Liabilities	**13,483.1**	**17,693.8**	**- 23.8**	**16,653.4**

Capital structure

The development of the TUI Group's capital structure in the short financial year 2009 was mainly determined by the sale of Container Shipping as well as the purchase of a financial stake of 43.33% in Albert Ballin Joint Venture GmbH & Co. KG.

Overall, non-current capital decreased by 18% to €7,293m. It declined by 4 percentage points to 54% in relation to the balance sheet total. The equity ratio climbed to 17%, up from 16% in 2008. Equity and non-current financial liabilities accounted for 40% of the balance sheet total at the balance sheet date, as in previous year.

The gearing, i.e. the ratio of average net debt to average equity, decreased to 122%, from 134% in the previous year.

Equity

Subscribed capital amounted to €643m as in previous year. In the year under review, €98m were withdrawn from the capital reserve, which only comprised transfers from premiums, in order to balance the net loss for the year. The capital reserve decreased to €871m. Revenue reserves increased by €169m to €124m. Equity included the hybrid bond of €295m issued in December 2005. Minority interests accounted for €324m of equity.

Provisions

Provisions mainly comprised provisions for pension obligations, current and deferred income tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of €2,220m and were thus €95m or 5% up year-on-year.

Financial liabilities

The financial liabilities of the Continuing Operations decreased by a total of €1,440m to €3,715m. They consisted of bonds totalling €2,226m, liabilities to banks of €1,101m, liabilities from finance leases of €220m and other financial liabilities of €168m. Financial liabilities were reduced by the repayment of a bond worth €400m. In addition, the promissory notes worth €183m, originally maturing in December 2009, and a volume of €33m of the promissory notes originally maturing in April 2010 were already repaid in the completed financial year. TUI also acquired bonds worth €20m for the exchangeable bond issued by Nero Finance Ltd. with shares in TUI Travel PLC as underlying and thus reduced its own financial debt by the same amount, taking into account the associated overall contractual relationships. When the financial year was changed, the seasonal nature of the tourism business and the associated operative payment flows caused bank debt to decline at the level of the TUI Travel Group as at the end of the financial year. 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. More detailed information, in particular on the remaining terms, is provided under Financial liabilities in the notes on the consolidated financial statements.

Other liabilities

At €5,110m, other liabilities decreased by €614m or 11% year-on-year. This decrease was largely determined by the deconsolidation of the Container Shipping.

Ratings by Standard & Poor's and Moody's

In the short financial year 2009, the rating agencies Standard & Poor's and Moody's adjusted their credit ratings of TUI AG due to the situation of Hapag-Lloyd and the implication on TUI's invested capital in Container Shipping. The corporate rating assigned by Standard & Poor's was adjusted to 'B- (credit watch with negative implications)', with Moody's changing their rating to 'Caa1 (negative outlook)'.

The senior notes of around €1.6bn issued in 2004 and 2005 and the convertible bond of around €0.7bn issued in 2007 were assigned a 'CCC+' rating by Standard & Poor's and a 'Caa2' rating by Moody's. The hybrid bond issued in December 2005 was partly treated as equity as it was subordinated to other liabilities and did not have a fixed maturity; it was therefore rated 'CCC-' by Standard & Poor's and 'Caa3' by Moody's.

Key financing measures

The capital structure in the short financial year 2009 was mainly characterised by the reduction in debt.

Issue of a convertible bond

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

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

Syndicated credit facility

Furthermore, at the end of September, TUI Travel signed a syndicated credit facility of £140m sterling. The credit facility will mature at the end of June 2012.

Purchase of parts of an exchangeable bond

In January 2008, Nero Finance Ltd., a third-party company independent of TUI, issued exchangeable bonds worth €450m. TUI booked a corresponding against shares in TUI Travel PLC financial liability via related agreements on repurchase rights and obligations concerning the TUI Travel shares underlying the exchangeable bonds, concluded with Deutsche Bank. At the beginning of 2009, TUI repurchased exchangeable bonds worth €20m so that TUI's financial liabilities were reduced accordingly.

Redemption of a bond

The bonds worth €400m issued in 2004 and maturing in August 2009 were repaid from liquid funds.

Redemption of notes

The notes worth €183m issued in 2006 and maturing in December 2009 were repaid early from liquid funds in order to benefit from market opportunities.

In 2006, TUI issued additional notes worth €217m and maturing in April 2010. In order to take advantage of market opportunities, TUI repurchased notes worth a nominal amount of €33m in the completed financial year, earlier than required, so that the remaining volume stands at €184m.

Interest rates and terms

Interest and financing environment

Due to the worldwide financial and economic crisis, interest rate levels declined significantly. This resulted in lower interest income from investing liquid funds. On the other hand, TUI benefited from lower interest rates in floating-rate debt titles. Lower charges were incurred, in particular, by the interest payable on the floating rate bonds of €400m and €550m, a floating rate note volume of initially €162m and the amounts drawn under TUI Travel's syndicated credit line. TUI also repaid long-term financing instruments and thus considerably reduced the basis for interest payments.

As 2009 progressed, the environment for financing schemes in the money and capital markets deteriorated for the TUI Group due to the rating downgradings by Standard & Poor's and Moody's and in particular the effects of the global financial crisis. As a result, credit margins increased substantially across all sectors, in particular in the non-investment grade segment, and investors showed lending restraint. TUI was able to service its refinancing obligations through its liquid funds and by drawing on existing credit lines. New credits were only taken out to a minor extent. Interest rates and maturities of the Group's debt are outlined in detail under Liabilities (Financial liabilities and liabilities to banks) in the notes on the consolidated financial statements.

Listed bonds

Capital measures	Issuance	Maturity	Volume € million	Interest rate %
Senior fixed rate notes	May 2004	May 2011	625	6.625
Senior floating rate notes	December 2005	December 2010	550	3M EURIBOR plus 1.55
Senior fixed rate notes	December 2005	December 2012	450	5.125
Hybrid bond	December 2005	No fixed maturity	300	8.625
Convertible bond	June 2007	September 2012	694	2.750

Off-balance sheet financing instruments

Operating leases

In the short financial year 2009, off-balance sheet financing instruments (operating leases) were used in the Tourism Division in order to further optimise the financing structure. In connection with the ongoing renewal of the aircraft fleet in Tourism, a total of seven new aircraft were added in 2009. Operating leases were concluded for all aircraft, including six sale-and-lease-back transactions.

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

Liquidity analysis

Liquidity reserve

In the short financial year 2009, the TUI Group's solvency was secured at all times by means of cash inflows from operating activities, the purchase price received for the sale of a stake in Hapag-Lloyd, liquid funds as well as bilateral and syndicated credit agreements with banks.

At the balance sheet date, the liquidity reserve of TUI AG as the Group's parent company consisted of unused bilateral credit lines with banks as well as cash and cash equivalents. It totalled €0.5bn at the balance sheet date.

Restrictions on the transfer of liquid funds

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

Change of control

Significant agreements taking effect in the event of a change of control of the Company following a takeover bid are outlined in the chapter Information Required under Takeover Law.

Summary cash flow statement

€ million	SFY 2009	9M 2008	Var. %	2008
Net cash inflow from operating activities	+ 1,134.6	+ 2,058.9	- 44.9	+ 945.8
Net cash inflow/outflow from operating activities	- 500.5	- 488.5	- 2.5	- 461.4
Net cash inflow/outflow from financing activities	- 1,370.3	- 197.7	- 593.1	+ 199.1
Change in cash and cash equivalents	**- 736.2**	**+ 1,372.7**	**n/a**	**+ 683.5**

Net cash inflow from operating activities

In the completed short financial year, the cash inflow from operating activities totalled €1,135m. The decline on the comparative period in 2008 was above all attributable to the fact that Container Shipping was included for a 9-month period in 2008, whereas it was only included for a 3-month period until its disposal in the short financial year 2009. Further reasons for the decline were the capacity cuts in Tourism and the unfavourable economic environment.

Net cash outflow from investing activities

In the financial year under review, the total cash outflow from investing activities was €501m. While a cash inflow was generated from the sale of Container Shipping, a cash outflow resulted from the granting of loans to the acquirer of Hapag-Lloyd AG and the acquisition of the 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG. Further outflows of cash related to investments in property, plant and equipment and financial investments in the short financial year under review, above all a loan to Albert Ballin Terminal Holding GmbH, used to finance the acquisition of a 25.1% stake in HHLA Container Terminal GmbH, and a capital increase in TUI Cruises GmbH.

Net cash outflow from financing activities

The net cash outflow from financing activities accounted for €1,370m, primarily due to the repayment of €400m of the floating rate notes and the early redemption of other liabilities to banks by TUI AG. In the comparative period in 2008, a cash inflow of €450m was recorded due to the launch of a financing scheme with shares in TUI Travel PLC as underlying.

Development of cash and cash equivalents

€ million	SFY 2009	9M 2008	Var. %	2008
Cash and cash equivalents at the beginning of the period	**+ 2,169.4**	**+ 1,614.0**	**+ 34.4**	**+ 1,614.0**
Changes due to changes in consolidation	–	+ 0.6	n/a	+ 0.8
Changes due to changes in exchange rates	+ 25.1	- 43.3	n/a	- 128.9
Cash changes	- 736.2	+ 1,372.9	n/a	+ 683.5
Cash and cash equivalents at the end of the period[1)]	**+ 1,458.3**	**+ 2,944.2**	**- 50.5**	**+ 2,169.4**

[1)] At 30 September 2009, cash and cash equivalents of €6.3m are included in Assets held for sale (previous year: €123.9m)

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

Analysis of investments

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

Additions to fixed assets

€ million	SFY 2009	9M 2008	Var. %	2008
Goodwill	23.4	0.0	n/a	1.4
Other intangible assets	64.4	114.7	- 43.9	153.7
Investment property	7.7	2.3	+ 234.8	4.2
Property, plant and equipment	208.0	356.6	- 41.7	407.0
Companies measured at equity	1,149.1	49.0	n/a	72.4
Financial assets available for sale	8.6	4.6	+ 87.0	5.1
Total	**1,461.2**	**527.2**	**+ 177.2**	**643.8**

Additions to property, plant and equipment by division

At €216m, investment in property, plant and equipment as well as investment property had a part of 21% of additions to fixed assets. In the additions to the companies measured at equity the 43.33% stake in the Container Shipping is included.

Investments in property, plant and equipment by divisions

€ million	SFY 2009	9M 2008	Var. %	2008
Tourism	207.5	354.4	- 41.5	404.9
Central Operations	8.2	4.5	+ 82.2	6.3
Continuing Operations	215.7	358.9	- 39.9	411.2
Discontinued Operations	56.1	326.4	- 82.8	386.1
Total	**271.8**	**685.3**	**- 60.3**	**797.3**

Tourism

The investment in property, plant and equipment in Tourism of €208m decreased by 42% year-on-year due to reduced investment in the Hotel Sector.

Investment obligations

Order commitments

Due to agreement concluded in the 2009 short financial year or in previous years, order commitments for investments totalled €2,519m at the balance sheet date, €258m of which were related to scheduled deliveries in the 2009 financial year. More detailed information is provided in the section Other financial obligations in the notes on the consolidated financial statements.

Tourism

In Tourism, order commitments amounted to €2,511m as of 30 September 2009. Early in October 2009, the cancellation of an order of 10 Boeing 787 aircraft out of a total order of 23 aircraft has agreed with Boeing. No deliveries have been planned for the financial year 2009/10.

Financial position of TUI AG

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

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

€ million	30 Sep 2009	31 Dec 2008	Var. %
Fixed assets	4,888.4	3,028.7	+ 61.4
Current assets	2,337.1	5,740.7	- 59.3
Prepaid expenses	8.8	24.4	- 63.9
Assets	**7,234.3**	**8,793.8**	**- 17.7**
Equity	2,018.1	2,116.1	- 4.6
Special item with an equity portion	39.5	40.3	- 2.0
Provisions	589.7	1,154.6	- 48.9
Bonds	2,619.0	3,019.0	- 13.2
Financial liabilities	816.4	1,055.0	- 22.6
Other liabilities	1,140.2	1,393.6	- 18.2
Liabilities	4,577.6	5,467.6	- 16.3
Deferred income	9.4	15.2	- 38.2
Liabilities	**7,234.3**	**8,793.8**	**- 17.7**

Development of TUI AG's capital structure

Equity

At €2,018m, TUI AG's equity declined slightly by 5%. 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 remains around €643m and comprises 251,444,305 shares.

In the year under review, an amount of €98m was withdrawn from the capital reserves and used to balance the net loss for the year. Revenue reserves were retained unamended. Taking account of the profit carried forward and the withdrawal from the capital reserves, the net result available for distribution was balanced. The equity ratio rose to 27.9% (previous year: 24.1%).

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

Provisions

Provisions decreased by 49% to €590m. They consisted of provisions for pensions of €212m (previous year: €230m) and other provisions of €378m (previous year: €925m). The decline in Other provisions was mainly caused by the expiry or transfer of hedges for Tourism companies to TUI Travel PLC.

Liabilities

TUI AG's liabilities totalled €4,578m and thus declined by €890m or 16% year-on-year. The decrease was attributable to the scheduled repayment of a bond and the early redemption of bonds and note loans to take advantage of market opportunities.

New capital authorisation resolutions by the AGMs

Disclosures on new or existing capital authorisation resolutions by the AGMs are presented in the following chapter Information Required under Takeover Law.

Information Required under Takeover Law

The following information is presented pursuant to section 289 (4) and section 315 (4) of the German Commercial Code (HGB).

Composition of subscribed capital

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

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, consisted of 251,444,305 shares at the end of the short financial year (previous year: 251,444,305 shares) and totalled €642.8m. Each share confers one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares

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

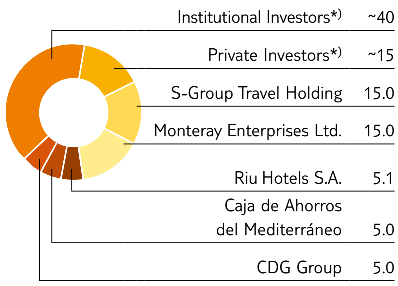
Equity interests exceeding 10% of the voting rights

Pursuant to the German Securities Trading Act, every shareholder whose share of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise has to notify the Company and the German Federal Financial Supervisory Authority. The lowest threshold for this notification duty is 3%. The Executive Board of TUI AG has been notified of the following direct or indirect equity interests reaching or exceeding 10% of the voting rights.

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

The voting shares in TUI AG attributable to John Fredriksen, Cyprus, exceeded the 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 (in %)



As of September 2009

*) Free float according to the definition by Deutsche Börse

At the end of the short financial year 2009, around 55% of the TUI shares were in free float. Around 15% of all TUI shares were held by private shareholders, around 40% by institutional investors and around 45% by strategic investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Shares with special control rights

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

System of voting right control of any employee share scheme where the control rights are not exercised directly by 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 Co-Determination Act. Amendments to the Articles of Association are based on the provisions of sections 179 ff. of the German Stock Corporation Act in combination with section 24 of the Articles of Association of TUI AG.

Powers of the Executive Board to issue or buy back shares

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

Moreover, conditional capital of €100m was authorised in 2009. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 12 May 2014.

Conditional capital of €100m was already resolved by the Annual General Meeting of 7 May 2008. Accordingly, bonds with conversion options or warrants as well as profit-sharing rights and income bonds of up to a nominal amount of €1.0bn may be issued up to 6 May 2013.

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

In addition, two authorisations were granted in 2008 to increase the capital stock by a total of €74m by 6 May 2013. This includes authorised capital for the issue of new shares with the option of excluding subscription rights of €64m and authorised capital for the issue of employee shares worth €10m. To date, around €0.5m of this authorised capital has been used.

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

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

TUI AG's remaining listed bonds, the private placements issued in 2006 and 2007 – where they have not yet been redeemed – and the equity-linked financing of TUI AG with shares in TUI Travel PLC as underlying include change of control clauses. A change of control occurs in particular if a third partly directly or indirectly acquires control over at least 30% or the majority of the voting shares in TUI AG, depending on the respective agreement.

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

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

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

The total volume of financing instruments with corresponding change of control clauses currently amounts to around €3.6bn. On top of that, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

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

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

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

Compensation agreements between the Company and Executive Board members or employees taking effect 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 said contract.

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

The service contracts for 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. In future, care will be taken to ensure that severance payments agreed in service contracts for Board members do not exceed the amount equivalent to two annual remuneration payments. The severance payment for change of control situations is to be limited to 150% of the severance payment cap.

Declaration of Compliance Recommendations of the German Corporate Governance Code fully implemented.

The actions of TUI AG's management and oversight bodies are determined by the principles of good and responsible corporate governance. In this declaration, 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 pursuant to section 289a (1) of the German Commercial Code (HGB).

Declaration of compliance and reporting on Corporate Governance

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The most recent version of the Code is dated 18 June 2009. It contains new elements, in particular concerning remuneration issues. TUI AG has adopted and implemented all amendments to the Code. The Executive Board and the Supervisory Board discussed corporate governance issues several times in the short financial year 2009 and jointly submitted an updated declaration of compliance for 2009 on 28 October 2009, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website.

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

Declaration of compliance for 2009

'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:

The recommendations of the Government Commission on the German Corporate Governance Code in the version of 6 June 2008, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 8 August 2008, have been and are fully complied with.

TUI AG will additionally fully comply with the recommendations in the currently valid version of 18 June 2009, as published by the Federal Ministry of Justice on 5 August 2009.

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

Working methods of the Executive Board and Supervisory Board

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

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

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

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, where necessary.

TUI AG has taken out a D&O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. As of calendar year 2010 a deductible of 10% of the damage or one and a half times the fixed annual remuneration is planned to be agreed.

Composition of the Supervisory Board

In accordance with the Articles of Association, TUI AG's Supervisory Board comprises twenty members, with ten representatives elected by the shareholders and ten by the employees for an identical period of office. In accordance with the new recommendations of the German Corporate Governance Code, the shareholders' representatives were elected individually in the last elections to the Supervisory Board at the Annual General Meeting on 10 May 2006. In accordance with the Articles of Association, two new members were elected to the Supervisory Board at the Annual General Meeting on 13 May 2009 to replace members who had resigned. Following resignation of a member, a new member was appointed by the local court at Hanover on 7 August 2009. Factors taken into account in nominating candidates for election to the Supervisory Board are the knowledge, skills and expertise required to implement the tasks as well as diversity. The Supervisory Board does not comprise any former Executive Board members. It comprises a sufficient number of independent members not maintaining any personal or business relationship with the Company or its Executive Board. The Supervisory Board has been elected for a period of five years that will expire at the end of the 2011 ordinary Annual General Meeting.

Committees of the Supervisory Board

The Supervisory Board has established three committees from among its members: the Presiding Committee, the Audit Committee and the Nomination Committee, which prepare and complement its work. The Presiding and Audit Committee have six members each, with an equal number of shareholder and employee representatives. The Presiding Committee prepares the issues and resolutions to be dealt with by the Supervisory Board. It also prepares the nomination of Executive Board members including the terms of the articles of employment and the remuneration. The function of the Audit Committee is to support the Supervisory Board in executing its control function. The chairman of the Audit Committee is an independent financial expert. 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 suggestions to the Annual General Meeting. There is no plan at present to establish any further committees. Based on practical professional experience, he has special knowledge and experience in the application of accounting principles and internal control methods.

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

Remuneration of the Executive and Supervisory Board

For the Remuneration Report see the separate chapter in the Management Report

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

Shareholders and Annual General Meeting

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

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

Annual General Meeting 2010 on 17 February 2010 Information at: www.tui-group.com/en/ir/agm

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

Risk management

For the Risk Report see the separate chapter in the Management Report

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

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

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 Modernisation Act.

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 timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. All information is published simultaneously in German and English and is available in print as well as by appropriate electronic media such as e-mail or the internet. Moreover, the company website at www.tui-group.com provides comprehensive information on the TUI Group and the TUI share.

Financial Calendar online at www.tui-group.com/en/ir

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

Directors' dealings

Directors' Dealings online: http://www.tui-group.com/de/ir/corporate_governance/directors_dealings

The Company was not informed of any notifiable purchase or sale transactions of TUI AG shares or related financial instruments by Supervisory Board or Executive Board members (directors' dealings) in the short financial year 2009.

At the end of the short financial year 2009, the number of shares in TUI AG directly or indirectly held by members of the Executive Board and Supervisory Board exceeded 1%, the limit fixed for individually notifiable share ownership, for one Supervisory Board member. Executive Board members held a total of 51,741 shares, Supervisory Board members held 14,792,695 shares. Of these shares, Ms Carmen Riu Güell held 12,768,000 shares (indirectly) and the remaining Supervisory Board members held 2,024,695 shares.

Accounting and auditing

TUI AG prepares its consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of TUI AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board and audited by the auditors and the Supervisory Board. The interim reports and the half-year financial report are discussed between the Audit Committee and the Executive Board prior to publication.

The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2009 AGM. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of the short financial year 2009. The condensed consolidated interim financial statements and the consolidated interim management report as at 30 June 2009 were examined by the auditors.

Compliance – Basis for entrepreneurial activity and operations.

Sustainable economic, ecological and social action is an indispensable element of TUI's corporate culture. It includes integrity in the dealings with employees, business associates, shareholders and the public, expressed in TUI's own exemplary conduct.

As a services group, TUI has to win and retain the trust of its customers and business associates through impeccable behaviour. The Group's aim is to be credible, solid and reliable and act accordingly.

TUI takes compliance to mean observing laws, regulations, the Articles of Association and internal policies, but also voluntary commitments.

Code of Conduct

So that TUI can continue to ensure consistent exemplary behaviour across all activities, a Code of Conduct has been devised for the entire Group. It sets standards for all of us – the Executive Board, managing directors, managers and all Group employees.

The Code of Conduct defines minimum standards and sets out behaviour enabling all employees to cooperate in meeting these standards. The purpose of the Code is to help all employees cope with the ethical and legal challenges of their everyday work and provide them with guidance in conflict situations. In the interest of all employees and the Group, non-compliance with standards will be investigated and the causes will be remedied. This means that misconduct will be consistently prosecuted in accordance with national laws.

Compliance organisation

TUI's compliance structure helps to communicate the values underlying the Code of Conduct and anchor them firmly in the Group. It ensures Group-wide implementation of the compliance programme.

Compliance online: www.tui-group.com/de/unternehmen/compliance

Since the Group is a global player, a worldwide whistleblower system has been implemented. It enables all Group employees to report compliance violations in an anonymous manner. Information received is immediately analysed by an evaluation committee set up for that purpose, which will also initiate any measures required.

The corporate values listed in the Code of Conduct are communicated to managers and employees in seminars requiring attendance and web-based training sessions. The central Compliance Department supports implementation of the Code of Conduct in the Group and answers questions. It serves a preventive purpose, because apart from raising employee awareness it ensures that the nature and consequences of our action are well understood within the TUI Group.

Report on Subsequent Events

Change in the Supervisory Board

At the Supervisory Board meeting on 28 October 2009, Dr Jürgen Krumnow resigned from his mandate as chairman of TUI AG's Supervisory Board for personal reasons with immediate effect. Dr Krumnow will leave the Supervisory Board at the end of December 2009. Dr Dietmar Kuhnt was elected as new chairman of the Supervisory Board.

The Supervisory Board elected Dr Peter Barrenstein as new chairman of the Audit Committee, hitherto chaired by Dr Kuhnt.

Issuance of convertible bond

On 17 November 2009 (value date), TUI AG issued convertible bonds cum rights worth an aggregate nominal value of €217.8m, with initially 38.7m shares in TUI AG underlying the bonds. The coupon has been set at 5.5% per annum and is payable semi-annually in arrears. The maturity of the convertible bonds is five years. TUI intends to extend its maturities profile through this transaction. The proceeds from the issuance of the convertible bonds will be used for general corporate purposes.

Risk Report Systematically detecting, monitoring and managing risk. Tapping opportunities to the full.

The TUI Group is a global player operating worldwide in particular in tourism, its core business. In the first quarter of 2009, TUI closed the sale of its container shipping activities and acquired a 43.33% stake in the purchasing company Albert Ballin Holding GmbH & Co. KG. On top of this stake, TUI AG granted Hapag-Lloyd AG a finance facility worth €1.7bn as of 30 September 2009.

Depending on the type of business, tourism operations and financial exposure in container shipping entail various inherent risks. Risks may arise from the Group's own entrepreneurial action or external factors. In order to identify and actively control these risks, the Group has introduced Group-wide risk management systems.

The world economy continued to decline in the first half of 2009. The third quarter of 2009 saw the emergence of the first positive trend, which might consolidate further by the end of the year. Overall, however, gross domestic product is expected to decline worldwide in 2009. Global economic activity is expected to take some time to recover from the negative repercussions of the real estate and financial crisis. It is still too early to fully anticipate the impact of the current crisis on consumer behaviour in the TUI Group's key markets. The TUI Group has taken measures to reduce potential risks.

Risk policy

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

TUI Group subsidiaries operate in tourism markets characterised until last year by moderate growth rates. The TUI Group's Tourism Division again showed an overall positive development in the short financial year 2009, in particular because TUI Travel launched capacity adjustment measures in time to prepare for declines in customer volumes. Container Shipping recorded significant year-on-year declines in volumes and freight rates in the short financial year 2009, causing losses which also affected Group earnings. The contributions by the shareholders and the state loan guarantee granted on 6 October 2009 stabilised the financial situation of Container Shipping operations in the short financial year under review.

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

Risk management

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

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

In addition, special independently organised reporting systems have been introduced for the early identification of risks threatening the existence of the Company. These risks are reported through a separate system, organised with its own distinct structure alongside operational risk management. 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 (German Act on Control and Transparency in Business, KonTraG) and operational risk management.

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

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

The methods and systems used in risk management and the frequency of controls is tailored to reflect different types of risk and are continually checked, modified and adjusted to changing business environments. The systems for early identification of risks threatening the Group's existence were verified by our auditors while they were auditing our annual financial statements for the short financial year 2009.

The regular risk reporting system did not identify any specific risks threatening the continued existence of individual subsidiaries or the entire Group, neither during the 2009 short financial year nor at year-end.

Risk transfer

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

Risks related to future development

Environment and industry risks

Both tourism – the TUI Group's core business – and the financial stake in Container Shipping are exposed to macroeconomic and industry-specific risks. A detailed assessment of overall economic development in the medium term is provided in the Report on Expected Developments. Specific risks may arise from changes in commodity prices, in particular oil products, or in currency relations and interest rates. Special risks may arise in this regard if the current credit crunch restricting access to credits for companies does not come to an end.

Demand for tourism products hinges in particular on macroeconomic development. Tourism therefore faces risks if unemployment rates in the relevant source markets, including Germany and the UK, should rise significantly. Special risks in container shipping may arise if world trade only witnesses weak economic growth in the medium term or if it is hampered by protectionist tendencies.

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

Risks from acquisitions and divestments

In financial year 2007, the TUI Group's tourism entities, excluding the hotel companies, were merged with First Choice to form the new company TUI Travel. In a first step, significant synergies were delivered, exceeding planned values. In the meantime, as a second step, additional synergy potential has been identified and supported by appropriate programmes and processes. There is nevertheless a risk of the actual synergy effects not matching the targets.

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

In financial year 2009, TUI AG sold its stake in Hapag-Lloyd AG and acquired a 43.33% stake in Albert Ballin Holding GmbH & Co. KG. TUI AG also granted a finance facility to container shipping. The planned reduction of this stake and the associated shareholder loan is proving difficult in the current market environment. TUI will therefore continue to be exposed to a financial risk from the business of Hapag-Lloyd AG, which has, however, been countered by the selective initiation and implementation of restructuring measures and the state loan guarantee in October 2009.

Risks from information technology

Business processes rely heavily on the IT systems installed. Examples of IT-based operations include booking systems, capacity and yield management and all administrative areas. Moreover, the internet is growing in importance, not only as a distribution channel but also as basic technology for automating business processes between business partners. The Group works in partnership with IT service providers who perform functions in systems operation, development, management and support. IT governance in the TUI Group is guaranteed by means of a Group-wide IT management body covering all business segments. It is supported by an expert team consisting of IT directors.

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

Business risks in Tourism

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

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

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

Risks from the financial stake in Container Shipping

Apart from its 43.33% stake in Albert Ballin Holding GmbH & Co. KG, TUI AG has launched measures to stabilise Hapag-Lloyd AG in partnership with other shareholders. These measures include strengthening the equity base of Hapag-Lloyd AG, converting existing loans to equity or hybrid capital, agreeing to suspend interest payments and granting subordination declarations for the loans granted. The shareholder contributions made by TUI AG include the capital increase against cash contributions worth €124m, the debt equity swap worth €153m, the debt hybrid swap worth €700m and the non-cash swap of the purchase price share for Container Terminal Altenwerder (CTA) worth €215m into a hybrid structure. The Hamburg-based consortium Albert Ballin GmbH & Co. KG will also acquire the revolving credit facility worth €200m from TUI AG as per 30 March 2010. The shareholder contributions were a condition for the award of a state loan guarantee for a credit facility worth €1.2bn. Interest payments have been suspended for the duration of the state guarantee by the federal government.

The carrying amount of the investment in Hapag-Lloyd AG shown by TUI AG will continue to decline substantially due to the proportionate negative earnings to be included within at equity measurement in 2009 and 2010 as a result of the underlying budget assumptions. TUI AG believes that the scope of the measures taken will secure the future of the Hapag-Lloyd Group in the long term if the planning assumptions underlying the restructuring should materialise. These assumptions were developed with the support of Roland Berger and have been investigated and confirmed during the expert report on restructuring by Ernst & Young. TUI AG therefore currently sees no indication whatsoever suggesting that the carrying values of the subordinate loans granted to Hapag-Lloyd AG might need to be impaired.

Financial risks

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

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

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

Financial instruments

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

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

Liquidity management
In the course of the annual Group planning process, TUI draws up a multi-annual finance budget. In addition, TUI produces a monthly rolling liquidity plan covering a period of one year. The liquidity plan covers all 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 is able to independently secure the liquidity of the tourism companies allocated to it.

In order to meet its long-term financing requirements, TUI had issued bonds worth a total of €2.6bn in the capital market as at the balance sheet date, comprising a total of five bonds including a hybrid bond shown as equity. 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 a bond worth €0.4bn maturing in August 2009 as scheduled and further financial debt worth €0.2bn due to market opportunities before the due date. On the other hand, TUI Travel PLC issued a five-year convertible bond worth £0.4bn sterling at the end of September 2009. TUI Travel PLC received the issuance proceeds in October 2009. Besides, TUI AG has issued a five-year convertible bond in October 2009. The proceeds of €0.2bn were received by TUI AG in November 2009. In addition, TUI Travel PLC signed a syndicated bank credit line worth £0.1bn sterling maturing in June 2012 at the end of September 2009. This credit line had not been drawn by the balance sheet date. This programme helped stabilise TUI's liquidity position, as did the syndicated bank credit line of TUI Travel PLC from 2007 maturing in June 2012 worth £0.8bn sterling, of which £0.1bn sterling had been drawn by the closing date.

Due to the economic situation in container shipping, assets invested in the Hapag-Lloyd Group cannot be repaid within the planned timeframe. In order to enhance financial flexibility TUI has launched an asset streamlining programme aiming to generate inflows from the refinancing of assets and the sale of non-core assets not required for operating or strategic purposes.

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

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

The capital market instruments, the financing transaction in connection with the exchangeable bond for shares in TUI Travel PLC as well as the syndicated credit facility also 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.

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

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

Risks from pension obligations

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

The present value of the TUI Group's fully or partly funded pension obligations for its Continuing Operations totalled €1.6bn, while the fair value of external plan assets amounted to €1.2bn. At the balance sheet date, the funded pension obligations thus exceeded plan assets by €0.4bn. Combined with the present value of pension obligations not covered by funds of €0.5bn, this resulted in pension obligations with a present value of €0.9bn, fully covered by pension provisions. Detailed information on the development of pension obligations is provided under the item Provisions for pensions and similar obligations in the notes on the consolidated financial statements.

Other financial liabilities

At the balance sheet date, the TUI Group had other financial liabilities of €3.1bn (€5.1bn at 31 December 2008). These liabilities mainly related to order commitments for investments. Around 22% of the total amount had a remaining term of up to one year.

At the balance sheet date, financial liabilities from operating lease, rental and charter agreements amounted to €2.9bn (€5.3bn at 31 December 2008). At €1.4bn, aircraft accounted for the largest proportion of financial liabilities from operating lease, rental and charter agreements, with €0.7bn relating to hotels, €0.4bn to travel agencies, €0.2bn to administrative buildings and €0.2bn to yachts, motorboats and Other. Around 24% of the total amount had a remaining term of up to one year.

Detailed information on other financial liabilities is provided in the corresponding section in the Notes on the Consolidated Financial Statements.

Environmental risks

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

Contingent liabilities and litigation

Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to €255m (previous year: €48m). The increase was mainly attributable to the granting of guarantees to Hapag-Lloyd AG.

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

Information on contingent liabilities and litigation is also provided in the corresponding sections in the Notes on the Consolidated Financial Statements.

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

1. Definition and elements of the internal control and risk management system in the TUI Group

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

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

The elements of the internal monitoring system in the TUI Group consist of both process-related and non-process-related measures. Besides manual process controls, e.g. the 'four-eyes principle', another key element of process-related monitoring 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 auditing departments within Group companies, are incorporated into the TUI Group's internal monitoring system through their non-process-related audit activities.

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, constitutes the key non-process-related monitoring measure with regard to Group accounting.

With regard to Group accounting, the risk management component of the internal control system addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system also embraces the systematic early detection, management and monitoring of risks across the Group. In order to ensure systematic early risk detection throughout the Group, the TUI Group has installed a 'monitoring system for the early detection of risks threatening the existence of the Company' in accordance with section 91(2) of the German Stock Corporation Act, permitting the prompt identification, control and monitoring of all 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 has regularly checked the accuracy of the PCE consolidation system and its authorisations and not had any ground for objections. TUI AG's Group auditor regularly audits the interface between the TRACE reporting system and the PCE consolidation system and the reconciliation tables right to the consolidated financial statements of the subsidiaries. The PCE system generates and fully documents all consolidation transactions used to prepare the consolidated financial statements of TUI AG, e.g. capital consolidation, asset and liabilities consolidation, and expenses and income elimination including at equity measurement. All elements of TUI AG's consolidated financial statements including the disclosures in the notes are developed from the PCE consolidation system. PCE also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

3. Specific risks related to Group accounting

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

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

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

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

The TUI Group's accounting provisions, including the provisions on accounting in accordance with the International Financial Reporting Standards (IFRS), govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. Specific provisions must, in addition, be met when preparing sub-group financial statements. Besides general accounting principles and methods, provisions concerning the statement of financial position, 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 business activity, discretionary decision-making, faulty checks, criminal acts and other circumstances cannot be ruled out and will restrict the efficacy and reliability of the internal control and risk management system, so that even Group-wide application of the systems cannot guarantee the accurate, complete and timely recording of facts in Group accounting.

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

Remuneration Report

Upon the proposal of the Presiding 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 existing remuneration system is to be revised in the light of the provisions of the German Act on the Appropriateness of Board Remuneration (VorstAG).

Total remuneration of the individual Executive Board members is determined by the Supervisory Board plenary, taking account of Group remuneration on the basis of a performance assessment. 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 the Company. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff. The remuneration of Mr Long is fixed by TUI Travel PLC's Remuneration Committee.

Remuneration of the Executive Board in the short financial year 2009

The remuneration granted to TUI AG's Executive Board members for the short financial year 2009 comprises fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of a management bonus and a bonus under a long-term incentive programme.

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

Under the long-term incentive programme, the German-based Executive Board members receive a bonus translated into phantom stocks in TUI AG on the basis of an average share price. These phantom stocks are calculated from underlying earnings before tax and amortisation of goodwill (EBTA). Since this indicator had a negative value for the short financial year 2009, no phantom stocks were granted for the completed short financial year.

After a future lock-up period of four years, the entitlement to cash payment from this bonus can be exercised individually by the Executive Board members within predetermined exercise windows.

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

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

On 30 September 2009, former Executive Board members held no shares (previous year: 10,479 shares). Mr Long held vesting rights to 4,358,966 shares in TUI Travel PLC as per 30 September 2009.

Provisions totalling €5,500 thousand (previous year: €6,000 thousand) were formed to cover entitlements under the long-term incentive programme.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 31 Dec 2008	**534,660**
Phantom stocks granted for the 2008 financial year	237,696
Phantom stocks exercised	0
Increase/Decrease of phantom stocks	0
Balance as at 30 Sep 2009	**772,356**

The measurement of the phantom stocks in TUI AG and vesting shares in TUI Travel PLC resulted in a profit of €1,872 thousand (previous year: loss of €6,753.1 thousand) for the Executive Board members in short financial year 2009.

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

€ '000	SFY 2009	2008
Dr Michael Frenzel (Chairman)	- 43.7	- 2,152.6
Horst Baier	74.6	- 150.7
Michael Behrendt	–	- 92.4
Dr Peter Engelen	- 18.7	- 1,206.3
Rainer Feuerhake	- 81.0	- 2,248.1
Peter Long	1,940.4	- 903.0
Total	**1,871.6**	**- 6,753.1**

Remuneration of individual Executive Board members

€ '000	Non-performance related remuneration	Performance related remuneration	Long-term incentive programme	Remuneration for Supervisory Board mandates in the Group	Total SFY 2009	Total 2008
Dr Michael Frenzel (Chairman)	947.1	1,103.5	–	339.6	2,390.2	3,791.6
Horst Baier	344.1	662.1	–	28.0	1,034.2	1,753.7
Michael Behrendt (until 30 September 2008)	–	–	–	–	–	1,436.8
Dr Peter Engelen	479.0	662.1	–	42.2	1,183.3	1,902.7
Rainer Feuerhake	606.8	882.8	–	98.4	1,588.0	2,722.7
Peter Long	1,121.3	2,093.7	–	2.1	3,217.1	5,179.1
Total	**3,498.3**	**5,404.2**	**–**	**510.3**	**9,412.8**	**16,786.6**
Previous year	5,226.0	7,001.7	3,482.4	1,076.5	16,786.6	

As in 2008, the members of the Executive Board did not receive any loans or advances in the 2009 short financial year.

Benefits in the event of a termination of position

a) Pension entitlements

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

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

Pension entitlements/addition to or reversal of pension provisions

€ '000	Annual pension	Addition to pension provisions
Dr Michael Frenzel (Chairman)	800.0	1,205.9
Horst Baier	200.0	291.0
Dr Peter Engelen	350.0	421.5
Rainer Feuerhake	520.0	153.5

b) Transition payments

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

c) Change of control agreement

In the event of a loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this case, to resign 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.

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.

d) Severance payment

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

e) Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board totalled €22,331 thousand (previous year: €20,259 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to €43,361.1 thousand (previous year: €41,628.6 thousand) at the balance sheet date.

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covered the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation. In the short financial year 2009, pension provisions for active Board members rose by €2,072 thousand (in the previous year, provision rose by €330 thousand). The increase is mainly due to a reduction of the interest rate from 6.25% to 5.25%.

In financial year 2009, the remuneration paid to former Executive Board members and their surviving dependents totalled €3,033 thousand (previous year: €4,445 thousand).

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are determined in accordance with section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet.

The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses. The remuneration is rateably paid for parts of a financial year or a short financial year. The Supervisory Board also receives remuneration 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 chairwoman and the other members of the Presiding Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairing of committees.

Remuneration of the Supervisory Board

€ '000	SFY 2009	2008
Fixed remuneration	727.8	976.7
Short-term variable remuneration	303.7	–
Long-term variable remuneration	987.3	219.3
Remuneration for committee memberships	120.0	156.1
Remuneration for TUI AG Supervisory Board mandate	2,138.8	1,352.1
Remuneration for Supervisory Board mandates in the Group	117.9	343.1
Total	**2,256.7**	**1,695.2**

In addition, travel and other expenses totalling €63 thousand (previous year: €96 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €2,319 thousand (previous year: €1,791 thousand).

Apart from the work performed by the employees' representatives pursuant to their contracts, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in the short financial year 2009.

Remuneration for individual Supervisory Board members for the short financial year 2009

€ '000	Fixed remune-ration	Short-term variable remune-ration	Long-term variable remune-ration	Remune-ration for committee member-ship	Remune-ration for Supervisory Board mandates in the Group	Total
Dr Jürgen Krumnow (Chairman)	90.0	37.6	133.5	15.0	39.3	315.4
Petra Gerstenkorn (Deputy Chairwoman, since 2 Jan 2009)	41.8	17.4	20.9	–	–	80.1
Anass Houir Alami (since 7 Aug 2009)	6.0	2.5	3.0	–	–	11.5
Mustapha Bakkoury (since 13 May until 9 July 2009)	6.3	2.6	–	–	–	8.9
Andreas Barczewski	30.0	12.5	55.5	15.0	–	113.0
Dr Peter Barrenstein (since 13 May 2009)	15.3	6.4	7.7	–	–	29.4
Jean-Claude Baumgarten (until 13 May 2009)	14.8	6.2	47.9	–	–	68.9
Jella Susanne Benner-Heinacher	30.0	12.5	44.7	–	–	87.2
Arnd Dunse	30.0	12.5	22.5	15.0	–	80.0
Sepp Dieter Heckmann (until 13 May 2009)	14.8	6.2	47.9	–	–	68.9
Frank Jakobi	45.0	18.8	55.0	–	–	118.8
Ingo Kronsfoth (since 2 Jan 2009)	29.9	12.5	15.0	–	8.3	65.7
Dr Dietmar Kuhnt	30.0	12.5	44.7	45.0	1.8	134.0
Roberto López Abad	30.0	12.5	44.7	–	–	87.2
Dieter Lübkemann (until 23 Jan 2009)	9.2	3.8	59.4	–	11.7	84.1
Dr h.c. Abel Matutes Juan	30.0	12.5	44.7	–	–	87.2
Carmen Riu Güell	45.0	18.8	67.1	–	–	130.9
Hans Dieter Rüster	30.0	12.5	28.7	–	–	71.2
Dr Manfred Schneider	30.0	12.5	44.7	15.0	27.8	130.0
Roland Schneider	45.0	18.8	76.8	–	–	140.6
Henry Sieb	30.0	12.5	55.5	15.0	16.5	129.5
Anette Strempel (since 2 Jan 2009)	29.9	12.5	14.9	–	12.5	69.8
Ortwin Strubelt (since 3 April 2009)	19.8	8.3	9.9	–	–	38.0
Vladimir Yakushev	45.0	18.8	42.6	–	–	106.4
Total	**727.8**	**303.7**	**987.3**	**120.0**	**117.9**	**2,256.7**

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

Research and Development Strong tourism brands due to continuous development of products and services.

The provision of innovative products and services finely tuned to the market once again generated a competitive edge for TUI's consumer-centred tourism business in the short financial year 2009. Drawing on state-of-the-art information technology and communication media was just as important here as looking to the future in designing attractive offerings and innovative services.

Innovation in Tourism

TUI Quality Support

TUI hotel consultation and product development is a new line of business initiated within TUI Deutschland to assure quality in the long term. The team supports partner hotels with systematic analytical tools to identify weaknesses and by providing training and advisory services to tap improvement potential. This approach consolidates the performance of hotel partners and strengthens their links with TUI Group tour operators.

IT systems and online activities

With My Thomson, TUI UK has developed a website specifically for customers in the pre-trip phase. Customers visiting the site find a custom-made selection of information and offerings, and key conclusions can be drawn about their future booking patterns. TUI Nordic is pursuing the same goal with a communication platform enabling customers to exchange information about a specific tour operator while at the same time establishing a basis for selective advertising options.

TUI Deutschland continued developing its new production system NPM. Various production and booking systems are being integrated into the new architecture, which permits linkage between the capture of hotel contracts, pricing and travel reservation. The system is designed to strengthen the company's competitive edge and reduce IT costs. In 2009, the functions used by various departments were adapted to the new production model and several hundred employees underwent training.

Airlines

TUIfly Nordic was one of the first airlines to introduce winglets on its long-haul Boeing 767-300 aircraft. These wing extensions improve aerodynamic performance, thereby reducing fuel consumption.

Cruises

The commissioning of the Mein Schiff vessel by TUI Cruises was flanked by a host of innovative marketing measures addressing new target groups. These measures notably included web-based activities.

Hotels

Innovation in the Hotel Sector was characterised by the development of themed experiences. With Splash Hotels, TUI UK created a tour operator brand with water park focus. With Blue Unique, TUI Nordic offers distinctive, often historical resorts that build on the unique tradition of the facility in terms of design, service and catering, be it an old vineyard or a converted copper mine.

Human Resources Changes in headcount and personnel structure due to sale of Hapag-Lloyd AG.

In the short financial year 2009, the TUI Group's headcount decreased to 69,536. This decline was primarily due to the sale of Hapag-Lloyd AG.

Changes in headcount

At the balance sheet date, the TUI Group's worldwide headcount was 69,536, around 12% down year-on-year. The Tourism Division employed the largest proportion of personnel at 93%, up from 84% in 2008. As before, around 1% of employees worked for Central Operations. The Discontinued Operations accounted for 7% after 15% in the previous year. This change in the structure of the Group headcount resulted from the sale of Container Shipping.

Divisional personnel

	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Tourism	64,336	66,294	- 3.0	59,706
TUI Travel	50,285	52,920	- 5.0	48,508
TUI Hotels & Resorts	13,832	13,167	+ 5.1	10,989
Cruises	219	207	+ 5.8	209
Central Operations[1)]	675	762	- 11.4	665
Continuing Operations	**65,011**	**67,056**	**- 3.0**	**60,371**
Discontinued Operations	**4,525**	**12,136**	**- 62.7**	**9,883**
Total	**69,536**	**79,192**	**- 12.2**	**70,254**

[1)] of which Corporate Center: 200 employees as of 30 Sep 2009; 257 employees as of 30 Sep 2008.

Tourism

At the end of the short financial year under review, the headcount in Tourism totalled 64,336, down 3% year-on-year. The individual sectors recorded different trends.

The headcount in TUI Travel fell by 5% on the first nine months in 2008 to 50,285. The Mainstream Sector had 35,353 employees, 5% down year-on-year. This decline was mainly attributable to synergies in the UK and further integration. The Specialist & Emerging Markets Sector recorded a decline in headcount of around 34% to 1,581 due to the deconsolidation of a joint venture in Russia and ongoing restructuring measures. The Activity Sector reported a decrease in headcount to 4,212, down around 6% year-on-year due to the closure of a business segment and ongoing restructuring measures. Accommodation & Destinations did not report any major changes.

The headcount in TUI Hotels & Resorts rose by 5% year-on-year to 13,832. This headcount growth was attributable to capacity increases driven by the opening of new hotels and shifts to full-year operation.

The Cruises Sector reported a slight increase in headcount of around 6% to 219, above all due to the assumption of new functions in accounts receivable and accounts payable accounting and the integration of a call centre.

Central Operations

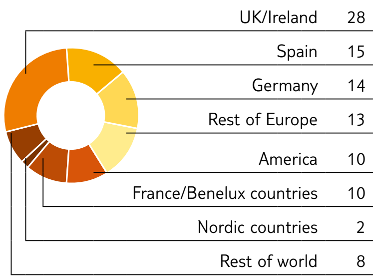
Central Operations recorded a year-on-year decline in headcount of around 11% to 675 as at the end of the short financial year, primarily resulting from the fall in the number of employees working for the Corporate Centre by around 22% to 200 due to contractual reallocations.

Discontinued Operations

The headcount in Discontinued Operations of 12,136 declined by 63% to 4,525 at balance sheet date. This decline was attributable to the divestment of Container Shipping and with it the shortfall of 7,682 employees. The headcount in Magic Life grew by 2% year-on-year due to capacity adjustments.

International headcount

Personnel by region (in %)



As of 30 September 2009

The number of employees working in Germany declined by 24% to 9,562, above all due to the sale of Hapag-Lloyd AG. Accordingly, the Group's headcount in Europe fell by 12% to 57,340 or 82% of the Group's overall headcount. The number of employees working for Group companies outside Europe declined by 15% to 12,196. With 18 % the proportion was on previous year level.

Personnel by region

	30 Sep 2009	30 Sep 2008	Var. %	31 Dec 2008
Germany	9,562	12,549	- 23.8	11,313
UK/Ireland	19,409	19,775	- 1.9	19,311
Nordic countries	1,717	1,940	- 11.5	2,070
France/Benelux countries	7,245	9,284	- 22.0	8,063
Spain	10,168	11,848	- 14.2	8,224
Rest of Europe	9,239	9,487	- 2.6	5,608
America	6,815	7,572	- 10.0	8,434
Rest of world	5,381	6,737	- 20.1	7,231
Total	**69,536**	**79,192**	**- 12.2**	**70,254**

Personnel costs

Personnel costs of Continuing Operations rose by 13% to €1,550m. This was attributable to the weakness of the sterling as well as cost savings due to synergies achieved by the integration of the former First Choice and the TUI Group.

Personnel costs

€ million	**SFY 2009**	**9M 2008**	**Var. %**	**2008**
Wages and salaries	1,288.7	1,481.0	- 13.0	1,935.9
Social security contributions	261.1	283.2	- 7.8	355.7
Total	**1,549.8**	**1,764.2**	**- 12.2**	**2,291.6**

Environmental Management Monitoring key performance indicators. Implementation of environmental management systems. Extensive cooperation schemes.

Environmental quality standards are part and parcel of TUI's sustainable business policy and are continually anchored in the Group through the implementation of certified environmental management systems. Climate protection and preserving biodiversity are key action fields.

Group environmental performance indicators

Group-wide environmental monitoring

The processes for the Group-wide monitoring of relevant indicators have been expanded and adjusted to meet the needs of sustainability reporting. With increasing orientation towards international standards such as the GRI (Global Reporting Initiative, G3) Guidelines, a great deal of attention was devoted to indicator comparability. For some indicators, calculation methods were improved by applying more specific definitions or making adjustments. Container Shipping was no longer included when calculating indicators for short financial year 2009 since it was carried as a Discontinued Operation.

Energy consumption

Since the Group focus is tourism, the use of fossil fuels for aviation and shipping operations accounted for the largest proportion of the Group's total energy consumption. Total energy consumption by the Group's Continuing Operations amounted to 73,814 terajoules (TJ) (previous year: 78,010 TJ). However, due to changes in the fleet portfolio of TUI airlines and an expansion of cruise activities, year-on-year energy consumption is not fully comparable.

In short financial year 2009, average specific fuel consumption by TUI's airlines was 3.00 litres of aircraft fuel per 100 passenger kilometres (pkm) (previous year: 2.98 l/100 pkm). The increase can be attributed to changes in the fleet portfolio and flight schedule. With this specific consumption, TUI's airlines continue to be among the most efficient in Europe.

For the short financial year 2009, the specific fuel consumption for the cruise ship fleet amounted to 0.24 litres per passenger nautical mile (l/pnm) (previous year: 0.23 l/pkm).

Carbon emissions

TUI has actively dealt with climate change and its impact for many years. Carbon emissions (CO_2) affecting the climate are highly relevant and are therefore considered the key environmental indicator and management variable. In the completed short financial year, total carbon emissions from Continuing Operations were 4.89 million tonnes (previous year: 5.18 million tonnes). Specific carbon emissions by TUI airlines were 77.3 g per passenger kilometre (previous year: 76.8 g/pkm). In order to actively fight climate change, TUI airlines aim to reduce their specific carbon footprint by 6% by 2013/14 (base period: 2007/08).

The cruise fleet accounts for 6.8% of total carbon emissions from Continuing Operations. Changes in the fleet caused, for instance, by the commissioning of the new vessel Mein Schiff by TUI Cruises resulted in a decrease in fuel consumption and therefore a rise in CO_2 emissions to 0.80 kg per passenger nautical mile (kg/pnm) (previous year: 0.75 kg/pnm).

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

In the Hotel Sector, average carbon emissions amounted to 10.9 kg of CO_2 per guest and bednight (previous year: 10.6 kg/guest/bednight). This increase was attributable to changes in the hotel portfolio.

Continuous improvement in environmental management

The introduction and development of environmental management systems in the individual Group companies resulted in continuous improvements to TUI´s environmental performance, especially in the Hotel Sector.

Current list of certifications at www.tui-sustainability.com

In 2009, another four hotels and clubs were successfully certified according to the international standard ISO 14001. This means that 58 complexes from the TUI Hotels & Resorts portfolio have now had their environmental management systems certified by independent experts on the basis of international standards. By the end of the financial year, the environmental management systems of altogether 15 Robinson Clubs, 11 Magic Life Clubs, 9 Grupotels, 9 Iberotels, 5 Dorfhotels, 4 Sol y Mar Hotels, 3 Grecotels, and 2 Jaz Hotels are certified.

In addition, the existing environmental management systems at TUI AG, tour operator TUI Deutschland and TUI Dienstleistungsgesellschaft mbH in Hanover were expanded and successfully certified according to ISO 14001 quality standard.

Strategic partnerships and cooperation schemes

The TUI Group also pursues sustainable development, environmental protection and nature conservation by means of social dialogue and international cooperation.

Business & Biodiversity Initiative

TUI AG continued its active involvement in the Business & Biodiversity Initiative of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. This initiative, coordinated by GTZ, the German Society for Technical Cooperation, aims to achieve stronger integration of the private sector in achieving the goals of the Convention on Biodiversity for the worldwide protection of species.

In this context, close cooperation with the Federal Nature Conservation Agency was initiated in 2009. Responsibilities of this Agency include observing the Washington Convention on International Trade in Endangered Species in Germany.

Futouris – the sustainability initiative

In early 2009, TUI AG, TUI Deutschland, TUI Österreich, TUI Suisse, airtours, Gebeco and TUI Leisure Travel jointly founded the industry sustainability initiative Futouris, a non-profit organisation to promote environmental protection, international understanding and development cooperation in holiday destinations.

A particular focus is on preserving biodiversity, protecting the climate and offering educational programmes in the destinations.

TUI AG maintained its proactive commitment as a founding member of ecosense, the Forum for Sustainable Development of German Business. In 2009, cooperation focused on climate protection, biodiversity preservation and sustainable financial markets. TUI provided content for the ecosense climate technology atlas and played a leading role in the Biodiversity working group.

Bonn Convention

In the framework of the Memorandum of Understanding concluded with the Bonn Convention (CMS) back in 2005, TUI AG supported 'Year of the Gorilla 2009' to protect the great apes threatened with extinction in Africa. TUI activities include sponsoring a scientific study to evaluate the opportunities and risks posed by escorted tourist excursions in contributing to nature and species conservation.

As a member of the evaluation committee of the European Charter for Sustainable Tourism in Protected Areas, TUI AG continued in 2009 to help implement standards for the sustainable use by tourism of protected areas in Europe. At the Charter Network Meeting 2009 in Sierra Nevada, TUI AG's sustainability management took the opportunity to talk to national park representatives about the requirements for tourism offerings in protected areas from a tourism company perspective.

For the goals and policies of this agreement, see the chapter Sustainable Development

In February 2009, TUI AG and the Environmental Ministry of the Balearic Government confirmed their framework agreement on the sustainable development of the Spanish islands, first concluded in 2005, by signing a follow-up agreement. Since June 2009, TUI Deutschland has been sponsoring reafforestation measures in the Balearics by donating a fixed amount from every booking to the TUI Forest in Majorca.

Tour Operators' Initiative for Sustainable Tourism Development

TUI Travel PLC continued to perform its mandate in the Tour Operators' Initiative for Sustainable Tourism Development in 2009. The international tour operator initiative promotes a sustainable development of tourism in holiday regions working closely with the World Tourism Organization (UNWTO) and the environmental programme of the United Nations (UNEP).

TUI Travel supported the work of The Travel Foundation, working closely with various bodies and raising €1.5m to date. The Foundation, launched in 2003 through collaboration between the UK government and the tourism industry, educated customers, developed corresponding business models and established practical tourism projects to promote sustainable development in the destinations in the period under review.

In order to develop its sustainability strategy, TUI Travel continued its cooperation with the sustainability charity Forum for the Future in 2009. This foundation advises both industry and the public sector on sustainability issues. In 2009, Forum for the Future and TUI Travel jointly initiated the establishment of a fact base of relevant sustainable development issues for consideration by managing directors when developing their business strategies.

Report on Expected Developments Stable operating earnings predicted for Tourism. Consolidated earnings impacted by Container Shipping.

Economic environment

Macroeconomic situation

General development

The situation in the global financial markets relaxed in the second half of 2009. Incoming orders rose again in the real economy, and production also picked up again in most sectors. The economic recession therefore seems to have bottomed out. Economic recovery was largely driven by the stabilisation of financial markets due to intervention by central banks and bail-out programmes and loans from governments. The real economy is also benefiting from state-backed economic stimulus packages.

For 2010 the economy is expected to show a moderately positive trend. Risks are related to the recovery of international financial markets, which has yet to prove it will be sustainable. Following the termination of state-sponsored programmes, private consumption will have to be a stronger growth engine again. A further increase in energy prices might place a renewed burden on consumers and companies. In many countries, employment has not yet adjusted to cuts in production. As transitional regulations such as short working hours expire, rising unemployment rates might place a substantial burden on recovery in 2010, despite increasing production.

Against this background, the International Monetary Fund expects global growth of 3.1% in its forecast for 2010 (IMF, World Economic Outlook, October 2009).

Development in the regions

The IMF expects the pace of economic recovery to differ considerably from one region to another. Moderate growth is expected for the United States at 1.5%, Japan at 1.7% and the countries of the Eurozone at 0.3% in 2010. By contrast, the emerging economies of Asia have almost returned to their pre-crisis economic growth rates. China and India, in particular, have been in an upward phase since the spring of 2009. For 2010, the IMF expects China to post economic growth of 9.0%, and India to achieve growth in gross domestic product of 6.4%. The IMF expects the Eurozone to show an uneven picture. The UK (+0.9%), Germany (+0.3%) and France (+0.3%) are expected to grow again in 2010. The Spanish economy, by contrast, continues to suffer from the real estate crisis and is therefore expected to contract by 0.7%.

Expected development of gross domestic product

Variation in %	2009	2010
World	**- 1.1**	**3.1**
Eurozone	- 4.2	0.3
Germany	- 5.3	0.3
UK	- 4.4	0.9
France	- 2.4	0.9
US	- 2.7	1.5
Japan	- 5.4	1.7
China	8.5	9.0
India	5.4	6.4
Emerging Eastern Asian economies	6.2	7.3

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

Market trend in the divisions

Tourism

Against the backdrop of difficult global economic conditions, international tourist arrivals declined by around 7% in the first eight months of 2009. The high-volume markets showed considerably slower declines of 3% in July and August compared with the first half of 2009, which recorded a total decline of 8%. The UNWTO (World Tourism Barometer, October 2009) therefore concludes that the negative trend observed since September 2008 reversed in the second half of 2009. For the overall year 2009, the UNWTO expects international arrivals to decline by 5%.

For 2010 the UNWTO expects the tourism market to generate slight growth of 1 to 2%, with the individual regions recording different trends. Risks for tourism relate to the uncertain future of employment rates following the expiry of state-sponsored economic stimulus packages. Swine flu constitutes a further uncertainty factor given that it is still too early to anticipate its progress.

Trends in operating earnings

In the completed financial year, the TUI Group introduced a short financial year comprising a period of nine months. Comparability with a full financial year is limited since the profit contributions of the fourth quarter (October to December) are negative for structural reasons, in particular in Tourism.

The statements below on the expected development of earnings by the TUI Group and its Divisions are therefore based on a reference period from the previous year that is comparable with the TUI Group's future financial year. Corresponding information on earnings in the pro forma financial year (October to September 2008/09) has therefore been published on the internet at www.tui-group.com/en/ir.

Tourism

Development of business

TUI Travel has a broad customer base in 27 source markets and is able to offset developments in individual markets or product groups. In the high-volume Mainstream business, TUI Travel pursues a flexible business model, contracting only a part of its aircraft and hotel bed capacity commitments. The aircraft capacity of Group-owned airlines is largely oriented to the needs of the respective tour operators. Lease agreements staggered over time help to adapt the capacity of Group-owned airlines in response to changes in demand in the short to medium term. Third-party flying accounts for almost one third of the aircraft capacity required.

In financial year 2009/10, TUI Travel intends to build on its leading position in the European travel market. The proportion of differentiated products is to be increased, and controlled distribution is to be further expanded. In financial year 2009/10, stimuli will emerge in particular from the commercial agreement between TUIfly and Air Berlin in Central Europe and in the Northern Region Sector, from the delivery of further synergy potential in the UK and possible cooperation in the Canadian travel market. Activities in Russia will also be stepped up.

In the light of the uncertain economic framework, TUI Travel will adopt a cautious approach to capacity management and has reduced capacity for the winter season 2009/10 to ensure that supply is in line with demand.

Earnings

For 2009/10, TUI Travel expects underlying earnings to be stable year-on-year. The main earnings drivers in TUI Travel are rising synergies from integration and stable product margins due to capacity and product-related measures initiated in the Mainstream business. By contrast, risks are posed by the persistent weakness of sterling and the potential rise in unemployment rates in the main volume markets.

TUI Hotels & Resorts is planning to keep capacity stable and achieve a slight increase in bednights against the comparative prior-year period, which is expected to generate higher occupancy rates in the hotels. The Sector will press ahead with its active cost management. Risks result from the trends for tour operator customers in the major source markets, which might fall short of expectations. Operating earnings are predicted to reproduce the level recorded in the comparative prior-year period.

Operating earnings by the Cruises Sector are expected to match the level achieved in the comparative period in 2009/10.

Based on the current earnings estimates for TUI Travel, TUI Hotels & Resorts and Cruises, the TUI Group expects Tourism, its core business, to post stable overall development of operating earnings compared with 2009/10. The business development in Tourism will be strongly affected by the trends in unemployment rates and the associated consumer propensity in the large volume markets.

Given a further recovery of the economic framework according to expectations, both business volume and operating earnings in Tourism activities are expected to increase again as from the financial year 2010/11.

Development of the financial position

Financing

The Group's net debt totalled €2.3bn at the balance sheet date. Based on the expected operative cash flow and in particular the debt reduction effect of the asset streamlining programme, financial year 2009/10 is expected to see a slight decline in net debt.

Investments

In the light of investment decisions already taken and planned projects, TUI expects financial requirements of almost €0.5bn for financial year 2009/10. About 70% are related to TUI Travel. Most of these funds will be used as investments in property, plant and equipment. Total planned investments in TUI Travel include the purchase of aircraft spares and yachts. Further funds are earmarked for the selective expansion and preservation of the hotel portfolio.

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

Expected overall development

For financial year 2009/10, the TUI Group expects operating earnings by Tourism to be stable against the comparative period in 2009/10, with Central Operations achieving cost reductions. Underlying earnings by the TUI Group's Continued Operations will therefore rise slightly against the previous year.

Hapag-Lloyd AG has based its planning for the forthcoming financial year 2009/10 on recovery tendencies expected in the container shipping market. Overall, however, profit contributions by Hapag-Lloyd AG are expected to be negative again for financial year 2009/10. Although they are not included in EBITA, the TUI Group's operative performance indicator, they impact consolidated earnings through after-tax earnings to be taken into account in the framework of at equity measurement.

91 Further Information

Report of the Supervisory Board

In the following, the Supervisory Board reports on its activities in the 2009 short financial year, in particular the plenary discussions, the work done by its committees, compliance with the German Corporate Governance Code, the audit of the TUI AG and Group financial statements as well as changes in membership of the Company boards.

Cooperation between the Supervisory and the Executive Board

In the 2009 short financial year, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. It monitored the work of the Executive Board and regularly advised the Board on the management of the Company.

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

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

Supervisory Board and committees

Tasks of committees

The Supervisory Board has set up three committees to support its work: the Presiding Committee, the Audit Committee and the Nomination Committee. The committee members are shown in a separate list in the section on the Supervisory Board. The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board.

The Audit Committee supports the Supervisory Board in exercising its monitoring function. It discusses in particular accounting and reporting issues, questions related to the internal auditing system, risk management and compliance. The half-year and quarterly financial reports are discussed between the Audit Committee, the Executive Board and the auditors prior to publication.

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

Number of meetings

In the 2009 short financial year, three regular and three extraordinary Supervisory Board meetings were held, one of which was a telephone conference. Two resolutions were passed by written circulation procedure. The Presiding Committee met four times; the Audit Committee held three meetings; the Nomination Committee met twice.

Prior to regular Supervisory Board meetings, the shareholder representatives on the Supervisory Board met six times, and the employees' representatives seven times in separate meetings. All Supervisory Board members attended at least half of the Supervisory Board meetings in the completed short financial year. Average attendance was over 85%.

Work of the Presiding Committee

In the period under review, the Presiding Committee held two regular and two extraordinary meetings. At the meeting on 23 March 2009, convened to adopt the annual financial statements, the Presiding Committee mainly dealt with the annual financial statements as per 31 December 2008 and the associated proposals for resolutions to put to the Supervisory Board. The meeting also served to discuss issues relating to the Supervisory Board and the agenda for the subsequent Supervisory Board meeting. The meeting of 10 July 2009 served to prepare the subsequent Supervisory Board meeting and discuss issues relating to the Executive Board, including the recommendation to extend of Peter Long's appointment as a member of TUI AG's Executive Board. The extraordinary Presiding Committee meeting on 28 July 2009 focused on approval of a programme to stabilise the equity and liquidity position of Hapag-Lloyd AG. At the meeting on 10 August 2009, the Presiding Committee mainly met to prepare the subsequent meeting of the Supervisory Board.

Work of the Audit Committee

The Audit Committee met three times. At its meeting on 19 March 2009, deliberations focused on the annual financial statements of TUI AG and the consolidated financial statements for 2008. It also prepared its recommendation to the Supervisory Board on the election of auditors for the 2009 short financial year. At that meeting the Presiding Committee also discussed a status report on the synergy effects achieved and further planned synergies at TUI Travel. At its meeting on

8 May 2009 the Audit Committee dealt with the interim financial statements and report as per 31 March 2009, the Group's risk situation and risk management and the Group's hedging transactions to hedge against exposure to changes in exchange rates, interest rates and fuel prices.

At the meeting on 9 August 2009 the Audit Committee discussed the interim financial statements and the half-year financial report. It also dealt with the Group's financing position, in particular the expiry of credits and credit facilities and the status of refinancing. The Audit Committee also discussed the efficiency of the internal audit system and the effects of the German Accounting Law Modernisation Act (BilMoG) on the activities of the Audit Committee. At that meeting, representatives of an auditing firm presented the status of a project to simplify shareholding structures within the Group.

Auditor representatives attended all three meetings of the Audit Committee and presented reports on their activities, in particular the audits or reviews of annual interim financial statements and financial reports.

Work of the Nomination Committee

The Nomination Committee held two meetings in the short financial year 2009. On 23 March 2009, the Nomination Committee discussed proposals for candidates to succeed three Supervisory Board members resigning from the Supervisory Board. At the meeting on 10 July 2009, deliberations focused on a candidate for the Court to appoint in replacement of member who had resigned.

Deliberations in the Supervisory Board

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

At its extraordinary meeting on 27 February 2009, the Supervisory Board elected Petra Gerstenkorn as deputy chairwoman of the Supervisory Board. The Supervisory Board was also given a report on the current short financial year by the Executive Board and discussed the sale of Hapag-Lloyd AG and associated financing issues.

The meetings of 23 and 24 March 2009 focused on reporting and deliberations on the annual financial statements as per 31 December 2008, a comparison between budget and actual figures for 2008, the forecast for 2009 and the HR and social position in 2008. The discussions on the annual financial statements were also attended by representatives of the auditors, who were available to answer questions. The Supervisory Board discussed the strategic development of the Group and prepared the ordinary 2009 Annual General Meeting. Other items on the agenda for that meeting were amendments to the Articles of Association (resulting, inter alia, from authorisation resolutions in the framework of capital measures), the resolution on the issue of employee shares and the extension of the authorisation to acquire own shares.

Based on a resolution passed by written circulation procedure, the Supervisory Board, on 7 April 2009, voiced its opposition to the removal of Supervisory Board members Dr Krumnow and Matutes Juan, elected at the Annual General Meeting of May 2006, which had been demanded by a shareholder, since they had always acted in the best interest of the Company and enjoyed the full confidence of the Supervisory Board. The Supervisory Board suggested rejecting any motion that might potentially be submitted at the Annual General Meeting to dismiss Dr Krumnow and Matutes Juan.

The meeting on 12 May 2009 mainly served to prepare for the forthcoming ordinary Annual General Meeting. In the framework of its regular reporting, the Executive Board informed the Supervisory Board about the current short financial year.

On 10 July 2009, the Supervisory Board focused on the Group's strategic development. Deliberations also dealt with matters relating to the Executive Board and to shareholding. The Presiding Committee and the Nomination Committee presented reports about their work. On 10 August 2009, the Supervisory Board met to discuss above all the concept for restructuring and financing Hapag-Lloyd AG. A further item was the transaction structure for the cooperation scheme with AirBerlin. The Executive Board presented a report on the development of business in the first half of 2009. On 14 August 2009, the Supervisory Board again discussed the concept for restructuring and financing Hapag-Lloyd AG in the framework of an extraordinary telephone conference.

After the cut-off date for the short financial year, the Supervisory Board met on 28 October 2009 in order mainly to discuss the budget for 2009/10 and the forecast accounts for 2010/11 to 2011/12.

Corporate Governance

At the meeting on 28 October 2009, the Executive Board and Supervisory Board also discussed an update of the declaration of compliance with the German Corporate Governance Code and issued the joint declaration of compliance pursuant to section 161 of the German Stock Corporation Act. It was made permanently accessible to the public on TUI AG's website. Accordingly, TUI AG thus complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 18 June 2009. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board has reported about corporate governance in TUI AG's declaration of compliance.

At their meetings, both the Audit Committee and the Supervisory Board dealt several times with corporate governance issues within the Company. In the light of the efficiency review carried out in the previous year, the Supervisory Board did not conduct another efficiency review for the short financial year 2009.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors by the Annual General Meeting held on 13 May 2009 and duly commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 30 September 2009, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the Group and the consolidated financial statements for the short financial year 2009, 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 (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 March and 30 June 2009 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 11 December 2009 and the Supervisory Board meeting of 14 December 2009, at which representatives of the auditors were present and were available to answer questions. On the basis of its own audit of the annual financial statements of TUI AG and the Group, the joint management report as per 30 September 2009 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, and also the consolidated financial statements and the Group management report.

The corrected consolidated financial statements and the Group management report as per 30 September 2009 were discussed at the Audit Committee meeting of 10 December 2010. In its audit the audit committee took into account the results of the supplementary audit performed by the Group auditor. On the basis of its own audit of the consolidated financial statements and the Group management report as per 30 September 2009 and the results of the audit and the supplementary audit, the Supervisory Board approved the corrected consolidated financial statements and the Group management report.

Supervisory Board and committee membership

With effect from 31 December 2008, Jan Kahmann, Uwe Klein and Ilona Schulz-Müller resigned from the Supervisory Board of TUI AG. By resolution of the district court of Hanover, Petra Gerstenkorn, Ingo Kronsfoth and Anette Strempel were appointed to the Supervisory Board with effect from 2 January 2009. With effect from 1 January 2009, Frank Jakobi was appointed to the Presiding Committee, while Andreas Barczewski and Henry Sieb were appointed to the Audit Committee. With effect from 27 February 2009, Petra Gerstenkorn was elected by the Supervisory Board as its deputy chairwoman.

With the sale of Hapag-Lloyd AG on 23 March 2009, Dieter Lübkemann had ceased to be the employee of a company forming part of the TUI Group and therefore resigned from the Supervisory Board of TUI AG. Ortwin Strubelt was appointed as a new Supervisory Board member by the district court of Hanover with effect from 3 April 2009.

Supervisory Board members Jean-Claude Baumgarten and Sepp Dieter Heckmann resigned from the Supervisory Board with effect from the end of the ordinary Annual General meeting of 13 May 2009. The Annual General Meeting held this year elected Mustapha Bakkoury and Dr Peter Barrenstein as new Supervisory Board members for the remainder of the term of office of the Supervisory Board (i.e. until the end of the fifth AGM following the election at the 2006 AGM). Mr Bakkoury resigned from his office with effect from the end of 9 July 2009. The district court of Hanover appointed Anass Houir Alami as his successor with effect from 7 August 2009.

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

The Supervisory Board thanks the retired members for their work.

The Supervisory Board
Hanover, 14 December 2009 / 13 December 2010

Dr Dietmar Kuhnt,
Chairman

Supervisory Board

Name	**Function/Occupation**	**Location**	**Committees** Presiding Committee
Dr Jürgen Krumnow	Chairman (until 28 Oct 2009) ex. Member of the Executive Board of Deutsche Bank AG	Frankfurt/Main	■
Dr Dietmar Kuhnt	Chairman (since 28 Oct 2009) ex. Chairman of the Executive Board of RWE AG	Essen	
Petra Gerstenkorn (since 2.1.2009)	Deputy Chairwoman (since 27 Feb 2009), Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	■ since 27 Feb 2009
Anass Houir Alami (since 7.8.2009)	Chief Executive of Caisse de Dépot et de Gestion (CDG)	Rabat	
Mustapha Bakkoury (since 13.5.2009, until 9.7.2009)	ex. Managing Director of Caisse de Dépot et de Gestion (CDG)	Rabat	
Andreas Barczewski	Aircraft Captain	Hanover	
Dr Peter Barrenstein (since 13.5.2009)	Self-employed Member of the Supervisory Board	Ottobrunn/Munich	
Jean-Claude Baumgarten (until 13.5.2009)	President of the World Travel & Tourism Council	London	
Jella Susanne Benner-Heinacher	Solicitor, Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.	Düsseldorf	
Arnd Dunse	Head of Group Controlling Department of TUI AG	Bad Nenndorf	
Sepp Dieter Heckmann (until 13.5.2009)	ex. Chairman of the Executive Board of Deutsche Messe AG	Hanover	
Frank Jakobi	Travel Agent	Hamburg	■ since 1 Jan 2009
Ingo Kronsfoth (since 2.1.2009)	National Negotiator Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Roberto López Abad	Chief Executive of Caja de Ahorros del Mediterráneo	Alicante	
Dieter Lübkemann (until 23.3.2009)	Shipping Agent	Bremen	
Dr h.c. Abel Matutes Juan	Chairman of Fiesta Hotels & Resorts	Ibiza	
Carmen Riu Güell	Entrepreneur	Playa de Palma	■
Hans-Dieter Rüster	Aircraft Engineer	Langenhagen	
Dr Manfred Schneider	Chairman of the Supervisory Board of Bayer AG	Leverkusen	
Roland Schneider	Business Economist	Barsinghausen	■
Henry Sieb	Federal Group Leader Travel of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Anette Strempel (since 2.1.2009)	Travel Agent	Hemmingen	
Ortwin Strubelt (since 3.4.2009)	Travel Agent	Hamburg	
Vladimir Yakushev	Managing Partner of SGCM Ltd.	Moskow	■

Annex to the Notes

Audit Committee	Nomination Committee	Other Board Memberships*)		Name
■	■	a) Deutsche Bahn AG, DB Mobility Logistics AG, Hapag-Lloyd AG, Lenze Holding AG2)	b) Peek & Cloppenburg KG	Dr Jürgen Krumnow
■ until 28 Oct 2009		a) BDO Deutsche Warentreuhand AG, GEA Group AG		Dr Dietmar Kuhnt
		b) DBV Öffentlichrechtliche Anstalt für Beteiligungen		Petra Gerstenkorn
		b) AUDA CDG Capital CDG Développement Ciments du Maroc -Italcementi Group- Club Méditerranée	Compagnie Générale Immobilière Fipar-Holding Fonds d'Equipement Communal Holdco MEDZ	Anass Houir Alami
		b) Club Méditerranée		Mustapha Bakkoury
■ since 1 Jan 2009				Andreas Barczewski
■ Chairman since 28 Oct 2009		a) WMF Württembergische Metallwarenfabrik Aktiengesellschaft	b) Bahlsen GmbH & Co. KG	Dr Peter Barrenstein
		b) eWaterways Messe Berlin GmbH		Jean-Claude Baumgarten
		a) A.S. Création AG K+S AG		Jella Susanne Benner-Heinacher
■				Arnd Dunse
				Sepp Dieter Heckmann
				Frank Jakobi
		a) Hapag-Lloyd Fluggesellschaft mbH, Lufthansa Cityline GmbH		Ingo Kronsfoth
		b) Afianzamientos de Riesgo EFC, S.A., Banco Inversis Net, S.A., Banque Marocaine du Commerce extérieur	EBN Banco De Negocios, S.A. Gestión Tributaria Territorial, S.A.1), Lico Corporación, S.A.2), Lico Leasing S.A. E.F.C.1)	Roberto López Abad
		a) Hapag-Lloyd AG		Dieter Lübkemann
		b) Banco Santander S.A.		Dr h.c. Abel Matutes Juan
	■	b) Riu Hotels S.A., RIUSA II S.A.		Carmen Riu Güell
				Hans-Dieter Rüster
■		a) Bayer AG1), Daimler AG, Linde AG1), RWE AG1)		Dr Manfred Schneider
				Roland Schneider
■ since 1 Jan 2009		a) TUI Deutschland GmbH2) TUI Leisure Travel GmbH		Henry Sieb
		a) TUI Deutschland GmbH		Anette Strempel
				Ortwin Strubelt
	■	b) Limited Liability Nanooptic Devices, Metallurgical Commercial Bank	Spectralus Corp., Nano-Optic Devices, LLC	Vladimir Yakushev

*) Information refers to 30 September 2009 or date of resignation from the Supervisory Board of TUI AG in SFY 2009

1) Chairman

2) Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Executive Board

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

*) Information refers to 30 September 2009.

1) Chairman

2) Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

TUI Share Volatile share price. Share price development lags behind market.

The beginning of 2009 saw a continuation of the general downward trend triggered by the international finance and economic crisis. It resulted in losses in the worldwide stock markets. Macroeconomic expectations did not improve until the end of the first quarter, giving way to a considerable brightening of the mood in the equity markets. The relaxation in the financial markets was also reflected in key indicators such as the risk premiums in the capital markets. In addition, early indicators stabilised worldwide in the course of the second and third quarters, reflecting at least slight recovery in economic activity. This created more trust in the markets and caused the major stock exchange indices to rise steadily.

The MDAX index, where the TUI share has been listed since September 2008, recorded a positive development in the period under review. Starting into the year at 5,756 points, the MDAX lost around 25% of its value in the course of the first quarter. It recovered again as of March and closed at 7,359 points at the end of September, up 27.8%.

TUI share data

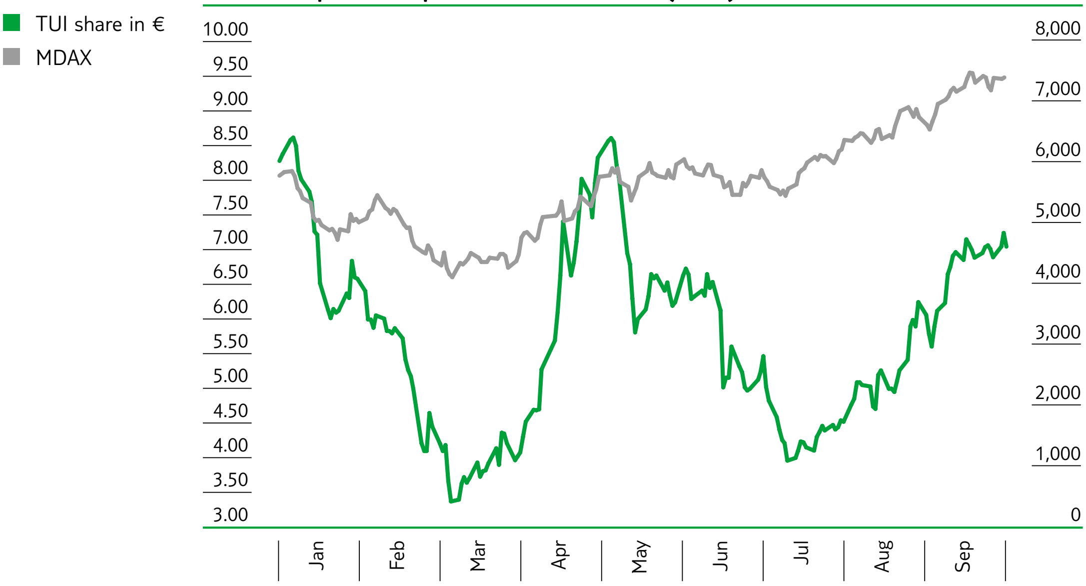
30 September 2009	
WKN	TUAG00
ISIN	DE000TUAG000
Reuters/Bloomberg	TUIGn.DE/TUI1.GR
Stock category	Registered ordinary shares
Capital stock	€642,807,158.61
Number of shares	251,444,305 units
Market capitalisation	€1,772,682,350

Development of TUI share price in the short financial year 2009

Share price volatility

In the course of the short financial year, the price of the TUI share showed volatility in comparison with the MDAX and, at a decline of 12.4%, fell short of the overall positive development of the stock exchange segment. The TUI share started into the new stock market year at an opening price of €8.39. On 6 January it reached its annual high of €8.63. The share price then fell substantially in a challenging environment for the tourism sector and on negative forecasts for shipping. As of March, the share price started to recover again with the successful completion of the sale of Hapag-Lloyd, supported by a positive market environment. In May the share price was almost back to its annual high. The outbreak of swine flu combined with fear of a pandemic and speculation about the capital and financing position of Hapag-Lloyd then caused uncertainty in the financial markets and resulted in a significant fall in the share price. When the Hapag-Lloyd shareholders agreed on a programme to secure the future of the Container Shipping line and applied for a state loan guarantee in this context, the price of the TUI share picked up again as of August. At the end of the reporting period ending on 30 September 2009, the share price was €7.05, down 12.4% against the price at the beginning of the year.

TUI share price compared with the MDAX (2009)



Long-term development of the TUI share

€	2005	2006	2007	2008	SFY 2009
High	20.47	18.40	21.95	18.78	8.39
Low	16.10	14.51	15.19	7.32	3.37
Year-end share price	17.30	15.14	19.13	8.05	7.05

Quotations, indices and trading

The TUI share is officially traded on all German trading floors and in the Xetra electronic system. No other company with similar operations in tourism is listed in the German stock market. Several European competitors in the tourism sector such as Thomas Cook, Kuoni and Club Méditerranée are traded on stock markets in the UK, Switzerland and France.

TUI Travel PLC share

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

TUI Travel PLC share data

30 September 2009	
ISIN	GB00B1Z7RQ77
Reuters/Bloomberg	TT.L/TT/LN
Stock category	Registered ordinary shares
Number of shares	1,118m units
Market capitalisation	£2,846,455,166

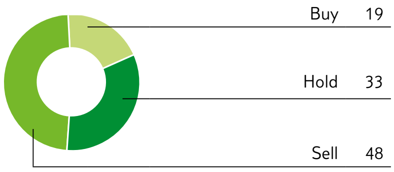
TUI share in the MDAX and Prime Standard

The TUI share has been included in the German share index MDAX and had a weighting of 1.83% as at 30 September 2009. When the composition of the index was examined in September 2009, the TUI share ranked 23rd in terms of market capitalisation and 5th in terms of trading volume. TUI has been listed in the Prime Standard of the Frankfurt Stock Exchange and thus meets the high international transparency standards of this segment, over and above legal requirements.

The TUI share is included in several industry indices in the German stock market, including DAXsupersector Industrials and DAXsector All Transportation & Logistics. Its weighting in these indices was 1.66% and 5.93%, respectively, as at the end of the short financial year.

Among the sustainability indices, the TUI share is listed in FTSE4Good, ASPI Eurozone (Advanced Sustainable Performance Indices), ESI (Ethibel Pioneer Index), Dow Jones Sustainability Index World, DAXglobal Sarasin Sustainability Germany and ECPI Ethical Index €uro. TUI AG also participated in the Carbon Disclosure Project (CDP) and was awarded 'prime' investment status by oekom Research AG in 2009.

Analysts' recommendations (in %)



As of November 2009

For both institutional and private investors, recommendations by financial analysts are a key decision-making factor. In the short financial year 2009, more than 20 analysts regularly published studies on TUI AG. In November, 19% of analysts recommended buying the TUI AG share, with 33% recommending 'hold' and 48% recommending 'sell'.

Trading in TUI shares declined in the short financial year 2009 since the average free float fell year-on-year. The average daily trading volume was 2,051,895 no-par value shares, down by around 40% year-on-year. The total annual trading volume was around 391m no-par value shares. The number of option contracts on TUI shares traded on the European futures and options exchange EUREX decreased by half to 4,714 contracts per day, totalling around 0.9m contracts for the short financial year.

Capital stock and number of shares

Employee shares

No employee shares were issued in the short financial year 2009. They are issued in a calendar-year rhythm and will thus again be issued in December 2009. At the balance sheet date, the capital stock totalled €642,807,158.61, consisting of 251,444,305 no-par value shares certificated by global certificates. The proportionate share capital attributable to each individual share was around €2.56. Apart from subscribed capital, both authorised and conditional capital was available, as outlined in greater detail in the notes on the consolidated financial statements.

Bonds

The floating rate notes ISIN XS0195307367 were repaid at maturity on 17 August 2009. In the short financial year no bonds were converted from the 2007/12 convertible bond. At the balance sheet date, investors therefore held conversion rights for a total of 25,419,475 TUI shares from the bond.

Resolutions of the 2009 Annual General Meeting

The 50th ordinary Annual General Meeting was held in Hanover on 13 May 2009. Approx. 2,000 shareholders and shareholder representatives, representing 68.93% of the voting capital, participated in the AGM. Besides formal ratification of the acts of the Executive and Supervisory Boards and the election of new members to the Supervisory Board to replace members who had resigned, the agenda included renewal of the conditional and authorised capital and share buyback in accordance with section 71(1) no 8 of the German Stock Corporation Act. In the short financial year 2009, the authorisation to purchase treasury shares was not used.

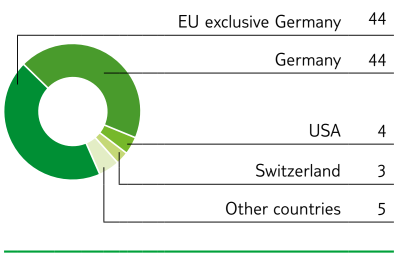
Details on the 2009 AGM are available online: www.tui-group.com/en/ir/agm

Additional agenda items were moved by Monteray Enterprises Ltd. They were: removal of individual members of the Supervisory Board and the subsequent election of new Supervisory Board members to serve out the remaining term of those removed, special audit on Executive Board remuneration, and a further special audit to establish whether the Company acted in accordance with its duties in publishing insider information during renegotiations to sell Hapag-Lloyd. These motions did not obtain sufficient approval and were therefore dismissed.

Shareholder structure

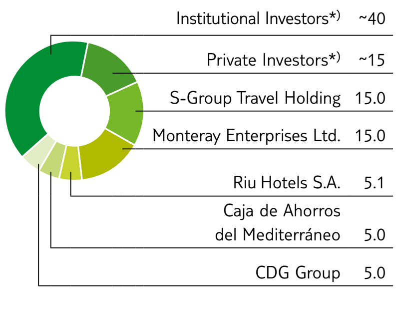
The latest information on shareholder structure and voting right notifications pursuant to section 26 are available online: www.tui-group.com/en/ir/share

Geographical shareholder structure (in %)



As of September 2009

Shareholder structure (in %)



As of September 2009

*) Free float according to the definition by Deutsche Börse

At the end of the short financial year 2009, around 55% of TUI shares were in free float. Around 15% of these were held by private shareholders, around 40% by institutional investors and around 45% by strategic investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Dividend

TUI AG's net loss for the year amounted to €98m. An corresponding amount was withdrawn from the capital reserves to balance the net loss for the year. A balanced net result for the year will be submitted to the Annual General Meeting. A resolution for a dividend payment is not requested.

Development of dividends and earnings of the TUI share

€	2005	2006	2007	2008	SFY 2009
Earnings per share	2.29	- 3.65	0.41	- 0.65	1.16
Dividend	0.77	0.00	0.25	0.00	0.00

Rating

Rating

TUI's financial strength is subject to regular ratings by the international agencies Standard & Poor's and Moody's. At the end of the period under review, their current long-term credit ratings for the Company were as follows:

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

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

Investor Relations

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

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

Many of these encounters are attended personally by top management to answer questions raised by the capital market. Investor Relations also makes every effort to engage in contact with private investors. The Group was presented to many private investors on occasions such as stock market days and events organised by shareholder associations. Another important platform for exchanges with shareholders is the IR stall at TUI's Annual General Meeting.

As in 2008, shareholders had the opportunity to use an internet tool on the Investor Relations website to register for the Annual General Meeting, order a guest card or instruct one of the proxies provided by the Company. This service was again well received, with approx. 25% of shareholders ordering their admission tickets via the web.

TUI Group in Figures Five Year Summary

Corrected TUI Group in Figures

		2005	2006	2007	2008 revised	SFY 2009
Divisional turnover						
Tourism	€m	14,097	14,085	15,759	18,546	13,043
Discontinued Operations	€m	3,834	6,254	5,965	6,343	1,210
Others	€m	1,688	577	78	- 21	- 9
Group	€m	**19,619**	**20,916**	**21,802**	**24,867**	**14,244**
Earnings before interest, tax, depreciation and amortisation (EBITDA)						
Tourism	€m	734	779	644	557	667
Discontinued Operations	€m	454	212	401	390	946
Others	€m	192	193	216	- 24	- 31
Group	€m	**1,380**	**1,184**	**1,261**	**923**	**1,582**
Divisional earnings (EBITA)						
Tourism	€m	365	388	163	87	229
Discontinued Operations	€m	319	- 106	137	106	823
Others	€m	166	- 52	186	- 53	- 39
Group	€m	**850**	**230**	**486**	**140**	**1,013**
Net profit for the year	€m	**496**	**- 843**	**176**	**- 182**	**355**
Earnings per share	€	2.29	- 3.65	0.41	- 0.65	1.16
Assets						
Non-current assets	€m	11,883	10,157	11,528	7,345	9,116
Current assets	€m	3,491	2,873	4,721	9,309	4,367
Total assets	€m	**15,374**	**13,030**	**16,249**	**16,653**	**13,483**
Equity and liabilities						
Equity	€m	4,367	3,007	3,038	2,168	2,258
Non-current liabilities	€m	5,288	5,259	6,807	5,796	5,035
Current liabilities	€m	5,719	4,764	6,404	8,690	6,190
Total equity and liabilities	€m	**15,374**	**13,030**	**16,249**	**16,653**	**13,483**
Equity ratio	%	**28.4**	**23.1**	**18.7**	**13.0**	**16.7**
Cash flow from operating activities	€m	**965**	**467**	**569**	**946**	**1,135**
Capital expenditure	€m	**1,138**	**757**	**1,116**	**952**	**340**
Net debt	€m	**3,807**	**3,211**	**3,917**	**4,083**	**2,330**
Employees	31 Dec/30 Sep	**62,947**	**53,930**	**68,521**	**70,254**	**69,536**

Differences may occur due to rounding

Sustainable Development Social responsibility for employees. Innovative product development. Protecting the climate and preserving biodiversity. Corporate citizenship.

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

TUI Travel at
http://sd2008.tuitravelplc.com

Successful sustainability management requires a fundamental understanding of the key interaction between ecological and social systems. This forms the basis for TUI's measures for the continual improvement of its environmental and sustainability performance at its locations and destinations. In order to balance the internal and external perspectives, a stakeholder survey was carried out in 2009. It dealt with the sustainability aspects of relevance for TUI and TUI's perceived commitment to these aspects. The outcome of this survey served to identify further potential for sustainable action. The results are presented in TUI AG current Sustainability Report.

In cooperation with TUI AG, TUI Travel worked through nine Group-wide project teams to press further ahead with establishing goals and implementing measures on sustainability and the environment in business operations. The project teams were allocated to the four core working areas of Climate Change, Destinations/Supply Chain Management, Our People and Our Customers. The TUI Travel Sustainable Development Report describes all these activities in greater detail.

For the fourth time in succession, TUI AG was the world's only tourism company in the Travel & Tourism sub-sector listed in the Dow Jones Sustainability Index (DJSI) World. TUI was also represented in the sustainability indices FTSE4Good, DAXglobal Sarasin Sustainability Germany, ASPI Eurozone, Ethibel Pioneer Index and ECPI Ethical Index €uro. oekom research AG continued to award TUI the investment status rating 'prime' in 2009.

Employees

In today's business world, with its many social and economic changes, a company's employees are its crucial competitive factor. Winning, retaining and promoting employees is thus the key challenge for companies, including TUI. In 2009, TUI continued to successfully implement this approach, focusing on initial and continuous training, a range of pension and health measures and activities to promote a work-life balance.

Initial and continuous training

Junior staff development and training

In order to offer young people opportunities to start their career and secure the Group's competitiveness in the long term, the German companies offered vocational training for a total of about 500 young employees as of the balance sheet date 2009. The excellent quality of the training has been confirmed time and again by the chambers of industry and commerce in granting awards to those finishing their traineeship, some of whom have been crowned 'best regional trainee'. Around 70% of those who finished their training in 2009 were offered an employment contract. At 5.3%, the proportion of the headcount in training declined year-on-year due to the divestment of Container Shipping. Overall, TUI offered traineeships in 13 different jobs and two sandwich courses, including commercial clerk, travel advisor and the Bachelor of Arts in Tourism.

Development of senior and executive staff

In 2009 numerous employees and managers benefited from development schemes. They received assistance and active support from various quarters including TUI Consulting & Services GmbH. The Group's procedures for diagnosing potential focused on recruiting junior staff and developing managers. Apart from the tried-and-tested assessment centres, TUI drew increasingly on innovative management profiling. Selective training served above all to improve capacity planning and the efficacy of tourism purchasing negotiations. These training priorities were flanked by strengthening intercultural and language skills for all teams working on a cross-national basis. Now that new IT systems have been introduced in distribution, special seminar series have been designed to harmonise the networking of front, middle and back offices.

In order to secure the recruitment and development of junior staff for technical and management positions at all levels in the long term, the International Management Trainee Programme of the TUI Group has offered attractive opportunities for university graduates for many years. In 2009, the programme was given a stronger international orientation and enabled junior management staff from all over the world to gain insights into all facets of the worlds of work in tourism. The trainee assignments formed an important basis for stronger cooperation and integration within the Group. In addition, further trainee programmes tailored to the specific needs of tour operation and airlines were run at the national level.

After they began in July 2008, TUI Travel also implemented three additional leadership programmes in Costa Rica in 2009. Almost 80 managers took part in one of the five rounds of the four-day programme. Apart from consultation and hands-on assistance for a Costa Rican community, the participants gained valuable cross-divisional and intercultural experiences.

TUI exzellent!

Under the motto 'TUI exzellent! Du bist der Experte' (TUI excellent! You are the expert), TUI Deutschland had already launched new, self-reliant process management as early as in 2008. The project aims to optimise functions and business processes so as to improve profitability and competitiveness, but also customer and employee satisfaction. Based on workplace analyses and optimisation workshops, over 800 immediate initiatives were prepared during the reporting period with a view to securing continual process optimisation. They were implemented autonomously by employees and managers. To optimise workflows on a continuous basis, TUI Deutschland also started to create broad transparency by standardising the visualisation of actual processes. This extensive involvement encourages employees to develop efficient and sustainable workflows.

TUI Spirit

The TUI Spirit initiative, launched by TUI Travel in 2008, expresses the vision 'We seek to create extraordinary travel experiences'. In 2009, new activities and projects were launched to spread the TUI Spirit to additional companies. TUI Spirit workshops were held at TUI Deutschland in Hanover and at TUI España. The participants worked together on ideas for implementing the TUI Spirit values. A comprehensive multi-media presentation, which was made available across the Group, documented from a management and employee perspective how the TUI Spirit had been successfully implemented in the individual source markets and sectors.

Social responsibility

Pension schemes

The companies in the TUI Group offer their employees many different ways of participating in private pension schemes, alongside the company-based pension schemes funded by the employer. Specific legal conditions and the economic position of each company are taken into account in designing the models. Private pension schemes for employees in Germany were devised so as to take advantage of fiscal and social security opportunities. Apart from pension fund contracts and direct insurance schemes, private pension insurance funds ('Riester' pensions) were offered to obtain co-sponsorship from public funds. In addition, deferred compensation models were offered to enable employees to choose their pension scheme according to their individual preferences.

Part-time early retirement

The German Group companies made substantial use, in their HR and succession planning, of the opportunities provided under the German Part-Time Early Retirement Act to shift gradually from employment to retirement. In almost all cases, working hours in the part-time early retirement phase were based on a block model, enabling the participant to retire early. The resulting assets for the employees working under part-time early retirement contracts are hedged against employer insolvency using a capital investment model in accordance with the provisions of the German Part-Time Early Retirement Act. Approx. €9.6m were provided for the 267 employees working under part-time early retirement contracts.

Employee shares

For many years now, TUI AG has been running a programme to issue employee shares, enabling Company employees to participate in profits. This programme is open to employees and pensioners of German companies and employees in several other European countries. In 2009, the beneficiaries were again offered the chance to subscribe to up to 250 shares at a reduced price in 2009. TUI Travel PLC also offers UK staff an opportunity to participate in the company by buying shares at reduced prices.

Health management and health and safety

The 'fit with TUI' programme is an example of modern health management. In accordance with the Luxembourg Declaration, signed by TUI AG, the Group offers a series of measures underlining the significance of health and well-being at the workplace. Apart from opportunities for exercise, such as in company sports, there are health seminars designed for particular target groups and programmes for the prevention of substance abuse are offered. Employees can also take part in annual campaigns such as flu vaccination, eye tests and prevention of/therapy for back problems. The highlight in 2009 was the 'Check in for a check-up' campaign, which offered employees to take part in a range of cancer screening measures. Health activities are devised and run in consultation with the employees. This involves regular staff information campaigns and surveys, and meetings between the health coordinators, the works doctors, health and safety officials and representatives of management and staff. TUI was awarded for its exemplary health system at the Hanover site with the Corporate Health Award 2009 and ranked among the TOP 50 in Germany.

Health and safety is another key aspect of everyday working life. In cooperation with health and safety experts, activities at the Hanover site included workplace-specific hazard analyses, permanent training of first-aid and fire protection assistants and noise measurements. The employees' health also enjoys top priority at the international level. Based on a health and safety declaration, there are various systems for distributing relevant health and safety information, disseminating best practice among the workforce and training new staff.

Company health insurance fund

BKK TUI, the company health insurance fund, is available to German employees, offering a comprehensive range of services to protect employees in the event of sickness and to promote health. Since 2009, the contributions have no longer been paid directly into the fund due to the introduction in Germany of a national 'health fund'. Instead, they have been allocated in the form of age-, gender- and risk-adjusted lump sums per capita. Against this backdrop, budgeting became increasingly difficult and in 2009 the BKK suspended the health bonus for the employees, which had been paid for five years, in 2009. The services offered by the company health promotion scheme, on the other hand, were stepped up and will be retained in future. At the end of the period under review, membership was around 3% up year-on-year.

Work-life balance

TUI is one of the founding members of the national 'Success factor family' network. Group-wide programmes are aimed at enabling employees to achieve a better work-life balance. To this end, German companies offer a series of measures to employees on parental leave so that they do not lose touch with the workplace. Employees also obtain financial support for childcare or may take their children to the company crèche, the Little World of TUI, in Hanover. The Group also offers flexible models to work part-time or from home and an option to apply for unpaid leave for an extensive period of time.

Diversity Charter

A global player such as TUI lives out diversity in everyday operations. That is why TUI AG has committed to the Diversity Charter, a national German corporate initiative to promote diversity, fairness and respect in companies. The issues that TUI has chosen to highlight in project form include origin, cultural specificities and health. Specific projects include programmes to promote colleagues, but in particular also children and teenagers from migrant families. In 2009, TUI AG also supported international youth exchange programmes for its employees' children and engaged in initiatives for people with health problems in the framework of the 'TUI initiative'.

Employee representation within the Group

In the TUI Group, employees are represented nationally and internationally, both in individual Group companies and at Group level. In accordance with the staff participation culture fostered by the Group, employee representatives were involved in strategic decisions and the implementation of these decisions in their respective areas of responsibility in the interest of the overall workforce and supported corporate interests in doing so.

TUI European Forum

The TUI European Forum was established even before the German legislator adopted the Act on European Works Councils in 1996. Its composition results from the number of employees in the business sectors and the respective countries in the European Union, the European Economic Area and Switzerland, in which TUI directly or indirectly holds majority holdings. This year, a total of 53 representatives from 15 countries have been delegated to the TUI European Forum. Group management briefs the Select Committee of the TUI European Forum several times a year and attends meetings to discuss the current economic and HR situation within the Group. The TUI European Forum meets once a year. It makes a significant contribution to the international character of the Group and acts as a multiplier to enhance the transparency of trans-national entrepreneurial decisions.

Environmental management

TUI has been persistently committed to responsible management of the environment and natural resources. Over and above compliance with the legal environmental requirements, TUI is striving to continuously improve its environmental performance and has established this as a defined corporate goal. Ecofriendly products, services and processes are an integral component of TUI's quality standards. In the short financial year 2009, TUI reinforced its commitment to climate protection and the preservation of biodiversity.

Climate protection and energy efficiency

In accordance with a resolution adopted by the European Union, aviation will be incorporated in the European emissions trading system as of 2012. The TUI Group's airlines have adjusted all necessary processes in aviation to the new legal requirements. The emissions monitoring plans derived from these processes were discussed with the competent national authorities.

TUI has been aware of its responsibility to continue to implement comprehensive efficiency enhancement measures for all Group airlines. A future-oriented fleet renewal programme makes significant contributions to improving the carbon balance. TUI's airlines pursue the goal of reducing their specific carbon emissions by 6% as against the base period 2007/08 by the end of financial year 2013/14.

Voluntary carbon offsetting

In partnership with the myclimate foundation, customers flying with TUIfly have the opportunity to voluntarily offset the greenhouse gas emissions caused by their flight. In 2009, myclimate used the donations by TUI customers to sponsor a development aid project promoting energy-saving cookers in Madagascar. TUI Deutschland customers have also been offered the opportunity to offset the carbon emissions of their entire trip when booking in a retail shop or on the internet. The tour operator donates a further 50 cents on top of the amount donated per booking. In 2009, the donations were used to sponsor internationally recognised climate protection projects in Turkey and Peru. Customers of Thomson Travel and First Choice can offset their emissions through the World Care Fund.

Offsetting business trips

For the first time, TUI AG retroactively offset all carbon emissions for flights taken by their employees in the 2009 short financial year through the myclimate foundation. A total of 156 tonnes of carbon were offset. With the start of the new financial year 2009/10, TUI Deutschland will also offset all emissions from business flights.

In 2009, the TUI Group again participated in industry-wide carbon disclosure activities. TUI's emissions account was described in Carbon Disclosure Project 7 alongside the strategic aspects of TUI AG's climate policy and was made accessible to international analysts and investors.

Efficient use of resources at TUI Hotels & Resorts

TUI hotel brands actively promote efficient use of natural resources. Examples include Riu, which established the use of energy saving bulbs in its sourcing policy in 2009 in order to reduce power consumption in the hotel complexes. Consistent use of such bulbs in many sections of their facilities saved 7,500 tonnes of carbon emissions.

The economy and biodiversity

In the short financial year under review, TUI continued work towards implementation of the Leadership Declaration by the Business & Biodiversity Initiative of the Federal Ministry for the Environment. This entails a commitment to analyse the effects of business operations on biodiversity and the inclusion of biodiversity criteria in the environmental management system.

Year of the Gorilla 2009

TUI supported Year of the Gorilla 2009, an initiative under the Bonn Convention (CMS) in cooperation with the Great Ape Survival Project of the United Nations Environment Programme (UNEP). With its subsidiary Kenyan agency Pollman's Tours & Safaris, TUI launched a new awareness-raising campaign in local communities in June in order to raise people's awareness for the endangered status of the great apes and call for activities to rescue gorilla habitats.

Following a successful start of the project, Riu continued its cooperation with the initiative for the protection of species with a project to protect sea turtles in the Cape Verde Islands. Nocturnal patrols and safe-nesting measures were organised in partnership with the local population to protect the nests of the endangered Caretta caretta species. Visitor groups on supervised tours from Riu resorts had an opportunity to watch the turtles hatch.

Environmental quality in the TUI holiday hotels

EcoResort environmental quality label

In the short financial year 2009, 49 Group-owned hotel and club facilities in TUI Hotels & Resorts were awarded the EcoResort environmental quality label following inspection by external environment experts. All complexes run by TUI Hotels & Resorts meet high performance, quality and environmental standards. The criteria for a hotel to qualify for the EcoResort label go substantially beyond these standards. The hotels awarded this label have a certified environmental management system based on a recognised national or international environmental standard such as ISO 14001, engage in efficient use of resources and support cultural, social or ecological projects.

TUI Environmental Champion

The 100 most environmentally-friendly hotels from TUI Deutschland's product portfolio again received the TUI Environmental Champion award in 2009. The ecological commitment of the contract hotels was determined on the basis of, for example, a checklist and the results of a TUI customer survey.

Sustainable product development

One of the key tasks is to develop sustainable products adapted to future needs. Customers increasingly factor in the perceived ecological and social responsibility of companies in taking purchasing decisions.

In the German market, the Volunteer travel portfolio of i-to-i Travel was launched in the summer of 2009. It offers customers a combination of travel experiences and voluntary social work. Local partners organise environmental and community projects in more than 20 destinations, which customers can support with their voluntary input.

Greener Holidays

The British First Choice tour operator published its Greener Holidays brochure for the first time in 2009. The online brochure features sustainable travel products offered by the company and presents particularly environmentally-friendly hotels.

TUI's Little Guide to Protecting Species

Working with the Federal Office for Nature Preservation, TUI developed a souvenir guide called Der kleine TUI Artenschützer (TUI's Little Guide to Protecting Species) in 2009. It gives TUI customers travelling to destinations relevant information about prohibited souvenirs made from endangered species and provides suggestions on how to buy alternative, fair souvenirs that also sustainably promote the local economy.

Corporate citizenship

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

Framework agreement on sustainable development in the Balearics

In February 2009, TUI AG and the Balearics Government renewed a framework agreement on the sustainable development of tourism in the Spanish islands. One of the first projects is the TUI Forest, which is being planted on a 48-hectare plot in a nature reserve in Majorca. The reafforestation measures have been sponsored from a fixed amount donated for every booking of a trip to the Balearics since June 2009.

Futouris e.V.

Futouris – Die Nachhaltigkeitsinitiative (Futouris – the Sustainability Initiative), launched in the short financial year under review, promotes worldwide dialogue with the host communities. In addition to TUI AG, its original members are TUI Deutschland, TUI Austria, TUI Suisse, TUI Leisure Travel, Gebeco and airtours. Futouris carries out projects to improve living conditions, support education, protect nature and the environment and preserve biodiversity. It started under the patronage of the German Travel Industry Association (DRV) and is intended to be an industry solution for the tourism sector. Those responsible in the destinations, environmental and development organisations, travel advisors, employees and customers will also be included. Projects sponsored include the training project Growing the Future, run by the Grootbos Foundation in South Africa. This programme provides unemployed women in the Gansbaai region with state-certified agricultural training. Participants successfully finishing the course will be given a plot of land.

Drinking cups for drinking water

In 2009, TUI launched the Drinking cups for drinking water initiative in cooperation with the Global Nature Fund (GNF) and the premier league football club Hannover 96. The campain was supported by Rote Kurve, the umbrella organisation of supporters' clubs. At every home match, spectators are invited to donate the deposit on the drinking cups at stalls run by volunteers. The donations are used to sponsor the installation of solar-powered drinking water processing systems in Kenyan schools and communities that are not connected to a power grid.

Support for disadvantaged children and teenagers

Beluga School for Life

Since 2009, TUI has been an official sponsor of the Beluga School for Life. The aid project for orphans and children in need in Khao Lak (Thailand), established in 2004, above all offers psycho-social support to victims of the 2004 tsunami. School activities focus on workshop-centred operations. Beluga School for Life Charity Travel offers tours to the region to provide holidaymakers, including TUI customers, with an impression of everyday life in the communities.

ECPAT

In 2009, TUI Group companies continued their worldwide commitment to protecting children from sexual abuse. During the TUI destination managers meeting in spring 2009, TUI Deutschland held a company fair involving the Regional Office of Criminal Investigation and ECPAT. TUI Deutschland also organised workshops to raise the awareness of its hotel purchasing staff about this issue. TUI tour reps were offered training programmes on the protection of children as part of the TUI module 'Permanent employee training' in the short financial year under review. Voluntary members of the ECPAT initiative also attended TUI Green Days 2009 and informed the staff at the Hanover site about their work.

In 2009, TUI AG again supported the Peter Maffay Foundation with 150 free flights. The foundation supports children traumatised due to domestic violence or sexual abuse or else to severe diseases.

TUI sponsorship

The sponsorship scheme run by TUI employees in Hanover supported an initiative in 2009 by 'Mittendrin – Verein für die Integration von Menschen mit Behinderungen in Hannover e.V.' for the integration of people with disabilities. The association sponsors families with disabled children and supports schools and day care centres in creating integrative care schemes. Donations collected under TUI's sponsorship scheme are helping to fund the establishment of a counselling centre.

Activities by the foundations

Further information
www.tui-stiftung.de

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

From January to September 2009, the TUI Foundation sponsored more than twenty selected projects in the four main sponsorship areas: science and research, school projects, qualification schemes for unemployed young people, and culture and arts.

In science and research, the TUI Foundation has, for the last four years, funded the supporting research for the 'Prävention durch frühe Förderung' (sure-start education) project by the Criminological Research Institute of Lower Saxony. This pilot project tests new forms of sure-start education designed to prevent criminal behaviour among children in high-risk families and monitors the efficacy of these methods.

Another initiative in science and research was the Rudolf Schoen Award, presented for the twenty-first time in 2009 for the best scientific publication at Hanover's Medical University (MHH). Funding was also provided for selected research projects by junior scientists at the MHH. The TUI Foundation intensively supports the care network for severely ill children and young people, aimed to significantly improve out-patient care for these children.

In school projects, the TUI Foundation sponsored a total of eight projects in Lower Saxony, including one to promote reading skills in primary schools. In the qualification field, two centres for unemployed young people were sponsored to teach young people the skills they need to obtain a place in vocational training. In addition, the Foundation continued to sponsor five additional traineeships for disadvantaged teenagers in cooperation with Paritätischer Landesverband Niedersachsen, the regional federation of social welfare associations.

A new award for children and youth projects in Hanover was presented for the first time in 2009: 'Gemeinsam in Hanover – Wir sind die Zukunft' (Together in Hanover – We are the Future). A prominent jury selected six winning projects. The award will be made annually in future.

In culture and arts, the focus was also on projects involving children and young people. For example, funding was provided for a production by 'junges schauspiel hannover' when young people wrote and staged a play on their own. At the 'Festival Theaterformen Hannover', a project that aims to build bridges between the generations was selected for sponsorship.

117 Financial Statements

123 Notes

Financial Statements

Corrected Profit and Loss Statement of the TUI Group for the period from 1 January to 30 September

€ million	Notes	SFY 2009	2008 revised
Turnover	(1)	13,092.3	18,631.4
Cost of sales	(2)	11,802.2	17,174.4
Gross profit		**1,290.1**	**1,457.0**
Administrative expenses	(2)	1,149.4	1,366.3
Other income/other expenses	(3)	+ 18.1	- 65.8
Impairment of goodwill	(4)	8.9	107.2
Financial income	(5)	161.8	215.4
Financial expenses	(6)	669.1	528.5
Result from companies measured at equity	(7)	- 178.0	+ 33.7
Earnings before income taxes		**- 535.4**	**- 361.7**
Reconciliation to underlying earnings:			
Earnings before income taxes		- 535.4	- 361.7
Results from Container Shipping measured at equity		214.2	–
Interest result from the measurement of the loans to Container Shipping		353.9	–
Interest result and earnings from the valuation of interest hedges		148.1	288.9
Impairment of goodwill		8.9	107.2
EBITA from Continuing Operations		189.7	34.4
Adjustments:	(8)		
Gains on disposals		*- 4.6*	*2.0*
Restructuring		*58.3*	*284.9*
Purchase price allocation		*47.8*	*57.8*
Other one-off items		*319.7*	*146.8*
Underlying EBITA from Continuing Operations		**610.9**	**525.9**
Earnings before income taxes		**- 535.4**	**- 361.7**
Income taxes	(9)	- 46.2	42.8
Result from Continuing Operations		**- 489.2**	**- 404.5**
Result from Discontinued Operations	(10)	+ 844.2	222.4
Group profit/loss for the year		**355.0**	**- 182.1**
Group profit/loss for the year attributable to shareholders of TUI AG	(11)	+ 309.1	- 142.3
Group profit/loss for the year attributable to minority interests	(12)	+ 45.9	- 39.8
Group profit/loss for the year		**355.0**	**- 182.1**

€	Notes	SFY 2009	2008 revised
Basic earnings and diluted earnings per share	(13)	**+ 1.16**	**- 0.65**
from Continuing Operations		- 2.20	- 1.53
from Discontinued Operations		+ 3.36	+ 0.88

Corrected Financial Position of the TUI Group as at 30 September 2009

€ million	Notes	30 Sep 2009	31 Dec 2008 revised	1 Jan 2008 revised
Assets				
Goodwill	(15)	2,715.8	2,520.3	3,063.0
Other intangible assets	(16)	887.9	815.8	1,385.4
Investment property	(17)	76.7	90.1	90.5
Property, plant and equipment	(18)	2,373.6	2,687.9	5,698.5
Companies measured at equity	(19)	1,200.7	406.4	540.7
Financial assets available for sale	(20)	103.0	84.0	108.2
Trade accounts receivable and other receivables	(21)	1,369.0	326.3	408.8
Derivative financial instruments	(22)	111.4	194.6	28.8
Deferred income tax claims	(23)	277.9	219.3	204.2
Non-current assets		**9,116.0**	**7,344.7**	**11,528.1**
Inventories	(24)	81.5	97.0	208.7
Financial assets available for sale	(20)	2.0	3.9	13.7
Trade accounts receivable and other receivables	(21)	2,066.6	1,954.3	2,421.0
Derivative financial instruments	(22)	338.1	1,017.9	413.1
Current income tax claims	(23)	21.2	45.6	42.0
Cash and cash equivalents	(25)	1,452.0	2,045.5	1,614.0
Assets held for sale	(26)	405.7	4,144.5	8.8
Current assets		**4,367.1**	**9,308.7**	**4,721.3**
		13,483.1	**16,653.4**	**16,249.4**

€ million	Notes	30 Sep 2009	31 Dec 2008 revised	1 Jan 2008 revised
Equity and liabilities				
Subscribed capital	(27)	642.8	642.8	642.3
Capital reserves	(28)	871.3	969.3	2,471.9
Revenue reserves	(29)	124.2	- 44.9	- 669.0
Hybrid capital	(30)	294.8	294.8	294.8
Equity before minority interests		**1,933.1**	**1,862.0**	**2,740.0**
Minority interests	(31)	324.4	305.5	297.1
Equity		**2,257.5**	**2,167.5**	**3,037.1**
Pension provisions and similar obligations	(32)	838.6	690.5	846.1
Current income tax provisions	(33)	169.5	236.7	256.3
Deferred income tax provisions	(33)	181.3	191.9	246.2
Other provisions	(33)	500.0	465.9	467.0
Non-current provisions		**1,689.4**	**1,585.0**	**1,815.6**
Financial liabilities	(34)	3,175.1	3,965.4	4,732.8
Derivative financial instruments	(36)	78.7	163.4	126.4
Other liabilities	(37)	92.1	82.4	133.5
Non-current liabilities		**3,345.9**	**4,211.2**	**4,992.7**
Non-current provisions and liabilities		**5,035.3**	**5,796.2**	**6,808.3**
Pension provisions and similar obligations	(32)	29.8	27.1	31.7
Current income tax provisions	(33)	85.9	83.9	62.3
Other provisions	(33)	415.2	454.5	533.9
Current provisions		**530.9**	**565.5**	**627.9**
Financial liabilities	(34)	539.7	1,009.3	798.5
Trade accounts payable	(35)	2,640.8	1,953.8	2,705.8
Derivative financial instruments	(36)	363.4	718.6	174.4
Other liabilities	(37)	1,935.3	1,941.9	2,097.4
Current liabilities		**5,479.2**	**5,623.6**	**5,776.1**
Liabilities related to assets held for sale	(38)	**180.2**	**2,500.6**	**0.0**
Current provisions and liabilities		**6,190.3**	**8,689.7**	**6,404.0**
		13,483.1	**16,653.4**	**16,249.4**

Corrected Statement of Changes in Group Equity

€ million	Subscribed capital (27)	Capital reserves (28)	Other revenue reserves	Differences from currency translation	Financial instruments available for sale
Balance as at 31 Dec 2007	**642.3**	**2,471.9**	**82.8**	**- 598.7**	**0.4**
Changes in measurement and accounting methods	–	–	- 7.7	–	–
Balance as at 1 Jan 2008 (revised)	**642.3**	**2,471.9**	**75.1**	**- 598.7**	**0.4**
Dividend payments	–	–	- 122.8	–	–
Hybrid capital dividend	–	–	- 25.9	–	–
Share based payment schemes of TUI Travel PLC	–	–	21.6	–	–
Issue of employee shares	0.5	1.2	–	–	–
First-time consolidation	–	–	0.9	–	–
Effect of step acquisitions	–	–	- 6.7	–	–
Effects of the acquisition of minority interests	–	–	- 32.4	–	–
Effect of option writer position from an option on minority interests	–	–	- 28.7	–	–
Transfer from reserves	–	- 1,503.8	1,503.8	–	–
Income and expenses directly taken to equity before income tax	–	–	68.7	- 342.9	- 0.9
Tax items directly offset against equity	–	–	- 9.9	–	–
Group profit and loss for the year	–	–	- 223.1	–	–
Balance as at 31 Dec 2008 (revised)	**642.8**	**969.3**	**1,220.6**	**- 941.6**	**- 0.5**
Dividend payments	–	–	- 41.9	–	–
Hybrid capital dividend	–	–	- 19.4	–	–
Share based payment schemes of TUI Travel PLC	–	–	11.8	–	–
Deconsolidation	–	–	- 143.7	–	–
Effect of the acquisition of minority interests	–	–	- 50.5	–	–
Transfers from reserves	–	- 98.0	98.0	–	–
Income and expenses directly taken to equity before income tax	–	–	- 223.4	129.2	- 1.0
Tax items directly offset against equity	–	–	61.6	–	0.3
Group profit and loss for the year	–	–	315.2	–	–
Balance as at 30 Sep 2009	**642.8**	**871.3**	**1,228.3**	**- 812.4**	**- 1.2**

Cash flow hedges	Revaluation reserves	Reserve according to IAS 19	Revenue reserves (29)	Hybrid capital (30)	Equity before minority interests	Minority interests (31)	Total
- 54.3	**22.0**	**- 120.7**	**- 668.5**	**294.8**	**2,740.5**	**297.4**	**3,037.9**
6.1	–	1.1	- 0.5	–	- 0.5	- 0.3	- 0.8
- 48.2	**22.0**	**- 119.6**	**- 669.0**	**294.8**	**2,740.0**	**297.1**	**3,037.1**
–	–	–	- 122.8	–	- 122.8	- 10.2	- 133.0
–	–	–	- 25.9	–	- 25.9	–	- 25.9
–	–	–	21.6	–	21.6	–	21.6
–	–	–		–	1.7	–	1.7
–	–	–	0.9	–	0.9	–	0.9
–	- 2.6	–	- 9.3	–	- 9.3	0.1	- 9.2
0.8	–	- 0.8	- 32.4	–	- 32.4	- 5.7	- 38.1
–	–	–	- 28.7	–	- 28.7	–	- 28.7
–	–	–	1 503.8	–	–	–	0.0
- 119.3	–	- 4.5	- 399.0	–	- 399.0	- 18.6	- 417.6
- 51.1	–	- 0.1	- 61.1	–	- 61.1	1.8	- 59.3
–	–		- 223.1	–	- 223.1	41.0	- 182.1
- 217.8	**19.4**	**- 125.0**	**44.9**	**294.8**	**1,862.0**	**305.5**	**2,167.5**
–	–	–	- 41.9	–	- 41.9	- 10.0	- 51.9
–	–	–	- 19.4	–	- 19.4	–	- 19.4
–	–	–	11.8	–	11.8	–	11.8
141.8	–	1.9	–	–	–	- 0.4	- 0.4
0.6	–	- 2.7	- 52.6	–	- 52.6	–	- 52.6
–	–	–	98.0	–	–	–	0.0
- 39.8	–	- 125.3	- 260.3	–	- 260.3	- 10.3	- 270.6
22.3	–	34.1	118.3	–	118.3	- 0.2	118.1
–	–	–	315.2	–	315.2	39.8	355.0
- 92.9	**19.4**	**- 217.0**	**124.2**	**294.8**	**1,933.1**	**324.4**	**2,257.5**

Corrected Statement of Comprehensive Income for the period from 1 January to 30 September

€ million	Notes	SFY 2009	2008 revised
Group profit/loss		**355.0**	**- 182.1**
Currency translation		9.5	175.3
Currency translation		*55.5*	*177.3*
Reclassification/adjustments		*65.0*	*2.0*
Financial instruments available for sale		- 2.4	- 0.9
Changes in the fair value of financial instruments available for sale		*- 2.4*	*- 0.9*
Cash flow hedges		- 118.8	- 128.8
Changes in the fair value of cash flow hedges		*- 230.2*	*388.4*
Reclassification/adjustments		*111.4*	*- 517.2*
Actuarial gains and losses from pension provisions and related fund assets		- 210.2	- 61.0
Changes in the measurement of companies measured at equity outside profit or loss		51.3	- 51.6
Income tax on other comprehensive income	(14)	118.1	- 59.3
Other comprehensive income		**- 152.5**	**- 476.9**
Total comprehensive income recognised for the financial year		**202.5**	**- 659.0**
attributable to shareholders of TUI AG		173.2	683.2
attributable to minority interests		29.3	24.2
Total comprehensive income recognised for the financial year		**202.5**	**- 659.0**

Corrected Cash Flow Statement

€ million	Notes	SFY 2009	2008 revised	Var.
Group profit/loss		355.0	- 182.1	537.1
Depreciation. amortisation and impairments (+)/write-backs (-)		502.2	865.1	- 362.9
Other non-cash expenses (+)/income (-)		203.7	- 21.3	225.0
Interest expenses (excl. interest relating to pension obligations)		246.9	404.7	- 157.8
Profit (-)/loss (+) from disposals of non-current assets		- 1,149.4	71.6	- 1,221.0
Increase (-)/decrease (+) in inventories		23.1	32.2	- 9.1
Increase (-)/decrease (+) in receivables and other assets		755.6	- 693.8	1,449.4
Increase (+)/decrease (-) in provisions		- 21.6	- 79.1	57.5
Increase (+)/decrease (-) in liabilities (excl. financial liabilities)		219.1	548.5	- 329.4
Cash inflow from operating activities	(42)	**1,134.6**	**945.8**	**188.8**
Payments received from disposals of property, plant and equipment, investment property and intangible assets		58.6	484.2	- 425.6
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		2,542.2	2.6	2,539.6
Payments received from the disposals of other non-current assets		66.4	191.3	- 124.9
Payments made for investments in property, plant and equipment, investment property and intangible assets		- 338.5	- 896.5	558.0
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		- 20.0	- 137.9	117.9
Payments made for investments in other non-current assets		- 2,809.2	- 105.1	- 2,704.1
Cash inflow from investing activities	(43)	**- 500.5**	**- 461.4**	**- 39.1**
Payments received from capital increases		–	1.2	- 1.2
Dividend payments				
TUI AG		*- 25.9*	*- 88.7*	*62.8*
subsidiaries to minority interests		*- 39.3*	*- 59.4*	*20.1*
Payments received from the issue of bonds and the raising of financial liabilities		107.9	1,429.8	- 1,321.9
Payments made for redemption of loans and financial liabilities		- 1,239.0	- 762.4	- 476.6
Interest paid		- 174.0	- 321.4	147.4
Cash outflow/inflow from financing activities	(44)	**- 1,370.3**	**199.1**	**- 1,569.4**
Net change in cash and cash equivalents		**- 736.2**	**683.5**	**-1,419.7**
Development of cash and cash equivalents	(45)			
Cash and cash equivalents at beginning of period		**2,169.4**	**1,614.0**	**555.4**
Change in cash and cash equivalents due to changes in the group of consolidated companies		0.0	0.8	- 0.8
Change in cash and cash equivalents due to exchange rate fluctuations		25.1	- 128.9	154.0
Change in cash and cash equivalents with cash effects		- 736.2	683.5	-1,419.7
Cash and cash equivalents at end of period[1)]		**1,458.3**	**2,169.4**	**- 711.1**

[1)] As at 30 September 2009, cash and cash equivalents of €6.3m (previous year: €123.9m) were included in the balance sheet item 'Assets held for sale'.

Notes Principles and Methods underlying the Consolidated Financial Statements

General

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

Following the sale of Container Shipping in March 2009, the TUI Group has exclusively operated in Tourism, its core business. As in financial year 2008, Tourism comprises TUI Travel PLC, TUI Hotels & Resorts and Cruises. The Cruises Sector operates in the German-speaking premium and luxury market with Hapag-Lloyd Kreuzfahrten and TUI Cruises. In addition, TUI AG holds an indirect stake of 43.3% in Container Shipping, enabling the Company to exert significant influence. Since the sale of Container Shipping, the proportionate earnings resulting from this stake have no longer had to be included in operating earnings of the Continuing Operations.

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

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

The Annual General Meeting of TUI AG on 13 May 2009 decided to change the financial year to a financial year ending on 30 September. As a result, a short financial year has been introduced for the period from 1 January to 30 September 2009 (hereinafter: 'SFY 2009'). The corresponding amendments to the Articles of Association in the commercial registers of the district courts of Hanover and Berlin-Charlottenburg were registered on 3 June 2009. The financial year of the TUI Group and its main subsidiaries included in consolidation will therefore cover the period from 1 October of any one year to 30 September of the following year. Where any of TUI's subsidiaries (in particular TUI Travel PLC and 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.

Since the short financial year 2009 only comprised a 9-month period, a year-on-year comparison with the 12-month period in 2008, especially of the profit and loss statement, is of limited value.

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

Correction of consolidated financial statements

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

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

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

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

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

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

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

€ million		before revision	revision	SFY 2009 revised	before revision (adjusted)	revision	2008 revised
Turnover		13,103.6	- 11.3	13,092.3	18,671.6	- 40.2	18,631.4
Cost of sales		11,767.8	34.4	11,802.2	17,174.4	-	17,174.4
Gross profit		1,335.8	- 45.7	1,290.1	1,497.2	- 40.2	1,457.0
Earnings before income taxes		- 489.7	- 45.7	- 535.4	- 321.5	- 40.2	- 361.7
EBITA from continuing operations		235.4	- 45.7	189.7	74.6	- 40.2	34.4
Underlying EBITA from continuing operations		**656.6**	**- 45.7**	**610.9**	**566.1**	**- 40.2**	**525.9**
Result from continuing operations		- 443.5	- 45.7	- 489.2	- 364.3	- 40.2	- 404.5
Group profit/loss for the year		400.7	- 45.7	355.0	- 141.9	- 40.2	- 182.1
Attributable to TUI AG shareholders		333.3	- 24.2	309.1	- 121.4	- 20.9	- 142.3
Attributable to minority interests		67.4	- 21.5	45.9	- 20.5	- 19.3	- 39.8
Earnings per share	€	1.25	- 0.09	1.16	- 0.57	- 0.08	- 0.65

The corrections result in a reduction in trade accounts receivable of €59.1m as at 30 September 2009 (previous year € 49.4m) and an increase in trade accounts payable of €63.4m (previous year €25.6m). Equity (other revenue reserves) is reduced by €122.5m (previous year €75.0m), with an amount of €54.5m relating to prior financial years.

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

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

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

Accounting principles

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

The IFRS are applied in the form in which they have been transposed into national legislation in the framework of the endorsement process by the European Commission. The commercial-law provisions listed in section 315a (1) of the German Commercial Code are also observed.

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

- Amendments to IAS 1: 'Presentation of Financial Statements'
- Amendments to IAS 23: 'Borrowing Costs' concerning elimination of the option to capitalise borrowing costs
- Amendments to IAS 32: 'Financial Instruments: Presentation' and follow-up amendment to IAS 1: 'Presentation of Financial Statements' concerning puttable financial instruments and obligations arising on liquidation
- Amendments to IAS 39 and IFRS 7: 'Reclassification of financial instruments: Effective date and transitional provisions'
- Annual Improvements Project
- Amendments to IFRS 1: 'First-Time Adoption of IFRS' and IAS 27: 'Consolidated and Separate Financial Statements' concerning determination of the acquisition costs of an investment, a joint venture or an associated company
- Amendments to IFRS 2: 'Share-Based Payment' concerning vesting conditions and cancellations
- IFRS 8: 'Operating Segments'
- IFRIC 13: 'Customer Loyalty Programmes'
- IFRIC 14: 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

The amendments to IAS 1 concerning presentation of net assets, financial position and results of operations for IFRS-based annual financial statements were implemented. Accordingly, a consolidated statement of recognised income and expenses is now presented, and the statement of changes in equity is shown as a separate part of the consolidated financial statements. The consolidated statement of recognised income and expenses consists of the consolidated profit and loss and other income or expenses, corresponding to income and expenses directly taken to equity. In addition to the presentation used to date, the statement of financial position comprises a further column listing the opening values of the prior period in the event of retrospective adjustments.

The amendments to IAS 23, now prescribing capitalisation of borrowing costs, do not impact the TUI Group's net assets, financial position and results of operations since the TUI Group already exercised the previous option to capitalise borrowing costs.

The amendments to IAS 32, transposed in EU legislation on 21 January 2009, and their follow-up amendment to IAS 1 relate to the classification of certain shareholder investments as equity or as liabilities. In the previous version, the definition of equity according to IAS 32 regularly resulted in recognition as a liability in German commercial partnerships. The new version of this standard defines exceptions which regularly result in classification as equity for German commercial partnerships.

The amendments to IAS 39 and IFRS 7 have to be applied retrospectively as from 1 July 2008 and merely serve to clarify the application date for the amendment to the reclassification of financial instruments, already transposed into European legislation due to the financial crisis.

The Annual Improvements Project (2008) comprises 35 minor amendments. Most of them relate to changes in the presentation, reporting and measurement of items in the financial statements. A small number relates to editorial changes hardly affecting the accounting.
Since the amendments to IFRS 1: 'First-Time Adoption of IFRS' and IAS 27 'Consolidated and Separate Financial Statements' exclusively relate to separate IFRS-based financial statements, they are not relevant at all for the TUI Group's financial statements.

The amendments to IFRS 2, to be applied retrospectively, clarify the definition of vesting conditions. They also establish that all cancellations, whether by the entity or by other parties, should be treated the same way in the accounts.

IFRS 8 replaces the previous provisions of IAS 14 on segment reporting. The main change is that the segment reporting structure follows the reporting structure internally used by decision-makers (management approach). In addition, exclusively for the year-end-reporting disclosures on geographical areas and major customers are required. The requirements of IFRS 8 were fully met in the presentation of segment reporting in the present financial statements. The previous year's figures were restated accordingly.

Accounting for customer loyalty programmes (e.g. air miles) was adjusted to the requirements of IFRIC 13. Loyalty award credits are thus measured by reference to their fair value and deferred from turnover until the credits are redeemed. Application of this interpretation does not have a major impact on the TUI Group's results of operations. The effects on the items in the consolidated statement of financial position are presented below:

Effects of IFRIC 13 on the consolidated statement of financial position

€ million	30 Sep 2009	31 Dec 2008	1 Jan 2008
Deferred tax assets	+ 0.5	+ 0.4	+ 0.4
Revenue reserves	- 0.7	- 0.5	- 0.5
Minority interests	- 0.4	- 0.3	- 0.3
Other provisions (non-current)	- 3.0	- 2.4	- 2.0
Other liabilities (incl. deferred income items) (non-current)	+ 4.5	+ 3.5	+ 3.1
Other provisions (current)	- 2.1	- 1.6	- 1.2
Other liabilities (including deferred income items) (current)	+ 2.2	+ 1.7	+ 1.3

The provisions of IFRIC 14 were already voluntarily applied in the financial statements for 2008, prior to their mandatory effective date of 1 January 2009, and did not affect net assets, financial position and results of operations in the present financial statements.

Except for the changes caused by IFRS 13, the mandatory application of these amendments to standards or interpretations did not result in any changes in the TUI Group's net assets, financial position and results of operations.

In addition, the TUI Group already applied the provisions of the revised IFRS 3: 'Business Combinations', transposed into EU legislation in June 2009, and the amendments to IAS 27: 'Consolidated and Separate Financial Statements according to IFRS' in financial year 2009. The accounting and measurement methods were changed in accordance with the transitional provisions of the standards.

The amendments to IFRS 3 mainly comprise provisions on purchase price components and acquisition-related costs, step acquisitions, goodwill, minority interests and the revaluation of agreements taken over. IAS 27 establishes that purchases and sales of investments associated with a change of control lead to recognition at fair value of any interests already held by the Group or any retained interests through profit or loss. By contrast, transactions not involving a change of control are presented in equity outside profit or loss.

Effects of the application of IFRS 3 and IAS 27 on the consolidated financial statements

€ million	SFY 2009
Other expenses	+ 4.6
Result from Discontinued Operations/gain on disposal	+ 191.5
Group profit/loss	**+ 186.9**
Goodwill	- 0.8
Companies measured at equity	- 3.8
Equity	**+ 184.8**
Basic earnings per share	**+ 0.74**
from Continuing Operations	- 0.02
from Discontinued Operations	+ 0.76
Diluted earnings per share	**+ 0.74**
from Continuing Operations	- 0.02
from Discontinued Operations	+ 0.76

The following standards and interpretations, revised or newly adopted by the IASB, were not yet effective in financial year 2009:

Summary of new standards and interpretations not yet applied/applicable

Standard/Interpretation		Applicable for financial years from	Endorsement by the EU commission
Standard			
IFRS 1	First time adoption of IFRS	1 Jan 2009	No
IFRS 1	Additional exceptions for first-time adopters	1 Jan 2010	No
IFRS 2	Share based payments transactions with cash compensation within the Group	1 Jan 2010	No
IFRS 7	Enhanced disclosures on financial instruments	1 Jan 2009	No
IFRS 9	Financial Instruments: Classification and impairment of financial assets	1 Jan 2013	No
IAS 24	Related Party Disclosures	1 Jan 2011	No
IAS 32	Classification of rights issues	1 Feb 2010	No
IAS 39	Financial Instruments: Recognition and Measurement: admissible underlying transactions for hedges	1 Jul 2009	Yes
IFRIC 9 and IAS 39	Embedded Derivatives	30 Jun 2009	No
miscellaneous	Annual improvements project (2009)	Mostly 1 Jan 2010	No
Interpretations			
IFRIC 12	Service Concession Arrangements	1 Apr 2009	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2010	Yes
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Jul 2009	Yes
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 Jul 2009	No
IFRIC 18	Transfers of Assets from Customers	1 Jul 2009	No

Changes in an accounting method and the structure of the profit and loss statement

Transitional pensions for flight captains in the German airlines are no longer recognised as non-current provisions for personnel costs but as pension provisions in accordance with IAS 19 since this accounting method provides a presentation of the economic substance of this agreement. This had the following impact on Group equity:

Effects on the consolidated statement of financial position

€ million	30 Sep 2009	31 Dec 2008	1 Jan 2008
Equity – with no effect on profit and loss	+ 0.5	+ 2.3	+ 2.2
Equity – through profit and loss	- 0.5	- 2.3	- 2.2
Equity	**0.0**	**0.0**	**0.0**
Pension provisions and similar obligations	+ 27.4	+ 23.1	+ 20.9
Other provisions	- 27.4	- 23.1	- 20.9
Total non-current provisions	**0.0**	**0.0**	**0.0**

Effects on the profit and loss statement

€ million	SFY 2009	2008
Cost of sales (personnel costs)	+ 3.6	+ 1.0
Financial expenses	- 1.0	- 1.1
Taxes on income	- 0.8	+ 0.0
Group profit/loss	**+ 1.8**	**- 0.1**
Actuarial gains and losses from pension provisions and related fund assets	- 1.8	+ 0.1
Total income and expenses recognised for the financial year	**+ 0.0**	**+ 0,0**

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.

Although a majority stake (68.254%) was held, the stake in Albert Ballin Terminal Holding GmbH was not included in consolidation because the 'control' requirement of IAS 27 was not met, in particular because of specific majority requirements for the shareholders' meeting.

The consolidated financial statements are prepared from the separate or consolidated financial statements of TUI AG and its subsidiaries, drawn up on the basis of uniform accounting, measurement and consolidation methods and in almost all cases audited or reviewed by auditors.

Shareholdings in companies in which the Group is able to exert significant influence over the financial and operating decisions within these companies (associated companies, shareholdings of 20% to less than 50% as a matter of principle) are carried at equity. Companies managed jointly with one or several partners (joint ventures) are also measured at equity. The dates as of which associated companies and joint ventures are included in or removed from the group of companies measured at equity are determined in analogy to the principles applying to subsidiaries. At equity measurement in each case is based on the last annual or consolidated financial statements available, or the interim financial statements as at 30 September, in cases in which the financial year did not correspond to TUI AG's financial year. This applied to 41 companies with a financial year ending on 31 December, seven companies with a financial year ending on 31 October and two companies with a financial year ending on 31 March.

Group of consolidated companies

In the short financial year 2009, the consolidated financial statements included a total of 45 domestic and 694 foreign subsidiaries, besides TUI AG.

42 domestic and 82 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

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

	Balance 31 Dec 2008	Additions	Disposals	Balance 30 Sep 2009
Consolidated subsidiaries	**763**	**28**	**52**	**739**
Domestic companies	46	2	3	45
Foreign companies	717	26	49	694
Associated companies	**16**	**5**	**3**	**18**
Domestic companies	4	1	1	4
Foreign companies	12	4	2	14
Joint ventures	**33**	**2**	**0**	**35**
Domestic companies	7	–	–	7
Foreign companies	26	2	–	28

[1] excl. TUI AG

Since 1 January 2009, a total of 28 companies were newly included in consolidation, with seven companies added to consolidation due to an expansion of their business operations and 13 due to acquisitions while eight companies had been newly established. 27 additions related to the Tourism segment and one to 'Other'.

Since 31 December 2008, a total of 50 companies were removed from consolidation. 47 of these companies were related to Container Shipping, deconsolidated due to the sale of this division in the first quarter of 2009. In the Tourism segment, two companies each were removed from consolidation due to mergers and sale and one due to liquidation.

18 associated companies and 35 joint ventures were measured at equity. The group of companies measured at equity rose by four year-on-year. While three companies were removed from the group of companies measured at equity due to the sale of interests, five companies were added due to an expansion of their business operations. Two newly formed companies were added to the group of companies measured at equity. One of them related to the significant stake of 43.33% held in Container Shipping after its disposal.

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

The effects of the changes in the group of consolidated companies in financial year 2009 on the years 2009 and 2008 are outlined below. While balance sheet values of companies deconsolidated in financial year 2009 are shown as per the closing date for the previous period, items of the profit and loss statement are also shown for financial year 2009 due to prorated effects.

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

€ million	Additions 30 Sep 2009	Disposals 31 Dec 2008
Non-current assets	38.3	–
Current assets	24.9	3,962.0
of which assets held for sale	*0.0*	*3,962.0*
Non-current provisions	0.1	–
Non-current financial liabilities	0.7	–
Current financial liabilities	2.5	–
Non-current other liabilities	5.7	–
Current other liabilities	18.1	–
Liabilities related to assets held for sale	0.0	2,474.8

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

€ million	Additions SFY 2009	SFY 2009	Disposals 2008
Turnover with third parties	46.0	–	0.3
Turnover with consolidated Group companies	0.1	–	11.7
Cost of sales and administrative expenses	45.6	–	12.3
Financial expenses	0.4	–	–
Earnings before income taxes	**0.1**	**–**	**- 0.3**
Result from Continuing Operations	**0.1**	**–**	**- 0.3**
Results from Discontinued Operations	–	936.7	258.8
Group profit/loss for the year	**0.1**	**936.7**	**258.5**

Acquisitions – divestments

In the short financial year 2009, 13 Tourism companies were acquired at acquisitions costs of €23.0m in order to expand business operations.

Summary presentation of acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share %	Acquisition costs € million
Adventure Tours Australia group, Australia (3 companies)	Specialist tour operator	TUI Travel Holdings Ltd.	2 Apr 09	each 100	3.7
Williment World Travel group, New Zealand (4 companies)	Specialist tour operator	TUI Travel Holdings New Zealand Ltd.	1 May 09	each 100	4.9
Aragon Tours Ltd., UK	Provider of services for cruise companies	TUI Travel Holdings Ltd.	8 May 09	100	2.6
Zeghram Expeditions group, US (2 companies)	Tour operator expeditions	First Choice Holdings, Inc.	30 Jun 09	each 100	8.3
EAC Language Centres (UK) Limited, Edinburgh (3 companies)	Language schools	TUI Travel Holdings Ltd.	2 Jul 09	each 100	3.5
Total					**23.0**

The cost of acquisition in foreign currencies was translated into euros. In accordance with the provisions of revised IFRS 3, incidental acquisition costs of €0.8m and contingent consideration of €7.9m, which are dependent on the continued employment of former owners were taken through profit and loss.

Fair values of considerations transferred

€ million	
Purchase price paid	20.7
Deferred or contingent consideration	2.3
Total	**23.0**

In some cases the cost of acquisition also comprised the fair values of conditional purchase price portions depending on future events, alongside the purchase price already paid.

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

€ million, translated	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Intangible assets	1.8	7.0	8.8
Property, plant and equipment	4.9	- 1.5	3.4
Investments	0.7	- 0.5	0.2
Fixed assets	**7.4**	**5.0**	**12.4**
Inventories	0.1	–	0.1
Receivables and other assets including prepaid expenses	11.9	2.5	14.4
of which provision for depreciation	*0.0*	*0.3*	*0.3*
Cash and cash equivalents	12.6	–	12.6
Deferred income tax provisions	0.1	1.8	1.9
Other provisions	1.1	4.4	5.5
Financial liabilities	2.7	–	2.7
Liabilities and deferred income	26.0	–	26.0
Equity	**2.1**	**1.3**	**3.4**

The difference between the cost of acquisition and the revalued net assets attributable to the acquired share totalled €19.6m (incl. currency translation) as at the date of acquisition and was provisionally carried as goodwill for the respective companies. This goodwill essentially constituted part of the expected synergy potential. As expected, €2.6m of the goodwill was tax deductible.

The 12-month timeframe offered under IFRS 3 was used, according to which the purchase price allocation to the individual assets and liabilities was effected on a provisional basis.

Since the date of first-time consolidation, the companies mentioned above have generated turnover of €45.9m and earnings after tax of €4.3m. Until the date of the transfer of the shares, the companies generated turnover of €18.5m and earnings after tax of €-2.0m.

In the present short financial year, the purchase price allocations of the following companies and groups, acquired in the first nine months of financial year 2008, were finalised within the timeframe of 12 months applicable under IFRS 3:

- Active Safary Group, Australia
- Destination Florida-New England Group, USA
- Gullivers Group, UK
- Your Sporting Challenge, UK
- Real Travel Group, UK
- World Challenge Group, UK
- Sportsworld Group, UK

- Travelmood Ltd., UK
- FanFirm Group, Australia
- Hotels London Ltd., UK
- Events International Group, UK
- Societé Polynésienne Promotion Hoteliére S.A.S., Polynesia

Comparative information for reporting periods prior to preparation of the first-time accounting of the acquisition transaction must be presented retrospectively as if the purchase price allocation had already been completed at the date of acquisition. The following table provides an overview of the final purchase price allocation.

Final presentation of the statements of financial position as at first time consolidation for acquisitions expected in the first nine months

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Other intangible assets	7.0	49.1	56.1
Property, plant and equipment	17.3	- 10.6	6.7
Fixed assets	**24.3**	**38.5**	**62.8**
Inventories	2.0	- 0.3	1.7
Receivables and other assets including deferred tax receivables	33.0	- 0.4	32.6
Cash and cash equivalents	22.6	0.0	22.6
Deferred tax provisions	- 0.9	15.7	14.8
Other provisions	0.4	–	0.4
Financial liabilities	16.8	–	16.8
Liabilities and deferred income	68.4	7.1	75.5
Equity	**- 2.8**	**15.0**	**12.2**

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 a total of €1.3m due to changes in the purchase price allocation.

Taking account of the changes in purchase price allocation and adjustments for acquisitions effected in the last three months of 2008, the following changes in the consolidated statement of financial position arose as at 31 December 2008.

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

€ million	Adjustment 31 Dec 2008
Goodwill	+ 6.2
Other intangible assets	+ 9.9
Property, plant and equipment	- 11.3
Non-current assets	**+ 4.8**
Trade accounts receivable and other receivables	- 7.8
Current assets	**- 7.8**
Deferred income tax provisions	- 3.1
Other provisions	+ 1.5
Other liabilities	+ 0.5
Non-current provisions and liabilities	**- 1.1**
Trade accounts payable	- 5.9
Other liabilities	+ 4.0
Current liabilities	**- 1.9**

The capitalised goodwill essentially represents a portion of the expected synergy potential. These purchase price allocations did not have any major effects on the consolidated profit and loss statement.

On 23 March 2009, TUI AG sold its entire Container Shipping operations. All shares in Hapag-Lloyd AG were sold to Albert Ballin Holding GmbH & Co. KG. By the end of March 2009, Container Shipping generated turnover of €1,118.9m and earnings after tax of €-197.9m. The 47 subsidiaries were sold for an enterprise value (excl. real estate) of €4.3bn. Taking account of the early application of IAS 27, profit after tax from the sale accounted for €1,134.9m after deduction of the costs to sell and the final purchase price determination.

Statement of financial position as at the date of deconsolidation of Container Shipping

€ million	March 2009	31 Dec 2008
Non-current assets	3,494.9	3,262.6
Current assets	1,186.3	699.4
Assets	**4,681.2**	**3,962.0**
Non-current provisions and liabilities	1,669.6	1,233.6
Current provisions and liabilities	1,401.3	1,241.3
Liabilities	**3,070.9**	**2,474.9**
Equity	**1,610.3**	**1,487.1**
Equity attributable to shareholders of TUI AG	1,609.9	1,486.8
Minority interests	0.4	0.3

The assets and liabilities of Container Shipping shown as per 31 December 2008 were presented in separate items in the statement of financial position for 2008, as required by IFRS 5.

TUI AG indirectly acquired an entrepreneurial stake of 43.33% in Albert Ballin Joint Venture GmbH & Co. KG, the sole shareholder of Albert Ballin Holding GmbH & Co. KG.

Currency translation

Transactions in foreign currencies were translated into the functional currency at the foreign exchange rates ruling at the date of the transaction. Any gains and losses resulting from the execution of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at the foreign exchange rate ruling at the date of the transaction are shown in the profit and loss 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 respective functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. With the exception of four companies in the Tourism Division, the functional currencies of all subsidiaries corresponded to the currency of the country of incorporation of the respective subsidiary.

Where subsidiaries prepare their financial statements in functional currencies other than the euro, the Group's reporting currency, the assets, liabilities and notes on the statement of financial position are translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies and adjustments of the fair value arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and also translated at the mean rate of exchange applicable at the balance sheet date. The items of the profit and loss statement and hence the profit for the year shown in the profit and loss statement are translated at the average monthly rate of the period in which the associated transaction arose.

Translation differences related 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 as a gain or loss from measurement at fair value in the profit and loss statement. By 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 2008.

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

Differences arising on the translation of the annual financial statements of foreign subsidiaries are carried outside profit and loss and separately shown as differences from currency translation in the statement of changes in equity. When a foreign company or operation is sold, any currency differences previously carried in equity outside profit and loss are recognised as a gain or loss from disposal in the profit and loss statement.

Net investment in a foreign operation

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

Gains or losses from currency hedges arising from the translation of the functional currency of Container Shipping into euros were also separately shown in equity under 'Currency translation' to the extent that the hedge was effective (hedge of a net investment in a foreign operation) until the date of disposal of Container Shipping. These amounts taken to equity outside profit and loss were released to the profit and loss statement upon disposal of the net investment.

Exchange rates of currencies of relevance to the TUI Group

	Closing rate		Annual average rate	
each €	**30 Sep 2009**	**31 Dec 2008**	**SFY 2009**	**2008**
British pound sterling	0.91	0.96	0.89	0.80
US dollars	1.46	1.40	1.36	1.47
Swiss francs	1.52	1.49	1.51	1.59
Swedish kronor	10.22	10.92	10.71	9.62

Consolidation methods

The recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. Accordingly, irrespective of existing minority interests, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities is initially effected as at the acquisition date. Subsequently, the acquisition costs of the shareholding are eliminated against the acquiree's revalued equity attributable to the acquired share. Any excess of acquisition costs over net assets acquired is capitalised as goodwill for all companies purchased since 1 October 1995 and recognised as an asset for the acquired subsidiary in accordance with the provisions of IAS 21. Any negative goodwill is immediately reversed through profit and loss as at the date on which it arises, with the reversal effect carried under 'Other income'.

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 indications of potential impairment in goodwill.

In the framework of the generally prospective application of IFRS 3 (revised) and IAS 27 (revised), the difference between the purchase price received and the carrying amount of the stakes acquired is recognised directly in equity when additional shares are purchased after obtaining control (follow-up share purchases). The effects from sales of stakes not entailing a loss of control are also recognised directly in equity on an analogous basis.

By contrast, when control is obtained or lost, the difference is recognised through profit and loss. This gain or loss effect results from step acquisitions (transaction involving a change of control), with equity attributable to the share 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 effected 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 effected as at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised in equity 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 was eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and Group equity attributable to the stake, including any translation differences, differences from the revaluation reserve, the reserve for changes in the value of financial instruments as well as eliminated interim profits is carried in the consolidated profit and loss statement as at the disposal date. This principle does not apply to actuarial gains or losses carried in Group equity outside profit and loss in the framework of the recognition of pension obligations in accordance with IAS 19. If any subsidiaries are sold, the goodwill attributable to these subsidiaries is included in the determination of the gain or loss on disposal.

The Group's major associated companies and joint ventures are measured at equity and shown in the statement of financial position at the cost of acquisition as at the acquisition date. The group's stake in associated companies and joint ventures includes the goodwill arising from the respective acquisition transaction.

The Group's share in profits and losses of associated companies and joint ventures is carried in the profit and loss statement as from the date of acquisition (Result from joint ventures and associates), while the Group's share in changes in reserves is shown in its revenue reserves. Accumulated changes arising after the acquisition were shown in the carrying amount of the participation. Where the share in the loss of an associated company or joint venture equals or exceeds the Group's stake in this company, including other unsecured receivables, no further losses are recognised as a matter of principle. Any losses exceeding that share are only recognised where obligations have been assumed or payments have been made for the associated company or joint venture.

Intercompany profits from transactions between subsidiaries and companies measured at equity are eliminated in relation to the Group's stake in the company. Intercompany losses are also eliminated if the transaction does not suggest an impairment in the transferred asset. Where the accounting and measurement methods applied by associated companies and joint ventures differ from the uniform accounting rules applied in the Group and the differences are sufficiently known and accessible, amendments are made as a matter of principle.

Intercompany receivables and payables or provisions are eliminated. Where the conditions for the consolidation of third-party debt are met, this option is used. Intercompany turnover and other income as well as the corresponding expenses are eliminated. In accordance with the provisions of IFRS 5, expenses and income from transactions between continuing and discontinued operations are not eliminated where these operations are continued after the disposal of the discontinued operation. Intercompany results from intercompany deliveries and services are reversed through profit and loss, taking account of deferred income taxes. However, intercompany losses are understood as suggesting that an impairment test is required for the transferred assets. Intercompany deliveries and services are usually provided in conformity with the arm's length principle.

Accounting and measurement

The financial statements of the consolidated subsidiaries are prepared in accordance with uniform accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations but solely by the commercial presentation of the net assets, financial position and results of operations as set out in the rules of the IASB.

Recognition of income

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

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

The commission fees received by travel agencies for package tours are recognised upon payment by the customers or, at the latest, 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 fully recognised when the customer departs. Turnover from individual travel modules booked directly from airlines, hotel companies or incoming agencies by customers is recognised when the customers use the respective services. Income from non-completed shipping tours is recognised according to the proportion of contract performance at the balance sheet date. For cruises, the percentage of completion is determined as the ratio between travel days completed by the balance sheet date and overall travel days.

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

Goodwill and Other intangible assets

Acquired intangible assets are carried at cost. Self-generated intangible assets, primarily software for use by the Group itself, are capitalised at cost where an inflow of future economic benefits for the Group is probable and can be reliably measured. The cost of production comprises direct costs and directly allocable overheads. Intangible assets with a limited service life are amortised over the expected useful life.

Intangible assets acquired in the framework of business combinations, such as order book, customer base or trademark rights, are carried at the fair value as at the date of acquisition and amortised.

Useful lives of intangible assets

	Useful lives
Concessions, property rights and similar rights	up to 20 years
Trademarks at aquisition date	15 to 20 years
Order book as at aquisition date	until departure date
Software	3 to 10 years
Customerbase 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 indications of 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 that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the Tourism segment, the TUI Travel Division as a whole was 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 amounts of the tested units plus the allocable goodwill exceeds the recoverable amount. The recoverable amount corresponds to the higher of fair value less costs to sell and the present value of future payment flows of the tested entity based on continued use within the company (value in use). The fair value less cost to sell corresponds to the amount that could be generated between knowledgeable, willing, independent business partners in an arm's length transaction after deduction of the cost to sell. Due to the restrictions applicable to the determination of the cash flows to derive the value in use, e.g. the requirement not to account for earnings effects from investments in expansions or from restructuring activities for which no provision was formed according to IAS 37, the fair value less cost to sell usually exceeds the value in use and therefore represents the recoverable amount.

Since a fair value was not available in an active market for the entities to be tested, with the exception of TUI Travel PLC, it was determined by means of discounting the expected cash surpluses. This was based on the medium-term plan for the entity under review, prepared at the balance sheet date, following deduction of income tax payments. The assumptions underlying the planning are outlined in the section 'Report on Expected Developments' in the management report. For the detailed planning period from 2009/10 to 2011/12, the weighted average cost of capital after income taxes which formed the discounting basis was 8.0% per annum for the TUI Travel PLC sector and 8.1% per annum for TUI Hotels & Resorts; taking account of a growth markdown of 1.0% per annum, the corresponding figures were 7.0% p.a. and 7.1% p.a., respectively, for the longer-term period. The fair values determined were tested against multiples customary in the market. The costs to sell to be taken into account were determined on the basis of empirical values related to past transactions.

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

Property, plant and equipment

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

Borrowing costs directly associated with the acquisition, construction or production of qualified assets are included in the cost of acquisition or production of these assets until the assets are ready for their intended use. The capitalisation rate applied in the event of intercompany financing is 6.0% per annum for the short financial year 2009 and 6.25% p.a. for 2008. 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

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Cruise ships	30 years
Yachts	5 to 15 Jahre
Motorboats	15 to 24 Jahre
Aircraft	
Fuselages	up to 18 years
Engines	up to 18 years
Engine overhaul	depending on intervals, up to 5 years
Major overhaul	depending on intervals, up to 5 years
Spare parts	12 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 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 for cruise ships and their hotel complexes amounts to 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition is based on a residual value of 20% of the cost of acquisition.

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

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

Investment grants received are shown as reductions in cost where these grants are directly attributable to individual property, plant or equipment items. Where a direct allocation of grants is not possible, the grants and subsidies received are carried as deferred income under 'Other liabilities' and reversed in accordance with the useful life of the investment project.

Leases

Finance leases

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

Where companies of the TUI Group are lessors in finance leases, receivables equivalent to the net investment value are carried for the lease. The 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 profit and loss statement on a straight-line basis over the term of the corresponding leases.

Sale-and-lease-back-transactions

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

If a sale-and-lease-back transaction is classified as an operating lease, a gain or loss is recognised immediately if the transaction terms are demonstrably 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 is above fair value, the gain from the difference between these two values also has to be deferred and amortised.

Investment property

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

Financial instruments

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

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

In terms of financial instruments measured at fair value through profit and loss, the TUI Group exclusively held derivative financial instruments which had to be classified as held for trading. The fair value option was not exercised. Moreover, the TUI Group held financial assets in the 'loans and receivables' and 'available for sale' categories. However, it did not hold any assets held to maturity in the present annual financial statements.

In the short financial year 2009 and in the previous financial year no reclassifications were effected within the individual measurement categories.

Primary financial assets

Financial assets are recognised at the value as at the trading date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as financial assets 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 receivables' in the statement of financial position and classified as current receivables if they mature within twelve months after the balance sheet date.

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

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

Financial assets available for sale are measured at their fair value in the framework of initial measurement. Changes in fair values are carried in equity outside profit and loss until the disposal of the assets. A permanent reduction in fair value gives rise to impairments recognised through profit or loss. In the event of subsequent reversal of the impairment, the impairment carried through profit or loss is not reversed for equity instruments but eliminated against equity outside profit and loss. Where a listed market price in an active market is not available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at amortised cost.

A derecognition of assets is effected as at the date on which the rights for payments from the asset 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 the underlying hedged item. As a matter of principle, the Group classifies derivative financial instruments either as fair value hedges to hedge against exposure to changes in the fair value of assets or liabilities or as cash flow hedges to hedge against variability in cash flows from highly probable future transactions.

Upon conclusion of the transaction, the Group documents the hedge relationship between the hedge and the underlying item, the risk management goal and the underlying strategy. In addition, an assessment is made and documented both at the beginning of the hedge relationship and on a continual basis as to whether the derivatives used for the hedge compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments held for trading are carried as current assets or liabilities.

The changes in the fair values of derivative financial instruments designated to hedge against exposure to changes in the fair value (fair value hedges) are carried in the profit and loss statement alongside the changes in the fair values of the hedged assets or liabilities allocable to the hedged risk. If the conditions for hedge accounting are no longer met and the previously designated underlying item is measured by means of the effective interest method, the necessary adjustment of the carrying amount of the underlying transaction has to be effected over its remaining term. The present annual financial statements did not include any fair value hedges of assets and liabilities.

The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. The ineffective portion of such changes in the fair value, by contrast, is recognised immediately in the profit and loss statement with an effect on results, depending on the nature of the transaction. Amounts taken to equity are reclassified to the profit and loss statement and carried as income or expenses in the period in which the hedged item had an effect on results.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in equity and is only carried in the profit and loss statement 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 immediately has to be recognised through profit and loss.

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

Inventories

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

Cash and cash equivalents

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

Non-current assets held for sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if the associated carrying amount will be recovered principally through sale rather than through continued use. Discontinued Operations are operations which may clearly be separated operationally and for accounting purposes from the remainder of the Company and have been sold or classified as held for sale.

The measurement is effected at the lower of carrying amount and fair value less costs to sell. Depreciation and at equity measurements have to be suspended. Impairments to fair value less costs to sell must be carried through profit 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 the 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 loss carryforwards assessed as recoverable in the future are capitalised. Although there was no time limit for German loss carryforwards, as before, the annual use of such carryforwards was restricted by means of minimum taxation. Foreign loss carryforwards frequently had to be used within a given country-specific time limit and were subject to restrictions concerning the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

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

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

Deferred taxes are measured at the tax rates and tax provisions applicable at the balance sheet date or essentially adopted by law and expected to be applicable at the date of realisation of the deferred tax claim or the payment of the deferred tax liability. Deferred tax items of German companies were measured at a tax rate of 31.0%, as in 2008.

Current income taxes

As in financial year 2008, the German companies of the TUI Group had to pay average trade income tax of approx. 15.2%. As in 2008, 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 10.0% to 41.0%.

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

Share-based payments

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

For transactions with cash compensation, the resulting liability for the Group was charged to expenses at its fair value as at the date of the performance of the service by the beneficiary. Until payment of the liability, the fair value of the liability was remeasured at every closing date and all changes in the fair value were carried through profit 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 time of the granting of the options and spread over the vesting period during which the employees become entitled to the options.

The fair value of the option 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 directly taken to the revenue reserve in equity.

Key estimates and judgements

All estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations concerning future events.

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

In order to review the carrying amounts of property, plant and equipment, an annual assessment for signs of potential impairment is performed. These indications relate to various areas, e.g. the market-related or technical environment but also physical condition. If such signs are identified, management has to assess the recoverable amount on the basis of expected future cash flows and appropriate interest rates. Moreover, key estimates and judgements are made in determining useful economic lives and residual values of property, plant and equipment items, to be tested at least on an annual basis. Details concerning useful lives and residual values of property, plant and equipment items are provided in the section ‘Property, plant and equipment’ in the chapter ‘Accounting and measurement methods’.

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In this context, cash flow-based methods are regularly used. Depending on the assumptions underlying such methods, different results may be produced. In particular, judgement and estimation is required in determining the economic useful lives of intangible assets and the fair values of contingent liabilities.

The classification of non-current assets or disposal groups as ‘held for sale’ requires judgement in determining whether the planned disposal is highly probable and able to be realised within 12 months. The measurement of these assets or disposal groups at their fair value less costs to sell can also require judgement if there is no active market.

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of the risk. In order to determine the obligation under defined benefit pension schemes, actuarial calculations are used. They strongly depend on the underlying mortality assumptions and the selection of the discount rate, newly determined at the end of every year. The discount rate used is the interest rate for first-rate corporate bonds denominated in the currencies in which the 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 information on the recognised pension provisions under Note 32.

Judgement is required in the assessment of 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 the income tax provisions. For certain transactions and calculations the final tax charge is impossible to determine during the ordinary course of business. The level of the provisions for expected tax audits is based on an estimation of whether and to what extent additional income taxes will be due. Judgements are corrected, if necessary, in the period in which the final tax charge is determined.

Segment Reporting

Notes on the segments

The new standard 'IFRS 8 – Operating Segments' has been effective and mandatory since the beginning of the financial year. As a result, the presentation of segment reporting showed minor variations compared with the annual financial statements for 2008.

The identification of operating segments was based on the internal organisational and reporting structure, built on the different products and services within the TUI Group. Allocation of the individual organisational entities to the operating segments was 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 were aggregated with other operating segments.

Since the sale of the majority stake in Container Shipping in March 2009, Tourism has represented the Group's exclusive core business. The Tourism Division consists of TUI Travel, TUI Hotels & Resorts and the Cruises Sector.

TUI Travel comprises all distribution, tour operator, airline and incoming activities of the TUI Group. Operational management of the Mainstream, Specialist & Emerging Markets, Activity and Accommodation & Destinations Sectors was exercised by the boards and the management of TUI Travel PLC. TUI Hotels & Resorts comprises all hotel companies of the Group. The Cruises Sector consists of Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities, a joint venture measured at equity.

The 'All other segments' segment carried the Group's real estate companies, all non-allocable business activities (in particular holding companies) and has included the result from the measurement of the stake in Container Shipping since 1 April 2009. The 'Holdings' Sector also carried turnover from and expenses for the intra-group aircraft charter business.

For the first time, Discontinued Operations comprised the companies of the Magic Life hotel brand of TUI Hotels & Resorts and, as in 2008, the Container Shipping activities until the disposal of these operations in March 2009.

The results from business relationships between the Continuing and the Discontinued Operations, whose agreements will be retained even after the sale, were not carried on a consolidated basis but were allocated to the respective segment. Presentation of the individual segments is thus based on the post-disposal approach, reflecting the segments after the sale of the Discontinued Operation.

Expenses for and income from TUI AG's cross-divisional management tasks were allocated to the individual sectors and segments they were associated with.

Notes on the segment data

As a rule, inter-segment business transactions were based on the arm's length principle, as applied in transactions with third parties.

The operating segment assets and liabilities comprised assets or liabilities, excluding financial assets, financial liabilities, pension provisions and income taxes. Goodwill was also shown as segment assets.

Non-current assets comprised goodwill, other intangible assets, property, plant and equipment, carrying amounts of assets measured at equity and the non-current components of other assets.

Investments were additions of property, plant and equipment as well as intangible assets. Depreciation and amortisation related to segment fixed assets and also included goodwill impairments.

Non-cash expenses did not comprise depreciation.

Proceeds from the disposal of subsidiaries were allocated to the individual segment revenues. The recognition of differences from currency translation in connection with capital reductions through profit or loss was attributed to the holding activities and therefore allocated to the holding companies in segment reporting.

Financial assets as well as cash and cash equivalents were used to generate the financial result. Financial liabilities (including pension provisions) were carried as interest-bearing liabilities and were used to finance the operating and investing activities.

Reconciliation of segment assets and liabilities to the Group's assets or liabilities had to take account of income tax assets or income tax provisions and liabilities.

Segment reporting disclosed in particular performance indicators such as EBITA, underlying EBITA, EBITDA and EBITDAR since these indicators were used as the control basis for value-oriented corporate management. In determining the performance indicators for the Discontinued Operations, the result from Discontinued Operations was reallocated to the original types of income and expenses.

Key Figures by Division and Sector

€ million	Tourism Segment SFY 2009	2008 revised	All other Segments SFY 2009	2008 revised
Statement of results				
Third-party turnover	13,040.1	18,541.2	43.7	60.2
Turnover between Continuing/Discontinued Operations	2.9	4.4	5.6	25.6
Turnover	**13,043.0**	**18,545.6**	**49.3**	**85.8**
Inter-segment turnover	14.0	24.0	123.2	168.3
Segment turnover	**13,057.0**	**18,569.6**	**172.5**	**254.1**
Group profit/loss for the year	**–**	**–**	**–**	**–**
Income taxes	–	–	–	–
Earnings before taxes (EBT)	**128.7**	**- 153.8**	**- 666.7**	**- 122.6**
of which at equity result	*36.2*	*33.7*	*- 214.2*	–
Net interest result and result from the measurement of interest hedges	- 91.1	- 133.6	- 57.0	- 137.7
Impairment of goodwill	8.9	107.2	–	–
Segment results according to IFRS 8	**228.7**	**87.0**	**- 609.7**	**15.1**
Result from Container Shipping measured at equity	–	–	- 214.2	–
Interest result from the measurement of loans to Container Shipping	–	–	*- 353.9*	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**228.7**	**87.0**	**- 41.6**	**15.1**
Adjustments	421.2	493.3	–	- 1.8
IFRS 5 effects	–	–	–	–
Underlying EBITA	**649.9**	**580.3**	**- 41.6**	**13.3**
Amortisation of other intangible assets and depreciation of property, plant and equipment	435.5	464.0	8.7	8.9
of which impairments	*141.4*	*21.0*	*3.8*	–
Other depreciation/amortisation and write-backs	- 2.9	- 5.5	0.8	- 18.4
of which write-backs	*0.4*	*3.3*	*1.8*	–
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**667.1**	**556.5**	**- 33.7**	**42.4**
Rental expenses	535.8	664.4	102.5	149.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,202.9**	**1,220.9**	**68.8**	**192.3**
Assets and liabilities				
Segment assets	8,297.1	9,107.3	578.3	458.3
of which goodwill	*2,715.8*	*2,520.3*	–	–
Carrying amounts of companies measured at equity	567.8	406.4	632.9	–
Interest-bearing Group receivables	9.6	59.1	1,961.8	2,041.4
Cash and cash equivalents	948.2	746.1	503.8	1,273.9
Other financial assets	238.3	294.7	3,300.5	4,576.2
Non-allocable taxes	–	–	–	–
Total assets	**–**	**–**	**–**	**–**
Segment liabilities	5,610.1	5,585.2	485.6	436.6
Third-party financial liabilities	553.6	1,048.9	3,161.2	3,848.1
Group financial liabilities	1,765.2	1,539.1	61.3	70.6
Other financial liability items	554.9	406.6	313.5	310.9
Non-allocable taxes	–	–	–	–
Total liabilities and provisions	**–**	**–**	**–**	**–**
Additional disclosures				
Non-cash expenses	5.1	27.9	–	*2.6*
Non-cash income	41.8	51.4	–	–
Return on sales (% on EBITA)	1.8	0.5	–	–
Investments	285.6	547.3	8.6	6.4
Investments in goodwill	23.4	1.4	–	–
Investments in other intangible assets and property, plant and equipment	262.2	545.9	8.6	6.4
Financing ratio (%)	155.6	104.4	101.2	139.1
Personnel at year-end	64,336	59,706	675	665

* In accordance with IFRS 5, these earnings are presented taking account of depreciation/amortisation and at equity measurement. Adjusted for these effects, earnings would be €66.0m (previous year: €179.1m) lower. In order to enhance comparability of underlying EBITA, this earnings effect was additionally included in the adjustments for the Discontinued Operations.

Consolidation		Continuing Operations		Discontinued Operations		Consolidation		Group	
SFY 2009	2008 revised	SFY 2009	2008 revised	SFY 2009	2008 revised	SFY 2009	2008 revised	SFY 2009	2008 revised
–	–	13,083.8	18,601.4	1,160.3	6,265.5	–	–	14,244.1	24,866.9
–	–	8.5	30.0	50.0	77.2	- 58.5	- 107.2	–	–
–	**–**	**13,092.3**	**18,631.4**	**1,210.3**	**6,342.7**	**- 58.5**	**- 107.2**	**14,244.1**	**24,866.9**
- 137.2	- 192.3	–	–	–	–	–	–	–	–
- 137.2	**- 192.3**	**13,092.3**	**18,631.4**	**1,210.3**	**6,342.7**	**- 58.5**	**- 107.2**	**14,244.1**	**24,866.9**
–	**–**	**-489.2**	**- 404.5**	**844.2**	**222.4**	**–**	**–**	**355.0**	**- 182.1**
–	–	- 46.2	42.8	14.0	29.0	–	–	- 32.2	71.8
2.6	**- 85.3**	**- 535.4**	**- 361.7**	**858.2**	**251.4**	**–**	**–**	**322.8**	**- 110.3**
–	–	*- 178.0*	*33.7*	–	*5.6*	–	–	*- 178.0*	*39.3*
–	- 17.6	- 148.1	- 288.9	- 31.0	- 33.6	–	–	- 179.1	- 322.5
–	–	8.9	107.2	–	–	–	–	8.9	107.2
2.6	**- 67.7**	**- 378.4**	**34.4**	**889.2**	**285.0**	**–**	**–**	**510.8**	**319.4**
–	–	- 214.2	–	–	–	–	–	- 214.2	–
–	–	- 353.9	–	–	–	–	–	- 353.9	–
2.6	**- 67.7**	**189.7**	**34.4**	**889.2***	**285.0***	**–**	**–**	**1,078.9***	**319.4***
–	–	421.2	491.5	- 1,071.9	87.6	–	–	- 650.7	579.1
–	–	–	–	- 66.0	- 179.1	–	–	- 66.0	- 179.1
2.6	**- 67.7**	**610.9**	**525.9**	**- 248.7**	**193.5**	**–**	**–**	**362.2**	**719.4**
–	–	444.2	472.9	49.1	77.3	–	–	493.3	550.2
–	–	*145.2*	*21.0*	*45.0*	–	–	–	*190.2*	*21.0*
–	- 1.1	- 2.1	- 25.0	–	- 0.3	–	–	- 2.1	- 25.3
- 0.4	*- 1.1*	*1.8*	*2.2*	–	–	–	–	*1.8*	*2.2*
2.6	**- 66.6**	**636.0**	**532.3**	**938.3***	**362.6***	**–**	**–**	**1,574.3***	**894.9***
- 119.9	- 157.0	518.4	657.3	121.8	482.1	–	- 31.1	640.2	1,108.3
- 117.3	**- 223.6**	**1,154.4**	**1,189.6**	**1,060.1***	**844.7***	**–**	**- 31.1**	**2,214.5***	**2,003.2***
- 16.4	- 21.0	8,859.0	9,544.6	123.8	3,923.5	–	- 10.6	8,982.8	13,457.5
–	–	*2,715.8*	*2,520.3*	–	*99.8*	–	–	*2,715.8*	*2,620.1*
–	–	1,200.7	406.4	–	47.6	–	–	1,200.7	454.0
- 1,971.4	- 1,800.3	–	300.2	–	387.1	–	- 687.3	–	–
–	–	1,452.0	2,020.0	6.3	149.4	–	–	1,458.3	2,169.4
- 2,018.0	- 2,004.8	1,520.8	2,866.1	14.8	14.5	–	- 2,585.8	1,535.6	294.8
–	–	–	–	–	–	–	–	305.7	277.7
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,483.1**	**16,653.4**
- 15.8	- 236.8	6,079.9	5,785.0	41.9	1,139.0	–	- 15.7	6,121.8	6,908.3
–	- 3.7	3,714.8	4,893.3	73.4	1,358.9	–	–	3,788.2	6,252.2
- 1,826.5	- 1,602.6	–	7.1	–	687.1	–	- 694.2	–	–
–	–	868.4	717.5	–	75.8	–	–	868.4	793.3
–	–	–	–	–	–	–	–	447.3	532.1
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,225.7**	**14,485.9**
–	–	5.1	30.5	285.4	–	–	–	290.5	30.5
–	–	41.8	51.4	–	–	–	–	41.8	51.4
–	–	1.4	0.2	73.5	4.5	–	–	7.6	1.3
–	–	294.2	553.7	69.6	400.1	–	–	363.8	953.8
–	–	23.4	1.4	–	–	–	–	23.4	1.4
–	–	270.8	552.3	69.6	400.1	–	–	340.4	952.4
–	–	154.0	104.8	70.5	19.3	–	–	138.0	68.9
–	–	65,011	60,371	4,525	9,883	–	–	69,536	70,254

Key Figures Tourism Segment

€ million	TUI Travel PLC SFY 2009	TUI Travel PLC 2008 revised	TUI Hotels & Resorts SFY 2009	TUI Hotels & Resorts 2008 revised
Statement of results				
Third-party turnover	12,621.9	17,970.5	276.2	370.7
Turnover between Continuing/Discontinued Operations	2.9	4.4	–	–
Turnover	**12,624.8**	**17,974.9**	**276.2**	**370.7**
Inter-segment turnover	21.8	31.4	303.0	373.4
Segment turnover	**12,646.6**	**18,006.3**	**579.2**	**744.1**
Group profit/loss for the year				
Income taxes	–	–	–	–
Earnings before taxes (EBT)	**19.0**	**- 254.9**	**108.3**	**92.5**
of which at equity result	*14.3*	*13.0*	*25.5*	*28.7*
Net interest result and result from the measurement of interest hedges	- 76.4	- 106.2	- 14.8	- 29.2
Impairment of goodwill	8.9	72.7	–	34.5
Segment results according to IFRS 8	**104.3**	**- 76.0**	**123.1**	**156.2**
Result from Container Shipping measured at equity	–	–	–	–
Interest result from the measurement of loans to Container Shipping	–	–	–	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**104.3**	**- 76.0**	**123.1**	**156.2**
Adjustments	421.2	489.5	–	3.8
IFRS 5 effects	–	–	–	–
Underlying EBITA	**525.5**	**413.5**	**123.1**	**160.0**
Amortisation of other intangible assets and depreciation of property, plant and equipment	379.9	394.0	49.8	62.1
of which impairments	*141.4*	*21.0*	–	–
Other depreciation/amortisation and write-backs	- 1.6	- 6.3	- 1.3	0.8
of which write-backs	*0.0*	*1.9*	*0.4*	*1.4*
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**485.8**	**324.3**	**174.2**	**217.5**
Rental expenses	487.0	587.8	42.6	68.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**972.8**	**912.1**	**216.8**	**285.8**
Assets and liabilities				
Segment assets	6,559.5	7,324.6	1,648.1	1,659.1
of which goodwill	*2,316.7*	*2,121.1*	*399.1*	*399.2*
Carrying amounts of companies measured at equity	124.8	106.1	300.0	294.5
Interest-bearing Group receivables	–	6.8	9.6	0.5
Cash and cash equivalents	868.4	673.2	76.3	70.3
Other financial assets	139.7	193.4	98.1	100.7
Non-allocable taxes	–	–	–	–
Total assets				
Segment liabilities	5,496.6	5,436.5	105.3	95.9
Third-party financial liabilities	312.8	767.1	240.8	281.8
Group financial liabilities	981.8	1,018.2	569.2	505.5
Other financial liability items	548.1	400.6	0.7	0.7
Non-allocable taxes	–	–	–	–
Total liabilities and provisions	**–**	**–**	**–**	**–**
Additional disclosures				
Non-cash expenses	–	1.1	1.5	18.8
Non-cash income	14.3	14.6	27.5	36.8
Return on sales (% on EBITA)	0.8	- 0.4	21.3	21.0
Investments	234.2	381.8	46.8	160.3
Investments in goodwill	23.4	1.4	–	–
Investments in other intangible assets and property, plant and equipment	210.8	380.4	46.8	160.3
Financing ratio (%)	166.0	122.2	106.4	60.3
Personnel at year-end	50,285	48,508	13,832	10,989

Cruises SFY 2009	Cruises 2008 revised	Consolidation SFY 2009	Consolidation 2008 revised	Tourism Segment SFY 2009	Tourism Segment 2008 revised	
						Statement of results
142.0	200.0	–	–	13,040.1	18,541.2	Third-party turnover
–	–	–	–	2.9	4.4	Turnover between Continuing/Discontinued Operations
142.0	**200.0**	**–**	**–**	**13,043.0**	**18,545.6**	**Turnover**
1.7	3.6	- 312.5	- 384.4	14.0	24.0	Inter-segment turnover
143.7	**203.6**	**- 312.5**	**- 384.4**	**13,057.0**	**18,569.6**	**Segment turnover**
						Group profit/loss for the year
–	–	–	–	–	–	Income taxes
1.4	**8.6**	**–**	**–**	**128.7**	**- 153.8**	**Earnings before taxes (EBT)**
- 3.6	*- 8.0*	–	–	*36.2*	*33.7*	*of which at equity result*
0.1	1.8	–	–	- 91.1	- 133.6	Net interest result and result from the measurement of interest hedges
		–	–	8.9	107.2	Impairment of goodwill
1.3	**6.8**	**–**	**–**	**228.7**	**87.0**	**Segment results according to IFRS 8**
–	–	–	–	–	–	Result from Container Shipping measured at equity
–	–	–	–	–	–	Interest result from the measurement of loans to Container Shipping
1.3	**6.8**	**–**	**–**	**228.7**	**87.0**	**Earnings before interest, taxes and amortisation of goodwill (EBITA)**
–	–	–	–	421.2	493.3	Adjustments
–	–	–	–	–	–	IFRS 5 effects
1.3	**6.8**	**–**	**–**	**649.9**	**580.3**	**Underlying EBITA**
5.8	7.9	–	–	435.5	464.0	Amortisation of other intangible assets and depreciation of property, plant and equipment
–	–	–	–	*141.4*	*21.0*	*of which impairments*
–	–	–	–	- 2.9	- 5.5	Other depreciation/amortisation and write-backs
–	–	–	–	*0.4*	*3.3*	*of which write-backs*
7.1	**14.7**	**–**	**–**	**667.1**	**556.5**	**Earnings before interest, taxes, depreciation and amortisation (EBITDA)**
6.2	8.3	–	–	535.8	664.4	Rental expenses
13.3	**23.0**	**–**	**–**	**1,202.9**	**1,220.9**	**Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)**
						Assets and liabilities
142.1	153.8	- 52.6	- 30.2	8,297.1	9,107.3	Segment assets
–	–	–	–	*2,715.8*	*2,520.3*	*of which goodwill*
143.0	5.8	–	–	567.8	406.4	Carrying amounts of companies measured at equity
–	51.8	–	–	9.6	59.1	Interest-bearing Group receivables
3.5	2.6	–	–	948.2	746.1	Cash and cash equivalents
0.5	0.6	–	–	238.3	294.7	Other financial assets
–	–	–	–	–	–	Non-allocable taxes
						Total assets
59.0	85.3	- 50.8	- 32.5	5,610.1	5,585.2	Segment liabilities
–	–	–	–	553.6	1,048.9	Third-party financial liabilities
216.1	15.4	- 1.9	–	1,765.2	1,539.1	Group financial liabilities
6.1	5.3	–	–	554.9	406.6	Other financial liability items
–	–	–	–	–	–	Non-allocable taxes
–	**–**	**–**	**–**	**–**	**–**	**Total liabilities and provisions**
						Additional disclosures
3.6	8.0	–	–	5.1	27.9	Non-cash expenses
–	–	–	–	41.8	51.4	Non-cash income
0.9	3.3	–	–	1.8	0.5	Return on sales (% on EBITA)
4.6	5.2	–	–	285.6	547.3	Investments
–	–	–	–	23.4	1.4	Investments in goodwill
4.6	5.2	–	–	262.2	545.9	Investments in other intangible assets and property, plant and equipment
126.1	151.9	–	–	155.6	104.4	Financing ratio (%)
219	209	–	–	64,336	59,706	Personnel at year-end

Key Figures by Region

€ million	Germany SFY 2009	Germany 2008 revised	EU (excl. Germany) SFY 2009	EU (excl. Germany) 2008 revised	Rest of Europe SFY 2009	Rest of Europe 2008 revised
Consolidated turnover by customers	**3,588.2**	**5,569.9**	**8,362.7**	**13,469.2**	**565.6**	**690.5**
of which Discontinued Operations	*97.5*	*597.9*	*271.6*	*1,664.9*	*11.5*	*95.5*
Consolidated turnover by domicile of companies	**4,968.6**	**11,672.1**	**7,973.1**	**11,623.9**	**519.1**	**481.2**
of which Discontinued Operations	*1,118.7*	*6 265.5*	*19.4*	–	–	–
Segment assets	**1,130.3**	**4,812.5**	**6,674.0**	**7,345.9**	**63.5**	**90.7**
of which non-current assets	*1,092.1*	*4,054.9*	*5,308.4*	*4,393.3*	*38.3*	*96.4*
of which Discontinued Operations	–	*3,778.2*	–	–	–	–
Non-allocable taxes	–	–	–	–	–	–
Segment liabilities	**1,892.7**	**2,450.0**	**3,730.6**	**3,837.8**	**97.4**	**204.7**
of which Discontinued Operations	–	*1,114.5*	–	–	–	–
Non-allocable taxes	–	–	–	–	–	–
Additional disclosures						
Depreciation/amortisation	54.9	209.0	118.5	376.0	303.6	5.5
of which Discontinued Operations	–	*77.3*	*36.0*	–	–	–
Investments	166.8	445.5	151.0	330.2	6.5	2.3
of which Discontinued Operations	*60.4*	*377.3*	*0.1*	*1.4*	–	*0.1*
Investments in goodwill	–	1.4	23.4	–	–	–
of which Discontinued Operations	–	–	–	–	–	–
Investments in other tangible assets and property, plant and equipment	166.8	444.2	127.6	330.2	6.5	2.2
of which Discontinued Operations	*60.4*	*377.3*	*0.1*	*1.4*	–	*0.1*
Personnel at year-end	9,562	11,313	41,672	40,498	6,106	2,778
of which Discontinued Operations	–	*1,919*	*58*	*1,489*	*2,359*	*696*

North and South America		Other Regions		Consolidation		Group		
SFY 2009	**2008** revised	**SFY 2009**	**2008** revised	**SFY 2009**	**2008** revised	**SFY 2009**	**2008** revised	
1,171.5	**3,444.2**	**556.1**	**1,719.0**	–	**- 25.9**	**14,244.1**	**24,866.9**	**Consolidated turnover by customers**
551.7	*2,575.3*	*228.0*	*1,331.9*	–	–	*1,160.3*	*6,265.5*	*of which Discontinued Operations*
516.5	**845.4**	**266.8**	**270.2**	–	**- 25.9**	**14,244.1**	**24,866.9**	**Consolidated turnover by domicile of companies**
–	–	*22.2*	–	–	–	*1,160.3*	*6,265.5*	*of which Discontinued Operations*
816.2	**860.2**	**503.0**	**395.6**	**- 204.2**	**- 47.4**	**8,982.8**	**13,457.5**	**Segment assets**
454.9	*406.9*	*444.0*	*278.3*	*- 14.4*	*193.8*	*7,323.3*	*9,423.6*	*of which non-current assets*
–	–	*123.8*	*145.3*	–	–	*123.8*	*3,923.5*	*of which Discontinued Operations*
–	–	–	–	–	–	305.7	277.7	Non-allocable taxes
256.6	**437.3**	**221.8**	**279.4**	**- 77.3**	**- 300.9**	**6,121.8**	**6,908.3**	**Segment liabilities**
–	–	*41.9*	*24.5*	–	–	*41.9*	*1,139.0*	*of which Discontinued Operations*
–	–	–	–	–	–	447.3	532.1	Non-allocable taxes
								Additional disclosures
12.1	39.5	13.1	27.4	–	–	502.2	657.4	Depreciation/amortisation
–	–	*13.1*	–	–	–	*49.1*	*77.3*	*of which Discontinued Operations*
20.4	70.3	19.1	105.5	–	–	363.8	953.8	Investments
–	*6.3*	*9.1*	*15.0*	–	–	*69.6*	*400.1*	*of which Discontinued Operations*
–	–	–	–	–	–	23.4	1.4	Investments in goodwill
–	–	–	–	–	–	–	*0.0*	*of which Discontinued Operations*
20.4	70.3	19.1	105.5	–	–	340.4	952.4	Investments in other tangible assets and property, plant and equipment
–	*6.3*	*9.1*	*15.0*	–	–	*69.6*	*400.1*	*of which Discontinued Operations*
6,815	8,434	5,381	7,231	–	–	69,536	70,254	Personnel at year-end
–	*1,805*	*2,108*	*3,974*	–	–	*4,525*	*9,883*	*of which Discontinued Operations*

Notes on the Consolidated Profit and Loss Statement

Since the balance sheet date was changed from 31 December to 30 September, the present consolidated financial statements are based on a short financial year from 1 January to 30 September 2009. The consolidated profit and loss statement for the short financial year 2009 is therefore not directly comparable with the figures for 2008.

In the short financial year 2009, the Group's earnings position was mainly characterised by the profit from the sale of Container Shipping in the first quarter of 2009.

In an overall difficult market environment, earnings by Tourism rose overall due to the enhanced earnings position of the TUI Travel Group. By contrast, Group earnings were adversely affected in particular by the measurement of the loans granted to the new container shipping group and the prorated losses of Container Shipping, to be measured at equity, for the period from April to September 2009.

(1) Turnover

Group turnover by business activity

€ million	SFY 2009	2008 revised
Tourism services	12,978.4	18,439.6
Transport services	27.1	36.0
Trading in merchandise	34.5	24.4
Letting and leasing	17.3	42.5
Other turnover	26.5	63.2
Turnover with Discontinued Operations	8.5	25.7
Total	**13,092.3**	**18,631.4**

Turnover was impacted by the year-on-year weakening of the sterling exchange rate. TUI Travel also recorded a decline in turnover due to capacity cuts resulting from active capacity management, on sound pricing and occupancy rates.

Other turnover included costs of brochures and advertising materials charged to hotels and travel agencies, costs incurred for TUI's company health scheme BKK TUI and operating income from sideline operations.

(2) Cost of sales and administrative expenses

The cost of sales and administrative expenses included:

Lease, rental and leasing expenses

€ million	SFY 2009	2008 revised
Lease, rental and leasing expenses from long-term agreements	518.5	657.3
Lease, rental and leasing expenses from short-term agreements	2.9	38.8
Total	**521.4**	**696.1**

Where rental and lease expenses for operating leases were directly related to the turnover generated, these expenses were shown under the cost of sales. However, where rental and lease expenses were incurred for administrative buildings, they were shown under administrative expenses.

Personnel costs

€ million	SFY 2009	2008 revised
Wages and salaries	1,288.7	1,935.9
Social security contributions, pension costs and benefits	261.1	355.7
Total	**1,549.8**	**2,291.6**

Pension costs included expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations was carried under financial expenses due to its financing character. The expected income from the associated fund assets was carried under financial income. A detailed presentation of pension obligations is provided in Note 32.

In the short financial year, personnel costs declined for various reasons including the weakness of sterling and cost savings achieved as integration between the First Choice Holidays Group and the TUI Group was taking effect.

The average annual headcount (excluding apprentices) developed as follows:

Average annual headcount in the (short) financial year (excl. apprentices)

	SFY 2009	2008 revised
Continuing Operations	62,448	63,036
Discontinued Operations	10,851	11,533
of which Container Shipping (3 months in 2009)	*7,238*	*7,744*
of which Magic Life	*3,613*	*3,789*
Total	**73,299**	**74,569**

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

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

Depreciation/amortisation/impairments

€ million	SFY 2009	2008 revised
Depreciation and amortisation	299.0	451.9
Impairment of other intangible assets, property, plant and equipment and investment property	145.2	21.0
Total	**444.2**	**472.9**

In the short financial year 2009, depreciation and amortisation for the first time reflected the strategic realignment of the airline activities implemented in mid-2008 for a reporting period. In the framework of this realignment, aircraft had been sold through sale-and-lease-back agreements.

Impairments in the short financial year 2009 almost exclusively related to the Corsair aircraft fleet.

(3) Other income/ other expenses

Other income/other expenses

€ million	SFY 2009	2008 revised
Other income	21.4	61.7
Other expenses	3.3	127.5
Total	**18.1**	**- 65.8**

Other income mainly related to gains on disposal from the sale of aircraft engines, the sale of a hotel complex in the French source market and the sale of sailing yachts.

Other income carried in 2008 primarily resulted from book profits in connection with sale-and-lease-back agreements for aircraft and the sale of aircraft spares (totalling €32.9m), gains on disposal in the real estate sector (€6.0m) and the sale of ship containers (€11.0m).

Other expenses carried in 2008 mainly related to book losses from the conclusion of sale-and-lease-back agreements for 19 aircraft totalling €101.7m.

(4) Impairments of goodwill

According to the provisions of IFRS 5, goodwill had to be impaired by €8.9m for Jet4you, a Moroccan company available for sale.

The implementation of impairment tests according to IAS 36 did not result in any further impairments. Even applying sensitivities to the main parameters of the impairment test (a reduction in the growth rate of 0.5% or an increase in the interest rate of 0.5%), did not result in any impairments.

In 2008, impairments mainly related to goodwill of TUIfly and Tenuta di Castelfalfi.

(5) Financial income

Financial income

€ million	SFY 2009	2008 revised
Income from non-consolidated Group companies	6.0	2.5
Income from other investments	–	1.5
Income from profit transfer agreements with non-consolidated Group companies	2.6	4.5
Income from investments	**8.6**	**8.5**
Other income from securities and loans	4.7	6.8
Interest and similar income from non-consolidated Group companies	3.4	0.4
Interest income from fund assets for the financing of pension obligations	57.5	84.3
Other interest and similar income	87.2	115.4
Interest income	**152.8**	**206.9**
Income from the measurement of interest hedges	0.4	–
Total	**161.8**	**215.4**

(6) Financial expenses

Financial expenses

€ million	SFY 2009	2008 revised
Expenses relating to losses taken over from non-consolidated Group companies	**0.0**	**0.0**
Write-downs of available-for-sale financial instruments and loans	**357.7**	**8.4**
Interest and similar expenses to non-consolidated Group companies	0.9	1.9
Interest expenses from the valuation of pension obligations	87.7	116.2
Other interest and similar expenses	212.8	376.5
Interest expenses	**301.4**	**494.6**
Expenses relating to the measurement of interest hedges	–	1.2
Expenses relating to the measurement of other financial instruments	10.0	24.3
Total	**669.1**	**528.5**

In the short financial year 2009, financial expenses mainly comprised the write-downs of the loans totalling €353.9m granted to Albert Ballin Holding GmbH & Co. KG and Hapag-Lloyd AG. Measurement of these loans took account of the impact of interest rate effects arising on the comparison of currently appropriate interest rates for Container Shipping and the interest rates agreed in March 2009 and, in particular, the conditions which had to be met to obtain approval of a state loan guarantee for the benefit of the container shipping group.

A positive effect on the overall financial result was created by the general fall in interest rate levels year-on-year and the significant enhancement of the financial position of the Continuing Operations.

(7) Result from companies measured at equity

Result from companies measured at equity

€ million	SFY 2009	2008
Income from associated companies measured at equity	4.4	2.7
Expenses for associated companies measured at equity	214.9	2.4
Result from associated companies measured at equity	**- 210.5**	**0.3**
Income from joint ventures measured at equity	36.9	47.6
Expenses for joint ventures measured at equity	4.4	14.2
Result from joint ventures measured at equity	**32.5**	**33.4**
Total	**- 178.0**	**33.7**

The result from companies measured at equity comprised the net profit for the year attributable to the associated companies and joint ventures.

The considerable decrease in the result from companies measured at equity was driven by the first-time measurement of the 43.33% stake in the new container shipping group held by the TUI Group as an associated company following the sale of Container Shipping in March 2009. Negative earnings attributable to this group amounted to €-214.2m.

In the completed short financial year, as in 2008, the result from companies measured at equity did not comprise any impairments. In the short financial year under review, proportionate losses of €1.0m (previous year: €1.5m) attributable to associated companies and joint ventures were not recognised since these losses exceeded the value of the stakes held. Accumulated losses not yet included in at equity measurement totalled €6.1m (previous year: €5.1m).

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

€ million	SFY 2009	2008
Operating income	324.1	409.7
Operating expenses	274.9	359.6
Operating result	**49.2**	**50.1**
Financial result	- 5.8	- 6.3
Profit on ordinary activities	**43.4**	**43.8**
Income taxes	10.9	10.4
Profit for the year	**32.5**	**33.4**
Result from joint ventures measured at equity	**32.5**	**33.4**

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

€ million	SFY 2009	2008
Operating income	1,100.6	51.5
Operating expenses	1,283.1	49.4
Operating result	**- 182.5**	**2.1**
Financial result	- 27.2	- 1.0
Profit on ordinary activities	**- 209.7**	**1.1**
Income taxes	0.8	0.8
Profit for the year	**- 210.5**	**0.3**
Result from associated companies measured at equity	**- 210.5**	**0.3**

(8) Adjustments

On top of the disclosures required under IFRS, the consolidated profit and loss statement comprises a reconciliation to underlying earnings. The one-off items show final consolidation profits under gains on disposal, events according to IAS 37 under restructuring, and all effects on EBITA under purchase price allocations.

In addition, one-off items carried here include adjustments for income and expense items that reflect amounts and frequencies of occurrence rendering an evaluation of the operating profitability of the Sectors and the Group more difficult or causing distortions. These items include in particular major restructuring and integration expenses not meeting the criteria of IAS 37, major expenses for litigation, gains and losses from the sale of aircraft and other material business transactions with a one-off character.

(9) Income taxes

Breakdown of income taxes

€ million	SFY 2009	2008 revised
Current income taxes		
in Germany	- 38.6	8.9
abroad	28.5	78.3
Deferred tax income	- 36.1	- 44.4
Total	**- 46.2**	**42.8**

The current income taxes arising in Germany mainly resulted from a revaluation of tax risks. The decline in current taxes abroad was attributable, among others, to the use of tax loss carryforwards by TUI Travel PLC. Current income taxes related to other periods totalled €-71.7m (previous year: €-14.9m) in the short financial year.

In the short financial year under review, total income taxes of €-46.2m (previous year: expense of €42.8m) were derived as follows from an 'expected' income tax expense that would have arisen if the statutory income tax rate of TUI AG as the parent company (aggregate income tax rate) had been applied to earnings before tax:

Reconciliation of expected to actual income taxes

€ million	SFY 2009	2008 revised
Earnings before taxes by Continuing Operations	- 535.4	- 361.7
Expected income tax expense (tax rate: 31.0%, previous year: 31.0%)	**- 166.0**	**- 112.1**
Variation from the difference between actual and expected tax rates	- 9.2	127.2
Changes in tax rates and tax law	- 0.1	0.0
Income with no tax effect	- 71.4	- 62.0
Expenses with no tax effect	145.0	88.4
Effects from loss carryforwards	114.5	- 0.4
Temporary differences for which no deferred taxes were recognised	- 1.9	18.0
Deferred and effective tax income relating to other periods (net)	- 57.1	- 12.8
Other differences	0.0	- 3.4
Actual income tax expense	**- 46.2**	**42.8**

The tax effects arising in 2008 from the difference between actual and expected tax rates were mainly attributable to the results in connection with the transfer of TUI AG's maritime assets to Hapag-Lloyd AG's tonnage tax regime in order to prepare the sale of Container Shipping.

The tax effect of expenses with no tax effect mainly changed due to the at equity result from Container Shipping carried in the short financial year.

Compared with 2008, the effects of loss carryforwards included current tax loss carryforwards in Germany considered as non-realisable.

(10) Result from Discontinued Operations

In the short financial year 2009, the result from Discontinued Operations comprised Container Shipping until its disposal at the end of March 2009. Since September 2009, it has also included the Magic Life hotel company with four Group-owned hotel facilities in Turkey, available for sale, in the framework of the currently ongoing negotiations.

The Discontinued Operation Container Shipping consisted of Container Shipping activities and the shareholdings in the container terminals in Altenwerder and Montreal/Canada.

The result from Discontinued Operations comprised the operating income and expenses and the gain on disposal of Container Shipping.

Material items of the profit and loss statement of the Discontinued Operations

€ million	SFY 2009	2008 revised
Turnover	1,210.3	6,342.7
Cost of sales	1,412.1	5,921.9
Administrative expenses	42.8	147.1
Other income/other expenses	- 1.1	5.9
Financial income	4.2	5.8
Financial expenses	35.2	39.6
Result from companies measured at equity	–	5.6
Earnings before income taxes	**- 276.7**	**251.4**
Income taxes	14.0	29.0
of which deferred tax income/expenses	*14.0*	*- 39.6*
Earnings after income taxes	**- 290.7**	**222.4**
Gain on disposal	1,134.9	–
Result from Discontinued Operations	**844.2**	**222.4**

Reconciliation to underlying earnings		
Earnings after income taxes	844.2	222.4
Income taxes	14.0	29.0
Interest result and result from measurement of interest hedges	31.0	33.6
EBITA from Discontinued Operations[1)]	889.2	285.0
Adjustments:		
Gains on disposal	*- 1,134.9*	*–*
Restructuring	*–*	*7.1*
Purchase price allocation	*19.0*	*71.4*
One-off items	*44.0*	*9.1*
IFRS 5 effects	*- 66.0*	*- 179.1*
Underlying EBITA from Discontinued Operations	**- 248.7**	**193.5**

[1)] In accordance with IFRS 5, earnings are presented as of the date of classification as a discontinued operation, taking account of the suspension of depreciation/amortisation and at equity measurement. In order to enhance comparability of underlying EBITA, this earnings effect was additionally included in the adjustments for the discontinued operations.

Turnover by Container Shipping operations declined by 23% against the first quarter of 2008 to around €1.1bn until the deconsolidation date (end of March 2009). This development resulted from the decline in transport volumes and lower freight rate levels, whereas, on the other hand, the US dollar exchange rate rose against the euro.

The declines in transport volumes and average freight rates were attributable to the global economic downturn triggered by the financial crisis.

According to IFRS 5, depreciation of fixed assets and at equity measurement had to be suspended for the period until the disposal of Container Shipping. As a result, earnings rose by a total of €66.0m in the short financial year 2009.

Assets and liabilities of the Discontinued Operations

€ million	Magic Life 30 Sep 2009	Container Shipping 31 Dec 2008
Fixed assets	88.6	3,175.3
Non-current liabilities	6.6	27.1
Non-current assets	5.5	60.2
Inventories	5.4	79.9
Current liabilities	16.1	485.4
Current assets	23.0	10.2
Cash and cash equivalents	6.3	123.9
Assets held for sale	**151.5**	**3,962.0**
Non-current provisions	21.3	128.2
Non-current financial liabilities	69.7	1,098.5
Other non-current liabilities	1.0	6.9
Current provisions	5.0	93.8
Current financial liabilities	3.7	179.0
Trade accounts payable	14.9	717.0
Other current liabilities	6.9	251.5
Liabilities related to assets held for sale	**122.5**	**2,474.9**

Apart from the four Turkish Magic Life club complexes available for sale, this item mainly included the operating receivables and liabilities from the operation of Magic Life hotels in Austria as well as Egypt, Greece, Turkey and Tunisia.

Cumulative expenses and income of the Discontinued Operations directly taken to equity totalled €-7.6m as at 30 September 2009 and exclusively related to Magic Life following the disposal of Container Shipping.

Cash flows from operating, investing and financing activities of the Discontinued Operations

€ million	SFY 2009	2008 revised
Cash flow from operating activities	- 17.3	+ 251.2
Cash flow from investing activities	- 68.7	- 340.3
Cash flow from financing activities	- 14.5	+ 388.2
Change in cash and cash equivalents due to exchange rate fluctuations	- 28.1	+ 26.0
Change in cash and cash equivalents	**- 128.6**	**+ 325.1**

In the short financial year 2009, the cash flows shown here for the Discontinued Operations comprised the business of the Magic Life Group as of 1 January 2009 and Container Shipping for the first quarter of 2009. In 2008, each of these two Sectors was shown for a 12-month period.

(11) Group profit for the year attributable to shareholders TUI AG

Group profit for the year attributable to TUI AG shareholders rose from €-142.3m in 2008 to €309.1m in the short financial year under review. The increase was largely attributable to the book profit from the sale of Container Shipping.

(12) Group profit for the year attributable to minority interests

Group profit for the year attributable to minority interests

€ million	SFY 2009	2008
Profit attributable to minority interests	46.7	245.7
Loss attributable to minority interests	0.8	285.5
Total	**45.9**	**- 39.8**

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

(13) Earnings per share

In accordance with IAS 33, basic earnings per share were 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. In the short financial year 2009, the average number of shares was the total number of shares at the beginning of the financial year (251,444,305 shares), since no new shares were issued (previous year: 198,730 new shares, for 23 days).

In analogy to IAS 33.12, the after-tax dividend on the hybrid capital was deducted from Group profit for the year attributable to shareholders of TUI AG since the hybrid capital represents equity but 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 (2008: €23.7m) were included in financial liabilities and will be paid in January 2010.

Earnings per share

	SFY 2009	2008 revised
Group profit/loss for the year attributable to TUI AG shareholders (€m)	309.1	- 142.3
Dividend effect on hybrid capital after income taxes (€m)	- 18.5	- 21.7
Adjusted Group profit/loss for the year attributable to TUI AG shareholders (€m)	290.6	- 164.0
Weighted average number of shares	251,444,305	251,258,098
Basic earnings per share (€)	**1.16**	**- 0.65**
Adjusted Group profit/loss for the year attributable to TUI AG shareholders (€m)	290.6	- 164.0
Interest savings from convertible bonds (after income tax) (€m)	16.8	33.8
Diluted and adjusted share in Group profit/loss for the year attributable to TUI AG shareholders (€m)	307.4	- 130.2
Weighted average number of shares	251,444,305	251,258,098
Diluting effect from assumed exercise of conversion inputs	25,419,476	41,333,203
Weighted average number of shares (diluted)	276,863,781	292,591,301
Diluted earnings per share (€)	**1.16**	**- 0.65**

As a rule, a dilution of earnings per share occurs when the average number of shares increases by adding the issue of potential shares from conversion options and warrants. Since basic earnings per share were negative for the continuing operations, no dilution effect arose for the short financial year 2009.

(14) Tax effect of other comprehensive income

Tax effect of other comprehensive income

	SFY 2009			2008 revised		
€ million	Gross	Tax effect	Net	Gross	Tax effect	Net
Currency translation	9.5	0.0	9.5	- 175.3	0.0	- 175.3
Financial instruments available for sale	- 2.4	0.6	- 1.8	- 0.9	0.0	- 0.9
Cash flow hedges	- 118.8	57.5	- 61.3	- 128.8	- 60.5	- 189.3
Actuarial gains and losses from pension provisions and related fund assets	- 210.2	60.0	- 150.2	- 61.0	1.2	- 59.8
Changes in the measurement of companies measured at equity outside profit or loss	51.3	0.0	51.3	- 51.6	0.0	- 51.6
Other comprehensive income	**- 270.6**	**118.1**	**- 152.5**	**- 417.6**	**- 59.3**	**- 476.9**

Notes on the Consolidated Statement of Financial Position

(15) Goodwill

Goodwill

€ million	SFY 2009	2008 revised
Historical cost		
Balance as at 1 Jan	**2,910.3**	**3,390.8**
Exchange differences	187.7	- 506.2
Additions due to changes in the group of consolidated companies	3.3	122.3
Additions	23.4	1.4
Disposals[1)]	–	1.1
Reclassifications	- 10.9	- 96.9
Balance as at 30 Sep/31 Dec	**3,113.8**	**2,910.3**
Impairment		
Balance as at 1 Jan	**390.0**	**327.8**
Exchange differences	8.0	- 45.0
Additions due to changes in in the group of consolidated companies	–	–
Impairments for the current year	–	107.2
Disposals[1)]	–	–
Reclassifications	–	–
Balance as at 30 Sep/31 Dec	**398.0**	**390.0**
Carrying amounts as at 30 Sep/31 Dec	**2,715.8**	**2,520.3**

[1)] of which no disposals from changes in the group of consolidated companies

The rise in the carrying amount was largely attributable to the translation of goodwill not carried in the TUI Group's functional currency into euros.

In accordance with IFRS 5, assets of discontinued operations and other non-current assets held for sale were combined into a disposal group in the statement of financial position. Reclassifications of goodwill classified as held for sale in the course of the short financial year under review were carried as reclassifications and exclusively related to TUI Travel.

In accordance with the rules of IAS 21, goodwill allocated to individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated in the framework of the preparation of the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date were taken directly to equity outside profit and loss and disclosed as a separate item. In the short financial year 2009, exchange differences caused an increase of €179.7m (previous year: decrease of €461.2m) in the carrying amount of goodwill.

At €2,288.6m, the largest portion of goodwill shown related to the TUI Travel Division. Within TUI Hotels & Resorts, goodwill of €351.7m was carried for the RIU Group.

The difference between net assets acquired and acquisition costs of €52.6m (previous year: €32.4m) arising from the acquisition of minority interests in the financial year under review was directly eliminated against other revenue reserves.

(16) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values revised	Self-generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Jan 2008	**795.5**	**168.3**	**527.8**	**375.8**	**8.1**	**1 875.5**
Exchange differences	- 144.6	- 29.5	- 24.5	- 59.9	–	- 258.5
Additions due to changes in the group of consolidated companies	13.0	–	–	0.5	–	13.5
Additions	98.5	16.1	–	28.2	10.9	153.7
Disposals	2.4	8.0	–	–	–	10.4[1)]
Reclassifications	28.0	- 29.8	- 423.3	- 92.7	- 7.3	- 525.1
Balance as at 31 Dec 2008	**788.0**	**117.1**	**80.0**	**251.9**	**11.7**	**1,248.7**
Exchange differences	91.2	10.4	4.2	57.2	0.6	163.6
Additions due to changes in the group of consolidated companies	7.4	–	–	–	–	7.4
Additions	58.3	5.8	–	0.3	–	64.4
Disposals	23.7	–	0.9	0.7	–	25.3[1)]
Reclassifications	33.9	- 7.1	–	- 78.3	- 12.3	- 63.8
Balance as at 30 Sep 2009	**955.1**	**126.2**	**83.3**	**230.4**	**0.0**	**1,395.0**
Amortisation						
Balance as at 1 Jan 2008	**228.5**	**108.8**	**95.1**	**57.7**	**0.0**	**490.1**
Exchange differences	- 35.2	- 26.6	- 1.3	- 15.0	–	- 78.1
Additions due to changes in the group of consolidated companies	0.1	–	–	–	–	0.1
Amortisation for the current year	68.9	22.3	5.1	49.3	–	145.6
Disposals	2.1	4.8	–	–	–	6.9[1)]
Reclassifications	10.2	- 17.6	- 93.3	- 17.2	–	- 117.9
Balance as at 31 Dec 2008	**270.4**	**82.1**	**5.6**	**74.8**	**0.0**	**432.9**
Exchange differences	10.2	3.3	2.2	8.7	–	24.4
Additions due to changes in the group of consolidated companies	–	–	–	–	–	0.0
Amortisation for the current year	63.3	12.5	4.1	14.5	–	94.4
Disposals	21.2	–	0.3	0.6	–	22.1[1)]
Reclassifications	42.9	- 5.3	–	- 60.1	–	- 22.5
Balance as at 30 Sep 2009	**365.6**	**92.6**	**11.6**	**37.3**	**0.0**	**507.1**
Carrying amounts as at 31 Dec 2008	**517.6**	**35.0**	**74.4**	**177.1**	**11.7**	**815.8**
Carrying amounts as at 30 Sep 2009	**589.5**	**33.6**	**71.7**	**193.1**	**0.0**	**887.9**

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

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

Other intangible assets, consisting in particular of trademarks and customer relationships, were amortised annually over the estimated economic useful life on the basis of the economic value of the corresponding asset. Trademarks were amortised over periods of 15 to 20 years, while customer relationships were amortised over periods of 2 to 15 years.

In the completed financial year no impairments were carried (previous year: €1.0m). Write-backs to other intangible assets were not effected, either (previous year: €0.3m). Reclassifications for the short financial year included amounts of €65.0m and €13.0m, respectively, for the reclassification of assets held for sale in accordance with IFRS 5.

(17) Investment property

Investment property

€ million	SFY 2009	2008
Historical cost		
Balance as at 1 Jan	**141.1**	**140.7**
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Additions	7.7	4.2
Disposals	4.5	6.0
Reclassifications	- 25.8	2.2
Balance as at 30 Sep/31 Dec	**118.5**	**141.1**
Depreciation		
Balance as at 1 Jan	**51.0**	**50.2**
Exchange differences	–	–
Additions due to changes in the group of consolidated companies	–	–
Depreciation for the current year	4.7	2.9
Disposals	2.2	2.7
Reclassifications	- 11.7	0.6
Balance as at 30 Sep/31 Dec	**41.8**	**51.0**
Carrying amounts as at 30 Sep/31 Dec	**76.7**	**90.1**

As a matter of principle, real estate owned by the Group was occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owned commercial property and apartments which met the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totalled €76.7m (previous year: €90.1m). The fair values totalling €79.8m (previous year: €91.8m) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the fair value of the selling price. Investment property generated total income of €23.8m (previous year: €50.6m). The generation of this income was associated with expenses of €20.6m (previous year: €44.0m) in the short financial year 2009. Impairments of €2.6m (previous year: no impairments) were charged for investment property.

(18) Property, plant and equipment

Property, plant and equipment

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Jan 2008	**1,275.0**	**671.9**	**2,256.9**
Exchange differences	- 27.8	- 56.5	- 192.0
Additions due to changes in the group of consolidated companies	16.6	–	–
Additions	99.7	36.7	53.1
Disposals	22.0	61.1	947.8
Reclassifications	117.7	- 221.8	- 64.2
Balance as at 31 Dec 2008	**1,459.2**	**369.2**	**1,106.0**
Exchange differences	- 24.4	4.3	17.6
Additions due to changes in the group of consolidated companies	–	1.2	–
Additions	27.6	2.4	22.7
Disposals	16.2	16.6	114.1
Reclassifications	- 246.8	- 91.0	51.3
Balance as at 30 Sep 2009	**1,199.4**	**269.5**	**1,083.5**
Depreciation			
Balance as at 1 Jan 2008	**363.3**	**228.5**	**1,043.5**
Exchange differences	4.6	- 25.4	- 121.0
Additions due to changes in the group of consolidated companies	13.9	0.6	–
Depreciation for the current year	29.9	18.0	139.8
Disposals	8.6	14.7	467.1
Reclassifications	41.6	- 89.3	- 51.1
Balance as at 31 Dec 2008	**444.7**	**117.7**	**544.1**
Exchange differences	- 2.6	1.8	10.2
Additions due to changes in the group of consolidated companies	–	–	–
Depreciation for the current year	65.4	5.5	228.7
Disposals	8.1	10.1	103.5
Reclassifications	- 180.3	- 43.3	22.5
Balance as at 30 Sep 2009	**319.1**	**71.6**	**702.0**
Carrying amounts as at 31 Dec 2008	**1,014.5**	**251.5**	**561.9**
Carrying amounts as at 30 Sep 2009	**880.3**	**197.9**	**381.5**

[1] Of which no disposals due to changes in the group of consolidated companies
[2] Of which disposals due to changes in the group of consolidated companies of €3.5m and €0.8m, respectively

At the balance sheet date, the carrying amount of property, plant and equipment subject to restraints on ownership amounted to €49.3m (previous year: €20.3m), including an amount of €45.8m (previous year: €10.9m) pledged as security.

The Group did not effect any reversals of depreciation of property, plant and equipment (previous year: €0.1m). Impairments totalled €190.2m (previous year: €20.1m) and related to aircraft assets (€139.4m) as well as land with hotel buildings (€44.9m). This impairment related to the Discontinued Magic Life Operation and was included in the profit and loss statement under 'Result from Discontinued Operations'. In 2008, most of the impairments had related to aircraft assets at €11.0m.

Reclassifications in the financial year under review comprised amounts of €310.8m and €217.1m for the reclassification of assets held for sale in accordance with IFRS 5 (previous year: €4,171.9m and €1,802.4m).

Ships revised	Containers and container semitrailers	Machinery and fixtures	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
3,081.1	**865.0**	**215.2**	**1,196.9**	**142.3**	**290.8**	**9,995.1**
- 46.4	–	- 0.6	- 90.3	- 1.1	–	- 414.7
94.8	–	0.4	17.3	–	–	129.1
16.8	–	25.7	99.3	24.7	51.0	407.0
12.7	1.0	11.0	76.7	2.9	3.4	1,138.6[1)]
- 2,689.2	- 864.0	4.6	- 101.0	- 122.8	- 239.2	- 4,179.9
444.4	**0.0**	**234.3**	**1,045.5**	**40.2**	**99.2**	**4,798.0**
- 0.2	–	- 0.1	13.1	11.5	4.5	26.3
–	–	–	8.8	–	–	10.0
23.6	–	5.9	41.2	48.0	36.6	208.0
13.1	–	1.8	49.6	0.6	8.2	220.2[2)]
- 3.4	–	- 25.8	71.1	- 17.1	- 13.6	- 275.3
451.3	**0.0**	**212.5**	**1 130.1**	**82.0**	**118.5**	**4,546.8**
1 275.5	**457.7**	**120.9**	**807.2**	**0.0**	**0.0**	**4,296.6**
- 6.6	–	- 0.5	- 65.1	–	–	- 214.0
45.9	–	–	10.6	–	–	71.0
19.1	0.1	15.5	113.1	–	–	335.5
5.5	0.9	8.9	66.3	–	–	572.0[1)]
- 1,176.0	- 456.9	- 1.7	- 73.6	–	–	- 1,807.0
152.4	**0.0**	**125.3**	**725.9**	**0.0**	**0.0**	**2,110.1**
9.6	–	0.7	14.0	–	–	33.7
–	–	–	4.4	–	–	4.4
9.8	–	14.2	69.8	–	–	393.4
10.4	–	1.7	38.7	–	–	172.5[2)]
- 2.5	–	- 18.8	26.5	–	–	- 195.9
158.9	**0.0**	**119.7**	**801.9**	**0.0**	**0.0**	**2,173.2**
292.0	**0.0**	**109.0**	**319.6**	**40.2**	**99.2**	**2,687.9**
292.4	**0.0**	**92.8**	**328.2**	**82.0**	**118.5**	**2,373.6**

Property, plant and equipment also comprised 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 2009**	**31 Dec 2008**
Other real estate, land rights and buildings incl. buildings on third-party properties	8.8	28.7
Aircraft	158.0	211.2
Yachts and boats	3.1	4.8
Machinery and fixtures	4.6	5.1
Other plants, operating and office equipment	8.3	10.5
Total	**182.8**	**260.3**

The payment obligations resulting from future lease payments were carried as liabilities without, however, taking account of future interest expenses. Total payments due in future under finance leases amounted to €237.3m (previous year: €257.5m). Group companies accepted guarantees for the residual values of the leased assets totalling €179.2m (previous year: €135.6m).

Reconciliation of future lease payments to liabilities from finance leases

€ million				30 Sep 2009	31 Dec 2008
	Remaining terms				
	up to 1 year	1-5 years	more than 5 years	Total	Total
Total future lease payments	34.2	202.9	0.2	237.3	257.5
Interest portion	2.1	14.7	0.0	16.8	18.8
Liabilities from finance leases	32.1	188.2	0.2	220.5	238.7

In the framework of ordinary business activities, Group companies generated turnover of €17.3m (previous year: €41.8m) from short leasehold properties.

(19) Companies measured at equity

Companies measured at equity

€ million	Measured at equity		
	Joint ventures	Associated companies	**Total**
Historical cost			
Balance as at 1 Jan 2008	**431.8**	**112.2**	**544.0**
Exchange differences	- 16.1	- 0.9	- 17.0
Additions due to changes in the group of consolidated companies	–	–	–
Additions	63.8	8.6	72.4
Disposals	121.8	10.0	131.8[1)]
Reclassifications	17.2	- 75.1	- 57.9
Balance as at 31 Dec 2008	**374.9**	**34.8**	**409.7**
Exchange differences	- 11.2	- 109.4	- 120.6
Additions due to changes in the group of consolidated companies	–	–	–
Additions	182.4	966.7	1,149.1
Disposals	24.3	219.6	243.9[2)]
Reclassifications	–	9.7	9.7
Balance as at 30 Sep 2009	**521.8**	**682.2**	**1,204.0**
Impairments			
Balance as at 1 Jan 2008	**3.3**	**0.0**	**3.3**
Exchange differences	–	–	–
Additions due to changes in the group of consolidated companies	–	–	–
Impairments for the current year	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Balance as at 31 Dec 2008	**3.3**	**0.0**	**3.3**
Exchange differences	–	–	–
Additions due to changes in the group of consolidated companies	–	–	–
Impairments for the current year	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Balance as at 30 Sep 2009	**3.3**	**0.0**	**3.3**
Carrying amounts as at 31 Dec 2008	**371.6**	**34.8**	**406.4**
Carrying amounts as at 30 Sep 2009	**518.5**	**682.2**	**1,200.7**

[1)] of which disposals due to changes in the group of consolidated companies of €37.3m
[2)] of which disposals due to changes in the group of consolidated companies

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

For associated companies and companies jointly managed by the Group and one or several partners (joint ventures), the stake held by the Group corresponded 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 2009	31 Dec 2008
Goodwill from at equity measurement	47.7	37.3
Non-current assets	630.9	418.5
Current assets	159.3	164.2
Non-current provisions and liabilities	155.4	117.0
Current provisions and liabilities	164.0	131.4
Joint ventures measured at equity	**518.5**	**371.6**

Group share of assets and liabilities of associated companies

€ million	30 Sep 2009	31 Dec 2008
Goodwill from at equity measurement	313.3	10.7
Non-current assets	1,496.0	41.3
Current assets	405.1	23.3
Non-current provisions and liabilities	962.4	14.2
Current provisions and liabilities	569.8	26.3
Associated companies measured at equity	**682.2**	**34.8**

(20) Financial assets available for sale

Financial assets available for sale

€ million	30 Sep 2009	31 Dec 2008
Shares in non-consolidated Group companies	36.4	38.1
Shares in affiliated companies	12.1	29.9
Other securities	56.5	19.9
Total	**105.0**	**87.9**

Where a listed market price in an active market was not available and other methods to determine an objective market value did not produce any reliable results, the shares were measured at amortised cost. In the short financial year 2009, financial assets classified as available for sale under IFRS 7 of €2.7m (previous year: €20.5m) were impaired. Other securities included a downpayment for 9.9% of the shares in Air Berlin.

The securities shown included an amount of €2.0m (previous year: €3.9m) of current securities.

(21) Trade accounts receivable and other receivables

Trade accounts receivable and other receivables

€ million	30 Sep 2009 Remaining term of more than 1 year	30 Sep 2009 Total	31 Dec 2008 revised Total	31 Dec 2008 revised Remaining term of more than 1 year
Trade accounts receivable	–	716.4	657.9	–
Advances and loans	1,302.3	2,264.4	1,080.5	231.9
Other receivables and assets	66.7	454.8	542.2	94.4
Total	**1,369.0**	**3,435.6**	**2,280.6**	**326.3**

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

€ million	Carrying amount of financial instru-ments	of which not overdue and not impaired	of which not impaired and overdue in the following periods			
			less than 29 days	between 30 and 90 days	between 91 and 180 days	more than 181 days
30 Sep 2009						
Trade accounts receivables	716.4	434.2	141.5	61.1	16.4	63.2
Advances and loans	1,359.9	1,357.2	0.0	2.5	0.0	0.2
Other receivables and assets	246.7	237.8	2.3	1.5	1.6	3.5
Total	**2,323.0**	**2,029.2**	**143.8**	**65.1**	**18.0**	**66.9**
31 Dec 2008						
Trade accounts receivables	659.0	472.4	59.5	48.4	49.9	28.8
Advances and loans	65.2	63.5	0.9	–	0.7	0.1
Other receivables and assets	345.8	340.7	2.2	1.2	1.2	0.5
Total	**1,070.0**	**876.6**	**62.6**	**49.6**	**51.8**	**29.4**

Impairments on assets of the trade accounts receivable and other receivables category according IFRS 7

€ million	SFY 2009	2008
Balance as at 1 Jan	**227.0**	**211.9**
Additions	385.5	12.5
Disposals	22.9	5.1
Other changes	9.8	7.7
Balance as at 31 Dec	**599.4**	**227.0**

In the short financial year 2009, as in 2008, no cash inflow from impaired interest-bearing trade accounts receivable and other receivables was recorded.

Trade accounts receivable

€ million	30 Sep 2009	31 Dec 2008 revised
From third parties	714.8	651.8
From non-consolidated Group companies	1.0	0.9
From affiliates	0.6	5.2
Total	**716.4**	**657.9**

Advances and loans

€ million	30 Sep 2009		31 Dec 2008	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Advances to non-consolidated Group companies	–	–	8.5	6.2
Loans to non-consolidated Group companies	–	–	3.4	3.4
Advances to affiliates	–	226.8	9.7	0.3
Loans to affiliates	1,016.2	1,016.2	5.0	1.9
Advances to third parties	59.8	118.2	11.8	4.8
Loans to third parties	39.6	47.5	52.3	43.5
Payments on account	186.7	855.7	989.8	171.8
Total	**1,302.3**	**2,264.4**	**1,080.5**	**231.9**

Payments on account made mainly related 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 2009 Remaining term of more than 1 year	30 Sep 2009 Total	31 Dec 2008 revised Total	31 Dec 2008 revised Remaining term of more than 1 year
Other receivables from non-consolidated Group companies	–	3.6	4.8	0.2
Other receivables from affiliates	3.4	11.3	13.4	3.2
Interest deferral	–	3.4	11.1	–
Receivables from finance leases	–	–	–	–
Other tax refund claims	19.0	113.2	115.1	20.1
Other assets	44.3	323.3	397.8	70.9
Total	**66.7**	**454.8**	**542.2**	**94.4**

In the short financial year 2009, financial assets of €6.0m (previous year: €6.8m) were deposited with counterparties in order to collateralise contractually agreed liabilities.

(22) Derivative financial instruments

Derivative financial instruments

€ million	30 Sep 2009 Remaining term of more than 1 year	30 Sep 2009 Total	31 Dec 2008 Total	31 Dec 2008 Remaining term of more than 1 year
Receivables from derivative financial instruments from third parties	111.4	443.2	1,212.5	194.6
Receivables from derivative financial instruments from affiliates	0.0	6.3	0.0	0.0
Total	**111.4**	**449.5**	**1,212.5**	**194.6**

Derivative financial instruments were carried at their fair values (market values). They mainly served as hedges for future business operations and are detailed in the explanations on financial instruments.

(23) Current and deferred income tax claims

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

Income tax claims

€ million	30 Sep 2009	31 Dec 2008 revised
Deferred income tax claims	277.9	219.3
Current income tax claims	21.2	45.6
Total	**299.1**	**264.9**

Deferred income tax claims included an amount of €198.5m (previous year: €154.8m) to be realised in more than twelve months.

Individual items of deferred tax assets and liabilities recognised in the financial position

€ million	30 Sep 2009 Asset	30 Sep 2009 Liability	31 Dec 2008 revised Asset	31 Dec 2008 revised Liability
Finance lease transactions	–	20.0	20.3	–
Recognition and measurement differences for property, plant and equipment and other non-current assets	60.8	375.1	44.2	345.3
Recognition differences for receivables and other assets	58.4	40.1	24.7	22.5
Fair value measurement of financial instruments	51.9	79.8	122.5	182.9
Measurement of pension provisions	120.5	7.8	122.2	5.9
Recognition and measurement differences for other provisions	68.3	6.4	62.6	31.5
Other transactions	97.4	10.8	49.1	44.5
Capitalised tax savings from recoverable loss carryforwards	179.3	–	214.4	–
Netting of deferred tax assets and liabilities	- 358.7	- 358.7	- 440.7	- 440.7
Balance sheet amount	**277.9**	**181.3**	**219.3**	**191.9**

Income taxes with no effect on profit and loss mainly resulted from the treatment of actuarial gains and losses in connection with the recognition of pension obligations, the measurement of cash flow hedges and other derivative financial instruments. Equity rose by €118.1m overall (previous year: €-59.3m) due to offsetting income taxes with no effect on profit and loss in the short financial year 2009. This amount broke down into €58.1m related to financial instruments (previous year: €-60.5m) and €60.0m related to pension obligations (previous year: €+1.2m).

No deferred tax liabilities were carried for temporary differences of €85.6m (previous year: €67.2m) between the net assets of subsidiaries and the respective carrying amounts carried in the tax balance sheet since these temporary differences were not expected to be reversed in the near future.

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

€ million	30 Sep 2009	31 Dec 2008
Capitalised loss carryforwards	**866.1**	**1,131.9**
Non-capitalised loss carryforwards	**3,261.4**	**2,512.8**
of which loss carryforwards forfeitable within one year	*3.5*	*47.6*
of which loss carryforwards forfeitable within 2 to 5 years	*18.6*	*61.4*
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	*43.1*	*17.0*
Non-forfeitable loss carryforwards	3,196.2	2,386.8
Total unused loss carryforwards	**4,127.5**	**3,644.7**

Loss carryforwards for German companies comprised the cumulative amount of trade tax and corporation tax. Potential tax savings totalling €620.3m (previous year: €475.3m) were not capitalised since use of the underlying loss carryforwards was not considered probable within the planning period.

In the short financial year 2009, the use of loss carryforwards previously assessed as non-realisable and for which therefore no asset had been carried for the resulting potential tax savings in previous years led to tax savings of €0.5m (previous year: €64.5m). The use of these loss carryforwards in 2008 was mostly related to the transfer of TUI AG's maritime assets to Hapag-Lloyd AG. In the short financial year 2009, no tax reductions were realised by means of loss carrybacks, as in 2008.

Development of capitalised tax savings from realisable loss carryforwards

€ million	SFY 2009	2008
Capitalised tax savings at the beginning of the year	**214.4**	**265.8**
Changes in the group of consolidated companies and currency adjustments	- 2.0	- 5.2
Use of loss carryforwards	- 28.4	- 20.6
Capitalisation of tax savings from loss carryforwards	+ 31.5	+ 33.5
Write-down of capitalised tax savings from loss carryforwards	- 28.3	- 30.2
Reclassification to Discontinued Operations	- 7.9	- 28.9
Capitalised tax savings at financial year-end	**179.3**	**214.4**

The capitalised deferred tax claim from temporary differences and recoverable loss carryforwards of €104.8m (previous year: €82.3m), allocable to the German unit of fiscal entities which arose in 2007 due to reorganisation of the German companies transferred to TUI Travel, was covered by expected future taxable income, irrespective of tax losses in the prior period of these companies.

(24) Inventories

Inventories

€ million	30 Sep 2009	31 Dec 2008
Raw materials and supplies	51.3	58.8
Work in progress	6.3	3.5
Finished goods and merchandise	23.9	34.7
Total	**81.5**	**97.0**

In the short financial year 2009, inventories of €3.3m were impaired in order to carry them at the lower net realisable value. No write-backs of inventories were effected in 2009, nor in 2008.

(25) Cash and cash equivalents

Cash and cash equivalents

€ million	30 Sep 2009	31 Dec 2008
Bank deposits	1,413.1	2,026.6
Cash in hand and cheques	38.9	18.9
Total	**1,452.0**	**2,045.5**

At 30 September 2009, an amount of €0.1bn (previous year: €0.1bn) of cash and cash equivalents were subject to restraints on disposal.

(26) Assets held for sale

In accordance with IFRS 5, the assets of Discontinued Operations and the non-current assets subject to a specific plan to sell had to be combined into a disposal group in a single item in the statement of financial position.

Assets held for sale

€ million	30 Sep 2009	31 Dec 2008
Discontinued Operation Magic Life	151.5	–
Canada Mainstream/Jet4You	96.8	–
Administrative buildings Ballindamm and Rosenstraße in Hamburg	101.9	101.9
Other assets	55.5	80.6
Discontinued Operation Container Shipping	–	3,962.0
Total	**405.7**	**4,144.5**

The assets classified as held for sale as at 30 September 2009 and the associated liabilities comprised the Discontinued Magic Life Operation and other non-current assets. Other non-current assets mainly included aircraft assets held for sale as well as property and yachts held for sale. In segment reporting, the two administrative buildings were carried in the Holdings Division, with other assets carried in the Tourism Division.

(27) Subscribed capital

The subscribed capital of TUI AG consisted of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share was around €2.56. In July 2005, the previous bearer shares were converted to registered shares, 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, remained unamended at €642.8m. It thus continued to comprise 251,444,305 shares at the end of the financial year.

The Annual General Meeting of 13 May 2009 again authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the capital stock. The authorisation will expire on 12 November 2010 and replaces the authorisation granted by the Annual General Meeting of 7 May 2008 to purchase own shares. The Executive Board has also been authorised to use equity derivatives in the form of put or call options or a combination of such options in the framework of the acquisition of treasury shares. Use of equity derivatives has been limited to purchases of shares in a volume of up to 5% of the capital stock. An authorisation to exclude the shareholders' subscription rights was not adopted. The authorisation to purchase own shares has not been used to date.

Conditional capital

The Annual General Meeting of 10 May 2006 adopted a resolution creating conditional capital of €100.0m. Accordingly, bonds with conversion options and warrants as well as profit-sharing rights and income bonds with a total nominal value of up to €1.0bn (with and without fixed terms) can be issued by 9 May 2011.

Using a part of this capital, TUI AG, on 1 June 2007 issued unsecured non-subordinate convertible bonds of €694.0m, maturing on 1 September 2012. The bonds were issued in denominations with nominal values of €50,000 each. Since an adjustment in May 2008, the conversion price has been €27.3019 per no-par value share. The convertible bonds may thus be converted into a maximum of 25,419,475 shares. The bonds, which carry an interest coupon of 2.75% p.a., were issued at par. The bonds are traded at three German stock exchanges, in Luxemburg and Zurich. By 30 September 2009, the holders of the convertible bonds did not exercise any conversion options.

In order to provide additional opportunities to issue bonds, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital of €100.0m each, expiring on 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 value of up to €1.0bn.

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 in 2009 stood at €9.5m, as in 2008. No new employee shares were issued in the short financial year 2009. 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 10 May 2006 resolved to create authorised capital for the issue of new shares against cash or non-cash contribution totalling €246.0m. The issue of new shares against non-cash contribution was limited to € 128.0 million. The authorisation to use this authorised capital will expire on 9 May 2011.

Authorisations for as yet unused authorised capital thus totalled around €319.5m for cash contributions and €201.5m for cash and non-cash contributions.

(28) Capital reserves

The capital reserves mainly comprised transfers of premiums from the issue of shares. In addition, amounts entitling the holders to acquire shares in TUI AG in the framework of bonds issued for conversion options and warrants had to be transferred to the capital reserves if the conversion options and warrants had to be classified as equity instruments in accordance with IAS 32. Premiums from the issue of shares due to the exercise of conversion options and warrants were also transferred to the capital reserves.

Borrowing costs for the issue of conversion options and warrants and for the capital increase by means of the issue of new shares against cash contribution were eliminated against the transfers to the capital reserves resulting from these transactions.

The net loss for the year of TUI AG totalled €98.0m. A corresponding amount of €98.0m (previous year: €1,503.9m) was withdrawn from the capital reserves in order to balance the result for the year.

(29) Revenue reserves

Other revenue reserves comprised transfers from the results of the current or previous financial years.

In 2008, adjustments with no effect on profit or loss from the first-time application of new or revised accounting standards and effects of changes in accounting and measurement methods were transferred to or eliminated against 'Other revenue reserves'.

In accordance with IAS 27 (revised), newly arising losses applicable to minority interests were no longer eliminated against 'Other revenue reserves'. Losses applicable to minority interests already existing at the date of first-time application of IAS 27 (revised) were eliminated against 'Other revenue reserves' until their value was positive. In the financial year under review, the amount to be eliminated was €-801.8m. It resulted from the first-time consolidation of the First Choice Holidays Group in financial year 2007 and the development of that group.

In accordance with section 58 (2) of the German Stock Corporation Act, dividend payments to TUI AG shareholders were based on net profit available for distribution shown in the commercial-law annual financial statements. In financial year 2009, dividends were paid to non-Group shareholders of subsidiaries, in particular TUI Travel PLC.

Differences arising from currency translation comprised differences from the currency translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currencies. The effects of currency hedges of foreign currency exposure arising from the translation of the functional currency in Container Shipping into euros (hedge of a net investment), recognised in equity under 'Currency translation differences' in 2008, were recognised in profit and loss in the financial year under review upon the sale of Shipping.

The revaluation reserve formed in accordance with IAS 27 (old version) in the framework of step acquisitions of companies was retained until the date of deconsolidation of the respective company. In accordance with IAS 27 (revised), requiring prospective application, no new revaluation reserves for step acquisitions were formed since the changes in the fair values of the assets and liabilities of an acquired company arising in between the individual acquisition dates were taken to profit and loss based on the stake held, which did not yet result in consolidation of the company.

The differences between acquired equity and acquisition costs arising from the acquisition of minority interests were directly eliminated against other revenue reserves.

Changes in the value of financial assets available for sale were eliminated against revenue reserves outside profit and loss.

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

The reserve according to IAS 19 comprised gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets, carried outside profit and loss. In the short financial year 2009, the fall in the long-term interest rate level in Germany and the UK resulted in an increase in pension obligations and thus a decrease in the reserve in accordance with IAS 19.

Taking account of minority interests and deferred taxes, the reserves stood at €-217.2m (previous year: €-125.0m) at the end of the short financial year.

(30) 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 with no effect on profit and loss, taking account of deferred income taxes. Dividend entitlements of the hybrid capital investors were deferred as other financial liabilities until the payment date.

(31) Minority interests

Minority interests mainly related to companies of the TUI Hotels & Resorts Sector, in particular the RIUSA II Group. Losses attributable to minority interests in TUI Travel PLC were offset against revenue reserves.

(32) Pension provisions and similar obligations

A number of defined contribution plans and defined benefit pension plans were operated for Group employees. Pension obligations varied, reflecting the different legal, fiscal and economic conditions in each country of operation and usually depended on employees' length of service and pay levels. All defined contribution plans were funded by the payment of contributions to external insurance companies or funds, whilst defined benefit plans entailed the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoyed benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. Several additional industry pension organisations existed for companies of the TUI Group. Once the contributions to the state-run pension plans and private pension insurance organisations had been paid, the Company had no further payment obligations. Current contribution payments were recognised as an expense for the respective period. In the short financial year 2009, the pension costs for all defined contribution plans for the continuing operations totalled €32.3m (previous year: €49.1m). The pension costs for defined benefit pension commitments amounted to €60.1m (previous year: €71.7m).

Pension costs for defined benefit obligations

€ million	SFY 2009	2008 revised
Current service cost for employee service in the period	28.4	41.5
Interest cost	87.7	115.3
Expected return on external plan assets	56.1	85.2
Past service cost due to plan changes	0.1	0.1
Total	**60.1**	**71.7**

The slight year-on-year rise in pension costs in the short financial year 2009 mainly resulted from lower expected returns on the funded pension plans.

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

Development of provisions for pensions and similar obligations

€ million	Balance as at 31 Dec 2008 revised	Changes in consolidation[1]	Changes with no effect on results	Utilisation	Addition	Balance as at 30 Sep 2009
Provisions for pensions	689.5	9.1	193.2	106.1	52.7	838.4
Similar obligations	28.1	- 3.1	2.2	0.4	3.2	30.0
Total	**717.6**	**6.0**	**195.4**	**106.5**	**55.9**	**868.4**

[1] as well as transfers, exchange differences and reclassifications in the Discontinued Operation Magic Life

The actuarial gains and losses which arose in the short financial year 2009 were eliminated against equity outside profit and loss, causing the indicated movement in pension provisions outside profit and loss.

Where the defined benefit pension obligations were not financed by provisions, they were funded externally. This type of funding of pension obligations prevailed to a considerable extent in the UK, Switzerland and the Netherlands.

While the fund assets were determined on the basis of the fair values of invested funds as at 30 September 2009, pension obligations were measured on the basis of actuarial calculations and assumptions. The obligations under defined benefit plans were calculated on the basis of the internationally accepted projected unit credit method, taking account of expected future increases in salaries and pensions.

Actuarial parameters for German companies

Percentage p. a.	SFY 2009	2008
Discount rate	5.25	6.25
Projected future salary increases	2.17 – 2.5	2.17 – 3.5
Projected future pension increases	1.5 – 1.83	2.5
Projected employee turnover rate	2.0	2.0

Determination of the interest rate applicable in discounting the provision for pensions was 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 was used. The resulting interest rate structure was 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 were based on specific parameters for each country concerned.

Actuarial assumptions for foreign companies

			SFY 2009			2008
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	5.25	5.9 – 6.2	2.0 – 4.5	6.25	4.5 – 6.2	0.0 – 4.5
UK	5.5	6.2 – 6.9	4.2 – 4.5	6.4	6.1 – 6.95	3.5 – 4.2
Rest of Europe	3.3 – 4.5	2.5	1.5 – 4.5	3.25	2.5	1.5 – 2.0
North America	6.0	5.0	3.5	6.0	5.0	3.5

Development of projected benefit obligations

€ million	SFY 2009	2008 revised
Net present value of actual pension obligations at beginning of year	**1,696.2**	**2,323.5**
Current pension obligations	28.4	41.5
Interest cost	87.7	115.3
Pensions paid	- 83.6	- 92.3
Contributions paid by pension beneficiaries	7.1	8.3
Actuarial gains (+)/losses (-)	296.2	- 192.8
Exchange differences	44.5	- 357.2
Other	- 4.8	- 4.2
Reclassification to Discontinued Operation Container Shipping	–	- 145.9
Net present value of actual pension obligations at year-end	**2,071.7**	**1,696.2**

Pension obligations rose by €375.5m in the financial year under review. This increase primarily resulted from actuarial losses due to a lower discount rate applicable under IFRS rules.

Development of the fair value of fund assets

€ million	SFY 2009	2008
Net present value of actual pension obligations at beginning of period	**980.4**	**1,471.1**
Expected return on external plan assets (-)	- 56.1	- 85.2
Actuarial gains (-) / losses (+) of the current year	- 93.4	298.9
Exchange differences	37.5	- 267.8
Employer's contributions paid in	81.7	101.6
Contributions paid by the beneficiaries of the plan	6.9	8.3
Pensions paid	- 53.2	- 56.2
Other	–	1.8
Reclassification to Discontinued Operations	–	- 64.7
Fair value of fund assets at end of period	**1,202.8**	**980.4**
of which dividend-carrying securities	*563.2*	*473.3*
of which bonds	*436.1*	*322.4*
of which property, plant and equipment	*16.9*	*29.9*
of which cash	*51.1*	*113.2*
of which other	*135.5*	*41.6*

The fair values of fund assets rose considerably year-on-year. This was above all attributable to the actuarial gains caused by the deviation of actual from expected returns on the plan assets. With expected returns of €56.1m (previous year: €85.2m), actual profits generated by the funds totalled €149.5m (previous year: losses of €213.7m).

The assumptions used in determining the expected return on external fund assets were based on the actual fund structure and were oriented to the future long-term returns for the individual fund categories. Further factors taken into account were the current interest rate level and the inflation trend.

For the forthcoming financial year, the companies of the TUI Group are expected to contribute around €104.3m to the pension funds, with a substantial amount being earmarked to reduce the pension deficit in the UK.

Reconciliation of projected benefit obligations to pension obligations recognised in the statement of financial position

			30 Sep 2009			31 Dec 2008
€ 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	revised Total
Actual projected benefit of fully or partly funded pension obligations	1,622.0	11.3	1,633.3	1,171.1	101.5	1,272.6
Fair value of external plan assets	1,190.8	12.0	1,202.8	875.6	104.8	980.4
Deficit respectively excess	**431.2**	**- 0.7**	**430.5**	**295.5**	**- 3.3**	**292.2**
Actual present value of non-funded pension obligations			438.4			423.6
Net projected benefit obligation			**868.9**			**715.8**
Adjustment for past service cost			- 1.2			- 1.5
Net recognised liability			**867.7**			**714.3**
of which capitalised assets			*0.7*			*3.3*
Provisions for pensions and similar obligations			**868.4**			**717.6**
of which provisions for pensions for non-funded obligations			*437.2*			*422.1*
of which provisions for pensions for funded obligations			*431.2*			*295.5*

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 €1.2m 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 exceeded obligations with regard to funded pension obligations, taking account of a difference due to past service cost, and where at the same time there was an entitlement to reimbursement or reduction of future contribution payments to the fund, the excess was capitalised in conformity with the limit defined by IAS 19.

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

€ million	SFY 2009	2008 revised	2007 revised	2006	2005
Projected benefit obligations at year-end	2,071.7	1,696.2	2,323.5	2,470.2	2,503.9
Fund assets at year-end	1,202.8	980.4	1,471.5	1,398.4	1,218.5
Excess (+)/deficit (-) at year-end	868.9	715.8	852.4	535.4	742.6
Actuarial gains (-) / losses (+) of the current year from the obligations	296.2	- 192.8	- 214.9	- 148.3	403.3
of which experience adjustments	*4.0*	*22.7*	*24.5*		
Actuarial gains (-) / losses (+) of the current year from fund assets	- 93.4	298.9	19.5	- 38.0	- 109.9

At 30 September 2009, the actuarial gains and losses before deferred income taxes carried and eliminated against equity with no effect on profit and loss by that date totalled €-533.1m (previous year: €-321.8m).

(33) Income tax provisions and other provisions

Development of provisions in the short financial year 2009

€ million	Balance as at 31 Dec 2008 revised	Changes in the group of consolidated companies[1]	Usage	Reversal	Addition	Balance as at 30 Sep 2009
Provisions for current income tax	320.6	11.3	40.9	47.4	11.8	255.4
Provisions for deferred tax	191.9	31.4	42.0	–	–	181.3
Income tax provisions	**512.5**	**42.7**	**82.9**	**47.4**	**11.8**	**436.7**
Personnel costs	186.2	1.7	90.0	6.4	118.7	210.2
Typical operating risks	57.1	- 2.5	24.3	4.1	17.7	43.9
Maintenance provisions	316.6	10.8	216.6	15.0	194.3	290.1
Risks from onerous contracts	39.5	1.9	25.2	3.3	40.4	53.3
Guarantee and liability risks	23.4	- 2.6	1.5	0.3	3.4	22.4
Provisions for other taxes	38.7	- 14.6	1.5	0.1	19.0	41.5
Miscellaneous provisions	258.9	1.1	18.3	35.2	47.3	253.8
Other provisions	**920.4**	**- 4.2**	**377.4**	**64.4**	**440.8**	**915.2**
Total	**1,432.9**	**38.5**	**460.3**	**111.8**	**452.6**	**1,351.9**

[1] as well as transfers, exchange differences and reclassification to Discontinued Operation Magic Life

Income tax provisions

Income tax provisions comprised provisions for current and deferred income taxes, outlined in Note 23. The net change in deferred tax provisions between the balance sheet dates was fully shown under usage in the above table.

Other provisions

Other provisions comprised 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 comprised provisions for vacation, unpaid bonus payments, severance compensation and jubilee benefits.

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

In the framework of a long-term incentive programme, the Executive Board members and other senior executive staff of the Group were granted bonuses, translated into phantom stocks in TUI AG on the basis of an average share price. The phantom shares were calculated on the basis of Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom stocks was based on the average stock price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. The number of phantom stocks granted in a financial year is therefore only determined in the subsequent year. Following a lock-up period of two years, the individual beneficiaries are free to exercise their right to cash payment from this bonus within predetermined timeframes. This lock-up period is not applicable if a beneficiary leaves the Company. The payment level depended 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.

Development of phantom shares

	Number	Present value in € million
31 Dec 2007	**631,921**	**12.1**
Phantom shares granted	124,330	1.6
Phantom shares exercised	62,854	- 1.1
Measurement results		- 7.0
31 Dec 2008	**693,397**	**5.6**
Phantom shares granted	507,210	3.3
Phantom shares exercised	41,661	- 0.3
Measurement results		- 0.4
30 Sep 2009	**1,158,946**	**8.2**

The TUI Travel Division operated three principal share based payment schemes linking employee remuneration to the future performance of the Sector: a Deferred Annual Bonus Scheme (DABS), a Performance Share Plan (PSP) and a Value Creation Synergy Plan (VCSP).

Awards and shares granted and outstanding

	Number of shares	Option exercise price	Date of first exercisability
Deferred Annual Bonus Scheme (DABS)	846,090	–	13 Feb 2010
	2,642,069	–	19 Dec 2010
	4,681,760	–	28 Nov 2011
Performance Share Plan (PSP)	425,739	–	13 Feb 2010
	1,208,158	–	13 Feb 2010
	1,076,195	–	13 Feb 2010
	1,822,352	–	13 Sep 2010
	618,046	–	19 Dec 2010
	2,848,557	–	19 Dec 2010
	131,840	–	19 May 2011
	1,045,662	–	28 Nov 2011
	6,341,589	–	28 Nov 2011
Value Creation Synergy Plan (VCSP)	1,926,629	–	28 Nov 2010
Total	**25,614,686**		

On 30 September 2009, 2,626,963 shares were held by the First Choice Employee Benefit Trust. As at the same date 8,215,945 shares were held by the TUI Travel Employee Benefit Trust.

Development of the number of share options

	Number
Outstanding at beginning of the financial year	27,275,370
Expired during the financial year	- 1,348,933
Exercised during the financial year	- 311,751
Issued during the financial year	–
30 Sep 2009	**25,614,686**

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

The fair value of services received in return for share options granted was measured by reference to the fair value of the share options granted. The estimate of the fair value of services received was usually determined using binomial or simulation models, depending on the vesting criteria, with the exception of the calculation of the fair value of plans to be exercised as a function of market conditions. The fair value of such plans was estimated using a Monte Carlo simulation.

Participants were not entitled to dividends prior to vesting. Expected volatility was based on historic volatility of First Choice Holidays Ltd. and TUI Travel PLC, adjusted for changes to future volatility indicated by publicly available information. Share options were granted under a service condition.

In financial year 2009, personnel costs of £13.0m sterling (€14.7m) related to share based payment schemes were carried through profit and loss.

Future estimated expense for share award schemes outstanding at the balance sheet date (as at 30 Sep 2009)

million	£	€
Expenses during next financial year	16.0	17.5
Expenses falling due after more than one year	9.0	9.8
Total	**25.0**	**27.3**

In the framework of realigning the business activities in the TUI Travel Division, provisions were formed where the individual measures were sufficiently specific and a factual restructuring obligation existed. In the short financial year 2009, the restructuring measures in the TUI Travel Division resulted in total expenses of €58.3m (previous year: €284.9m), primarily incurred for personnel measures. As at the balance sheet date, provisions of around €49.2m were carried.

Provisions for necessary environmental protection measures included in typical operating risks were almost fully used in accordance with the intended use in the year under review. At the balance sheet date, provisions still accounted for €1.6m (previous year: €15.0m).

The rise in provisions for risks from onerous contracts primarily resulted from risks in connection with the tourism season which had not yet ended at the balance sheet date.

The development of other provisions was characterised, among other things, by reversals of provisions which were no longer expected to be used, including provisions for litigation risks for the CP Ships Group.

Where the difference between the present value and the settlement value of a provision was material for the measurement of a non-current provision as at the balance sheet date, the provision had to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applied to some items contained in the TUI Group's other provisions. Transfers to other provisions comprised an interest portion of €6.0m (previous year: €12.4m), recognised as interest expenses. The largest portion related to additions to provisions for maintenance.

Terms to maturity of income tax provisions and other provisions

	30 Sep 2009		31 Dec 2008 revised	
€ million	Remaining term of more than 1 year	Total	Remaining term of more than 1 year	Total
Provisions for current income taxes	169.5	255.4	236.7	320.6
Provisions for deferred taxes	141.6	181.3	180.0	191.9
Income tax provisions	**311.1**	**436.7**	**416.7**	**512.5**
Personnel costs	49.5	210.2	42.1	186.2
Typical operating risks	14.5	43.9	24.1	57.1
Maintenance provisions	227.6	290.1	211.4	316.6
Risks from onerous contracts	7.7	53.3	5.4	39.5
Guarantee and liability risks	17.2	22.4	19.0	23.4
Provisions for other taxes	28.3	41.5	24.8	38.7
Miscellaneous provisions	155.2	253.8	139.1	258.9
Other provisions	**500.0**	**915.2**	**465.9**	**920.4**
Total	**811.1**	**1 351.9**	**882.6**	**1,432.9**

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

(34) Financial liabilities

Financial liabilities

€ million	up to 1 year	1-5 years	Remaining terms more than 5 years	30 Sep 2009 Total	31 Dec 2008 Total	Remaining term of more than 1 year
Convertible bonds	–	613.7	–	613.7	595.4	595.4
Other bonds	–	1,612.0	–	1,612.0	2,006.2	1,607.1
Liabilities to banks	344.4	709.3	46.8	1,100.5	1,898.3	1,518.3
Liabilities from finance leases	32.1	188.2	0.2	220.5	238.7	211.9
Financial liabilities due to non-consolidated Group companies	23.3	–	–	23.3	30.3	0.3
Financial liabilities due to affiliates	0.4	–	–	0.4	1.6	–
Other financial liabilities	139.5	4.9	–	144.4	204.2	32.4
Total	**539.7**	**3,128.1**	**47.0**	**3,714.8**	**4,974.7**	**3,965.4**

Fair values and carrying amounts of the bonds issued (30 Sep 2009)

	Volume	**Interest rate % p. a.**	Stock market value: Debt component	Conversion options	Total	**Carrying amount**
2007/12 convertible bond	694.0	2.7500	518.4	2.2	520.6	613.7
2005/10 bond	550.0	3M EURIBOR plus 1.5500	522.0	–	522.0	547.1
2004/11 bond	625.0	6.6250	597.5	–	597.5	619.8
2005/12 bond	450.0	5.1250	378.0	–	378.0	445.1
2005/-- hybrid capital	300.0	until January 2013 8.625 subsequently 3M EURIBOR plus 7.300	219.3	–	219.3	294.8

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

Convertible bonds comprised the 2007/12 convertible bond worth €694m issued on 1 June 2007. The convertible bond will mature on 1 September 2012 and carries a nominal interest coupon of 2.75% per annum. In accordance with an adjustment effected in May 2008, each convertible bond with a nominal value of €50,000.00 entitled the holder to convert it into 1,831 shares any time between 12 July 2007 and the seventh business day prior to the redemption date at a conversion price of € 27.3019 per share.

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

Two bonds totalling €1,025.0m were issued in financial year 2004. The bond worth €625.0m, issued in May 2004 and maturing in May 2011, carries a nominal fixed-interest coupon of 6.625% per annum. It was issued in denominations of €1,000.00. The floating rate notes worth €400.0m issued in June 2004 were repaid on schedule as at 17 August 2009.

Two further bonds with an aggregate volume of €1,000.0m were issued in December 2005. The fixed-interest senior floating rate notes worth €550.0m carry a floating interest rate (3-month-EURIBOR + 1.55% p.a.) and will mature in December 2010. The senior fixed rate notes worth €450.0m carry a fixed nominal interest rate of 5.125% per annum and are repayable in December 2012. These two bonds had denominations of at least €50,000.00 each, with higher integral multiples of €1,000.00.

(35) Trade accounts payable

Trade accounts payable

€ million	30 Sep 2009	31 Dec 2008 revised
To third parties	2,613.2	1,941.6
To non-consolidated Group companies	2.2	3.7
To affiliates	25.4	8.5
Total	**2,640.8**	**1,953.8**

(36) Derivative financial instruments

Derivative financial instruments

€ million	30 Sep 2009				31 Dec 2008	
	Remaining terms up to 1 year	1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
To third parties	353.9	78.7	–	432.6	882.0	163.4
To affiliates	9.5	–	–	9.5	–	–
Total	**363.4**	**78.7**	**0.0**	**442.1**	**882.0**	**163.4**

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

(37) Other liabilities

Other liabilities

€ million	30 Sep 2009				31 Dec 2008	
	Remaining terms up to 1 year	1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
Other liabilities due to non-consolidated Group companies	0.1	–	–	0.1	5.7	0.0
Other liabilities due to affiliates	–	–	–	–	1.7	0.0
Other miscellaneous liabilities	241.9	40.4	–	282.3	281.5	50.9
Other liabilities from income taxes	3.5	–	–	3.5	6.2	0.1
Other liabilities relating to other taxes	41.0	0.4	–	41.4	35.8	0.2
Other liabilities relating to social security	55.0	0.1	–	55.1	56.8	0.0
Other liabilities relating to employees	76.3	–	–	76.3	29.8	0.0
Other liabilities relating to members of the Boards	2.3	–	–	2.3	2.7	0.0
Advance payments received	1,468.0	10.5	–	1,478.5	1,545.7	12.3
Other liabilities	**1,888.1**	**51.4**	**–**	**1,939.5**	**1,965.9**	**63.5**
Deferred income	**47.2**	**38.1**	**2.6**	**87.9**	**58.4**	**18.9**
Total	**1,935.3**	**89.5**	**2.6**	**2,027.4**	**2,024.3**	**82.4**

(38) Liabilities related to assets held for sale

Liabilities related to assets held for sale

€ million	30 Sep 2009	31 Dec 2008
Discontinued Operation 'Magic Life'	122.5	–
Discontinued Operation 'Container Shipping'	–	2 474.9
Canada Mainstream/Jet4You	57.7	–
Other liabilities	–	25.7
Total	**180.2**	**2,500.6**

(39) Contingent liabilities

Contingent liabilities

€ million	**30 Sep 2009**	**31 Dec 2008**
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	6.4	6.8
Other liabilities under guarantees, bill and cheque guarantees	245.9	38.2
Other liabilities under warranties	2.4	2.6
Total	**254.7**	**47.6**

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

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

Contingent liabilities as at 30 September 2009 were above all attributable to the granting of guarantees for the benefit of Hapag-Lloyd AG.

(40) Litigation

Neither TUI AG nor any of its subsidiaries 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 sectors over the past few years. The action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) in 2004 was dismissed by the regional court of first instance in Frankfurt/Main at the end of 2007. The appeal proceedings has meanwhile been pending for two years without a court ruling having been handed down in the matter. The provision formed in this regard only covers an amount representing the anticipated non-refundable cost of the proceedings, as before, since the action is expected to also be dismissed by the court of second instance.

In 1999, the operator of the container terminal in Zeebrugge in Belgium brought an action for damages against CP Ships Ltd. and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Furthermore, seven shareholder class actions were brought against CP Ships in the US and a further three in Canada due to alleged irregularities in the reporting by the CP Ships Group in connection with the adjustments of the financial statements in 2004, which resulted in particular in the reduction in profits for the first quarter of 2004 and for the preceding years 2002 and 2003. The proceedings in the US have meanwhile been settled. In Canada, too, the parties have agreed on a settlement, still requiring formal judicial recording.

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	up to 1 year	1-5 years	more than 5 years	Total	Total	Remaining term of more than 1 year
	30 Sep 2009				31 Dec 2008	
	Remaining terms					
Order commitments in respect of capital expenditure	258.2	1,854.0	406.4	2,518.6	3,614.4	3,059.3
Other financial commitments	402.0	153.7	0.1	555.8	1,465.4	233.8
Total	**660.2**	**2,007.7**	**406.5**	**3,074.4**	**5,079.8**	**3,293.1**
Fair value	**627.3**	**1,722.0**	**270.0**	**2,619.3**	**4,253.3**	**2,571.7**

The fair value of other financial commitments was determined by means of discounting future expenses using a customary market interest rate of 5.25% per annum (previous year: 6.25% p.a.). If the previous year's interest rate of 6.25% p.a. had been applied, the fair value would have been €73.8m lower.

The decrease of €1,095.8m in nominal order commitments in respect of capital expenditure included an amount of €806.4 resulting from the sale of Container Shipping.

At the balance sheet date, order commitments in respect of capital expenditure in Tourism had a total nominal value of €2,510.7m and a fair value of €2,098.2m. As at 31 December 2008, order commitments in respect of capital expenditure in Tourism had amounted to a nominal value of €2,795.6m and a fair value of €2,192.1m. The decline was primarily attributable to the delivery of aircraft and the cancellation of orders for B737 aircraft.

The development of other financial commitments was caused by the fact that the commitments carried as at 31 December 2008 had included payment obligations and credit lines granted to the Albert Ballin consortium totalling €900.0m and payment obligations to TUI Cruises GmbH totalling €138.5m, which were fulfilled in the short financial year under review.

No order commitments in respect of capital expenditure nor any other financial obligations related to the Discontinued Magic Life Group Operation.

Financial commitments from operating lease, rental and charter contracts

€ million	up to 1 year	1-5 years	more than 5-10 years	more than 10 years	Total	Total	Remaining term of more than 1 year
	30 Sep 2009					31 Dec 2008	
	Remaining terms						
Aircraft	327.6	830.6	172.8	24.2	1,355.2	1,408.1	1,050.7
Hotel complexes	151.5	417.6	76.2	29.3	674.6	686.5	548.6
Travel agencies	81.7	195.9	121.0	10.6	409.2	436.7	350.9
Administrative buildings	40.4	94.8	55.4	29.9	220.5	300.5	244.1
Yachts and motor boats[1)]	85.0	118.2	2.4	–	205.6	2,252.0	1,604.6
Other	19.3	15.4	0.9	0.2	35.8	224.9	170.4
Total	**705.5**	**1,672.5**	**428.7**	**94.2**	**2,900.9**	**5,308.7**	**3,969.3**
Fair value	**670.3**	**1,434.5**	**284.7**	**56.5**	**2,446.0**	**4,318.5**	**3,057.9**

[1)] this item primarily showed ships and containers of the Discontinued Container Shipping Operation in 2008

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 5.25% p.a. (previous year: 6.25% p.a.). If the previous year's interest rate of 6.25% p.a. had been applied, the fair value would have been €72.2m lower.

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

As a matter of principle, operating leases for aircraft did not include a purchase option. Current lease payments also included a small portion covering maintenance costs. The basic lease term was usually six to eight years.

The decline in commitments for ships and containers included an amount with a nominal value of €2,214.5m (fair value: €1,789.7m) for the sale of Container Shipping.

Lease, rental and charter agreements with a nominal value of €125.8m and a fair value of €103.0m related to the Discontinued Magic Life Group Operation.

Financial instruments

Risks and risk management

Risk management principles

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

In accordance with the Group's corporate financial goal, financial risks have to be limited. In order to achieve that goal, 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 Group's Tourism Division, 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 were 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 department and external auditors.

Within the TUI Group, financial risks primarily arose 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 used derivative over-the-counter financial instruments. These were primarily fixed-price transactions (e.g. forward transactions and swaps). In addition, TUI also traded in options to a minor extent. Use of derivative financial instruments was confined to internally fixed limits and other regulations. As a matter of principle, the instruments used had to be controllable with the respective entity's own (HR, organisational and systems) resources. The transactions were concluded on an arm's length basis with top-rated contracting counterparties with strong credit ratings operating in the financial sector, whose counterparty risk was regularly monitored. Currency translation risks from the consolidation of Group companies not preparing their account in euros were not hedged.

The Group companies submitted monthly reports detailing their current and planned foreign currency and fuel requirements (or surpluses). Based on the risk profile, the hedging schedule and the monthly reports by the companies, each company defined its specific hedging strategy, which formed the basis of the hedge portfolio comprised of derivative financial instruments.

Market risk

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

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

The analyses of the TUI Group's risk reduction activities outlined below and the amounts determined using sensitivity analyses represent hypothetical and thus uncertain disclosures entailing risks. Due to unforeseeable developments in the global finance markets, actual 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 generated payments denominated in foreign currencies, which were not always matched by congruent payments with equivalent terms in the same currency. Using potential netting effects (netting of payments made and received in the same currency with identical or similar terms), TUI AG entered into appropriate hedges with external counterparties in order to limit the currency risk.

Currency hedges in Tourism were entered into when the calculated brochure prices had been fixed and covered 80% to 100% of the planned currency requirements for the respective tourism season, depending on the respective company's risk profile. The hedged volumes were changed in line with changes in planned requirements on the basis of monthly reporting by the subsidiaries.

Currency hedging in the Cruises Sector was also based on the planned exposure indicated in the monthly reports submitted by the companies. The hedges covered 80% to 100% of the reported exposure.

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

The largest hedging volume in the operational business related to US dollars. In the tourism business, payments in US dollars primarily related to the procurement of services in non-European destinations, purchases of aircraft fuel and purchases or rental of aircraft.

The Eurozone limited the currency risk from transactions in the key tourist destinations to Group companies whose functional currency was not the euro. The Tourism Division and primarily the Northern Region Sector were mainly affected by changes in the value of the British pound sterling and the Swedish kronor.

Currency risks within the meaning of IFRS 7 arise from primary and derivative monetary financial instruments issued in a currency other than the functional currency of a company. Exchange rate-related differences from the translation of financial statements into the Group's currency were not taken into account. Taking account of the different functional currencies within the TUI Group, the sensitivity analyses of the currencies identified as relevant risk variables are presented below. A 10% strengthening or weakening of the respective functional currencies, primarily euro and sterling, against the other currencies would create the following effects on the revaluation reserve and earnings after income tax:

Sensitivity analysis – currency risk

€ million	**30 Sep 2009**		**31 Dec 2008**	
Variable: Exchange rate	+ 10%	- 10%	+ 10%	- 10%
All exchange rates				
Revaluation reserve	- 106.6	+ 111.0	- 113.0	+ 118.1
Earnings after income taxes	- 148.0	+ 132.0	+ 66.6	- 73.5
Exchange rates of key currencies				
€/US Dollar				
Revaluation reserve	- 18.4	+ 22.8	- 179.6	+ 192.3
Earnings after income taxes	+ 5.9	- 9.4	- 38.8	+ 39.2
€/Sterling				
Revaluation reserve	- 210.2	+ 210.2	+ 116.2	- 126.6
Earnings after income taxes	- 128.1	- 42.2	+ 68.7	- 68.5
Sterling/US Dollar				
Revaluation reserve	+ 142.5	- 142.5	- 37.0	+ 39.0
Earnings after income taxes	- 14.7	+ 14.2	+ 24.7	- 29.5
€/Swiss Franc				
Revaluation reserve	- 2.0	+ 2.0	+ 10.4	- 10.4
Earnings after income taxes	- 0.4	+ 0.3	- 0.1	- 0.1
€/Swedish Kronor				
Revaluation reserve	- 8.7	+ 8.7	+ 15.1	- 15.1
Earnings after income taxes	- 0.1	+ 0.2	+ 2.7	- 3.3

Interest rate risk

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

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

Sensitivity analysis – interest rate risk

€ million		**30 Sep 2009**		**31 Dec 2008**
Variable: Interest rate level for floating interest-bearing debt	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Earnings after income taxes	- 5.5	+ 5.7	- 13.5	+ 13.7

Fuel price risk

Due to the nature of its business operations, the TUI Group was exposed to market price risks from the procurement of fuels, both for the aircraft fleet and the cruise ships.

Hedging of market price risks from the purchase of aircraft fuel was based on the hedging model of the Tourism companies. When calculating the exposure for the respective season, at least 80% of the exposures were hedged. Possibilities of levying fuel surcharges were taken into account.

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

Sensitivity analysis – fuel price risk

€ million		**30 Sep 2009**		**31 Dec 2008**
Variable: Fuel prices for aircraft and ships	+ 10%	- 10%	+ 10%	- 10%
Revaluation reserve	+ 63.4	- 88.7	+ 83.1	- 82.6
Earnings after income taxes	+ 2.8	- 0.2	–	–

Credit risk

The credit risk in non-derivative financial instruments resulted from the risk of a counterparty's default on its contractual payment obligations.

Maximum credit risk exposure was defined by the total of the recognised carrying amounts of the financial assets (including derivative financial instruments with positive market values) on the one hand and the granting of financial guarantees on the other. Details concerning the guarantees at the balance sheet date are presented in Note 39. Legally enforceable possibilities of netting financial assets and liabilities were taken into account, whereas existing collateral was not considered. The credit risk was minimised due to the strict requirements placed on the counterparties' credit rating. Credit risks were reviewed closely on conclusion of the contract and continually monitored thereafter so as to be able to swiftly respond to potential a downgrading of a counterparty's credit rating. As a matter of principle, responsibility for handling the credit risk relating to the operative business was held by the individual Group companies of the TUI Group. Depending on the type of business activity and level of the credit limit, additional monitoring and control activities were effected at Group level.

Since the TUI Group operated in many different business areas and regions, significant credit risk concentrations of receivables from and loans to specific debtors or groups of debtors were not to be expected. A significant concentration of credit risks related to specific countries was not to be expected either. Wherever possible, collateral was negotiated with the business partners as part of credit risk management in order to reduce the credit risk. Guarantees by the respective parent company, bank guarantees and the deposit of cash and securities were accepted as collateral to reduce the credit risk.

Identifiable credit risks of individual receivables were covered by means of corresponding bad debt allowances. In addition, portfolios were impaired based on empirical values. An analysis of the aging structure of the category 'Trade accounts receivable and other receivables' is provided in Note 21.

At the balance sheet date, there were no financial assets that would be overdue or impaired unless the terms and conditions of the contract had been renegotiated, neither in the short financial year 2009 nor in 2008.

Credit management also covered the TUI Group's derivative financial instruments. The maximum credit risk for derivative financial instruments entered into was limited to the total of all positive market values of these instruments since in the event of counterparty default asset losses would only be incurred up to that amount. Since derivative financial instruments were concluded with different debtors with top credit ratings, no credit risk exposure was to be expected. Nevertheless, the counterparty risk was continually monitored and controlled using internal bank limits.

Liquidity risk

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

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

Cash flow of financial instruments (30 Sep 2009)

	Cash in-/outflow until 30 Sep			
€ million	**2010**	**2011**	**2012-2014**	**as of 2014**
Financial liabilities				
Bonds	- 95.7	- 1,255.5	- 1,191.8	–
Liabilities to banks	- 330.8	- 244.5	- 581.9	- 60.7
Liabilities from finance leases	- 39.0	- 168.6	- 26.5	- 3.5
Financial liabilities due to non-consolidated Group companies	- 23.2	–	–	–
Financial liabilities due to affiliates	- 0.4	–	–	–
Other financial liabilities	- 145.8	–	–	–
Trade payables	- 2,586.8	- 26.9	–	–
Other liabilities	- 178.5	- 0.3	–	–
Derivative financial instruments				
Hedge transactions – inflows	+ 11,349.0	+ 1,302.2	+ 70.8	+ 1.0
Hedge transactions – outflows	- 10,447.9	- 1,509.1	- 50.2	- 0.7
Other derivative financial instruments – inflows	+ 567.5	+ 9.8	–	–
Other derivative financial instruments – outflows	- 492.7	- 11.0	–	–

Cash flow of financial instruments (31 Dec 2008)

	Cash in-/outflow until 31 Dec			
€ million	**2009**	**2010**	**2011-2013**	**as of 2013**
Financial liabilities				
Bonds	- 538.4	- 679.2	- 1,915.1	–
Liabilities to banks	- 926.2	- 527.3	- 564.5	- 55.3
Liabilities from finance leases	- 41.4	- 195.0	- 34.6	- 12.5
Financial liabilities due to non-consolidated Group companies	- 30.0	–	–	–
Financial liabilities due to affiliates	- 1.6	–	–	–
Other financial liabilities	- 147.0	- 57.2	–	–
Trade payables	- 1,953.1	- 6.4	- 0.2	–
Other liabilities	- 205.0	–	- 0.1	–
Derivative financial instruments				
Hedge transactions – inflows	+ 6,265.9	+ 2,085.9	+ 1,724.3	+ 60.7
Hedge transactions – outflows	- 5,625.2	- 2,016.9	- 1,684.0	- 89.1
Other derivative financial instruments – inflows	+ 2,135.2	+ 16.2	–	–
Other derivative financial instruments – outflows	- 2,009.9	- 16.5	–	–

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

Derivative financial instruments and hedges

Strategy and goals

In accordance with the TUI Group's implementing regulations, derivatives may be used if they are based on underlying recognised assets or liabilities, firm commitments or forecasted transactions. Hedge accounting was based on the rules of IAS 39, in particular in the framework of hedging against exposure to fluctuations in future cash flows. In the financial year under review, hedges primarily consisted of cash flow hedges.

Forward transactions and options were used to limit currency risks. In order to hedge against exposure to external commodity price risks, price hedging instruments in the form of swaps and options were used.

Cash flow hedges

As at 30 September 2009, underlying transactions existed to hedge cash flows in foreign currencies with maturities of up to five years (previous year: up to six years). The planned underlying transactions of commodity price hedges had terms of up to two years (previous year: up to three years).

In accounting for derivatives of cash flow hedges, the effective portion of the cumulative changes in market values was carried in the revaluation reserve outside profit and loss until the underlying transaction occurred. It was carried in the profit and loss statement with an effect on profit and loss when the hedged item was executed. In the financial year under review, expenses of € 111.4m (previous year: income of €517.2m) for currency hedges and derivative financial instruments used as price hedges were carried in the cost of sales and administrative expenses. Income of €8.0m (previous year: expenses of €5.2m) were carried from the ineffective portion of the cash flow hedges.

Since Air Berlin took over air routes from TUIfly in the framework of the stake taken in Air Berlin, aircraft fuel requirements by TUIfly declined by 183,400 mt. In hedge accounting, TUIfly therefore withdrew existing hedges with a volume of 30,250 mt and a market value of €-12.1m from the revaluation reserve through profit and loss and reclassified them to cost of sales.

In the wake of cancelling aircraft orders, a gross amount of €-19.0m was reclassified from the revaluation reserve to cost of sales.

In connection with adjustments of Corsair's currency requirements, existing hedges with a nominal value of €26.5m and a fair value of €6.6m were withdrawn from the revaluation reserve with an effect on profit and loss and reclassified to cost of sales as a hedge accounting transaction.

Nominal amounts of derivative financial instruments used

			30 Sep 2009		31 Dec 2008
	Remaining terms				Remaining term more
€ million	up to 1 year	1 year	Total	Total	than 1 year
Interest rate hedges					
Swaps	–	26.7	26.7	27.9	27.9
Currency hedges					
Forwards, Swaps and other currency hedges	10,395.4	2,918.1	13,313.5	11,941.8	3,830.7
Options	1.9	0.0	1.9	531.8	73.7
Collars	0.0	0.0	0.0	327.0	35.8
Commodity hedges					
Swaps	757.4	142.3	899.7	1,710.4	209.9
Options	21.7	17.8	39.4	354.5	86.8
Collars	87.0	3.4	90.4	146.9	29.4

The nominal amounts corresponded to the total of all purchase or sale amounts or the respective contract values of the transactions. Interest rate/currency swaps, e.g. cross currency interest rate swaps, not unambiguously allocable to currency or interest rate hedges were shown under currency hedges.

Fair values of derivative financial instruments

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

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

	30 Sep 2009		31 Dec 2008	
€ million	Receivables	Liabilities	Receivables	Liabilities
Cash flow hedges for				
currency risks	190.3	180.0	1,027.7	167.9
market price risks	15.6	142.4	4.1	657.9
Hedges	**205.9**	**322.4**	**1,031.8**	**825.8**
Other derivative financial instruments	**243.6**	**119.7**	**180.7**	**56.2**
Total	**449.5**	**442.1**	**1,212.5**	**882.0**

Financial instruments which were entered into in order to hedge a risk position according to operational criteria but did not meet the strict criteria of IAS 39 to qualify as hedges were shown as other derivative financial instruments. They included in particular foreign currency transactions entered into in order to hedge against exposure to changes in the value of balance sheet items not meeting the criteria to qualify as fair value hedges in accordance with IAS 39.

Hedge of a net investment

Forward exchange operations were used in order to hedge the net assets of the stake in Container Shipping, whose functional currency deviated from the functional currency of the Group, until the sale of Container Shipping in March 2009.

Financial instruments – Additional disclosures

Carrying amounts and fair values

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

Due to the short remaining terms of cash and cash equivalents, current trade accounts receivable and other receivables, current trade accounts payable and other liabilities, the carrying amounts were taken as realistic estimates of the fair value.

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

Carrying amounts and fair values according to classes and measurement categories as at 30 Sep 2009

€ million	Carrying amount	Category under IAS 39: Carried at amortised cost	Carried at cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17	Carrying amount of financial instruments	Fair value of financial instruments
Assets								
Financial assets available for sale	105.0	–	48.5	56.5	–	–	105.0	105.0
Trade accounts receivable and other receivables	3,435.6	2,323.0	–	–	–	–	2,323.0	2,323.0
Derivative financial instruments				–	–	–		
Hedges	205.9	–	–	205.9	–	–	205.9	205.9
Other derivative financial instruments	243.6	–	–	–	243.6	–	243.6	243.6
Cash and cash equivalents	1,452.0	1,452.0	–	–	–	–	1,452.0	1,452.0
Assets held for sale	–	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	3,714.8	3,494.0	–	–	–	220.6	3,714.6	3,808.7
Trade accounts payable	2,640.8	2,640.8	–	–	–	–	2,640.8	2,640.8
Derivative financial instruments								
Hedges	322.4	–	–	322.4	–	–	322.4	322.4
Other derivative financial instruments	119.5	–	–	–	119.5	–	119.5	119.5
Other liabilities	2,027.4	213.5	–	–	–	–	213.5	213.5

Carrying amounts and fair values according to classes and measurement categories as at 31 Dec 2008

€ million	Carrying amount revised	Category under IAS 39: Carried at amortised cost revised	Carried at cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Values according to IAS 17 (Leasing)	Carrying amount of financial instruments revised	Fair value of financial instruments revised
Assets								
Financial assets available for sale	87.9	–	68.0	19.9	–	–	87.9	87.9
Trade accounts receivable and other receivables	2,280.6	1,062.2	–	–	–	0.0	1,062.2	1,059.4
Derivative financial instruments								
Hedges	1,031.8	–	–	1,031.8	–	–	1,031.8	1,031.8
Other derivative financial instruments	180.7	–	–	–	180.7	–	180.7	180.7
Cash and cash equivalents	2,045.5	2,045.5	–	–	–	–	2,045.5	2,045.5
Assets held for sale	–	–	–	–	–	–	–	–
Liabilities								
Financial liabilities	4,974.7	4,736.0	–	–	–	238.7	4,974.7	4,091.7
Trade accounts payable	1,953.8	1,953.8	–	–	–	–	1,953.8	1,953.8
Derivative financial instruments								
Hedges	825.8	–	–	825.8	–	–	825.8	825.8
Other derivative financial instruments	56.2	–	–	–	56.2	–	56.2	56.2
Other liabilities	2,024.3	255.7	–	–	–	–	255.7	255.7

The financial investments classified as financial instruments available for sale included an amount of €48.5m (previous year: €68.0m) for stakes in partnerships and corporations. The fair value of these non-listed stakes was not determined since the cash flows could not be reliably determined. It was not possible, either, to determine reliable fair values on the basis of comparable transactions.

In connection with the disposal of shares shown in the category 'Financial assets available for sale', measured at acquisition cost, carrying amounts of €0.8m were disposed of. In the financial years under review, the disposal did not give rise to any significant income or expenses.

Aggregation according to measurement categories under IAS 39 (30 Sep 2009)

€ million	Amortised cost	Cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total	Fair value
Advances and loans	3,775.0	–	–	–	3,775.0	3,775.0
Financial assets						
available for sale	–	48.5	56.5	–	105.0	105.0
held for trading	–	–	–	243.6	243.6	243.6
Financial liabilities						
at amortised cost	6,348.3	–	–	–	6,348.3	6,663.0
held for trading	–	–	–	119.7	119.7	119.7

Aggregation according to measurement categories under IAS 39 (31 Dec 2008)

€ million	Amortised cost revised	Cost	Fair value with no effect on profit and loss	Fair value through profit and loss	Carrying amount Total revised	Fair value revised
Advances and loans	3,107.7	–	–	–	3,107.7	3,103.4
Financial assets						
available for sale	–	68.0	19.9	–	87.9	87.9
held for trading	–	–	–	180.7	180.7	180.7
Financial liabilities						
at amortised cost	6,945.5	–	–	–	6,945.5	6,115.3
held for trading	–	–	–	56.2	56.2	56.2

Effects on results

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

Net results of financial instruments

€ million	SFY 2009 from interest	SFY 2009 other net results	SFY 2009 net result	2008 from interest	2008 other net results	2008 net result
Advances and loans	16.7	- 377.4	- 360.7	101.1	- 17.3	83.8
Financial assets available for sale	0.0	11.3	11.3	0.0	- 14.3	- 14.3
Financial assets and liabilities held for trading	0.0	3.8	3.8	0.0	46.1	46.1
Financial liabilities at amortised cost	- 127.3	0.1	- 127.2	- 366.7	0.9	- 365.8
Total	**- 110.6**	**- 362.2**	**- 472.8**	**- 265.6**	**15.4**	**- 250.2**

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

Financial instruments measured at fair value outside profit and loss did not result in any commission expenses in the short financial year 2009 (previous year: €0.5m).

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 current target of the Group is for a gearing of 80% to 110%.

Average Group equity was impacted above all by foreign currency effects as at 30 September 2009.

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

Gearing calculation

€ million	30 Sep 2009	31 Dec 2008 revised
Average financial debt	4,869.5	5,816.5
Average cash and cash equivalent	2,064.8	2,369.5
Average Group net debt	**2,804.7**	**3,447.0**
Average Group equity	2,293.0	2,571.8
Gearing	**122.3 %**	**134.0 %**

Major Shareholdings

Major subsidiaries, associated companies and joint ventures

		Nominal share capital in '000	Result for the year in '000	Shareholding (%) total	of which indirect
Tourism					
TUI Travel PLC, Crawley[1) 6)]	£	111,801	- 24,000	53.1	–
Robinson Club GmbH, Hanover[5)]	€	5,138	- 40,200	100.0	–
RIUSA II S.A., Palma de Majorca[1) 4)]	€	1,202	80,275	50.0	–
RIU Hotels S.A., Palma de Majorca[2) 3)]	€	40,809	42,546	49.0	–
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg[1) 5)]	€	520	2,313	100.0	–
TUI Cruises GmbH, Hamburg[3)]	€	25,000	- 7,230	50.0	–
Other Companies					
Preussag Finanz- und Beteiligungs-GmbH, Hanover[5)]	€	148,001	9,717	100.0	–
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter[2) 5)]	€	71,427	3,013	100.0	–
Preussag Immobilien GmbH, Salzgitter[5)]	€	25,856	4,794	100.0	100.0
TUI Beteiligungs GmbH, Hanover[5)]	€	500	50,425	100.0	–
Albert Ballin Joint Venture GmbH & Co. KG, Hamburg[7)]	€	2,100,002	–	43.3	43.3

1) according to consolidated financial statements
2) result for the year in accordance with annual financial statements as at 31 December 2008
3) joint venture
4) entrepreneurial management
5) result for the year prior to profit or loss transfer
6) result for the year according to group financial statements for the period from 1 Oct 2008 to 30 Sept 2009
7) capital invested by the limited partners

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

Notes on the Cash Flow Statement

Notes on the Cash Flow Statement

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

(42) Cash inflow/outflow from operating activities

In the short financial year under review, the cash inflow from operating activities totalled €1,134.6m (previous year: €945.8m). While Container Shipping was included for a 12-month period in 2008 (€287.7m) and for a 3-month period until its disposal in the short financial year 2009 (€4.0m), Tourism activities were presented for a nine-month period in the short financial year 2009, excluding the seasonally weak fourth calendar quarter.

The cash inflow from operating activities included interest received. In the financial year under review, interest received totalled €97.5m (previous year: €109.4m). In the short financial year 2009, income tax payments resulted in a cash outflow of €57.6m (previous year: €66.5m).

(43) Cash inflow/outflow from investing activities

The cash payments for investments in property, plant and equipment and intangible assets or the cash receipts from corresponding disposals do not match the additions or disposals shown under the development of fixed assets, which include non-cash investments and disposals.

In the financial year under review, the cash outflow from investing activities amounted to €500.5m. While a cash inflow resulted from the sale of Container Shipping, loans were granted to the acquirer of Hapag-Lloyd AG and for the acquisition of the 43.33% stake in Albert Ballin Joint Venture GmbH & Co. KG. In the completed financial year, cash payments were also made for investments in property, plant and equipment (€338.5m) and financial investments – above all a loan to Albert Ballin Terminal Holding GmbH, which that company used to finance the acquisition of a 25.1% stake in Container Terminal GmbH, and a capital increase by TUI Cruises GmbH. The cash outflow for capital expenditure related to property, plant and equipment comprised investments in the TUI Travel Group (€212.1m) and the hotel companies (€56.1m) as well as the capital expenditure related to the property, plant and equipment of Hapag-Lloyd AG in the first quarter of 2009, primarily prepayments for containers already ordered.

The cash outflow from investing activities included cash payments – offset against acquired cash and cash equivalents – for the acquisition of shares in subsidiaries to be included in consolidation by the TUI Travel Group. The consolidated statement of financial position comprised additions of goodwill, assets and liabilities due to the acquisition of shares in subsidiaries to be included in consolidation.

Total acquisitions of shares in subsidiaries and investments in the short financial year 2009 resulted in net cash payments of around €20.0m (previous year: around €137.9m). Cash and cash equivalents acquired through these acquisitions totalled around €12.6m (previous year: €53.7m).

In 2008, the cash inflow from the disposal of other non-current assets included the complete repayment of loans in connection with the disposal of the AMC Group.

In the completed financial year, dividend payments received including dividends received by the companies measured at equity generated cash inflows of €26.7m (previous year: €72.3m).

The cash flows from investing activities comprised capitalised interest on borrowings of €4.2m (previous year: €11.8m).

(44) Cash inflow/outflow from financing activities

The cash outflow from financing activities totalled €1,370.3m, primarily due to the reduction of liabilities to banks by TUI Travel, the repayment of the floating rate notes worth €400.0m and the early redemption of other liabilities to banks by TUI AG.

The cash flow from financing activities comprised the cash flow due to financial liabilities taken out or redeemed and the interest of €174.0m (previous year: €321.4m) paid in the short financial year under review. The dividend payments shown for TUI AG included an amount of €25.9m for serving the hybrid capital.

(45) Development of cash and cash equivalents

Cash and cash equivalents comprised all liquid funds, i.e. cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations was shown separately. The increase of €25.1m was mainly attributable to the rise of sterling against euro. In the short financial year 2009, there were no changes in cash and cash equivalents attributable to changes in consolidation.

Cash and cash equivalents of the continuing operations declined by €6.3m due to the classification of the Magic Life Group as a Discontinued Operation according to IFRS 5. The reference figure for 2008 had included Container Shipping, which has meanwhile been sold.

As at 30 September 2009, cash and cash equivalents of € 0.1bn were subject to restraints on disposal. Most of these monies had to be deposited by tour operators due to national provisions related to the collateralisation of tourism services.

Other Notes

Significant transactions after the balance sheet date

At the end of September 2009, TUI Travel PLC issued convertible bonds worth £350m sterling, with 100.2m shares in TUI Travel PLC as underlying at the issuing date. The bonds carry a coupon of 6.0% per annum and have a maturity of five years. This capital market transaction was completed on 5 October 2009.

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

On 3 October 2009, TUI Travel PLC agreed with Boeing to cancel 10 B787s from its order book.

In early October, TUI Travel PLC took a 9.9% stake in Air Berlin PLC, fully prepaid in the short financial year 2009. At the end of October 2009, the city route network of TUIfly was transferred to Air Berlin. To this end, Air Berlin will initially charter 13 aircraft and crews from TUIfly and then 14 from summer 2010 onwards.

At the end of October 2009, TUI AG issued convertible bonds cum rights worth an aggregate nominal value of €217.8m, with initially 38.7 million shares in TUI AG underlying the bonds at the issuing date. The coupon has been set at 5.5% per annum, payable semi-annually in arrears. The maturity of the convertible bonds is five years. This financing measure was completed on 17 November 2009.

Apart from these transactions, no further material transactions were resolved, initiated or implemented in the post-balance sheet period under review, i.e. the period between balance sheet date and the date of release of the consolidated financial statements for puplication by the Executive Board on 1 December 2009.

Services of the auditors of the consolidated financial statements

Total expenses of €3.8m were carried for the services provided by the auditors of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, in the short financial year 2009. Of this total, €1.8m related to audits, €1.3m to other attestation or measurement services and €0.7m to other services provided for TUI AG or its subsidiaries.

Remuneration of Executive and Supervisory Board members

In the financial year under review, total remuneration paid to Executive Board members totalled €9,412.8 thousand (previous year: €16,786.6 thousand).

In the framework of the long-term incentive programme, the Executive Board members did not receive a compensation (previous year: €3,482.4 thousand) for the short financial year under review. The amount attributable to Executive Board members based in Germany in the previous year was translated into 237,696 phantom stocks in TUI AG in March 2009.

Pension provisions for active Executive Board members totalled €22,331 thousand as at the balance sheet date (previous year: €20,259 thousand).

Total remuneration for Supervisory Board members in the financial year under review amounted to €2,256.7 thousand (previous year: €1,695.2 thousand).

Remuneration for former Executive Board members or their surviving dependants totalled €3,033.3 thousand (previous year: €4,445 thousand) in the financial year under review. Pension obligations for former Executive Board members and their surviving dependants amounted to €43,361.1 thousand (previous year: €41,628.6 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, maintained indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group is able to exercise a significant influence are listed in the list of shareholdings published in the electronic Federal Gazette (www.ebanz.de). Apart from pure equity investments, related parties also included companies that supplied goods or provided services for TUI Group companies.

Transactions with related parties (excl. key management)

€ million	SFY 2009	2008
Services provided by the Group		
Management and consultancy services	31.2	33.8
Sales of tourism services	7.0	6.1
Distribution services	0.0	24.2
Other services (Container handling)	0.0	10.3
Total	**38.2**	**74.4**
Services received by the Group		
in the framework of lease, rental and leasing agreements	28.9	34.9
Purchase of hotel services	119.3	58.9
Incoming services	32.6	162.8
Distribution services	0.0	4.2
Container handling and terminal services	0.0	57.5
Other services	62.3	62.9
Total	**243.1**	**381.2**

Transactions with related parties (excl. key management)

€ million	SFY 2009	2008
Services provided by the Group to		
non-consolidated Group companies	0.3	10.4
joint ventures	16.5	22.6
associated companies	2.4	23.1
other shareholdings	0.0	0.0
natural persons	19.0	18.3
Total	**38.2**	**74.4**
Services received by the Group from		
non-consolidated Group companies	0.0	0.0
joint ventures	196.4	265.7
associated companies	21.6	103.4
other shareholdings	17.8	3.9
natural persons	7.3	8.2
Total	**243.1**	**381.2**

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

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

Liabilities to related parties did not comprise any liabilities from finance leases, as in 2008. Receivables and liabilities existing as at the balance sheet date were comprised in receivables from and liabilities to non-consolidated Group companies and associated companies.

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

As at the balance sheet date, the associated company RIU Hoteles S.A. held 5.1% of the shares in TUI AG. Ms Carmen Riu Güell was a member of TUI's Supervisory Board and indirectly held 5.1% of the shares in TUI AG.

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

Remuneration of Management, Executive and Supervisory Board

€ million	SFY 2009	2007
Short-term benefits	10.7	14.8
Post-employment benefits	2.0	3.3
Other long-term benefits	1.0	0.2
Termination benefits	–	–
Share-based payment	–	3.5
Total	**13.7**	**21.8**

Post-employment benefits were transfers to pension provisions for active Executive Board members. These expenses did not meet the definition of Executive and Supervisory Board remuneration under the German Corporate Governance Code.

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)

The following standards and interpretations have already been transposed into EU legislation but will only be mandatory for annual financial statements after 30 September 2009:

Amendments to IAS 39: 'Financial Instruments: Recognition and Measurement'
The amendments published in July 2008 relate to the conditions under which inflation risks may be hedged as underlying transactions in the framework of hedges and the possibility to use options as a hedge to hedge against unilateral risks. The TUI Group is currently examining the potential impact on the TUI Group's net assets, financial position and results of operations.

IFRIC 12: 'Service Concession Arrangements'
IFRIC 12 was published in November 2006 and explains accounting for concession arrangements with governments or similar institutions to provide public services, e.g. roads, prisons or energy distribution networks. Two types of arrangement are distinguished, resulting in accounting as a financial asset or as an intangible asset. A financial asset is recognised if the company receives the consideration from the government. By contrast, an intangible asset must be carried if the company receives a right to charge users of the public service as consideration. TUI AG is currently examining the potential impact of this interpretation on the Group's net assets, financial position and results of operations.

IFRIC 15: 'Agreements for the Construction of Real Estate'
IFRIC 15, published in July 2008, serves to establish recognition of revenue for agreements for the construction of real estate in the financial statements of real estate developers. If the developer sells goods, i.e. completed apartments or houses, the revenue is recognised in line with the transfer of risks. This usually corresponds to the completion of the construction of the real estate. If, however, the agreement is arranged as a services agreement, the revenue is recognised on a percentage-of-completion basis as construction progresses. Potential impacts on future financial statements of the TUI Group are still being examined.

IFRIC 16: 'Hedges of a Net Investment in a Foreign Operation'
IFRIC 16 was published in July 2008. It clarifies that a risk position can only arise from the translation of the functional currency of the subsidiary into the functional currency of the parent company but that a risk may not arise from translation into the presentation currency of the parent company. The interpretation also sets out that the hedging instrument may be held by any entity within the group and explains how to determine the amounts to be reclassified to the profit and loss statement when an entity disposes of subsidiaries. Current accounting of hedges in connection with net investments already fully complies with these provisions so that the application of this interpretation will not affect the TUI Group's net assets, financial position and results of operations.

Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation:

Amendments to IFRS 1: 'First-time Adoption of IFRS'

The amendments, published in November 2008, exclusively change the structure of the previous standard to enhance its comprehensibility. These amendments do not affect the TUI Group's annual financial statements.

Amendments to IFRS 1: 'Additional Exemptions for First-Time Adopters'

Additional exemptions relating to the general principle of mandatory retrospective application of all standards and interpretations applicable at the closing date as at the date of first-time preparation of IFRS-based financial statements were published in July 2009. They relate to companies in the oil and gas sector and first-time adopters applying the transitional provisions of IFRIC 4. This amendment is therefore not relevant for the TUI Group.

Amendments to IFRS 2: 'Group Cash-Settled Share-Based Payment Transactions'

The amendments, published in June 2009, clarify that companies that receive goods or services in share-based payment arrangements have to account for those goods or services, no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Since IFRS 2 also incorporates guidance previously included in IFRIC 8 and IFRIC 11, these two interpretations have been withdrawn. TUI AG is currently examining the potential impact of these interpretations on the Group's net assets, financial position and results of operations.

Amendments to IFRS 7: 'Enhanced Disclosures about Financial Instruments'

The amendments, published in March 2009, require enhanced disclosures about fair value measurement of financial instruments and liquidity risks. These enhanced disclosures in the notes have to be presented prospectively and do not require comparative prior period disclosures in the first year. They will be presented accordingly in the TUI Group's consolidated financial statements.

IFRS 9: 'Financial Instruments: Classification and Measurement'

The purpose of the standard, issued 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 (those measured at amortised cost and those measured at 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 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. The TUI Group is currently examining potential effects on the TUI Group's net assets, financial position and results of operations.

Amendment to IAS 24: 'Related Party Disclosures'

The revision, dated November 2009, simplifies the reporting obligations on state-controlled entities. Moreover, the definition of related parties has been fundamentally revised. Due to the changed definition, the TUI Group will, in particular, provide more comprehensive disclosures on relationships between subsidiaries and associated companies within the Group.

Amendment to IAS 32: 'Classification of Rights Issues'

Due to the amendment, issued in October 2009, IAS 32 will be changed such that rights, options and warrants for a fixed number of own shares offered for a fixed amount of foreign currency should be classified as equity if they are issued pro rata to an entity's all existing shareholders in the same class. The potential impact on the TUI Group is currently being examined.

Amendments to IFRIC 9 and IAS 39: 'Embedded Derivatives'

These amendments relate to companies that make use of the reclassification amendment introduced in October 2008. It is clarified that a corresponding reclassification of financial assets out of the 'fair value through profit or loss' category triggers a mandatory reassessment of the embedded derivatives. Since the TUI Group does not make use of reclassification, these amendments will not affect future consolidated financial statements.

Annual Improvements Project (2009)

The annual improvements project published in April 2009 consists of a total of 12 amendments. For IAS 1, for instance, it is clarified that in the event of existing options of a counterparty to demand settlement of liabilities by the issue of equity instruments these liabilities do not necessarily have to be classified as current. It is also clarified that leases of land can be classified both as operating leases and finance leases. Most of the remaining amendments relate to clarifications concerning the presentation, recording and measurement of items in the financial statements. TUI AG is currently examining all potential impacts on future consolidated financial statements.

IFRIC 17: 'Distributions of Non-Cash Assets to Owners'

IFRIC 17 was published in November 2008 in order to clarify questions related to the accounting practice for distributions of non-cash assets. It clarifies that a dividend payable has to be recognised when the dividend is authorised and that a dividend payable has to be measured at the fair value of the non-cash net assets. The difference between the carrying amount and the fair value of the assets has to be recognised in profit or loss. This interpretation has to be applied prospectively, and potential future impacts will be taken into account accordingly.

IFRIC 18: 'Transfers of Assets from Customers'

IFRIC 18, published in January 2009, provides guidance on how to account for and recognise revenue for agreements in which an entity receives from a customer assets or cash to acquire assets in order to subsequently provide services (e.g. connecting the customer to a network to supply electricity, gas or water). This interpretation mainly relates to entities in the utility sector and is not relevant for the TUI Group.

Responsibility Statement by Management

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover, 1 December 2009 / 29 November 2010

The Executive Board

Frenzel

Baier Engelen Long

Auditor's Report

We have audited the consolidated financial statements prepared by TUI AG, Berlin and Hanover, comprising the statement of financial position, the profit and loss statement and the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the TUI AG for the short business year from January 1 to September 30, 2009. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

We issue this auditor's report on the basis of the statutory audit completed on 1 December 2009, and our supplementary audit, which covered in particular the changes of trade accounts receivable and trade accounts payable, turnover and equity. We refer to the explanation of the changes by the Company in the section on the corrections of the consolidated financial statements in the amended Notes.

Our supplementary audit has not led to any reservations.

Hanover, 1 December 2009 / 29 November 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof Dr Norbert Winkeljohann
Auditor

Sven Rosorius
Auditor

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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