

Corporate Governance Report **Recommendations of the German Corporate Governance Code fully implemented.**

The actions of TUI AG's management and control bodies are determined by the principles of good and responsible corporate governance. In this chapter, the Executive Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to subsection 3.10 of the German Corporate Governance Code.

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board discussed corporate governance issues several times in 2007 and jointly submitted an updated declaration of compliance for 2007 on 8 November 2007, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently available to the general public on TUI AG's website.

Declaration of compliance

The declaration of compliance reads as follows:

'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 12 June 2006, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 24 July 2006, have been and are fully complied with.

TUI AG will additionally fully comply with the recommendations in the currently valid version of 14 June 2007, as published by the Federal Ministry of Justice on 20 July 2007.

In addition, TUI AG also complies with the suggestions set out in the Code, the only exception being the introduction of varying periods of office for the shareholders' representatives in the Supervisory Board, for which no plan exists at present.'

We consider maintenance of uniform periods of office to be useful in order to guarantee the continuity of the work of the Supervisory Board.

Cooperation between the Executive Board and the 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 are endowed with independent competences. TUI AG's Executive

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

Board and Supervisory Board cooperate closely and in a spirit of trust in managing and controlling the Company.

TUI AG's Executive Board currently comprises six members. They manage the Company's business operations and are jointly accountable for the management 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 supervises 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, 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, when necessary.

In accordance with the German Co-determination Act and 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. There is no plan at present to introduce different periods of office for the shareholders' representatives. 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 AGM on 10 May 2006. The Supervisory Board does not comprise any former Executive Board members. The body 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 Annual General Meeting.

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. Based on his practical professional experience, the chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and internal control methods. The newly formed Nomination Committee exclusively comprises shareholder representatives in accordance with the Corporate Governance Code. Its task is to suggest suitable candidates to the Super-

visory Board for its suggestions to the Annual General Meeting. There is no plan at present to establish any further committees.

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 five Supervisory Boards of listed non-Group companies.

*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 control rights at the Annual General Meeting. 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 proxy of their own choosing or by a representative provided by TUI AG and acting on their behalf in accordance with their instructions. Since the 2006 Annual General Meeting, shareholders have also had the opportunity of voting per internet in the run-up to the AGM or authorising the representative provided by the Company on the web.

The invitation to the AGM and the reports and documents 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 by the internet.

Risk management

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. More detailed information about 'Risk Management' in the TUI Group is presented in the relevant chapter of the management report.

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 and the interim

reports are published within the applicable time-frames. The Company publishes press releases and ad hoc releases, 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.

The scheduled dates for the main regular events and publications – such as 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 informed of notifiable purchase and sales transactions of shares in TUI AG or related financial instruments by two Supervisory Board members in 2007.

At the end of the 2007 financial year, 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 two Supervisory Board members. Executive Board members held a total of 2,715 shares, Supervisory Board members held 18,787,142 shares. Of these shares, Ms Carmen Riu Güell (indirectly) held 12,768,000 shares, Mr Abel Matutes Juan (indirectly) held 6,006,000 shares and the remaining Supervisory Board members held 13,142 shares.

Accounting and auditing

TUI AG prepares its consolidated financial statements in accordance with the provisions of the International Accounting Standards Board (IASB) and regularly publishes interim reports, also in accordance with the relevant provisions of the IASB. The annual financial statements of TUI AG are prepared in accordance with the German Commercial Code (HGB).

The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditors elected by the 2007 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 occurring during the audit as well as of all findings or events of importance arising during the performance of the audit. In the course of the audit for the 2007 financial year there was no reason to provide such information.