

Report of the Executive Board required pursuant to §§ 120 (3) sentence 2 AktG, 175 (2), sentence 1 referring to §§ 289(4) and 315(4) of the German Commercial Code for the financial year 2007

Composition of subscribed capital

The subscribed capital of TUI AG consisted of no-par value shares, each representing an identical share in the capital stock. The calculative proportionate share in the capital stock per no-par value share was around € 2.56. In July 2005, the previous bearer shares were converted to registered shares.

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

At the General Annual Meeting, each share of stock has one vote.

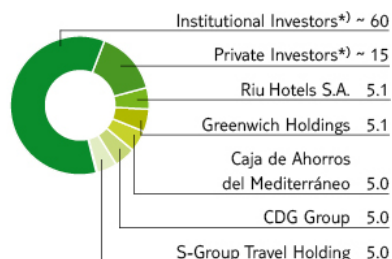
Restrictions on voting rights or transfer of shares

The Executive Board of TUI AG is not aware of, nor has it been notified of, any restrictions on voting rights or transfer of shares.

Equity interests exceeding 10% of voting rights

The German Securities Trading Act (Wertpapierhandelsgesetz) requires any investor whose percentage of voting rights reaches, exceeds or falls below certain thresholds as the result of purchases, disposals or otherwise must notify the Company and the German Federal Financial Supervisory Authority (BaFin) thereof. In the past, the lowest threshold was five percent. Effective January 20, 2007, the threshold is reduced to three percent. The Executive Board of TUI AG is not aware of, nor has it been notified of, any shareholder directly or indirectly holding 10 percent or more of the voting rights.

Shareholder structure (in %)



As of January 2008

At the beginning of 2008, around 75% of the TUI shares floated freely. Around 15% of these shares were held by private shareholders, around 25% by strategic investors and the majority, around 60%, by institutional investors. According to an analysis of the share register, these were mainly investors from Germany and other EU countries.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

System of control of any employee share scheme where the control rights are not exercised directly by the employees

Shares of stock issued by TUI AG to employees under its employee shares scheme are transferred directly to the employees subject to a holding

period. The beneficiary employees who hold employee shares may exercise their control rights in the same way as any other shareholder directly in accordance with applicable laws and the Charter of the TUI AG.

Appointment and dismissal of Board members and amendments to the Charter

The appointment and dismissal of Board members is based on sections 84 f. of the German Stock Corporation Act in combination with section 31 of the German Co-Determination Act. Amendments to the Charter are effected on the basis of the provisions of sections 179 ff. of the German Stock Corporation Act in combination with section 24 of TUI AG's Charter.

Powers of the Executive Board to issue and repurchase shares

The Annual General Meeting of 16 May 2007 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 15 November 2008 and replaced the authorisation granted by the AGM of 10 May 2006. To date, the possibility of acquiring own shares has not been used.

The AGM of 10 May 2006 authorised the Executive Board with the consent of the Supervisory Board to issue bonds, profit-sharing rights and income bonds of up to a nominal amount of € 1.0 billion also with conversion rights and warrants or conversion obligations. Concurrently the AGM resolved to authorise conditional capital of € 100 million in order to grant shares to the holders in case of their exercising of conversion rights and warrants or conversion obligations. Exercising this authorisation by issuing a convertible bond with a nominal volume of € 694 million as of 1 June 2007 a conditional capital of presumably € 64 million will be required.

The Annual General Meeting of 18 June 2003 adopted a resolution creating conditional capital of € 90 million which was intended to service conversion options and warrants from the issue of one or several bonds with a total par value of up to € 1.0 billion by 17 June 2008. TUI AG made use of this authorisation by issuing a convertible bond with a nominal volume of € 385 million in December 2003. Presumably, for the settlement of the conversion rights shares with a calculative nominal value of approx. € 50 million of the conditional capital are to be issued.

Further unused authorised capital of € 317 million is available since 2006. It comprises authorised capital for the issue of employee shares of € 7 million. TUI AG's Executive Board has been authorised to use it by 17 May 2009. In addition to the authorised capital for the issue of employee shares resolved by the AGM in 2004, the AGM of 10 May 2006 resolved to create authorised capital to issue new shares against cash or non-cash contribution worth in total € 310 million, namely up to a total amount of € 64 million to issue new shares against cash contribution on the one hand and on the other hand up to a total amount of € 264 million to issue new shares against cash or non-cash contribution. The issue of new shares against non-cash contribution was limited to a maximum of € 128 million. TUI AG's Executive Board has been authorised to use it by 9 May 2011.

Significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid

TUI AG's listed bonds, the private placements issued in 2006 and 2007 and a bilateral credit line agreement included change of control clauses. A change of control occurs if a third party directly or indirectly acquires depending on contract control over at least 30% or the majority of the voting shares in TUI AG.

In the event of a change of control, bond holders must be offered a buy-back of the corresponding bond. This provision applies to all listed bonds with the exception of the hybrid bond and the convertible bonds. For the hybrid bond, an interest mark-up has been agreed to take effect in the event of a change of control should the rating be downgraded. For the convertible bonds, a right of termination or reduction of the conversion price has been agreed.

Concerning the private placements and a bilateral credit line agreement, the lenders are entitled to terminate the agreements in the event of a change of control. The total volume of financing instruments and credit lines with corresponding change of control clauses currently amounts to around € 3.9 billion. In addition, there are no agreements in guarantee, leasing, option or other financial contracts that might cause material early redemption obligations that would be of significant relevance for the Group's liquidity.

Apart from the financing instruments mentioned above, a framework agreement between the Riu family and TUI AG includes a change of control clause. A change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board is attributable to a shareholder group. In the event of a change of control, the Riu family is entitled to acquire at least 20% and at most all shares in RIUSA II S.A. held by TUI.

A corresponding agreement concerning a change of control in TUI AG was concluded with the El Chiaty Group. Here, too, a change of control occurs if a shareholder group represents a predefined majority of AGM attendees or if one third of the shareholder representatives on the Supervisory Board is attributable to a shareholder group. In that case, the El Chiaty Group is entitled to acquire at least 15% and at most all shares in the joint hotel companies in Egypt and the United Arab Emirates held by TUI.

Under the licence agreement concluded with the allocation of the tourism business to TUI Travel PLC, the licensee, TUI Travel PLC, is entitled to acquire TUI AG's total brand portfolio in the event of a change of control.

A further change of control agreement was concluded in connection with the establishment of the joint venture TUI Cruises between Royal Caribbean Cruises Ltd. and TUI AG. The agreement gives the partner the right to demand termination of the planned joint venture and to purchase the share held by TUI AG at a price which is lower than the price of their own share.

Compensation agreements with members of the Executive Board or employees in the event of a takeover bid

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.

Hannover, March 2008

The Executive Board