

# Financial Statements 2006

**TUI AG**



# Table of Contents

<b>2</b>	<b>Financial Statements as at 31 December 2006</b>	<b>30</b>	<b>Boards of TUI AG</b>
2	Balance Sheet	30	Supervisory Board
3	Profit and Loss Statement	32	Other Board Memberships of the Supervisory Board
4	Development of Fixed Assets	33	Executive Board
6	Notes	34	Other Board Memberships of the Executive Board
6	Accounting and Measurement	35	Report of the Supervisory Board
9	Notes on the Balance Sheet		
17	Notes on the Profit and Loss Statement	<b>40</b>	<b>Five Years Summary</b>
21	Other Notes		
28	Major direct Shareholdings		
<b>29</b>	<b>Auditors' Report</b>		

The annual financial statements and the management report of TUI AG for the 2006 financial year have been published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Registers of the District Courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580.

The management report of TUI AG has been combined with the management report of the Group and published in the TUI Annual Report 2006.

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

## Balance Sheet of the TUI AG as at 31 December 2006

€ '000	Notes	31 Dec 2006	31 Dec 2005
<b>Assets</b>			
<b>Fixed assets</b>	(1)		
Intangible assets		6,791	3,239
Property, plant and equipment		2,230,042	560,014
Investments			
Shares in Group companies	7,242,779		6,309,916
Other investments	408,767		532,205
		7,651,546	6,842,121
		<b>9,888,379</b>	<b>7,405,374</b>
<b>Current assets</b>			
Inventories	(2)	238	22
Receivables and other assets	(3)	594,294	3,040,194
Cash in hand and bank balances	(4)	7,631	3,032
		<b>602,163</b>	<b>3,043,248</b>
<b>Prepaid expenses</b>	(5)	<b>48,992</b>	<b>7,250</b>
		<b>10,539,534</b>	<b>10,455,872</b>
<b>Trust assets</b>	(14)	<b>4,975</b>	<b>-</b>

€ '000	Notes	31 Dec 2006	31 Dec 2005
<b>Equity</b>			
<b>Shareholders' equity</b>			
Subscribed capital	(6)	641,722	640,988
(Conditional capital)		(190,000)	(160,000)
Capital reserves	(7)	2,397,520	2,395,094
Revenue reserves	(8)	522,940	471,240
Profit available for distribution	(9)	54,300	195,500
(of which retained earnings brought forward)		(2,436)	(358)
		<b>3,616,482</b>	<b>3,702,822</b>
<b>Special non-taxed items</b>	(10)	<b>42,620</b>	<b>43,810</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations		224,380	216,435
Other provisions	(11)	505,888	731,486
		<b>730,268</b>	<b>947,921</b>
<b>Liabilities</b>			
Bonds	(12)	2,709,550	3,459,550
(of which convertible)		(384,550)	(384,550)
Liabilities to banks		641,355	402,924
Trade accounts payable		5,144	13,908
Other liabilities		2,781,534	1,877,852
		<b>6,137,583</b>	<b>5,754,234</b>
<b>Deferred income</b>	(13)	<b>12,581</b>	<b>7,085</b>
		<b>10,539,534</b>	<b>10,455,872</b>
<b>Trust liabilities</b>	(14)	<b>4,975</b>	<b>-</b>

**Profit and Loss Statement of TUI AG for the period from 1 January 2006 to 31 December 2006**

€ '000	Notes	2006	2005
Turnover	(18)	303,699	166,767
Other operating income	(19)	972,005	730,168
		1,275,704	896,935
Cost of materials	(20)	155,386	110,510
Personnel costs	(21)	75,949	121,579
Depreciation/amortisation	(22)	320,258	98,134
Other operating expenses	(23)	1,556,605	718,107
		- 2,108,198	- 1,048,330
Net income from investments	(24)	+ 3,672,283	+ 2,433,185
Write-downs of investments	(25)	2,548,985	1,708,384
Interest result	(26)	- 183,230	- 192,805
<b>Profit from ordinary business activities</b>		<b>+ 107,574</b>	<b>+ 380,601</b>
Taxes	(27)	4,010	- 9,684
<b>Net profit for the year</b>		<b>103,564</b>	<b>390,285</b>
Retained earnings brought forward		2,436	357
Transfer to other revenue reserves		- 51,700	- 195,142
<b>Profit available for distribution</b>	(9)	<b>54,300</b>	<b>195,500</b>

## Development of Fixed Assets of TUI AG

€ '000	Balance at 1 Jan 2006	Additions <sup>*)</sup>	Disposals <sup>*)</sup>	Reclassifi- cation	Historical cost
					Balance at 31 Dec 2006
<b>Intangible assets</b>					
Concessions, industrial property rights and similar rights and values	4,288	4,315	38	0	8,565
	<b>4,288</b>	<b>4,315</b>	<b>38</b>	<b>0</b>	<b>8,565</b>
<b>Property, plant and equipment</b>					
Real estate, land rights and buildings including buildings on third-party properties	90,965	316	0	0	91,281
Machinery and fixtures	1,400	0	0	0	1,400
Container ships	0	1,678,945	333,265	0	1,345,680
Containers and Container semi-trailers	0	459,435	49,298	0	410,137
Aircraft and spare parts	534,826	213,919	127,362	87,084	708,467
Other plants, operating and office equipment	17,600	374	980	0	16,994
Work in progress	49,347	37,986	0	- 49,347	37,986
Payments on account	65,229	69,149	7,467	- 37,737	89,174
	<b>759,367</b>	<b>2,460,124</b>	<b>518,372</b>	<b>0</b>	<b>2,701,119</b>
<b>Investments</b>					
Shares in Group companies	9,573,830	3,864,904	2,104,026	- 1,009	11,333,699
Loans to Group Companies	154,722	30,309	159,280	0	25,751
Investments	363,665	17,162	6,873	1,009	374,963
Loans to affiliates	7,250	6,178	3,750	0	9,678
Securities held as fixed assets	15,274	1,244	0	0	16,518
Other loans	4,765	0	44	0	4,721
Payments on account	437	0	0	0	437
	<b>10,119,943</b>	<b>3,919,797</b>	<b>2,273,973</b>	<b>0</b>	<b>11,765,767</b>
<b>Fixed assets</b>	<b>10,883,598</b>	<b>6,384,236</b>	<b>2,792,383</b>	<b>0</b>	<b>14,475,451</b>

<sup>\*)</sup> incl. from/to consolidated companies

	Balance at 1 Jan 2006	Depreciation/ amortisation	Disposals*)	Value adjustments	Carrying amounts	
				Balance at 31 Dec 2006	Balance at 31 Dec 2006	Balance at 31 Dec 2005
	1,049	764	39	1,774	6,791	3,239
	<b>1,049</b>	<b>764</b>	<b>39</b>	<b>1,774</b>	<b>6,791</b>	<b>3,239</b>
	28,931	1,568	0	30,499	60,782	62,034
	1,350	10	0	1,360	40	50
	0	86,036	13,419	72,617	1,273,063	0
	0	78,776	3,055	75,721	334,416	0
	158,150	152,235	30,336	280,049	428,418	376,676
	10,922	869	960	10,831	6,163	6,678
	0	0	0	0	37,986	49,347
	0	0	0	0	89,174	65,229
	<b>199,353</b>	<b>319,494</b>	<b>47,770</b>	<b>471,077</b>	<b>2,230,042</b>	<b>560,014</b>
	3,263,914	2,535,806	1,708,800	4,090,920	7,242,779	6,309,916
	0	0	0	0	25,751	154,722
	10,379	4,233	3,978	10,634	364,329	353,286
	3,500	5,983	- 195	9,678	0	3,750
	0	0	0	0	16,518	15,274
	29	2,963	3	2,989	1,732	4,736
	0	0	0	0	437	437
	<b>3,277,822</b>	<b>2,548,985</b>	<b>1,712,586</b>	<b>4,114,221</b>	<b>7,651,546</b>	<b>6,842,121</b>
	<b>3,478,224</b>	<b>2,869,243</b>	<b>1,760,395</b>	<b>4,587,072</b>	<b>9,888,379</b>	<b>7,405,374</b>

# Notes

## TUI AG notes for the 2006 financial year

The annual financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code, with due consideration of the supplementary provisions of the German Stock Corporation Act. In the balance sheet and the profit and loss statement of TUI AG, individual items were grouped together in the interest of the clarity of presentation; these items are reported separately in the notes, together with the necessary explanations.

The financial year of TUI AG covers the period from 1 January to 31 December of any one year.

## Accounting and measurement

As a matter of principle the accounting and measurement methods and the classification applied in 2006 were generally retained in the financial year under review. With the exception of additions of assets subject to declining-balance depreciation, the maximum rate of 30% allowable for tax purposes was applied as of 1 January 2006.

Purchased intangible assets were measured at cost and amortised scheduled on a straight-line basis over the expected useful life of three or five years, proprietary rights over ten years.

Property, plant and equipment was measured at cost, based on tax provisions, 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. Aircraft were depreciated on the basis of the declining balance method, based on a useful life of 12 years and a residual value of 1% of acquisition costs. The rate applied in declining-balance depreciation of additions of aircraft after 1 January 2006 was 30%, the maximum rate allowable for tax purposes, instead of 20%. The change in the measurement method for aircraft created a charge against earnings of € 9.8 million in the completed financial year. Shorter useful lives were applied to purchases of used aircraft, in line with tax regulations. Container ships, containers and container semi-trailers were acquired by TUI AG from other Group companies in the framework of the restructuring of the shipping division as of August 2006; container ships were depreciated on a straight-line basis, taking account of a useful life of 12 years. Shorter depreciation periods were applied to purchases of used ships. For containers and container semi-trailers, depreciation was also effected on a straight-line basis. Other depreciable property, plant and equipment with a useful life of more than five years was depreciated on the basis of the declining balance method and since 1 January 2004 on a pro rata temporis basis. Straight-line depreciation was regularly applied whenever the calculated amount based on this method exceeded that obtained by using the declining balance method. Where use was made of special tax depreciation allowances, assets were depreciated on a straight-line basis. Low-value assets were written off in full in the year of acquisition and shown as disposals.

Depreciation was essentially based on the following useful lives:

Property, plant and equipment	Useful life
Buildings	10 to 50 years
Machinery and fixtures	4 to 15 years
Container ships	up to 12 years
Containers and container semi-trailers	up to 10 years
Aircraft and spare parts	up to 12 years
Other plant, office and operating equipment	3 to 15 years

If, at the balance sheet date, the fixed assets had a lower market value which was expected to be permanent, the assets were impaired by a corresponding amount.

Shares in Group companies and participations as well as other investments were measured at the lower of cost or fair value. Non-interest or low-interest loans 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 reported 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, short-term unhedged currency items were measured at the exchange rate at the balance sheet date. Long-term unhedged currency receivables were translated at the buying rate at the date of the transaction or the closing rate, if lower. Long-term unhedged currency receivables were translated at the buying rate at the date of the transaction or the closing rate, if lower. Long-term 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. In the case of deviations from the redemption schedule, impairments were effected. 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 IFRS regulations (IAS 19), as in 2005. The biometric data underlying the measurement of the pension provisions were 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 sound 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 market values of derivative financial instruments. 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 commodity hedges which were traded were settled by means of cash compensation, as the difference between market price and hedge price. Physical delivery was not effected.

The determination of the fair values for the optional derivative financial instruments was based on the Black & Scholes model. For fixed-price transactions, the measurement was based on the discounted cash flow of the transactions, taking account of interest, price and volatility curves, if necessary, with appropriate maturities as at the balance sheet date.

The measurement of instruments was supported by systems; for quality assurance purposes, the determined amounts were compared with those provided by external counterparties as at the balance sheet date.

Other provisions reflected all identifiable risks and doubtful obligations. Liabilities were shown at the repayable amounts.

# Notes on the Balance Sheet

## **(1) Fixed assets**

The development of the individual fixed asset items in the financial year under review is shown in an annex to the balance sheet. The principal direct shareholdings are listed in a separate annex to the notes. A complete list of shareholdings has been filed with the commercial registers of the district courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580.

### **Property, plant and equipment**

Additions of property, plant and equipment totalled € 2,460.1 million and mainly related to internal transfers of 62 container ships, containers and container semi-trailers in the framework of the restructuring of the shipping division. In addition, investments were made into 11 aircraft, 4 of which were taken over internally from Group companies. The disposals mainly related to the sale of 9 ships and 7 aircraft.

### **Investments**

In the framework of the realignment of the company-law situation in container shipping, which also included the merger of Deutsche Flugzeugvermietungs-Aktiengesellschaft, Stapelfeld (hereinafter DEFAG) with TUI AG as at 1 September 2006, all shares in Hapag-Lloyd AG (previously Hapag-Lloyd Containerlinie GmbH) were transferred to TUI AG by DEFAG at the value of € 3,497.0 million in August 2006, determined by experts. Other additions of shares in Group companies mainly related to capital increases or capital contributions in tourism subsidiaries Groupe Nouvelles Frontières S.A.S., Montreuil, TUI Austria Holding AG, Vienna, and Touraventure S.A., Montreuil as well as the merger-induced addition of Hapag Cruise Ship GmbH, Hamburg. In addition, the shares in Jandia Playa S.A., Morro Jable were added in the framework of the payment of a non-cash dividend.

The disposals of Group companies of € 2,104.0 million mainly related to DEFAG, which was merged with TUI AG.

Changes in loans to Group companies resulted from two loans granted to TUIfly Nordic AB, Stockholm and the repayment of three loans by TUI Beteiligungs GmbH, Hamburg.

As far as investments were concerned, additions from acquisitions of shares and capital increases of € 19.8 million were shown for foreign tourism subsidiaries.

The long-term investments acquired in the framework of statutory obligations to secure employees' entitlements from credits under part-time block-model schemes for elderly employees and pledged to a trustee were increased by € 1.2 million to € 16.5 million.

(2) *Inventories*

Inventories exclusively related to consumables and supplies.

(3) *Receivables and other assets*

**Receivables and other assets**

€ '000	31 Dec 2006	31 Dec 2005
Trade accounts receivable	1,793	1,854
of which with a remaining term of more than 1 year	(-)	(-)
Receivables from Group companies	417,404	2,801,984
of which with a remaining term of more than 1 year	(14,518)	(12,280)
Receivables from companies in which shareholdings are held	6,987	8,800
of which with a remaining term of more than 1 year	(-)	(-)
Other assets	168,110	227,556
of which with a remaining term of more than 1 year	(63,885)	(55,606)
	<b>594,294</b>	<b>3,040,194</b>

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

The decline in receivables from Group companies was mainly attributable to TUI Beteiligungs GmbH, Hamburg. Due to the restructuring, this company was able to reduce its cash and cash equivalents requirements and invest the cash having become available in TUI AG.

(4) *Cash in hand and bank balances*

This item included an amount of € 7.6 million (previous year: € 3.0 million) of bank balances.

(5) *Prepaid expenses*

**Prepaid expenses**

€ '000	31 Dec 2006	31 Dec 2005
Discount	604	843
of which with a remaining term of more than 1 year	(604)	(598)
Other prepaid expenses	48,388	6,407
of which with a remaining term of more than 1 year	(23,489)	(-)
	<b>48,992</b>	<b>7,250</b>

At € 34.6 million, the increase related to prepaid financing costs in connection with 25 transferred aircraft orders.

(6) *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 approx. € 2.56. In July 2005, the previous bearer shares were converted to registered shares.

Due to the issue of 287,280 employee shares, the subscribed capital registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover rose by € 0.7 million to a total of € 641.7 million. At the end of the financial year, the subscribed capital thus comprised 251,019,855 shares (previous year: 250,732,575 shares).

The Annual General Meeting of 10 May 2006 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 9 November 2007 and replaces the authorisation granted by the Annual General Meeting of 11 May 2005. The authorisation to acquire own shares has not been used to date.

### **Conditional capital**

The Annual General Meeting of 18 June 2003 resolved to create conditional capital of € 90.0 million. The purpose of the conditional capital was to service conversion options and warrants from the issue of one or several bonds with a total nominal amount of up to € 1.0 billion by 17 June 2008. In October 2003, bonds with conversion options of around € 384.6 million were issued. The conversion options entitle the holders to convert every convertible bond worth a nominal amount of € 50,000 into 2,520 shares in TUI AG. To date, the holders of the convertible bonds have not yet exercised any conversion options.

In order to retain the opportunity of issuing further bonds, the Annual General Meeting of 10 May 2006 resolved to create additional conditional capital of € 100.0 million. Accordingly, bonds with conversion options or warrants, profit-sharing rights and income bonds with a nominal volume of up to € 1.0 billion (with or without fixed terms) may be issued by 9 May 2011. The corresponding resolution by the Annual General Meeting of 18 May 2004 on the creation of conditional capital of € 70.0 million was reversed.

### **Authorised capital**

The authorised capital of € 10.0 million created by the Annual General Meeting of 18 May 2004 for the issuance of employee shares stood at € 8.1 million at the end of the 2005 financial year. In the 2006 financial year, the authorised capital was partly used to issue 287,280 employee shares (previous year: 473,420 shares). The authorised capital for the issuance of employee shares therefore stood at € 7.3 million at the end of the 2006 financial year. The Executive Board of TUI AG has been authorised to use this capital by 17 May 2009.

In addition to the authorised capital for the issue of employee shares, 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 € 310.0 million. The issue of new shares against non-cash contribution has been limited to € 128.0 million. The Executive Board of TUI AG has been authorised to use this capital by 9 May 2011. Of the authorised capital of € 215.6 million approved by the Annual General Meeting of 18 May 2004, € 182.8 million had been used in the 2005 financial year to issue 71,502,616 shares against cash contribution. The authorised capital of € 32.8 million remaining at the end of the 2005 financial year was cancelled.

Including the remaining authorised capital for the issuance of employee shares, total unused authorised capital stood at € 317.3 million.

### **(7) Capital reserves**

Capital reserves included transfers from share premiums. They also comprised amounts from the issue of bonds for conversion options and warrants for the purchase of shares in TUI AG. In addition, premiums from the subsequent exercise of conversion options and warrants were transferred to the capital reserves. In the financial year under review, capital reserves rose by € 2.4 million (previous year: € 4.0 million) due to the issue of employee shares.

### **(8) 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.

**(9) Profit available for distribution**

Net profit for the year totalled € 103,564,082.75. Following the transfer of an amount of € 51,700,000.00 to other revenue reserves and taking account of the retained profit brought forward of € 2,435,917.25, profit available for distribution totalled € 54,300,000.00. A proposal will be submitted to the Annual General Meeting to carry forward on new account the profit available for distribution.

**(10) Special non-taxed item**

The special non-taxed item totalled € 42.6 million (previous year: € 43.8 million) and included tax-related depreciation of fixed assets in accordance with section 6b of the German Income Tax Act. Due to the long reversal period, reversal of the special non-taxed item created a minor income tax effect for individual financial years.

**(11) Other provisions**

**Other provisions**

€ '000	31 Dec 2006	31 Dec 2005
Tax provisions	128,316	135,000
Other provisions	377,572	596,486
	<b>505,888</b>	<b>731,486</b>

The decline in tax provisions was mainly attributable to amounts utilised.

Other provisions mainly related to provisions for anticipated losses from derivative financial instruments, aircraft maintenance, the investment portfolio and other risks. In the framework of the impairments of shares in companies and participations effected, provisions for risks from the investment portfolio, in particular, were reversed due to depreciation or due to the positive development of the corporate values determined on the basis of the discounted cash flow method.

Around 45% of other provisions (previous year: around 37%) had a remaining term of up to one year.

**(12) Liabilities**

€ '000	31 Dec 2006		31 Dec 2005	
	Remaining terms	Total	Total	Remaining terms
<b>Bonds</b>		<b>2,709,550</b>	<b>3,459,550</b>	
up to 1 year	–			750,000
1 - 5 years	1,959,550			1,334,550
more than 5 years	750,000			1,375,000
of which convertible		(384,550)	(384,550)	
up to 1 year	(–)			(–)
1 - 5 years	(384,550)			(384,550)
more than 5 years	(–)			(–)
<b>Liabilities to banks</b>		<b>641,355</b>	<b>402,924</b>	
up to 1 year	54,497			208,358
1 - 5 years	486,479			84,699
more than 5 years	100,379			109,867
<b>Trade accounts payable</b>		<b>5,144</b>	<b>13,908</b>	
up to 1 year	5,144			13,908
1 - 5 years	–			–
more than 5 years	–			–
<b>Other liabilities</b>		<b>2,781,534</b>	<b>1,877,852</b>	
up to 1 year	2,682,085			1,614,120
1 - 5 years	61,372			263,732
more than 5 years	38,077			–
<b>of which liabilities to Group companies</b>		<b>2,591,539</b>	<b>1,807,038</b>	
up to 1 year	2,591,539			1,555,038
1 - 5 years	–			252,000
more than 5 years	–			–
<b>of which liabilities to companies in which shareholdings are held</b>		<b>3,026</b>	<b>6,673</b>	
up to 1 year	3,026			6,673
1 - 5 years	–			–
more than 5 years	–			–
<b>of which Other liabilities</b>		<b>186,969</b>	<b>64,141</b>	
up to 1 year	87,520			52,409
1 - 5 years	61,372			11,732
more than 5 years	38,077			–
of which from taxes		(6,414)	(6,940)	
up to 1 year	(6,414)			(6,940)
1 - 5 years	(–)			(–)
more than 5 years	(–)			(–)
of which relating to social security		(1,235)	(1,053)	
up to 1 year	(1,235)			(1,053)
1 - 5 years	(–)			(–)
more than 5 years	(–)			(–)
		<b>6,137,583</b>	<b>5,754,234</b>	

Convertible bonds solely comprised the convertible bond of € 384.6 million issued in November 2003. The convertible bond will mature on 1 December 2008 and carries a nominal interest coupon of 4% p.a. Each convertible bond of a nominal value of € 50,000.00 entitles the holder to convert it into 2,520 shares at a conversion price of around € 19.84 per share any time between 2 January 2004 and 17 November 2008.

Bonds included a total of five further bonds (previous year: six further bonds) with a nominal volume of € 2,325.0 million at the end of the financial year.

The bearer bond of € 750.0 million issued in October 1999 was redeemed on schedule in October 2006 upon maturity. It carried a fixed interest coupon of 5.875% p.a.

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

In order to finance the acquisition of CP Ships Ltd., three additional bonds with a total volume of € 1,300.0 million were issued in December 2005. The senior floating rate notes with a volume of € 550.0 million carry a floating-rate interest coupon (3-month-EURIBOR + 1.55%) and will mature in December 2010. The senior fixed rate notes with a volume of € 450.0 million carry a fixed-rate nominal interest coupon of 5.125% p.a. and will mature in December 2012. These two bonds have denominations of € 50,000.00 (thereafter in multiples of thousands). The subordinated hybrid bond with a volume of € 300.0 million 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% p.a. until January 2013 and will subsequently carry a floating-rate interest coupon (3-month-EURIBOR + 7.3%). The hybrid bond has a denomination of € 1,000.00.

Liabilities to banks rose due to the placement of note loans of a nominal value of € 217 million and of three put bonds worth a total of € 183 million. The note loans have a term of 3.5 years and will mature on 12 April 2010. They carry fixed interest rates of 5.629% and 5.7% p.a. for a fixed portion of € 55 million. The remaining portion of the loan of € 162 million carries a variable-rate interest coupon based on 3-month-EURIBOR plus a margin of 1.85 percentage points.

The three put bonds were newly issued in October and November 2006 in the framework of a private placement. They are to be redeemed in December 2009 (put date). Until the put date these bonds carry interest of 5.39% p.a. for bond I and II for a total of € 100 million, and 5.265% p.a. for bond III for € 83 million.

Liabilities to Group companies and to companies in which shareholdings are held contained minor trade accounts payable as at the respective balance sheet date. The increase in liabilities to Group companies was associated in particular with the investment of funds of TUI Beteiligungs GmbH, Hamburg which became available in the wake of the restructuring of the shipping division.

Liabilities with a remaining term of more than five years totalled € 888.5 million (previous year: € 1,484.9 million).

Liabilities were not secured by rights of lien or similar rights.

(13) *Deferred income*

**Deferred income**

€ '000	31 Dec 2006	31 Dec 2005
Other deferred income	12,581	7,085

Deferred income mainly related to deferred income from operating leases, including an amount of € 12.0 million to Group companies (previous year: € 6.4 million).

(14) *Trust assets and trust liabilities*

**Trust assets and trust liabilities**

€ '000	31 Dec 2006	31 Dec 2005
Trust assets	4,975	–
Trust liabilities	4,975	–

The trust assets and liabilities to be recognised as part of the balance sheet were related to collateral for payments made on account of aircraft maintenance agreements of one Group company. The trust assets contain deposits at a Swiss bank and the trust liabilities exist against a Swiss maintenance company.

(15) *Contingent liabilities*

**Contingent liabilities**

€ '000	31 Dec 2006	31 Dec 2005
Liabilities under guarantees, bill and cheque guarantees	1,423,912	1,484,227
Liabilities under warranties	836	856
	<b>1,424,748</b>	<b>1,485,083</b>
of which to Group companies	(1,234,036)	(1,226,260)

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. In the financial year under review, the liabilities from warranties relating to the companies of the former Babcock Borsig Group were further reduced. As in 2005, appropriate provisions were formed concerning the risk of anticipated obligations.

(16) *Other financial commitments*

**Other financial commitments**

€ '000	31 Dec 2006	31 Dec 2005
Lease, rental, leasing and similar contracts	572,847	369,838
Order commitments	2,779,781	235,915
Other financial commitments	598,833	21,017
	<b>3,951,461</b>	<b>626,770</b>

The increase in lease, rental and leasing contracts was associated with the conclusion of new aircraft lease agreements with third parties.

In the framework of the fleet renewal programme, order commitments rose due to the aircraft purchase agreements concluded with Boeing. For the first time, order commitments also included payment obligations for the purchase of four ships.

Other financial commitments mainly related to commitments to purchase services. They increased in the financial year under review due to the EDP service agreements concluded with TUI InfoTec GmbH, Hanover.



Other financial commitments included an amount of € 783.9 million (previous year: € 262.7 million) of expenses due in the subsequent year; liabilities due within one to five years totalled € 2,562.0 million (previous year: € 344.0 million) at the balance sheet date, with liabilities due within more than 5 years totalling € 605.6 million (previous year: € 20.1 million). Other financial commitments to Group companies totalled € 10.2 million (previous year: € 9.5 million).

**(17) Derivative financial instruments**

**Derivative financial instruments**

€ '000	Nominal volume	Positive fair values	Negative fair values
<b>Currency hedges</b>	<b>14,862,887</b>	<b>190,142</b>	<b>115,593</b>
of which with Group companies	(5,610,133)	(130,480)	(45,709)
<b>Commodity hedges</b>	<b>2,543,297</b>	<b>84,206</b>	<b>84,206</b>
of which with Group companies	(1,268,454)	(69,648)	(14,447)
<b>Interest rate hedges</b>	<b>159,766</b>	<b>703</b>	<b>419</b>
of which with Group companies	(-)	(-)	(-)
<b>Other instruments</b>	<b>863,478</b>	<b>8,514</b>	<b>2,998</b>
of which with Group companies	(-)	(-)	(-)

Commodity hedges exclusively related to ship and aircraft fuel.

For the financial instruments entered into, the following carrying amounts were recognised under the balance sheet items listed below:

**Carrying amounts of the option premiums**

€ '000	31 Dec 2006	31 Dec 2005
Receivables from Group companies	11,468	3,261
Other assets	38,393	44,581
Liabilities to Group companies	43,923	53,110
Other liabilities	24,119	11,474

**Provisions for negative market values in other provisions**

€ '000	31 Dec 2006	31 Dec 2005
Currency hedges	87,541	110,445
Commodity hedges	64,873	44,641
Interest rate hedges	-	244
	<b>152,414</b>	<b>155,330</b>

Provisions for currency hedges decreased primarily due to early repayment of forward exchange deals. Provisions were increased due to the substantial year-on-year increase in the volume of currency hedges and the weaker USD in relation to the hedged items. The increase in provisions for commodity hedges mainly resulted from a year-on-year increase in the hedge volume.

## Notes on the Profit and Loss Statement

### (18) Geographical breakdown of turnover

#### Geographical breakdown of turnover

€ '000	2006	2005
Germany	185,391	97,006
of which with Group companies	(183,820)	(90,535)
EU (excl. Germany)	114,042	66,806
of which with Group companies	(114,042)	(65,945)
Rest of Europe	2,616	2,616
North America	945	–
of which with Group companies	(945)	(–)
Asia	705	339
of which with Group companies	(705)	(–)
	<b>303,699</b>	<b>166,767</b>

Apart from turnover from renting out aircraft, turnover (€ 92.1 million) from renting out container ships, containers and container semi-trailers was carried for the first time in the financial year under review. This was the main reason for the turnover growth, which was also attributable to the conclusion of additional lease contracts with Group-owned airlines.

### (19) Other operating income

#### Other operating income

€ '000	2006	2005
Reversal of special non-taxed item	1,190	4,271
Miscellaneous other operating income	970,815	725,897
	<b>972,005</b>	<b>730,168</b>

Miscellaneous other operating income primarily included income from the reversal of provisions as well as income from derivative financial instruments, book profits from the disposal of current assets as well as property, plant and equipment, gains from currency transactions, income from the reversal of value adjustments and income from sideline operations. The increase resulted from the reversals of provisions from the investment portfolio, directly related to value adjustments on shares in companies and participations. Another reason for the increase was income from disposals of current assets.

### (20) Cost of materials

#### Cost of materials

€ '000	2006	2005
Cost of consumables and supplies	–	2,545
Cost of purchased services	155,386	107,965
	<b>155,386</b>	<b>110,510</b>

The cost of purchased services rose due to newly concluded aircraft lease agreements with third parties and first-time maintenance costs for container ships.

(21) *Personnel costs*

**Personnel costs**

€ '000	2006	2005
Wages and salaries	53,957	51,310
Social security contributions, pension costs and benefits	21,992	70,269
of which pension costs	(15,939)	(64,785)
	<b>75,949</b>	<b>121,579</b>

The pension costs for the 2006 financial year comprised transfers to commercial-law pension provisions of € 15.4 million (previous year: € 64.0 million). This amount of € 4.2 million (previous year: € 9.8 million) included an actuarial loss in accordance with IFRS provisions, which was immediately eliminated with an effect on results in the commercial balance sheet, as in 2005. The increase in the discount rate of 0.25% to 4.5% created an actuarial gain, while the rise in projected future salary increases and the individual changes of the beneficiaries created an actuarial loss.

In the previous year, personnel costs comprised pension costs caused by the change from measurement in accordance with section 6 of the German Income Tax Act to IAS 19 and by the application of Prof. Dr. Klaus Heubeck's new '2005 G mortality tables'. The total effect was € 49.8 million.

(22) *Depreciation/  
amortisation*

**Depreciation/amortisation**

€ '000	2006	2005
Amortisation of intangible assets and depreciation of property, plant and equipment	320,258	98,134
of which impairments	(33,456)	(-)

At € 164.8 million, the increase in depreciation/amortisation was largely attributable to the container ships, containers and container semi-trailers acquired in the financial year under review. Depreciation also rose due to additions of aircraft. In addition, impairments were required for four aircraft.

(23) *Other operating  
expenses*

**Other operating expenses**

€ '000	2006	2005
Miscellaneous other operating expenses	1,556,605	718,107

This item covered in particular subsidies for subsidiaries, expenses for anticipated losses from derivative financial instruments, costs of financial and monetary transactions, transfers to provisions for investment risks as well as fees, charges and other administrative costs. The increase in miscellaneous other operating costs mainly resulted from the grant of subsidies in the framework of the restructuring of shipping operations.

The expenses incurred for the auditors totalled € 1.0 million for audits of the annual financial statements, € 2.0 million for other certification or measurement services and € 0.1 million for other services.

(24) *Net income from investments*

**Net income from investments**

€ '000	2006	2005
Income from participations	115,197	285,263
of which from Group companies	(99,967)	(264,195)
Income from profit transfer agreements	3,623,851	2,206,283
of which from Group companies	(3,623,851)	(2,206,283)
Expenses relating to losses taken over	- 66,765	- 58,361
of which to Group companies	(- 66,765)	(- 58,361)
	<b>3,672,283</b>	<b>2,433,185</b>

The income from profit transfer agreements included profit transfers from subsidiaries and the related rebilled tax portion as well as income from investments of subsidiaries.

Income from profit transfer agreements rose year-on-year due to income from the transfer of shares in Hapag Lloyd AG to TUI AG, transferred to TUI AG in the framework of the profit transfer agreement with DEFAG which existed until the merger.

(25) *Write-downs of investments*

Write-downs of investments included an amount of € 2,535.8 million relating to Group companies (previous year: € 1,703.8 million). In the run-up to the merger in connection with the restructuring of shipping operations, a value adjustment of the valuation of DEFAG of € 1,708.8 million was required. Further impairments were required due to a reduction in the corporate values of individual subsidiaries, determined on the basis of the discounted cash flow method based on conservative assumptions. This reflected the more difficult market environments, in particular in source markets UK and France. Moreover, higher discount interest rates had to be taken into account in determining the corporate values due to an increase in market interest rate levels.

(26) *Interest result*

**Interest result**

€ '000	2006	2005
Income from other securities and long-term loans	6,695	1,834
of which from Group companies	(5,906)	(1,255)
Other interest and similar income	102,091	51,727
of which from Group companies	(83,421)	(34,301)
Interest and similar expenses	- 292,016	- 246,366
of which to Group companies	(- 81,881)	(- 72,431)
	<b>- 183,230</b>	<b>- 192,805</b>

At the end of October of 2005, a subsidiary of TUI AG acquired the shares in the Canadian CP Ships Ltd., Saint John. TUI AG provided the funds to finance this acquisition, reflected by the increase in interest income from Group companies. TUI AG took up a short-term bank loan in order to cover the largest amount of the volume to be refinanced, redeemed in December 2005 in particular due to the issue of bonds. Both interest items related to this transaction had to be applied to the entire financial year for the first time in 2006 and are the key reason for the year-on-year variation.

(27) *Taxes*

**Taxes**

€ '000	2006	2005
Taxes on income	5,074	- 25,279
Other taxes	- 1,064	15,595
	<b>4,010</b>	<b>- 9,684</b>

Taxes on income paid in the financial year under review comprised an addition to the trade tax provision and income from the capitalisation of claims for payments of the corporation tax credit from the former corporation tax-related deduction method.

**Expenses and income attributable to other periods**

Income of € 406.2 million and expenses of € 88,0 million were attributable to other financial years; for the most part, they were carried under other operating income and expenses. Expenses and income attributable to other periods also created an income tax burden of € 17.4 million.

## Other Notes

### Annual average headcount (excl. apprentices)

	2006	2005
Wage earners	4	4
Salaried employees	564	531
<b>Total employees</b>	<b>568</b>	<b>535</b>

### Remuneration of the Executive Board

Upon the suggestion of the Presiding Committee, the Supervisory Board regularly discusses and reviews the structure of the remuneration system for the Executive Board. The remuneration of the Executive Board members is fixed by the Presiding Committee, which orients its decision to the size and global operations of the Company, its economic situation and the level and structure of the remuneration of Executive Board members in comparable companies. Other criteria taken into consideration are the responsibilities held and contribution made by each individual Board member.

The remuneration of TUI AG's Executive Board members comprises both fixed and variable components. The variable components are a management bonus and a bonus with a long-term incentive effect (long-term incentive programme). The level of the bonus depends on the Group profit for the year and on earnings by the divisions in the completed financial year (in the previous year on the payment of the dividend) and personal assessment factors. The compensation is calculated on the basis of the respective earnings before interest, taxes and amortisation of goodwill (EBITA). In addition, Executive Board members were entitled to a company car with chauffeur as well as special travel discount rates.

In the framework of the long-term incentive programme, the Board members were granted a bonus for the 2006 financial year, translated into phantom shares in TUI AG on the basis of an average stock price. The calculation for granting phantom shares was based on Group earnings before taxes and amortisation of goodwill (EBTA). The translation into phantom shares is based on the average stock price of TUI shares at the 20 trading days following the Supervisory Board meeting at which the annual financial statements is approved. Thus, the number of phantom shares granted in a financial year is not determined until the subsequent year. Following a lock-up period of two years, the individual Executive Board members are free to exercise their right to cash payment from this bonus within previously determined periods of time. By resigning from the Executive Board the blocking period is not applicable. The level of the cash payment is based on TUI AG's average stock price over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap is provided for exceptional unforeseen developments.

### Development of the number of phantom shares

	Number
<b>Balance as at 31 December 2005</b>	<b>430,151</b>
Phantom stocks granted for the 2005 financial year	123,036
Phantom stocks exercised	- 75,525 <sup>1)</sup>
Increase/decrease of phantom stocks	+ 25,849
<b>Balance as at 31 December 2006</b>	<b>503,511</b>

<sup>1)</sup> at Mr Ebel's resignation

As in 2005, former Executive Board members held no phantom shares as at 31 December 2006.

Provisions of € 8,481 thousand (previous year: € 9,421 thousand) were formed for the entitlements from the long-term incentive programmes including the issue of phantom shares for the 2006 financial year.

In the 2006 financial year, the Executive Board members recorded a loss of € 1,107.1 thousand (previous year: € - 250.6 thousand) from the measurement of the phantom shares.

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

€ '000	2006	2005
Dr. Michael Frenzel (Chairman)	- 344.2	- 20.3
Michael Behrendt	-	-
Sebastian Ebel <sup>1)</sup>	- 142.3	- 54.0
Dr. Peter Engelen	- 190.2	- 70.3
Rainer Feuerhake	- 376.1	- 106.0
Christoph R. Mueller	-	-
Peter Rothwell	- 54.3	-
<b>Total</b>	<b>- 1,107.1</b>	<b>- 250.6</b>

<sup>1)</sup> until his resignation

### Remuneration of individual Executive Board members

€ '000	Non-performance-related compensation	Performance-related compensation	Long-term incentive programme	Total 2006	Total 2005
Dr. Michael Frenzel (Chairman)	1,104.8	634.0	5.0	1,743.8	3,312.3
Michael Behrendt (since 10 May 2006)	160.2	121.1	0.9	282.2	-
Sebastian Ebel (until 31 Aug 2006)	317.3	-	-	317.3	1,538.5
Dr. Peter Engelen	469.1	380.4	3.0	852.5	1,547.2
Rainer Feuerhake	652.0	507.2	4.0	1,163.2	2,350.1
Christoph R. Mueller (since 1 Sept 2006)	121.9	103.1	0.8	225.8	-
Peter Rothwell (since 10 May 2006)	358.2	847.3	1.4	1,206.9	-
<b>Total</b>	<b>3,183.5</b>	<b>2,593.1</b>	<b>15.1</b>	<b>5,791.7</b>	<b>8,748.1</b>
Previous year	2,688.3	4,054.3	2,005.5	8,748.1	-

As in the 2006 financial year, no advances or loans were granted to the Executive Board members.

### Compensation in the event of a termination of employment

Pension payments were made to former Executive Board members who had either reached the legal retirement age or were permanently incapacitated. The pension

was calculated on the basis of a pensionable pay oriented to the fixed compensation of an Executive Board member. 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 or due to individual arrangements, this percentage may rise up to 80%. A special provision applies to one foreign Executive Board member, whose pension accounts for two thirds of pensionable pay. Pension entitlements are vested rights after the expiration of the first period of office.

Under certain circumstances, widows of Executive Board members obtain a widow's pension of 60% of the pension for their lifetime or until remarriage. Children of Executive Board members obtain an orphan's pension of 20% of the pension if they have lost one parent and 25% of the pension if they have lost both parents at maximum until they reach the age of 27.

#### Pension entitlements/transfers to pension provisions or funds

€ '000	Annual pension	Transfers to pension provisions or funds
Dr. Michael Frenzel (Chairman)	720.0	678.9
Michael Behrendt	320.0	671.3
Sebastian Ebel <sup>1)</sup>	200.0	–
Dr. Peter Engelen	240.0	178.3
Rainer Feuerhake	424.0	346.2
Christoph R. Mueller	200.0	83.3
Peter Rothwell	444.0	29.6

<sup>1)</sup> Employment terminated on 31 August 2006.

#### b) Transitional compensation

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 transitional compensation until the date at which the pension payments fall due. For contracts of employment effective before 1 September 2006, the transitional compensation corresponds to the pension entitlement. For contracts effective after 1 September 2006, the transitional compensation accounts for 50% of the pension entitlement. Any income received by the beneficiary from self-employment or employment, from pension or transitional payments by other companies or insurance benefits is deducted from the transitional compensation entitlement. The special provision applicable to a foreign Executive Board member does not include an entitlement to transitional compensation payments.

#### c) Change of Control

In the event of a change of control – i.e. if one or several shareholders acquire the majority of voting rights in TUI AG – every Executive Board member is entitled to settlement of the financial claims for the remaining term of the contract of employment as a Board member if the member loses his office due to a change of control or exercises the right, specifically accorded for this case, to withdraw from office and give notice to quit his contract of employment as Board member. The performance-related compensation and the allotment of phantom shares for the remaining term of the contract of employment is based on the average remuneration received over the last three financial years. The same principle applies to the compensation for Supervisory Board memberships received from Group companies to date.



The employment contracts for Executive Board members do not comprise an explicit compensation provision for the event of a premature termination of the employment relationship. However, a compensation may be paid under an individual termination agreement.

At the balance sheet date, pension commitments for active Board members amounted to € 20,663 thousand (previous year: € 18,675 thousand). Pension commitments for former members of the Executive Board or their surviving dependants totalled € 47,811 thousand (previous year: € 46,671 thousand) at the balance sheet date.

The pension commitments for German beneficiaries were funded via pledged reinsurance policies. Since the reinsurance policies fully covered the commitments for the pension obligations for former and active Board members, they were deducted from pension commitments as an asset. The pension commitment for one former Board member was covered by a fund. Transfers to pension provisions for active Board members totalled € 1,988 thousand (previous year: € 6,020 thousand) in 2006.

Total compensation for former Executive Board members and their surviving dependants amounted to € 5,652 thousand including one-off termination payments of € 2,000 thousand paid to a retired Board member (previous year: € 3,679 thousand) in the 2006 financial year. In addition, provisions of € 3,250 thousand (previous year: € 0 thousand) were formed for the settlement of non-competition clauses and potential transitional payment entitlements.

#### **Remuneration of the Supervisory Board**

The remuneration of the Supervisory Board members comprises a fixed and variable components. These are calculated on the basis of section 18 of TUI AG's articles of association, permanently accessible to the public on the internet. Accordingly, the members of the Supervisory Board receive a fixed compensation of € 40,000, payable upon the end of the financial year, besides the reimbursement of their expenses. The Chairman receives three times this amount, while his Deputy and other members of the Presiding Committee receive one and a half times this amount. Membership and the chairmanship in committees are separately compensated.

In addition, the Supervisory Board members receive a compensation oriented to the Company's short-term success of € 100 per € 0.01 of the earnings per share carried for the completed financial year. Since no earnings per share were generated in the 2006 financial year, no short-term variable compensation was paid for the completed financial year.

In addition, the Supervisory Board members obtain a compensation related to the Company's long-term performance. The long-term variable component comprises a basic amount of € 20,000 per year. This basic amount is paid upon completion of the third year following the entitlement and increases or decreases in line with the percentage change in earnings per share within this period.

## Remuneration of the Supervisory Board

€ '000	2006	2005
Fixed compensation	973.5	116.5
Short-term variable compensation	–	1,658.3
Long-term variable compensation	486.4	–
Compensation for committee membership	160.0	133.7
<b>Compensation for TUI AG Supervisory Board membership</b>	<b>1,619.9</b>	<b>1,908.5</b>

Moreover, travel expenses and other expenses totalling € 74 thousand (previous year: € 64 thousand) were reimbursed. Accordingly, total compensation for the Supervisory Board members amounted to € 1,694 thousand (previous year: € 1,973 thousand).

Apart from the work performed by the employee representatives in the framework of their employment contracts, the members of the Supervisory Board did not provide any personal services such as e.g. consultation or agency services for TUI AG and its subsidiaries in the 2006 financial year.

## Remuneration of individual Supervisory Board members for 2006

€ '000	Fixed compensation	Variable short-term compensation	Variable long-term compensation	Compensation for committee membership	Total
Dr. Jürgen Krumnow (Chairman)	120.0	–	60.0	20.0	200.0
Jan Kahmann (Deputy Chairman)	60.0	–	30.0	–	90.0
Andreas Barczewski (since 10 May 2006)	25.7	–	12.8	–	38.5
Jean-Claude Baumgarten (since 10 May 2006)	25.7	–	12.8	–	38.5
Jella Susanne Benner-Heinacher	40.0	–	20.0	–	60.0
Sepp Dieter Heckmann (since 10 May 2006)	25.7	–	12.8	–	38.5
Uwe Klein	60.0	–	30.0	20.0	110.0
Fritz Kollorz (until 10 May 2006)	14.4	–	7.2	–	21.6
Christian Kuhn	40.0	–	20.0	–	60.0
Dr. Dietmar Kuhnt	40.0	–	20.0	60.0	120.0
Dr. Klaus Liesen (until 10 May 2006)	21.7	–	10.8	–	32.5
Alfred Linzmeier (since 10 May 2006 until 5 Oct 2006)	16.2	–	8.1	–	24.3
Roberto López Abad	40.0	–	20.0	–	60.0
Dieter Lübke (since 2 Nov 2006)	6.6	–	3.3	–	9.9
Dr. h.c. Abel Matutes Juan	40.0	–	20.0	–	60.0
Petra Oechtering	52.8	–	26.4	–	79.2
Carmen Riu Güell	60.0	–	30.0	–	90.0
Hans-Dieter Rüter (until 10 May 2006)	14.4	–	7.2	–	21.6
Marina Schmidt (until 30 March 2006)	10.0	–	5.0	–	15.0
Dr. Manfred Schneider	40.0	–	20.0	12.8	72.8
Roland Schneider (since 10 May 2006)	25.7	–	12.8	–	38.5
Dr.-Ing. Ekkehard D. Schulz (until 10 May 2006)	14.4	–	7.2	7.2	28.8
Hartmut Schulz (until 10 May 2006)	21.7	–	10.8	–	32.5
Ilona Schulz-Müller	40.0	–	20.0	20.0	80.0
Olaf Seifert	40.0	–	20.0	20.0	80.0
Henry Sieb (since 10 May 2006)	25.7	–	12.8	–	38.5
Dr. Franz Vranitzky	52.8	–	26.4	–	79.2
<b>Total</b>	<b>973.5</b>	<b>–</b>	<b>486.4</b>	<b>160.0</b>	<b>1,619.9</b>

## Shareholding structure

TUI AG received the following notifications according to section 21 sub-section 1 of the German Securities Trading Act (WpHG):

### **7 December 2004**

Riu family

Luis Riu Güell and Carmen Riu Güell have notified us that their voting rights in TUI AG exceeded the threshold of 5% on 2 December 2004 for each party and now account for 9.97% for each party. The 9.97% share has been attributable to each of the two parties as of that date due to their joint control over Saranja S.L. and one further subsidiary pursuant to section 22 sub-section 1 sentence 1 no. 1 of the German Securities Trading Act (WpHG) (the voting rights attributable to each of the two parties relate to one single shareholding).

### **30 March 2005**

RIU Hotels S.A. has notified us that its share in the voting rights in TUI AG exceeded the threshold of 5% on 29 March 2005 and now accounts for 5.10%.

### **6 December 2005**

Caja de Ahorros del Mediterráneo has submitted the following notification both in its own name and in the name and on behalf of Inversiones Cotizadas del Mediterráneo:

- With effect from 1 December 2005, Caja de Ahorros del Mediterráneo no longer directly holds its voting rights in TUI AG, Berlin/Hanover, of 5.00%. Following the transfer of the participation in TUI AG to Inversiones Cotizadas del Mediterráneo, the shareholding in TUI AG is now only held indirectly. Caja de Ahorros del Mediterráneo is therefore entitled to 5.00% of the voting rights in TUI AG, attributable to the company pursuant to section 22 sub-section 1 sentence 1 no. 1 of the German Securities Trading Act (WpHG).
- With effect from 1 December 2005, the voting rights in TUI AG, Berlin/Hanover, of Inversiones Cotizadas del Mediterráneo exceeded the threshold of 5.00%. The voting rights now account for 5.00%.

### **16 August 2006**

AXA S.A., 25, Avenue Matignon, 75008 Paris, France, has notified us that its share in the voting rights in TUI Aktiengesellschaft, Hanover, exceeded the level of 5% on 5 August 2006 and accounted for 5.07% at that date. This share is attributable to AXA S.A. pursuant to sections 21 sub-section 1, 22 sub-section 1 sentence 1 no. 6 in combination with section 22 sub-section 1 sentence 2 of the German Securities Trading Act.

### **22 September 2006**

AXA S.A., 25, Avenue Matignon, 75008 Paris, France, has notified us that its share in the voting rights in TUI AG, Hanover, fell below the level of 5% on 15 September 2006 and accounted for 4.02% at that date. This share is attributable to AXA S.A. pursuant to sections 21 sub-section 1, 22 sub-section 1 sentence 1 no. 6 in combination with section 22 sub-section 1 sentence 2 of the German Securities Trading Act.

### **German Corporate Governance Code**

TUI AG has oriented its corporate governance consistently to the recommendations and suggestions of the German Corporate Governance Code. In 2006, the Executive Board and the Supervisory Board repeatedly dealt with corporate governance issues and jointly submitted the updated declaration of compliance in accordance with section 161 of the German Stock Corporation Act on 14 December 2006. The declaration was made permanently accessible to the public on TUI AG's website.

Hanover, 5 March 2007

Frenzel

Behrendt

Engelen

Feuerhake

Mueller

Rothwell

# Major direct Shareholdings

Annex to the notes

## Shareholdings

		Share- holding %	Nominal capital in '000 CU	Result for the year <sup>1)</sup> in '000 CU
<b>Tourism</b>				
TUI Deutschland GmbH, Hanover	€	100.0	20,000	*
TUI Leisure Travel GmbH, Hanover	€	100.0	14,501	*
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	100.0	45,000	*
TUI Nederland N.V., Rijswijk <sup>2)</sup>	€	100.0	10,000	13,223
JetAir N.V., Oostende <sup>2)</sup>	€	28.0 <sup>6)</sup>	750	17,206
Groupe Nouvelles Frontières S.A.S., Montreuil	€	100.0	3,274	6,933
Touraventure S.A., Montreuil	€	8.3 <sup>7)</sup>	10,470	- 28,420
TUI Northern Europe Ltd., Luton <sup>3)</sup>	GBP	100.0	250,459	- 23,468
Robinson Club GmbH, Hanover	€	100.0	5,138	*
RIUSA II S.A., Palma de Majorca <sup>2)5)</sup>	€	50.0	1,202	68,825
Atlantica Hellas S.A., Athens <sup>4)</sup>	€	50.0	11,026	69
GRUPOTEL DOS S.A., Cón Picafort <sup>4)</sup>	€	50.0	76,092	- 283
RIU Hotels S.A., Palma de Majorca <sup>4)</sup>	€	49.0	40,809	25,487 <sup>8)</sup>
<b>Shipping</b>				
Hapag-Lloyd AG, Hamburg	€	100.0	25,600	*
<b>Other Companies</b>				
TUI AUSTRIA Holding AG, Vienna	€	100.0	73	- 7,459
TUI (Suisse) Holding AG, Zurich	CHF	100.0	3,599	- 140
TUI Belgium N.V., Brussels	€	100.0	24,080	13,947
TUI Holding Spain S.L., Barcelona	€	100.0	1,004	5,660
TUI Beteiligungs GmbH, Hanover	€	100.0	500	*
Preussag UK Ltd., London	GBP	100.0	150,000	4,231
Preussag Finanz- und Beteiligungs-GmbH, Hanover	€	100.0	148,001	*
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	100.0	71,427	*

\*<sup>1)</sup> Profit and loss transfer agreement

<sup>1)</sup> according to local laws

<sup>2)</sup> according to financial statement of the group

<sup>3)</sup> according to financial statements as per 31 Dec 2005

<sup>4)</sup> Joint venture

<sup>5)</sup> Control

<sup>6)</sup> Remaining shares are held by TUI Belgium N.V. (72.0%)

<sup>7)</sup> Remaining shares are held by Groupe Nouvelles Frontières S.A.S. (91.7%)

<sup>8)</sup> according to financial results as per 31 Dec 2005

# Auditor's Report

We have audited the annual financial statements of TUI AG, Berlin and Hanover, consisting of the balance sheet, the profit and loss statement and the notes, including the accounts, as well as the management report of TUI AG, combined with the consolidated management report, for the financial year from 1 January to 31 December 2006. In accordance with the provisions of the German Commercial Code, the Executive Board is responsible for the accounts and for the preparation of the annual financial statements and the management report. It is our responsibility to assess the annual financial statements including the accounts and the combined management report on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB), taking account of the generally accepted auditing standards promulgated by the German Auditors' Institute (IDW) as well as the International Standards on Auditing (ISA). Accordingly, the audit has to be planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatements having a material effect on the presentation of the view of the asset, financial and earnings situation, taking account of the principles of adequate and orderly bookkeeping and the management report. In determining the audit procedures, knowledge of the business activities and the economic and legal position of the Group as well as expectations with regard to possible misstatements were taken into account. Within the framework of the audit, the effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the accounts, annual financial statements and combined management report were primarily assessed on a test basis. The audit included an assessment of the accounting policies used and the significant estimates made by the Executive Board as well as an evaluation of the overall adequacy of the presentation of information in the annual financial statements and the combined management report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

Our audit has not given rise to any objections.

In our opinion, based on the results of our audit, the annual financial statements, in conformity with the principles of adequate and orderly accounting, present a true and fair view of the asset, financial and earnings situation of the Company. The combined management report is congruent with the annual financial statements, provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future developments.'

Hanover, 5 March 2007

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Winkeljohann  
Wirtschaftsprüfer

Dr. Rolfes  
Wirtschaftsprüfer

# Supervisory Board

## Members of the Supervisory Board

### **Dr. Jürgen Krumnow**

Chairman  
ex. Member of the Executive Board  
of Deutsche Bank AG  
Frankfurt/Main

### **Jan Kahmann**

Deputy Chairman  
Member of the Federal Executive Board  
of ver.di – Vereinte Dienstleistungs-  
gewerkschaft  
Berlin

### **Andreas Barczewski**

Aircraft captain  
Langenhagen  
(since 10 May 2006)

### **Jean-Claude Baumgarten**

President of the  
World Travel & Tourism Council  
London  
(since 10 May 2006)

### **Jella Susanne Benner-Heinacher**

Solicitor  
Managing Director of Deutsche  
Schutzvereinigung für Wertpapierbesitz e.V.  
Düsseldorf

### **Sepp Dieter Heckmann**

Chairman of the Executive Board  
of Deutsche Messe AG  
Hanover  
(since 10 May 2006)

### **Uwe Klein**

Clerk  
Hamburg

### **Fritz Kollorz**

ex. Member of the Executive Board of the  
Mining, Chemical and Energy Industrial Union  
Hanover  
(until 10 May 2006)

### **Christian Kuhn**

Travel agent  
Hanover

### **Dr. Dietmar Kuhnt**

ex. Chairman of the Executive Board  
of RWE AG  
Essen

### **Dr. Klaus Liesen**

Honorary Chairman of the  
Supervisory Board  
of E.ON Ruhrgas AG  
Essen  
(until 10 May 2006)

### **Alfred Linzmeier**

Software Engineer  
Bruckberg  
(since 10 May 2006 until 5 October 2006)

### **Roberto López Abad**

Chief Executive of Caja de Ahorros  
del Mediterráneo  
Alicante

### **Dieter Lübkemann**

Shipping agent  
Bremen  
(since 2 November 2006)

### **Dr. h.c. Abel Matutes Juan**

Chairman of Fiesta Hotels & Resorts  
Ibiza

### **Petra Oechtering**

Travel agent  
Cologne

### **Carmen Riu Güell**

Entrepreneur  
Playa de Palma

### **Hans-Dieter Rüter**

Aircraft engineer  
Langenhagen  
(until 10 May 2006)

### **Marina Schmidt**

Travel agent  
Hamburg  
(until 30 March 2006)

### **Dr. Manfred Schneider**

Chairman of the Supervisory Board  
of Bayer AG  
Leverkusen

### **Roland Schneider**

Business Economist  
Barsinghausen  
(since 10 May 2006)

### **Dr.-Ing. Ekkehard D. Schulz**

Chairman of the Executive Board  
of ThyssenKrupp AG  
Düsseldorf  
(until 10 May 2006)

### **Hartmut Schulz**

Movement Controller  
Langenhagen  
(until 10 May 2006)

### **Ilona Schulz-Müller**

Representative for equality  
in the Federal Executive Board  
of ver.di – Vereinte Dienstleistungs-  
gewerkschaft  
Berlin

### **Olaf Seifert**

Head of the Group Controlling Department  
of TUI AG  
Hanover

### **Henry Sieb**

Federal Group Leader Travel of ver.di  
– Vereinte Dienstleistungsgewerkschaft  
Berlin  
(since 10 May 2006)

### **Dr. Franz Vranitzky**

Chancellor (retrd.) of the Republic of Austria  
Vienna

as of 28 February 2007

## Committees of the Supervisory Board

### Members of the Presiding Committee

#### **Dr. Jürgen Krumnow**

ex. Member of the Executive Board of Deutsche Bank AG  
Frankfurt/Main

#### **Jan Kahmann**

Member of the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft  
Berlin

#### **Uwe Klein**

Clerk  
Hamburg

#### **Dr. Klaus Liesen**

Honorary Chairman of the Supervisory Board of E.ON Ruhrgas AG  
Essen  
(until 10 May 2006)

#### **Petra Oechtering**

Travel agent  
Cologne  
(since 10 May 2006)

#### **Carmen Riu Güell**

Entrepreneur  
Playa de Palma

#### **Hartmut Schulz**

Movement Controller  
Langenhagen  
(until 10 May 2006)

#### **Dr. Franz Vranitzky**

Chancellor (retrd.) of the Republic of Austria  
Vienna  
(since 10 May 2006)

### Members of the Audit Committee

#### **Dr. Dietmar Kuhnt**

Chairman  
ex. Chairman of the Executive Board of RWE AG  
Essen

#### **Dr. Jürgen Krumnow**

ex. Member of the Executive Board of Deutsche Bank AG  
Frankfurt/Main

#### **Uwe Klein**

Clerk  
Hamburg

#### **Dr. Manfred Schneider**

Chairman of the Supervisory Board of Bayer AG  
Leverkusen  
(since 10 May 2006)

#### **Dr.-Ing. Ekkehard D. Schulz**

Chairman of the Executive Board of ThyssenKrupp AG  
Düsseldorf  
(until 10 May 2006)

#### **Ilona Schulz-Müller**

Representative for equality in the Federal Executive Board of ver.di – Vereinte Dienstleistungsgewerkschaft  
Berlin

#### **Olaf Seifert**

Head of the Group Controlling Department of TUI AG  
Hanover



# Supervisory Board

## Other Board memberships of the Supervisory Board<sup>\*)</sup>

### Dr. Jürgen Krumnow

(Chairman)

- a) Deutsche Bahn AG  
Hapag-Lloyd AG  
Lenze Holding AG<sup>2)</sup>
- b) Peek & Cloppenburg KG

### Jan Kahmann

(Deputy Chairman)

- a) Eurogate Beteiligungs-GmbH<sup>2)</sup>

### Jella Susanne Benner-Heinacher

- a) A.S. Création AG  
K+S AG

### Andreas Barczewski

–

### Jean-Claude Baumgarten

–

### Sepp Dieter Heckmann

- a) Arena Hannover GmbH

### Uwe Klein

- a) Hapag-Lloyd AG

### Fritz Kollorz

- a) DSK Anthrazit Ibbenbüren GmbH<sup>2)</sup>  
RAG AG<sup>2)</sup>  
Vattenfall Europe AG  
Vattenfall Europe Generation  
Verwaltungs-AG<sup>2)</sup>

### Christian Kuhn

- a) TUI Deutschland GmbH

### Dr. Dietmar Kuhnt

- a) Allianz Versicherungs-AG  
BDO Deutsche Warentreuhand AG  
Dresdner Bank AG  
GEA Group AG  
Hapag-Lloyd AG  
Hochtief AG
- b) COMSTAR-United TeleSystems

### Dr. Klaus Liesen

- a) E.ON AG

### Alfred Linzmeier

- a) Wolf GmbH

### Roberto López Abad

- b) Banco Inversis Net, S.A.<sup>2)</sup>  
CAM AEGON Holding Financiero S.L.<sup>1)</sup>  
CAMGE Financiera, E.F.C. S.A.,  
Unipersonal<sup>1)</sup>  
CAMGE Holdco, S.L.<sup>1)</sup>  
EBN Banca De Negocios, S.A.  
Gestión Tributaria Territorial, S.A.<sup>1)</sup>  
Lico Corporación, S.A.<sup>2)</sup>  
Lico Leasing S.A. E.F.C.<sup>1)</sup>  
Mediterráneo Vida, S.A. De Seguros Y  
Reaseguros, Sociedad Unipersonal<sup>1)</sup>

### Dieter Lübke

- a) Hapag-Lloyd AG

### Dr. h.c. Abel Matutes Juan

- b) Banco Santander Central Hispano (BSCH)  
EurizonVita S.p.A.

### Petra Oechtering

–

### Carmen Riu Güell

- b) RIUSA II, S.A.

### Hans-Dieter Rüter

–

### Marina Schmidt

–

### Dr. Manfred Schneider

- a) Bayer AG<sup>1)</sup>  
DaimlerChrysler AG  
Linde AG<sup>1)</sup>  
Metro AG  
RWE AG

### Roland Schneider

–

### Dr.-Ing. Ekkehard D. Schulz

- a) AXA Konzern AG  
Bayer AG  
Deutsche Bahn AG  
MAN AG<sup>1)</sup>  
RAG AG<sup>2)</sup>  
RWE AG  
ThyssenKrupp Automotive AG<sup>1)</sup>  
ThyssenKrupp Elevator AG<sup>1)</sup>  
ThyssenKrupp Services AG<sup>1)</sup>

### Hartmut Schulz

–

### Ilona Schulz-Müller

–

### Olaf Seifert

- a) TUI España Turismo S.A.  
TUI Hellas Travel and Tourism A.E.

### Henry Sieb

- a) TUI Deutschland GmbH<sup>2)</sup>  
TUI Leisure Travel GmbH

### Dr. Franz Vranitzky

- b) Magna International Corp.

<sup>\*)</sup> Information refers to 31 December 2006 or date of resignation from the Supervisory Board of TUI AG in 2006

<sup>1)</sup> Chairman

<sup>2)</sup> Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

# Executive Board

## Executive Board of TUI AG

### **Dr. Michael Frenzel**

Chairman

### **Michael Behrendt**

Shipping  
(since 10 May 2006)

### **Sebastian Ebel**

Controlling  
(until 31 August 2006)

### **Dr. Peter Engelen**

Human Resources and Legal Affairs

### **Rainer Feuerhake**

Finance

### **Christoph R. Mueller**

Controlling  
(since 1 September 2006)

### **Peter Rothwell**

Tourism  
(since 10 May 2006)

## Executive Committee

### **Executive Board Members**

### **Dr. Michael Frenzel**

Chairman

### **Michael Behrendt**

Shipping  
(since 10 May 2006)

### **Sebastian Ebel**

Controlling  
(until 31 August 2006)

### **Dr. Peter Engelen**

Human Resources and Legal Affairs

### **Rainer Feuerhake**

Finance

### **Christoph R. Mueller**

Controlling  
(since 1 September 2006)

### **Peter Rothwell**

Tourism  
(since 10 May 2006)

### **Divisional Directors**

### **Dr. Volker Böttcher**

Central Europe sector

### **Peter Rothwell**

Northern Europe sector

### **Eric Debry**

Western Europe sector  
(until 31 August 2006)

### **Bart Brackx**

Western Europe sector  
(since 1 September 2006)

### **Christoph R. Mueller**

Airline sector  
(since 25 January 2006 until 31 August 2006)

### **Karl J. Pojer**

Hotels & Resorts sector  
(since 25 January 2006)

### **Michael Behrendt**

Shipping sector  
(until 10 May 2006)

### **Adolf Adrion**

Shipping sector  
(since 25 January 2006)

# Executive Board

## Other board memberships of the Executive Board<sup>\*)</sup>

### Dr. Michael Frenzel

(Chairman)

- a) AWD Holding AG
- AXA Konzern AG
- Continental AG
- E.ON Energie AG
- Hapag-Lloyd AG<sup>1)</sup>
- Hapag-Lloyd Fluggesellschaft mbH<sup>1)</sup>
- TUI Deutschland GmbH<sup>1)</sup>
- Volkswagen AG
- b) Norddeutsche Landesbank
- Preussag North America, Inc.<sup>1)</sup>
- TUI China Travel Co. Ltd.

### Michael Behrendt

- a) Barmenia Allgemeine Versicherungs-AG
- Barmenia Krankenversicherung a.G.<sup>2)</sup>
- Barmenia Lebensversicherung a.G.<sup>2)</sup>
- ESSO Deutschland GmbH
- ExxonMobil Central Europe Holding GmbH
- Hamburgische Staatsoper GmbH
- MAN AG
- b) CP Ships Ltd.<sup>1)</sup>

### Sebastian Ebel

- a) Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- TUI Leisure Travel GmbH
- b) RIUSA II S.A.
- TUI Belgium N.V.
- TUI España Turismo S.A.
- TUI Nederland N.V.

### Dr. Peter Engelen

- a) Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- TUI Leisure Travel GmbH
- b) TUI China Travel Co. Ltd.

### Rainer Feuerhake

- a) Hapag-Lloyd AG
- Hapag-Lloyd Fluggesellschaft mbH
- TUI Deutschland GmbH
- b) Amalgamated Metal Corporation PLC
- Preussag North America, Inc.

### Christoph R. Mueller

- a) Hapag-Lloyd AG
- b) Jetair N.V.
- TUI Belgium N.V.

### Peter Rothwell

- a) TUI Deutschland GmbH
- b) TUI Belgium N.V.
- TUI España Turismo S.A.

<sup>\*)</sup> Information refers to 31 December 2006 or date of resignation from the Executive Board of TUI AG in 2006

<sup>1)</sup> Chairman

<sup>2)</sup> Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

# Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2006 financial year, in particular the plenary discussions, the work done by the committees, corporate governance, the audit of the financial statements of TUI AG and the Group as well as changes in the membership of the Boards of the Company.

## **Cooperation between Supervisory Board and Executive Board**

In the 2006 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. The Supervisory Board was involved in all key decisions affecting 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 development of business and the position of the Group, including the risk situation and risk management. 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. Deviations from the approved plans for the development of business were presented, explained and discussed.

The reports provided by the Executive Board were discussed at length by the committees and the Supervisory Board plenary meetings. Transactions requiring the approval of the Supervisory Board and decisions of fundamental importance were discussed in depth with the Executive Board 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. In addition, the chairman of the Supervisory Board was regularly informed about current business developments and key transactions in the Company in between Supervisory Board meetings.

## **Supervisory Board and committees**

The Supervisory Board has set up two committees to support its work: the Presiding Committee and the Audit Committee. The Presiding Committee prepares the resolutions and issues to be dealt with by the Supervisory Board. It also fixes the terms and condition, including the remuneration, of the contracts of employment for Executive Board members. The chairman of the Supervisory Board has regularly informed the plenary meetings about the discussions and resolutions taken by the Presiding Committee.

The Supervisory Board held five regular meetings and one constituent meeting in the 2006 financial year. The Presiding Committee also met five times, and the Audit Committee four times.

Prior to regular Supervisory Board meetings the shareholders' representatives met four times and the employees' representatives nine times in separate meetings. Seven Supervisory Board members were newly elected or appointed in 2006 and therefore attended fewer than half of the Supervisory Board meetings in the 2006 financial year. Two further Supervisory Board members also participated in fewer than half of the meetings: Dr. Ekkehard D. Schulz, who resigned from the Supervisory Board as at the end of the 2006 Annual General Meeting and therefore only attended two meetings, and Ms Marina Schmidt, who was no longer employed by a company forming part of the TUI Group after the divestment of the TQ3 Group.

#### **Work of the Presiding Committee**

At its meeting on 25 January 2006, the Presiding Committee dealt mainly with issues relating to the Executive Board. At its meeting on 21 March 2006, convened to adopt the annual financial statements, deliberations focused on the annual and consolidated financial statements for 2005, including the Audit Committee's report on this issue, the comparison between budgeted figures and actual performance for 2005 and various amendments to the Articles of Association. On 8 May 2006 and 24 August 2006, the meetings again focused on Executive Board matters. On 14 December 2006 deliberations focused on issues relating to the Executive Board and the updated declaration on the German Corporate Governance Code.

#### **Work of the Audit Committee**

At its meeting on 17 March 2006, the Audit Committee focused its deliberations on the annual financial statements of TUI AG and the consolidated financial statements for 2005. Other issues covered included the recommendation to the Supervisory Board on the election of the auditors for the 2006 financial year as well as insurance coverage of the companies and Boards.

At its meeting on 8 May 2006, the Audit Committee mainly dealt with the interim financial statements for the first quarter of 2006.

One of the key items discussed at the meeting on 9 August 2006 were the interim financial statements for the first half of 2006. In addition, the Audit Committee discussed the main areas to be audited in the annual audit for the 2006 financial year.

The meeting on 8 November 2006 mainly focused on the interim financial statements for the third quarter of 2006. The agenda also covered other issues including the internal control system, in particular Group Internal Auditing activities in the 2006 financial year and the audit plan for 2007. Auditor representatives attended all four meetings of the Audit Committee and presented reports on their activities.

#### **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 of the Group and the individual divisions as well as the financial situation and structural development of the Group.

At its meeting on 25 January 2006 the Supervisory Board approved the budget for 2006 for the Group and took note of the 2007/2008 forecast accounts. A further item on the agenda was the appointment of Messrs Adolf Adrion (shipping), Christoph R. Mueller (airlines) and Karl J. Pojer (hotels & resorts) as divisional directors by the Supervisory Board. The Supervisory Board also discussed the

divestment of the interest in TQ3 Travel Solutions Management Holding GmbH and dealt with shareholding issues and editorial amendments of TUI AG's Articles of Association.

The Supervisory Board meeting on 21 March 2006, convened for the adoption of the annual financial statements, focused on the reports and deliberations on the annual financial statements as per 31 December 2005, a comparison between budgeted and actual figures for 2005 and the personnel and social reports for 2005. The discussions on the annual financial statements were also attended by representatives of the auditors who were available to answer questions. Other items on the agenda for this meeting were the resolution concerning the issue of employee shares and the extension of the authorisation to acquire own shares as well as various amendments to the Articles of Association. The Supervisory Board also dealt with shareholding issues.

The meeting on the morning of 10 May 2006 mainly served to prepare for the forthcoming ordinary Annual General Meeting. Moreover, Messrs Michael Behrendt (shipping) and Peter Rothwell (tourism) were appointed TUI AG Executive Board members by the Supervisory Board. After the Annual General Meeting on 10 May 2006, the constituent meeting of the newly elected Supervisory Board was convened. The chairman and the vice-chairman of the Supervisory Board and the members and chairmen of the Presiding Committee and Audit Committee were elected at that meeting.

On 30 and 31 August 2006 the Supervisory Board met for its annual strategy meeting. The presentations and deliberations focused on the initiatives developed by the Board in order to achieve a substantial and sustainable increase in the profitability of the tourism and shipping divisions. In order to secure the performance targets, a comprehensive programme for further efficiency enhancements in all sectors of the Group was adopted. In this connection, decisions were taken concerning changes in the composition of the Executive Board and divisional directors and changes in the allocation of responsibilities of Executive Board members, outlined in greater detail in the section 'Boards' in this chapter. Furthermore, measures were prepared in order to reduce invested capital and central costs. Following comprehensive deliberations on the positioning of TUI AG as a two-pillar group, the Supervisory Board and Executive Board agreed that the publicly discussed option of a spin-off of container shipping would jeopardise consolidated assets and would not be in the interest of TUI shareholders and employees. The meeting closed with presentations and discussions concerning the financial framework for the Group's future development and the Group's personnel and social policies.

On 25 September 2006, the Supervisory Board agreed to the divestment of the interest in Wolf GmbH in the written circular procedure.

The meeting on 14 December 2006 focused on the measures to be taken in order to achieve the strategic goals and thus the budget for 2007 and the 2008/2009 forecast accounts. In addition, shareholding issues and investment projects had to be dealt with. Moreover, the Supervisory Board adopted the declaration of compliance with the German Corporate Governance Code.

#### **Corporate governance**

At the meeting of 14 December 2006, the Executive and Supervisory Boards 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's website. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 12 June 2006. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board reports about corporate governance in a separate chapter (corporate governance report) of the annual report.

At their meetings, both the Audit Committee and the Supervisory Board dealt with corporate governance issues within the company several times. Due to the Supervisory Board elections held in the 2006 financial year and the resulting short duration of the term of office of the new members, the Boards did not have the efficiency of their own actions examined. The next efficiency review will be carried out in 2007.

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed as the auditors by the Annual General Meeting held on 10 May 2006 and were commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 31 December 2006, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), the provisions of the International Accounting Standards Board (IASB) and complemented by the commercial-law provisions additionally required pursuant to section 315a subsection 1. The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements.

The 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 17 March 2007 and the Supervisory Board meeting on 18 March 2007, 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 TUI Group, the joint management report as at 31 December 2006 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, the consolidated financial statements and the Group management report. The Supervisory Board also examined and approved the proposal for the appropriation of the profits for the 2006 financial year submitted by the Executive Board.

#### **Supervisory Board and committee membership**

Ms Marina Schmidt resigned from the Supervisory Board on 30 March 2006 since she was no longer a TUI Group employee as of that date due to the divestment of the TQ3 Group. The Supervisory Board thanks her for her cooperation based on trust.

With effect from the end of the Annual General Meeting on 10 May 2006, Messrs Fritz Kollorz, Dr. Klaus Liesen, Hans-Dieter Rüter, Hartmut Schulz and Dr. Ekkehard D. Schulz resigned from the Supervisory Board. The Supervisory Board thanks the gentlemen for their commitment over many years and acknowledges their achievements.

The employees' representatives to the Supervisory Board were elected on 5 April 2006. The shareholders' representatives were elected to the Supervisory Board at

the AGM on 10 May. In these elections, Messrs Jean Claude Baumgarten, Andreas Barczewski, Sepp Dieter Heckmann, Alfred Linzmeier, Roland Schneider and Henry Sieb were newly elected to the Supervisory Board. The other members of the Supervisory Board were reelected. The current term of office will expire in 2011.

At its constituent meeting on 10 May 2006, the Supervisory Board elected Dr. Jürgen Krumnow chairman and Jan Kahmann vice-chairman of the Supervisory Board. These two gentlemen therefore automatically sit on the Presiding Committee. In addition, Ms Petra Oechtering and Ms Carmen Riu Güell as well as Messrs Uwe Klein and Dr. Franz Vranitzky were elected to the Presiding Committee. Ms Ilona Schulz-Müller and Messrs Uwe Klein, Dr. Jürgen Krumnow, Dr. Dietmar Kuhnt (chairman), Dr. Manfred Schneider and Olaf Seifert were elected members of the Audit Committee.

On 5 October 2006, Mr Alfred Linzmeier resigned from the Supervisory Board after only five months since he was no longer employed by a company forming part of the TUI Group after the divestment of Wolf GmbH. By resolution of the district court of Hanover of 2 November 2006, Mr Dieter Lübke was appointed to the Supervisory Board.

#### **Composition of the Executive Board and Executive Committee**

At its meeting on 25 January 2006, the Supervisory Board appointed Messrs Adolf Adrion (shipping), Christoph R. Mueller (airlines) and Karl J. Pojer (hotels & resorts) divisional directors with immediate effect.

With effect from 10 May 2006, the Supervisory Board appointed Messrs Michael Behrendt (shipping) and Peter Rothwell (tourism) as ordinary Executive Board members in addition to the four previous members. In addition to his new Board function, Peter Rothwell will continue to be in charge of Northern Europe.

With effect from 1 September 2006, the Supervisory Board appointed Mr Christoph R. Mueller a member of the Executive Board of TUI AG, responsible for the controlling department. He will temporarily also be in charge of the operative management of the two German airlines Hapagfly and Hapag-Lloyd Express. Mr Sebastian Ebel, previously responsible for the controlling and tourism platforms departments, resigned from TUI AG's Executive Board as per 31 August 2006. The Supervisory Board thanks Mr Ebel for his work as Board member of TUI AG and in leading positions within the Group.

With effect from 1 September 2006, the Supervisory Board appointed Mr Bart Brackx the new divisional director for the Western Europe sector. Mr Eric Debry, previously in charge of this sector, resigned from his office as divisional director of TUI AG as per 31 August 2006 and left the Group. The Supervisory Board thanks Mr Debry for his work as divisional director of TUI AG and in leading positions within the Group.

The Supervisory Board  
Hanover, 18 March 2007

Dr Jürgen Krumnow  
Chairman



# Five Years Summary

## Balance sheet

€ million	31 Dec 2002	31 Dec 2003	31 Dec 2004	31 Dec 2005	31 Dec 2006
<b>Assets</b>					
Fixed assets	7,274.7	7,808.7	6,973.1	7,405.4	9,888.4
Current assets (incl. prepaid expenses)	2,131.0	1,087.7	945.8	3,050.5	651.1
<b>Liabilities</b>					
Equity	2,417.0	2,426.3	2,429.6	3,702.8	3,616.5
Subscribed capital	(455.1)	(456.2)	(457.0)	(641.0)	(641.7)
Special non-taxed item	64.2	51.7	48.1	43.8	42.6
Provisions	1,063.2	1,273.9	1,008.0	947.9	730.3
Liabilities (incl. deferred income)	5,861.3	5,144.5	4,433.2	5,761.4	6,150.1
<b>Balance sheet total</b>	<b>9,405.7</b>	<b>8,896.4</b>	<b>7,918.9</b>	<b>10,455.9</b>	<b>10,539.5</b>

## Profit and loss statement

€ million	2002	2003	2004	2005	2006
<b>Profit on ordinary activities</b>	<b>157.8</b>	<b>36.2</b>	<b>136.6</b>	<b>380.6</b>	<b>107.6</b>
Extraordinary profit/loss	+ 1.2	+ 42.9	–	–	–
Taxes	21.9	- 58.3	- 1.0	- 9.7	+ 4.0
<b>Net profit for the year</b>	<b>137.1</b>	<b>137.4</b>	<b>137.6</b>	<b>390.3</b>	<b>103.6</b>

## Appropriation of profits

€ million	2002	2003	2004	2005	2006
Transfer to other revenue reserves	–	–	–	195.1	51.7
Net profit available for distribution	137.5	137.8	138.0	195.5	54.3
Profit carried forward for the subsequent year	0.4	0.4	0.4	2.4	2.4
<b>Dividend payment</b>	<b>137.1</b>	<b>137.4</b>	<b>137.6</b>	<b>193.1</b>	<b>–</b>

## Dividend payment per share

€	2002	2003	2004	2005	2006
Dividend	0.77	0.77	0.77	0.77	–
Tax credit <sup>1)</sup>	–	–	–	–	–
	0.77	0.77	0.77	0.77	–

<sup>1)</sup> for German taxpayers

## Development of the TUI share price<sup>2)</sup>

€	2002	2003	2004	2005	2006
High	33.12	16.02	19.04	20.47	18.40
Low	13.02	7.22	12.05	16.10	14.51
Year-end price	15.05	15.39	16.22	17.30	15.14

<sup>2)</sup> All figures relating to the period after the capital increase of September 2005 have been restated.

TUI AG  
Karl-Wiechert-Allee 4  
30625 Hanover  
Germany