

# Remuneration Report

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

## Remuneration of the Executive Board

The remuneration of TUI AG's Executive Board members comprised fixed and variable components. The variable remuneration components consist of a management bonus and a bonus under a long-term incentive programme. For Executive Board members based in Germany, the level of the management bonus was linked to Group earnings, earnings by the divisions in the completed financial year and personal performance factors. The management bonus was calculated on the basis of the respective earnings before interest, tax and amortisation of goodwill (EBITA). For Mr Peter Long, the management bonus is dependent on a personal assessment factor and the degree of achievement of certain predefined targets. In addition, Executive Board members are entitled to a company cars and driver services as well as travel benefits.

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

The long-term incentive programme for Mr Peter Long consisted of shares granted by TUI Travel PLC as a function of personal assessment factors established by TUI Travel PLC's Remuneration Committee.

#### Development of aggregate phantom stocks in TUI AG

	Units
<b>Balance as at 31 Dec 2006</b>	<b>503,511</b>
Phantom stocks granted for the 2006 financial year	963
Phantom stocks exercised	0
Increase/Decrease of phantom stocks <sup>1)</sup>	- 10,257
<b>Balance as at 31 Dec 2007</b>	<b>494,217</b>

<sup>1)</sup> upon departure of Mr Peter Rothwell

On 31 December 2007, former Executive Board members held 6,486 phantom stocks (previous year: 0 stocks). Mr Peter Long held equity rights to 1,905,423 shares in TUI Travel PLC.

Provisions totalling € 9,822 thousand (previous year: € 8,481 thousand) were formed for the entitlements under the long-term incentive programme, including the granting of phantom stocks for the 2007 financial year.

The valuation of the phantom stocks in TUI AG and the share grants in TUI Travel PLC resulted in a profit of € 2,207.0 thousand (previous year: loss of € 1,107.1 thousand) for the Executive Board members including a former Executive Board member in the 2007 financial year. In case of Mr Peter Long the change in the value of shares relates to shares that were awarded to Mr Long prior to 3 September 2007 by First Choice and were passed into TUI Travel PLC within the merger.

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

€ '000	2007	2006
Dr. Michael Frenzel (Chairman)	703.6	- 344.2
Horst Baier	-	-
Michael Behrendt	-	-
Sebastian Ebel <sup>1)</sup>	-	- 142.3
Dr. Peter Engelen	392.2	- 190.2
Rainer Feuerhake	748.2	- 376.1
Peter Long	249.0	-
Christoph R. Mueller <sup>1)</sup>	1.8	-
Peter Rothwell <sup>1)</sup>	112.2	- 54.3
<b>Total</b>	<b>2,207.0</b>	<b>- 1,107.1</b>

<sup>1)</sup> upon their departure

## Remuneration for individual Executive Board members

€ '000	Non-performance-related remuneration	Performance-related remuneration	Long-term incentive programme	Remuneration for Supervisory Board mandates in the Group	Total 2007	Total 2006
Dr. Michael Frenzel (Chairman)	1,104.5	2,893.6	290.8	189.4	4,478.3	1,996.6
Horst Baier (since 9 November 2007)	67.5	95.9	25.3	7.0	195.7	–
Michael Behrendt	498.0	1,335.2	174.5	0.0	2,007.7	655.3
Sebastian Ebel (until 31 August 2006)	–	–	–	–	0.0	350.1
Dr. Peter Engelen	468.9	1,156.1	174.5	52.8	1,852.3	925.7
Rainer Feuerhake	654.9	1,874.9	232.6	229.1	2,991.5	1,372.0
Peter Long (since 3 September 2007)	587.0	389.2	184.0	–	1,160.2	–
Christoph R. Mueller (until 3 September 2007)	325.3	377.4	–	58.6	761.3	283.9
Peter Rothwell (until 8 November 2007)	1,085.7	1,769.3	82.4	7.3	2,944.7	1,784.4
<b>Total</b>	<b>4,791.8</b>	<b>9,891.6</b>	<b>1,164.1</b>	<b>544.2</b>	<b>16,391.7</b>	<b>7,368.0</b>
Previous year	3,575.4	3,126.7	17.0	648.9	7,368.0	

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

### Remuneration in the event of a termination of position

#### a) Pension entitlements

Pensions were paid to former Executive Board members who reached the predefined age limit or were permanently incapacitated. The pension for Board members based in Germany was calculated on the basis of pensionable pay, oriented to an Executive Board member's fixed remuneration. The pension level was determined as a percentage of pensionable pay. This percentage was 50% for the first employment contract period. Depending on the number of employment contract periods, this percentage may rise to up to 80%. Mr Peter Long is not entitled to a pension from TUI AG. In place of granting a pension entitlement, an amount equal to 50% of the fixed salary is paid into a pension fund. This amount is part of the bonus payment.

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

### Pension entitlements/

#### Addition to or reversal of pension provisions

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

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

At the balance sheet date, pension obligations for active members of the Executive Board totalled € 19,929 thousand (previous year: € 20,663 thousand). Pension provisions for former members of the Executive Board and their dependents amounted to € 34,780 thousand (previous year: € 47,811 thousand) at the balance sheet date.

The pension obligations for German beneficiaries were funded via the conclusion of pledged reinsurance policies. As the reinsurance policy fully covered the pension obligations for former and active Executive Board members, the insurance was deducted as an asset from the pension obligation. In the 2007 financial year, pension provisions for active Board members fell by € 464 thousand (in the previous year, an amount of € 1,988 thousand was transferred to pension provisions).

In the 2007 financial year, the remuneration paid to former Executive Board members and their surviving dependents totalled € 7,011 thousand, including an one-off remuneration of € 777 thousand to a retired Board member (previous year: € 5,652 thousand in total). The provision to satisfy non-competition clauses and potential transition payment rights was increased by € 100 thousand (previous year: € 3,250 thousand).

**b) Transition payments**

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

**c) Change of control agreement**

In event of loss of Board membership through a change of control or through executing the right granted to Board members, specifically accorded for this case, of resigning from their office and terminating the contract of employment as a Board member every Board member is entitled to receive a remuneration for his financial entitlements for the remaining period of his contract of employment as Board member. The performance-related remuneration and the granting of phantom stocks for the remaining term of the contract of employment are based on the average remuneration received in the last three financial years. The same provision applies to the remuneration for Supervisory Board mandates hitherto received from Group companies.

The employment contracts for Board members do not comprise an explicit severance payment entitlement upon a premature termination of the service agreement. However, a severance payment may be paid under an individual termination agreement.

### Remuneration of the Supervisory Board

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

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

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

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

### Remuneration of the Supervisory Board

€ '000	2007	2006
Fixed remuneration	979.2	973.5
Short-term variable remuneration	149.3	–
Long-term variable remuneration	1,135.0	486.4
Remuneration for committee memberships	160.0	160.0
<b>Remuneration for TUI AG Supervisory Board mandate</b>	<b>2,423.5</b>	<b>1,619.9</b>
Remuneration for Supervisory Board mandates in the Group	415.0	319.3
<b>Total</b>	<b>2,838.5</b>	<b>1,939.2</b>

In addition, travel expenses and other expenses totalling € 65 thousand (previous year: € 74 thousand) were reimbursed. Total remuneration of the Supervisory Board members thus totalled € 2,904 thousand (previous year: € 2,013 thousand).

Apart from the work performed by the employees' representatives in the framework of their contracts of employment, the members of the Supervisory Board did not provide any personal services such as consultation or agency services for TUI AG or its subsidiaries in the 2007 financial year.

### Remuneration for individual Supervisory Board members for 2007

€ '000	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Remuneration for committee membership	Remuneration for Supervisory Board mandates in the Group	Total
Dr. Jürgen Krumnow (Chairman)	120.0	18.3	150.0	20.0	99.9	408.2
Jan Kahmann (Deputy Chairman)	60.0	9.2	75.0	–	–	144.2
Andreas Barczewski	40.0	6.1	39.2	–	–	85.3
Jean-Claude Baumgarten	40.0	6.1	39.2	–	–	85.3
Jella Susanne Benner-Heinacher	40.0	6.1	50.0	–	–	96.1
Sepp Dieter Heckmann	40.0	6.1	39.2	–	–	85.3
Frank Jacobi (since 15 August 2007)	15.0	2.3	7.5	–	–	24.8
Uwe Klein	60.0	9.2	75.0	20.0	72.8	237.0
Christian Kuhn (until 31 December 2007)	40.0	6.1	50.0	–	38.3	134.4
Dr. Dietmar Kuhnt	40.0	6.1	50.0	60.0	93.6	249.7
Roberto López Abad	40.0	6.1	50.0	–	–	96.1
Dieter Lübke	40.0	6.1	24.9	–	76.2	147.2
Dr. h.c. Abel Matutes Juan	40.0	6.1	50.0	–	–	96.1
Petra Oechtering (until 15 August 2007)	37.5	5.7	58.4	–	–	101.6
Carmen Riu Güell	60.0	9.2	75.0	–	–	144.2
Dr. Manfred Schneider	40.0	6.1	50.0	20.0	–	116.1
Roland Schneider	46.7	7.1	42.6	–	–	96.4
Ilona Schulz-Müller	40.0	6.1	50.0	20.0	–	116.1
Olaf Seifert	40.0	6.1	50.0	20.0	–	116.1
Henry Sieb	40.0	6.1	39.2	–	34.2	119.5
Dr. Franz Vranitzky	60.0	9.2	69.6	–	–	138.8
<b>Total</b>	<b>979.2</b>	<b>149.3</b>	<b>1,135.0</b>	<b>160.0</b>	<b>415.0</b>	<b>2,838.5</b>

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