

Financial Statements TUI AG

Short Financial Year 2009

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The annual financial statements and the management report of TUI AG for the 2009 short 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 2009.

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

Financial Statements

Balance sheet of the TUI AG as at 30 September 2009

€ '000	Notes	30 Sep 2009	31 Dec 2008
Assets			
Fixed assets			
	(1)		
Intangible assets		1,385	1,505
Property, plant and equipment		60,922	62,238
Investments			
Shares in Group companies		3,437,697	2,625,061
Other investments		1,388,422	339,861
		4,826,119	2,964,922
		4,888,426	3,028,665
Current assets			
Inventories	(2)	17	19
Receivables and other assets	(3)	1,843,584	2,009,478
Securities	(4)	0	2,493,900
Cash in hand and bank balances	(5)	493,499	1,237,333
		2,337,100	5,740,730
Prepaid expenses	(6)	8,820	24,373
		7,234,346	8,793,768

€ '000	Notes	30 Sep 2009	31 Dec 2008
Equity			
Shareholders' equity			
Subscribed capital	(7)	642,807	642,807
<i>Conditional capital</i>		300,000	200,000
Capital reserves	(8)	819,148	917,127
Revenue reserves	(9)	556,140	556,140
Profit available for distribution	(10)	0	0
<i>of which retained earnings brought forward</i>		0	24,776
		2,018,095	2,116,074
Special non-taxed items	(11)	39,493	40,346
Provisions			
Provisions for pensions and similar obligations		211,719	229,540
Other provisions	(12)	377,990	925,060
		589,709	1,154,600
Liabilities			
	(13)		
Bonds		2,619,000	3,019,000
<i>of which convertible</i>		694,000	694,000
Liabilities to banks		816,415	1,055,033
Trade accounts payable		2,043	3,940
Other liabilities		1,140,198	1,389,578
		4,577,656	5,467,551
Deferred income	(14)	9,393	15,197
		7,234,346	8,793,768

Profit and Loss Statement of TUI AG for the period from 1 January to 30 Sept 2009 (previous year from 1 Jan to 31 Dec 2008)

€ '000	Notes	1 Jan – 30 Sep 2009	1 Jan – 31 Dec 2008
Turnover	(18)	127,271	313,261
Other operating income	(19)	2,177,773	3,103,742
		2,305,044	3,417,003
Cost of materials	(20)	124,243	176,173
Personnel costs	(21)	32,331	98,158
Depreciation/amortisation	(22)	1,400	182,123
Other operating expenses	(23)	1,323,814	2,429,693
		- 1,481,788	- 2,886,147
Net income from investments	(24)	- 106,374	- 98,484
Write-downs of investments	(25)	- 756,278	- 1,731,579
Interest result	(26)	- 50,813	- 166,347
Profit from ordinary business activities		- 90,209	- 1,465,554
Taxes	(27)	7,770	63,090
Net profit for the year		- 97,979	- 1,528,644
Retained earnings brought forward		0	24,776
Withdrawal from capital reserves		+ 97,979	+ 1,503,868
Profit available for distribution	(10)	0	0

Development of Fixed Assets

Development of Fixed Assets of TUI AG for the period from 1 January 2009 to 30 September 2009

€ '000	Balance at 1 Jan 2009	Additions*)	Disposals*)	Reclassification	Historical cost
					Balance at 30 Sep 2009
Intangible assets					
Concessions, industrial property rights and similar rights and values	3,663	6	0	0	3,669
	3,663	6	0	0	3,669
Property, plant and equipment					
Real estate, land rights and buildings including buildings on third-party properties	89,739	0	266	0	89,473
Machinery and fixtures	1,400	0	0	0	1,400
Other plants, operating and office equipment	13,607	224	191	2	13,642
Payments on account	2	0	0	- 2	0
	104,748	224	457	0	104,515
Investments					
Shares in Group companies	4,730,254	948,145	34,211	0	5,644,188
Loans to Group companies	16,028	319	645	0	15,702
Investments	323,294	138,822	0	0	462,116
Loans to affiliates	13,355	1,000	0	0	14,355
Securities held as fixed assets	5,004	0	0	0	5,004
Other loans	3,600	1,364,167	2,157	0	1,365,610
Payments on account	437	500	0	0	937
	5,091,972	2,452,953	37,013	0	7,507,912
Fixed assets	5,200,383	2,453,183	37,470	0	7,616,096

*) incl. from/to consolidated companies

	Balance at 1 Jan 2009	Depreciation/ Amortisation	Value adjustments		Balance at 30 Sep 2009	Carrying amounts	
			Additions	Disposals*)		Balance at 30 Sep 2009	Balance at 31 Dec 2008
	2,158	126	0	0	2,284	1,385	1,505
	2,158	126	0	0	2,284	1,385	1,505
	32,695	1,000	0	0	33,695	55,778	57,044
	1,378	7	0	0	1,385	15	22
	8,437	267	0	191	8,513	5,129	5,170
	0	0	0	0	0	0	2
	42,510	1,274	0	191	43,593	60,922	62,238
	2,105,193	296,234	161,000	33,936	2,206,491	3,437,697	2,625,061
	0	0	0	0	0	15,702	16,028
	5,205	0	2,900	0	2,305	459,811	318,089
	12,510	1,000	0	0	13,510	845	845
	380	0	160	0	220	4,784	4,624
	3,545	459,044	1,651	1,888	459,050	906,560	55
	217	0	0	0	217	720	220
	2,127,050	756,278	165,711	35,824	2,681,793	4,826,119	2,964,922
	2,171,718	757,678	165,711	36,015	2,727,670	4,888,426	3,028,665

Accounting and Measurement

TUI AG notes for the short financial year 2009

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 Annual General Meeting on 13 May 2009 decided to change the financial year of TUI AG to a financial year beginning on 1 October of any one year and ending on 30 September of the subsequent year.

Accordingly, a short financial year was introduced for the period from 1 January to 30 September 2009. Since the period under review only comprised nine months, it is not directly comparable to the 12-month period in 2008.

Accounting and measurement

As a matter of principle, the accounting and measurement methods and the classification applied in the previous year were retained in the short 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.

Since January 2009, additions of movable depreciable property, plant and equipment have been depreciated on a declining balance basis at a maximum of 25% per annum due to the new tax provisions under the German economic stimulus package I.

In 2008, additions of such economic assets were exclusively 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 euros were grouped into collective annual items in accordance with German tax law.

Other depreciable property, plant and equipment with a useful life of more than five years acquired before 2008 were depreciated on a declining balance basis, 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
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 used in 2008 and contained in the draft German Act on the Modernisation of Accounting Law published by the federal government. The measurement parameters for the salary and pension trends were derived from the IFRS regulations (IAS 19) and the obligations were discounted on the basis of a 7-year average interest rate of 4.5% per annum, as in 2008. 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.

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 fair values of derivative financial instruments where there were no matching transactions with positive fair values and identical volumes and maturities.

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 flows 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.

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.

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 short financial year under review is shown in an annex to the balance sheet. A complete list of shareholdings is available in the electronic federal gazette and on the internet at www.tui-group.com.

Investments

Additions of consolidated companies included additions of shares in TUI Travel PLC worth €38m. After the company placed a convertible bond, TUI AG started to buy shares at the end of September 2009 to secure its voting rights majority in the event that all conversion options are exercised.

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

On 23 March 2009, TUI AG sold all shares in Hapag-Lloyd AG to 'Albert Ballin' Holding GmbH & Co. KG, an indirect subsidiary of the Albert Ballin GmbH & Co. KG consortium, for a company value of €4.3bn (excl. real estate and before deduction of financial liabilities).

So as to acquire a 43.33% stake in 'Albert Ballin' Joint Venture GmbH & Co. KG, the holder of the stake of the purchasing company of the shipping line, TUI AG established TUI-Hapag Beteiligungs GmbH and provided it with the requisite funding (€910m).

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

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

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

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

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

Investments also included additions from capital payments into the joint venture TUI Cruises GmbH, founded in 2008 and offering cruises in the premium volume market segment as since May 2009 with its newly commissioned Mein Schiff.

(2) Inventories

Inventories almost exclusively related to heating fuels.

(3) Receivables and other assets

Receivables and other assets		
€ '000	30 Sep 2009	31 Dec 2008
Trade accounts receivable	0 / (252,-€)	0 / (177,- €)
<i>of which with a remaining term of more than 1 year</i>	–	–
Receivables from Group companies	1,428,245	1,815,135
<i>of which with a remaining term of more than 1 year</i>	679,717	1,021,938
Receivables from companies in which shareholdings are held	7,771	2,057
<i>of which with a remaining term of more than 1 year</i>	–	–
Other assets	407,568	192,286
<i>of which with a remaining term of more than 1 year</i>	156,090	110,324
	1,843,584	2,009,478

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 early repayment of a part of the interest-bearing shareholder loan granted to TUI Travel PLC in the framework of the financing measures implemented by the company and the redemption of the receivables from Hapag-Lloyd AG after the sale of the shipping line.

(4) Securities

In 2008, the securities were the shares in Hapag-Lloyd AG, sold in March 2009, which were carried in this item as shares in Group companies.

(5) Cash in hand and bank balances

This item almost exclusively comprised bank balances.

(6) Prepaid expenses

Prepaid expenses		
€ '000	30 Sep 2009	31 Dec 2008
Discount	236	336
<i>of which with a remaining term of more than 1 year</i>	102	202
Other prepaid expenses	8,584	24,037
<i>of which with a remaining term of more than 1 year</i>	2,000	7,366
	8,820	24,373

The decline in other prepaid expenses mainly resulted from a reduction in accrued financing costs for ordered aircraft transferred 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.

The subscribed capital of TUI AG registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover was around €642.8m, as in 2008, and thus continued to comprise 251,444,305 shares at the end of the short financial year.

The Annual General Meeting of 13 May 2009 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 12 November 2010 and replaces the authorisation to purchase own shares granted by the Annual General Meeting of 7 May 2008. The Executive Board was also authorised to use equity derivatives in the form of put or call options or a combination of such options in the framework of this acquisition. The use of equity derivatives is limited to purchases of shares in a volume of up to 5% of the capital stock. An authorisation to exclude the shareholders' subscription rights was not adopted. The authorisation to purchase own shares has not been used to date.

Conditional capital

The Annual General Meeting of 10 May 2006 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, TUI AG issued an uncollateralised non-subordinated convertible bond of €694.0m on 1 June 2007. The bond will mature on 1 September 2012. The bond was issued in denominations of nominal values of €50,000. Since an adjustment in May 2008, the conversion price has been €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 three German stock exchanges as well as Luxembourg and Zurich. Until 30 September 2009, the holders of the convertible bonds did not exercise any conversion options from this bond.

In order to retain the opportunity of issuing further bonds, the Annual General Meetings of 7 May 2008 and 13 May 2009 resolved to create additional conditional capital of €100.0m each, expiring on 6 May 2013 and 12 May 2014, respectively. The issue of bonds with conversion options or warrants, profit-sharing rights and income bonds (with or without fixed terms) is limited to a total nominal volume of up to €1.0bn under these two authorisations.

Authorised capital

The Annual General Meeting of 7 May 2008 decided 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 authorised capital also resolved at the Annual General Meeting of 7 May 2008 for the issuance of employee shares stood at €9.5m, as in 2008. In the short financial year, no new employee shares were issued. 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 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 was 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 for cash contributions.

(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 issuing bonds. In addition, premiums from the potential exercise of conversion options and warrants were transferred to the capital reserves. An amount of €98.0m (previous year: €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 €97,978,530.55. A corresponding amount 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 €39.5m (previous year: €40.3m) 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 short financial years.

(12) Other provisions

Other provisions

€ '000	30 Sep 2009	31 Dec 2008
Tax provisions	129,911	141,044
Other provisions	248,079	784,016
	377,990	925,060

Tax provisions existed for income taxes in Germany and abroad.

The decline in Other provisions mainly resulted from the expiry or transfer of hedges for tourism companies to TUI Travel PLC. As in 2008, corresponding provisions were formed for these transactions and agreements in the event of negative market values where the hedging transactions with banks were not matched by agreements with Group companies with identical maturities and volumes.

A provision formed in 2008 for investment risks was used to impair financial investments in the short financial year.

At the balance sheet date, provisions comprised in particular provisions for 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 21% (previous year: around 63%) of Other provisions had a remaining term of up to one year.

(13) Liabilities

Liabilities

€ '000	30 Sep 2009		31 Dec 2008	
	Remaining items	Total	Total	Remaining items
Bonds		2,619,000	3,019,000	
up to 1 year	–			400,000
1 - 5 years	2,319,000			2,319,000
more than 5 years	300,000			300,000
<i>of which convertible</i>		<i>694,000</i>	<i>694,000</i>	
up to 1 year	–			–
1 - 5 years	694,000			694,000
Liabilities to banks		816,415	1,055,033	
up to 1 year	236,415			188,033
1 - 5 years	580,000			867,000
Trade accounts payable (exclusively up to 1 year)		2,043	3,940	
Other liabilities		1,140,198	1,389,578	
up to 1 year	1,137,778			1,354,633
1 - 5 years	2,420			34,320
more than 5 years	–			625
<i>of which liabilities to Group companies (exclusively up to 1 year)</i>		<i>997,927</i>	<i>1,187,693</i>	
<i>of which liabilities to companies in which shareholdings are held (exclusively up to 1 year)</i>		<i>171</i>	<i>289</i>	
<i>of which Other liabilities</i>		<i>142,100</i>	<i>201,596</i>	
up to 1 year	139,650			166,651
1 - 5 years	2,450			34,320
more than 5 years	–			625
<i>of which from taxes (exclusively up to 1 year)</i>		<i>13,623</i>	<i>10,811</i>	
<i>of which relating to social security</i>		<i>814</i>	<i>879</i>	
		4,577,656	5,467,551	

Convertible bonds included the 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 floating rate notes of €400.0m issued in 2004 were repaid on 17 August 2009, within the specified period.

At the end of the short financial year, non-convertible bonds comprised four bonds issued in previous years with a total nominal volume of €1,925.0m.

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. It has 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 notes were offered at minimum denominations of €50,000.00 each, with 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-rate interest coupon of 8.625% per annum until January 2013 and will subsequently carry a floating-rate interest coupon (3-month-EURIBOR + 7.3% per annum). The hybrid bond was offered at denominations of €1,000.00 each.

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 the liability, around 10.7% of the shares in TUI Travel PLC were sold to the financing provider, with economic ownership in the shares, in particular voting and dividend rights, retained by TUI AG. When the financing scheme falls due, legal ownership is planned to be transferred back to TUI AG. The final redemption date is 15 April 2013, with TUI AG already having reduced the liability by €20.0m in the completed short financial year in order to take advantage of market opportunities. The interest rate for this financing scheme is 4.5% per annum.

In the completed short financial year, TUI AG repaid the bonds issued in 2006 worth €183.0m, carried under Liabilities to banks and maturing on 11 December 2009, in order to take advantage of market opportunities.

TUI AG also seized further market opportunities in the period under review through early redemption of liabilities from notes issued in 2006 worth €33.0m.

The remaining liabilities from notes issued in 2006 of €184.0m will mature on 12 April 2010. These loans carry fixed-rate interest coupons of 5.629% and 5.70% p.a. for a fixed portion of €55m. The remaining portion of the loan worth €129m carries a floating-rate interest coupon based on 3-month EURIBOR rates plus a margin of 1.85 percentage points per annum.

Liabilities to banks also included three bonds worth a total of €150m, which had been taken up in the framework of private placements in 2007. They will have to be redeemed by 10 December 2010. Until then, these financing schemes will be subject to fixed-rate interest agreements with rates of around 7.5% per annum.

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 €300.0m (previous year: €300.6m).

The liabilities shown were not secured by rights of lien or similar rights.

(14) Deferred income

Deferred income		
€ '000	30 Sep 2009	31 Dec 2008
Other deferred income	9,393	15,197

Deferred income mainly related to deferred operating leases for aircraft, including an amount of €8.1m to Group companies (previous year: €14.0m).

(15) Contingent liabilities

Contingent liabilities		
€ '000	30 Sep 2009	31 Dec 2008
Liabilities under guarantees, bill and cheque guarantees	697,014	612,340
Liabilities under warranties	22	21
	697,036	612,361
<i>of which to Group companies</i>	<i>451,305</i>	<i>576,482</i>

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	30 Sep 2009	31 Dec 2008
Lease, rental, leasing and similar contracts	411,804	533,862
Order commitments	0	421,478
Other financial commitments	454,080	1,385,314
	865,884	2,340,654

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.

Order commitments under the aircraft purchase agreements concluded with Boeing in previous years were fully transferred to a company of the TUI Travel PLC Group in the period under review.

Other financial commitments mainly declined due to the completion of the acquisition of an entrepreneurial stake in the new container shipping group and the capital contribution to TUI Cruises GmbH.

This item included above all commitments to purchase IT services for the TUI Group from TUI InfoTec GmbH, which declined over time as scheduled due to the performance of these services.

Other financial commitments included an amount of €422.6m (previous year: €1,444.2m) of expenses due in the subsequent year. Liabilities due within one to five years totalled €385.8m (previous year: €816.1m) at the balance sheet date, with liabilities due within more than 5 years totalling €57.5m (previous year: €80.4m). Other financial commitments to Group companies totalled €14.9m (previous year: €16.0m).

(17) Derivative financial instruments**Derivative financial instruments as at 30 Sept 2009**

€ '000	Nominal volume	Fair values	
		positive	negative
Currency hedges	3,460,481	124,342	83,754
<i>of which with Group companies</i>	<i>107,816</i>	<i>1,689</i>	<i>2,046</i>
Commodity hedges	183,068	19,246	19,246
<i>of which with Group companies</i>	<i>17,992</i>	<i>2,098</i>	<i>1,540</i>
Interest rate hedges	26,705	–	864
<i>of which with Group companies</i>	<i>–</i>	<i>–</i>	<i>–</i>

Commodity hedges mainly related to ship 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	30 Sep 2009	31 Dec 2008
Receivables from Group companies	0	10,725
Other assets	5,986	39,879
Liabilities to Group companies	0	39,845
Other liabilities	5,986	10,725

Provisions for negative market values in other provisions

€ '000	30 Sep 2009	31 Dec 2008
Currency hedges	16,434	281,812
Commodity hedges	0	0
Interest rate hedges	864	1,301
	17,298	283,113

For currency hedges and commodity hedges, negative fair values of €19.2m were matched with transactions with positive fair values of €19.2m with identical volumes and maturities (measurement entities).

Notes on the Profit and Loss Statement

(18) Geographical breakdown of turnover

Geographical breakdown of turnover		
€ '000	1 Jan – 30 Sep 2009	2008
Germany	56,528	222,382
<i>of which with Group companies</i>	56,526	222,374
EU (excl. Germany)	67,944	88,456
<i>of which with Group companies</i>	67,944	88,456
Asia, Africa	2,799	2,423
<i>of which with Group companies</i>	2,799	1,904
	127,271	313,261

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

(19) Other operating income

Other operating income		
€ '000	1 Jan – 30 Sep 2009	2008
Reversal of special non-taxed item	853	1,137
Miscellaneous other operating income	2,176,920	3,102,605
	2,177,773	3,103,742

Miscellaneous other operating income mainly comprised income from the reversal of provisions for anticipated losses from derivative financial instruments and gains on exchange, with losses on exchange carried under 'Other operating expenses'. In line with commercial-law recognition, this item also included the income carried for the loss takeover, included in the purchase price for Hapag-Lloyd AG, for the short financial year of the company ended on 28 February 2009. In addition, it included income as a balancing item from the use of provisions for investment risks. This item also included reversals of write-downs of financial investments, carried with an effect on results, since the reasons for the write-downs had ceased to exist.

(20) Cost of materials

Cost of materials		
€ '000	1 Jan – 30 Sep 2009	2008
Cost of purchased services	124,243	176,173

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

(21) Personnel costs

Personnel costs		
€ '000	1 Jan – 30 Sep 2009	2008
Wages and salaries	28,889	43,835
Social security contributions, pension costs and benefits	3,442	54,323
<i>of which pension costs</i>	<i>1,185</i>	<i>50,894</i>
	32,331	98,158

The decline in personnel costs was attributable to the short financial year which only comprised a 9-month period and in particular to the substantial year-on-year reduction in pension costs.

The high one-off expenses for pension costs in 2008 resulted from the measurement of the pension provisions, carried out for the first time on the basis of a 7-year average interest rate of 4.5% per annum oriented to the draft German Act on the Modernisation of Accounting Law already adopted by the federal government in 2008. This interest rate was retained unamended in the period under review. The other measurement parameters applied, e.g. the salary and pension trends and the actuarial assumptions, comply with the IFRS provisions. In line with the market trend, expenses declined due to lower pension trend assumptions.

**(22) Depreciation/
amortisation**

Depreciation/amortisation		
€ '000	1 Jan – 30 Sep 2009	2008
Amortisation of intangible assets and depreciation of property, plant and equipment	1,400	182,123
<i>of which impairments</i>	<i>0</i>	<i>0</i>

The decline in depreciation/amortisation mainly resulted from the sale of shipping assets in the previous year so that depreciation of such assets was no longer required.

**(23) Other operating
expenses**

Other operating expenses		
€ '000	1 Jan – 30 Sep 2009	2008
Miscellaneous other operating expenses	1,323,814	2,429,693

This item comprised in particular expenses for losses on exchange, matched with gains on exchange carried under Other operating income, as well as expenses for anticipated losses from liabilities from Group companies, fees, borrowing costs, costs of financial and monetary transactions as well as charges and other administrative costs.

The expenses incurred for the auditors totalled €0.6m for audits of annual financial statements, €0.8m for certification and measurement services and €0.3m 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	1 Jan – 30 Sep 2009	2008
Income from participations	81,534	83,637
<i>of which from Group companies</i>	73,417	73,699
Income from profit transfer agreements	215,504	119,638
<i>of which from Group companies</i>	215,504	119,638
Expenses relating to losses taken over	- 403,412	- 301,759
<i>of which from Group companies</i>	- 403,412	- 301,759
	- 106,374	- 98,484

In the short financial year and in 2008, 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 transfers mainly resulted from the negative commercial-law earnings of Hapag-Lloyd AG for the short financial year ended on 28 February 2009, introduced prior to the transfer of ownership to 'Albert Ballin' Holding GmbH & Co. KG. Since these losses were offset in the purchase price, corresponding gains on disposal for Hapag-Lloyd AG were carried under Other operating income, in line with commercial-law recognition.

(25) Write-downs of investments

Write-downs on financial investments comprised an amount of €296.2m for shareholdings in affiliated companies, of which €238.0m were used from a provision for investment risks formed in 2008.

Other write-downs carried under this item almost exclusively included the loans granted and the hybrid instruments to be provided to the new container shipping group.

(26) Interest result**Interest result**

€ '000	1 Jan – 30 Sep 2009	2008
Income from other securities and long-term loans	33,309	1,533
<i>of which from Group companies</i>	661	567
Other interest and similar income	80,609	193,822
<i>of which from Group companies</i>	58,636	142,600
Interest and similar expenses	- 164,731	- 361,702
<i>of which to Group companies</i>	- 12,165	- 69,754
	- 50,813	- 166,347

The interest result, only reported for a 9-month period in the short financial year under review, was significantly characterised by the considerably lower interest rate level in the completed short financial year, reflected in particular in lower interest expenses. Interest expenses declined further due to the repayment of debt.

Interest income from deposits with banks also declined due to the fall in capital market interest rates. In the short financial year, interest income was mainly generated from deposits placed with banks and interest payments on the share-

holder loan granted to TUI Travel PLC as well as loans granted to the new container shipping group by TUI AG even after transfer of ownership in order to secure the financial stability of the group.

(27) Taxes

Taxes		
€ '000	1 Jan – 30 Sep 2009	2008
Taxes on income	15	59,465
Other taxes	7,755	3,625
	7,770	63,090

Taxes on income paid in the short financial year under review consisted of foreign withholding tax.

Expenses and income attributable to other periods

Income of €12.7m and expenses of €4.1m were attributable to other financial years and mostly carried under Other operating income and expenses. At an income tax rate of 31%, expenses and income attributable to other periods created an arithmetic charge of €0.4m.

Other Notes

Employees

Annual average headcount in the short financial year (excl. apprentices)

	SFY 2009	2008
Wage earners	7	4
Salaried employees	295	329
Total employees	302	333

In the short financial year 2009, the average number of employees working for BKK Salzgitter was 125 (annual average in 2008: 127).

Remuneration of the Executive Board

Upon the proposal of the Presiding Committee, the Supervisory Board determines the total remuneration of the individual Executive Board members; it regularly adopts and reviews the remuneration system for the Executive Board. The existing remuneration system is to be revised in the light of the provisions of the German Act on the Appropriateness of Board Remuneration (VorstAG).

Total remuneration of the individual Executive Board members is determined by the Supervisory Board plenary, taking account of Group remuneration on the basis of a performance assessment. The criteria governing the appropriateness of remuneration are the tasks of each individual Board member, their personal performance, the economic position, the performance and sustainable development of the Company, the benchmark remuneration customary in the peer environment and the remuneration structure otherwise applied in the Company. Moreover, remuneration is set at a level that is competitive in the market for highly qualified managerial staff.

Remuneration of the Executive Board in the short financial year 2009

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

The level of the management bonus was linked to Group profit and earnings by the divisions in the completed financial year as well as personal assessment factors. The management bonus was calculated on the basis of the respective underlying earnings before interest, tax and amortisation of goodwill (EBITA).

Under the long-term incentive programme, the Executive Board members receive a bonus translated into phantom stocks in TUI AG on the basis of an average

share price. These phantom stocks are calculated from underlying consolidated earnings before tax and amortisation of goodwill (EBTA). Since this indicator had a negative value for the short financial year 2009, no phantom stocks were granted for the completed short financial year.

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

The level of the cash payment depends on the average price of TUI AG shares over a period of 20 trading days following the date of exercise. There are no absolute or relative return or price targets. Provision has been made for a cap to apply in the event of extraordinary, unexpected developments.

On 30 September 2009, former Executive Board members did not hold any phantom stocks in TUI AG (previous year: 10,479 stocks).

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

Development of aggregate phantom stocks in TUI AG

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

The measurement of the phantom stocks in TUI AG resulted in a loss of €68.8 thousand (previous year: loss of €5,850.1 thousand) for the Executive Board members in the short financial year 2009.

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

€ '000	SFY 2009	2008
Dr Michael Frenzel (Chairman)	- 43.7	- 2,152.6
Horst Baier	74.6	- 150.7
Michael Behrendt	-	- 92.4
Dr Peter Engelen	- 18.7	- 1,206.3
Rainer Feuerhake	- 81.0	- 2,248.1
Total	- 68.8	- 5,850.1

Remuneration of individual Executive Board members

€ '000	Non-performance related remuneration	Performance related remuneration	Long-term incentive programme	Total SFY 2009	Total 2008
Dr Michael Frenzel (Chairman)	947.1	1,103.5	-	2,050.6	3,233.4
Horst Baier	344.1	662.1	-	1,006.2	1,680.9
Michael Behrendt (until 30 September 2008)	-	-	-	-	718.4
Dr Peter Engelen	479.0	662.1	-	1,141.1	1,799.0
Rainer Feuerhake	606.8	882.8	-	1,489.6	2,380.9
Total	2,377.0	3,310.5	-	5,687.5	9,812.6
Previous year	3,376.5	5,104.8	1,331.3	9,812.6	

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

Benefits in the event of a termination of position

a) Pension entitlements

Pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The pension for Board members based in Germany is calculated on the basis of pensionable pay, geared to the Board member's fixed remuneration. The pension is set at a specific percentage of 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 reach the age of 27. Orphans who have lost one parent receive 20% of the pension, and orphans who have lost both parents receive 25%.

Pension entitlements/Addition to or reversal of pension provisions

€ '000	Annual pension	Reversal of pension provisions
Dr Michael Frenzel (Chairman)	800.0	229.9
Horst Baier	200.0	66.0
Dr Peter Engelen	350.0	213.9
Rainer Feuerhake	520.0	789.1

b) Transition payments

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

c) Change of control agreement

In the event of a loss of Board membership through a change of control or by executing the right granted to Board members, specifically accorded for this case, to resign their position and terminate their contract of employment as a Board member, every Board member is entitled to receive compensation for the financial entitlements that he or she would have derived from the remainder of the agreed contract term.

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

d) Severance payment

The service contract for Board members does not contain an explicit entitlement to severance payments upon premature termination. However, a severance payment may be paid under an individual termination agreement. Future service contracts for Board members will ensure that the severance payment does not

exceed the equivalent value of twice the annual remuneration. For change of control situations, the severance payment will be limited to 150% of the severance payment cap.

e) Pension obligations

At the balance sheet date, pension obligations for active members of the Executive Board totalled €24,771.7 thousand (previous year: €26,070.6 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to €46,302.6 thousand (previous year: €48,669.7 thousand) at the balance sheet date.

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. The reinsurance policy fully covered the pension obligations for former and active Executive Board members.

In financial year 2009, the remuneration paid to former Executive Board members and their surviving dependents totalled €3,033.3 thousand (previous year: €4,445 thousand).

Remuneration of the Supervisory Board

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

The members of the Supervisory Board receive a fixed remuneration of €40,000, payable upon the completion of the financial year, besides reimbursement of their expenses. The remuneration is rateably paid for parts of a financial year or a short financial year. The Supervisory Board also receives remuneration 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 members also receive remuneration related to the Company's long-term performance. This long-term variable remuneration is based on an annual base sum of €20,000. The amount is paid upon the completion of the third financial year following the granting of the remuneration and increases or decreases in line with the percentage increase or decrease in earnings per share in the third year following the year for which the amount was granted. A change in earnings per share of €0.01 triggers an increase or decrease in the base sum of €100. However, the sum payable may not under any circumstances exceed 250% of the base amount.

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

Remuneration of the Supervisory Board

€ '000	SFY 2009	2008
Fixed remuneration	727.8	976.7
Short-term variable remuneration	303.7	–
Long-term variable remuneration	987.3	219.3
Remuneration for committee memberships	120.0	156.1
Total	2,138.8	1,352.1

In addition, travel and other expenses totalling €62.6 thousand (previous year: €96 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus amounted to €2,201.4 thousand (previous year: €1,448.1 thousand).

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

Remuneration for individual Supervisory Board members for the Short Financial Year 2009

€ '000	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Remuneration for committee memberships	Total
Dr Jürgen Krumnow (Chairman)	90.0	37.6	133.5	15.0	276.1
Petra Gerstenkorn (Deputy Chairwoman, since 2 Jan 2009)	41.8	17.4	20.9	–	80.1
Anass Hour Alami (since 7 Aug 2009)	6.0	2.5	3.0	–	11.5
Mustapha Bakkoury (since 13 May until 9 July 2009)	6.3	2.6	–	–	8.9
Andreas Barczewski	30.0	12.5	55.5	15.0	113.0
Dr Peter Barrenstein (since 13 May 2009)	15.3	6.4	7.7	–	29.4
Jean-Claude Baumgarten (until 13 May 2009)	14.8	6.2	47.9	–	68.9
Jella Susanne Benner-Heinacher	30.0	12.5	44.7	–	87.2
Arnd Dunse	30.0	12.5	22.5	15.0	80.0
Sepp Dieter Heckmann (until 13 May 2009)	14.8	6.2	47.9	–	68.9
Frank Jakobi	45.0	18.8	55.0	–	118.8
Ingo Kronsfoth (since 2 Jan 2009)	29.9	12.5	15.0	–	57.4
Dr Dietmar Kuhnt	30.0	12.5	44.7	45.0	132.2
Roberto López Abad	30.0	12.5	44.7	–	87.2
Dieter Lübke (until 23 Jan 2009)	9.2	3.8	59.4	–	72.4
Dr h.c. Abel Matutes Juan	30.0	12.5	44.7	–	87.2
Carmen Riu Güell	45.0	18.8	67.1	–	130.9
Hans Dieter Rüter	30.0	12.5	28.7	–	71.2
Dr Manfred Schneider	30.0	12.5	44.7	15.0	102.2
Roland Schneider	45.0	18.8	76.8	–	140.6
Henry Sieb	30.0	12.5	55.5	15.0	113.0
Anette Stempel (since 2 Jan 2009)	29.9	12.5	14.9	–	57.3
Ortwin Strubelt (since 3 April 2009)	19.8	8.3	9.9	–	38.0
Vladimir Yakushev	45.0	18.8	42.6	–	106.4
Total	727.8	303.7	987.3	120.0	2,138.8

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

Shareholder structure

In the short financial year 2009 and in previous years, TUI AG received notifications pursuant to section 21 (1) of the German Securities Trading Act (WpHG) concerning changes in voting rights in the capital stock held by third parties, published them in accordance with section 26 (1) sentence 1 of the German Securities Trading Act and communicated them to the companies register. In the following, the notifications still applicable as at 30 September 2009 are listed in an abbreviated form.

Alexey Mordashov

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

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% on 29 March 2005 and have totalled 5.1% since then.

Caisse de Dépôt et de Gestion

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, Tanger, Morocco, and Fipar International, Tanger, Morocco.

Caja de Ahorros del Mediterráneo

Since 1 December 2005, Caja de Ahorros del Mediterráneo has 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, Alicante, Spain.

AXA S.A.

The voting rights in TUI AG attributable to AXA S.A., Paris, France, fell below the threshold of 3% on 4 March 2009. Since that date, the company has held voting rights of 2.42%, including voting rights of 2.39% attributable to the company via Alliance Bernstein L.P., New York, US, and other subsidiaries.

Hamed El Chiaty

Hamed El Chiaty, United Arab Emirates, notified us that the voting rights in TUI AG attributable to him exceeded the threshold of 3% on 6 May 2006 and fell below the threshold of 3% on 14 May 2009 and that he no longer held any shares as at that date.

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

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

The actions of TUI AG's management and oversight bodies are determined by the principles of good and responsible corporate governance. In this declaration, the Executive Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code and pursuant to section 289a (1) of the German Commercial Code (HGB).

Declaration of compliance and reporting on Corporate Governance

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

Declaration of compliance for 2009

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

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

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

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

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

Working methods of the Executive Board and Supervisory Board

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

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

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

The Executive Board provides the Supervisory Board with comprehensive up-to-date information at regular meetings and in writing about the budget, the development of business and the situation of the Group, including risk management, and compliance. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. The Supervisory Board has adopted terms of reference governing its work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately, where necessary.

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

Composition of the Supervisory Board

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

Committees of the Supervisory Board

The Supervisory Board has established three committees from among its members: the Presiding Committee, the Audit Committee and the Nomination Committee, which prepare and complement its work. The Presiding and Audit Committee have six members each, with an equal number of shareholder and employee representatives. The Presiding Committee prepares the issues and resolutions to be dealt with by the Supervisory Board. It also prepares the nomination of Executive Board members including the terms of the articles of employment and the remuneration.

neration. The function of the Audit Committee is to support the Supervisory Board in executing its control function. The chairman of the Audit Committee is an independent financial expert. The Nomination Committee consists exclusively of shareholder representatives in accordance with the German Corporate Governance Code. Its task is to suggest suitable candidates to the Supervisory Board for its suggestions to the Annual General Meeting. There is no plan at present to establish any further committees. Based on practical professional experience, he has special knowledge and experience in the application of accounting principles and internal control methods.

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

Remuneration of the Executive and Supervisory Board

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

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

Shareholders and Annual General Meeting

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

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

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

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

Risk management

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

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

The Executive Board regularly informs the Supervisory Board about existing risks and the development of these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the efficiency of the inter-

nal control system, risk management and the internal auditing system, compliance and audit of the annual financial statements.

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Accounting Modernisation Act.

Transparency

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The annual report, the half-year financial report and the interim reports for the quarters are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. All information is published simultaneously in German and English and is available in print as well as by appropriate electronic media such as e-mail or the internet. Moreover, the company website at www.tui-group.com provides comprehensive information on the TUI Group and the TUI share.

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

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

Directors' dealings

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

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

Accounting and auditing

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

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

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

Compliance – Observing laws, regulations and internal policies as the basis for entrepreneurial activity and operations.

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

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

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

Code of Conduct

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

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

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

Compliance organisation

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

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

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

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, 1 December 2009

The Executive Board

Frenzel

Baier

Engelen

Feuerhake

Long

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 short financial business year from January 1 to September 30, 2009. 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 § (Article) 317 HGB ('Handelsgesetzbuch': 'German Commercial Code') 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 Directors, 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, 1 December 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Prof Dr Norbert Winkeljohann
Wirtschaftsprüfer

Sven Rosorius
Wirtschaftsprüfer

Supervisory Board

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

Annex to the Notes

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

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

1) Chairman
2) Deputy Chairman

a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Executive Board

Annex to the Notes

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

*) Information refers to 30 September 2009.

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards
required by law

b) Membership in comparable Boards
of domestic and foreign companies

Report of the Supervisory Board

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

Cooperation between the Supervisory and the Executive Board

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

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

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

Supervisory Board and committees

Tasks of committees

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

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

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

Number of meetings

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

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

Work of the Presiding Committee

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

Work of the Audit Committee

The Audit Committee met three times. At its meeting on 19 March 2009, deliberations focused on the annual financial statements of TUI AG and the consolidated financial statements for 2008. It also prepared its recommendation to the Supervisory Board on the election of auditors for the 2009 short financial year. At that meeting the Presiding Committee also discussed a status report on the synergy effects achieved and further planned synergies at TUI Travel. At its meeting on 8 May 2009 the Audit Committee dealt with the interim financial statements and report as per 31 March 2009, the Group's risk situation and risk management and the Group's hedging transactions to hedge against exposure to changes in exchange rates, interest rates and fuel prices.

At the meeting on 9 August 2009 the Audit Committee discussed the interim financial statements and the half-year financial report. It also dealt with the Group's financing position, in particular the expiry of credits and credit facilities and the status of refinancing. The Audit Committee also discussed the efficiency of the internal audit system and the effects of the German Accounting Law Moderni-

sation Act (BilMoG) on the activities of the Audit Committee. At that meeting, representatives of an auditing firm presented the status of a project to simplify shareholding structures within the Group.

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

Work of the Nomination Committee

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

Deliberations in the Supervisory Board

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

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

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

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

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

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

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

Corporate Governance

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

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

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed auditors by the Annual General Meeting held on 13 May 2009 and duly commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 30 September 2009, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the Group and the consolidated financial statements for the short financial year 2009, prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) and complemented by the commercial-law provisions additionally required pursuant to section 315a (1) of the German Commercial Code. The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements. The condensed consolidated interim financial statements and the consolidated interim management reports as per 31 March and 30 June 2009 were examined by the auditors.

The annual financial statements, the management report and the auditors' reports were submitted to all members of the Supervisory Board. They were discussed at

the Audit Committee meeting of 11 December 2009 and the Supervisory Board meeting of 14 December 2009, at which representatives of the auditors were present and were available to answer questions. On the basis of its own audit of the annual financial statements of TUI AG and the Group, the joint management report as per 30 September 2009 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, and also the consolidated financial statements and the Group management report.

Supervisory Board and committee membership

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

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

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

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

The Supervisory Board thanks the retired members for their work.

The Supervisory Board
Hanover, 14 December 2009

Dr Dietmar Kuhnt,
Chairman

Five Years Summary

Balance sheet

€ million	31 Dec 2005	31 Dec 2006	31 Dec 2007	31 Dec 2008	30 Sep 2009
Assets					
Fixed assets	7,405.4	9,888.4	8,123.6	3,028.7	4,888.4
Cash and cash equivalents	3.1	7.6	306.5	1,237.3	493.5
Current assets (incl. prepaid expenses)	3,047.4	643.5	2,841.3	4,527.8	1,852.4
Liabilities					
Equity and liabilities	3,702.8	3,616.5	3,706.3	2,116.1	2,018.1
<i>Subscribed capital</i>	641.0	641.7	642.3	642.8	642.8
Special non-taxed item	43.8	42.6	41.5	40.3	39.5
Provisions	947.9	730.3	1,054.3	1,154.6	589.7
Third-party financial liabilities	3,862.5	3,351.0	4,287.1	4,074.0	3,435.4
Liabilities (incl. deferred income)	1,898.9	2,799.1	2,182.2	1,408.8	1,151.6
Balance sheet total	10,455.9	10,539.5	11,271.4	8,793.8	7,234.3

Profit and loss statement

€ million	2005	2006	2007	2008	SFY 2009
Profit from ordinary activities	380.6	107.6	70.9	- 1,465.6	- 90.2
Extraordinary profit/loss	-	-	-	-	-
Taxes	- 9.7	+ 4.0	+ 4.4	63.1	7.8
Group profit for the year	390.3	103.6	66.5	- 1,528.6	- 98.0

Profit appropriation

€ million	2005	2006	2007	2008	SFY 2009
Withdrawal from capital reserves	-	-	-	1,503.9	- 98.0
Transfer to other revenue reserves	195.1	51.7	33.2	0.0	0.0
Profit available for distribution	195.5	54.3	87.6	0.0	0.0
Retained profit brought forward for the subsequent year	2.4	54.3	24.8	0.0	0.0
Dividend payment	193.1	-	62.8	0.0	0.0

Dividend per share

€	2005	2006	2007	2008	SFY 2009
Dividend	0.77	-	0.25	-	-

Share price development of the TUI share

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

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