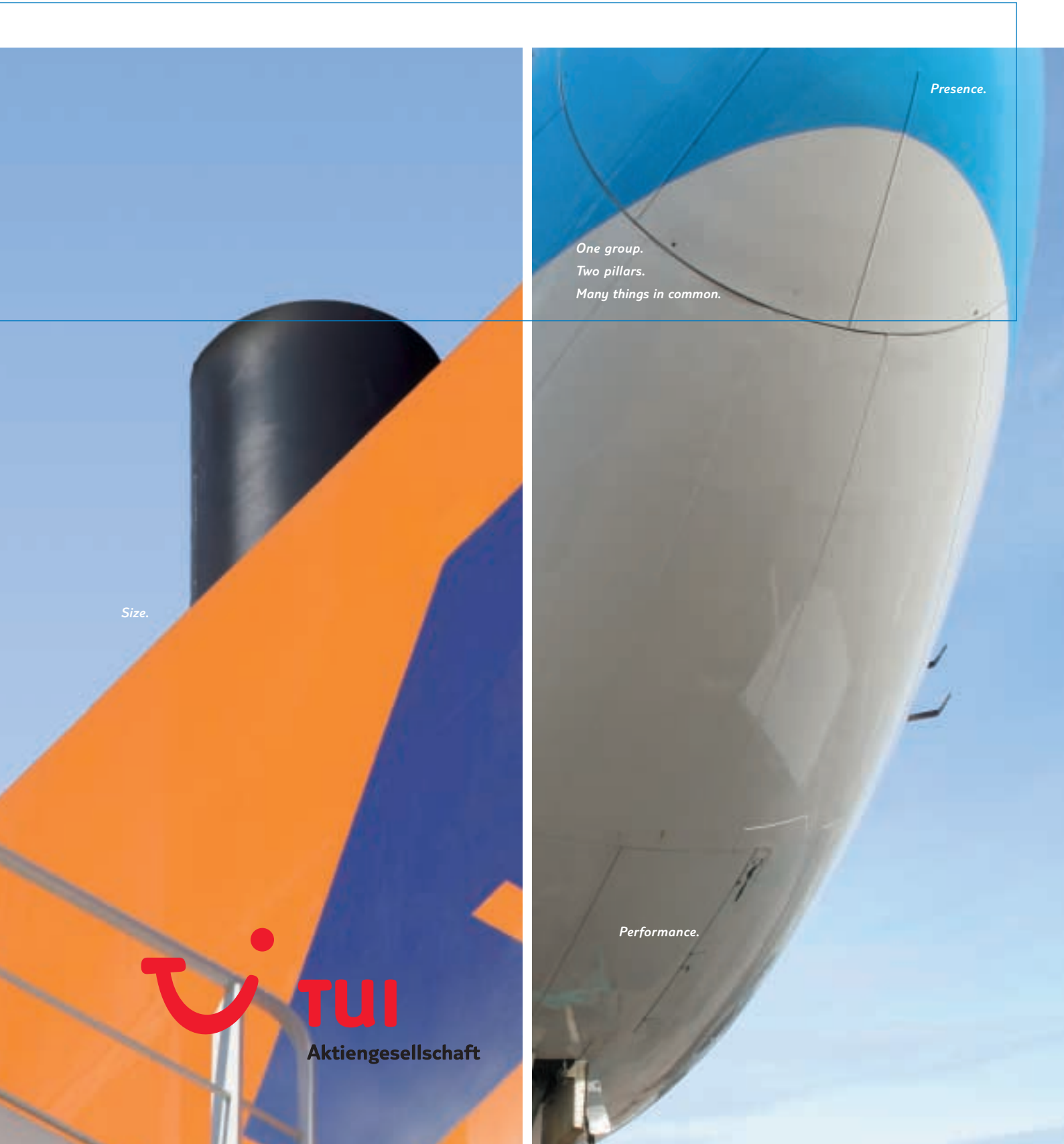


Annual Report 2005

Moving people. Connecting markets.



Size.

Presence.

*One group.
Two pillars.
Many things in common.*

Performance.

**TUI**
Aktiengesellschaft

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Group Structure 2005

Tourism

Central Europe

Source markets: Germany | Switzerland | Austria | Eastern Europe |
Hapag-Lloyd Flug | Hapag-Lloyd Express

Northern Europe

Source markets: United Kingdom | Ireland | Nordic Countries |
Britannia Airways UK | Thomsonfly | Britannia Airways Nordic

Western Europe

Source markets: France | Netherlands | Belgium |
Corsair | TUI Airlines Nederland | TUI Airlines Belgium

Destinations

Incoming agencies | Hotel companies

Other Tourism

Business travel | IT Services

Shipping

Hapag-Lloyd

Hapag-Lloyd Container Linie | Hapag-Lloyd Kreuzfahrten

CP Ships

Other Sectors

Discontinuing operations

Special logistics | Trading

Central operations

TUI AG | Real estate | Other companies

TUI Group in Figures

TUI Group in Figures

		2004 ^{*)}	2005	Var. %
Turnover				
Tourism	€ mill	13,319	14,097	+ 5.8
Shipping	€ mill	2,687	3,834	+ 42.7
Others	€ mill	2,040	1,688	- 17.3
Group	€ mill	18,046	19,619	+ 8.7
Earnings by divisions (EBTA)				
Tourism	€ mill	353	360	+ 2.0
Shipping	€ mill	280	279	- 0.4
Others	€ mill	47	- 6	n.m.
Group	€ mill	680	633	- 6.9
Earnings before interest, tax and amortisation (EBITA)				
Tourism	€ mill	345	365	+ 5.8
Shipping	€ mill	300	318	+ 6.0
Others	€ mill	267	166	- 37.8
Group	€ mill	912	849	- 6.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	€ mill	678	734	+ 8.3
Shipping	€ mill	392	452	+ 15.3
Others	€ mill	407	193	- 52.6
Group	€ mill	1,477	1,379	- 6.6
Net profit for the year				
	€ mill	572	495	- 13.5
Earnings per share	€	2.96	2.28	- 23.0
Assets				
Non-current assets	€ mill	9,871	11,865	+ 20.2
Current assets	€ mill	2,499	3,463	+ 38.6
Total assets	€ mill	12,370	15,328	+ 23.9
Equity and liabilities				
Equity	€ mill	2,660	4,375	+ 64.5
Non-current liabilities	€ mill	5,153	5,241	+ 1.7
Current liabilities	€ mill	4,557	5,712	+ 25.3
Total equity and liabilities	€ mill	12,370	15,328	+ 23.9
Equity ratio	%	21.5	28.5	+ 7.0
Cash flow from operating activities				
	€ mill	964	965	+ 0.1
Capital expenditure				
	€ mill	677	1,058	+ 56.3
Net debt				
	€ mill	3,251	3,807	+ 17.1
Employees				
	31 Dec	57,716	62,947	+ 9.1

^{*)} Figures were restated according to new IFRS accounting standards, which were initially applied in the 2005 financial year, if applicable.

Annual Report 2005

- **2005 – an eventful year.**
- **Strategic focus on tourism and shipping.**
- **Expansion of shipping through acquisition of CP Ships.**
- **Turnover growth in core businesses.**
- **Results of operations affected by exceptional factors.**
- **Capital increase successfully issued.**

Moving people.

Connecting markets.

Performance.



Performance: One group. Two pillars. Many things in common.
Always in motion. Thinking in networks. Optimising utilisation.
Performance right on time. Proving it. Thinking ahead.
Doing the right thing. And always outperforming expectations.

Service.



Service: One group. Two pillars. Many things in common.
Industry pioneers. Experience that really matters. Enthusiasm
for what we are doing. Never resting on laurels. Searching.
Open-minded. Surprising ideas. And always offering a solution.

Size.



Size: One group. Two pillars. Many things in common.
Playing top of the league. Shaping the market. Setting the pace.
Size is not everything, but a good basis to build on.
Taking advantage. And always a step ahead.

Presence.



Presence: One group. Two pillars. Many things in common.
Global presence. Welcome everywhere. Local knowledge. Being involved. Working together. Defining goals. Achieving more.
And always focussing on our customers.

Moving people.

Connecting markets.



Chief Executive's Statement

Dear Shareholders,

2005 was another eventful year for TUI, for our employees and for you, our shareholders. We took a number of important decisions for the future of our Group and implemented them consistently. You supported us in this process by investing in TUI shares and subscribing to the capital increase and the bonds in order to finance our growth. I thank you for your confidence in us. We will commit all our energy to meet your expectations.

TUI has completed its realignment to a pure services group. To achieve this, we sold our industrial activities, set up a completely new tourism business on a European scale and expanded our shipping business to world level. Today, TUI is the uncontested market leader in tourism in Europe and is one of the world's five leading companies in container shipping.

In 2005, we completed the realignment of TUI and clearly focused the Group on two core businesses, tourism and shipping, creating two strong pillars operating in high-growth markets. They have the potential to contribute almost equally to Group earnings in the future.

A decisive step on our way to the new Group structure was the decision to acquire the Canadian shipping company CP Ships and thus lift our shipping division to a new level in terms of size and earnings potential.

Like Hapag-Lloyd, CP Ships is a container shipping company which also operated profitably in weaker phases of the industry cycle in the past. Moreover, the businesses of the two companies complement each other almost ideally. There are only minor overlaps in trade lanes, and the combination of the route networks provides the new company with a comprehensive global presence.

On top of these positive criteria, the attractiveness of the acquisition of CP Ships is further enhanced by the opportunities resulting from a combination of the two companies, which are optimising costs

Dr. Michael Frenzel,
Chairman of the Executive Board

and leveraging synergies, and thus increasing profitability of their joint activities significantly.

The financing of the acquisition of CP Ships involved further measures which were important for TUI's future financial structures: a capital increase and the issue of three bonds. With the capital increase, offering existing shareholders to subscribe to two new shares for every five shares held, we set up a broad equity base for the Group. External financing, both of the acquisition of CP Ships and of the TUI Group as a whole, has been secured on a long-term basis. Overall, we have refinanced € 1.3 billion into long-term debt by the bonds issued in November 2005 and thus significantly reduced our short-term debt. Also relevant for the financing of our Group was the first-time assignment of a credit rating by Moody's and Standard & Poor's.

We will build on what we have achieved. In tourism, we will expand further. In our existing source markets, we will take advantage of the new trends in the travel industry, such as modular and direct bookings and significantly expand direct sales. Further expansion will be achieved by entry into new emerging source markets in eastern Europe and Asia. And last but not least, the carefully directed expansion of our hotel portfolio will also contribute to the growth of our tourism division.

In shipping, we will take advantage of the opportunities arising from the expected volume growth in the sector while maintaining our flexibility to adjust our shipping capacity in times of less favourable market developments. We will primarily grow organically, by the expansion of our shipping and container capacity and the expansion of our services in our main trade lanes but also on attractive inner-Asian routes.

In 2005, business in our tourism and shipping divisions continued the positive trend of the previous year. The customer numbers in tourism and transport volumes in shipping grew strongly. As a result, both divisions achieved a significant increase in turnover compared with the previous year. At € 360 million, earnings in tourism were also higher, despite the fact that a number of exceptional factors affecting the French market have prevented a further improvement of earnings. At € 279 million, shipping managed to maintain the record earnings of the previous year.

For 2006, we now have to further enhance the profitability in tourism and to integrate our shipping businesses of Hapag-Lloyd and CP Ships. In tourism, we expect earnings to benefit from the optimisation of production processes and product innovations in Germany and from the restructuring programmes implemented in the UK in the previous year. In France, we have launched measures to improve earnings. In shipping, the integration of CP Ships into Hapag-Lloyd's organisation will place the business on a global scale. This will enable us to better balance temporary overcapacities in individual trade lanes.

In the medium term, we expect the world economy to continue its up-swing. This will create opportunities for further growth and potential for an increase in earnings. Both in tourism and container shipping, our companies offer attractive products and services to their customers and hold leading market positions. This is a sound basis to seize our growth and earnings opportunities.

Yours sincerely,

A handwritten signature in black ink, reading "Dickau-Frenzel". The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

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Management Report → An eventful year. → Growth in core businesses. → Improved earnings in tourism. → Shipping on high level of previous year. → Capital increase successfully issued. → Credit ratings by Standard & Poor's and Moody's assigned.

2005 – An eventful year. Growth in core businesses. Expansion of shipping through acquisition of CP Ships. Capital increase successfully issued.

For the TUI Group, 2005 was a year characterised by growth in its core businesses tourism and shipping, the expansion of its shipping division through the acquisition of CP Ships and the strengthening of its financial position by means of the successful issue of a capital increase and three bonds. This will fundamentally shape the Group's future development.

2005 at a glance

Growth in core businesses

For the TUI Group, 2005 was an overall successful year. The growth in the two core businesses tourism and shipping, which continued the previous year's trend and achieved a further increase in turnover was essential for this assessment. However, in particular in tourism and central operations, earnings did not develop in line with turnover growth due to exceptional factors.

Turnover and earnings in the core businesses

At € 14.1 billion, turnover in the tourism division exceeded the previous year's level by 5.8%, while earnings in the tourism division (EBTA) rose by 2.0% year-on-year to € 360 million. The shipping division generated turnover growth of 42.7% to € 3.8 billion; adjusted for the consolidated turnover of CP Ships, it rose by 19.9% to € 3.2 billion. At € 279 million, earnings in shipping (EBTA) almost matched the previous year's record levels. Both divisions thus outperformed the turnover budgets set up by the Executive Board for the 2005 financial year. This also applied to earnings by shipping, while earnings in tourism fell short of expectations for a number of exceptional factors.

Turnover and earnings by divisions

At € 19.6 billion turnover by divisions, which comprised the core businesses tourism and shipping but also central operations and the discontinuing operations exceeded the previous year's level by 8.7%. Earnings by divisions (EBTA) totalled € 633 million, a decline of 6.9% year-on-year due to exceptional factors.

Successful takeover bid for CP Ships

The decision to expand the shipping division by the acquisition of the Canadian shipping company CP Ships was an important step for the future development of the TUI Group. Following intense preparations, TUI AG announced on 21 August 2005 its intention to take over CP Ships Ltd. by means of a cash offer to the shareholders. The offer price was US dollar 21.50 per share and valued CP Ships' shares at a total amount of € 1.7 billion (US dollar 2.0 billion). It comprised a premium of 24.9% on the weighted average closing price of CP Ships' shares of the last three months prior to the submission of the bid and a premium of 9.7% on the closing

price of 19 August 2005, the last trading day before the offer was announced. In accordance with a support agreement between the two companies, the Board of Directors of CP Ships unanimously recommended acceptance of TUI's bid to the shareholders of its company.

The offer documents were sent to the shareholders on 1 September 2005 and the term for acceptance was extended to 18 October 2005 on 7 October 2005 for reasons related to regulatory approvals. When the acceptance period expired, shareholders holding a total of 89.1% of the outstanding CP Ships shares had accepted the offer. 83,972,849 shares or 89.0% had been deposited in line with legal requirements and were taken up on 20 October 2005. In a further step, the CP Ships' shareholders meeting of 14 December 2005 approved the merger of CP Ships with Ship Acquisition Inc., an indirect wholly-owned subsidiary of TUI AG founded for the acquisition. Upon satisfaction of all necessary legal requirements for the merger on 20 December 2005, TUI completed the total takeover of CP Ships.

Capital increase successfully issued

The acquisition of CP Ships was partly financed by a rights offering, published on 1 September 2005 and offering TUI shareholders 71,502,616 new shares at a rate of five-for-two. For every five old shares held, shareholders were entitled to subscribe to two new shares with dividend entitlement for the entire 2005 financial year. The subscription price was € 14.20 per share. Following the expiry of the two-week subscription period, around 99.5% of the subscription rights had been exercised; the non-exercised subscription rights were placed in the market in due course by a banking consortium that had undertaken to completely underwrite the capital increase. TUI AG thus generated proceeds from the issue before deduction of costs of around € 1 billion.

Ratings by Standard & Poor's and Moody's assigned

At the end of October 2005, the rating agencies Standard & Poor's and Moody's, commissioned by TUI, published their ratings for TUI AG and the bonds issued by TUI AG in 2004. Standard & Poor's long-term corporate rating was 'BB+', outlook positive', while that of Moody's was 'Ba2, outlook stable'. TUI AG's bonds were rated 'BB' by Standard & Poor's and 'Ba2' by Moody's. Due to the assignment of the ratings, an increase in the coupons for the 2004 bonds was avoided and a solid foundation for the issue of the 2005 bonds was laid.

€ 1.3 billion refinanced by means of three bonds

Following a roadshow in Europe and Asia, TUI AG successfully issued three bonds totalling € 1.3 billion in the capital market. TUI met the extraordinarily strong demand by increasing the originally planned bond volume by € 0.3 billion. The bonds were Senior Fixed Rate Notes of € 450 million, Senior Floating Rate Notes of € 550 million and a subordinated hybrid bond of € 300 million. The proceeds were used in order to refinance a bridge financing facility taken up in connection with the acquisition of CP Ships, redeem liabilities of CP Ships and refinance Group liabilities with new, longer-term maturities.

Group structure

Over the last seven years, the TUI Group has changed from an industrial conglomerate to a pure services company. During the realignment process it sold its numerous industrial activities, created a European tourism business and established a global shipping business.

Today, TUI's core businesses are tourism and shipping; in future they will account for around 70% and 30%, respectively, of Group turnover. Besides these core businesses, which represent the continuing operations in accordance with the IFRS definition, the TUI Group at balance sheet date still comprises activities to be divested in the near future as the remaining parts of its divestment programme. These operations include the US steel service business of the PNA Group, classified as a discontinuing operation in accordance with the IFRS definition.

Tourism

The tourism division comprises five sectors: Central Europe, Northern Europe, Western Europe, Destinations and Other tourism. Three of these sectors cover regional source markets, one of the sectors represents the activities in the destinations and one of the sectors the remaining tourism business.

Central Europe

The Central Europe sector comprises the distribution and tour operator business in Germany, Switzerland, Austria and the Eastern European markets as well as airlines Hapag-Lloyd Flug and Hapag-Lloyd Express. Apart from the airlines, the main operative Group companies in this sector are TUI Deutschland GmbH, TUI Leisure Travel GmbH, TUI (Suisse) Holding AG and Gulet Touropa Touristik GmbH & Co. KG in Austria.

Northern Europe

The Northern Europe sector comprises the distribution and tour operation business in the UK, Ireland and the Nordic countries as well as the airlines Britannia Airways UK, Britannia Airways Nordic and Thomsonfly. The main Group companies operating in the distribution and tour operation business in this sector are TUI UK Ltd. and Budget Travel Ltd. in Ireland. In the Nordic countries, TUI Nordic Holding AB covers the corresponding activities.

Western Europe

The Western Europe sector comprises the distribution and tour operation business in France, the Netherlands and Belgium as well as the airlines Corsair, TUI Airlines Nederland and TUI Airlines Belgium. The main companies operating in the distribution and tour operation business, either directly or via shareholdings, are Groupe Nouvelles Frontières S.A.S., TUI Nederland N.V. and TUI Belgium N.V.

Airlines

At the end of the 2005 financial year, the TUI Group's airlines, operating from individual source markets and allocated to the three sectors Central Europe, Northern Europe and Western Europe, operated a total of 116 aircraft. The Group had three additional aircraft which were leased out to third parties. In the 2005 summer season, a total of 122 aircraft were operated, an increase of six over the level at year-end, with the seasonal increase in demand covered by corresponding rental or leasing agreements.

TUI aircraft fleet

Airlines	Number of aircraft	Average age	Departure from
Hapag-Lloyd Flug	32	6.7	Germany
Hapag-Lloyd Express	15	11.0	Germany
Britannia Airways UK	30	11.1	UK
Thomsonfly	12	10.0	UK
Britannia Airways Nordic	6	9.6	Sweden
Corsair	10	13.5	France
TUI Airlines Nederland	4	14.1	Netherlands
TUI Airlines Belgium	7	11.3	Belgium
Total	116	10.0	

Destinations

The destinations sector covers TUI's consolidated and associated incoming agencies and the Group's hotel companies pooled under the organisational unit TUI Hotels & Resorts.

Incoming agencies

At the end of the 2005 financial year, TUI held shareholdings in 35 agencies in key destinations in 36 countries. TUI held direct or indirect majority interests in some of these companies, while others were operated in the framework of joint ventures or on the basis of minority interests. TUI's main incoming agencies are TUI España, operating in Spain and the Dominican Republic, TUI Portugal, TUI Hellas in Greece, TUI Türkiye and TUI Bulgaria as well as Group agencies in Cyprus, Egypt, Tunisia and Morocco.

Hotels

At the balance sheet date, the hotel companies managed by TUI Hotels & Resorts operated 279 hotels in 30 countries. 43% of these hotels were owned by the respective hotel company, 11% were leased and 46% were operated in the framework of a management or franchise agreement. TUI either had a direct or indirect majority interest in the hotel companies, or they were operated as joint ventures; in addition, TUI also held minority interests in very few companies.

TUI Hotels & Resorts

Hotel brand	Hotels	Beds	Main sites
RIU	109	74,781	Spain, Caribbean
Robinson	21	11,359	Spain, Greece, Turkey
Magic Life	17	14,778	Egypt, Turkey, Tunisia
Grupotel	33	13,326	Balearic Islands
Grecotel	21	10,891	Greece
Iberotel	23	14,501	Egypt, Turkey
Nordotel	7	4,641	Canary Islands, Turkey
Paladien	16	5,444	France, Greece
Other	32	15,123	–
Total	279	164,844	

Other tourism

The Other tourism sector comprises business travel, operating in the market under the TQ3 Travel Solutions brand, and TUI's services companies offering tourism-related services.

Shipping

In its current structure, TUI's shipping division has emerged from the former logistics division, which covered the shipping and special logistics sectors until the end of 2004. 2005 was a year of great importance for the future of the shipping division. Besides the completion of the divestments in special logistics and the concentration on the core business shipping, events focused on the acquisition of the Canadian shipping company CP Ships Ltd.

Container shipping

At the balance sheet date, the shipping division comprised Hapag-Lloyd Container Linie and CP Ships, two globally operating container shipping companies. Due to the acquisition of CP Ships with effect from 25 October 2005, this company will be included in the consolidated financial statements on a prorated basis. In the course of the 2006 and 2007 financial years, the business operations of Hapag-Lloyd Container Linie and CP Ships and their shareholdings will gradually be integrated and an uniform organisation will be created. This will also entail changes in the legal structures.

Trade lanes

The business operations in container shipping are classified into trade lanes, with each trade lane comprising a number of individual routes. For Hapag-Lloyd Container Linie's business these trade lanes are Europe/Far East, Trans-Pacific, North Atlantic and Latin America. As CP Ships operates a different network of routes, its business is based on a different trade lane structure. The trade lanes reported so far by CP Ships are Trans-Atlantic, Australasia, Latin America, Asia and Other. The process of integration of the businesses of the two companies will also involve the restructuring and harmonisation of these structures.

Capacities

At the end of the 2005 financial year, Hapag-Lloyd Container Linie and CP Ships operated a total of 133 vessels, comprised of 55 ships operated by Hapag-Lloyd Container Linie and a further 78 ships operated by CP Ships. Out of the entire fleet, 66 ships were owned, 17 ships were chartered or leased on the basis of long-term contracts, and 50 ships were leased on the basis of short-term charter. The average age of the common fleet was 8.0 years. In order to expand their capacity, the two companies have ordered a total of 14 new ships, to be delivered in the period from 2006 to 2008. These include six ships with a capacity of 8,750 standard containers (TEU) and eight ships with a capacity of 4,250 TEU. Besides the ships, the companies jointly held containers with a total capacity of 980,900 TEU, most of which were owned.

Cruises

Apart from container shipping, the shipping division also includes Hapag-Lloyd Kreuzfahrten GmbH, focussing in particular on the cruise business in the German market with its four cruise ships in the luxury and premium segments.

The table below lists the number of container ships operated at the end of the 2005 financial year, classified according to size categories and capacity.

Container ship fleet

	Number Hapag-Lloyd	Number CP Ships	Number total	Capacity in TEU
Under 2,300	19	40	59	92,121
2,300 – 4,000	6	26	32	94,843
4,000 – 6,000	18	12	30	134,578
Over 6,000	12	–	12	91,324
Total	55	78	133	412,866

Group's parent company**TUI AG**

TUI AG is the Group's parent company, headquartered in Hanover. It holds interests, usually 100% stakes, in the key Group companies running the Group's operative business in the individual countries, either directly or indirectly, through associated companies. These companies, in turn, hold shares in local companies. At the balance sheet date, TUI AG's group of consolidated companies comprised 443 direct or indirect subsidiaries, including 50 German companies and 393 companies headquartered abroad. In addition, 23 associated companies and 29 joint ventures were included in TUI AG's consolidated financial statements on the basis of at equity measurement.

Organisation and management

TUI AG is a stock corporation under German law, whose basic principle is a dual management system with two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards cooperate closely in controlling and monitoring the Company. The Executive Board is responsible for the overall management of the Company.

Executive Board and Executive Committee

In the 2005 financial year, the Executive Board of TUI AG comprised four members: the CEO and three other Board members in charge of Finance, Human Resources/Legal and Platforms. An Executive Committee has been set up in order to manage the Group's operative business. In the 2005 financial year, this Committee comprised the members of TUI AG's Executive Board and a total of four divisional directors in charge of Central Europe, Northern Europe and Western Europe in the tourism division as well as shipping. With effect from the beginning of the 2006 financial year, the Executive Board has been enlarged by three divisional directors; one each for the flight operations sector and the Hotels & Resorts sector in the tourism division and another one for the shipping division.

Business operations**Market****Tourism**

The largest source market for the tourism business in Europe is Germany with its population of approx. 82 million inhabitants, followed by the UK with its population of 60 million and France, with another 60 million inhabitants. The favourite package tour destinations of German tourists are Spain, Greece, Turkey and Germany itself. From a tour operators' perspective, the UK is the second largest market in Europe. In terms of package tours, the most preferred holiday destinations of British tourists are Spain, Greece and Cyprus. In comparison with their European neighbours, French tourists book fewer package tours and tend to give preference to land-based tours to French destinations. In terms of air tours,

they prefer destinations in French overseas territories and former colonies in the Caribbean and Africa.

In the 90s, the development of the European tourism industry was characterised by strong growth, which weakened notably and finally stagnated in the aftermath of the terrorist attacks of 11 September 2001 and during the war in Iraq. Travel markets recovered recently, with industry experts forecasting a steady growth trend for the tourism sector again. In the medium term, this forecast is also supported by demographic trends.

Due to the geo-political events of the last few years and their economic effects but also the new information and travel opportunities as well as ongoing integration in Europe, the tourism industry is currently experiencing a series of structural changes. These include an increase in short-term bookings and a trend towards the booking of individual tour modules. These trends are primarily driven by the expansion of the internet and the related opportunities as well as the rapid growth of low-cost airlines. TUI is actively involved in shaping this change.

Competition

At turnover of around € 14 billion in 2005, TUI is Europe's largest integrated tourism group, with its integrated competitors lagging far behind. Based on its turnover published for 2004, the Thomas Cook Group was the second largest company in Europe, followed by MyTravel in the UK, the German REWE Group, First Choice in the UK and Kuoni in Switzerland. TUI is the market leader by turnover in Germany, the UK and France, the three countries in Europe with the largest populations, and is among the top three tour operators in nine other countries in Europe. In addition, TUI occupies essential market positions in the emerging tourism markets in Eastern Europe.

Business model

In the tourism sector, TUI operates a vertically integrated business, running own activities at all stages of the tourism value chain. The value chain comprises distribution by travel agencies as well as direct distribution channels such as the internet, call centres and travel TV, tour operators with package tour offerings and offerings of travel modules to be booked individually, flight operations to carry package tour customers and individual travellers to and from their holiday destinations as well as hotels and incoming agencies for accommodation and other services in the destinations, such as airport transfers and excursions.

The integrated business model enables the Group to offer a broad range of holiday products, ranging from package tours all the way to flight-only products and hotel accommodation. As the Group has activities at all stages of the value chain, it secures the quality of its offerings and reaches the critical mass in order to secure attractive purchasing prices as well as terms and conditions. The integration of the individual stages of the value chain also aims at achieving constant high levels of capacity utilisation in flight operations and the hotel sector. Thus, the capacity owned in these sectors is less than the total business volume generated by distribution and tour operators, and the excess demand is satisfied flexibly by contracting with third parties for the additional flight and hotel capacity needed. Due to the structural changes in the travel market, the

integrated business model has also developed further, in particular by means of the separate marketing of individual travel components such as flights and overnight stays by means of direct sales channels. This approach helps the Group to maximise capacity utilisation and secure economies of scale.

Strategy

TUI's business strategy in tourism is aimed at achieving further expansion. Its goal in existing source markets is to achieve above-average turnover growth and an expansion of market shares. In this regard, the Group plans to increasingly expand its direct sales activities to benefit from the new trends in the travel market such as modular and direct booking. It intends to implement further expansion steps by means of entering and expanding new emerging source markets in eastern Europe and Asia. After all, the selective expansion of the aircraft fleet and hotel portfolio are to contribute to the expansion of the tourism division.

Market

Shipping

Container shipping started in the 1960s and has since developed into the key international transport method for a broad range of industrial and consumer goods, and increasingly also for commodities. The containers used to transport the cargo goods are metal boxes which come at standard formats at a length of 20 and 40 feet, respectively. The standard quantitative unit in container shipping is the twenty-foot equivalent unit (TEU). Container ships are vessels specifically built for container transport and either owned by a shipping company or operated by a shipping company based on leasing or charter agreements.

Container shipping is a global business. Transport volumes have more than doubled over the past ten years and totalled around 86 million TEU in 2005. During that period, transport volumes grew by an average of 8.5% annually, outperforming world trade and world gross domestic product growth. Industry experts expect further disproportionate volume growth in container shipping. This growth will be attributable both to an increase in world trade and the continuing relocation of production from west to east as well as the increasing trend to use containers to ship goods and commodities currently still transported by conventional shipping modes.

The global container shipping business covers several large trade lanes, each of which comprises a number of routes. Every route, in turn, covers a large number of regular individual services to different harbours operating at different frequencies. In 2005, inner-Asian transport had the largest volume with 20 million TEU, followed by the Trans-Pacific trade lane with 18 million TEU, Europe/Far East with 12 million TEU and the North Atlantic trade lane with 5 million TEU. A number of container shipping companies have joined international alliances within the sector. The purpose of these alliances is the joint use of transport capacity and coordination of departure times in order to enable their members to offer their customers a larger number of routes with higher frequencies than those they would otherwise be able to offer on their own. Hapag-Lloyd Container Linie is a founding member of the Grand Alliance, the world's largest consortium in container shipping.

Competition

In terms of shipping capacity, Maersk is the largest container shipping company. Following the takeover of P&O Nedlloyd, with a capacity of around 1.4 million TEU, Maersk is just over twice the size of the number two, Mediterranean Shipping Co. (MSC). The next few ranks are held by Evergreen Line from Taiwan and the French company CMA/CGM. Before the acquisition of CP Ships, TUI's shipping division with Hapag-Lloyd Container Linie ranked 13th among the world's largest container lines, with CP Ships ranking 16th. They now jointly offer a total capacity of 413 thousand TEU and thus rank fifth.

Business model

As most large container shipping companies, Hapag-Lloyd Container Linie and CP Ships primarily offer door-to-door container transports but also pure shipping services for containers. Their comprehensive logistics services cover all stages of the transport chain, all the way from transporting the freight in a container from the consignor to a sea port, shipment to the port of destination and delivery to the final destination by means of rail, truck or inland waterway transportation; in addition, they offer services such as support in customs clearance. In the door-to-door business, Hapag-Lloyd Container Linie and CP Ships are their customers' main contracting partners for the entire transport chain, although certain sub-services – in particular landside transportation – is provided by subcontractors.

Hapag-Lloyd Container Linie and CP Ships are global players. With more than 500 offices and branches in over 100 countries, they have a presence in all five continents and mainly operate their ships in the high-volume East-West trade lanes. The key elements of their business model are the so-called blueprint organisation and the fully integrated IT network. The blueprint organisation is an uniform organisation of workflows and their documentation covering all sites. It is based on an IT network that links all sites up in real-time all over the world. This organisational structure enables the Group to control container flows with a view to optimising the cost and earnings situation and offer tailored solutions for its customers' individual transport needs, including the steadily growing information needs both of customers but also the port and customs authorities.

Strategy

In the shipping division, TUI pursues a growth strategy based on taking advantage of the opportunities arising on the expected volume growth in the industry and the favourable economic environment while preserving the flexibility to adjust its shipping capacity in times of less favourable market developments. The shipping division is planning to achieve internal growth by means of expanding its shipping and container capacity and its services on inner-Asian routes, the routes between Asia and Europe as well as North America and inner-European routes. Apart from investing in its own capacity, the Group intends to continue to operate a certain number of ships under shorter-term charter contracts where this makes economic sense. In a market currently experiencing a consolidation phase, further external growth is conceivable should economically attractive opportunities arise.

Control systems

TUI AG manages and controls its Group companies on the basis of a value-oriented approach. The goal of the entrepreneurial activities of the Group's management boards is to achieve a sustainable increase in the value of the TUI Group and to secure its entrepreneurial and financial future.

Standardised control system

In order to analyse and shape the Group's value-oriented development, a standardised control system has been set up based on the following fundamental principles: clear segmentation of Group activities, uniform definition and determination of the financial control ratios, inclusion of all segments in a standardised controlling process and uniform financial assessment of investment projects.

Profitability ratios

The key figures for the measurement of the earnings performance of the Group and the segments, also in comparison to the budgets, are earnings before taxes on income and amortisation (EBTA) and before interest (EBITA). The financial ratio 'return on invested capital' (ROIC) is used to measure the value-oriented performance. It is calculated as the ratio of operational earnings (EBITA) divided by the interest-bearing capital of the segment. Individual return targets have been defined for the individual segments, basically providing for return rates above the cost of the interest-bearing capital employed by the segments. The TUI Group aims at achieving a return ratio of 15% in the medium term.

Credit ratios

Apart from profitability ratios, the control systems also include ratios measuring the TUI Group's financial stability. The goal is to achieve ratios that allow the Group to be granted an investment grade status. In this context, credit ratios such as interest coverage ratios and debt-equity ratios in relation to profitability are continuously determined and analysed.

Capital allocation

One of the central functions of TUI AG is to allocate the capital employed to the individual segments. Budgeting systems were used to measure the individual investment projects, transferring the value-oriented return targets for the segment to each individual investment.

Planning and control process

The Group's controlling and reporting systems comprise an analysis of the profitability and credit ratios and the investment projects. Its ongoing performance measurement is based on monthly comparisons of budgeted vs. actual figures. These are an integrated part of an annual continuous planning process. The planning period covers three years and includes a detailed budget for one year and forecasts for two further years.

Economic framework

General development

In 2005, the world economy continued its expansion. Growth remained robust despite an increase in energy and commodity prices. The International Monetary Fund (IMF) forecast an increase in world gross domestic product by 4% (IMF, September 2005), thus again outperforming the average medium term rate. Economic development varied in the course of the year. The strong increase in crude oil prices in the first half of the year caused a slowdown in economic momentum. In the second half of the year, the global economy picked up again, with North America and

the emerging Asian economies contributing the strongest growth stimuli. Global economic growth also caused a strong increase in world trade: the IMF expects world trade to increase by 7% in 2005 and thus again growing faster than the world economy.

America and Asia

Development in the regions

The individual economic regions showed varying economic trends. The US continued to be one of the key drivers of world economic growth. The recovery was primarily supported by the increase in private consumption and public spending. Nevertheless, gross domestic product growth fell somewhat short of the previous year's level since US export activities were curbed by the development of the US dollar exchange rate and the increasingly restrictive monetary and fiscal policies contributed to a slowdown of growth. In Asia, the persistently strong growth of the Chinese economy again was an important driving force for world economic activity. In Japan, economic recovery continued due to strong domestic demand but lost some steam in the second half of the year. The other emerging economies of South East Asia again recorded above-average growth rates. Latin America continued to report robust economic growth, although the previous year's high growth rates were not met again.

Eurozone

Economic development in the Eurozone was characterised by an almost stagnating domestic demand in the first half of the year. As of mid-2005, more and more signs of an economic recovery were observed despite the high crude oil prices, with the individual countries showing strong variations. Growth stimuli were primarily triggered by foreign demand but also investment activities, which picked up again. Private consumption, in contrast, remained relatively weak. In comparison with other regions, however, the pace of expansion was moderate. In Germany, in particular, economic activity was slow, but the UK and France also recorded only restrained economic growth.

Tourism

Development of the divisions

In tourism, market recovery continued. Following the difficult years 2002 and 2003 and the recovery of 2004, the World Tourism Organization (UNWTO) expects the worldwide travel market to grow by around 5% in terms of the number of holiday tours in 2005 (UNWTO World Tourism Barometer, January 2006). The European countries recorded different growth rates. The smaller markets grew relatively more strongly than the larger markets Germany, the UK and France. They recorded a temporary slowdown in the demand for travel, due to uncertainty concerning the political and economic development, in particular in Germany but also in France, where local social problems occurred towards the end of the year. A general trend to be observed in European source markets was the relatively stronger growth in the number of customers compared with booked turnover. This trend also reflected the structural changes currently observed in the tourism industry, characterised by new options in travel such as low-cost airlines or internet bookings.

Shipping

Worldwide container shipping saw the growth trend of the past few years continue. At around 86 million TEU, the transport volume was nearly 9% up year-on-year (Global Insight, December 2005). Thus, growth in container

transport again exceeded world trade growth. This growth was again driven in particular by the dynamic Asian economies, which increased their inner-Asian trade and achieved strong exports, in particular to Europe and North America. As a result, demand for transport capacity rose strongly, in particular on the routes from Asia to Europe and on the Pacific. Besides strong economic growth, container shipping also benefited from the sustained relocation of production capacity to Asia and the increasing shift towards the use of containers in marine transport. Although a number of newly built container ships were commissioned, the relation between demand for transport and shipping capacity on offer remained largely balanced throughout the year. As a result, freight rates continued to rise on several routes and maintained their high overall levels, based on long-term comparisons.

*Assessment of the
economic framework*

Economic developments largely corresponded to the Executive Board's assessment which formed the basis for the budget for the 2005 financial year. Several external factors, however, developed less favourably than originally expected; the Group's earnings were particularly affected by the strong increase in crude oil prices and the resultant increase in the cost of aircraft fuel and bunker oil, with the effects of these trends limited inter alia by means of hedges. The business trend in the individual divisions was only partly affected by extraordinary events, although the tourism business in some regions was temporarily impaired by individual bomb attacks in Egypt and Turkey and the regions affected by the tsunami were substantially affected by their aftermath. In the shipping division, markets and transport volumes showed a steady trend throughout the year, unaffected by any special events.

Results of Operations **Earnings in tourism improved.** **Shipping maintained high level of previous year.** **Group profit decreased year-on-year.**

For the TUI Group, the 2005 financial year was an overall successful year. The growth in the core businesses tourism and shipping was essential for this assessment, although the development of earnings was affected by exceptional factors. Group profit was lower than in the previous year, because the trading sector could not repeat last year's record earnings and expenses in central operations increased.

Several revised or newly issued financial reporting standards of the IASB were applicable as binding standards in preparing the consolidated financial statements for 2005 (cf. notes: Accounting principles). This mainly impacted the structure of the profit and loss statement and the balance sheet as well as the recognition or measurement of individual items in the profit and loss statement and the balance sheet.

For comments on the development of turnover and earnings by divisions, the segments were structured into continuing and discontinuing operations; the operational results from divestments were adjusted respectively and also presented under discontinuing operations. Due to changes in the internal reporting structure, the airlines Hapag-Lloyd Express (HLX) and Thomsonfly, previously shown under central operations, were allocated to the tourism division.

In order to ensure the comparability of the reported figures, the previous year's figures were restated accordingly, as far as required by IFRS, explanatory information on the changes was provided wherever necessary in order to enhance understanding, and a reconciliation table was drawn up for the profit and loss statement.

Turnover and earnings by divisions

The business development in the core businesses tourism and shipping was positive overall. Tourism benefited from the sustained recovery of travel markets in Europe; however, its contribution to Group earnings only rose by 2.0%, due to exceptional effects in France. Shipping (excluding CP Ships) managed to slightly exceed the previous year's high level of earnings. Due to the short consolidation period and effects arising on first-time consolidation, the amount contributed to earnings by CP Ships was only minor. Being part of the discontinuing operations, the trading sector, as expected, could not repeat its exceptionally high result of the previous year, which had been boosted by special economic development in the US steel trade. As far as the business development is concerned, the 2005 financial year was a successful year for the Group's core businesses. In shipping, earnings met expectations of the Executive Board, whilst in tourism they were behind expectations due to exceptional factors.

*Assessment of the
results of operations*

Turnover by divisions

€ million	2005	2004	Var. %
Tourism	14,096.5	13,318.9	+ 5.8
Central Europe	5,749.6	5,384.5	+ 6.8
Northern Europe	4,809.2	4,674.6	+ 2.9
Western Europe	2,753.7	2,505.2	+ 9.9
Destinations	532.5	508.2	+ 4.8
Other tourism	251.5	246.4	+ 2.1
Shipping	3,834.2	2,686.7	+ 42.7
Hapag-Lloyd	3,222.2	2,686.7	+ 19.9
CP Ships	612.0	–	n. m.
Central operations	269.6	283.6	- 4.9
Continuing operations	18,200.3	16,289.2	+ 11.7
Trading	1,002.9	971.5	+ 3.2
Special logistics	415.4	785.5	- 47.1
Discontinuing operations	1,418.3	1,757.0	- 19.3
Turnover by divisions	19,618.6	18,046.2	+ 8.7

Continuing operations

In accordance with IFRS 5, Group turnover comprised the turnover of the TUI Group's continuing operations, tourism, shipping and central operations, and also includes turnover with discontinuing operations. Turnover of continuing operations with third parties in the 2005 financial year rose by 11.7% to € 18.2 billion. Adjusted for the turnover generated by CP Ships, included in the consolidated financial statements for the period from 25 October 2005, the date of acquisition, until 31 December 2005, turnover of the continuing operations totalled € 17.6 billion, up 8.0% year-on-year.

At € 14.1 billion, turnover in the tourism division increased by 5.8%. Turnover achieved in Germany and the UK was considerably higher than in the previous year, with the Netherlands also reporting relatively strong growth. Turnover in shipping was up 42.7% to € 3.8 billion; this was attributable to the growth in turnover of Hapag-Lloyd Container Linie by 19.9% to € 3.2 billion and to CP Ships, included in consolidation for the first time, accounting for € 0.6 billion.

Discontinuing operations

The discontinuing operations trading and special logistics reported total turnover of € 1.4 billion in the 2005 financial year, 19.3% less than in the previous year. While turnover in the trading sector rose by 3.2% to € 1.0 billion, special logistics reported a substantial decline, mainly resulting from the divestments made in this sector in the previous year.

Turnover by divisions

Total turnover of the TUI Group's divisions with third parties in the 2005 financial year stood at € 19.6 billion, up 8.7% year-on-year. Growth in the continuing operations more than offset the declines in the discontinuing operations. Tourism accounted for 71.9% of turnover by divisions, with shipping accounting for 19.5% and central operations for 1.4%. The discontinuing operations trading and special logistics contributed 7.2%.

Earnings by divisions

€ million	2005	2004	Var. %
Tourism	360.0	352.9	+ 2.0
Central Europe	82.5	61.9	+ 33.3
Northern Europe	109.2	77.8	+ 40.4
Western Europe	- 9.6	39.5	n. m.
Destinations	169.3	143.6	+ 17.9
Other tourism	8.6	30.1	- 71.4
Shipping	278.5	279.6	- 0.4
Hapag-Lloyd	281.0	279.6	+ 0.5
CP Ships	- 2.5	-	-
Central operations	- 253.0	- 211.9	- 19.4
Continuing operations	385.5	420.6	- 8.3
Trading	62.8	81.2	- 22.7
Special logistics	150.5	156.7	- 4.0
Divestments	34.0	21.5	+ 58.1
Discontinuing operations	247.3	259.4	- 4.7
Earnings by divisions (EBTA)	632.8	680.0	- 6.9

Continuing operations

Earnings by the continuing operations tourism and shipping as well as central operations (before income taxes and amortisation of goodwill) decreased by 8.3% to € 386 million in the 2005 financial year. At € 360 million, tourism accounted for the largest proportion, increasing its earnings by 2.0% year-on-year. Shipping contributed a total of € 279 million to earnings by continuing operations. At € 281 million, earnings of Hapag-Lloyd were up 0.5% on the previous year's figure. Earnings contribution of CP Ships was € - 2 million. A negative impact on earnings by continuing operations was caused by the development of earnings in central operations closing at € - 253 million, which was down by 19.4% year-on-year.

Discontinuing operations

In the 2005 financial year, earnings by the discontinuing operations trading and special logistics as well as divestments (before income taxes and amortisation of goodwill) dropped to a total of € 247 million. One reason was the earnings contribution of the trading sector, which was reduced by 22.7% to € 63 million. Trading business continued to perform well but could not repeat the high earnings of the previous year which had been boosted by extraordinary market conditions. Another reason was the high income from divestments in special logistics achieved in the previous year. In this year, the key items apart from the profit from ordinary activities of the special logistics sector were the unusual income from the divestment of rail logistics and subsequent income from the settlement of the divestment of the former energy sector of which the aggregate amount was slightly higher than in the previous year.

Earnings by divisions (EBTA)

Overall, the TUI Group reported earnings by divisions (before taxes on income and amortisation of goodwill) of € 633 million in the 2005 financial year, a decrease of 6.9% year-on-year.

Adjusted earnings

Earnings by divisions for the 2005 financial year, adjusted for unusual expenses and income from discontinuing operations as well as the effects from revaluation of conversion rights under the convertible bond issued in 2003, required in accordance with IAS 39 in combination with IAS 32, was € 486 million, down by 8.7% on the previous year.

In the 2005 financial year, unusual income was generated from the divestment of rail logistics, totalling € + 108 million. A further € + 34 million had to be recognised as unusual income, which resulted from the settlement of the divestment of the former energy sector. Income of € 7 million was adjusted in connection with the divestment of the US steel service companies. The revaluation of conversion rights created expenses of € 2 million, which was also included in the adjustment.

Adjusted earnings by divisions

€ million	2005	2004	Var. %
Earnings by divisions (EBTA)	632.8	680.0	- 6.9
Unusual expenses and income	149.3	132.3	+ 12.8
Revaluation of conversion rights	- 2.2	+ 15.9	n. m.
Adjusted EBTA	485.7	531.8	- 8.7

Turnover and earnings in tourism

In the tourism division, the positive trend of the previous year continued. Customer numbers were up by 9.1%, turnover rose by 5.8% and earnings exceeded previous year's figure by 2.0%.

Turnover tourism

In the 2005 financial year, 21.6 million customers booked a tourism product of the TUI Group, an increase of 9.1% on the previous year. Turnover in the tourism division went up by 5.8% to € 14.1 billion. All sectors of the division reported year-on-year increases in turnover, although growth rates varied.

Earnings tourism

At € 360 million, earnings in the tourism division exceeded the previous year's figure by 2.0%. This positive trend was substantially attributable to the partly significant improvements in earnings in the Central and Northern Europe sectors and the destinations sector, which more than offset the loss in the Western Europe sector and the decline in earnings in Other tourism.

Change in segmentation

Since the beginning of the 2005 financial year, the figures of the airlines Hapag-Lloyd Express (HLX) and Thomsonfly, previously reported under central operations, have been included in the figures of the tourism division. Turnover and earnings of the 2004 financial year were restated reflecting the reallocation to the Central Europe sector (HLX) and the Northern Europe sector (Thomsonfly). The restatement of previous year's figures totalled € 196 million in turnover and € - 49 million in earnings.

Central Europe

In the Central Europe sector, the 6.8% growth in turnover to € 5.7 billion was primarily attributable to higher turnover in Germany, which reported the strongest growth in tour operation. The tour operation business in Switzerland also showed a positive trend. In Austria, the growth in turnover primarily resulted from the expansion of Austrian business in neighbouring Eastern European countries.

At € 83 million, earnings by the sector went up by 33.3% on the previous year's figure. In Germany, the year-on-year improvement in the tour operation business was in particular attributable to specialist tour operators. In flight operations the persistently good seat load factor achieved by

Hapag-Lloyd Flug and in particular the first-time positive result of Hapag-Lloyd Express contributed significantly to the increase in earnings of the sector. In Switzerland, the realignment of the tour operation business paid off so that the business year closed with clearly positive earnings, following the difficulties of the last few years. In Austria, distribution and tour operation also reported profits, which, however, fell slightly short of the previous year.

Northern Europe

In the Northern Europe sector, turnover rose by 2.9% to € 4.8 billion. The increase primarily reflected the good development of business in the UK. The Irish market continued to be difficult and turnover did not match previous year's figures. Turnover in the Nordic countries was also behind the previous year's figures, since a decrease in Sweden, caused by the aftermath of the tsunami in Asia at the beginning of the year, could not be offset by the business in the other Nordic countries.

At € 109 million, earnings by the division exceeded previous year's figure by 40.4%. This increase was attributable to an improvement in earnings both in the UK and Ireland as well as in the Nordic countries. In the UK, earnings improved in particular due to the effects of restructuring measures implemented in the distribution and tour operation business. The development of earnings in the flight sector was curbed by the inclusion of Thomsonfly due to start-up costs incurred for the flight operations from the new departure airports Bournemouth and Doncaster, in particular in the first half of the year. Earnings in Ireland were slightly positive and stabilised at the previous year's level. Despite a decline in turnover the Nordic countries continued the previous year's gratifying trend and achieved a significant increase in earnings, mainly benefiting from the restructuring of the business in prior years.

Western Europe

Turnover in the Western Europe sector grew stronger than in other sectors, by 9.9% to € 2.8 billion. All three source markets contributed to this increase. The positive development in the Netherlands was particularly worth to mention, it benefited from good tour operation business and the launch of TUI Airlines Nederland in April 2005. The business in Belgium noted further steady growth. France, in contrast, posted more moderate growth in turnover than other source markets since demand slowed down towards the end of the year due, inter alia, to the country's socio-political situation.

At € - 10 million, earnings by the division were negative following earnings of € 40 million in the previous year. This was in particular due to the development of earnings in France, which closed the financial year overall with a loss. This was largely attributable to the flight sector, which incurred one-off expenses in connection with the renewal of Corsair's fleet of Boeing 747s and the restructuring of flight operations. In addition, earnings from the flight-only business suffered from intense competition, especially on routes to the French overseas departments. The performance of the tour operation business was also weaker than in the previous year, suffering a considerable decline in earnings, in particular in the last few months of the year. The main reason was a significant setback in the Christmas business, which generated strong profits in the past, caused by the temporary social unrest.

In Belgium, earnings in distribution, tour operation and the flight sector continued on the good level of the previous year. In the Netherlands, the adjustment of the distribution and tour operation business to market changes started to pay off. Earnings in these sectors improved substantially. On the other hand, earnings in the Netherlands were adversely affected by start-up costs in connection with the launch of the flight operations of TUI Airlines Nederland in April 2005, but nevertheless, they were positive overall.

Destinations

The destinations sector posted turnover of € 0.5 billion, up 4.8% year-on-year. Both incoming agencies and hotel companies recorded higher turnover. A reduction in turnover due to the divestment of the Anfi Group in June 2004 was more than offset by the first-time full consolidation of the Toufag Group (three Spanish Robinson Clubs).

The sector increased earnings by 17.9% to € 169 million. This growth was mainly due to the improvements recorded by the hotel companies. Besides good operating business, this was also due to the first-time inclusion of a Turkish hotel company for a full year and the first-time consolidation of the Toufag Group (three Spanish Robinson Clubs). As a result, the decline in earnings due to the divestment of the Anfi Group in 2004 was more than offset. Earnings by incoming agencies rose slightly overall, primarily due to the improvement in earnings by TUI España.

Other tourism

Turnover in Other tourism was up by 2.1% to € 0.3 billion. This growth almost exclusively resulted from an increase in turnover from commissions in business travel. At € 9 million, earnings by the sector fell clearly short of the previous year's level. Apart from the persistently difficult environment in the business travel segment, this was also due to timing differences in the settlement of commissions.

Turnover and earnings in shipping

In shipping the economic environment remained favourable. The persistently strong demand for container transports provided for an increase in transport volume and a firm development of freight rates on the vast majority of the routes served by Hapag-Lloyd and CP Ships. CP Ships was included in the consolidated financial statements as of the date of acquisition, i.e. from 25 October 2005 to 31 December 2005; as a consequence, a year-on-year comparison of annual figures for the shipping division is of limited use only.

Turnover shipping

The transport volume in the shipping division totalled 3,075 thousand standard containers (TEU), exceeding the previous year's volume by 27.3%. At 2,677 thousand TEU, Hapag-Lloyd Container Linie accounted for 87.1% of this volume, with CP Ships contributing, for the consolidation period, 398 thousand TEU or 12.9% to the transport volume of the division. Annual average freight rates achieved by Hapag-Lloyd Container Linie were up by 8% year-on-year on average for all trade lanes. In the fourth quarter, average freight rates achieved by CP Ships were 13% higher than in the previous year.

Due to the volume growth and the steady development of freight rates in container shipping, turnover of the shipping division rose to € 3.8 billion, an increase of 42.7%. At € 3.1 billion and a growth rate of 20.1%, Hapag-Lloyd Container Linie accounted for the largest proportion of turnover by the division; CP Ships added turnover of € 0.6 billion in the prorated consolidation period. Hapag-Lloyd Kreuzfahrten posted a turnover of € 0.1 billion, which was 15.7% higher than in the previous year.

Earnings shipping

At € 279 million, earnings by the shipping division were 0.4% lower year-on-year. Hapag-Lloyd accounted for the € 281 million of the division. Earnings of CP Ships were included at € - 2 million.

Hapag-Lloyd

Hapag-Lloyd improved earnings slightly year-on-year. The increase was significantly smaller compared to the growth in turnover. This was primarily due to a disproportionate increase in cost: charter rates, in particular for short-term contracts, rose substantially due to tight capacity in certain ship sizes, and the cost of bunker oil rose strongly due to the increase in the price of crude oil. The development of earnings in container shipping was further impacted by the weakening of the US dollar against the euro year-on-year, with currency effects countered as far as possible by means of currency hedges. Hapag-Lloyd Kreuzfahrten improved its earnings year-on-year and closed the 2005 financial year at a small profit.

CP Ships

CP Ships contributed a total of € - 2 million to the earnings of the shipping division. In the fourth quarter of 2005, earnings from current operations continued on the good previous quarters and were positive. They were countered by the financial result, which also included expenses incurred in the course of redemption of financial debt, and effects from the first-time consolidation (e.g. purchase price allocation), both in aggregate having a negative effect on earnings.

Change in segmentation

Turnover and earnings of central operations

Central operations included TUI AG with its corporate centre functions and intermediate holding companies not allocated to segments, as well as the Group's real estate companies and the remaining industrial activities, combined as 'Other operating units' in the segment reporting. The airlines Hapag-Lloyd Express and Thomsonfly, also comprised in central operations in the 2004 financial year, were carried in the tourism division in the 2005 financial year. The previous year's figures were restated accordingly, resulting in a € 196 million reduction in turnover and a € 49 million increase in earnings.

Besides the change in the segmentation of the continuing operations, the expenses and income from divestments, previously carried under central operations, had to be shown under discontinuing operations due to the new IFRS segmentation provision. The resegmentation caused a € 132 million reduction in the corresponding earnings figure of central operations for the 2004 financial year.

Turnover of central operations

At € 270 million, turnover of central operations was down by 4.9% year-on-year in the 2005 financial year, because turnover of the real estate companies decreased due to divestments whilst business of the remaining industrial activities was stable.

Earnings of central operations

Earnings of central operations totalled € - 253 million (previous year: € - 212 million), a decline of 19.4 % year-on-year. They comprised the earnings of other operating units of € 60 million (previous year: € 32 million) and the expenses and income of TUI AG and the intermediate holding companies (holdings) not allocated to segments, which in balance totalled € - 313 million (previous year: € - 244 million).

The expenses and income of the holdings included the cost of the corporate centre functions of TUI AG and the intermediate holding companies of € - 110 million (previous year: € - 97 million), the interest result of the holdings of € - 159 million (previous year: € - 200 million), and other expenses and income of € - 44 million (previous year: € + 53 million).

In the 2005 financial year, the cost of central operations rose by € 13 million year-on-year. This was mainly due to consultancy expenses in connection with investment, divestment and financing projects. Despite an increase in average interest rates, the interest result improved by € 41 million on the previous year, in which major one-off interest expenses had been incurred in the course of refinancing measures. Other expenses and income mainly related to the measurement of assets which in the previous year had been positively affected by the reversal of provisions no longer required. They also included the result from the revaluation of the conversion rights of the 2003 convertible bond of € - 2 million (previous year: € + 16 million).

Discontinuing operations

Discontinuing operations comprised the trading sector with the US steel service companies of Preussag North America, Inc. (PNA) and the special logistics sector which in the 2005 financial year only included VTG's rail and tank container logistics. In addition, follow-up expenses and income from the settlement of divestments made in previous years were carried under this item.

Trading

In the trading sector, the companies of Preussag North America, Inc. (PNA), operating in the US steel service business, achieved an overall satisfactory performance in the 2005 financial year. At 2.0 million tonnes (previous year: 2.0 million tonnes), steel sales reached previous year's level. Following the boom year 2004, turnover growth was clearly more moderate this year, rising by 3.2% to € 1.0 billion.

At € 63 million, earnings by the trading sector fell 22.7% short of the 2004 record earnings as purchasing prices rose substantially following the extraordinary market development of the previous year and, as a consequence, margins shrunk again, which temporarily had been very high due to sales of stock material.

Special logistics

In the course of focussing the former logistics division on shipping, Pracht Spedition + Logistik, the bulk and special logistics business of VTG and the shares in Algeco S.A. were divested in the 2004 financial year. In the 2005 financial year, the special logistics sector therefore only comprised the rail and tank container logistics activities pooled under VTG AG, which were divested in June 2005. Following approval by the competition authorities,

the closing of the transaction with the buyer, Compagnie Européenne de Wagons Sarl, Luxembourg, was effected on 14 December 2005. Due to the structural changes in the sector, the figures for the 2005 financial year are not comparable with the previous year's figures.

Due to the divestments made in the previous year, turnover of the special logistics sector dropped to € 415 million in the 2005 financial year. Earnings comprised income from current rail and tank container logistics operations totalling € 42 million and unusual income totalling € 108 million related to the divestment of these operations. In the previous year, unusual income of € 146 million had been generated by the divestments in the special logistics sector which had been carried under central operations in the 2004 financial year.

Divestments

Unusual income from the settlement of the divestment of the former energy sector totalling € 34 million was shown under divestments in the 2005 financial year. The previous year's figure of € 22 million also included unusual income from the settlement of the divestment of the former energy sector and other Group companies, carried under central operations in the 2004 financial year.

Impact of newly adopted IFRS standards

Development of Group earnings

The first-time application of the newly adopted accounting standard IFRS 5 had a significant impact on the structure and contents of the items of the consolidated profit and loss statement. The main new feature is that operating income and expenses after income tax from activities to be defined as discontinuing operations according to the standard have been summarised into one item, i.e. 'Result from discontinuing operations'. This item also includes the effects of the removal of companies from consolidation and of measurement at fair value less disposal costs. The effects of accounting standards applicable for the first time are outlined in detail in the section 'Accounting principles' in the notes on the consolidated financial statements. The previous year's figures were restated in line with the new regulations, if required by IFRS.

Consolidated profit and loss statement

€ million	2005	2004	Var. %
Turnover	18,201.3	16,293.3	+ 11.7
Other income	602.5	655.0	- 8.0
Changes in inventories and other own work capitalised	- 3.2	+ 12.0	n. m.
Cost of materials and purchased services	12,900.3	11,216.6	+ 15.0
Personnel costs	2,304.2	2,198.3	+ 4.8
Depreciation and amortisation	505.1	438.5	+ 15.2
Impairment of fixed assets	18.3	4.0	n. m.
Other expenses	2,489.4	2,513.1	- 0.9
Financial income	185.0	161.7	+ 14.4
Financial expenses	421.9	370.6	+ 13.8
Result from companies measured at equity	39.1	39.7	- 1.5
Earnings before taxes on income	385.5	420.6	- 8.3
Income tax	86.9	55.4	+ 56.9
Result from continuing operations	298.6	365.2	- 18.2
Result from discontinuing operations	196.2	206.8	- 5.1
Group profit for the year	494.8	572.0	- 13.5
- Attributable to shareholders of TUI AG	456.7	528.2	- 13.5
- Minority interests	38.1	43.8	- 13.0

The development of the items of the consolidated profit and loss statement and of earnings before taxes on income was primarily determined by the business development in the core businesses tourism and shipping. Other factors impacting the development were changes due to the first-time consolidation of CP Ships and the financing measures initiated in the course of the acquisition of CP Ships as well as the refinancing of financial liabilities.

Turnover

Group turnover comprised the turnover generated by the tourism and shipping divisions as well as central operations, covering the Group's real estate companies and the remaining industrial activities besides TUI AG. At € 18.2 billion, Group turnover exceeded previous year's figure by 11.7%. A detailed breakdown and the development of turnover are provided in the section 'Turnover and earnings by divisions'.

Other income

Other income primarily comprised gains on the disposal of fixed and current assets, income from supplementary transactions, foreign exchange gains, income from cost reimbursements and income from rental and lease contracts as well as license agreements.

At € 603 million, other income was down by 8.0% year-on-year. It included, amongst others, income from sale-and-lease-back agreements for four Boeing 737-800s and the divestment of chalets for skiing tours. Earnings from the disposal of assets were incurred regularly, but may vary from year to year.

Changes in inventories and other own work capitalised

The decline in changes in inventories and other own work capitalised to € - 3 million mainly resulted from a decline in the stocks of unfinished and finished goods.

Cost of materials and purchased services

The cost of materials and purchased services encompassed the cost of raw materials, including fuel, supplies, purchased goods and services. In tourism, these costs mainly related to the cost of third-party services such as rental and lease expenses for hotels and the cost of flight and other transport services. In the shipping division, the cost of purchased services primarily related to the cost of third-party container transport, harbour and terminal costs as well as charter, rental and operating lease expenses for ships and containers.

The cost of materials and purchased services rose by 15.0% to € 12,900 million. This increase mainly resulted from the growth in business, both in tourism and shipping, and the first-time inclusion of CP Ships in the consolidated financial statements. In tourism, a further reason for the cost increase was the delay in the renewal of the aircraft fleet in France, causing in particular an increase in charter expenses. In shipping, the substantial increase in the price of bunker oil and charter rates, in particular for short-term charter contracts, was another reason for higher costs. The cost of materials ratio stood at 70.9%, up by 2.1 percentage points year-on-year.

Personnel costs

Personnel costs included expenses for wages and salaries, social security contributions as well as pension costs and benefits. They rose by 4.8% to

€ 2,304 million. In tourism, the personnel costs increased, amongst others, due to social plan expenses incurred in connection with the renewal of the aircraft fleet in France. In shipping, the increase was mainly due to the first-time consolidation of CP Ships.

Depreciation and amortisation

Depreciation and amortisation included the depreciation of property, plant and equipment and the amortisation of other intangible assets. At € 505 million, it rose by 15.2% on the previous year. This was mainly due to the significant increase in total investments and the expansion of the shipping business.

Impairment of fixed assets

The impairment of fixed assets totalled € 18 million and was mainly attributable to property, plant and equipment in the flight and hotel sectors.

Other expenses

The main items summarised under 'Other expenses' were: commissions for tourism services, marketing and advertising expenses, rental and lease expenses, administrative expenses including contributions, charges and fees, expenses for financial and monetary transactions and other taxes.

Other expenses dropped by 0.9% to € 2,489 million. An increase was recorded for advertising expenses in tourism, rental and lease expenses, expenses for financial and monetary transactions as well as charges and fees in the course of the acquisition of CP Ships. Administrative expenses and expenses for other services decreased.

Financial income and financial expenses

The financial result included the interest result, net income from investments and marketable securities and the result from the change in the market value of derivative financial instruments. At € - 237 million, it was 13.4% higher than in the previous year and was composed of financial income totalling € 185 million and financial expenses totalling € 422 million.

The interest result declined by 12.7% to € - 216 million because interest expenses rose due to the refinancing of short- and medium-term floating-interest financial debt by long-term fixed-interest bonds in the 2004 financial year as well as the financing of the acquisition of CP Ships. The income from investments totalled € 8 million and thus did not change significantly. The result from the change in the market value of derivative financial instruments and financial instruments available for sale amounted to € - 29 million and thus was 10.0% up year-on-year. It included expenses for the measurement of the conversion rights from the convertible bond issued in 2003 of € 2 million.

Result from companies measured at equity

The result from companies measured at equity comprised the prorated net profit for the year of the associated companies and joint ventures as well as any impairment of goodwill of these companies, if required. At € 39 million, it did not change much on the previous year and mainly related to shareholdings in the destinations sector.

Income taxes

Income taxes included taxes on ordinary business activities of the continuing operations. They totalled € 87 million, comprising effective income taxes of € 45 million and deferred income taxes of € 42 million. The increase by 56.9% was mainly attributable to higher tax expenses of foreign subsidiaries and to higher deferred taxes.

Result from discontinuing operations

The result from discontinuing operations as defined by IFRS 5 amounted to € 196 million and comprised income tax expenses of € 51 million. It totalled € 247 million before income tax, comprising € 63 million achieved by the trading sector, € 150 million generated by special logistics and € 34 million related to divestments. The development of these results is outlined in detail in the section 'Turnover and earnings by divisions'.

Group profit for the year

At € 495 million, Group profit fell short of the previous year's figure. This was attributable to declining earnings from both continuing operations and discontinuing operations. Their development is provided in detail in the section 'Turnover and earnings by divisions'.

Minority interests

Minority interests in Group profit for the year totalled € 38 million and dropped year-on-year. They were almost exclusively related to companies in the tourism division, with the hotel companies of the RIU Group accounting for the largest proportion.

Earnings per share

After deduction of minority interests, Group profit for the year attributable to TUI AG shareholders accounted for € 457 million, 13.5% down year-on-year. Due to the capital increase issued in September 2005 and the issue of employee shares, the weighted-average number of shares rose to 200,188,847 shares. As a result, basic earnings per share dropped to € 2.28 (previous year: € 2.96). Due to the convertible bond issued in November 2003, a dilution effect had to be accounted for so that diluted earnings per share stood at € 2.16, compared with € 2.77 in the previous year.

Results of operations of TUI AG

The annual financial statements of TUI AG for the 2005 financial year were prepared in accordance with the provisions of the German Commercial Code and were audited by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They were published in the Federal Gazette and deposited at the commercial registers of the district courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580. They have been made permanently available on the internet at www.tui-group.com and may be requested in print from TUI AG.

Profit and loss statement of TUI AG

€ million	2005	2004	Var. %
Turnover	166.8	119.8	+ 39.2
Other operating income	730.1	694.4	+ 5.1
Cost of materials	110.5	78.3	+ 41.1
Personnel costs	121.6	72.0	+ 68.9
Depreciation and amortisation	98.1	110.0	- 10.8
Other operating expenses	718.1	670.9	+ 7.0
Net income from investments	2,433.2	620.4	n. m.
Write-downs of financial assets	1,708.4	200.0	n. m.
Interest result	- 192.8	- 166.8	- 15.6
Profit on ordinary activities	380.6	136.6	+ 178.6
Taxes	- 9.7	- 1.0	n. m.
Net profit for the year	390.3	137.6	+ 183.6

The results of operations of TUI AG, the Group's parent company, was mainly determined by the development of earnings of its Group com-

panies, which are either directly associated via profit and loss transfer agreements or distribute their profits due to corresponding resolutions.

Turnover and other operating income

In the 2005 financial year, TUI AG achieved turnover of € 167 million, up 39.2% year-on-year. This turnover was almost exclusively related to income from aircraft leases to Group airlines. Other operating income increased by 5.1% to € 730 million. It mainly included book profits from the disposal of financial assets and property, plant and equipment, as well as foreign exchange gains from currency transactions and earnings from the reversal of provisions and value adjustments.

Expenses

As a part of overall expenses, the cost of materials rose by 41.1% to € 111 million. It was mainly related to aircraft leases. Personnel costs increased by 68.9% to € 122 million; because the application of the new 2005 reference tables and the rules of IAS 19 for the calculation of pensions had a negative effect on costs. At € 98 million, depreciation and amortisation was 10.8% down year-on-year. Other operating expenses rose by 7.0% to € 718 million. They included the cost of financial and monetary transactions, fees, charges and other administrative costs arising from TUI AG's corporate centre functions. The increase was caused, amongst others, by expenses related to the acquisition of CP Ships, the capital increase and the issue of bonds. This item also covered expenses from the measurement of financial instruments and provisions for investment risks.

Investment income

At € 2,433 million, investment income was substantially up on the previous year's figure. It comprised income from investments and profit and loss transfer agreements with operating shareholdings of € 361 million. At € 2,072 million, it mostly comprised income transferred from an intermediate holding and resulting from a reorganisation of the shareholding structure in shipping. Since TUI AG's investment income resulted mainly from Group companies included in the consolidation, it only had a minor effect on Group earnings.

Write-downs of financial assets

At € 1,708 million, write-downs of financial assets were significantly higher than in the previous year. They were non-scheduled and related to impairments of participations in Group companies, in particular in connection with the restructuring in shipping. In tourism, participations in Group companies were adjusted to their fair value according to the provisions of the German Commercial Code.

Interest result

At € - 193 million, the interest result was 15.6% lower year-on-year, because the extension of the maturity profile of the financial liabilities by means of the replacement of bank loans by bonds resulted in particular in an increase in interest expenses.

Net profit for the year and profit appropriation

For the 2005 financial year, TUI AG posted a net profit for the year of € 390.3 million. Taking account of the profit brought forward of € 0.3 million and the transfer of € 195.1 million to revenue reserves, net profit available for distribution amounted to € 195.5 million. This is available for distribution of a dividend of € 0.77 cents per no-par value share. At 250,732,575 shares entitled for dividend, distribution will amount to € 193.1 million, with € 2.4 million remaining to be carried forward.

Tourism Demand for travel increases further. New travel offerings and distribution channels trigger growth.

In the tourism division, the upswing continued in most European markets in the 2005 financial year. The smaller markets reported relatively stronger growth than the large markets Germany and the UK. The trend towards modular products and web-based bookings continued and was an important growth factor.

Following a good start to the new financial year, the upward trend continued in the second quarter and performance in the first half of the year improved year-on-year. This positive trend continued throughout the peak travel period of the 2005 summer season, creating business growth in the third quarter, too. In the fourth quarter, this was followed by good business in October and a satisfactory performance in the first two months of the 2005/2006 winter season, except in France.

Tourism – Key figures

€ million	2005	2004	Var. %
Turnover	14,096.5	13,318.9	+ 5.8
Earnings by division (EBTA)	360.0	352.9	+ 2.0
Investments	566.5	523.2	+ 8.3
Headcount (31 Dec)	50,498	49,872	+ 1.3

In the 2005 financial year, the tourism division continued the previous year's positive trend. 21.6 million customers booked a tourism product of the TUI Group, an increase of 9.1% year-on-year. Turnover grew by 5.8% to € 14.1 billion. All sectors of the division recorded higher turnover than in the previous year, although growth rates varied. At € 360 million, earnings by the division exceeded previous year's figure by 2.0%. One of the key factors contributing to this result were the partly significant earnings improvements in the Central and Northern Europe sectors and the destinations sector which more than offset the loss in the Western European sector and the decline in earnings in the Other tourism sector.

The development of turnover and earnings of the tourism sectors is outlined in the section 'Results of operations' in the management report.

Customer numbers tourism

'000	2005	2004	Var. %
Central Europe ¹⁾	10,284	9,187	+ 11.9
Northern Europe ¹⁾	6,858	6,518	+ 5.2
Western Europe	4,430	4,075	+ 8.7
Total	21,572	19,780	+ 9.1

¹⁾ Incl. customer numbers of Hapag-Lloyd Express and Thomsonfly.

Central Europe

Central Europe – Key figures

€ million	2005	2004	Var. %
Turnover	5,749.6	5,384.5	+ 6.8
Earnings by division (EBTA)	82.5	61.9	+ 33.3
Investments	109.9	23.0	+ 377.8
Headcount (31 Dec)	9,691	9,330	+ 3.9

The turnover of the Central Europe sector rose by 6.8% to € 5.7 billion. This increase primarily resulted from higher turnover in Germany, which accounted for 87% of sector turnover. Switzerland represented 4% and Austria 9% of sector turnover.

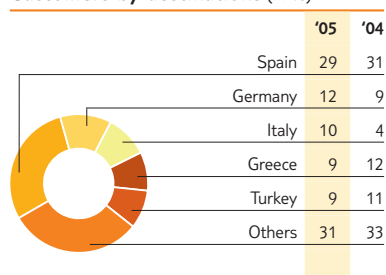
Customer numbers climbed by 11.9% to 10.3 million. The increase in the number of customers was stronger compared with growth in turnover reflecting the change in the product mix, in particular the increase in the number of modular bookings and the growth in the flight-only business.

Customer numbers Central Europe

'000	2005	2004	Var. %
Germany ¹⁾	9,291	8,240	+ 12.8
Switzerland	276	219	+ 26.5
Austria	717	728	- 1.5
Central Europe¹⁾	10,284	9,187	+ 11.9

¹⁾ Incl. customer numbers of Hapag-Lloyd Express.

Customers by destinations (in %)



Summer season

Germany

Germany continued to record a positive trend in the travel market. Demand for travel picked up, although customers continued to be price-conscious. The German market was characterised by short-term bookings and an increasing trend towards bookings of modular products as well as flight-only and accommodation-only offerings. TUI Deutschland's tour operators adjusted their offerings to the changes in demand but participated to varying extents in the increase in demand for travel. The total number of customers booking travel products of TUI was 9.29 million (previous year: 8.24 million), 12.8% up year-on-year. The two high-volume brands TUI and 1-2-Fly recorded increases in customer numbers. At a combined total of 5.08 million customers, their market segments grew by 2.4%. At 4.01 million customers, the TUI brand continued to expand its market shares. Due to the attacks in Egypt and Turkey, however, the high growth rates achieved at the beginning of the year were not maintained throughout the summer season. However, a positive trend observed was the sustained increase in the number of early bookers. As a result, the price-reduced offerings dropped again on the previous year. The modular booking segment again recorded brisk growth. In the package tour segment, the 1-2-Fly brand benefited from the persistently strong demand for low-cost offerings. At 1.07 million customers, it managed to maintain its market position in an environment characterised by persistently strong competition.

Specialist tour operators

A total of 4.21 million customers travelled with the German specialist tour operators, an increase of 28.4% year-on-year. For Airtours International, operating in the premium segment, the realignment of its business paid off and resulted in higher customer numbers. Wolters, the tour operator offering holiday homes and adventure tours, achieved the previous year's booking levels. L'tur, market leader in the last-minute segment, primarily benefited from growth in the flight-only business. Berge & Meer continued to grow in the direct selling segment, recording particularly strong growth in city breaks and long-haul tours.

Distribution

TUI Leisure Travel, grouping together travel agency activities, stabilised its business. Approx. 48% of travel agency sales was accounted for by Group tour operators. Travel agencies remained the cornerstone of distribution, although web bookings continued to grow steadily for the high-volume tour operators. The organisation covered 1,427 travel agencies, 421 of which were Group-owned, with the remainder being franchise partners or agencies of cooperation schemes. L'tur run 154 additional shops.

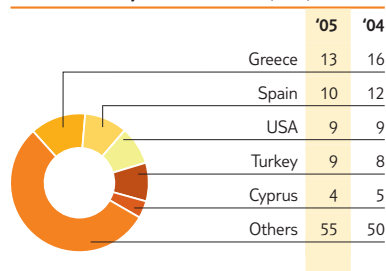
Hapag-Lloyd Flug

The German charter market was again highly competitive in the 2005 financial year, although demand rose steadily in the course of the year. Hapag-Lloyd Flug (Hapagfly) primarily benefited from the channelling of TUI's tour operator passengers to own flight capacity. As a result, this passenger segment rose to approx. 85%. Hapagfly operated a total of 37 aircraft in the summer season: 31 Boeing 737-800s, five Airbus A 310s and one Airbus A 300-600. They flew from 20 departure airports to 46 destinations. A total of 19.8 billion (previous year: 19.1 billion) seat-kilometres were offered, 3.5% up year-on-year. At 87%, the seat load factor maintained a high level.

Hapag-Lloyd Express

The growth momentum of the low-cost airlines in the German market continued unabated and was reflected by partly significant capacity expansion. Hapag-Lloyd Express (HLX) also continued to grow and expanded its market position. In the 2005 financial year, HLX operated 15 aircraft, 13 Boeing 737 and two Fokker 100. 3.9 billion (previous year: 3.3 billion) seat-kilometres were offered, a year-on-year increase of almost 20%. The seat load factor stood at almost 79% (previous year: 75%).

Customers by destinations (in %)



Summer season

Switzerland

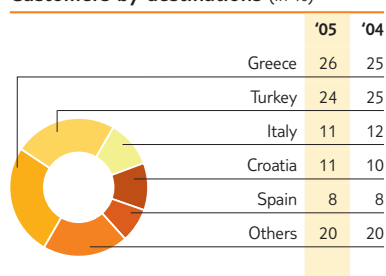
In 2005, the Swiss tour operator market remained difficult due to the economic situation. Nevertheless, TUI Suisse tour operators took advantage of their market opportunities and held their own well. At 276 thousand customers (previous year: 219 thousand), they recorded growth of 26.5%. Against the background of an increase in average prices, this growth was mainly attributable to the good demand for tours offered by the Imholz and FlexTravel brands, the latter now accounts for 30% of the total volume, and the newly launched brand 1-2-Fly. The offer to select a German departure airport met with very good acceptance. Direct distribution via the Vögele brand reported slight declines, in particular for destinations affected by the tsunami, but managed to consolidate its market leadership in Swiss direct distribution.

Distribution

TUI Suisse's distribution network comprised 72 Group-owned travel agencies. At 60%, products of Group-owned tour operators accounted for the same proportion of business as in 2004. In the course of focussing distribution of own products on German-speaking Switzerland, sales of the Group-owned travel agencies in the French-speaking regions was restricted to third-party offerings. Internet sales continued to grow and expand their proportion in overall distribution.

In the flight sector, TUI Suisse mainly cooperated with three Swiss charter airlines on all routes. In addition it also used other airlines – occasionally from the destinations – from time to time.

Customers by destinations (in %)



Summer season

Austria

In Austria, the economic situation did not change significantly. Hence, customers in the travel market continued to be very price-conscious, and the market volume tended to decline. Nevertheless, the tour operators of TUI Austria reported an overall satisfactory performance in the financial year under review. The number of customers totalled 717 thousand (previous year: 728 thousand), a decline of 1.5% year-on-year. The individual brands recorded varying trends, both in terms of volume and average prices. TUI, in the upper price segment, and Terra, tour operator for land-based travel, as well as 1-2-Fly, operating in the low-cost segment, increased their customer numbers. In contrast, Gulet, specialist tour operator for the eastern Mediterranean, and the Magic Life club brand reported a weakening of bookings year-on-year.

Distribution

TUI Austria's agency distribution showed a good performance. The turnover generated for Group-owned tour operators maintained the high levels already attained in 2004, accounting for more than 65% of the total business volume. The Group-owned distribution network included 110 travel agencies, 57% of which were franchise operations. Cooperation under the TUI TravelStar brand covered another 262 travel agencies. Distribution through new media continued to play a relatively insignificant role in Austria.

In the flight sector, the tour operators mainly covered their capacity requirements by means of committed capacity agreements with four airlines. Charter flights accounted for 95% of all flight operations, with the remainder being scheduled flights.

Eastern European markets

Overall, the situation in the emerging eastern European markets was promising. Poland showed a favourable consumer sentiment. As a result, demand for travel also rose. In this environment, TUI Poland sold more tours than in 2004 and consolidated its market position. Hungary saw a sustained positive trend in the travel market. TUI Ungarn primarily benefited from strong growth in the package airtour market, selling more tours than in 2004. TUI Slowenien and TUI Slowakei, both of which were launched in 2004, reported brisk growth over the previous year's summer season, although their markets were highly competitive in part. Mostravel, in which TUI holds a 34% stake, benefited from the strong growth of the Russian package tour market and significantly expanded its business.

Northern Europe

Northern Europe – Key figures

€ million	2005	2004	Var. %
Turnover	4,809.2	4,674.6	+ 2.9
Earnings by division (EBTA)	109.2	77.8	+ 40.4
Investments	91.2	112.1	- 18.6
Headcount (31 Dec)	16,254	17,517	- 7.2

In the Northern Europe sector, turnover grew by 2.9% to € 4.8 billion. This increase primarily reflected the good business in UK which accounted for 80% of turnover in this sector, with Ireland accounting for 4% and the Nordic countries for 16%.

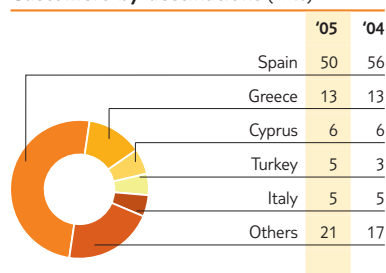
Customer number rose by 5.2% to 6.86 million. This increase exclusively resulted from volume growth in the UK, primarily supported by modular products and the expansion of Thomsonfly's flight-only business.

Customer numbers Northern Europe

'000	2005	2004	Var. %
UK ¹⁾	5,380	4,911	+ 9.5
Ireland	328	354	- 7.4
Nordic countries	1,150	1,253	- 8.2
Northern Europe¹⁾	6,858	6,518	+ 5.2

¹⁾ Incl. Thomsonfly customer numbers

Customers by destinations (in %)



Summer season

UK

Following a decline in business in January in the aftermath of the tsunami in Asia, the British travel market subsequently showed a positive trend again and recorded a year-on-year increase. This benefited TUI UK's tour operators, enabling them to hold their own well in a highly competitive environment driven by low-cost airlines and new distribution channels. At 5.38 million (previous year: 4.91 million), their customer numbers increased by 9.5% year-on-year. This was in particular attributable to the expansion of the flight-only business. Apart from its growth in absolute terms, Thomson also gained additional market shares in its tour operation business. Although customers continued to be extremely price-conscious in this segment, average prices improved. A positive effect on the business performance was achieved by intensifying the distribution of Group-owned products and the expansion of Thomson's website, which offers modular products, flight-only and hotel accommodation apart from package tours. Specialist tour operators reported varying business trends. While the holiday home segment was determined by strong competition, skiing tours and the Al Fresco brand launched in 2004 were operating successfully.

Distribution

TUI UK's agency distribution covered 759 travel agencies. At 73% of tours sold, the proportion of products offered by Group-owned tour operators was higher than in the previous year. Internet and call centre bookings continued to expand their proportion of overall volume.

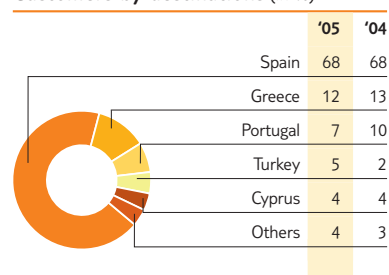
Britannia UK

Britannia Airways UK, trading now also under the Thomsonfly brand, operated in the charter flight sector a fleet of 34 aircraft in the 2005 summer season: 19 Boeing 757s, 13 Boeing 767s and two Boeing 737s. The airline took off from 17 British airports to a total of 49 destinations. 96% of passengers were customers of Group-owned tour operators. At 23.8 billion seat-kilometres (previous year: 22.6 billion), capacity on offer rose by 6% on the previous year. The seat load factor was 90% and thus matched the previous year's level.

Thomsonfly

In the low-cost scheduled flight segment, Thomsonfly operated nine Boeing 737s, flying from three British airports to 16 destinations. Thomsonfly offered 2.5 billion (previous year: 954 thousand) seat-kilometres, achieving a seat load factor of over 72%.

Customers by destinations (in %)



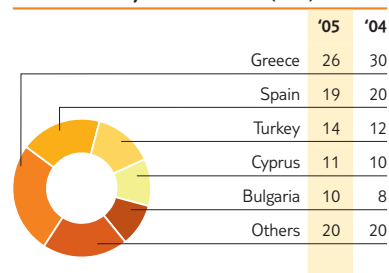
Summer season

Ireland

In Ireland, the market environment for travel remained difficult. The trend towards late booking continued, and competition, primarily based on prices, was fierce. At 328 thousand (previous year: 354 thousand), the number of customers travelling with TUI Ireland tour operators dropped by 7.4% year-on-year. Due to comprehensive marketing, Budget Travel, nevertheless, managed to secure its leading position in tour operation.

Agency distribution in Ireland comprised 43 travel agencies, 32 of which were Group-owned and 11 were franchise operations. 85% of tours sold were offerings of Group-owned tour operators. Bookings via new distribution media such as call centres or the internet continued to increase.

Customers by destinations (in %)



Summer season

Nordic countries

In the Nordic countries, demand on the travel market fluctuated substantially in the course of the year. This also applied to TUI Nordic tour operators. The first few months of 2005 were characterised by a decline in bookings, in particular in Sweden, caused by the aftermath of the tsunami in Asia. For the rest of the winter season, parts of Thailand were not available as a travel destination, which could only partly be offset by other destinations. Bookings for the 2005 summer season continued to be slow. The number of customers declined by 8.2% to 1.15 million (previous year: 1.25 million). At the same time, however, TUI Nordic benefited from significantly higher average prices of the booked tours. Therefore, nevertheless, earnings developed positively.

Distribution

Agency distribution in the Nordic countries comprised 25 travel agencies exclusively selling tours of Group-owned tour operators. The proportion of bookings via new distribution channels, in particular the internet, which was already high in the past, continued to rise and accounted for more than 50%.

Britannia Nordic

In the 2005 summer season, Britannia Airways Nordic operated four aircraft: three Boeing 737s and one Boeing 757. They flew from 13 airports in Sweden and Norway to 27 destinations and offered 3.5 billion (previous year: 4.3 billion) seat-kilometres. At 93%, the seat load factor was slightly higher year-on-year.

Western Europe

Western Europe – Key figures

€ million	2005	2004	Var. %
Turnover	2,753.7	2,505.2	+ 9.9
Earnings by division (EBTA)	- 9.6	39.5	n. m.
Investments	232.9	183.9	+ 26.6
Headcount (31 Dec)	6,904	6,617	+ 4.3

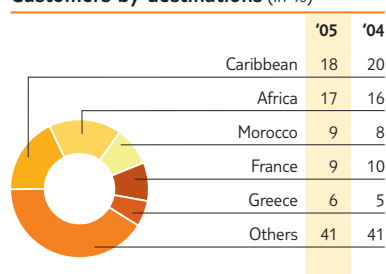
Turnover in the Western Europe sector was up by 9.9% to € 2.8 billion, improving more strongly than other sectors. All three source markets contributed to this increase. France accounted for 43% of the turnover by the sector, while Belgium accounted for 28% and the Netherlands for 29%.

Customer numbers were up by 8.7% to 4.4 million. While Belgium recorded brisk growth and the Netherlands saw gratifying increases, also supported by the launch of an own airline, France recorded a more moderate trend.

Customer numbers Western Europe

'000	2005	2004	Var. %
France	1,685	1,635	+ 3.1
Netherlands	1,256	1,179	+ 6.5
Belgium	1,489	1,261	+ 18.1
Western Europe	4,430	4,075	+ 8.7

Customers by destinations (in %)



Summer season

France

The French travel market showed little momentum throughout the year. Demand for travel was curbed by the country's economic and social policy development. In particular at year-end demand declined noticeable. As a result, holidaymakers continued to be price-conscious. Thanks to the introduction of new products for price-conscious customers and the expansion of distribution via the internet, Nouvelles Frontières managed to maintain its market position in this difficult environment. TUI, the brand positioned in the quality segment, consolidated its position in the French market. Overall, a total of 1.69 million (previous year: 1.64 million) customers booked their tour from tour operators of the Nouvelles Frontières Group, 3.1% more than in the previous year.

Distribution

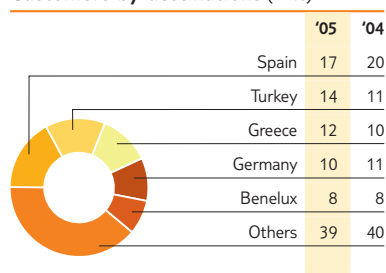
Agency distribution included 212 travel agencies, comprising 143 Group-owned and 69 franchise operations. They only sold tours of Nouvelles Frontières. The TUI brand was only distributed through third-party travel agencies. At 81% of tours sold, travel agencies were the key distribution channel of the French tour operators, but the proportion of distribution through new media increased gradually. With the acquisition of the Havas Voyages brand in the first quarter of 2005, Nouvelles Frontières secured a good basis for strengthening its own distribution.

Corsair

In the flight sector, Corsair managed to maintain its position in the flight-only segment despite intense competition. While flights to destinations in East Asia, North Africa and several French overseas departments declined, an increase in flights to North America was recorded. As a part of its fleet renewal programme, Corsair commissioned four Boeing 747-400s and

decommissioned three Boeing 747-300s as well as one Boeing 737. As a result, it operated 12 aircraft in the summer season. Its fleet departed from 14 airports in France to 72 destinations. Capacity on offer totalled 15.3 billion (previous year: 14.7 billion) seat-kilometres. The seat load factor stood at almost 83%, matching the previous year's level.

Customers by destinations (in %)



Summer season

Distribution

Netherlands

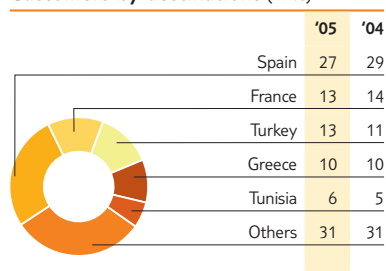
In the Netherlands, the travel market was determined by slow economic recovery and steady growth in direct and web-based distribution. In terms of destinations, the trend of last year continued: demand for long-haul tours continued to grow, while medium-haul destinations matched 2004 levels and bookings of short-haul tours declined. Despite the adverse market environment, the TUI Nederland tour operators improved their performance year-on-year. Owing to new long-haul destinations, Arke and Holland International grew above average. In the direct sales segment, Kras continued on the volume growth of 2004 and expanded its market share. The total number of customers travelling with TUI Nederland rose by 6.5% to 1.26 million (previous year: 1.18 million).

TUI Nederland's agency-based distribution covered a total of 262 travel agencies, including 155 Group-owned and 107 associated or franchise operations. Since December 2005, Group-owned travel agencies have been managed under the Arke brand, which also offers its products via call centres and the internet. This distribution channel again grew strongly in 2005.

TUI Airlines Nederland

Due to the economic difficulties of the charter airline Holland Exel, which provided long-haul capacity for TUI Nederland, an own airline, TUI Airlines Nederland, was founded. It started operations on 21 April 2005 under the Arkefly brand and operated four Boeing 767-300s in the summer season. It offered 1.8 billion seat-kilometres and achieved a seat load factor of 85%.

Customers by destinations (in %)



Summer season

Distribution

Belgium

In the Belgian travel market demand was brisk throughout the year, although the individual market segments recorded some variations. The tour operators of TUI Belgium managed to further expand their market position in this positive market environment. Jetair, TUI Belgium's main brand, generated the strongest growth in the city breaks and skiing tours segments. Growth was also generated in the airtour segment, primarily due to the Jetairfly.com brand which mainly focused on the flight-only business. This market segment also recorded the strongest growth rates in the direct sales operations of the Sunjets brand. With a total of 1.49 million (previous year: 1.26 million) customers, TUI Belgium's business grew by 18.1%.

TUI Belgium's agency distribution included 126 travel agencies, of which 72 were Group-owned and 54 were franchise operations. Web-based bookings and direct selling were increasingly popular in the Belgian market but overall continued to be on a low level.

TUI Airlines Belgium

TUI Airlines Belgium, launched in April 2004, performed well. In the 2005 summer season, it operated a total of seven aircraft, five Boeing 737, one Boeing 767 and one Fokker 100. Capacity on offer was 4.2 billion (previous year: 2.5 billion) seat-kilometres, with a seat load factor of 90%.

Destinations

Destinations – Key figures

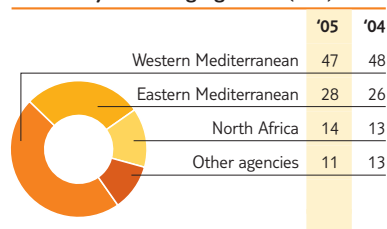
€ million	2005	2004	Var. %
Turnover	532.5	508.2	+ 4.8
Earnings by division (EBTA)	169.3	143.6	+ 17.9
Investments	114.3	163.3	- 30.0
Headcount (31 Dec)	12,866	11,726	+ 9.7

The destinations sector posted turnover of € 533 million, 4.8% up on the previous year. Higher turnover than in the previous year was achieved both by the incoming agencies, which accounted for 58% of turnover by the sector, and the hotel companies, which accounted for 42%. A decline in turnover due to the divestment of the Anfi Group in June 2004 was more than offset by the first-time full consolidation of the Toufag Group (three Robinson clubs).

Incoming agencies

TUI's consolidated and associated incoming agencies catered for a total of 10.76 million guests in 36 countries. Their services mainly comprised transfers and excursions but also the handling of cruise ships as well as group tours and incentive programmes. Business varied from one holiday region and time of the season to another. Most of the agencies in the countries of the eastern Mediterranean recorded growth in customer numbers, whereas agencies in the western Mediterranean were adversely affected in particular by the change in demand for travel by British guests who tended to show a stronger orientation to the eastern Mediterranean this year. The sector was further expanded by shareholdings in agencies in Italy and India as well as new activities on the Cape Verde Islands.

Guests by incoming agencies (in %)



Western Mediterranean

In the western Mediterranean, TUI España and TUI Portugal overall recorded a more restrained business than in the previous year. This region was adversely affected by the decline in the number of British guests in particular, which was not fully offset by the increase in German holiday-makers. As before, activities of TUI España in the Caribbean performed well. TUI España catered for 4.72 million guests, a drop of 1.6%; at 0.34 million, TUI Portugal recorded 0.9% less guests than in the previous year.

Eastern Mediterranean

The agencies based in the eastern Mediterranean benefited to varying extents from the travel trend of this year. In Greece, TUI Hellas catered for 1.38 million guests, an increase of 3% year-on-year. The Turkish agency Tantur (TUI Türkiye) experienced another brisk recovery this year, catering for 0.92 million guests and thus growing by more than 18%. Aeolos, the agency in Cyprus, served 0.41 million guests, almost 25% more than last year. TUI Bulgaria showed a satisfactory performance. At 0.28 million guests, it achieved 5% growth.

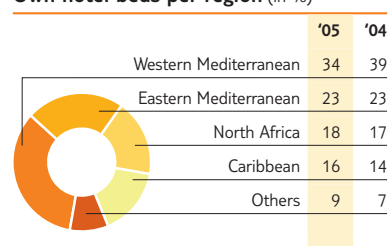
North Africa

In Egypt, the Travco agency managed to further increase its customer numbers, which it almost doubled in 2004. At 0.87 million, the number of guests catered for by the agency rose by almost 20% year-on-year. Tunisie Voyages, operating in Tunisia and Djerba, continued on the previous year's high levels and grew by another 4% to 0.49 million guests. In Morocco, Holiday Services achieved further strong growth and catered for 0.17 million guests, an increase of almost 29% on the good figures of the previous year.

Other agencies

The agencies in the other destinations recorded a slight decrease in performance year-on-year, albeit with regional variations. A total of 1.18 million guests used their services, 13.6% less than in the previous year.

Own hotel beds per region (in %)



Hotel companies

The Group's hotel portfolios was pooled under TUI Hotels & Resorts. It comprised hotel companies in which the Group holds a majority shareholding, joint ventures with local partners, companies in which shareholdings were held and hotels operated under management contracts. At the end of 2005, they operated a total of 279 hotels with a capacity of almost 165,000 beds.

TUI Hotels & Resorts recorded a total of 3.4 guests, 8.3% more than in the previous year. Overnight stays rose by 8.9% to 34.1 million. At almost 80%, the bed occupancy rate dropped by 2 percentage points year-on-year, with individual hotel groups performing differently.

Robinson

Robinson, market leader in the premium segment for club holidays, operated 21 clubs in nine countries in 2005, three clubs less than in the previous year. One club in Switzerland and two in Tunisia were removed from the portfolio. Occupancy rates dropped slightly year-on-year. Individual clubs all around the Mediterranean reported declines, while the clubs in Austria were particularly well booked. Occupancy rates in the other clubs matched the previous year's good levels.

Magic Life

Magic Life, the all-inclusive club brand, reduced its offerings by one club in Tunisia and one in Fuerteventura. It operated 17 complexes, all of which were located in the eastern Mediterranean. Occupancy rates declined considerably, above all due to the decrease in bookings in Egypt.

Dorfhotel

In 2005, Dorfhotel operated two complexes in Austria and one in Germany. Its occupancy rate was slightly above the previous year.

RIU

RIU, the second largest hotel chain in Spain, continued the successful performance of 2004. It reduced its hotel portfolio by three hotels to 109 hotels, 29 of which were located in the long-haul destinations Mexico, the Caribbean and the US. Demand for these destinations was particularly strong, and these hotels of the RIU Group achieved above-average bookings. The hotels in the Canary Islands also recorded an increase in occupancy rates year-on-year. Hotels in mainland Spain and Ibiza, in contrast, reported a decline in occupancy. Overall, occupancy rates of the RIU hotels maintained the previous year's level.

Grupotel

Grupotel, the second Spanish hotel company, had 33 hotels, two less than in the previous year. Twenty-two hotels were located in Majorca, seven in Menorca and four in Ibiza. The hotel portfolio was reduced by one hotel in Majorca and one in Menorca. Grupotel's occupancy rate was slightly up year-on-year.

Grecotel

Grecotel, the leading hotel company in Greece, had a portfolio of 21 hotels, two more than in 2004. Seven hotels were located in mainland Greece and 14 on Greek islands. One hotel in Corfu and one in mainland Greece were added to the portfolio. Occupancy was significantly up on the previous year, in which some hotels had opened later due to unfavourable weather conditions. The hotels in the Greek islands, in particular, managed to increase their occupancy rates.

Iberotel

Iberotel operated a total of 23 hotels, an increase of five on the previous year. Seventeen hotels were located in Egypt and four in Turkey. The portfolio was expanded by two hotels in Egypt and one in Turkey. In the course of 2005, one hotel was added to the portfolio in Dubai and one in Sicily. Iberotel in Egypt saw its occupancy rate adversely affected by weaker demand for this destination following an extraordinarily good performance in 2004, while the Turkish hotels, in contrast, were significantly better occupied than in the previous year.

Other hotel companies

The Nordotel, Atlantica, Gran Resort and Sol y Mar hotel chains, whose facilities were mainly marketed in the UK and Scandinavia, operated a total of 34 hotels in the Mediterranean, an increase of two hotels year-on-year. Two more hotels were located in Austria. Hotels in Cyprus achieved good and steady demand, and Greek hotels even increased their occupancy rates. In contrast, the hotels in Spain, Turkey and in Egypt which had recorded extraordinarily good bookings in 2004, reported a decline in occupancy rates.

Other tourism

Tourism – Other tourism

€ million	2005	2004	Var. %
Turnover	251.5	246.4	+ 2.1
Earnings by division (EBTA)	8.6	30.1	- 71.4
Investments	18.2	40.9	- 55.5
Headcount (31 Dec)	4,783	4,682	+ 2.2

The Other tourism sector, which comprised the business travel segment and IT services companies, posted turnover of € 252 million, an increase of 2.1% year-on-year. The business travel segment accounted for 98% of turnover by the sector, while the IT services companies generated 2%.

On 3 January 2006, the business travel operations pooled under TQ3 Travel Solutions Management Holding GmbH were sold to the Dutch BCD Holdings N.V.

Shipping Sustained growth in transport volumes in container shipping. Business expansion through acquisition of CP Ships.

In container shipping, Hapag-Lloyd again outperformed the worldwide market for container transports, achieving 11% growth in transport volumes. Following the acquisition of CP Ships, Hapag-Lloyd is among the world's five largest container lines by capacity.

The shipping division comprises Hapag-Lloyd's container shipping and cruises businesses as well as the container shipping company CP Ships, acquired in October 2005. In the 2005 financial year, the business trend continued on the good performance of the previous years. Hapag-Lloyd Container Linie increased its transport volume by 10.8% to 2.7 standard containers (TEU), with a further 0.4 million TEU added by CP Ships for the prorated consolidation period. As a result, the total transport volume by the division amounted to 3.1 million TEU.

Due to the volume growth, the favourable development of freight rates and the first-time consolidation of CP Ships on a pro rata temporis basis, turnover of the shipping division grew by 42.7% to € 3.8 billion. Hapag-Lloyd accounted for 84.0% and CP Ships for 16.0% of the total. Earnings by the division stood at € 279 million, only slightly below the record earnings of the previous year, by 0.4%. At € 281 million, the largest proportion was attributable to Hapag-Lloyd. Due to consolidation effects, the proportion of CP Ships was small, accounting for € - 2 million.

The development of turnover and earnings is outlined in detail in the section 'Results of operations' in the management report.

Shipping – Key figures

€ million	2005	2004	Var. %
Turnover	3,834.2	2,686.7	+ 42.7
Earnings by division (EBTA)	278.5	279.6	- 0.4
Investments	428.8	73.6	n. m.
Headcount (31 Dec)	9,077	3,976	+ 128.3

Hapag-Lloyd

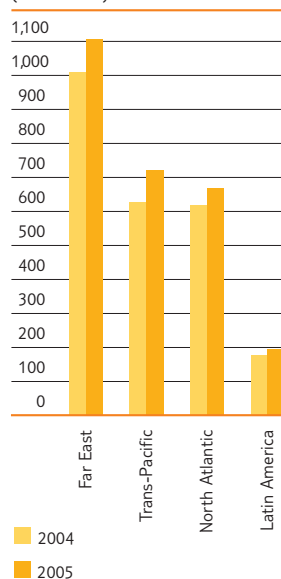
The Hapag-Lloyd sector comprises the operative units of Hapag-Lloyd Container Linie and Hapag-Lloyd Kreuzfahrten as well as the holding Hapag-Lloyd AG. It posted turnover of € 3.2 billion, an increase of 19.9%. At € 3.1 billion or 95.4%, the largest proportion of turnover was attributable to Hapag-Lloyd Container Linie, with € 148 million or 4.6% to Hapag-Lloyd Kreuzfahrten.

Hapag-Lloyd – Key figures

€ million	2005	2004	Var. %
Turnover	3,222.2	2,686.7	+ 19.9
Earnings by division (EBTA)	281.0	279.6	+ 0.5
Investments	328.5	73.6	n. m.
Headcount (31 Dec)	4,161	3,976	+ 4.7

**Transport volumes
Hapag-Lloyd Container Linie**

(in '000 TEU)

**Hapag-Lloyd Container Linie**

Hapag-Lloyd Container Linie continued the positive performance of previous years, maintaining its position as one of the economically most successful suppliers in the sector. Its 55 container vessels had a slot capacity of 226,000 TEU and were mainly operated on the high-volume east-west trade lanes, accounting for the majority of worldwide trade in goods. As a founding member of the Grand Alliance, it was also integrated into the route network of the world's most important international liner shipping consortium.

In the 2005 financial year, the volume shipped by Hapag-Lloyd Container Linie grew in all four trade lanes, in most cases significantly faster than the market. The total transport volume amounted to 2.7 million TEU, an increase of 10.8% year-on-year, while the overall market for container transport only grew by 8.7%. The main reasons for the volume growth achieved by Hapag-Lloyd Container Linie were the further optimisation of its route network and the expansion of transport capacity by the commissioning of four new vessels with a slot capacity of 8,400 or 8,750 TEU, respectively.

Turnover increased by 20.1% to € 3.1 billion. Besides the volume growth, this was also attributable to the higher average freight rates which were up by 8% year-on-year to 1,353 US dollar per TEU.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	2005	2004	Var. %
Europe/Far East	1,101	1,005	+ 9.6
Trans-Pacific	719	622	+ 15.6
North Atlantic	665	617	+ 7.8
Latin America	192	171	+ 12.3
Total	2,677	2,415	+ 10.8

Europe/Far East

At 41%, transports between Europe and Asia accounted for the largest proportion of the business of Hapag-Lloyd Container Linie. The market volume in this trade lane grew by almost 12% in 2005. Key drivers of this growth were the continuous relocation of production from Europe to Asian countries, in particular China, as well as a strong increase in imports, but above all the export activities in the Asian region. Against this background, transports of goods from Asia to Europe grew almost twice as strongly as transports in the opposite direction. Due to the differences in growth rates on the individual routes, the imbalance of transports increased, with Hapag-Lloyd managing to limit the number of no-load transports by optimising the rotation of the container fleet.

At 9.6%, the transport volume of Hapag-Lloyd Container Linie grew almost in line with the market and rose to 1,101,000 TEU in this trade lane. Strong demand, in particular for exports from Asia, resulted in an increase in average freight rates of almost 6%.

Trans-Pacific

Transport volumes in Trans-Pacific trade lane increased by 10% in 2005. On the one hand, container transports in this trade lane as well rose due to the relocation of the production of consumer goods from North America to Asia. On the other hand, demand for American products in Asia went up due to the dismantling of trade barriers between Vietnam and the US.

In the Trans-Pacific trade lane, Hapag-Lloyd Container Linie outperformed the market, increasing its transport volume by 15.6% to 719,000 TEU. This growth was partly attributable to the launch of a new service in the framework of the Grand Alliance, linking the western coast of the US with destinations in the Far East. As transports between the two continents showed similar growth rates, the imbalance of transports remained relatively steady. Average freight rates were almost 3% up on the previous year.

North Atlantic

Shipping volumes in the North Atlantic trade lane grew by almost 6% in 2005, driven primarily by strong demand for European products in North America on one direction and by an increase in exports from North America to Eastern Europe on the other. Since the transport volumes grew more strongly on the routes to Europe compared with the opposite direction, the imbalance of transports improved once again.

At a transport volume of 665,000 TEU and growth of 7.8%, Hapag-Lloyd Container Linie benefited from the increase in market growth. Freight rates picked up substantially on the North Atlantic, improving by 15% on average.

Latin America

Business in the Latin America trade lane was determined by strong demand in Europe for agricultural and natural products from Latin America in particular. This also benefited the services of Hapag-Lloyd Container Linie; however, since transport volumes grew more slowly in the opposite direction, the imbalance of transports increased.

Transport volumes rose to 192,000 TEU. At 12.3%, the increase was significantly above market growth, which achieved 5%. Average freight rates, too, were considerably up on the previous year; due to an improved cargo mix in particular, they were up by almost 16%.

Hapag-Lloyd Kreuzfahrten

In 2005, the German cruise market continued to grow, above all in the volume segment of the 3- and 4-star category. New capacity led to intensified competition so that turnover growth only matched volume growth to a limited extent.

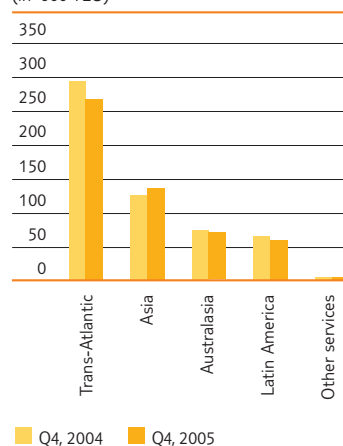
Hapag-Lloyd Kreuzfahrten has established itself as a provider in the premium and luxury segments and a supplier of expedition tours. In the 2005 financial year, its fleet comprised four cruise ships, two of which were owned and two chartered. The flagship of the fleet is the 'Europa',

a vessel in the five-star-plus category. It was awarded this award by the Berlitz Cruise Guide for the sixth time in succession and mainly sails around the world. The 'Columbus', a four-star vessel, also cruises the world's seven seas and, moreover, is the only ocean-going cruise liner capable of cruising the Great Lakes in North America. With the 'Hanseatic', the fleet comprises the world's only 5-star expedition vessel with the highest Arctic class used for cruises to the Arctic and Antarctic. The 'Bremen', a four-star vessel, also provided with the highest Arctic class, travels to similar destinations.

In the 2005 financial year, Hapag-Lloyd Kreuzfahrten improved its performance year-on-year. As it successfully won new customer groups, it managed to increase both customer numbers and the average length of tours. Due to its high-quality offerings, average turnover per day also rose. Total turnover stood at € 148 million, up 15.7% year-on-year.

Transport volumes CP Ships

(in '000 TEU)



CP Ships

CP Ships was included in TU's group of consolidated companies as of 25 October 2005, the day on which the acquisition process was completed. Besides container liner services, its business also comprised the Montreal Gateway Terminals. Its turnover in the consolidation period totalled € 612 million. In order to enhance comparability, the explanatory information on the business is related to the development in the fourth quarter of 2005. In addition, the transport volumes for the full 2005 financial year are also provided.

In the fourth quarter of 2005, CP Ships operated 78 vessels with a slot capacity of 187,000 TEU. They were primarily operated in the Trans-Atlantic, Asia, Australasia and Latin America trade lanes. Due to the different route network, the trade lanes of CP Ships differ from those of Hapag-Lloyd Container Linie.

Transport volumes CP Ships (4th quarter)

'000 TEU	Q4 2005	Q4 2004	Var. %
Trans-Atlantic	266	292	- 8.9
Asia	140	133	+ 5.3
Australasia	70	74	- 5.4
Latin America	59	65	- 9.2
Other services	4	4	0.0
Total	539	568	- 5.1

In the fourth quarter of 2005, CP Ships continued the positive trend of the first nine months of the financial year. On the North Atlantic, the decision to reduce capacity and improve the cargo mix by concentrating on higher-value transports resulted in a significant increase in the profitability of the services. The drop in volume resulting from a reduced number of voyages was more than offset by higher average freight rates.

In the fourth quarter, CP Ships shipped a total of 539,000 TEU, 5.1% less than in the same period of the previous year. In the course of the year, average freight rates rose steadily and amounted to 1,700 US dollar per

TEU in the fourth quarter, up almost 4% on the previous quarter and 13% higher compared with the previous year.

Trans-Atlantic

In the Trans-Atlantic, the highest-volume trade lane of CP Ships connecting North America with Europe, the transport volume declined by 8.9% year-on-year to 266,000 TEU in the fourth quarter, due to capacity reduction. Thanks to a more favourable cargo mix and an increase in average freight rates, the trade lane nevertheless developed more favourably than in 2004.

Asia

In the Asia trade lane, comprising services which mainly connect the western and eastern coasts of North America with Asia, CP Ships increased its transport volume in the fourth quarter to 140,000 TEU, adding 5% year-on-year. Average freight rates increased by about 1% year-on-year.

Australasia

The Australasia trade lane comprises the services for the Australian continent. Transport volumes in the fourth quarter rose by 5.3% to 70,000 TEU. In addition, the 20% increase in freight rates contributed to the good business performance in this trade lane.

Latin America

In the Latin America trade lane, which mainly connects South America with North America and Europe, the transport volume dropped by 9.2% to 59,000 TEU in the fourth quarter. The improvement in freight rates of 1% year-on-year offset the economic effects of the reduction in volume.

Other services

Other services mainly serve ports in South America and the western coast of North America. Shipped volume totalled 4,000 TEU in the fourth quarter, matching the previous year's levels.

Additional information on the business development:**Transport volumes CP Ships (financial year)**

'000 TEU	2005	2004	Var. %
Trans-Atlantic	1,112	1,197	- 7.1
Asia	550	516	+ 6.6
Australasia	269	293	- 8.2
Latin America	251	247	+ 1.6
Other services	17	25	- 32.0
Total	2,199	2,278	- 3.5

Discontinuing operations **Divestment of special logistics completed. US steel service companies sold.**

Due to the intention to sell special logistics and trading, these activities had to be classified as discontinuing operations. The remaining activities in the two sectors were divested in the 2005 financial year and at the beginning of 2006, respectively.

Special logistics

In the course of the concentration of the former logistics division on shipping, the special logistics operations were divested in several steps in the 2004 and 2005 financial years. This process was finalised with the completion of the divestment of VTG AG's rail and tank container logistics business in December 2005. These operations were bought by the Luxembourg-based *Companie Européenne de Wagons*, a shareholding of the US investment company *WL Ross & Co LLC*. The rail and tank container logistics business were included in consolidation until 14 December 2005. Due to the structural changes in the sector, a year-on-year comparison of the key figures is not possible.

Special logistics – Key figures

€ million	2005	2004	Var. %
Turnover	415.4	785.5	- 47.1
Earnings by division (EBTA)	150.5	156.7	- 4.0
Investments	33.0	67.0	- 50.7
Headcount (14 Dec)	–	502	–

Trading

The trading sector comprised the US steel service companies of the PNA Group. Following the record year 2004 with its extraordinary market conditions, business in the 2005 financial year also performed well. At 2.0 million tons, steel sales matched the previous year's level. Turnover went up to € 1.0 billion, an increase of 3.2%. However, at € 62.8 million, earnings were 22.7% below the previous year's figure, due to a significant increase in purchasing prices and, as a consequence, shrinking trade margins. In February 2006, an agreement on the divestment of the US steel service companies to financial investor *Platinum Equity* was signed. More detailed information is provided in the 'Report on subsequent events'.

PNA Group – Key figures

€ million	2005	2004	Var. %
Turnover	1,002.9	971.5	+ 3.2
Earnings by division (EBTA)	62.8	81.2	- 22.7
Investments	5.4	3.1	+ 74.2
Headcount (31 Dec)	1,189	1,167	+ 1.9

Net Assets Increase in balance sheet total due to acquisition of CP Ships. Non-current assets account for 77% of total assets.

In the 2005 financial year, both the balance sheet total and the asset and capital structure of the Group and TUI AG were affected by the Group's structural changes and the associated capital measures.

Net assets of the Group

The Group's balance sheet total grew by 23.9% to € 15.3 billion. This was mainly due to the changes in the group of consolidated companies. 84 companies were added to consolidation, with the additions due to the acquisition of CP Ships having the strongest impact on net assets. 43 companies were removed from consolidation, mainly in connection with the divestment of VTG's rail and tank container business and the restructuring of the business in UK. The acquisitions and the divestment also impacted the off-balance-sheet arrangements carried under other financial liabilities.

Development of the Group's asset structure

€ million	31 Dec 2005	31 Dec 2004	Var. %
Fixed assets	11,321.5	9,317.2	+ 21.5
Non-current receivables	543.3	554.0	- 1.9
Non-current assets	11,864.8	9,871.2	+ 20.2
Inventories	150.4	357.1	- 57.9
Current receivables	1,999.3	1,661.0	+ 20.4
Cash and cash equivalents	599.2	481.1	+ 24.5
Assets held for sale	714.7	–	–
Current assets	3,463.6	2,499.2	+ 38.6
Assets	15,328.4	12,370.4	+ 23.9
Equity	4,375.2	2,659.8	+ 64.5
Liabilities	10,953.2	9,710.6	+ 12.8
Total liabilities	15,328.4	12,370.4	+ 23.9

Structural ratios

Non-current assets accounted for 77.4% of total assets, compared with 79.8% in the previous year. Fixed assets totalled 79.8% of non-current assets; amongst others they rose due to the acquisition of CP Ships by 21.5% to € 11,322 million. Since current assets also rose, the capitalisation ratio (ratio of fixed assets to total assets) stood at 73.9% and thus hardly changed on the previous year's level of 75.3%.

Current assets accounted for 22.6% of total assets, compared with 20.2% in the previous year. The Group's liquid funds were managed with a view to matching current financial requirements and optimising interest structures. At the balance sheet date, they totalled € 599 million and were thus 24.5% up year-on-year. Liquid funds accounted for 3.9% of total assets, the same as last year. Apart from the liquid funds, TUI had a cash

Vertical structures

reserve of € 2.5 billion, comprised of a syndicated credit line of a banking consortium and bilateral credit lines with banks.

Horizontal structures

At the balance sheet date, 36.9% of non-current assets were covered by equity, compared with 26.9% in 2004. 38.6% of fixed assets were covered by equity, following 28.5% in the previous year. Equity plus non-current financial liabilities covered 67.0% of fixed assets, compared with 64.3% in 2004.

Structure of the Group's non-current assets

€ million	31 Dec 2005	31 Dec 2004	Var. %
Goodwill	3,756.4	3,763.8	- 0.2
Other intangible assets	898.5	178.1	+ 404.5
Investment property	90.2	140.4	- 35.8
Property, plant and equipment	5,881.0	4,481.9	+ 31.2
Companies measured at equity	372.7	339.5	+ 9.8
Investments	322.7	413.5	- 22.0
Fixed assets	11,321.5	9,317.2	+ 21.5
Receivables and other assets	243.9	208.8	+ 16.8
Deferred income tax claims	299.4	345.2	- 13.3
Non-current receivables	543.3	554.0	- 1.9
Non-current assets	11,864.8	9,871.2	+ 20.2

Development of the Group's non-current assets

Goodwill

Goodwill dropped by 0.2% to € 3,756 million, mainly due to the netting of exchange rate fluctuations between the dates of acquisition of companies and the balance sheet date with no effect on results. Since the 2004 financial year, goodwill has no longer been amortised. The impairment test completed in the framework of the consolidated financial statements did not provide any reason for impairment in the 2005 financial year.

At € 3,712 million, goodwill mainly related to companies in the tourism division: at 53%, the Northern Europe sector accounted for the largest proportion, followed by the Central Europe sector at 17% and the Western Europe sector at 13%. The Hotel sector accounted for a proportion of 17%. Goodwill related to companies in the shipping division totalled € 44 million. The acquisition of CP Ships gave rise to goodwill of € 42 million after the purchasing price allocation to the acquired assets in line with their fair value, according to the rules of IFRS 3. No goodwill was accounted for the Group's other sectors.

Other intangible assets

Other intangible assets increased by 404.5% to € 899 million, due to the acquisition of CP Ships and the related purchase price allocation.

Investment property

Investment property dropped by 35.8% to € 90 million. The decline mainly resulted from scheduled divestments in the framework of the divestment programme and primarily related to residential property in the Ruhr area as well as agricultural and forestry land in the Salzgitter region.

Property, plant and equipment

At € 5,881 million, property, plant and equipment represented the largest item. They rose by 31.2%, with most additions relating to ships and containers included in consolidation for the first time due to the acquisition

of CP Ships. The decline in goods wagons was related to the divestment of VTG's rail and tank container logistics. Property, plant and equipment also comprised leased assets in which Group companies carried the economic ownership of the assets. At the balance sheet date, these finance leases had a carrying amount of € 444 million, down 31.8% year-on-year. The decline results mainly from the purchase of aircraft, hotels and container which were leased so far.

Development of property, plant and equipment

€ million	31 Dec 2005	31 Dec 2004	Var. %
Real estate with hotels	869.6	722.0	+ 20.4
Other real estate	400.4	480.3	- 16.6
Aircraft	1,317.6	1,285.0	+ 2.5
Ships	2,062.9	755.6	+ 173.0
Containers, semi-trailers	473.1	287.3	+ 64.7
Goods wagons	–	308.7	–
Machinery and fixtures	537.6	435.9	+ 23.3
Assets under construction, payments on account	219.8	207.1	+ 6.1
Total	5,881.0	4,481.9	+ 31.2

Companies measured at equity

A total of 52 companies were measured at equity, four more than in the previous year. This number included 23 associated companies and 29 joint ventures. At € 373 million, their value was 9.8% up year-on-year at the balance sheet date, primarily due to additions from prorated profits for the year and changes in the Group of consolidated companies.

Investments

Investments declined by 22.0% to € 323 million. They included shares in non-consolidated subsidiaries and investments totalling € 103 million, measured at cost.

Structure of the Group's current assets

€ million	31 Dec 2005	31 Dec 2004	Var. %
Inventories	150.4	357.1	- 57.9
Trade accounts receivable	965.3	687.9	+ 40.3
Receivables and assets	1,018.4	951.7	+ 7.0
Current income tax claims	15.6	21.4	- 27.1
Current receivables	1,999.3	1,661.0	+ 20.4
Cash and cash equivalents	599.2	481.1	+ 24.5
Assets held for sale	714.7	–	–
Current assets	3,463.6	2,499.2	+ 38.6

Development of the Group's current assets

Inventories

Inventories declined by 57.9% to € 150 million. Major changes were recorded for finished goods and products, most of which were recognised by the US steel service companies of the PNA Group in the previous year. The decline was mainly due to the fact that these assets now had to be carried under assets held for sale in accordance with IFRS 5.

Current receivables

Current receivables rose by 20.4% to € 1,999 million, particularly due to the increase in trade accounts receivable. An essential contribution to this increase came from the acquisition of CP Ships.

Other receivables and assets comprised receivables from derivative financial instruments totalling € 149 million. They rose by 42.5% and primarily resulted from hedges entered into in order to hedge against exposure to currency and market price risks.

Cash and cash equivalents

Cash and cash equivalents rose by 24.5% to € 599 million. They mainly related to investments and companies that could not be included in the Group's clearing of cash and cash equivalents.

Assets held for sale

Assets held for sale totalled € 715 million. They comprised the assets of the activities classified as discontinuing operations according to the rules of IFRS 5 as well as assets, in particular real estate, which was planned for sale.

Off-balance-sheet arrangements

For their business operations, Group companies used assets of which they were not the economic owner in accordance with the IASB rules. These were mainly aircraft, hotel complexes or ships for which operating leases, i.e. rental, lease or charter contracts, were concluded at the terms and conditions customary in the sector.

Operating rental, lease and charter contracts

€ million	31 Dec 2005	31 Dec 2004	Var. %
Travel agencies	401.8	431.3	- 6.8
Hotel complexes	418.7	445.7	- 6.1
Aircraft	615.1	635.1	- 3.1
Ships	1,995.9	1,264.8	+ 57.8
Goods wagons	–	146.9	–
Administrative buildings	456.5	419.9	+ 8.7
Other	519.5	357.2	+ 45.4
Total	4,407.5	3,700.9	+ 19.1
Fair value	3,847.0	3,208.0	+ 19.9

The financial liabilities from operating rental, lease and charter contracts rose by 19.1% to € 4,407.5 million. At 45.3%, ships accounted for the largest share, with aircraft accounting for 14.0% and hotel complexes for 9.5%. The increase mainly resulted from the expansion of shipping by means of the acquisition of CP Ships and the conclusion of longer-term charter contracts for new vessels. For aircraft, the decrease in financial liabilities was related to the changes in leasing agreements. Liabilities declined for goods wagons due to the divestment of VTG's rail and tank container logistics operations. The increase in other liabilities mainly resulted from operating lease arrangements for containers of CP Ships.

Further explanations as well as the structure of the remaining terms of the financial liabilities from operating rental, lease and charter contracts are provided in the section 'Other financial liabilities' in the notes on the consolidated financial statements.

Net assets of TUI AG

The net assets and balance sheet structures of TUI AG are characterised by its function as the TUI Group's holding company. Thus, the balance sheet total grew by 32.0% to € 10.5 billion as a result of the acquisition of CP Ships and the related capital measures.

Development of fixed assets

85.2% of TUI AG's fixed assets consisted of shares in Group companies, rising by 6.2% to € 7,405 million, in particular due to the effects of the restructuring of shareholdings in the shipping division. At the balance sheet date, fixed assets accounted for 70.8% of total assets, of which 89.2% were covered by equity and non-current financial liabilities.

Development of current assets

The development of current assets reflected TUI AG's function as the Group's central financing entity. At € 3,043 million, they rose by 222.6% year-on-year. This was due to the increase in receivables from Group companies, which accounted for 92.1% of current assets. They rose in particular due to the provision of cash and cash equivalents for Group companies in the framework of the acquisition of CP Ships.

Abbreviated balance sheet of TUI AG (according to HGB)

€ million	31 Dec 2005	31 Dec 2004	Var. %
Property, plant and equipment	563.2	578.2	- 2.6
Financial assets	6,842.2	6,395.0	+ 7.0
Fixed assets	7,405.4	6,973.2	+ 6.2
Receivables	3,040.2	898.2	+ 238.5
Cash and cash equivalents	3.0	45.2	- 93.4
Current assets	3,043.2	943.4	+ 222.6
Prepaid expenses	7.3	2.3	+ 217.4
Assets	10,455.9	7,918.9	+ 32.0
Equity	3,702.8	2,429.6	+ 52.4
Special non-taxed item	43.8	48.1	- 8.9
Provisions	947.9	1,007.9	- 6.0
Liabilities	5,754.3	4,431.0	+ 29.9
Deferred income	7.1	2.3	+ 208.7
Liabilities	10,455.9	7,918.9	+ 32.0

Financial Position **Capital increase successfully issued. € 1.3 bn refinanced by bonds. Credit ratings assigned by Standard & Poor's and Moody's.**

The TUI Group's financing structures were significantly improved by the capital measures taken in 2005. The equity ratio rose to 28.5% due to the capital increase, and the maturities of financial liabilities were considerably extended due to the refinancing of short-term financial debt by bonds.

Financial position of the Group

Principles

Principles and objectives of financial management

The TUI Group's central financial management is in principle run by TUI AG, which acts as the Group's internal bank. It encompasses all Group companies in which TUI AG directly or indirectly holds a share of more than 50%. The financial management provisions are defined by guidelines and cover all cash flow-oriented aspects of the Group's business activities and all transactions that may or will initiate future payment obligations for the Group.

Objectives

The objectives of TUI's financial management are securing permanent and sustainable supplies of sufficient liquidity and capital for TUI AG and its shareholdings and limiting financial risks from foreign currencies, interest rates and commodity prices. All transactions have to be oriented to the objective of obtaining the financial ratios required for the assignment of investment grade status.

Liquidity management

One part of the measures taken to secure liquidity comprise intra-Group financial clearing based on using cash surpluses of individual Group companies to finance the cash requirements of other Group companies. Another part includes syndicated credit facilities and bilateral bank loans, used by TUI AG to secure sufficient capital resources. A monthly rolling liquidity planning system is the basis for arrangements with banks enabling TUI to draw on committed credit lines at any time.

Limiting financial risks

In the TUI Group, the worldwide business operations of Group companies and the liquidity and capital procurement operations in the international money and capital markets bear risks, mainly arising from changes in exchange rates, interest rates and commodity prices. The key currencies apart from the euro in which Group companies settle business transactions are US dollars and British pounds sterling; other currencies of relevance are Swiss francs and Swedish krona. The Group has entered into hedges in more than 20 foreign currencies in order to limit risks from changes in exchange rates for the underlying transactions. Risks occur due to changes in interest rates arising on liquidity procurement in the international money and capital markets. In order to minimise these risks the Group uses derivative interest hedges on a case-by-case basis. Changes in commodity

prices affect the TUI Group in particular in terms of the procurement of fuels such as aircraft fuel and bunker oil. Most price risks from fuel procurement are hedged both in tourism and shipping, if price increases cannot be passed on to customers based on contractual agreements.

More detailed information on hedging strategies and risk management as well as financial transactions and the scope of such transactions at the balance sheet date is provided in the section 'Risk report' in the management report and the section 'Financial instruments' in the notes on the consolidated financial statements.

Development of the Group's capital structure

€ million	31 Dec 2005	31 Dec 2004	Var. %
Non-current assets	11,864.8	9,871.2	+ 20.2
Current assets	3,463.6	2,499.2	+ 38.6
Assets	15,328.4	12,370.4	+ 23.9
Subscribed capital	641.0	457.0	+ 40.3
Reserves	3,177.2	1,966.4	+ 61.6
Hybrid capital	294.8	–	–
Minority interests	262.2	236.4	+ 10.9
Equity	4,375.2	2,659.8	+ 64.5
Non-current provisions	1,956.1	1,674.0	+ 16.9
Current provisions	620.6	658.6	- 5.8
Provisions	2,576.7	2,332.6	+ 10.5
Non-current financial liabilities	3,213.9	3,328.8	- 3.5
Current financial liabilities	1,144.3	402.9	+ 184.0
Financial liabilities	4,358.2	3,731.7	+ 16.8
Non-current other liabilities	71.5	150.1	- 52.4
Current other liabilities	3,946.8	3,496.2	+ 12.9
Other liabilities	4,018.3	3,646.3	+ 10.2
Liabilities	15,328.4	12,370.4	+ 23.9

Capital structures

The acquisition of CP Ships and the associated capital measures also had an impact on the TUI Group's capital structures. Overall, non-current capital rose in absolute terms by 23.1% to € 9,617 million, in relation to the balance sheet total it declined by 0.5 percentage points to 62.7%. The equity ratio rose to 28.5%, up from 21.5% in 2004. Equity and non-current financial liabilities accounted for 49.5% of the balance sheet total at the balance sheet date. The gearing, i.e. the ratio of financial liabilities to equity, improved to 99.6%, following 140.3% in the previous year.

Equity

Due to the issue of 71,502,616 no-par value shares in the course of the rights offer of September 2005 and 473,420 employee shares in November 2005, the capital stock grew by € 184 million to € 641 million. As a result, the capital reserve, which only comprised transfers from premiums, rose by € 819 million to € 2,385 million. Revenue reserves totalled € 792 million, up by € 392 million on the previous year. Transfers to revenue reserves were effected from the results of the financial year. On the other hand, revenue reserves declined since transfers to provisions from pension obligations were offset with no effect on results in accordance with IAS 19. Due to its equity-like character, the hybrid bond issued in December 2005 was carried in equity at € 295 million for the first time. Minority interest accounted for € 262 million or 6.0% of the equity.

Provisions

Provisions mainly comprised provisions for pension obligations, current and deferred income tax provisions and provisions for typical operating risks classified as current or non-current, depending on expected occurrence. At the balance sheet date, they accounted for a total of € 2,577 million and were thus € 244 million or 10.5% up on the previous year. This was mainly due to an increase in provisions for pension obligations.

Financial liabilities

Financial liabilities rose by a total of € 626 million to € 4,358 million, mainly due to the financing of the acquisition of CP Ships. They were composed of bonds totalling € 3,086 million, liabilities to banks of € 799 million, liabilities from finance leases of € 394 million and other financial liabilities of € 79 million. The classification into current vs. non-current financial liabilities was based on maturities. Financial liabilities shown as current debt rose to € 1,144 million despite the long-term refinancing of bank loans by means of bonds in the financial year under review because the € 750 million bearer bonds of 1999 will mature in October 2006 and therefore only has a remaining term of less than one year. As a result, non-current financial liabilities declined to € 3,214 million. More detailed information, in particular on the remaining terms, is provided under 'Liabilities' in the notes on the consolidated financial statements.

Other liabilities

At € 4,018 million, other liabilities rose by € 372 million or 10.2% year-on-year. This was mainly attributable to the increase in current trade accounts payable due to the acquisition of CP Ships and the growth in business.

Ratings by Standard & Poor's and Moody's

In mid-2005, TUI AG had commissioned the rating agencies Standard & Poor's and Moody's to assign a corporate rating as well as ratings for its bonds issued in 2004. These ratings were published in October 2005. The long-term corporate rating assigned by Standard & Poor's was 'BB+', outlook positive'. Moody's assigned a 'Ba2, outlook stable' rating. TUI's bonds were rated 'BB' by Standard & Poor's and 'Ba2' by Moody's.

The assignment of the ratings helped TUI to avoid an increase in the coupon for the 2004 bonds and laid a solid foundation for further bonds issued in 2005. The two senior notes issued in December 2005 were assigned the same credit ratings by Standard & Poor's and Moody's as the bonds issued in 2004. The hybrid bond issued at the same time was partly treated as equity as it was subordinated to other liabilities and did not have a fixed maturity; it was therefore rated 'B+' by Standard & Poor's and 'B1' by Moody's.

Key financing measures

The 2005 financial year was determined by a series of financing measures, mainly related to the acquisition of CP Ships but also taken with a view to refinancing debt and thus reducing structural subordination.

Capital increase

In order to finance part of the acquisition of CP Ships, a rights offer was executed in September 2005. With the subscription offer published in September 2005, TUI shareholders were invited to subscribe to 71,502,616 new shares at a five-for-two subscription ratio. For every five old shares

held, shareholders were entitled to subscribe to two new shares carrying dividend rights for the entire 2005 financial year. The subscription price was € 14.20 per share. Upon expiry of the two-week subscription period, around 99.5% of the subscription rights had been exercised; the non-exercised subscription rights were placed in the market in due course by a banking consortium that had undertaken to fully underwrite the capital increase. TUI AG generated proceeds before deduction of costs of around € 1 billion. Due to the capital increase, its capital stock rose by € 182,793,535.23 or 40%, divided into 71,502,616 no-par value shares.

Bonds

Following a roadshow in Europe and Asia, TUI AG successfully issued three bonds totalling € 1.3 billion in the capital market. TUI met the extraordinarily high level of demand by increasing the initially planned volume by € 0.3 billion. The bonds included senior fixed rate notes of € 450 million, senior floating rate notes of € 550 million and a subordinated hybrid bond of € 300 million. The proceeds from the issue were used to refinance bridge loan facilities that had been taken up in connection with the acquisition of CP Ships, refinance financial liabilities of CP Ships and refinance own financial debt with new and extended maturities.

Bonding facility

In March 2005, TUI Northern Europe renewed a syndicated bonding facility on which itself or its subsidiaries can provide bank guarantees to government authorities, which are compulsory for the tourism business in the UK, Ireland and Scandinavia. The bonding facility totalled 310 million British pounds sterling and had a maturity of three years with the option of two extensions of one year each.

Reduction of structural subordination

Due to the repayment of bank borrowings of subsidiaries and its refinancing by TUI AG, its relative proportion of Group debt increased on the one hand, while the reduction in structural subordination reduced TUI AG's credit risk on the other, thus providing a positive contribution to the outcome of the rating of the bonds. These refinancings primarily related to the shipping division and comprised two measures each for Hapag-Lloyd Container Linie and CP Ships. In the case of Hapag-Lloyd Container Linie they comprised the repayment of € 375 million from a syndicated credit line and the repayment of € 153 million from bilateral ship financing. In the case of CP Ships the refinancing measures comprised the repayment of a bond of USD 200 million nominal value and the repayment of USD 119 million from bilateral ship financing. In addition, CP Ships largely repaid a USD 200 million convertible bond from its own liquid funds and repaid around USD 60 million of other financial debt.

Interest rates and conditions

Interest rates

Due to the refinancing of the current bank financing arrangements by means of capital market bonds in the 2004 and 2005 financial years, the maturity profile of the TUI Group's external financing was significantly extended. Since the TUI Group took up non-current debt and base rates rose in the course of that period, the average interest rate increased slightly. Detailed information on interest rates and maturities of the financial debt is provided under the item 'Liabilities (financial liabilities and liabilities to banks)' in the notes on the consolidated financial statements.

Financing environment

The environment for financing in the money and capital markets continued to improve for the TUI Group in the course of 2005. This was partly attributable to the ratings assigned by Standard & Poor's and Moody's, which broadened the investor base for financing through loans and bonds and created greater transparency concerning the credit ratings. As an example, the floating rate notes issued by TUI AG in June 2004 with a maturity of five years was issued with an interest margin of 210 base points. The floating rate notes issued in December 2005 with the same maturity only had an interest margin of 155 base points.

Issued bonds

Capital measure	Maturity	Volume in € million	Interest rate in %
Bearer bond October 1999	October 2006	750.00	5.875
Convertible bond December 2003	December 2008	384.55	4.000
Senior floating rate notes June 2004	August 2009	400.00	3 months EURIBOR plus 2.10
Senior floating rate notes December 2005	December 2010	550.00	3 months EURIBOR plus 1.55
Senior fixed rate notes May 2004	May 2011	625.00	6.625
Senior fixed rate notes December 2005	December 2012	450.00	5.125
Hybrid bond December 2005	No fixed maturity	300.00	8.625

Operating leases**Off-balance sheet financing instruments**

Off-balance sheet financing instruments used in the 2005 financial year both in the tourism division and the shipping division were operating leases. In tourism, they were related to the extension of the aircraft fleet in Germany and the UK, representing sale-and-lease-back transactions in four cases. In shipping, two out of four newly commissioned container ships were financed through charter contracts or operating leases. TUI obtained ownership in two previously leased container ships.

The development of the operating rental, lease and charter contracts is outlined in the section 'Net assets' in the management report. Additional explanations as well as information on the structure of the remaining terms of the resulting financial liabilities are provided in the section 'Other financial liabilities' in the notes on the consolidated financial statements. There were no contingent liabilities related to special-purpose companies.

Liquidity analysis

In the 2005 financial year, the TUI Group's solvency was secured at any time by cash inflows from operating activities, bilateral and syndicated credit arrangements with banks and a bridge loan facility with a consortium of banks arranged in connection with the takeover bid for CP Ships.

Capital resources

In December 2005, TUI AG concluded an agreement on a syndicated credit line (multicurrency revolving credit facility) totalling € 1.75 billion. It had a maturity of three years with the option of two extensions for one year each. In addition, the Group had bilateral credit lines with banks

totalling € 1.2 billion. At the balance sheet date, a total of € 0.5 billion of the credit lines had been taken up. The capital resources of TUI thus totalled € 2.5 billion. In addition cash and cash equivalents of € 0.6 billion were available at the balance sheet date.

No restrictions on the transfer of liquid funds

At the balance sheet date, there were no restrictions on the transfer of liquid funds within the Group that might have a significant impact on the Group's liquidity such as restrictions on capital movements or restrictions due to credit agreements concluded.

Change of control

TUI AG's bonds mainly comprised change of control clauses which are in conformity with customary market clauses. Basically, they stipulate that the buyback of the corresponding bond has to be offered to the bond holder in the event of a change of control. The syndicated credit line of TUI AG and TUI Northern Europe's bonding facility contain also customary market clauses in the event of change of control.

The terms and conditions of the bonds, the credit agreements and the bonding facility agreements contain obligations customary to the market which can give bond holders a right of termination, if the obligations are neglected. Apart from that, there were no agreements in guarantee, leasing, option or other financial agreements that might trigger comprehensive early repayment obligations that would be of significant relevance for the Group's liquidity.

Summary cash flow statement

€ million	2005	2004	Var. %
Net cash inflow from operating activities	+ 964.6	+ 963.5	+ 0.1
Net cash outflow from investing activities	- 2,152.8	- 16.1	n. m.
Net cash inflow/outflow from financing activities	+ 1,306.5	- 813.0	n. m.
Change in cash and cash equivalents	+ 118.3	+ 134.4	- 12.0

Net cash inflow from operating activities

The net cash inflow from operating activities of € 965 million resulted from Group earnings, which reached € 1,121 million, adjusted for depreciation and amortisation, interest expenses and gains on the disposal of fixed assets. The major contribution came from the operating results in the core businesses tourism and shipping. A further positive effect was attributable to the reduction of inventories in the US steel service companies and the increase in provisions.

Net cash outflow from investing activities

The net cash outflow from investing activities totalled € 2,153 million. Cash outflows of € 2,994 million primarily resulted from the acquisition of CP Ships and the year-on-year increase in the investment volume in tourism and shipping, including advance payments made for the purchase of aircraft. Cash inflows mainly resulted from the disposal of property, plant and equipment totalling € 345 million and of consolidated companies and financial assets totalling € 496 million, in particular the divestment of VTG's rail logistics activities.

Net cash inflow from financing activities

The net cash inflow from financing activities amounted to € 1,306 million. Major items were the cash inflow from the capital increase in September 2005 totalling € 1,281 million, the issue of three bonds in December 2005

and the increase of financial liabilities totalling € 2,087 million. Dividend and interest payments caused a total cash outflow of € 467 million, up 23.8% on the previous year. The redemption of bonds and financial debt resulted in payments of € 1,595 million, down 31.7% on the previous year.

Development of cash and cash equivalents

€ million	2005	2004	Var. %
Cash and cash equivalents at the beginning of the period	481.1	348.5	+ 38.0
Changes due to changes in consolidation	- 2.0	+ 3.5	n. m.
Changes due to changes in exchange rates	+ 10.1	- 5.3	n. m.
Cash changes	+ 118.3	+ 134.4	- 12.0
Cash and cash equivalents at the end of the period	607.5	481.1	+ 26.3

The detailed cash flow statement and further information are provided in the consolidated financial statements and the section 'Notes on the cash flow statements' in the notes on the consolidated financial statements.

Analysis of investments

The development of fixed assets including property, plant and equipment and intangible assets as well as shareholdings and other investments is presented in the section 'Net assets' in the management report; additional explanations are provided in the notes on the consolidated financial statements.

Additions to fixed assets

€ million	31 Dec 2005	31 Dec 2004	Var. %
Goodwill	57.3	11.1	n. m.
Other intangible assets	43.8	65.4	- 33.0
Investment property	16.5	2.6	n. m.
Property, plant and equipment	901.9	597.8	+ 50.9
Companies measured at equity	96.4	57.9	+ 66.5
Investments	29.9	24.1	+ 24.1
Total	1,145.8	758.9	+ 51.0

Additions to property, plant and equipment by divisions

At € 902 million or 78.7%, property, plant and equipment accounted for the largest proportion of additions to fixed assets. This item included additions of € 512 million or 56.7% in the tourism division, while shipping accounted for € 384 million or 42.6% of additions. € 6 million were invested in central operations, accounting for a total of 0.7% of additions to property, plant and equipment.

Investments in property, plant and equipment by divisions

€ million	2005	2004	Var. %
Tourism	511.8	447.5	+ 14.4
Shipping	383.8	72.3	n. m.
Central operations	6.3	8.8	- 28.4
Continuing operations	901.9	528.6	+ 70.6
Discontinuing operations	-	69.2	-
Total	901.9	597.8	+ 50.9

Tourism

In the tourism division, investments in property, plant and equipment focused on the flight sector which, at € 298 million, accounted for more than half of investments. A substantial portion was used for the renewal of Corsair's aircraft fleet. The second largest area was the hotel sector with an investment volume of € 103 million. The additions mainly related to projects already initiated in previous years.

Shipping

In the shipping division, additions at Hapag-Lloyd mainly related to a new container vessel and two previously leased ships now owned by Hapag-Lloyd. For another ship a financial lease agreement was concluded. In addition, the company invested in containers for new ships. Additions totalling € 56 million resulted from investments made by CP Ships in the period of consolidation.

Depreciation of property, plant and equipment by divisions

€ million	2005	2004	Var. %
Tourism	303.7	261.8	+ 16.0
Shipping	126.6	90.8	+ 39.4
Central operations	12.3	12.4	- 0.8
Continuing operations	442.6	365.0	+ 21.3
Discontinuing operations	–	115.2	–
Total	442.6	480.2	- 7.8

Depreciation of property, plant and equipment totalled € 443 million, accounting for 49.1% of additions. This ratio stood at 59.3% in tourism and 33.0% in shipping.

Investment obligations**Order commitments**

Due to agreements concluded in the 2005 financial year or in previous years, order commitments for investments totalled € 1,070 million at the balance sheet date, € 268 million of which were related to scheduled deliveries in the 2006 financial year. More detailed information is provided in the section 'Other financial obligations' in the notes on the consolidated financial statements.

Tourism

In tourism, these figures mainly reflected the aircraft fleet renewal programmes. The programme in France will be completed with the addition of two additional Boeing 747-400. In Germany, the renewal of the Airbus fleet and older Boeing 737s will be started on schedule. To this end, TUI had concluded a purchasing agreement with Boeing on the purchase of ten 737-800 aircraft in December 2004. Six aircraft are scheduled for delivery in the first half of 2006, while the remaining four aircraft are to follow in the first half of 2007. Besides this purchasing agreement, options for the purchase of a further 20 aircraft of the same type to be delivered by 2008 were exercised.

Shipping

In the shipping division, Hapag-Lloyd Container Linie had commissioned a total of six container ships with a capacity of 8,750 TEU each at the balance sheet date, to be delivered by 2008, with one ship already to be delivered in the 2006 financial year. Long-term leases with purchase options were concluded for four ships, and two ships were directly ordered. In 2003, CP Ships had concluded long-term charter contracts for nine container

ships with a capacity of 4,250 TEU each in order to extent its fleet. Eight of these ships will be delivered by mid-2007, including six ships in the 2006 financial year.

Financial position of TUI AG

The financial position of TUI AG was mainly determined by its function as the TUI Group's parent company and central financing entity. The changes in equity outlined for the TUI Group, in particular changes in the capital stock and reserves as well as bonds, were also reflected in TUI AG's balance sheet.

Abbreviated balance sheet of TUI AG (according to HGB)

€ million	31 Dec 2005	31 Dec 2004	Var. %
Fixed assets	7,405.4	6,973.2	+ 6.2
Current assets	3,043.2	943.4	+ 222.6
Prepaid expenses	7.3	2.3	+ 217.4
Assets	10,455.9	7,918.9	+ 32.0
Equity	3,702.8	2,429.6	+ 52.4
Special item with an equity portion	43.8	48.1	- 8.9
Provisions	947.9	1,007.9	- 6.0
Bonds	3,459.6	2,159.6	+ 60.2
Financial liabilities	402.9	147.4	+ 173.3
Other liabilities	1,891.8	2,124.0	- 10.9
Liabilities	5,754.3	4,431.0	+ 29.9
Deferred income	7.1	2.3	+ 208.7
Liabilities	10,455.9	7,918.9	+ 32.0

Equity

Development of TUI AG's capital structure

TUI AG's equity rose by € 1,273 million or 52.4% to € 3,703 million. Due to the capital increase of September 2005 and the issue of employee shares in November 2005, the subscribed capital increased by 40.3% to € 641 million, while capital reserves rose by 53.7% to € 2,395 million. Revenue reserves increased due to allocations by 70.7% to € 471 million. At € 196 million, net profit available for distribution was 41.7% up year-on-year. The equity ratio totalled 35.4%, following 30.7% in the previous year.

The special item with an equity portion remained almost unchanged. As in the previous year, it continued to comprise tax value adjustments on fixed assets.

Provisions

Provisions increased by 6.0% to € 948 million. They comprised provisions for pensions of € 216 million and other provisions totalling € 732 million.

Liabilities

TUI AG's liabilities totalled € 5,754 million and thus were up by € 1,323 million or 29.9% on the previous year. This was primarily due to the issue of bonds (senior fixed rate notes, senior floating rate notes and hybrid bond) in December 2005. Moreover, there was an increase in liabilities to banks as credit lines had been taken up at the balance sheet date. In contrast, liabilities to Group companies declined, because, among others, they invested fewer liquid funds in TUI AG than in the previous year.

Report on Subsequent Events **Business travel activities and US steel service activities divested.**

Following the completion of the 2005 financial year, TUI divested its activities in the business travel segment and sold its US steel service companies. When the present annual report was printed, the closing of the transactions was still subject to common closing conditions and approval by the relevant competition authorities, respectively.

<i>Transaction</i>	Business travel activities On 3 January 2006, TUI AG sold its business travel activities, pooled under the wholly-owned subsidiary TQ3 Travel Solutions Management Holding GmbH, to the Dutch BCD Holdings N.V. The business travel market is currently undergoing a global consolidation process. Against this background, TUI seized the opportunity to sell its business travel operations, which is not part of its core business in tourism, to a specialist provider operating on a worldwide scale. The transaction volume was around € 0.3 billion, including TQ3's financial liabilities taken over by the buyer.
<i>Economic effect</i>	In the 2005 financial year, the business travel activities contributed € 0.3 billion to Group turnover. This amount was shown under Other tourism in the segment report. Earnings before taxes on income and amortisation of goodwill (EBTA) totalled € 6 million.
<i>Transaction</i>	US steel service companies On 14 February 2006 TUI AG divested its indirect 100% stake in the US steel service companies of the PNA Group. The divestment was part of the divestment programme and completed the scheduled concentration of the TUI Group on the two core businesses tourism and shipping. Including the companies' financial liabilities, taken over by the buyer, the transaction volume was around € 0.3 billion.
<i>Economic effect</i>	The US steel service companies, being part of the trading sector, were classified as discontinuing operations in line with IFRS 5. In the 2005 financial year, their turnover of € 1.0 billion was therefore not included in Group turnover. It was only shown separately in the segment report, as were earnings before taxes on income and amortisation of goodwill (EBTA) which totalled € 63 million. Earnings after tax of the US steel service companies totalling € 33 million were included in the consolidated profit and loss statement and shown under 'Result from the discontinuance of operations'.

Risk Report **Risk management by proven systems for control and management of risks.**

The TUI Group operates on a worldwide scale in its two core businesses, tourism and shipping. These operations are exposed to various risks, depending on the type of business. They may arise from the Group's own entrepreneurial action or external factors. In order to identify and actively control these risks, the Group has introduced Group-wide risk management systems.

Risk policy

TUI's risk policy is an essential part of its corporate policies. It is geared to its aim of steadily and persistently enhancing the Group's corporate value, achieving its medium term financial goals and securing the Company's ongoing existence in the long term.

TUI is the European market leader in the tourism business in terms of turnover and one of the world's five largest container shipping lines in terms of capacity. In both sectors, TUI Group companies operate in markets characterised by above-average growth in the past and expected to show further attractive growth rates in future. In order to exploit market opportunities and tap the related potential for success, risks must be borne to an appropriate extent. These risks may arise either from the Group's own entrepreneurial action or external factors. The aim and object of the risk management is to identify the risks for the Group and its operations early on, assess them and limit them to such an extent that the economic benefit outweighs the risks.

Risk management

TUI AG's Executive Board has set out guidelines incorporating the essential elements of the risk management system applicable to all Group companies. It has also taken organisational measures and installed monitoring and controlling systems to regularly measure, assess and control the development of business and the related risks. The Board thus meets its overall responsibility within the Group. Responsibility for the early identification, reporting and handling of business risks lies with the management of the respective companies, with the control functions resting with the relevant higher management level of the Group.

The Executive Board and the operational management employ multi-stage integrated reporting systems for risk management purposes. On the basis of the planning and controlling system, deviations of actual from projected business developments are analysed on a monthly basis so that risks jeopardising the Company's performance are timely recognised. In addition, special reporting systems for the early identification of risks threatening the existence of the Company have been introduced. Their aim is to provide reports, both on a regular and case-by-case basis, to allow the Group to

identify potential risks, assess them on the basis of uniform parameters and summarise them in an overall Group-wide system. The Supervisory Board is involved in by means of the regular quarterly reports as well as reports by the Executive Board at its meetings.

Risk management is supported by the auditing departments of TUI AG and Group companies. These departments examine transactions and operational processes both in the scope of audit plans and on a case-by-case basis, checking their adequacy, safety and efficiency.

The methods and systems used in risk management and the frequency of controls vary, depending on the type of risk. They are continuously checked, modified and adjusted to changing business environments. The systems for early identification of risks threatening the Group's existence were audited by our auditors in the course of the audit of the 2005 annual financial statements.

The regular risk reporting system did not identify any specific risks threatening the continued existence of individual Group companies or the entire Group, neither during the 2005 financial year nor at year-end.

Risk transfer

Risk management also encompasses the transfer of risks to third parties. Damages and liability risks from day-to-day business operations are covered by insurance policies as far as possible. Thus, the Group has concluded liability and property insurance policies customary in the industry, as well as policies for its flight and maritime operations. The extent of the insurance cover is regularly reviewed and adjusted where necessary.

Risks related to the future development

Economic and industry risks

The TUI Group's activities in the tourism and shipping sectors are exposed to macroeconomic and industry-specific risks. A detailed assessment of the overall economic development in the near future is provided under 'Report of expected developments'. Specific risks may arise in both divisions from the development of commodity prices, in particular oil products, as well as currency exchange rates and interest rates. These developments may, inter alia, result in situations in which economic growth in countries of relevance to the TUI Group's business may be weaker than expected. This may have an adverse effect on demand for services both in tourism and shipping and entail cost increases in the procurement of purchased materials and services or products necessary for operations.

Risks from acquisitions and divestments

The takeover of CP Ships is an essential element of TUI's growth strategy in container shipping. The integration of CP Ships into Hapag-Lloyd Container Linie, which operated independently right into the first few months of the new financial year, is expected to generate significant synergy effects intended to create a positive impact on the TUI Group's profitability and cash flow. Although the integration processes have been carefully planned, prepared and have already been initiated and the potential earnings effects

have been assessed on a conservative basis, there is nevertheless a risk of the integration process proving to be more difficult than expected.

In the course of the restructuring of the TUI Group, goodwill has been generated by the acquisitions involved. A sustained economic downturn aligned with lower than expected cashflows could require impairments with adverse effects on Group earnings.

Risks from information technology

Business processes in tourism and shipping are based on information technology systems to a large extent. In tourism, for instance, booking systems, yield management and all administrative areas are based on IT systems. Moreover, direct sales of travel services via the internet and hence secure access to web-based systems are growing in importance. IT systems are also used in the shipping division for the world wide booking and settlement of transport services as well as capacity and yield management.

In order to guarantee the security and efficiency of business processes now and in the future, IT systems are continually reviewed and further developed. This also applies to existing measures to ensure data safety aimed at limiting default risks. This is exemplified by the system of dual site protection for all application-critical systems, websites and infrastructure components, provided in two physically separate computer centres.

Business risks in tourism

In the tourism division, customers' consumer and thus booking behaviour is affected by the general economic environment and social factors. Political developments, natural disasters, epidemic diseases or terrorist attacks may affect holidaymakers' decisions and impair the development of business in individual countries. Market risks increase with fiercer competition and the emergence of new market participants operating new business models such as web-based distribution or low-cost airlines.

A substantial business risk in tourism relates to the seasonal planning of flight and hotel capacity. In order to plan ahead, tour operators must forecast demand and anticipate trends in holiday types and destinations. TUI's business model is well suited to countering the ensuing risks. The Group's own airline and hotel capacity is considerably lower than the number of customers handled by its tour operators. This enables the Group to keep its product portfolio flexible by procuring third-party flight capacity and hotel beds and concluding corresponding contractual agreements. In addition, the Group's presence in all major European markets allows it to limit the impact of regional fluctuations in demand on capacity utilisation in the destinations. Other essential factors used to counter utilisation and occupancy risks is multi-channel distribution and direct and modular marketing of capacity via new media such as e.g. the internet.

Business risks in shipping

The important risks concerning the development of business in container shipping arise from external factors. The development of world trade and investment cycles in the shipping sector may result in shipping capacity

overhangs and thus adversely affect marine freight rates. In the individual shipping areas, cyclical fluctuations in regional economic activity may create imbalances in transport volumes. This risk typical of the industry is countered by means of an efficient capacity control system. Other essential factors contributing to limiting the business risks are the operation of East-West routes, i.e. shipping areas with long-term attractiveness, expansion of operations in the North Atlantic and routes to and from the Americas by means of the acquisition of CP Ships and membership of the Grand Alliance, the world's largest liner shipping consortium.

Financial risks

The TUI Group operates a central finance management system that executes all essential transactions on the financial markets. TUI AG acts as the Group's internal bank: it organises intra-Group financial settlement, ensures the Group companies' liquidity and is in charge of the Group's financial risk management. The trading, settlement and controlling functions are segregated.

The individual financing categories, rules and competences as well as the limits for transactions and risk positions are defined by guidelines. As a matter of principle, all hedges entered into by the Group must be supported by underlying recognised or future business transactions. Compliance with the guidelines and limits is constantly monitored. Recognised standard software is used for the reporting, evaluation and monitoring of the hedges.

Financial instruments

In the TUI Group, financial risks mainly arise on the cash flow in foreign currencies and the need for fuel (aviation fuel and bunker oil) as well as financing through the money and capital markets. In order to limit risks arising on changes in exchange rates, market prices and interest rates for the underlying business transactions, TUI uses derivative financial instruments not traded on exchanges, primarily fixed-price transactions (e.g. forward transactions and swaps) and options. These transactions are concluded at arm's length with first-rate companies operating in the financial sector. Currency translation risks from the consolidation of Group companies not reporting in euros are not hedged.

Detailed information about hedging strategies and risk management as well as the scope of financial transactions at the balance sheet date is provided in the section on 'Financial instruments' in the notes on the consolidated financial statements.

Liquidity management

In the course of the annual Group planning process, TUI prepares a multi-annual finance budget. In addition, TUI operates a monthly rolling liquidity plan covering a period of twelve months. The liquidity plan covers all centrally controlled financing categories of the Group.

Both money and capital market instruments as well as bilateral bank loans and syndicated credit facilities are used to meet the Group's financing requirements. At the balance sheet date, TUI AG had bilateral credit

facilities of € 1.2 billion available, of which € 0.5 billion were drawn. In addition, the Company had a syndicated credit facility of € 1.75 billion with a maturity of three years and two extension options covering one year each available. At the balance sheet date, this facility was not used. Due to the bilateral credit facilities and syndicated credit facility, TUI always has sufficient capital resources.

In order to meet its long-term financing requirements, TUI had taken up a total of € 3.46 billion in the capital market at the balance sheet date, comprising a total of seven bonds with different structures and maturities. Future repayment or refinancing risks were limited by means of an optimisation of the maturities and volumes of these bonds.

More detailed information related to financing and financial debt is provided under 'Financial position' in the management report and 'Liabilities' in the notes on the consolidated financial statements.

Risks from pension obligations

Pension funds have been set up to administrate and fund pension obligations, in particular in the UK and US. These funds are managed by independent fund managers who invest part of the fund assets in securities. The performance of these funds may thus be unfavourably affected by the development on financial markets and thus may have an adverse effect on earnings.

The TUI Group's fully or partly funded pension obligations totalled € 1.96 billion, while the fair value of external pension plan assets amounted to € 1.22 billion. At the balance sheet date, the funded pension obligations thus exceeded pension plan assets by € 742 million. This amount rose by € 264 million year-on-year. More detailed information about the development of pension obligations is provided under the item 'Provisions for pensions and similar obligations' in the notes on the consolidated financial statements.

Other financial liabilities

At the balance sheet date, the TUI Group had other financial liabilities of € 4.2 billion (previous year: € 2.6 billion). These liabilities mainly related to order commitments for investments and tourism services. Around 31% of the total amount had a remaining term of one year.

At the balance sheet date, financial liabilities from operating lease, rental and charter contracts amounted to € 4.4 billion (previous year: € 3.7 billion). The increase mainly resulted from the first-time consolidation of CP Ships which had concluded long-term charter contracts for an essential part of its shipping capacity. At € 2.0 billion, ships accounted for the largest proportion of financial obligations from operating lease, rental and charter contracts, with € 0.6 billion relating to aircraft, € 0.4 billion to hotels and € 1.4 billion to other buildings and Other. Around 31% of the total amount had a remaining term of one year.

Detailed information on other financial liabilities is provided in the corresponding section in the notes on the consolidated financial statements.

Environmental risks

The present companies of the TUI Group as well as companies already divested are or were involved in the utilisation, processing, extraction, storage or transport of materials classified as damaging to the environment or human health. TUI takes preventive measures to counter environmental risks arising from current business transactions and has taken out insurance policies for certain environmental risks. Where environmental risks have not passed to the buyer in divestment transactions, TUI has formed appropriate provisions in the balance sheet in order to cover potential claims.

Contingent liabilities and litigation

Contingent liabilities are potential liabilities not recognised in the balance sheet. At the balance sheet date, they amounted to € 306 million (previous year: € 552 million) and mainly related to guarantees and warranties to settle ongoing transactions from the former activities in plant engineering and shipbuilding. Due to the reduction in guarantees and warranties, this amount continued to decline steadily in the 2005 financial year.

Neither TUI AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on its economic position. This also applies to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries implemented over the last few years. As in previous years, the respective Group companies formed appropriate provisions to cover potential financial charges from court or arbitration proceedings.

Information about contingent liabilities and litigation is also provided in the corresponding sections in the notes on the consolidated financial statements.

Research and Development **IT innovation in tourism and shipping.**

Innovative products in line with market trends and trend-setting services secure the TUI Group's competitiveness and form the basis for further growth. In this respect, activities on state-of-the-art information technology and new media, play an important role and again were the focus of innovation in the 2005 financial year.

With TUI's realignment to a services company focussing on tourism and shipping, its core businesses, innovation-driven activities have shifted to the areas of IT, new media and product and services offerings. The related expenses were primarily incurred by marketing or had to be recognised as intangible assets, e.g. in the case of new IT systems. Research and development activities in the traditional sense were primarily carried out by the remaining industrial companies which, however, play a secondary role within the Group.

In the consumer-oriented tourism business in particular, developing attractive products and services based on anticipation of customers' demands and expanding the strong brands are key factors driving market success. In addition, state-of-the-art IT technology was used to further optimise and network the operational processes both in tourism and shipping in order to enhancing their efficiency.

IT innovation in tourism

IT in distribution

IT innovation in the tourism division primarily related to distribution. It was aimed at expanding the range of offerings available on the internet and enhancing customer convenience by making offerings even more easily accessible. Moreover, the development of uniform IT platforms helped to increase the efficiency of production processes and tap synergies, in particular in terms of costs.

TUIfly.com

An example worth mentioning is TUIfly, the new master brand for flight operations. All offerings by TUI airlines were combined at www.TUIfly.com and offered in four languages at this website. In parallel, the branding was also harmonised: all TUI airlines now show a uniform appearance and are linked by the ending 'fly' in their brand names.

TUI.com

In Germany, the booking portal TUI.com replaced its predecessor TUI.de. TUI.com offers a significantly broader range of offerings, covering several Group tour operators and providing improved search and booking procedures that have substantially enhanced its attractiveness.

Thomson travel portal

In the UK, Thomson continued to expand its travel portal. Innovation includes a large number of hotel videos and audio contents conveying visual and acoustic impressions of hotels and destinations to the customers.

A further innovative feature is webchats enabling customers to discuss individual travel wishes with experts from tourism or leisure sectors.

IT in flight operations

In flight operations, the TUI Group Operation Centre was developed under the lead of TUI Airline Management. This operation centre offers all services required to carry out all flight operations, i.e. navigation, operation services, dispatch and performance engineering. All Group's airlines are connected to the centre, whose services are also used by four third-party customers. The TUI GO Centre is based on the Integrated Disposition Planning and Statistics System (IDPS) developed by Hapagfly, a central database which helps to simplify workflows, optimise aircraft utilisation and thus increase capacity utilisation and reduce costs.

TUI agency portal

In cooperation with its incoming agencies, TUI has further developed its agency portal. This internet-based system pools all products and services in the destinations, e.g. excursions and transfers between airports and hotels, offering Group tour operators and business customers as well as individual holidaymakers the opportunity to book these services.

Web domains

An important competitive factor are the TUI Group's brands that are protected by industrial property rights. With the strong growth in internet distribution, the number of protected web domains for TUI has also risen. Overall, the Group holds a total of more than 3,500 domains. The main addresses such as tui.com or thomson.co.uk are linked with a large number of similar addresses.

E-business in shipping

Expansion of IT systems in container shipping

As before, development activities in Hapag-Lloyd Container Linie were focused on IT in 2005. Activities centred to a large extent on the ongoing expansion of e-business, in particular the further development of electronic data interchange (EDI) systems. The EDI system automates direct data transfer between customers and Hapag-Lloyd. It thus facilitates a substantial reduction in manual operations and helps to enhance the quality of information.

Software to record shipping instructions

The DSI software introduced in 2004 in order to capture transport instructions was complemented by a module that enables customers to register both their shipping instructions but also container booking instructions offline. Customers can also generate their own templates for the booking process. This procedure offers increased flexibility, helps to reduce potential error sources in data transfer and speeds up settlement.

SAM sales support system

Hapag-Lloyd's e-business strategy is completed by the Sales Activity Management (SAM) system. This specific software enhances the transparency of customer relations with smaller and globally operating customers and thus improves sales management.

Human Resources **Changes in headcount and personnel structure due to acquisitions and divestments.**

In the 2005 financial year, the TUI Group's headcount rose to 62,947. This increase was primarily attributable to the acquisition of CP Ships and more than offset the declines caused by divestments.

Changes in personnel structure

At the balance sheet date, the TUI Group's headcount totalled 62,947 employees, up 9.1% year-on-year. The structure of the Group's personnel continued to change due to acquisitions and divestments. Nevertheless, the tourism division continued to employ the largest proportion of Group employees at 80.2%, following 86.4% in 2004. The shipping division accounted for 14.4%, compared with 6.9% in the previous year. At 3.5%, the proportion of employees working for central operations remained virtually unchanged. Thus, the Group's core businesses accounted for 98.1% of the headcount. The companies classified as discontinuing operations according to IFRS employed 1.9% of the Group's workforce, compared with 2.9% in the previous year.

Personnel by divisions

	31 Dec 2005	31 Dec 2004	Var. %
Tourism	50,498	49,872	+ 1.3
Central Europe	9,691	9,330	+ 3.9
Northern Europe	16,254	17,517	- 7.2
Western Europe	6,904	6,617	+ 4.3
Destinations	12,866	11,726	+ 9.7
Other tourism	4,783	4,682	+ 2.2
Shipping	9,077	3,976	+ 128.3
Hapag-Lloyd	4,161	3,976	+ 4.7
CP Ships	4,916	–	–
Central operations	2,183	2,199	- 0.7
Continuing operations	61,758	56,047	+ 10.2
Trading	1,189	1,167	+ 1.9
Special logistics	–	502	–
Discontinuing operations	1,189	1,669	- 28.8
Total	62,947	57,716	+ 9.1

Tourism

In the tourism division, the number of employees totalled 50,498 at the end of the financial year, up 1.3% year-on-year. The individual sectors showed varying trends. In the Central Europe sector, personnel was up by 3.9% to 9,691, in particular due to an increased employment in Germany. The Northern Europe sector reported a 7.2% decline to 16,254, as the restructuring measures also impacted the headcount. In the Western Europe sector, the 4.3% increase to 6,904 was mainly attributable to the launch of the Dutch airline. In the destinations sector, headcount increased by 9.7% to 12,866 due to changes in the group of consolidated companies and the opening of new hotels.

Shipping

In the shipping division, the headcount rose by 128.3% to 9,077. At the end of the financial year, Hapag-Lloyd had 4,161 employees, an increase of 4.7% year-on-year due to the expansion of the business. The acquisition of CP Ships caused an increase of 4,916 employees in the shipping division.

Discontinuing operations

The companies classified as discontinuing operations according to IFRS recorded a 28.8% decline in personnel to 1,189. This was due to the divestment of VTG's rail logistics activities. At 1,189, the US steel service companies had slightly more employees than last year.

Seasonal trends

The development of staffing levels in the course of the year was strongly dependent on the seasonal fluctuations in employment in tourism, in particular the hotel companies and incoming agencies. Hence, the temporary employment of seasonal staff resulted in an average headcount of 20,048 in the destinations sector in the summer months from June to August, compared with 12,866 employees at year-end. In the tourism division on the whole, the average number of employees in the 2005 financial year totalled 54,117, compared to 6.7% to 50,498 at year-end, which was 6.7% lower.

International headcount

Due to the acquisition of CP Ships, the proportion of employees working abroad rose by 2.3 percentage points to 75%. At 85%, Group employment continued to focus on Europe. 25% of Group employees worked in Germany, 24% in the UK, 14% in France and the Benelux countries, 12% in Spain and 3% in the Nordic countries. Group companies outside Europe accounted for 15% of the overall workforce, with the largest proportion working for CP Ships world wide and the PNA Group in the US.

Personnel by regions

	31 Dec 2005	31 Dec 2004	Var. %
Germany	15,750	15,744	+ 0.0
UK/Ireland	15,165	15,769	- 3.8
Nordic countries	1,623	1,761	- 7.8
France/Benelux countries	8,552	7,726	+ 10.7
Spain	7,369	6,058	+ 21.6
Other Europe	4,843	5,285	- 8.4
Americas	5,737	2,906	+ 97.4
Rest of world	3,908	2,467	+ 58.4
Total	62,947	57,716	+ 9.1

Personnel costs

Personnel costs increased by 4.8% to € 2,304 million, above all due to the changes in consolidation. Explanation on the individual items is provided in the notes on the consolidated financial statements.

Personnel costs

€ million	2005	2004	Var. %
Wages and salaries	1,842	1,772	+ 4.0
Social benefits	462	426	+ 8.5
Total	2,304	2,198	+ 4.8

Environmental Protection Quality assurance by certified environmental management systems. Strategic partnerships and cooperations.

Nature conservation and an intact environment are essential prerequisites for sustainable development in tourism. For the shipping division, sustainability implies in particular responsibility for the protection of the oceans. Combining ecological and economic aspects is highly relevant for TUI in its two core businesses in order to ensure sustainable economic success.

Central environmental management

The responsibility of all employees for the sustainability of products, services and workflows is defined by Group guidelines for employees. With its central environmental management department, TUI AG has created an organisation which encourages, supports and implements numerous Group-wide environmental protection activities in tourism and shipping. It closely cooperates with the environmental coordinators in the Group companies. Besides a number of primarily internally oriented key activities such as measures to anchor sustainable development principles in the Group, systematic environmental monitoring and support for Group companies in certifications under international environmental standards, a further key element of central environmental management activities is strategic cooperation at the national and international level.

Quality assurance by certification

The Group's constant efforts to maintain the high quality standards achieved are reflected by the numerous ISO 14001 or 9001 certifications of Group companies, both at the various stages of the tourism value chain but also in shipping. They are an important tool in order to achieve the sustainability goals. Essential certification activities in 2005 are outlined below.

TUI AG and TUI Deutschland

At the Hanover site, TUI AG was certified in accordance with ISO 14001 both for its internal environmental protection and the central environmental management activities of its headquarters. The corresponding certification of tour operator TUI Deutschland was successfully renewed. In addition, Hapagfly launched the Eco-Profit programme at Hanover airport, an ecological project for integrated environmental engineering aimed at further improving internal environmental protection.

TUI Hotels & Resorts

For many years, the focus of activities has been on hotels. This is where customers directly experience an intact environment at the destination. In 2005, the Robinson clubs Daidalos, Lyttos Beach and Kyllini Beach in Greece as well as the Magic Life club Sharm El Sheikh Imperial in Egypt were newly certified under ISO 14001 or 9001, respectively. Hence, the environmental management systems of a total of eleven Robinson clubs, five Iberotels, two Grupotels, one Dorfhotel and two hotels of the Sol y Mar

Group were certified at the end of the year. In the destinations sector, certifications were awarded to Aeolos in Cyprus and Aitken Spence Travels in Sri Lanka. In addition, four Robinson clubs in Austria were awarded the official Austrian Environmental Label and one Iberotel in Egypt was awarded the Green Globe 21.

Shipping

In shipping, the worldwide organisation of Hapag-Lloyd Container Linie has been audited in accordance with the ISO 14001 and 9001 standards for many years.

Strategic partnerships and cooperations

Further activities of the TUI Group for sustainable development, environmental protection and nature conservation are aimed at social dialogue and international cooperation. Thus, TUI AG and individual Group companies contributed to the worldwide debate about sustainability by means of their active involvement in more than 40 national and around 30 international bodies.

TUI AG

At Group level, activities worth mentioning include in particular the Group's long-standing active participation in econsense, the German Industry Forum on Sustainable Development and the Tour Operators' Initiative for Sustainable Tourism Development. In Spain, TUI supported the expansion of a network of tourism communities cooperating under the local Agenda 21 in 2005. In addition, TUI AG joined the International Expert Council of the ITR, a Spanish institute for the consultation and monitoring of a system for sustainable tourism.

Tourism

In tour operation, TUI UK actively participated in the British Sustainable Tourism Initiative STI, founded at the initiative of the British government in order to bundle individual measures for sustainable development and develop long-term solutions for environmental and social compatibility in the destinations. In cooperation with the Born Free Foundation, Thomsonfly again supported various projects for the protection of biodiversity. In France, Nouvelles Frontières continued the partnership with the Tétrakty Foundation in order to promote sustainable development in African countries. TUI Nederland and TUI Belgium were also actively involved in national bodies. In the hotel sector, the companies supported numerous local initiatives for the protection of nature and the environment at a local level. RIU supported the sustainable development in Niger in cooperation with the Fundación Campaner. In Tunisia, Magic Life implemented environmental awareness projects in cooperation with the environmental ministry.

Shipping

In the shipping division, Hapag-Lloyd continued its activities in international partnerships, launched many years ago. Hapag-Lloyd Container Linie promoted sustainability in international sea transport in the framework of the Clean Cargo Group, and Hapag-Lloyd Kreuzfahrten cooperated with the WWF Arctic Programme and other international organisations to protect the oceans.

Report on Expected Developments **Positive economic environment expected. Growth opportunities in tourism and shipping.**

For the 2006 financial year, economists expect a positive economic environment for the TUI Group's core businesses. Moreover, TUI occupies leading market positions both in tourism and shipping. This creates opportunities for further growth and potential for increased earnings.

<i>Group</i>	<h3>Strategic orientation</h3> <p>Since its realignment from an industrial conglomerate to a pure services group, TUI has been operating two core businesses: tourism and shipping. Following the expansion of shipping by means of the acquisition of CP Ships in October 2005, both divisions have almost the same earnings potentials, which is intended to be developed with the same attention in the forecast period. This applies also to the strategic goals in the divisions and the TUI Group, as outlined in the section 'Business and operating environment' in the management report.</p>
<i>Tourism</i>	<p>In tourism, TUI's business strategy aims to achieve growth in existing source markets. Plans for further expansion include the entry into new, emerging source markets in eastern Europe and Asia. In terms of its products and services, TUI promotes the expansion of modular travel bookings and special offerings for selected customer groups and the intensification of direct sales.</p>
<i>Shipping</i>	<p>In shipping, TUI pursues a growth strategy primarily based on internal growth by expanding its container ship capacity. Due to the acquisition of CP Ships, the service network has already been extended on the North Atlantic, on South America routes and in the Australasia trade lane. Apart from an improvement of services in the main trade lanes, new services are intended to be launched on inner-Asian routes.</p>
<i>General development</i>	<h3>Economic environment</h3> <h4>Macroeconomic situation</h4> <p>In 2005, the world economy continued to grow despite an increase in energy and commodity prices. Following a slow start, the economy gained momentum in the second half of the year. For 2006 and 2007, economists expect the growth of the world economy to continue at virtually the same pace. The experts expect the crude oil price to stabilise at the average level of 2004, resulting in a reduction of the adverse effects caused by its strong increase. The exchange rate of the US dollar against the euro is expected to only fluctuate within a narrow bandwidth around the average rate of 2004. Monetary stimuli for the economy will weaken; nevertheless a restrictive monetary policy is not expected despite further increases in</p>

interest rates. Overall, the preconditions for sustained economic expansion over the next two years are assessed as favourable.

Development of the regions

Experts adopt a differentiated approach in forecasting the future development of the economy in the individual economic regions. For the US they expect the driving forces of the economy to gradually slow down slightly in the forecast period since private consumption will be curbed by rising interest rates. Nevertheless, the US will continue to be a strong driver of world economic growth. This also applies to the emerging economies of Asia and to China, with forecasts of persistently high growth rates. Japan is also expected to continue its upswing, although its economy will lose momentum. For the Eurozone and the rest of western Europe, experts expect a continued recovery of the economy since the monetary framework is favourable and private consumption is expected to pick up again. Following robust expansion in 2006, however, the economy is expected to slow down again in 2007 due to a more restrictive orientation of fiscal policies and a slowdown of economic momentum in other parts of the world.

Expected development of GDP

Variance in %	2005	2006
Eurozone	1.2	1.8
Germany	0.8	1.2
UK	1.9	2.2
France	1.5	1.8
US	3.5	3.3
Japan	2.0	2.0
China	9.0	8.2
Emerging eastern Asian economies	4.0	4.7

Source: International Monetary Fund, World Economic Outlook, September 2005

Tourism

Market trend in the divisions

The World Tourism Organization forecasts growth of 5% for the worldwide travel market for 2005. The market for holiday tours again grew more strongly than the business travel market. The future development of the travel market will be impacted by various factors; these include economic growth and consumer sentiment, the development of the crude oil price and political stability in the destinations. For 2006, varying growth rates are expected for the European source markets. In the core markets they are expected to range from 3 to 5%. Growth will be driven by modular bookings of travel modules, low-cost flight offerings and direct sales through the internet.

Shipping

For 2006 and 2007, the International Monetary Fund expects world trade to grow by around 7% annually, slightly outperforming the 2005 growth level. This increase in worldwide trade will benefit container shipping disproportionately again as the trend towards the containerisation of goods transports is expected to continue. Against this background, Global Insight forecasts an increase in international container transports of almost 8% to around 92 million standard containers (TEUs) for 2006 and by 15% to around 99 million TEUs by 2007. With the new ships already ordered, to be commissioned in 2006 to 2008, transport capacity will follow this trend.

Development of results of operations

Business trend

Tourism

Following the significant increase in travel bookings on Group level in the 2005 financial year, a further recovery of demand and higher customer numbers are expected for the 2006 financial year. The variation in regional trends is anticipated to continue. Overall, TUI plans growth in customer numbers on Group level to outperform the expected market growth. The Central Europe sector should contribute to this goal by means of strong growth, while growth rates in the Northern and Western Europe sectors are foreseen to match general market trends. Growth, in particular in the high-volume markets, will be driven by modular bookings of travel modules of the tour operators and direct bookings with the providers in the flight and hotel sector. Direct sales channels will continue to rise in importance. Around 25% of turnover are to be generated via these media in the new financial year.

Turnover

Based on the expected volume growth, turnover in the tourism division will also rise. Innovative products in the package tour market and the expansion of offerings of higher-quality specialist tours are to contribute to an increase in average prices and an improvement in margins. Based on turnover in the 2005 financial year, of about € 14 billion, turnover growth of up to € 15 billion is targeted for the 2006 financial year. Here, too, the Central Europe sector is expected to grow above average, while the Northern and Western Europe sectors will not grow as strongly, according to their volume growth.

Earnings

The earnings (earnings before interest, taxes on income and amortisation of goodwill (EBITA)) of the individual sectors of the tourism division will develop differently. In the Central Europe sector, measures to improve production workflows and product innovation will be reflected by a significant improvement in earnings. In the Northern Europe sector, the restructuring programmes implemented in 2004 will have a positive impact on earnings. In the Nordic countries it is possible that 2004 earnings will not be reproduced due to the high fuel costs. The Western Europe sectors is planning a positive profit contribution, in particular by means of improved performance in France. The destinations sector is also expected to achieve an increase in earnings attributable to the incoming agencies as well as the hotel companies.

Business trend

Shipping

Against the background of the favourable economic environment, TUI expects growth in transport volumes to outperform the expected market growth of 7 to 8% in its container shipping business for 2006 and 2007. Due to the shipping capacity to be commissioned in the near future on a worldwide scale, supply and demand are not expected to balance off in all trade lanes in 2006 and 2007. This will primarily apply to transports to and from Asia. It is therefore to be expected that the development of freight rates will show regional variations. TUI expects development of freight for its shipping division to vary by trade lanes and expects declines in the trade lanes Europe/Far East and Trans-Pacific to be partially offset by improvements in the North Atlantic.

Turnover

Against the background of the expected development of transport volumes and average freight rates, but in particular due to the integration of CP Ships, the shipping division will achieve a substantial increase in turnover. Based on turnover in the 2005 financial year of € 3.8 billion, an increase to more than € 7 billion will be possible in the 2006 financial year.

Earnings

The earnings of the shipping division in the 2006 financial year (earnings before interest, taxes on income and amortisation of goodwill (EBITA)) will be significantly impacted by the integration of CP Ships into Hapag-Lloyd Container Linie, which is expected to be completed by 2007. Earnings from current business activities will be positively affected due to the first-time consolidation of CP Ships for a full year, although Hapag-Lloyd Container Linie and CP Ships individually will probably not be able to repeat their high earnings levels posted in 2004. This assumption is based on the persistently high level of bunker costs and short-term charter rates. The integration process will entail costs expected to total around € 100 million which will predominantly arise in the 2006 financial year. In the course of the integration process, synergy effects are expected to be realised, above all from efficiency increases and cost reductions. These effects are expected to have a significant positive impact on earnings as early as in 2007 and to result in earnings improvements of around € 180 million after the completion of the integration process in 2008.

TUI Group

Consolidated turnover will rise based on the expected increase in turnover in tourism and shipping from about € 18 billion to approximately € 22 billion. In the 2006 financial year, Group profit for the year is expected to be lower than in the previous year because interest expenses will rise due to the longer-term maturities of financial liabilities and the loss of the operating result of the discontinuing operations.

TUI AG

Against the background of the forecast development of business and earnings of the TUI Group, TUI AG, the Group's holding company, is expected to receive sufficient inflows of earnings from its investments and from disposals of companies already contracted in 2006 to continue its dividend policy of previous years.

Development of the financial situation

Financing

On 31 December 2005, the TUI Group had undrawn credit lines of € 2.5 billion, centering on a three-year syndicated credit line of TUI AG totalling € 1.75 billion. These credit lines are to serve the refinancing of short-term financial instruments and the preservation of a cash reserve of around € 1 billion. The TUI Group's net debt accounted for € 3.8 billion at the balance sheet date. Net debt will be reduced by the divestments of the business travel operations and the US steel service companies of the PNA Group, contracted at the beginning of the 2006 financial year, and the expected net cash flow.

Investments

For the 2006 financial year, TUI expects additions to fixed assets of around € 700 million due to investment decisions already taken and planned projects. These funds will almost exclusively be used as investments in property, plant and equipment. Around 70% of the funds planned for that purpose are intended to be invested in tourism, with around 30% related to shipping. In the tourism division, the largest proportion will flow into the fleet renewal programme in flight operations, followed by the expansion of the hotel sector. In shipping, the expansion of the container ship fleet will require the largest portion. In shipping, the expansion of the container fleet required most of the cash and cash equivalents. Additional projects or acquisitions will only be considered and implemented if any attractive opportunities arise or this will be required in the light of the business development. The planned investments will be financed from the cash flow.

Expected overall development

Overall, the macroeconomic environment is considered to be favourable for the TUI Group's activities in the 2006 financial year. This will create opportunities for further growth and potential to increase earnings. Both in tourism but also in container shipping, TUI offers its customers attractive products and services and occupies leading market positions. The financing of the TUI Group is appropriate, entailing a solid cash reserve. Taken together, this forms a healthy basis for taking advantage of the growth and earnings potential in the 2006 financial year and beyond.

Hanover, 7 March 2006
The Executive Board

Frenzel

Ebel

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Service.

Service: One group. Two pillars. Many things in common.
Industry pioneers. Experience that really matters. Enthusiasm
for what we are doing. Never resting on laurels. Searching.
Open-minded. Surprising ideas. And always offering a solution.

Further Information → Sustainable development. → Social responsibility for employees. → Central environmental management. → Corporate citizenship.

Sustainable Development **Social responsibility for employees. Central environmental management. Corporate citizenship.**

Sustainable economic success requires balancing economic objectives with social and ecological concerns. Therefore corporate responsibility for society and the environment is an important guideline for entrepreneurial activity in the TUI Group both in terms of the Group's strategic considerations and its day-to-day business.

The attention attached to the objectives of sustainable development in the TUI Group is documented by the 'Guidelines for TUI Group employees for dealing with business associates, employees, shareholders and the public' and the creation of a sustainable development department directly reporting to TUI AG's Executive Board. Its task is to network the various units of Group companies dealing with human resources, environmental protection and corporate citizenship and coordinate their activities at Group level. At a conference on sustainability, attended by 70 employees from 63 Group companies, TUI's guidelines were presented to the companies and a further optimisation of internal processes was initiated.

Linking up the Group's economic objectives with its commitment to employees, the environment and society as manifested by a large variety of initiatives with a social or ecological focus, TUI contributes to the improvement in the quality of life and the protection of the natural environment both at its sites and in the tourist destinations, limiting business risks at the same time.

Employees

In the services sector, the economic success of a company strongly depends on employees' personal contact with customers. Highly committed and motivated employees who are well qualified for their work are a key element of the performance of TUI Group companies in the tourism and shipping divisions. As in previous years, the focus of the Group's HR activities in the 2005 financial year was on offering sound initial, ongoing and further training, promoting autonomous work and service orientation and maintaining our employees's motivation and commitment.

Initial, ongoing and further training

Junior staff development and good training are crucial in order to secure competitiveness. In Germany, the companies of the TUI Group offered initial training schemes to 380 new apprentices. In the 2005 financial year, they provided high-quality training to a total of 1,100 young people. At around 7%, the proportion of staff in training was thus kept at the previous year's high level. The skills and qualifications of our employees were developed and expanded through broad-based internal training programmes as well as additional external seminars and training schemes offering specific training contents and expertise.

*Junior staff development
and training*

Development of senior and executive staff

Another essential HR activity is the recruitment, development and long-term retention of senior and executive staff. To this end, TUI operates specific central promotion programmes for executive and junior management staff. The programmes offered for lower and middle management functions were increasingly focused on the acquisition of intercultural skills and were attended by participants from more than ten countries. The international trainee programme was placed on a broader basis: under the new scheme, the European Group companies are free to recruit trainees on their own and offer them permanent contracts following the completion of the training scheme offered by the central HR development department.

Pension schemes**Social responsibility**

The companies of the TUI Group offer their employees various ways of participating in company-based and private pension schemes, based on individual national arrangements. Schemes offered to employees in Germany included direct insurance schemes, pension fund contracts and private pension insurance funds, all qualifying for state-co-sponsorship. A tax-privileged private pension scheme is the deferred compensation model, under which personal pension packages are offered to employees on the basis of their individual situation. As before, there was a high level of interest in these schemes offered by Group companies.

Part-time early retirement

In Germany, more than 400 employees worked under part-time early retirement contracts in the 2005 financial year. All entitlements were hedged against insolvency, irrespective of the date on which the part-time early retirement contract was signed. TUI thus goes beyond the minimum standard required under German part-time early retirement legislation adopted in 2004 for the benefit of its employees.

People with disabilities

The companies of the TUI Group attach particular importance to promoting the employment of people with severe disabilities. This commitment is also reflected in the integration agreement concluded with the Group Works Council. People with disabilities are encouraged to apply for appropriate vacancies. As a result, the number and ratio of employees with severe disabilities rose in 2005. Vocational training was another area in which in particular young people with disabilities were addressed and encouraged to apply for an apprenticeship in the TUI Group. As a result, apprentices with disabilities participated in German and Dutch projects in 2005 preparing for professional activities. Another project enabled TUI apprentices to spend a period of practical training in a facility for people with disabilities. Apart from these integration-oriented projects Group companies ordered products and services from sheltered workshops, thus promoting the employment of disabled people.

Health and safety and health promotion

A large number of health and safety activities were again implemented at the various sites of TUI Group companies, oriented towards compliance with the respective national legal health and safety provisions. One of the focal points of these activities was hazard analyses by external experts and specifically trained staff. These analyses facilitated the identification and elimination of potential risks of accidents at the workplace and the

optimisation of protective measures. Overall, they helped to maintain and further develop the high safety standard at the sites.

Company health insurance fund

TUI employees can join the Company's health insurance fund BKK TUI in order to obtain insurance cover for illness. With its attractive service offerings, the fund again attracted a large number of new members. As before, it developed a welter of new health promotion campaigns at the company level, including e.g. BKK TravelPlus, a programme offering and co-sponsoring combinations of health promotion schemes with package tours. BKK FamilyPlus is a programme run in order to support family-based health activities in the form of a contribution bonus. Activities also included special treatment programmes for people with chronic diseases based on a comprehensive bonus programme as well as new forms of treatment such as e.g. acupuncture. However, BKK TUI did not only offer innovative options but also offered its members and member companies financially attractive and efficient health insurance schemes with its contribution rate of 12.6%, undercutting the national average in Germany.

Company health promotion scheme

At the company level, too, the Group companies extended their health promotion measures. In this connection, the company agreement on 'Company health promotion' was concluded with the Group Works Council. Under this agreement, a large variety of measures aimed at preserving and promoting employees' health were offered to employees. Current measures include diet and wellness programmes, schemes to prevent addictive behaviour, the promotion of sports activities as well as special campaigns such as eye examination or flu vaccination.

Employee representatives within the Group

In the TUI Group, both national and international workers' representation schemes exist within individual Group companies and at Group level. As before, the Executive Board and the management of the companies cooperated constructively and in a spirit of trust with these bodies in 2005. As a result, they managed to find joint solutions for strategic, organisational and operational decisions that also entailed headcount reductions, taking account of the interests of employees and management in a fair and balanced way.

TUI European Forum

The TUI European Forum established in 1995 in addition to the statutory employee representation bodies required under national legislation, currently comprises 55 workers' representatives from 17 European countries. The Forum meets once a year and renders a significant contribution at international level to the transparency of major entrepreneurial decisions and the integration of different nationalities within the TUI Group.

Environmental protection activities

The entrepreneurial activities of the companies of the TUI Group are determined to a large extent by environmental considerations. The Group's central environmental management department initiates and coordinates operative and strategic measures and supports the implementation of these measures by the companies. Comprehensive up-to-date information on the many different projects implemented in the field of environmental protection is published on the internet at www.tui-umwelt.com. The examples outlined below reflect some of the Group's key environmental

protection activities. More detailed information is also provided in the section 'Environmental protection' in the management report.

Energy efficiency

Climate protection

Air traffic and its impact on the climate have increasingly attracted the attention of political institutions. TUI has also intensely tackled this issue with regard to its own aircraft fleet. Its airlines have long since applied technically innovative features such as winglets on its Boeing 737-800s in order to reduce fuel consumption and increase energy efficiency on the aircraft operated. These attempts are supported by the ongoing aircraft renewal programmes launched in order to reduce fuel consumption and operating costs.

Participation in TREMOD

In 2005, TUI also participated in TREMOD (Transport Emission Estimation Model), an expert model used by various authorities, associations and organisations to calculate air pollutant emissions caused by motorised traffic. TREMOD captures all passenger transport vehicles operated in Germany such as passenger cars, buses, railways and aircraft as well as goods traffic carriers such as trucks and ships with the respective basic data, specific energy consumption and emission factors. Both direct emissions and emissions generated in the production of the fuels used by the carriers are taken into account. The project will extend over a period of five years and is managed by the Federal Environmental Agency and the IFEU Institute. TUI will enter its CO₂ emission data into the project. The aim is to gain experience with a view to CO₂ reporting and future participation in the European Carbon Disclosure Project.

Preservation of biodiversity

TUI attaches a high level of importance to the economic value of biodiversity and intact ecosystems for tourism offerings. This is also expressed by the close cooperation with the Secretariat of the UN Convention on the Conservation of Migratory Species, adopted at the Nairobi conference by the signatory states.

Biodiversity ratio

In its brochures, TUI Deutschland indicates the biodiversity ratio, i.e. the percentage of protected areas as a proportion of the total area in holiday destinations. In this context, TUI is working for the recognition of new large conservation areas and the incorporation of such areas into the European Charter for Sustainable Tourism in Conservation Areas in the framework of its partnership with EUROPARC, the European Federation of National and Nature Reserves. The aim of these activities is to implement sustainable economic development in these areas, besides benefiting the environment.

TUI Destination Reporting

Specific activities in the holiday destinations

With TUI Destination Reporting, TUI has created an instrument to record ecological shortcomings in holiday regions, e.g. in the areas of waste management and waste water management. Based on regular contact with local bodies in charge, the resulting risks for the development of the regions are identified and measures to improve the situation are discussed.

TUI Environmental Champion

Internally, TUI spurs the competition for successful environmental management by means of TUI Environmental Champion awards. In 2005, the most successful hotel chain was Robinson with a total of 17 clubs receiving an award. In the scoring category for individual hotels, the Iberotel Sarigerme Park in Turkey managed to win the award for the eighth time in succession.

Social responsibility

TUI AG and its subsidiaries are good corporate citizens at their worldwide sites and in the holiday destinations visited by their customers. This is part and parcel of the Group's identity, reflected for instance by the support granted to many different charitable projects and the activities of the TUI Foundation and the Hapag-Lloyd Foundation. The focus of activities is on support for disadvantaged children and young people and on the promotion of science and education as well as art and culture.

Sustainable aid programmes

Tsunami reconstruction aid in the disaster-stricken areas

In 2005, one of TUI's key concerns was to support reconstruction activities in the areas in Asia affected by the devastating effects of the tsunami of December 2004. TUI provided a total of € 1.25 million for sustainable aid programmes for the disaster-stricken areas. Activities focused on cooperation with the non-profit association Plan International Deutschland e.V. In cooperation with this association, TUI is building a new village for 200 families in Sri Lanka and provides active support to the local population, helping people to help themselves. In addition to TUI's financial contribution, a sizeable amount was donated by employees and customers. Two additional house building projects implemented in cooperation with the Tsunami Relief Fund in Sri Lanka were supported by TUI's local incoming agency Aitken Spence. In addition, Group companies individually supported numerous other relief projects for the disaster-stricken regions, including school projects in India and Sri Lanka.

Sponsorships

Support for disadvantaged children and young people

One of the focal points of TUI's social commitment is to provide support to disadvantaged children and young people. Thus, TUI UK employees launched a sponsorship in 2005 for the the Macmillan Cancer Relief organisation which takes care of children with cancer and their relatives. At the Hanover site, TUI has supported a sponsorship scheme run by the employees of TUI AG and TUI Deutschland for ten years now; in 2005 this scheme benefited the Heinrich-Ernst-Stötzner-Schule, a school devoted to the integration of children and young people with mental handicaps. In the framework of a corporate initiative, TUI co-sponsored the 'Fit for job application' project aimed at contributing to the reduction in youth unemployment. In the framework of this project, TUI HR managers provided information and assistance in preparations for job interviews and in search for apprenticeships.

Sponsorship of organisations

In 2005, TUI continued to support the Peter Maffay Foundation, catering for children traumatised by violence or sexual abuse in their families or by severe disease. TUI also continued via Group companies in the tourism division to support ECPAT, an organisation fighting against the sexual abuse of children. Hapag-Lloyd continued its sponsorships for children in China in cooperation with the aid organisation Plan International.

RTL sponsorship marathon

As in 2004, around 1,000 TUI employees voluntarily committed to contribute to the success of the RTL sponsorship marathon. The centrepiece of this 24-hour charity TV programme, a call centre for TV viewers which took their calls with which they committed to donate money, was provided by TUI, as were a number of holiday tours for the raffle. Group companies also organised a large variety of activities to raise additional funds. The donations from the 2005 RTL sponsorship marathon benefited, inter alia, kindergartens for traumatised children in Eritrea, a children's hospital in Sri Lanka, children with disabilities in Berlin and orphans in Moldavia.

TUI Foundation**Activities of the Foundations**

Under the motto 'Opening doors, creating opportunities', the TUI Foundation promoted science and research, the arts and culture and in particular education and vocational training for young people. In 2005, thanks to the sponsorship by the Foundation, a research project was launched by the Criminological Research Institute of Lower Saxony. The project is aimed at developing preventative approaches, for instance in order to be able to offer comprehensive support and assistance to children from highest-risk families at an early point in time. In 2005, the Foundation's activities also focused on the promotion of arts and natural sciences at school.

Hapag-Lloyd Foundation

The Hapag-Lloyd Foundation focused on the promotion of the arts and culture in Hamburg and was awarded the 'Kultur Merkur 2005' award for its long-standing commitment. Outstanding projects sponsored by the Foundation in 2005 were the sponsorship of the St. Pauli Theatre and the Young Forum Music Theatre as well as the Hamburg Ballet John Neumeier.

TUI Scientific Award**Scientific cooperation schemes**

TUI attaches particular importance to the promotion of innovation in the tourism sector and close cooperation with universities. This was evidenced by numerous projects in 2005. As in previous years, graduates of the Harz College were awarded the TUI Scientific Award 2005 for their excellent work. For six years now, the prize has been awarded to graduates for their contributions to innovation in the tourism sector by means of linking up scientific expertise with entrepreneurial practice. Moreover, TUI continued its long-standing support for the Willi Scharnow Institute for Tourism Science at the Free University of Berlin in 2005. TUI also continued to sponsor the endowment chair for 'Tourism and Travel Management' at the Göttingen private university for applied science.

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Size.

Size: One group. Two pillars. Many things in common.
Playing top of the league. Shaping the market. Setting the pace.
Size is not everything, but a good basis to build on.
Taking advantage. And always a step ahead.

Corporate Governance → Recommendations of the German Corporate Governance Code fully implemented.
→ Report of the Supervisory Board.
→ TUI Share: Share price experienced ups and downs.

Corporate Governance Report **Recommendations of the German Corporate Governance Code fully implemented.**

The principles of good and responsible corporate governance have always determined the actions of TUI AG's management and control bodies. The following corporate governance report is provided by the Executive Board and at the same time on behalf of the Supervisory Board pursuant to sub-section 3.10 of the German Corporate Governance Code.

Corporate governance report

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. It also took all the organisational measures required in order to comply with the requirements of the German Investor Protection Improvement Act (AnSVG) in good time. Thus, for instance, TUI AG keeps an insider register listing all persons involved in insider-relevant transactions.

Declaration of Compliance

The Executive Board and the Supervisory Board discussed corporate governance issues several times in 2005 and jointly submitted an updated declaration of compliance for 2005 on 9 November 2005, pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on the company's website and reads as follows:

'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare: The recommendations of the Government Commission on the German Corporate Governance Code in the version of 21 May 2003, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 4 July 2003, have been and are fully complied with.

TUI AG will additionally fully comply with the recommendations of the Government Commission on the German Corporate Governance Code in its currently valid version of 2 June 2005, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette on 21 July 2005.

In addition, TUI AG also complies almost completely with the majority of the suggestions set out in the Code, currently with the exception for the formation of further committees and the introduction of different periods of office for the shareholders' representatives in the Supervisory Board.'

We consider maintenance of uniform periods of office to be useful in order to guarantee the continuity of the work of the Supervisory Board. To date, the formation of further committees has not been necessary.

The current and all previous declarations of compliance have been made permanently available on the internet at www.tui-group.com

Cooperation between Executive Board and Supervisory Board

TUI AG is a company under German law, which also forms the basis of the German Corporate Governance Code. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board and the Supervisory Board, each of which are endowed with independent competences. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust to manage and control the company.

TUI AG's Executive Board currently comprises four members. They manage the company's operations and are jointly accountable for the management of the company. The allocation of duties and responsibilities to the individual Board members is presented separately in this chapter.

The Supervisory Board advises and supervises the Executive Board in the management of the company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the company. In accordance with the terms of reference, decisions taken by the Executive Board on major transactions such as the annual budget, major acquisitions or divestments require the approval of the Supervisory Board. The chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and externally represents the concerns of the body.

The Executive Board provides the Supervisory Board with comprehensive up-to-date information at regular meetings and in writing about the development of business and the situation of the Group, including risk management. An extraordinary Supervisory Board meeting may be convened if required when events of particular relevance occur. The Supervisory Board has adopted terms of reference governing its work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately, where necessary.

In accordance with the German Co-determination Act and the Articles of Association, TUI AG's Supervisory Board comprises twenty members, with ten representatives elected by the shareholders and ten by the employees for an identical period of office. There is no plan at present to introduce different periods of office for the shareholders' representatives. In accordance with the new recommendations of the German Corporate Governance Code, the shareholders' representatives will be elected individually in the next elections to the Supervisory Board. The Supervisory Board does not comprise any former Executive Board members. The body comprises a sufficient number of independent members not maintaining any personal or business relationship with the company or its Executive Board. The Supervisory Board has been elected for a period of office of five years that will expire at the end of the 2006 ordinary Annual General Meeting.

The Supervisory Board has established two committees from among its members: the Presiding Committee and the Audit Committee, which prepare its work. Each Committee has six members, with an equal number of shareholder and employee representatives. Based on his practical professional experience, the chairman of the Audit Committee has special knowledge and experience in the application of accounting principles and

internal control methods. There is no plan at present to set up any further committees.

The Executive and Supervisory Board members are obliged to act in TUI AG's best interests. In the completed financial year there were no conflicts of interest requiring immediate disclosure to the Supervisory Board. None of the Executive Board members of TUI AG sat on more than five Supervisory Boards on listed non-Group companies.

TUI AG complies with the recommendations of the German Corporate Governance Code to provide details of the remuneration of each individual member of the Executive Board and Supervisory Board. The principles of the remuneration systems and remuneration amounts are outlined in the remuneration report shown below. In accordance with the corresponding IFRS standard, further details on the remuneration of Executive and Supervisory Board members are provided in the notes to the consolidated financial statements.

Shareholders and Annual General Meeting

TUI AG shareholders exercise their co-determination and control rights at the ordinary Annual General Meeting. The AGM takes decisions on all statutory matters that are binding on all shareholders and the company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the AGM. Shareholders who are not able to attend in person are entitled to have their voting rights exercised by a proxy of their own choosing or by a representative provided by TUI AG and acting on their behalf in accordance with their instructions.

The invitation to the AGM and the reports and documents required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM the presentations given by the Executive Board are transmitted live over the internet.

Risk management

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the TUI Group use comprehensive Group-wide and company-specific reporting and monitoring systems to identify, assess and control these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. More detailed information about risk management in the TUI Group is presented in the relevant chapter of the management report.

Transparency

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The annual report and the interim reports are published within the applicable time-frames. The company publishes press releases and ad hoc releases, if required, on topical

events and any new developments. In addition, shareholders and interested parties may subscribe to a newsletter providing up-to-date information about the Group. All information is published simultaneously in German and English and is available in print as well as by appropriate electronic media such as e-mail or the internet. Moreover, the company website at www.tui-group.com provides comprehensive information on the TUI Group and the TUI share.

The scheduled dates for the main regular events and publications – such as AGM, annual report and interim reports – are set out in a financial calendar. They are published well in advance and made permanently accessible to the public on TUI AG's website.

Directors' dealings

The Company was notified by one Supervisory Board member of notifiable purchase or sale transactions of TUI AG shares or related financial instruments by Board members. Moreover, two Spanish companies notified a total of two sale and one purchase transactions which were notifiable since a Supervisory Board member of TUI AG held management functions in these companies. These notifications were made permanently accessible to the public.

At the end of the 2005 financial year, total ownership of all shares in TUI AG directly or indirectly held by Executive or Supervisory Board members exceeded the level of 1% of issued shares, fixed for individual reporting, at the end of the financial year for two Supervisory Board members. Executive Board members held a total of 1,088 shares, the Supervisory Board members held 18,776,999 shares. Of that total, Ms. Carmen Riu Güell held 12,768,000 shares (indirectly), Mr. Abel Matutes Juan held 6,006,000 shares (indirectly), and the remaining Supervisory Board members held 2,999 shares.

Accounting and auditing

TUI AG prepares its consolidated financial statements in accordance with the provisions of the International Accounting Standards Board (IASB) and regularly publishes interim reports, also in accordance with the relevant provisions of the IASB. The annual financial statements of TUI AG are prepared in accordance with the German Commercial Code (HGB).

The consolidated financial statements and the financial statements of TUI AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, the auditor elected by the 2005 AGM. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act. In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality occurring during the audit as well as of all facts or events of importance arising during the performance of the audit. There was no reason to provide such information.

Remuneration report

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 details for the Executive Board are fixed by the Presiding Committee. The remuneration of the Executive Board members comprises fixed components and two variable components. The variable components consist of a bonus dependent on the level of the dividend and a personal calculation factor as well as a bonus with a long-term incentive effect (long-term incentive programme) linked to business performance in the completed financial year. The final amount of this bonus is determined by the development of the TUI share price.

In the 2005 financial year, the Executive Board members were granted a performance-related bonus in the framework of the long-term incentive programme. This bonus was translated into phantom shares in TUI AG on the basis of an average share price. The calculation was based on earnings by divisions (EBTA), translated into phantom shares on the basis of the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were 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. The payment level 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
Balance as at 31 December 2004	398,270
Phantom stocks granted	98,437
Phantom stocks exercised	66,556
Increase/decrease of phantom stocks	–
Balance as at 31 December 2005	430,151

As at 31 December 2005, former Executive Board members held no phantom shares (previous year: 60,001 phantom shares).

For the entitlements from the long-term incentive programmes including the issue of phantom shares for the 2005 financial year, provisions of € 9,421 thousand (previous year: € 9,850 thousand) were made.

Remuneration of the Executive Board

€ '000	2005	2004
Non-performance-related compensation	2,688	2,438
Compensation for Group Supervisory Board membership	382	589
Performance-related compensation	4,054	2,891
Long-term incentive programme		
Phantom stocks granted	2,005	1,989
Changes in share prices of phantom stocks granted in previous years	- 250	62
Total	8,880	7,969

Remuneration of individual Executive Board members

€ '000	Non-performance-related compensation	Performance-related compensation	Long-term incentive programme	Compensation for Group Supervisory Board membership	Total 2005	Total 2004
Dr. Michael Frenzel (Chairman)	1,099.3	1,544.5	648.2	167.5	3,459.5	3,220.1
Sebastian Ebel	461.7	675.7	347.2	54.3	1,538.9	1,281.6
Dr. Peter Engelen	470.4	675.7	330.8	44.3	1,521.2	1,284.6
Rainer Feuerhake	656.9	1,158.4	428.8	116.1	2,360.2	2,182.5
Total	2,688.3	4,054.3	1,755.0	382.2	8,879.8	7,968.8

As in 2004, no advances or loans were granted to the members of the Executive Board in the 2005 financial year.

Total remuneration for former Executive Board members or their surviving dependants amounted to € 3,679 thousand (previous year: € 3,307 thousand) in the 2005 financial year.

Pension commitments for Executive Board members

At the balance sheet date, pension commitments for active Executive Board members amounted to € 16,782 thousand (previous year: € 10,762 thousand). Pension commitments for former members of the Executive Board or their surviving dependants totalled € 39,147 thousand (previous year: € 36,026 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 from the pension obligations for former and active Board members, they were deducted from the pension commitments as an asset. The pension commitment for a former Board member was covered by a fund.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board comprises a fixed and a variable component. It is determined on the basis of section 18 of the Articles of Association of TUI AG, which have been made permanently accessible to the general public on the internet. Accordingly, the members of the Supervisory Board obtain a reimbursement of their expenses; in addition they receive a fixed remuneration of € 5,000, payable upon the termination of the financial year. The chairman receives twice that amount, the deputy chairperson and all other members of the Presiding Committee receive one and a half times that amount. Members and chairpersons of committees

receive a separate remuneration. In addition, the Supervisory Board members obtain a variable remuneration component, determined on the basis of the dividend payment made for the completed financial year and corresponding to 1% of the amount by which the dividend distributed to the shareholders exceeds 4% of the capital stock. That amount is distributed to the members of the Supervisory Board based on the same proportion as the one applied to the fixed remuneration.

Remuneration of the Supervisory Board

€ '000	2005	2004
Fixed compensation	117	116
Variable compensation	1,658	1,164
Compensation for committee membership	133	106
Compensation for TUI AG Supervisory Board membership	1,908	1,386
Compensation for Group Supervisory Board membership	201	428
Total	2,109	1,814

In addition, travel expenses and other cash expenses of € 64 thousand (previous year: € 53 thousand) were reimbursed. The remuneration of the Supervisory Board totalled to € 2,173 thousand (previous year: € 1,867 thousand).

Remuneration of individual Supervisory Board members for 2005

€ '000	Fixed compensation	Variable compensation	Compensation for committee membership	Compensation for Group Supervisory Board membership	Total
Dr. Jürgen Krumnow (Chairman)	10.0	142.5	19.1	64.7	236.3
Jan Kahmann (Deputy Chairman)	7.5	106.9	–	–	114.4
Jella Susanne Benner-Heinacher	5.0	71.2	–	–	76.2
Dr. Norbert Emmerich (until 26 Jan 2005)	0.4	5.2	–	–	5.6
Dr. Thomas Fischer (until 26 Jan 2005)	0.5	7.7	–	–	8.2
Uwe Klein	7.5	106.9	19.1	76.0	209.5
Fritz Kollorz	5.0	71.2	–	–	76.2
Christian Kuhn	5.0	71.2	–	–	76.2
Dr. Dietmar Kuhnt	5.0	71.2	38.2	52.0	166.4
Dr. Klaus Liesen	7.5	106.9	–	–	114.4
Roberto López Abad (since 14 Feb 2005)	4.4	62.3	–	–	66.7
Dr. h.c. Abel Matutes Juan (since 14 Feb 2005)	4.4	62.3	–	–	66.7
Petra Oechtering	5.0	71.2	–	–	76.2
Carmen Riu Güell (since 14 Feb 2005)	6.3	90.2	–	–	96.5
Hans-Dieter Ruster	5.0	71.2	–	–	76.2
Marina Schmidt	5.0	71.2	–	–	76.2
Dr. Manfred Schneider	5.0	71.2	–	–	76.2
Dr.-Ing. Ekkehard D. Schulz	5.0	71.2	19.1	–	95.3
Hartmut Schulz	7.5	106.9	–	–	114.4
Ilona Schulz-Müller	5.0	71.2	19.1	–	95.3
Olaf Seifert	5.0	71.2	19.1	–	95.3
Dr. Bernd W. Voss (until 1 Feb 2005)	0.5	6.1	–	–	6.6
Dr. Franz Vranitzky	5.0	71.2	–	8.0	84.2
Total	116.5	1,658.3	133.7	200.7	2,109.2

Apart from the work performed by the employee representatives in the framework of their employment contracts, the members of the Supervisory Board have not provided any personal services such as e.g. consultation or agency services for TUI AG and its subsidiaries in the 2005 financial year.

Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2005 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 2005 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 of the development of business from the approved plans 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 major transactions in the Company.

Supervisory Board and committees

The two committees set up by the Supervisory Board to support its work, the Presiding Committee and the Audit Committee, undertake preparatory work on decisions and issues to be dealt with at plenary meetings. The chairmen of the committees provided the Supervisory Board with regular reports on the committees' work at its plenary meetings.

The Supervisory Board held five meetings in the 2005 financial year. The Presiding Committee met three times and the Audit Committee four times to prepare the meetings of the Supervisory Board. Three Supervisory Board members stepped down on 26 January 2005 and 1 February 2005,

respectively and therefore attended fewer than half of the Supervisory Board meetings in the 2005 financial year.

Prior to regular Supervisory Board meetings the shareholders' and employees' representatives met four times each in separate meetings. In addition, the employees' and shareholders' representatives met in connection with the information and consultation concerning the takeover bid for all shares in the Canadian shipping company CP Ships Ltd. and capital measures to finance the takeover.

Work of the Presiding Committee

At its meeting on 26 January 2005, the Presiding Committee dealt mainly with issues relating to the Executive Board. At its meeting on 22 March 2005, convened to adopt the annual financial statements, deliberations focused on the annual and consolidated financial statements for 2004, including the Audit Committee's report on this issue, and the comparison between budgeted figures and actual performance for 2004. On 9 November 2005 deliberations focused on the updated declaration on the German Corporate Governance Code as well as amendments to the terms of reference of the Supervisory Board and the adoption of corresponding recommendations for the resolutions of the Supervisory Board.

In addition to the deliberations at its meetings, the Presiding Committee took the final decisions concerning the terms of the capital increase on 25 August 2005 and the terms of two senior notes and a hybrid bond on 1 December 2005 on the basis of the written procedure in the framework of the tasks assigned to it by the Supervisory Board.

Work of the Audit Committee

At its meeting on 18 March 2005 the Audit Committee focused its deliberations on the annual financial statements of TUI AG and the consolidated financial statements for 2004. Discussions also covered the Executive Board's report on related parties pursuant to section 312 of the German Stock Corporation Act. Other issues covered included the recommendation to the Supervisory Board on the election of auditors for the 2005 financial year as well as the Executive Board's report on the preparatory work for the rating to be assigned in 2005.

At its meeting on 11 May 2005 the Audit Committee dealt mainly with the interim financial statements for the first quarter of 2005.

One of the key items discussed at the meeting on 9 August 2005 were the interim financial statements for the first half of 2005. In addition, the Audit Committee discussed the main areas to be audited in the annual audit for the 2005 financial year and the Group's financial risk management.

The meeting on 8 November 2005 mainly focused on the interim financial statements for the third quarter of 2005. The agenda also covered other issues including plans to integrate CP Ships in Group accounting, Group financing and the assigned rating, the internal control system, in particular Group Internal Auditing activities in the 2004/2005 financial years and the

audit plan for 2006. Auditor representatives attended all three 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 divisions as well as the financial situation and structural development of the Group.

At its meeting on 26 January 2005 the Supervisory Board comprehensively discussed the future development of the Company, approved the budget for 2005 for the Group and took note of the 2006/2007 forecast accounts. It also dealt with shareholding issues and editorial amendments of TUI AG's Articles of Association.

At its meeting on 22 March 2005, convened for the adoption of the annual financial statements, the Supervisory Board first elected Ms. Carmen Riu Güell to the Supervisory Board's Presiding Committee. The subsequent reports and deliberations centered on the annual financial statements as per 31 December 2004, a comparison between budgeted and actual figures for 2004 and the personnel and social reports for 2004. 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 adoption of a resolution on the conversion from bearer shares to registered shares, the issue of employee shares and the extension of the authorisation to acquire own shares. The Supervisory Board also discussed the potential issue of a corporate bond and dealt with shareholding issues.

The meeting of 11 May 2005 mainly served to prepare for the forthcoming ordinary Annual General Meeting.

From 18 to 21 August 2005, several meetings were held and decisions were taken in connection with the submission of a takeover bid for all shares in CP Ships Ltd. and the implementation of financing measures. Initially the Executive Board informed the employees' and shareholders' representatives in the Supervisory Board about the opportunities for further strategic development of the shipping division by means of the potential acquisition of the Canadian shipping company CP Ships Ltd. on 18 and 19 August 2005. The Executive Board also presented a financing concept, which included several financing measures, including a capital increase with subscription rights. The members of the Supervisory Board had an in-depth discussion of the strategic options, the planned takeover bid and the related financing measures intended to be implemented. They agreed to the adoption of a support agreement with CP Ships aimed at submitting a recommended offer for all shares in CP Ships. When the support agreement had been concluded on 20 August 2005, the Supervisory Board authorised the Executive Board in writing, due to the tight timeframe, to submit a public offer to take over CP Ships and initiate the required financing measures.

On 24 and 25 September 2005 the Supervisory Board met for its annual strategy meeting. The presentations and deliberations focused the principles and priorities governing Group strategy and the further development of the TUI Group with its two core businesses tourism and shipping. On the basis of comprehensive presentations of the individual sectors, discussions dealt with the market environment and the future development of the tourism division. The presentations and deliberations also centered on the strategic orientation of the shipping division. The debates focused in particular on the status of the takeover bid for all shares in CP Ships, the Canadian shipping company, as at the date of the meeting and the potential future development of TUI's container shipping business. The meeting closed on presentations and discussions concerning the financial framework of the Group's future development and the Group's personnel and social policies.

The meeting on 9 November 2005 focused on questions related to corporate governance. In this context, the Supervisory Board adopted the declaration of compliance with the German Corporate Governance Code, resolved required amendments to the terms of reference of the Supervisory Board and engaged in an in-depth discussion of the reports of the chairman of the Supervisory Board on the efficiency review. In the framework of its regular reporting, the Executive Board informed the Supervisory Board on the status of the acquisition of CP Ships Ltd., financing issues and the results of the first-time rating by rating agencies Moody's and Standard & Poor's. In this connection the Supervisory Board approved the short-term issuing of senior notes and a hybrid bond and authorised the Presiding Committee to approve the final terms and conditions.

Corporate governance

At the meeting of 9 November 2005, 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 AG's website. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 2 June 2005. 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 of the annual report (Corporate Governance Report).

At their meetings, both the Audit Committee and the Supervisory Board dealt with corporate governance issues within the company several times and, in addition, had the efficiency of their own actions examined. As before, a questionnaire based on relevant standards was used to this end. The results of the efficiency review were discussed at the Supervisory Board meeting on 9 November 2005.

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 11 May 2005 and commissioned by the Supervisory Board. The

audit covered the annual financial statements of TUI AG as at 31 December 2005, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), and the joint management report for TUI AG and the TUI Group and the consolidated financial statements for the 2005 financial year, prepared in accordance with the provisions of the International Accounting Standards Board (IASB) observing in addition the provisions of section 315a, sub-section 1 of the German Commercial Code (HGB). 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 2006 and the Supervisory Board meeting on 21 March 2006, 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 and the joint management report as at 31 December 2005 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 profits for the 2005 financial year submitted by the Executive Board.

Supervisory Board and committee membership

Dr. Norbert Emmerich and Dr. Thomas Fischer resigned from the Supervisory Board on 26 January 2005. Dr. Bernd W. Voss stepped down from TUI AG's Supervisory Board on 1 February 2005. The Supervisory Board thanks the gentlemen for their cooperation based on trust.

With effect from 14 February 2005, the District Court of Hanover appointed Ms. Carmen Riu Güell and Messrs. Roberto López Abad and Abel Matutes Juan to the Supervisory Board. On 22 March 2005 the Supervisory Board elected Ms. Carmen Riu Güell to the Presiding Committee.

Executive Committee membership

At its meeting on 25 January 2006, the Supervisory Board appointed Messrs. Adolf Adrion (Shipping), Christoph R. Müller (Airlines) and Karl J. Pojer (Hotels & Resorts) as divisional directors with immediate effect.

The Supervisory Board
Hanover, 21 March 2006

Dr. Jürgen Krumnow
Chairman

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

Jella Susanne Benner-Heinacher

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

Dr. Norbert Emmerich

Member of the Executive Board
of WestLB AG
Düsseldorf
(until 26 January 2005)

Dr. Thomas Fischer

Chairman of the Executive Board
of WestLB AG
Düsseldorf
(until 26 January 2005)

Uwe Klein

Clerk
Hamburg

Fritz Kollorz

ex. Member of the Executive Board of the
Mining, Chemical and Energy Industrial Union
Hanover

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

Roberto López Abad

Chief Executive of Caja de Ahorros
del Mediterráneo
Alicante
(since 14 February 2005)

Dr. h.c. Abel Matutes Juan

Chairman of Fiesta
Hotels & Resorts
Ibiza
(since 14 February 2005)

Petra Oechtering

Travel agent
Cologne

Carmen Riu Güell

Entrepreneur
Playa de Palma
(since 14 February 2005)

Hans-Dieter Rüter

Aircraft engineer
Langenhagen

Marina Schmidt

Travel agent
Hamburg

Dr. Manfred Schneider

Chairman of the Supervisory Board
of Bayer AG
Leverkusen

Dr.-Ing. Ekkehard D. Schulz

Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

Hartmut Schulz

Movement Controller
Langenhagen

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

Dr. Bernd W. Voss

Member of the Supervisory Board
of Dresdner Bank AG
Frankfurt/Main
(until 1 February 2005)

Dr. Franz Vranitzky

Chancellor (retrd.) of the Republic of Austria
Vienna

Committees of the Supervisory Board

Presiding Committee

Dr. Jürgen Krumnow

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

Dr. Thomas Fischer

Chairman of the Executive Board
of WestLB AG
Düsseldorf
(until 26 January 2005)

Jan Kahmann

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

Uwe Klein

Clerk
Hamburg

Dr. Klaus Liesen

Honorary Chairman of the
Supervisory Board of E.ON Ruhrgas AG
Essen

Carmen Riu Güell

Entrepreneur
Playa de Palma
(since 22 March 2005)

Hartmut Schulz

Movement Controller
Langenhagen

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.-Ing. Ekkehard D. Schulz

Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

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

Other board memberships of the Supervisory Board^{*)}**Dr. Jürgen Krumnow**

(Chairman)

- a) Deutsche Bahn AG
Hapag-Lloyd AG
Lenze Holding AG²⁾
- b) Peek & Cloppenburg KG

Jan Kahmann

(Deputy Chairman)

- a) Eurogate Beteiligungs-GmbH²⁾

Jella Susanne Benner-Heinacher

- a) A.S. Création AG
K+S AG

Dr. Norbert Emmerich

- a) Hüttenwerke Krupp Mannesmann GmbH
ifb AG²⁾
RW Holding AG
- b) Aurelis Management GmbH¹⁾
Deutsche Anlagen-Leasing GmbH¹⁾
Handelshochschule Leipzig gGmbH
Vka Verband der kommunalen
RWE-Aktionäre GmbH
Westdeutsche ImmobilienBank¹⁾
WestLB International S.A.

Dr. Thomas Fischer

- a) Audi AG
AXA Konzern AG
Deutscher Sparkassen Verlag GmbH
Hapag-Lloyd AG
HSH Nordbank AG
RWE AG¹⁾
- b) Amvescap Plc
DekaBank Deutsche Girozentrale
Kreditanstalt für Wiederaufbau (KfW)
WestLB Akademie Schloss
Krickenbeck GmbH¹⁾

Uwe Klein

- a) Hapag-Lloyd AG

Fritz Kollorz

- a) DSK Anthrazit Ibbenbüren GmbH²⁾
RAG AG²⁾
STEAG AG²⁾
Vattenfall Europe AG²⁾
Vattenfall Europe Generation
Verwaltungs-AG²⁾

Christian Kuhn

- a) TUI Deutschland GmbH²⁾

Dr. Dietmar Kuhnt

- a) Allianz Versicherungs-AG
Dresdner Bank AG
GEA Group AG
Hapag-Lloyd AG
Hochtief AG
RWE AG

Dr. Klaus Liesen

- a) E.ON AG
Volkswagen AG

Roberto López Abad

- b) Banco Inversis Net, S.A.²⁾
CAM AEGON Holding Financiero S.L.¹⁾
CAMGE Financiera, E.F.C. S.A.¹⁾
CAMGE Holdco, S.L.¹⁾
EBN Banca De Negocios, S.A.
Gestión Tributaria Territorial, S.A.¹⁾
Inversis Networks, S.A.
Lico Corporación, S.A.²⁾
Lico Leasing S.A. E.F.C.¹⁾
Mediterráneo Vida, S.A. De Seguros Y
Reaseguros, Sociedad Unipersonal¹⁾

Dr. h.c. Abel Matutes Juan

- b) Assicurazioni Internazionali di Previdenza
S.P.A.²⁾
Banco Santander Central Hispano (BSCH)
Fomento Construcciones y Contratas
Construccion

Petra Oechtering

–

Carmen Riu Güell

- b) RIUSA II, S.A.

Hans-Dieter Rüter

–

Marina Schmidt

–

Dr. Manfred Schneider

- a) Allianz AG
Bayer AG¹⁾
DaimlerChrysler AG
Linde AG¹⁾
Metro AG
RWE AG

Dr.-Ing. Ekkehard D. Schulz

- a) AXA Konzern AG
Bayer AG
Commerzbank AG
Deutsche Bahn AG
MAN AG¹⁾
RAG AG²⁾
ThyssenKrupp Automotive AG¹⁾
ThyssenKrupp Elevator AG¹⁾
ThyssenKrupp Services AG¹⁾

Hartmut Schulz

–

Ilona Schulz-Müller

- a) WinCom Versicherungsholding AG

Olaf Seifert

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

Dr. Bernd W. Voss

- a) Allianz Lebensversicherungs-AG
Continental AG
Dresdner Bank AG
OSRAM GmbH
Quelle AG
Wacker Chemie GmbH
- b) ABB Ltd.
Bankhaus Reuschel & Co.¹⁾

Dr. Franz Vranitzky

- b) Magic Life der Club International
Hotelbetriebs GmbH¹⁾
Magna International Corp.

^{*)} Information refers to 31 December 2005 or date of resignation from the Supervisory Board of TUI AG in 2005

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Executive Board of TUI AG

Dr. Michael Frenzel

Chairman

Sebastian Ebel

Controlling

Dr. Peter Engelen

Human Resources and Legal Affairs

Rainer Feuerhake

Finance

Executive Committee

Dr. Michael Frenzel

Chairman

Sebastian Ebel

Controlling

Dr. Peter Engelen

Human Resources and Legal Affairs

Rainer Feuerhake

Finance

Dr. Volker Böttcher

Central Europe sector

Peter Rothwell

Northern Europe sector

Eric Debry

Western Europe sector

Christoph R. Müller

Airline sector
(since 25 January 2006)

Karl J. Pojer

Hotels & Resorts sector
(since 25 January 2006)

Michael Behrendt

Shipping sector

Adolf Adrion

Shipping sector
(since 25 January 2006)

Other board memberships of the Executive Board^{*)}

Dr. Michael Frenzel

(Chairman)

- a) AWD Holding AG
- AXA Konzern AG
- Continental AG
- E.ON Energie AG
- Hapag-Lloyd AG¹⁾
- Hapag-Lloyd Fluggesellschaft mbH¹⁾
- TUI Deutschland GmbH¹⁾
- Volkswagen AG
- b) Norddeutsche Landesbank
- Preussag North America, Inc.¹⁾
- TUI China Travel Co. Ltd.

Sebastian Ebel

- a) Hapag-Lloyd Fluggesellschaft mbH
- TQ3 Travel Solutions Management Holding GmbH¹⁾
- TUI Deutschland GmbH
- TUI Leisure Travel GmbH
- b) GrecoTel S.A.
- 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
- TQ3 Travel Solutions Management Holding GmbH
- 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
- Wolf GmbH
- b) Amalgamated Metal Corporation PLC
- Preussag North America, Inc.

^{*)} Information refers to 31 December 2005 or date of resignation from the Executive Board of TUI AG in 2005

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

TUI Share 2005 – a year of future-related decisions. Share price experienced ups and downs.

The start into the year 2005 at the stock exchange was characterised by the strong increase in crude oil prices and the development of key interest rates in the US and Europe. The second half of the year saw a broad increase in stock indices due to reports on good business in the companies and positive economic forecasts for the year 2006.

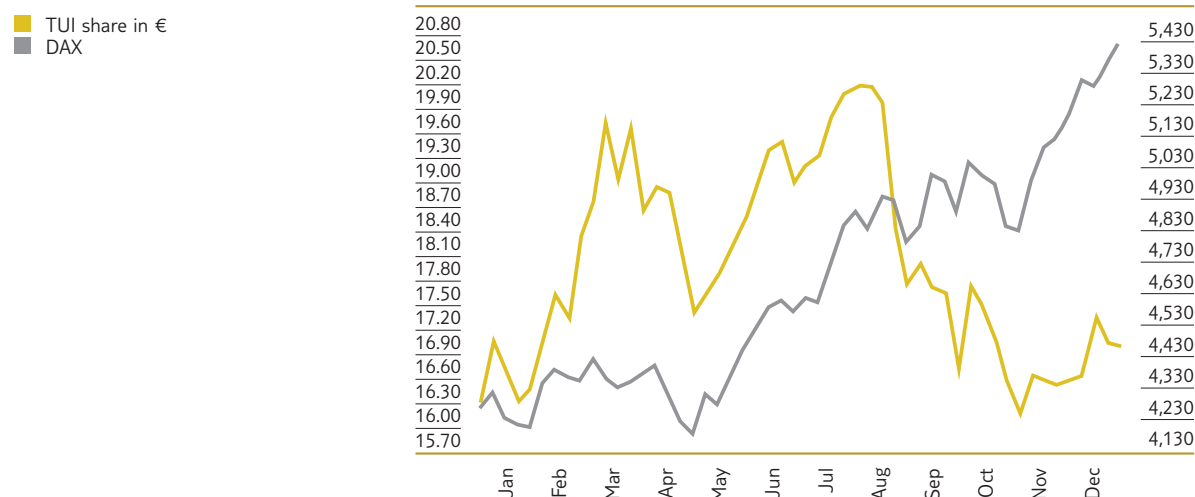
In this environment, the German Share Index (DAX) initially moved sideways but gained considerable momentum as of mid-2005. Having closed at 4,256 index points at the end of 2004, it climbed by 27.1% and closed at 5,408 index point at the end of 2005, the highest level for three years.

Fluctuations in stock prices

TUI share – development of prices in 2005

Compared with the DAX, the TUI share showed an uneven price trend in the course of 2005 and was characterised by strategic decisions concerning the future alignment of the Group, in particular in the second half of the year. Starting from a price of € 16.22, the adjusted closing price for 2004, the share price already rose to more than € 20 in March, boosted by a positive sentiment in the tourism sector. Following a weaker phase, the price then rose to its annual high of € 20.47 by mid-August, temporarily significantly outperforming the DAX 30. Following the takeover bid for CP Ships, the Canadian shipping company, and the related capital increase at the end of August, the price of the TUI share dropped considerably, reflecting primarily dilution effects from the capital increase. Following the successful takeover of CP Ships in October, the share price picked up again, rising to € 17.30 by the end of 2005, a 6.7% increase over the price at the end of 2004.

TUI share price compared with the DAX (2005)



Long-term development of TUI share prices^{*)}

€	2001	2002	2003	2004	2005
Highest share price	41.62	33.12	16.02	19.04	20.47
Lowest share price	17.88	13.02	7.22	12.05	16.10
Share price at year-end	25.70	15.05	15.39	16.22	17.30

^{*)}All information adjusted after the capital increase in September 2005.

Quotations, indices and trading

The TUI share is officially traded on the trading floors of all German stock exchanges and in the Xetra electronic trading system. There are no listed German companies with similar operations in tourism and shipping. Several European competitors in the tourism sector such as MyTravel, First Choice, Club Méditerranée and Kuoni, are traded on stock markets in the UK, France and Switzerland. In the shipping sector, listed international competitors include AP Møller-Maersk in Denmark, Evergreen Marine in Taiwan, Cosco Shipping in China and NYK Lines in Japan.

TUI share in the DAX30 and prime standard

The TUI share has been one of the DAX30 – the German Stock Index – stocks since 1990. When the composition of the index was reviewed in December 2005, it ranked 26th in terms of turnover in TUI shares and 28th in terms of market capitalisation. At that point in time, the TUI share had a weighting of 0.67% in the DAX. Since its introduction in January 2003, TUI has been a member of the prime standard of Deutsche Börse and therefore meets the high international transparency standards of this segment over and above legal requirements.

The TUI share is included in several industry indices in the German stock market and at European level: these include the European sub-indices Dow Jones Travel & Leisure Titans 30 and Dow Jones Euro Stoxx Travel & Leisure. Its year-end weightings were 1.38% and 10.39%, respectively. Moreover, the TUI share was listed in the FTSE Eurotops 300 index. In terms of sustainability indices, the TUI share is listed in FTSE4Good, ASPI (Advanced Sustainable Performance Indices) and ESI (Ethibel Sustainability Index). In the German stock market, it is, inter alia, included in the calculation of DivDax, the 15 DAX stocks with the highest dividend returns, and the DAXplus Export Strategy.

Trading in TUI shares up on the previous year

Trading in TUI shares rose substantially. On average, 2,251,648 no-par value shares were traded per day, an increase of more than 35% year-on-year. The total trading volume amounted to 578.7 million no-par value shares. The number of option contracts on TUI shares traded on the European futures and options exchange EUREX rose by 68% to 124,756 contracts per month, i.e. a total of 1,497,075 contracts.

Rights issue**Capital stock and number of shares**

In order to ensure the long-term financing of the takeover of CP Ships, TUI AG issued several capital measures in the 2005 financial year. In September 2005 it implemented a cash capital increase, creating gross issuing proceeds of around € 1.0 billion which refinanced just under 60% of the purchase price of CP Ships of around € 1.7 billion. TUI shareholders were offered 71,502,616 new shares for subscription at a five-for-two

subscription rate and a subscription price of € 14.20. Shareholders were able to subscribe to two new shares carrying dividend rights for the entire 2005 financial year for every five shares held. Following the capital increase, TUI AG's capital stock totalled € 639,777,371.

Employee shares

In 2005, TUI AG's capital stock rose by a further € 1,210,279 due to the issuance of 473,420 employee shares, more than twice as many as in the previous year due to the strong interest among employees. At the balance sheet date, it therefore totalled € 640,987,650, comprised of 250,732,575 no-par value shares. Since 4 July 2005, these were registered shares certificated by a global certificate. The prorated share capital attributable to each individual share was approx. € 2.56. Apart from subscribed capital, there was both authorised and conditional capital, which are outlined in the notes on the consolidated financial statements.

2003/2008 convertible bond

No bonds were converted from the 2003/2008 convertible bond. Due to the capital increase, for which the convertible bond holders were not granted any subscription rights, the conversion price had to be modified, as a result of which the number of conversion rights rose so that investors held conversion rights for a total of 19,385,784 TUI shares at the balance sheet date.

Resolutions of the 2005 Annual General Meeting

The 2005 Annual General Meeting was held in Hanover on 11 May 2005. Approx. 2,500 shareholders and shareholder representatives, representing 37.2% of the capital stock in the votings, participated in the AGM. Besides the formal ratification of the acts of the Executive and Supervisory Boards and the adoption of a resolution on the appropriation of profits from the 2004 financial year, the agenda also included the acquisition of own shares under section 71 sub-section 1 no. 8 of the German Stock Corporation Act (AktG) and the conversion of bearer shares to registered shares with the corresponding amendments of the charter. In the 2005 financial year, no use was made of the authorisation to purchase own shares.

New securities identification number WKN TUAG00

Conversion from bearer shares to registered shares

In July 2005, TUI AG converted its previous bearer shares to registered shares on a 1:1 ratio. Since 4 July 2005, TUI AG shares have been officially listed on all German trading floor systems and in the Xetra electronic trading system as registered shares under the new securities identification number WKN TUAG00 (previously WKN 695 200) and ISIN DE000TUAG000 (previously ISIN DE0006952005). The conversion to registered shares enables TUI to maintain more direct contact with its shareholders, registered in its share register. The conversion also makes it easier for TUI AG to prove that the majority of its shares are held by EU nationals. This evidence is important to obtain the operating licences for the Group's airlines under air traffic regulations.

Far-reaching changes in the shareholder structure

Shareholder structure

Following the withdrawal of WestLB, TUI's large shareholder of many years standing, in December 2004, around 90% of TUI shares were free float in 2005. Around 25% of these shares were held by private shareholders while the vast majority of the free float, around 65%, was held by institutional

investors. According to an evaluation of the share register maintained by TUI since the conversion of its shares to registered shares, these were mainly investors from Germany and other EU countries.

According to the notifications pursuant to section 25 sub-section 1 of the German Securities Trading Act (WpHG), around 10% of TUI shares were held by shareholders owning more than 5% of all shares. One of them was the Spanish RIU Hotels S.A., which issued a notification in March 2005 stating that it held 5.1% of TUI shares following a reduction and restructuring of the stake in TUI held by the Riu family. The other one was another Spanish investor, Inversiones Cotizadas del Mediterráneo, S.L., a shareholding of Caja de Ahorros del Mediterráneo, to which it transferred its interest in TUI, increased to 5.0% in March 2005, in December 2005.

Dividend and yield ratios

Dividend

TUI AG reported a profit for the year of € 390.3 million. Taking account of retained profits brought forward of € 0.3 million and a transfer to revenue reserves of € 195.1 million, a net profit of € 195.5 million was available for distribution to the shareholders for the 2005 financial year. A dividend proposal of 77 euro cents per no-par value share will therefore be submitted to the Annual General Meeting. At a total of 250,732,575 dividend-bearing shares, the dividend payments will total € 193.1 million.

Development of earnings and dividends of the TUI share

€	2001	2002	2003	2004	2005
Earnings per share	1.96	0.18	1.54	2.96	2.28
Dividend	0.77	0.77	0.77	0.77	0.77

Stock yield

As before, the TUI share was an attractive investment for yield-oriented investors in 2005. A TUI shareholder who purchased shares at the beginning of the year generated a dividend yield of 4.6%. Shareholders with longer-term exposure who, for instance, invested the equivalent of € 500 in then Preussag shares in 1990, exercised their subscription rights and reinvested their dividend yields, held a TUI share portfolio worth € 999 at the balance sheet date. Their average annual return was 4.7%.

Rating and refinancing

Rating

In November 2005 the rating agencies Standard & Poor's and Moody's, commissioned by TUI, published their ratings for TUI AG and its bonds issued in 2004. The long-term credit rating assigned to the Company by Standard & Poor's was 'BB+', outlook positive', while Moody's credit rating was 'Ba2, outlook stable'. TUI AG's bonds issued in 2004 were rated 'BB' by Standard & Poor's and 'Ba2' by Moody's. The ratings enabled TUI to avoid an increase in the coupons for its 2004 bonds.

Refinancing

In order to refinance loans taken up in connection with the acquisition of CP Ships, three bonds totalling € 1.3 billion were issued in December 2005: senior fixed rate notes at a volume of € 450 million, senior floating rate notes at a volume of € 550 million and a subordinated hybrid bond totalling € 300 million.

Thus, TUI AG has issued the following bonds in the capital market:

Capital measure	Maturity	Volume in € million	Interest rate in %
Bearer bond October 1999	October 2006	750.00	5.875
Convertible bond December 2003	December 2008	384.55	4.000
Senior floating rate notes June 2004	August 2009	400.00	3 months EURIBOR plus 2.10
Senior floating rate notes December 2005	December 2010	550.00	3 months EURIBOR plus 1.55
Senior fixed rate notes May 2004	May 2011	625.00	6.625
Senior fixed rate notes December 2005	December 2012	450.00	5.125
Hybrid bond December 2005	No final maturity date	300.00	8.625

Investor Relations

The activities of the Investor Relations team focused on up-to-date information and open communication with shareholders, analysts, institutional investors and lenders. The aim of the discussions with these groups of stakeholders was to enable them to make a realistic assessment of TUI's future development, based on debate about Group strategy and business trends in the individual sectors. The focus was on the acquisition of CP Ships, the Canadian shipping company, and the cash capital increase. The Executive Boards of TUI AG and Hapag-Lloyd AG discussed these key strategic decisions of crucial importance for the Group's future with analysts and investors at an analysts' meeting with a simultaneous conference call involving more than 200 participants and a subsequent roadshow in all key European financial centres. In connection with the bonds issued in December 2005, the Group carried out roadshows in Europe and Asia, presenting the Group's strategy and details concerning the capital measures to bond investors.

Dialogue with the financial community

In addition, the Executive Board met analysts and investors at regular roadshows in Europe and America, at one-on-one meetings and at the analysts' meeting on the occasion of the presentation of the 2004 annual financial statements. Conference calls were offered and met with a high level of interest whenever an interim report was submitted. Another forum for ample discussion with the shareholders was the 2005 Annual General Meeting. A separate brochure specifically published for this purpose provided comprehensive information about the agenda item concerning the conversion of bearer shares to registered shares. The Investor Relations site on the internet was optimised in 2005 both in terms of technical and design aspects, featuring comprehensive information about specific issues such as the takeover bid for CP Ships, the capital increase and the conversion to registered shares.

Overview of the information published in the 2005 financial year (section 10 WpPG)

In accordance with the German Securities Prospectus Act (WpPG), issuers are obliged to publish an 'annual document'. This document lists the information made available to the public in the preceding twelve months pursuant to legal provisions relating to securities. The information to be provided under section 10 WpPG is listed below.

Ad hoc disclosures

(section 15 of the German

Securities Trading Act (WpHG))

'TUI to acquire CP Ships' of 21 August 2005
'TUI agrees terms of capital increase' of 26 August 2005
'TUI extends CP Ships offer' of 7 October 2005
'TUI offer for CP Ships successful' of 19 October 2005

Changes in shareholder structure (section 25 WpHG)

Disclosure pursuant to section 25 sub-section 1 WpHG of 30 March 2005 (Disclosure concerning voting rights of Caja de Ahorros del Mediterráneo, RIU Hotels S.A., H. San Francisco S.A., Saranja S.L.) Printed, inter alia, in Börsen-Zeitung on 30 March 2005

Disclosure pursuant to section 25 sub-section 1 WpHG of 6 Dec. 2005 (Disclosure concerning voting rights Caja de Ahorros del Mediterráneo, Inversiones Cotizadas del Mediterráneo, S.L.) Printed, inter alia, in Börsen-Zeitung on 6 December 2005

Directors' dealings (section 15a WpHG)

Purchase notification of RUI Hotels S.A. of 30 March 2005
Sales notification of H. San Francisco S.A. of 30 March 2005
Sales notification of H. San Francisco S.A. of 30 March 2005

Annual report 2004

Published on 23 March 2005

Annual financial statements of TUI AG 2004

Published on 23 March 2005

Quarterly reports for the 2005 financial year

Interim report January to March 2005 of 10 May 2005
Interim report January to June 2005 of 11 August 2005
Interim report January to September 2005 of 10 November 2005

Invitation to Annual General Meeting 2005

Published in the Federal Gazette on 1 April 2005

Dividend notice for the 2004 financial year

Published on 12 May 2006, inter alia, in Handelsblatt

Financial calendar for the 2005 financial year

This information has meanwhile become obsolete; only the updated calendar is accessible on the internet.

Listing prospectuses for bonds in the 2005 financial year

Hybrid bond of December 2005
Senior floating rate notes (bond) of December 2005
Senior fixed rate notes (bond) of December 2005

Capital increase in the 2005 financial year

Prospectus of August 2005

All publications listed above have been published and made permanently accessible to the public on TUI's website, an exception being the financial calendar which is updated on a regular basis.

TUI Group in Figures

TUI Group in Figures

		2002	2003	2004 ^{*)}	2005
Turnover					
Tourism	€ mill	12,416	12,671	13,319	14,097
Shipping	€ mill	2,225	2,381	2,687	3,834
Other	€ mill	5,661	4,163	2,040	1,688
Group	€ mill	20,302	19,215	18,046	19,619
Earnings by divisions (EBTA)					
Tourism	€ mill	336	208	353	360
Shipping	€ mill	121	253	280	279
Other	€ mill	118	452	47	- 6
Group	€ mill	575	913	680	633
Earnings before interest, tax and amortisation (EBITA)					
Tourism	€ mill	309	200	345	365
Shipping	€ mill	120	266	300	318
Other	€ mill	376	606	267	166
Group	€ mill	805	1,072	912	849
Earnings before interest, tax, depreciation and amortisation (EBITDA)					
Tourism	€ mill	614	532	678	734
Shipping	€ mill	212	343	392	452
Other	€ mill	675	847	407	193
Group	€ mill	1,501	1,722	1,477	1,379
Group profit for the year	€ mill	41	315	572	495
Earnings per share	€	0.18	1.54	2.96	2.28
Assets					
Non-current assets	€ mill	12,019	10,271	9,871	11,865
Current assets	€ mill	3,498	2,718	2,499	3,463
Total assets	€ mill	15,517	12,989	12,370	15,328
Equity and liabilities					
Equity	€ mill	3,180	2,767	2,660	4,375
Non-current liabilities	€ mill	4,516	4,204	5,153	5,241
Current liabilities	€ mill	7,021	6,018	4,557	5,712
Total equity and liabilities	€ mill	15,517	12,989	12,370	15,328
Equity ratio	%	20.5	21.3	21.5	28.5
Cash flow from operating activities	€ mill	1,391	902	964	965
Capital expenditure	€ mill	1,063	724	677	1,058
Net debt	€ mill	5,445	3,828	3,251	3,807
Employees	31 Dec	70,299	64,257	57,716	62,947

^{*)} Figures were restated according to new IFRS accounting standards, which were initially applied in the 2005 financial year, if applicable.

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Presence.

Presence: One group. Two pillars. Many things in common.
Global presence. Welcome everywhere. Local knowledge.
Being involved. Working together. Defining goals. Achieving more.
And always focussing on our customers.

Financial Statements → Increase in balance sheet total to € 15.3 billion due to acquisition of CP Ships. → Equity ratio up to 28.5% following capital increase.

Profit and Loss Statement of the TUI Group for the period from 1 January 2005 to 31 December 2005

€ million	Notes	2005	2004 restated	Restatement	2004 original
Turnover	(1)	18,201.3	16,293.3	- 1,752.9	18,046.2
Other income	(2)	602.5	655.0	- 27.4	682.4
Change in inventories and other own work capitalised	(3)	- 3.2	+ 12.0	- 37.9	+ 49.9
Cost of material and purchased services	(4)	12,900.3	11,216.6	- 1,192.7	12,409.3
Personnel costs	(5)	2,304.2	2,198.3	- 270.1	2,468.4
Depreciation and amortisation	(6)	505.1	438.5	- 81.5	520.0
Impairment	(7)	18.3	4.0	- 9.0	13.0
Other expenses	(8)	2,489.4	2,513.1	- 198.5	2,711.6
Result from the discontinuance of operations		-	-	- 132.3	+ 132.3
Financial income	(9)	185.0	161.7	+ 73.3	88.4
Financial expenses	(10)	421.9	370.6	+ 73.7	296.9
Result from companies measured at equity	(11)	+ 39.1	+ 39.7	- 2.1	+ 41.8
Earnings before taxes on income		+ 385.5	+ 420.6	- 201.2	+ 621.8
Income taxes	(12)	+ 86.9	+ 55.4	- 34.3	+ 89.7
Result from continuing operations	(13)	+ 298.6	+ 365.2	- 166.9	-
Result from discontinuing operations	(14)	+ 196.2	+ 206.8	+ 206.8	-
Group profit for the year		+ 494.8	+ 572.0	+ 39.9	+ 532.1
Group profit for the year attributable to shareholders of TUI AG	(15)	+ 456.7	+ 528.2	+ 39.9	+ 488.3
Group profit for the year attributable to minority interests	(16)	+ 38.1	+ 43.8	-	+ 43.8
Group profit for the year		+ 494.8	+ 572.0	+ 39.9	+ 532.1

€	Notes	2005	2004 restated	Restatement	2004 original
Basic earnings per share	(17)	+ 2.28	+ 2.96	+ 0.22	+ 2.74
from continuing operations		+ 1.31	+ 1.81	-	-
from discontinuing operations		+ 0.97	+ 1.15	-	-
Diluted earnings per share		+ 2.16	+ 2.77	+ 0.21	+ 2.56
from continuing operations		+ 1.27	+ 1.72	-	-
from discontinuing operations		+ 0.89	+ 1.05	-	-

Balance Sheet of the TUI Group as at 31 December 2005

€ million	Notes	31 Dec 2005	31 Dec 2004 restated	Restatement	31 Dec 2004 original
Assets					
Goodwill	(18)	3,756.4	3,763.8	–	3,763.8
Other intangible assets	(19)	898.5	178.1	–	178.1
Investment property	(20)	90.2	140.4	–	140.4
Property, plant and equipment	(21)	5,881.0	4,481.9	–	4,481.9
Companies measured at equity	(22)	372.7	339.5	–	339.5
Investments	(23)	322.7	413.5	–	413.5
Fixed assets		11,321.5	9,317.2	–	9,317.2
Receivables from derivative financial instruments	(26)	51.1	19.1	–	19.1
Other receivables and assets	(27)	192.8	189.7	+ 0.5	189.2
Deferred income tax claims	(28)	299.4	345.2	+ 112.2	233.0
Non-current receivables		543.3	554.0	+ 112.7	441.3
Non-current assets		11,864.8	9,871.2	+ 112.7	9,758.5
Inventories	(24)	150.4	357.1	–	357.1
Trade accounts receivable	(25)	965.3	687.9	–	687.9
Receivables from derivative financial instruments	(26)	149.1	104.6	–	104.6
Other receivables and assets	(27)	869.3	847.1	61.6	908.7
Current and deferred income tax claims	(28)	15.6	21.4	–	21.4
Current receivables		1,999.3	1,661.0	- 61.6	1,722.6
Cash and cash equivalents	(29)	599.2	481.1	–	481.1
Assets held for sale	(30)	714.7	–	–	–
Current assets		3,463.6	2,499.2	- 61.6	2,560.8
		15,328.4	12,370.4	+ 51.1	12,319.3

€ million	Notes	31 Dec 2005	31 Dec 2004 restated	Restatement	31 Dec 2004 original
Equity and liabilities					
Subscribed capital	(31)	641.0	457.0	–	457.0
Capital reserves	(32)	2,385.0	1,566.3	- 28.4	1,594.7
Revenue reserves	(33)	792.2	400.1	- 301.3	701.4
Hybrid capital	(34)	294.8	–	–	–
Equity before minority interests		4,113.0	2,423.4	- 329.7	2,753.1
Minority interests	(35)	262.2	236.4	- 1.4	237.8
Equity		4,375.2	2,659.8	- 331.1	2,990.9
Provisions for pensions and similar obligations	(36)	1,260.8	1,022.6	+ 394.6	628.0
Current income tax provisions	(37)	143.6	118.8	–	118.8
Deferred income tax provisions	(37)	149.8	192.5	- 30.4	222.9
Other provisions	(37)	401.9	340.1	–	340.1
Non-current provisions		1,956.1	1,674.0	+ 364.2	1,309.8
Financial liabilities	(38)	3,213.9	3,328.8	–	3,328.8
Liabilities from derivative financial instruments	(40)	32.1	72.2	+ 24.5	47.7
Other liabilities	(41)	39.4	77.9	–	77.9
Non-current liabilities		3,285.4	3,478.9	+ 24.5	3,454.4
Non-current provisions and liabilities		5,241.5	5,152.9	+ 388.7	4,764.2
Pension provisions and similar obligations	(36)	32.8	39.7	–	39.7
Current income tax provisions	(37)	19.8	16.8	- 6.5	23.3
Other provisions	(37)	568.0	602.1	–	602.1
Current provisions		620.6	658.6	- 6.5	665.1
Financial liabilities	(38)	1,144.3	402.9	–	402.9
Trade accounts payable	(39)	2,103.7	1,844.6	–	1,844.6
Liabilities from derivative financial instruments	(40)	41.0	146.1	–	146.1
Other liabilities	(41)	1,513.6	1,505.5	–	1,505.5
Current liabilities		4,802.6	3,899.1	–	3,899.1
Liabilities related to assets held for sale	(42)	288.5	–	–	–
Current provisions and liabilities		5,711.7	4,557.7	- 6.5	4,564.2
		15,328.4	12,370.4	+ 51.1	12,319.3

Statement of Recognised Income and Expenses

€ million	2005	2004
Currency translation	175.1	- 61.9
Changes in the fair value of available for sale financial instruments	- 0.1	0.6
Recognition of available for sale financial instruments in profit or loss	- 0.6	- 50.0
Changes in the fair value of cash flow hedges	102.9	0.3
Recognition of results of cash flow hedges in profit or loss	92.0	73.4
Actuarial gains and losses from pension provisions and associated fund assets	- 297.6	- 28.3
Tax item directly offset against equity	23.5	2.6
Income and expenses directly recognised in equity	95.2	- 63.3
Group result	494.8	572.0
Total income and expenses recognised in the financial year	590.0	508.7
attributable to shareholders of TUI AG	542.3	467.4
attributable to minority interest	47.7	41.3

Cash Flow Statement

€ million	Notes	2005	2004 restated
Group profit for the year		494.8	572.0
Depreciation, amortisation and impairments (+)/write-back (-) of fixed assets		529.8	565.3
Other non-cash expenses (+)/income (-)		- 59.3	- 57.4
Interest expenses (excl. interest relating to pension obligations)		278.2	252.8
Profit (-)/Loss (+) from disposals of fixed assets		- 182.1	- 204.0
Increase (-)/decrease (+) in inventories		94.5	- 110.2
Increase (-)/decrease (+) in receivables and other assets		- 161.9	25.0
Increase (+)/decrease (-) in provisions		71.0	- 93.7
Increase (+)/decrease (-) in liabilities (excl. financial liabilities)		- 100.4	13.7
Cash inflow/outflow from operating activities	(47)	964.6	963.5
Payments received from disposals to tangible and intangible assets		345.2	124.5
Payments received from disposals of consolidated companies (excl. disposals of cash and cash equivalents due to divestments)		351.0	731.6
Payments received from disposals of financial assets		144.9	59.5
Payments made for investments to tangible and intangible assets		- 856.8	- 666.5
Payments made for investments in consolidated companies (excl. cash and cash equivalents received due to acquisitions)		- 2,099.7	- 203.3
Payments made for investments in financial assets and for credits and loans to third parties		- 37.4	- 61.9
Cash inflow/outflow from investing activities	(48)	- 2,152.8	- 16.1
Payments received from capital increases and allowances by shareholders		1,281.1	3.2
Dividend payments			
- TUI AG		-137.6	- 137.4
- subsidiaries to other shareholders		- 12.5	- 19.6
Payments received from the issue of loans and the raising of financial liabilities		2,086.8	1,897.3
Payments made for redemption of loans and financial liabilities		- 1,594.7	- 2,336.4
Interest paid		- 316.6	- 220.1
Cash inflow/outflow from financing activities	(49)	1,306.5	- 813.0
Net change in cash and cash equivalents		118.3	134.4
Development of cash and cash equivalents	(50)		
Cash and cash equivalents at beginning of period		481.1	348.5
Change in cash and cash equivalents due to changes in consolidation		- 2.0	3.5
Change in cash and cash equivalents due to exchange rate fluctuations		10.1	- 5.3
Change in cash and cash equivalents with cash effects		118.3	134.4
Cash and cash equivalents at end of period		607.5	481.1
of which included in the balance sheet item assets classified as held for sale		8.3	-
Cash and cash equivalents at end of period for continuing operations		599.2	-

Notes Principles and Methods underlying the Consolidated Financial Statements

General

TUI AG, based in Hanover, Karl-Wiechert-Allee 4, is the TUI Group's parent company and a listed stock corporation under German law. The Company has been registered in the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580).

The members of the Executive Board and the Supervisory Board, as well as other board memberships held by them, are listed separately in an annex to the section 'Corporate Governance' in the annual report.

The Executive Board and the Supervisory Board have submitted the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the general public on the Company's website (www.tui-group.com).

The financial year of TUI AG and its main subsidiaries corresponds to the calendar year. The consolidated financial statements were prepared in euro. Unless stated otherwise, all amounts are indicated in million euros (€ million).

The TUI Group's core businesses are tourism and shipping. In tourism, the Group has activities at all stages of the tourism value chain. The services portfolio includes the organisation of tours by tour operators, the distribution of tours in travel agencies and by new media, conveyance by Group-owned airlines, services for holidaymakers in the destinations by Group-owned incoming agencies, and accommodation of guests in Group hotels. The concentration of the Group's logistics activities on shipping was completed in December 2005 with the approval of the divestment of the rail logistics business unit of VTG (UB I) by the antitrust authorities. Container shipping was expanded in the last quarter of the 2005 financial year by means of the acquisition of the Canadian shipping company CP Ships Ltd. The shipping segment also comprised Hapag-Lloyd Kreuzfahrten GmbH. After the balance sheet date, the US steel trading activities, classified as a discontinuing operation, were sold to financial investor Platinum Equity. The closing of the transaction is expected for the beginning of the second quarter of 2006. Within the context of the strategic realignment of the Group, the divestment of the remaining industrial operations still carried out to a limited extent is yet to be completed.

Accounting principles

Since the beginning of 2005, the adoption of section 315a sub-section 1 of the German Commercial Code (HGB), in combination with the relevant EU Regulation (EEC No. 1606/2002), has created a legal duty for TUI AG to prepare consolidated financial statements in accordance with the rules of the International Accounting Standards Board (IASB), London, the International Financial Reporting Standards (IFRS).

The IFRS are applied in the form in which they have been transposed into national legislation in the framework of the endorsement process by the European Commission. In addition, the commercial-law provision resulting from section 315a sub-section 1 of the German Commercial Code (HGB) were fulfilled. All requirements of each of the compulsory standards applicable as per the balance sheet date were completely fulfilled. As of the beginning of the 2005 financial year, the following standards, revised or adopted by the IASB, were newly applied: IAS 2 (Inventories), IAS 8 (Accounting and Measurement Methods, Changes in Estimates and Errors), IAS 10 (Events After the Balance Sheet Date), IAS 16 (Property, Plant and Equipment), IAS 17 (Leases), IAS 19 (Employee Benefits), IAS 28 (Investments in Associates), IAS 31 (Interests in Joint Ventures), IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instruments: Recognition and Measurement), IAS 40 (Investment Property) IFRS 2 (Share-Based Payment) and IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

In the 2003 and 2004 financial years, the following standards – which have meanwhile become compulsory – were voluntarily applied prior to their effective dates: IAS 1 (Presentation of Financial Statements) IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 36 (Impairment of Assets), IAS 38 (Intangible Assets) and IFRS 3 (Business Combinations).

The main effects of the standards newly applied in the 2005 financial year compared with the 2004 financial year on the Group's accounting and measurement methods and the presentation of the financial statements are presented below.

According to IAS 8, the effects of changes in accounting and measurement methods implemented in the current financial year on the previous year's figures must be presented by means of restating the previous year's figures unless stipulated otherwise by the newly applied standards. In order to enhance comparability, the restated previous year's figures both for the profit and loss statement and the balance sheet are presented alongside the originally published previous year's figures.

Under the revised IAS 16, it is necessary to implement a review of residual values, depreciation methods and useful lives at least on an annual basis in the framework of recognition of property, plant and equipment. The revaluation must be based on the current market situation. The effects of the changes in residual values and measurement parameters must be taken into account for the entire financial year in which the review was effected. Since the changes relate to estimates, previous periods do not have to be restated in accordance with IAS 8. The review of useful lives implemented in the framework of the preparation of the annual financial statements resulted in particular in extensions of the useful lives of hotels and container ships. Due to these restatements, depreciation declined by € 7.4 million in the tourism division and by € 5.3 million in the shipping division in the financial year under review. The review of residual values did not result in any material restatements.

In the framework of the recognition of pension obligations, the new option under IAS 19 to offset actuarial gains or losses against equity in the period in which they occur outside profit or loss was exercised in order to enhance the clarity of the presentation of the net asset position. Previously, actuarial gains and losses resulting from the restatement of actuarial parameters to be carried out on a regular basis were carried outside the balance sheet and spread over the expected remaining service lives of the employees. The effect of the setoff was shown as a reserve in

accordance with IAS 19. The restatement of the recognition of pension obligations resulted in the following conversion effects for the continuing and discontinuing operations for the previous year pension provisions rose by € 394.5 million and other assets by € 0.4 million as at 31 December 2004. This was associated with an increase of € 134.7 million in deferred income tax assets and € 13.8 million in deferred income tax provisions. While other revenue reserves rose by € 26.4 million due to the reversal of the amortisation of actuarial gains and losses of the 2004 financial year, a negative reserve of € 299.6 million had to be carried in accordance with IAS 19. Personnel costs for the 2004 financial year declined by € 39.6 million, while deferred income tax expenses increased by € 12.2 million.

Furthermore, the interest portion of the measurement of pension obligations was no longer carried under personnel expenses but was shown under financial expenses. Accordingly, the expected return from the related fund assets was recognised as financial income. The restatement of the presentation resulted in a reduction of € 36.5 million in personnel costs for the 2004 financial year. At the same time, financial income rose by € 70.0 million and financial expenses increased by € 106.5 million.

In accordance with the revised IAS 32, the conversion right of the convertible bond issued in October 2003 no longer has to be classified as an equity component and carried under equity; it has to be recognised as a derivative liability and revalued with an effect on results at every closing date. As per 31 December 2004, liabilities from derivative financial instruments therefore rose by € 24.5 million. While capital reserves declined by € 28.4 million, other revenue reserves rose by € 13.5 million. Moreover, income tax provisions dropped by € 9.6 million. Due to the measurement of the conversion option, financial income for the 2004 financial year grew by € 15.9 million, while deferred tax expenses rose by € 4.9 million. As before, the bond component was measured at amortised cost. The reason for the change in recognition is the option, unilaterally to be exercised by TUI AG, of using cash and cash equivalents to settle a conversion and not having to issue any new shares. The classification of the conversion option as a derivative liability did not depend on the probability with which exercised conversion options are served in any particular form.

IFRS 2, newly adopted by the IASB, governs the accounting and measurement of share-based payment. Any differences between the fair values of employee shares, determined with account being taken of any lock-up periods, and the issuing prices of such employee shares had to be carried as personnel costs. In the 2005 financial year, the issue of employee shares thus resulted in an expense of € 2.6 million for the first time. The presentation of employee shares issued in previous years did not have to be restated. Essential restatements of the long-term incentive programme for the Executive Board were not required, either.

The first-time application of IFRS 5 substantially affected TUI AG's consolidated financial statements. Operating income and expenses of business units to be classified as discontinuing operations under this standard were subsumed under the item 'Result from discontinuing operations' in the profit and loss statement. In addition, the 'Result from discontinuing operations' also comprised the effects of the removal of companies from consolidation as well as measurement at fair value less cost to sell.

The assets of disposal groups and other non-current assets for which a specific plan to sell existed were summarised in a separate balance sheet item. The liabilities associated with the assets were also summarised in a separate balance sheet item. The assets were only recognised in accordance with the rules of IFRS 5 if the assets could immediately be sold in their present condition at terms customary and usual for the sale of such assets and if the sale was highly probable within twelve months of classification as held for sale. Non-current assets held for sale and assets of discontinuing operations were not depreciated any longer as of the date on which the specific plan to sell was adopted. If the fair value less costs to sell was lower than the carrying amount, an impairment loss had to be calculated and shown under 'Result from discontinuing operations'.

The restatements of the presentation of the profit and loss statement and the balance sheet resulting from the application of IFRS 5 were exclusively applicable to the profit and loss statement in 2004.

Apart from the changes in accounting and measurement methods resulting from revised or new standards, the treatment of costs to produce holiday brochures was adapted. In the past, the costs for the production of holiday brochures were initially deferred. The deferred expenses were then amortised with an effect on results over the period of validity of the brochure. In order to reflect the decline in the importance of holiday brochures for sales of tours compared with the past and enhance the international comparability of data, these costs will be directly carried with an effect on results as at the date on which they are incurred. In accordance with IAS 8, this is an adjustment to be effected retrospectively. The restatement as at 31 December 2004 led to a reduction of € 61.5 million in prepaid expenses, € 41.5 million in other revenue reserves, € 1.3 million in minority interests and € 15.8 million in income tax provisions. Deferred income tax claims rose by € 2.9 million. While the cost of materials and purchased services rose by € 1.6 million in the 2004 financial year due to the restatements, other expenses declined by € 4.3 million. This resulted in an increase in income tax expenses of € 1.3 million.

The following amendments to already issued standards by the IASB, revised or newly issued standards were not yet applied in the 2005 financial year: IAS 1 Presentation of Financial Statements (Amendment Capital Disclosures), IAS 39 Financial Instruments: Recognition and Measurement (Amendment on Cash Flow Hedges of Forecast Intragroup Transactions), IAS 39 Financial Instruments: Recognition and Measurement (Amendment on Fair Value Option), IAS 39 Financial Instruments: Recognition and Measurement (Amendment on Financial Guarantee Contracts), IFRS 7 Financial Instruments: Disclosures. These rules exclusively comprised provisions which will not be compulsory until the 2006 or 2007 financial years. The effects of the application of these standards on TUI AG's consolidated financial statements have not yet been conclusively determined.

Principles and methods of consolidation

Principles

The consolidated financial statements included all major companies in which TUI AG was able, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from the activity of these companies (subsidiaries). As a rule, the control was exercised by means of a majority of voting rights in the management bodies, in individual cases by means of contractual regulations. These companies were included in the consolidated financial statements as from the date at which the TUI Group gained control. When the TUI Group ceased to control these companies, they were removed from consolidation.

The consolidated financial statements were prepared on the basis of the audited annual or consolidated financial statements of TUI AG and its subsidiaries, prepared on the basis of uniform accounting, measurement and consolidation methods.

Shareholdings in companies in which the Group was able to exert significant influence over the financial and operating decisions within these companies (associated companies, shareholding of 20% to less than 50%) were carried at equity. Companies managed jointly with one or several partners (joint ventures, shareholding of 50%) were also measured at equity. The determination of the dates as of which associated companies and joint ventures were included in or removed from the group of companies measured at equity was analogous to the principles applying to subsidiaries. Equity measurement in each case was based on the last audited annual or consolidated financial statements.

Group of consolidated companies

In the 2005 financial year, the consolidated financial statements included a total of 50 domestic and 393 foreign subsidiaries, besides TUI AG.

Sixty-three domestic and 160 foreign subsidiaries were not included in the consolidated financial statements. Even when taken together, these companies were not significant for the presentation of a true and fair view of the financial position and performance of the Group.

In the framework of a step acquisition, the remaining 33.3% of the shares in Touristik Finanz AG were acquired as per 1 January 2005. As TUI gained control of this company, the company and two further subsidiaries were included in consolidation for the first time. Netting the interest in equity of € 23.6 million after revaluation of assets and liabilities against the purchasing price of € 11.8 million resulted in negative goodwill of € 12.0 million, taking account of currency differences; it was reversed with an effect on results and shown as other income. The revaluation reserve of € 11.3 million related to shares already held was determined on the basis of the hidden reserves and encumbrances of € 5.1 million already disclosed in the initial acquisition, taking account of exchange differences. In the 2005 financial year, Touristik Finanz AG and its two subsidiaries generated turnover of € 47.9 million and posted earnings before income taxes of € 2.5 million.

€ million	Carrying amounts at acquisition date	Revaluation of assets and liabilities	Carrying amounts at date of first-time consolidation
Property, plant and equipment	92.1	39.2	131.3
Other fixed assets	0.1	–	0.1
Other receivables and assets	9.2	2.8	12.0
Inventories	1.3	–	1.3
Cash and cash equivalents	1.6	–	1.6
Income tax provisions	–	17.2	17.2
Other provisions	0.9	–	0.9
Financial liabilities	53.1	–	53.1
Other liabilities	4.0	0.2	4.2
Equity	46.3	24.6	70.9

As at 18 July 2005, a subsidiary of TUI Nederland N.V. – TUI Airlines Nederland B.V. – took over the assets, liabilities and material rights related to flight operations from the insolvent ATR Leasing VI B.V. (previously operating under the ‘HollandExel’ brand) at a purchasing price of € 11.5 million in the framework of an acquisition of business operations. The purchasing price (including incidental acquisition cost: € 13.9 million) was confronted with negative net assets of € 0.9 million. The resulting difference of € 14.8 million was carried as goodwill since further acquired tangible or intangible assets could not be identified or separately recognised. Impacted by the start-up costs for flight operations under the ‘ArkeFly’ brand, the company generated turnover of € 75.5 million and posted negative earnings before income taxes of € 11.7 million in the 2005 financial year.

€ million	Carrying amounts at acquisition date	Revaluation of liabilities and assets	Carrying amounts at date of first-time consolidation
Property, plant and equipment	0.9	–	0.9
Other provisions	1.0	–	1.0
Other liabilities	0.8	–	0.8
Equity	- 0.9	–	- 0.9

On 1 September 2005, TUI AG submitted a bid for the takeover of all shares to the shareholders of the Canadian shipping company CP Ships, an international supplier of container transport services, via an indirect wholly-owned subsidiary. Following the termination of the tender period, around 89.0% of the shares were taken over at a purchase price of USD 21.50 per share, i.e. around USD 1.8 billion (around € 1.5 billion). The shares were transferred upon the payment of the purchase price on 25 October 2005. Following the resolution adopted at an extraordinary meeting of CP Ships shareholders, the remaining shares were taken over in the framework of a squeeze-out under Canadian law on 14 December 2005. The total purchase price thus amounted to around USD 2.0 billion (€ 1.7 billion). The total purchase price included incidental acquisition costs of € 26.3 million. Due to the acquisition, the group of consolidated companies grew by 74 companies.

Following the conversion of reporting by the CP Ships Group from Canadian GAAP to the International Financial Reporting Standards, equity totalled USD 1,481.8 million (€ 1,236.9 million). Due to the purchase price allocation to individual assets

and liabilities in line with IFRS 3, Group equity rose by USD 530.0 million (€ 442.4 million) to USD 2,011.8 million (€ 1,679.3 million). Due to the short period of time remaining after the acquisition of the CP Ships Group, the fair values of individual acquired assets and contingent liabilities taken over as well as the acquisition cost could only be determined on a preliminary basis. The netting of the purchasing price for the acquisition of around 89.0% of the shares in October 2005 and the revalued interest in equity resulted in goodwill of USD 50.5 million (€ 42.1 million), capitalised in the consolidated balance sheet. The goodwill of USD 4.0 million (€ 3.3 million), which arose in the framework of the minority acquisition, was directly eliminated against other revenue reserves.

In the period since first-time consolidation as per 25 October 2005, CP Ships generated earnings before income taxes of USD -3.1 million (€ -2.5 million) and turnover of USD 769.8 million (€ 618.4 million). It was not possible to provide information on the full 2005 financial year since reporting by CP Ships in accordance with the International Financial Reporting Standards has only been available since the date of acquisition.

	Carrying amounts at acquisition date		Revaluation of assets and liabilities		Carrying amounts at date of first-time consolidation	
	\$ million	€ million	\$ million	€ million	\$ million	€ million
Goodwill	607.6	507.2	- 607.6	- 507.2	-	-
Other intangible assets	68.2	56.9	823.6	687.6	891.8	744.5
Financial assets	0.5	0.4	-	-	0.5	0.4
Ships	888.1	741.3	452.4	377.6	1,340.5	1,118.9
Container	169.5	141.5	- 5.9	- 4.9	163.6	136.6
Other property, plant and equipment	100.3	83.8	1.5	1.2	101.8	85.0
Fixed assets	1,834.2	1,531.1	664.0	554.3	2,498.2	2,085.4
Trade accounts receivable	384.0	320.5	-	-	384.0	320.5
Other receivables and assets	181.1	151.2	- 2.7	- 2.3	178.4	148.9
Inventories	38.9	32.4	3.8	3.2	42.7	35.6
Cash and cash equivalents	367.5	306.8	-	-	367.5	306.8
Provisions for pensions	22.8	19.0	-	-	22.8	19.0
Current income tax provisions	2.9	2.5	-	-	2.9	2.5
Deferred income tax provisions	0.4	0.3	21.0	17.6	21.4	17.9
Other provisions	85.3	71.2	66.1	55.1	151.4	126.3
Financial liabilities	557.5	465.4	48.0	40.1	605.5	505.5
Trade accounts payable	496.1	414.1	-	-	496.1	414.1
Other liabilities	158.9	132.6	-	-	158.9	132.6
Equity	1,481.8	1,236.9	530.0	442.4	2,011.8	1,679.3

In the context of the restructuring of management contracts for Egyptian Iberotel hotel complexes in 2005, TUI AG acquired a 51% interest in Egypt Hotels S.A.E., established for this purpose in 2005, at a purchase price of € 38 thousand.

Overall, a total of 79 companies were included in consolidation for the first time due to the acquisition outlined above. In addition, a further four companies were added to the group of consolidated companies due to the expansion of their business activities. These companies had either been founded by the Group itself or were shell companies acquired by the Group in the past. In addition, one newly founded company was included in consolidation for the first time.

In the second half of December 2005, Robinson Club GmbH made collateralised advance payments amounting to the purchase price of € 2.1 million and € 31.5 million,

respectively, in order to acquire the remaining shares (around 85%) in the Mexican hotel company Hoteles Club Tulum S.A. de C.V. and take over receivables from shareholder loans granted to this hotel company. The share purchase and the takeover of the loan entitlements were completed upon the approval by the Mexican anti-trust authority in January 2006.

The 100% share in Hoteles Club Tulum S.A. de C.V (including the loan entitlements) are planned to be resold in the first half of 2006. Based on the share purchase in January 2006, the net assets of Hoteles Club Tulum S.A. de C.V. were measured at the equivalent of € 2.5 million as at 31 December 2005. While financial liabilities amounted to the equivalent of € 31.7 million and operating liabilities (after netting with operating current assets) amounted to the equivalent of € 3.5 million, the hotel complex (including the land) was measured at € 35.7 million and liquid funds amounted to € 2.0 million.

The divestment of the Group's remaining special logistics activities, the rail logistics business unit (UB I) of VTG with a total of ten companies, to the Luxemburg-based Compagnie Européene de Wagons was contractually agreed in early June 2005. Following approval by the competent antitrust authorities, the divestment process was completed on 14 December 2005. The sale to the company founded by the US-American investment company WL Ross & Co. LLC was effected at a purchase price of € 247.6 million. Due to the divestment, the goodwill of € 8.7 million allocated to UB I had to be recognised as a disposal. More detailed information on the Group's discontinuing operations is provided under note 14.

The airport operation company in Coventry, purchased in 2004, was sold to CAFCO-C in December 2005 at a price of 16.0 million British pounds sterling (€ 23.3 million). The removal of the company from consolidation resulted in a disposal of the proportionate goodwill of 6.8 million British pounds sterling (€ 9.8 million).

In addition, the group of consolidated companies declined by 24 due to the dissolution or liquidation of companies. A further six companies were removed from consolidation due to mergers or divestments. Two companies were removed from consolidation due to a decrease in their business activities.

After the balance sheet date, TUI AG sold its business travel activities pooled under TQ3 Travel Solutions Management Holding GmbH to the Dutch company BCD Holdings N.V. The divestment of a total of twelve subsidiaries is subject to the approval by the relevant antitrust authorities. The transaction is expected to be closed towards the end of the first quarter of the 2006 financial year. Since the sales negotiations were getting more and more specific, the business travel activities were defined as a disposal group in accordance with IFRS 5 as at 20 December 2005. While the assets and liabilities had to be pooled in separate balance sheet items in each case, the presentation of the income and expenses of the TQ3 Group in the Group's profit and loss statement did not change.

A further divestment only effected after the balance sheet date was the sale by TUI AG of its indirect wholly-owned subsidiary PNA Group Inc. to US financial investor Platinum Equity, which is subject to conditions. Due to the application of IFRS 5, the US steel service companies had been classified as discontinuing operations as of 1 January 2005. Since the divestment was already highly probable at the end of the financial year under review, this classification was retained despite the

general time limit of twelve months until the complete discontinuance of an operation fixed in the standard. The closing of the transaction is expected for the second quarter of the current financial year.

Development of the group of consolidated companies¹⁾ and the group of companies measured at equity

	Balance 31 Dec 2004	Additions	Disposals	Balance 31 Dec 2005
Consolidated subsidiaries	402	84	43	443
Domestic companies	52	4	6	50
Foreign companies	350	80	37	393
Associated companies	21	6	4	23
Domestic companies	4	–	–	4
Foreign companies	17	6	4	19
Joint ventures	27	3	1	29
Domestic companies	7	1	–	8
Foreign companies	20	2	1	21

¹⁾ excl. TUI AG

The effects of the changes in the group of consolidated companies in the 2005 financial year on the periods under review are outlined below. While the balance sheet values of companies removed from consolidation in the 2005 financial year were only shown as per the closing date for the previous period, the items of the profit and loss statement are also shown for the completed financial year on a prorated basis.

Effects of additions to and removals from consolidation

Balance sheet € million	Additions 31 Dec 2005	Disposals 31 Dec 2004
Non-current assets	2,327.9	351.5
Current assets	538.9	186.9
Non-current provisions	108.5	86.4
Current provisions	79.1	26.7
Non-current financial liabilities	48.0	65.3
Current financial liabilities	123.1	158.9
Non-current other liabilities	10.0	0.1
Current other liabilities	498.1	87.4

Effects of additions to and removals from consolidation

Profit and loss statement € million	Additions 2005	Disposals 2005	Disposals 2004
Turnover with third-parties	652.2	20.7	14.1
Turnover with consolidated Group companies	46.4	–	–
Operating income	28.9	11.8	1.5
Operating expenses	693.6	22.2	19.2
Financial income	12.0	–	–
Financial expenses	26.0	0.8	0.4
Result from companies measured at equity	–	–	–
Earnings before taxes on income	19.9	9.5	- 4.0
Income taxes	12.4	1.5	–
Result from continuing operations	7.5	8.0	- 4.0
Result from discontinuing operations	–	110.9	- 12.3
Group profit	7.5	118.9	- 16.3

Twenty-three associated companies and 29 joint ventures were measured at equity. The group of companies measured at equity rose by four companies on the previous year. Nine companies were added to equity measurement while five were removed. The additions primarily resulted from acquisitions of shareholdings and formation of companies. In two cases, companies were included in the group of companies measured at equity for the first time due to an expansion of their business activities. On the other hand, four companies were removed from the group of companies measured at equity because of divestments of shareholdings and one company because of the acquisition of the remaining shares and the first-time inclusion in consolidation.

The major indirect and direct subsidiaries, associated companies and joint ventures of TUI AG are listed on page 177. A complete list of shareholdings has been deposited with the commercial registers of the district courts of Berlin-Charlottenburg and Hanover.

Currency translation

The financial statements of companies have to be prepared in the respective functional currency. The respective functional currency corresponds to the currency of the economic environment in which the company primarily operates. As a matter of principle, the functional currencies of all subsidiaries corresponded to the currency of the country of incorporation of the respective subsidiary. However, the functional currency of the CP Ships Ltd. was the US dollar. The Swiss Thomson Travel International AG used the British pound sterling as its functional currency. Where subsidiaries prepared their financial statements in currencies other than the euro, the Group's functional currency, the assets, liabilities and balance sheet notes associated with the subsidiaries were translated at the mean rate of exchange applicable at the balance sheet date (closing rate). Goodwill allocated to these companies was also translated at the mean rate of exchange applicable at the balance sheet date. The items of the profit and loss statement and hence the profit for the year shown in the profit and loss statement were translated at the annual average rate.

In subsidiaries operating in hyperinflationary economies, the translation of the index-linked income and expense items, including the profit for the year, was effected at the respective closing rate. The carrying amounts of the non-monetary balance sheet items of these companies were adjusted to changes in prices on the basis of purchasing power indices and subsequently translated at the closing rate. The purchasing power gains or losses resulting from the indexation were carried as interest income or expenses with an effect on results.

The translation of the financial statements of foreign companies measured at equity followed the same principles for adjusting equity and translating goodwill as those used for consolidated subsidiaries.

Differences resulting from the translation of the financial statements of foreign subsidiaries were carried with no effect on results and separately shown as differences from currency translation in the statement of changes in equity. The currency differences were recognised as income or expenses in the year in which these subsidiaries were removed from consolidation.

Exchange rates of relevant currencies

€	Closing rate		Average rate	
	31 Dec 2005	31 Dec 2004	2005	2004
1 British pound sterling	1.46	1.41	1.46	1.47
1 US dollar	0.85	0.73	0.80	0.80
100 Swiss francs	64.29	64.78	64.59	64.76
100 Swedish kronas	10.65	11.09	10.77	10.96

Consolidation methods

Capital consolidation was based on the purchase method of accounting. Accordingly, irrespective of existing minority shares, a complete fair value measurement of all identifiable assets, liabilities and contingent liabilities was initially effected as at the acquisition date. Subsequently, the acquisition costs were eliminated against the acquiree's interest in revalued equity. Any excess of acquisition costs over net assets acquired was recognised as goodwill for all companies purchased since 1 October 1995 and recognised as an asset for the acquired subsidiary in accordance with the provisions of IAS 21. Any goodwill arising before that date continued to be eliminated against other revenue reserves. Any negative goodwill was immediately reversed with an effect on results, with the reversal effect shown as other income.

Due to the prospective application of IRFS 3 'Business Combinations', goodwill has no longer been amortised since 1 January 2004. Goodwill was regularly subjected to impairment tests at least annually, following the completion of the annual planning process.

Goodwill arising in the framework of the acquisition of minority interests was directly eliminated against other revenue reserves and did not result in the capitalisation of goodwill.

In the event of step acquisitions, a complete fair value measurement of assets and liabilities of the acquired company was effected as at every acquisition date. The goodwill to be recognised arose from the elimination of the acquisition cost against the acquiree's revalued equity attributable to the acquired share at the respective acquisition date. Any changes in the fair values of assets and liabilities arising in between the acquisition dates were recognised directly in equity in the consolidated balance sheet in accordance with the participation quota which did not yet result in a consolidation of the company. In the framework of the removal of a company from consolidation, this revaluation reserve was eliminated against other revenue reserves.

The difference between the income from the disposal of the subsidiary and its net assets, including accumulated translation differences recognised directly in equity, was carried as a profit or loss from the disposal of the subsidiary in the consolidated profit and loss statement as at the disposal date. Where a removal from consolidation of subsidiaries entailed the removal of goodwill allocated to subsidiaries purchased before 1 October 1995, the elimination against other revenue reserves, effected in the past with no effect on results, was no longer reversed with no effect on results. Reversing the elimination would result in an increase in the net assets removed and hence reduce the earnings from the removal of companies from consolidation. Minority interests were removed with no effect on results at the removal date.

The main associated companies and joint ventures of the Group were measured at the acquiree's equity attributable to the parent company at the acquisition date (equity method) and shown in the balance sheet under 'Associated companies or joint ventures measured at equity'. Concerning the treatment of goodwill, the principle applied in capital consolidation was also applied to the companies measured at equity, with goodwill contained in equity measurement. The 'Result from companies measured at equity' contained both the share of these companies in the profit for the year after income taxes and the impairment of goodwill of these companies. Where the accounting and measurement methods applied by associated companies and joint ventures differed from the uniform accounting rules applied in the Group, amendments were made unless the relevant facts were sufficiently known or accessible.

Intra-group receivables and liabilities or provisions were eliminated. Where the conditions for a consolidation of third-party liabilities were met, this consolidation method was applied.

Intercompany turnover and other income from intercompany transactions as well as the corresponding expenses were eliminated. Intercompany profits and losses from intra-group deliveries or services were eliminated with an effect on results, with deferred income taxes taken into account. Intra-group deliveries and services were usually provided in conformity with the arm's length principle. Intercompany profits from deliveries to and from companies measured at equity were eliminated on the basis of the same principles when the corresponding facts were known.

Accounting and measurement

The financial statements of the subsidiaries included in the TUI Group were prepared in accordance with uniform accounting and measurement principles. The amounts stated in the consolidated financial statements were not determined by tax regulations but solely by the commercial presentation of the net worth and financial position as set out in the rules of the IASB.

Turnover and other income

As a matter of principle, turnover and other operating income was reported upon rendering of the service or delivery of the assets and hence upon transfer of the risk.

The commission income from package tours of non-Group tour operators sold by the travel agencies was recognised upon payment by the customers; upon departure at the latest. Commission income from Group products sold was not recognised until the departure of the customers. The services of tour operators mainly consisted in the organisation and coordination of package tours. Turnover from the organisation of tours was therefore fully recognised upon the start of the tour. Turnover from individual tour services booked directly with airlines, hotels and incoming agencies by the customer was recognised when the customer had used the service.

Income from non-completed shipping tours was recognised according to the proportion of contract performance at the balance sheet date. In container shipping, the percentage of completion corresponded to the relationship between the expenses already incurred and the expected overall expense for the shipping tour. The realisation of income was based on the determined and constantly reviewed profit margins for the individual trade lanes. Regarding cruises, the percentage of completion was determined as the ratio between travel days completed by the balance sheet date and overall travel days.

Interest income and expenses were reported on an accrual basis. Dividends were reported when the legal claim had arisen.

***Goodwill and other
intangible assets***

Acquired intangible assets were carried at cost. Self-generated intangible assets, primarily software used by the Group itself, were capitalised at cost where an inflow of future economic benefits for the Group was probable and could be reliably measured. The cost of conversion comprised direct costs and directly allocatable overheads. Intangible assets with a limited service life were amortised over the expected useful life. Concessions and industrial property rights and similar rights and values were amortised over a period of up to 20 years. Software amortisation usually covered a period of three years, in exceptional cases up to ten years.

Intangible assets with an indefinite useful life were not amortised but had to be subjected to an impairment test at least annually. In addition, impairment tests had to be conducted when there were any events or indications suggesting that there was an impairment. An impairment was charged when the future recoverable amount from the asset was below its carrying amount. The recoverable amount of an asset was the fair value less cost to sell or the present value of future cash flows expected to arise from the asset (value in use), if higher. The Group's intangible assets with an indefinite useful life exclusively consisted of goodwill.

Impairment tests for goodwill were conducted on the basis of cash generating units. According to the IASB rules, cash-generating units are the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. In the tourism segment, cash generating units were established for the individual source markets, i.e. for specific countries, on the one hand and for individual subsidiaries in the tourist destinations on the other. The shipping segment was defined as one cash-generating unit in its entirety.

In the framework of the impairment tests, the carrying amounts of the tested units plus the allocated goodwill were compared with their value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset. The present value is calculated on the basis of the medium-term three-year plan prepared at year-end. The extrapolation of the operating cash flows after the detailed planning period was based on corresponding growth rates. In individual cases, fair values less expected costs to sell were used in the framework of the impairment tests. More detailed information on the determination of fair values is provided in note 7.

Where the original causes for impairments charged in previous years no longer applied, the impairment was written back to other income. In accordance with IAS 36, write-backs of goodwill were not admissible.

Property, plant and equipment

Property, plant and equipment were measured at amortised cost. The cost of purchase comprised all costs incurred to purchase an asset and bring it to working condition. The cost of conversion was determined on the basis of direct costs and appropriate allocations of overheads and depreciation. The cost of finance for the acquisition or the period of production was not capitalised.

Use-related depreciation was based on the following useful lives:

Useful lives

	Useful lives
Hotel buildings	30 to 40 years
Other buildings	up to 50 years
Container ships	25 years
- Dry docking cost	depending on intervals, up to 5 years
Cruise ships	30 years
- Dry docking cost	depending on intervals, up to 2 years
Aircraft	
- Fuselages	18 years
- Engines	18 years
- Engine overhaul	depending on intervals, up to 5 years
- Major overhaul	depending on intervals, up to 5 years
- Spare parts	12 years
Tank farms	up to 25 years
Other machinery and fixtures	up to 40 years
Operating and business equipment	up to 10 years

Moreover, the level of depreciation was determined by the residual amounts recoverable at the end of the useful life of an asset. While the residual value of a container ship corresponded to its scrap value, the residual value assumed for cruise ships and their hotel complexes amounted to 30% of the acquisition costs. The determination of the depreciation of aircraft fuselages, aircraft engines and spare parts in first-time recognition was based on a residual value of 20% of the cost of acquisition.

Both the useful lives and assumed residual values are reviewed on an annual basis in the framework of the preparation of the annual financial statements. Any adjustments required were presented as a correction of scheduled depreciation over the remaining useful life of the asset. The restatement of depreciation was effected retrospectively for the entire financial year in which the review took place. Where the review resulted in an increase of the residual value so that it exceeded the remaining net carrying amount of the asset, depreciation was suspended. In this case, the amounts were not written back.

Any losses in value expected to be permanent and going beyond wear-and-tear depreciation were taken into account by means of the recognition of impairment losses. If there were any event or indications suggesting the existence of an impairment, the carrying value of an asset was compared with the recoverable amount in the framework of the impairment test required in that case. The recoverable amount is the higher of an asset's fair value less costs to sell and the value of future payment flows attributable to the asset (value in use).

Investment grants received were shown as reductions in cost where these grants were directly attributable to individual property, plant or equipment items. Where a direct allocation of grants was not possible, the grants and subsidies received were carried as deferred income under other liabilities and reversed in accordance with the useful life of the investment project.

Finance leases

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carried all essential risks and rewards incident to ownership of the assets were capitalised. The capitalisation was based on the fair value of the asset or the

present value of the minimum lease payments, if lower. Scheduled depreciation was charged over the economic life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. The payment obligations arising from future lease payments were carried as liabilities, with no consideration of future interest expenses.

Where companies of the TUI Group acted as lessors in finance leases, receivables equivalent to the net investment value were carried. The periodical distribution of the income from finance leases resulted in constant interest payments on the outstanding net investment volume of the leases over the course of time. Rental income from operating leases was recognised on a straight-line basis over the term of the corresponding contract.

Investments

Apart from shares in non-consolidated Group companies and other shareholdings, investments included in particular loans. As a matter of principle, shares held as well as other securities were classified as financial instruments available for sale and recognised at fair value at the date of acquisition. Changes in the fair values between the acquisition date and the balance sheet date were recognised in the revaluation reserve for financial instruments with no effect on results. Upon selling these financial assets, the accumulated gain or loss was recognised in the profit and loss statement with an effect on results. Where a substantial impairment existed in addition to the fluctuations in the value of these financial assets customary in the market, the accumulated loss previously shown in equity gave rise to an impairment in the result for the period. Where impairment losses were subsequently reversed, the reversal was not carried with an effect on results but was recognised in the revaluation reserve for financial instruments with no effect on results.

Where no fair value listed on an active market existed for shares in non-consolidated Group companies and other shareholdings and other methods for the determination of an objective fair value were not applicable due to the affiliation to the Group, the shares were measured at amortised cost.

Loans were measured at amortised cost. Non-interest-bearing or low-interest loans were carried at their present values and amortised using the effective interest method.

Investment property

Property not occupied for use by Group companies and exclusively held to generate rental income and capital gains was recognised at amortised cost. This property was depreciated over a period of up to 50 years.

Derivative financial instruments

Derivative financial instruments were exclusively entered into in order to hedge exposure to economic risks. In accordance with the provisions of IAS 39, they were carried at fair value. Changes in fair values of derivative financial instruments entered into to hedge exposure to changes in the fair value of recognised assets and liabilities (fair value hedges) were immediately recognised in the result for the period, as were changes in the fair value of the underlying hedged item. When the derivative financial instruments had been entered into to hedge future cash flows (cash flow hedges) such as planned purchases of aircraft fuel, the effective proportion of changes in the fair value of these financial instruments was recognised in the revaluation reserve for financial instruments with no effect on results until the underlying hedged transaction occurred. When a hedged future transaction resulted in the recognition

of a non-financial asset or a non-financial liability, the gains and losses of the derivative financial assets taken directly to equity were carried as adjustments of the acquisition costs or other carrying amounts. Non-effective hedge components were directly recognised with an effect on results.

When in exceptional cases the necessary criteria for hedge accounting under IAS 39 were not met by individual derivative financial instruments, the related changes in fair values were immediately recognised in the result for the period.

Other receivables and assets

Other receivables and assets were initially measured at fair value and were subsequently measured at amortised cost. Concerning this item, all identifiable individual risks were taken into account by means of appropriate impairments. In addition, value adjustments based on empirical values were effected on a portfolio basis.

Any foreign exchange differences resulting from the translation of trade account receivables were recognised as turnover corrections. Currency differences from the translation of foreign currency receivables not produced in the framework of the normal business process were shown under other income and expenses.

Inventories

Inventories were measured at the lower of cost or net realisable value. Net realisable value was the estimated selling price less the estimated cost incurred until the sale and the estimated distribution costs required. All inventories were written down individually where the net realisable value of inventories was lower than their carrying amounts. Where the original causes of inventory write-downs no longer applied, the write-downs were reversed. The measurement method applied to like inventory items was the weighted average cost formula.

Hybrid capital

In accordance with IAS 32, the bond terms of the hybrid capital issued as at the end of the 2005 financial year resulted in recognition as an equity component for the Group. Accordingly, the tax-deductible interest payments were not shown under interest expenses but were treated in analogy to dividend obligations to the shareholders. The costs of equity raising were directly deducted from the hybrid capital, taking account of deferred income taxes.

Provisions

Provisions were formed for uncertain third-party obligations where these obligations were expected to lead to a future outflow of resources. They were carried at the anticipated settlement amount and were not offset against indemnification claims. Non-current provisions, insofar as there was a material effect, were reported at their net present value. Income from the reversal of provisions was shown in the profit and loss statement item under which the expense for the formation of the corresponding provision was formed in the previous year.

Pension provisions were recognised using the projected unit credit method in accordance with IAS 19. Actuarial gains and losses were directly offset against equity. Unlike in previous years, the interest portion of the measurement of the pension obligations was not recognised under personnel costs but under interest expenses. Expected income from fund assets was recognised as interest income.

Liabilities

As a matter of principle, liabilities were carried at the date on which they arose after deduction of the cost of borrowing at fair value less the transaction costs. Over the course of time, liabilities were measured at amortised cost based on application of the effective interest method.

When issuing bonds comprising both a pure debt component but also a second component in the form of conversion options or warrants, the funds obtained for the respective components were recognised in accordance with their character. At the issuing date, the debt component was carried as a bond at a value that would have been generated for the issue of this debt instrument without corresponding conversion options or warrants on the basis of existing market terms. If the conversion options or warrants had to be classified as equity instruments, the difference compared with the issuing proceeds generated with deferred taxes taken into account was transferred to the capital reserve. Where the conversion options or warrants did not qualify as equity instruments, such as in the case of the convertible bond issued in October 2003, they were recognised as derivative liabilities.

The currency differences resulting from the translation of trade account receivables were reported as a correction of the cost of purchased services and materials. Currency differences from the translation of liabilities not resulting from normal business processes were carried under other income and expenses.

Deferred income taxes

In accordance with IAS 12, the accounting and measurement of deferred income taxes followed the balance sheet liability method on the basis of the tax rate applicable at the date of realisation. The fiscal consequences of profit distribution were only taken into account as per the date of the adoption of the resolution on appropriation of profits. For the expected tax benefits relating to losses carried forward which were realisable in future, deferred tax assets were reported.

Income tax provisions were offset against the corresponding tax refund claims where they existed in the same fiscal territory and were congruent in terms of nature and maturity.

Estimates and assumptions

The preparation of the consolidated financial statements was based on a number of assumptions and estimates which had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities. The assumptions and estimates mainly related to the fixing of uniform economic lives for all Group companies, the accounting and measurement of provisions and the realisability of future tax savings. In addition, assumptions and estimates were used in the framework of the goodwill-related impairment tests. The assumptions underlying the respective estimates are outlined under the individual items of the profit and loss statement and the balance sheet. Actual values may vary from the assumptions and estimates made in individual cases. Changes were accounted for with an effect on results by the time new information was available.

Segment reporting

Notes on the segments

In primary segment reporting, the individual companies of the TUI Group were attributed to the business segments, with tourism and shipping representing the Group's core businesses. The Group's real estate companies and Wolf GmbH were pooled in the segment 'Other operating units'. TUI AG assumes both cross-divisional tasks such as finance, taxes and legal, but also operating tasks for the tourism division. In this connection, TUI AG acquired ownership in aircraft, passed on to the Group's airlines in the framework of operating leases. For the purposes of segment reporting, economic ownership was allocated to the airlines so that the aircraft represented assets of the tourism segment. Corresponding expenses and income

were also allocated to the tourism segment. The remaining operations of TUI AG and other holding companies not unambiguously allocatable to other segments were pooled as non-allocatable business operations (Holdings).

Group segmentation was based on internal corporate control. The individual companies were allocated to the divisions and sectors based on economic criteria alone, irrespective of their participation structure under company law.

The low-cost airline Hapag-Lloyd Express GmbH was allocated to the Central Europe segment, unlike its allocation in the 2004 financial year. In order to enhance comparability, the previous year's figures were restated accordingly. While turnover in the Central Europe sector rose by € 135.5 million, earnings before income taxes declined by € 23.6 million. Correspondingly, the Group's second low-cost charter airline, Budget Air Ltd., and the airport operation company in Coventry were carried in the Northern Europe sector. Due to the new allocation, turnover of the Northern Europe sector for the 2004 financial year declined by € 3.6 million, with earnings before taxes on income decreasing by € 25.0 million. Due to the reclassifications, turnover by the tourism division grew by € 131.9 million, with earnings before income taxes down by € 48.6 million.

The tourism division covered all tourism companies of the Group with the exception of Hapag-Lloyd Kreuzfahrten GmbH, covered by the shipping division as its entrepreneurial management was effected by Hapag-Lloyd AG. The further classification of the tourism segment into the five sectors Central Europe, Northern Europe, Western Europe, Destinations and Other tourism activities mainly followed geographical aspects and their respective functions within the value chain.

The Central Europe sector comprised the distribution and tour operating activities in Germany, Switzerland, Austria and Poland as well as airlines Hapag-Lloyd Fluggesellschaft mbH and Hapag-Lloyd Express GmbH. The Northern Europe sector covered the travel agencies and tour operators in the UK and Ireland, the Nordic countries Sweden, Denmark, Norway and Finland as well as the airlines Thomsonfly UK, Britannia Airways Nordic and Budget Air Ltd. The Western Europe sector comprised the distribution and tour operating activities in France, the Netherlands and Belgium as well as the airlines Corsair S.A., TUI Airlines Belgium N.V. and TUI Airlines Nederland B.V. The destinations sector included the Group's incoming agencies and hotel companies. The Other tourism/consolidation sector covered the business travel activities combined under TQ3 Management Holding GmbH and especially the companies providing central services for the division. This sector also included the consolidation of relationships between the tourism sectors.

The shipping division covered both container shipping and cruise activities. In the container shipping sector, Hapag-Lloyd Container Linie and CP Ships did not only offer pure container shipping operations but in particular also door-to-door container transport services. Using subcontractors, they thus offered services at all stages of the transport chain.

Following the divestment of rail and tank container logistics at the end of the 2005 financial year, the Group's discontinuing operations exclusively comprised the US steel service companies. Essential parts of special logistics had already been divested in 2004.

In secondary segment reporting, the Group's business activities were broken down according to geographical criteria.

Notes on the segment data

As a rule, inter-segment turnover was generated in line with the arm's length principle, applied in transactions with third parties.

The operating segment assets and liabilities comprised the assets or liabilities, excluding financial assets, financial liabilities and pension provisions as well as income taxes. Goodwill was also shown as segment assets.

Investments were additions of property, plant and equipment as well as intangible assets. Depreciation was related to segment assets and also included the impairment of goodwill.

Depreciation was not taken into account in the determination of non-cash expenses.

Financial assets as well as cash and cash equivalents were used to generate the financial result. Financial liabilities and pension provisions were carried as interest-bearing debt and were used to finance the operating and investing activities.

The reconciliation of segment assets and liabilities to the Group's assets or liabilities resulted from the consideration of the income tax claims or income tax provisions and liabilities not taken into account in accordance with IAS 14.

Segment reporting disclosed earnings ratios such as EBT, EBTA, EBIT, EBITDA and EBITDAR since these ratios were also used as the control basis for value-oriented corporate management. In determining the earnings ratios of the discontinuing operations, the 'Result from discontinuing operations' was again allocated to the original types of income and expenses.

Key Figures by Divisions and Sectors

€ million	2005	Tourism 2004 restated	2005	Shipping 2004 restated
Statements of results				
Third-party turnover	14,096.5	13,318.9	3,834.2	2,686.7
Inter-segment turnover	28.9	17.0	2.8	3.9
Segment turnover	14,125.4	13,335.9	3,837.0	2,690.6
Group profit/loss for the year				
Income taxes				
Earnings before taxes (EBT)	360.0	352.9	278.5	279.6
Amortisation of goodwill	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0
Earnings by divisions (EBTA)	360.0	352.9	278.5	279.6
Earnings before taxes (EBT)	360.0	352.9	278.5	279.6
Net interest result and result from the measurement of interest hedges	- 5.2	7.8	- 39.4	- 20.2
Earnings before interest and taxes (EBIT)	365.2	345.1	317.9	299.8
of which at equity result	(35.0)	(39.3)	(4.1)	(0.4)
Amortisation of goodwill	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	365.2	345.1	317.9	299.8
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	368.4	330.0	134.8	92.3
	(16.3)	(2.6)	(0.1)	(0.0)
Other depreciation/amortisation and write-backs of which write-backs	- 0.6	- 3.3	0.3	0.0
	(5.6)	(1.6)	(0.5)	(0.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	734.2	678.4	452.4	392.1
Rental expenses	556.6	499.6	272.1	118.3
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	1,290.8	1,178.0	724.5	510.4
Assets and liabilities				
Segment assets	8,249.0	7,816.0	4,411.1	1,457.8
of which goodwill	(3,712.3)	(3,752.7)	(44.1)	(1.5)
Carrying amounts of companies measured at equity	360.7	324.2	12.0	7.8
Financial assets	1,063.4	906.3	884.2	161.4
Non-allocatable taxes				
Total assets				
Segment liabilities	3,147.2	3,310.5	1,152.9	456.6
Interest-bearing liabilities	1,969.4	1,594.6	1,698.0	614.1
Non-allocatable taxes				
Total liabilities and provisions				
Additional disclosures				
At equity result	35.0	39.3	4.1	0.4
of which operating result	(35.0)	(39.3)	(4.1)	(0.4)
of which amortisation of goodwill	(0.0)	(0.0)	(0.0)	(0.0)
Non-cash expenses	7.4	7.8	2.5	0.0
Return on sales (% on EBTA)	2.5	2.6	7.3	10.4
Investments	566.5	523.2	428.8	73.6
Investments in goodwill	15.1	11.1	42.2	0.0
Investments in other intangible assets and property, plant and equipment	551.4	512.1	386.6	73.6
Financing ratio (%)	65.0	63.1	31.4	125.4
Personnel at year-end	50,498	49,872	9,077	3,976

* Non-allocatable to segments

Other operating units		2005	Holdings*		Consolidation		Continuing operations	
2005	2004 restated		2004 restated	2004 restated	2005	2004 restated	2005	2004 restated
	268.5	282.5	1.1	1.1	0.0	0.0	18,200.3	16,289.2
	9.4	8.8	16.6	7.6	- 56.7	- 33.2	1.0	4.1
	277.9	291.3	17.7	8.7	- 56.7	- 33.2	18,201.3	16,293.3
							298.6	365.2
							86.9	55.4
	60.4	32.4	- 60.0	37.0	- 253.4	- 281.3	385.5	420.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	60.4	32.4	- 60.0	37.0	- 253.4	- 281.3	385.5	420.6
	60.4	32.4	- 60.0	37.0	- 253.4	- 281.3	385.5	420.6
	- 0.2	0.4	- 158.6	- 190.6	- 0.2	- 9.9	- 203.6	- 212.5
	60.6	32.0	98.6	227.6	- 253.2	- 271.4	589.1	633.1
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(39.1)	(39.7)
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	60.6	32.0	98.6	227.6	- 253.2	- 271.4	589.1	633.1
	14.8	13.6	5.8	5.3	- 0.4	1.3	523.4	442.5
	(1.9)	(0.0)	(0.0)	(1.4)	(0.0)	(0.0)	(18.3)	(4.0)
	0.1	- 0.4	- 4.2	- 1.7	- 1.9	0.7	- 6.3	- 4.7
	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(6.1)	(1.7)
	75.3	46.0	108.6	234.6	- 251.7	- 270.8	1,118.8	1,080.3
	4.2	4.7	1.5	8.6	- 22.9	- 0.4	811.5	630.8
	79.5	50.7	110.1	243.2	- 274.6	- 271.2	1,930.3	1,711.1
	245.2	358.3	379.0	404.6	- 164.4	- 236.9	13,119.9	9,799.8
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(3,756.4)	(3,754.2)
	0.0	0.0	0.0	0.0	0.0	0.0	372.7	332.0
	303.0	221.8	9,892.6	5,630.7	- 11,014.8	- 5,541.8	1,128.4	1,378.4
	121.9	145.1	552.0	774.2	- 180.6	- 381.2	4,793.4	4,305.2
	130.2	148.0	5,014.5	3,433.1	- 3,139.9	- 1,169.5	5,672.2	4,620.3
	0.0	0.0	0.0	0.0	0.0	0.0	39.1	39.7
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(39.1)	(39.7)
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
	0.0	0.0	2.6	0.0	0.0	0.0	12.5	7.8
	21.7	11.1					2.1	2.6
	22.9	9.2	1.3	0.8	0.0	0.0	1,019.5	606.8
	0.0	0.0	0.0	0.0	0.0	0.0	57.3	11.1
	22.9	9.2	1.3	0.8	0.0	0.0	962.2	595.7
	64.6	147.8	446.2	662.5			51.3	72.9
	1,337	1,497	846	702			61,758	56,047

Key Figures by Divisions and Sectors

€ million	Continuing operations		Special logistics	
	2005	2004 restated	2005	2004 restated
Statements of results				
Third-party turnover	18,200.3	16,289.2	415.4	785.5
Inter-segment turnover	1.0	4.1	0.0	0.2
Segment turnover	18,201.3	16,293.3	415.4	785.7
Group profit/loss for the year				
Income taxes	86.9	55.4		
Earnings before taxes (EBT)	385.5	420.6	150.5	156.7
Amortisation of goodwill	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0
Earnings by divisions (EBTA)	385.5	420.6	150.5	156.7
Earnings before taxes (EBT)				
Net interest result and result from the measurement of interest hedges	- 203.6	- 212.5	- 8.1	- 14.1
Earnings before interest and taxes (EBIT)	589.1	633.1	158.6	170.8
of which at equity result	(39.1)	(39.7)	(0.0)	(0.8)
Amortisation of goodwill	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	589.1	633.1	158.6	170.8
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	523.4	442.5	0.0	82.1
Other depreciation/amortisation and write-backs of which write-backs	(18.3)	(4.0)	(0.0)	(9.0)
	- 6.3	- 4.7	0.0	- 1.9
	(6.1)	(1.7)	(0.0)	(0.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,118.8	1,080.3	158.6	254.8
Rental expenses	811.5	630.8	29.3	67.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	1,930.3	1,711.1	187.9	322.3
Assets and liabilities				
Segment assets	13,119.9	9,799.8	0.0	424.1
of which goodwill	(3,756.4)	(3,754.2)	(0.0)	(9.6)
Carrying amounts of companies measured at equity	372.7	332.0	0.0	1.7
Financial assets	1,128.4	1,378.4	0.0	84.2
Non-allocatable taxes				
Total assets				
Segment liabilities	4,793.4	4,305.2	0.0	162.5
Interest-bearing liabilities	5,672.2	4,620.3	0.0	233.3
Non-allocatable taxes				
Total liabilities and provisions				
Additional disclosures				
At equity result	39.1	39.7	0.0	0.8
of which operating result	(39.1)	(39.7)	(0.0)	(0.8)
of which amortisation of goodwill	(0.0)	(0.0)	(0.0)	(0.0)
Non-cash expenses	12.5	7.8	0.0	0.0
Return on sales (% on EBTA)	2.1	2.6	36.2	19.9
Investments	1,019.5	606.8	33.0	67.0
Investments in goodwill	57.3	11.1	0.1	0.0
Investments in other intangible assets and property, plant and equipment	962.2	595.7	32.9	67.0
Financing ratio (%)	51.3	72.9	0.0	122.5
Personnel at year-end	61,758	56,047	0	502

* The discontinuing operations comprise earnings from the disposal of the Energy division. For 2005 these earnings totalled € 34.0 million; for 2004 € 21.5 million.

	2005	Trading 2004 restated	Discontinuing operations* 2005 2004 restated		Consolidation 2005 2004 restated		2005	Group 2004 restated
	1,002.9	971.5	1,418.3	1,757.0	0.0	0.0	19,618.6	18,046.2
	0.0	0.0	0.0	0.2	- 1.0	- 4.3	0.0	0.0
	1,002.9	971.5	1,418.3	1,757.2	- 1.0	- 4.3	19,618.6	18,046.2
			196.2	206.8			494.8	572.0
			51.1	52.6			138.0	108.0
	62.8	81.2	247.3*	259.4*	0.0	0.0	632.8	680.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	62.8	81.2	247.3*	259.4*	0.0	0.0	632.8	680.0
	62.8	81.2	247.3*	259.4*	0.0	0.0	632.8	680.0
	- 4.5	- 5.7	- 12.6	- 19.8	0.0	0.0	- 216.2	- 232.3
	67.3	86.9	259.9*	279.2*	0.0	0.0	849.0	912.3
	(1.2)	(1.3)	(1.2)	(2.1)	(0.0)	(0.0)	(40.3)	(41.8)
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	67.3	86.9	259.9*	279.2*	0.0	0.0	849.0	912.3
	0.0	33.0	0.0	115.1	0.0	0.4	523.4	558.0
	(0.0)	(25.0)	(0.0)	(34.0)	(0.0)	(0.0)	(18.3)	(38.0)
	0.0	0.0	0.0	- 1.9	0.0	0.0	- 6.3	- 6.6
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(6.1)	(1.7)
	67.3	119.9	259.9*	396.2*	0.0	0.4	1,378.7	1,476.9
	2.2	3.6	31.5	71.1	0.0	0.0	843.0	701.9
	69.5	123.5	291.4*	467.3*	0.0	0.4	2,221.7	2,178.8
	377.9	381.5	377.9	805.6	0.0	3.0	13,497.8	10,608.4
	(0.0)	(0.0)	(0.0)	(9.6)	(0.0)	(0.0)	(3,756.4)	(3,763.8)
	0.0	5.8	0.0	7.5	0.0	0.0	372.7	339.5
	8.7	1.9	8.7	86.1	- 3.1	- 408.5	1,134.0	1,056.0
							323.9	366.5
							15,328.4	12,370.4
	113.6	91.3	113.6	253.8	- 2.9	0.0	4,904.1	4,559.0
	58.3	157.0	58.3	390.3	- 0.2	- 188.5	5,730.3	4,822.1
							318.8	329.5
							10,953.2	9,710.6
	1.2	1.3	1.2	2.1	0.0	0.0	40.3	41.8
	(1.2)	(1.3)	(1.2)	(2.1)	(0.0)	(0.0)	(40.3)	(41.8)
	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
	0.0	0.0	0.0	0.0	0.0	0.0	12.5	7.8
	6.3	8.4					3.2	3.8
	5.4	3.1	38.4	70.1	0.0	0.0	1,057.9	676.9
	0.0	0.0	0.1	0.0	0.0	0.0	57.4	11.1
	5.4	3.1	38.3	70.1	0.0	0.0	1,000.5	665.8
	0.0	1,064.5	0.0	164.2			49.5	82.4
	1,189	1,167	1,189	1,669			62,947	57,716

Key Figures Tourism Division

€ million	Central Europe		Northern Europe		Western Europe	
	2005	2004 restated	2005	2004 restated	2005	2004 restated
Statements of results						
Third-party turnover	5,749.6	5,384.5	4,809.2	4,674.6	2,753.7	2,505.2
Inter-segment turnover	19.2	18.3	4.1	4.7	6.7	5.7
Segment turnover	5,768.8	5,402.8	4,813.3	4,679.3	2,760.4	2,510.9
Group profit/loss for the year						
Income taxes						
Earnings before taxes (EBT)	82.5	61.9	109.2	77.8	- 9.6	39.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0	0.0	0.0
Earnings by divisions (EBTA)	82.5	61.9	109.2	77.8	- 9.6	39.5
Earnings before taxes (EBT)	82.5	61.9	109.2	77.8	- 9.6	39.5
Net interest result and result from the measurement of interest hedges	16.6	15.3	6.3	4.8	- 7.0	- 4.5
Earnings before interest and taxes (EBIT)	65.9	46.6	102.9	73.0	- 2.6	44.0
of which at equity result	(2.9)	(1.3)	(0.0)	(0.0)	(0.1)	(- 0.7)
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	65.9	46.6	102.9	73.0	- 2.6	44.0
Amortisation of other intangible assets and depreciation of property, plant and equipment of which impairments	70.0	70.1	113.4	115.9	55.1	35.6
Other depreciation/amortisation and write-backs of which write-backs	(4.4)	(0.4)	(0.0)	(0.0)	(2.5)	(2.2)
	- 2.8	- 0.4	0.0	0.0	- 0.3	- 1.8
	(0.1)	(0.0)	(0.0)	(0.0)	(1.8)	(0.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	138.7	117.1	216.3	188.9	52.8	81.4
Rental expenses	155.8	139.8	247.8	180.0	44.6	51.5
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	294.5	256.9	464.1	368.9	97.4	132.9
Assets and liabilities						
Segment assets	1,560.6	1,653.3	3,253.0	3,106.9	1,177.5	1,044.1
of which goodwill	(650.2)	(650.0)	(1,960.2)	(1,913.9)	(486.6)	(471.7)
Carrying amounts of companies measured at equity	14.8	7.6	0.0	0.0	0.4	0.3
Financial assets	666.7	477.3	764.8	622.9	256.3	194.9
Non-allocatable taxes						
Total assets						
Segment liabilities	997.6	969.0	1,361.6	1,391.3	604.5	698.3
Interest-bearing liabilities	282.9	277.7	1,040.3	783.3	473.2	221.6
Non-allocatable taxes						
Total liabilities and provisions						
Additional disclosures						
At equity result	2.9	1.3	0.0	0.0	0.1	- 0.7
of which operating result	(2.9)	(1.3)	(0.0)	(0.0)	(0.1)	(- 0.7)
of which amortisation of goodwill	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Non-cash expenses	0.4	1.7	0.0	0.0	1.5	4.0
Return on sales (% on EBTA)	1.4	1.1	2.3	1.7	- 0.3	1.6
Investments	109.9	23.0	91.2	112.1	232.9	183.9
Investments in goodwill	0.3	1.2	0.0	9.8	14.8	0.0
Investments in other intangible assets and property, plant and equipment	109.6	21.8	91.2	102.3	218.1	183.9
Financing ratio (%)	63.7	304.8	124.3	103.4	23.7	19.4
Personnel at year-end	9,691	9,330	16,254	17,517	6,904	6,617

Destinations		Other tourism		Consolidation		Tourism division	
2005	2004 restated	2005	2004 restated	2005	2004 restated	2005	2004 restated
532.5	508.2	251.5	246.4	0.0	0.0	14,096.5	13,318.9
593.3	576.5	127.1	110.0	- 721.5	- 698.2	28.9	17.0
1,125.8	1,084.7	378.6	356.4	- 721.5	- 698.2	14,125.4	13,335.9
169.3	143.6	4.5	36.6	4.1	- 6.5	360.0	352.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
169.3	143.6	4.5	36.6	4.1	- 6.5	360.0	352.9
169.3	143.6	4.5	36.6	4.1	- 6.5	360.0	352.9
- 15.9	- 4.5	- 5.3	- 3.4	0.1	0.1	- 5.2	7.8
185.2	148.1	9.8	40.0	4.0	- 6.6	365.2	345.1
(32.4)	(38.7)	(- 0.4)	(0.0)	(0.0)	(0.0)	(35.0)	(39.3)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
185.2	148.1	9.8	40.0	4.0	- 6.6	365.2	345.1
85.7	62.1	45.1	47.8	- 0.9	- 1.5	368.4	330.0
(4.5)	(0.0)	(4.9)	(0.0)	(0.0)	(0.0)	(16.3)	(2.6)
2.5	1.3	0.0	- 2.4	0.0	0.0	- 0.6	- 3.3
(3.7)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(5.6)	(0.0)
268.4	208.9	54.9	90.2	3.1	- 8.1	734.2	678.4
85.4	110.1	25.4	18.0	- 2.4	0.2	556.6	499.6
353.8	319.0	80.3	108.2	0.7	- 7.9	1,290.8	1,178.0
2,019.4	1,752.1	320.8	326.6	- 82.3	- 67.0	8,249.0	7,816.0
(615.3)	(612.6)	(0.0)	(104.5)	(0.0)	(0.0)	(3,712.3)	(3,752.7)
345.1	315.4	0.4	0.8	0.0	0.1	360.7	324.2
83.2	71.0	26.3	23.1	- 733.9	- 482.9	1,063.4	906.3
158.3	196.0	113.7	127.2	- 88.5	- 71.3	3,147.2	3,310.5
788.5	680.8	115.8	106.6	- 731.3	- 475.4	1,969.4	1,594.6
32.4	38.7	- 0.4	0.0	0.0	0.0	35.0	39.3
(32.4)	(38.7)	(- 0.4)	(0.0)	(0.0)	(0.0)	(35.0)	(39.3)
(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
5.1	2.1	0.4	0.0	0.0	0.0	7.4	7.8
15.0	13.2	1.2	10.3			2.5	2.6
114.3	163.3	18.2	40.9	0.0	0.0	566.5	523.2
0.0	0.1	0.0	0.0	0.0	0.0	15.1	11.1
114.3	163.2	18.2	40.9	0.0	0.0	551.4	512.1
75.0	38.0	247.8	116.9			65.0	63.1
12,866	11,726	4,783	4,682			50,498	49,872

Key Figures by Regions

€ million	Germany		EU (excl. Germany)		Rest of Europe	
	2005	2004 restated	2005	2004 restated	2005	2004 restated
Consolidated turnover by customers	5,734.9	1,692.0	9,975.2	9,303.6	528.6	468.7
of which discontinuing operations	(201.5)	(325.2)	(154.8)	(394.1)	(35.6)	(32.2)
Consolidated turnover by domicile of companies	8,994.2	8,259.6	8,684.7	8,467.9	482.1	248.1
of which discontinuing operations	(343.2)	(460.6)	(67.5)	(315.2)	(4.7)	(6.0)
Segment assets	3,942.1	4,223.7	6,411.0	5,578.3	133.3	84.6
of which discontinuing operations	(0.0)	(378.5)	(0.0)	(50.8)	(0.0)	(6.8)
Non-allocatable taxes						
Segment liabilities	1,975.4	2,127.3	2,400.5	2,304.5	52.2	78.5
of which discontinuing operations	(0.0)	(132.7)	(0.0)	(29.4)	(0.0)	(1.4)
Non-allocatable taxes						
Additional disclosures						
Depreciation/amortisation	225.4	256.9	234.6	248.1	5.2	6.0
of which discontinuing operations	(0.0)	(38.2)	(0.0)	(42.9)	(0.0)	(0.8)
Investments	492.6	154.5	445.5	432.2	3.5	3.1
of which discontinuing operations	(18.0)	(20.0)	(15.0)	(46.2)	(0.0)	(0.7)
Investments in goodwill	0.4	0.5	14.8	10.6	0.0	0.0
of which discontinuing operations	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Investments in other intangible assets and property, plant and equipment	492.2	154.0	430.7	421.6	3.5	3.1
of which discontinuing operations	(17.9)	(20.0)	(15.0)	(46.2)	(0.0)	(0.7)
Personnel at year-end	15,750	15,744	34,693	33,089	2,859	3,510
of which discontinuing operations	(0)	(396)	(0)	(101)	(0)	(5)

€ million	North and South America		Other regions		Consolidation		2005	Group 2004 restated
	2005	2004 restated	2005	2004 restated	2005	2004 restated		
Consolidated turnover by customers	2,357.0	3,307.5	1,022.9	3,274.4			19,618.6	18,046.2
of which discontinuing operations	(1,018.6)	(992.9)	(7.8)	(12.6)			(1,418.3)	(1,757.0)
Consolidated turnover by domicile of companies	1,412.2	1,039.6	45.4	31.0			19,618.6	18,046.2
of which discontinuing operations	(1,002.9)	(975.2)	(0.0)	(0.0)			(1,418.3)	(1,757.0)
Segment assets	2,726.7	610.0	470.1	357.1	- 185.4	- 245.3	13,497.8	10,608.4
of which discontinuing operations	(377.9)	(381.5)	(0.0)	(0.0)	(0.0)	(- 12.0)	(377.9)	(805.6)
Non-allocatable taxes							(323.9)	(366.5)
Segment liabilities	552.8	161.6	122.5	124.0	- 199.3	- 236.9	4,904.1	4,559.0
of which discontinuing operations	(113.6)	(91.3)	(0.0)	(0.0)	(0.0)	(- 1.0)	(113.6)	(253.8)
Non-allocatable taxes							(318.8)	(329.5)
Additional disclosures								
Depreciation/amortisation	37.3	40.4	21.2	9.3	- 0.3	- 2.7	523.4	558.0
of which discontinuing operations	(0.0)	(33.2)	(0.0)	(0.0)			(0.0)	(115.1)
Investments	105.8	63.7	10.5	23.4			1,057.9	676.9
of which discontinuing operations	(5.4)	(3.2)	(0.0)	(0.0)			(38.4)	(70.1)
Investments in goodwill	42.2	0.0	0.0	0.0			57.4	11.1
of which discontinuing operations	(0.0)	(0.0)	(0.0)	(0.0)			(0.1)	(0.0)
Investments in other intangible assets and property, plant and equipment	63.6	63.7	10.5	23.4			1,000.5	665.8
of which discontinuing operations	(5.4)	(3.2)	(0.0)	(0.0)			(38.3)	(70.1)
Personnel at year-end	5,737	2,906	3,908	2,467			62,947	57,716
of which discontinuing operations	(1,189)	(1,167)	(0)	(0)			(1,189)	(1,669)

Notes on the Consolidated Profit and Loss Statement

(1) Turnover

Group turnover by business activity

€ million	2005	2004
Tourism services	14,153.0	13,191.7
Transport services	3,687.1	2,563.1
Production of goods and other services	233.4	400.0
Trading in merchandise	37.9	37.2
Letting and leasing	89.9	101.3
Total	18,201.3	16,293.3

The increase in turnover from the Group's continuing operations mainly resulted from growth in tourism and shipping. Tourism managed to increase its turnover year-on-year by € 0.8 billion or 5.9% to a total of € 14.1 billion. At € 1.1 billion or 42.6%, the turnover growth in shipping to € 3.8 billion was attributable to the improvement in the performance of Hapag-Lloyd Container Linie and the first-time inclusion of CP Ships. On a like-for-like basis, i.e. adjusted for the effect of the first-time consolidation of CP Ships, turnover rose by € 0.5 billion or 19.6% in shipping.

(2) Other income

Other income

€ million	2005	2004
Book profits from the sale of fixed assets and current assets	110.8	64.7
Reversal of negative goodwill with an effect on result	12.3	21.3
Income from supplementary transactions	76.0	151.3
Foreign exchange gains	162.0	115.6
Income from rebilling	143.3	156.8
Income from letting and leasing contracts	16.3	22.8
Income from the reduction in value adjustments of trade accounts receivable and from write-offs of liabilities	25.1	36.9
Other income	56.7	85.6
Total	602.5	655.0

In accordance with the rules of IFRS 5, the book profits from the discontinuance of operations had to be allocated to discontinuing operations and were thus recognised under 'Result from discontinuing operations' in the profit and loss statement.

Income from the reversal of provisions was carried under the profit and loss statement items which had shown the expenses for the formation of the corresponding provisions in previous years.

(3) Change in inventories and other own work capitalised

Change in inventories and other own work capitalised

€ million	2005	2004
Change in stocks of finished goods and work in progress	- 23.4	- 2.5
Other own work capitalised	20.2	14.5
Total	- 3.2	+ 12.0

(4) Cost of materials and purchased services**Cost of materials and purchased services**

€ million	2005	2004
Cost of raw materials, supplies and purchased merchandise	1,511.9	1,003.5
Cost of purchased services	10,754.5	9,747.6
Rental and lease expenses	633.9	465.5
Total	12,900.3	11,216.6

The cost of purchased services mainly related to third-party tourism services such as hotel expenses and cost of aviation and other transportation services.

Rental and lease expenses for operating leases were shown under the item 'Cost of materials and purchased services' where these expenses were directly related to the turnover generated. The increase in rental and lease expenses on the previous year mainly related to the shipping division.

While the cost of materials ratio (ratio of expenses for material and purchased services to turnover) in the tourism division rose only slightly to 69.4% (previous year: 68.1%), the shipping division recorded a considerably stronger increase in the cost of materials ratio to 77.4% (previous year: 74.2%). This was in particular caused by the increase in charter rates for short-term contracts and an increase in the cost of bunker oil.

(5) Personnel costs**Personnel costs**

€ million	2005	2004
Wages and salaries	1,841.8	1,772.2
Social security contributions, pension costs and benefits	462.4	426.1
Total	2,304.2	2,198.3

Pension costs included expenses for defined benefit pension obligations. In contrast to the presentation in previous years, the interest portion of the measurement of pension obligations was no longer carried under personnel costs but rather under financial expenses. Correspondingly, the expected income from the related fund assets was carried under financial income. A detailed presentation of the pension obligations is provided under note 36.

In comparison with the previous year, the cost of wages and salaries rose slightly by 3.9%. Disregarding the discontinuing operations, the average headcount also increased slightly by 2,320 to 61,559 employees (excluding apprentices). In shipping, the average headcount rose from 3,822 to 5,179 due to the consolidation of CP Ships in the 2005 financial year on a pro rata temporis basis. The tourism division also reported a slight increase in average headcount from 53,322 to 54,117.

Average annual headcount (excl. apprentices)

	2005	2004
Wage earners	1,490	1,507
Salaried employees	60,069	57,732
Total	61,559	59,239

(6) Depreciation and amortisation

Depreciation and amortisation included the amortisation of other intangible assets, depreciation of property, plant and equipment as well as write-downs of investment property. Depreciation and amortisation was based on the uniform useful lives outlined in the explanatory information on accounting and measurement.

Depreciation and amortisation rose from € 438.5 million to € 505.1 million year-on-year.

(7) Impairment**Impairment of fixed assets**

€ million	2005	2004
Impairment of goodwill	–	–
Impairment of other intangible assets, property, plant and equipment and investment property	18.3	4.0
Total	18.3	4.0

Goodwill impairment tests were conducted at the level of cash-generating units at least once per year. In accordance with the rules of the IASB, cash-generating units are the smallest identifiable groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets. In the tourism segment, cash-generating units were fixed both for individual source markets on a country-specific basis and for individual subsidiaries in the tourism destinations. The shipping segment was defined as a cash-generating unit in its entirety.

In the framework of the impairment tests, the carrying amounts plus the goodwill allocated to the tested units were compared with their recoverable amount. The recoverable amount was the fair value less costs to sell or the value in use, if higher. Where the carrying amounts exceeded the recoverable amount, impairments were recognised.

In individual cases, fair values less expected cost to sell were used in the framework of the impairment tests. The fair value less cost to sell corresponded to the amount for which the cash-generating unit under review could be exchanged between knowledgeable, willing parties in an arm's length transaction after deduction of the cost to sell. Since a price of an active market was not available for the entities to be tested, the fair value was determined as the present value of the expected future cash surpluses on the basis of the medium-term planning prepared as at the end of the 2005 financial year after deduction of income tax payments of the entity under review. For the detailed planning period 2006 through 2008, the discounting was based on a weighted average cost of capital rate of around 6.2% p.a. each and – taking account of a growth discount of 1.0% p.a. – of around 5.2% p.a. for the period thereafter. The deducted cost to sell was based on empirical values from past transactions.

The value in use is the present value of estimated sustainable future cash flows expected to arise from the continuing use of an asset. The present value was calculated over three years on the basis of the medium-term plan prepared as per the 2005 financial year-end. The discounting was based on the pre-tax interest rates listed below. For the period following the detailed planning period, the operating cash flow was calculated on the basis of specific growth rates.

p.a. %	Interest rate	Growth rate
Tourism	8.39	1.3
Shipping	7.44	1.0

As in 2004, even if the growth rate had been 0.5% p.a. lower, no impairment of goodwill would have been required in the period under review.

In the completed financial year, a total of € 18.3 million of impairments of other intangible assets, property, plant and equipment and investment property had to be effected. Of this total, € 4.9 million related to self-generated software, € 5.6 million to aircraft, € 4.5 million to hotel buildings and € 2.0 million to investment property. A further € 1.3 million of impairments related to other fixed assets. The impairments resulted from values in use lower than the respective carrying amounts on the one hand and from a reduction in expected net gains on disposal on the other. In 2004, minor impairments of property, plant and equipment had been effected in tourism.

(8) Other expenses

Other expenses		
€ million	2005	2004
Commissions for tourism services and other distribution expenses	1,058.8	1,070.1
Rental and lease expenses	200.9	165.3
Expenses for insurance premiums	34.8	44.9
Advertising expenses	273.2	252.8
Contributions, charges, fees and consultancy expenses	104.3	92.1
Expenses for write-downs of receivables and value adjustments	23.7	39.5
Other expenses for financial and monetary transactions	90.5	40.6
Currency losses	70.9	85.9
Administrative expenses	330.2	401.6
External services and non-operating material expenses	105.5	147.0
Losses from the disposal of fixed assets and current assets	25.3	34.3
Other taxes	41.1	33.5
Other operating expenses	130.2	105.5
Total	2,489.4	2,513.1

The item 'Commissions for tourism services and other distribution expenses' mainly comprised travel agency commissions and commissions passed on from insurance policies covering travel contract cancellation costs.

Due to the application of IFRS 5, book losses from discontinuing operations were no longer allocated to the parent company but instead to the respective discontinued operation and were therefore shown under 'Result from discontinuing operations' in the profit and loss statement.

(9) Financial income**Financial income**

€ million	2005	2004
Income from non-consolidated Group companies	1.0	1.8
Income from other investments	2.3	1.0
Income from profit transfer agreements with non-consolidated Group companies and discontinuing operations	8.1	6.5
Income from profit transfer agreements with other investments	–	–
Income from investments	11.4	9.3
Income from securities and long-term loans from non-consolidated Group companies and discontinuing operations	–	2.2
Other income from securities and long-term loans	10.6	4.4
Other interest and similar income from non-consolidated Group companies and discontinuing operations	3.1	4.4
Interest income from fund assets for the financing of pension obligations	74.3	69.2
Remaining other interest and similar income	72.8	70.4
Net interest result	160.8	150.6
Income from the measurement of interest hedges	12.8	–
Income from the measurement of other financial instruments	–	1.8
Total	185.0	161.7

The indexing of the financial statements of foreign subsidiaries based in hyper-inflationary economies led to the realisation of purchasing power gains totalling € 8.4 million (previous year: € 5.9 million) from the change in purchasing power parities in these countries, carried under interest income and expenses. The purchasing power gains were primarily attributable to the financial requirements of Turkish hotel companies.

(10) Financial expenses**Financial expenses**

€ million	2005	2004
Expenses relating to losses taken over from non-consolidated Group companies and discontinuing operations	3.5	0.4
Write-downs of available-for-sale financial instruments and loans	12.5	7.2
Interest and similar expenses to non-consolidated Group companies and discontinuing operations	2.9	3.4
Interest expenses from the measurement of pension obligations	105.5	103.4
Other interest and similar expenses	268.7	235.7
Interest expenses	377.1	342.5
Expenses relating to the measurement of interest hedges	–	20.5
Expenses relating to the measurement of other financial instruments	28.8	–
Total	421.9	370.6

The write-downs of available-for-sale financial instruments and loans carried comprised € 9.8 million of impairments (previous year: € 6.4 million).

Interest expenses were adversely affected by the acquisition of CP Ships in the 2005 financial year. The acquisition was financed both by means of equity measures in the form of a capital increase and the raising of hybrid equity and by means of outside capital. In December 2005, the bridge loan facility taken up in order to partly finance the acquisition through the use of credit lines was replaced by the issuance of bonds.

The expenses related to the performance of derivative financial instruments comprised results from the measurement of hedges not satisfying the strict criteria of IAS 39, in particular structured forms of hedges to hedge exposure to fluctuations in aircraft fuel prices. Moreover, the conversion options of the convertible bond issued in October 2003 had to be carried as a derivative liability in accordance with

the revised IAS 32 and had to be measured with an effect on results. While this measurement resulted in income of € 15.9 million in 2004, a measurement expense of € 2.2 million was carried in the 2005 financial year.

The 2004 result was negatively impacted by the measurement of interest hedges. The refinancing of short- and medium-term financial liabilities by longer-term fixed-interest components represented a redemption of the underlying transactions required for the recognition of transactions as hedges. As a result, the measurement expenses previously carried in equity with no effect on results had to be reversed with an effect on results.

**(11) Result from companies
measured at equity**

Result from companies measured at equity

€ million	2005	2004
Result from associated companies measured at equity	+ 13.1	+ 4.2
Result from joint ventures measured at equity	+ 26.0	+ 35.5
Total	+ 39.1	+ 39.7

The result from companies measured at equity comprised the interest in net profit for the year of the associated companies and joint ventures as well as any impairment of goodwill of these companies. As in 2004, no impairments of goodwill had to be carried in the 2005 financial year.

**Group share in individual items of profit and loss statements
of joint ventures**

€ million	2005	2004
Operating income	290.7	266.2
Operating expenses	246.0	221.1
Operating result	44.7	45.1
Financial result	- 9.4	- 0.8
Profit on ordinary activities	35.3	44.3
Income taxes	9.3	8.8
Profit for the year	26.0	35.5
Amortisation of goodwill	-	-
Result from joint ventures measured at equity	26.0	35.5

(12) Income taxes

Breakdown of income tax expenses

€ million	2005	2004
Current income taxes		
in Germany	- 12.1	- 3.0
abroad	57.5	38.6
Deferred tax income/expenses	+ 41.5	+ 19.8
Total	+ 86.9	+ 55.4

The increase in current income tax expenses year-on-year related both to current and deferred income tax expenses. In the previous year, the revaluation of tax risks in foreign subsidiaries had given rise to a reduction in current income tax expenses. The increase in deferred income tax expenses mainly resulted from value adjustments of tax benefits from hitherto unused loss carryforwards capitalised in previous years.

The German companies of the TUI Group had to pay an average trade tax of approx. 17%, which was deductible in the computation of the corporation tax. As in 2004, the corporation tax rate was 25.0%, plus a 5.5% solidarity surcharge on corporation tax. All deferred tax items realised as of 2005 will be measured at a tax rate of 39.0%.

The calculation of foreign income tax was based on the laws and regulations applicable in the respective countries. The income tax rates applied to foreign companies varied from 12.5% to 41.0%.

In accordance with the rules of IAS 12, deferred taxes were calculated in accordance with the balance sheet liability method. Accordingly, tax decreases and increases considered as realisable in future were reported for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base. Where the temporary differences between the financial or tax balance sheet related to items taken directly to equity, the deferred taxes relating to these differences were also directly offset against equity. Due to the elimination of deferred taxes with no effect on results, equity rose by € 23.5 million in the 2005 financial year (previous year: € 2.6 million). Deferred taxes with no effect on results mainly resulted from the treatment of actuarial gains and losses in connection with the recognition of pension obligations and the measurement of derivatives used to hedge against exposure to cash flow risks.

Expected tax savings from the use of loss carryforwards assessed as recoverable in the future were capitalised. In measuring capitalised assets for future tax savings, the probability of recovering the expected tax benefit was taken into account.

Individual items of deferred tax assets and liabilities recognised in the balance sheet

€ million	31 Dec 2005		31 Dec 2004	
	Assets	Liabilities	Assets	Liabilities
Differences in depreciation and amortisation methods and useful lives	74.7	358.6	116.5	436.5
Finance lease transactions	28.9	–	–	2.3
Differences in carrying amounts of property, plant and equipment and investments	4.3	49.8	9.4	36.9
Differences in carrying amounts of receivables and other assets	87.8	17.9	122.8	8.5
Fair values of financial assets	36.6	72.0	69.9	14.4
of which with no effect on results	(16.9)	(62.2)	(57.6)	(18.8)
Measurement of pension provisions	253.8	16.1	159.5	4.5
of which with no effect on results	(220.3)	(0.2)	(134.5)	(2.0)
Differences in carrying amounts of other provisions	127.8	49.9	138.1	52.9
Other transactions	64.8	98.6	111.2	149.0
Capitalised tax savings from realisable loss carryforwards	133.8	–	130.3	–
Set-off of deferred tax assets and liabilities	- 513.1	- 513.1	- 512.5	- 512.5
Balance sheet amount	299.4	149.8	345.2	192.5

Differences in the financial and tax balance sheets with regard to 'Other provisions' were primarily attributable to the creation of provisions for anticipated losses. Deferred tax assets and liabilities were offset if they related to income taxes levied by the same taxation authority and related to the same tax period.

Both deferred income tax assets and liabilities declined in almost the same proportion year-on-year. The reduction in deferred income tax assets resulted from a large variety of factors, but in particular from a reduction in deferred income tax assets due to differences in depreciation methods and useful lives as well as the measurement of financial assets. On the other hand, deferred tax assets rose due to the measurement of pension obligations as a result of the actuarial losses incurred

in the 2005 financial year. The reduction in deferred tax liabilities was mainly attributable to different depreciation methods and useful lives as well as other transactions.

Capitalised loss carryforwards and time limits for non-capitalised loss carryforwards

€ million	31 Dec 2005	31 Dec 2004
Capitalised loss carryforwards	596.8	435.9
Non-capitalised loss carryforwards	4,233.6	4,253.7
of which loss carryforwards forfeitable within 1 year	9.4	16.3
of which loss carryforwards forfeitable within 2 to 5 years	87.3	110.0
of which loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	18.6	9.8
Non-forfeitable loss carryforwards	4,118.3	4,117.6
Total unused loss carryforwards	4,830.4	4,689.6

Potential tax savings of € 815.6 million (previous year: € 784.8 million) were not capitalised since the benefit of the underlying loss carryforwards was unlikely to be realised within the planning period.

Although German loss carryforwards could be used over an unlimited period of time, as before, the annual use of such carryforwards was restricted due to the introduction of minimum taxation. Foreign loss carryforwards frequently had to be used within a specified period of time and were subject to restrictions concerning the use of these loss carryforwards for profits on ordinary activities, which were taken into account accordingly in the measurement.

In the 2005 financial year, the use of loss carryforwards previously assessed as non-realizable and for which therefore no assets had been recognised in previous years for the resulting potential tax savings led to a reduction in the tax burden of € 0.1 million (previous year: no tax reduction). Due to tax loss carrybacks, tax reductions of € 0.7 million (previous year: no tax reductions) were realised in the 2005 financial year.

Development of capitalised tax savings from realisable loss carryforwards

€ million	2005	2004
Capitalised tax savings at the beginning of the financial year	130.3	117.7
Changes in consolidation and currency adjustment	+ 5.5	- 1.5
Use of loss carryforwards	- 18.6	- 45.1
Value adjustment to previously capitalised tax savings from loss carryforwards	- 69.0	- 5.9
Capitalisation of tax savings from loss carryforwards	+ 85.6	+ 65.1
Capitalised tax savings at financial year-end	133.8	130.3

Capitalised tax savings from realisable loss carryforwards rose by € 3.5 million, a slight increase year-on-year. The increase in capitalised tax savings resulted from the year-on-year increase in newly capitalised amounts and the decline in the use of capitalised loss carryforwards. An opposite effect was attributable to an increase in write-downs of loss carryforwards capitalised in previous years, in particular related to source market France.

The actual income tax expense of € 86.9 million (previous year: € 55.4 million) was € 63.5 million less (previous year: € 108.6 million less) than the expected income tax expense of € 150.4 million (previous year: € 164.0 million) that would result from the application of the German income tax rate to the Group's annual pre-tax profit.

Reconciliation from expected to actual income tax expense

€ million	2005	2004
Earnings before income tax from continuing operations	385.5	420.6
Expected income tax expense (tax rate: 39%)	150.4	164.0
Difference between actual and expected tax rates	- 216.6	- 134.3
Proportion of taxation relating to:		
tax-exempt income	- 20.4	- 113.6
non-tax-deductible expenses	121.3	148.9
temporary differences and losses for which no deferred taxes were recognised	61.7	42.7
tax expenses and income unrelated to accounting period	- 19.2	- 37.4
Other variances	9.7	- 14.9
Actual income tax expense	+ 86.9	+ 55.4

The variance from the difference between actual tax rates and the German tax rates (39%) was partly attributable to the fact that lower tax rates were applied to the earnings of foreign subsidiaries.

(13) Result from continuing operations

The result from continuing operations after income taxes in the 2005 financial year declined from € 365.2 million to € 298.6 million year-on-year.

(14) Result from discontinuing operations

Result from discontinuing operations

€ million	Earnings before income tax from operating business activities	Taxes on income from operating business activities	Earnings before income tax from the disposal and from impairments	Taxes on income from the disposal and from impairments
Special logistics	42.4	26.3	108.1	13.2
Trading	55.5	22.2	7.3	- 11.3
Energy	-	-	34.0	0.7
Total 2005	97.9	48.5	149.4	2.6
Special logistics	10.9	15.2	145.8	- 6.9
Trading	116.2	44.3	- 35.0	-
Energy	-	-	21.5	-
Total 2004	127.1	59.5	132.3	- 6.9

At its meetings of 21 March 2003 and 21 January 2004, the Supervisory Board of TUI AG approved the concept for the realignment of logistics. In the framework of increasingly specific plans for the divestment process for the remaining special logistics activities, this sector was classified as a discontinuing operation in accordance with the newly adopted IFRS 5 as at the beginning of the 2005 financial year. Besides the special logistics activities, the US steel service companies were also classified as discontinuing operations due to the increasingly specific nature of the divestment process initiated by the Group.

The result from discontinuing operations comprised both earnings after income taxes generated by the companies but also impairments effected due to the measurement of disposal groups at fair value less costs to sell. In addition, income and

expenses from the disposal and the related income tax effects were shown in the result from discontinuing operations and allocated to the relevant segment of the discontinuing operation.

In the 2005 financial year, the result from discontinuing operations in particular comprised income of € 108.1 million related to the divestment of special logistics operations both in the completed financial year and in 2004. Besides the result from the divestment of the rail logistics sector (selling price: € 247.6 million), provisions from commitments to the federal and regional German pension fund institution (Versorgungsanstalt des Bundes und der Länder, VBL) were reversed. The largest portion of the reversed provisions related to commitments taken over by the acquirer of the rail logistics sector. Further income of € 34.0 million resulted from purchase price adjustments related to the divestment of the Preussag Energie Group. Following the conclusion of negotiations on the sale of the US steel service companies, the impairments effected in the previous year due to the expected exchange rate losses were partly reversed. This resulted in income of € 7.3 million. In total, the gains on disposal carried and the reversal of impairments in the 2005 financial year resulted in income tax expenses of € 2.5 million.

In the previous year, the divestment and the impairments effected resulted in positive pre-tax earnings of € 132.3 million. In this connection, income tax expenses of € - 6.9 million arose.

Material items of the profit and loss statement of the discontinuing operations

€ million	2005	Trading 2004
Turnover	1,002.9	971.5
Operating income	1.1	9.9
Operating expenses	945.2	860.8
Financial income	1.2	1.2
Financial expenses	5.7	6.9
Result from companies measured at equity	1.2	1.3
Earnings before taxes on income	55.5	116.2
Income taxes	22.2	44.3
Earnings after taxes on income	33.3	71.9

€ million	2005	Special logistics 2004
Turnover	415.4	785.7
Operating income	11.2	65.3
Operating expenses	377.6	826.4
Financial income	2.9	4.1
Financial expenses	9.5	18.6
Result from companies measured at equity	-	0.8
Earnings before taxes on income	42.4	10.9
Income taxes	26.3	15.2
Earnings after taxes on income	16.1	- 4.3

Material assets and liabilities of the discontinuing operations

€ million	Trading 31 Dec 2005
Fixed assets	70.5
Non-current receivables	4.2
Non-current assets	74.7
Inventories	176.7
Current receivables	139.3
Cash and cash equivalents	1.7
Current assets	317.7
Current provisions	21.7
Non-current provisions	2.6
Current financial liabilities	5.7
Non-current financial liabilities	47.5
Current other liabilities	96.8
Non-current other liabilities	0.2

Cash flow from operating, investing and financing activities

€ million	2005	Trading 2004
Change in cash and cash equivalents due to exchange rate fluctuations	0.2	- 0.2
Cash flow from operating activities	121.5	- 42.4
Cash flow from investing activities	- 4.4	0.4
Cash flow from financing activities	- 117.5	43.2
Change in cash and cash equivalents	- 0.2	1.0

€ million	2005	Special logistics 2004
Change in cash and cash equivalents due to exchange rate fluctuations	-	-
Cash flow from operating activities	67.6	51.6
Cash flow from investing activities	- 32.5	111.9
Cash flow from financing activities	- 7.3	- 168.2
Change in cash and cash equivalents	27.8	- 4.7

**(15) Share of TUI AG
shareholders in Group
profit for the year**

The share in Group profit for the year attributable to TUI AG shareholders declined from € 528.2 million in 2004 to € 456.7 million in the completed financial year.

**(16) Minority interests in
Group profit for the year****Minority interests in Group profit for the year**

€ million	2005	2004
Profit attributable to minority interests	40.7	51.0
Loss attributable to minority interests	2.6	7.2
Total	38.1	43.8

Profit for the year attributable to minority interests mainly related to consolidated subsidiaries in the tourism division, in particular the companies of the RIU Group. Minority interests were also held in several incoming agencies.

The minority interests in the TUI Suisse Group and the Magic Life Group were already completely acquired in the 2004 financial year. Results attributable to minority interests in 2004 for the Algeco Group, divested in August 2004, were carried on a pro rata temporis basis.

(17) Earnings per share

In accordance with IAS 33, basic earnings per share were calculated by dividing the Group's net profit for the year attributable to TUI AG shareholders by the weighted average number of no-par value bearer shares outstanding during the financial year under review. The average number of shares resulted from the total of shares at the beginning of the financial year (178,756,539 shares) plus the new no-par value shares from the capital increase implemented (71,502,616 shares, 109 days) and the employee shares issued (473,420 shares, 16 days), included on a pro rata temporis basis.

A dilution of earnings per share occurs when the average number of shares is increased by adding the issue of potential shares from the warrants and conversion options. Diluting effects exclusively arose from the convertible bond issued in October 2003. Conversion has been possible since 2 January 2004. Calculation of the diluting effect was based on the assumption of complete conversion and the corresponding issue of shares at the beginning of the respective financial year.

	2005	2004
Group profit for the year attributable to TUI AG shareholders (€ million)	456.7	528.2
Weighted average number of shares	200,188,847	178,486,818
Basic earnings per share (€)	2.28	2.96
Group profit for the year attributable to TUI AG shareholders (€ million)	456.7	528.2
Interest savings from convertible bonds (after tax; € million)	15.4	14.9
Diluted share in Group profit for the year attributable to TUI AG shareholders (€ million)	472.1	543.1
Weighted average number of shares	200,188,847	178,486,818
Diluting effect from assumed exercise of convertible bonds	18,277,134	17,803,240
Weighted average number of shares (diluted)	218,465,981	196,290,058
Diluted earnings per share (€)	2.16	2.77

Major Subsidiaries, Associated Companies and Joint Ventures

		Nominal share capital in '000	Result for the year ¹⁾ in '000	Shareholding (%)	
				total	indirect
Tourism					
TUI Deutschland GmbH, Hanover	€	15,000	*	100.0	–
1-2-FLY GmbH, Hanover	€	8,000	*	100.0	–
TUI Leisure Travel GmbH, Hanover	€	14,501	*	100.0	–
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	45,000	*	100.0	–
GULET Touristik GmbH & Co KG, Vienna	€	75	805	75.0	75.0
TUI (Suisse) AG, Zurich	CHF	4,854	596	100.0	100.0
TUI Nederland N.V., Rijswijk ²⁾	€	10,000	11,594	100.0	–
JetAir N.V., Oostende ³⁾	€	750	15,727	100.0	72.0
Groupe Nouvelles Frontières S.A.S., Montreuil	€	3,274	- 2,139	100.0	–
Touraventure S.A., Montreuil	€	10,469	- 62,499	100.0	91.7
TUI Northern Europe Ltd., Luton ³⁾	GBP	250,459	- 1,097	100.0	–
Robinson Club GmbH, Hanover	€	5,138	*	100.0	–
"MAGIC LIFE der Club" International Hotelbetriebs GmbH, Vienna	€	146	- 5,121	100.0	100.0
Turcotel Turizm A.S., Istanbul	TRY	70,950	9,186	100.0	100.0
RIUSA II S.A., Palma de Majorca ^{2) 5)}	€	1,202	45,865	50.0	–
Atlantica Hellas S.A., Athens ^{3) 4)}	€	11,026	- 265	50.0	–
GRUPOTEL DOS S.A., C�n Picafort ^{3) 4)}	€	84,546	172	50.0	–
Tunisie Voyages S.A.R.L., Tunis ³⁾	TND	1,810	1,880	50.0	–
RIU Hotels S.A., Palma de Majorca ⁴⁾	€	40,809	15,052 ⁷⁾	49.0	–
TUI InfoTec GmbH, Hanover	€	1,000	*	100.0	100.0
Shipping					
Hapag-Lloyd AG, Hamburg	€	60,000	490,008	100.0	–
Hapag-Lloyd Container Linie GmbH, Hamburg	€	25,600	*	100.0	100.0
CP Ships Ltd., Saint John ⁶⁾	\$	689,000	69,000	100.0	100.0
Other Companies					
TUI Beteiligungs GmbH, Hanover	€	500	*	100.0	–
Salzgitter Grundst�cks- und Beteiligungsgesellschaft mbH, Salzgitter	€	71,427	*	100.0	–
Preussag Immobilien GmbH, Salzgitter	€	25,857	*	100.0	100.0

* Profit transfer agreement

¹⁾ according to local laws

²⁾ according to financial statements of the Group

³⁾ according to financial statements as per 31 Dec 2004

⁴⁾ Joint venture

⁵⁾ Control despite shareholding of 50% or less

⁶⁾ according to financial statements of the Group as per 31 Dec 2004

⁷⁾ Result for the year according to financial statements as per 31 Dec 2004

Notes on the Consolidated Balance Sheet

(18) Goodwill

Goodwill		
€ million	2005	2004
Historical cost		
Balance as at 1 Jan	3,763.8	5,305.4
First-time application of IFRS 3	–	- 1,497.5
First-time application of IFRS 5	- 9.6	–
Adjusted balance as at 1 Jan	3,754.2	3,807.9
Exchange differences	59.6	- 0.8
Additions due to changes in consolidation	0.1	–
Additions	57.3	11.1
Disposals ¹⁾	9.8	38.4
Reclassifications	- 105.0	- 16.0
Balance as at 31 Dec	3,756.4	3,763.8
Amortisation		
Balance as at 1 Jan	0.0	1,497.5
First-time application of IFRS 3	–	- 1,497.5
First-time application of IFRS 5	–	–
Adjusted balance as at 1 Jan	0.0	0.0
Exchange differences	–	–
Additions due to changes in consolidation	–	–
Amortisation for the current year	–	–
Disposals ¹⁾	–	–
Reclassifications	–	–
Balance as at 31 Dec	0.0	0.0
Carrying amounts as at 31 Dec	3,756.4	3,763.8

¹⁾ of which no disposals from changes in consolidation (previous year € 33.8 million or € 0.0 million, respectively)

Due to the first-time application of IFRS 3, the accumulated amortisation carried was offset against the historical cost of the goodwill at the beginning of the 2004 financial year.

Due to the first-time application of IFRS 5, assets of the discontinuing operations and other non-current assets held for sale were summarised as a disposal group in the balance sheet.

While the effect of the first-time application of IFRS 5 was presented as a separate restatement line as at 1 January 2005, assets only classified as held for sale in the course of the 2005 financial year were comprised in reclassifications.

Following the completion of the planning process, goodwill impairment tests were conducted at the level of cash-generating units in the framework of the annual financial statements. As in 2004, no impairments had to be effected in the financial year under review. Detailed information on the implementation of the impairment tests is provided under note 7.

In accordance with the rules of IAS 21, goodwill allocated to individual segments and sectors was recognised in the functional currency of the subsidiaries and subsequently translated in the framework of the preparation of the consolidated financial statements. In analogy to the treatment of other differences from the translation of annual financial statements of foreign subsidiaries, differences due to exchange rate fluctuations between the exchange rate at the date of acquisition of the subsidiary and the exchange rate at the balance sheet date were taken directly to and recognised separately under equity. Due to these exchange differences, the carrying amount of goodwill rose by € 59.6 million (previous year: decline by € 0.8 million) in the 2005 financial year.

A substantial portion of the goodwill recognised related to source markets UK (€ 1,523.3 million), Germany (€ 346.9 million) and the Nordic countries (€ 314.9 million). In the hotel companies sector, goodwill of € 356.8 million was carried for the RIU Group. Goodwill of € 44.1 million related to the shipping segment.

Negative goodwill of € 10.1 million (previous year: € 65.7 million) that arose in the year under review from the acquisition of minority shares was directly eliminated against other revenue reserves.

(19) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self- generated software	Transport and leasing contracts	Customer base	Payments on account	Total
Historical cost						
Balance as at 1 Jan 2004	387.0	107.6	–	–	2.4	497.0
Exchange differences	0.2	0.2	–	–	–	0.4
Additions due to changes in consolidation	0.2	–	–	–	–	0.2
Additions	30.8	30.8	–	–	3.8	65.4
Disposals	58.7	10.8	–	–	0.3	69.8 ¹⁾
Reclassifications	- 66.2	67.0	–	–	- 2.8	- 2.0
Balance as at 31 Dec 2004	293.3	194.8	–	–	3.1	491.2
First-time application of IFRS 5	- 6.1	–	–	–	–	- 6.1
Adjusted balance as at 1 Jan 2005	287.2	194.8	–	–	3.1	485.1
Exchange differences	4.2	2.7	7.1	2.0	–	16.0
Additions due to changes in consolidation	11.2	115.2	572.8	166.4	–	865.6
Additions	29.0	12.4	–	–	2.4	43.8
Disposals	13.4	6.9	–	–	1.2	21.5 ²⁾
Reclassifications	- 0.2	–	–	–	- 1.4	- 1.6
Balance as at 31 Dec 2005	318.0	318.2	579.9	168.4	2.9	1,387.4
Amortisation						
Balance as at 1 Jan 2004	256.1	42.3	–	–	0.0	298.4
Exchange differences	- 0.6	- 0.2	–	–	–	- 0.8
Additions due to changes in consolidation	0.2	–	–	–	–	0.2
Amortisation for the current year	39.4	33.9	–	–	–	73.3
Disposals	47.5	9.1	–	–	–	56.6 ¹⁾
Reclassifications	- 40.4	39.0	–	–	–	- 1.4
Balance as at 31 Dec 2004	207.2	105.9	–	–	0.0	313.1
First-time application of IFRS 5	- 5.6	–	–	–	–	- 5.6
Adjusted balance as at 1 Jan 2005	201.6	105.9	–	–	0.0	307.5
Exchange differences	2.4	2.0	0.4	0.1	–	4.9
Additions due to changes in consolidation	3.3	115.2	–	–	–	118.5
Amortisation for the current year	33.1	31.7	8.7	1.1	–	74.6
Disposals	12.6	1.7	–	–	–	14.3 ²⁾
Reclassifications	- 2.3	–	–	–	–	- 2.3
Balance as at 31 Dec 2005	225.5	253.1	9.1	1.2	0.0	488.9
Carrying amounts as at 31 Dec 2004	86.1	88.9	–	–	3.1	178.1
Carrying amounts as at 31 Dec 2005	92.5	65.1	570.8	167.2	2.9	898.5

¹⁾ of which disposals from changes in consolidation of € 24.2 million or € 14.5 million, respectively

²⁾ no disposals from changes in consolidation

Self-generated software related to computer programmes for tourism applications which were exclusively used internally by the Group.

The other intangible assets acquired due to the purchase of the CP Ships Group, particularly relating to advantageous leasing and transport agreements and customer bases, were amortised annually in line with the utilisation of the economic benefit on the basis of the benefit determining the corresponding asset. The leasing and transport agreements were amortised over the corresponding remaining term of the agreements, i.e. over 3 to 36 years, while the customer base was amortised over a period of 20 years in container shipping and over 23 years in the container terminal business, in line with expected customer retirements.

As in the previous year, no write-backs to other intangible assets were effected in the year under review. As in 2004, there were no material restraints on ownership or disposal.

(20) Investment property**Investment property**

€ million	2005	2004
Historical cost		
Balance as at 1 Jan	217.3	252.8
First-time application of IFRS 5	–	–
Adjusted balance as at 1 Jan	217.3	–
Exchange differences	–	–
Additions due to changes in consolidation	–	–
Additions	16.5	2.6
Disposals	71.1	40.3
Reclassifications	- 18.2	2.2
Balance as at 31 Dec	144.5	217.3
Depreciation		
Balance as at 1 Jan	76.9	103.5
First-time application of IFRS 5	–	–
Adjusted balance as at 1 Jan	76.9	–
Exchange differences	–	–
Additions due to changes in consolidation	–	–
Depreciation for the current year	6.2	4.5
Disposals	17.5	31.7
Reclassifications	- 11.3	0.6
Balance as at 31 Dec	54.3	76.9
Carrying amounts as at 31 Dec	90.2	140.4

As a matter of principle, real estate owned by the Group was occupied for use in the framework of the Group's ordinary business activities. In addition, the Group owned commercial property and apartments which met the definition of investment property under IAS 40. The carrying amount of this investment property shown in fixed assets totalled € 90.2 million (previous year: € 140.4 million). The fair values totalling € 108.2 million (previous year: € 151.5 million) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. The fair value of property for which purchase contracts had already been concluded was the selling price. Investment property generated total income of € 88.6 million (previous year: € 114.0 million). The generation of this income was associated with expenses of € 70.3 million (previous year: € 104.8 million) in the 2005 financial year.

The reduction in the investment property portfolio mainly resulted from the divestment of around 1,400 apartments to the British investor Grainger Trust plc by the Group's real estate companies.

(21) Property, plant
and equipment

Property, plant and equipment

€ million	Real estate with hotels	Other real estate, land rights and buildings incl. buildings on third-party properties	Aircraft
Historical cost			
Balance as at 1 Jan 2004	487.7	946.2	2,294.8
Exchange differences	- 5.5	- 3.7	- 0.1
Additions due to changes in consolidation	308.7	4.4	–
Additions	79.5	6.3	31.2
Disposals	15.4	225.3	122.8
Reclassifications	32.5	- 0.2	0.4
Balance as at 31 Dec 2004	887.5	727.7	2,203.5
First-time application of IFRS 5	–	- 61.7	–
Adjusted balance as at 1 Jan 2005	887.5	666.0	2,203.5
Exchange differences	77.2	4.2	25.9
Additions due to changes in consolidation	125.0	0.2	–
Additions	40.5	15.7	145.5
Disposals	–	74.6	260.4
Reclassifications	- 28.0	1.4	132.3
Balance sheet as at 31 Dec 2005	1,102.2	612.9	2,246.8
Depreciation			
Balance as at 1 Jan 2004	97.6	300.9	907.8
Exchange differences	0.5	0.3	- 2.0
Additions due to changes in consolidation	50.0	1.8	–
Depreciation for the current year	18.4	38.2	114.7
Disposals	1.1	93.4	102.0
Reclassifications	0.1	- 0.4	–
Balance as at 31 Dec 2004	165.5	247.4	918.5
First-time application of IFRS 5	–	- 30.5	–
Adjusted balance as at 1 Jan 2005	165.5	216.9	918.5
Exchange differences	16.3	1.6	11.9
Additions due to changes in consolidation	24.5	0.1	–
Depreciation for the current year	35.3	21.3	140.8
Disposals	3.3	22.8	142.0
Reclassifications	- 5.7	- 4.6	–
Balance as at 31 Dec 2005	232.6	212.5	929.2
Carrying amount as at 31 Dec 2004	722.0	480.3	1,285.0
Carrying amount as at 31 Dec 2005	869.6	400.4	1,317.6

¹⁾ of which disposals from changes in consolidation of € 1,250.8 million or € 699.5 million

²⁾ of which disposals from changes in consolidation of € 15.6 million or € 4.7 million

The year-on-year change in property, plant and equipment was substantially affected by the acquisition of CP Ships. Due to the first-time inclusion of the company in consolidation, property, plant and equipment assets rose by € 1,340.5 million, of which € 1,118.9 million related to container ships.

At the balance sheet date, the carrying amount of the property, plant and equipment assets subject to restraints on ownership amounted to € 24.8 million (previous year: € 121.7 million), including an amount of € 17.5 million (previous year: € 120.3 million) pledged as security.

Ships and wagons	Mobil buildings, containers and container trailers	Machinery and fixtures	Other plants, operating and office equipment	Assets under construction	Payments on account	Total
2,387.8	1,161.1	471.2	1,118.3	68.6	8.5	8,944.2
- 2.1	0.6	- 6.2	- 0.9	2.5	- 0.4	- 15.8
–	–	13.6	19.5	–	0.1	346.3
20.8	91.3	24.0	146.9	124.6	73.2	597.8
120.7	588.3	243.3	254.5	17.7	0.1	1,588.1 ¹⁾
4.4	4.0	4.6	6.3	- 45.9	- 6.3	- 0.2
2,290.2	668.7	263.9	1,035.6	132.1	75.0	8,284.2
- 782.3	- 21.5	- 78.9	- 19.0	- 1.5	- 2.2	- 967.1
1,507.9	647.2	185.0	1,016.6	130.6	72.8	7,317.1
21.9	2.4	4.1	14.3	0.1	–	150.1
1,402.7	196.6	128.8	140.4	4.5	–	1,998.2
251.2	96.9	24.3	133.0	59.6	135.2	901.9
9.0	62.0	5.7	83.4	0.3	19.2	514.6 ²⁾
1.0	–	- 4.0	- 38.0	- 123.4	- 40.1	- 98.8
3,175.7	881.1	332.5	1 182.9	71.1	148.7	9,753.9
1,246.0	602.0	313.0	742.2	0.0	0.0	4,209.5
- 1.7	0.3	- 4.2	- 0.8	–	–	- 7.6
–	–	12.4	11.5	–	–	75.7
78.2	76.4	35.7	118.6	–	–	480.2
96.6	297.2	182.1	183.9	–	–	956.3 ¹⁾
–	- 0.1	0.2	1.0	–	–	0.8
1,225.9	381.4	175.0	688.6	0.0	0.0	3,802.3
- 473.6	- 18.6	- 63.3	- 15.6	–	–	- 601.6
752.3	362.8	111.7	673.0	0.0	0.0	3,200.7
6.9	1.0	3.2	8.6	–	–	49.5
283.8	60.0	65.7	91.5	–	–	525.6
74.1	40.2	18.9	112.0	–	–	442.6
4.3	56.0	5.1	71.7	–	–	305.2 ²⁾
–	–	- 3.7	- 26.3	–	–	- 40.3
1,112.8	408.0	190.7	787.1	–	–	3,872.9
1,064.3	287.3	88.9	347.0	132.1	75.0	4,481.9
2,062.9	473.1	141.8	395.8	71.1	148.7	5,881.0

For the Group, write-backs totalling € 5.6 million (previous year: € 0.3 million) were effected for property, plant and equipment.

Property, plant and equipment comprised all leased assets in which consolidated subsidiaries carried all the risks and rewards incident to ownership of the assets.

Development of leased assets

€ million	Buildings	Aircraft	Ships and wagons	Mobile build- ings and containers	Other	Total
Historical cost						
Balance as at 1 Jan 2004	167.0	740.0	159.4	107.9	29.6	1,203.9
Exchange differences	–	- 0.1	–	–	–	- 0.1
Additions due to changes in consolidation	–	–	–	–	–	–
Additions	–	–	–	1.3	16.7	18.0
Disposals	57.9	40.2	8.3	16.1	15.2	137.7 ¹⁾
Reclassifications	- 24.9	- 52.2	- 15.2	- 3.5	- 0.1	- 95.9
Balance as at 31 Dec 2004	84.2	647.5	135.9	89.6	31.0	988.2
First-time application of IFRS 5	–	–	- 135.9	- 0.8	–	- 136.7
Adjusted balance as at 1 Jan 2005	84.2	647.5	0.0	88.8	31.0	851.5
Exchange differences	–	11.9	1.8	1.1	0.1	14.9
Additions due to changes in consolidation	–	–	148.3	86.0	9.0	243.3
Additions	–	63.4	60.9	–	0.2	124.5
Disposals	46.7	–	–	–	2.2	48.9 ²⁾
Reclassifications	- 26.7	- 251.6	- 150.1	- 166.6	- 16.5	- 611.5
Balance as at 31 Dec 2005	10.8	471.2	60.9	9.3	21.6	573.8
Depreciation						
Balance as at 1 Jan 2004	58.0	221.0	61.1	46.2	15.8	402.1
Exchange differences	–	- 0.8	–	–	–	- 0.8
Additions due to changes in consolidation	–	–	–	–	–	–
Depreciation for the current year	2.5	35.2	5.3	8.2	8.3	59.5
Disposals	33.5	39.8	3.5	8.2	13.0	98.0 ¹⁾
Reclassifications	- 5.0	- 8.8	- 9.1	- 2.9	0.1	- 25.7
Balance as at 31 Dec 2004	22.0	206.8	53.8	43.3	11.2	337.1
First-time application of IFRS 5	–	–	- 53.8	- 0.5	–	- 54.3
Adjusted balance as at 1 Jan 2005	22.0	206.8	0.0	42.8	11.2	282.8
Exchange differences	–	5.7	0.4	0.1	–	6.2
Additions due to changes in consolidation	–	–	25.4	5.4	1.9	32.7
Depreciation for the current year	0.6	40.2	2.7	0.8	7.6	51.9
Disposals	13.7	–	–	–	2.2	15.9 ²⁾
Reclassifications	- 6.7	- 144.0	- 26.6	- 46.4	- 4.2	- 227.9
Balance as at 31 Dec 2005	2.2	108.7	1.9	2.7	14.3	129.8
Carrying amounts as at 31 Dec 2004	62.2	440.7	82.1	46.3	19.8	651.1
Carrying amounts as at 31 Dec 2005	8.6	362.5	59.0	6.6	7.3	444.0

¹⁾ of which disposals from changes in consolidation of € 50.0 million or € 17.9 million, respectively

²⁾ no disposals from changes in consolidation

The reclassifications within the presentation of the development of leased assets in particular comprised acquisitions of legal ownership of leased assets.

The payment obligations resulting from future lease payments were carried as liabilities, without taking account of future interest expenses. Payments due in the future under finance leases totalled € 464.9 million (previous year: € 541.1 million). The decline in the total carrying amount of leased assets and future lease payments resulted, inter alia, from the acquisition of previously leased aircraft, hotels and containers. Group companies accepted guarantees for the residual values of leased assets totalling € 135.1 million (previous year: € 158.8 million).

Reconciliation of future lease payments to liabilities from finance leases

€ million	31 Dec 2005 31 Dec 2004				
	up to 1 year	Remaining terms		Total	Total
		more than 1-5 years	more than 5 years		
Total future lease payments	57.1	201.7	206.1	464.9	541.1
Interest portion	14.6	49.1	6.8	70.5	105.9
Liabilities from finance leases	42.5	152.6	199.3	394.4	435.2

However, Group companies were not only lessees but also lessors under finance leases. To a small extent, the Group leased out Group-owned aircraft to non-Group third parties on the basis of finance leases.

Reconciliation of receivables from future lease payments to receivables from finance leases

€ million	31 Dec 2005 31 Dec 2004				
	up to 1 year	Remaining terms		Total	Total
		more than 1-5 years	more than 5 years		
Total receivables from future lease payments	3.1	11.2	–	14.3	15.2
Interest portion	0.6	0.6	–	1.2	1.7
Receivables from finance leases	2.5	10.6	–	13.1	13.5

In the framework of ordinary business activities, Group companies generated turnover of € 160.1 million (previous year: € 382.2 million) from leasing and renting out property, plant and equipment (including investment property) on the basis of short-term contracts. Following the divestment of substantial parts of special logistics the business volume from the leasing out movable property, plant and equipment was further reduced towards the end of the 2005 financial year with the disposal of the rail and tank container logistics sector of VTG (UB I). In addition, the Group's real estate companies sold a package of around 1,400 residential apartments to British investor Grainger Trust plc. Overall, property, plant and equipment assets with a carrying amount of € 107.9 million (previous year: € 439.9 million) were leased out to third parties. They exclusively related to real estate property as at the end of the 2005 financial year.

(22) Companies measured
at equity

Companies measured at equity

€ million	Joint ventures measured at equity	Associated companies measured at equity	Total
Historical cost			
Balance as at 1 Jan 2004	277.2	72.6	349.8
First-time application of IFRS 3	- 0.7	- 5.6	- 6.3
Adjusted balance as at 1 Jan 2004	276.5	67.0	343.5
Exchange differences	- 4.8	- 2.2	- 7.0
Additions due to changes in consolidation	-	-	-
Additions	49.8	8.1	57.9
Disposals	68.1	2.8	70.9 ¹⁾
Reclassifications	5.8	10.2	16.0
Balance as at 31 Dec 2004	259.2	80.3	339.5
First-time application of IFRS 5	- 1.7	- 5.7	- 7.4
Adjusted balance as at 1 Jan 2005	257.5	74.6	332.1
Exchange differences	6.0	0.1	6.1
Additions due to changes in consolidation	-	-	-
Additions	73.8	22.6	96.4
Disposals	26.4	42.9	69.3 ²⁾
Reclassifications	-	7.4	7.4
Balance as at 31 Dec. 2005	310.9	61.8	372.7
Amortisation			
Balance as at 1 Jan 2004	11.8	5.6	17.4
First-time application of IFRS 3	- 11.8	- 5.6	- 17.4
Adjusted balance as at 1 Jan 2004	0.0	0.0	0.0
Exchange differences	-	-	-
Additions due to changes in consolidation	-	-	-
Amortisation for the current year	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Balance as at 31 Dec 2004	0.0	0.0	0.0
First-time application of IFRS 5	-	-	-
Adjusted balance as at 1 Jan 2005	0.0	0.0	0.0
Exchange differences	-	-	-
Additions due to changes in consolidation	-	-	-
Amortisation for the current year	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Balance as at 31 Dec 2005	0.0	0.0	0.0
Carrying amount as at 31 Dec 2004	259.2	80.3	339.5
Carrying amount as at 31 Dec 2005	310.9	61.8	372.7

¹⁾ of which disposals due to changes in consolidation of € 37.1 million

²⁾ of which disposals due to changes in consolidation of € 35.8 million

For associated companies and joint ventures measured at equity, proportionate profits for the year were shown under additions and disposals, while impairment of goodwill was carried under value adjustments. In the framework of the first-time application of IFRS 3, negative goodwill of € 11.1 million carried in 2004 was directly eliminated against other revenue reserves.

For companies jointly managed by the Group and one or several partners (joint ventures), the Group share corresponded to the share of individual assets and liabilities of the joint ventures.

Group share of individual assets and liabilities in joint ventures

€ million	31 Dec 2005	31 Dec 2004
Goodwill from equity measurement	35.7	24.7
Non-current assets	474.5	394.6
Current assets	90.0	77.6
Non-current provisions and liabilities	167.8	144.0
Current provisions and liabilities	121.5	93.7
Joint ventures measured at equity	310.9	259.2

(23) Investments

Investments

€ million	Shares in non-consolidated Group companies
Historical cost	
Balance as at 1 Jan 2004	207.9
Exchange differences	- 1.4
Additions due to changes in consolidation	99.9
Additions	4.0
Disposals	14.1
Reclassifications	0.8
Balance as at 31 Dec 2004	297.1
First-time application of IFRS 5	- 3.9
Adjusted balance as at 1 Jan 2005	293.2
Exchange differences	2.6
Additions due to changes in consolidation	2.4
Additions	14.7
Disposals	14.0
Reclassifications	- 12.9
Balance as at 31 Dec 2005	286.0
Depreciation	
Balance as at 1 Jan 2004	129.2
Exchange differences	- 1.4
Additions due to changes in consolidation	98.4
Depreciation for the current year	6.4
Disposals	6.3
Reclassifications	0.9
Balance as at 31 Dec 2004	227.2
First-time application of IFRS 5	- 1.7
Adjusted balance as at 1 Jan 2005	225.5
Exchange differences	2.6
Additions due to changes in consolidation	-
Depreciation for the current year	4.6
Disposals	10.3
Reclassifications	- 0.9
Balance as at 31 Dec 2005	221.5
Carrying amounts as at 31 Dec 2004	69.9
Carrying amounts as at 31 Dec 2005	64.5

¹⁾ of which disposals from changes in consolidation of € 18.3 million or € 4.2 million

²⁾ of which disposals from changes in consolidation of € 11.6 million or € 8.7 million

Investments exclusively comprised loans and receivables originated by the Company in the form of loans or available-for-sale financial assets. The loans and receivables were recognised at amortised cost. Non-interest or low-interest loans were carried at their present values and amortised according to the effective interest method.

Overall, shares in non-consolidated subsidiaries and investments with a carrying amount of € 103.2 million (previous year: € 116.6 million) were measured at cost.

Write-backs of € 0.6 million (previous year: € 1.4 million) were effected in other investments.

As in the previous year, none of the financial assets were subject to ownership restraints at the balance sheet date.

Loans to non-consolidated Group companies	Investments	Loans to affiliates	Securities held as fixed assets	Other loans	Payments on account	Total
14.0	53.3	9.3	18.9	322.2	0.5	626.1
-	-	-	-	- 0.2	-	- 1.6
-	0.3	-	-	-	-	100.2
0.4	7.0	1.2	2.5	6.9	2.1	24.1
2.9	5.8	3.7	1.7	58.8	0.1	87.1 ¹⁾
- 2.9	2.1	-	-	-	-	-
8.6	56.9	6.8	19.7	270.1	2.5	661.7
-	- 0.5	-	- 0.3	- 0.3	-	- 5.0
8.6	56.4	6.8	19.4	269.8	2.5	656.7
-	-	-	0.1	4.3	-	7.0
-	-	-	0.4	0.1	-	2.9
0.8	0.6	6.8	0.5	6.5	-	29.9
5.5	4.7	1.2	0.1	83.5	-	109.0 ²⁾
0.1	- 7.7	-	- 0.5	- 0.3	- 2.0	- 23.3
4.0	44.6	12.4	19.8	196.9	0.5	564.2
5.7	9.2	5.8	0.1	10.9	0.0	160.9
-	-	-	-	-	-	- 1.4
-	0.3	-	-	-	-	98.7
0.3	1.2	-	-	1.1	-	9.0
-	0.5	3.5	-	8.7	-	19.0 ¹⁾
- 0.9	-	-	-	-	-	-
5.1	10.2	2.3	0.1	3.3	0.0	248.2
-	-	-	-	- 0.2	-	- 1.9
5.1	10.2	2.3	0.1	3.1	-	246.3
-	-	-	-	-	-	2.6
-	-	-	-	-	-	-
0.3	0.4	4.3	-	2.9	-	12.5
2.5	2.9	0.6	-	0.9	-	17.2 ²⁾
-	- 1.8	-	-	-	-	- 2.7
2.9	5.9	6.0	0.1	5.1	0.0	241.5
3.5	46.7	4.5	19.6	266.8	2.5	413.5
1.1	38.7	6.4	19.7	191.8	0.5	322.7

(24) Inventories

Inventories

€ million	31 Dec 2005	31 Dec 2004
Raw materials and supplies	110.7	55.7
Work in progress	9.8	25.3
Finished goods and merchandise	29.9	276.1
Total	150.4	357.1

The significant decrease in inventories shown was mainly attributable to the first-time application of IFRS 5 and the resulting reclassification of inventories of the US steel service companies into assets held for sale in the balance sheet.

As in the previous year, no inventories were carried at lower net realisable value in the 2005 financial year. As in 2004, no write-backs of inventories were effected in the 2005 financial year.

While no inventories were pledged as collateral in the 2005 financial year, inventories with a total carrying amount of € 214.8 million had been pledged as collateral by the US steel service companies in taking up a loan in 2004.

(25) Trade accounts receivable**Trade accounts receivable**

€ million	31 Dec 2005	31 Dec 2004
from third parties	948.3	664.1
from non-consolidated Group companies	11.5	12.0
from affiliates	5.5	11.8
Total	965.3	687.9

(26) Receivables from derivative financial instruments**Receivables from derivative financial instruments**

€ million	31 Dec 2005 31 Dec 2004			
	Remaining term more than 1 year	Total	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	51.1	200.2	123.7	19.1

The positive market values of derivative financial instruments shown under receivables, primarily serving to hedge the future operating business, are outlined in detail in the explanatory information on the financial instruments.

(27) Other receivables and assets**Other receivables and assets**

€ million	31 Dec 2005 31 Dec 2004			
	Remaining term more than 1 year	Total	Total	Remaining term more than 1 year
Receivables from loans to non-consolidated Group companies	28.8	34.9	42.9	36.7
Other receivables from non-consolidated Group companies	0.4	8.5	11.1	3.8
Receivables from loans to affiliates	9.8	23.3	17.7	7.5
Other receivables from affiliates	2.5	10.4	13.1	2.3
Other receivables	41.5	77.1	84.8	50.3
Other tax refund claims	–	61.8	68.1	0.5
Interest deferral	9.0	20.6	13.9	–
Receivables from loans to third parties	4.0	21.7	66.6	0.2
Receivables from finance leases	10.6	13.1	13.5	11.4
Payments on account	93.1	267.9	296.5	96.6
Other assets	34.4	318.3	303.5	29.6
Other assets	151.1	703.4	762.1	138.3
Prepaid expenses	0.2	281.6	189.9	1.1
Total	192.8	1,062.1	1,036.8	189.7

Restraints on ownership or disposal existed for an amount of € 125.0 million (previous year: € 108.9 million) of reported other receivables and assets.

Securities available for sale at short notice and recognised at fair value were shown under other assets. These securities mainly comprised listed securities and fixed-interest securities with interest rates of 2.50% p.a. to 3.40% p.a. (previous year: 1.63% p.a. to 3.40% p.a.).

Payments on account mainly related to advance payments for future tourism services, in particular hotel services, customary in the industry.

Other prepaid expenses mainly comprised prepaid expenses for return flights taking place after the balance sheet date and expenses for rental costs.

**(28) Current and deferred
income tax claims**

Income tax claims

€ million	31 Dec 2005	31 Dec 2004
Deferred income tax claims	299.4	345.2
Current income tax claims	15.5	21.4
Total	314.9	366.6

Assets from future income tax benefits comprised deferred tax assets from temporary differences between the carrying amounts shown in the consolidated balance sheet and those carried in the tax balance sheet as well as the tax savings from loss carry forwards assessed as recoverable in the future. Deferred tax assets are outlined in detail under note 12. Deferred income tax assets included an amount of € 279.0 million (previous year € 237.9 million) to be realised in more than twelve months. This item also included current income tax claims.

**(29) Cash and cash
equivalents**

Cash and cash equivalents

€ million	31 Dec 2005	31 Dec 2004
Bank deposits	584.1	464.7
Cash in hand and cheques	15.1	16.4
Total	599.2	481.1

As in the previous year, cash and cash equivalents were not subject to any restraints on disposal.

(30) Assets held for sale

Assets held for sale

€ million	31 Dec 2005
Trading	392.4
TQ3 Group	263.9
Other non-current assets	58.4
Total	714.7

Due to the application of IFRS 5 at the beginning of the financial year, the assets of the discontinuing operations were combined into a disposal group in a single balance sheet item. A breakdown of the assets of the discontinuing operations is provided under note 14. In addition, this balance sheet item also comprised non-current assets which were subject to a specific plan to sell. These mainly related to real estate property and land. Overall, this balance sheet item comprised liquid funds totalling € 8.3 million. In connection with the assets held for sale and the associated liabilities, differences of € 4.6 million arising on currency translation were taken directly to equity.

TQ3 Group

€ million	31 Dec 2005
Fixed assets	144.4
Non-current receivables	2.3
Non-current assets	146.7
Inventories	–
Current receivables	113.9
Cash and cash equivalents	7.3
Current assets	121.2

Group equity

€ million	Subscribed capital (31)	Capital reserves (32)	Other revenue reserves	Differences from currency translation	Revaluation reserve
Balance as at 31 Dec 2003	456.2	1,589.1	1,000.5	- 507.9	0.0
First-time application of IFRS 3			11.1		
Application of the revised IAS 19					
Application of the revised IAS 32 and IAS 39		- 27.1	2.5		
Change in the treatment of holiday brochure production costs			- 43.0		
Balance as at 1 Jan 2004	456.2	1,562.0	971.1	- 507.9	0.0
Dividend payments			- 137.4		
Issue of employee shares	0.8	2.4			
Changes in consolidation					
Effect of the acquisition of minority shares			- 65.7		
Effect of step acquisitions					10.6
Currency translation				- 59.9	
Measurement changes with no effect on results					
Recognition of available-for-sale financial assets with an effect on results					
Recognition of cash flow hedges with an effect on results					
Tax items directly offset against equity					
Group profit		1.9	526.3		
Balance as at 31 Dec 2004	457.0	1,566.3	1,294.3	- 567.8	10.6
Dividend payments			- 134.8		
Issue of employee shares	1.2	6.6			
Changes in consolidation			- 2.7		
Effect of the acquisition of minority interests			- 10.1		
Effect of step acquisitions					11.3
Currency translation				173.9	
Measurement changes with no effect on results					
Recognition of available-for-sale financial instruments with an effect on results					
Recognition of cash flow hedges with an effect on results					
Tax items directly offset against equity		13.1			
Capital increase	182.8	799.0			
Raising of hybrid capital					
Group profit			456.7		
Balance as at 31 Dec 2005	641.0	2,385.0	1,603.4	- 393.9	21.9

The income and expenses recognised directly in equity are shown separately in the statement of recognised income and expenses.

(31) Subscribed capital

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

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by € 182.8 million (71,502,616 shares at a subscription price of € 14.20 per share) due to the capital increase implemented last year. The subscribed capital rose by a further € 1.2 million to a total of € 641.0 million due to the issue of 473,420 employee shares. Subscribed capital thus comprised 250,732,575 shares (previous year: 178,756,539 shares) at the end of the financial year.

Revaluation reserve for financial assets	Reserve according to IAS 19	Revenue reserves (33)	Hybrid capital (34)	Equity before minority interests	Minority interests (35)	Total
- 56.1	0.0	436.5	0.0	2,481.8	285.1	2,766.9
		11.1		11.1		11.1
	- 279.7	- 279.7		- 279.7	- 0.1	- 279.8
		2.5		- 24.6		- 24.6
		- 43.0		- 43.0	- 1.3	- 44.3
- 56.1	- 279.7	127.4	0.0	2,145.6	283.7	2,429.3
		- 137.4		- 137.4	- 20.2	- 157.6
				3.2		3.2
- 0.4		- 0.4		- 0.4	- 68.4	- 68.8
		- 65.7		- 65.7		- 65.7
		10.6		10.6		10.6
		- 59.9		- 59.9	- 2.0	- 61.9
- 48.4	- 28.3	- 76.7		- 76.7	- 1.0	- 77.7
0.3		0.3		0.3		0.3
73.1		73.1		73.1	0.3	73.4
- 6.0	8.4	2.4		2.4	0.2	2.6
		526.3		528.2	43.8	572.0
- 37.5	- 299.6	400.0	0.0	2,423.3	236.4	2,659.7
		- 134.8		- 134.8	- 12.3	- 147.1
				7.8		7.8
	2.7	0.0		0.0	0.6	0.6
		- 10.1		- 10.1	- 10.2	- 20.3
		11.3		11.3		11.3
- 0.5	- 7.3	166.1		166.1	9.0	175.1
101.8	- 297.0	- 195.2		- 195.2	0.4	- 194.8
- 0.6		- 0.6		- 0.6		- 0.6
91.5		91.5		91.5	0.5	92.0
- 83.5	90.9	7.4	3.3	23.8	- 0.3	23.5
				981.8		981.8
			291.5	291.5		291.5
		456.7		456.7	38.1	494.8
71.2	- 510.3	792.3	294.8	4,113.1	262.2	4,375.3

The Annual General meeting of 11 May 2005 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the subscribed capital. The authorisation which will expire on 10 November 2006 replaced the authorisation granted by the Annual General Meeting of 18 May 2004. So far, the possibility of acquiring own shares has not been used.

Conditional capital

The Annual General Meeting of 18 June 2003 adopted a resolution creating conditional capital of € 90.0 million. The conditional capital was intended to service conversion rights and warrants from the issue of one or several bonds with a total par value of up to € 1.0 billion by 17 June 2008. Convertible bonds totalling around € 384.6 million were issued in October 2003. The conversion rights entitled the holders to convert each convertible bond of a par value of € 50,000.00 into 2,520 shares in TUI AG. This far, the holders of the convertible bonds have not yet exercised any conversion rights.

In order to be able to use the possibility of issuing further bonds, the Annual General Meeting of 18 May 2004 adopted a resolution creating further conditional capital of € 70.0 million. Accordingly, bonds with conversion rights and warrants or with conversion obligations with a total par value of up to € 1.0 billion and a term of up to 30 years can be issued by 17 May 2009.

Authorised capital

At the end of the 2004 financial year, the authorised capital of € 10.0 million created at the Annual General Meeting of 18 May 2004 for the issue of employee shares stood at € 9.3 million. The authorised capital was partly used in the 2005 financial year to issue 473,420 employee shares (previous year: 287,860 shares). The remaining authorised capital for the issue of employee shares thus stood at € 8.1 million at the end of the 2005 financial year.

In addition to the authorised capital for the issue of employee shares, the Annual General Meeting of 18 May 2004 resolved to create authorised capital for the issue of new shares against cash or non-cash contribution totalling € 215.6 million. Due to the issue of 71,502,616 shares against cash contribution, this authorised capital declined by € 182.8 million to € 32.8 million at the end of the 2005 financial year.

Including the remaining authorised capital for the issue of employee shares, the unused authorised capital totalled € 40.9 million. TUI AG's Executive Board has been authorised to use this capital by 17 May 2009.

(32) Capital reserves

The capital reserve mainly consisted of transfers of premiums from the issue of shares and amounts generated by issuing bonds for conversion options and warrants to purchase shares in TUI AG where the conversion and option rights had to be classified as equity instruments in accordance with IAS 32. Premiums from the exercise of conversion options and warrants were also transferred to the capital reserves. The funding costs for the issue of conversion options and warrants and for the capital increase by means of the issue of new shares against cash contribution were eliminated against the transfers to the capital reserve resulting from these transactions.

In accordance with the revised IAS 32 in combination with IAS 39, the conversion right of the convertible bond issued in October 2003 no longer had to be classified as an equity component but instead as a derivative liability. Due to the reclassification, the capital reserve declined by € 27.1 million with retrospective effect as of 1 January 2004. In the financial year under review, the capital reserve rose by € 812.1 million due to the issue of new shares against cash contribution. The capital reserve also increased by € 6.6 million (previous year: € 2.4 million) due to the issue of employee shares.

(33) Revenue reserves

Other revenue reserves comprised transfers from the results of the current or previous financial years as well as eliminations of goodwill from capital consolidation and at equity measurement of subsidiaries purchased until 30 September 1995. Goodwill of subsidiaries purchased before 1 October 1995 was eliminated against other revenue reserves with no effect on results. Due to the application of IFRS 3, this elimination outside profit or loss was no longer reversed outside profit or loss upon disposal of the goodwill, causing an increase in the deconsolidation result.

Furthermore, adjustments with no effect on results from the first-time application of new or revised accounting standards and effects of changes in accounting and measurement methods were transferred to or eliminated against other revenue reserves. The change in the accounting method for holiday brochure costs, which had to be effected retrospectively as at 1 January 2004, resulted in a reduction of € 43.0 million in other revenue reserves. Since the reversal of the amortisation of actuarial gains and losses was only carried out as of the 2004 financial year, the application of the revised IAS 19 did not impact other revenue reserves as at 1 January 2004. However, the reserve according to IAS 19, carried under revenue reserves as at 1 January 2004, was impacted by the effect outlined below. The prospective application of the new IFRS 3 in 2004 resulted in an increase in other revenue reserves as 1 January 2004 due to the elimination of negative goodwill of € 11.1 million.

In accordance with section 58 sub-section 2 of the German Stock Corporation Act, dividend payments to TUI AG's shareholders were based on net profit available for distribution of the commercial-law financial statements of TUI AG. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution of € 195,500,000.00 of the 2005 financial year for the payment of a dividend of € 0.77 per no-par value share and to carry the amount of € 2,435,917.25, remaining after the deduction of the dividend total of € 193,064,082.75, forward on new account.

Differences arising on currency translation comprised differences from the currency translation of the financial statements of foreign subsidiaries as well as differences from the translation of goodwill denominated in foreign currency.

The revaluation reserve was formed in the framework of step acquisitions of companies. At the date of initial consolidation, the change in the fair values of the assets and liabilities of the acquired company in between the individual acquisition dates was recognised in the revaluation reserve with no effect on results based on the participation held prior to first-time consolidation. In the framework of deconsolidation, the revaluation reserves were eliminated against other revenue reserves.

The revaluation reserve for financial assets comprised the portion of gains and losses from hedges determined as an effective hedge of future cash flows. When a hedged transaction had an effect on results, the revaluation reserve for financial assets was reversed with an effect on results in the same period.

The reserve according to IAS 19 comprised gains and losses from changes in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets recognised with no effect on results. The retrospective application of revised IAS 19 resulted in the formation of a negative reserve of € 279.7 million due to the recognition of previously unrecognised actuarial gains and losses as at 1 January 2004.

In the 2005 financial year, additional actuarial losses resulted in a decline in the reserve according to IAS 19. An overall negative reserve of € 510.3 million arose as at the end of the financial year.

- (34) Hybrid capital** In accordance with IAS 32, the subordinated hybrid bond issued by TUI AG in December of 2005 with a notional volume of € 300.0 million represented Group equity. The capital procurement costs of € 8.5 million were deducted from the hybrid equity with no effect on results, taking account of deferred income taxes.
- (35) Minority interests** Minority interests mainly related to companies of the tourism division, above all companies of the RIU Group and a number of incoming agencies.
- (36) Pension provisions and similar obligations** A number of pension schemes based on defined contribution plans or defined benefit plans were provided for the employees. Pension obligations varied according to the legal, fiscal and economic circumstances of the country concerned and usually depended on employees' length of service and pay levels. Whereas all defined contribution plans were funded by means of the payment of premiums to external insurance companies or funds, systems existed for defined benefit plans entailing the formation of provisions within the Company or investments in funds outside the Company.

German employees enjoyed benefits from a statutory defined contribution plan paying pensions depending on employees' income and the contributions paid in. Several other industry pension organisations existed for companies of the TUI Group. Once the contributions to the state and private pension insurance institutions had been paid, no further obligations existed for the Company. Current contribution payments were recognised as an expense for the respective period. In the 2005 financial year, the pension costs for all defined contribution plans for the TUI Group totalled € 83.2 million (previous year: € 80.7 million). The pension costs for defined benefit pension commitments totalled € 90.0 million (previous year: € 92.4 million).

Pension costs for defined benefit obligations

€ million	2005	2004
Current service cost resulting from employee service in the financial year	54.6	55.7
Interest cost	105.5	103.4
Expected return on external plan assets	74.3	69.2
Past service cost due to plan changes	4.7	2.4
Effects of curtailment or settlement of pension obligations	- 0.5	0.1
Total	90.0	92.4

The increase in the expected return on external plan assets in 2005 primarily resulted from the year-on-year increase in the plan assets of TUI Northern Europe. The increase in the interest cost due to higher pension obligations – again primarily in this sector - had an opposite effect. Total pension costs for defined benefit pension obligations declined slightly.

Provisions for pension obligations were established for benefits payable in the form of retirement, invalidity and surviving dependants' benefits. Provisions were exclusively formed for defined benefit schemes under which the Company guarantees employees a specific pension level. Provisions for similar obligations covered in particular early retirement and temporary assistance benefits.

Development of provisions for pensions and similar obligations

€ million	Balance as at 31 Dec 2004	First-time application of IFRS 5	Adjusted balance as at 1 Jan 2005	Changes in consolidation ¹⁾	Changes with no effect on results	Utilisation	Reversal	Addition	Balance as at 31 Dec 2005
Provisions for pensions	1,040.9	- 46.0	994.9	- 3.5	293.4	34.1	1.1	35.9	1,285.5
Similar obligations	21.4	- 2.7	18.7	- 10.7	–	–	–	0.1	8.1
Total	1,062.3	- 48.7	1,013.6	- 14.2	293.4	34.1	1.1	36.0	1,293.6

¹⁾ as well as transfers and exchange differences

The actuarial gains and losses arisen in the 2005 financial year were eliminated against equity with no effect on results, causing the indicated change in pension provisions with no effect on results.

Where the defined benefit pension obligations were not financed by provisions, they were funded externally. This type of funding of pension obligations prevailed to a considerable extent in the Northern Europe sector in TUI UK and Thomsonfly UK. Furthermore, funded pension obligation systems were operated by foreign companies of Hapag-Lloyd Container Linie, by CP Ships and by companies in Switzerland and in the Netherlands.

While the fund assets were determined on the basis of the fair values of invested funds as at 31 December 2005, pension obligations were measured by actuarial calculations and assumptions. The obligations under defined benefit plans were calculated on the basis of the internationally accepted Projected Unit Credit Method, taking account of expected future increases in salaries and pensions.

Actuarial parameters applied to German companies

Percentage p.a.	2005	2004
Discount rate	4.25	4.75
Projected future salary increases	1.5 – 2.0	1.33 – 2.5
Projected future pension increases	1.0 – 1.5	1.0 – 1.33
Projected employee turnover rate	2.0	2.0

Actuarial calculations for companies abroad were based on specific parameters for each country concerned.

Actuarial assumptions for foreign companies

Percentage p.a.	2005			2004		
	Discount rate	Projected return on plan assets	Projected future salary increase	Discount rate	Projected return on plan assets	Projected future salary increase
Eurozone	4.25	5.0 – 6.0	0.0 – 4.4	4.75	4.0 – 6.0	0.0 – 3.85
UK	4.75 – 4.8	4.5 – 7.47	3.8 – 4.5	5.25 – 5.4	4.5 – 7.9	3.9 – 4.4
Rest of Europe	3.25 – 3.75	2.5 – 4.0	0.2 – 2.5	3.75	2.5 – 5.0	0.02 – 2.5
North America	5.0 – 6.0	6.0	5.0	6.0 – 6.25	6.0 – 8.0	3.0 – 5.0
South America	9.0	9.0	5.0	–	–	–
Asia	2.0 – 3.75	1.5 – 2.75	1.5 – 3.0	2.0 – 3.75	1.5 – 2.75	1.5 – 3.0

Development of the net present value of actual pension obligations

€ million	2005	2004
Net present value of actual pension obligations at beginning of year	2,003.8	1,851.3
First-time application of IFRS 5	- 55.7	-
Additions to consolidation	58.9	-
Removals of consolidations	4.7	19.5
Current pension obligations	54.6	56.9
Interest expense	105.5	106.5
Pensions paid	- 68.6	- 74.6
Contributions paid by pension beneficiaries	12.5	12.8
Actuarial gains (-) and losses (+)	403.3	51.8
Past service cost	5.0	3.1
Exchange differences	36.3	4.5
Other	- 47.0	11.0
Net present value of actual pension obligations at year-end	2,503.9	2,003.8

The reduction in the actual pension obligations as at 1 January 2005 resulted from the application of IFRS 5 and the involved reclassification of the assets and liabilities of the operations trading and special logistics in the balance sheet. Moreover, the business travel operations were classified as a disposal group in the 2005 financial year. The disposal of the corresponding values was shown under 'Other' changes.

The development of the actuarial gains and losses was determined by several factors in the financial year under review. Besides the new mortality tables applied for the first time by German companies in determining pension obligations – Prof. Dr. Klaus Heubeck's 'Reference tables 2005 G' – the companies in the Eurozone had to take account of a reduction in the discount rate from 4.75% to 4.25%. However, the development was primarily resulted from changes in the Northern Europe sector. Here, too, the discount rate applicable in calculating the pension obligations was reduced. However, the main effect was attributable to the change in the applicable mortality tables in Thomsonfly UK.

The exchange differences shown for the 2005 financial year mainly resulted from the translation of British pounds sterling in euros.

Development of the fair value of plan assets

€ million	2005	2004
Fair value of plan assets at the beginning of the year	972.5	831.1
First-time application of IFRS 5	- 9.7	-
Additions to consolidation	39.0	-
Removals from consolidation	-	0.8
Expected return on external plan assets (-)	- 74.3	- 70.0
Actuarial gains (-) / losses (+) of the current year	- 109.9	- 23.6
Exchange differences	23.2	- 3.7
Employer's contributions paid in	60.9	62.2
Contributions paid by the beneficiary of the plan	12.5	13.1
Pensions paid	- 35.7	- 36.2
Other	- 28.4	13.2
Fair value of plan assets at year-end	1,218.5	972.5
of which dividend-carrying securities	953.3	663.8
of which bonds	207.9	238.4
of which property, plant and equipment	-	0.5
of which cash	16.6	41.6
of which other	40.7	28.2

Due to the first-time application of IFRS 5, the fair value of fund assets also changed as at 1 January 2005 since the trading sector was reclassified. The disposal of the fund assets for the business travel operations, a sector held for sale, was carried under 'Other' changes.

Just as the development of the net present value of actual pension obligations, the deviations in the development of the fair value of fund assets compared with the previous year's figures shown were primarily attributable to the changes in the actuarial gains and losses of the current year in the Northern Europe sector and the exchange differences between British pounds sterling and euros. The actuarial gains mainly resulted from the slowly recovering capital markets in which the pension funds were invested.

The assumptions used in determining the expected return on external fund assets were based on the actual fund structure and were oriented to the future long-term yields for the individual fund categories. Further factors taken into account were the current interest level and inflation trend. The TUI Group's calculation of the pension expenses were based on very conservative forecasts in determining the expected return on the fund assets. This was reflected by the fact that both in 2004 but in particular in the financial year under review the funds did not just generate the expected returns but managed to generate partly substantial amounts on top of these returns. In the 2005 financial year, expected returns totalled € 74.3 million (previous year: € 70.0 million) but actual returns amounted to € 184.2 million (previous year: € 93.6 million).

The companies of the TUI Group are expected to contribute around € 60.4 million to pension funds in the 2006 financial year.

Reconciliation of the present value of pension obligations to liability recognised in the balance sheet

€ million	31 Dec 2005		31 Dec 2004	
	Plans with obligation in excess of assets	Plans with assets in excess of obligations	Plans with obligation in excess of assets	Plans with assets in excess of obligations
		Total	Total	Total
Actual present value of fully or partly funded pension obligations	1,953.0	8.1	1,961.1	1,430.7
Fair value of external plan assets	1,210.3	8.2	1,218.5	951.4
Excess	742.7	- 0.1	742.6	479.3
Actual present value of non-funded pension obligations			542.8	552.6
Net present value of pension obligations			1,285.4	1,031.3
Adjustment for actuarial gains/losses			-	-
Adjustment for past service benefits			-	0.3
Net recognised liability			1,285.4	1,031.6
of which provisions for pensions for non-funded obligations			542.8	552.2
of which provisions for pensions for funded obligations			742.7	488.6
of which capitalised assets			- 0.1	- 9.2

Since the TUI Group used the option of immediately offsetting the actuarial gains and losses against equity in the year in which they arose, the TUI Group's total pension obligations were fully shown in the balance sheet, netted against existing fund assets.

Where plan assets exceeded obligations with regard to funded pension obligations, taking account of a difference due to past service benefits, and where at the same time there was an entitlement to reimbursement of or reduction of future contribution payments to the fund, the excess was capitalised in conformity with the upper limit defined by IAS 19.

On the basis of a year-on-year comparison, the key values related to pension obligations were as follows:

€ million	2005	2004
Net present value of pension obligations at year-end	2,503.9	2,003.8
Fund assets at year-end	1,218.5	972.5
Excess cover (-) / cover shortage (+) at year-end	742.6	478.7
Actuarial gains (-) / losses (+) of the current year from the obligations	403.3	51.8
Actuarial gains (-) / losses (+) of the current year from the plan assets	- 109.9	- 23.6

As at 31 December 2005, total actuarial gains and losses before deferred income taxes recognised by that date and eliminated against equity with no effect on results amounted to € - 735.5 million.

(37) Income tax provisions and other provisions

Development of provisions in the 2005 financial year

€ million	Balance as at 31 Dec 2004	First-time application of IFRS 5	Adjusted balance as at 1 Jan 2005	Changes in consolidation ¹⁾	Utilisation	Reversal	Addition	Balance as at 31 Dec 2005
Provisions for current income tax	135.6	- 9.6	126.0	92.5	102.4	17.6	64.9	163.4
Provisions for deferred tax	192.5	- 41.5	151.0	- 106.4	-	-	105.2	149.8
Income tax provisions	328.1	- 51.1	277.0	- 13.9	102.4	17.6	170.1	313.2
Personnel costs	325.7	- 68.3	257.4	83.7	174.4	25.4	145.1	286.4
Typical operating risks	148.6	- 1.1	147.5	3.7	31.4	12.7	30.4	137.5
Risks from pending transactions	52.9	-	52.9	0.4	12.0	5.0	13.1	49.4
Guarantee and liability risks	99.7	-	99.7	0.4	11.1	10.6	11.4	89.8
Provisions for other taxes	68.6	- 2.3	66.3	8.5	29.6	4.9	25.7	66.0
Miscellaneous provisions	246.7	- 21.4	225.3	91.0	78.0	27.7	130.2	340.8
Other provisions	942.2	- 93.1	849.1	187.7	336.5	86.3	355.9	969.9
Total	1,270.3	- 144.2	1,126.1	173.8	438.9	103.9	526.0	1,283.1

¹⁾ as well as transfers and exchange differences

Income tax provisions

Income tax provisions comprised provisions for current and deferred income taxes. Provisions for deferred taxes are outlined in note 12.

Other provisions

Other provisions comprised provisions for personnel costs, typical operating risks, risks from pending transactions, guarantee and liability risks, provisions for other taxes and miscellaneous provisions.

Provisions for personnel costs comprised vacation provisions and unpaid bonus payments, severance compensation and jubilee benefits.

Provisions for personnel costs also contained provisions for the phantom stocks granted as a bonus to the members of the Executive Board and senior executives in the framework of a long-term incentive programme. A provision was formed for the personnel costs under this incentive programme upon the granting of the phantom stocks and adjusted to the changes in the price of the TUI shares until the exercise date.

Provisions for typical operating risks of € 137.5 million comprised provisions for maintenance operations for leased aircraft of € 90.2 million and provisions for stabilising and restoration measures for the former mining activities (approx. € 40.0 million). These provisions included an amount of € 31.5 million (previous year: € 32.1 million) for necessary environmental protection measures.

The provision formed in previous years due to the insolvency of Babcock Borsig AG for guarantee and liability risks to fully cover the risks from the anticipated avilment of guarantees and warranties granted in previous years for the former plant engineering activities were partly used and reduced accordingly in the year under review. The provisions for risks from onerous contracts were primarily formed for hotel and flight capacity already contracted but probably not to be fully utilised.

Where the difference between the present value and the settlement value of the provision was material for the measurement of a non-current provision as at the balance sheet date, the provision had to be recognised at its present value in accordance with IAS 37. The discount rate to be applied should take account of the specific risks of the provision and of future price increases. This criterion applied to some items contained in the TUI Group's other provisions. Transfers to these provisions comprised an interest portion of € 2.2 million (previous year: € 1.6 million), recognised under interest expenses.

Maturities of income tax provisions and other provisions

€ million	31 Dec 2005		31 Dec 2004	
	Remaining term of more than 1 year	Total	Total	Remaining term of more than 1 year
Provisions for current taxes on income	143.6	163.4	135.6	118.8
Provisions for deferred taxes	149.8	149.8	192.5	192.5
Income tax provisions	293.4	313.2	328.1	311.3
Personnel costs	82.3	286.4	325.7	68.8
Typical operating risks	99.6	137.5	148.6	106.5
Risks from pending transactions	23.7	49.4	52.9	26.7
Guarantee and liability risks	55.2	89.8	99.7	73.3
Provisions for other taxes	16.4	66.0	68.6	7.9
Miscellaneous provisions	124.7	340.8	246.7	56.9
Other provisions	401.9	969.9	942.2	340.1
Total	695.3	1,283.1	1,270.3	651.4

(38) Financial liabilities**Financial liabilities**

€ million	31 Dec 2005 31 Dec 2004					
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term more than 1 year
Convertible bonds	0.9	351.6	–	352.5	341.9	341.9
Other bonds	749.5	932.7	1,051.1	2,733.3	1,751.3	1,751.3
Liabilities to banks	293.8	290.0	215.3	799.1	1,078.5	833.0
Liabilities from finance leases	42.5	152.6	199.3	394.4	435.2	368.5
Financial liabilities due to non-consolidated Group companies	24.0	2.0	–	26.0	64.4	13.0
Financial liabilities due to affiliates	6.4	–	–	6.4	9.4	–
Other financial liabilities	27.2	18.2	1.1	46.5	51.0	21.1
Total	1,144.3	1,747.1	1,466.8	4,358.2	3,731.7	3,328.8

Convertible bonds mainly comprised the convertible bond of € 384.6 million issued by TUI AG in October 2003. The bond, maturing on 1 December 2008, entailed an interest coupon of 4.0% p.a. Each convertible bond of a par value of € 50,000.00 entitles the holder to convert it into 2,314 shares at a conversion price of around € 19.84 per share (prior to the implementation of the capital increase in 2005: € 21.60 per share) any time between 2 January 2004 and 17 November 2008. In addition, the convertible bonds comprised a convertible bond issued by CP Ships, which was almost completely redeemed in the framework of the acquisition of CP Ships. The carrying amount remaining at year-end totalled € 0.9 million.

The debt component of the convertible bond was carried at the issue date at its present value based on an interest rate in line with market conditions and was increased by the interest portion of the period as at the balance sheet date in accordance with the internationally accepted effective interest method.

Other bonds comprised five different bonds totalling € 2,775.0 million.

In October 1999, TUI AG issued a bearer bond worth € 750.0 million maturing in October 2006. It was a fixed-interest instrument with a coupon of 5.875%. The bearer bond had a denomination of € 1,000.00.

In the 2004 financial year, two bonds totalling € 1,025.0 million were issued in the framework of the long-term refinancing of the Group. The bond worth € 625.0 million, issued in May 2004 and maturing in May 2011, carried fixed interest of 6.625 %. The bond worth € 400.0 million issued in June 2004 entailed a floating interest rate (EURIBOR + 2.10%). This instrument will mature in August 2009. Both bonds issued in 2004 had a denomination of € 1,000.00.

In order to finance the acquisition of CP Ships, two further bonds with an aggregate volume of € 1,000.0 million were issued by TUI AG in December 2005. The fixed-interest bond of € 450.0 million, carrying an interest rate of 5.125%, will mature in December 2012. The remaining bond volume of € 550.0 million was a floating-rate bond (3-months-EURIBOR + 1.55%) and will mature in December 2010. The bonds issued in the 2005 financial year had a denomination of € 50,000.00 (thereafter in multiples of 1,000).

Liabilities to banks broke down as follows:

Liabilities to banks

Maturing in	Weighted average interest rate p.a.	31 Dec 2005			31 Dec 2004		
		€ million	up to 1 year	Remaining terms more than 1-5 year	Remaining terms more than 5 years	€ million	Remaining term more than 1 year
2005	3.81%	–	–	–	–	3.1	–
2006	3.86%	81.1	81.1	–	–	74.4	31.2
2007	2.45%	0.5	0.1	0.4	–	–	–
2008	4.96%	6.7	2.6	4.1	–	7.9	5.9
2009	8.16%	5.6	1.3	4.3	–	167.0	166.9
2010	3.75%	51.2	0.2	51.0	–	226.2	186.8
2011	5.18%	10.7	0.4	2.0	8.3	11.1	10.7
2012	3.13%	0.8	0.0	0.3	0.5	–	–
2013	6.25%	117.4	4.5	20.7	92.2	–	–
2014	4.50%	–	–	–	–	32.1	31.6
After 2016	4.54%	58.6	3.5	16.2	38.9	11.4	11.4
	Total fixed-interest	332.6	93.7	99.0	139.9	533.2	444.5
2005	EURIBOR	–	–	–	–	14.3	–
2006	EURIBOR	5.0	5.0	–	–	64.5	4.2
2006	MIBOR	41.5	41.5	–	–	–	–
2007	EURIBOR	8.1	3.8	4.3	–	21.5	12.9
2008	EURIBOR	31.2	8.8	22.4	–	20.0	16.0
2008	MIBOR	14.5	4.5	10.0	–	–	–
2008	LIBOR	20.8	6.4	14.4	–	23.3	19.1
2009	EURIBOR	46.0	–	46.0	–	4.8	4.8
2009	LIBOR	–	–	–	–	172.0	172.0
2010	EURIBOR	1.3	0.3	1.0	–	4.1	3.9
2010	LIBOR	0.5	0.1	0.4	–	–	–
2011	EURIBOR	15.1	1.6	11.5	2.0	18.7	17.2
2011	LIBOR	26.7	4.4	17.8	4.5	–	–
2012	EURIBOR	1.7	0.6	0.8	0.3	–	–
2012	LIBOR	94.9	9.6	45.2	40.1	81.5	75.8
2013	EURIBOR	1.5	–	0.7	0.8	–	–
2013	LIBOR	–	–	–	–	19.5	17.0
After 2016	EURIBOR	44.9	2.7	16.0	26.2	38.2	37.4
After 2016	LIBOR	2.0	0.1	0.4	1.5	2.1	2.1
	Total floating interest	355.7	89.4	190.9	75.4	484.5	382.4
	Total other	110.8	110.7	0.1	–	60.8	6.1
	Total	799.1	293.8	290.0	215.3	1,078.5	833.0

Total other liabilities mainly comprised liabilities from current accounts and liabilities to which neither an interest rate nor a maturity date could be unambiguously allocated.

At € 346.5 million, the fair values of the main fixed-interest liabilities only slightly exceeded the carrying amounts of € 332.6 million. For floating-interest liabilities, the carrying amounts corresponded to the fair values.

In the 2005 financial year, the Group renewed many of its bilateral short-term credit lines. In addition, a syndicated credit line of € 1.75 billion maturing in 2008 with the possibility of two extensions of one year each was signed in December 2005. On the other hand, the Group reduced its syndicated credit line of € 600 million of 2004 and a syndicated credit line of USD 500 million. The syndicated credit line of € 2.2 billion of August 2005 granted for the financing of the acquisition of CP Ships was also reduced again in December 2005 following partial short-term availment.

These credit lines were almost exclusively based on floating interest rates based on EURIBOR and in the case of the USD 500 million credit line on LIBOR.

Liabilities from finance leases were recognised without taking account of future interest expenses.

Liabilities secured by mortgages, assignment as security or similar rights

€ million	31 Dec 2005	31 Dec 2004
To banks	137.2	283.7
To non-banks	3.9	6.4
Total	141.1	290.1

The hedged liabilities related to non-current liabilities totalling € 126.8 million (previous year: € 280.1 million).

(39) Trade accounts payable

Trade accounts payable

€ million	31 Dec 2005	31 Dec 2004
To third parties	2,076.0	1,817.6
To non-consolidated Group companies	11.8	12.4
To affiliates	15.9	14.6
Total	2,103.7	1,844.6

(40) Liabilities from derivative financial instruments

Liabilities from derivative financial instruments

€ million	31 Dec 2005 31 Dec 2004					
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term more than 1 year
Liabilities from derivative financial instruments	41.0	32.0	0.1	73.1	218.3	72.2

The negative fair values of derivative financial instruments recognised in liabilities and mainly serving to hedge the future operative business are outlined in detail in the explanatory information on financial instruments.

(41) Other liabilities**Other liabilities**

€ million	31 Dec 2005 31 Dec 2004					
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5 years	Total	Total	Remaining term more than 1 year
Other liabilities due to non-consolidated Group companies	18.5	–	–	18.5	18.4	–
Other liabilities due to affiliates	5.6	–	–	5.6	2.7	–
Other liabilities relating to income taxes	0.9	–	–	0.9	1.3	–
Other liabilities relating to other taxes	32.1	0.1	–	32.2	52.8	–
Other liabilities relating to social security	50.0	0.2	–	50.2	48.2	0.9
Other liabilities relating to employees	21.0	0.2	–	21.2	14.1	0.2
Other liabilities relating to members of the boards	3.2	–	–	3.2	3.3	–
Other miscellaneous liabilities	146.4	24.9	0.8	172.1	178.9	13.9
Liabilities for bills drawn	–	–	–	–	0.8	–
Advance payments received	1,208.8	0.4	–	1,209.2	1,207.5	41.3
Other liabilities	1,486.5	25.8	0.8	1,513.1	1,528.0	56.3
Deferred income	27.1	10.3	2.5	39.9	55.4	21.6
Total	1,513.6	36.1	3.3	1,553.0	1,583.4	77.9

Deferred income included government grants to promote investments which were not directly attributable to individual asset items (investment grants) of € 0.4 million (previous year: € 0.5 million).

(42) Liabilities related to assets held for sale**Liabilities related to assets held for sale**

€ million	31 Dec 2005
Trading	171.7
TQ3 Group	114.4
Liabilities related to other non-current assets	2.4
Total	288.5

Due to the application of IFRS 5, liabilities and provisions of the trading sector, the remaining discontinuing operation, of € 171.7 million were summarised in the balance sheet item 'Liabilities related to assets held for sale'. This item also included the liabilities and provisions of the TQ3 Group, defined as a disposal group. Liabilities of € 2.4 million were related to other non-current assets held for sale. Total liabilities shown in this balance sheet item amounted to € 55.9 million, representing financial debt of the Group.

TQ3 Group

€ million	31 Dec 2005
Current provisions	12.0
Non-current provisions	18.1
Current financial debt	2.5
Non-current financial debt	3.7
Current other liabilities	157.3
Non-current other liabilities	0.9

(43) Contingent liabilities**Contingent liabilities**

€ million	31 Dec 2005	31 Dec 2004
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	19.0	16.5
Other liabilities under guarantees, bill and cheque guarantees	266.2	522.2
Other liabilities under warranties	15.2	5.5
Contingent liabilities related to the provision of collateral for third party liabilities	5.2	7.7
Total	305.6	551.9

Contingent liabilities were carried at the level of potential availment as at the balance sheet date.

Liabilities under warranties were all contractual liabilities to third parties not to be classified as guarantees and going beyond the typical scope of the business and the industry.

In connection with the insolvency of Babcock Borsig AG, provisions were formed in previous years accordingly to cover the guarantees and warranties related to activities in the former plant engineering sector which were likely to be called in. All remaining guarantees and warranties from former activities in plant engineering and shipbuilding served the settlement of ongoing business transactions and were shown at their amounts at the balance sheet date. The reduction in guarantees and warranties led to a corresponding reduction in the amount for the year under review.

TUI Group companies were jointly and severally liable for participations in civil-law partnerships for which profit and loss transfer agreements with subsidiaries existed, for participations in joint ventures and participations in partnerships as general partner.

(44) Litigation

Neither TUI AG nor any of its subsidiaries were involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on its economic position or had such an impact in the past two years, nor were any such proceedings foreseeable. This also applied to actions claiming warranty, repayment or any other compensation brought forward in connection with the divestment of subsidiaries implemented over the past few years. The provision formed for the financial charge from the declaratory action submitted by the insolvency trustee of Babcock Borsig AG (in insolvency) at the regional court of Frankfurt/Main only amounted to the level of the anticipated non-refundable cost of proceedings since the action was expected to be dismissed.

In 1999, the operator of the container terminal in Zeebrugge in Belgium brought an action for damages against CP Ships Ltd. and several of its subsidiaries due to an alleged breach of agreement in connection with the change of the Belgian port of call from Zeebrugge to Antwerp. Furthermore, seven shareholder class actions were brought against CP Ships in the US and a further three in Canada due to alleged irregularities in the reporting by the CP Ships Group in connection with the adjustments of the financial statements in 2004, resulting in particular in the reduction in profits for the first quarter of 2004 and for the preceding years 2002 and 2003. Based on the findings and assessments currently available, the prerequisites for the recognition of obligations are not met in either of the two pending cases. In the framework of the purchase price allocation, these two actions were carried as contingency liabilities.

As in previous years, the respective Group companies had formed provisions to cover any potential financial charges from other court or arbitration proceedings, partly covered by insurance benefits. Overall, the future financial position is therefore unlikely to be substantially affected by such charges.

(45) Other financial commitments

Notional values of other financial commitments

€ million	31 Dec 2005			31 Dec 2004		
	up to 1 year	Remaining terms more than 1-5 years	Remaining terms more than 5-10 years	Total	Remaining term more than 1 year	Total
Order commitments in respect of capital expenditure	268.2	801.6	–	1,069.8	450.5	344.0
Order commitments in respect of tourism services	922.6	1,339.0	739.9	3,001.5	1,950.7	912.1
Accommodation services	402.1	813.1	418.0	1,633.2	1,376.9	906.6
Flight services	509.8	525.9	321.9	1,357.6	565.9	5.5
Other services	10.7	–	–	10.7	7.9	–
Other financial commitments	118.8	33.0	3.2	155.0	154.8	47.2
Total	1,309.6	2,173.6	743.1	4,226.3	2,556.0	1,303.3
Fair value	1,256.2	1,918.5	532.6	3,707.3	2,304.2	1,108.3

The fair value of other financial commitments was determined by means of discounting future expenses on the basis of a comparable market interest rate of 4.25% p.a. (previous year: 4.75% p.a.). If the previous year's interest rate of 4.75% p.a. had been applied in discounting, the fair value would have been € 53.4 million less.

Other financial commitments comprised both the obligations of the continuing operations and of the discontinuing operations trading and special logistics. In the 2005 financial year, an amount of € 4,168.6 million (previous year: € 2,522.7 million) with a fair value of € 3,652.0 million (previous year: € 2,272.4 million) related to the continuing operations. The discontinuing operations comprised liabilities of € 57.7 million (previous year: € 33.3 million) with a fair value of € 55.3 million (previous year: € 31.8 million).

The increase of € 619.3 million in notional order commitments in respect of capital expenditure was mainly attributable to the planned acquisition of new aircraft to replace part of the currently operated fleet. A further slight increase was attributable to planned investments in the hotel sector and the shipping division.

The increase in order commitments in respect of accommodation services mainly related to the tour operators of the Northern Europe source market. In the 2005 financial year, TUI Deutschland GmbH renewed a medium- and long-term agreement with an airline, securing its purchases of flight operations, in particular for long-haul destinations.

Order commitments in respect of tourism services related to contractual commitments to purchase accommodation and transport services from non-Group suppliers and associated companies as well as joint ventures.

Other financial commitments mainly comprised amounts for commitments from orders already placed, commitments in connection with leased land clean-up and

renovation, payment obligations and liabilities in connection with shareholdings. They also included other financial commitments from contractual agreements to purchase shares.

Financial commitments from operating lease, rental and charter contracts

€ million	31 Dec 2005				31 Dec 2004		
	up to 1 year	more than 1-5 years	Remaining terms more than 5-10 years	Remaining terms more than 10 years	Total	Total	Remaining term more than 1 year
Hotel complexes	94.0	281.8	41.7	1.2	418.7	445.7	359.7
Travel agencies	64.7	174.3	110.0	52.8	401.8	431.3	365.3
Administrative buildings	69.7	209.0	102.9	74.9	456.5	419.9	363.9
Aircraft	214.2	361.6	39.3	-	615.1	635.1	432.6
Ships	720.2	964.1	245.4	66.2	1,995.9	1,264.8	1,015.7
Rolling stock (VTG Group)	-	-	-	-	-	146.9	121.6
Other	213.0	216.0	79.9	10.6	519.5	357.2	275.8
Total	1,375.8	2,206.8	619.2	205.7	4,407.5	3,700.9	2,934.6
Fair value	1,319.7	1,947.8	443.8	135.7	3,847.0	3,208.0	2,476.4

The fair value of financial commitments from lease, rental and charter contracts was determined by means of discounting future expenses on the basis of a comparable market interest rate of 4.25% p.a. (previous year: 4.75% p.a.). If the previous year's interest rate of 4.75% p.a. had been retained, the fair value would have been € 57.1 million less.

The financial commitments shown comprised both the obligations of the continuing operations and the commitments of the trading and special logistics activities to be classified as discontinuing operations in accordance with IFRS 5. In the 2005 financial year, € 4,392.4 million (previous year: € 3,487.9 million) with a fair value of € 3,834.2 million (previous year: € 3,022.8 million) were attributable to the continuing operations. The discontinuing operations showed commitments of € 15.1 million (previous year: € 213.0 million) with a fair value of € 12.8 million (previous year: € 185.2 million).

The commitments from lease, rental and leasing contracts exclusively related to leases that did not transfer all the risks and rewards incident to ownership of the asset to the companies of the TUI Group in accordance with IASB rules (operating leases). The test carried out to check whether the risks and rewards incident to ownership had passed to the TUI Group was effected in particular in order to determine existing options to purchase the assets or extend the terms of the contract.

The increase in financial commitments for ships was mainly attributable to the first-time consolidation of the CP Ships Group.

The increase in other rental and lease commitments mainly resulted from the operating leases for containers of the CP Ships Group.

Financial instruments

Financial instruments represent contractual rights or obligations that will lead to an outflow or inflow of financial assets or to the issue of equity rights. They also comprise derivative claims or obligations derived from other financial instruments. The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Hedging strategy and risk management

Financial instruments were exposed to certain financial risks which the Group eliminated or limited by means of appropriate risk strategies and hedging methods. In this context, TUI AG acted as the Group's bank. As a matter of principle, it was responsible for all financial transactions for the Group companies and the Group-wide financial risk management, based on guidelines and rules fixing binding decision bases, competencies and responsibilities for all financial transactions.

In accordance with these Group guidelines, the Group companies submitted monthly reports to TUI AG detailing their current and planned foreign currency and fuel requirements. On this basis, TUI AG entered into appropriate hedges. Currency risks were hedged by netting currency income and expenses in the same currency and with equivalent terms. As a matter of principle, all hedging transactions of the Group were thus based on corresponding recognised or future underlying items. Hedges exclusively consisted of unlisted derivatives, predominantly fixed-price transactions (e.g. forward transactions and swaps) as well as options. The transactions were concluded at arm's length with first-rate contracting partners of impeccable credit standing operating in the financial sector.

Use of derivative financial instruments was confined to internally fixed limits and guidelines. There was a strict organisational separation between the functional areas of trading, settlement and control. Compliance with the set limits and guidelines was regularly monitored, also in comparison to overall industry standards. Generally recognised standard software was used for regular reporting, assessment and monitoring of the hedges entered into and the underlying items.

Hedges of currency transactions in the tourism division covered 80% to 100% of the planned foreign currency requirements in the respective tourism season, depending on calculated brochure prices. The hedged volumes were adjusted to changes in planning requirements based on the monthly reports by the subsidiaries.

Currency transactions for the companies in the shipping division were also hedged in accordance with the notified planned exposures defined in the monthly reports submitted by the companies. In this division, hedges covered 80% to 90% of the notified exposures.

Hedges of fuel price risks related to aircraft fuels were based on the hedging model used by the tourism companies. When calculations for the respective season were made, at least 80% of the exposures were hedged. Possibilities of levying fuel price surcharges were taken into account.

The fuel price risks for companies in the shipping division were hedged by means of financial derivatives, taking account of the applicable specific price escalator clauses (bunker adjustment factors).

Risk factors

The value of a financial instrument may change due to changes in exchange rates (currency risk), level of interest rates (interest rate risk) and changes in market and stock exchange prices (market risk).

Currency risk

The operative business of the TUI Group's companies generated payments denominated in foreign currencies, which were not always matched by congruent payments with equivalent terms in the same currency. To this extent the Group companies were exposed to currency risks. Within the TUI Group, risks from exchange rate fluctuations of more than 20 currencies were hedged, with the largest hedging volumes relating to US dollars, euros and British pounds sterling.

The largest hedging volume in the operative business related to US dollars. In the tourism division, payments in US dollars primarily related to the procurement of services in non-European destinations and purchases of aircraft fuel and aircraft. In the shipping division major procurement and sales transactions were denominated in US dollars. Due to the structure of the respective business, the tourism division had a substantial short position in US dollars while the shipping division had a long position in US dollars.

The introduction of the euro limited the currency risk in the key tourist destinations to Group companies whose functional currency was not the euro. In the tourism division and primarily in the Northern Europe sector, this mainly affected changes in the value of the British pound sterling and the Swedish krona.

**Interest rate risk
(market value risk)**

An interest rate risk, i.e. potential fluctuations in the value of a financial instrument resulting from changes in market interest rates (market value risk), was posed primarily in respect of medium- and long-term fixed-interest receivables and payables. Concerning long-term, fixed-interest financial liabilities, in particular the bonds issued, the fair value deviated from recognised carrying amounts. The conversion options of the convertible bond issued in October 2003 had to be recognised as liabilities from derivatives due to the option, to be exercised unilaterally by TUI AG, of not having to convert into new shares as compensation in the case of conversion but also being able to deliver cash. In accordance with IAS 32, the subordinated hybrid capital issued in December 2005 and not having a fixed maturity was not shown as a bond but as a separate component of Group equity. The obligation to pay interest on the hybrid capital only emerges with the payment of a dividend in the respective financial year.

Fair values and carrying amounts of the bonds issued (31 Dec 2005)

€ million	Volume	Interest rate p.a.	Fair value of debt component	Fair value conversion options	Total fair value	Carrying amount
1999/06 corporate bond	750.0	5.875	764.5	–	764.5	749.5
2003/08 convertible bond	384.6	4.000	387.7	26.7	414.4	351.6
2004/09 bond	400.0	3M EURIBOR plus 2.100	412.8	–	412.8	395.0
2005/10 bond	550.0	3M EURIBOR plus 1.550	548.4	–	548.4	538.2
2004/11 bond	625.0	6.625	673.4	–	673.4	610.4
2005/12 bond	450.0	5.125	450.0	–	450.0	440.2
2005/-- hybrid capital	300.0	until January 2013 subsequently 3M EURIBOR plus 7.300	315.8	–	315.8	291.5

Market risk

Market risk arises from the fact that the value of a financial instrument may change due to fluctuating market prices. In accordance with the rules of IAS 39, non-current investments and marketable securities were recognised at their fair values. Marketable available-for-sale securities of € 5.8 million (previous year: € 6.6 million) were carried as other assets and mainly comprised listed shares and funds which were subject to normal price fluctuations on the capital markets. The market risk of these investments was not hedged. As a matter of principle, changes in the market value of available-for-sale securities were taken directly to the revaluation reserve for financial instruments. Where any substantial impairments of available-for-sale securities occurred, the cumulative net loss previously shown in equity was recognised as an impairment in the result for the period.

Credit risk

The credit risk in non-derivative financial instruments results from the risk of non-performance of contractual payment obligations by contract partners.

Maximum credit risk exposure was mainly reported by means of the total of the fair values of the non-derivative financial assets, taking account of legally enforceable possibilities of netting financial assets and liabilities but not considering existing collateral. Since the TUI Group operated in many different business areas and regions in a diversified manner, significant credit risk concentrations from receivables from and loans to specific debtors or groups of debtors were not to be expected; a significant concentration of credit risks related to specific countries was not to be expected either. The Group covered the identifiable credit risk of individual receivables and the general credit risk by means of corresponding specific bad debt allowances. In addition, bad debt allowances based on empirical values were made on a portfolio basis.

For derivative financial instruments entered into, the maximum credit risk was the total of all positive market values of these instruments, since in the event of non-performance by the contracting partner's asset losses would be incurred only up to this amount. Since derivative financial instruments were concluded with a variety of top-rated debtors, no credit risk exposure was to be expected.

Liquidity risk

The Group's liquidity requirements were determined by means of its liquidity planning and covered by credit line commitments so that the Group's liquidity was guaranteed at any time.

Cash flow risk

The cash flow risk results from uncertainty about the levels and timing of cash inflows or outflows from future transactions. The Group's floating-rate financial liabilities in particular entailed the risk of fluctuations in future cash flows due to changes in effective interest rates. In order to minimise this risk, interest rate hedges are concluded to limit the resulting cost of borrowing funds, if applicable. The effective portion of the changes in the market values of these financial instruments, classified as cash flow hedges in accordance with the rules of IAS 39, was taken directly to equity.

The cash flow risks resulting from future cash flows in foreign currencies were hedged through derivative financial instruments. To this end, the foreign currency requirements of the tourism division attributable to expected bookings for future tourism seasons were hedged by means of corresponding forward exchange or option contracts. In the shipping division, the foreign currency risks from planned future payment flows were also hedged by corresponding forward exchange or option contracts.

Price risk

Price hedging instruments were used in order to hedge against exposure to external price risks for commodities. These hedges were used in particular by the Group's airlines to hedge aircraft fuel required in the future. The price hedges were based on corresponding plans and generally met the conditions of cash flow hedges under IAS 39. The effective portion of accumulated changes in market values was taken directly to equity until the hedged transaction occurred. Upon settlement of the hedged item, the accumulated results were taken directly to the income or expense item covering the associated hedged transaction.

Notional amounts of derivative financial instruments

€ million	31 Dec 2005 31 Dec 2004				
	Remaining term up to 1 year	Remaining term more than 1 year	Total	Total	Remaining term more than 1 year
Interest rate hedges					
Swaps	–	65.0	65.0	1,696.4	1,696.4
Caps and floors	15.2	–	15.2	15.2	–
Collars	–	–	–	15.2	–
Forward rate agreements	–	–	–	171.8	16.4
Currency hedges					
Forward buying	3,351.3	259.0	3,610.3	3,086.5	270.6
Options	1,235.8	18.1	1,253.9	495.6	62.3
Collars	116.5	68.3	184.8	226.6	175.3
Swaps and other currency hedges	–	211.0	211.0	93.5	–
Commodity hedges					
Swaps	558.8	89.1	647.9	240.8	12.9
Options	49.5	69.9	119.4	14.5	–
Collars	44.2	–	44.2	113.0	15.2
Structured transactions	163.3	23.9	187.2	–	–

The notional amounts corresponded to the total of all purchase or sale amounts or the respective contract values of the transactions. Cross currency interest rate swaps not unambiguously to be allocated to currency or interest rate hedges were shown under currency hedges.

As a matter of principle, the fair values of derivative financial instruments corresponded to the market values. The fair value of unlisted financial derivatives was determined by means of appropriate discounting methods, e.g. by discounting the expected future cash flows. The calculation of the fair values of options was based on the model of Black & Scholes. The fair values determined on the basis of the Group's own methods were periodically compared with fair value confirmations of external counterparties. The fair values of the financial instruments entered into to hedge commodity prices were checked by means of confirmations of the external contracting partners involved in these transactions.

**Positive and negative fair values of the derivative financial instruments
shown as receivables or payables**

€ million	31 Dec 2005		31 Dec 2004	
	Receivables	Payables	Receivables	Payables
Fair value hedges to hedge exposure to				
currency risks	6.0	–	0.1	1.9
Cash flow hedges to hedge exposure to				
currency risks	146.2	13.8	79.0	152.4
interest rate risks	–	–	0.2	1.3
market risks	29.7	23.8	33.8	10.9
Hedges	181.9	37.6	113.1	166.5
Other derivative financial instruments	18.3	35.5	10.6	51.8
Total	200.2	73.1	123.7	218.3

Financial instruments which were used in order to hedge a risk position according to operational criteria but did not meet the strict criteria of IAS 39 for the creation of hedges were shown as other derivative financial instruments. They included in particular structured hedges to hedge against exposure to market risks in order to hedge the fuel volumes required in future by the airlines. Other derivative financial instruments also included in particular the conversion options of the convertible bond issued in October 2003 classified as a liability.

Notes on the Cash Flow Statement

Notes on the cash flow statement

The cash flow statement showed the flow of cash and cash equivalents on the basis of a separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies were eliminated. The assets and liabilities grouped together as disposal groups in accordance with IFRS 5 were reallocated to the original balance sheet items for the purposes of the cash flow statement. The cash flow statement thus deviates from the consolidated balance sheet, in particular with regard to cash and cash equivalents carried.

- (47) Cash inflow/outflow from operating activities** The cash inflow from operating activities included interest received. In the year under review, interest payments received totalled € 58.6 million (previous year: € 74.7 million). In the 2005 financial year, income tax payments resulted in a cash outflow of € 116.2 million (previous year: € 118.7 million).
- (48) Cash inflow/outflow from investing activities** The cash payments for investments in property, plant and equipment and intangible assets or the cash receipts from corresponding sales did not match the additions or disposals shown under the development of fixed assets, which included non-cash investments and disposals as well as goodwill acquired from capital consolidation. The cash outflow from investing activities included cash payments – offset against cash and cash equivalents from additions to consolidation – for the acquisition of shares in subsidiaries, most of which were included in consolidation as goodwill and carried as assets and liabilities in the consolidated balance sheet.
- Total acquisitions of shares in subsidiaries and investments in the 2005 financial year resulted in cash payments of around € 2,099.7 million (previous year: around € 203.3 million). The cash inflow from the purchase transactions totalled approx. € 270.8 million. The high cash outflow in the 2005 financial year was mainly attributable to the acquisition of CP Ships, effected the fourth quarter. In the same period, cash payments of around € 351.0 million (previous year: € 731.6 million) were received by the Group from the divestment of the remaining activities in the special logistics sector and other divestments. Total cash and cash equivalents sold in the framework of the sales transactions accounted for around € 35.8 million in the 2005 financial year.
- Non-cash investments were primarily effected in the shipping and tourism divisions by means of finance leases. Lease agreements resulted in total investments of € 124.5 million (previous year: € 18.0 million).
- (49) Cash inflow/outflow from financing activities** The cash flow from financing activities was substantially characterised by the capital market transactions carried out in the 2005 financial year. In the third quarter, the capital increase resulted in a cash inflow of € 1.0 billion. In December two bonds with a total volume of € 1.0 billion and hybrid capital of € 0.3 billion, accounted for as equity, were issued in order to finance part of the acquisition of CP Ships,

resulting in an additional cash inflow of around € 1.3 billion. Cash outflows mainly resulted from the redemption of the bonds issued by CP Ships with a volume of € 0.3 billion. Apart from the cash flow resulting from financial liabilities taken up or redeemed, the cash flows from financing activities also included the interest paid in the financial year under review.

(50) Development of cash and cash equivalents

Cash and cash equivalents comprise all liquid funds, i.e. cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations is shown separately. Also outlined separately are the changes in cash and cash equivalents attributable to changes in consolidation which did not result from the acquisition or divestment of companies. As in 2004, total cash and cash equivalents were not subject to any restraints on disposal as at 31 December 2005.

Other Notes

Events after the balance sheet date

After the balance sheet date, selling agreements were concluded for the Group's business travel operations and US steel service companies. While the divestment of the business travel operations is expected to be completed by the end of the first quarter of 2006, the closing of the sale of the US steel service companies is expected for the beginning of the second quarter of 2006. More detailed information is provided in the section 'Group of consolidated companies'.

In the framework of the overall concept of integrating the liner shipping activities of the CP Ships Group in several stages into Hapag-Lloyd Container Linie and completing this process by mid-2007, it was announced at the beginning of 2006 that in particular administrative sites in the UK will be closed by mid-2007. The associated potential restructuring charges (including the cost of a social plan), which in accordance with IFRS rules could not be recognised as liabilities as at 31 December 2005, will not have a material impact on the future financial position according to the relevant planning.

Apart from these transactions, no further material transactions were resolved, initiated or implemented in the post-balance sheet period under review.

Services of the auditors of the consolidated financial statements

In the 2005 financial year, total expenses of € 6.7 million were carried for the services provided by the auditors of the consolidated financial statements, Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. This total included an amount of € 3.0 million for audits of financial statements, € 2.4 million for other certification or measurement services and € 1.3 million for other services provided for TUI AG or its subsidiaries.

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintained indirect or direct relationships with related parties. Related parties controlled by the TUI Group or over which the TUI Group was able to exercise a significant influence are listed in the list of shareholdings deposited in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover. Apart from pure equity investments, related parties also included companies that supplied goods or provided services for TUI Group companies.

Transactions with related parties (excl. key management personnel)

€ million	2005	2004
Services provided by the Group		
Management and consultancy services	26.0	24.8
Sales of tourism services	4.0	4.1
Distribution services	7.7	7.7
Other services	5.2	4.5
Total	42.9	41.1
Services received by the Group		
In the framework of lease, rental and leasing agreements	25.7	42.0
Purchase of hotel services	139.4	124.0
Incoming services	92.3	79.0
Distribution services	4.2	0.7
Other services	41.1	5.8
Total	302.7	251.5

€ million	2005	2004
Services provided by the Group to		
non-consolidated Group companies	9.6	8.3
joint ventures	16.5	14.4
associated companies	0.2	2.0
other shareholdings	5.2	6.0
natural persons	11.4	10.4
Total	42.9	41.1
Services received by the Group from		
non-consolidated Group companies	36.2	30.5
joint ventures	177.1	148.4
associated companies	81.2	53.9
other shareholdings	–	11.3
natural persons	8.2	7.4
Total	302.7	251.5

Transactions with associated companies were held and joint ventures were primarily effected in the tourism segment. They related in particular to the tourism services of the incoming agencies and hotel companies used by the Group's tour operators.

In 2004, the special logistics sector held investments in companies leasing out property, plant and equipment to consolidated subsidiaries. As the companies of the TUI Group held all the risks and rewards incident to ownership of these assets, the leased property, plant and equipment items and the corresponding liabilities from these finance leases were recognised in the consolidated balance sheet, in accordance with IASB rules.

All transactions with related parties were executed on an arm's length basis, based on international comparable uncontrolled price methods in accordance with IAS 24.

Liabilities to related parties did not comprise any liabilities from finance leases (previous year: € 61.1 million). Receivables and payables existing as at the balance sheet date were comprised in receivables from and payables to non-consolidated Group companies and associated companies.

The income and expenses resulting from equity investments and financing were carried under the overall financial result for all companies included and presented under segment reporting for the individual divisions, together with a separate presentation of the earnings of associated companies by divisions.

In accordance with IAS 24, the Group's key management personnel, the Executive Board and the Supervisory Board, are related parties whose remuneration has to be listed separately.

€ million	2005	2004
Short-term benefits	9.2	7.7
Post-employment benefits	0.8	0.7
Share-based payments	1.8	2.1
Total	11.8	10.5

The post-employment benefits were current pension costs recognised for active Board members in the respective financial year in the framework of the transfers to pension provisions. In accordance with the Corporate Governance Code, these expenses did not form part of the remuneration of the Executive and Supervisory Boards.

Corporate Governance

Remuneration of the Executive Board

The remuneration of the members of the Executive Board comprised both fixed and variable components. The variable compensation component consisted of a performance-related compensation linked to the dividend and a personal assessment factor, and a long-term incentive programme.

In the 2005 financial year, the Executive Board members were granted a performance-related bonus in the framework of the long-term incentive programme. This bonus was translated into phantom shares in TUI AG on the basis of an average share price. The calculation was based on earnings by divisions (EBTA), translated into phantom shares on the basis of the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were 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. The payment level 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
Balance as at 31 December 2004	398,270
Phantom stocks granted	98,437
Phantom stocks exercised	66,556
Increase/decrease of phantom stocks	–
Balance as at 31 December 2005	430,151

As at 31 December 2005, former Executive Board members held no phantom shares (previous year: 60,001 phantom shares).

For the entitlements from the long-term incentive programmes including the issue of phantom shares for the 2005 financial year, provisions of € 9,421 thousand (previous year: € 9,850 thousand) were made.

Remuneration of the Executive Board

€ '000	2005	2004
Non-performance-related compensation	2,688	2,438
Compensation for Group Supervisory Board membership	382	589
Performance-related compensation	4,054	2,891
Long-term incentive programme		
Phantom stocks granted	2,005	1,989
Changes in share prices of phantom stocks granted in previous years	- 250	62
Total	8,880	7,969

Remuneration of individual Executive Board members

€ '000	Non-performance related compensation	Performance-related compensation	Long-term incentive programme	Compensation for Group Supervisory Board membership	2005 Total	2004 Total
Dr. Michael Frenzel (Chairman)	1,099.3	1,544.5	648.2	167.5	3,459.5	3,220.1
Sebastian Ebel	461.7	675.7	347.2	54.3	1,538.9	1,281.6
Dr. Peter Engelen	470.4	675.7	330.8	44.3	1,521.2	1,284.6
Rainer Feuerhake	656.9	1,158.4	428.8	116.1	2,360.2	2,182.5
Total	2,688.3	4,054.3	1,755.0	382.2	8,879.8	7,968.8

As in 2004, no advances or loans were granted to the members of the Executive Board in the 2005 financial year.

Total remuneration for former Executive Board members or their surviving dependants amounted to € 3,679 thousand (previous year: € 3,307 thousand) in the 2005 financial year.

At the balance sheet date, pension commitments for active Executive Board members amounted to € 16,782 thousand (previous year: € 10,762 thousand). Pension commitments for former members of the Executive Board or their surviving dependants totalled € 39,147 thousand (previous year: € 36,026 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 from the pension obligations for former and active Board members, they were deducted from the pension commitments as an asset. The pension commitment for a former Board member was covered by a fund.

Remuneration of the Supervisory Board

€ '000	2005	2004
Fixed compensation	117	116
Variable compensation	1,658	1,164
Compensation for committee membership	133	106
Compensation for TUI AG Supervisory Board membership	1,908	1,386
Compensation for Group Supervisory Board membership	201	428
Total	2,109	1,814

In addition, travel expenses and other expenses totalling € 64 thousand (previous year: € 53 thousand) were reimbursed. Total compensation for the Supervisory Board members thus amounted to € 2,173 thousand (previous year: € 1,867 thousand).

Remuneration of individual Supervisory Board members for 2005

€ '000	Fixed compensation	Variable compensation	Compensation for committee membership	Compensation for Group Supervisory Board membership	Total
Dr. Jürgen Krumnow (Chairman)	10.0	142.5	19.1	64.7	236.3
Jan Kahmann (Deputy Chairman)	7.5	106.9	–	–	114.4
Jella Susanne Benner-Heinacher	5.0	71.2	–	–	76.2
Dr. Norbert Emmerich (until 26 Jan 2005)	0.4	5.2	–	–	5.6
Dr. Thomas Fischer (until 26 Jan 2005)	0.5	7.7	–	–	8.2
Uwe Klein	7.5	106.9	19.1	76.0	209.5
Fritz Kollorz	5.0	71.2	–	–	76.2
Christian Kuhn	5.0	71.2	–	–	76.2
Dr. Dietmar Kuhnt	5.0	71.2	38.2	52.0	166.4
Dr. Klaus Liesen	7.5	106.9	–	–	114.4
Roberto López Abad (since 14 Feb 2005)	4.4	62.3	–	–	66.7
Dr. h.c. Abel Matutes Juan (since 14 Feb 2005)	4.4	62.3	–	–	66.7
Petra Oechtering	5.0	71.2	–	–	76.2
Carmen Riu Güell (since 14 Feb 2005)	6.3	90.2	–	–	96.5
Hans-Dieter Rüter	5.0	71.2	–	–	76.2
Marina Schmidt	5.0	71.2	–	–	76.2
Dr. Manfred Schneider	5.0	71.2	–	–	76.2
Dr.-Ing. Ekkehard D. Schulz	5.0	71.2	19.1	–	95.3
Hartmut Schulz	7.5	106.9	–	–	114.4
Ilona Schulz-Müller	5.0	71.2	19.1	–	95.3
Olaf Seifert	5.0	71.2	19.1	–	95.3
Dr. Bernd W. Voss (until 1 Feb 2005)	0.5	6.1	–	–	6.6
Dr. Franz Vranitzky	5.0	71.2	–	8.0	84.2
Total	116.5	1,658.3	133.7	200.7	2,109.2

Apart from the work performed by the employee representatives in the framework of their employment contracts, the members of the Supervisory Board have not provided any personal services such as e.g. consultation or agency services for TUI AG and its subsidiaries in the 2005 financial year.

Hanover, 7 March 2006

The Executive Board

Frenzel

Ebel

Engelen

Feuerhake

Auditor's Report

'We have audited the consolidated financial statements prepared by the TUI AG, Berlin und Hanover, comprising the balance sheet, the income statement, statements of recognised income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the TUI AG for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.'

Hanover, 9 March 2006

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Nienborg
Wirtschaftsprüfer

Rolfes
Wirtschaftsprüfer

Forward-looking statements

The annual report, in particular the report on expected developments included in the management report, includes various forecasts and expectations as well as statements relating to the future development of the TUI Group and TUI AG. These statements are based on assumptions and estimates and may entail known and unknown risks and uncertainties. Actual development and results as well as the financial and asset situation may therefore differ substantially from the expectations and assumptions made. This may be due to market fluctuations, the development of world market prices for commodities, of financial markets and exchange rates, amendments to national and international legislation and provisions or fundamental changes in the economic and political environment. TUI does not intend to and does not undertake an obligation to update or revise any forward-looking statements to adapt them to events or developments after the publication of this annual report.

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Financial Calendar 2006

Annual Press Conference for the Financial Year 2005	22 March 2006
Interim Report January to March 2006	9 May 2006
Annual General Meeting 2006	10 May 2006
Interim Report January to June 2006	10 August 2006
Interim Report January to September 2006	9 November 2006





Service.

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