TUI
Aktiengesellschaft

TUI AG · Karl-Wiechert-Allee 4 · 30625 Hanover · Germany

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kongdom

Name Joerg Rosendahl (FBR)
Telephone +49 (0) 511 566-1332
Fax +49 (0) 511 566-931332
E-mail joerg.rosendahl@tui.com
Date 17.09.2008

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
P.O. Box 61 02 09
30602 Hanover
Germany

Phone +49(0)511 566-00
Fax +49(0)511 566-1901
www.tui-group.com

Discussion Paper Preliminary Views on Amendments to IAS 19 Employee Benefits

Dear Sir/Madam

We appreciate the opportunity to comment on this discussion paper. TUI AG is the major shareholder of one of the world's largest tourism companies and the fifth biggest container shipping line worldwide with a turnover of 21,9 bn EUR and more than 68 thousand employees.

From our point view it is obviously necessary to develop IAS 19 in order to increase the understandability and comparability of the reporting of pension obligations. But we do not follow the proposed way of the Board in all respects:

- We subscribe to the Board's preliminary view to abandon the 10% corridor method currently allowed under IAS 19.92.

- We oppose the reclassification and remeasurement of benefit promises, as we think the regulations of IAS 19 concerning the valuation of obligations are sufficient at the moment for most obligations.

- We oppose the Board's different presentation approaches as they cause extreme volatility in results (Approach 1), inconsistencies with other IFRS (Approach 2) resp. inconsistent treatment of actuarial gains and losses (Approach 3).

From our point of view the amendment project on IAS 19 is premature as long as there is no final conclusion about the Financial Statements Presentation project. Fixing an interim approach for employee benefit promises may cause inconsistencies with other IFRS under discussion at the moment.

Please find details about the mentioned issues below.

Abandonment of the 10% corridor

We support the Board's preliminary view that entities should recognise all changes in the value of plan assets and in the post-employment benefit obligation in the financial statements in the period in which they occur. Having only one permitted approach will obviously increase the comparability of financial statements.

Reclassification of benefit promises

Otherwise, we oppose the intended reclassification of obligations to defined benefit (DBP) and contribution based promises (CBP). As mentioned in the introduction to this DP the Board has concerns about some benefit plans not matching the system of the existing IAS 19.

Therefore, the Board intends to change the classification of pension promises completely in order to overcome this measurement defect. Instead of this complex process, we propose to adjust the existing system by finding measurements for the plans currently not matching the classification given under IAS 19.

The former classification based on the remaining risk for the employer was easy to handle for preparers and also easy to understand for the users. The new classification will cause a lot of additional work for preparers, which may in fact result in problems meeting the reporting deadlines under IFRS, while there is - if any – only limited additional benefit for users of financial statements.

Moving to a measurement of pension obligations at fair value as proposed in this DP bears material risks concerning the comparability of financial statements. In DP 2.15 the Board on the one hand states concerns about the subjectivity in determining the expected rate of return on assets. On the other hand it opens doors to subjectivity by allowing different discount rates depending on how the obligation is secured. These rates may be manipulated by the entities in a much larger way than the expected return on assets with extreme effect on profit and loss. In Germany unsecured pension obligations are quite common, so the entity's credit risk will be one of the main parameters for calculating this provision.

Given the fact that a decrease in the individual credit standing will cause positive effects on profit and loss, entities may choose rates helping them to reach their results goal. The Board should reconsider if the proposed way of measurement is helpful to reach the goals set out in the DP.

Presentation of Defined Benefit Promises

We also have concerns about the presentation approaches for defined benefit promises. One goal while allowing the recognition of actuarial gains and losses outside profit and loss under IAS 19.93A was to avoid extreme volatility of earnings due to changes in pension estimates. This will be fully given up under Approach 1 of the presentation of DBP and the intended presentation approach of CBP. Therefore, we do not support this presentation approach.

And there is one more aspect to refuse this approach. Due to the seasonality of businesses, Approach 1 may lead to results fully overwhelming the operating business results. For example, tourism companies usually show negative operating results in the first quarter due to the fact, that most turnover is generated in summer. Assuming a large increase in long-term interest rates, as happened in the first quarter 2008 compared to year-end 2007, the effect from reestimating the pension provisions may fully compensate the negative results from operations.

In order to reach the goal of better understandability and comparability it would be necessary to commit companies reporting under IFRS to reporting the effects on results from pension calculation in interim reports. This would imply amendments of IAS 34 as well.

Given the mentioned disadvantages of Approach 1 and the fact that Approach 2 would lead to inconsistencies with other IFRS as mentioned already in the DP under point 3.17 we tend to prefer Approach 3. This approach is closest to the existing option under IAS 19.93A which is from our point of view even better than the three approaches mentioned in the DP as it treats any kind of actuarial gains and losses the same way. The Board should reconsider to take this existing approach into account as well.

With preferring actuarial gains and losses to be taken to other comprehensive income, we also have to refuse the Board's preliminary view that entities should not divide the return on assets into an expected return and an actuarial gain or loss, because it may give misleading information to show actuarial gains and losses on the obligation in other comprehensive income and to show actuarial gains and losses on pension assets in interest results on profit and loss.

TUI
Aktiengesellschaft

from Joerg Rosendahl (FBR)
Page 4
Date 17.09.2008

Further issues

Above we set out our point of view about Approach 1 and its disadvantages. If the Board is anyhow going to follow this approach, further advise will be necessary how to treat the reserves generated by applying IAS 19.93A in prior years. If all changes are going to be shown in profit and loss in future, it would not seem reasonable to keep these reserves in their separate equity position.

Yours sincerely
TUI AG

Wilfried H. Rau
Director
Financial Accounting and Reporting

i. A.
Jörg Rosendahl
Manager
Financial Accounting and Reporting