Financial Statements 2008
TUI AG

TUI Aktiengesellschaft

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The annual financial statements and the management report of TUI AG for the 2008 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 2008.

Financial Statements

Balance sheet of the TUI AG as at 31 December 2008

€ '000	Notes	31 Dec 2008	31 Dec 2007
Assets			
Fixed assets	(1)		
Intangible assets		1,505	4,487
Property, plant and equipment		62,238	1,635,908
Investments			
Shares in Group companies		2,625,061	6,171,177
Other investments		339,861	312,066
		2,964,922	6,483,243
		3,028,665	**8,123,638**
Current assets			
Inventories	(2)	19	390
Receivables and other assets	(3)	2,009,478	2,796,167
Securities	(4)	2,493,900	0
Cash in hand and bank balances	(5)	1,237,333	306,500
		5,740,730	**3,103,057**
Prepaid expenses	(6)	**24,373**	**44,725**
		8,793,768	**11,271,420**

€ '000	Notes	31 Dec 2008	31 Dec 2007
Equity			
Shareholders' equity			
Subscribed capital	(7)	642,807	642,299
Conditional capital		*200,000*	*190,000*
Capital reserves	(8)	917,127	2,420,311
Revenue reserves	(9)	556,140	556,140
Profit available for distribution	(10)	0	87,587
of which retained earnings brought forward		*24,776*	*54,300*
		2,116,074	**3,706,337**
Special non-taxed items	(11)	**40,346**	**41,483**
Provisions			
Provisions for pensions and similar obligations		229,540	197,753
Other provisions	(12)	925,060	856,563
		1,154,600	**1,054,316**
Liabilities	(13)		
Bonds		3,019,000	3,403,550
of which convertibel		*694,000*	*1,078,550*
Liabilities to banks		1,055,033	883,557
Trade accounts payable		3,940	3,133
Other liabilities		1,389,578	2,167,851
		5,467,551	**6,458,091**
Deferred income	(14)	**15,197**	**11,193**
		8,793,768	**11,271,420**

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

€ '000	Notes		2008	2007
Turnover	(18)	313,261		454,957
Other operating income	(19)	3,103,742		2,289,754
			3,417,003	2,744,711
Cost of materials	(20)	176,173		190,462
Personnel costs	(21)	98,158		63,116
Depreciation/amortisation	(22)	182,123		359,317
Other operating expenses	(23)	2,429,693		1,867,872
			- 2,886,147	- 2,480,767
Net income from investments	(24)		- 98,484	+ 576,742
Write-downs of investments	(25)		- 1,731,579	499,663
Interest result	(26)		- 166,347	- 270,085
Profit from ordinary business activities			**- 1,465,554**	**+ 70,938**
Taxes	(27)		63,090	4,451
Net profit for the year			**- 1,528,644**	**66,487**
Retained earnings brought forward			24,776	54,300
Withdrawal from capital reserves			+ 1,503,868	0
Transfer to other revenue reserves			0	- 33,200
Profit available for distribution	(10)		**0**	**87,587**
Previous year: distribution of €0.25 per share			**–**	**- 62,811**

Development of Fixed Assets

Development of Fixed Assets of TUI AG for the period from 1 January 2008 to 31 December 2008

€ '000	Balance at 1 Jan 2008	Additions*)	Disposals*)	Reclassification	Historical cost Balance at 31 Dec 2008
Intangible assets					
Concessions, industrial property rights and similar rights and values	8,343	70	4,750	0	3,663
	8,343	**70**	**4,750**	**0**	**3,663**
Property, plant and equipment					
Real estate, land rights and buildings including buildings on third-party properties	89,739	0	0	0	89,739
Machinery and fixtures	1,400	0	0	0	1,400
Container ships	1,475,229	135,198	1,647,111	36,684	0
Containers and Container semi-trailers	478,643	16,150	494,793	0	0
Other plants, operating and office equipment	13,816	100	309	0	13,607
Work in progress	36,684	0	0	- 36,684	0
Payments on account	0	2	0	0	2
	2,095,511	**151,450**	**2,142,213**	**0**	**104,748**
Investments					
Shares in Group companies	8,277,178	716,503	4,263,562	135	4,730,254
Loans to Group Companies	2,932	14,635	1,539	0	16,028
Investments	309,070	15,422	1,063	- 135	323,294
Loans to affiliates	10,750	2,605	0	0	13,355
Securities held as fixed assets	4,765	239	0	0	5,004
Other loans	3,629	0	29	0	3,600
Payments on account	437	0	0	0	437
	8,608,761	**749,404**	**4,266,193**	**0**	**5,091,972**
Fixed assets	**10,712,615**	**900,924**	**6,413,156**	**0**	**5,200,383**

*) incl. from/to consolidated companies

Value adjustments				Carrying amounts	
Balance at 1 Jan 2008	Depreciation/ Amortisation	Disposals*)	**Balance at 31 Dec 2008**	**Balance at 31 Dec 2008**	**Balance at 31 Dec 2007**
3,856	677	2,375	2,158	1,505	4,487
3,856	**677**	**2,375**	**2,158**	**1,505**	**4,487**
31,351	1,344	0	32,695	57,044	58,388
1,369	9	0	1,378	22	31
252,844	115,824	368,668	0	0	1,222,385
165,716	63,903	229,619	0	0	312,927
8,323	366	252	8,437	5,170	5,493
0	0	0	0	0	36,684
0	0	0	0	2	0
459,603	**181,446**	**598,539**	**42,510**	**62,238**	**1,635,908**
2,106,001	1,729,222	1,730,030	2,105,193	2,625,061	6,171,177
0	0	0	0	16,028	2,932
5,205	0	0	5,205	318,089	303,865
10,750	1,760	0	12,510	845	0
0	380	0	380	4,624	4,765
3,562	0	17	3,545	55	67
0	217	0	217	220	437
2,125,518	**1,731,579**	**1,730,047**	**2,127,050**	**2,964,922**	**6,483,243**
2,588,977	**1,913,702**	**2,330,961**	**2,171,718**	**3,028,665**	**8,123,638**

Accounting and Measurement

TUI AG notes for the 2008 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. The changes were related to low-value assets, driven by fiscal legislation, but also to provisions for pensions and provisions for derivative financial instruments, as a result of the future mandatory provisions of the German Accounting Law Modernisation Act.

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. Container ships were depreciated on a straight-line basis, taking account of a useful life of 12 years, until they were sold. Shorter depreciation periods were applied to purchases of used ships. For the containers and container semi-trailers sold, straight-line depreciation was effected until the disposal of these assets.

Since January 2008, other new depreciable property, plant and equipment have also exclusively been depreciated on a straight-line basis in line with the provisions of the German Corporate Tax Reform Act. Depreciable movable assets with purchase costs of 150 to 1,000 euro were grouped into collective annual items in accordance with tax law. Other depreciable property, plant and equipment with a useful life of more than five years acquired in previous years were depreciated on the basis of the declining balance method, with straight-line depreciation regularly applied whenever the calculated amount based on this method exceeded that obtained by using the declining balance method. The maximum rate of 30% permissible under tax rules was applied to additions made between 1 January 2006 and 31 December 2007, while a 20% rate was applied to additions made prior to that date. Where use was made of special tax depreciation allowances, assets were depreciated on a straight-line basis. 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
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 carried 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, current unhedged currency items were measured at the exchange rate at the balance sheet date. Non-current unhedged currency receivables were translated at the buying rate at the date of the transaction or the closing rate, if lower. Non-current 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.

The commercial-law measurement of pension obligations was effected on the basis of the method contained in the draft Act on the Modernisation of Accounting Law adopted by the federal government. The measurement parameters for the salary and pension trends of the previous IFRS regulations (IAS 19) hitherto applied will have to be retained. However, unlike before, the obligations are now discounted on the basis of a 7-year average interest rate of 4.5% per annum as at the closing date. The biometric data underlying the measurement of the pension provisions continued to be based on the '2005 G reference tables' – so-called 'generation tables' – by Prof Dr Klaus Heubeck. Discounting the obligations on the basis of an average interest rate will reduce fluctuations in measurements of pension provisions in future.

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.

As from the financial year 2008 provisions are formed for negative fair values of derivative financial instruments unless valuation units exist for which positive market values of matching amounts arise from corresponding business transactions with matching volumes and maturities. 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 fuel hedges were performed by means of cash compensation, 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 externally concluded transactions 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. A complete list of shareholdings is available in the electronic federal gazette and on the internet at www.tui-group.com.

Following the resolution adopted by the Executive Board and Supervisory Board in March 2008 to prepare the separation of container shipping from the TUI Group, a contract on the sale of all shares in Hapag-Lloyd AG to 'Albert Ballin' Holding GmbH & Co. KG, a subsidiary of the Albert Ballin KG consortium, was concluded in October 2008 with the consent of the Supervisory Board. The sale went hand in hand with TUI AG's acquisition of an - indirect - entrepreneurial stake of now 43.33% in the acquiring company for €910m. The transaction was approved on 6 February 2009 by, inter alia, the EU Commission after the US Federal Trade Commission had already granted its approval on 1 December 2008. The contract is planned to be performed in March 2009.

The major changes in fixed assets were attributable to the measures taken in order to prepare the separation of container shipping from the Group, including in particular the transfer of the maritime assets to Hapag-Lloyd AG and capital measures in Hapag-Lloyd AG.

Property, plant and equipment

Additions of property, plant and equipment totalled €151.5m and mainly related to two newly built container ships and the acquisition of containers. The disposals of property, plant and equipment of €1,542.5m mainly related to the sale of the maritime assets of TUI AG, comprised of 55 container ships, containers, semi-trailers and other equipment, to Hapag-Lloyd AG.

Investments

Changes in investments were characterised by the intention to sell the container shipping division and the strengthening of the equity base of Hapag-Lloyd AG, the acquirer of the maritime assets, by means of a payment of €686.8m into the capital reserve. The carrying amount of the participation subsequently had to be written off to the contractually agreed selling price of the shares of around €2.5bn, after deduction of the financial debt of Hapag-Lloyd and after consideration of incidental costs still to be incurred. Against the background of the plan to sell the participation, the shares were reclassified to the item 'Securities' under current assets.

Additions of investments mainly related to capital contributions to the newly formed joint venture TUI Cruises GmbH, which will operate cruises in the premium volume market segment as of May 2009.

(2) Inventories

Inventories exclusively related to consumables and supplies.

(3) Receivables and other assets

Receivables and other assets

€ '000	**31 Dec 2008**	**31 Dec 2007**
Trade accounts receivable	0	183
of which with a remaining term of more than 1 year	*–*	*–*
Receivables from Group companies	1,815,135	2,547,560
of which with a remaining term of more than 1 year	*1,021,938*	*2,014,138*
Receivables from companies in which shareholdings are held	2,057	6,429
of which with a remaining term of more than 1 year	*–*	*–*
Other assets	192,286	241,995
of which with a remaining term of more than 1 year	*110,324*	*59,731*
	2,009,478	**2,796,167**

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

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

(4) Securities

This item shows the shares in Hapag-Lloyd AG, i.e. shares in Group companies.

(5) Cash in hand and bank balances

This item almost exclusively comprised bank balances.

(6) Prepaid expenses

Prepaid expenses

€ '000	**31 Dec 2008**	**31 Dec 2007**
Discount	336	11,368
of which with a remaining term of more than 1 year	*202*	*336*
Other prepaid expenses	24,037	33,357
of which with a remaining term of more than 1 year	*7,366*	*11,802*
	24,373	**44,725**

The discount carried in connection with the issue of the 2007/2012 convertible bond was written off on a straight-line basis with an effect on interest expenses as scheduled.

The decline in other prepaid expenses mainly resulted from a reduction in accrued financing costs for ordered aircraft delivered and assigned to a company of the TUI Travel Group.

(7) 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 around €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 198,730 employee shares, the subscribed capital registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover rose by around €0.5m to around €642.8m. At the end of the financial year, the subscribed capital thus comprised 251,444,305 shares (previous year: 251,245,575 shares).

The Annual General Meeting of 7 May 2008 again 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 6 November 2009 and replaces the authorisation to purchase own shares granted by the Annual General Meeting of 16 May 2007. The authorisation to purchase own shares has not been used to date.

Conditional capital

The Annual General Meeting of 10 May 2006 resolved to create conditional capital of €100.0m. The purpose of the conditional capital was to issue bonds with conversion options and warrants as well as profit-sharing rights and income bonds with a total nominal amount of up to €1.0bn (with or without fixed terms) by 9 May 2011.

Using a part of this capital, on 1 June 2007 TUI AG issued an uncollateralised non-subordinated convertible bond of €694.0m maturing on 1 September 2012. The bond was issued in denominations of nominal values of €50,000. Following an adjustment in May 2008, the conversion price was €27.3019 per no-par value share – the convertible bond may thus be converted into a maximum of 25,419,475 shares. The bonds, carrying an interest coupon of 2.75% per annum, were issued at par. The bond is traded in two German stock exchanges as well as Luxembourg and Zurich. Up to 31 December 2008, the holders of the convertible bonds had not exercised any conversion options.

In order to retain the opportunity of issuing further bonds, the Annual General Meeting of 7 May 2008 resolved to create additional conditional capital of €100.0m. Accordingly, bonds with conversion options or warrants, profit-sharing rights and income bonds with a nominal volume of up to €1.0bn (with or without fixed terms) may be issued by 6 May 2013.

Authorised capital

New authorised capital of €10.0m was created by the Annual General Meeting of 7 May 2008 for the issuance of employee shares. In financial year 2008, 198,730 employee shares were issued. The authorised capital remaining for the issuance of employee shares therefore stood at around €9.5m at the end of the 2008 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 6 May 2013.

The Annual General Meeting of 7 May 2008 also resolved to issue new registered shares against cash contribution for up to a maximum of €64.0m. This authorisation will expire on 6 May 2013.

The Annual General Meeting of 10 May 2006 also resolved to create additional authorised capital for the issue of new shares against cash or non-cash contribution totalling €246.0m. The issue of new shares against non-cash contribution has been limited to €128.0m. The Executive Board of TUI AG has been authorised to use this capital by 9 May 2011.

Unused authorised capital thus totalled around €319.5m.

(8) 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 €0.7m from the issue of employee shares. In the previous year, an amount of around €22.8m had been transferred to the capital reserves from premiums from the issue of the convertible bond and employee shares. An amount of €1,503.9m was withdrawn from the capital reserves in order to balance the net result for the year.

(9) 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.

(10) Profit available for distribution

The net loss for the year totalled €1,528,644,030.24. Taking account of the retained profit brought forward of €24,775,821.65, an amount of €1,503,868,208.59 was withdrawn from the capital reserves to balance the net result for the year.

(11) Special non-taxed item

The special non-taxed item totalled €40.3m (previous year: €41.5m) and included tax-related depreciation of fixed assets in accordance with section 6b of the German Income Tax Act. In particular due to the long reversal period, reversal of the special non-taxed item will create a minor income tax effect for individual financial years.

(12) Other provisions

Other provisions

€ '000	31 Dec 2008	31 Dec 2007
Tax provisions	141,044	110,100
Other provisions	784,016	746,463
	925,060	**856,563**

Tax provisions existed for turnover and income taxes in Germany and abroad.

Where the hedging transactions with banks were not matched by agreements with Group companies with identical maturities and volumes, corresponding provisions were formed for these transactions and agreements in the event of negative market values. Provisions were also formed for investment risks, maintenance measures for aircraft leased from non-Group third parties and leased out to TUI's tourism division as well as for personnel costs and other risks.

Around 63% (previous year: around 60%) of other provisions had a remaining term of up to one year.

(13) Liabilities

Liabilities

€ '000	31 Dec 2008 Remaining items	31 Dec 2008 Total	31 Dec 2007 Total	31 Dec 2007 Remaining items
Bonds		**3,019,000**	**3,403,550**	
up to 1 year	400,000			384,550
1 - 5 years	2,319,000			2,719,000
more than 5 years	300,000			300,000
of which convertible		*694,000*	*1,078,550*	
up to 1 year	–			384,550
1 - 5 years	694,000			694,000
more than 5 years	–			–
Liabilities to banks		**1,055,033**	**883,557**	
up to 1 year	188,033			27,191
1 - 5 years	867,000			688,985
more than 5 years	–			167,381
Trade accounts payable		**3,940**	**3,133**	
up to 1 year	3,940			3,133
1 - 5 years	–			–
more than 5 years	–			–
Other liabilities		**1,389,578**	**2,167,851**	
up to 1 year	1,354,633			2,109,838
1 - 5 years	34,320			28,990
more than 5 years	625			29,023
of which liabilities to Group companies		*1,187,693*	*2,014,894*	
up to 1 year	1,187,693			2,014,894
1 - 5 years	–			–
more than 5 years	–			–
of which liabilities to companies in which shareholdings are held		*289*	*592*	
up to 1 year	289			592
1 - 5 years	–			–
more than 5 years	–			–
of which Other liabilities		*201,596*	*152,365*	
up to 1 year	166,651			94,352
1 - 5 years	34,320			28,990
more than 5 years	625			29,023
of which from taxes		*10,811*	*5,775*	
up to 1 year	10,811			5,775
1 - 5 years	–			–
more than 5 years	–			–
of which relating to social security		*879*	*965*	
up to 1 year	879			965
1 - 5 years	–			–
more than 5 years	–			–
		5,467,551	**6,458,091**	

Convertible bonds related to the 2007/2012 convertible bond of €694.0m issued on 1 June 2007. It will mature on 1 September 2012. The bond carries an interest coupon of 2.75% per annum.

The 2003/2008 convertible bond of €384.5m was fully repaid as per 1 December 2008. No conversion options were exercised during the term of the bond.

As before, non-convertible bonds at year-end comprised the five bonds with a total nominal volume of €2,325.0m issued in previous years.

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

Three additional bonds with a total volume of €1,300.0m were issued in December 2005. The senior floating rate notes with a volume of €550.0m carry a floating-rate interest coupon (3-month-EURIBOR + 1.55% per annum) and will mature in December 2010. The senior fixed rate notes with a volume of €450.0m carry a fixed-interest nominal coupon of 5.125% per annum and will mature in December 2012. These two bonds were offered at minimum denominations of €50,000.00 each and higher integral multiples of €1,000.00. The subordinated hybrid bond with a volume of €300.0m 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-month-EURIBOR + 7.30% per annum). The hybrid bond was issued in denominations of €1,000.00.

In January 2008, TUI AG took up a financing to be carried as a liability to banks of €450.0m in connection with the issue of an exchangeable bond for shares in TUI Travel PLC by a non-Group third-party financing company. In order to collateralise this liability, around 10.7% of the TUI Travel PLC shares were sold to the financing provider. Economic ownership of the shares, in particular voting rights and dividend entitlements, were retained by TUI AG. Legal ownership is planned to be retransferred to TUI AG upon maturity of the financing. The redemption date is planned for 15 April 2013. The interest rate for this financing scheme is 4.5% per annum.

In August and October of financial year 2008, TUI AG transferred six bank loans related to ship financing schemes to its subsidiary Hapag-Lloyd AG in the wake of the preparation of the separation of container shipping from the Group. The loans amounted to €329.3m as per the transfer dates. Five bank loans had already existed as per 31 December 2007 while one bank loan, transferred at an amount of €67.1m, had been taken up by TUI AG in April 2008.

Liabilities to banks also included six bonds worth a total of €333m, which had been taken up in the framework of private placements in 2006 and 2007. They will be redeemed by 11 December 2009 (€183m) and 10 December 2010 (€150m). Until then, these financing schemes will be subject to fixed-interest agreements with rates of around 5.3% p.a. and around 7.5% p.a.

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

The considerable decline in liabilities to Group companies resulted from the redemption of current investments of TUI Travel PLC.

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 €300.6m (previous year: €496.4m).

The liabilities shown were not secured by rights of lien or similar rights. The loans secured by ship mortgages in the previous year (€150.7m) were transferred to Hapag-Lloyd AG in the framework of the separation of container shipping from the Group.

(14) Deferred income

Deferred income

€ '000	31 Dec 2008	31 Dec 2007
Other deferred income	15,197	11,193

Deferred income mainly related to operating leases for aircraft, including an amount of €14.0m to Group companies (previous year: €9.7m).

(15) Contingent liabilities

Contingent liabilities

€ '000	31 Dec 2008	31 Dec 2007
Liabilities under guarantees, bill and cheque guarantees	612,340	768,717
Liabilities under warranties	21	28
	612,361	**768,745**
of which to Group companies	*576,482*	*723,857*

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.

(16) Other financial commitments

Other financial commitments

€ '000	31 Dec 2008	31 Dec 2007
Lease, rental, leasing and similar contracts	533,862	701,336
Order commitments	421,478	710,883
Other financial commitments	1,385,314	598,611
	2,340,654	**2,010,830**

The decrease in lease, rental and leasing contracts was mainly associated with the reduction in obligations from aircraft rental agreements with non-Group third parties for aircraft used by airlines of the TUI Travel PLC Group due to lapse of time. Upon the expiry of contracts, any new contracts required will be concluded by the TUI Travel PLC Group as a matter of principle.

Order commitments under the aircraft purchase agreements concluded with Boeing in previous years decreased due to aircraft deliveries in the current year, with the TUI Travel Group having to take over the aircraft. In the previous year, order commitments had also included orders for maritime assets.

Other financial liabilities comprised the acquisition of an entrepreneurial stake in the new container shipping group of €0.7bn, planned for March 2009. At the end of February 2009, changes were agreed under which TUI AG will now increase its stake from 33.33% to 43.33% for a total purchase price of €0.91bn. In addition, TUI AG has declared its willingness to guarantee the financial structure of the Hapag-Lloyd Group even after the transfer of ownership for a limited period of time with a credit facility of up to €1bn at customary market terms and conditions. Financial liabilities comprised loan commitments of €0.2bn at the balance sheet date. The item also included in particular other commitments related in particular to TUI Group commitments to purchase EDP services from TUI InfoTec GmbH, which declined over time as scheduled due to the performance of these services. Order commitments also included financial commitments in connection with the provision of equity to TUI Cruises GmbH, the joint venture with Royal Caribbean Cruises Ltd., expected to be performed by TUI AG within the next five years.

Other financial commitments included an amount of €1,444.2m (previous year: €625.5m) of expenses due in the subsequent year. Liabilities due within one to five years totalled €816.1m (previous year: €1,235.5m) at the balance sheet date, liabilities due within more than 5 years totalled €80.4m (previous year: €149.8m). Other financial commitments to Group companies totalled €16.0m (previous year: €5.8m).

(17) Derivative financial instruments

Derivative financial instruments

		Fair values	
€ '000	**Nominal volume**	positive	negative
Currency hedges	9,366,934	349,842	319,741
of which with Group companies	*3,340,341*	*48,507*	*259,382*
Commodity hedges	2,552,252	452,627	452,627
of which with Group companies	*1,276,126*	*448,715*	*3,912*
Interest rate hedges	27,932	–	1,302
of which with Group companies	–	–	–
Other instruments	–	–	–
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 2008**	**31 Dec 2007**
Receivables from Group companies	10,725	3,794
Other assets	39,879	76,154
Liabilities to Group companies	39,845	56,391
Other liabilities	10,725	11,150

Provisions for negative market values in other provisions

€ '000	**31 Dec 2008**	**31 Dec 2007**
Currency hedges	281,812	348,544
Commodity hedges	0	183,711
Interest rate hedges	1,301	6,807
	283,113	**539,062**

Concerning currency and commodity hedges negative market values of €290.8m were offset by hedges with the same amount and period with positive market values of €290.8m (valuation units).

Notes on the Profit and Loss Statement

(18) Geographical breakdown of turnover

Geographical breakdown of turnover

€ '000	2008	2007
Germany	222,382	321,373
of which with Group companies	*222,374*	*321,288*
EU (excl. Germany)	88,456	128,903
of which with Group companies	*88,456*	*128,903*
Rest of Europe	–	1,618
Asia, Africa	2,423	3,063
of which with Group companies	*1,904*	*3,063*
	313,261	**454,957**

Turnover included an amount of €143.4m (previous year: €225.0m) from renting out container ships, containers and container semi-trailers until the sale of these assets. Other turnover resulted from renting out leased aircraft to Group-owned airlines. Following the sale of the Group-owned fleet to the TUI Travel PLC Group in the previous year, turnover from renting out Group-owned aircraft was no longer generated.

(19) Other operating income

Other operating income

€ '000	2008	2007
Reversal of special non-taxed item	1,137	1,137
Miscellaneous other operating income	3,102,605	2,288,617
	3,103,742	**2,289,754**

Miscellaneous other operating income mainly comprised income from the reversal of provisions for anticipated losses from derivative financial instruments as well as gains on exchange contrasted with losses on exchange in the other operating expenses. An additional effect was caused by book profits of €770.0m from the transfer of the maritime assets to Hapag-Lloyd AG.

(20) Cost of materials

Cost of materials

€ '000	2008	2007
Cost of purchased services	176,173	190,462

The cost of purchased services mainly related to expenses for aircraft lease agreements with third parties.

(21) Personnel costs

Personnel costs

€ '000	2008	2007
Wages and salaries	43,835	58,023
Social security contributions, pension costs and benefits	54,323	5,093
of which pension costs	*50,894*	*194*
	98,158	**63,116**

Wages and salaries declined due to a headcount reduction. On the other hand, expenses for pension costs rose. This increase resulted from the measurement of the pension provisions on the basis of a 7-year average interest rate. The commercial-law measurement of pension provisions thus already complies with the provisions codified in the draft Act on the Modernisation of Accounting Law adopted by the federal government. The measurement parameters for the salary and pension trends have to be retained.

Until 2007, accounting and measurement were based on IFRS (IAS 19), using a plain interest rate as at the closing date. In the year under review, discounting by means of an average interest rate initially caused an increase in transfers to provisions of €36.7m compared with IAS 19. In future, stronger fluctuations in pension provisions will be avoided through the application of an average interest rate.

(22) Depreciation/ amortisation

Depreciation/amortisation

€ '000	2008	2007
Amortisation of intangible assets and depreciation of property, plant and equipment	182,123	359,317
of which impairments	*0*	*1,126*

Depreciation/amortisation mainly related to the prorated depreciation of container ships, containers and container semi-trailers until the respective disposal date. The decline in depreciation/amortisation was mainly attributable to the fact that the previous year's amount included depreciation of maritime assets for a full financial year and depreciation of the aircraft fleet transferred to the TUI Travel PLC Group.

(23) Other operating expenses

Other operating expenses

€ '000	2008	2007
Miscellaneous other operating expenses	2,429,693	1,867,872

This item comprised in particular expenses for anticipated losses from derivative financial instruments, losses on exchange contrasted with gains on exchange in the other operating income, transfer to provisions for investment risks, fees, capital procurement costs, costs of financial and monetary transactions as well as charges and other administrative costs.

The expenses incurred for the auditors totalled €0.8m for audits of annual financial statements and €1.4m for certification or measurement services and €0.7m for other services. Almost all certification services related to review activities for the TUI Group's interim financial statements.

(24) Net income from investments

Net income from investments

€ '000	2008	2007
Income from participations	83,637	323,565
of which from Group companies	*73,699*	*307,216*
Income from profit transfer agreements	119,638	381,179
of which from Group companies	*119,638*	*381,179*
Expenses relating to losses taken over	- 301,759	- 128,002
of which from Group companies	*- 301,759*	*- 128,002*
	- 98,484	**576,742**

In the year under review, net income from investments mainly comprised dividend payments from TUI Travel PLC and the hotel sector.

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.

Expenses for loss transfer agreements were characterised by clearly negative commercial-law earnings of Hapag-Lloyd AG in 2008, mainly attributable to the necessary provisions for anticipated losses from fuel hedges entered into in the course of the year due to the lower price of oil as at the closing date.

(25) Write-down of investments

Write-downs of investments included an amount of €1,729.2m relating to Group companies (previous year: €492.2m). Apart from a distribution-induced write-down, write-downs included in particular the amount that had to be written down in connection with the sale of Hapag-Lloyd AG.

(26) Interest result

Interest result

€ '000	2008	2007
Income from other securities and long-term loans	1,533	1,904
of which from Group companies	*567*	*952*
Other interest and similar income	193,822	93,733
of which from Group companies	*142,600*	*67,754*
Interest and similar expenses	- 361,702	- 365,722
of which to Group companies	*- 69,754*	*- 121,965*
	- 166,347	**- 270,085**

The improvement in the interest result with Group companies of €126.7m resulted from interest income for the loan granted to TUI Travel PLC in September 2007. Moreover, TUI AG gained interest income on the resulting purchase price receivables in the framework of the transfer of the maritime assets to Hapag-Lloyd AG in 2008.

(27) Taxes

Taxes

€ '000	2008	2007
Taxes on income	59,465	- 296
Other taxes	3,625	4,747
	63,090	**4,451**

Taxes on income paid in the financial year under review comprised tax prepayments as well as the balance of additions to provisions for corporation tax, solidarity surcharge and trade tax for 2008 and income from the reversal of income tax provisions for prior years.

Expenses and income related to prior periods

Income of €87.8m and expenses of €221.6m were to be allocated to other financial years. For the most part, they were carried under other operating income and expenses. Given an income tax rate of 31%, expenses and income related to prior periods created an arithmetical charge of €2.2m.

Other Notes

Employees

Annual average headcount (excl. apprentices)

	2008	2007
Wage earners	4	4
Salaried employees	329	496
Total employees	**333**	**500**

In 2008, the average number of employees working for BKK Salzgitter was 127 (annual average in 2007: 126).

Remuneration of the Executive Board

Upon the proposal of the Presiding Committee, the Supervisory Board regularly reviews and adopts the remuneration system for the Executive Board, including the essential elements of the contracts. The terms and conditions of the contracts of employment, including remuneration, are determined by the Presiding Committee. The Presiding Committee bases 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 are taken into account. Mr Long receives his remuneration exclusively from TUI Travel PLC; his remuneration is therefore not included in TUI AG's remuneration report.

The remuneration of TUI AG's Executive Board members breaks down into fixed and variable components. Executive Board members are also entitled to a company car with driver services as well as travel benefits. The variable components consist of a management bonus and a bonus under a long-term incentive programme. The level of the management bonus is linked to Group profit and earnings by the divisions in the completed financial year as well as personal assessment factors. The management bonus is calculated on the basis of the respective underlying earnings before interest, tax and amortisation of goodwill (EBITA).

Under the long-term incentive programme, the Executive Board members received a bonus for financial year 2008 which was translated into phantom stocks in TUI AG on the basis of an average share price. Calculation of the award of these phantom stocks is based on underlying earnings before tax and amortisation of goodwill (EBTA). The translation into phantom stocks is based on the average share price over the 20 trading days following the Supervisory Board meeting at which the annual financial statements are adopted. The number of phantom stocks granted for a financial year is thus not determined until the following year. After 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 periods. The lock-up period does not apply to members resigning from the Executive Board. The level of the cash payment depends on the average price of TUI AG shares over a period of 20 trading days following the date of exercise. There are no absolute or relative return or price targets. A cap has been agreed to apply in the event of extraordinary, unexpected developments.

On 31 December 2008, former Executive Board members held 10,479 stocks (previous year: 6,486 stocks). Provisions totalling €6,000 thousand (previous year: €9,822 thousand) were formed to cover entitlements under the long-term incentive programme, including phantom stocks to be granted for financial year 2008.

Development of the number of phantom shares in TUI AG

	units
Balance as at 31 December 2007	**494,217**
Phantom stocks granted for the 2007 financial year	57,408
Phantom stocks exercised	0
Disposals of phantom stocks[1]	- 16,965
Balance as at 31 December 2008	**534,660**

[1] upon departure of Mr Michael Behrendt and Mr Christoph R. Mueller

The measurement of the phantom stocks in TUI AG resulted in a loss of €5,850.1 thousand (previous year: profit of €1,958.0 thousand) for the Executive Board members, including a former Executive Board member, in financial year 2008.

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

€ '000	2008	2007
Dr Michael Frenzel (Chairman)	- 2,152.6	703.6
Horst Baier	- 150.7	–
Michael Behrendt	- 92.4	–
Dr Peter Engelen	- 1,206.3	392.2
Rainer Feuerhake	- 2,248.1	748.2
Christoph R. Mueller[1]	–	1.8
Peter Rothwell[1]	–	112.2
Total	**- 5,850.1**	**1,958.0**

[1] upon their departure

Remuneration of individual Executive Board members

€ '000	Non-performance-related remuneration	Performance-related remuneration	Long-term incentive programme	Total 2008	Total 2007
Dr Michael Frenzel (Chairman)	1,249.0	1,571.6	412.8	3,233.4	4,288.8
Horst Baier (since 9 November 2007)	490.2	943.0	247.7	1,680.9	188.7
Michael Behrendt (until 30 September 2008)	235.6	389.9	92.9	718.4	757.7
Dr Peter Engelen	608.3	943.0	247.7	1,799.0	1,799.5
Rainer Feuerhake	793.4	1,257.3	330.2	2,380.9	2,762.4
Christoph R. Mueller (until 3 September 2007)	–	–	–	–	322.7
Peter Rothwell (until 8 November 2007)	–	–	–	–	710.3
Total	**3,376.5**	**5,104.8**	**1,331.3**	**9,812.6**	**10,830.1**
Previous year	2,847.5	7,147.1	835.5	10,830.1	

Due to a corresponding resolution by the Presiding Committee of the Supervisory Board, the Company reimbursed Dr Frenzel and Mr Feuerhake the expenses, including the taxes payable by them on the amount reimbursed, which were incurred by Dr Frenzel and Mr Feuerhake for the payment of a monetary condition of €750,000 each (plus the associated taxes of €797,100 each), imposed in the wakeframework of the dismissal of investigation and criminal proceedings, respectively, in the Babcock/HDW complex pursuant to section 153 of the German Code of Criminal Procedure (STPO). As in 2007, the members of the Executive Board did not receive any loans or advances in financial year 2008.

Benefits in the event of a termination of a Board position

a) Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The pension for Board members based in Germany is calculated on the basis of pensionable pay, oriented to a Board mem ber's fixed compensation. The pension is set at a specific percentage of pensionable pay. This percentage is 50% for the first service contract period. Depending on the number of service contract periods or based on individual agreements, this percentage may rise to a maximum of 80%. Pension entitlements vest upon the expiry of the first term of office.

Under certain circumstances, widows of Executive Board members will receive a widow's pension worth 60% of the pension for their lifetime or until remarriage. Children of Executive Board members receive an orphan's pension, paid as a maximum until they are 27 years of age. Orphans who have lost one parent receive 20% of the pension, and orphans who have lost both parents receive 25%.

Pension entitlements/Additions to and reversals of pension provisions

€ '000	Annual pension p.a.	Addition to pension provisions
Dr Michael Frenzel (Chairman)	800.0	1,137.1
Horst Baier	200.0	51.9
Dr Peter Engelen	350.0	457.8
Rainer Feuerhake	520.0	1,576.4

b) Transition payments

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

c) Change of Control-agreements

In the event of a loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this case, to resign from office and terminate their contract of employment as a Board member, every Board member is entitled to receive compensation for the financial entitlements that he or she would have derived from the remaining period of the contract. The performance-related remuneration and the phantom stocks granted for the remaining term of the contract are based on the average remuneration paid for the last three financial years.

d) Severance payment

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

At the balance sheet date, pension obligations for active members of the Executive Board totalled €20,259 thousand (previous year: €19,929 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to €34,327 thousand (previous year: €34,780 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 financial year 2008, pension provisions for active Board members rose by €330 thousand (in the previous year, the provision fell by €464 thousand).

In financial year 2008, the remuneration paid to former Executive Board members and their surviving dependents totalled €4,445 thousand (previous year: €7,011 thousand).

Remuneration of the Supervisory Board

The remuneration of Supervisory Board members comprises a fixed component and variable components. These are determined in accordance with section 18 of TUI AG's Articles of Association, which are permanently accessible to the public on the internet. The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses.

In addition, the Supervisory Board members receive a sum of remuneration, geared 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 members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base amount of €20,000. This amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in that third year as against the financial year for which the amount was granted. A change in earnings per share of €0.01 leads to an increase or decrease of €100 on the base sum. However, the sum payable may not under any circumstances exceed 250% of the base amount.

The chairman of the Supervisory Board receives three times the remuneration of a regular member, the deputy chairperson and the other members of the Presiding Committee one and a half times the total remuneration of a regular member. Separate remuneration is paid for membership and chairmanship of committees.

Remuneration of the Supervisory Board

€ '000	2008	2007
Fixed remuneration	976.7	979.2
Short-term variable remuneration	–	149.3
Long-term variable remuneration	219.3	1,135.0
Remuneration for committee membership	156.1	160.0
Total	**1,352.1**	**2,423.5**

In addition, travel and other expenses totalling €96 thousand (previous year: €65 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €1,448.1 thousand (previous year: €2,488.5 thousand).

Apart from the work performed by the employees' representatives in the framework to 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 financial year 2008.

Remuneration for individual Supervisory Board members for 2008

€ '000	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Total
Dr Jürgen Krumnow (Chairman)	120.0	–	24.6	164.6
Jan Kahmann (Deputy Chairman)	60.0	–	12.3	72.3
Andreas Barczewski	40.0	–	8.2	48.2
Jean-Claude Baumgarten	40.0	–	8.2	48.2
Jella Susanne Benner-Heinacher	40.0	–	8.2	48.2
Arnd Dunse (since 1 October 2008)	10.0	–	5.0	16.1
Sepp Dieter Heckmann	40.0	–	8.2	48.2
Frank Jakobi	40.0	–	12.5	52.5
Uwe Klein	60.0	–	12.3	92.3
Dr Dietmar Kuhnt	40.0	–	8.2	108.2
Roberto López Abad	40.0	–	8.2	48.2
Dieter Lübkemann	40.0	–	8.2	48.2
Dr h.c. Abel Matutes Juan	40.0	–	8.2	48.2
Carmen Riu Güell	60.0	–	12.3	72.3
Hans Dieter Rüster (since 17 January 2008)	38.2	–	19.1	57.3
Dr Manfred Schneider	40.0	–	8.2	68.2
Roland Schneider	60.0	–	16.2	76.2
Ilona Schulz-Müller	40.0	–	8.2	68.2
Olaf Seifert (until 30 September 2008)	30.0	–	3.2	48.2
Henry Sieb	40.0	–	8.2	48.2
Dr Franz Vranitzky (until 17 April 2008)	17.8	–	- 8.7	9.1
Vladimir Yakushev (since 22 April 2008)	40.7	–	20.3	61.0
Total	**976.7**	**0.0**	**219.3**	**1,352.1**

The entitlements of the Supervisory Board members under the long-term remuneration arrangement were covered by a provision totalling €1,630 thousand (previous year: €1,565 thousand).

Shareholder structure

In 2008 and in previous years, TUI AG received notifications pursuant to section 21 sub-section 1 of the German Securities Trading Act (WpHG) concerning changes in voting rights as a portion of the capital stock held by third parties and published them in the electronical federal gazette in accordance with section 26 sub-section 1 sentence 1 of the German Securities Trading Act. In the following, the notifications still applicable as at 31 December 2008 will be listed in an abbreviated form.

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

John Fredriksen/Monteray Enterprises Ltd./Geveran Holdings S.A.
The voting shares in TUI AG attributable to John Fredriksen, Cyprus, exceeded the threshold of 15% on 30 June 2008. As per that date, voting shares totalling 15.01% were attributable to him via Monteray Enterprises Ltd., Limassol, Cyprus, and Geveran Holdings S.A., Monrovia, Liberia.

Riu Hotels S.A.
The voting rights in TUI AG attributable to Riu Hotels S.A., Palma de Mallorca, Spain, exceeded the threshold of 5% and totalled 5.1% on 30 March 2005.

Caisse de Dépôt et de Gestion/Teck Capital Management/Fipar International
The voting rights in TUI AG attributable to Caisse de Dépôt et de Gestion, Rabat, Morocco, exceeded the threshold of 5% on 28 October 2008. Since that date, voting rights of around 5.0% have been attributable to the company via Teck Capital Management and Fipar International.

Caja de Ahorros del Mediterráneo/Inversiones Cotizadas del Mediterráneo
As per 1 December 2005, Caja de Ahorros del Mediterráneo indirectly held 5% of the voting rights in TUI AG following the transfer of its shareholding in TUI AG to Inversiones Cotizadas del Mediterráneo. The voting rights are attributable to Caja de Ahorros del Mediterráneo.

AXA S.A. and others
The voting rights in TUI AG attributable to AXA S.A., Paris, France, fell below the threshold of 5% on 19 December 2008. Afterwards, the company has held voting rights of 4.8%, including voting rights of 4.78% attributable to the company via AllianceBernstein L.P., New York, US, and other subsidiaries.

Neuberger Berman LLC / Lehman Brothers Holdings Inc. /Neuberger Berman Inc.
The voting rights in TUI AG attributable to Neuberger Berman LLC, New York, USA, fell below the threshold of 5% and 3% on 7 October and 24 October 2008 respectively. As per 24 October 2008, voting rights of 2.80% have been attributable to Lehman Brothers Holding Inc. and Neuberger Berman Inc., New York.

Morgan Stanley

The voting rights in TUI AG attributable to Morgan Stanley, Wilmington, USA, fell below the threshold of 3% on 14 February 2008. Since that date, the company has indirectly held voting rights in TUI AG of 2.39% via Morgan Stanley & Co. Incorporated, New York, USA.

UBS AG

UBS AG, Zurich, Switzerland, has notified us that its voting rights in TUI AG fell below the 3% threshold on 14 October 2008 and have totalled 0.55% since that date. According to section 22 sub-section 1 sentence 1 of the German Securities Trading Act, 0.10% of these voting rights are attributable to UBS AG.

Greenwich Holdings Ltd./Geveran Trading Co. Ltd.

The voting rights held by Greenwich Holdings Ltd. and Geveran Trading Co. Ltd., both Limassol, Cyprus, fell below the 5% threshold on 15 April 2008. Therefore, the companies have no longer held any voting shares in TUI AG.

Hamed El Chiaty/Brierly Gardens Investments Ltd.

Hamed El Chiaty has notified us that the voting rights in TUI AG attributable to him via Brierly Gardens Investments Limited, Limassol, Cyprus, totalled 3.01% on 27 March 2008. According to a further notification, he and the Brierly Gardens Investment Limited have no longer held any voting shares in TUI AG as per 15 May 2008.

Further detailed information has been published on 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 2008, 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 2008. The declaration was made permanently accessible to the public on TUI AG's website.

Responsibility Statement by Management

To the best of our knowledge, 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, 9 March 2009

The Executive Board

Frenzel

Baier 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				
TUI Travel PLC, Crawley[3]	GBP	51.4	111,802	- 266,500
Robinson Club GmbH, Hanover	€	100	5,138	*)
Hapag-Lloyd Kreuzfahrten GmbH, Hamburg	€	100	520	*)
Tenuta di Castelfalfi S.p.A., Florence	€	100	40,000	- 8,855
RIUSA II S.A., Palma de Mallorca[2] [5]	€	50.0	1,202	68,718
GRUPOTEL DOS S.A., Cán Picafort[4]	€	50.0	64,396	2,238
Riu Hotels S.A., Palma de Mallorca[2] [4]	€	49.0	40,809	47,488
Other companies				
TUI Beteiligungs GmbH, Hanover	€	100	500	*)
Preussag UK Ltd., London	GBP	100	82,000	2,960
Preussag Finanz- und Beteiligungs-GmbH, Hanover	€	100	148,001	*)
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	100	71,427	*)

* 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 Oct 2007 to 30 Sept 2008

[4] Joint venture

[5] Control

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the TUI AG, Berlin and Hanover, for the business year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system 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) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hanover, 9 March 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof Dr Norbert Winkeljohann
Wirtschaftsprüfer

Sven Rosorius
Wirtschaftsprüfer

Executive Board

Name	Department	Other board memberships*)	
Dr Michael Frenzel	Chairman	a) AWD Holding AG AXA Konzern AG Continental AG E.ON Energie AG Hapag-Lloyd AG[1] Hapag-Lloyd Fluggesellschaft mbH[1] TUI Cruises GmbH TUI Deutschland GmbH[1] Volkswagen AG	b) Norddeutsche Landesbank Preussag North America, Inc.[1] TUI China Travel Co. Ltd. TUI Travel PLC[1]
Horst Baier	Controlling	a) Hapag-Lloyd AG TUI Deutschland GmbH TUI Leisure Travel GmbH	b) Magic Life Assets AG RIUSA II S.A.[1]
Michael Behrendt (until 6 October 2008)	Shipping	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	Human Resources and Legal Affairs	a) Hapag-Lloyd AG Hapag-Lloyd Fluggesellschaft mbH TUI Deutschland GmbH TUI Leisure Travel GmbH	b) TUI China Travel Co. Ltd.
Rainer Feuerhake	Finance	a) Hapag-Lloyd AG Hapag-Lloyd Fluggesellschaft mbH TUI Deutschland GmbH	b) Amalgamated Metal Corporation PLC Preussag North America, Inc. TUI InfoTec GmbH TUI Travel PLC
Peter Long	Tourism	a) –	b) Debenhams PLC Rentokil Initial PLC Sunshine Cruises Ltd. TUI Nederland N.V. TUI Travel Belgium N.V. TUI Travel PLC[1]

*) Information refers to 31 December 2008 or date of resignation from the Executive Board of TUI AG in 2008

[1] Chairman

[2] Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Supervisory Board

Name	Function/Occupation	Location	Committees Presiding Committee
Dr Jürgen Krumnow	Chairman, ex. Member of the Executive Board of Deutsche Bank AG	Frankfurt/Main	■
Petra Gerstenkorn (since 2 Jan 2009)	Deputy Chairwoman (since 27 Feb 2009), Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	■ since 27 Feb 2009
Jan Kahmann (until 31 Dec 2008)	Deputy Chairman, ex. Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	■ until 31 Dec 2008
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	
Arnd Dunse (since 1 Oct 2008)	Head of Group Controlling Department of TUI AG	Bad Nenndorf	
Sepp Dieter Heckmann	ex. Chairman of the Executive Board of Deutsche Messe AG	Hanover	
Frank Jakobi	Travel Agent	Hamburg	■ since 1 Jan 2009
Uwe Klein (until 31 Dec 2008)	Clerk	Hamburg	■ until 31 Dec 2008
Ingo Kronsfoth (since 2 Jan 2009)	Economics Graduate, National Negotiator Aviation Sector of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
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 Lübkemann	Shipping Agent	Bremen	
Dr h.c. Abel Matutes Juan	Chairman of Fiesta Hotels & Resorts	Ibiza	
Carmen Riu Güell	Entrepreneur	Playa de Palma	■
Hans-Dieter Rüster (since 17 Jan 2008)	Aircraft Engineer	Langenhagen	
Dr Manfred Schneider	Chairman of the Supervisory Board of Bayer AG	Leverkusen	
Roland Schneider	Business Economist	Barsinghausen	■
Ilona Schulz-Müller (until 31 Dec 2008)	ex. Representative for Equality in the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Olaf Seifert (until 30 Sep 2008)	Head of the Group Controlling Department of TUI AG	Hanover	
Henry Sieb	Federal Group Leader Travel of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Anette Strempel (since 2 Jan 2009)	Travel Agent	Hemmingen	
Dr Franz Vranitzky (until 17 Apr 2008)	Chancellor (retrd.) of the Republic of Austria	Vienna	■ until 17 Apr 2008
Vladimir Yakushev (since 22 Apr 2008)	Managing Partner of SGCM Ltd.	Moscow	■ since 7 May 2008

Audit Committee	Nomination Committee	Other board memberships*)		Name
■	■	a) Deutsche Bahn AG, DB Mobility Logistics AG, Hapag-Lloyd AG, Lenze Holding AG[2]	b) Peek & Cloppenburg KG	Dr Jürgen Krumnow
		a) Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH	b) DBV Öffentlichrechtliche Anstalt für Beteiligungen	Petra Gerstenkorn
				Jan Kahmann
■ since 1 Jan 2009				Andreas Barczewski
		b) eWaterways		Jean-Claude Baumgarten
		a) A.S. Création AG, K+S AG		Jella Susanne Benner-Heinacher
■ since 10 Dec 2008				Arnd Dunse
		a) Arena Hannover GmbH		Sepp Dieter Heckmann
				Frank Jakobi
■ until 31 Dec 2008				Uwe Klein
		a) Hapag-Lloyd Fluggesellschaft mbH Lufthansa Cityline GmbH		Ingo Kronsfoth
■ Chairman		a) BDO Deutsche Warentreuhand AG, Dresdner Bank AG, GEA Group AG, Hapag-Lloyd AG		Dr Dietmar Kuhnt
		b) Afianza Mientos de Riesgo EFC, S.A., Banco Inversis Net, S.A., CAM AEGON Holding Financiero S.L.[1], CAMGE Financiera, E.F.C. S.A., Unipersonal[1], 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 Unipersonal[1]	Roberto López Abad
		a) Hapag-Lloyd AG		Dieter Lübkemann
		b) Banco Santander S.A.		Dr h.c. Abel Matutes Juan
	■	b) Riu Hotels S.A., RIUSA II S.A.		Carmen Riu Güell
				Hans-Dieter Rüster
■		a) Bayer AG[1], Daimler AG, Linde AG[1], RWE AG		Dr Manfred Schneider
				Roland Schneider
■ until 31 Dec 2008				Ilona Schulz-Müller
■ until 30 Sep 2008				Olaf Seifert
■ since 1 Jan 2009		a) TUI Deutschland GmbH[2], TUI Leisure Travel GmbH		Henry Sieb
		a) TUI Deutschland GmbH		Anette Strempel
	■ until 17 Apr 2008	b) Magna International Corp.		Dr Franz Vranitzky
	■ since 7 May 2008	b) Metallurgical Commercial Bank, Spectralus Corp.	Nano-Optic Devices, LLC, Sheksna Insurance Co.	Vladimir Yakushev

*) Information refers to 31 December 2008 or date of resignation from the Supervisory Board of TUI AG in 2008

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 about its activities in the 2008 financial year, in particular the plenary discussions, the work done by the committees, compliance with the German Corporate Governance Code, the audit of the financial statements of TUI AG and the Group as well as changes in membership of the Company boards.

Cooperation between the Supervisory Board and the Executive Board

In the 2008 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 of the business performance from the approved plans were presented, explained and discussed. The Executive Board discussed the strategic orientation of the Group and all key transactions of relevance to the Company – in particular the further development of the Group – with the Supervisory Board. The Supervisory Board was involved in all decisions of fundamental relevance to the Company.

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

Supervisory Board and committees

Tasks of committees

The Supervisory Board has set up three committees to support its work: the Presiding Committee, the Audit Committee and the Nomination Committee. The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. It also submits a proposal to the Supervisory Board for the remuneration system for Executive Board members, including the essential contract elements. The terms and conditions of the contracts of employment including the remuneration are fixed by the Presiding Committee. The Audit Committee supports the Supervisory Board in exercising its monitoring function. It discusses in particular accounting and reporting issues, questions related to the internal control system, risk management and compliance. The half-year and quarterly financial reports are discussed between the Audit Committee and the Executive Board prior to publication. The Nomination Committee suggests suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting or appointment by the local court.

Number of meetings

In the 2008 financial year, four regular and two extraordinary Supervisory Board meetings were held. Two resolutions were passed by written circulation procedure. The Presiding Committee met five times; the Audit Committee also held five meetings. The Nomination Committee met twice and proposed a new member of the Supervisory Board to be appointed by the local court.

Prior to regular Supervisory Board meetings, the shareholder representatives in the Supervisory Board met six times, and the employee representatives twelve times in separate meetings. One 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 23 January 2008, the Presiding Committee mainly discussed issues related to the Executive Board. With regard to the preliminary investigation of Dr Frenzel and Mr Feuerhake in connection with the Babcock/HDW complex, the Presiding Committee agreed that as far as possible an early conclusion to these proceedings was in the best interests of the Company. Following thorough discussion on the basis of experts' reports, the Presiding Committee decided to reimburse the expense incurred by Dr Frenzel and Mr Feuerhake for the payment of a monetary condition in the framework of a dismissal of proceedings pursuant to section 153a of the German Code of Criminal Procedure (StPO).

At the meeting on 17 March 2008, convened to adopt the annual financial statements, the Presiding Committee discussed the Group's strategic options and the annual financial statements as per 31 December 2007 as well as the related proposals for resolutions to the Supervisory Board. Furthermore the deliberations focused on discussing the items on the agenda for the subsequent Supervisory Board meeting. The meeting of 10 July 2008 also served to prepare the subsequent Supervisory Board meeting, while the meeting on 12 October 2008 mainly dealt with issues relating to the Executive Board. At the meeting on 10 December 2008, the Presiding Committee established the procedure applied in by-elections for Presiding Committee members. Discussions at that meeting also dealt with Executive Board issues and served to prepare the forthcoming Supervisory Board meeting.

Work of the Audit Committee

The Audit Committee Meeting on 22 January 2008 focused on the tender of the audit mandate for the consolidated financial statements. Following presentations by the participating auditing firms, their bids were evaluated and the further course of the tender procedure was discussed.

At its meeting on 14 March 2008, the Audit Committee focused its deliberations on the annual financial statements of TUI AG and the consolidated financial statements for 2007. A further item of the discussion was the selection process for the award of the auditing mandate for the consolidated financial statements and the selection of a candidate to be proposed to the Supervisory Board on the election of the auditors for the 2008 financial year at the Annual General Meeting.

At its meeting on 5 May 2008, the Audit Committee dealt with the interim financial statements and report as per 31 March 2008, the Group's risk situation and risk management as well as the Group's hedging transactions to hedge against exposure to changes in exchange rates, interest rates and fuel prices.

One of the key items discussed at the meeting of 11 August 2008 was the interim report for the first half of 2008. In addition, the Audit Committee discussed the efficiency of the internal control system.

The meeting of 12 November 2008 mainly focused on the interim financial statements as per 30 September 2008 and discussion of the financial report about the third quarter of 2008. The agenda also covered other issues including Group Internal Auditing, the audit plan for 2009 and the report about the organisation of compliance.

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

Work of the Nomination Committee

The Nomination Committee held two meetings in 2008, one of which was a telephoneconference. On 23 January 2008, the Nomination Committee met for the first time. It discussed the composition of the shareholder representatives on the Supervisory Board of TUI AG. At the meeting on 15 April 2008, deliberations focused on the nomination of a new member to be appointed as a substitute member by the local court.

Deliberations in the Supervisory Board

The Executive Board's reports and the discussions at the Supervisory Board meetings regularly focused on the development of turnover, earnings and employment in the Group and the individual divisions as well as the Group's financial situation and structural development. At the meetings of the Supervisory Board, reports were presented to the plenary about the work done by the Presiding and Audit Committees.

At its meeting on 23 January 2008, the Supervisory Board discussed measures to achieve the strategic goals, adopted the budget for 2008 and took note of the projected accounts for 2009 and 2010. Other major subjects at that meeting were deliberations on the formation of a joint venture with Royal Caribbean Cruises Ltd. and expansion of the cruise business as well as the integration status of the tourism entities under the umbrella of TUI Travel PLC. The Supervisory Board was also informed about the resolution on the Babcock/HDW complex, adopted by the Presiding Committee on the same day. The Supervisory Board also discussed the filing of the action against Mr Feuerhake on 6 December 2007 and passed a vote of confidence in Mr Feuerhake. In the meantime, the proceedings against Dr Frenzel and Mr Feuerhake have been dismissed.

The meeting on 17 March 2008 focused on strategic options for the Group, the reporting and discussion of the annual financial statements as per 31 December 2007 and the HR and social situation in 2007. The deliberations about the annual financial statements were also attended by representatives of the auditors, who were available to answer questions.

During its discussion of Group strategy, the Supervisory Board mandated the Executive Board to prepare the separation of container shipping from the Group and to identify further growth options for an expansion of the tourism business. Other items on the agenda for that meeting were amendments to the Articles of Association (resulting, inter alia, from resolutions with regard to authorisation for capital measures), the resolution on the issue of employee shares and an extension of the authorisation to acquire own shares. The Supervisory Board also dealt with shareholding issues and prepared the 2008 Annual General Meeting (Recommendation for a resolution to be placed on the agenda).

Based on a resolution passed by written circulation procedure, the Supervisory Board, on 2 April 2008, voiced its opposition against dismissal of the Supervisory Board members Dr Krumnow and Dr Vranitzky, elected at the Annual General Meeting of May 2006, demanded by a shareholder, since they had always acted in the best interest of the Company and enjoyed the full confidence of the Supervisory Board. The Supervisory Board suggested to reject any motion potentially to be submitted at the Annual General Meeting to dismiss Dr Krumnow and Dr Vranitzky.

The meeting of 7 May 2008 mainly served to prepare for the forthcoming ordinary Annual General Meeting and the discussion of shareholding issues.

On 10 July 2008, the Executive Board informed the Supervisory Board about the status of the separation process for container shipping. The Supervisory Board also discussed shareholding issues.

At the meeting on 12 October 2008, the Supervisory Board dealt with the Group's strategic development. Deliberations focused in particular on the sale of container shipping and the expansion of tourism. The Supervisory Board also dealt with Executive Board issues and discussed shareholding matters.

In connection with the issue of employee shares, the Supervisory Board approved an editorial amendment to TUI AG's Articles of Association on 18 November 2008 following an increase in the capital stock.

The Supervisory Board met again on 10 December 2008. Deliberations focused on the budget for 2009 and the projected accounts for 2010 and 2011. The agenda also included corporate governance issues. In this context, the Supervisory Board adopted the 2008 declaration of compliance with the German Corporate Governance Code, adopted amendments to the terms of reference for the Executive Board and Supervisory Board and discussed the efficiency review report. It also dealt with shareholding and land matters and held by-elections for the Supervisory Board and the Audit Committee.

Corporate Governance

At the meeting on 10 December 2008, 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 future, TUI AG will also fully comply with the recommendations published by the Federal Ministry of Justice on 8 August 2008 in the currently applicable version of 6 June 2008. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board has reported about corporate governance in a separate section (Corporate Governance Report) of this chapter.

At their meetings, both the Audit Committee and the Supervisory Board dealt several times with corporate governance issues within the Company. 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 10 December 2008.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors by the Annual General Meeting held on 7 May 2008 and were duly commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 31 December 2008, 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 2008 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 sub-section 1 of the German Commercial Code.

The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements. The condensed consolidated interim financial statements and the consolidated interim management report for the first half of 2008 were examined by the auditors.

The annual financial statements, the management report and the auditors' reports were submitted to all members of the Supervisory Board. They were discussed at the Audit Committee meeting of 19 March 2009 and the Supervisory Board meeting on 23/24 March 2009, at which representatives of the auditors were present and 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 2008 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, as well as the consolidated financial statements and the Group management report. The Supervisory Board furthermore examined and approved the proposal submitted by the Executive Board for the appropriation of the profits for the 2008 financial year.

Supervisory Board and committee membership

With effect from 31 December 2007, Christian Kuhn resigned from the Supervisory Board of TUI AG. By resolution of the district court of 17 January 2008, Hans-Dieter Rüster was appointed to the Supervisory Board as Mr Kuhn's successor. On 22 April 2008, Vladimir Yakushev was appointed to the Supervisory Board of TUI AG with immediate effect by resolution of the district court of Hanover. Previously, with effect from 17 April 2008 Dr Franz Vranitzky had resigned from the Supervisory Board. On 7 May 2008, Mr Yakushev was elected to the Presiding Committee of the Supervisory Board. He is therefore also a member of the Nomination Committee. Having reached retirement age, Olaf Seifert resigned from the Supervisory Board as per 30 September 2008. With effect from 1 October 2008 Arnd Dunse was appointed to the Supervisory Board by resolution of the district court of Hanover. Since 10 December 2008, Mr Dunse has been a member of the Audit Committee. Upon expiration of 31 December 2008, Jan Kahmann, Uwe Klein and Ilona Schulz-Müller resigned from the Supervisory Board of TUI AG. With effect from 2 January 2009, Petra Gerstenkorn, Ingo Kronsfoth and Anette Strempel were appointed new Supervisory Board members by resolution of the district court of Hanover. With effect from 1 January 2009, Frank Jakobi was appointed to the Presiding Committee, while Andreas Barczewski and Henry Sieb were appointed to the Audit Committee. With effect from 27 February 2009 Petra Gerstenkorn was elected by the Supervisory Board to the Deputy Chairwoman of the Supervisory Board.

The Supervisory Board wishes to thank the retiring members for their commitment over many years.

Composition of the Executive Board

Against the background of the sale of Hapag-Lloyd AG, Michael Behrendt resigned from the Executive Board of TUI AG upon expiration of 6 October 2008. The Supervisory Board of TUI AG took note of and approved the resignation and thanks Mr Behrendt for his work on the Executive Board of TUI AG. The container shipping shareholding will be managed in future by the CEO.

The Supervisory Board
Hanover, 23 March 2009

Dr Jürgen Krumnow,
Chairman

Five Years Summary

Balance sheet

€ million	31 Dec 2004	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008
Assets					
Fixed assets	6,973.1	7,405.4	9,888.4	8,123.6	3,028.7
Cash and cash equivalents	45.2	3.1	7.6	306.5	1,237.3
Current assets (incl. prepaid expenses)	900.6	3,047.4	643.5	2,841.3	4,527.8
Liabilities					
Equity and liabilities	2,429.6	3,702.8	3,616.5	3,706.3	2,116.1
Subscribed capital	*457.0*	*641.0*	*641.7*	*642.3*	*642.8*
Special non-taxed item	48.1	43.8	42.6	41.5	40.3
Provisions	1,008.0	947.9	730.3	1,054.3	1,154.6
Third-party financial liabilities	2,306.9	3,862.5	3,351.0	4,287.1	4,074.0
Liabilities (incl. deferred income)	2,126.3	1,898.9	2,799.1	2,182.2	1,408.8
Balance sheet total	**7,918.9**	**10,455.9**	**10,539.5**	**11,271.4**	**8,793.8**

Profit and loss statement

€ million	2004	2005	2006	2007	2008
Profit from ordinary activities	**136.6**	**380.6**	**107.6**	**70.9**	**- 1,465.6**
Extraordinary profit/loss	–	–	–	–	–
Taxes	- 1.0	- 9.7	+ 4.0	+ 4.4	+ 63.1
Group profit/loss for the year	**137.6**	**390.3**	**103.6**	**66.5**	**- 1,528.6**

Profit appropriation

€ million	2004	2005	2006	2007	2008
Withdrawal from capital reserves	–	–	–	–	1,503.9
Transfer to other revenue reserves	–	195.1	51.7	33.2	0.0
Profit available for distribution	138.0	195.5	54.3	87.6	0.0
Retained profit brought forward for the subsequent year	0.4	2.4	54.3	24.8	0.0
Dividend payment	**137.6**	**193.1**	**–**	**62.8**	**0.0**

Dividend per share

€	2004	2005	2006	2007	2008
Dividend	0.77	0.77	–	0.25	–

Share price development of the TUI share[1)]

€	2004	2005	2006	2007	2008
High	19.04	20.47	18.40	21.95	18.78
Low	12.05	16.10	14.51	15.19	7.32
Year-end closing price	16.22	17.30	15.14	19.13	8.05

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

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