

Financial Statements 2007

TUI AG



TUI

Aktiengesellschaft

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The annual financial statements and the management report of TUI AG for the 2007 financial year have been published in the Electronic Federal Gazette (Bundesanzeiger).

The management report of TUI AG has been combined with the management report of the Group and published in the TUI Annual Report 2007.

The German version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation.

Balance sheet of the TUI AG as at 31 December 2007

€ '000	Notes	31 Dec 2007	31 Dec 2006
Assets			
Fixed assets	(1)		
Intangible assets		4,487	6,791
Property, plant and equipment		1,635,908	2,230,042
Investments			
Shares in Group companies		6,171,177	7,242,779
Other investments		312,066	408,767
		6,483,243	7,651,546
		8,123,638	9,888,379
Current assets			
Inventories	(2)	390	238
Receivables and other assets	(3)	2,796,167	594,294
Cash in hand and bank balances	(4)	306,500	7,631
		3,103,057	602,163
Prepaid expenses	(5)	44,725	48,992
		11,271,420	10,539,534
Trust assets	(14)	-	4,975

€ '000	Notes	31 Dec 2007	31 Dec 2006
Equity			
Shareholders' equity			
Subscribed capital	(6)	642,299	641,722
(Conditional capital)		(190,000)	(190,000)
Capital reserves	(7)	2,420,311	2,397,520
Revenue reserves	(8)	556,140	522,940
Profit available for distribution	(9)	87,587	54,300
(of which retained earnings brought forward)		(54,300)	(2,436)
		3,706,337	3,616,482
Special non-taxed items	(10)	41,483	42,620
Provisions			
Provisions for pensions and similar obligations		197,753	224,380
Other provisions	(11)	856,563	505,888
		1,054,316	730,268
Liabilities			
Bonds	(12)	3,403,550	2,709,550
(of which convertibel)		(1,078,550)	(384,550)
Liabilities to banks		883,557	641,355
Trade accounts payable		3,133	5,144
Other liabilities		2,167,851	2,781,534
		6,458,091	6,137,583
Deferred income	(13)	11,193	12,581
		11,271,420	10,539,534
Trust liabilities	(14)	-	4,975

Profit and Loss statement of TUI AG for the period from 1 January 2007 to 31 December 2007

€ '000	Notes	31 Dec 2007	31 Dec 2006
Turnover	(18)	454,957	303,699
Other operating income	(19)	2,289,754	972,005
		2,744,711	1,275,704
Cost of materials	(20)	190,462	155,386
Personnel costs	(21)	63,116	75,949
Depreciation/amortisation	(22)	359,317	320,258
Other operating expenses	(23)	1,867,872	1,556,605
		- 2,480,767	- 2,108,198
Net income from investments	(24)	+ 576,742	+ 3,672,283
Write-downs of investments	(25)	499,663	2,548,985
Interest result	(26)	- 270,085	- 183,230
Profit from ordinary business activities		+ 70,938	+ 107,574
Taxes	(27)	+ 4,451	+ 4,010
Net profit for the year		66,487	103,564
Retained earnings brought forward		54,300	2,436
Transfer to other revenue reserves		- 33,200	- 51,700
Profit available for distribution	(9)	87,587	54,300

Development of Fixed Assets of TUI AG for the period from 1 January 2007 to 31 December 2007

€ '000	Balance at 1 Jan 2007	Additions*)	Disposals*)	Reclassification	Historical cost
					Balance at 31 Dec 2007
Intangible assets					
Concessions, industrial property rights and similar rights and values	8,565	41	263	0	8,343
	8,565	41	263	0	8,343
Property, plant and equipment					
Real estate, land rights and buildings including buildings on third-party properties	91,281	157	2,108	409	89,739
Machinery and fixtures	1,400	0	0	0	1,400
Container ships	1,345,680	268,107	157,437	18,879	1,475,229
Containers and Container semi-trailers	410,137	74,529	6,023	0	478,643
Aircraft and spare parts	708,467	0	708,467	0	0
Other plants, operating and office equipment	16,994	185	3,363	0	13,816
Work in progress	37,986	18,059	73	- 19,288	36,684
Payments on account	89,174	6,926	96,100	0	0
	2,701,119	367,963	973,571	0	2,095,511
Investments					
Shares in Group companies	11,333,699	2,016,168	5,078,987	6,298	8,277,178
Loans to Group Companies	25,751	1,373	24,192	0	2,932
Investments	374,963	10,072	69,667	- 6,298	309,070
Loans to affiliates	9,678	3,600	2,528	0	10,750
Securities held as fixed assets	16,518	0	11,753	0	4,765
Other loans	4,721	0	1,092	0	3,629
Payments on account	437	0	0	0	437
	11,765,767	2,031,213	5,188,219	0	8,608,761
Fixed assets	14,475,451	2,399,217	6,162,053	0	10,712,615

*) incl. from/to consolidated companies

	Value adjustments			Carrying amounts		
	Balance at 1 Jan 2007	Depreciation/ Amortisation	Disposals*)	Balance at 31 Dec 2007	Balance at 31 Dec 2007	Balance at 31 Dec 2006
	1,774	2,262	180	3,856	4,487	6,791
	1,774	2,262	180	3,856	4,487	6,791
	30,499	2,089	1,237	31,351	58,388	60,782
	1,360	9	0	1,369	31	40
	72,617	190,258	10,031	252,844	1,222,385	1,273,063
	75,721	94,839	4,844	165,716	312,927	334,416
	280,049	69,312	349,361	0	0	428,418
	10,831	548	3,056	8,323	5,493	6,163
	0	0	0	0	36,684	37,986
	0	0	0	0	0	89,174
	471,077	357,055	368,529	459,603	1,635,908	2,230,042
	4,090,920	492,161	2,477,080	2,106,001	6,171,177	7,242,779
	0	0	0	0	2,932	25,751
	10,634	2,252	7,681	5,205	303,865	364,329
	9,678	3,600	2,528	10,750	0	0
	0	0	0	0	4,765	16,518
	2,989	1,650	1,077	3,562	67	1,732
	0	0	0	0	437	437
	4,114,221	499,663	2,488,366	2,125,518	6,483,243	7,651,546
	4,587,072	858,980	2,857,075	2,588,977	8,123,638	9,888,379

Notes

TUI AG notes for the 2007 financial year

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code, with due consideration of the supplementary provisions of the German Stock Corporation Act. Individual items of the balance sheet and the profit and loss statement of TUI AG were grouped together in the interest of the clarity of presentation; these items are reported separately in the notes, together with the necessary explanations.

The financial year of TUI AG covers the period from 1 January to 31 December of any one year.

Accounting and measurement

The accounting and measurement methods and the classification applied in the previous year were retained in the financial year under review.

Purchased intangible assets were measured at cost and amortised on a straight-line basis over the expected useful life of three or five years, trademark rights over ten years.

Property, plant and equipment were measured at cost, based on tax provisions as a matter of principle, less depreciation. For building and land improvements, depreciation was either calculated on a straight-line basis or, where permitted by tax regulations, on a declining balance basis. Aircraft was depreciated on a declining balance basis, taking account of a useful life of twelve years and residual proceeds of 1% of acquisition costs. Container ships were depreciated on a straight-line basis, taking account of a useful life of twelve years. Shorter depreciation periods were applied to purchases of used ships. Depreciation of containers and container semi-trailers was also effected on a straight-line basis. Other depreciable property, plant and equipment with a useful life of more than five years were depreciated on the basis of the declining balance method. The maximum rate of 30% permissible under tax rules was applied to additions made after 1 January 2006, while a 20% rate was applied to additions made prior to that date. Straight-line depreciation was regularly applied whenever the calculated amount based on this method exceeded that obtained by using the declining balance method. Where use was made of special tax depreciation allowances, assets were depreciated on a straight-line basis. Low-value assets were written off in full in the year of acquisition and shown as disposals.

Depreciation was essentially based on the following useful lives:

Property, plant and equipment	Useful life
Buildings	10 to 50 years
Machinery and fixtures	4 to 15 years
Container ships	up to 12 years
Containers and container semi-trailers	up to 10 years
Aircraft and spare parts	up to 12 years
Other plant, office and operating equipment	3 to 15 years

Fixed assets with a lower market value expected to be permanent at the balance sheet date were impaired by a corresponding amount.

Shares in Group companies and participations as well as other investments were measured at the lower of cost or fair value. Non-interest or low-interest investments were discounted to their present values. The requirement to reverse impairment was met by means of write-backs.

Consumables and supplies were measured at the lower of cost or market value.

Receivables and other assets were recognised at the lower of nominal or fair values. Concerning these items, all identifiable individual risks and the general credit risk were accounted for by means of appropriate value discounts.

Hedged foreign currency receivables and liabilities were measured at the rate of exchange at the forward hedging transaction date. As a matter of principle, short-term unhedged currency items were measured at the exchange rate at the balance sheet date. Long-term unhedged currency receivables were translated at the buying rate at the date of the transaction or the closing rate, if lower. Long-term unhedged currency liabilities were measured at the selling rate of the date of the transaction or the closing rate at the balance sheet date, if higher.

Under prepaid expenses, the difference between the issuing amount of bonds and the amount repayable was capitalised as a discount and written off on a straight-line basis over the term of the bonds. Where deviations from the redemption schedule occurred, the corresponding assets were impaired. Items resulting from the issuance of convertible bonds and transferred to the capital reserves were capitalised as a discount and reversed over the period of the expected use of the conversion options.

The creation of the special non-taxed item was based on the opportunity to carry forward book profits. The special non-taxed item comprised the differences between tax-based and commercial-law depreciation.

As before, the commercial-law measurement of pension obligations was effected on the basis of IFRS regulations (IAS 19). The biometric data underlying the measurement of the pension provisions were based on the '2005 G reference tables' – so-called 'generation tables' – by Prof Dr Klaus Heubeck.

Provisions for taxes and other provisions were calculated on the basis of prudent business judgement principles.

The discount rate applied in the determination of provisions for anniversary bonuses was 5.5% p.a. All other provisions were carried at nominal amounts, unless an interest portion had to be taken into account.

Provisions were formed for negative market values of derivative financial instruments. All derivative financial instruments were fixed-price or optional over-the-counter (OTC) transactions for which a stock market price could not be determined. The derivative commodity hedges were performed by means of cash remuneration, as the difference between market price and hedge price. Physical delivery was not effected.

The determination of the fair values for the optional derivative financial instruments was based on the Black & Scholes model. Measurement of fixed-price derivative transactions was based on the discounted cash flow of the transactions, taking account of interest, price and volatility curves, where applicable, with matching maturities as at the balance sheet date.

Recognised IT systems were used to support measurement of the instruments. For quality assurance purposes, the determined amounts for non-Group companies were compared with figures provided by external counterparties as at the balance sheet date.

Other provisions reflected all identifiable risks and doubtful obligations. All liabilities were carried at the repayable amounts.

Notes on the Balance Sheet

(1) Fixed assets

The development of the individual fixed asset items in the financial year under review is shown in an annex to the balance sheet. The principal direct shareholdings are listed in a separate annex to the notes.

In the financial year under review, changes in fixed assets were primarily determined by the merger between TUI's tourism division (including its own aircraft fleet but excluding the hotel companies operated by TUI Hotels & Resort) and the British travel group First Choice Holidays PLC to form TUI Travel PLC based in Crawley (UK). The shares in TUI Travel PLC have been traded at the London Stock Exchange since beginning of September 2007. At 51.0%, TUI AG holds the majority in TUI Travel PLC. The TUI Travel PLC Group has been included in TUI AG's consolidated financial statements since the beginning of September 2007.

Property, plant and equipment

Additions of property, plant and equipment totalled € 368.0 million and mainly related to three newly built container ships and the acquisition of containers and container semi-trailers. The disposals mainly related to the intra-Group transfer of aircraft including spare parts and the advance payments made for the acquisition of aircraft in the framework of the merger involving the tourism division to form TUI Travel PLC. Other essential factors were intra-Group sales of four container ships and the disposal of one ship to a non-Group third party.

Investments

Changes in investments were primarily caused by the formation of the TUI Travel PLC Group. In order to realign the corporate structure of TUI's tourism division, shares in Group companies, participations and investments were initially transferred against payment within the Group at prudently determined fair values and a payment was made to the capital reserve of a German intermediate holding company. Finally, on 3 September 2007, the tourism shareholdings – excluding the hotel companies operated by TUI Hotels & Resorts – were contributed to TUI Travel PLC after consideration of a write-back in exchange for 51.0% of the shares in TUI Travel PLC. In addition, TUI AG received a financial remuneration from TUI Travel PLC to create the agreed level of debt for TUI's tourism division. In this context, proportional hidden reserves had to be realised through profit and loss as a proportion of the remuneration received in relation to the fair value of the contributed participations; in all other regards, the carrying values were continued.

Disposals effected at carrying amounts in the framework of the merger totalled € 2,710.8 million for Group companies, € 56.3 million for participations and € 21.4 million for investments in Group companies. In addition, total capital repayments of € 89.4 million were effected in a British intermediate holding and in a Swiss company.

Additions of shares in Group companies totalled € 2,016.2 million, including an amount of € 1,585.0 million for TUI Travel PLC shares. Other additions were mainly based on a payment to the capital reserve of a German intermediate holding transferred to TUI Travel PLC (€ 410.0 million) and the ordinary increase in subscribed capital of the hotel and real estate project company Tenuta di Castelfalfi S.p.A. in Italy.

Due to the reduction in the hedging volume following the transfer of employees to TUI Travel PLC subsidiaries, the long-term investments acquired in the framework of statutory obligations to secure employees' entitlements from credits under part-time block-model schemes for elderly employees and pledged to a trustee were reduced by € 11.8 million to € 4.8 million.

(2) Inventories

Inventories exclusively related to consumables and supplies.

(3) Receivables and other assets

Receivables and other assets	€ '000	
	31 Dec 2007	31 Dec 2006
Trade accounts receivable	183	1,793
of which with a remaining term of more than 1 year	(-)	(-)
Receivables from Group companies	2,547,560	417,404
of which with a remaining term of more than 1 year	(2,014,138)	(14,518)
Receivables from companies in which shareholdings are held	6,429	6,987
of which with a remaining term of more than 1 year	(-)	(-)
Other assets	241,995	168,110
of which with a remaining term of more than 1 year	(59,731)	(63,885)
	2,796,167	594,294

Receivables from Group companies and companies in which shareholdings are held included minor trade accounts receivable at the respective balance sheet date.

The increase in receivables from Group companies was mainly attributable to an interest-bearing loan granted to TUI Travel PLC.

(4) Cash in hand and bank balances

This item included an amount of € 306.5 million (previous year: € 7.6 million) of bank balances.

(5) Prepaid expenses

Prepaid expenses	€ '000	
	31 Dec 2007	31 Dec 2006
Discount	11,368	604
of which with a remaining term of more than 1 year	(336)	(604)
Other prepaid expenses	33,357	48,388
of which with a remaining term of more than 1 year	(11,802)	(23,489)
	44,725	48,992

A discount amounting to the present value of the interest benefit in comparison with a corporate bond with a matching maturity was carried for the conversion option of the newly issued convertible bond. The discount will be written off on a straight line basis with an effect on interest expenses until the earliest expected conversion date.

The decline in other prepaid expenses primarily resulted from the settlement of financing costs accrued in 2006 due to the transfer of aircraft orders.

(6) *Subscribed capital*

TUI AG's subscribed capital consisted of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock attributable to each individual share was approx. € 2.56. Since the conversion carried out in July 2005, the shares have been registered shares, whose holders have been listed in the share register by name.

Due to the issue of 225,720 employee shares, the subscribed capital registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover rose by € 0.6 million to a total of € 642.3 million. At the end of the financial year, the subscribed capital thus comprised 251,245,575 shares (previous year: 251,019,855 shares).

The Annual General Meeting of 16 May 2007 authorised TUI AG's Executive Board to purchase own shares in a volume of up to 10% of the capital stock. The authorisation will expire on 15 November 2008 and replaces the authorisation to purchase own shares granted by the Annual General Meeting of 10 May 2006, which expired on 9 November 2007. The authorisation to purchase own shares has not been used to date.

Conditional capital

The Annual General Meeting of 18 June 2003 resolved to create conditional capital of € 90.0 million. The purpose of the conditional capital was to service conversion options and warrants from the issue of one or several bonds with a total nominal amount of up to € 1.0 billion by 17 June 2008. In October 2003, bonds with conversion options of around € 384.6 million with a term to 1 December and a nominal interest of 4% per annum were issued. The conversion options entitle the holders to convert every convertible bond worth a nominal amount of € 50,000 into 2,520 shares in TUI AG, i.e. up to a total of 19,385,784 shares. To date, the holders of the convertible bonds have not yet exercised any conversion options.

In order to retain the opportunity of issuing further bonds, the Annual General Meeting of 10 May 2006 resolved to create additional conditional capital of € 100.0 million. Accordingly, bonds with conversion options or warrants, profit-sharing rights and income bonds with a nominal volume of up to € 1.0 billion (with or without fixed terms) may be issued by 9 May 2011. On 1 June 2007, TUI AG issued an unsecured unsubordinated convertible bond worth € 694.0 million maturing on 1 September 2012. The conversion price was € 27.68 per no-par value share. The bond was issued in denominations of nominal amounts of € 50,000. The convertible bond may be converted into a maximum of 25,072,254 shares. The bonds carry an interest coupon of 2.75% per annum and were issued at par. The bond is traded at two German stock exchanges, in Luxembourg and Zurich. By 31 December 2007, the holders of the bond had not yet exercised any conversion options.

Authorised capital

The authorised capital of originally € 10.0 million created by the Annual General Meeting of 18 May 2004 for the issuance of employee shares stood at around € 7.3 million at the end of the 2006 financial year. In the 2007 financial year, the authorised capital was partly used to issue 225,720 employee shares (previous year: 287,280 shares). The authorised capital for the issuance of employee shares therefore stood at around € 6.7 million at the end of the 2007 financial year. The Executive Board of TUI AG has been authorised to use this capital in one or several transactions to issue employee shares against cash contribution by 17 May 2009.

In addition to the authorised capital for the issue of employee shares, the Annual General Meeting of 10 May 2006 also resolved to create additional authorised capital for the issue of new shares against cash or non-cash contribution totalling € 310.0 million. The issue of new shares against non-cash contribution has been limited to € 128.0 million. The Executive Board of TUI AG has been authorised to use this capital by 9 May 2011.

Unused authorised capital thus totalled around € 316.7 million, including the remaining authorised capital for the issue of employee shares.

(7) Capital reserves

Capital reserves included transfers from share premiums. They also comprised amounts from conversion options and warrants for the purchase of shares in TUI AG, generated in the framework of bonds issued. In addition, premiums from the potential exercise of conversion options and warrants were transferred to the capital reserves. In the financial year under review, capital reserves rose by € 22.8 million (previous year: around € 2.4 million), including an amount of around € 20.4 million due to premiums on the convertible bond issued on 1 June 2007 and an amount of around € 2.4 million due to the issue of employee shares.

(8) Revenue reserves

As before, revenue reserves consisted solely of other revenue reserves. There were no provisions in the Articles of Association on the formation of reserves.

(9) Profit available for distribution

Net profit for the year totalled € 66,487,215.40. Following the transfer of an amount of € 33,200,000.00 to other revenue reserves and taking account of the retained profit brought forward of € 54,300,000.00, profit available for distribution totalled € 87,587,215.40. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution to pay a dividend of € 0.25 per no-par value share and carry forward on new account a total amount of € 24,775,821.65, i.e. the remaining profit available for distribution after deduction of the dividend amount of € 62,811,393.75.

(10) Special non-taxed item

The special non-taxed item totalled € 41.5 million (previous year: € 42.6 million) and included tax-related depreciation of fixed assets in accordance with section 6b of the German Income Tax Act. Due to the long reversal period, reversal of the special non-taxed item created a minor income tax effect for individual financial years.

(11) Other provisions

Other provisions

€ '000	31 Dec 2007	31 Dec 2006
Tax provisions	110,100	128,316
Other provisions	746,463	377,572
	856,563	505,888

The decline in tax provisions was mainly attributable to reclassifications to 'Other provisions'.

Other provisions mainly related to provisions for anticipated losses from derivative financial instruments. Such provisions were significantly increased year-on-year due to the development of the US dollar exchange rate against the euro and the increase in bunker oil and aircraft fuel prices in relation to the hedge prices. Additional provisions were formed relating to investment portfolio, personnel costs, other risks and, to a lesser extent, maintenance measures for aircraft leased from non-Group third parties and leased out to TUI's tourism division. Due to the scheduled reduction

in the volume of guarantees under warranties for companies of the former Babcock Borsig Group, the provision had to be reduced accordingly.

Around 60% of the provisions had a term up to one year (previous year: around 45%).

(12) Liabilities

€ '000	31 Dec 2007		31 Dec 2006	
	Remaining items	Total	Total	Remaining items
Bonds		3,403,550	2,709,550	
up to 1 year	384,550			–
1 - 5 years	2,719,000			1,959,550
more than 5 years	300,000			750,000
of which convertible		(1,078,550)	(384,550)	
up to 1 year	(384,550)			(–)
1 - 5 years	(694,000)			(384,550)
more than 5 years	(–)			(–)
Liabilities to banks		883,557	641,355	
up to 1 year	27,191			54,497
1 - 5 years	688,985			486,479
more than 5 years	167,381			100,379
Trade accounts payable		3,133	5,144	
up to 1 year	3,133			5,144
1 - 5 years	–			–
more than 5 years	–			–
Other liabilities		2,167,851	2,781,534	
up to 1 year	2,109,838			2,682,085
1 - 5 years	28,990			61,372
more than 5 years	29,023			38,077
of which liabilities to Group companies		2,014,894	2,591,539	
up to 1 year	2,014,894			2,591,539
1 - 5 years	–			–
more than 5 years	–			–
of which liabilities to companies in which shareholdings are held		592	3,026	
up to 1 year	592			3,026
1 - 5 years	–			–
more than 5 years	–			–
of which Other liabilities		152,365	186,969	
up to 1 year	94,352			87,520
1 - 5 years	28,990			61,372
more than 5 years	29,023			38,077
of which from taxes		(5,775)	(6,414)	
up to 1 year	(5,775)			(6,414)
1 - 5 years	(–)			(–)
more than 5 years	(–)			(–)
of which relating to social security		(965)	(1,235)	
up to 1 year	(965)			(1,235)
1 - 5 years	(–)			(–)
more than 5 years	(–)			(–)
		6,458,091	6,137,583	

Convertible bonds comprised the 2003/2008 convertible bond issued in November 2003 of around € 384.6 million and the 2007/2012 convertible bond issued on 1 June 2007 of around € 694.0 million.

The 2003/2008 convertible bond will mature on 1 December 2008 and carries a nominal interest coupon of 4% per annum. Each convertible bond of a nominal value of € 50,000.00 entitles its holder to convert it into around 2,520 shares at a conversion price of around € 19.84 per share any time by 17 November 2008. The 2007/2012 convertible bond will mature on 1 September 2012. The conversion price is € 27.68 per no-par value share. The bond was issued in denominations of nominal values of € 50,000.00. The bond carries an interest coupon of 2.75% per annum and can be converted into a maximum of 25,072,254 shares.

At the end of the financial year under review, bonds included a total of five further bonds with a nominal volume of € 2,325.0 million.

The bond of € 625.0 million issued in May 2004 and maturing in May 2011 carries a fixed-interest nominal coupon of 6.625% per annum. The bond of € 400.0 million issued in June 2004 carries a floating-rate interest coupon (3-months-EURIBOR + 2.10% per annum) and will mature in August 2009. Both bonds have denominations of € 1,000.00.

In order to finance the acquisition of CP Ships Ltd., three additional bonds with a total volume of € 1,300.0 million were issued in December 2005. The senior floating rate notes with a volume of € 550.0 million carry a floating-rate interest coupon (3-months-EURIBOR + 1.55% per annum) and will mature in December 2010. The senior fixed rate notes with a volume of € 450.0 million carry a fixed nominal interest coupon of 5.125% per annum and will mature in December 2012. These two bonds have denominations of at least € 50,000.00 each. The subordinated hybrid bond with a volume of € 300.0 million does not have a fixed maturity date. Subject to the dividend payment resolution taken by the Annual General Meeting it will carry a fixed interest coupon of 8.625% per annum until January 2013 and will subsequently carry a floating-rate interest coupon (3-months-EURIBOR + 7.30% per annum). The hybrid bond was issued in denominations of € 1,000.00.

Liabilities to banks rose by a total of € 150 million due to the placement of three bonds and two ship financing schemes. The bonds were taken up in October 2007 in the framework of a private placement. They will be redeemed by 10 December 2010. Until then, these financing schemes will be subject to a fixed interest rate agreement with interest rates of between 7.44% and 7.50% per annum.

In February 2007, TUI AG concluded a long-term loan agreement (ship financing) of € 79.1 million. The loan will have to be redeemed on a quarterly basis by February 2019. In addition, a ship financing scheme worth € 79.9 million was taken up in March 2007, to be redeemed in quarterly rates by May 2019. Each of the loans is subject to a fixed interest rate agreement of 5.25% per annum.

Liabilities to banks also included three bonds worth a total of € 183 million, taken up in 2006 in the framework of a private placement. They will be redeemed by 11 December 2009. Until then, these bonds carry fixed interest rates of between 5.265% and 5.3% per annum.

In addition, bonds worth a nominal amount of € 217 million were taken up in 2006; they will mature on 12 April 2010. The bonds carry fixed interest rates of 5.629% and 5.70% per annum for a fixed portion of € 55 million. The remaining loan portion of the bond of € 162 million carries a variable-rate interest coupon based on 3-months-EURIBOR rates plus a margin of 1.85% percentage points per annum.

The considerable decline in liabilities to Group companies resulted from a reduction in investments in TUI AG by companies of TUI's tourism division due to the formation of TUI Travel PLC as of end of August or beginning of September 2007.

Liabilities to Group companies and to companies in which shareholdings are held contained minor trade accounts payable as at the respective balance sheet date.

Liabilities with a remaining term of more than five years totalled € 496.4 million (previous year: € 888.5 million).

Liabilities in the form of ship mortgages worth € 150.7 million were secured by rights of lien or similar rights.

(13) Deferred income

Deferred income

€ '000	31 Dec 2007	31 Dec 2006
Other deferred income	11,193	12,581

Deferred income mainly related to deferred income from operating leases for aircraft, including an amount of € 9.7 million to Group companies (previous year: € 12.0 million).

(14) Trust assets and trust liabilities

Trust assets and trust liabilities

€ '000	31 Dec 2007	31 Dec 2006
Trust assets	0	4,975
Trust liabilities	0	4,975

The trust assets and liabilities to be recognised in the balance sheet in 2006 were related to collateral for aircraft maintenance agreements. Following the transfer of the aircraft fleet to a company of the TUI Travel PLC Group, the corresponding guarantee was taken over by that company.

(15) Contingent liabilities

Contingent liabilities

€ '000	31 Dec 2007	31 Dec 2006
Liabilities under guarantees, bill and cheque guarantees	768,717	1,423,912
Liabilities under warranties	28	836
	768,745	1,424,748
of which to Group companies	(723,857)	(1,234,036)

TUI AG has taken over guarantees and warranties on behalf of subsidiaries and third parties, mainly serving the settlement of ongoing business transactions and the collateralisation of loans. In the financial year under review, the liabilities from warranties relating to the companies of the former Babcock Borsig Group were further reduced in line with plans due to the expiry of the warranties and guarantees.

As in previous years, appropriate provisions were formed concerning the risk of anticipated obligations.

(16) Other financial commitments

Other financial commitments

€ '000	31 Dec 2007	31 Dec 2006
Lease, rental, leasing and similar contracts	701,336	572,847
Order commitments	710,883	2,779,781
Other financial commitments	598,611	598,833
	2,010,830	3,951,461

The increase in lease, rental and leasing contracts was associated with the conclusion of new aircraft lease agreements with non-Group third parties for aircraft operated by TUI Travel PLC airlines. As a matter of principle, these contracts are planned to be transferred to the TUI Travel PLC Group.

Order commitments under the aircraft purchase agreements concluded with Boeing in 2006 and under ship purchase agreements primarily declined due to the transfer of essential parts of the Boeing order items to the TUI Travel PLC Group as well as aircraft and ship deliveries effected in the meantime. Besides the aircraft order commitments remaining with TUI AG, the order commitments comprised payment obligations for the purchase of a ship in 2008.

Other financial commitments mainly related to commitments to purchase EDP services from TUI InfoTec GmbH, Hanover, which declined over time according to plan. In addition, financial commitments in connection with the provision of capital resources for a joint venture with Royal Caribbean Cruises Ltd., expected to be performed by TUI AG within the next five years, had to be taken into account. The joint venture will operate in the German volume market for premium cruises.

Other financial commitments included an amount of € 625.5 million (previous year: € 783.9 million) of expenses due in the subsequent year; liabilities due within one to five years totalled € 1,235.5 million (previous year: € 2,562.0 million) at the balance sheet date, with liabilities due within more than five years totalling € 149.8 million (previous year: € 605.6 million). Other financial commitments to Group companies totalled € 5.8 million (previous year: € 10.2 million).

(17) Derivative financial instruments

Derivative financial instruments

€ '000	Nominal volume	Fair values	
		positive	negative
Currency hedges	16,098,722	323,543	374,154
of which with Group companies	(7,282,892)	(192,180)	(132,141)
Commodity hedges	2,228,790	218,324	218,324
of which with Group companies	(1,109,021)	(117)	(218,207)
Interest rate hedges	159,225	72	6,807
of which with Group companies	(-)	(-)	(-)
Other instruments	863,478	25,635	9,664
of which with Group companies	(-)	(-)	(-)

Commodity hedges exclusively related to ship and aircraft fuel.

For the financial instruments entered into, the following carrying amounts were recognised under the balance sheet items listed below:

Carrying amounts of the option premiums

€ '000	31 Dec 2007	31 Dec 2006
Receivables from Group companies	3,794	11,468
Other assets	76,154	38,393
Liabilities to Group companies	56,391	43,923
Other liabilities	11,150	24,119

Provisions for negative market values in other provisions

€ '000	31 Dec 2007	31 Dec 2006
Currency hedges	348,544	87,541
Commodity hedges	183,711	64,873
Interest rate hedges	6,807	–
	539,062	152,414

Provisions for currency hedges rose primarily due to the strong slump of the US dollar exchange rate against the euro. The increase in provisions for commodity hedges (bunker oil and aircraft fuel) mainly resulted from a sharp year-on-year increase in fuel prices.

Notes on the Profit and Loss Statement

(18) Geographical breakdown of turnover

Geographical breakdown of turnover

€ '000	2007	2006
Germany	321,373	185,391
of which with Group companies	(321,288)	(183,820)
EU (excl. Germany)	128,903	114,042
of which with Group companies	(128,903)	(114,042)
Rest of Europe	1,618	2,616
North America	0	945
of which with Group companies	(0)	(945)
Asia	3,063	705
of which with Group companies	(3,063)	(705)
	454,957	303,699

Apart from turnover from renting out aircraft, turnover of € 225.0 million (previous year: € 92.1 million) from renting out container ships, containers and container semi-trailers was carried for a full financial year for the first time. Turnover also rose due to the year-on-year expansion of the aircraft fleet leased by TUI AG and rented out to Group airlines. On the other hand, turnover from renting out Group-owned aircraft was no longer generated following the divestment of the Group-owned fleet to a company of the TUI Travel PLC Group in August 2007.

(19) Other operating income

Other operating income

€ '000	2007	2006
Reversal of special non-taxed item	1,137	1,190
Miscellaneous other operating income	2,288,617	970,815
	2,289,754	972,005

Miscellaneous other operating income rose primarily due to book profits posted in connection with the transfer of TUI participation assets and the sale of aircraft to TUI Travel PLC companies, higher price gains from currency and commodity transactions and higher income from the reversal of impairments of shares in Group companies (write-back of € 200.0 million) and receivables as well as provisions.

(20) Cost of materials

Cost of materials

€ '000	2007	2006
Cost of purchased services	190,462	155,386

The cost of purchased services mainly related to expenses for aircraft lease agreements with third parties and maintenance costs for container ships, included for a full financial year for the first time.

(21) Personnel costs

Personnel costs

€ '000	2007	2006
Wages and salaries	58,023	53,957
Social security contributions, pension costs and benefits	5,093	21,992
of which pension costs	(194)	(15,939)
	63,116	75,949

In the 2007 financial year, pension costs primarily included contributions to the German Mutual Benefit Association for Pension Security. Unchanged under commercial law current pension expenses and the accrued interest on the pension provision for 2007 (totalling € 11.6 million) were immediately offset against an actuarial gain (€ 21.2 million) through profit and loss. The resulting income (€ 9.6 million) was carried under other operating income. In 2006, these expenses had been offset against an actuarial loss of € 4.2 million, resulting in a total expense of € 15.4 million for the additions.

The actuarial gain resulted from the increase in the discount rate of 1.00 percentage point to 5.50% per annum, effected in order to adjust the rate to the increased interest rate level. The actuarial parameters 'projected future salary increases', 'projected future pension increases' and 'projected future employee turnover rate', however, remained unchanged year-on-year.

(22) Depreciation/
amortisation

Depreciation/amortisation

€ '000	2007	2006
Amortisation of intangible assets and depreciation of property, plant and equipment	359,317	320,258
of which impairments	(1,126)	(33,456)

The increase in depreciation/amortisation was mainly attributable to the depreciation of container ships, containers and container semi-trailers, which were offset for a full year for the first time and therefore rose by € 120.3 million. On the other hand, depreciation/amortisation declined by € 82.9 million due to the sale of the Group-owned aircraft fleet to the TUI Travel PLC Group.

(23) Other operating
expenses

Other operating expenses

€ '000	2007	2006
Miscellaneous other operating expenses	1,867,872	1,556,605

This item comprised in particular expenses for anticipated losses from derivative financial instruments, losses from the disposal of investments, costs of financial and monetary transactions as well as fees, capital procurement costs, charges and other administrative costs. The increase in miscellaneous other operating costs mainly resulted from higher provisions for anticipated losses from derivative financial instruments.

The expenses incurred for the auditors totalled € 0.8 million for audits of the financial statements, € 2.3 million for other certification or measurement services and € 0.1 million for tax advising services. Foreign partners of the auditors performed other services worth € 3.8 million in connection with the establishment of TUI Travel PLC.

**(24) Net income
from investments**

Net income from investments

€ '000	2007	2006
Income from participations	323,565	115,197
of which from Group companies	(307,216)	(99,967)
Income from profit transfer agreements	381,179	3,623,851
of which from Group companies	(381,179)	(3,623,851)
Expenses relating to losses taken over	- 128,002	- 66,765
of which from Group companies	(- 128,002)	(- 66,765)
	576,742	3,672,283

The income from profit transfer agreements included profit transfers from subsidiaries and the related rebilled tax portion as well as income from investments of second-tier subsidiaries.

Income from profit transfer agreements declined substantially year-on-year since the figures for 2006 had comprised income from the transfer of shares in Hapag-Lloyd AG to TUI AG, which was transferred to TUI AG under the profit transfer agreement with Deutsche Flugzeugvermietungs AG which existed until the merger.

Expenses for losses taken over rose due to the termination of profit and loss transfer agreements with German tourism subsidiaries at the end of August 2007 in the framework of the realignment of the corporate structure of TUI's tourism division for the establishment of the TUI Travel PLC Group.

**(25) Write-downs
of investments**

Write-downs of investments included an amount of € 492.2 million relating to Group companies (previous year: € 2,535.8 million). Apart from two write-downs due to distributions, additional write-downs were required for a holding company due to the sale of the shares in companies of TUI's tourism division; the profit generated in this transaction was transferred to TUI AG under a profit and loss transfer agreement.

(26) Interest result

Interest result

€ '000	2007	2006
Income from other securities and long-term loans	1,904	6,695
of which from Group companies	(952)	(5,906)
Other interest and similar income	93,733	102,091
of which from Group companies	(67,754)	(83,421)
Interest and similar expenses	- 365,722	- 292,016
of which to Group companies	(- 121,965)	(- 81,881)
	- 270,085	- 183,230

The deterioration of the negative interest result with Group companies (€ 55.8 million) was mainly attributable to the Group debt which had arisen in the late summer of 2006 due to the transfer of container ships and containers, and for which interest had to be paid for a full calendar year in 2007. In addition, interest expenses to non-Group third parties rose due to an increase in bank and bonded debt and an increase in interest rate levels.

(27) Taxes

Taxes		
€ '000	2007	2006
Taxes on income	- 296	5,074
Other taxes	4,747	- 1,064
	4,451	4,010

Taxes on income paid in the financial year under review comprised the balance of additions to provisions for trade taxes and foreign income taxes for 2007 and income from the reversal of income tax provisions for prior years.

Expenses and income attributable to other periods

Income of € 721.1 million and expenses of € 317.8 million were attributable to other financial years; for the most part, they were carried under other operating income and expenses. At an income tax rate of 40%, expenses and income attributable to other periods created a calculative income tax burden of € 89.0 million.

Other Notes

Annual average headcount (excl. apprentices)

	2007	2006
Wage earners	4	4
Salaried employees	496	564
Total employees	500	568

In 2007, the average number of employees employed by BKK Salzgitter was 126 (annual average in 2006: 121).

Remuneration of the Executive Board

Upon the proposal of the Presiding Committee, the Supervisory Board regularly discussed and reviewed the structure of the remuneration system for the Executive Board. The remuneration of the Executive Board was fixed by the Presiding Committee, basing its decision on the size and global operations of the Company, its economic position and the level and structure of board remuneration in similar companies. In addition, the responsibilities and performance of each individual Board member were taken into account.

The remuneration of TUI AG's Executive Board members comprised fixed and variable components. The variable remuneration components consist of a management bonus and a bonus under a long-term incentive programme. The management bonus was calculated on the basis of the respective earnings before interest, tax and amortisation of goodwill (EBITA). In addition, Executive Board members are entitled to a company cars and driver services as well as travel benefits.

As part of the long-term incentive programme, the Executive Board members received a bonus for the 2007 financial year, which was translated into phantom stocks in TUI AG on the basis of an average share price. Phantom stocks to be granted were calculated on the basis of earnings before tax and amortisation of goodwill (EBTA). The translation into phantom stocks was based on the average share price of the 20 trading days following the Supervisory Board meeting at which the annual financial statements were adopted. The number of phantom stocks granted for a financial year is thus not determined until the following year. Following a lock-up period of two years, the entitlement to cash payment from this bonus can be exercised individually by the Executive Board members within predetermined timeframes. 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 exercise date. There is no absolute or relative return or price targets. A cap is provided for extraordinary unexpected share price developments.

Development of aggregate phantom stocks in TUI AG

	Units
Balance as at 31 December 2006	503,511
Phantom stocks granted for the 2006 financial year	963
Phantom stocks exercised	0
Disposals of phantom stocks ¹⁾	- 10,257
Balance as at 31 December 2007	494,217

¹⁾ upon departure of Mr Peter Rothwell

On 31 December 2007, former Executive Board members held 6,486 phantom stocks (previous year: 0 stocks). Provisions totalling € 9,822 thousand (previous year: € 8,481 thousand) were formed for the entitlements under the long-term incentive programme, including the granting of phantom stocks for the 2007 financial year.

The valuation of the phantom stocks in TUI AG resulted in a profit of € 1,958.0 thousand (previous year: loss of € 1,107.1 thousand) for the Executive Board members including a former Executive Board member in the 2007 financial year.

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

€ '000	2007	2006
Dr. Michael Frenzel (Chairman)	703.6	- 344.2
Horst Baier	-	-
Michael Behrendt	-	-
Sebastian Ebel ¹⁾	-	- 142.3
Dr. Peter Engelen	392.2	- 190.2
Rainer Feuerhake	748.2	- 376.1
Christoph R. Mueller	1.8	0
Peter Rothwell ¹⁾	112.2	- 54.3
Total	1,958.0	- 1,107.1

¹⁾ upon their departure

Remuneration for individual Executive Board members

€ '000	Non-performance-related remuneration	Performance-related remuneration	Long-term incentive programme	Total 2007	Total 2006
Dr. Michael Frenzel (Chairman)	1,104.5	2,893.6	290.8	4,288.8	1,743.8
Horst Baier (as of 9 November 2007)	67.5	95.7	25.3	188.7	–
Michael Behrendt	249.0	421.4	87.2	757.7	282.2
Sebastian Ebel (until 31 August 2006)	–	–	–	–	317.3
Dr. Peter Engelen	468.9	1,156.2	174.5	1,799.5	852.5
Rainer Feuerhake	654.9	1,874.9	232.6	2,762.4	1,163.2
Christoph R. Mueller (until 3 September 2007)	149.4	173.3	–	322.7	225.8
Peter Rothwell (until 8 November 2007)	153.3	531.9	25.1	710.3	1,206.9
Total	2,847.5	7,147.1	835.5	10,830.1	5,791.7
Previous year	3,183.5	2,593.1	15.1	5,791.7	

As in 2006, the members of the Executive Board did not receive any loans or advances in the 2007 financial year.

Compensation in the event of a termination of position

a) Pension entitlements

Pensions were paid to former Executive Board members who reached the predefined age limit or were permanently incapacitated. The pension for Board members in Germany was calculated on the basis of pensionable pay, oriented to an Executive Board member's fixed remuneration. The pension level was determined as a percentage of pensionable pay. This percentage was 50% for the first employment contract period. Depending on the number of employment contract periods, this percentage may rise to up to 80%. Pension rights are vested following the completion of the first period of office.

Under certain circumstances, widows of Executive Board members will receive a widow's pension of 60% of the pension for their lifetime or until remarriage. Children of Executive Board members receive an orphan's pension, maximally paid until they are 25 years of age. The orphan's pension amounts to 20% of the pension for orphans having lost one parent, and 25% for orphans having lost both parents.

Pension entitlements/Addition to or reversal of pension provisions

€ '000	Annual pension p.a.	Addition to or reversal of pension provisions
Dr. Michael Frenzel (Chairman)	720.0	- 642.8
Horst Baier	200.0	1,294.5
Michael Behrendt	320.0	- 370.3
Dr. Peter Engelen	240.0	- 340.7
Rainer Feuerhake	424.0	- 404.7

Reversals of pension provisions arose in 2007 as the interest rate used for calculation was raised to 5.5% per annum in 2007 (previous year: 4.5% per annum). For a new Executive Board member, the required amount was added to the pension provision.

At the balance sheet date, pension obligations for active members of the Executive Board totalled € 19,929 thousand (previous year: € 20,663 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to € 34,780 thousand (previous year: € 47,811 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 2007 financial year, pension provisions for active Board members fell by € 464 thousand (in the previous year, an amount of € 1,988 thousand was transferred to pension provisions).

In the 2007 financial year, the remuneration paid to former Executive Board members and their surviving dependents totalled € 7,011 thousand, including an one-off remuneration of € 777 thousand to a retired Board member (previous year: € 5,662 thousand). The provision to satisfy non-competition clauses and potential transition payment rights was increased by € 100 thousand (previous year: € 3,250 thousand).

b) Transition payments

Executive Board members retiring upon the expiry of their term of office either for lack of reappointment or renewal of their term of office or because the Company terminates their contract of employment are entitled to a transition payment until the date at which the pension payments fall due. The transition payments correspond to the pension rights. Any income received by the beneficiaries from self-employment or employment, pensions or transition payments by other companies or payments received from insurance companies is deducted from the entitlement to the transition payment.

c) Change of control agreement

In event of loss of Board membership through a change of control – if one or more shareholders acquire the majority of voting rights in TUI AG – or through executing the right granted to Board members, specifically accorded for this case, of resigning from their office and terminating the contract of employment as a Board member every Executive Board member is entitled to receive a remuneration for his financial entitlements for the remaining period of his contract of employment as Board member. The performance-related remuneration and the granting of phantom stocks for the remaining term of the employment 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 employment contracts for Board members do not comprise an explicit severance payment entitlement upon a premature termination of the service agreement. However, a severance payment may be paid under an individual termination agreement.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board members comprised a fixed component and variable components. They were determined in accordance with section 18 of TUI AG's Articles of Association, made permanently accessible to the public on the internet. The chairman of the Supervisory Board received three times the compensation of a regular member, the deputy chairperson and the other members of the Presiding Committee one and a half times the total remuneration of a regular member. A separate remuneration was paid for membership and chairmanship of committees.

The members of the Supervisory Board received a fixed remuneration of € 40,000, payable upon the completion of the financial year, besides reimbursement of their expenses.

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

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

Remuneration of the Supervisory Board

€ '000	2007	2006
Fixed remuneration	979.2	973.5
Short-term variable remuneration	149.3	–
Long-term variable remuneration	1,135.0	486.4
Remuneration for committee membership	160.0	160.0
Total	2,423.5	1,619.9

In addition, travel expenses and other expenses totalling € 65 thousand (previous year: € 74 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus totalled € 2,488.5 thousand (previous year: € 1,694 thousand).

Apart from the work performed by the employees' representatives in the framework of their contracts of employment, 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 2007 financial year.

Remuneration for individual Supervisory Board members for 2007

€ '000	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Remuneration for committee membership	Total
Dr. Jürgen Krumnow (Chairman)	120.0	18.3	150.0	20.0	308.3
Jan Kahmann (Deputy Chairman)	60.0	9.2	75.0	–	144.2
Andreas Barczewski	40.0	6.1	39.2	–	85.3
Jean-Claude Baumgarten	40.0	6.1	39.2	–	85.3
Jella Susanne Benner-Heinacher	40.0	6.1	50.0	–	96.1
Sepp Dieter Heckmann	40.0	6.1	39.2	–	85.3
Frank Jacobi (since 15 August 2007)	15.0	2.3	7.5	–	24.8
Uwe Klein	60.0	9.2	75.0	20.0	164.2
Christian Kuhn (until 31 December 2007)	40.0	6.1	50.0	–	96.1
Dr. Dietmar Kuhnt	40.0	6.1	50.0	60.0	156.1
Roberto López Abad	40.0	6.1	50.0	–	96.1
Dieter Lübke	40.0	6.1	24.9	–	71.0
Dr. h.c. Abel Matutes Juan	40.0	6.1	50.0	–	96.1
Petra Oechtering (until 15 August 2007)	37.5	5.7	58.4	–	101.6
Carmen Riu Güell	60.0	9.2	75.0	–	144.2
Dr. Manfred Schneider	40.0	6.1	50.0	20.0	116.1
Roland Schneider	46.7	7.1	42.6	–	96.4
Ilona Schulz-Müller	40.0	6.1	50.0	20.0	116.1
Olaf Seifert	40.0	6.1	50.0	20.0	116.1
Henry Sieb	40.0	6.1	39.2	–	85.3
Dr. Franz Vranitzky	60.0	9.2	69.6	–	138.8
Total	979.2	149.3	1,135.0	160.0	2,423.5

The entitlements of the Supervisory Board members under the long-term remuneration arrangement were covered by a provision totalling € 1,565 thousand (previous year: € 430 thousand).

Shareholding structure

In 2007 and in prior years, TUI AG received notifications concerning changes in the voting capital held by third parties pursuant to section 21 sub-section 1 of the German Securities Trading Act and published them in the Federal Gazette, including the following notifications still effective as at 31 December 2007:

RIU Hotels S.A.

The voting capital in TUI AG held by RIU Hotels S.A. has totalled 5.10% since 30 March 2005.

Caja de Ahorros del Mediterráneo/Inversiones Cotizadas del Mediterráneo

According to a notification by Caja de Ahorros del Mediterráneo received in December 2005 pursuant to section 21 sub-section 1 of the German Securities Trading Act, the company indirectly holds 5.00% of the voting rights in TUI AG following the contribution of its participation in TUI AG to Inversiones Cotizadas del Mediterráneo. The direct holder of the 5.00% share in the voting capital of TUI AG has been Inversiones Cotizadas del Mediterráneo since 1 December 2005. These shares are attributable to Caja de Ahorros del Mediterráneo pursuant to section 22 sub-section 1 no 1 of the German Securities Trading Act.

Hamed El Chiaty

According to a notification by Mr Hamed El Chiaty received in May 2007 pursuant to section 21 sub-section 1 of the German Securities Trading Act, the share in the voting capital of TUI AG attributable to him amounted to 4.00% (10,040,600 voting shares) as at 30 April 2007. All voting rights were directly held by Brierly Gardens Investments Limited (managing director: Hamed El Chiaty). In May 2007, the direct and indirect shareholders of the voting shares notified us that their share in the voting capital had fallen below the level of 3% and that they held 0% of the voting shares, i.e. no voting shares, in TUI AG as at that date. Share ownership had fallen below the threshold mentioned above due to a securities lending transaction which, however, is to be terminated before every AGM.

Teck Capital Management/Fipar International

According to a notification by Teck Capital Management pursuant to section 21 sub-section 1 of the German Securities Trading Act, its share in the voting capital of TUI AG totalled 5.0000028% (12,551,000 voting shares) on 9 July 2007. These voting shares were attributable to Fipar International via its subsidiary Teck Capital Management pursuant to section 22 sub-section 1 no 1 of the German Securities Trading Act.

Neuberger Berman LLC

According to the latest notification by Neuberger Berman LLC of August 2007 pursuant to section 21 sub-section 1 of the German Securities Trading Act, its share in the voting capital of TUI AG totalled 5.70% (14,314,100 voting shares) on 27 July 2007. All voting rights were attributable to Neuberger Berman LLC pursuant to section 22 sub-section 1 no 1 of the German Securities Trading Act.

Greenwich Holdings Ltd./Geveran Trading Co. Ltd.

According to a notification by Greenwich Holdings Ltd. and Geveran Trading Co. Ltd. received in September 2007 pursuant to section 21 sub-section 1 of the German Securities Trading Act, their share in the voting capital of TUI AG, held by Geveran Trading Co. Ltd., totalled 5.12% (12,850,000 voting shares) on 7 September 2007.

Pursuant to section 22 sub-section 1 no 1 of the German Securities Trading Act, all voting rights were attributable to Greenwich Holdings Ltd.

Alexey Mordashov/Sungrebe Investments Limited/Artcone Limited

According to a notification by Mr Alexey Mordashov received in November 2007 pursuant to section 21 sub-section 1 of the German Securities Trading Act, his share in the voting capital of TUI AG totalled 3.02% (7,585,000 voting shares) on 19 November 2007, attributable to him via Sungrebe Investments Limited and Artcone Limited.

UBS AG

According to a notification by UBS AG received in December 2007 pursuant to section 21 sub-section 1 of the German Securities Trading Act, its share in the voting capital of TUI AG totalled 3.39% (8,528,363 voting shares) on 20 November 2007. 0.12% of the voting rights (310,314 voting shares) were attributable to UBS AG pursuant to section 22 sub-section 1 no 1 of the German Securities Trading Act.

Further detailed information has been published at the Company's website (www.tui-group.com).

German Corporate Governance Code

TUI AG has oriented its corporate governance consistently to the recommendations and suggestions of the German Corporate Governance Code. In 2007, the Executive Board and the Supervisory Board repeatedly dealt with corporate governance issues and jointly submitted the updated declaration of compliance in accordance with section 161 of the German Stock Corporation Act in November 2007. The declaration was made permanently accessible to the public on TUI AG's website.

Responsibility Statement by Management

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity, and the management report includes a fair review of the development and performance of the business and the position of the entity, together with a description of the principal opportunities and risks associated with the expected development of the entity.

Hanover, 4 March 2008

The Executive Board

Frenzel

Baier

Behrendt

Engelen

Feuerhake

Long

Major direct Shareholdings

Annex to the notes

Shareholdings

		Share- holding %	Nominal capital in '000 CU	Result for the year ¹⁾ in '000 CU
Tourism				
GRUPOTEL DOS S.A., C'an Picafort ⁴⁾	€	50.0	64,396	1,085
Riu Hotels S.A., Palma de Majorca ⁴⁾	€	49.0	40,809	35,007
RIUSA II S.A., Palma de Majorca ^{2) 5)}	€	50.0	1,202	89,725
Robinson Club GmbH, Hanover	€	100	5,138	*
Tenuta di Castelfalfi S.p.A., Florence	€	85.0	40,000	- 3,864
TUI Travel PLC, Crawley ³⁾	GBP	51.0	111,851	- 7,611
Shipping				
Hapag-Lloyd AG, Hamburg	€	100	25,600	*
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	€	100	520	*
Other companies				
Preussag Finanz- und Beteiligungs-GmbH, Hanover	€	100	148,001	*
Preussag UK Ltd., London	GBP	100	82,000	24,097
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	100	71,427	*
TUI Beteiligungs GmbH, Hanover	€	100	500	*

* Profit and loss transfer agreement

¹⁾ according to local laws

²⁾ according to financial statement of the group

³⁾ according to financial statements of the interim report for the period from 1 Sep to 31 Dec 2007

⁴⁾ Joint venture

⁵⁾ Control

Auditor's Report

'We have audited the consolidated financial statements, comprising the balance sheet, the profit and loss statement and the notes on the consolidated financial statements, taking account of the accounts prepared by TUI AG and the management report for TUI AG, combined with the consolidated management report, for the financial year from 1 January 2007 to 31 December 2007. The preparation of the accounts, the consolidated financial statements and the combined management report under German commercial-law provisions are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements, taking account of the accounts and the combined management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB), taking account of the generally accepted auditing standards promulgated by the German Auditors' Institute (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the annual financial statements are free from material misstatements having a material effect on the presentation of the view of the asset, financial and earnings situation in the consolidated financial statements, taking account of the principles of adequate and orderly bookkeeping and the combined management report. In determining the audit procedures, knowledge of the business activities and the economic and legal position of the Group as well as expectations with regard to possible misstatements were taken into account. Within the framework of the audit, the efficiency of the accounting-related internal control system and evidence supporting the amounts and disclosures in the accounts, consolidated financial statements and combined management report were primarily assessed on a test basis. The audit included an assessment of the accounting principles applied and the significant estimates made by the Executive Board as well as an evaluation of the overall adequacy of the presentation of information in the annual 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, in conformity with the principles of adequate and orderly accounting, present a true and fair view of the asset, financial and earnings situation of the Group. In our opinion, the combined management report provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future developments.'

Hanover, 4 March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Winkeljohann
Wirtschaftsprüfer

Sven Rosorius
Wirtschaftsprüfer

Supervisory Board

Members of the Supervisory Board

Dr. Jürgen Krumnow

Chairman
ex. Member of the Executive Board
of Deutsche Bank AG
Frankfurt/Main

Jan Kahmann

Deputy Chairman
Member of the Federal Executive Board
of ver.di – Vereinte Dienstleistungs-
gewerkschaft
Berlin

Andreas Barczewski

Aircraft captain
Hanover

Jean-Claude Baumgarten

President of the
World Travel & Tourism Council
London

Jella Susanne Benner-Heinacher

Solicitor
Managing Director of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.
Düsseldorf

Sepp Dieter Heckmann

Chairman of the Executive Board
of Deutsche Messe AG
Hanover

Frank Jakobi

Travel agent
Hamburg
(since 15 August 2007)

Uwe Klein

Clerk
Hamburg

Christian Kuhn

Travel agent
Hanover
(until 31 December 2007)

Dr. Dietmar Kuhnt

ex. Chairman of the Executive Board
of RWE AG
Essen

Roberto López Abad

Chief Executive of Caja de Ahorros
del Mediterráneo
Alicante

Dieter Lübke

Shipping agent
Bremen

Dr. h.c. Abel Matutes Juan

Chairman of Fiesta Hotels & Resorts
Ibiza

Petra Oechtering

Travel agent
Cologne
(until 15 August 2007)

Carmen Riu Güell

Entrepreneur
Playa de Palma

Hans-Dieter Rüter

Aircraft engineer
Langenhagen
(since 17 January 2008)

Dr. Manfred Schneider

Chairman of the Supervisory Board
of Bayer AG
Leverkusen

Roland Schneider

Business Economist
Barsinghausen

Ilona Schulz-Müller

Representative for equality
in the Federal Executive Board
of ver.di – Vereinte Dienstleistungs-
gewerkschaft
Berlin

Olaf Seifert

Head of the Group Controlling Department
of TUI AG
Hanover

Henry Sieb

Federal Group Leader Travel of ver.di
– Vereinte Dienstleistungsgewerkschaft
Berlin

Dr. Franz Vranitzky

Chancellor (retrd.) of the Republic
of Austria
Vienna

Supervisory Board

Committees of the Supervisory Board

Members of the Presiding Committee

Dr. Jürgen Krumnow

ex. Member of the Executive Board of Deutsche Bank AG
Frankfurt/Main

Jan Kahmann

Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft
Berlin

Uwe Klein

Clerk
Hamburg

Petra Oechtering

Travel agent
Cologne
(until 15 August 2007)

Carmen Riu Güell

Entrepreneur
Playa de Palma

Roland Schneider

Business Economist
Barsinghausen
(since 1 September 2007)

Dr. Franz Vranitzky

Chancellor (retrd.) of the Republic of Austria
Vienna

Members of the Audit Committee

Dr. Dietmar Kuhnt

Chairman
ex. Chairman of the Executive Board of RWE AG
Essen

Dr. Jürgen Krumnow

ex. Member of the Executive Board of Deutsche Bank AG
Frankfurt/Main

Uwe Klein

Clerk
Hamburg

Dr. Manfred Schneider

Chairman of the Supervisory Board of Bayer AG
Leverkusen

Ilona Schulz-Müller

Representative for equality in the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft
Berlin

Olaf Seifert

Head of the Group Controlling Department of TUI AG
Hanover

Members of the Nomination Committee

Dr. Jürgen Krumnow

ex. Member of the Executive Board of Deutsche Bank AG
Frankfurt/Main

Carmen Riu Güell

Entrepreneur
Playa de Palma

Dr. Franz Vranitzky

Chancellor (retrd.) of the Republic of Austria
Vienna

Other Board memberships of the Supervisory Board^{*)}

Dr. Jürgen Krumnow

(Chairman)

- a) Deutsche Bahn AG
Hapag-Lloyd AG
Lenze Holding AG²⁾
- b) Peek & Cloppenburg KG

Jan Kahmann

(Deputy Chairman)

- a) Eurogate Beteiligungs-GmbH²⁾

Andreas Barczewski

–

Jean-Claude Baumgarten

–

Jella Susanne Benner-Heinacher

- a) A.S. Création AG
K+S AG

Sepp Dieter Heckmann

- a) Arena Hannover GmbH

Frank Jakobi

–

Uwe Klein

- a) Hapag-Lloyd AG

Christian Kuhn

- a) TUI Deutschland GmbH

Dr. Dietmar Kuhnt

- a) Allianz Versicherungs-AG
BDO Deutsche Warentreuhand AG
Dresdner Bank AG
GEA Group AG
Hapag-Lloyd AG
Hochtief AG
- b) COMSTAR-United TeleSystems

Roberto López Abad

- b) Banco Inversis Net, S.A.
CAM AEGON Holding Financiero S.L.¹⁾
CAMGE Financiera, E.F.C. S.A.,
Unipersonal¹⁾
CAMGE Holdco, S.L.¹⁾
EBN Banco De Negocios, S.A.
Gestión Tributaria Territorial, S.A.¹⁾
Lico Corporación, S.A.²⁾
Lico Leasing S.A. E.F.C.¹⁾
Mediterráneo Vida, S.A. De Seguros Y
Reaseguros, Sociedad Unipersonal¹⁾

Dieter Lübke

- a) Hapag-Lloyd AG

Dr. h.c. Abel Matutes Juan

–

Petra Oechtering

–

Carmen Riu Güell

- b) Riu Hotels, S.A.
RIUSA II, S.A.

Hans-Dieter Rüster

–

Dr. Manfred Schneider

- a) Bayer AG¹⁾
Daimler AG
Linde AG¹⁾
Metro AG
RWE AG

Roland Schneider

–

Ilona Schulz-Müller

–

Olaf Seifert

- a) TUI España Turismo S.A.
TUI Hellas Travel and Tourism A.E.

Henry Sieb

- a) TUI Deutschland GmbH²⁾
TUI Leisure Travel GmbH

Dr. Franz Vranitzky

- b) Magna International Corp.

^{*)} Information refers to 31 December 2007 or date of resignation from the Supervisory Board of TUI AG in 2007

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

Executive Board of TUI AG

Dr. Michael Frenzel

Chairman

Horst Baier

Controlling

(since 9 November 2007)

Michael Behrendt

Shipping

Dr. Peter Engelen

Human Resources and Legal Affairs

Rainer Feuerhake

Finance

Peter Long

Tourism

(since 3 September 2007)

Christoph R. Mueller

Controlling

(until 3 September 2007)

Peter Rothwell

Tourism

(until 8 November 2007)

Other board memberships of the Executive Board*)

Dr. Michael Frenzel

(Chairman)

- a) AWD Holding AG
- AXA Konzern AG
- Continental AG
- E.ON Energie AG
- Hapag-Lloyd AG¹⁾
- Hapag-Lloyd Fluggesellschaft mbH¹⁾
- TUI Deutschland GmbH¹⁾
- Volkswagen AG
- b) Norddeutsche Landesbank
- Preussag North America, Inc.¹⁾
- TUI China Travel Co. Ltd.
- TUI Travel PLC¹⁾

Horst Baier

- a) Hapag-Lloyd AG
- TUI Deutschland GmbH
- TUI Leisure Travel GmbH
- b) Grupotel Dos S.A.
- Magic Life Assets AG
- RIUSA II S.A.¹⁾
- TUI Holding Spain S.L.

Michael Behrendt

- a) Barmenia Allgemeine Versicherungs-AG
- Barmenia Krankenversicherung a.G.²⁾
- Barmenia Lebensversicherung a.G.²⁾
- ESSO Deutschland GmbH
- ExxonMobil Central Europe Holding GmbH
- Hamburgische Staatsoper GmbH
- MAN AG
- b) CP Ships Ltd.¹⁾

Dr. Peter Engelen

- a) Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- TUI Leisure Travel GmbH
- b) TUI China Travel Co. Ltd.

Rainer Feuerhake

- a) Hapag-Lloyd AG
- Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- b) Amalgamated Metal Corporation PLC
- Preussag North America, Inc.
- TUI España Turismo S.A.
- TUI InfoTec GmbH
- TUI Travel PLC

Peter Long

- a) –
- b) Debenhams PLC
- First Choice Airways Ltd.¹⁾
- First Choice Holidays&Flights Ltd.
- First Choice Holidays PLC
- Rentokil Initial PLC
- StudentCity.com, Inc.
- Sunshine Cruises Ltd.

Christoph R. Mueller

- a) Hapag-Lloyd AG
- Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- b) Jetair N.V.
- Sonata Software Ltd.
- TUI Belgium N.V.

Peter Rothwell

- a) TUI Deutschland GmbH
- b) TUI Belgium N.V.
- TUI España Turismo S.A.

*) Information refers to 31 December 2007 or date of resignation from the Executive Board of TUI AG in 2007

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Report of the Supervisory Board

In the following, the Supervisory Board reports on its activities in the 2007 financial year, in particular the plenary discussions, the work done by the committees, compliance with the Corporate Governance Code, the audit of the financial statements of TUI AG and the Group as well as changes in the membership of the boards of the Company.

Cooperation between the Supervisory Board and the Executive Board

In the 2007 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 the development of business from the approved plans were presented, explained and discussed. The Executive Board discussed the strategic focus of the Group and all key transactions of relevance to the Company – in particular the further development of the Group – with the Supervisory Board. The Supervisory Board was involved in all decisions of fundamental relevance to the Company.

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

Supervisory Board and committees

The Supervisory Board has set up three committees to support its work: the Presiding Committee, the Audit Committee, and the Nomination Committee. The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. It also fixes the terms and conditions, including the remuneration of the contracts of employment for Executive Board members.

In the 2007 financial year, four regular Supervisory Board meetings were held. The Presiding Committee met four times; the Audit Committee also held four meetings. The Nomination Committee did not meet.

Prior to regular Supervisory Board meetings, the shareholder representatives in the Supervisory Board met three times, and the employees' representatives eight times in separate meetings. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in the completed financial year.

Work of the Presiding Committee

At the meeting on 17 March 2007, convened to adopt the annual financial statements, deliberations mainly focused on the preparation of the items on the agenda for the forthcoming Supervisory Board meeting. The meetings of 11 July 2007 and 9 October 2007 mainly dealt with issues relating to the Executive Board. At the latter meeting, discussions also related to the updated declaration on the German Corporate Governance Code and corporate governance issues concerning the investment in TUI Travel PLC. At the meeting of 8 November 2007, issues relating to the Executive Board were discussed and the forthcoming Supervisory Board meeting was prepared.

Work of the Audit Committee

At its meeting on 17 March 2007, the Audit Committee focused its deliberations on the annual financial statements of TUI AG and the consolidated financial statements for 2006. The committee also discussed its recommendation to the Supervisory Board on the election of the auditors for the 2007 financial year.

At its meeting on 10 May 2007, the Audit Committee dealt with the interim financial statements as per 31 March 2007, the report on the Group's risk situation, policies for the employees of TUI AG and the status of the integration of CP Ships.

One of the key items discussed at the meeting of 8 August 2007 were the interim financial statements for the first half of 2007. In addition, the Audit Committee discussed the main areas to be audited in the annual audit for the 2007 financial year and the establishment of TUI Travel PLC. Moreover, the Audit Committee resolved to invite new tenders for the audit of the financial statements of TUI AG and the Group as per 31 December 2008.

The meeting of 7 November 2007 mainly focused on the interim financial statements as per 30 September 2007. The agenda also covered other issues including the internal control system, in particular Group Internal Auditing activities in the 2007 financial year, the audit plan for 2008 and the report on the organisation of compliance. Discussions also related to the effects of the corporate tax reform on the Group.

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

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 of the

Group and the individual divisions as well as the financial situation and structural development of the Group.

The central issue in the meeting on 18 March 2007, was the debate concerning the acquisition of the First Choice Group and its merger with the tourism entities of the TUI Group. Other major subjects were the reports and deliberations on the annual financial statements as per 31 December 2006, the comparison between budgeted and actual figures for 2006 and the HR and social situation in 2006. The discussions on the annual financial statements were also attended by representatives of the auditors who were available to answer questions. Other items on the agenda for that meeting were the resolution concerning the issue of employee shares and the extension of the authorisation to acquire own shares as well as various amendments to the Articles of Association. The Supervisory Board also dealt with shareholding issues.

The meeting of 16 May 2007 mainly served to prepare for the forthcoming Annual General Meeting and the issuance of a convertible bond.

Deliberations at the meeting of 11 July 2007 focused on matters relating to the Executive Board. In addition, the Executive Board reported on the status of the merger between the tourism division and First Choice Holidays PLC to form TUI Travel PLC. The Supervisory Board also dealt with shareholding issues.

At the meeting of 8 November 2007, deliberations focused on corporate governance issues. In this context, the Supervisory Board adopted the declaration of compliance with the German Corporate Governance Code, resolved necessary amendments to the terms of reference of the Supervisory Board and discussed the efficiency review report. As part of its regular reporting activities, the Executive Board informed the Supervisory Board about shareholding and financing issues. The Supervisory Board also dealt with the future business development of the new TUI Travel PLC in 2008.

Corporate Governance

At the meeting of 8 November 2007, the Executive Board and Supervisory Board discussed an update of the declaration of compliance with the German Corporate Governance Code and issued the joint declaration of compliance pursuant to section 161 of the German Stock Corporation Act. It was made permanently accessible to the public on TUI AG's website. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 14 June 2007. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board reports about corporate governance in a separate section (corporate governance report) of this chapter.

At their meetings, both the Audit Committee and the Supervisory Board dealt with corporate governance issues within the Company, also in particular several times with regard to the investment in TUI Travel PLC. They also examined the efficiency of their actions. This review was carried out on the basis of a questionnaire. The results of the efficiency review were discussed at the Supervisory Board meeting of 8 November 2007.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed as the auditors by the Annual General Meeting held on 16 May 2007 and were commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 31 December 2007, 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 2007 financial year, prepared in accordance with the provisions of the International Accounting Standards Board (IASB) and complemented by the commercial law provisions additionally required pursuant to section 315a subsection 1. The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements.

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 14 March 2008 and the Supervisory Board meeting on 17 March 2008, 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 31 December 2007 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, the consolidated financial statements and the Group management report. The Supervisory Board also examined and approved the proposal for the appropriation of the profits for the 2007 financial year submitted by the Executive Board.

Supervisory Board and committee memberships

With effect from 15 August 2007, Ms Petra Oechtering resigned from her office on the Presiding Committee and Supervisory Board of TUI AG. As from that date she has been replaced by Mr Frank Jakobi, elected in person as her substitute on the Supervisory Board. With effect from 1 September 2007, the Supervisory Board elected Mr Roland Schneider as a member of the Presiding Committee. Mr Christian Kuhn resigned from the Supervisory Board of TUI AG as per 31 December 2007. By resolution of the district court of Hanover of 17 January 2008, Mr Hans-Dieter Rüter was appointed to the Supervisory Board. The Supervisory Board thanks the retired members for their commitment over many years.

Composition of the Executive Board and the Executive Committee

With effect from 3 September 2007, the Supervisory Board appointed Mr Peter Long (Tourism) as ordinary member of the Executive Board. In addition to his function as a Board member for TUI AG, Mr Peter Long is the Chief Executive of TUI Travel PLC.

Also effective 3 September 2007, Mr Christoph R. Mueller resigned from the Executive Board of TUI AG. He changed to the Board of TUI Travel PLC as Aviation Director. The Supervisory Board thanks Mr Mueller for his work as a Board member of TUI AG.

At its meeting on 8 November 2007, the Supervisory Board extended the contracts of Chairman Dr Michael Frenzel (until 31 March 2012), CFO Rainer Feuerhake (until 31 March 2011) and HR director Dr Peter Engelen (until 31 August 2013).

At its meeting of 8 November 2007, the Supervisory Board also appointed Mr Horst Baier as Board member of TUI AG with effect from 9 November 2007. He is in charge of Controlling.

On 8 November 2007, Mr Peter Rothwell resigned from the Executive Board with immediate effect. He had been in charge of Tourism with Mr Peter Long. The Supervisory Board thanks Mr Rothwell for his work as a Board member of TUI AG.

The Executive Committee was dissolved in the wake of the reorganisation of the Group structure. Messrs Karl J. Pojer (TUI Hotels & Resorts) and Adolf Adrion (Shipping) will continue to be divisional directors and regularly participate in TUI AG's Board meetings in that function.

The Supervisory Board
Hanover, 17 March 2008

Dr Jürgen Krumnow
Chairman

Five Years Summary

Balance sheet

€ million	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007
Assets					
Fixed assets	7,808.7	6,973.1	7,405.4	9,888.4	8,123.6
Current assets (incl. prepaid expenses)	1,087.7	945.8	3,050.5	651.1	3,147.8
Liabilities					
Equity and liabilities	2,426.3	2,429.6	3,702.8	3,616.5	3,706.3
Subscribed capital	(456.2)	(457.0)	(641.0)	(641.7)	(642.3)
Special non-taxed item	51.7	48.1	43.8	42.6	41.5
Provisions	1,273.9	1,008.0	947.9	730.3	1,054.3
Liabilities (incl. deferred income)	5,144.5	4,433.2	5,761.4	6,150.1	6,469.3
Balance sheet total	8,896.4	7,918.9	10,455.9	10,539.5	11,271.4

Profit and loss statement

€ million	2003	2004	2005	2006	2007
Profit from ordinary activities	36.2	136.6	380.6	107.6	70.9
Extraordinary profit/loss	+ 42.9	–	–	–	–
Taxes	- 58.3	- 1.0	- 9.7	+ 4.0	+ 4.4
Group profit for the year	137.4	137.6	390.3	103.6	66.5

Profit appropriation

€ million	2003	2004	2005	2006	2007
Transfer to other revenue reserves	–	–	195.1	51.7	33.2
Profit available for distribution	137.8	138.0	195.5	54.3	87.6
Retained profit brought forward for the subsequent year	0.4	0.4	2.4	54.3	24.8
Dividend payment	137.4	137.6	193.1	–	62.8

Dividend per share

€	2003	2004	2005	2006	2007
Dividend	0.77	0.77	0.77	–	0.25

Share price development of the TUI share¹⁾

€	2003	2004	2005	2006	2007
High	16.02	19.04	20.47	18.40	21.95
Low	7.22	12.05	16.10	14.51	15.19
Year-end closing price	15.39	16.22	17.30	15.14	19.13

¹⁾ All disclosures after the capital increase of September 2005 have been restated.

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany

