

TUI TRAVEL PLC
(the "Company")

AUDIT COMMITTEE
TERMS OF REFERENCE
(the "Terms of Reference")

Constitution

- 1 It was resolved that a committee of the board of directors of the Company (the "Board") be established, to be known as the audit committee (the "Committee").

Membership

- 2 The members of the Committee shall be appointed by the Board in accordance with the Company's articles of association. At least one member of the Committee shall have recent and relevant financial experience.
- 3 The Committee shall comprise at least three non-executive directors of the Company identified by the Board as independent in accordance with the requirements of the Combined Code (the "Independent Directors", each an "Independent Director"). Additionally, TUI AG has the right to nominate up to two directors to be members of the Committee pursuant to the terms of the relationship agreement entered into between the Company and TUI AG.
- 4 Each member shall hold office as a member of the Committee for a period of up to three years, which may be extended by no more than two additional three-year periods, provided that the majority of the Committee remain independent.
- 5 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed, and that reliance is not placed on particular individuals, should be taken into account.
- 6 The first members of the Committee shall be Tony Campbell, Bill Dalton, Jeremy Hicks and Giles Thorley.
- 7 The chairman of the Committee shall be appointed by the Board from among the members of the Committee and shall be Jeremy Hicks at the date of approval of these Terms of Reference. The chairman of the Committee shall be an independent non-executive director and shall not be the chairman of the Company. In the absence of the chairman of the Committee (and/or an appointed alternate member), the members present at any meeting of the Committee should elect one of their number to chair the meeting.
- 8 If any member of the Committee is unable to act for any reason, the chairman of the Committee may appoint another independent non-executive director of the Company, with agreement by the other members of the Committee, to act as that member's alternate.
- 9 The chairman of the Committee and its members shall be listed each year in the annual report.
- 10 Each member of the Committee shall disclose to the Committee:
 - 10.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - 10.2 any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists.

Secretary

- 11 The Company secretary or his/her nominee shall act as secretary of the Committee.

Attendance at Meetings

- 12 No one other than the members and chairman of the Committee is entitled to be present at a meeting of the Committee. The chairman and members of the Committee shall, however, have the discretion to decide who else shall be invited to attend for a particular meeting or a particular agenda item. Other individuals such as the chairman of the Company, the chief executive, finance director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend for all or part of any meeting as appropriate.
- 13 It is expected that the external audit lead partner will be invited regularly to attend meetings as well as the finance director. At least once per year, the Committee shall meet with the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

Quorum

- 14 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Notice of Meetings

- 15 Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Committee, and to each other person invited to attend, not less than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and to arrange such meetings so that members are able to attend.

Meetings

- 16 The Committee shall meet not less than three times per year to coincide with key dates within the financial reporting and audit cycle and at such other times as the chairman of the Committee or the members of the Committee require. A meeting shall be held as soon as reasonably practicable upon a request for such a meeting by the Company's internal or external auditors.
- 17 Unless varied by these Terms of Reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of directors.
- 18 A member of the Committee may participate in a meeting of the Committee by telephone.
- 19 In the event of equality of votes, the chairman of the Committee shall have a casting vote.

Minutes of Meetings

- 20 The secretary of the Committee shall prepare minutes of the proceedings and resolutions of all Committee meetings, including noting the names of those present and in attendance and any declarations of interest.
- 21 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interests exists.

Annual General Meeting

- 22 The chairman of the Committee shall attend the annual general meeting and be prepared to respond to any shareholder questions on the Committee's activities. All members of the Committee shall also attend the annual general meeting.

Duties

- 23 The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the TUI Travel PLC Group of Companies as a whole (the "Group") as appropriate.

24 Financial Reporting:

- 24.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

- 24.2 The Committee shall review and challenge where necessary:

24.2.1 the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group;

24.2.2 the going concern assumption;

24.2.3 the methods used to account for significant or unusual transactions where different approaches are possible;

24.2.4 whether the Company has adopted and followed appropriate accounting policies and standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

24.2.5 significant adjustments resulting from the audit;

24.2.6 compliance with Stock Exchange and other legal requirements;

24.2.7 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

24.2.8 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

- 24.3 The Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.

25 Internal Controls and Risk Management Systems

The Committee shall:

- 25.1 review the effectiveness of the Company's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks) and review the Company's internal control and risk management systems;

- 25.2 consider the major findings of any reports from the internal audit and risk management functions and any internal investigations and management's response; and
- 25.3 review and approve the statements to be included in the annual report concerning internal controls and risk management.

26 Whistleblowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

27 Internal Audit

The Committee shall:

- 27.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 27.2 approve the appointment and removal of the head of the internal audit function;
- 27.3 consider and approve the remit of the internal audit function on an annual basis in accordance with the relevant professional standards. The Committee shall also ensure the function is adequately resourced and has appropriate standing and is free from management or other restrictions;
- 27.4 review and assess the annual internal audit plan;
- 27.5 review promptly all reports on the Company from the internal auditors;
- 27.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 27.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Company and to the Committee.

28 External Audit

The Committee shall:

- 28.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 28.2 if the Board does not accept the Committee's recommendation on the appointment, re-appointment and removal of external auditors, prepare a statement explaining the Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
- 28.3 oversee the relationship with the external auditor including (but not limited to):

- 28.3.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
- 28.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit;
- 28.3.3 discussing with the external auditors before the audit commences and keeping under review the scope and results of the audit and ensuring co-ordination where more than one audit firm is involved;
- 28.3.4 assessing annually their independence and objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements in the UK and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 28.3.5 developing and implementing a policy on the provision of non-audit services by the external auditor, taking into account relevant ethical guidance, and reporting to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the external auditor's independence and objectivity);
- 28.3.6 considering the auditors' work plan for the annual and any interim audit and proposed resources in light of the scope of the audit;
- 28.3.7 monitoring the planned programme of audits and ascertaining the reason for any change or delay in the programme;
- 28.3.8 reviewing with the external auditors (in the absence of management if necessary), the results of their work in conducting the annual and any interim audit, including:
 - a any major issues that arose during the course of the audit;
 - b key accounting and audit judgements;
 - c levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted;
 - d any reservations that the external auditors may have and other matters that they wish to raise;
- 28.3.9 reviewing the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested relating to non-standard issues;
- 28.3.10 reviewing the external auditors' management letter and management's response;
- 28.3.11 at the end of the end of the annual audit cycle, assessing the effectiveness of the audit process;
- 28.3.12 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

- 28.3.13 approval of a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- 28.3.14 reviewing the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners;
- 28.3.15 reviewing annually the qualifications, expertise and resources of the external auditors and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 28.3.16 if the external auditor resigns, investigating the issues leading to such resignation and considering whether action is required;
- 28.3.17 meeting the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 28.3.18 reviewing and approving the annual audit plan and ensuring that it is consistent with the scope of the audit engagement;
- 28.3.19 reviewing the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - i discussion of any major issues which arose during the audit;
 - ii any accounting and audit judgements; and
 - iii levels of errors identified during the audit.

29 Reporting Responsibilities

The Committee shall:

- 29.1 report formally to the Board on its proceedings after each meeting;
- 29.2 make whatever recommendations to the Board it deems appropriate on any area within its remit; and
- 29.3 compile a report to shareholders on its activities to be included in the Company's annual report. The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.

30 Other Matters

The Committee shall:

- 30.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- 30.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 30.3 give due consideration to laws and regulations, the provisions of the Combined Code and requirements of the UK Listing Authority's Listing Rules as appropriate;
- 30.4 be responsible for co-ordination of the internal and external auditors;
- 30.5 oversee any investigation of activities which are within its Terms of Reference;
- 30.6 at least once a year, rigorously review its own performance, constitution and Terms of Reference, to ensure it is operating at maximum effectiveness and recommended any changes it considers necessary to the Board for approval;

- 30.7 make available these Terms of Reference, explaining the role and the authority delegated to it by the Board, on request and by including the information on the Company's website; and
- 30.8 consider other topics, as defined by the Board.

Authority

- 31 The Committee is authorised by the Board:
 - 31.1 to seek any information it requires from any employee of the Company and any other company in the Group in order to perform its duties. All employees are directed to co-operate with any request made by the Committee;
 - 31.2 to call any employee to be questioned at a meeting of the Committee as and when required;
 - 31.3 to obtain, at the Company's expense and, where appropriate, in consultation with the Company secretary or the chairman of the Company, independent legal or other professional advice on any matters within its Terms of Reference. The Committee shall have access to the external auditors as and when required;
 - 31.4 to investigate any activity within the scope of its duties; and
 - 31.5 to have access to the services of the Company Secretarial Department on all Committee matters including (but not limited to) assisting the chairman of the Committee in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.

Revisions & Commencement

- 32 The Committee shall recommend to the Board such revisions of its Terms of Reference as from time to time the Committee considers appropriate.
- 33 These Terms of Reference were approved at a meeting of the Board held on 28 June 2007 and amended on 12 December 2007. With effect from 12 December 2007, any previous Terms of Reference are rescinded.

Dated: 12 December 2007