TUI AG Financial Year 2006

Interim Report 1 January – 31 March 2006

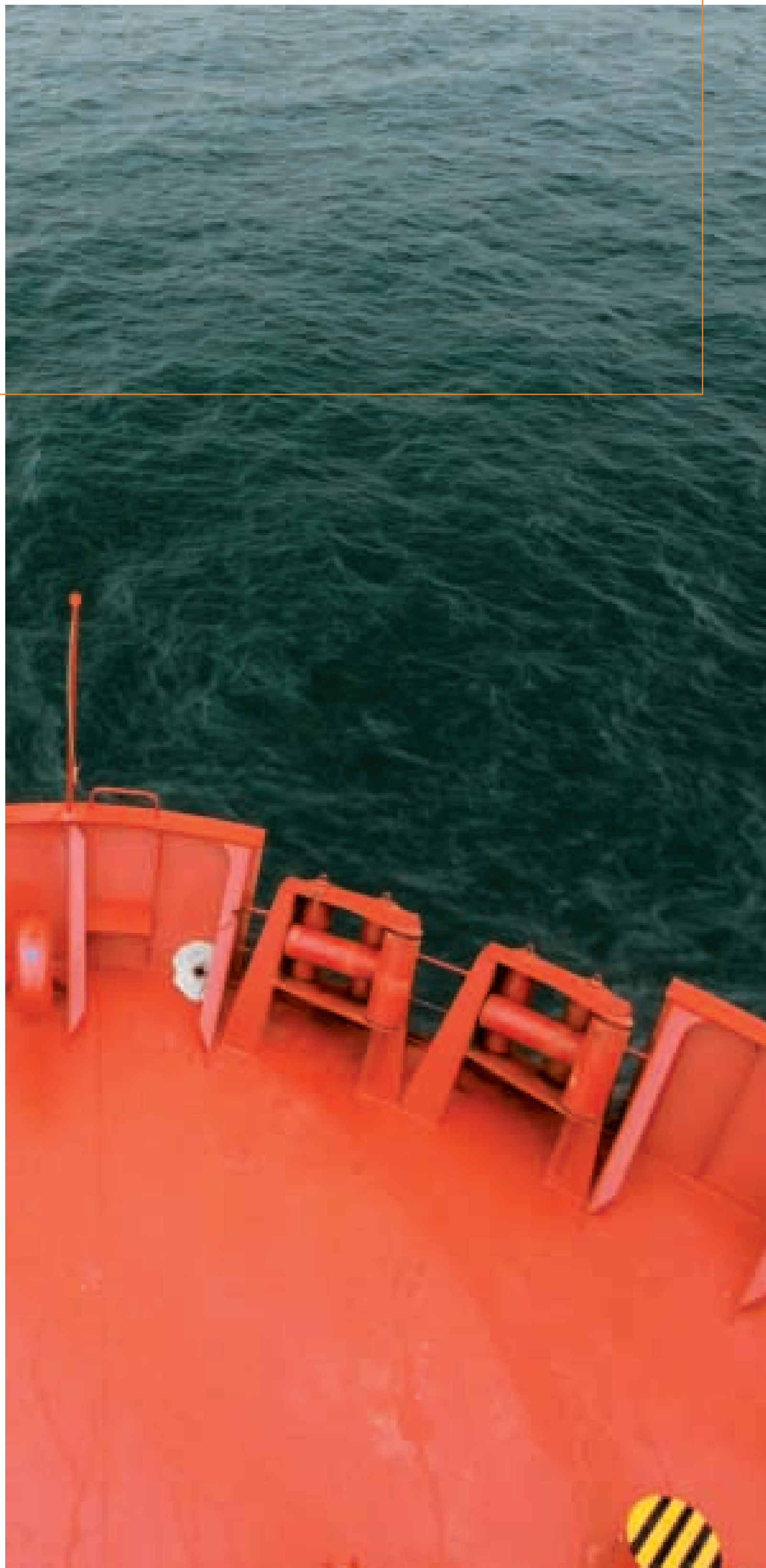

Table of Contents

Economic Situation

Financial Statements

1st Quarter 2006

- → Significant growth in turnover due to expansion of the shipping division.
- → Earnings by divisions improved overall.
- → Improvement in tourism due to special earnings.
- → Integration costs caused negative result in shipping, as expected.
- → Positive result of central operations due to exceptionals.
- → Reduction of net debt to € 3.6 billion.

Economic situation in the 1st quarter 2006 – Significant growth in turnover due to expansion of the shipping division. Earnings by divisions improved overall.

General economic situation

In the first quarter of 2006, worldwide economic growth remained robust. Experts expect economic expansion to continue over the next few quarters of the current financial year, although it may gradually lose steam in the course of the year.

Development in the regions

Economic growth in the US, the key driving force of the world economy so far, started to slow down slightly since demand was gradually curbed by the restrictive monetary policy. Among the emerging markets, China continued to be set for growth and has not yet shown the expected slight slowdown in production growth. Boosted by China's economic expansion, growth in the other emerging Asian markets also continued, at high rates in most cases. Economic perspectives in the industrialised regions of Japan and the Eurozone brightened up. In Germany, as in the UK, the recovery gained momentum due to a slight improvement in consumer sentiment.

Development of the divisions

In tourism, the previous year's trend stabilised in the 2005/2006 winter season, which terminated at the end of April. Bookings for the 2006 summer season have started off at an overall satisfactory level, with growth varying regionally.

Shipping continued to benefit from the sustained economic growth in Asia and the US. Transport volumes rose year-on-year, and average freight rates remained high, although some declines were recorded for Asian transports in particular.

Turnover and earnings

Several revised IFRS accounting standards had compulsory to be applied in preparing the annual financial statements for 2005 for the first time. In order to maintain the comparability of the reported data, the figures for the first quarter of 2005 were restated correspondingly where required.

Turnover by divisions

Continuing operations

In accordance with IFRS 5, Group turnover was the turnover of the continuing operations. In the first quarter of 2006, the turnover of the TUI Group's continuing operations (tourism, shipping and central operations) totalled € 4.20 billion (previous year: € 3.23 billion), up 30.1% year-on-year. This increase was primarily attributable to the addition of the business of CP Ships. Turnover by the tourism division matched 2005 levels.

Discontinuing operations

In the first quarter of 2006, the turnover reported for the discontinuing operations (trading, special logistics) was € 278 million (previous year: € 353 million), 21.1% less than in the previous year. The decline resulted from the complete divestment of the special logistics sector in 2005. The trading sector recorded an increase in turnover of 13.1%. The sector was divested in the first quarter of 2006, with the closing of the transaction expected for the second quarter of 2006.

Total turnover of the TUI Group's divisions rose to € 4.48 billion (previous year: € 3.58 billion) in the first quarter of 2006, an increase of 25.1% year-on-year, since the decline in the discontinuing operations was more than offset by the growth in the continuing operations.

Turnover by divisions

€ million	Q1 2006	Q1 2005	Var. %
Tourism	2,510.6	2,515.7	- 0.2
Central Europe	904.9	939.6	- 3.7
Northern Europe	914.7	895.2	+ 2.2
Western Europe	525.9	531.0	- 1.0
Destinations	101.3	89.2	+ 13.6
Other tourism	63.8	60.7	+ 5.1
Shipping	1,639.6	668.6	+ 145.2
Central operations	50.2	43.9	+ 14.4
Continuing operations	**4,200.4**	**3,228.2**	**+ 30.1**
Trading	278.0	245.9	+ 13.1
Special logistics	–	106.6	–
Discontinuing operations	**278.0**	**352.5**	**- 21.1**
Turnover by divisions	**4,478.4**	**3,580.7**	**+ 25.1**

Earnings by divisions (EBITA)

With the beginning of the 2006 financial year, the reported figure 'Earnings by divisions' was converted to earnings before interest, taxes and amortisation of goodwill (EBITA), a figure which has become increasingly customary in financial communication. In order to maintain the comparability of the reported figures, the figures for the respective 2005 quarter were restated and carried accordingly.

Earnings by divisions (EBITA)

€ million	Q1 2006	Q1 2005	Var. %
Tourism	- 83	- 178	+ 53.4
Central Europe	- 102	- 84	- 21.4
Northern Europe	- 92	- 97	+ 5.2
Western Europe	- 36	- 19	- 89.5
Destinations	6	25	- 76.0
Other tourism	141	- 3	n.m.
Shipping	- 25	32	n.m.
of which operating result	15	32	- 53.1
of which integration costs	- 40	–	–
Central operations	38	- 53	n.m.
Continuing operations	**- 70**	**- 199**	**+ 64.8**
Trading	20	17	+ 17.6
Special logistics	–	13	–
Divestments	5	–	–
Discontinuing operations	**25**	**30**	**- 16.7**
Earnings by divisions (EBITA)	**- 45**	**- 169**	**+ 73.4**

Continuing operations

In the first quarter of 2006, earnings by the continuing operations tourism and shipping as well as central operations improved by 64.8% to € - 70 million (previous year: € - 199 million). This was primarily attributable to earnings by tourism, which grew by 53.4% year-on-year, in particular due to the book profit from the divestment of the business travel activities of the TQ3 Group shown under Other tourism. In addition, earnings by central operations also improved to a positive figure in the first quarter due to the realisation of the profit from a divestment transaction in the real estate sector.

Discontinuing operations

In the first quarter of 2006, earnings by the discontinuing operations trading and special logistics declined by 16.7% to € 25 million (previous year: € 30 million). This was mainly due to the divestment of the special logistics sector, completed in December 2005. At € 20 million, the trading sector recorded a 17.6% increase in earnings year-on-year.

Accumulated earnings by the TUI Group's divisions improved by 73.4% to € - 45 million (previous year: € - 169 million) in the first quarter of 2006.

Adjusted earnings by divisions

€ million	Q1 2006	Q1 2005	Var. %
Earnings by divisions (EBITA)	**- 45**	**- 169**	**+ 73.4**
Unusual income	+ 149	–	–
Integration costs	- 40	–	–
Revaluation of conversion options	+ 15	- 27	+ 155.6
Adjusted EBITA	**- 169**	**- 142**	**- 19.0**

Adjusted earnings

Adjusted for unusual income, costs for the integration of CP Ships and the revaluation of conversion options from the convertible bond issued in 2003, required pursuant to IAS 39 in combination with IAS 32, earnings by divisions totalled € - 169 million in the first quarter of 2006 (previous year: € - 142 million), down 19.0% year-on-year.

In the first quarter of 2006, unusual income comprised book profits from the divestment of the business travel operations of € 144 million and income related to the settlement of the divestment of the former energy sector of € 5 million had to be considered. One-off costs in connection with the integration of CP Ships, acquired in 2005, into Hapag-Lloyd Container Linie amounted to € 40 million in the first quarter. The revaluation of conversion options from the convertible bond incurred an income of € 15 million (previous year: expenses of € 27 million).

Development of the divisions

Tourism

Key figures tourism

€ million	Q1 2006	Q1 2005	Var. %
Turnover	2,510.6	2,515.7	- 0.2
Earnings by division (EBITA)	- 83	- 178	+ 53.4
Investments	196.2	116.9	+ 67.8
Employees (31 March)	51,902	52,556	- 1.2

In the first quarter of 2006, the operating performance of the tourism division declined slightly year-on-year, mainly due to seasonal reasons. Customer numbers were 1.3% down year-on-year, with turnover declining 0.2% year-on-year. Due to the book profits from the divestment of the business travel operations, earnings (EBITA) improved by 53.4% year-on-year.

Turnover tourism

In the first quarter of 2006, 3.73 million (previous year: 3.78 million) customers purchased tourism products of the TUI Group. At € 2.51 billion (previous year: € 2.52 billion), turnover by the tourism division fell marginally short of 2005 levels.

The Northern Europe and destinations sectors recorded increases in turnover of 2.2% and 13.6%, respectively. In the Northern Europe sector, turnover rose both in the UK and the Nordic countries. In the destinations sector, the turnover growth was equally attributable to the incoming agencies and the hotel companies. The Central Europe and Western Europe sectors did not fully match the previous year's turnover levels, falling short of 2005 volumes by 3.7% and 1.0%, respectively. In the Central Europe sector, turnover in all three source markets – Germany, Austria and Switzerland – declined year-on-year. In the Western Europe sector, the drop in turnover resulted from a decline in France, which was not fully offset by turnover growth in Belgium and the Netherlands.

Earnings tourism

In the first quarter of 2006, earnings by the tourism division were negative due to the seasonal nature of the business. At € - 83 million (previous year: € - 178 million), they were significantly up year-on-year since the book profits from the divestment of the business travel operations of € 144 million were realised in the first quarter of 2006.

The operating performance of the tourism division was slower year-on-year, however, in particular since the Easter business was shifted to the second quarter this year. This trend affected all sectors to a varying extent. In the Central Europe sector, flight operations in particular fell short of the performance achieved in 2005. In the Northern Europe sector, earnings in the UK were slightly better year-on-year. In the Western Europe sector, business in France showed a relatively steady trend following the setbacks suffered in the 2005 Christmas business and only showed a relatively moderate decline in earnings year-on-year. The source markets Belgium and the Netherlands also reported a drop in performance year-on-year, with quarterly earnings in the Netherlands impacted by earnings of flight operations, which only started operations in April of 2005. In the destinations sector, incoming agencies recorded slight improvements while hotel companies reported declines, having benefited from the first-time consolidation of the Toufag Group in the first quarter of 2005.

Key figures Central Europe

€ million	Q1 2006	Q1 2005	Var. %
Turnover	904.9	939.6	- 3.7
Earnings by division (EBITA)	- 102	- 84	- 21.4
Investments	114.9	48.0	+ 139.4
Employees (31 March)	9,722	9,534	+ 2.0

Turnover Central Europe

In the Central Europe sector (Germany, Austria, Switzerland and airlines Hapag-Lloyd Flug and Hapag-Lloyd Express), the number of customers dropped to 1.71 million (previous year: 1.73 million). At € 905 million (previous year: € 940 million), turnover fell 3.7% short of 2005 levels. In absolute figures, this decline was essentially attributable to the business in Germany.

Earnings Central Europe

Earnings by the sector declined by 21.4% to € - 102 million (previous year: € - 84 million). This was primarily due to lower earnings by the charter flight business, affected by seasonal factors since Easter was in the second quarter this year. Hapag-Lloyd Express, in contrast, stabilised its earnings at 2005 levels.

Customer numbers Central Europe

'000	Q1 2006	Q1 2005	Var. %
Germany	1,618	1,620	- 0.1
Switzerland	38	53	- 29.0
Austria	51	57	- 11.2
Central Europe	**1,707**	**1,730**	**- 1.4**

Germany

In Germany, the travel market showed a somewhat restrained trend. Customers remained highly price-oriented. Nevertheless, TUI tour operators maintained customer numbers at 2005 levels with 1.62 million customers (previous year: 1.62 million) in the first quarter of 2006. TUI and 1-2-Fly tour operators reported declines, while the special tour operators hold their own well and achieved growth. In terms of destinations, demand rose for tours to the Balearic Islands but dropped for tours to the Caribbean and Central America in the winter season due to the aftermath of the hurricanes.

Flight operations

In flight operations, Hapag-Lloyd Flug (Hapagfly) operated 34 aircraft. At 3.2 billion (previous year: 3.7 billion), the number of seat kilometres offered declined year-on-year in the first quarter of 2006. This was partly attributable to the replacement of the Airbus A310 by smaller Boeing 737s. At 86.6%, the seat load factor rose by around one percentage point year-on-year (85.5%). Hapag-Lloyd Express (HLX) operated 15 aircraft. The number of seat kilometres totalled 0.7 billion (previous year: 0.8 billion), slightly down year-on-year. The seat load factor rose to 79.3% (previous year: 75.0%).

Switzerland

In the first quarter of 2006, the Swiss tour operation market was difficult. Customer numbers dropped by 29.0% to 38 thousand (previous year: 53 thousand). While the Imholz and FlexTravel brands recorded steady business trends, direct tour operator Vögele reported a decline in bookings, in particular due to a weaker demand for tours to the Caribbean.

Austria

In Austria, the travel market continued to decline, although TUI Austria's tour operators managed to hold their own relatively well. Customer numbers dropped by 11.2% to 51 thousand (previous year: 57 thousand). The decline mainly affected the Gulet and TUI brands, while the 1-2-Fly brand recorded growth.

Key figures Northern Europe

€ million	Q1 2006	Q1 2005	Var. %
Turnover	914.7	895.2	+ 2.2
Earnings by division (EBITA)	- 92	- 97	+ 5.2
Investments	8.6	18.8	- 54.3
Employees (31 March)	16,118	17,627	- 8.6

Turnover Northern Europe

In the Northern Europe sector (UK, Ireland, Nordic countries as well as airlines Thomsonfly (charter and scheduled flights) and Britannia Airways Nordic), the number of customers rose by 2.9% to 1.21 million (previous year: 1.18 million).

Turnover climbed by 2.2% to € 915 million (previous year: € 895 million). Growth was recorded both in the UK and the Nordic countries.

Earnings Northern Europe

Earnings by the sector improved by 5.2% to € - 92 million (previous year: € - 97 million). Earnings were slightly better year-on-year in the UK and matched the previous year's level in the Nordic countries.

Customer numbers Northern Europe

'000	Q1 2006	Q1 2005	Var. %
UK	944	896	+ 5.4
Ireland	25	26	- 3.2
Nordic countries	244	258	- 5.4
Northern Europe	**1,213**	**1,180**	**+ 2.9**

United Kingdom

In the UK, the travel market showed a positive trend in the first quarter of 2006. The number of customers buying tourism products from Thomson and the tour operators of the Specialist Holidays Group rose by 5.4% to 944 thousand (previous year: 896 thousand) in the first quarter of 2006. Average prices improved slightly. Demand was particularly good for long-haul tours and cruises. However, demand for individual countries such as Egypt or Tunisia was also strong in the medium-haul segment. On the other hand, demand declined slightly for tours to the Balearic and Canary Islands.

Flight operations

In flight operations, Thomsonfly operated 42 aircraft altogether. In the charter flight segment, at 4.7 billion (previous year: 4.3 billion), the number of seat kilometres offered rose year-on-year. At 91.5% (previous year: 93.1%), the seat load factor declined slightly. In the low-cost scheduled flight segment, Thomsonfly offered a total of 0.5 billion (previous year: 0.3 billion) seat kilometres. The seat load factor rose to 65.5%, up 2.5 percentage points from 63.0% in 2005.

Ireland

Ireland recorded a slight decline in the overall business volume in the 2005/2006 winter season, with a slight increase in average prices. At 25 thousand (previous year: 26 thousand), customer numbers dropped by 3.2% year-on-year. The focus of TUI Ireland's travel offerings was on the Canary Islands.

Nordic countries

The Nordic countries recorded an uneven business trend in the 2005/2006 winter season. The total number of customers fell to 244 thousand (previous year: 258 thousand), down by 5.4%. At the same time, however, the tour operators of TUI Nordic benefited from an increase in average prices.

Britannia Airways Nordic

Britannia Airways Nordic, whose aircraft will operate under the TUIfly Nordic brand in future, operated six aircraft. At 1.1 billion (previous year: 1.0 billion), seat kilometres on offer rose by 6.4% year-on-year, with a seat load factor of 97.9% (previous year: 95.1%).

Key figures Western Europe

€ million	Q1 2006	Q1 2005	Var. %
Turnover	525.9	531.0	- 1.0
Earnings by division (EBITA)	- 36	- 19	- 89.5
Investments	28.9	23.3	+ 24.0
Employees (31 March)	7,090	6,644	+ 6.7

Turnover Western Europe

In the Western Europe sector (France, the Netherlands, Belgium as well as airlines Corsair, TUI Airlines Nederland and TUI Airlines Belgium), the number of customers dropped by 6.9% to 814 thousand (previous year: 874 thousand), primarily due to the decline in France. Turnover fell by 1.0% to € 526 million (previous year: € 531 million). The decline resulted from a decrease in turnover in France, which was not fully offset by an increase in turnover in Belgium and the Netherlands.

Earnings Western Europe

At € - 36 million (previous year: € - 19 million), earnings by the sector dropped by 89.5%. Following the setbacks in the 2005 Christmas business, business in France only showed a relatively moderate decline in earnings year-on-year. The source markets Belgium and the Netherlands also reported a decline in earnings, with quarterly earnings in the Netherlands impacted by the performance of the flight business which only started operation in April of last year.

Customer numbers Western Europe

'000	Q1 2006	Q1 2005	Var. %
France	368	412	- 10.6
Netherlands	218	229	- 5.0
Belgium	228	233	- 2.1
Western Europe	**814**	**874**	**- 6.9**

France

In France, customer numbers dropped by 10.6% to 368 thousand (previous year: 412 thousand) in the first quarter of 2006. The Nouvelles Frontières tour operators continued to face customers' restraint in the travel market. The outbreak of the chikungunya fever in Reunion, in particular, adversely affected bookings of tours to this destination, which represents an important destination for Nouvelles Frontières and Corsair. This decline was not offset by solid incoming bookings for alternative destinations such as Kenya or Morocco in the medium-haul segment. TUI, the brand positioned in the high-quality segment, continued to consolidate its market position and recorded good incoming booking numbers.

Corsair

Corsair operated nine aircraft. Seat kilometres on offer totalled 3.8 billion (previous year: 4.2 billion), with a seat load factor of 83.9% (previous year: 86.7%), which was down year-on-year.

Netherlands

In the Netherlands, customer numbers declined in the first quarter of 2006. The number of customers booking the products offered by TUI Nederland's tour operators was down by 5.0% year-on-year to 218 thousand (previous year: 229 thousand). Nevertheless, TUI Nederland managed to defend its market position in a overall adverse environment. As in 2005, the long- and medium-haul segments reported higher bookings than the short-haul segment.

TUI Airlines Nederland

TUI Airlines Nederland, which started operation in April 2005 under the Arkefly brand, operated three aircraft. Capacity on offer totalled 0.7 billion seat kilometres. The seat load factor stood at 91.0%.

Belgium

In Belgium, the market showed a slight overall decline. Customer numbers dropped by 2.1% to 228 thousand (previous year: 233 thousand) in the first quarter of 2006. Demand was good for skiing tours, whereas bookings of city breaks fell short of the very good levels achieved in previous years. In the flight segment, demand for flights to the Cape Verde Islands, offered for the first time, was particularly strong.

TUI Airlines Belgium

TUI Airlines Belgium, operating under the Jetairfly brand, operated seven aircraft. Seat kilometres on offer totalled 0.8 billion (previous year: 0.6 billion), with a seat load factor of 89.5%, following 90.5% in 2005.

Key figures destinations

€ million	Q1 2006	Q1 2005	Var. %
Turnover	101.3	89.2	+ 13.6
Earnings by division (EBITA)	6	25	- 76.0
Investments	39.4	21.4	+ 84.1
Employees (31 March)	14,096	14,157	- 0.4

Turnover destinations

The destinations sector (incoming agencies and hotel companies) generated turnover of € 101 million (previous year: € 89 million) in the first quarter of 2006, an increase of 13.6%. This growth was attributable both to incoming agencies and hotel companies.

Earnings destinations

Earnings by the sector declined substantially to € 6 million (previous year: € 25 million) but represented a normal operative level. While slight improvements were achieved by incoming agencies, a decline was reported by hotel companies, whose quarterly earnings of the previous year had benefited from the first-time consolidation of the Toufag Group.

Incoming agencies

In the period under review, consolidated and associated incoming agencies catered for 1.59 million guests. While the agencies recorded different trends in individual regions, the overall number fell slightly short of 2005 levels on a like-for-like basis. Whereas TUI España saw a decline in customer numbers, TUI Portugal reported a significant year-on-year increase. TUI Türkiye compensated for the general restraint in bookings of tours to Turkey due to the avian flue by generating new business, achieving a slight year-on-year increase in the number of guests catered for. In northern Africa, Tunisia recorded clear growth in customer numbers. In the long-haul segment, the incoming agencies in Mexico and the Dominican Republic recorded a year-on-year decline in customer numbers, while the number of guests catered for in Asian destinations rose.

Hotel companies

In the first quarter of 2006, hotel companies did not reproduce the high performance level achieved in 2005. This was primarily due to the fact that Easter was late this year, resulting in a shift in the Easter holidays and thus the Easter business from March to April. Overall, the Hotels & Resorts sector showed regional differences in hotel occupancy rates. While the RIU hotels in the Caribbean destinations recorded very good occupancy rates, demand declined for hotels around the Mediterranean. Occupancy rates in Robinson Clubs were lower than expected. Magic Life reported a decline in bookings, in particular in Turkish and Egyptian complexes. Bookings for Grupotel were slower than expected. Hotels of Grecotel closed down in the winter season, as did Iberotels in Turkey. Iberotels in Egypt reported a decline in occupancy rates year-on-year.

Key figures Other tourism

€ million	Q1 2006	Q1 2005	Var. %
Turnover	63.8	60.7	+ 5.1
Earnings by division (EBITA)	141	- 3	n.m.
Investments	4.4	5.4	- 18.5
Employees (31 March)	4,876	4,594	+ 6.1

Other tourism

In the first quarter of 2006, the Other tourism sector still comprised the business travel activities already sold and pooled under the TQ3 Travel Solutions Management Holding GmbH as well as the IT services companies. In the first quarter of 2006, they generated turnover of € 64 million (previous year: € 61 million).

The closing of the divestment of the business travel operations was on 31 March 2006. Apart from the operating result, the earnings from disposals of € 144 million was also comprised in earnings by Other tourism, which therefore totalled € 141 million (previous year: € - 3 million).

Shipping

Key figures shipping

€ million	Q1 2006	Q1 2005	Var. %
Turnover	1,639.6	668.6	+ 145.2
Earnings by division (EBITA)	- 25	32	n.m.
Investments	111.5	121.1	- 7.9
Employees (31 March)	9,030	3,988	+ 126.4

In 2006, the shipping division comprises Hapag-Lloyd Container Linie, Hapag-Lloyd Kreuzfahrten, Hapag-Lloyd AG and the container shipping company CP Ships, acquired in October 2005. A year-on-year comparison of the figures for the first quarter of 2006 is therefore of limited use only.

Turnover shipping

Turnover totalled € 1,640 million, an increase of 145.2%. This growth resulted from the integration of CP Ships, which contributed € 791 million to quarterly turnover, on the one hand, and significant growth in shipped volumes in Hapag-Lloyd Container Linie in all trade lanes, on the other. As a result, Hapag-Lloyd Container Linie achieved turnover growth of 27.0% to € 849 million (previous year: € 669 million).

The transport volume in the shipping division rose to a total of 1,196 thousand standard containers (TEU), including 699 thousand TEU for Hapag-Lloyd Container Linie and 497 thousand TEU for CP Ships. The average freight rates generated in the first quarter of 2006 totalled 1,312 $/TEU in Hapag-Lloyd, falling only 0.5% short of the previous year's high level (previous year: 1,318 $/TEU), and grew by 9% year-on-year to 1,682 $/TEU in CP Ships (previous year: 1,543 $/TEU). In comparison to the previous quarter (Q4, 2005) the average freight rates generated by Hapag-Lloyd and CP Ships declined by 4.7% (previous quarter: 1,377 $/TEU) and 1.1% (previous quarter: 1,700 $/TEU), respectively.

Earnings shipping

While the sector recorded an increase in turnover on the one hand, it also reported a relatively stronger year-on-year increase in charter rates and an oil price-related increase in bunker costs on the other, so that the operating earnings by the shipping division declined year-on-year to € 15 million (previous year: € 32 million). In the wake of the integration of CP Ships, one-off expenses were € 40 million in the first quarter of 2006. Overall, the sector thus achieved earnings of € - 25 million (previous year: € 32 million).

In the first quarter of 2006, the integration of CP Ships into Hapag-Lloyd Container Linie progressed in line with plans. Pooling the container services of the two companies will start with the operation on the North Atlantic trade lanes in May 2006. The business trends in the trade lanes are therefore still reported separately for Hapag-Lloyd Container Linie and CP Ships in the first quarter of 2006. In the wake of the planned integration, the trade lanes of Hapag-Lloyd Container Linie were restructured and the Australasia region newly formed.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	Q1 2006	Q1 2005	Var. %
Europe/Far East	241	214	+ 12.6
Trans-Pacific	162	124	+ 30.6
North Atlantic	148	144	+ 2.8
Latin America	63	53	+ 18.8
Australasia	85	82	+ 3.7
Total	**699**	**617**	**+ 13.3**

Hapag-Lloyd Container Linie

In the first quarter of 2006, Hapag-Lloyd Container Linie transported a total of 699 thousand TEU, an increase of 13%. Average freight rates in the individual trade lanes showed uneven trends but overall reached the level achieved in the first quarter of 2005.

In the Far East trade lanes, Hapag-Lloyd Container Linie achieved another significant increase in transport volumes. This was due to the persistently high level of demand for transport volume in the export-oriented countries of South East Asia and in China. Transport volumes rose by 13% to 241 thousand TEU. On the other hand, freight rates declined by 10% year-on-year.

Transport volumes in the Trans-Pacific trade lanes amounted to 162 thousand TEU, an increase of 31% year-on-year. This growth was mainly attributable to the employment of additional shipping capacity and the introduction of new services. Earnings were impacted by the 4% decline in freight rates.

The North Atlantic trade lanes continued to show a positive trend. Transport volumes totalled 148 thousand TEU, up 3%. The freight rates generated in these trade lanes were 18% up year-on-year.

In the Latin America trade lanes, the transport volume was 63 thousand TEU, 19% up year-on-year. Due to an intensification of competition, freight rates declined by 3% year-on-year.

In the framework of the integration of CP Ships' services, the Australasia trade lane is shown for the first time in the first quarter of 2006 and comprises the inner-Asian routes as well as the routes to and from Australia. The transport volumes rose to 85 thousand TEU, an increase of 4% year-on-year. Freight rates declined, falling 7% short of 2005 levels.

Transport volumes CP Ships

'000 TEU	Q1 2006	Q1 2005	Var. %
Trans-Atlantic	248	280	- 11.4
Asia	123	122	+ 0.8
Australasia	63	65	- 3.1
Latin America	59	62	- 4.8
Other	4	5	- 20.0
Total	**497**	**534**	**- 6.9**

CP Ships

In the first quarter of 2006, the transport volume shipped by CP Ships amounted to 497 thousand TEU, dropping by 7%. The decline resulted from the restructuring of individual services, in particular on the North Atlantic, implemented in 2005 in the wake of the optimisation of earnings. Freight rates developed positively, rising by 9% year-on-year.

CP Ships cut capacity in the Trans-Atlantic trade lanes, its highest-volume trade lanes. This cut resulted in an 11% decrease in transport volumes year-on-year to 248 thousand TEU. Freight rates showed a positive trend due to the scarcity of capacity on offer, rising by 17% year-on-year.

In the Asia trade lanes, transport volumes amounted to 123 thousand TEU, an increase of 1%. Freight rates fell 1% short of the previous year's level.

In the Australasia trade lanes, transport volumes dropped 3% to 63 thousand TEU. Freight rates rose by 9% year-on-year.

In the Latin America trade lanes, freight volumes fell by 5% to 59 thousand TEU. Freight rates also declined by 7% year-on-year.

Hapag-Lloyd Kreuzfahrten

In the cruise sector, Hapag-Lloyd Kreuzfahrten recorded a further improvement in bookings. As a result, utilisation of shipping capacity also grew. All four ships, in particular 'Europa' and 'Columbus', reported positive trends in booking volumes.

Central operations

Key figures Central operations

€ million	Q1 2006	Q1 2005	Var. %
Turnover	50.2	43.9	+ 14.4
Earnings by divisions (EBITA)	38	- 53	n.m.
Investments	4.0	2.7	+ 48.1
Employees (31 March)	2,156	2,207	- 2.3

Central operations cover TUI AG's corporate centre functions and interim holding companies which cannot be allocated to the segments as well as other operating areas, comprising the Group's real estate companies and the remaining industrial activities.

Turnover central operations

Central operations reported turnover of € 50 million (previous year: € 44 million), almost exclusively attributable to other operating sectors.

Earnings central operations

Earnings by central operations totalled € 38 million (previous year: € - 53 million). They comprised the earnings of other operating sectors totalling € 47 million (previous year: € - 1 million) and earnings by the holdings of € - 9 million (previous year: € - 52 million).

Earnings by other operating sectors comprised the earnings of the real estate companies and the remaining industrial activities. They were significantly up year-on-year since the earnings from a divestment in the real estate sector (Schacht Konrad), effected in previous years, were realised with the fulfilment of several final contract terms and conditions at the end of the first quarter of 2006.

The expenses and income of the holdings improved. They were comprised of the corporate centre functions of TUI AG and the interim holdings of € - 27 million (previous year: € - 34 million) and other expenses and income of € 18 million (previous year: € - 18 million). Other expenses and income mainly related to the valuation of assets and comprised the earnings from the revaluation of the convertible options from the 2003 convertible bond of € + 15 million (previous year: € - 27 million).

Discontinuing operations

Discontinuing operations comprised the trading sector with the US steel service companies of Preussag North America (PNA). On 14 February 2006, TUI AG sold its indirect 100% shareholding in PNA. In 2005, this sector also covered the special logistics sector, comprising the rail and tank container logistics business of VTG AG. The figures for the first quarter of 2006 are therefore not comparable with the previous year's figures.

The discontinuing operations generated turnover of € 278 million (previous year: € 353 million), a 21.1% decline year-on-year as the turnover of the special logistics sector, divested in December 2005, was no longer included and the 13.1% increase in turnover in the trading sector did not offset this decline.

Earnings by discontinuing operations declined for the same reason by 16.7% to € 25 million (previous year: € 30 million). In the first quarter of 2006, they only comprised earnings by the trading sector, which rose by 17.6% to € 20 million and included proceeds generated in connection with the settlement of the divestment of the former energy sector, carried under Divestments.

Consolidated earnings

Consolidated profit and loss statement

€ million	Q1 2006	Q1 2005	Var. %
Turnover	4,200.4	3,228.2	+ 30.1
Other income	308.0	153.5	+ 100.7
Change in inventories and other own work capitalised	4.2	5.9	- 28.8
Cost of material and purchased services	3,199.2	2,356.0	+ 35.8
Personnel costs	613.4	529.9	+ 15.8
Depreciation and amortisation	169.6	112.3	+ 51.0
Impairment	1.1	5.0	- 78.0
Other expenses	628.7	569.5	+ 10.4
Financial income	70.0	38.1	+ 83.7
Financial expenses	104.5	107.7	- 3.0
Result from companies measured at equity	5.0	5.0	0.0
Earnings before taxes on income	**- 128.9**	**- 249.7**	**+ 48.4**
Income taxes	- 20.1	- 44.8	+ 55.1
Result from continuing operations	**- 108.8**	**- 204.9**	**+ 46.9**
Result from discontinuing operations	17.5	15.6	+ 12.2
Group profit for the year	**- 91.3**	**- 189.3**	**+ 51.8**
- attributable to shareholders of TUI AG	- 94.1	- 192.8	+ 51.2
- minority interests	2.8	3.5	+ 20.0

The development of the items of the consolidated profit and loss statement and earnings before taxes on income was primarily determined by the business trend in tourism and shipping, the Group's core businesses. Further changes were attributable to the first-time consolidation of CP Ships and its integration into Hapag-Lloyd Container Linie.

Turnover

Turnover comprised the turnover of the tourism and shipping divisions as well as central operations, which include TUI AG, the Group's real estate companies and the remaining industrial activities. At € 4.2 billion, turnover grew by 30.1% year-on-year. A detailed breakdown of turnover and the development of turnover is presented in the section 'Turnover and earnings by divisions'.

Other income

Other income primarily comprised profits from the sale of fixed and current assets, supplementary transactions, foreign exchange gains, income from cost reimbursements and income from letting and leasing contracts as well as license agreements. At € 308 million, other income grew by 100.7% year-on-year. Its main single item was income from the divestment of the business travel activities.

At € 4 million, changes in inventories and other own work capitalised were largely constant.

Cost of materials and purchased services

The cost of materials and purchased services comprised the cost of raw materials including supplies, purchased merchandise and services. In tourism, this mainly related to the cost of third-party services such as hotel rental and lease payments and the cost of flight and other transport services. In the shipping division, the cost of purchased services primarily included the cost of third-party container transport, port and terminal costs as well as charter, rental and operating lease costs for ships and containers. The increase in the cost of materials and purchased services of 35.8% to € 3,199 million mainly resulted from the growth in the business and cost increases in shipping as well as the inclusion of CP Ships in the consolidated financial statements.

Personnel costs

Personnel costs included expenses for wages and salaries, social security contributions as well as pension costs and benefits. They rose by 15.8% to € 613 million, primarily due to the consolidation of CP Ships and the resulting increase in the headcount in the shipping division.

Depreciation and amortisation

Depreciation and amortisation comprised the amortisation of property, plant and equipment and other intangible assets. At € 170 million, it grew by 51.0% year-on-year. This was mainly due to the addition of own ships resulting from the acquisition of CP Ships.

Impairments

Impairments totalled € 1 million and related to property, plant and equipment.

Other expenses

The key items summarised under Other expenses were: commissions for tourism services, distribution and advertising expenses, rental and lease expenses, administrative expenses including contributions, charges and fees, expenses for financial and monetary transactions as well as other taxes. Other expenses grew by 10.4% to € 629 million. The increase was mainly related to the expansion of the shipping division.

Financial result

The financial result comprised the net interest result, the net result from investments and marketable securities and the result from changes in the fair value of derivative financial instruments. At € - 35 million, it improved by 50.4% year-on-year and comprised financial income of € 70 million (previous year: € 38 million) as well as financial expenses of € 105 million (previous year: € 108 million). The financial result included income from the measurement of the conversion rights from the convertible bond issued in 2003 of € 15 million (previous year: expenses of € 27 million).

Result from companies measured at equity

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. At € 5 million, it remained unchanged and primarily resulted from investments in the destinations sector.

Taxes on income

Taxes on income comprised taxes on the profits from ordinary business activities of the continuing operations. They totalled € - 20 million and were composed of current income taxes of € - 18 million as well as deferred income taxes of € - 2 million. The decline of € 24 million resulted to two-thirds from the change in current taxes and to one-third from change in deferred taxes.

Earnings from discontinuing operations

Earnings of the operations classified as discontinuing operations in accordance with IFRS 5 totalled € 18 million and comprised an income tax expense of € 7 million. Earnings before taxes on income amounted to € 25 million, including an amount of € 20 million contributed by the trading sector and € 5 million attributable to divestments. A detailed breakdown of the development of these earnings is provided in the section 'Turnover and earnings by divisions'.

Group profit

Group profit improved to € - 91 million (previous year: € - 189 million). This was essentially due to the book profits from the divestment of the business travel activities.

Minority interests

Minority interests in Group profit for the year totalled € 3 million and did not change significantly year-on-year. It almost exclusively related to companies in the tourism division.

Earnings per share

After deduction of minority shares, TUI AG shareholders accounted for € - 94 million of Group profit for the year, an improvement of 51.2% year-on-year. Due to the capital increase implemented in September 2005 and the issuance of employee shares, the number of dividend-bearing shares rose to 250,732,575. As a result, earnings per share declined to € - 0.38 (previous year: € - 1.08).

Financial position

Balance sheet

The Group's balance sheet total rose by 2.0% to € 15.6 billion against the 2005 year-end. The development of the individual balance sheet items mainly resulted from changes in the group of consolidated companies due to the inclusion of CP Ships, acquired in October 2005, and the divestment of the remaining special logistics activities in December 2005.

Equity totalled € 4.2 billion, with an equity ratio of 26.7% (compared with 28.5% at the end of the 2005 financial year).

Assets and liabilities

€ million	31 March 2006	31 Dec 2005
Non-current assets	11,928.0	11,864.8
Current assets	3,707.6	3,463.6
Assets	**15,635.6**	**15,328.4**
Equity	4,180.5	4,375.2
Provisions	2,526.2	2,576.7
Financial liabilities	4,407.9	4,358.2
Other liabilities	4,521.0	4,018.3
Liabilities	**15,635.6**	**15,328.4**

Financing

At the end of the first quarter of 2006, net debt totalled € 3.6 billion (compared with € 3.8 billion at the end of the 2005 financial year). It comprised non-current liabilities of € 3.2 billion, current financial liabilities of € 1.2 billion, the financial liabilities of the discontinuing operations of € 0.1 billion and cash and cash equivalents of € 0.9 billion. The variations in individual items mainly resulted from the seasonal nature of the tourism business. Cash and cash equivalents primarily rose due to the receipt of the payment from the divestment of the business travel operations at the end of the quarter.

Development of cash and cash equivalents

€ million	Q1 2006	Q1 2005	Var. %
Cash and cash equivalents at beginning of period	**607.5**	**481.1**	**+ 26.3**
Cash flow from operating activities	236.6	212.6	+ 11.3
Cash flow from investing activities	26.1	- 296.1	n.m.
Cash flow from financing activities	- 20.4	82.4	n.m.
Cash changes	**242.3**	**- 1.1**	**n.m.**
Other changes	**- 6.4**	**5.5**	**n.m.**
Cash and cash equivalents at end of period	**843.4**	**485.5**	**+ 73.7**

Commitments from lease, rental and leasing contracts

Besides the commitments from finance leases comprised in financial liabilities, the Group had commitments from operating leases of € 3.6 billion, mainly relating to the continuing operations tourism and shipping as well as central operations. They declined by € 0.2 billion as against the level at the end of the 2005 financial year, and their structure did not change significantly.

Further segment data

Investments in property, plant and equipment

€ million	Q1 2006	Q1 2005	Var. %
Tourism	196.2	116.9	+ 67.8
Central Europe	114.9	48.0	+ 139.4
Northern Europe	8.6	18.8	- 54.3
Western Europe	28.9	23.3	+ 24.0
Destinations	39.4	21.4	+ 84.1
Other tourism	4.4	5.4	- 18.5
Shipping	111.5	121.1	- 7.9
Central operations	4.0	2.7	+ 48.1
Continuing operations	**311.7**	**240.7**	**+ 29.5**
Trading	1.8	0.8	+ 125.0
Special logistics	–	4.1	–
Discontinuing operations	**1.8**	**4.9**	**- 63.3**
Total	**313.5**	**245.6**	**+ 27.6**

Depreciation of property, plant and equipment

€ million	Q1 2006	Q1 2005	Var. %
Tourism	87.5	88.5	- 1.1
Central Europe	16.0	16.8	- 4.8
Northern Europe	27.7	27.9	- 0.7
Western Europe	17.1	7.5	+ 128.0
Destinations	20.5	25.9	- 20.8
Other tourism	6.2	10.4	- 40.4
Shipping	79.6	24.3	+ 227.6
Central operations	3.6	4.0	- 10.0
Continuing operations	**170.7**	**116.8**	**+ 46.1**
Trading	–	–	–
Special logistics	–	–	–
Discontinuing operations	**–**	**–**	**–**
Total	**170.7**	**116.8**	**+ 46.1**

Employees

	31 Mar 2006	31 Dec 2005	Var. %
Tourism	51,902	50,498	+ 2.8
Central Europe	9,722	9,691	+ 0.3
Northern Europe	16,118	16,254	- 0.8
Western Europe	7,090	6,904	+ 2.7
Destinations	14,096	12,866	+ 9.6
Other tourism	4,876	4,783	+ 1.9
Shipping	9,030	9,077	- 0.5
Central operations	2,156	2,183	- 1.2
Continuing operations	**57,088**	**61,758**	**- 7.6**
Trading	1,203	1,189	+ 1.2
Special logistics	–	–	–
Discontinuing operations	**1,203**	**1,189**	**+ 1.2**
Total	**64,291**	**62,947**	**+ 2.1**

Prospects

For the 2006 financial year economic researchers expect the economic environment for the TUI Group's activities to develop positively, with a further improvement in the consumer sentiment in European countries boosting the demand for travel on the one hand and a sustained growth in world trade and thus container transports on the other, as forecast. Nevertheless, individual countries may record below-average market growth, and container shipping may see an adverse effect on freight rates due to a temporary imbalance of supply and demand in individual trade lanes. Concerning external factors, a persistently high crude oil price may impair the development of earnings by the divisions.

Tourism

In tourism, an overall steady recovery in bookings is emerging, with the large markets Germany, the UK and France showing uneven market trends. Bookings for the 2005/2006 winter season which ended in April resulted at Group level in growth of 6.6% in customer numbers and 3.1% in booked turnover. Bookings for the 2006 summer season started off at an overall satisfactory level. At Group level, bookings are currently up 1.6% year-on-year in terms of customer numbers and 0.9% in terms of booked turnover. In regional terms, growth has been strongest in the smaller markets to date. In the UK, bookings have improved steadily following a slow start. In Germany, the travel business is expected to pick up strongly after the World Cup, as it did in similar cases in the past. In France, booking numbers reflect the restrained overall demand in the travel market which, however, is gradually picking up again.

Booking numbers

Year-on-year variation in %	Winter 2005/2006 Turnover	Winter 2005/2006 Customers	Summer 2006 Turnover	Summer 2006 Customers
Germany	+ 2.0	+ 8.1	- 2.0	+ 2.2
Switzerland	+ 5.1	- 1.6	+ 10.4	+ 8.4
Austria	+ 0.4	- 6.2	- 7.7	- 6.9
Eastern Europe	+ 39.6	+ 42.8	+ 34.2	+ 22.6
Central Europe	**+ 3.3**	**+ 8.5**	**- 1.6**	**+ 1.8**
UK	+ 5.2	+ 15.1	0.0	+ 1.6
Ireland	+ 2.8	- 1.6	+ 4.4	- 0.4
Nordic countries	+ 2.9	- 4.0	+ 10.2	+ 4.2
Northern Europe	**+ 4.6**	**+ 10.8**	**+ 1.6**	**+ 1.8**
France	- 3.0	- 9.6	- 8.0	- 11.0
Netherlands	+ 5.5	- 2.3	+ 7.6	+ 1.0
Belgium	+ 1.6	+ 3.2	+ 15.5	+ 12.3
Western Europe	**0.0**	**- 4.6**	**+ 4.3**	**+ 0.7**
Group	**+ 3.1**	**+ 6.6**	**+ 0.9**	**+ 1.6**

As at 28 April 2006

Concerning the development of earnings (earnings before interest, taxes and amortisation of goodwill (EBITA)) of the individual sectors of the tourism division in the 2006 financial year, improvements are emerging. In the Central Europe sector, once again programmes to improve production workflows and product innovation will be extended further and will result in a significant improvement in earnings. In the Northern Europe sector, the restructuring programmes in the UK, implemented in the previous year, will have a positive effect on earnings. In the Nordic countries, previous year's earnings levels will probably be reproduced. The Western Europe sector is expected to improve its profit contribution, in particular due to a better business development in France. In the destinations sector, earnings are expected to rise, with both incoming agencies and hotel companies equally contributing to this result.

Shipping

In shipping, the integration of CP Ships into Hapag-Lloyd Container Linie will have a significant effect on earnings (earnings before interest, taxes and amortisation of goodwill (EBITA)) in the 2006 financial year. The integration is planned to be completed by 2007 and will entail costs quantified as around € 100 million, which will predominantly arise in the 2006 financial year. In the course of integration, synergy effects, resulting among others from efficiency improvements and cost reduction, will be realised; they are expected to already have a significant positive effect on the earnings situation in 2007 and have hitherto been expected to generate earnings improvements of around € 180 million as of 2008, following the end of the integration process. The integration process is currently progressing faster than originally expected and manifests additional potential to enhance earnings.

Earnings from operating business in the shipping division will be characterised by the consolidation of CP Ships for a full financial year for the first time. Earnings of Hapag-Lloyd Container Linie and CP Ships will probably not be able to repeat the high earnings they achieved in 2005. This assumption is based, among others, on the development of freight rates in individual trade lanes, in particular in Asian transports, the persistently high bunker costs and the short-term charter rates.

In the 2006 financial year, the overall macroeconomic framework for the TUI Group's activities is favourable. This will create opportunities for further growth and potential to increase earnings. Both in tourism and container shipping, TUI offers its customers attractive products and services and occupies leading market positions. The TUI Group has been appropriately financed and has 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.

Corporate Governance

The composition of the Executive Board and Supervisory Board did not change in the course of the first quarter of 2006. The current composition has been published on the Company's website (www.tui-group.com).

TUI AG
The Executive Board
May 2006

Financial Statements

Condensed profit and loss statement of the TUI Group for the period from 1 January to 31 March

€ million	Q1 2006	Q1 2005 restated	Restatement	Q1 2005 original
Turnover	4,200.4	3,228.2	–	3,228.2
Other income	308.0	153.5	–	153.5
Change in inventories and other own work capitalised	+ 4.2	+ 5.9	–	+ 5.9
Cost of materials and purchased services	3,199.2	2,356.0	- 1.2	2,357.2
Personnel costs	613.4	529.9	- 15.9	545.8
Depreciation and amortisation	169.6	112.3	–	112.3
Impairments of fixed assets	1.1	5.0	–	5.0
Other expenses	628.7	569.5	- 2.2	571.7
Financial income	70.0	38.1	+ 18.6	19.5
Financial expenses	104.5	107.7	+ 26.4	81.3
Earnings from companies measured at equity	+ 5.0	5.0	–	+ 5.0
Earnings before taxes on income	**- 128.9**	**- 249.7**	**+ 11,5**	**- 261.2**
Income taxes	- 20.1	- 44.8	+ 4.0	- 48.8
Result from continuing operations	**- 108.8**	**- 204.9**	**+ 7.5**	**- 212.4**
Result from discontinuing operations	+ 17.5	+ 15.6	+ 0.1	+ 15.5
Group profit	**- 91.3**	**- 189.3**	**+ 7.6**	**- 196.9**
Attributable to shareholders of TUI AG	- 94.1	- 192.8	+ 7.6	- 200.4
Attributable to minority interests	+ 2.8	+ 3.5	–	+ 3.5
Group profit	**- 91.3**	**- 189.3**	**+ 7.6**	**- 196.9**

€	Q1 2006	Q1 2005 restated	Restatement	Q1 2005 original
Basic earnings per share	**- 0.38**	**- 1.08**	**+ 0.04**	**- 1.12**
from continuing operations	- 0.42	- 1.17	+ 0.04	- 1.21
from discontinuing operations	+ 0.04	+ 0.09	–	+ 0.09
Diluted earnings per share	**- 0.38**	**- 1.08**	**+ 0.04**	**- 1.12**
from continuing operations	- 0.42	- 1.17	+ 0.04	- 1.21
from discontinuing operations	+ 0.04	+ 0.08	–	+ 0.08

Condensed consolidated balance sheet of the TUI Group

€ million		**31 Mar 2006**	**31 Dec 2005**
Assets			
Goodwill	3,727.9		3,756.4
Other intangible assets	861.8		898.5
Investment property	89.0		90.2
Other property, plant and equipment	5,986.8		5,881.0
Companies measured at equity	376.9		372.7
Other investments	326.0		322.7
Fixed assets		**11,368.4**	**11,321.5**
Receivables from derivative financial instruments	47.7		51.1
Other receivables and assets	189.7		192.8
Deferred income tax assets	322.2		299.4
Non-current receivables		**559.6**	**543.3**
Non-current assets		**11,928.0**	**11,864.8**
Inventories		**162.5**	**150.4**
Trade accounts receivable	948.4		965.3
Receivables from derivative financial instruments	113.4		149.1
Other receivables and assets	1,100.7		869.3
Current income tax assets	73.8		15.6
Current receivables		**2,236.3**	**1,999.3**
Assets classified as held for sale		**469.5**	**714.7**
Cash and cash equivalents		**839.3**	**599.2**
Current assets		**3,707.6**	**3,463.6**
		15,635.6	**15,328.4**

€ million		**31 Mar 2006**	**31 Dec 2005**
Group equity and liabilities			
Subscribed capital	641.0		641.0
Reserves	2,992.0		3,172.6
Amounts recognised directly in equity relating to non-current assets held for sale	0.5		4.6
Hybrid capital	294.8		294.8
Equity before minority interests		**3,928.3**	**4,113.0**
Minority interests		**252.2**	**262.2**
Group equity		**4,180.5**	**4,375.2**
Provisions for pensions and similar obligations	1,223.9		1,260.8
Deferred and current income tax provisions	295.0		293.4
Other provisions	396.4		401.9
Non-current provisions		**1,915.3**	**1,956.1**
Financial liabilities	3,204.9		3,213.9
Liabilities from derivative financial instruments	2.0		32.1
Other liabilities	34.3		39.4
Non-current liabilities		**3,241.2**	**3,285.4**
Non-current provisions and liabilities		**5,156.5**	**5,241.5**
Provisions for pensions and similar obligations	32.4		32.8
Current income tax provisions	14.8		19.8
Other provisions	563.7		568.0
Current provisions		**610.9**	**620.6**
Financial liabilities	1,203.0		1,144.3
Trade accounts payable	2,157.8		2,103.7
Liabilities from derivative financial instruments	28.1		41.0
Other liabilities	2,094.3		1,513.6
Current liabilities		**5,483.2**	**4,802.6**
Liabilities from assets classified as held for sale		**204.5**	**288.5**
Current provisions and liabilities		**6,298.6**	**5,711.7**
		15,635.6	**15,328.4**

Statement of recognised income and expenses

€ million	Q1 2006	Q1 2005
Currency translation	- 86.4	76.5
Reserves for change in value of financial instruments	- 43.5	125.0
Actuarial gains and losses from pension provisions and associated fund assets	26.9	–
Tax item directly offset against equity	8.7	- 53.7
Income and expenses directly recognised in equity	**- 94.3**	**147.8**
Group profit	- 91.3	- 189.3
Total income and expenses recognised in the financial year	**- 185.6**	**- 41.5**
attributable to shareholders of TUI AG	- 184.8	- 48.0
attributable to minority interests	- 0.8	6.5

Condensed cash flow statement for the period from 1 January to 31 March

€ million	2006	2005
Cash flow from operating activities	236.6	212.6
Cash flow from investing activities	26.1	- 296.1
Cash flow from financing activities	- 20.4	83.4
Change in funds with cash effect	**242.3**	**- 0.1**
Change in cash and cash equivalents due to changes in consolidation and exchange rate fluctuations	**- 6.4**	**4.5**
Cash and cash equivalents at the beginning of the period	**607.5**	**481.1**
Cash and cash equivalents at the end of the period	**843.4**	**485.5**

Notes

Accounting principles

The Group's interim financial statements as at 31 March 2006 were prepared in a condensed form compared with the consolidated annual financial statements in accordance with IAS 34 'Interim Financial Reporting'. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

As of the beginning of the 2006 financial year, the following standards revised or newly issued by the IASB were applicable: IAS 1 Presentation of Financial Statements (amendment on capital disclosures), IAS 39 Financial Instruments: Recognition and Measurement (amendment on hedges of forecast intra-Group 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). The application of these standards did not result in any effects on the TUI Group's accounting and measurement methods.

With the exception of the changes outlined above, the interim financial statements as at 31 March 2006 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements as at 31 December 2005.

The previous year's profit and loss statement was restated retrospectively in order to account for the effects of the changes in accounting and measurement methods effected with the last consolidated annual financial statements. The reversal of the amortisation of actuarial gains and losses in the framework of accounting for pension obligations resulted in a decline in personnel costs of € 8.1 million while deferred income tax expenses rose by € 2.5 million and earnings from discontinuing operations rose by € 0.1 million. 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. As a result, personnel costs declined by € 7.8 million, with an increase in financial expenses of € 26.4 million and financial income of € 18.6 million.

Due to changes in the treatment of costs to produce holiday brochures, the cost of material and purchased services declined by € 1.2 million and other expenses dropped by € 2.2 million, while deferred income tax expenses rose by € 1.5 million.

In order to enhance the comparability of figures, the restated figures for 2005 are presented alongside the originally published figures. The accounting and measurement methods hitherto applied are outlined in detail in the notes on the consolidated financial statements as at 31 December 2005.

Group of consolidated companies

The consolidated financial statements included all major subsidiaries in which TUI AG was able to directly or indirectly govern the financial or operating policies such that the Group obtained benefits from the activities of these companies.

The interim financial statements as at 31 March 2006 included a total of 48 domestic and 364 foreign subsidiaries, besides TUI AG.

Since 31 December 2005, one company was newly included in the group of consolidated companies in the shipping division due to the expansion of its business activities.

Since 31 December 2005, a total of 33 companies were removed from consolidation. These companies exclusively related to the tourism division. Besides the divestment of the TQ3 Group (twelve companies), the decline in the number of companies included in consolidation was in particular attributable to the liquidation of subsidiaries (20 companies). In addition, one company was removed from consolidation due to a merger.

Acquisitions – divestments

As at the end of the first quarter of the 2006 financial year, TUI AG successfully closed the sale of the business travel activities pooled under TQ3 Travel Solutions Management Holding GmbH to the Dutch BCD Holdings N.V. In the first quarter of the current financial year, the TQ3 Group generated turnover of € 62.3 million (previous year: € 59.2 million) and earnings after income tax of € - 3.1 million (previous year: € - 5.7 million). The divestment of a total of twelve subsidiaries was effected at a sales price of € 232.9 million. Following the deduction of the expenses expected to be associated with the divestment of € 18.7 million, the divestment resulted in overall positive earnings before income taxes of € 143.9 million in the first quarter of 2006, carried under Other tourism.

€ million	31 Mar 2006	31 Dec 2005
Goodwill	104.7	104.9
Other intangible assets	2.9	2.5
Property, plant and equipment	23.4	23.0
Investments	13.5	13.9
Trade accounts receivable	84.6	64.8
Other receivables and assets	51.4	49.2
Deferred income tax claims	2.0	2.3
Cash and cash equivalents	30.6	7.3
Pension provisions	14.2	13.7
Provisions for income taxes	2.8	1.8
Other provisions	16.1	14.6
Financial liabilities	5.6	6.2
Trade accounts payable	60.6	39.7
Other liabilities	143.5	118.5
Equity	**70.3**	**73.4**

As the sales negotiations became increasingly specific, the business travel activities were already classified as a disposal group in accordance with IFRS 5 on 20 December 2005. The assets and liabilities of the TQ3 Group therefore already had to be summarised in separate balance sheet items in the annual financial statements for 2005.

In the first quarter of 2006, no acquisitions of subsidiaries were effected.

Discontinuing operations

At the beginning of the 2005 financial year, both the US steel service companies and the remaining special logistics activities were classified as discontinuing operations in the framework of the first-time application of IFRS 5. The divestment of the rail logistics business unit of VTG (UB I) to the Luxemburg-based company Compagnie Européene de Wagons was already successfully completed in December 2005. In February 2006, TUI sold its indirect 100% share in the US steel service business of the PNA Group Inc. to financial investor Platinum Equity subject to a suspensive condition. The sale will probably be completed by mid-May 2006.

Result from discontinuing operations

Besides the operating income and expenses of these operations, the result from discontinuing operations also included effects of the deconsolidation of operations already divested.

Result from discontinuing operations (after taxes on income)

€ million	Q1 2006	Q1 2005
Special logistics	–	5.8
Trading	12.2	9.8
Energy	–	–
Sub-total – Result after taxes on income	**12.2**	**15.6**
Special logistics	–	–
Trading	–	–
Energy	5.3	–
Sub-total – Result from divestment/removal from consolidation	**5.3**	**–**
Special logistics	–	5.8
Trading	12.2	9.8
Energy	5.3	–
Total – Result from discontinuing operations	**17.5**	**15.6**

Material items of the profit and loss statement of the discontinuing operations

	Special logistics		Trading	
€ million	Q1 2006	Q1 2005	Q1 2006	Q1 2005
Turnover	–	106.6	278.0	245.9
Operating income	–	3.9	0.1	0.1
Depreciation/amortisation	–	–	–	–
Other operating expenses	–	98.1	259.0	229.4
Financial income	–	0.1	0.1	2.6
Financial expenses	–	2.3	0.6	4.1
Result from companies measured at equity	–	+ 0.3	+ 0.5	+ 0.6
Earnings before taxes on income	–	10.5	19.1	15.7
Income taxes	–	4.7	6.9	5.9
Earnings after taxes on income	**–**	**5.8**	**12.2**	**9.8**

Material assets and liabilities of the discontinuing operations

€ million		Trading
	31 Mar 2006	31 Dec 2005
Non-current assets	75.1	74.7
Current assets	354.2	317.7
Non-current provisions and liabilities	65.7	50.3
Current provisions and liabilities	138.8	124.2

Cash flows from the operating activities as well as the investing and financing activities of the discontinuing operations

€ million		Special logistics		Trading
	Q1 2006	Q1 2005	Q1 2006	Q1 2005
Cash flow from operating activities	–	3.0	- 11.8	26.6
Cash flow from investing activities	–	- 3.4	- 1.8	- 0.8
Cash flow from financing activities	–	- 0.4	15.9	- 25.6
Change in cash and cash equivalents due to exchange rate fluctuations	–	0.0	0.1	0.1
Development of cash and cash equivalents	**–**	**- 0.8**	**2.4**	**0.3**

Notes on the consolidated profit and loss statement

The year-on-year development of the consolidated profit and loss statement is essentially characterised by the shipping division. Since the first-time consolidation of CP Ships was only effected in the fourth quarter of 2005, a year-on-year comparison of the first quarter of 2006 is of limited use only for the continuing operations. In the first quarter of 2006, CP Ships generated turnover of around € 791 million. Including the effects of the purchase price allocation carried out in the course of the first-time consolidation, net earnings of € 9 million were generated. Due to the ongoing integration of CP Ships, this figure is no longer useful for comparison. A further earnings effect of € - 40 million resulted from costs in connection with the takeover and integration process. In particular, following the announcement of planned reduction in staff, restructuring provisions of € 38 million were formed for severance payments payable in future. Even when adjusted for the effect of the first-time consolidation of CP Ships, the operative business volume of the shipping division was substantially up on last year’s levels. However, earnings declined due to the increase in short-term charter rates and in cost of bunker oil.

The year-on-year development of earnings by the tourism division was largely characterised by the income realised in the Other tourism sector from the divestment of the TQ3 Group of € 143.9 million. In the first quarter of 2005, the hotels/destinations sector generated income of € 12.0 million from the reversal of the negative goodwill arisen in conjunction with the acquisition of the shares in Touristik Finanz AG.

Overall earnings of the source markets Central, Northern and Western Europe fell short of the previous year’s levels, while turnover remained almost unchanged. This was mainly due to the fact that Easter was later this year, following the positive impact of the early Easter break in the first quarter of 2005. In addition, the current financial year also reported start-up costs in connection with the flight operations of TUI Airlines Nederland, which only started operation in April 2005. In the Central Europe sector, a sale-and-lease-back agreement for one aircraft was concluded in the first quarter of 2006.

In the area of other operating companies, the Group's real estate companies generated one-off income of € 40.8 million from a sales agreement already concluded at the end of the 80s for the 'Schacht Konrad'. The realisation of earnings had been counteracted this far by suspensive conditions.

The first quarter of 2005 was adversely impacted by a measurement result of € 27.3 million due to the fair value measurement of the conversion options from the convertible bond issued in October 2003. In the period under review, in contrast, the fair value measurement resulted in income of € 15.0 million. With effect from 3 April 2006, TUI AG has irrevocably waived its option, to be exercised unilaterally, of being able to deliver cash if a conversion option is exercised; the conversion options will be therefore treated as equity instruments again as of the date of the waiver. There will thus no longer be any fair value measurement with an effect on results in future.

Overall, the earnings situation was characterised by the seasonal nature of the tourism business. Due to the business cycles, profit contributions in the tourism division predominantly arise in the second and third quarter of any one year.

In the first quarter of the 2006 financial year, unusual income of around € 5 million was carried under 'Result from discontinuing operations'. This income resulted from the payment of previously disputed dividend claims on a company of the Preussag Energie Group. In the 2005 reference quarter, no unusual income and expenses had arisen.

Notes on the consolidated balance sheet

The changes in the consolidated balance sheet in comparison with 31 December 2005 mainly resulted from the cycle of the tourism business. Trade account receivables and the corresponding liabilities in the tourism division rose due to the development of the tourism season. Due to the increase in advance tourism payments, other liabilities also rose in that period.

Goodwill declined as against its level on 31 December 2005, exclusively due to changes in exchange rate parities – in particular against the British pound sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries.

Assets held for sale and related liabilities

€ million	31 Mar 2006	31 Dec 2005
Trading	428.5	392.4
TQ3 Group	–	263.9
Other non-current assets	41.0	58.4
Assets held for sale	**469.5**	**714.7**
Trading	204.5	171.7
TQ3 Group	–	114.4
Liabilities related to other non-current assets	–	2.4
Liabilities from assets classified as held for sale	**204.5**	**288.5**

The reduction in assets held for sale and the related liabilities resulted from the divestment of the TQ3 Group to the Dutch company BCD Holdings N.V. at the end of the first quarter of the 2006 financial year.

Changes in equity

Group equity declined due to the development of earnings, in particular due to the seasonal development of earnings in tourism. Equity also declined due to changes in the value of financial instruments, used to hedge against exposure to payment flow risks, carried with no effect on results.

Until the resolution on the appropriation of profits, adopted at the Annual General Meeting of TUI AG on 10 May 2006, the dividend of € 193.1 million, proposed for the 2005 financial year, is shown under equity.

Contingent liabilities

As at 31 March 2006, the TUI Group's contingent liabilities totalled around € 309 million (31 December 2005: around € 306 million). Contingent liabilities were carried at the level of potential availment as at the balance sheet date. They mainly related to remaining guarantees and warranties from the former plant engineering and shipbuilding activities, serving to settle ongoing business transactions.

Other financial liabilities

Other financial liabilities from operating rental, lease and charter agreements declined slightly at the end of the first quarter of 2006 to € 4.2 billion, following € 4.4 billion as at 31 December 2005. While order commitments for tourism services rose slightly by € 0.1 billion to € 3.1 billion, order commitments for capital expenditure declined by € 0.2 billion to € 0.9 billion due to advance payments already made for capital expenditure and the acquisition of aircraft. Overall, the nominal values of other financial liabilities thus declined by € 0.3 billion to € 8.3 billion.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 235.9 million to € 843.4 million.

At € 236.6 million, the inflow of cash from operating activities rose year-on-year. While the shipping division reported an increase in the inflow of cash due to the rise in its operative business volume, an outflow of cash resulted from the increase in inventories of the US steel service companies.

The inflow of cash from investing activities totalled € 26.1 million (previous year: outflow of € 296.1 million) in the current financial year. The inflow of cash in the current financial year mainly resulted from the divestment of the TQ3 Group to the Dutch company BCD Holdings N.V. An opposite effect was mainly due to the acquisition of aircraft and the advance payments made for the future purchase of aircraft.

The outflow of cash from financing activities in the first quarter of 2006 totalled € 20.4 million, following an inflow of € 83.4 million in the 2005 reference period.

Cash and cash equivalents were reduced by € 6.4 million due to changes in exchange rate and changes in the group of consolidated companies.

Segment ratios

External turnover with non-Group third parties according to divisions and sectors

€ million	Q1 2006	Q1 2005
Tourism	2,510.6	2,515.7
Shipping	1,639.6	668.6
Other operative sectors	49.9	43.5
Holding companies	0.3	0.4
Continuing operations	**4,200.4**	**3,228.2**
Special logistics	–	106.6
Trading	278.0	245.9
Discontinuing operations	**278.0**	**352.5**
Total	**4,478.4**	**3,580.7**

Earnings before interest, taxes and amortisation of goodwill according to divisions and sectors (EBITA)

€ million	Q1 2006	Q1 2005
Tourism	- 83	- 178
Shipping	- 25	32
Other operative sectors	47	- 1
Holding companies	- 14	- 54
Consolidation	5	2
Continuing operations	**- 70**	**- 199**
Special logistics	–	13
Trading	20	17
Energy	5	–
Disontinuing operations	**25**	**30**
Consolidation	–	–
Total	**- 45**	**- 169**

In the first quarter of 2006, earnings before interest, taxes and amortisation of goodwill (EBITA) comprised the following results from the companies measured at equity: tourism € 3.7 million (previous year: € 4.5 million), shipping € 1.3 million (previous year € 0.5 million), other operative sectors € 0.0 million (previous year: € 0.0 million), holding companies € 0.0 million (previous year: € 0.0 million), special logistics € 0.0 million (previous year: € 0.3 million) and trading € 0.5 million (previous year: € 0.6 million).

Statement of changes in equity

Condensed statement of changes in equity for the period from 1 January 2006 to 31 March 2006

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2006	**641.0**	**2,385.0**	**792.3**	**294.8**	**4,113.1**	**262.2**	**4,375.3**
Dividend payments	0.0	0.0	0.0	0.0	0.0	- 9.2	- 9.2
Changes without effect on net income	0.0	0.0	- 90.7	0.0	- 90.7	- 3.6	- 94.3
Differences from currency translation	0.0	0.0	- 82.8	0.0	- 82.8	- 3.6	- 86.4
Measurement changes with no effect on results	0.0	0.0	- 16.6	0.0	- 16.6	0.0	- 16.6
Tax items directly offset against equity	0.0	0.0	8.7	0.0	8.7	0.0	8.7
Group profit	0.0	0.0	- 94.1	0.0	- 94.1	2.8	- 91.3
Balance as at 31 March 2006	**641.0**	**2,385.0**	**607.5**	**294.8**	**3,928.3**	**252.2**	**4,180.5**

Condensed statement of changes in equity for the period from 1 January 2005 to 31 March 2005

€ million	Subscribed capital	Capital reserves	Revenue reserves	Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2005	**457.0**	**1,566.3**	**400.0**	**2,423.3**	**236.4**	**2,659.7**
Dividend payments	0.0	0.0	0.0	0.0	- 4.1	- 4.1
Changes without effect on net income	0.0	0.0	156.1	156.1	2.7	158.8
Differences from currency translation	0.0	0.0	73.5	73.5	3.0	76.5
Measurement changes with no effect on results	0.0	0.0	125.0	125.0	0.0	125.0
Tax items directly offset against equity	0.0	0.0	- 53.7	- 53.7	0.0	- 53.7
Changes in consolidation	0.0	0.0	0.0	0.0	- 0.3	- 0.3
Effect of step acquisitions	0.0	0.0	11.3	11.3	0.0	11.3
Group profit	0.0	0.0	- 192.8	- 192.8	3.5	- 189.3
Balance as at 31 March 2005	**457.0**	**1,566.3**	**363.3**	**2,386.6**	**238.5**	**2,625.1**

Future-related statements

This interim report contains a number of statements related to the future development of TUI. These statements are based both on assumptions and estimates. Although we are convinced that these future-related statements are realistic, we cannot guarantee them, for our assumptions involve risks and uncertainties which may give rise to situations in which the actual results differ substantially from the expected ones. The potential reasons for such differences include market fluctuations, the development of world market commodity prices, the development of exchange rates or fundamental changes in the economic environment. TUI does not intend or assume any obligation to update any forward-looking statement to reflect events or circumstances after the date of these materials.

Financial calendar 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

Imprint

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany

Phone +49.511.566-00
Fax +49.511.566-1901
E-Mail investor.relations@tui.com
Internet www.tui-group.com

The German version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation. Both versions are available on the web: www.tui-group.com

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany