

# TUI AG FINANCIAL YEAR 2010/11

Interim Report 1. October 2010 – 31. December 2010

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# Table of Contents

<b>2</b>	<b>Economic Situation in Q1 2010/11</b>	<b>29</b>	<b>Interim Financial Statements</b>
<b>2</b>	<b>General Economic Situation</b>	<b>29</b>	<b>Income Statement</b>
<b>2</b>	<b>Special Events in the Quarter Under Review</b>	<b>30</b>	<b>Condensed Statement of Comprehensive Income</b>
<b>3</b>	<b>Earnings by the Sectors</b>	<b>31</b>	<b>Statement of Financial Position</b>
3	Development of Turnover	<b>32</b>	<b>Condensed Statements of Changes in Equity</b>
4	Development of Earnings	<b>32</b>	<b>Condensed Cash Flows Statement</b>
5	TUI Travel		
8	TUI Hotels & Resorts		
13	Cruises		
15	Central Operations		
16	Information on Container Shipping		
<b>18</b>	<b>Consolidated Earnings</b>		
<b>20</b>	<b>Net Assets and Financial Position</b>		
<b>21</b>	<b>Other Segment Indicators</b>		
<b>23</b>	<b>Report on Subsequent Events</b>		
<b>24</b>	<b>Prospects</b>		
<b>27</b>	<b>Corporate Governance</b>		
		<b>33</b>	<b>Notes</b>
		<b>33</b>	<b>Accounting Principles</b>
		<b>33</b>	<b>Group of Consolidated Companies</b>
		<b>34</b>	<b>Acquisitions - Divestments</b>
		<b>36</b>	<b>Notes on the Consolidated Income Statement</b>
		<b>38</b>	<b>Notes on the Consolidated Statement of Financial Position</b>
		<b>38</b>	<b>Changes in Equity</b>
		<b>39</b>	<b>Contingent Liabilities</b>
		<b>39</b>	<b>Other Financial Commitments</b>
		<b>40</b>	<b>Notes on the Consolidated Cash Flow Statement</b>
		<b>41</b>	<b>Segment Indicators</b>
		<b>42</b>	<b>Related Parties</b>
		<b>42</b>	<b>Major Transactions after the Balance Sheet Date</b>

## Reservation Concerning Future-related Statements

The present Interim Report contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic they are not guarantees of future performance since our assumptions involve certain risks and uncertainties that may cause actual results to differ materially from expected results. This may be due to market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update or revise any forward-looking statements in order to reflect events or developments after the date of this report.

# Q1 2010/11

## TUI Group - Financial Highlights

		Q1 2010/11	Q1 2009/10 revised	Var. %
<b>Development of Sectors</b>				
<b>Sector turnover</b>				
TUI Travel	€m	3,155.5	2,811.7	+ 12.2
TUI Hotels & Resorts	€m	76.8	87.4	- 12.1
Cruises	€m	40.4	41.0	- 1.5
<b>Sector EBITDA</b>				
TUI Travel	€m	- 65.2	- 92.1	+ 29.2
TUI Hotels & Resorts	€m	21.1	17.0	+ 24.1
Cruises	€m	- 2.2	- 4.2	+ 47.6
<b>Underlying sector EBITDA</b>				
TUI Travel	€m	- 53.3	- 72.0	+ 26.0
TUI Hotels & Resorts	€m	21.1	17.0	+ 24.1
Cruises	€m	- 2.2	- 4.2	+ 47.6
<b>Sector EBITA</b>				
TUI Travel	€m	- 133.7	- 163.6	+ 18.3
TUI Hotels & Resorts	€m	2.3	- 1.5	n/a
Cruises	€m	- 4.4	- 6.3	+ 30.2
<b>Underlying sector EBITA</b>				
TUI Travel	€m	- 104.9	- 127.5	+ 17.7
TUI Hotels & Resorts	€m	2.3	- 1.5	n/a
Cruises	€m	- 4.4	- 6.3	+ 30.2
<b>Development of Group</b>				
Sector turnover	€m	3,286.1	2,955.7	+ 11.2
Sector EBITDA	€m	- 43.5	- 85.1	+ 48.9
Underlying sector EBITDA		- 47.7	- 65.0	+ 26.6
Sector EBITA	€m	- 132.3	- 180.3	+ 26.6
Underlying sector EBITA	€m	- 119.6	- 144.2	+ 17.1
Net profit for the year	€m	- 94.2	- 166.0	+ 43.3
Earnings per share	€	- 0.21	- 0.44	+ 52.3
Equity ratio (31 Dec)	%	19.4	16.8	+ 2.6*)
Investments in other intangible assets and property, plant and equipment	€m	97.8	94.1	+ 3.9
Net debt (31 Dec)	€m	3,122.3	3,738.5	- 16.5
Employees (31 Dec)		60,243	60,033	+ 0.3

Differences may occur due to rounding

\*) percentage points

- Earnings by Tourism up €28m in Q1 2010/11
- Hapag-Lloyd Kreuzfahrten expands in luxury segment
- Reduction in financial commitment in Container Shipping
- Shareholders prepare potential IPO of Hapag-Lloyd AG

# Management Report

## Economic Situation in Q1 2010/11

### General Economic Situation

Global economic recovery continued in the last quarter of calendar year 2010; however, economic momentum weakened in the second half of the year. The International Monetary Fund (IMF, World Economic Outlook Update, January 2011) expects global gross domestic product to grow by 5.0% in 2010 and 4.4% in 2011. The recovery of the global economy and world trade continued to be driven by the high growth rates in the emerging Asian and Latin American economies. As 2010 progressed, the US economy also picked up again; however, economic growth slowed down again following the expiry of the economic stimulus programmes in the summer of 2010. The economic development in the Eurozone continues to be supported by the global economy. Following strong recovery in the first half of 2010, however, the region also experienced a slight slowdown in economic momentum. The individual countries of the Eurozone continue to record major variations in economic activity. While the positive trend continued in particular in Germany in the fourth calendar quarter of 2010, the recovery has not yet reached Greece, Spain, Ireland and Portugal.

### Special Events in the Quarter Under Review

#### **Growth in earnings by Tourism of 20.9% in Q1 2010/11**

In the first quarter of 2010/11, demand in the travel market continued to rise, causing a positive business performance in Tourism. TUI Travel improved its operating earnings (underlying Sector EBITA) by €22.6m to €-104.9m. TUI Hotels & Resorts recorded increases in bednights and higher occupancy rates. Earnings therefore grew by €3.8m to €2.3m. The Cruises Sector benefited from the sound performance of TUI Cruises in the current winter season, reporting an increase in earnings of €1.9m to €-4.4m.

#### **Expansion of Hapag-Lloyd Kreuzfahrten in the luxury and premium segments**

Hapag-Lloyd Kreuzfahrten will strategically expand its portfolio by 2013 and complement its existing fleet by two additional vessels. Expansion of the luxury segment will be based on a long-term charter for the new MS Europa 2. At 258 cabins, MS Europa 2 has a maximum passenger capacity of 516 persons. The new build will be commissioned in 2013. The premium segment will be expanded by chartering the Insignia cruise ship from Oceania Cruises in the framework of a two-year agreement. The ship will be included in the fleet as of April 2012 under the name MS Columbus 2. At 349 cabins, MS Columbus 2 can host a maximum of 698 passengers.

#### **Financial commitment in Container Shipping reduced**

In October 2010, Hapag-Lloyd AG placed a corporate bond worth around US\$910m in the capital market and received a syndicated credit line of US\$360m. Upon the cancellation of the state loan guarantee implemented in the framework of the refinancing scheme, the payment restrictions associated with the guarantee also ceased to apply. Hapag-Lloyd has therefore resumed interest and principal payments on the financing instruments granted by TUI, making payments totalling €507m (€65m in deferred interest, €227m for the redemption of the bridging loan and €215m for the repayment of the Hybrid III loan) to TUI in the first quarter of financial year 2010/11.

As the Hybrid I loan was converted into equity, TUI's stake in Container Shipping rose to 49.8%. The Albert Ballin consortium has a call option on the new shares.



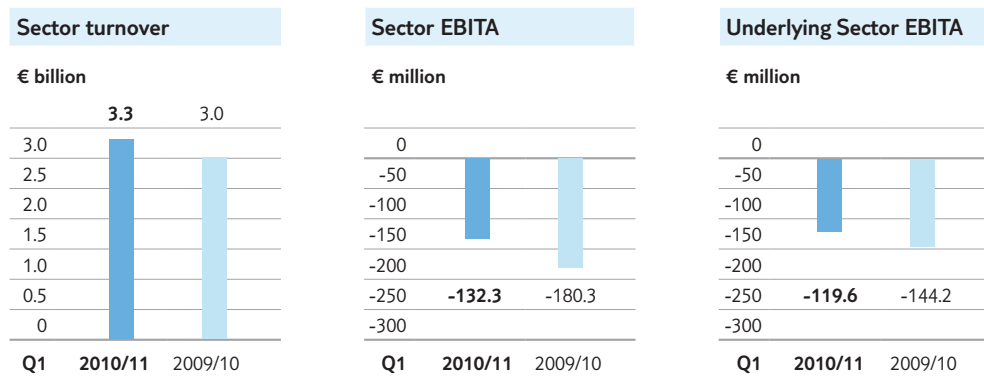
See page 16

Due to the measures outlined below, TUI AG's financial commitment in Container Shipping was reduced to €2.1bn by the end of the first quarter of financial year 2010/11. A detailed presentation of TUI's financial exposure to Container Shipping is provided in the section on Information on Container Shipping.

### Shareholders prepare potential IPO of Hapag-Lloyd AG

In December 2010, the shareholders of Hapag-Lloyd AG, TUI and the Albert Ballin consortium, commissioned the investment banks Credit Suisse, Goldman Sachs and Greenhill with starting to prepare for a potential IPO of Hapag-Lloyd. In parallel, the search for investors interested in acquiring a minority stake in Hapag-Lloyd as a long-term investor is to be continued. In the framework of the planned IPO or sale of shares, Hapag-Lloyd has mandated Deutsche Bank as its advisor.

### Earnings by the Sectors



The TUI Group and its operating shareholdings operate in tourism. The development of the operating business in TUI Travel, TUI Hotels & Resorts and the Cruises Sector and the development of Central Operations in the first quarter of 2010/11 is presented in the section below.



See page 16

The 49.8% stake in "Albert Ballin" Joint Venture GmbH & Co. KG is measured at equity in TUI's consolidated financial statements. In line with their participating nature, the at equity earnings of the stake in Container Shipping are not included in the TUI Group's operating performance indicator EBITA. Information about the development of business operations in Container Shipping in the first quarter of 2010/11 is presented in the section on Information on Container Shipping.

### Development of turnover

Sector turnover			
€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Tourism	3,272.7	2,940.1	+ 11.3
TUI Travel	3,155.5	2,811.7	+ 12.2
TUI Hotels & Resorts	76.8	87.4	- 12.1
Cruises	40.4	41.0	- 1.5
Central Operations	13.4	15.6	- 14.1
<b>Sector turnover</b>	<b>3,286.1</b>	<b>2,955.7</b>	<b>+ 11.2</b>

In the first quarter of 2010/11, turnover by the TUI Group was €3.3bn, up 11.2% year-on-year. This turnover growth was above all attributable to higher business volumes in TUI Travel. Turnover also benefited from the rise in the exchange rate of Sterling against the Euro of around 5%, resulting in an increase in turnover by the British tour operators in Tourism on a Euro basis.

## Development of earnings

### Underlying sector EBITA

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
<b>Tourism</b>	<b>- 107.0</b>	<b>- 135.3</b>	<b>+ 20.9</b>
TUI Travel	- 104.9	- 127.5	+ 17.7
TUI Hotels & Resorts	2.3	- 1.5	n/a
Cruises	- 4.4	- 6.3	+ 30.2
<b>Central Operations</b>	<b>- 12.6</b>	<b>- 8.9</b>	<b>- 41.6</b>
<b>Underlying sector EBITA</b>	<b>- 119.6</b>	<b>- 144.2</b>	<b>+ 17.1</b>

### Sector EBITA

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
<b>Tourism</b>	<b>- 135.8</b>	<b>- 171.4</b>	<b>+ 20.8</b>
TUI Travel	- 133.7	- 163.6	+ 18.3
TUI Hotels & Resorts	2.3	- 1.5	n/a
Cruises	- 4.4	- 6.3	+ 30.2
<b>Central Operations</b>	<b>3.5</b>	<b>- 8.9</b>	<b>n/a</b>
<b>Sector EBITA</b>	<b>- 132.3</b>	<b>- 180.3</b>	<b>+ 26.6</b>

Underlying earnings by the TUI Group adjusted for one-off effects (underlying Sector EBITA) grew by €24.6m year-on-year to €-119.6m in the first quarter of 2010/11. While Central Operations recorded higher costs, the earnings growth was driven by the positive performance in Tourism, benefiting from the more favourable economic environment.

In the first quarter of 2010/11, underlying earnings by Tourism grew by €28.3m to €-107.0m. The earnings growth resulted in particular from higher customer numbers in TUI Travel. TUI Hotels & Resorts and the Cruises Sector also recorded stronger demand due to economic recovery.

In the first quarter, TUI Travel increased its underlying earnings considerably by €22.6m year-on-year to €-104.9m. Demand for travel products continued to pick up so that TUI tour operators increased their performance in almost all source markets. In addition, earnings by TUI Travel's Mainstream business benefited in particular from the turnaround of the tour operator business in Canada and the relatively positive performance of the French airline Corsair in the first quarter of 2010/11. The positive performance was partly offset by the strong onset of winter in Europe in December 2010. Airport closures and other disruptions resulted in higher costs and impacted the TUI tour operators' later business.

Earnings by TUI Hotels & Resorts grew by €3.8m year-on-year to €2.3m. Hotels in the Balearics and Canaries, in particular, benefited from higher customer numbers from European source markets. TUI Hotels & Resorts also benefited from stronger demand in the US market for hotel bednights in the Caribbean, which resulted in better occupancy rates.

At €-4.4m, earnings by the Cruises Sector also grew year-on-year by €1.9m. This was due to higher occupancy rates in TUI Cruises for Mein Schiff, which showed a very positive development in its second winter season. Earnings by Hapag-Lloyd Kreuzfahrten were impacted by dry-dock periods of two vessels in the first quarter of 2010/11.

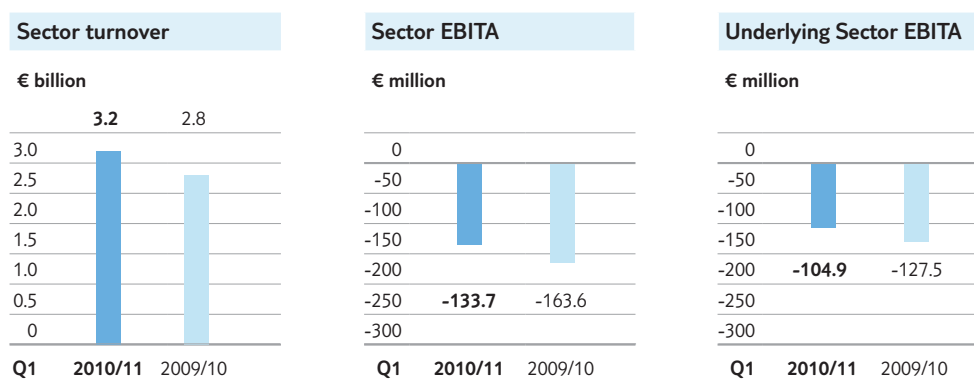
At €-12.6m, underlying earnings by Central Operations showed a normal level. In the previous year, there had been an one-off positive earnings effect.

## Underlying sector EBITA: TUI Group

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
<b>Sector EBITA</b>	<b>- 132.3</b>	<b>- 180.3</b>	<b>+ 26.6</b>
Gains on disposal	-	-	
Restructuring	+ 9.6	+ 3.6	
Purchase price allocation	+ 20.5	+ 15.6	
Other one-off items	- 17.4	+ 16.9	
<b>Underlying sector EBITA</b>	<b>- 119.6</b>	<b>- 144.2</b>	<b>+ 17.1</b>

In the first quarter of 2010/11, items worth a total of €12.7m had to be adjusted. Reported Sector EBITA by the Group totalled €-132.3m in the first quarter, up €48.0m year-on-year.

## TUI Travel



## TUI Travel - Key figures

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Sector turnover	3,155.5	2,811.7	+ 12.2
<b>Sector EBITA</b>	<b>- 133.7</b>	<b>- 163.6</b>	<b>+ 18.3</b>
Gains on disposal	-	-	
Restructuring	+ 9.6	+ 3.6	
Purchase price allocation	+ 20.5	+ 15.6	
Other one-off items	- 1.3	+ 16.9	
<b>Underlying sector EBITA</b>	<b>- 104.9</b>	<b>- 127.5</b>	<b>+ 17.7</b>
Underlying sector EBITDA	- 53.3	- 72.0	+ 26.0
Investments in other intangible assets and property, plant and equipment	66.9	74.6	- 10.3
Employees (31 Dec)	45,914	52,025	- 11.7

In the first quarter of 2010/11, turnover by TUI Travel grew by 12.2% year-on-year. This rise was primarily attributable to higher customer numbers in the Mainstream business in addition to the increase of around 5% in the exchange rate of Sterling against the Euro versus the prior year.

At €-104.9m, underlying earnings by TUI Travel improved by €22.6m year-on-year. Demand in the travel market continued to pick up in the first quarter of 2010/11 so that almost all TUI Travel source markets recorded improvements in their performance, in spite of disruption caused by the cold weather in December 2010. The earnings growth in the Mainstream business also resulted from the successful turnaround of the tour operator business in Canada following the merger with tour operator Sunwing in the previous financial year and the sound performance of the French Corsair airline in the quarter under review.

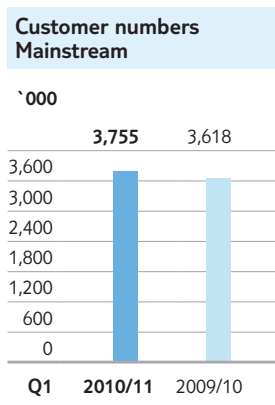
In the first quarter of 2010/11, TUI Travel had to carry adjustments worth €28.8m for the following one-off effects:

- restructuring costs of €9.6m, mainly arising in connection with the restructuring of the tour operator and airline business in France,
- effects of purchase price allocations worth €20.5m, and
- one-off effects of €-1.3m, in particular income from the measurement of hedges.

In the first quarter of 2010/11, reported earnings by TUI Travel rose by €29.9m year-on-year to €-133.7m.

As of financial year 2010/11, TUI Travel will report under a new structure. The restructuring of the business lines will serve above all to reflect the growing importance of the growth markets in Tourism, in particular Russia. Apart from the Mainstream and Accommodation & Destinations businesses, which will be retained unchanged, the growth markets previously managed by the specialist tour operators will be shown as a separate Emerging Markets business line as of now. TUI Travel's specialist tour operators will be pooled with the tour operators previously managed in the Activity business line to form the new Specialist & Activity business.

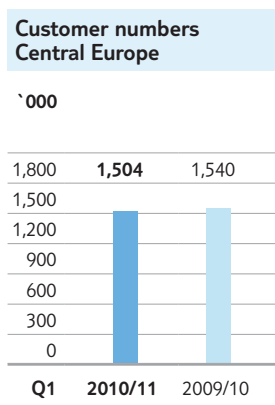
### Mainstream



Mainstream is the largest business line within TUI Travel and comprises sales of flights, accommodation and other tourism services in three divisions: Central Europe, Northern Region and Western Europe.

In the first quarter of 2010/11, the Mainstream business took care of a total of 3,755 thousand guests, an increase of 3.8% year-on-year. Adjusted for the effect of the transfer of the German city-pairs business, customer volumes grew by 7.3% in the first quarter.

### Central Europe



In the Central Europe sector (Germany, Austria, Switzerland, Poland and airline TUIfly), customer numbers decreased by 2.3% year-on-year in the first quarter of 2010/11. This decline was mainly attributable to TUIfly's exit from the city-pairs business in the end of October 2009. Adjusted for this effect, customer volumes in Central Europe rose by 9.1% in the first quarter of 2010/11.

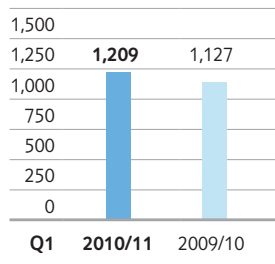
The TUI tour operators recorded a slight decrease in business performance in the first quarter of 2010/11 despite higher customer numbers. The transfer of TUIfly's city-pairs business in October 2009 to Air Berlin had a negative impact in the first quarter since in the prior-year reference quarter a positive profit contribution occurred. TUI Deutschland recorded margin losses in the late business due to the disruption caused by the cold weather in December 2010. In Switzerland, TUI Suisse recorded a positive performance and strong demand for flexible modular tours. Earnings by TUI Austria and TUI Poland were impacted by expenses for the integration of travel shops acquired in the previous year.



### Northern Region

#### Customer numbers Northern Region

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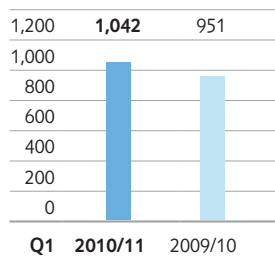
In the Northern Region sector (UK, Ireland, Canada, Nordics and airlines Thomson Airways and TUIfly Nordic), customer numbers rose by 7.3% year-on-year in the first quarter of 2010/11.

Overall, the Northern Region recorded a gratifying performance in the first quarter of 2010/11, in particular due to the sound development of business in Canada and the Nordics. Additional positive effects resulted from the business volume growth generated by the British TUI tour operators and additional synergies worth £5m, delivered in the first quarter of 2010/11 as scheduled. In the quarter under review, TUI UK operated additional B757s that had been stationed in the Canadian travel market in the past winter season. The resulting increase in capacity and the weather-induced closure of British airports in December 2010 caused a slight decline in load factors in TUI UK. On the other hand, Canadian tour operator Sunwing benefited from the operation of B737s in the winter season, which constitutes an important season in the Canadian market. Sunwing, in which TUI Travel holds a 49% interest, achieved a considerable improvement in the first quarter of 2010/11 and confirmed the expectations associated with the merger. TUI tour operators in the Nordics also reported a very good first quarter. In cooperation with TUI UK, TUI Nordic expanded its portfolio to include exclusive products such as Splash, Holiday Village and Sensatori in the 2010/11 winter season. As in 2009/10, the Mainstream Business delivered synergies by operating a long-haul aircraft of the French Corsair airline for TUI Nordic.

### Western Europe

#### Customer numbers Western Europe

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The Western Europe sector (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly) recorded year-on-year growth in volumes of 9.6% in the first quarter of 2010/11. This increase was driven by all three source markets.

In France, tour operators Nouvelles Frontières and Marmara benefited from the expansion of the club hotel portfolio. The French Corsair airline recorded a substantial improvement in its operative business, increasing its load factor year-on-year through a more attractive flight schedule and a higher proportion of direct flights. Activities in the Netherlands also showed a positive development. In the first quarter of 2010/11, TUI Belgium continued on the high levels achieved in the previous year.

### Emerging Markets

The Emerging Markets Business comprises activities in growth markets such as Russia. The launch of the TUI brand in Russia and the CIS countries was successfully continued. Current trading for the ongoing winter season in TUI Russia is considerably up year-on-year. Earnings for the first quarter of 2010/11 were affected by higher start-up costs required to set up the organisation.

### Specialist & Activity

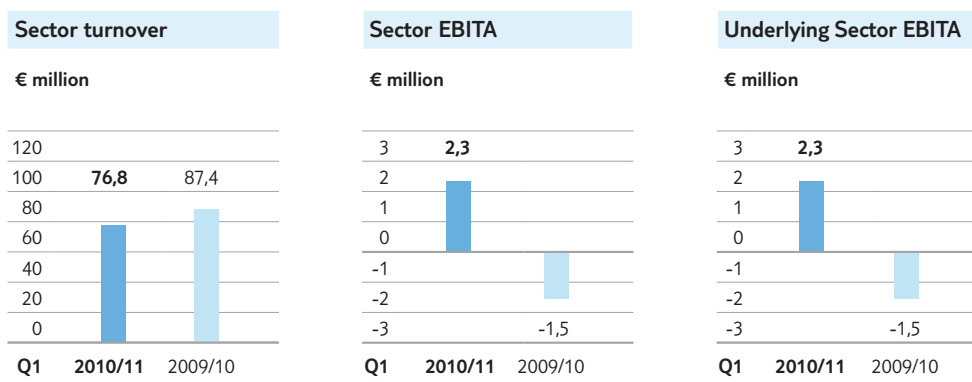
The Specialist & Activity Business comprises tour operators in six divisions: Adventure, North American Specialist, Education, Sport, Marine and Specialist Holidays Group.

While all divisions in the business line showed an overall positive business performance, the premium tour operators in North America reported a particularly strong improvement in the first quarter of 2010/11. In the light of the considerable increase in demand, the luxury private jet tours portfolio, which had been reduced in the prior year, was expanded again. The Sport Division and the ski tour operators also recorded growth. The tour operators for experiential tours managed in the Adventure Division, by contrast, recorded margin losses.

### Accommodation and Destinations (A&D)

The A&D Business comprises online services and incoming agencies. Online services again recorded considerable volume growth in the first quarter of 2010/11 following expansion of its portfolio and associated marketing activities. The incoming agencies also reported a positive performance. Apart from volume growth in individual destinations, the restructuring programmes implemented in the previous year also had a positive effect.

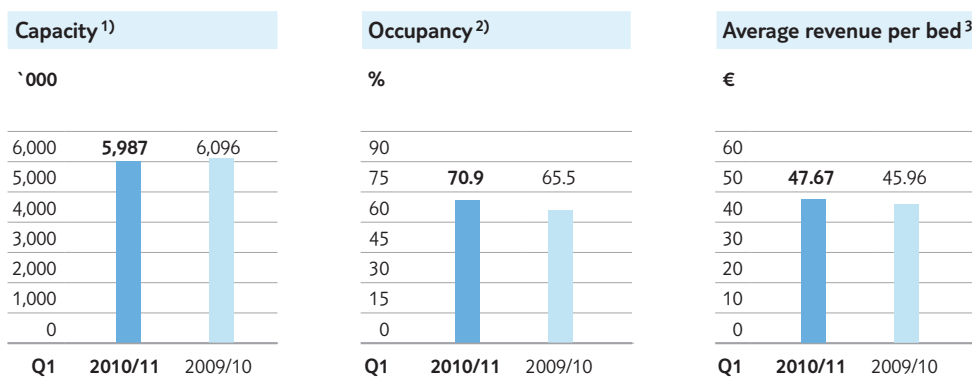
#### TUI Hotels & Resorts



#### TUI Hotels & Resorts - Key figures

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Total turnover	184.0	177.2	+ 3.8
Sector turnover	76.8	87.4	- 12.1
<b>Sector EBITA</b>	<b>2.3</b>	<b>- 1.5</b>	<b>n/a</b>
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	-	-	
<b>Underlying sector EBITA</b>	<b>2.3</b>	<b>- 1.5</b>	<b>n/a</b>
Underlying sector EBITDA	21.1	17.0	+ 24.1
Investments in other intangible assets and property, plant and equipment	29.1	12.8	+ 127.3
Employees (31 Dec)	13,485	18,495	- 27.1

The Group's hotel companies are pooled in TUI Hotels & Resorts. In the first quarter of 2010/11, the Sector reported a total of 4.3m bednights (previous year: 4.0m). Bed occupancy was 70.9% in the first quarter of 2010/11, up 5.4 percentage points on the previous year. The development of business varied for the individual hotel groups and regions.



<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

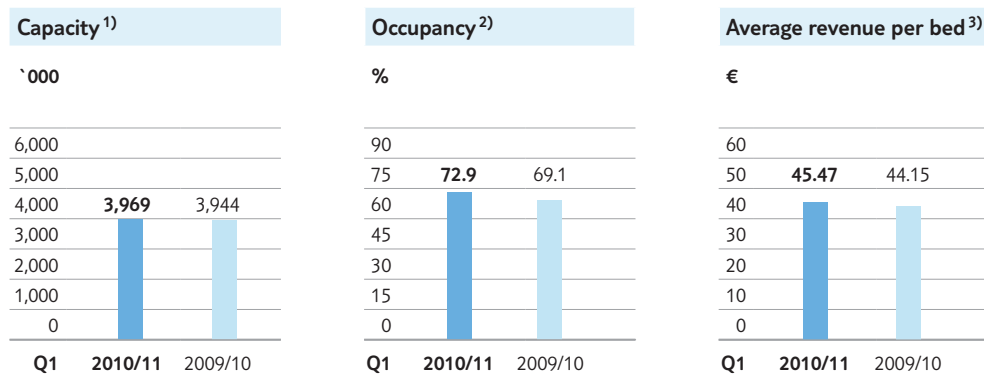
<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

TUI Hotels & Resorts posted total turnover of €184.0m, up €6.8m year-on-year. This rise was attributable to enhanced occupancy rates and higher average revenues per bed on almost stable capacity. Consolidated turnover was €76.8m in the first quarter of 2010/11, down 12.1% due to higher intra-Group turnover.

Underlying earnings totalled €2.3m in the first quarter of 2010/11, up €3.8m year-on-year. This growth was mainly attributable to improvements in the business performance of Riu due to higher customer numbers in almost all regions.

### Riu



<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

Riu, one of Spain's leading hotel chains, operated 102 hotels in the period under review. Capacity grew by 0.6% year-on-year to 4.0m hotel beds available. Average occupancy of Riu hotels in the first quarter of 2010/11 grew by 3.8 percentage points to 72.9% year-on-year. Average revenues per bed rose by 2.9%.

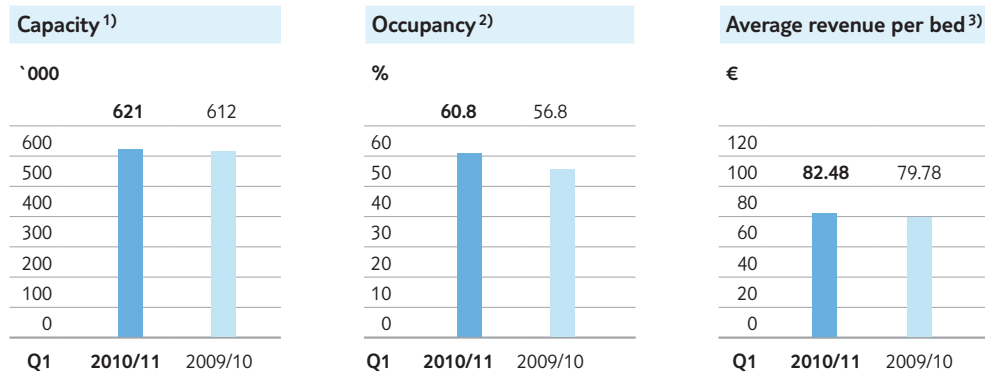
Business developed as follows in the individual regions:

Average occupancy of Riu hotels in the Canaries rose by 7.5 percentage points to 83.6% year-on-year. This improvement reflects in particular the rise in demand in European source markets.

At 63.9%, occupancy of Riu hotels in the Balearics rose by 2.5 percentage points year-on-year. This performance was also mainly driven by the higher number of tour operator customers from the major source markets.

Average occupancy of Riu hotels in mainland Spain declined by 2.7 percentage points to 59.0%.

In the long-haul segment, Riu hotels recorded an average occupancy rate of 72.1%, up 4.5 percentage points on the previous year's level. The increase was above all due to stronger demand in the US for hotels in Mexico and the Caribbean. Average revenues per bed also grew by 4.5%.

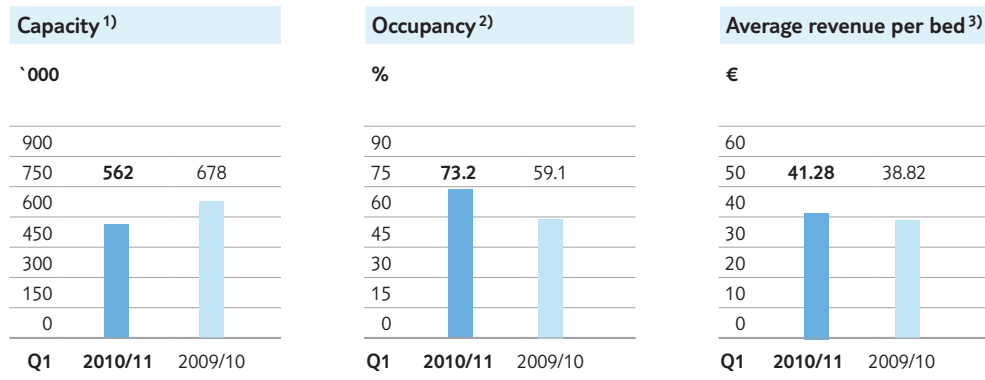
*Robinson*

<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

At the end of the first quarter of 2010/11, 17 club facilities of Robinson, market leader in the premium club holiday segment, were open. The rise in capacity due to the opening of a new club in the Maldives in the previous year was partly offset by the temporary closure of the club facility in Majorca due to renovation work. Robinson clubs in Morocco, Turkey, Greece, Italy and Spain achieved increases in occupancy year-on-year. The resorts in Austria and Switzerland reported lower occupancy rates. Overall, occupancy thus grew by 4.0 percentage points year-on-year. Average revenues per bed rose by 3.4%.

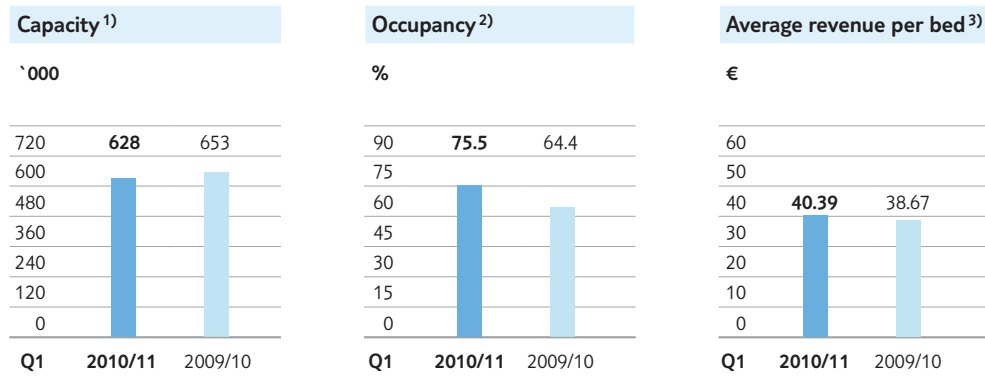
*Magic Life*

<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

In the period under review, Magic Life, the all-inclusive club brand, only operated four of its 14 facilities at the end of the year for seasonal reasons. Capacity on offer declined by 17.1% as one club was closed down and two facilities in Turkey and Tunisia, which were open all year in 2009/10, were closed during the winter months. Due to stronger demand for the first quarter of 2010/11 in all source markets, occupancy rose by 14.1 percentage points. Average revenues per bed grew considerably by 6.4% year-on-year.

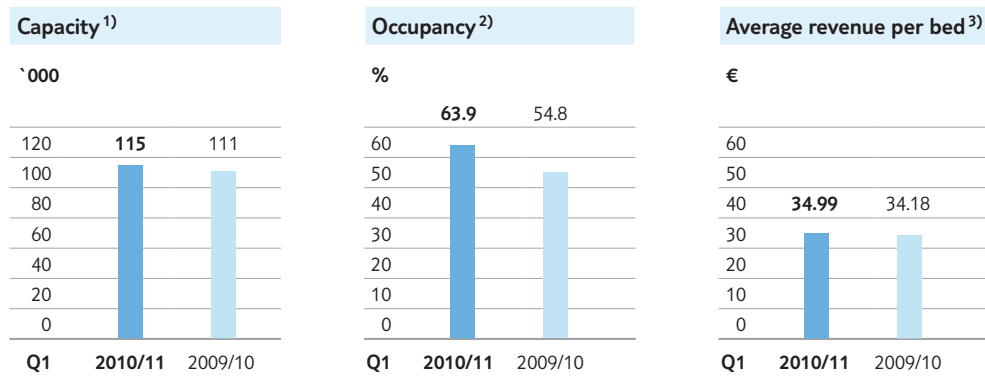
*Iberotel*

<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

In the first quarter of 2010/11, all 25 facilities in Egypt, Turkey, the United Arab Emirates, Italy and Germany were open. Due to changed opening days the capacity declined. At 75.5%, occupancy of Iberotels was 11.1% up year-on-year. Average revenues per bednight grew by 4.4%. While occupancy rates in the hotels in the United Arab Emirates did not meet expectations, demand for Egypt rose considerably.

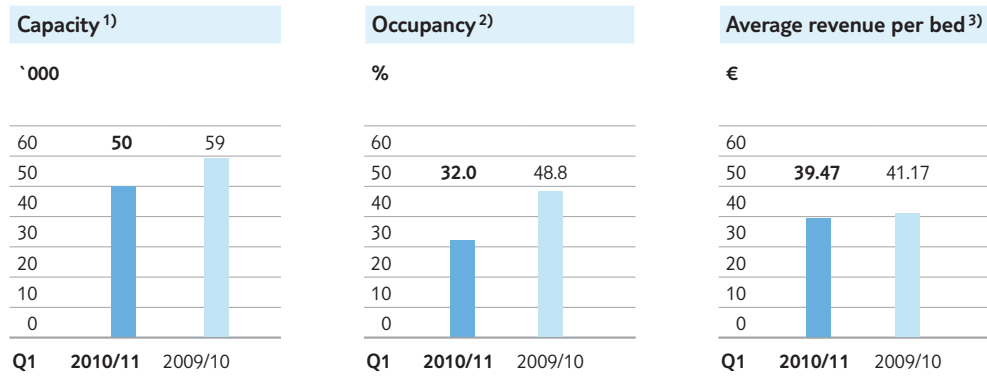
*Grupotel*

<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

At the end of the first quarter of 2010/11, six hotels of the Grupotel chain, represented in Majorca, Menorca and Ibiza, were open. Due to stronger demand, some hotels were open longer at the end of the season. While capacity thus rose by 3.8%, an occupancy rate of 63.9% was achieved, up 9.1 percentage points year-on-year. Average revenues per bed also grew by 2.3% year-on-year.

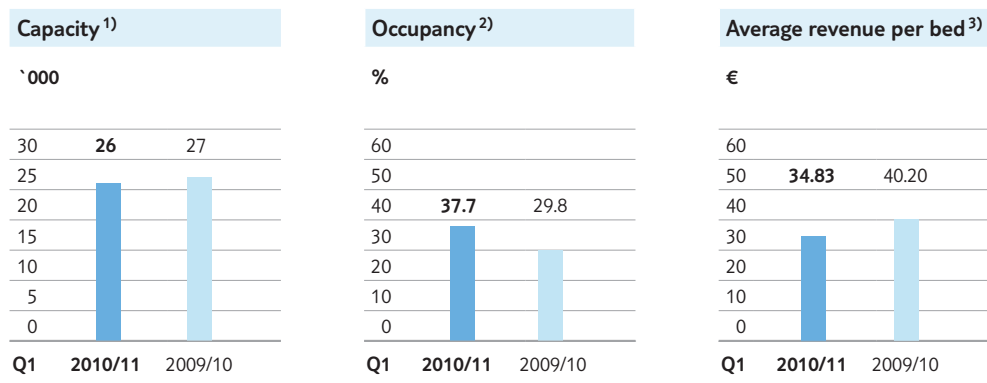
*Grecootel*

<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

The leading Greek hotel company closed some of its facilities considerably earlier than in prior years at the end of the summer season. At the end of the year, all resorts were closed. Overall, capacity on offer declined by 15.9% year-on-year in the quarter under review. Despite lower capacity, occupancy decreased by 16.8 percentage points to 32.0%. Average revenues per bed fell by 4.1%.

*Dorfhotel*

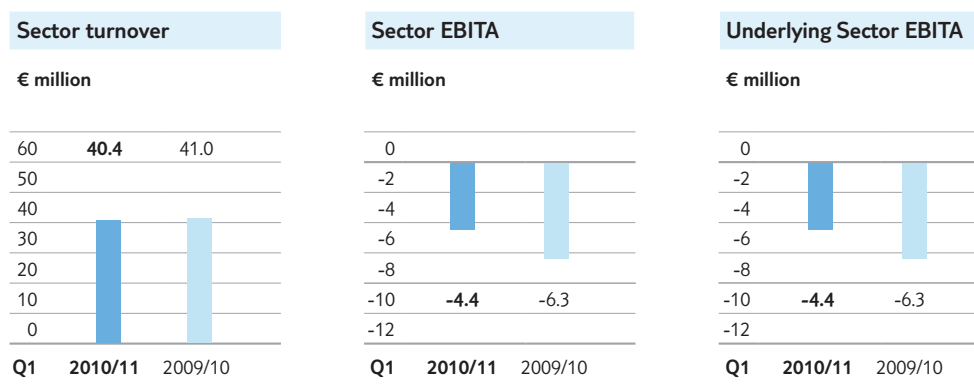
<sup>1)</sup> Group owned or leased hotel beds multiplied by opening days per year

<sup>2)</sup> Occupied beds divided by capacity

<sup>3)</sup> Arrangement revenue divided by occupied beds

The indicators relate to the two Group-owned Dorfhotel complexes in Austria. Dorfhotel additionally operates the Dorfhoteles in Land Fleesensee, Sylt, and Boltenhagen on the Baltic Sea as a management company. On slightly lower capacity, Dorfhotel reported an increase in occupancy of 7.9 percentage points in the first quarter of 2010/11. Average revenues per bed declined by 13.4% in the period under review.

## Cruises



The Cruises Sector comprises Hapag-Lloyd Kreuzfahrten and the joint venture TUI Cruises. The German-speaking market for cruises reflected the general economic recovery and a resulting rise in demand in the first quarter of 2010/11. This affected both the niche market for luxury and expedition cruises of Hapag-Lloyd Kreuzfahrten and the volume market for premium cruises, served by TUI Cruises. Both companies announced fleet expansions in order to benefit from the favourable market development.

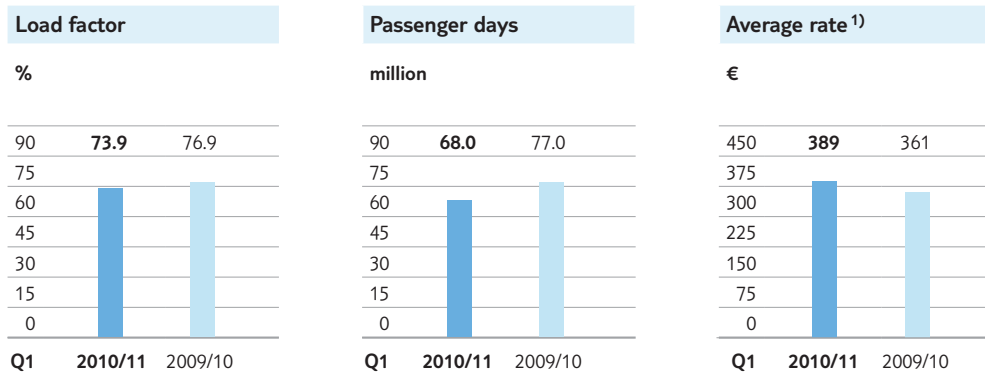
## Cruises - Key figures

€ million	Q1 2010/11	Q1 2009/10	Var. %
Sector turnover	40.4	41.0	- 1.5
<b>Sector EBITA</b>	<b>- 4.4</b>	<b>- 6.3</b>	<b>+ 30.2</b>
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	-	-	
<b>Underlying sector EBITA</b>	<b>- 4.4</b>	<b>- 6.3</b>	<b>+ 30.2</b>
Underlying sector EBITDA	- 2.2	- 4.2	+ 47.6
Investments in other intangible assets and property, plant and equipment	1.4	5.3	- 73.6
Employees (31 Dec)	238	225	+ 5.8

In the first quarter of 2010/11, turnover by Hapag-Lloyd Kreuzfahrten totalled €40.4m, down 1.5% year-on-year due to dry-dock periods of MS Europa and MS Columbus. The joint venture TUI Cruises is measured at equity in the consolidated financial statements; its turnover is therefore not shown here.

In the first quarter of 2010/11, underlying earnings by the Cruises Sector stood at €-4.4m, up €1.9m year-on-year. This improvement was largely driven by strong demand in TUI Cruises for the Canaries as a winter cruise route. In the first winter season, Mein Schiff had still recorded lower load factors in the Caribbean cruise route.

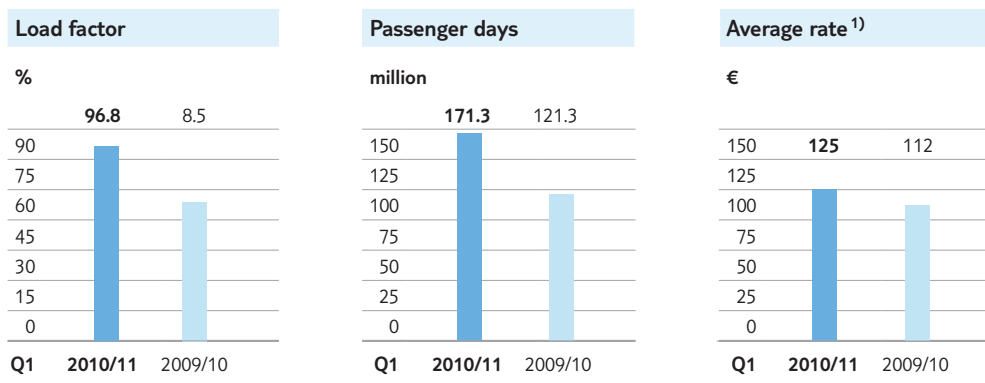
## Hapag-Lloyd Kreuzfahrten



<sup>1)</sup> per passenger per day

In the first quarter of 2010/11, Hapag-Lloyd Kreuzfahrten recorded a load factor of 73.9%, down 3.0 percentage points year-on-year. In the first quarter, 67,968 passenger days were achieved. This represented a considerable decrease of 11.8% year-on-year, driven by dry-dock periods of MS Europa and MS Columbus in the period under review. The average rate per passenger per day was €389.0, up around 7.8% year-on-year.

## TUI Cruises

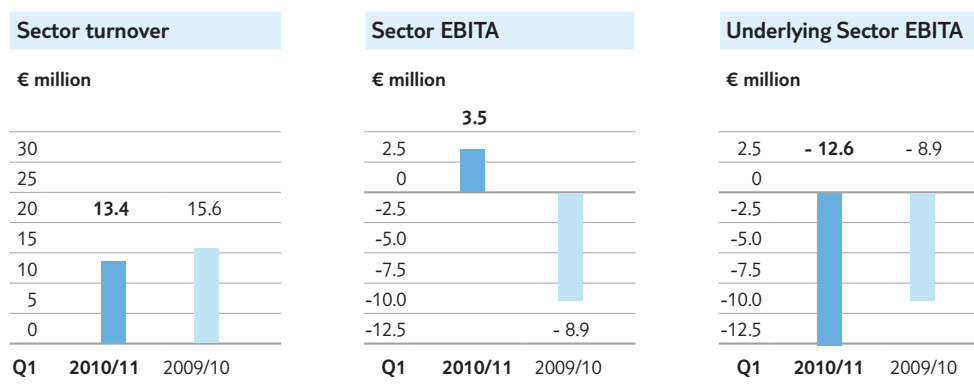


<sup>1)</sup> per passenger per day

In the first quarter of 2010/11, TUI Cruises achieved a significant increase in the load factor of Mein Schiff of 28 percentage points year-on-year to 96.8%. This rise reflects the positive market development and above all the strong demand for the Canaries, the current winter cruise lane. The successful introduction of the "Premium all-inclusive concept" on Mein Schiff also created high customer satisfaction in TUI Cruises. In the first quarter of 2010/11, 171,276 passenger days were recorded. The average rate per passenger per day was €124.9, up 11.5% year-on-year.



## Central Operations



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

### Central operations - Key figures

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Sector turnover	13.4	15.6	- 14.1
<b>Sector EBITA</b>	<b>3.5</b>	<b>- 8.9</b>	<b>n/a</b>
Gains on disposal	-	-	
Restructuring	-	-	
Purchase price allocation	-	-	
Other one-off items	- 16.1	-	
<b>Underlying sector EBITA</b>	<b>- 12.6</b>	<b>- 8.9</b>	<b>- 41.6</b>
Underlying sector EBITDA	- 13.3	- 5.8	- 129.3
Investments in other intangible assets and property, plant and equipment	0.4	1.4	- 71.4
Employees (31 Dec)	606	653	- 7.2

In the first quarter of 2010/11, underlying earnings by Central Operations matched expectations at €12.6m. In the previous year, there had been a one-off positive earnings effect from the measurement of stock options.

In the period under review, Central Operations had to carry adjustments for income worth €16.1m. These adjustments related to book profits from the sale of the Ballindamm property in Hamburg, used by Hapag-Lloyd AG, to Hapag-Lloyd AG.

At €3.5m, reported earnings by Central Operations were up €12.4m year-on-year in the first quarter of 2010/11.

## Information on Container Shipping

Sector turnover			Sector EBITA			Underlying Sector EBITA		
€ billion			€ million			€ million		
1.50	<b>1.5</b>	1.1	150	<b>87.6</b>		150	<b>97.0</b>	
1.25			100			100		
1.00			50			50		
0.75			0			0		
0.50			-50			-50		
0.25			-100			-100		
0			-150		-58.0	-150		-21.3
<b>Q1 2010/11</b>		2009/10	<b>Q1 2010/11</b>		2009/10	<b>Q1 2010/11</b>		2009/10

The 49.8% stake (previous year 43.33%) in "Albert Ballin" Joint Venture GmbH & Co. KG, taken after the sale of Container Shipping, is measured at equity in TUI's consolidated financial statements. Since the stake in "Albert Ballin" constitutes a financial investment from TUI AG's perspective, the proportionate at equity result is not included in the TUI Group's operating performance indicator EBITA. For information purposes, the table below presents Container Shipping from Hapag-Lloyd AG's perspective on a 100 per cent basis.

### Container Shipping - Key figures \*)

€ million	Q1 2010/11	Q1 2009/10	Var. %
Turnover	1,532.9	1,146.9	+ 33.7
<b>EBITA</b>	<b>87.6</b>	<b>- 58.0</b>	<b>n/a</b>
Gains on disposal	-	+ 1.4	
Restructuring	+ 0.1	+ 0.4	
Purchase price allocation	+ 12.4	+ 11.2	
Other one-off items	- 3.1	+ 23.7	
<b>Underlying EBITA</b>	<b>97.0</b>	<b>- 21.3</b>	<b>n/a</b>

\*) At beginning of February 2011

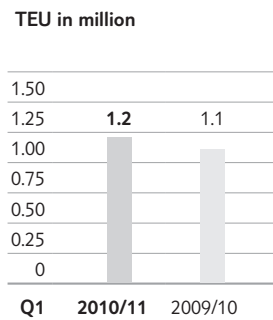
### Turnover and earnings

Turnover by Container Shipping rose by 33.7% to around €1.5bn year-on-year in the first quarter of 2010/11. This development was driven by the 6.6% rise in transport volumes and the 19.8% growth in freight rate levels over the previous year. Turnover was also affected by the 9% strengthening of the US dollar exchange rate against the Euro.

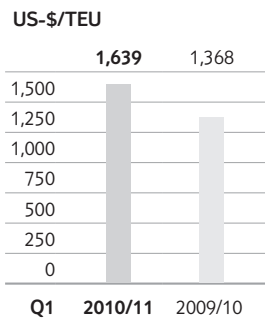
Underlying earnings grew by €118.3m to €97.0m in the first quarter of 2010/11. One-off effects worth €9.4m had to be adjusted for. Earnings before adjustment for these effects were €87.6m, up €145.6m year-on-year. The rise in earnings was above all attributable to higher transport volumes and freight rate levels. The earnings situation also benefited from the rise in the US dollar exchange rate against the Euro.

### Transport volumes and freight rates in Container Shipping

#### Transport volumes



#### Freight rates



In the first quarter of 2010/11, Hapag-Lloyd achieved a year-on-year increase in transport volumes of 6.6% to 1,218 standard container units (TEU). This growth was largely driven by the Trans-Pacific trade lane, which recorded volume growth of 19.1% due to a rise in consumer good shipments from Asia to North America. A slight opposite trend was caused by continued selective cargo control

in the Australasia trade lane. The average freight rate stood at 1,639 US\$/TEU in the first quarter of 2010/11, up 19.8% year-on-year. The freight rate level significantly increased in all trade lanes. The strongest increases in freight rates were achieved in the Trans-Pacific trade lane.

### Financial commitment in Container Shipping

#### Financial exposure of TUI AG in Container Shipping

€ million	30 Jun 2010	30 Sep 2010	31 Dec 2010
Equity stake in March 2009	910	910	910
Cash capital increase	124	124	124
Debt equity swap	153	153	153
Conversion of Hybrid capital I into equity	-	-	350
<b>Equity stake</b>	<b>1,187</b>	<b>1,187</b>	<b>1,537</b>
Investment share TUI AG	43.2%	43.2%	49.8%
TUI short-term loan	227	227	-
TUI vendor loan	180	180	180
<b>Loans</b>	<b>407</b>	<b>407</b>	<b>180</b>
Hybrid capital I	350	350	-
Hybrid capital II	350	350	350
Hybrid capital III	215	215	-
<b>Hybrid capital</b>	<b>915</b>	<b>915</b>	<b>350</b>
<b>Financial exposure</b>	<b>2,509</b>	<b>2,509</b>	<b>2,067</b>

In the framework of refinancing Hapag-Lloyd AG, TUI AG reduced its financial commitment in Container Shipping to around €2.1bn by the end of the first quarter of 2010/11 by means of the measures listed below:

- Repayment of the bridging loan of €227m
- Repayment of the Hybrid III loan of €215m

In addition, the Hybrid I loan (€350m) was swapped into equity of Hapag-Lloyd. Conversion of the hybrid capital was aimed at further strengthening Hapag-Lloyd's financial position creating a positive effect on its credit ratings. Following the completion of the capital increase, TUI holds a 49.8% stake in Hapag-Lloyd. The Albert Ballin consortium has a call option for the new shares until 30 September 2011. Irrespective of this option, TUI is entitled to sell its entire stake in Hapag-Lloyd to third parties any time. The Albert Ballin consortium has pre-emptive rights.

The Hybrid II loan (€350m) earns interest of 5.0% p.a. as of 1 October 2010. As of 1 July 2011, the interest rate on the loan will be stepped up to an interest rate in line with market rates. TUI is entitled to sell the Hybrid II loan with immediate effect.

The vendor loan (€180m) carries an interest rate of Euribor + 4% p.a. and is repayable on 1 January 2014.

## Consolidated Earnings

### Income statement

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Turnover	3,286.1	2,955.7	+ 11.2
Cost of sales	3,101.5	2,811.4	+ 10.3
<b>Gross profit</b>	<b>184.6</b>	<b>144.3</b>	<b>+ 27.9</b>
Administrative expenses	337.4	317.4	+ 6.3
Other income/Other expenses	+ 18.0	+ 1.5	n/a
Impairment of goodwill	-	-	-
Financial income	126.5	65.5	+ 93.1
Financial expenses	157.3	110.7	+ 42.1
Share of result of joint ventures and associates	+ 24.6	- 20.3	n/a
<b>Earnings before income taxes</b>	<b>- 141.0</b>	<b>- 237.1</b>	<b>+ 40.5</b>
<b>Reconciliation to underlying earnings:</b>			
Earnings before income taxes	- 141.0	- 237.1	+ 40.5
Result from Container Shipping measured at equity	- 18.2	14.7	n/a
Effect of measurement of the loans to Container Shipping	- 38.7	- 18.1	- 113.8
Interest result and earnings from the measurement of interest hedges	65.6	60.2	+ 9.0
Impairment of goodwill	-	-	-
Group EBITA	- 132.3	- 180.3	+ 26.6
<b>Adjustments:</b>			
Gains on disposal	-	-	-
Restructuring	+ 9.6	+ 3.6	-
Purchase price allocation	+ 20.5	+ 15.6	-
Other one-off items	- 17.4	+ 16.9	-
<b>Underlying Group EBITA</b>	<b>- 119.6</b>	<b>- 144.2</b>	<b>+ 17.1</b>
<b>Earnings before income taxes</b>	<b>- 141.0</b>	<b>- 237.1</b>	<b>+ 40.5</b>
Income taxes	- 46.8	- 71.1	+ 34.2
<b>Group loss for the year</b>	<b>- 94.2</b>	<b>- 166.0</b>	<b>+ 43.3</b>
Group loss for the year attributable to shareholders of TUI AG	- 46.4	- 104.0	+ 55.4
Group loss for the year attributable to non-controlling interest	- 47.8	- 62.0	+ 22.9
<b>Group loss for the year</b>	<b>- 94.2</b>	<b>- 166.0</b>	<b>+ 43.3</b>
<b>Basic and diluted earnings per share</b>	<b>in € - 0.21</b>	<b>- 0.44</b>	<b>+ 52.3</b>

The year-on-year development of consolidated earnings mainly reflected the improvement in the tourism performance in the first half of the 2010/11 winter season. The consolidated income statement reflects the seasonality in tourism, with negative earnings generated in the period from October to December for seasonal reasons.



See page 3

### Turnover and cost of sales

Turnover comprises the turnover of Tourism and Central Operations. In the first quarter of 2010/11, turnover rose by 11.2% year-on-year to €3.3bn. This increase was primarily attributable to higher business volumes in TUI Travel and the 5% rise in the exchange rate of Sterling against the Euro. Turnover is presented alongside the cost of sales, which rose due to the increased business volume. A detailed breakdown of turnover and the development of turnover are presented in the section Earnings by the sectors.

**Gross profit**

At €184.6m, gross profit as the balance of turnover and the cost of sales rose by 27.9% year-on-year in the first quarter of 2010/11.

**Administrative expenses**

Administrative expenses comprise expenses not directly allocable to the turnover transactions, such as expenses for general management functions. At €337.4m, they were up 6.3% year-on-year in the first quarter. This increase was mainly driven by the strengthening of Sterling against the Euro.

**Other income/Other expenses**

Other income and Other expenses primarily comprise profits and losses from the sale of fixed assets. The balance of income and expenses totalled €18.0m in the first quarter of 2010/11. This figure includes the book profit from the sale of the administrative building Ballindamm to Hapag-Lloyd.

**Impairment of goodwill**

As in the previous year, no goodwill impairment charges were carried for the first quarter of 2010/11.

**Financial income and expenses/Financial result**

The financial result includes the interest result and the net income from marketable securities as well as the effect of the measurement of the loans granted to Container Shipping. It comprises financial income of €126.5m (previous year €65.5m) and financial expenses of €157.3m (previous year €110.7m). In the first quarter of 2010/11, the financial result improved by 31.9% to €-30.8m year-on-year. This increase resulted from higher income from the measurement of the loans granted to Container Shipping.

**Share of results of joint ventures and associates**

The share of results of joint ventures and associates comprises the share in net profit for the year of the associated companies and joint ventures as well as impairments of the goodwill of these companies if applicable. In the first quarter of 2010/11, the share of results of joint ventures and associates totalled €24.6m (previous year €-20.3m). The significant increase in the share of results of joint ventures and associates was attributable to the positive profit contribution of €18.2m generated by the Hapag-Lloyd stake, while the prior-year comparative period was impacted by a loss of €14.7m.

**Underlying Group EBITA**

In the first quarter of 2010/11, underlying Group EBITA was €-119.6m, up 17.1% year-on-year. EBITA was adjusted for gains on disposal, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section Consolidated turnover and earnings.

**Income taxes**

Income taxes comprise taxes on profits from the business activities. Tax assets of €-46.8m arose for the first quarter of 2010/11, following €-71.1m in the prior-year comparative quarter. This was attributable to the pronounced seasonality of earnings in tourism.

**Group loss**

In the first quarter of 2010/11, the Group result was negative at €-94.2m (previous year: €-166.0m). The improvement in the Group result was driven by the positive development of the Tourism core business and the positive at equity profit contribution of Hapag-Lloyd.

**Non-controlling interests**

Non-controlling interests accounted for €-47.8m for the first quarter of 2010/11. They related to the external shareholders of TUI Travel PLC and the companies in the TUI Hotels & Resorts Sector.

**Earnings per share**

After deduction of minority interests, TUI AG shareholders accounted for €-46.4m (previous year: €-104.0m) of the Group result in the first quarter of 2010/11. As a result, basic earnings per share amounted to €-0.21 (previous year €-0.44).



Adjustments see page 4

## Performance indicators

### Key figures of income statement

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
<b>Earnings before interest, income taxes, depreciation, impairment and rent (EBITDAR)</b>	<b>145.7</b>	<b>99.5</b>	<b>+ 46.4</b>
Operating rental expenses	189.2	184.6	+ 2.5
<b>Earnings before interest, income taxes, depreciation and impairment (EBITDA)</b>	<b>- 43.5</b>	<b>- 85.1</b>	<b>+ 48.9</b>
Depreciation/amortisation less reversals of depreciation <sup>1)</sup>	- 88.8	- 95.2	+ 6.7
<b>Earnings before interest, income taxes and impairment of goodwill (EBITA)</b>	<b>- 132.3</b>	<b>- 180.3</b>	<b>+ 26.6</b>
Impairment of goodwill	-	-	-
<b>Earnings before interest and income taxes (EBIT)</b>	<b>- 132.3</b>	<b>- 180.3</b>	<b>+ 26.6</b>
Interest result and earnings from the measurement of interest hedges	- 65.6	- 60.2	- 9.0
Effect of measurement of the loans to Container Shipping	38.7	18.1	+ 113.8
Result from Container Shipping measured at equity	18.2	- 14.7	n/a
<b>Earnings before income taxes (EBT)</b>	<b>- 141.0</b>	<b>- 237.1</b>	<b>+ 40.5</b>

<sup>1)</sup> on property, plant and equipment, intangible assets, financial and other assets

## Net Assets and Financial Position

The Group's balance sheet total declined by 6% to €13.8bn versus the end of the previous financial year. The changes in the consolidated statement of financial position against 30 September 2010 primarily reflect the seasonality in tourism.

### Assets and liabilities

€ million	31 Dec 2010	30 Sep 2010 revised	Var. %
Non-current assets	9,496.5	9,356.7	+ 1,5
Current assets	4,273.6	5,258.8	- 18,7
<b>Assets</b>	<b>13,770.1</b>	<b>14,615.5</b>	<b>- 5,8</b>
Equity	2,667.2	2,434.2	+ 9,6
Provisions	2,047.8	2,147.5	- 4,6
Financial liabilities	4,742.9	4,511.9	+ 5,1
Other liabilities	4,312.2	5,521.9	- 21,9
<b>Liabilities</b>	<b>13,770.1</b>	<b>14,615.5</b>	<b>- 5,8</b>

### Non-current assets

As at 31 December 2010, non-current assets accounted for 69.0% of total assets, compared with 64.0% as at 30 September 2010. Non-current assets rose from €9.4bn to €9.5bn in the period under review.

### Current assets

As at 31 December 2010, current assets accounted for 31.0% of total assets, following 36.0% as at 30 September 2010. Current assets declined from €5.3bn as at 30 September 2010 to €4.3bn as at 31 December 2010. This decrease was mainly attributable to the seasonality of the tourism business.

### Equity

Equity totalled €2.7bn as at 31 December 2010. At 19.4%, the equity rate increased against its level on 30 September 2010 (16.7%). Information on the changes in equity is provided in the notes to this Interim Report.

### Provisions

Provisions mainly comprise provisions for pension obligations, effective and deferred tax provisions and provisions for typical operating risks. As at 31 December 2010, they totalled €2.0bn, down 4.8% versus the level recorded as at 30 September 2010. The decline was attributable in particular to the increase in the interest rate used in measuring the provisions for pension obligations.



See page 38

### Financial liabilities

As at 31 December 2010, financial liabilities consisted of non-current financial liabilities of €3.7bn and current financial liabilities of €1.1bn. As at 30 September 2010, non-current financial liabilities stood at €2.8bn, with current financial liabilities of €1.7bn.

At the end of the first quarter (31 December 2010), the TUI Group's net debt including the assets held for sale and the associated liabilities totalled €3.1bn. This represents a year-on-year reduction of €617m in net debt. The considerable decrease in net debt results in particular from the reduction in the financial commitment in Container Shipping. In the first quarter of 2010/11, TUI AG received payments totalling around €500m from Hapag-Lloyd on deferred interest as well as the repayment of a bridge loan and the Hybrid II loan. A further €100m were realised through the sale of property and the administrative building Ballindamm to Hapag-Lloyd.

### Other liabilities

As at 31 December 2010, other liabilities amounted to €4.3bn, down 21.9% against 30 September 2010. The decline was primarily attributable to the seasonality in tourism.

## Other Segment Indicators

### Underlying sector EBITDA

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Tourism	- 34.4	- 59.2	+ 41.9
TUI Travel	- 53.3	- 72.0	+ 26.0
TUI Hotels & Resorts	21.1	17.0	+ 24.1
Cruises	- 2.2	- 4.2	+ 47.6
Central Operations	- 13.3	- 5.8	- 129.3
<b>Underlying sector EBITDA</b>	<b>- 47.7</b>	<b>- 65.0</b>	<b>+ 26.6</b>

### Sector EBITDA

€ million	Q1 2010/11	Q1 2009/10 revised	Var. %
Tourism	- 46.3	- 79.3	+ 41.6
TUI Travel	- 65.2	- 92.1	+ 29.2
TUI Hotels & Resorts	21.1	17.0	+ 24.1
Cruises	- 2.2	- 4.2	+ 47.6
Central Operations	2.8	- 5.8	n/a
<b>Sector EBITDA</b>	<b>- 43.5</b>	<b>- 85.1</b>	<b>+ 48.9</b>

### Investments in other intangible assets and property, plant and equipment

€ million	Q1 2010/11	Q1 2009/10	Var. %
Tourism	97.4	92.7	+ 5.1
TUI Travel	66.9	74.6	- 10.3
TUI Hotels & Resorts	29.1	12.8	+ 127.3
Cruises	1.4	5.3	- 73.6
Central Operations	0.4	1.4	- 71.4
<b>Total</b>	<b>97.8</b>	<b>94.1</b>	<b>+ 3.9</b>

## Amortisation of other intangible assets and depreciation of property, plant and equipment

€ million	Q1 2010/11	Q1 2009/10	Var. %
<b>Tourism</b>	<b>89.5</b>	<b>89.5</b>	<b>-</b>
TUI Travel	68.5	68.9	- 0.6
TUI Hotels & Resorts	18.9	18.5	+ 2.2
Cruises	2.1	2.1	-
<b>Central Operations</b>	<b>1.2</b>	<b>1.7</b>	<b>- 29.4</b>
<b>Total</b>	<b>90.7</b>	<b>91.2</b>	<b>- 0.5</b>

## Employees

	31 Dec 2010	30 Sep 2010	Var. %
<b>Tourism</b>	<b>59,637</b>	<b>70,745</b>	<b>- 15.7</b>
TUI Travel	45,914	52,025	- 11.7
TUI Hotels & Resorts	13,485	18,495	- 27.1
Cruises	238	225	+ 5.8
<b>Central Operations</b>	<b>606</b>	<b>653</b>	<b>- 7.2</b>
<b>Total</b>	<b>60,243</b>	<b>71,398</b>	<b>- 15.6</b>



# Management Report

## Report on Subsequent Events

At the end of January 2011, the sale of the administrative buildings in Rosenstrasse (Hamburg) and Karl-Wiechert-Allee 4 (Hanover) to a non-Group third party was recorded by a notary. TUI AG will lease the administrative building in Hanover under a long-term agreement.

In January 2011, TUI AG received the first tranche of a special dividend of €50.0m from its subsidiary RIUSA II. S. A.

At the beginning of February 2011, all conditions were created to carry out the sale of three Turcotel hotel facilities to a non-Group third party. The hotel complexes will be leased by the Magic Life Group under rental agreements.

# Management Report

## Prospects

### Macroeconomic situation

In its forecast for calendar year 2010 (IMF, Economic Outlook Update, January 2011), the International Monetary Fund assumes global growth of 5.0%, with strong regional variations.

For calendar year 2011, the IMF expects growth to slow down slightly to 4.4%. The expected development of the individual economic regions is shown in the table below.

#### Expected development of gross domestic product

Variation in %	2010	2011
<b>World</b>	<b>5.0</b>	<b>4.4</b>
Eurozone	1.8	1.5
Germany	3.6	2.2
France	1.6	1.6
UK	1.7	2.0
US	2.8	3.0
Japan	4.3	1.6
China	10.3	9.6
India	9.7	8.4
Emerging Eastern Asia economies	6.7	5.5

Source: International Monetary Fund, World Economic Outlook Update, January 2011

### Market development in the Sectors

In accordance with the current forecast of the European Travel Commission, Europe is expected to show outbound visitor growth of around 4.2% (European Travel Commission, European Tourism 2010, Quarterly Report Q3/2010, October 2010). The UNWTO (World Tourism Barometer, Advance Release, January 2011) expects growth in international arrivals of 4 to 5% for 2011.

### Expected development of earnings

Due to the current demonstrations in Tunisia and Egypt, we expect to incur additional costs for the early repatriation of customers and turnover losses in TUI Travel and TUI Hotels & Resorts for the second quarter of 2010/11. Overall we expect the impact will be €31 – 37m. Depending on the further development of the political unrest, the 2011 summer season may be affected by shifts in demand away from the destinations affected. We currently believe that we will be able to limit the potentially arising earnings effects for the TUI Group by means of our flexible capacity planning scheme.

Our current expectations concerning the anticipated development of the TUI Group in financial year 2010/11 therefore remain in line with the assessment made in the Annual Report 2009/10.

## TUI Group

### Expected development of Group earnings

€ million	2009/10	2010/11
Sector turnover	16,350.1	↗
Underlying sector EBITA	589.2	↗
Sector EBITA	215.5	↗

### Sector turnover

In the light of the predicted continuation of economic recovery and our current trading performance, we expect Sector turnover to grow in financial year 2010/11 due to higher customer numbers and better average prices in TUI Travel's volume business.

### Underlying Sector earnings

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

### Sector earnings

Reported Sector earnings are also expected to grow in financial year 2010/11. This growth will be driven by better operating earnings and lower one-off expenses. Adjustments are expected to decline considerably compared with financial year 2009/10. In financial year 2010/11, they will include purchase price allocations and in particular one-off costs from the new cost reduction and efficiency enhancement programme in TUI Travel as well as restructuring costs.

### Group profit for the year

Overall we expect a positive Group result for financial year 2010/11.

### Expected development of the Sectors

#### Expected development of sector earnings

€ million	Sector turnover		Underlying sector EBITA	
	2009/10	2010/11	2009/10	2010/11
Tourism	16,286.7	↗	640.2	↗
TUI Travel	15,728.0	↗	506.0	↗
TUI Hotels & Resorts	380.0	→	126.6	↗
Cruises	178.7	↗	7.6	↘
Central Operations	63.4	↘	- 51.0	→
<b>Group</b>	<b>16,350.1</b>	<b>↗</b>	<b>589.2</b>	<b>↗</b>

### TUI Travel

For TUI Travel we expect underlying earnings to rise slightly year-on-year in 2010/11. The main earnings drivers in TUI Travel are the expected growth in business volumes and positive effects of the cost reduction and efficiency enhancement programme. On the other hand, there are risks related to economic development in the key volume markets, which might fall short of expectations and thus curb demand in the travel market. Bookings for these destinations might also be strongly affected by the current political unrest in Tunisia and Egypt. In addition, the development of the exchange rate of Sterling against the Euro also has a strong impact on TUI Travel's result carried in TUI AG's consolidated financial statements.

### TUI Hotels & Resorts

In financial year 2010/11, the capacity of TUI Hotels & Resorts will decline due to the planned transfer of the Magic Life business operations to TUI Travel. Adjusted for this item, both capacity and bed-nights are expected to grow slightly. Overall, we expect occupancy rates in the hotels and operating results to rise slightly. Risks relate to customer numbers in the major source markets, which might fall short of expectations. The current political unrest in Tunisia and Egypt might have a substantial impact on demand for hotels in these destinations.

### Cruises

Due to the start-up and financing costs for the commissioning of Mein Schiff 2 in TUI Cruises, we expect operating results in the Cruises Sector to decline slightly year-on-year.

### Tourism

Based on the earnings estimates for TUI Travel, TUI Hotels & Resorts and Cruises, we expect the Tourism Segment to achieve a slight increase in operating results year-on-year in financial year 2010/11. The business performance in Tourism will be strongly affected by the development of consumer sentiment in the large volume markets.

### Central Operations

For Central Operations, we expect underlying earnings to match the previous year's level.

# Management Report

## Corporate Governance

### Composition of the Boards

In the period under review, the composition of the boards of TUI AG did not change. The current, complete composition of the Executive Board and Supervisory Board is listed on the Company's website ([www.tui-group.com](http://www.tui-group.com)), where it has been made permanently available to the public.

TUI AG  
The Executive Board

February 2011



# Interim Financial Statements

## Income Statement of the TUI Group for the period from 1 October to 31 December

€ million	Notes	Q1 2010/11	Q1 2009/10 revised
Turnover		3,286.1	2,955.7
Cost of sales	(1)	3,101.5	2,811.4
<b>Gross profit</b>		<b>184.6</b>	<b>144.3</b>
Administrative expenses	(1)	337.4	317.4
Other income/Other expenses	(2)	+ 18.0	+ 1.5
Impairment of goodwill		-	-
Financial income	(3)	126.5	65.5
Financial expenses	(3)	157.3	110.7
Share of result of joint ventures and associates	(4)	+ 24.6	- 20.3
<b>Earnings before income taxes</b>		<b>- 141.0</b>	<b>- 237.1</b>
<b>Reconciliation to underlying earnings:</b>			
Earnings before income taxes		- 141.0	- 237.1
Result from Container Shipping measured at equity		- 18.2	14.7
Effect of measurement of the loans to Container Shipping		- 38.7	- 18.1
Interest result and earnings from the measurement of interest hedges		65.6	60.2
Impairment of goodwill		-	-
Group EBITA		- 132.3	- 180.3
<b>Adjustments:</b>	(5)		
Gains on disposal		-	-
Restructuring		+ 9.6	+ 3.6
Purchase price allocation		+ 20.5	+ 15.6
Other one-off items		- 17.4	+ 16.9
<b>Underlying Group EBITA</b>		<b>- 119.6</b>	<b>- 144.2</b>
<b>Earnings before income taxes</b>		<b>- 141.0</b>	<b>- 237.1</b>
Income taxes	(6)	- 46.8	- 71.1
<b>Group loss for the year</b>		<b>- 94.2</b>	<b>- 166.0</b>
Group loss for the year attributable to shareholders of TUI AG		- 46.4	- 104.0
Group loss for the year attributable to non-controlling interest	(7)	- 47.8	- 62.0
<b>Group loss for the year</b>		<b>- 94.2</b>	<b>- 166.0</b>

## Earnings per share

€	Q1 2010/11	Q1 2009/10 revised
Basic and diluted earnings per share	- 0.21	- 0.44

## Statement of Comprehensive Income for the period from 1 October to 31 December

€ million	Q1 2010/11	Q1 2009/10 revised
<b>Group loss</b>	<b>- 94.2</b>	<b>- 166.0</b>
Foreign exchange differences	42.9	63.3
Financial instruments available for sale	94.2	- 0.1
Cash flow hedges	150.9	111.1
Actuarial gains and losses from pension provisions and related fund assets	131.0	17.0
Changes in the measurement of companies measured at equity outside profit or loss	10.5	- 7.0
Tax effects relating to other comprehensive income	- 77.4	- 51.2
<b>Other comprehensive income</b>	<b>352.1</b>	<b>133.1</b>
<b>Total comprehensive income</b>	<b>257.9</b>	<b>- 32.9</b>
Group loss for the year attributable to shareholders of TUI AG	225.9	25.5
Group loss for the year attributable to non-controlling interest	32.0	- 58.4
<b>Total comprehensive income</b>	<b>257.9</b>	<b>- 32.9</b>



## Financial Position of the TUI Group

€ million	31 Dec 2010	30 Sep 2010	30 Sep 2009 revised
<b>Assets</b>			
Goodwill	2,865.7	2,862.6	2,712.3
Other intangible assets	895.5	907.2	887.9
Investment property	65.8	66.2	76.7
Property, plant and equipment	2,501.8	2,499.8	2,370.9
Investments in joint ventures and associates	2,086.5	1,775.2	1,184.0
Financial assets available for sale	378.7	612.0	103.0
Trade receivables and other assets	556.2	334.8	1,369.0
Derivative financial instruments	50.2	165.3	111.4
Deferred tax asset	96.1	133.6	277.9
<b>Non-current assets</b>	<b>9,496.5</b>	<b>9,356.7</b>	<b>9,093.1</b>
Inventories	104.0	89.5	81.5
Financial assets available for sale	-	-	2.0
Trade receivables and other assets	1,892.7	2,328.2	2,066.6
Derivative financial instruments	291.7	203.3	338.1
Current tax asset	93.0	71.1	21.2
Cash and cash equivalents	1,669.6	2,274.3	1,452.0
Assets held for sale	222.6	292.4	405.7
<b>Current assets</b>	<b>4,273.6</b>	<b>5,258.8</b>	<b>4,367.1</b>
	<b>13,770.1</b>	<b>14,615.5</b>	<b>13,460.2</b>

€ million	31 Dec 2010	30 Sep 2010	30 Sep 2009 revised
<b>Equity and liabilities</b>			
Subscribed capital	643.4	643.1	642.8
Capital reserves	913.8	913.5	871.3
Revenue reserves	707.0	489.5	356.7
Hybrid capital	294.8	294.8	294.8
<b>Equity before non-controlling interest</b>	<b>2,559.0</b>	<b>2,340.9</b>	<b>2,165.6</b>
Non-controlling interest	108.2	93.3	75.2
<b>Equity</b>	<b>2,667.2</b>	<b>2,434.2</b>	<b>2,240.8</b>
Pension provisions and similar obligations	761.0	878.5	838.6
Current tax provisions	107.5	114.5	169.5
Deferred tax provisions	131.0	80.2	181.3
Other provisions	520.8	520.2	482.8
<b>Non-current provisions</b>	<b>1,520.3</b>	<b>1,593.4</b>	<b>1,672.2</b>
Financial liabilities	3,683.9	2,827.5	3,175.1
Derivative financial instruments	20.2	47.8	78.7
Other liabilities	90.1	86.4	101.2
<b>Non-current liabilities</b>	<b>3,794.2</b>	<b>2,961.7</b>	<b>3,355.0</b>
<b>Non-current provisions and liabilities</b>	<b>5,314.5</b>	<b>4,555.1</b>	<b>5,027.2</b>
Pension provisions and similar obligations	27.7	32.8	29.8
Current tax provisions	119.9	137.8	85.9
Other provisions	379.9	383.5	287.0
<b>Current provisions</b>	<b>527.5</b>	<b>554.1</b>	<b>402.7</b>
Financial liabilities	1,059.0	1,684.4	539.7
Trade payables	1,792.9	2,847.4	2,640.8
Derivative financial instruments	109.4	147.4	363.4
Other liabilities	2,205.7	2,297.0	2,065.4
<b>Current liabilities</b>	<b>5,167.0</b>	<b>6,976.2</b>	<b>5,609.3</b>
<b>Liabilities related to assets held for sale</b>	<b>93.9</b>	<b>95.9</b>	<b>180.2</b>
<b>Current provisions and liabilities</b>	<b>5,788.4</b>	<b>7,626.2</b>	<b>6,192.2</b>
	<b>13,770.1</b>	<b>14,615.5</b>	<b>13,460.2</b>

## Condensed Statement of Changes in Group Equity for the period from 1 October to 31 December 2010

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
<b>Balance as at 1 Oct 2010</b>	<b>643.1</b>	<b>913.5</b>	<b>489.5</b>	<b>294.8</b>	<b>2,340.9</b>	<b>93.3</b>	<b>2,434.2</b>
Dividend payments	-	-	-	-	-	- 19.4	- 19.4
Hybrid capital dividend	-	-	- 6.5	-	- 6.5	-	- 6.5
Share based payment schemes of TUI Travel PLC	-	-	2.9	-	2.9	2.3	5.2
Issue of employee shares	0.3	0.3	-	-	0.6	-	0.6
Effects on the acquisition of non-controlling interests	-	-	- 4.8	-	- 4.8	-	- 4.8
Other comprehensive income	-	-	272.3	-	272.3	79.8	352.1
Group loss for the year	-	-	- 46.4	-	- 46.4	- 47.8	- 94.2
Total comprehensive income	-	-	225.9	-	225.9	32.0	257.9
<b>Balance as at 31 Dec 2010</b>	<b>643.4</b>	<b>913.8</b>	<b>707.0</b>	<b>294.8</b>	<b>2,559.0</b>	<b>108.2</b>	<b>2,667.2</b>

## Condensed Statement of Changes in Group Equity for the period from 1 October to 31 December 2009

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before non-controlling interest	Non-controlling interest	Total
<b>Balance as at 1 Oct 2009 (revised)</b>	<b>642.8</b>	<b>871.3</b>	<b>356.7</b>	<b>294.8</b>	<b>2,165.6</b>	<b>75.2</b>	<b>2,240.8</b>
Dividend payments	-	-	-	-	-	- 23.3	- 23.3
Hybrid capital dividend	-	-	- 6.5	-	- 6.5	-	- 6.5
Share based payment schemes of TUI Travel PLC	-	-	2.1	-	2.1	1.7	3.8
Issue of employee shares	0.3	0.4	-	-	0.7	-	0.7
Issue of convertible bonds	-	41.8	-	-	41.8	55.6	97.4
Effects on the acquisition of non-controlling interests	-	-	- 74.3	-	- 74.3	2.8	- 71.5
Other comprehensive income	-	-	129.5	-	129.5	3.6	133.1
Group loss for the year	-	-	- 104.0	-	- 104.0	- 62.0	- 166.0
Total comprehensive income	-	-	25.5	-	25.5	- 58.4	- 32.9
<b>Balance as at 31 Dec 2009 (revised)</b>	<b>643.1</b>	<b>913.5</b>	<b>303.5</b>	<b>294.8</b>	<b>2,154.9</b>	<b>53.6</b>	<b>2,208.5</b>

## Condensed Cash Flow Statement

€ million	Q1 2010/11	Q1 2009/10 revised
Cash flow from operating activities	- 1.107,0	- 1.213,8
Cash flow from investing activities	504,5	- 232,3
Cash flow from financing activities	- 6,6	1.024,8
<b>Change in funds with cash effect</b>	<b>- 609,1</b>	<b>- 421,3</b>
Change in cash and cash equivalents due to exchange rate fluctuation	4,4	3,5
<b>Cash and cash equivalents at beginning of period</b>	<b>2.274,3</b>	<b>1.458,3</b>
<b>Cash and cash equivalents at end of period</b>	<b>1.669,6</b>	<b>1.040,5</b>

# Interim Financial Statements

## Notes

### Accounting principles

In accordance with IAS 34 "Interim Financial Reporting", the Group's interim financial statements as at 31 December 2010 are published in a condensed form compared with the consolidated annual financial statements. As before, they are based on the historical cost principle, the only exception being the accounting method applied in measuring financial instruments.

As a matter of principle, the accounting and measurement methods applied in the preceding consolidated financial statements as per 30 September 2010 were retained in preparing the interim financial statements as per 31 December 2010.

In addition, the following standards and interpretations revised or newly published by the IASB were mandatory as of the beginning of financial year 2010/11:

- Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 1: Additional Exemptions for First-time Adopters
- Amendment to IFRS 2: Share-based Payment for group cash-settled share-based payment transactions
- Amendment to IAS 32: Classification of Rights Issues
- Improvements to IFRSs (2009)
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 17: Distribution of Non-Cash Assets to Owners
- IFRIC 18: Transfer of Assets from Customers
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The mandatory application of these provisions did not give rise to any effects on the net assets, financial position and financial performance in the present interim financial statements of the TUI Group. Potential effects on future periods will be taken into account accordingly.

### Group of consolidated companies

The consolidated financial statements include all major subsidiaries in which TUI AG is able to directly or indirectly govern the financial or operating policies such that the Group obtains benefits from the activities of these companies.

The interim financial statements as at 31 December 2010 included a total of 44 domestic and 699 foreign subsidiaries, besides TUI AG.

Since 1 October 2010, one company has been newly included in consolidation due to an acquisition by TUI Travel. On the other hand, five companies were deconsolidated due to liquidation and one company due to a merger. The number of companies measured at equity has remained unchanged compared with the previous year as one company was newly acquired while another one was sold.

## Acquisitions – divestments

### Summary presentation of acquisitions

Name and headquarters of the acquired company or business	Business activity	Acquirer	Date of acquisition	Acquired share %	Consideration transferred in € million
Top Class - European Cruise Services S.a.r.l., Monaco	Cruise Handling	Trina Group Limited	1.10.10	100%	0.5
16 Travel agents in Germany	Travel agent	TUI Leisure Travel GmbH	1.10.-31.12.10	n/a	2.8
8 Travel agents in Austria	Travel agent	TUI Austria Holding GmbH	1.10.-31.12.10	n/a	2.6
<b>Total</b>					<b>5.9</b>

The acquisitions of the travel shops in Germany and Austria were effected in the form of asset deals.

The consideration transferred exclusively consisted of paid purchase prices. Ancillary acquisition costs and payments for future services by the employees of the acquired companies are expensed through profit and loss in accordance with the amended provisions of IFRS 3.

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

€ million	Fair values at date of first-time consolidation
Intangible assets	0.5
<b>Fixed assets</b>	<b>0.5</b>
Inventories	0.1
Trade receivables	0.0
Cash and cash equivalents	0.1
Financial liabilities	0.1
<b>Equity</b>	<b>0.6</b>

The difference arising between the consideration transferred and the remeasured acquired net assets of €5.3m at the acquisition date was temporarily carried as goodwill. This goodwill essentially represents a part of the future earnings potential. The goodwill capitalised in the period under review includes an amount of €2.0m expected to be tax-deductible.

Measurement of some components of the acquired assets and liabilities could not be finalised by the balance sheet date on the basis of the information available. The twelve-month period permitted under IFRS 3 for finalising purchase price allocations was used; it allows for provisional allocation of the purchase price to the individual assets and liabilities until the end of that period.

The acquisitions did not have major effects on turnover and the Group result for the period under review.

No material acquisitions of companies were carried out after the balance sheet date. According to the provisions of IFRS 3, accounting for these acquisitions has not yet been finalised.

In the present interim financial statements, the purchase price allocations of the following companies and groups acquired in the first quarter of 2009/10 were finalised within the required 12-month period in accordance with the provisions of IFRS 3:

- Select-World Pty Ltd., Australia
- Sport Executive Travel Group, UK

Comparative information for reporting periods prior to the completion of the first-time accounting for an acquisition transaction retrospectively has to be presented as if the purchase price allocation had already been finalised as at the acquisition date. The table below provides an overview of the combined final purchase price allocations:

**Final presentation of the statements of financial position as at first-time consolidation for acquisitions from 1 October to 31 December 2009**

€ million	Carrying amounts at date of acquisition	Revaluation of assets and liabilities	Fair Values at date of first-time consolidation
Other intangible assets	-	4.2	4.2
<b>Fixed assets</b>	<b>-</b>	<b>4.2</b>	<b>4.2</b>
Trade receivables	0.5	-	0.5
Cash and cash equivalents	1.8	-	1.8
Income tax provisions	0.1	1.2	1.3
Liabilities and deferred income	2.6	-	2.6
<b>Equity</b>	<b>-0.4</b>	<b>3.0</b>	<b>2.6</b>

The goodwill arising in the consolidated statement of financial position on eliminating the consideration transferred against the acquirer's interest in the remeasured equity rose by €2.0m as against 1 December 2009 due to the changes in the purchase price allocation. The capitalised goodwill essentially represents a part of the expected synergy potential.

Taking account of the changes in purchase price allocation, the following effects arise on the consolidated statement of financial position as per 31 December 2009:

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

€ million	Adjustment 31 Dec 2009
Goodwill	+ 2.0
Other intangible assets	+ 0.5
<b>Non-current assets</b>	<b>+ 2.5</b>
Trade receivables	+ 0.1
<b>Current assets</b>	<b>+ 0.1</b>
Income tax provisions	+ 0.2
<b>Non-current liabilities</b>	<b>+ 0.2</b>
Other liabilities	+ 2.4
<b>Current liabilities</b>	<b>+ 2.4</b>

The finalised purchase price allocations did not cause any material effects on the consolidated statement of financial position as at 30 September 2010 and the consolidated income statement for the prior-year reference period.

The divestments did not have a material impact on the TUI Group's net assets, financial position and financial performance.

## Notes on the consolidated income statement

The consolidated income statement for the continuing operations reflects the seasonality of the tourism business, as a result of which the result generated in the period from October to December is negative.

The increase in turnover and the cost of sales is attributable to the higher business volume in the TUI Travel Sector. It is also partly driven by the rise in the exchange rate of Sterling.

### (1) Cost of sales and administrative expenses

The cost of sales and administrative expenses comprise the following items:

#### Lease, rental and leasing expenses

€ million	Q1 2010/11	Q1 2009/10 revised
Lease, rental and leasing expenses	190.1	184.9

#### Staff cost

€ million	Q1 2010/11	Q1 2009/10 revised
Staff cost	531.6	507.9

#### Depreciation/amortisation/impairments

€ million	Q1 2010/11	Q1 2009/10 revised
Depreciation and amortisation	90.7	91.2
Impairments of property, plant and equipment	-	-
<b>Total</b>	<b>90.7</b>	<b>91.2</b>

### (2) Other income/Other expenses

#### Other income/other expenses

€ million	Q1 2010/11	Q1 2009/10 revised
Other income	18.2	3.5
Other expenses	0.2	2.0
<b>Total</b>	<b>+ 18.0</b>	<b>+ 1.5</b>

Other income for the current financial year includes an amount of €16.1m from the gain on disposal arising on the divestment of the administrative building Ballindamm in Hamburg, sold in December 2010.

### (3) Financial result

The financial result includes in particular measurement effects worth €38.7m (previous quarter €18.1m) from reversals of write-backs on loans and hybrid instruments granted to "Albert Ballin" Holding GmbH & Co. KG and Hapag-Lloyd AG as well as income from the conversion of a hybrid instrument into equity.

**(4) Share of result of joint ventures and associates**

Share of result of joint ventures and associates		
€ million	Q1 2010/11	Q1 2009/10 revised
Tourism	6.4	- 5.6
Container Shipping	18.2	- 14.7
<b>Total</b>	<b>24.6</b>	<b>- 20.3</b>

**(5) Adjustments**

In addition to the disclosures required under IFRS, the consolidated income statement comprises a reconciliation to underlying earnings. The adjustments show deconsolidation income as gains on disposal, events according to IAS 37 as restructuring measures and all effects of purchase price allocations on EBITA as purchase price allocations. This reconciliation also includes one-off expenses.

One-off items by sector		
€ million	Q1 2010/11	Q1 2009/10
Tourism	- 1.3	16.9
TUI Travel	- 1.3	16.9
All other segments	- 16.1	-
<b>Total</b>	<b>- 17.4</b>	<b>16.9</b>

One-off items carried under Other segments show the gain on disposal from the sale of the administrative building Ballindamm in Hamburg.

**(6) Income taxes**

The tax asset arising for the first quarter is largely attributable to the seasonality of the tourism business.

**(7) Group loss attributable to non-controlling interest**

Non-controlling interest		
€ million	Q1 2010/11	Q1 2009/10
TUI Travel	- 52.6	- 65.6
TUI Hotels & Resorts	4.8	3.6
<b>Total</b>	<b>- 47.8</b>	<b>- 62.0</b>

## Notes on the consolidated statement of financial position

The changes in the consolidated statement of financial position as against 30 September 2010 primarily reflect the seasonality of the tourism business, which caused a decline in trade receivables and trade payables.

The item "Joint ventures and associates" in the statement of financial position rose by €311.3m to €2,086.5m, primarily reflecting the increase in the stake in Container Shipping. As the Hybrid I loan was converted into equity, TUI's stake in Container Shipping rose to 49.8%.

### Assets held for sale

€ million	31 Dec 2010	30 Sep 2010
Commercial property and hotels (Turcotel)	155.9	225.0
Jet4You	47.3	35.0
Other assets	19.4	32.4
<b>Total</b>	<b>222.6</b>	<b>292.4</b>

A Turkish hotel facility and the administrative building in Ballindamm in Hamburg were sold in the first quarter of 2010/11. Other assets primarily comprise aircraft assets available for sale.

### Liabilities related to assets held for sale

€ million	31 Dec 2010	30 Sep 2010
Jet4You	35.9	35.9
Disposal group Turcotel	58.0	60.0
<b>Total</b>	<b>93.9</b>	<b>95.9</b>

Pension provisions declined by €122.6m to €788.7m, above all due to higher interest rate levels in Germany and the UK.

Non-current assets rose by a total of €856.4m to €3,683.9m. The increase mainly arose as TUI Travel drew on long-term credit lines to cover the payments due in Tourism in the first quarter of 2010/11 for seasonal reasons. Current financial liabilities, by contrast, declined by €625.4m to €1,059.0m. The scheduled repayment of the bond maturing in December 2010 played a major role (€440.0m).

## Changes in equity

Since 30 September 2010, equity rose by €233.0m to €2,667.2m.

The (after-tax) results which had to be directly eliminated against equity from higher fair values of hedges resulting from the effective hedging of future cash flows totalled €+110.1m.

In the period under review, pension obligations fell, primarily due to the rise in the long-term interest rate level in Germany and the UK. This resulted in an after-tax increase in the provisions in accordance with IAS 19, included in revenue reserves, of €93.4m.

At the reporting date, the measurement of hybrid instruments classified as financial assets available for sale caused an increase in revenue reserves outside profit and loss.

Equity also rose due to the strengthening of the US dollar exchange rate.

In the framework of long-term incentive programmes, TUI Travel compensates its employees in the form of stock option plans serviced with shares. These stock option plans resulted in an increase in pre-tax equity of €5.2m outside profit and loss in the period under review.

The Group result is negative due to the seasonality of the tourism business.



Equity declined due to the payment of dividends to non-Group shareholders, above all the interim dividend paid by TUI Travel PLC. Moreover, the interest paid on the hybrid capital issued by TUI AG has to be carried as a dividend in accordance with IFRS rules.

TUI AG acquired additional shares in TUI Travel PLC. The statutory elimination of these costs and other acquisition costs against revenue reserves caused a decline in equity of €4.8m.

## Contingent liabilities

As at 31 December 2010, contingent liabilities totalled around €451.9m (as at 30 September 2010 around €453.7m). Contingent liabilities are carried at the level of estimated settlement as at the balance sheet date. They mainly relate to the assumption of liability for the benefit of Hapag-Lloyd AG for the disbursement of secured ship financing schemes in September 2010.

## Other financial commitments

### Financial commitments from operating lease, rental and charter contracts

€ million	31 Dec 2010	30 Sep 2010
Nominal value	3,168.0	2,907.3
Fair value	2,688.4	2,540.3

The financial commitments from operating lease, rental and charter contracts rose by €260.7m to €3,168.0m as against 31 December 2010. The increase includes an amount of €45.0 related to hotel complexes rented by the TUI Travel Group. Additional financial commitments of €187.1m as against 30 September 2010 mainly result from the extension of the contact term for cruise ships already operated by TUI Travel and charter commitments for an additional cruise ship operated by Hapag-Lloyd Kreuzfahrten.

### Remaining Other financial commitments

€ million	31 Dec 2010	30 Sep 2010
Order commitments in respect of capital expenditure	2,489.9	1,857.7
Other financial commitments	177.1	199.8
<b>Total (Nominal value)</b>	<b>2,667.0</b>	<b>2,057.5</b>
<b>Fair value</b>	<b>2,325.8</b>	<b>1,849.9</b>

Order commitments in respect of capital expenditure, almost exclusively relating to Tourism, increased by €632.3m as against 31 December 2010, above all due to the ordering of five additional B737-800s and two A330 aircraft.

Moreover, Hapag-Lloyd Kreuzfahrten placed an order with a French shipyard for a new cruise ship, the MS Europa 2, as part of its plans to expand its fleet. As soon as the new build is ready, MS Europa 2 will be acquired by a third-party proprietary company specially formed for that purpose. The construction order placed by Hapag-Lloyd Kreuzfahrten was initially subject to the proviso that a banking consortium would pledge external financing to the benefit of the owner company, which was granted on 22 December 2010. Hapag-Lloyd Kreuzfahrten will charter the ship from the owner company on the basis of a long-term bareboat charter agreement. MS Europa 2 is to enter service in the spring of 2013.

## Notes on the consolidated cash flow statement

Based on the after-tax Group result, the cash flow from operating activities is determined using the indirect method. In the period under review, cash and cash equivalents declined by €604.7m to €1,669.6m.

The outflow of cash from operating activities was €-1,107.0m (previous year €-1,213.8m) in the period under review. As every year, the strong outflow of cash is due to the fact that liabilities to suppliers are paid after the end of the tourism season. The amount carried for the current quarter includes €89.0m of interest payments received in the framework of the financial commitment in Container Shipping.

The inflow of cash from investing activities totalling €504.5m was mainly driven by the repayment of loans granted to Container Shipping (€453.3). The payments include payments made for investments in property, plant and equipment of the TUI Travel Group of €55.9m and the hotel companies of €29.0m as well as payments received for the sale of real estate of €106.9m.

The outflow of cash from financing activities totalled €-6.6m. While TUI AG redeemed a bond (€440.0m) as scheduled and paid an amount of €164.8m for the redemption of long-term loans, TUI Travel took out bank credits worth €868.8m and repaid liabilities to banks of €18.1m and liabilities from finance leases of €40.6m. The hotel companies received cash of €25.4m under new financing schemes, while €54.3m were spent on redemption. An amount of €160.3m was spent on interest payments, and €18.5m were paid as dividends to the minority shareholders of TUI Travel PLC.

Cash and cash equivalents also rose by €4.4m due to changes in exchange rates.

## Segment indicators

### Turnover by divisions and sectors for the period from 1 October to 31 December 2010

€ million	External	Group	Q1 2010/11 Total
Tourism	3,272.7	3.8	3,276.5
TUI Travel	3,155.5	6.2	3,161.7
TUI Hotels & Resorts	76.8	104.7	181.5
Cruises	40.4	-	40.4
Consolidation	-	- 107.1	- 107.1
All other segments	13.4	10.5	23.9
Consolidation	-	- 14.3	- 14.3
<b>Total</b>	<b>3,286.1</b>	<b>-</b>	<b>3,286.1</b>

### Turnover by divisions and sectors for the period from 1 October to 31 December 2009

€ million	External	Group	Q1 2009/10 revised Total
Tourism	2,940.1	16.9	2,957.0
TUI Travel	2,811.7	6.4	2,818.1
TUI Hotels & Resorts	87.4	90.0	177.4
Cruises	41.0	-	41.0
Consolidation	-	- 79.5	- 79.5
All other segments	15.6	31.2	46.8
Consolidation	-	- 48.1	- 48.1
<b>Total</b>	<b>2,955.7</b>	<b>-</b>	<b>2,955.7</b>

### Earnings before interest, taxes and impairments of goodwill by divisions and sectors (EBITA)

€ million	Q1 2010/11	Q1 2009/10 revised
Tourism	- 135.8	- 171.4
TUI Travel	- 133.7	- 163.6
TUI Hotels & Resorts	2.3	- 1.5
Cruises	- 4.4	- 6.3
All other segments	3.5	- 8.9
<b>Total</b>	<b>- 132.3</b>	<b>- 180.3</b>

In the first quarter of financial year 2010/11, earnings before interest, taxes and amortisation of goodwill (EBITA) include an amount of €+6.4m (previous year €-5.6m) of results from joint ventures and associates, fully generated in Tourism.

**Underlying earnings before interest, taxes and impairments of goodwill by divisions and sectors  
(Underlying EBITA)**

€ million	Q1 2010/11	Q1 2009/10 revised
Tourism	- 107.0	- 135.3
TUI Travel	- 104.9	- 127.5
TUI Hotels & Resorts	2.3	- 1.5
Cruises	- 4.4	- 6.3
All other segments	- 12.6	- 8.9
<b>Total</b>	<b>- 119.6</b>	<b>- 144.2</b>

**Reconciliation to earnings before taxes of the TUI Group**

€ million	Q1 2010/11	Q1 2009/10 revised
<b>EBITA - Group</b>	<b>- 132.3</b>	<b>- 180.3</b>
Result from Container Shipping measured at equity	18.2	- 14.7
Effect of measurement of the loans to Container Shipping	38.7	18.1
Interest result and earnings from the valuation of interest hedges	- 65.6	- 60.2
Impairment of goodwill	-	-
<b>Total</b>	<b>- 141.0</b>	<b>- 237.1</b>

## Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintains direct or indirect relationships with related parties. All transactions with related parties are carried out at arm's length on the basis of international comparable uncontrolled price methods in accordance with IAS 24, as before. The equity stake held by Riu Hotels S.A., listed in the notes on the consolidated financial statements as at 30 September 2010, was retained unamended at the closing date for the interim financial statements. More detailed information on related parties is provided under "Other notes" in the notes on the consolidated financial statements for 2009/10.

## Major transactions after the balance sheet date

At the end of January 2011, the sale of the administrative buildings at Rosenstraße (Hamburg) and Karl-Wiechert-Allee 4 (Hanover) to a non-Group third party was recorded by a notary. TUI AG leases the administrative building in Hanover under a long-term lease agreement.

In January 2011, TUI AG received the first tranche of a special dividend of €50.0m from its subsidiary RIUSA II, S.A. (Spain).

At the beginning of February 2011, all conditions were created to carry out the sale of three Turcotel hotel facilities to a non-Group third party. The hotel complexes will be leased by the Magic Life Group under lease agreements.

## Financial Calendar

	Calendar
Half-Year Report 2010/11	12 May 2011
Interim Report Q3 2010/11	11 August 2011
Annual Report 2010/11 - Press Conference & Analysts' Meeting	14 December 2011

## Imprint

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