

Remuneration Report

This report has been prepared by the Remuneration Committee and has been approved by the Board. It complies with Schedule 7A of the Companies Act 1985, which incorporates the Directors' Remuneration Report Regulations 2002, and also with the Combined Code. This report will be put to shareholders for approval at the Annual General Meeting on 5 February 2009.

Remuneration Committee

During the year, the Remuneration Committee ('the Committee') comprised the following Non-Executive Directors:

Clare Chapman – Chairman
Tony Campbell
Bill Dalton
Dr Michael Frenzel
Rainer Feuerhake

Three of the members of the Committee are independent Non-Executive Directors. Dr Michael Frenzel and Rainer Feuerhake are not considered by the Company to be independent. Dr Frenzel and Rainer Feuerhake are members of the Executive Board of TUI AG – 51% shareholder of TUI Travel PLC – and their appointments are pursuant to the Relationship Agreement between TUI AG and the Company.

No member of the Committee has any personal financial interest, other than as a shareholder (as disclosed in the interests in shares table on page 58), in the matters to be decided by the Committee. The three independent members of the Committee have no conflicts of interest arising from Committee members' cross-directorships and none of the members of the Committee participate in any bonus schemes, pension plans, share awards or any employee share schemes in respect of the Company. Members of the Committee have no day-to-day involvement in the running of the Company.

The Committee met five times during the year. Michael Frenzel was unable to attend on two occasions, Clare Chapman and Rainer Feuerhake were unable to attend on one occasion, all due to prior commitments.

The Committee advises the Board on overall remuneration policy. The Committee also determines, on behalf of the Board, and with the benefit of advice from external consultants and members of the Human Resources Department, the remuneration of the Executive Directors and other members of the Group Management Board. The activities of the Committee are governed by its Terms of Reference, which have been approved by the Board and can be found on the TUI Travel website at www.tuitravelplc.com

Material advice or services were provided to the Committee during the year by:

Mercer Human Resource Consulting (Mercer)
Herbert Smith LLP (Herbert Smith)
Peter Long – Chief Executive
Paul Bowtell – Chief Financial Officer
Bill Logan – Group Human Resources Director
David House – Group Reward Director

Bill Logan has direct access to the Chairman of the Committee and he, together with David House, advised the Committee on all aspects of the Group's reward policies and structures during the year. Peter Long attends meetings of the Committee to make recommendations relating to the performance and remuneration of his direct reports and Andrew John (Company Secretary) acts as Secretary to the Committee. Peter Long, Paul Bowtell, Bill Logan and Andrew John are not in attendance when their own remuneration is considered.

The Committee appointed Mercer, an external consultancy, to provide independent advice on all aspects of senior management remuneration. Mercer also provides salary benchmarking information to the Group from time to time. Independent external verification of the relative performance conditions attached to the Performance Share Plan and Deferred Annual Bonus Scheme is obtained.

Herbert Smith advised on various legal issues relating to the Company's share schemes and also provides other legal services to the Group.

Policy on remuneration of Non-Executive Directors

Non-Executive Directors, including the Chairman, do not have service contracts and do not participate in the Group's pension scheme, annual bonus scheme or long-term incentive schemes. Non-Executive Directors have letters of appointment which can be terminated by either party serving six months' notice. Each appointment is subject to retirement by rotation under the Articles of Association of the Company, and re-election by shareholders, at least once every three years.

Non-Executive Directors are paid a fee which is approved by the Board on the recommendation of the Executive Directors, having taken account of the fees paid in other companies of a similar complexity and the skills and experience of the individuals. The base fee for the Non-Executive Directors is £55,000 but the Chairman and Deputy Chairman (who is also the Senior Independent Director) are paid higher fees to reflect their additional responsibilities. The Chairman receives a fee of £300,000 and the Deputy Chairman receives a fee of £200,000. The Chairman of the Audit Committee and the Chairman of the Remuneration Committee receive an additional fee of £15,000 and £10,000 respectively.

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Policy on remuneration of Executive Directors and senior executives

The following policy was applied throughout the year and will apply in future years, subject to ongoing review.

The Committee aims to ensure that remuneration packages are offered which:

- Set the total remuneration package at an appropriate level to reflect the competitive market in which the Group operates.
- Link a substantial proportion of the total remuneration package to the achievement of demanding performance targets.
- Structure the reward of senior management to align their interests with those of the shareholders.
- Ensure the development of a high-performance culture throughout the Group.

The Group has performance-related reward policies. These are designed to provide the appropriate balance between fixed remuneration and variable 'risk' reward which is linked to the performance of both the Group and the individual. Group performance-related measures are chosen carefully to ensure a strong link between reward and true underlying financial performance. Individual performance is measured through an assessment of comprehensive business unit deliverables, modelling the Group's values and the achievement of specific personal objectives. At a minimum, the individual performance of the Executive Directors is assessed on an annual basis.

In assessing levels of pay and benefits, TUI Travel compares the packages offered by different groups of comparator companies. These groups are chosen having regard to:

- Size – turnover, profits and the number of people employed.
- Diversity and complexity of businesses.
- Geographical spread of businesses.
- Industry type.
- Relevance as:
 - a potential source for candidates for roles within the Group.
 - a potential threat in respect of attracting TUI Travel executives.

External consultants are used to advise the Committee on the structure and level of pay and benefits in TUI Travel's markets. The normal policy for Executive Directors is that, using 'target' or 'expected value' calculations, their performance-related incentives will equate to at least 66% of total annual remuneration (excluding benefits).

The main components of remuneration in the Company are:

- Base salary.
- Annual performance bonus.
- Long-term incentives.
- Pensions.

Base salary

The salary for each Executive Director is based on individual performance and on information from independent professional sources on the salary levels for similar jobs in groups of comparable companies. Internal relativities and salary levels in the wider employment market are also taken into account.

In addition, benefits are provided to Executive Directors in accordance with the policy applying to other executives in their geographic location.

Annual performance bonus

Within the Annual Bonus Plan, challenging performance goals are set and these must be achieved before the maximum bonus becomes payable. The Annual Bonus Plan is linked to the Group's financial performance and personal objectives. For the Chief Executive, Chief Financial Officer and other Executive Directors, the maximum bonus opportunity under the Annual Bonus Plan is 150%, 120% and 100% of salary respectively. Bonuses are not pensionable.

Long-term incentives

Deferred Annual Bonus Scheme

All Executive Directors also participate in the Deferred Annual Bonus Scheme (DABS) which requires a minimum of 25% and a maximum of 50% of any annual performance bonus payable to be deferred into awards of shares. Matching shares may also be awarded up to four times the deferred amount and are subject to the achievement of stretching performance conditions. Awards of deferred and matching shares are subject to forfeiture conditions until the release date. The shares will normally be released at the end of three years following deferral.

For awards of matching shares made during the year, no shares will vest unless the annual average of the ratio of the Group's return on invested capital (ROIC) to the weighted average cost of capital (WACC) meets or exceeds one over the three-year period. A hurdle of ROIC, being at least equal to WACC, is used to ensure that the relevant long-term incentive awards pay out only when shareholder value is being created over the performance periods. If the ROIC/WACC hurdle is met, shares will only vest to the extent to which two further performance conditions are satisfied over the three-year period as follows:

- Up to three-quarters of the matching shares will vest based on growth in the Group's earnings per share (EPS), before amortisation of goodwill and business combination intangibles, goodwill impairment and separately disclosed items, in relation to the growth in the UK Retail Price Index (RPI) as shown in the table below:

Average annual EPS growth in excess of RPI growth	Proportion of shares vesting
Below 4%	0%
Between 4% and 13%	On a straight-line basis between 10% and 100%
13% or above	100%

- Up to one-quarter of the matching shares will vest based on the Group's ranking of total shareholder return (TSR) performance relative to companies ranked 30th to 100th by market capitalisation as at the date of the award as shown in the table below:

TSR Ranking	Proportion of matching shares vesting
Below median	0%
Between median and upper quartile	On a straight-line basis between 15% and 100%
At or above upper quartile	100%

Matching share awards lapse if the performance conditions are not met.

Performance Share Plan

The Performance Share Plan (PSP) allows Executive Directors and eligible participants to receive share awards, subject to the satisfaction of performance conditions, set by the Committee, which are normally measured over a three-year period. Awards are normally made annually and, except in exceptional circumstances, will not exceed two times annual salary for Executive Directors.

For awards made during the year, no shares will vest unless the annual average of the ratio of the Group's ROIC to the WACC meets or exceeds 1 over the three-year period.

If the ROIC/WACC hurdle is met, shares will only vest to the extent to which two further performance conditions are satisfied over the three-year period as follows:

- Up to half of the shares will vest based on growth in the Group's EPS, before amortisation of goodwill and business combination intangibles, goodwill impairment and separately disclosed items, in relation to the growth in the UK.

RPI as shown in the table below:

Average annual EPS growth in excess of RPI growth	Proportion of shares vesting
Below 4%	0%
Between 4% and 13%	On a straight-line basis between 10% and 100%
13% or above	100%

- Up to half of the shares will vest based on the Group's ranking of TSR performance relative to companies ranked 30th to 100th by market capitalisation as at the date of the award as shown in the table below:

TSR Ranking	Proportion of matching shares vesting
Below median	0%
Between median and upper quartile	On a straight-line basis between 15% and 100%
At or above upper quartile	100%

Awards under the Performance Share Plan lapse if the performance conditions are not met.

The Committee considers that EPS and TSR are the key performance conditions that are most relevant to the Group. EPS is a key indicator of the Group's underlying financial performance whilst TSR is a relative measure of shareholder value creation. A hurdle of ROIC, being at least equal to WACC, is used to ensure that the relevant long-term incentive awards pay out only when shareholder value is being created over the performance periods.

Value Creation Synergy Plan

Under the Value Creation Synergy Plan (VCSP), which is a one-off three-year plan, Executive Directors and eligible participants will receive an award which will be satisfied by a combination of cash and shares provided that stretching performance targets are satisfied. The performance targets, set by the Committee, are based on the achievement of the synergistic objectives of the merger of First Choice Holidays PLC and the Tourism Division of TUI AG.

The maximum aggregate awards for Executive Directors are:

Director	Maximum value of aggregate award (% of base salary)
Dr Volker Böttcher	225%
Paul Bowtell	330%
Peter Long	450%
Johan Lundgren	330%
Christoph Mueller	225%
William Waggott	330%

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The awards will be a combination of cash and shares, which will vest in three tranches over three years, as shown below:

Tranche 1 (2007/2008): 50% cash and 50% shares;
 Tranche 2 (2008/2009): 50% cash and 50% shares; and
 Tranche 3 (2009/2010): 100% cash.

While any cash entitlement will be paid annually, no shares will be released until the end of the three-year period.

The vesting of the annual tranches will be subject to the achievement of annual performance targets over the three-year period. The release of the share elements will be subject to a further overall three-year performance target.

The overall three-year performance targets have been set at a target of £100m of synergistic value (below which no vesting will occur) with a payment and vesting scale up to a 'stretch' level of £150m. In addition, the Committee have set annual margin targets below which no payment or vesting will occur.

At target and stretch annual performance, the proportion vesting under each annual tranche will be 50% and 100% respectively.

In the event that the overall three-year performance target is not achieved, any net amounts that have been previously paid in relation to the cash elements of Tranches 1 and 2 must be repaid to the Company.

Long-term cash bonus for the Chief Executive

Under a five-year long-term cash bonus agreement between Peter Long and First Choice Holidays PLC, approved at the 2005 AGM of that company, Peter Long remains eligible to receive a maximum of £600,000, subject to EPS growth in excess of RPI growth, the Company's TSR ranking against the constituent companies of the FTSE Mid-250 Index (excluding Investment Trusts) as calculated at the award date, and the achievement of personal objectives as determined by the Committee over the period to 30 September 2009.

A performance hurdle of the ROIC being in excess of the WACC must also be achieved for any of the bonus to be payable.

The amount of bonus payable is graded according to:

- EPS growth, with 3.5% of the award being released for 4% per annum in excess of inflation and 35% of the award released for 13% per annum in excess of inflation.
- TSR ranking of the Company against the comparator group, with 5% of the award being released for median and 50% of the award being released for upper quartile.
- the remaining 15% of the Bonus being payable for the achievement of personal objectives.

All long-term incentive awards and payments are not pensionable.

All-employee share schemes

Executive Directors based in the UK are eligible to participate in the HMRC-approved Share Incentive Plan which is an all-employee share scheme enabling staff to acquire shares in the Company on preferential terms. To further encourage employee shareholding in the Company, the Share Incentive Plan provides a matching share for every four shares bought by a participant under the plan. Matching shares are not subject to performance conditions and are not pensionable.

Shareholding guidelines

The Executive Directors will be expected to build, within five years of their appointment, and then maintain, a share holding equal in value to 1.5 times their basic salary or two times in the case of the Chief Executive.

During the year, the Company has remained within its headroom limits for the issue of new shares under share incentive schemes. All share incentive awards made, and all future share incentive awards, will normally be settled with shares purchased in the market.

Policy on pensions

Each of the UK-based Executive Directors and senior executives participates in a defined contribution pension scheme.

The Group's pension policy is that, in the event of a participant in a pension scheme reaching the HMRC lifetime allowance limit, and choosing not to accept further pension contributions, a non-pensionable cash payment, equivalent to the Group's contribution to the pension scheme, will be offered in lieu. Pension scheme participants will not be compensated for any adverse tax consequences of exceeding the HMRC lifetime allowance limit.

Executive Directors and senior executives outside of the UK participate in local pension plans.

Policy on external appointments

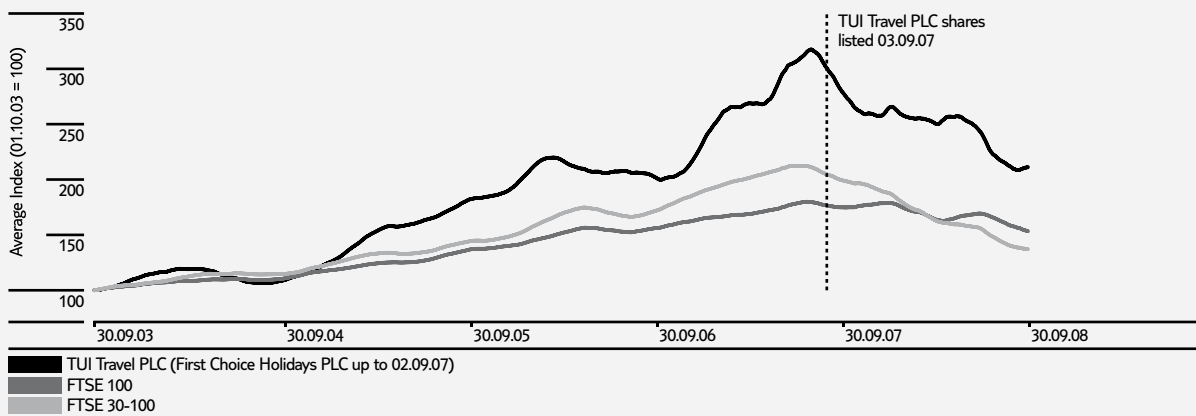
The Company recognises that its Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden experience and knowledge and benefit the business. Subject to the approval of the Board, Executive Directors are, therefore, allowed to accept Non-Executive appointments and to retain the fees received (excluding positions where the Director is appointed as the Company's representative) as long as this is not likely to lead to a conflict of interest.

For the year ended 30 September 2008, Peter Long received and retained non-executive directors' fees in respect of two appointments (Debenhams PLC and Rentokil Initial plc – both FTSE 250 companies) of £105,000 and Paul Bowtell received and retained non-executive director fees in respect of his appointment as a non-executive director of SThree plc (a small cap company) of £36,667.

Performance graph

TUI Travel shares listed on the London Stock Exchange on 3 September 2007. Since December 2007, the Company has been a member of the FTSE 100 Index. The graph below measures the performance of First Choice Holidays PLC up to the merger, and subsequently the performance of TUI Travel PLC, assuming dividends are reinvested, compared with the TSR performance achieved against the constituent companies of the FTSE 100 Index and separately those ranked 30 to 100 by market capitalisation. The latter index is considered to be the most appropriate benchmark for comparison purposes and is used within the performance measures of the Company's long-term incentive schemes.

Total Shareholder Return – TUI Travel PLC v FTSE100 & FTSE30-100



Contracts of service

Executive Directors

The Remuneration Committee's policy is for Executive Directors to have rolling contracts with a 12-month notice period.

Volker Böttcher, Paul Bowtell, Peter Long, Johan Lundgren, Christoph Mueller and William Waggott currently have service agreements with a 12-month notice period and it is intended that all new appointments will also have 12-month notice periods. However, on occasion, to complete an external recruitment successfully, a longer initial period may be used reducing to 12 months, following guidance in the Combined Code.

No provisions for compensation for termination following change of control, or for liquidated damages of any kind, are included in the current Directors' contracts. In the event of any early termination of an Executive Director's contract, the policy is to seek to minimise any liability.

Name of Executive Director	Effective date of contract	Unexpired term/notice period
Dr Volker Böttcher	5 September 2007	12
Paul Bowtell	7 April 2008	12
Peter Long	19 February 2008	12
Johan Lundgren	14 December 2007	12
Christoph Mueller	3 September 2007	12
William Waggott	22 April 2008	12

Non-Executive Directors

Non-Executive Directors – Bill Dalton, Giles Thorley, Tony Campbell, Clare Chapman, Rainer Feuerhake, Dr Michael Frenzel, Jeremy Hicks and Sir Michael Hodgkinson – signed letters of appointment prior to the listing of TUI Travel PLC. Dr Erhard Schipporeit, Dr Albert Schunk and Harold Sher signed letters of appointment effective from 29 October 2007. All Non-Executive Directors' appointments are subject to six months' notice.

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The information provided in the following pages of this report has been audited by KPMG Audit Plc.

Directors' Remuneration

	Currency	Basic salaries and fees '000	Performance ¹ payments '000	Benefits ² '000	Termination payments '000	Total remuneration excluding pensions For the year ended 30 Sept 2008 '000
Executive Directors						
Dr Volker Böttcher	EUR	515	451	14	–	980
Paul Bowtell	GBP	460	529	16	–	1,005
Peter Long	GBP	800	1,200	29	–	2,029
Johan Lundgren	SEK	6,290	7,193	236	–	13,719
Christoph Mueller	EUR	515	451	24	–	990
Peter Rothwell ³	GBP	150	–	4	2,248	2,402
William Waggott	GBP	400	420	15	–	835
Non-Executive Directors						
Tony Campbell	GBP	55	–	–	–	55
Clare Chapman	GBP	65	–	–	–	65
Bill Dalton	GBP	55	–	–	–	55
Rainer Feuerhake	GBP	55	–	–	–	55
Dr Michael Frenzel (Chairman)	GBP	300	–	–	–	300
Jeremy Hicks	GBP	70	–	–	–	70
Sir Michael Hodgkinson (Deputy Chairman)	GBP	200	–	–	–	200
Dr Erhard Schipporeit	GBP	50	–	–	–	50
Dr Albert Schunk	GBP	50	–	–	–	50
Harold Sher	GBP	50	–	–	–	50
Giles Thorley	GBP	55	–	–	–	55

In calculating the total Directors' Remuneration below, payments made in EUR and SEK have been converted at 1.32 and 12.37 units to 1 GBP respectively, being the average exchange rates for the year ended 30 September 2008:

	Currency	Basic salaries and fees '000	Performance ¹ payments '000	Benefits ² '000	Termination payments '000	For the year ended 30 Sept 2008 '000
Total	GBP	4,104	3,414	112	2,248	9,878

¹ 'Performance payments' include bonus awards in cash in respect of participation in the Annual Bonus Plan and the Value Creation Synergy Plan but exclude bonus awards in deferred shares, details of which are set out on page 55. Messrs Böttcher, Bowtell, Long, Lundgren, Mueller and Waggott achieved the maximum level for both annual bonus and VCSP.

² 'Benefits' incorporate all tax assessable benefits arising from the individual's employment. For Messrs Bowtell, Long, Lundgren, Rothwell and Waggott, this relates in the main to the provision of a fully expensed company car or car allowance and private healthcare cover, and for Messrs Böttcher and Mueller the provision of a fully expensed company car or car allowance.

³ Peter Rothwell resigned as a Director on 21 December 2007 and ceased employment on 31 December 2007 due to redundancy. The 'Termination payment' includes compensation for entitlements arising from his previous employment, accordingly TUI AG made an appropriate contribution and therefore the amount relating to TUI Travel PLC was £1,749,735.

Directors' Pensions

The Group makes a contribution of 50% of base salary for Peter Long. Contributions have been paid into a self-invested personal pension, however, since April 2008, as his pension fund value reached the HMRC lifetime allowance limit, Peter Long has chosen not to accept further pension contributions but instead to receive a non-pensionable cash payment (subject to tax and national insurance) equivalent to the Company pension contribution.

The Group makes contributions of 25% and 50% of base salary into a defined contribution pension scheme for the benefit of Paul Bowtell and William Waggott respectively.

The Group made contributions of 50% of base salary as a non-pensionable cash payment (subject to tax and national insurance) equivalent to the Company pension contribution which would otherwise have been paid to a defined contribution pension scheme for the benefit of Peter Rothwell prior to his termination of employment on 31 December 2007.

In addition, both Peter Rothwell and William Waggott have deferred pension entitlements under the Defined Benefit section of the TUI Pension Scheme (UK). They ceased to be active members of the Defined Benefit section on 3 September 2007 and, therefore, no increase in accrued benefit has occurred during the year.

The normal retirement date for the UK-based Executive Directors and senior executives is 65.

In the event of death in service, the Executive Directors' and senior executives' pension arrangements provide lump sums for the purchase of dependants' pensions of the greater of eight times salary or the value of the pension fund in addition to which a lump sum of four times salary is payable. Following the changes to the tax rules from April 2006, any dependant's pension may be paid as an additional lump sum subject to HMRC limits.

Christoph Mueller and Dr Volker Böttcher participate in separate pension arrangements in Germany at a company cost of 35% and 25% of base salary respectively.

Johan Lundgren participates in a separate pension arrangement in Sweden at a company cost of 33% of base salary.

Pension Contributions for Directors

Name of Executive Director	Currency	Pension Contributions or Allowance for the Year ended 30 Sept 2008 '000
Dr Volker Böttcher	EUR	129
Paul Bowtell	GBP	115
Peter Long	GBP	400
Johan Lundgren	SEK	2,087
Christoph Mueller	EUR	180
Peter Rothwell ¹	GBP	76
William Waggott	GBP	200

¹ Peter Rothwell ceased employment on 31 December 2007.

Total pension contributions or allowances for the year ended 30 September 2008 were £1.194m. In calculating this total, payments made in EUR and SEK have been converted at 1.32 and 12.37 units to 1 GBP respectively, being the average exchange rates for the year ended 30 September 2008.

Long-term incentives

Deferred Annual Bonus Scheme (DABS)

Messrs Böttcher, Bowtell, Long, Lundgren, Mueller and Waggott participated in the DABS during the year ended 30 September 2008 and are expected to receive an award on 28 November 2008 as follows:

Director	Estimated value of award £'000
Dr Volker Böttcher	205
Paul Bowtell	276
Peter Long	600
Johan Lundgren	279
Christoph Mueller	205
William Waggott	200

Awards made under the DABS, and which remain outstanding at 30 September 2008, are given in the table on page 56. No awards vested during the year.

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Deferred Annual Bonus Scheme (DABS)

Directors	DABS shares held at 1 Oct 2007	DABS shares awarded during the year ended 30 Sept 2008	Award date	Market price per share at award	DABS shares vested during the year ended 30 Sept 2008	Market price per share at vesting	Value at vesting £	Planned/ Actual vesting date	Maximum DABS shares held at 30 Sept 2008	Maximum value based on share price of 215.5p at 30 Sept 2008 £
Dr Volker Böttcher	–	60,432 ³	19.12.07	270.40p	–	–	–	19.12.10	60,432	130,231
	–	241,729 ⁴	19.12.07	270.40p	–	–	–	19.12.10	241,729	520,926
Total	–	302,161			–	–	–		302,161	651,157
Paul Bowtell	81,426 ¹		14.12.05	229.25p	–	–	–	14.12.08	81,426	175,473
	156,923 ²		13.02.07	260.00p	–	–	–	13.02.10	156,923	338,169
	–	67,599 ³	19.12.07	270.40p	–	–	–	19.12.10	67,599	145,676
	–	270,394 ⁴	19.12.07	270.40p	–	–	–	19.12.10	270,394	582,699
Total	238,349	337,993			–	–	–		576,342	1,242,017
Peter Long	174,483 ¹		14.12.05	229.25p	–	–	–	14.12.08	174,483	376,011
	326,155 ²		13.02.07	260.00p	–	–	–	13.02.10	326,155	702,864
	–	138,288 ³	19.12.07	270.40p	–	–	–	19.12.10	138,288	298,011
	–	553,150 ⁴	19.12.07	270.40p	–	–	–	19.12.10	553,150	1,192,038
Total	500,638	691,438			–	–	–		1,192,076	2,568,924
Johan Lundgren	–	67,431 ³	19.12.07	270.40p	–	–	–	19.12.10	67,431	145,314
	–	269,723 ⁴	19.12.07	270.40p	–	–	–	19.12.10	269,723	581,253
Total	–	337,154		270.40p	–	–	–		337,154	726,567
Christoph Mueller	–	54,417 ³	19.12.07	270.40p	–	–	–	19.12.10	54,417	117,269
	–	217,666 ⁴	19.12.07	270.40p	–	–	–	19.12.10	217,666	469,070
Total	–	272,083		270.40p	–	–	–		272,083	586,339
William Waggott	–	73,558 ³	19.12.07	270.40p	–	–	–	19.12.10	73,558	158,517
	–	294,230 ⁴	19.12.07	270.40p	–	–	–	19.12.10	294,230	634,066
Total	–	367,788			–	–	–		367,788	792,583
Grand Total	738,987	2,308,617			–	–	–		3,047,604	6,567,587

¹ This 'roll-over' award was based on a) performance to 30 September 2008 where the performance measure relates to earnings per share (EPS) growth in excess of the rate of inflation; and b) performance to the 3rd anniversary of the award date where the performance measure relates to the Company's Total Shareholder Return (TSR) ranking against the constituent companies of the FTSE Mid-250 Index (excluding Investment Trusts) as calculated at the award date. A performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC) must also be achieved for any of the award to be released. The number of shares released is graded according to a) EPS growth, with 7.5% of the award being released for 4% pa in excess of inflation and 75% of the award released for 13% pa in excess of inflation and b) ranking of the Company against the comparator group, with 2.5% of the award being released for median and 25% of the award being released for upper quartile.

² This 'roll-over' award is based on a) performance to 30 September 2009 where the performance measure relates to earnings per share (EPS) growth in excess of the rate of inflation; and b) performance to the 3rd anniversary of the award date where the performance measure relates to the Company's Total Shareholder Return (TSR) ranking against the constituent companies of the FTSE Mid-250 Index (excluding Investment Trusts) as calculated at the award date. A performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC) must also be achieved for any of the award to be released. The number of shares released is graded according to a) EPS growth, with 7.5% of the award being released for 4% pa in excess of inflation and 75% of the award released for 13% pa in excess of inflation and b) ranking of the Company against the comparator group, with 2.5% of the award being released for median and 25% of the award being released for upper quartile.

³ This award is the deferred element of the Annual Bonus entitlement for Financial Year 2006/07.

⁴ This matching award is based on a) performance to 30 September 2010 where the performance measure relates to earnings per share (EPS) growth in excess of the rate of inflation; and b) performance to the 3rd anniversary of the award date where the performance measure relates to the Company's Total Shareholder Return (TSR) ranking against the constituent companies of the FTSE 100 Index ranked 30 to 100 by market capitalisation as calculated at the award date. A performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC) must also be achieved for any of the award to be released. The number of shares released is graded according to a) EPS growth, with 7.5% of the award being released for 12% in excess of inflation and 75% of the award released for 39% in excess of inflation and b) ranking of the Company against the comparator group, with 3.75% of the award being released for median and 25% of the award being released for upper quartile.

Performance Share Plan (PSP)

During the year ended 30 September 2008 there were three cycles in operation.

The award made in respect of each cycle and the maximum pre-tax number of ordinary shares due if performance targets are achieved in full are:

	Maximum PSP shares held at 1 Oct 2007	Maximum PSP shares awarded during the year ended 30 Sept 2008	Award date	Market price per share at award	PSP shares vested during the year ended 30 Sept 2008	Market price per share at vesting	Value at vesting £	Planned/ Actual vesting date	Maximum PSP shares held at 30 Sept 2008	Maximum value based on share price of 215.5p at 30 Sept 2008 £
Directors										
Dr Volker Böttcher	39,444 ¹	–	03.09.07	285.50p	–	–	–	14.12.08	39,444	85,002
	78,888 ²	–	03.09.07	285.50p	–	–	–	13.02.10	78,888	170,004
	129,209 ³	–	13.09.07	273.00p	–	–	–	15.11.10	129,209	278,445
Total	247,541	–			–				247,541	533,451
Paul Bowtell	38,168 ¹	–	14.12.05	229.25p	–	–	–	14.12.08	38,168	82,252
	74,039 ²	–	13.02.07	260.00p	–	–	–	13.02.10	74,039	159,554
	202,198 ³	–	13.09.07	273.00p	–	–	–	15.11.10	202,198	435,737
Total	314,405	–			–				314,405	677,543
Peter Long	92,476 ¹	–	14.12.05	229.25p	–	–	–	14.12.08	92,476	199,285
	173,078 ²	–	13.02.07	260.00p	–	–	–	13.02.10	173,078	372,983
	586,081 ³	–	13.09.07	273.00p	–	–	–	15.11.10	586,081	1,263,005
Total	851,635	–			–				851,635	1,835,273
Johan Lundgren	65,174 ¹	–	03.09.07	285.50p	–	–	–	14.12.08	65,174	140,450
	130,348 ²	–	03.09.07	285.50p	–	–	–	13.02.10	130,348	280,900
	104,773 ³	–	13.09.07	273.00p	–	–	–	15.11.10	104,773	225,786
		192,307 ³	19.12.07	270.40p	–	–	–	19.12.10	192,307	414,422
Total	300,295	192,307			–				492,602	1,061,558
Christoph Mueller	55,221 ¹	–	03.09.07	285.50p	–	–	–	14.12.08	55,221	119,001
	110,443 ²	–	03.09.07	285.50p	–	–	–	13.02.10	110,443	238,005
	129,209 ³	–	13.09.07	273.00p	–	–	–	15.11.10	129,209	278,445
Total	294,873	–			–				294,873	635,451
Peter Rothwell	121,743 ¹	–	03.09.07	285.50p	55,654	254.75p	141,779 ⁴	01.02.08	–	–
	243,486 ²	–	03.09.07	285.50p	111,308	254.75p	283,557 ⁴	01.02.08	–	–
	263,736 ³	–	13.09.07	273.00p	58,608	254.75p	149,304 ⁴	01.02.08	–	–
Total	628,965	–			225,570		574,640		–	–
William Waggott	122,343 ¹	–	03.09.07	285.50p	–	–	–	14.12.08	122,343	263,649
	244,685 ²	–	03.09.07	285.50p	–	–	–	13.02.10	244,685	527,296
	146,520 ³	–	13.09.07	273.00p	–	–	–	15.11.10	146,520	315,751
Total	513,548	–			–				513,548	1,106,696
Grand Total	3,151,262	192,307			225,570		574,640		2,714,604	5,849,972

¹ This 'roll-over' award was based on performance from 1 November 2005 to 30 September 2008 where the performance measure related to earnings per share (EPS) growth in excess of the rate of inflation and a performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC). The number of shares released is graded according to EPS growth, with 10% of the award being released for 4% pa in excess of inflation and all of the award released for 13% pa in excess of inflation. The ROIC/WACC hurdle was achieved and EPS growth was 18.8% pa in excess of inflation therefore 100% of the award will be released on 14 December 2008.

² This 'roll-over' award is based on performance from 1 November 2006 to 30 September 2009 where the performance measure relates to earnings per share (EPS) growth in excess of the rate of inflation and a performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC). The number of shares released is graded according to EPS growth, with 10% of the award being released for 4% pa in excess of inflation and all of the award released for 13% pa in excess of inflation.

³ This award is based on a) performance to 30 September 2010 where the performance measure relates to earnings per share (EPS) growth in excess of the rate of inflation; and b) performance to the 3rd anniversary of the award date where the performance measure relates to the Company's TSR ranking against the constituent companies of the FTSE 100 Index ranked 30 to 100 by market capitalisation as calculated at the award date. A performance hurdle of the return on invested capital (ROIC) being in excess of the weighted average cost of capital (WACC) must also be achieved for any of the award to be released. The number of shares released is graded according to a) EPS growth, with 5% of the award being released for 12% in excess of inflation and 50% of the award released for 39% in excess of inflation and b) ranking of the Company against the comparator group, with 7.5% of the award being released for median and 50% of the award being released for upper quartile.

⁴ Peter Rothwell ceased employment on 31 December 2007. Under the terms of his departure and in accordance with the scheme rules these awards were released and pro-rated for time and performance at that time.

Remuneration Report

continued

Senior Executive Plan (SEP)

Peter Long held executive share options, originally granted under the terms of the First Choice Holidays PLC SEP, which were exercised during the year as follows:

Directors	Maximum SEP options held at 1 Oct 2007 ¹	Maximum SEP options granted during the year ended 30 Sept 2008	Expiry date	Market price per share at grant	SEP options exercised during the year ended 30 Sept 2008	Market price per share at exercise	Gain at exercise £	Maximum SEP options held at 30 Sept 2008	Maximum value based on share price of 215.5p at 30 Sept 2008 £
Peter Long	828,096	–	9.09.08	135.25p	828,096	259.29p	1,027,170	–	–

¹ These 'roll-over' options became fully exercisable upon the merger of First Choice Holidays PLC and the Tourism Division of TUI AG and remained so for a period of six months plus any number of days during this period that the participant was precluded from dealing in shares under the terms of the Model Code. The minimum and maximum TUI Travel PLC share price during the year was 169.40p and 297.00p respectively.

Value Creation Synergy Plan (VCSP)

Messrs Böttcher, Bowtell, Long, Lundgren, Mueller and Waggott participated in the VCSP during the year ended 30 September 2008 and are expected to receive a deferred share award on 28 November 2008 as follows:

Director	Estimated value of award £'000
Dr Volker Böttcher	154
Paul Bowtell	253
Peter Long	600
Johan Lundgren	307
Christoph Mueller	154
William Waggott	220

Directors' Interests in ordinary shares of the Company

As at 30 September 2008, the Directors' interests in ordinary shares of the Company were:

Director's Name	Title	Ordinary Shares of 10p each as at 30 Sept 2008
Dr Michael Frenzel	Non-Executive Chairman	–
Sir Michael Hodgkinson	Non-Executive Deputy Chairman & Senior Independent Director	20,000
Peter Long	Chief Executive	12,872,129
Paul Bowtell	Chief Financial Officer	1354,264
Dr Volker Böttcher	Managing Director, Central Europe	18,500
Tony Campbell	Non-Executive Director	42,189
Clare Chapman	Non-Executive Director	–
Bill Dalton	Non-Executive Director	–
Rainer Feuerhake	Non-Executive Director	–
Jeremy Hicks	Non-Executive Director	–
Johan Lundgren	Managing Director, Northern Region	–
Christoph Mueller	Aviation Director	–
Dr Erhard Schipporeit	Non-Executive Director	–
Dr Albert Schunk	Non-Executive Director	–
Harold Sher	Non-Executive Director	–
Giles Thorley	Non-Executive Director	25,000
William Waggott	Commercial Director	50,000

¹ Includes shares purchased under the Share Incentive Plan.

At 30 September 2008, the Executive Directors of the Company, as potential beneficiaries under the Company's Employee Benefit Trust ('the Trust'), were each technically deemed to be interested in a total of 11,875,944 unallocated TUI Travel PLC shares held by the Trust (7,690,429 held in the TUI Travel PLC Trust and 4,185,515 held in the First Choice Holidays PLC Trust). The balance at 30 September 2007 was a total of 8.6 million shares held by the Trust.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of Directors' shareholdings and will be available for inspection before and during the Annual General Meeting to be held on 5 February 2009.

During the year, the price of the Company's ordinary shares ranged between 297.00 pence and 169.40 pence and the mid-closing price on 30 September 2008 was 215.50 pence.

On 1 October 2008, Tony Campbell was allocated 513 additional shares in respect of the Dividend Reinvestment Plan.

The report was approved by the Board of Directors on 26 November 2008 and was signed on its behalf by:



Clare Chapman

Chairman of the Remuneration Committee
26 November 2008