Annual Report 2004
Moving assets. Convincing details.

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TUI Group in Figures

TUI Group in Figures

		2004	2003	Var. %
Turnover				
Tourism	€ mill	13,123	12,671	+ 3.6
Logistics	€ mill	3,472	3,915	- 11.3
Others	€ mill	1,451	2,629	- 44.8
Group	€ mill	**18,046**	**19,215**	**- 6.1**
Earnings by divisions (EBTA)				
Tourism	€ mill	362	208	+ 74.1
Logistics	€ mill	290	323	- 10.4
Others	€ mill	- 30	382	n. m.
Group	€ mill	**622**	**913**	**- 31.9**
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	€ mill	673	532	+ 26.7
Logistics	€ mill	495	567	- 12.7
Others	€ mill	214	623	- 65.7
Group	€ mill	**1,382**	**1,722**	**- 19.7**
Net profit for the year	€ mill	**532**	**315**	**+ 69.0**
Earnings per share	€	2.74	1.54	+ 77.9
Assets				
Non-current assets	€ mill	9,758	10,271	- 5.0
Current assets	€ mill	2,561	2,718	- 5.8
Total assets	€ mill	**12,319**	**12,989**	**- 5.2**
Equity and liabilities				
Equity	€ mill	2,991	2,767	+ 8.1
Non-current liabilities	€ mill	4,764	4,204	+ 13.3
Current liabilities	€ mill	4,564	6,018	- 24.2
Total equity and liabilities	€ mill	**12,319**	**12,989**	**- 5.2**
Equity ratio	%	**24.3**	**21.3**	**+ 3.0**
Cash flow from operating activities	€ mill	**964**	**902**	**+ 6.8**
Capital expenditure	€ mill	**677**	**724**	**- 6.5**
Net debt	€ mill	**3,251**	**3,828**	**- 15.1**
Employees	31 Dec	**57,716**	**64,257**	**- 10.2**

→ 2004 – A successful year.
→ Upswing in tourism.
→ Sustained growth in shipping.
→ Extraordinarily good business in trading.
→ Net financial debt further reduced.
→ Financing long-term structured.
→ Realignment of the Group completed.

Moving assets.
Convincing details.

TUI's tour operators organise tours of every kind: package or individual tours, ranging from low-budget to premium tours, on all continents, in 17 European countries. Travel services also include advice for our customers in 3,200 travel agencies throughout Europe. New direct distribution channels such as call centres, travel TV and above all the internet are playing an increasingly important role. Hence, a broad variety of offerings can be booked via the websites of our travel agencies, tour operators, airlines and of course via our hotel portal – an individual, convenient way of booking, available around-the-clock.

With its 104 aircraft, TUI flies more than 67 billion seat-kilometres annually, thus operating Europe's largest charter aircraft fleet. Our seven airlines carry our tour operators' customers and individual travellers to their various destinations: from 57 airports in Germany, the UK, France, Belgium and Scandinavia to 143 destinations in Europe and beyond. From Hanover, TUI Airline Management's international team controls the central functions of our flight operations: fleet management, purchasing and maintenance.

With its 51 container vessels, Hapag-Lloyd ships more than 2 million standard containers every year. Reaching customers around the world, on routes between Europe and Asia, on the North Atlantic, Pacific and on routes to South America. 3,980 employees in 90 countries and our sophisticated information systems ensure that the customers' goods reach their destinations quickly and reliably. In the cruise sector, Hapag-Lloyd, with its four ships, is the leading German provider in the premium segment. Its flagship, the 'Europa', has been crowned the world's best cruiser for the fifth consecutive time.

With more than 163,000 beds in 285 hotels, TUI is Europe's largest hotelier in the leisure sector. Holidaymakers can spend their holidays in our hotels in more than 30 countries in Europe and Africa, the Caribbean and Florida. They are free to choose between apartments, clubs or 5-star hotels, self-catering, full-board or all-inclusive. Our agencies cater for tourists in 37 countries: 5,000 representatives cater for their needs day in day out. We know that hotel and services play a crucial role in our customer's holiday experience. That is why everything must be perfect.

Moving assets.

Convincing details.

Dr. Michael Frenzel,
Chairman of the Executive Board

Chief Executive's Statement

Dear shareholders,

2004 was an eventful year in which we achieved a great deal for the future of TUI. The course set in previous years paid off and measurable progress was achieved in our business in an overall improved environment. Thus, tourism recorded moderate growth in turnover and customer numbers, but significantly increased its profitability. Shipping saw a further increase in demand and turned this into another record result. In addition, we pushed ahead with the realignment of the Group, we continued the scheduled reduction in net debt and we restructured maturities of our financing, thus securing our future and gaining new room for manoeuvre.

Certainly, there is still considerable potential that remains to be tapped, but TUI is heading in the right direction. As in the past, we will be guided by our overriding corporate objective: the long-term success of our Company. We are pursuing this objective from our position of uncontested market leadership in the European tourism industry and by means of our second major stronghold in the continuously growing world-wide container shipping business. The tourism division is expanding on the basis of our strong brands and our prominent market positions. Cost-efficient production and high utilisation of our own capacity in aircraft and hotels will lead to qualitative growth. We see the changes in the market as an opportunity, and we take advantage of new trends and help shape them. In shipping, we will participate above-average in the growing volume of container transport due to our high level of efficiency. By expanding our capacities we build the basis for continuing success.

In line with our long-term strategy, we have continued to sharpen TUI's profile by concentrating our logistics division on shipping. To this end, we already sold most of our special logistics business in 2004. We have also consolidated our tourism business by divesting shareholdings such as the Alpitour Group and the Anfi Group and at the same time increasing our interest in TUI Suisse and the Magic Life Group.

As a result, Group turnover dropped on the previous year. However, we do not pursue size for its own sake. It is our operating profit that is crucial to the long-term success of our Company, and here in particular we made significant headway in 2004. Thus, tourism only achieved moderate growth in turnover, but increased its earnings by almost 75%. This success is primarily attributable to the measures initiated in previous years, by means of which we have optimised our production structures and significantly cut cost. Although markets in tourism have been extremely difficult for a number of years, we have implemented measures during that period that went far beyond mere cost savings. They initially led to additional costs but also created a basis for our medium- and long-term success, and this is already reflected in our results for 2004.

As before, we geared ourselves towards our long-term success in the last financial year: We took advantage of opportunities and tapped new earnings potential. For example, the TUI hotel portal was opened on the web, and a new low-cost airline, Thomsonfly, was launched in the UK. In addition, we used the opportunity to extend our value chain in Belgium and started TUI Airlines Belgium. And last but not least, we initiated a comprehensive restructuring programme for our distribution and tour operator activities in the UK. These measures will enable us to increase the sustainable profitability of our business significantly.

For a long time now, we have taken the same approach in shipping. Expenditure on the development and introduction of efficient information technology is now paying off at a time of increasing demand on the scope and speed of information exchange relating to transport services. With this approach and its efficient organisation, Hapag-Lloyd has been able to double its transport volume over the past few years, with an almost constant headcount. In addition, we invested heavily in new ships and containers, even in times of lower earnings, and today this allows us to seize the opportunities for growth in container shipping.

Besides the successful business trend, 2004 also brought a profound change in our shareholder structure. WestLB, a major shareholder in our Company for four decades, sold its stake. A portion of the shares were acquired by Spanish investors, who have been linked with us over many years through partnerships and business relations in the tourism industry. Another portion was placed with international investors and increases the free float of TUI shares. We are convinced that the new shareholding structure will benefit our position on the capital market.

Overall, we already achieved a great deal in 2004. The results confirm our strategy, both in terms of the alignment of the Group and our integrated business model in tourism. Nevertheless, we are not yet satisfied with what we have achieved so far. We continue to work on further boosting our earning power in tourism. In shipping, we intend to secure and further expand our competitive edge. And on Group level, we will complete our divestment projects to further reduce our net debt. On this basis, we are aiming to generate a return that considerably exceeds our cost of capital.

In tourism, our core business remains the classical package tour offered by our tour operators. However, distribution through new media, in particular the internet, will leverage our growth. We expect that the double-digit growth rates in this segment will continue for many years to come. Another strong growth segment is the sale of individual modules such as air tickets and hotel accommodation. As we took the relevant decisions early on, we are successfully participating in these trends. In addition to a range of internet portals for individual brands, we have recently opened another virtual tour operator. In the modular tour segment we are able to make attractive and exclusive offerings to our customers thanks to our own airlines and hotel companies. At the same time, the additional business volume helps us to further improve the occupancy rates of our hotels as well as the load factors of our aircraft and the employment of our incoming agencies.

Our strength in tourism lies in the strong vertical integration of our value chain and our flexible, modern distribution. Our internal value added means that we have skills and competencies in our own Group, which forms the basis for an increase in earnings and attractive returns. Shipping, too, with its own ships and containers, shows relatively strong integration of the value chain. Our long-term success will be build on this business model.

Last year, we achieved a significant increase in TUI's performance. We will continue this process in order to be able to hold our own in international competition, use opportunities for growth courageously and control risks. Our position in the established markets will enable us to be successful in the markets of the future. We ask you to stay with us as we take TUI into the future.

Yours sincerely,

Management Report → Successful year. → Upswing in tourism. → Sustained growth in shipping.→ Extraordinarily good business in trading. → Adjusted earnings by divisions (EBTA) rose to € 490 million.

2004 – A successful year. Upswing in tourism. Sustained growth in shipping. Realignment of the Group completed.

The TUI Group has taken advantage of the improvement in the economic environment and achieved a significant increase in its operating result. This growth resulted from the upswing in tourism, the sustained growth in shipping and the extraordinarily good performance in trading. With the concentration on tourism and shipping, TUI's realignment is now complete.

Economic situation

In 2004, the world economy expanded strongly. In the first half of the year in particular, the economic impetus was strong. Due to the weaker stimuli of economic and financial policies and the brisk growth of the crude oil price, economic activity lost momentum in the second half of the year. Nevertheless, at 5%, global economic growth reached a level that considerably exceeded the long-term average.

Development in the regions

America and Asia

The individual economic regions showed varying trends. Economic expansion was particularly strong in the Asian region, driven in particular by the impressive growth of the Chinese economy. However, economic recovery also continued in Japan, with the emerging Asian economies recording sustained high growth rates. In the US, the strong economic recovery continued. It was boosted by an expansionary monetary and fiscal policy and additionally supported by an increase in domestic demand and growth in exports, which benefited from the decline of the US dollar exchange rate. The Latin American economies also reported vigorous growth trends, achieving significant increases in their growth rates.

Eurozone

Economic activity in Europe started to recover in the spring of 2004. This was particularly attributable to growth in the other parts of the world. The pace of expansion accelerated in the course of the year but was relatively moderate compared with other regions. The upward trend was mainly supported by exports, while private consumption did not initially trigger many stimuli. The German economy regained momentum at the beginning of the year but lost steam towards the end of the year as a result of the high crude oil prices and the weakness of the US dollar. Essentially this also applied to the entire Eurozone and the UK.

Development of the divisions

Tourism

Following two extremely difficult years, tourism recorded a significant improvement in 2004. It operated in an increasingly favourable economic and political environment. This benefited above all the markets that had been particularly adversely affected in the previous year. All major source markets recorded a considerable recovery which, however, showed regional variations and was somewhat slower in Germany than in the UK, the second largest market. The markets in the Nordic countries, which were very difficult in the past, recorded a significant recovery. Customer numbers rose in virtually all markets, with prices rising in comparison with previous years, a noteworthy feature, in particular in Germany.

Logistics

In the logistics division, container shipping continued the positive trend of the previous years. Its transport volume again grew more strongly than the market. This development was boosted in particular by the brisk growth of the Asian economies and the good level of economic activity in the US, causing demand for transport volume to grow strongly in particular on routes from Asia to Europe and on Transpacific routes. With demand and available shipping capacity more or less balanced, freight rates continued to increase in the course of the year and reached a high level on the basis of a long-term comparison.

Development of the Group

In January 2004, further strategic steps were decided upon to complete the realignment of the Group, which had been initiated at the end of 1997. In this regard, the focus was on the concentration of the logistics division, previously managed under Hapag-Lloyd AG, on shipping. A central element of this process was the divestment of the special logistics activities, which was already largely completed in the 2004 financial year. In addition, the corporate structures for the remaining activities in the shipping sector were reorganised.

Divestments in special logistics

Pracht Spedition + Logistik

The first divestment in the special logistics sector was Pracht Spedition + Logistik GmbH, sold with effect from 1 January 2004 to the Swiss Kühne & Nagel Group. It was therefore no longer included in the consolidated financial statements for the 2004 financial year.

VTG-Lehnkering Group

For the bulk and special logistics sector of the VTG-Lehnkering Group, a purchase agreement was concluded on 29 March 2004 with financial investor Triton Managers Ltd. The closing was effected on 26 April 2004. The sector, which had contributed around 56% of the turnover of the VTG-Lehnkering Group in the 2003 financial year, was only included for the period ending 31 March 2004 in the consolidated financial statements. Following the divestment of the bulk and special logistics sector, the former VTG-Lehnkering AG now operates as VTG AG, whose activities comprise the remaining rail and tank container logistics. The divestment of this company is scheduled for 2005.

Algeco Group

On 16 July 2004, TUI sold its 66.98% interest in the French Algeco S.A., held by shareholdings, to British financial investor TDR Capital LLP. The closing for this transaction took place on 16 September 2004. The Algeco Group, operating in the mobile buildings rental business, was thus only included in the consolidated financial statements for the period ending 31 August 2004.

In the framework of concentrating the logistics division on shipping, it had originally been planned that Hapag-Lloyd would go public as a purely shipping company, with the container line and cruises. The placement of about one third of the shares was cancelled as appropriate proceeds were not expected due to the situation on the capital markets.

Concentration and expansion of tourism

Alpitour

In the tourism division, TUI concentrated and expanded its activities in various sectors. One element of the consolidation process was the divestment of the 10% indirect share in the Italian Alpitour Group. In this transaction, TUI used its contractually agreed put option. The transaction also included the sale of the 50% share in the airline Neos with its fleet of three aircraft.

TUI Suisse

In Switzerland, TUI and Kuoni agreed in March 2004 to discontinue their joint venture, entered into in October 1999. As a result, TUI again holds 100% of the shares in TUI (Suisse) Holding AG, which has successfully restructured its business and is developing it independently.

TUI Mostravel

In the second half of 2004, TUI took its first step onto the Russian market. TUI Mostravel Russia (TMR), jointly founded with tour operator Mostravel, started operation on 1 August 2004. TUI holds a 34% share in TMR and will be able to expand its stake to a majority interest in a second step as of 2006.

TUI Airlines Belgium

In flight operations, following the insolvency of Belgium airline Sobelair, which had previously provided transport services for the majority of its tour operator customers, TUI Belgium launched its own airline, TUI Airlines Belgium. It started operation on 1 April 2004 with a fleet of five aircraft, subsequently expanded to six.

Thomsonfly

In the UK, TUI UK launched a new airline under the brand Thomsonfly with the aim of participating in the increase in demand in the budget segment. Thomsonfly started flight operations on 31 March 2004 with two aircraft initially and expanded its fleet to four aircraft in the course of the year. Thomsonfly operated from Coventry airport in central England, acquired in connection with establishing the new business.

Anfi Group

The Group's hotel sector will further develop the profitable area of hotel participations. In this context, TUI's 51% share in the Anfi Group, a provider of time-sharing rights in Gran Canaria, was divested on 30 June 2004. The Anfi Group was therefore only included in the consolidated financial statements for the period ending 30 June 2004.

Magic Life

With effect from 31 October 2004, TUI increased to 100% its interest in the Austrian club provider Magic Life, in which it had already held a majority shareholding since the summer of 2001. Magic Life, with its all-inclusive offerings, is positioned in the medium to upper market segment. Following the complete takeover, the intention is for Magic Life to also grow in other European markets.

Turnover and earnings

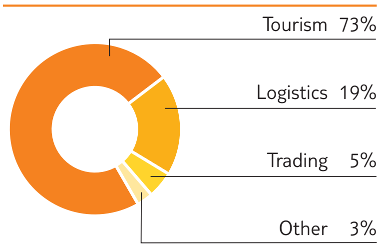
The economic recovery positively impacted the business trend of the TUI Group in 2004. The upward trend in the tourism division, which overcame the weak phase of previous years, and the persistent strong growth in container shipping were essential factors contributing to an improvement in operating earnings by divisions. In addition, the trading sector, which benefited from the strong demand for steel in the US, rendered an extraordinarily high profit contribution. As a result, earnings by divisions adjusted for unusual expenses and income doubled year-on-year. One-off income was mainly generated by the divestments in the special logistics sector.

Turnover by divisions
€ 18.0 billion

Group turnover

Turnover of the TUI Group totalled € 18.0 billion, 6.1% down year-on-year. The decline resulted from the divestments made in the previous year and in the course of the 2004 financial year. On a like-for-like basis, i.e. adjusted for the corresponding turnover of these activities which accounted for € 1.4 billion in the trading sector, € 0.7 billion in special logistics and € 0.2 billion in other sectors, Group turnover rose by 7.3%.

Group turnover



Turnover of continued activities rose in all sectors. In the tourism division, turnover climbed by 3.6% to € 13.1 billion. A significant increase in year-on-year turnover was recorded in the UK, Germany and the Nordic countries. In the logistics division, turnover declined by 11.3% to € 3.5 billion due to the structural changes in the division. The increase in turnover in shipping did not compensate for the decline due to the divestments in special logistics. At € 1.5 billion, other sectors recorded a 44.8% drop in turnover. This was attributable to the divestment of the AMC Group in the previous year. The turnover of continued operations, in particular in the trading sector, grew strongly.

Group turnover by divisions

€ million	2004	2003	Var. %
Tourism	**13,122.5**	**12,671.3**	**+ 3.6**
Central Europe	5,227.3	5,097.1	+ 2.6
Northern Europe	4,635.4	4,301.1	+ 7.8
Western Europe	2,505.2	2,479.6	+ 1.0
Destinations	508.2	547.5	- 7.2
Other tourism	246.4	246.0	+ 0.2
Logistics	**3,472.2**	**3,915.1**	**- 11.3**
Shipping	2,686.7	2,381.2	+ 12.8
Special logistics	785.5	1,533.9	- 48.8
Other sectors	**1,451.5**	**2,629.0**	**- 44.8**
Trading	971.5	625.1	+ 55.4
Divestments	–	1,607.8	–
Central operations	480.0	396.1	+ 21.2
Total	**18,046.2**	**19,215.4**	**- 6.1**

Earnings by divisions

Earnings by divisions
€ 622 million

At € 622 million, earnings by divisions (earnings before taxes on income and amortisation of goodwill) fell short of the previous year's level, which had included high gains on disposal from the divestment of the energy sector.

Adjusted earnings by divisions
€ 490 million

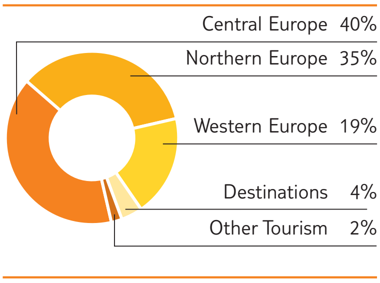
Adjusted for unusual expenses and income, which were relatively low in the 2004 financial year, earnings by divisions rose to € 490 million, up 102.0%. This was mainly attributable to the improvement in earnings by the tourism division of 74.1% to € 362 million. The shipping sector grew by another 6.6% and, at € 279 million, achieved its highest earnings ever. Moreover, the trading sector made an extraordinarily high profit contribution of € 116 million.

Earnings by divisions

€ million	2004	2003	Var. %
Tourism	**362.4**	**208.1**	**+ 74.1**
Central Europe	82.4	- 16.5	n. m.
Northern Europe	65.2	79.0	- 17.5
Western Europe	40.9	42.2	- 3.1
Destinations	144.1	104.5	+ 37.9
Other tourism	29.8	- 1.1	n. m.
Logistics	**289.5**	**323.2**	**- 10.4**
Shipping	279.0	261.7	+ 6.6
Special logistics	10.5	61.5	- 82.9
Other sectors	**- 30.1**	**382.0**	**n. m.**
Trading	115.5	3.5	n. m.
Divestments	–	8.7	–
Central operations	- 145.6	369.8	n. m.
Earnings by divisions (EBTA)	**621.8**	**913.3**	**- 31.9**
Unusual expenses and income	132.3	671.0	- 80.3
Adjusted EBTA	**489.5**	**242.3**	**+ 102.0**

Following the corporate restructuring in logistics, last year's earnings in shipping and in central operations were adjusted for comparability.

Turnover Tourism



Tourism

In the tourism division, the positive trend of the first half of the year was consolidated so that business in the peak season also showed a better trend than in the previous year. At 18.4 million, the number of customers travelling with the TUI Group's tour operators rose by 0.9% year-on-year. Turnover of the tourism division grew considerably more strongly than customer numbers, evidence of the overall improvement in prices. At € 13.1 billion, tourism generated a 3.6% increase in turnover year-on-year.

Earnings in the tourism division improved substantially and climbed by 74.1% year-on-year to € 362 million. This growth was primarily attributable to the considerable improvement in earnings in the Central Europe sector and persistently good earnings in the destinations.

Central Europe

In the Central Europe sector, the number of tour operator customers dropped slightly to 8.05 million. While customer numbers dropped slightly in Germany and Austria, they rose in Switzerland. Turnover of the Central Europe sector increased by 2.6% to € 5.2 billion. Germany and Switzerland reported turnover growth, Austria saw a more or less stable development of turnover.

Earnings in the Central Europe sector improved substantially year-on-year. By € 82 million they were clearly positive again. This was above all attributable to the good development in Germany, reflecting the recovery of the tour operator business and high capacity utilisation in flight operations.

Northern Europe

In the Northern Europe sector, the number of customers travelling with tour operators in this sector totalled 6.26 million, up 2.3% on the previous year. While the UK recorded growth and the Nordic countries a stable trend, Ireland reported a decline. Turnover grew by 7.8% to € 4.6 billion. Around three quarters of the increase were generated in the UK, which achieved both higher customer numbers and higher prices. In the Nordic countries, the positive trend continued, they accounted for one quarter of the increase in turnover of the sector. The Irish market remained difficult; nevertheless, turnover in this market almost reproduced the previous year's level.

At € 65 million, earnings of the Northern Europe sector did not reach the previous year's level again, with regional variations in earnings trends. The UK reported a drop in earnings year-on-year. While flight operations generated good, stable results, this was mainly attributable to weaker earnings by tour operators, reporting an unfavourable effect on operating costs in the destinations due to the strength of the euro against the British pound sterling. Earnings were additionally impacted by expenses incurred in connection with the restructuring measures introduced. Ireland also failed to repeat the previous year's earnings figures, due to fierce competition. On the other hand, earnings by the sector were supported by the good performance of the Nordic countries, which made a significantly positive profit contribution following the difficulties of the previous year.

Western Europe

In the Western Europe sector, the number of customers increased by 1.0% on the previous year's level to 4.08 million. Growth in Belgium and in France compensated for the reduction in customer numbers in the Netherlands. Turnover of the sector increased by 1.0% to € 2.5 billion. Turnover in Belgium and the Netherlands rose year-on-year. In France, on the other hand, it dropped among others due to price competition for several products.

At € 41 million, earnings of the Western Europe sector decreased by 3.1% on the previous year. The slight reduction in earnings in France and Belgium could not be offset by the improvement in the Netherlands.

Destinations

In the destinations sector, turnover declined by 7.2% year-on-year to € 0.5 billion. This was due to lower turnover recorded by the incoming agencies and the divestment of the Anfi Group as per 30 June 2004.

Earnings of the destinations sector rose. At € 144 million, they climbed by 37.9%. This was attributable both to the high occupancy rates in the hotel sector and the overall positive trend in the incoming agencies. The incoming agencies catered for a total of 10.54 million guests, an increase of 8.8% on the previous year on a comparable basis. In the hotel sector, the number of overnight stays grew by 1.6% to 31.3 million, with occupancy rates increasing again and reaching a high level at 82%.

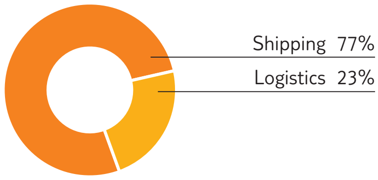
Other tourism

The Other tourism sector generated turnover of € 0.2 billion, 0.2% up year-on-year. At € 30 million, earnings rose on the previous year. This growth resulted from improvements in the IT companies and in the business travel segment, although this sector continued to operate in a difficult environment.

Logistics

In the logistics division, the concentration on shipping implemented in the course of the year also affected the development of turnover and earnings. Hence the bulk and special logistics sector of the VTG-Lehnkering Group was only included in the consolidated financial statements for 2004 for the period up to 31 March 2004 and the Algeco Group up to 31 August 2004, while Pracht Spedition + Logistik GmbH was no longer included in the consolidated financial statements for 2004. As a result, the figures carried for the logistics division are only comparable with the previous year's figures to a limited extent.

Turnover Logistics



The turnover of the logistics division fell as a result of the divestments, dropping by 11.3% to € 3.5 billion. However, adjusted for the corresponding turnover generated by the divested units in the previous year, which accounted for a total of € 0.7 billion, it rose by 9.3%. This growth was exclusively attributable to the increase in turnover in container shipping, which continued the positive business trend of previous years.

The logistics division generated earnings of € 290 million. They decreased by 10.4% year-on-year, because of the divestment of key parts of its special logistics sector. The ongoing improvement in earnings in the shipping sector could not offset the decline caused by the divestments.

Shipping

In the shipping sector, business volume continued to grow. At 2.4 million standard containers (TEU), the transport volume rose by 15% on the previous year. Due to the growth in volume and the persistently high freight rates, turnover increased by 12.8% to € 2.7 billion.

At € 279 million, the shipping sector achieved 6.6% higher earnings than in the previous year. This was based on the increase in transport volumes in container shipping and the increase in freight rates, which rose by 8% to 1,252 $/TEU on a weighted average. The improvement in performance was impacted by the development of the US dollar exchange rate, which dropped against the euro and lost 10% in average value year-on-year.

Special logistics

Turnover generated by the special logistics sector declined significantly due to the divestments and only totalled € 0.8 billion. The entities included in the consolidated financial statements reported earnings of € 11 million.

Other sectors

Other sectors comprised the remaining trading activities and the Group's central operations as well as the divestments of the previous year.

Trading

Following the divestment of the AMC Group, the trading sector in 2004 only comprised the companies of the PNA Group operating in the US steel service business. They benefited from brisk economic activity in the North American steel sector and recorded an extraordinarily good development of business. At 2.0 million tons, their steel sales were up 12% on the previous year. Prices were also significantly higher. As a result, turnover grew by 55.4% to € 1.0 billion.

The good development of business was reflected in a strong increase in earnings. They were significantly higher than in the previous year and, at € 116 million, marked the best earnings ever achieved by the PNA Group in the history of the company.

Divestments

Divestments for the 2003 financial year comprised the former energy sector and the AMC Group, consolidated until the end of June 2003 and the end of October 2003 respectively. The gains on disposal from these divestments are carried under central operations.

Central operations

Central operations included TUI AG with its corporate centre functions, the Group's real estate companies, the remaining industrial activities and the low-cost airlines Hapag-Lloyd Express and Thomsonfly, still in the development phase. Central operations reported turnover of € 0.5 billion and earnings of € - 146 million (previous year: € + 370 million). A breakdown of turnover and earnings of central operations is provided below.

Unusual expenses and income of central operations

In the past, the development of earnings of the central operations sector was essentially impacted by the unusual expenses and income which mainly resulted from the divestments made in the respective periods. In the 2004 financial year, the net effect from unusual expenses and income totalled € 132 million and was primarily attributable to the income from the divestment of the Algeco Group. With € 671 million the high values recorded for the previous year resulted mainly from the income from the divestment of the indirect shareholding in Ruhrgas AG and Preussag Energie GmbH in the first half year of 2003.

Costs of central operations

Costs of central operations, primarily including the cost of TUI AG's corporate centre functions, totalled € 120 million (previous year: € 143 million). At € - 178 million (previous year: € - 135 million), the net interest result of central operations was up on the previous year's level: the effect from the reduction in net debt was countered by higher expenses due to the refinancing measures implemented in the first half of the year. Other expenses and income of central operations accounted for € + 69 million (previous year: € + 39 million). They mainly related to the earnings of other companies and the valuation of assets.

Hapag-Lloyd Express and Thomsonfly

Low-cost airlines Hapag-Lloyd Express (HLX) and Thomsonfly generated joint turnover of € 196 million. Due to the fact that HLX had its start-up phase in 2003 and Thomsonfly in 2004, a year-on-year comparison of figures is of limited use only. For the summer schedule, HLX used eleven aircraft; it carried a total of 2.6 million passengers and achieved a seat load factor of 75% in 2004. Following the launch of operations on 31 March 2004, Thomsonfly expanded its fleet for the summer season to four aircraft. With 0.5 million passengers carried, its seat load factor in its start-up phase amounted to 63%. At a total of € - 49 million (previous year: € - 62 million), earnings matched expectations. This applied both to the start-up costs for Thomsonfly and the earnings contribution of HLX, which generated its first positive earnings in the third quarter of 2004.

Group profit for the year

Group profit for the year € 532 million

Group profit for the year totalled € 532 million. It thus rose by € 217 million, with significant changes in breakdown compared with the previous year. In the 2004 financial year, Group profit for the year resulted predominantly from the Group's operating business, while income from divestments accounted for a relatively small proportion. In the previous year, the proceeds from the divestment of the energy sector had contributed an essential proportion of Group profit for the year. Another positive effect was attributable to the negative tax position. The combined effect of these two factors had more than offset the scheduled amortisation of goodwill still recognised in the previous year and the non-scheduled amortisation of goodwill.

Minority interest

Minority interest in Group profit for the year rose to € 44 million (previous year: € 40 million). In the logistics division, minority interests dropped due to the divestment of the Algeco Group. In contrast, minority interests rose in the tourism division as the shareholdings in the destinations, in particular in the hotel sector, recorded another improvement in earnings.

Earnings per share € 2.74

After deduction of minority interests, TUI AG shareholders accounted for a share of € 488 million in Group profit for the year, an increase of € 213 million on the previous year. As a result, basic earnings per share rose to € 2.74, following € 1.54 in the previous year. Due to the convertible bond issued in November 2003, a dilution effect had to be taken into account for the year under review so that diluted earnings per share accounted for € 2.56, compared with € 1.54 in the previous year.

Analysis of earnings

€ million	2004	2003	Var. %
Group profit for the year	**532.1**	**314.9**	**+ 69.0**
Taxes on income	89.7	- 68.9	n. m.
Earnings before taxes (EBT)	**621.8**	**246.0**	**+ 152.8**
Amortisation of goodwill	–	667.3	–
Earnings by divisions (EBTA)	**621.8**	**913.3**	**- 31.9**
Earnings before taxes (EBT)	**621.8**	**246.0**	**+ 152.8**
Net interest	- 195.8	- 158.3	- 23.7
Earnings before interest and taxes (EBIT)	**817.6**	**404.3**	**+ 102.2**
Amortisation of goodwill	–	667.3	–
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**817.6**	**1,071.6**	**- 23.7**
Depreciation	564.6	650.6	- 13.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,382.2**	**1,722.2**	**- 19.7**
Operating rental expenses	701.9	674.8	+ 4.0
Earnings before interest, taxes, depreciation, amortisation and rent (EBITDAR)	**2,084.1**	**2,397.0**	**- 13.1**

Taxes on income

For taxes on income, comprising current income taxes and deferred tax liabilities, a tax expense of € 90 million was reported for the 2004 financial year. It comprised current taxes on income of € 86 million and deferred tax liabilities of € 4 million. In the previous year, tax income was carried since the reduction in the deferred tax liability – which mainly resulted from intra-Group restructuring – more than offset the then current income tax expense.

Amortisation

In accordance with the new and revised accounting standards (IFRS 3 and IAS 38 and 36), scheduled amortisation and write-downs of goodwill were no longer recognised in the 2004 financial year. The impairment tests that have to be conducted regularly did not provide any reason for non-scheduled write-downs. In the previous year, the amortisation and write-down of goodwill totalled € 667 million, including € 284 million of scheduled and € 383 million of non-scheduled amortisation and write-downs. The latter related to impairment tests conducted after the first-time allocation of goodwill to the cash-generating units in accordance with the IFRS, and mainly affected units in the tourism division.

The amortisation and write-down of other intangible assets and the depreciation and impairment of property, plant and equipment dropped by 13.2% to € 565 million (previous year: € 651 million). They included € 518 million (previous year: € 591 million) of scheduled and € 47 million (previous year: € 60 million) of non-scheduled amortisation. The decline was mainly attributable to the divestments in the special logistics sector.

Interest

Interest result, including derivative financial instruments, dropped to € - 196 million (previous year: € - 158 million) as a result of several factors. While the ongoing reduction in net average debt due to the divestments had a positive effect, the change in the interest structure of the remaining debt position had a negative effect. In addition, the reversal of hedging instruments no longer required in connection with the refinancing measures in the second quarter of 2004 had a one-off negative effect.

Operating rental expenses

Operating rental expenses slightly rose to € 702 million (previous year: € 675 million). 64% of this amount related to the tourism division, while 26% related to logistics and 10% to other sectors. Operating rental expenses included an amount of € 523 million (previous year: € 468 million) directly attributable to operating performance and hence the cost of materials. In addition, other expenses included rental and lease expenses of € 179 million (previous year: € 207 million).

Financial position

As in previous years, the divestments of the 2004 financial year did not only affect the Group's profit and loss statement but also impacted the balance sheet total and a number of balance sheet items.

Assets and liabilities

€ million	2004	2003	Var. %
Non-current assets	9,758.5	10,271.4	- 5.0
Current assets	2,560.8	2,717.8	- 5.8
Assets	**12,319.3**	**12,989.2**	**- 5.2**
Group equity	2,990.9	2,766.9	+ 8.1
Non-current liabilities	4,764.2	4,204.2	+ 13.3
Current liabilities	4,564.2	6,018.1	- 24.2
Liabilities	**12,319.3**	**12,989.2**	**- 5.2**

Balance sheet

Balance sheet total € 12.3 billion

The Group's balance sheet total declined by 5.2% to € 12.3 billion. This mainly resulted from changes in the group of consolidated companies following the divestment of the activities in the special logistics sector and the Anfi Group.

Non-current assets € 9.8 billion

Non-current assets dropped by € 0.5 billion or 5.0% to € 9.8 billion. The decline primarily related to other property, plant and equipment which decreased by € 0.3 billion or 5.3% to € 4.5 billion, mainly due to the removal of the divested entities from consolidation. The remaining non-current assets also decreased, without showing any major variations.

Current assets € 2.6 billion

Current assets dropped by € 0.2 billion or 5.8% to € 2.6 billion. Here, too, the divestments were the main reason for trade accounts receivable declining by € 0.2 billion or 23.4% to € 0.7 billion and other receivables and assets declining by € 0.1 billion or 11.0% to € 1.0 billion. Deferred tax assets, i.e. assets from future tax savings, did not change much at € 21 million. Cash and cash equivalents rose to € 0.5 billion.

Group equity € 3.0 billion

Group equity increased by € 0.2 billion or 8.1% to € 3.0 billion. The interest in Group equity of TUI AG shareholders rose by € 0.3 billion or 10.9% to € 2.8 billion. This was due to the increase in revenue reserves including net profit available for distribution. Minority interests in equity declined by 16.6% to € 0.2 billion, since companies were removed from consolidation. Due to the increase in equity and the reduction in the balance sheet total, the equity ratio climbed to 24.3%.

Non-current provisions and liabilities € 4.8 billion

Non-current provisions and liabilities rose considerably. At € 4.8 billion, they were € 0.6 billion or 13.3% up on the previous year. In this respect, long-term provisions did not change much. They accounted for € 1.3 billion, with provisions for pensions and similar obligations as well as provisions for income taxes rising and other provisions decreasing.

Non-current liabilities increased considerably. At € 3.5 billion, they rose by € 0.5 billion or 18.4% year-on-year. This was attributable to the refinancing measures implemented in the first half of the year in order to extend the maturity of Group debt; this led to an increase in non-current financial debt of € 0.6 billion or 22.8% to € 3.3 billion.

Current provisions and liabilities € 4.6 billion

Current provisions and liabilities declined substantially due to the extension of the maturity of the Group's financial debt. They totalled € 4.6 billion and hence fell by € 1.5 billion or 24.2% year-on-year. Current provisions dropped by € 0.2 billion or 25.3% to € 0.7 billion, in particular due to the reduction in income tax provisions and other provisions.

The decline was predominantly attributable to the reduction in short-term financial debt arising from the refinancing measures. It dropped by € 1.1 billion or 72.5% to € 0.4 billion. Another decline was recorded for trade accounts payable. They decreased by € 0.2 billion or 9.4% to € 1.8 billion. This was mainly attributable to changes in the group of consolidated companies. Other liabilities increased slightly.

Cash and cash equivalents

€ million	2004	2003	Var. %
Cash and cash equivalents at 1 January 2004	**348.5**	**366.5**	**- 4.9**
Cash inflow from operating activities	963.5	902.2	+ 6.8
Cash inflow from investing activities	- 16.1	1,102.6	n. m.
Cash outflow from financing activities	- 813.0	- 2,010.3	- 59.6
Net change in cash and cash equivalents	**134.4**	**- 5.5**	**n. m.**
Other changes in cash and cash equivalents	**- 1.8**	**- 12.5**	**+ 85.6**
Cash and cash equivalents at 31 December 2004	**481.1**	**348.5**	**+ 38.0**

Financing

With the proceeds from the divestments in the special logistics sector and the improvements in the Group's operating business, the Group managed to bring its debt down further. In addition, the development of the Group's financial position was characterised by the refinancing of short-term financial debt by the issuance of long-term bonds. Detailed information on the cash flow statement and the financial position, including the maturities of liabilities, are presented in the notes on the consolidated financial statements.

Net financial position

Net debt € 3.2 billion

In the course of 2004, net financial debt was reduced by € 0.6 billion. This was primarily achieved by means of the proceeds from the divestment of the entities of the special logistics sector. At year-end, net debt stood at € 3.2 billion and comprised current financial liabilities of € 0.4 billion, non-current financial liabilities of € 3.3 billion and cash and cash equivalents of € 0.5 billion.

Structure and terms of financial liabilities

At the balance sheet date, financial liabilities totalled € 3.7 billion. They comprised € 2.1 billion of bonds, € 1.1 billion of liabilities to banks, € 0.4 billion of finance leases, and € 0.1 billion of other financial liabilities.

Financial liabilities from bonds climbed considerably due to the issuance of a € 625 million fixed-interest bond placed in April 2004 and maturing in 2011, and a variable-interest € 400 million bond placed in June 2004 and maturing in 2009. With these bonds, the 1999 convertible bond and short-term financial liabilities, primarily the syndicated credit facility of 2003 and bilateral bank loans, were brought down. Liabilities from finance leases declined and other financial liabilities remained virtually unchanged.

In connection with the concentration of the logistics division on shipping and the related realignment of corporate structures, independent financing was established for the shipping sector in June 2004. It comprises a syndicated credit facility of € 600 million with a term of six years.

Maturity of financial liabilities

Due to the issuance of the bonds and the establishment of the credit facility, the maturity structure of the financial liabilities changed substantially. At the balance sheet date, the remaining terms of the financial liabilities exceeded 5 years for € 1.0 billion and were 1 to 5 years for € 2.3 billion. Current liabilities with a remaining term of up to one year accounted for € 0.4 billion.

Commitments from lease, tenancy and leasing contracts

Operating leases € 3.7 billion

In addition to the commitments from finance leases of € 0.4 billion included in financial liabilities, there were commitments from operating leases. They rose by € 0.3 billion to € 3.7 billion. The increase above all reflects the expansion of business in shipping. As in previous years, most lease, tenancy and leasing contracts related to aircraft, hotel complexes and travel agencies in the tourism division. Another major proportion related to the logistics division, primarily to leasing commitments for ships and goods wagons. More detailed information on commitments in the individual sectors is provided in a separate section on 'Other financial commitments' in the notes on the consolidated financial statements.

Maturity of operating leases

At the end of the financial year, the commitments from lease, tenancy and leasing contracts included an amount of € 1.0 billion with a remaining term of more than 5 years and an amount of € 1.9 billion with a remaining term of 1 to 5 years. € 0.8 billion were current commitments with a remaining term of up to 1 year.

Investments

The Group's investments in tangible and intangible assets including goodwill totalled € 677 million, down 6.5% on the previous year. 77.0% of the total amount was invested in tourism, 20.8% in the logistics division and 2.2% in other sectors. While capital expenditure amounted to € 558 million, depreciation of property, plant and equipment are financing 82.4% of the investments.

Capital expenditure by divisions[1)]

€ million	2004	2003	Var. %
Tourism	**521.1**	**518.0**	**+ 0.6**
Central Europe	22.8	95.7	- 76.2
Northern Europe	110.2	118.3	- 6.8
Western Europe	183.9	75.1	+ 144.9
Destinations	163.3	186.3	- 12.3
Other tourism	40.9	42.6	- 4.0
Logistics	**140.6**	**158.7**	**- 11.4**
Shipping	73.6	37.5	+ 96.3
Special logistics	67.0	121.2	- 44.7
Other sectors	**15.2**	**46.9**	**- 67.6**
Trading	3.1	4.1	- 24.4
Divestments	–	28.2	–
Central operations	12.1	14.6	- 17.1
Total	**676.9**	**723.6**	**- 6.5**

[1)] excl. investments

Related parties

Since GEV Gesellschaft für Energie- und Versorgungswerte mbH had held the majority of voting rights in the Company's Annual General Meetings for several years, in the 2004 financial year TUI AG was subject to the provisions of section 312 of the German Stock Corporation Act (AktG). This applied until the complete divestment of GEV's shares in TUI AG on 3 December 2004.

In accordance with the provisions of section 312 of the German Stock Corporation Act, the Executive Board prepared a report on related parties, at the end of which it made the following statement: „We declare that our Company obtained an appropriate consideration in every legal transaction under the circumstances we were aware of when the legal transactions were effected with related parties in accordance with section 312 of the German Stock Corporation Act. In the period of reporting, no legal transactions were carried out or measures were adopted or omitted at the request of or in the interest of GEV Gesellschaft für Energie- und Versorgungswerte mbH, Dortmund, WestLB AG, Düsseldorf/Münster, or any other related company of WestLB AG."

The report was audited and given an unqualified audit certificate by the auditors appointed at the Annual General Meeting on 18 May 2004.

Financial statements of TUI AG

The financial statements of TUI AG for the 2004 financial year were prepared in accordance with the rules of the German Commercial Code and given an unqualified audit certificate by auditors PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They are published in full in the Federal Gazette and deposited at the commercial registers of the district courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580. They are available on the internet and may also be requested in print from TUI AG.

Net profit for the year and profit appropriation of TUI AG

For the 2004 financial year, TUI AG reported a net profit of € 137.6 million. Taking account of the profit brought forward of € 0.4 million, net profit available for distribution totalled € 138.0 million. It is available for the payment of a dividend of € 0.77 per non-par value share. With dividend-bearing capital of € 457.0 million, profit distribution will amount to € 137.6 million while € 0.4 million will remain to be brought forward on new account.

Abbreviated balance sheet and profit and loss statement of TUI AG

Balance sheet of TUI AG

€ million	**2004**	**2003**
Fixed assets	6,973.1	7,808,7
Tangible assets	578.2	576.2
Investments	6,394.9	7,232.5
Current assets	943.5	1,081.5
Receivables	898.3	1,042.5
Cash and cash equivalents	45.2	39.0
Prepaid expenses	2.3	6.2
Assets	**7,918.9**	**8,896.4**

€ million	**2004**	**2003**
Equity	2,429.6	2,426.3
Special non-taxed item	48.1	51.7
Provisions	1,007.9	1,273.9
Liabilities	4,431.0	5,143.6
Bonds	2,159.6	1,684.5
Other financial liabilities	147.4	915.1
Other liabilities	2,124.0	2,544.0
Deferred income	2.3	0.9
Liabilities	**7,918.9**	**8,896.4**

Profit and loss statement of TUI AG

€ million	**2004**	**2003**
Turnover	119.8	–
Other operating income	694.4	658.6
Material costs	78.2	–
Personnel costs	72.0	81.3
Depreciation	110.0	4.4
Other operating expenses	670.9	635.3
Net income from investments	+ 620.4	+ 962.3
Write-down of investments	200.0	728.9
Net interest	- 166.9	- 134.8
Profit on ordinary activities	**+ 136.6**	**+ 36.2**
Extraordinary result	–	+ 42.9
Taxes	- 1.0	- 58.3
Net profit for the year	**137.6**	**137.4**

Tourism Demand for travel picked up again. Business improved significantly. Travel market continued to change.

For the tourism division, 2004 was a year characterised by a considerable improvement in business in most European markets. With the recovery in economic activity, demand for travel picked up again. The travel market continued to change, with growth generated in particular by new forms of travel.

Following a good start to the new financial year, the upward trend continued in the second quarter so that a significant improvement in performance was already recorded in the first half of the year. This positive trend continued throughout the peak travel period of the 2004 summer season. The total number of customers travelling with tour operators of the TUI Group in 2004 rose by 0.9% to 18.4 million. The economic success of 2004 was also attributable to several other reasons: on the one hand, the relationship between available capacity and demand was more balanced, so that less residual capacity had to be sold at reduced prices. On the other hand, available capacity in the flight and hotel sector was better utilised due to directional channelling of demand. Last but not least, TUI started early on to adjust to the changes in the market, a move that paid off in that TUI already benefited from the cost containment and restructuring measures of the previous years in the economic upswing of 2004.

Tourism

€ million	2004	2003	Var. %
Turnover	13,122.5	12,671.3	+ 3.6
Earnings by divisions (EBTA)	362.4	208.1	+ 74.1
EBITDA[1)]	673.3	531.6	+ 26.7
Investments	521.1	518.0	+ 0.6
Headcount (31 Dec.)	49,482	51,708	- 4.3

[1)] Earnings before interest, taxes, depreciation and amortisation of goodwill

Turnover of tourism
€ 13.1 billion

Turnover of the tourism division rose by 3.6% to € 13.1 billion. This was mainly attributable to the recovery of business in Germany and the UK, the large source markets, as well as the Nordic countries, with the Northern Europe sector recording the strongest relative growth.

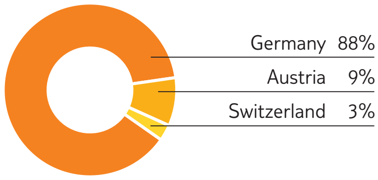
Earnings of tourism
€ 362 million

At € 362 million, earnings of the tourism division climbed by 74.1% year-on-year. To a large extent this was due to the substantial improvement in earnings in the Central Europe sector. The Northern Europe sector, in contrast, reported a decline in earnings, which were also strained by the impact of the restructuring measures introduced. The Western Europe sector recorded a slight decrease in earnings. The destinations sector again contributed substantially to the earnings of the tourism division.

Central Europe

The Central Europe sector covers the distribution and tour operating business in Germany, Switzerland, Austria and the eastern European markets as well as airline Hapag-Lloyd Flug. This sector benefited particularly strongly from the recovery in tourism, although the positive trend varied in individual regions and market segments.

Customers – Central Europe



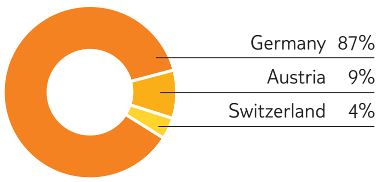
The development of the Central Europe sector was largely driven by the German market, which accounted for 88% of the tour operation business in this sector. The number of German customers travelling with TUI tour operators remained nearly stable. German tour operators benefited from the improved market environment, outperforming their competitors in individual market segments. The number of customers was also almost stable in Austria and increased in Switzerland. The total number of customers booking their holidays with TUI tour operators in the Central Europe sector was 8.06 million, 0.3% less year-on-year.

Tourism – Central Europe

€ million	2004	2003	Var. %
Turnover	5,227.3	5,097.1	+ 2.6
Earnings by division (EBTA)	82.4	- 16.5	n. m.
EBITDA[1]	132.5	53.9	+ 145.8
Investments	22.8	95.7	- 76.2
Headcount (31 Dec)	9,281	9,391	- 1.2

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Turnover – Central Europe

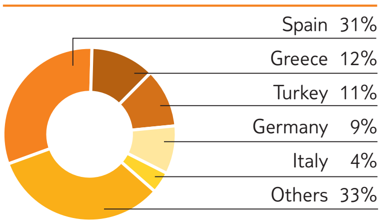


At € 5.2 billion, the turnover generated by the Central Europe sector was 2.6% up on the previous year. This increase mainly resulted from the improvements in the German market, which accounted for 87% of sector turnover. Here, the trend observed in the previous year continued: tour operators positioned in the budget-price market segments or engaging in direct or short-term sales of their products again grew disproportionately. The smaller markets showed varying business trends: while turnover increased in Switzerland, it was relatively stable in Austria.

Earnings of Central Europe
€ 82 million

Earnings generated by the Central Europe sector climbed to € 82 million. Thus, it accounted for the strongest growth rate of all the sectors of the tourism division. This was primarily attributable to the turnaround in Germany where earnings grew substantially year-on year, in particular in tour operation but also in distribution. Austria and Switzerland also recorded an improvement in earnings, although Switzerland nevertheless reported a slight loss.

Customers by destinations



Summer season 2004

Germany

Germany recorded a significant recovery in demand for tours. Holidaymakers continued to be very price-conscious and used early booker discounts on the one hand, but again paid increasing attention to quality on the other. Bookings of package tours grew slightly, while programmes bookable individually and flight-only or accommodation-only offerings recording stronger growth. In terms of destinations, Turkey and Egypt in particular were increasingly popular in 2004. Spain continued to be the main holiday destination for the German market, with customer numbers showing varying trends in the individual tourist regions in Spain.

TUI Deutschland

TUI Deutschland's tour operators participated to varying extents in the growth in the demand for travel. A total of 7.11 million customers booked their tours with TUI tour operators, almost the same number as in 2003. The two high-volume brands TUI and 1-2-Fly recorded a significant increase in customer numbers. At a combined total of 4.96 million customers, the growth in their market segments totalled 3.3%. At 3.89 million customers, TUI again was the strongest brand in Germany. Following a relatively slow start, bookings for the summer season grew strongly and generated good overall business. A positive effect arose from the year-on-year reduction in late bookings and thus price cuts. In addition, conservative capacity planning resulted in an increase in the seat load factor. The 1-2-Fly brand benefited from the strong demand for budget-price offerings. Its business grew strongly to 1.07 million customers, thus making an essential contribution to the good utilisation of flight and hotel capacity.

Specialist tour operators

A total of 2.15 million guests travelled with specialist tour operators in Germany, a 8.1% drop year-on-year. The decline primarily related to premium tours. In the premium segment, Airtours International benefited from the realignment of its business and stabilised its business volume in the course of the year. Wolters, the tour operator offering holiday homes and adventure tours, reproduced the previous year's booking levels. Last-minute provider L'tur benefited from the reduction in tour operators' short-term marketing volumes and growth in internet-based distribution. Berge & Meer continued to grow in the direct selling segment, recording particularly strong growth in long-haul tours in 2004.

Distribution

TUI Leisure Travel, grouping together travel agency activities, recorded a stabilisation of business following a difficult 2003. Approx. 47% of travel agency turnover was accounted for by Group tour operators. Travel agencies remained the cornerstone of distribution, although web bookings continued to grow for the high-volume tour operators. Web bookings already accounted for around 25% of turnover for specialist tour operators

L'tur and Berge & Meer. In 2004, the TUI Leisure Travel organisation covered 1,482 travel agencies, 479 of which were Group-owned, with the remainder being franchise partners or agencies under distribution cooperation schemes.

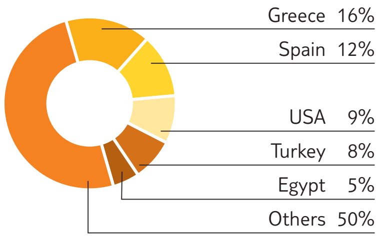
Hapag-Lloyd Flug

The German charter market grew again in 2004, with stronger growth on long-haul routes compared with medium-haul routes. Demand rose steadily in the course of the year; in addition, the proportion of short-term bookings declined year-on-year. Besides the positive environment, Hapag-Lloyd Flug benefited from the selective channelling of TUI tour operator passengers to Group-owned air capacity. As a result, this passenger segment was up to approx. 70%, the share of third parties increased, while the airfare-only business declined slightly. Overall, the number of passengers grew by 6% to 7.1 million. Hapag-Lloyd Flug operated the same fleet as in 2003: the 29 Boeing 737-800s and five Airbus A 310s had an average age of around 7 years. They flew from 21 departure airports to 39 destinations in nine countries. A total of 19.1 billion seat-kilometres were offered, 7% up year-on-year. The seat load factor improved by 2 percentage points to 88%.

Switzerland

The Swiss travel market only benefited to a limited extent from the improvement in the overall economic situation. The market continued to be characterised by price competition and capacity overhangs in flight operations. Against this background, TUI Suisse tour operators held their own well. The total number of customers rose by 18.1% to 0.22 million. Bookings showed varying trends in the individual market segments. Thus Imholz recorded growth in the club holidays segment in particular, while reporting a drop in bookings of city trips. The newly launched brand Flex-Travel, offering a modular system for booking tours, successfully established itself in the market. Vögele recorded another increase in its direct selling activities, consolidating its leading position in this sector.

Customers by destinations



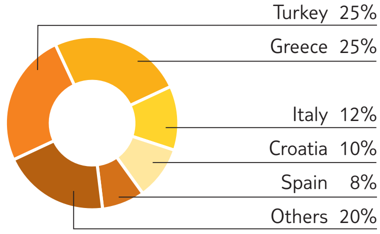
Summer season 2004

Distribution

In-house distribution of TUI Suisse performed better than in 2003. The distribution network comprised 67 Group-owned travel agencies. At 60%, products of Group-owned tour operators accounted for a higher proportion of business. In the context of concentrating distribution of Group-owned products on German-speaking Switzerland, the French-speaking programme was substantially reduced. Internet sales continued to grow and accounted for around 5% of 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



Summer season 2004

Austria

The economic framework and thus the situation on the travel market did not change significantly in Austria. Against this backdrop, TUI Austria's tour operators recorded a satisfactory year in 2004. The total number of customers booking their holidays with these tour operators was 0.73 million, almost the same number as in 2003. The TUI brand, market leader in the upper price segment, managed to increase its customer numbers. Gulet, Austria's strongest tour operator brand and specialist tour operator for the eastern Mediterranean, also managed to grow. In the low-price segment, 1-2-Fly expanded its market position with brisk growth in customer numbers. In contrast, the Magic Life club brand and Terra, tour operator for overland tours, recorded more moderate business than in 2003, with a drop in customer numbers year-on-year.

Distribution

TUI Austria's agency distribution showed a steady trend. The turnover generated for Group-owned tour operators rose, accounting for more than 65% of total business volume. The Group-owned distribution network included 101 travel agencies, 55% of which were franchise operations. Cooperation under the TUI TravelStar brand covered another 80 travel agencies. Distribution through new media continued to be relatively insignificant in Austria.

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

Eastern European markets

Poland

In Poland, activities were combined into one entity, TUI Poland, in 2004. Demand on the Polish market remained volatile; it was positively impacted in the course of the year by the elimination of specific taxes on travel. In this environment, TUI Poland sold more tours than in 2003 and managed to maintain its market position.

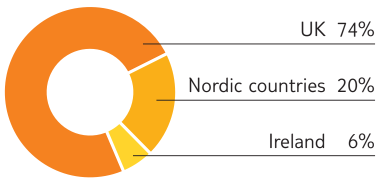
Hungary, Slovenia and Slovakia

In Hungary, business continued to develop well in 2004. With its TUI, Gulet and Magic Life brands, managed from Austria, TUI Ungarn gained a leading market position and generated an increase in the number of tours sold compared with the previous year. As far as its neighbouring countries are concerned, both TUI Slowenien and TUI Slowakei saw a promising start to their first financial year.

Northern Europe

The Northern Europe sector comprises the distribution and tour operating business in the UK, Ireland and the Nordic countries as well as Britannia Airways UK and Britannia Airways Nordic airlines. All markets of this sector continued to be characterised by intense competition, primarily due to the persistent growth of low-cost airlines. This was particularly strongly felt in Ireland. In the UK, demand for tours to Spanish destinations was additionally impacted by the strong euro. The Nordic countries recorded a recovery of the travel market, supported by an overall positive economic trend.

Customers – Northern Europe



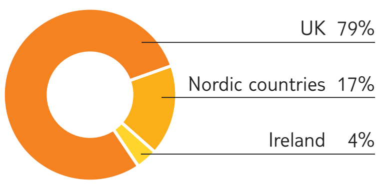
Business trends varied in the individual markets. In the UK, the largest market of the sector, the number of customers rose by 3.5%. Growth was recorded both in the mainstream business and in the specialist tour operation business. The Nordic countries recorded 1.1% growth in customer numbers. In the relatively small Irish market, the tight competition situation was also reflected in customer numbers, which dropped by 6.9%. A total of 6.26 million customers travelled with the tour operators of the Northern Europe sector, an increase of 2.3% year-on-year.

Tourism – Northern Europe

€ million	2004	2003	Var. %
Turnover	4,635.4	4,301.1	+ 7.8
Earnings by division (EBTA)	65.2	79.0	- 17.5
EBITDA [1]	166.9	185.8	- 10.2
Investments	110.2	118.3	- 6.9
Headcount (31 Dec.)	17,176	18,033	- 4.8

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Turnover – Northern Europe



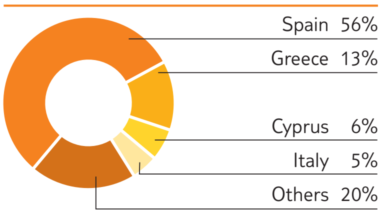
At € 4.6 billion, the turnover generated by the Northern Europe sector was up 7.8% year-on-year. Growth was strongest on the British market which, at 79%, also accounted for the largest proportion of turnover in this sector. Here, growth was recorded in particular by the mainstream tour operators. The strongest relative growth in turnover was reported by the Nordic countries, which saw their tour operators' position strengthened by the restructuring processes. Ireland recorded a slight increase in turnover on the previous year despite the decline in volumes.

Earnings of Northern Europe
€ 65 million

At € 65 million, earnings generated by the Northern Europe sector dropped below the previous year's level. In the UK, both earnings of tour operators and distribution were lower than in the previous year. One of the main reasons for this trend was the strength of the euro against the British pound sterling. This had an adverse effect on operating costs, in particular the cost of accommodation in the Eurozone. Earnings by the sector were additionally impacted by the cost of the restructuring measures introduced. Ireland also recorded a decline in earnings on the previous year. In contrast, the Nordic countries achieved substantial improvements, generating clearly positive earnings.

UK

Customers by destinations



Summer season 2004

Market volume in the UK grew again in the 2003/2004 winter season, and this trend continued in the 2004 summer season. This benefited TUI UK's tour operators, both in the mainstream segment and in the special programmes, although competition remained intense due to the low-cost airlines and travel products offered through new distribution channels. Spain continued to be the destination with the highest number of bookings but suffered a decline in booking numbers due to the unfavourable exchange rate ratio. As a result, growth was recorded for some low-cost destinations in the eastern Mediterranean and long-haul tours.

Thomson Holidays

The business volume of TUI UK's tour operators developed in line with the market. At a total of 4.66 million customers, it grew by 3.5% year-on-year. Of the total, 3.93 million customers opted for Thomson Holidays' programmes, which thus recorded an increase of 3.2%. Besides this absolute growth, Thomson Holidays also gained market shares, thus consolidating its leading position in the British tour operator market. Customers continued to be price-conscious and to show a trend towards late booking. Nevertheless, average prices improved. This was mainly due to the balance between available capacity and demand. The development of business also benefited from the intensification of in-house distribution and the expansion of Thomson's website, which now also includes a hotel portal besides the airfare-only business, and offers customers the opportunity to put together their own tours by combining different modules.

Specialist Holidays Group

A total of 0.73 million customers travelled with the tour operators of the Specialist Holidays Group, a 5.2% increase on the previous year. While growth was recorded for the winter season, the summer season was characterised by restrained demand, with villas a market segment particularly strongly affected by fierce competition.

Distribution

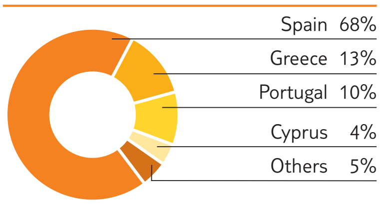
TUI UK's agency distribution covered 833 travel agencies. At 65% of tours sold, the products offered by Group-owned tour operators continued to account for a high proportion of overall business. Overall, bookings continued to shift away from travel agencies to new forms of distribution such as web bookings, call centres and travel TV, which jointly accounted for around 25% of the total volume.

A comprehensive realignment of business was initiated towards the end of the year, focusing on a concentration of tour operation and a realignment of distribution which is aiming at a significant reduction of production cost.

Britannia UK

Britannia Airways UK operated a fleet of 33 aircraft in the 2004 summer season, including 20 Boeing 757s and 13 Boeing 767s. The average age of the aircraft fleet was eleven years. The airline flew from 22 British airports to a total of 149 destinations. The total number of passengers carried was 8.1 million, a 2% increase year-on-year. 96% of passengers were customers of Group-owned tour operators. At 22.6 billion seat-kilometres, capacity on offer rose by 9% on the previous year. The seat load factor reached 90% and thus rose slightly year-on-year.

Customers by destinations

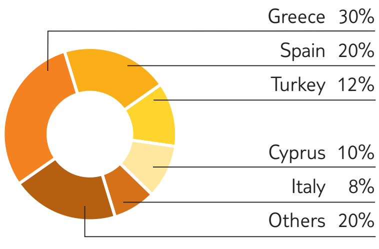


Summer season 2004

Ireland

The Irish market was characterised by intense competition, primarily based on prices. This was due to both the growth of low-cost airlines on traditional package tour routes and the persistent trend towards late booking. Against this background, a total of 0.35 million customers travelled with TUI Ireland's tour operators, a 6.9% drop year-on-year. Declines were recorded in particular for bookings of Spanish destinations, while long-haul destinations were well booked, a trend supported by the favourable US dollar exchange rate. Besides the decline in volume, earnings were also impacted by the pressure on margins.

Customers by destinations



Summer season 2004

Nordic countries

Following several difficult years, the Nordic countries resumed an upward trend. Demand rose perceptibly, in particular in Sweden, the Nordic market with the highest volume. TUI Nordic benefited both from an early launch of sales of its programmes and the expansion of offerings in the low-cost destinations in the eastern Mediterranean. The number of customers travelling with TUI Nordic's tour operators grew by 1.1% to 1.25 million. Due to capacity planning in line with market requirements and targeted sales channelling measures, the short-term marketing of capacity was largely avoided, resulting in an increase in average prices.

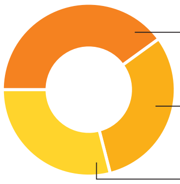
Britannia Nordic

In the 2004 summer season, Britannia Airways Nordic operated a fleet of six Boeing 737s with an average age of four years. It flew from 13 airports in Sweden and Norway to 27 destinations, carrying a total of 1.2 million passengers, an increase of 7%. At 4.3 billion seat-kilometres, capacity on offer was 7% down year-on-year, while the seat load factor rose slightly to 93%.

Western Europe

The Western Europe sector covers distribution and tour operation in France, the Netherlands and Belgium as well as Corsair airline and TUI Airlines Belgium. Markets in the three countries showed uneven trends. Restrained private consumption in France also impacted the travel market, which only gradually started to recover. In the Netherlands, market volume declined due to the persistent weakness of economic activity. The Belgian travel market continued to report a positive trend, with market volume rising year-on-year in virtually all segments.

Customers – Western Europe



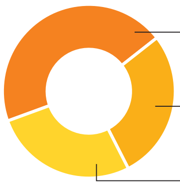
Accordingly, the individual countries reported varying business trends. The French market was difficult because of changes in the distribution sector and temporarily fierce price competition in the flight sector, and thus only recorded a slight increase in customer numbers of 0.9%. Business in the Netherlands was adversely affected by the weak economic environment. However, at 2.2% the decline in customer numbers was not as sharp as the contraction of market volume. In Belgium, TUI Belgium managed to increase its customer figures by 4.5% and thus expand its market position. Overall, the sector generated an increase of 1.0% to 4.08 million customers.

Tourism – Western Europe

€ million	2004	2003	Var. %
Turnover	2,505.2	2,479.6	+ 1.0
Earnings by division (EBTA)	40.9	42.2	- 3.1
EBITDA[1]	83.1	83.4	- 0.4
Investments	183.9	75.1	+ 144.9
Headcount (31 Dec.)	6,617	6,521	+ 1.5

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Turnover – Western Europe

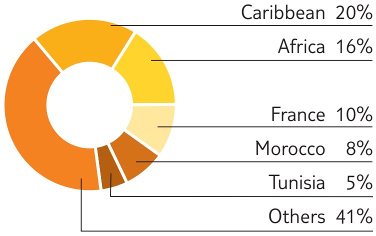


Turnover in the Western Europe sector grew by 1.0% to € 2.5 billion. In France, the largest market in this sector, it dropped slightly. This was mainly attributable to the passengers' price sensitivity, impacting in particular turnover in the tour operator business. In the Netherlands, turnover increased slightly despite a decline in volume, as long-haul tours with their higher prices increased as a proportion of total business. In Belgium, the increase in business volume was also reflected by a corresponding increase in turnover.

Earnings of Western Europe
€ 41 million

At € 41 million, earnings generated by the Western Europe sector were 3.1% down on the previous year, with the individual countries making varying contributions to this result. In France, earnings did not reach the previous year's level again. While distribution and tour operation improved their earnings, the flight sector was adversely impacted by the temporary price pressure on a number of high-volume routes. The Netherlands reported a considerable increase in earnings to an almost balanced level. The Belgian companies reported a year-on-year decline in earnings, caused to some extent by changes in the product mix. The airline launched in the spring of 2004 already concluded the first year of its operation with a largely balanced result.

Customers by destinations



Summer season 2004

France

The French travel market reported weak demand at the beginning and at the end of the year. As a result, market volume declined. Holidaymakers were increasingly price-conscious; this trend was reinforced by the increase in offerings through new forms of distribution. Thanks to its low-price offerings, a high proportion of modular tours and its strong position in the airfare-only business, Nouvelles Frontières managed to hold its own well. The new TUI brand, positioned in the quality segment, developed well and achieved a respectable market position. 1.64 million customers booked their tour with one of the Group's tour operators, up 0.9% year-on-year. Their favourite destinations were overseas and in North Africa.

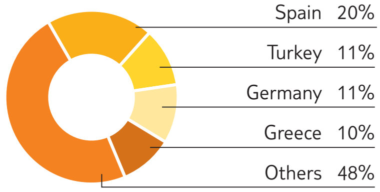
Distribution

Agency distribution included 204 travel agencies which exclusively sold tours of tour operator Nouvelles Frontières. They comprised 145 Group-owned agencies and 59 franchise operations. The TUI brand is exclusively distributed through third-party travel agencies. At 81% of tours sold, travel agencies represented the key distribution channel for our French tour operators, while the share of new media remained largely stable.

Corsair

In the flight sector, Corsair was mainly affected by the temporarily fierce price competition in the airfare-only segment on routes to the French overseas departments, accounting for around one quarter of volume. In the 2004 summer season, Corsair operated ten aircraft, departing from eight airports in France to 102 destinations. The fleet comprised six Boeing 747s, two Boeing 737s and two Airbus A 330s. It carried a total of 2.1 million passengers, 2% down year-on-year. Capacity on offer totalled 14.7 billion seat-kilometres with a seat load factor of 83%.

Customers by destinations



Summer season 2004

Netherlands

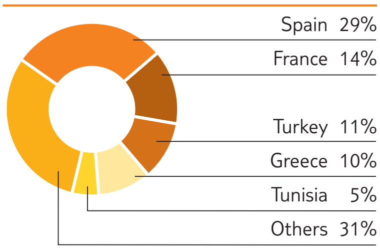
The Dutch travel market contracted considerably. Moreover, the structure of demand changed: it declined for short- and medium-haul destinations but rose for long-haul tours. Direct sales and web bookings continued to grow. The business trend recorded by TUI Nederland was characterised by the changes in the market environment. The two classical tour operators Arke and Holland International lost customers as the growth in long-haul tours and city trips did not compensate for the declines in other segments. In the direct sales segment, Kras continued the positive trend of 2003 and increased both its business volume and market share. At 1.18 million, the number of customers travelling with TUI Nederland declined by 2.2%. This trend mainly affected destinations in Spain and tours to neighbouring countries. In contrast, growth was recorded for destinations in Turkey and the Caribbean.

Distribution

TUI Nederland's agency-based distribution covered a total of 328 travel agencies, including 157 Group-owned and 171 associated or franchise operations. Distribution through new media such as web bookings and call centres rose strongly. This trend will continue to strengthen. TUI Nederland has therefore started to expand these distribution channels and adjust its agency-based distribution to market trends.

In the flight sector, TUI Nederland's tour operators cooperated with four charter airlines carrying just under 80% of their passengers, with the remaining passengers using scheduled flights.

Customers by destinations



Summer season 2004

Belgium

The Belgian travel market reported growth in demand, both in the winter and summer season. TUI Belgium took advantage of the favourable market environment and expanded its market position. However, growth rates differed in the individual market segments. Jetair, TUI Belgium's main brand, only achieved moderate growth in package charter tours. Growth was stronger in overland tours, with city trips being particularly popular. Jetonly, the brand launched in the previous year focusing on the airfare-only business, reported strong growth. The direct selling operations of Sunjets Direct, which also grew most strongly in this market segment, were successfully established. At a total of 1.26 million customers, TUI Belgium's tour operators recorded 4.5% growth. Spain continued to be the most popular holiday destination, while tours to Egypt and the Caribbean recorded significant growth.

Distribution

TUI Belgium's agency distribution system included 125 travel agencies, of which 74 were Group-owned and 51 were franchise operations. Web bookings and direct selling continued to be increasingly popular in the Belgian market but overall continued to stay on a low level.

TUI Airlines Belgium

TUI Airlines Belgium was launched in April 2004 and operated nine aircraft in the 2004 summer season: eight Boeing 737s and one Boeing 767. It carried 1.0 million passengers, almost all of whom were customers travelling with TUI Belgium's tour operators. Capacity on offer was 2.5 billion seat-kilometres, with a seat load factor of 91%.

Destinations

The destinations sector covers TUI's incoming agencies and the Group's hotel companies grouped within TUI Hotels & Resorts. Both sectors benefited from the recovery of demand in the source markets although the individual holiday regions recorded varying business trends.

Turnover of destinations
€ 0.5 billion

Consolidated turnover generated by the destinations sector totalled € 0.5 billion and thus was below the previous year's level. The incoming agencies generated less turnover, in particular due to a decrease in Spain. In the hotel sector nearly all consolidated hotel companies achieved an increase in turnover, but this could not offset the decline resulting from the divestment of the Anfi Group as per 30 June 2004.

Earnings of destinations
€ 144 million

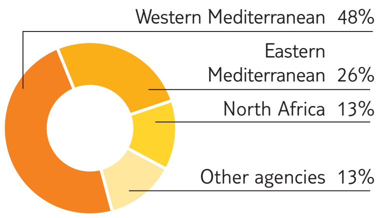
Earnings generated by the destinations sector grew strongly. At € 144 million, they climbed by 37.9% year-on-year. Strong growth in earnings was recorded by the incoming agencies, which almost doubled their profit contribution. Hotel companies contributed the largest proportion of earnings generated by the sector. Boosted by an increase in the number of overnight stays and an improvement in occupancy rates, their performance also rose significantly on the previous year.

Tourism – Destinations

€ million	2004	2003	Var. %
Turnover	508.2	547.5	- 7.2
Earnings by division (EBTA)	144.1	104.5	+ 37.9
EBITDA [1]	209.4	168.5	+ 24.3
Investments	163.3	186.3	- 12.3
Headcount (31 Dec.)	11,726	12,896	- 9.1

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Guests by incoming agencies



Incoming agencies

TUI's consolidated and associated incoming agencies catered for a total of 10.54 million holidaymakers in 24 countries. Their services comprised transfers and excursions as well as the handling of cruise ships and group and incentive programmes. The business trend varied from one holiday region and time of the season to another. Most agencies in the countries of the eastern Mediterranean benefited from the recovery of tourism in these regions. In contrast, agencies in the western Mediterranean were adversely affected by the resulting changes in tourism flows but nevertheless managed to improve their performance. The sector was further expanded by means of shareholdings in agencies in Italy, Malta, Mauritius and Sri Lanka.

Western Mediterranean

In the western Mediterranean, TUI España recorded an overall satisfactory business trend. While its volume in Spain declined slightly, it benefited from its flourishing activities in the Caribbean. At 4.80 million, the number of holidaymakers catered for increased slightly. Economic results improved substantially due to the restructuring measures implemented. TUI Portugal consolidated its position as the leading agency in the Algarve. At 0.34 million, the number of holidaymakers catered for rose by just under 6%.

Eastern Mediterranean

In the eastern Mediterranean, the local agencies benefited to varying extents from the return of holidaymakers to this region. Greece saw a steady development of business: at 1.34 million, the number of holidaymakers serviced by TUI Hellas thus increased only slightly on the previous year. Turkey experienced a brisk recovery of tourism, benefiting the Tantur agency in the expansion of its business. At 0.78 million, it recorded an increase of around one third in the number of holidaymakers catered for. Aeolos, the incoming agency in Cyprus recorded a steady business trend with 0.33 million customers. TUI Bulgaria continued to develop well. At 0.26 million, the number of holidaymakers catered for rose by just under 15% on the previous year.

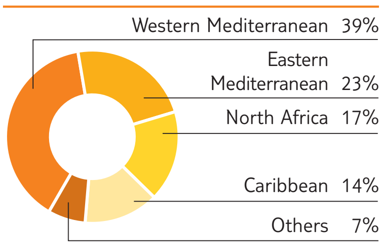
North Africa

Egypt, which was severely affected by the aftermath of the conflict in Iraq last year, recorded a tourism boom. This also benefited the Travco agency, which almost doubled the number of holidaymakers catered for. Tunisie Voyages, operating in Tunisia and Djerba, also benefited from the recovery of travel to Islamic countries. At 0.47 million, the number of holidaymakers serviced by the agency was 30% up on the previous year. Holiday Services in Morocco also reported a clear recovery of business: it catered for a total of 0.13 million holidaymakers, an increase of 27%.

Other agencies

The agencies in the remaining destinations also performed well. Their services were used by a total of 1.36 million holidaymakers, with the Mexican agency reporting particularly strong growth.

Controlled hotel beds per region



Hotel companies

The Group's hotel portfolio is grouped within TUI Hotels & Resorts. It comprises hotel companies in which the Group holds a majority stake, joint ventures with local partners, companies in which shareholdings are held and hotels operated under a management agreement. At the end of 2004, the portfolio consisted of a total of 275 hotels with a capacity of over 154,000 beds. 45% of this capacity was owned by the Group, 13% was leased and 42% was controlled under management or franchise agreements.

TUI Hotels & Resorts recorded a total of 3.14 million guests, an increase of 11.3% year-on-year. The number of overnight stays rose by 1.6% to 31.3 million. At just over 82%, the overall occupancy rate rose by 2 percentage points on the previous year, with individual hotel groups performing differently.

Robinson

In the summer of 2004, Robinson, market leader in the premium segment for club holidays, operated 24 club complexes in nine countries, one down on the previous year. Their occupancy rate was slightly above the previous year's level. The clubs in Turkey recorded substantial improvements and thus a significant increase as customers returned to the eastern Mediterranean region. The Spanish clubs reported slight declines this year following particularly strong demand last year. The remaining clubs reported a steady business trend, with occupancy rates matching the previous year's good levels.

Magic Life

Magic Life, the all-inclusive club brand, reduced its offering by two to 19 club complexes, most of which were located in the eastern Mediterranean. Due to strong demand for tours to this region, the clubs in Egypt and Tunisia in particular reported good booking levels and a resultant considerable increase in their occupancy rates.

Dorfhotel

Dorfhotel operated two complexes in Austria and one in Germany in the summer of 2004. Its occupancy rate matched the previous year's level.

RIU

RIU, the second largest Spanish hotel chain, looked back upon a successful year in 2004. It expanded its hotel portfolio to a total of 112 hotels, an increase of eight on the previous year. Business in the long-haul destinations Mexico, Caribbean and the US developed particularly well. The group's 25 hotels in this region – including the newly opened RIU Negril in Jamaica – reported above-average booking levels. Hotels in Majorca and the Canary Islands also recorded improvements in occupancy rates. Hotels in Tunisia benefited from the return of customers who had avoided Islamic countries last year, and thus also increased their occupancy rates. In contrast, bookings decreased in hotels in mainland Spain and Ibiza. Overall, RIU hotels reported an increase in occupancy rates.

Grupotel

Grupotel, the second Spanish hotel company of the Group, had 35 hotels available in the summer of 2004, the same number as in 2003. Twenty-three of these hotels were located in Majorca, eight in Menorca and four in Ibiza. Occupancy rates remained stable overall, with improvements in Majorca but a slight decline in Ibiza.

Grecotel

Grecotel, the leading hotel company in Greece, opened one of Europe's largest hotel complexes, the Grecotel Olympia Riviera Resort in the Kyllini region, in the summer of 2004. It thus expanded its capacity by three to a total of 19 hotels, six of which were located in mainland Greece and 13 on Greek islands. Overall occupancy rates declined slightly, since several hotels started the season later than in 2003 because of unfavourable weather conditions.

Iberotel

Iberotel operated a total of 18 hotels in the summer of 2004, an increase of four on the previous year. Fifteen of the hotels were located in Egypt and three in Turkey. The Egyptian complexes benefited from the boom in demand and considerably increased their occupancy rates. Turkey recorded satisfactory occupancy rates.

Nordotel, Atlantica and Gran Resort

The Nordotel, Atlantica and Gran Resort hotel chains, which mainly marketed their facilities in the UK and Scandinavia, operated a total of 15 complexes around the Mediterranean in the summer of 2004. Seven hotels were located in Spain, one in Turkey, two in Cyprus and five in Greece. The Greek and Cypriot hotels achieved satisfactory occupancy rates, while hotels in Spain and Turkey reported extraordinarily good occupancy rates.

Other tourism

The Other tourism sector comprises the Group's business travel sector and IT service providers. It generated turnover of € 0.2 billion. Earnings rose to € 30 million. Besides good earnings of the IT companies, the earnings trend also benefited from the business travel sector which reflected, among other things, the first successful results of the cost containment measures.

Tourism – Other tourism

€ million	2004	2003	Var. %
Turnover	246.4	246.0	+ 0.2
Earnings by division (EBTA)	29.8	- 1.1	n. m.
EBITDA [1]	81.4	40.0	+ 103.5
Investments	40.9	42.6	- 4.0
Headcount (31 Dec.)	4,682	4,867	- 3.8

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

TUI Business Travel, which operates under the TQ3 Travel Solutions brand, continued to record a difficult business trend. Development in Germany was characterised by the marked seasonal character of its business and the elimination of commissions from the sale of air tickets. The position of TQ3 in international business was considerably strengthened by its partnership with Navigant International.

Logistics Concentration on shipping. Strong growth in container shipping.

For the logistics division, 2004 was characterised by the concentration of its activities on shipping, the core business of Hapag-Lloyd AG. Most of the scheduled divestments in special logistics were completed. In container shipping, Hapag-Lloyd continued the previous year's positive trend and again grew faster than the market.

The concentration of activities on shipping and the related divestments in special logistics completed in the course of the year also impacted the development of turnover and earnings in the logistics division. A year-on-year comparison of the figures carried for 2004 is therefore of limited use only. Thus, turnover in the logistics division dropped by 11.3% to € 3.5 billion, since the increase in turnover in the shipping sector did not compensate for the decline in turnover in special logistics due to the divestments. On a like-for-like basis, i.e. adjusted for the previous year's corresponding proportion of turnover of the divested entities, turnover grew by 9.3%.

Earnings of the logistics sector stood at € 290 million and, because of the divestments, fell short of the previous year's level. The persistent growth of container shipping, which managed to outperform the high level of earnings generated in the previous year had a positive effect.

Logistics

€ million	2004	2003	Var. %
Turnover	3,472.2	3,915.1	- 11.3
Earnings by division (EBTA)	289.5	323.2	- 10.4
EBITDA [1]	495.1	567.0	- 12.7
Investments	140.6	158.7	- 11.4
Headcount (31 Dec.)	4,478	9,235	- 51.5

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Shipping

Market development

The recovery of the world economy, resulting in around 9% increase in world trade in 2004, also created strong growth in international container transport. World-wide transport accounted for 71.4 million standard containers (TEU), an increase of 9%. The driving force behind this growth was primarily the Chinese economy, but also the American market, which saw an increase in domestic demand and growth in exports due to the fall in the value of the US dollar against the euro.

Earnings of shipping € 279 million

The shipping sector comprises the operational units of Hapag-Lloyd Container Linie and Hapag-Lloyd Kreuzfahrten as well as Hapag-Lloyd AG, the holding company. It generated turnover of € 2.7 billion, a 12.8% increase year-on-year. Earnings rose to € 279 million, beating the previous year's record level by 6.6%.

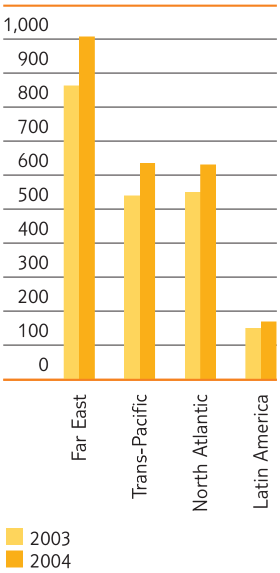
Shipping

€ million	2004	2003	Var. %
Turnover	2,686.7	2,381.2	+ 12.8
Earnings by division (EBTA)	279.0	261.7	+ 6.6
EBITDA [1]	388.5	361.6	+ 7.4
Investments	73.6	37.5	+ 96.3
Headcount (31 Dec.)	3,976	3,897	+ 2.0

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Hapag-Lloyd Container Linie

Transport volume (in ´000 TEU)



Hapag-Lloyd Container Linie continued the positive development of business in previous years, underpinning its position as one of the economically most successful companies in container shipping. It operated its 51 container vessels with a slot capacity of 192,000 TEU mainly on east-west shipping routes which accounted for majority of world-wide trade in goods. It is a member of Grand Alliance, the world's largest liner shipping consortium.

In 2004, Hapag-Lloyd Container Linie again grew faster than the overall market. At 2.4 million TEU, the number of containers shipped rose by 15% on the previous year. The volume growth in all trade lanes was attributable to the expansion of the service network and the optimisation of existing services, enabling the company to win a large number of new customers. Turnover grew by 13.8% to € 2.6 billion. Apart from the increase in transport volume, this growth was due to the increase in average freight rates. With the persistently high level of demand for shipping capacity, they rose by 8% year-on-year to 1,252 US dollars. Earnings of Hapag-Lloyd Container Linie improved, albeit more slowly than growth in volume. The improvement in earnings was restricted by the fall in the value of the US dollar against the euro, amounting to an annual average of 10%, and the impact of the high crude oil price.

Europe/Far East

At 42%, 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 rose by 11% in 2004, with transports from Asia to Europe growing almost twice as strongly as transports in the opposite direction. The driving forces behind this growth were the substantial exports from China and the continuing relocation of European production sites to Asian countries. Due to the uneven flow of freight on individual routes, the imbalance of transports worsened; however, Hapag-Lloyd managed to limit the number of no-load transports by optimising capacity management and the rotation of the container fleet. At 16% growth, Hapag-Lloyd grew more strongly than market volume and with 1,005,000

TEU exceeded the threshold of one million in a trade lane for the first time. Due to the strong demand, in particular for exports from Asia, average freight rates were up by around 10%.

Trans-Pacific

At 12%, the world's largest shipping region, the Trans-Pacific, also recorded the strongest growth in 2004. Transports on the routes between Asia and North America benefited both from the brisk demand for consumer goods from Asia and from the increase in exports of American goods to Asia. Hapag-Lloyd Container Linie increased its transport volume by 15% to 622,000 TEU. This was mainly due to new links between the transshipment points on the coast of China and in Japan, and the eastern coast of the US. Average freight rates increased by 8% year-on-year.

North Atlantic

The development of shipping volumes in the North Atlantic trade lane was primarily determined by the increase in American exports to Europe, favoured by the fall in the value of the US dollar. Overall transport volume grew by more than 3%, with stronger growth on the routes to Europe reducing the imbalance of transports. At 617,000 TEU and an increase of 12%, Hapag-Lloyd benefited disproportionately from the growth in market volume. Freight rates also rose on the North Atlantic, although their improvement, at 4%, was more moderate than growth in other trade lanes.

Latin America

Hapag-Lloyd Container Linie also recorded growth of its transport volume in the Latin American trade lane. The number of shipped containers rose to 171,000 TEU. At more than 14%, it clearly outperformed the market, which grew by just over 7%. One of the reasons for this performance was the increase in transports to Europe because of strong demand for South American agricultural products, but the need for transport volume also grew for transports in the opposite direction. Average freight rates thus rose by 9%.

Hapag-Lloyd Kreuzfahrten

In 2004, the German cruise market grew in particular in the high-volume segments in which new vessel capacity helped to increase the supply. With its fleet of four cruise ships – the Europa, Columbus, Hanseatic and Bremen – Hapag-Lloyd Kreuzfahrten established itself as a niche provider in the premium and luxury segment. This market segment also benefited from the increase in demand for cruises and so business picked up on the previous year. At € 128 million, turnover matched the previous year's level, despite the discontinuation of sub-activities. Earnings turned to be positive.

Special logistics

Most of the activities in special logistics were divested in the course of 2004. Pracht Spedition + Logistik is therefore no longer included in the 2004 consolidated financial statements. The bulk and special logistics sector of the former VTG-Lehnkering Group was only included in consolidation for the period ending 31 March 2004. The Algeco Group left the Group as per the beginning of September 2004 and was thus only included in the consolidated financial statements until 31 August 2004. The only business included in the consolidated financial statements for the full financial year was rail and tank container logistics, now grouped under VTG AG. As a result, turnover and earnings of the special logistics sector fell considerably short of the previous year's levels, at € 0.8 billion and € 11 million respectively and cannot be compared with the previous year's figures.

Special logistics

€ million	2004	2003	Var. %
Turnover	785.5	1,533.9	- 48.8
Earnings by division (EBTA)	10.5	61.5	- 82.9
EBITDA[1]	106.6	205.4	- 48.1
Investments	67.0	121.2	- 44.7
Headcount (31 Dec.)	502	5,338	- 90.6

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

VTG AG

Rail and tank container logistics

The development of business in the rail and tank container logistics sector was characterised by flagging economic development in the chemical industry in the first half of the year. The core business of VTG AG was the rental of tank and special goods wagons. It had a total of more than 36,000 Group-owned and managed wagons available, mainly tank wagons for mineral oil, chemicals and compressed gas. Average utilisation of the wagon fleet almost received the level of previous years. Transpetrol, the rail forwarder, recorded an overall satisfactory business trend. This also applied to the Transwaggon Group, which operated around 9,100 high-capacity and flat wagons in the rental and forwarding business. In the tank container logistics sector, operations were optimised and capacities were reduced to 5,300 units. The number of transports rose slightly.

Trading Extraordinarily good business development. PNA benefits from steel boom.

In 2004, the trading sector comprised only the companies of the PNA Group operating in the steel service business in the US. Demand for steel boomed all over the world; as a result, the economic environment for the PNA Group was extraordinarily good, a trend also reflected in the development of earnings.

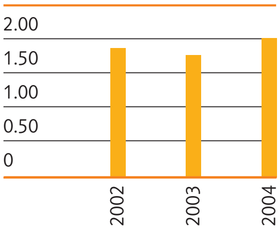
The persistent economic upswing in the US also created brisk demand for steel. Since the demand for steel also rose in large areas of the world, in particular China, the American steel market was characterised by a tight supply situation. Over the course of the year, steel manufacturers were repeatedly affected by scarcity of raw materials – coke, scrap and iron ore. This led to an increase in production costs and resultant high price markups. Steel imports that could have eased the supply situation were restricted by the world-wide shortage of steel, the weakness of the US dollar and high freight rates.

PNA Group

€ million	**2004**	**2003**	**Var. %**
Turnover	971.5	625.1	+ 55.4
Earnings by division (EBTA)	115.5	3.5	n. m.
EBITDA[1]	132.2	18.6	n. m.
Investments	3.1	4.1	- 24.4
Headcount (31 Dec.)	1,167	1,104	+ 5.7

[1] Earnings before interest, taxes, depreciation and amortisation of goodwill

Steel sales (in mill. tons)



2004 was a record year for the steel service companies of Preussag North America, Inc. (PNA). At 2.0 million tons, their steel sales rose by 12% year-on-year. All companies benefited from the positive market situation, albeit with varying levels of quantitative growth. Thus, the Feralloy Group, operating in the north and west of the US, increased its turnover by 19%, in particular due to strong demand from the industrial goods industry. Delta Steel, with its activities in Texas and Arizona, increased its steel sales by 6%. Infra-Metals, operating in the north, east and mid-west, increased its sales by 1%.

Earnings of PNA Group
€ 116 million

Due to the strong demand and simultaneous scarcity of supply on the American market of rolled steel products, prices picked up strongly. As a result, the turnover generated by the PNA Group grew more strongly than the volume sold, at 55.4%, and recorded the strongest level since the foundation of the company at around € 1.0 billion. The extraordinarily good business trend was also reflected by a considerable improvement in margins and thus in earnings. At € 116 million, they were almost five times as high as PNA's previous record earnings.

Research and Development IT innovation in tourism and logistics.

To a large extent, TUI's success as a service provider is determined by its intangible resources: brands, IT systems and product concepts are key building blocks for the future of the Group. Constant renewal and proactive development of these resources strengthen the Group's competitiveness and enable it to achieve even higher standards.

Anticipating customers' demands and needs, setting trends and developing attractive products and services are extremely important in the consumer-oriented tourism business. State-of-the-art information technology and strong brands, enabling the products to stand out from the competition and creating customer loyalty, are additional factors playing a key role in achieving market leadership and economic success.

Investing in brand values

World of TUI and its logo trigger positive associations and have already achieved a high degree of customer awareness just three years after their market launch. Brand value was further enhanced in 2004 by means of selective measures and investments. One of the major issues in this context was the outward appearance of TUI employees in direct daily contact with customers. Their clothes were redesigned to create a uniform look. Around 12,000 employees working in the destinations, on our aircraft and in the travel agencies are already wearing the new World of TUI uniform.

IT innovation in tourism

IT in distribution

Tourism saw the introduction of a variety of IT innovations aimed at developing distribution processes in the source markets and improving the exchange of information within the Group. Internet applications played an important role in this regard.

Thomson travel portal

In the UK, TUI UK redesigned the www.thomson.co.uk website as a travel portal. It offers central access to all internet offerings of Thomson products – both for customers wishing to book a package tour and for those only booking a flight or accommodation. The new booking process has made buying a tour online simple, quick and attractive.

TUI hotel portal

For the German-speaking area, a hotel portal was launched at www.tui-hotels.com with an initial offer of around 5,000 holiday and city hotels, a number that is constantly increasing. In addition, the virtual tour operator Touropa was established. As of 2005 it will offer travel modules on the internet, allowing customers to put together their own individual tours at current prices.

IT platform for destinations

Concerning the activities in the destinations, the central IT platform Apollo now integrates three previously separate systems: the virtual marketplace for hotel beds, the Group Contracting System for hotel capacity, and the Destination Data Base. With their integration into one IT system, cooperation between the tour operators in the source markets and the incoming agencies has improved significantly.

IT in flight operations

In flight operations, Hapag-Lloyd Flug developed and installed the Crew Info and Request System which enables crews to exchange information on the internet with the operation control centre to optimise manpower planning.

Under the aegis of TUI Airline Management, the software package for the calculation of operating results for flight routes, introduced in 2000, was developed into a comprehensive multi-airline platform. Its purpose is to control results and costs of flight operations as well as to simulate strategic processes for all TUI airlines.

Product development in tourism

The TUI Group's tour operators again developed a variety of new products and offerings both for the winter season and the summer season of the 2004 financial year.

TUI Deutschland

In Germany, the 60-day price advantage system, launched for the TUI programme, offered benefits to all parties involved. The system gave early bookers a financial reward, at the same time allowing tour operators, airlines and hotels to plan ahead more reliably and reducing the cost of short-term distribution.

In the framework of its quality initiatives, TUI Deutschland tested the level of customer satisfaction with hotels and other tour operator services by means of customer surveys by letter and telephone and included this information in its holiday brochures. The survey process was checked by TÜV Saarland and certified as "good".

Thomsonfly

In the UK, TUI UK successfully established the low-cost airline Thomsonfly, which started flight operations in early April 2004 initially with four aircraft operating from its Coventry base. In tour operation, Thomson tapped the mobile home rental market with the launch of Thomson Al Fresco, a new tour operator.

Hotel sector

In the hotel sector, the Grecotel Olympia Riviera resort – one of Europe's largest hotel complexes – opened in the Greek region of Kyllini. It offers an unprecedented combination of products providing tailor-made holidays. With three different 4- or 5-star hotel complexes to choose from, guests will find not only an oasis of peace, but also high-quality wellness offerings, vast sports facilities and a modern conference centre in an attractive location.

Destinations

In the destinations, the excursion and round trip offering was revised in 2004 and specifically tailored to the demands of customer groups. The newly developed and restructured offerings are specifically geared e.g. to holidaymakers interested in sports or culture or families with children. In addition, a TUI agency portal was launched on the internet to offer access to these offerings to a large clientele.

New IT systems in shipping

As in previous years, research and development activities in container shipping were focused on IT. The continuous development of IT operations contributed substantially to the efficient design of operations, simplification of exchange of information with customers and optimum capacity utilisation in order to secure and enhance existing competitive advantages.

E-business in shipping

E-business was a focus of activities. Measures adopted in this area included innovations in the EDI system (electronic data exchange with customers) to further simplify the booking and handling of container transport and the processing of shipping documents. The DSI (Desktop Shipping Instructions) software was newly developed, enabling customers to register their bill-of-lading instructions offline and subsequently send them directly to Hapag-Lloyd via the internet portal INTTRA.

Freight Information System

In container management, a new software for the administration and control of container slots on ships was implemented in the FIS (Freight Information System) system. It supports the preparation of loading plans for the container ships and thus promotes optimum utilisation of shipping capacity.

Ship management

In the ship management sector, the first-time use of the Shipboard Routing Assistance System on the "Hamburg Express" marks another milestone in ship management. With its innovative processing of weather and sea state data in combination with individual ship parameters, it supports ships' captains in optimising the course and speed of the ship.

Risk Management Proven systems for control and management of risks in place.

The TUI Group operates in several divisions world-wide, focusing on tourism and shipping. The Group companies are exposed to various risks, depending on the type of business and the economic regions in which they operate. In order to identify and actively control these risks, the Group has introduced Group-wide risk management systems.

TUI's risk management policy is part of its corporate policies and is geared to its aim of steadily and persistently enhancing the Group's corporate value. The companies of the TUI Group occupy leading positions in their respective markets and provide products and services with potential for generating good returns and enhancing the value of the business. In order to exploit these business opportunities, risks arising from the Group's own entrepreneurial action or external factors must be borne to an appropriate extent. The object of the risk management system is to identify these risks early on, assess them and limit them to such an extent that the economic benefit outweighs the risk.

Risk management

Guidelines

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 installed monitoring and control systems to measure, assess and control the development of business and the related risks. Responsibility for the early identification and handling of business risks lies with the management of the respective companies, with the control functions resting with the relevant higher management level.

Multi-stage integrated reporting systems

The Executive Board and the operational management employ multistage integrated reporting systems for risk management purposes. On the basis of the planning and control system, deviations of actual from projected business developments are analysed on a monthly basis so that risks jeopardising the company's performance are quickly recognised. In addition, special systems for the early identification of risks threatening the existence of the company have been introduced. Their aim is to provide specific regular reports to allow the Group to identify potential risks, assess them on the basis of uniform parameters and summarise them in an overall approach. These reports have not identified any specific risks threatening the continued existence of individual Group companies or the entire Group, either during the 2004 financial year or at year-end. The Supervisory Board is involved in this process by means of regular quarterly reports as well as reports at its regular meetings.

Development and check of systems

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 in line with the results of these reviews 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 annual financial statements for 2004. The auditors found that the audited systems were suitable for achieving the stated purposes.

Corporate auditing

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

Risk transfer

Insurance policies

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. The extent of the insurance cover is regularly reviewed and adjusted where necessary. Although insurance policies do not offer complete protection, it is nevertheless fair to say that the impact of insurable damages on the Group's financial situation, earnings and liquidity poses no threat to its existence.

Financial risks

Central financing management

The TUI Group operates a central financing management system that executes all essential transactions on the financial market, with trading, settlement and controlling organised separately. The individual financing categories and rules as well as the limits for transactions and risk items are defined by guidelines. In order to limit risks arising from changes in market prices, exchange or interest rates for underlying transactions, such transactions are 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 notes to the consolidated financial statements.

Pension funds

Pension funds have been set up to handle and fund pension commitments, 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 will thus be affected and may be impaired by developments on financial markets.

Information about contingent liabilities and other financial liabilities of the TUI Group is provided in the notes to the consolidated financial statements together with information about litigation.

Business risks

The individual activities of the TUI Group entail different kinds of risks. An assessment of overall economic development in the near future is provided under "Prospects". Due to the development of commodity prices, in particular oil products, as well as currency relations and interest rates, economic growth in countries of relevance to the TUI Group may be weaker than expected. This may have an adverse effect on demand for the products and services of Group companies and entail cost increases in procurement.

Risks in tourism

In the tourism division, the general economic environment and social factors have an impact on consumer behaviour and therefore on customers' booking behaviour. Political developments, natural disasters or terrorist attacks may affect holidaymakers' decisions and impair the development of business in individual countries. Market risks are increasing with fiercer competition and the emergence of new market participants operating new business models.

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 operated in the tourism division is well suited to countering the ensuing risks. The Group's own airline and hotel capacity is considerably lower than the number of holidaymakers 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 by concluding corresponding contractual agreements. Moreover, 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.

Risks in container shipping

The key risks to the development of business in container shipping result from external factors. The development of world trade and investment cycles in the shipping sector may lead to shipping capacity overhangs and thus adversely affect marine freight rates. In the individual shipping areas, cyclical fluctuations in regional economic activity may result in imbalances in transport volumes. This risk typical to the industry is countered by means of an efficient capacity control system. Other essential factors limiting the business risks are the operation of East-West routes, i.e. shipping areas with long-term attractiveness, and membership of the Grand Alliance, the world's largest liner shipping consortium.

Prospects Favourable economic environment expected. Opportunities for growth in tourism and logistics.

Prospects are favourable for a continued upswing in world economic activity in 2005. The momentum of economic development will be significantly affected by future crude oil and commodity prices and the development of the US dollar exchange rate. TUI will benefit from the expected recovery of private consumption in its tourism division and the persistently strong growth in world trade in its shipping sector.

In the second half of 2004, the strong growth of the world economy gradually lost momentum, a trend affecting individual economies to varying extents. For 2005, economists expect economic growth to continue to slow down in the first half of the year and subsequently to pick up again significantly. They expect that the price of crude oil will tend to drop, given sufficient supplies, and that the average value of the US dollar will continue to fall against the euro. The expansionary effect of monetary policy on world economic activity will fade, particularly since key interest rates are expected to rise in both the US and Europe.

Concerning regional development, the experts above all expect persistently strong economic growth in the emerging economies of eastern Asia, including China, and a continuation of the cyclical trend in the US, with sustained economic growth, albeit more moderate compared with the previous year. The Eurozone and the rest of Western Europe are also expected to record GDP growth, with a slight dip in economic stimuli considered to be of a temporary nature.

Development of GDP

Variance in %	2004	2005
Eurozone	1.8	1.6
Germany	1.7	0.8
UK	3.2	2.5
France	2.1	1.5
USA	4.4	3.0
Japan	3.9	1.4
China	9.0	8.0
Emerging eastern Asian economies	5.4	4.7

Source: Institut für Weltwirtschaft, Kiel, in: Die Weltwirtschaft 2004, vol. 4

Tourism

Prospects for tourism

In 2004, the tourism industry in Europe overcame its period of weakness and returned to its growth trend. With world politics settling down again and Europe recording overall economic growth, consumer confidence was restored and travel spending picked up again. This trend is expected to continue in 2005. The forecast made by the experts of the World Tourism Organization for the next few years anticipates steady growth on the

European tourism market and real growth of 3 to 5% in travel spending annually. They expect individual market segments and smaller source markets to grow more strongly than the market average.

Tourism division

The good performance of TUI's tourism division in the 2004 financial year paved the way for a sustained upward trend. Now that the cost containment programmes initiated in previous years have taken effect, the objective is to increasingly take advantage of market opportunities arising with the growth in demand. The focus is above all on an expansion of the high-growth segment of modular tours and direct sales via new media such as the internet or call centres. Additional cost containment potential will be tapped by means of a restructuring of the internal production processes for package tours. Geographic expansion will gradually continue, focusing on the up-and-coming tourism markets in Eastern Europe.

Central Europe

Tour operators in the Central Europe source markets expect the positive market trend of 2004 and the increase in the demand for tours to continue. Besides an increase in bookings of package tours, above-average growth in modular tour bookings and direct sales is expected, in particular in flight and hotel offerings.

Germany

In Germany, TUI's tour operators have positioned themselves well for the expected recovery: this is due, in particular, to the successful implementation of cost containment programmes, the optimisation of the number of hotels on offer and attractive distribution measures such as early-booking discounts. By means of efficient channelling of demand towards the Group's own capacity, hotel occupancy rates and margins will be optimised.

In flight operations, the activities of Hapag-Lloyd Flug and Hapag-Lloyd Express will be run on a joint platform as of the new financial year. This will allow the sector to increasingly take advantage of the opportunities offered by the growth of the seat-only business. Close cooperation with TUI Deutschland's tour operators ensures high capacity utilisation. Hapag-Lloyd Flug will preserve its fleet structure and operate a total of 34 aircraft in the summer season 2005. Hapag-Lloyd Express plans to expand its fleet to 15 aircraft in order to increase flight frequency on successful routes and include new, lucrative destinations in its flight schedule.

Switzerland

In Switzerland, TUI Suisse will focus sales of its tour operators' products on German-speaking Switzerland and launch 1-2-Fly, a new brand in this region, to tap the budget-price segment. In French-speaking Switzerland, TUI Suisse will focus on the profitable business of selling third-party travel services in its own travel agencies.

Austria

TUI Austria's tour operators intend to participate in renewed market growth and secure their leading market position with new offerings. Austria will also be the base for expansion into the up-and-coming eastern European markets. Already established in Poland and Hungary with a promising launch last year, TUI's tour operators will expand their activities in Slovenia, Slovakia and Russia in 2005.

Northern Europe

In the Northern Europe source markets, tour operators expect a continuation of the favourable economic conditions in 2005 and an increase in demand for travel. At the same time, the travel market will continue to change. Following the successful realignment of activities in the Nordic countries to reflect changes in customer behaviour, this adjustment process has now also been initiated in the UK.

UK

TUI UK's tour operators expect their business to grow, with customer preferences increasingly shifting away from Spanish destinations to destinations in the eastern Mediterranean and long-haul destinations. A comprehensive realignment of distribution - focusing on an expansion of direct sales via new media and an adjustment of agency distribution to market requirements - and a concentration of its entire range of activities on the Thomson brand will reinforce the competitive position of TUI UK in the British market.

In flight operations, charter and low-cost flights will be pooled under the Thomsonfly brand and operated on a joint platform. This will allow to preserve their high seat load factors by the TUI UK tour operators and pave the way to participate in the strongly growing seat-only business. Plans for the 2005 summer season are for 43 aircraft to be operated, of which nine initially in the low-cost segment.

Ireland

TUI Ireland will continue to adjust to the changes in the Irish market and increasingly orient its Budget Travel tour operator towards the low-cost segment. The seat-only business will be reinforced by means of a cooperation agreement with Futura airline.

Nordic countries

In the Nordic countries, TUI Nordic's tour operators will streamline their programmes and intensify direct sales activities. The successful restructuring of their business over recent years offers a sound basis for them to benefit from the favourable economic environment. Britannia Nordic will start the 2005 summer season with four aircraft and thus carry a significant proportion of TUI Nordic's Swedish and Norwegian customers.

Western Europe

Varying trends are expected for the source markets of the Western Europe sector. While France is expected to generate significant growth in some areas, Belgium and the Netherlands will record relatively moderate growth.

France

In France, Nouvelles Frontières expects to outperform the market with above-average growth, primarily supported by an increase in package tours. Distribution will sell products via partner websites and expand its franchise network to increase market access. Concerning flight operations, Corsair is planning to expand its long-haul business and its scheduled flight activities to Morocco in 2005. A total of ten aircraft will be operated in the 2005 summer season, with the seat-only business accounting for the big part of operations.

Netherlands

TUI Nederland expects to see growth in particular in the long-haul segment and in its special tour operators and direct tour operator Kras. Distribution will optimise the structure of agency distribution and boost direct sales activities.

Belgium

In Belgium, TUI Belgium's package airtours business will record moderate growth. Considerably stronger growth is expected for direct sales of city tours and overland tours. TUI Airlines Belgium had a successful start in 2004. It is planning to operate six aircraft, including one Boeing 767 for long-haul flights, in the 2005 summer season.

Destinations

Incoming agencies

Incoming agencies expect an increase in the number of guests catered for, with considerable regional variations. They essentially expect a sustained recovery of business in Turkey and Egypt and brisk growth in the up-and-coming holiday destinations of Bulgaria and Croatia. The agencies in the remaining destinations expect a steady development of business.

Hotel companies

The Group's hotel companies, managed by TUI Hotel & Resorts, will optimise their portfolio and expand their offerings for the 2005 summer season to 285 Group-owned hotels and clubs with a capacity of around 163,000 beds. New hotels will be opened amongst others in Spanish destinations, in Greece, Portugal, Turkey, Egypt and on the Cape Verde islands. With integration in the Group's value chain, future occupancy rates are expected to remain high, generating good profit contributions.

Shipping

Prospects for shipping

International liner shipping benefited in 2004 from the extremely strong growth in world trade. For 2005, the International Monetary Fund again expects brisk growth, which at 7% will fall short of the previous year's rate, however. World-wide container transport will continue to grow more dynamically than world trade, as container transport will continue to be employed for new goods currently shipped by other means of transport. Against this background, Global Insight forecasts an increase in international container transport of 8% to just under 78 million standard containers (TEU) for 2005 and of just under 24% to around 89 million TEU by 2007. On the basis of orders already placed for new vessels, transport capacity will follow this trend, with the number of planned deliveries of container vessels expected to drop again after 2006.

Container line

Against the backdrop of a favourable economic environment, Hapag-Lloyd Container Linie expects its transport volumes to grow faster than the market in 2005. In order to have the required shipping capacity available, it will expand its fleet of owned vessels accordingly and cover peak demand by means of chartered vessels. In this context, four new container ships with a total slot capacity of around 34,000 TEU will be commissioned in the course of the year. Demand for transport volume is expected to balance globally available shipping capacity, as in 2004. Accordingly, the persistently favourable development of freight rates is anticipated.

Cruises

The cruise market will continue to grow in 2005. Hapag-Lloyd Kreuzfahrten, a niche provider in the premium and luxury segment and an expedition cruise provider, is well positioned in the market and again expects its business to grow.

Discontinuing operations

VTG AG

The divestment programme launched at the beginning of 2004 in connection with the concentration of the logistics division on shipping has progressed well. Divestment of the rail logistics segment of VTG AG has not yet been completed: the divestment process has already reached an advanced stage and should be completed in 2005.

PNA Group

The trading sector, now only comprising the US steel service companies of the PNA Group, has been intended for divestment for a relatively long time. Following the significant improvement in the economic environment for the business of the PNA Group in 2004, preparatory activities have been initiated to divest the sector in 2005.

Developments in the 2005 financial year

For the TUI Group, the new financial year has started off well. In the tourism division, bookings for the 2004/2005 winter season have been good so far. At Group level, booked turnover has grown more strongly than customer numbers. Overall, bookings for the 2005 summer season have started off well, with individual markets so far showing varying trends. At the end of February, the increase in booked turnover of the tour operators at Group level was higher than volume growth, a trend indicating that price quality of sold tours will also improve in the 2005 summer season.

In the first few weeks of the new financial year, shipping continued the positive trend of the previous year. Container shipping recorded an increase in transport volumes year-on-year, with freight rates remaining high.

The economic framework for tourism and shipping gives good reason for confidence. If the economic environment develops in line with expectations and there are no world political events causing disturbance, the TUI Group will continue to improve the operating results of its core businesses.

Other information → Social responsibility for employees and society.
→ Central environmental management.
→ Organisational development and quality assurance in the environmental sector.

Human Resources Social responsibility for employees and society. Changes in personnel structure.

Balancing economic objectives with social and ecological concerns is one of the fundamental elements of sustainable economic success. Social responsibility that also encompasses societal aspects is therefore one of the guiding principles of the TUI Group's entrepreneurial activity.

Our highly committed and motivated employees who are well qualified for their work and prepared to work autonomously are the key to the TUI Group's economic success. This is particularly true as personal contact with customers is an essential element in the services sector. As in previous years, the focus of the Group's HR activities was on initial, ongoing and further training, promoting autonomous work and maintaining our employees' motivation and commitment in the 2004 financial year.

Initial, ongoing and further training

Junior staff development and training

Junior staff development and training was continued at the existing high level. In Germany, the companies of the TUI Group offered training schemes to more than 1,100 young people. They not only filled more than 400 apprenticeship vacancies with new trainees but also created new apprenticeships. The proportion of staff in training was thus kept at about 7%. The initial, ongoing and further training of our employees was secured by means of numerous internal training and further training measures as well as external training schemes and seminars.

Development of senior and executive staff

HR development was strategically realigned. Existing tools for the development of executives were modernised and rendered more international. Two new programmes were launched, directed at employees operating in the medium and upper management levels and involving candidates from nine Group companies in seven European countries. Another example of the promotion of junior in-house staff into leadership positions is found in the shipping sector. Having completed their training course as shipping mechanics, candidates subsequently study at a university of applied science. Upon graduation, they usually return as junior officers, aiming to advance to captain or head of the engine plant.

Social responsibility

Pension schemes

On the basis of individual national arrangements, the companies of the TUI Group offer their employees various ways of participating in company-based pension schemes. Thus, for instance, a number of new schemes were devised in Germany in response to the pension reform. They include direct insurance schemes, pension fund contracts and private pension insurance funds, which may be state-sponsored. In addition, the so-called deferred compensation model offers a tax-advantageous opportunity for private pension provision. These offerings enable our employees to put together a pension package to match their own individual needs. Our employees showed a steadily increasing level of interest in these schemes, resulting in a large number of new contacts signed.

Part-time work for older workers

Following an amendment to the German Act on Part-Time Work for Older Workers in June 2004, all entitlements generated under an existing part-time contract for an older worker must now be hedged against insolvency. Within the TUI Group, more than 300 employees working under part-time schemes for older workers have been covered by this hedging approach, irrespective of when their part-time contract commenced. TUI thus goes beyond the minimum standard required under German legislation 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. A new initiative launched was the TUI Initiative 2004, aimed in particular at awakening the interest of young people with disabilities in participating in an apprenticeship in the TUI Group. The initiative also promotes cooperation with local workshops for people with disabilities.

Health and safety and health promotion

A large number of health and safety and health promotion activities were again implemented at the various sites of the TUI Group, both in Germany and abroad. They included preventative schemes offered by the works doctors and hazard analyses by internal and external health and safety officers. These helped to further develop the high safety standards and reduce the potential risk of accidents in the workplace.

Company health insurance fund

TUI's company health insurance fund, Betriebskrankenkasse BKK TUI, took new steps in promoting health at shopfloor level. In BKK BonusPlus it devised a long-term programme based on the integration of company-level health promotion in corporate principles. Under this programme, the health situation within the Company is analysed and assessed in several stages. In addition, there are health-promotion activities such as the formation of company sports teams or health weeks in the company canteen. An important element of this project consists of six-monthly bonus payments to employees and employers, resulting in a de facto reduction of the rate of contribution to below 12.3%. BKK TUI thus offers its members and member companies health insurance schemes that are also financially attractive.

Employee representatives within the Group

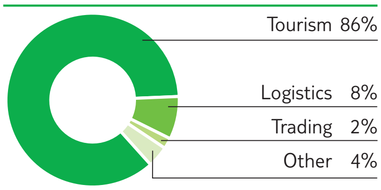
Within the TUI Group, both national and international workers' representation schemes exist within individual companies and at Group level. As before, the Executive Board and the management of the companies cooperated constructively and in a spirit of trust with these bodies in 2004. As a result, they managed to find joint solutions taking account of the interests of employees and management in a fair and balanced way for strategic, organisational and operational decisions that also entailed a reduction in the headcount.

TUI European Forum

In addition to the statutory employee representation bodies that must be set up under national legislation, the TUI European Forum has existed since 1995. It currently comprises 53 worker's representatives from 17 European states. It 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 Group.

Change in personnel structure

Personnel by divisions



The companies of the TUI Group employed 57,716 employees world-wide at the end of the 2004 financial year, down 10% on the previous year. The decline in the headcount resulted to a large extent from the divestments made in the year under review, in particular in the special logistics sector. This also changed the Group's personnel structure. Hence, at year-end the proportion of employees working in the tourism division stood at 86%, while around 8% of our employees worked in the logistics division, a relative drop on the previous year. 6% of the workforce worked in the other sectors, i.e. the trading sector and the Group's central operations.

Tourism division

In the tourism division, the headcount totalled 49,482 at the balance sheet date, a decline of 4% year-on-year, with the individual sectors affected to varying extents. The Central Europe sector did not record a major change. This also applied to Western Europe, where declines in France and the Netherlands were compensated for by increases in Belgium, where new employees were recruited for the launch of TUI Airlines Belgium. In the Northern Europe sector, the realignment of business also impacted the number of employees. Destinations recorded an overall decrease in the headcount, with the number of employees working for the hotel companies rising, partly due to the opening of new hotels, while the divestment of the Anfi Group led to a reduction in the headcount.

Logistics division

In the logistics division, the headcount dropped by 4,757 employees. This was attributable to the divestments in the special logistics sector, in which a total of 4,836 employees of Pracht Spedition + Logistik GmbH, of the bulk and special logistics sectors of the VTG-Lehnkering Group and the Algeco Group left the Group. In the shipping sector, the number of employees rose by 2% to 3,976.

Personnel by divisions

	31 Dec 2004	31 Dec 2003	Var. %
Tourism	**49,482**	**51,708**	**- 4.3**
Central Europe	9,281	9,391	- 1.2
Northern Europe	17,176	18,033	- 4.8
Western Europe	6,617	6,521	+ 1.5
Destinations	11,726	12,896	- 9.1
Other tourism	4,682	4,867	- 3.8
Logistics	**4,478**	**9,235**	**- 51.5**
Shipping	3,976	3,897	+ 2.0
Special logistics	502	5,338	- 90.6
Other sectors	**3,756**	**3,314**	**+ 13.3**
Trading	1,167	1,104	+ 5.7
Divestments	–	–	–
Central operations	2,589	2,210	+ 17.1
Total	**57,716**	**64,257**	**- 10.2**

The changes within the Group affected both domestic and foreign companies. As a consequence, the decline in the headcount affected domestic and foreign employees to approximately the same extent. The proportion of employees working abroad was just under 73%, a slight increase year-on-year. At 91%, Group employment was concentrated in Europe: 27% of all Group employees worked in Germany, 27% in the UK, 10% in Spain, 13% in France and the Benelux countries, and 3% in the Nordic countries. Group companies outside Europe accounted for 9% of the overall workforce, with the largest proportion of these employees working for the PNA Group in the US.

Personnel by regions

	31 Dec 2004	31 Dec 2003	Var. %
Germany	15,744	18,860	- 16.5
UK/Ireland	15,769	15,989	- 1.4
Nordic countries	1,761	1,956	- 10.0
France/Benelux countries	7,726	8,921	- 13.4
Spain	6,058	8,008	- 24.4
Rest of Europe	5,285	5,237	+ 0.9
Americas	2,906	2,591	+ 12.2
Rest of World	2,467	2,695	- 8.5
Total	**57,716**	**64,257**	**- 10.2**

Environmental Protection Central environmental management. Organisational development and quality assurance.

Sustainable economic success requires ecological aspects to be systematically incorporated into corporate processes and economic objectives. This is why the TUI Group attaches a great deal of importance to measures for the conservation of nature and the environment as well as to continuously improving the environmental compatibility of our products and services.

Group-wide activities to protect the environment are initiated and coordinated by the Group's central environmental management. In 2004, the focus of its work, among other areas, was on organisational development, quality assurance and collaboration in national and international partnerships and cooperation schemes. In the tourism division, ecological activities covered all stages of the value chain, from travel agencies via tour operators and airlines all the way to hotels and incoming agencies. Special attention was given to the ecologically sustainable development of the holiday destinations.

Environmental reporting

The Group's up-to-date environmental activities and the objectives for the next few years were comprehensively detailed by central environmental management. This information is permanently accessible at www.tui-environment.com, which also provides up-to-date and comprehensive information about new developments and projects.

Organisational development

Network for the organisation of sustainability

The Group-wide network of environmental coordinators in the Group companies was steadily expanded in 2004: the goal was to firmly anchor environmental protection principles at all Group levels and to improve its function as a forum for discussion. In the framework of these activities, coordinators with relevant expert functions were appointed for additional operative units of the Group: the German sales organisation TUI Leisure Travel, tour operators Jetair in Belgium and OFT Reisen in Germany as well as the incoming agencies in Turkey, Romania, Bulgaria, Croatia and South Africa.

In other units existing organisational schemes were further developed. Thus, TUI España completed the restructuring of its environmental organisation and now has 14 environmental coordinators, working in all Spanish destinations in which it operates. TUI Service AG established a central environmental activity coordination agency for its representatives organisation. In this context, responsibilities were redefined for all destinations, and representatives all over the world received training on ecological issues. At the first Group-wide conference, attended by 60 sustainability officers from 17 countries, further optimisation of internal processes was discussed.

Quality assurance in environmental protection

In all Group areas, existing environmental quality standards are optimised, and new standards integrated, by means of a process of continuous improvement. In 2004, the focus was on the implementation of environmental management systems and their certification in accordance with the environmental standard ISO 14001 of the International Organization for Standardization.

Tour operators

In 2004, tour operator TUI Deutschland converted the environmental monitoring of contracted hotels – already carried out since 1990 – to a database-supported system and introduced a detailed assessment system for environmental quality assurance. The objectivity of this system was confirmed by an independent expert within a monitoring audit in accordance with ISO 14001. For the first time the assessments were incorporated in product information in the 2004/2005 winter brochures published by TUI Deutschland, TUI Suisse and TUI Austria. In France, tour operator Nouvelles Frontières commenced systematic environmental monitoring of its contracted hotels so as to be able to introduce a similar system.

Hotels

In the Group's hotels, managed under TUI Hotels & Resorts, the environmental management systems were further developed. In this context, Dorfhotel Fleesensee in Mecklenburg-Western Pomerania and the Magic Life Club Sharm El Sheikh in Egypt were certified in accordance with ISO 14001 for the first time. All Robinson Clubs in Germany and Turkey had their ISO 14001 certificates renewed in 2004. In addition, Robinson Clubs Landskron and Schlanitzen Alm in Austria were awarded the official Austrian Environmental Label. The Egyptian Iberotel Coraya Beach was awarded the Green Globe 21 for its ecological activities. In Spain, Grupotel continued the introduction of integrated environmental and quality management systems. Meanwhile, more than 60% of all hotel complexes have implemented corresponding systems and been internally audited; for 2005, ISO 14001 certifications and ISO 9002 certifications are planned for five hotels. Nordotel, too, has installed additional environmental management systems. For the current year, the first certifications are planned under the EMAS standard of the European Union.

Shipping

In the shipping sector, Hapag-Lloyd Container Linie successfully completed the first monitoring audit under ISO 14001 in 2004. The external experts thus confirmed the high quality of this environmental management system, which is installed all over the world.

Environmental dialogue and cooperation

Dialogue and cooperation with national and international organisations play a key part, both at Group level and within individual Group companies. TUI companies were actively involved in several cooperation schemes for ecological sustainability in the European source markets and the tourism destinations. Successful initiatives launched in previous years were continued and a number of additional new projects initiated. In the following, a number of cooperation schemes will be presented as examples of the wide diversity of schemes implemented.

Tour operator initiatives

In cooperation with Turespaña, the Environmental Ministry of the Balearic Islands, the Doñana 21 foundation from Andalucia and the Tourism Ministry of Lanzarote, TUI organised a series of events on sustainability in tourism resorts at Reisepavillon 2004, the trade fair for sustainable travel. These presentations met with a high level of interest both among the trade and the public at large.

In Senegal, Nouvelles Frontières and the Tétrakys Foundation continued their cooperation on the development of sustainable tourism offerings in the country. TUI UK has cooperated with the Travel Foundation, set up by the British Government. In the framework of this cooperation scheme, TUI UK focused in particular on projects for sustainable development of holiday regions in Mexico, Gambia and Cyprus in 2004.

Cooperation schemes in the hotel sector

In close cooperation with ASHOTEL, the Canarian hotel owners' association, TUI Hotels & Resorts, TUI España and the Group's environmental management established detailed environmental guidelines for hotels in Spain. In the Balearic Islands, Grupotel committed itself to sustainable development of the hotel sector of the islands in the local initiative "Red Balear de Hoteles Sostenibles". In Greece, Grecotel continued its longstanding membership of the Doron Society, which advocates the preservation of Crete's natural and cultural heritage. In Tunisia, Magic Life implemented joint environmental awareness projects in conjunction with the Environmental Ministry for entrepreneurs and employees working in the tourism sector.

Activities in the shipping sector

Hapag-Lloyd Container Linie continued its activities for environmental protection in sea transport through its active participation in the international Clean Cargo Group. Hapag-Lloyd Kreuzfahrten cooperated with several international organisations to protect the oceans, in particular the Arctic and Antarctic. In addition, it provided logistic support for research expeditions by several scientific institutes to the Arctic region, as in previous years.

Biodiversity and climate protection

Destinations

One particular focus of TUI's ecological activities consisted of measures to preserve biodiversity – especially in the oceans and coastal areas. An example worth mentioning is its involvement in several international organisations to protect whales and dolphins in the Mediterranean. In the Maldives, TUI Deutschland and the representatives' organisations of TUI Service AG initiated programmes to protect coral reefs in cooperation with the local organisation "Protect the Maldives". These programmes range from campaigns to raise holidaymakers' awareness of this sensitive eco-system right up to optimising excursion offerings from an ecological point of view.

In 2004, TUI's central environmental management again closely cooperated with the Europarc Federation. The joint goal was to develop concepts for the sustainable use of large conservation areas, in particular national and nature reserves, for tourism purposes. Britannia Airways was again a partner of the Born Free Foundation, supporting inter alia the GRASP project (Great Apes Survival Project) of UNEP and UNESCO.

Airlines

Besides their commitment to environmental protection projects, the Group's airlines also help to conserve the environment by means of technological innovations. Hapag-Lloyd Flug thus started to reconfigure the cabins of its fleet of Boeing 737-800s. The use of lighter passenger seats enhances the fuel efficiency of the aircraft and passenger comfort. Britannia Airways continued its "Clean Fly" programme for the conservation of resources in flight operations: this resulted in improvements in the waste management system for aircraft maintenance.

Hotel companies

In the hotel sector, several facilities implemented projects on the use of renewable sources of energy. In Austria, a state-of-the-art biomass heating plant was commissioned which supplies power to the new Robinson Club Amadé and neighbouring village Kleinarl. New solar power stations were installed in Robinson Clubs Apulia and Kyllini Beach. In Spain, too, Nordotel continued to expand the use of solar energy in its hotel complexes. In the Turkish Iberotel Sarigerme Park, already recognised for its commitment to high environmental standards in the past, innovative parabolic trough solar collectors were commissioned. This technology won the R.I.O. Innovation Award in 2004. The same hotel started construction of a pilot plant for the generation and use of biogas by means of sewage purification, jointly initiated by the Federal Ministry for Education and Research and Stuttgart University.

Corporate Governance → Recommendations of the German Corporate Governance Code fully implemented. → Report of the Supervisory Board. → TUI Share: Upswing in the second half of the year.

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

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

TUI has consistently based its corporate governance on the recommendations and suggestions of the German Corporate Governance Code. The Executive Board and the Supervisory Board discussed corporate governance issues several times in 2004, jointly submitted the updated declaration of conformity for 2004 on 15 December 2004 pursuant to section 161 of the German Stock Corporation Act and made it permanently accessible to the general public on the company's website.

Declaration of conformity

Declaration of conformity on the internet under www.tui.com

In future, TUI AG will fully comply with the recommendations of the Government Commission on the German Corporate Governance Code as published on 4 July 2003 by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, and will additionally comply with the majority of the suggestions set out in the Code.

Cooperation of Executive 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. The Executive Board and the Supervisory Board cooperate closely and in a spirit of trust to manage and control the company.

Executive Board

The Executive Board of TUI AG currently comprises four members. They form the management body that manages the company's operations and they bear joint responsibility. The allocation of areas of responsibility among the individual Board members is presented separately in this chapter.

Supervisory Board

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 major acquisitions or divestments require the approval of the Supervisory Board.

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. The Supervisory Board does not contain any former Executive Board members. The term of the Supervisory Board covers a period of five years and will expire at the 2006 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. There is no plan at present to form any additional 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 of non-Group listed companies.

Remuneration of Executive Board and Supervisory Board members
The remuneration of the Executive Board members is made up of fixed components and two variable components. The variable components consist of a component dependent on the level of the dividend and a bonus with a long-term incentive effect 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. Further details on the remuneration system for Executive Board members are provided in the notes to the consolidated financial statements.

The remuneration of Supervisory Board members comprises a fixed and a variable component determined in accordance with section 18 of TUI AG's Articles of Association, which are permanently accessible to the general public on the internet.

TUI AG complies with the recommendations of the German Corporate Governance Code to provide details of the remuneration of individual members of the Executive Board and Supervisory Board. Pursuant to sections 4.2.4 and 5.4.5 of the Code, these disclosures are provided in the notes to the consolidated financial statements.

Shareholders and Annual General Meeting

Shareholders in TUI AG 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 the AGM 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 company-specific and Group-wide 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 corporate 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 electronically, i.e. by e-mail or over the internet. Moreover, the company website at www.tui.com provides comprehensive information on the 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.

The number of shares in TUI AG held by members of the Executive Board and Supervisory Board and any directors' dealings are disclosed in the notes to the consolidated financial statements.

Accounting and auditing

TUI AG prepares its consolidated financial statements in accordance with the provisions of the International Accounting Standards Boards (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). Pursuant to section 312 of the German Stock Corporation Act, the Executive Board submitted a report on related parties and provided information on related parties in the notes of the consolidated financial statements for the 2004 financial year.

The consolidated financial statements, the financial statements of TUI AG and the report on related parties in accordance with section 312 of the German Stock Corporation Act were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, the auditor elected by the 2004 AGM. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute (IDW), as well as the International Standards on Auditing. It also covered risk management and conformance with the reporting obligations on corporate governance in accordance with 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.

Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2004 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.

In the 2004 financial year, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. They included monitoring the work of the Executive Board and providing regular advice to the Board on the management of the Company. The Supervisory Board was directly 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 all decisions affecting the further development of the Group – with the Supervisory Board. Deviations from the approved plans for the development of business were presented, explained and discussed.

The Supervisory Board held six meetings in the 2004 financial year. The Presiding Committee and the Audit Committee each met three times to prepare the work of the Supervisory Board. Because of the brevity of their periods of office, two Supervisory Board members attended fewer than half of the Supervisory Board meetings.

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 a number of specific or particularly urgent issues 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.

Work of the 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 meeting on 21 January 2004, the Presiding Committee dealt mainly with issues relating to the Executive Board. At its meeting on 30 March 2004, convened for the adoption of the annual financial statements, deliberations focused on the annual and consolidated financial statements for 2003 and preparation of the agenda for the 2004 Annual General Meeting, including amendments to the Articles of Association. The planned concentration of the logistics division on shipping was also debated at length at this meeting. On 6 September 2004 an extraordinary meeting was held to deliberate a potential IPO of Hapag-Lloyd AG.

At its meeting on 23 March 2004, the Audit Committee focused its deliberations on the annual financial statements and the consolidated financial statements for 2003. Discussions also covered compliance with the Corporate Governance Code and the activities of Group Auditing in the 2004 financial year. At its meeting on 10 August 2004, the Audit Committee dealt with the interim financial statements for the first half year of 2004. It also discussed the restructuring of Hapag-Lloyd AG and recent developments in the International Financial Reporting Standards (IFRS). At its meeting on 9 November 2004 it mainly dealt with the interim financial statements for the third quarter of 2004. The Audit Committee also dealt with the appointment of the auditors for the annual and consolidated financial statements, especially the main areas to be audited and the fee agreements. Other issues discussed at that meeting were the measurement of interest hedges, the Group's controlling system for shareholdings and related party reporting in accordance with section 312 of the German Stock Corporation Act. Auditor representatives were present at all three meetings of the Audit Committee and presented reports on their auditing activities.

Focus of deliberations in the Supervisory Board
Discussions at Supervisory Board meetings regularly focused on the development of turnover, results and employment of the Group and the individual divisions as well as the financial situation and structural development of the Group.

At its meeting of 21 January 2004, the Supervisory Board comprehensively discussed the future development of the Company, approved the planning for 2004 for the Group and took note of the 2005/2006 forecast accounts.

The meeting of 30 March 2004, convened for the adoption of the annual financial statements, centred on the annual financial statements and the consolidated financial statements as per 31 December 2003, a comparison between projected and actual figures for 2003, and the personnel and social reports for 2003. This meeting was also attended by representatives of the auditors who were available to answer questions. The Supervisory Board also comprehensively discussed the planned restructuring and concentration of the logistics division on shipping. The Supervisory Board also approved the draft resolutions concerning planned amendments to the Articles of Association in the run-up to the 2004 Annual General Meeting. In this meeting, the chairman of the Supervisory Board also reported on the system of remuneration of the Executive Board.

At its meeting of 18 May 2004, the Supervisory Board mainly discussed issues related to the forthcoming ordinary Annual General Meeting.

The meeting of 11 August 2004 dealt with the current business development and financial environment as well as resolutions on shareholding matters, in particular the divestment of the shares in Algeco S.A.

The strategy meeting of 23 September 2004 focused on questions related to the strategic development of the Group. On the basis of comprehensive presentations of the tourism division and the shipping sector provided by the Executive Board and the divisional directors, the Supervisory Board engaged in an in-depth discussion of the future strategic development of the Group and its financial objectives. In connection with the concentration of the logistics division on shipping, the Supervisory Board appointed Mr Michael Behrendt as divisional director for the shipping sector with effect from 1 October 2004. In addition, the Supervisory Board approved the issuance of employee shares at this meeting.

Due to the death of the long-standing chairman of the Supervisory Board, Dr. Friedel Neuber, the meeting of 10 November focused on Supervisory Board issues, in particular the appointment of the new chairman of the Supervisory Board and new appointments for the Presiding Committee and the Audit Committee. The Supervisory Board elected Dr. Jürgen Krumnow as chairman of the Supervisory Board and of the Presiding Committee. In accordance with the rules of the German Corporate Governance Code, the Supervisory Board then elected Dr. Dietmar Kuhnt as chairman of the Audit Committee. Dr. Thomas Fischer was then elected as a new member of the Presiding Committee to replace Dr. Dietmar Kuhnt.

Corporate Governance

At their meeting of 10 November 2004, the Executive Board and the Supervisory Board discussed an update of the declaration of conformity with the German Corporate Governance Code. They issued the joint declaration of conformity in accordance with section 161 of the German Stock Corporation Act on 15 December 2004 and made it permanently accessible to the public on TUI's website. According to the declaration, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 21 May 2003. In accordance with sub-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.

At several meetings, both the Audit Committee and the Supervisory Board have dealt with corporate governance within the company and had the efficiency of their own actions examined. To this end they used a questionnaire based on customary standards. The chairman of the Supervisory Board reported on the results of this efficiency review at the meeting of 26 January 2005. Suggestions arising from the efficiency review that mainly relate to the provision of information to the Supervisory Board have already been implemented.

Audit of the annual financial statements of TUI AG and the Group

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed as the auditors by the Annual General Meeting held on 18 May 2004 and commissioned by the Audit Committee. The audit covered the annual financial statements of TUI AG as at 31 December 2004, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), the joint management report for TUI AG and the TUI Group, and the consolidated financial statements for the 2004 financial year prepared in accordance with the provisions of the International Accounting Standards Board (IASB). The preparation of consolidated financial statements in accordance with the German Commercial Code (HGB) was dispensed with under the exemption provision of section 292a HGB. Specific explanatory information required under this provision was added to the consolidated financial statements. 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 18 March 2005 and the Supervisory Board meeting of 22 March 2005 at which representatives of the auditors were present and were available to provide supplementary information.

On the basis of its own audit of the annual financial statements of TUI AG and the TUI Group, as well as the joint management report as at 31 December 2004 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 the profits for the 2004 financial year submitted by the Executive Board.

The report on related parties submitted by the Executive Board for the 2004 financial year in accordance with section 312 of the German Stock Corporation Act was audited by the auditors, who issued the following audit certificate: „Following our audit and assessment in discharge of our duties we confirm that 1st the actual disclosures of the report are accurate, that 2nd the performance of the Company in the legal transactions listed in the report was not inappropriately high." The report was submitted to the Supervisory Board for examination in March 2005. The Supervisory Board did not object to the declaration made by the Executive Board at the end of the report. The Supervisory Board took note of and approved the results of the audit of the report by the auditors. The representatives of the auditors attended the Audit Committee meeting of 18 March 2005 and the Supervisory Board meeting of 22 March 2005 and provided comprehensive reports on the principal results of their audit.

Supervisory Board and committee membership
On 12 January 2004, Dr. Johannes Ringel resigned from the Supervisory Board. By virtue of a ruling of the District Court of Hanover of 16 January 2004, Dr. Thomas Fischer was appointed to the Supervisory Board.

On 23 October 2004, Dr. Friedel Neuber, long-standing chairman of the Supervisory Board, passed away. Dr. Neuber had been closely associated with the Group for many years. Since 11 November 1981 he had been chairman of the Supervisory Board of Preussag AG, which changed its name to TUI AG in June 2002. With his entrepreneurial vision and drive he had a lasting impact on the development of the Company and played an important role in Preussag's process of changing into TUI. We will miss his outstanding personality and his unwavering commitment to the Group and its employees. We have lost a valuable advisor and will honour his memory.

At its meeting of 10 November 2004, the Supervisory Board elected Dr. Jürgen Krumnow as chairman of the Supervisory Board and of the Presiding Committee. On his election, Dr. Krumnow resigned from his position as chairman of the Audit Committee. The Supervisory Board elected Dr. Dietmar Kuhnt to replace him as chairman of the Audit Committee. As a result, Dr. Kuhnt resigned from the Presiding Committee of the Supervisory Board, whereupon the Supervisory Board elected Dr. Thomas Fischer to the Presiding Committee.

With effect from 5 November 2004, the District Court of Hanover appointed Dr. Norbert Emmerich to the Supervisory Board.

Following the end of the 2004 financial year, Dr. Norbert Emmerich and Dr. Thomas Fischer have resigned from the Supervisory Board with effect from 26 January 2005 and Dr. Bernd W. Voss has resigned with effect from 1 February 2005.

The District Court of Hanover has appointed Mrs Carmen Riu Güell, Mr Roberto López Abad and Mr Abel Matutes Juan to the Supervisory Board by virtue of a ruling of 14 February 2005.

Executive Committee membership
On 30 April 2004, Dr. Helmut Stodieck retired as divisional director for the logistics/participations sector. The Supervisory Board thanks Dr. Stodieck for his many productive years as divisional director, member of TUI AG's Executive Board and in other leading positions in Group companies.

At its meeting of 23 September 2004, the Supervisory Board appointed Mr Michael Behrendt as divisional director for the shipping sector with effect from 1 October 2004.

The Supervisory Board
Hanover, 22 March 2005

Dr. Jürgen Krumnow
Chairman

Supervisory Board

Members of the Supervisory Board

Dr. Friedel Neuber
Chairman
Duisburg-Rheinhausen
(until 23 October 2004)

Dr. Jürgen Krumnow
Chairman
(since 10 November 2004)
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
(since 5 November 2004
until 26 January 2005)

Dr. Thomas Fischer
Chairman of the Executive Board
of WestLB AG
Düsseldorf
(since 16 January 2004
until 26 January 2005)

Uwe Klein
Clerk
Hamburg

Fritz Kollorz
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

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

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

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

Petra Oechtering
Travel agent
Cologne

Dr. Johannes Ringel
ex. Chairman of the Executive Board
of WestLB AG
Meerbusch
(until 12 January 2004)

Carmen Riu Güell
Entrepreneur
Playa de Palma
(since 14 February 2005)

Hans-Dieter Rüster
Aircraft engineer
Langenhagen

Marina Schmidt
Travel agent
Hamburg

Dr. Manfred Schneider
Chairman of the Supervisory Board
of Bayer AG
Leverkusen

Prof. Dr.-Ing. Dr. h.c. 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

Dipl.-Math. 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

as of 28 February 2005

Committees of the Supervisory Board

Presiding Committee

Dr. Friedel Neuber
Chairman
Duisburg-Rheinhausen
(until 23 October 2004)

Dr. Jürgen Krumnow
Chairman
ex. Member of the Executive Board
of Deutsche Bank AG
Frankfurt/Main
(since 10 November 2004)

Dr. Thomas Fischer
Chairman of the Executive Board
of WestLB AG
Düsseldorf
(since 10 November 2004
until 26 January 2005)

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

Uwe Klein
Clerk
Hamburg

Dr. Dietmar Kuhnt
ex. Chairman of the Executive Board
of RWE AG
Essen
(until 10 November 2004)

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

Hartmut Schulz
Movement Controller
Langenhagen

Audit Committee

Dr. Dietmar Kuhnt
Chairman
ex. Chairman of the Executive Board
of RWE AG
Essen
(since 10 November 2004)

Dr. Jürgen Krumnow
Chairman
(until 10 November 2004)
ex. Member of the Executive Board
of Deutsche Bank AG
Frankfurt/Main

Uwe Klein
Clerk
Hamburg

Dr. Friedel Neuber
Duisburg-Rheinhausen
(until 23 October 2004)

**Prof. Dr.-Ing. Dr. h.c.
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

Dipl.-Math. Olaf Seifert
Head of the Group Controlling Department
of TUI AG
Hanover

as of 28 February 2005

Other board memberships of the Supervisory Board*)

Dr. Friedel Neuber
(Chairman)
a) Deutsche Bahn AG
Hapag-Lloyd AG
RAG AG
RWE AG[1]
ThyssenKrupp AG
b) Landwirtschaftliche Rentenbank

Dr. Jürgen Krumnow
(Chairman)
a) Lenze Holding AG[2]
Vivascience AG[2]
b) Peek & Cloppenburg KG

Jan Kahmann
(Deputy Chairman)
a) Eurogate Beteiligungs-GmbH[2]

Jella Susanne Benner-Heinacher
a) A.S. Création Tapeten AG
K+S AG

Dr. Norbert Emmerich
a) Hüttenwerke Krupp Mannesmann GmbH
ifb AG[2]
b) Aurelis Management GmbH[1]
Deutsche Anlagen-Leasing GmbH
VkA Verband der kommunalen
RWE-Aktionäre GmbH
Westdeutsche ImmobilienBank[1]
WestLB International S.A.

Dr. Thomas Fischer
a) Audi AG
AXA Konzern AG
Hapag-Lloyd AG
HSH Nordbank AG
RWE AG[1]
b) Amvescap PLC
DekaBank – Deutsche Girozentrale
WestLB Akademie Schloss
Krickenbeck GmbH[1]

Uwe Klein
a) Hapag-Lloyd AG

Fritz Kollorz
a) DSK Anthrazit Ibbenbüren GmbH[2]
RAG AG[2]
STEAG AG[2]
Vattenfall Europe AG[2]
Vattenfall Europe Generation
Verwaltungs-AG[2]

Christian Kuhn
a) TUI Deutschland GmbH[2]

Dr. Dietmar Kuhnt
a) Allianz Versicherungs-AG
Dresdner Bank AG
Hapag-Lloyd AG
Hochtief AG[1]
mg technologies ag
RWE AG

Dr. Klaus Liesen
a) E.ON AG
E.ON Ruhrgas AG
Volkswagen AG

Petra Oechtering
a) –

Dr. Johannes Ringel
a) Hüttenwerke Krupp Mannesmann GmbH
Rütgers AG
RWE Energy AG
STEAG AG
ThyssenKrupp Stahl AG
b) MTBC Bank Deutschland GmbH i.L.[2]

Hans-Dieter Rüster
a) –

Marina Schmidt
a) –

Dr. Manfred Schneider
a) Allianz AG
Bayer AG[1]
DaimlerChrysler AG
Linde AG[1]
Metro AG
RWE AG

Prof. Dr.-Ing. Dr. h.c. Ekkehard D. Schulz
a) AXA Konzern AG
Commerzbank AG
Deutsche Bahn AG
MAN AG
RAG AG[2]
ThyssenKrupp Automotive AG[1]
ThyssenKrupp Services AG[1]
ThyssenKrupp Steel AG[1]
b) ThyssenKrupp Budd Company

Hartmut Schulz
a) –

Ilona Schulz-Müller
a) WinCom Versicherungsholding AG

Dipl.-Math. Olaf Seifert
a) TUI España 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 GmbH[1]
Magna International Corp.

*) Information refers to 31 December 2004 or date of resignation from the Supervisory Board of TUI AG in 2004
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

Executive Board of TUI AG

Dr. Michael Frenzel
Chairman

Sebastian Ebel
Platforms

Dr. Peter Engelen
Human Resources and Legal Affairs

Rainer Feuerhake
Finance

Executive Committee

Dr. Michael Frenzel
Chairman

Sebastian Ebel
Platforms

Dr. Peter Engelen
Human Resources and Legal Affairs

Rainer Feuerhake
Finance

Michael Behrendt
Shipping sector
(since 1 October 2004)

Dr. Volker Böttcher
Central Europe sector

Peter Rothwell
Northern Europe sector

Eric Debry
Western Europe sector

Dr. Helmut Stodieck
Logistics/Holdings
(until 30 April 2004)

Other board memberships of the Executive Board*)

Dr. Michael Frenzel
(Chairman)
a) AXA Konzern AG
Continental AG
Deutsche Bahn AG[1)]
E.ON Energie AG
Hapag-Lloyd AG[1)]
Hapag-Lloyd Fluggesellschaft mbH[1)]
ING Bank Deutschland AG
TUI Beteiligungs AG[1)]
TUI Deutschland GmbH[1)]
Volkswagen AG
b) Norddeutsche Landesbank
Preussag North America, Inc.[1)]
TUI China Travel Co. Ltd.

Sebastian Ebel
a) Hapag-Lloyd Fluggesellschaft mbH
TUI Business Travel Deutschland GmbH[1)]
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 Beteiligungs AG
TUI Deutschland GmbH
TUI Leisure Travel GmbH
b) TUI China Travel Co. Ltd.

Rainer Feuerhake
a) Hapag-Lloyd AG
Hapag-Lloyd Fluggesellschaft mbH
TUI Beteiligungs AG
TUI Deutschland GmbH
Wolf GmbH
b) Amalgamated Metal Corporation PLC
Preussag North America, Inc.

*) Information refers to 31 December 2004 or date of resignation from the Executive Board of TUI AG in 2004
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 Eventful year and volatile share price. Upswing in the second half of the year.

For long periods, the 2004 stock exchange year was characterised by crude oil price fluctuations and the development of the euro and the US dollar exchange rates, both of which reached record levels. Nevertheless, the development of share prices remained relatively moderate and turned into an upward trend towards the end of the year.

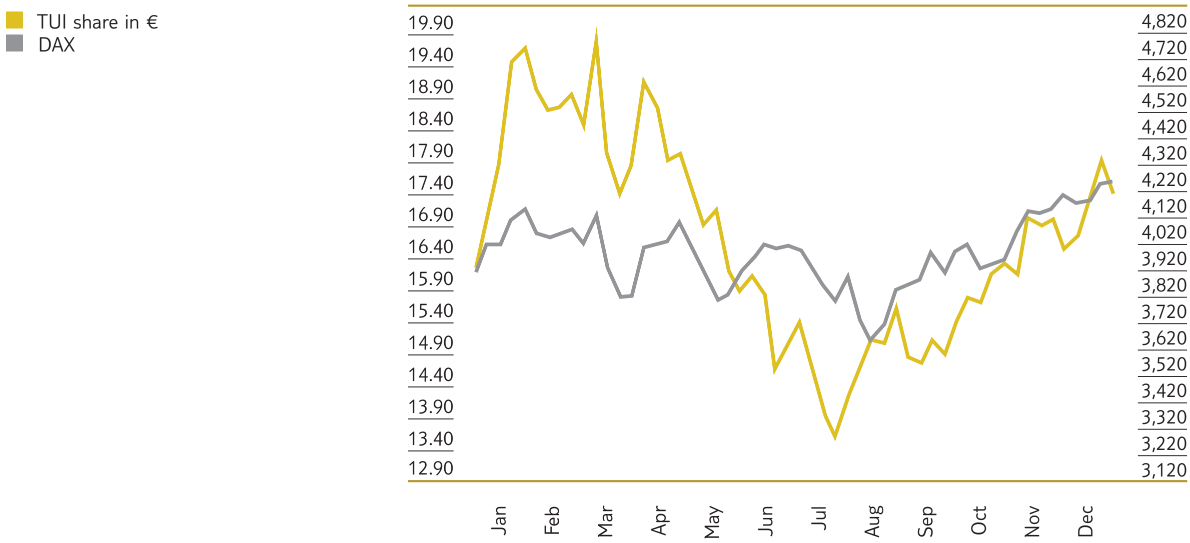
Following a disappointing year in 2003 for the stock exchange, the year 2004 showed a more upbeat development: at the beginning, markets were supported by favourable economic forecasts and positive company data. The Madrid attack and weak labour market data from the US gave rise to a phase of stronger fluctuations, caused primarily by uncertainty about the development of the crude oil price. Stock markets consolidated in the autumn and started a steady upward trend so that international share indices recorded significant growth at year-end. The German share index (DAX) thus gained 7.3% in the course of the year and closed at 4,256 index points.

Upswing in the second half of the year

Development of TUI share price in 2004

The TUI share started the year 2004 with price gains: having opened at a price of € 16.99, it already achieved its annual high in January at € 20.45. Thereafter, the share price began to decline down to a low of € 12.94.

TUI share price compared with the DAX (2004)



Besides uncertainty about the development of business, the share price was impacted by the debates about whether or not the TUI share was going to remain one of the DAX30 stocks. Following the interim report for the first half of the year, the market participants changed their appraisal, and the price of the TUI share started to move up again. At year-end, it stood at € 17.42, up 5% on the previous year.

Long-term development of TUI share prices

€	2001	2002	2003	2004
Highest share price	44.70	35.57	17.20	20.45
Lowest share price	19.20	13.98	7.75	12.94
Share price at financial year-end	27.60	16.16	16.53	17.42
Book value	19.00	17.86	15.50	16.73

Quotations, indices and trading

The TUI share is officially traded on all German trading floor systems and in the Xetra electronic trading system. It is the only German tourism share. Several European competitors such as MyTravel, First Choice, Club Méditerranée and Kuoni are also listed and traded on stock markets in the UK, France and Switzerland.

Member of the DAX30 and the 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 2004, it ranked 27th in terms of trading volume and 32nd in terms of market capitalisation. At that point in time, the TUI share carried a weighting of 0.61% 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.

Increased trading in TUI shares

In addition, the TUI share is also included in several industry indices in the German stock market and at European level: these include the European sub-indices DJ Travel & Leisure and DJ Euro Stoxx Travel & Leisure. Its year-end weightings were 3.33% and 9.87% respectively. Moreover, the share was listed in the FTSE index Eurotops 300 and the FTSE4Good sustainability index.

Trading in TUI shares rose substantially. On average, 1,666,577 shares were traded per day, an increase of just under 14% year-on-year. The total trading volume amounted to 428.3 million no-par value shares. The number of options on TUI shares traded on the European futures exchange EUREX rose by 68% to 74,070 contracts per month, i.e. a total of 888,846 contracts.

Capital stock and number of shares

Employee shares

In 2004, TUI AG's capital stock rose by € 735,902 due to the issuance of 287,860 employee shares. At the balance sheet date, it therefore totalled € 456,983,836, comprised of 178,756,539 no-par value shares. These were bearer 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.

1999/2004 convertible bond repaid

The 1999/2004 convertible bond matured and was repaid on 17 June 2004. Up to this closing date, no bonds were converted in the completed financial year. Moreover, no bonds were converted from the 2003/2008 convertible bond. As a result, investors continued to hold conversion rights for a total of 17,803,240 TUI shares as per the balance sheet date.

Resolutions of the 2004 Annual General Meeting

The 2004 Annual General Meeting was held on 18 May 2004 in Hanover. Approx. 2,500 shareholders and shareholder representatives, representing 54.3% of the capital stock in the votings, participated in the AGM. Besides the formal approval of the acts of the Executive and Supervisory Boards and the adoption of a resolution on the appropriation of net profits from the 2003 financial year, the agenda also included the creation of approved and conditional capital for future capital measures and the acquisition of own shares under section 71 sub-section 1 no. 8 of the German Stock Corporation Act (AktG). In addition, the change of the corporate purpose following the divestments completed in 2003 was approved. In the 2004 financial year, no use was made of the authorisation to purchase own shares.

Shareholder structure

Extensive changes in shareholder structure

In December 2004, GEV Gesellschaft für Energie- und Versorgungswerte mbH, a subsidiary of WestLB AG, divested its stake of around 31.4% in TUI AG, held for many years. The share block was sold in two tranches: 9.97% of the first tranche was purchased by the Spanish Riu family through participations. A total of approx. 7.3% was purchased by another two Spanish investors, Caja de Ahorros del Mediterráneo and Grupo Empresas Matutes. A second tranche of around 14% was sold to institutional investors, primarily in Germany and other European countries.

Due to the changes in the shareholder structure, the free float of TUI shares rose to 90%. This included a proportion of around 15% held by private shareholders while the largest proportion of the free float was held by institutional investors. According to internal and external analysis, these were mainly investors from Germany and other EU countries.

Dividend and yield ratios

Dividend

TUI AG reported a profit for the year of € 137.6 million. Taking account of retained profits brought forward of € 0.4 million, a net profit of € 138.0 million was available for distribution to the shareholders at the end of the 2004 financial year. It is therefore possible, once again, to propose a dividend of 77 euro cents per no-par value share to the Annual General Meeting. With a total of 178,756,539 dividend-bearing shares, the dividend payouts amount to € 137.6 million.

Development of earnings and dividend of the TUI share

€	2001	2002	2003	2004
Earnings per share	1.96	0.18	1.54	2.74
Dividend	0.77	0.77	0.77	0.77

Yield of shares

As before, the TUI share was an attractive investment for yield-oriented investors in 2004. A TUI shareholder who purchased his shares at the beginning of the year generated a dividend yield of 4.5%. Shareholders with longer-term exposure who, for instance, invested the equivalent of € 500 in Preussag shares in 1990, exercised their subscription rights and reinvested their dividend yields, held a TUI share portfolio worth € 864 at the balance sheet date. Their average annual return was 4.0%.

Investor Relations

The activities of the Investor Relations team focused on open communication and up-to-date information for shareholders, analysts, prospective investors and lenders. The purpose of the discussions with market participants was to enable them to make a realistic assessment of TUI's prospects and potential, based on debate about strategy, the realignment of the Group and business trends in the individual sectors.

Dialogue with the financial market

The Executive Board met analysts and investors at several investors' meetings and road shows and met their information requirements by means of one-on-one discussions and conference calls. The analysts' day, focusing on shipping, provided more than 50 participants with comprehensive corporate presentations and intensive discussions with the Executive Boards of TUI AG and Hapag-Lloyd AG. Another analysts' meeting was held to present the annual financial statements for 2003, while the Executive Board was available for questions in conference calls whenever an interim report was submitted. Dialogue with private investors was a focus at several investor forums organised by regional stock exchanges, banking institutions and shareholder associations. Another forum for ample discussion with the shareholders was the 2004 Annual General Meeting.

TUI Group in Figures

		2001	2002	2003	2004
Turnover					
Tourism	€ mill	12,763	12,416	12,671	13,123
Logistics	€ mill	3,889	3,777	3,915	3,472
Others	€ mill	5,759	4,109	2,629	1,451
Group	€ mill	**22,411**	**20,302**	**19,215**	**18,046**
Earnings by divisions (EBTA)					
Tourism	€ mill	530	336	208	362
Logistics	€ mill	308	200	323	290
Others	€ mill	- 27	39	382	- 30
Group	€ mill	**811**	**575**	**913**	**622**
Earnings before interest, tax, depreciation and amortisation (EBITDA)					
Tourism	€ mill	798	614	532	673
Logistics	€ mill	528	434	567	495
Others	€ mill	566	453	623	214
Group	€ mill	**1,892**	**1,501**	**1,722**	**1,382**
Net profit for the year	€ mill	**411**	**41**	**315**	**532**
Earnings per share	€	1.96	0.18	1.54	2.74
Assets					
Non-current assets	€ mill	12,226	12,019	10,271	9,758
Current assets	€ mill	4,398	3,498	2,718	2,561
Total assets	€ mill	**16,624**	**15,517**	**12,989**	**12,319**
Equity and liabilities					
Equity	€ mill	3,383	3,180	2,767	2,991
Non-current liabilities	€ mill	4,936	4,516	4,204	4,764
Current liabilities	€ mill	8,305	7,821	6,018	4,564
Total equity and liabilities	€ mill	**16,624**	**15,517**	**12,989**	**12,319**
Equity ratio	%	**20.3**	**20.5**	**21.3**	**24.3**
Cash flow from operating activities	€ mill	**1,383**	**1,391**	**902**	**964**
Capital expenditure	€ mill	**967**	**1,063**	**724**	**677**
Net debt	€ mill	**6,189**	**5,445**	**3,828**	**3,251**
Employees	31 Dec	**69,550**	**70,299**	**64,257**	**57,716**

Financial statements → Balance sheet total decreased to € 12.3 billion. → Equity ratio rose by 24.3%. → Net debt reduced to € 3.25 billion.

Profit and Loss Statement of the TUI Group for the period from 1 January 2004 to 31 December 2004

€ million	Notes	2004	2003
Turnover	(1)	18,046.2	19,215.4
Other income	(2)	682.4	868.6
Change in inventories and other own work capitalised	(3)	+ 49.9	+ 30.6
Cost of materials	(4)	12,409.3	13,441.5
Personnel costs	(5)	2,468.4	2,568.8
Depreciation and amortisation	(6)	520.0	877.9
(of which amortisation of goodwill)		(–)	(278.9)
Impairment of fixed assets	(7)	13.0	387.8
(of which impairment of goodwill)		(–)	(368.6)
Other expenses	(8)	2,711.6	3,045.5
Result from the discontinuance of operations	(9)	+ 132.3	+ 557.7
Financial result	(10)	- 208.5	- 147.3
Result from companies measured at equity	(11)	+ 41.8	+ 42.5
Earnings before taxes on income		**+ 621.8**	**+ 246.0**
Income taxes	(12)	+ 89.7	- 68.9
Group profit for the year		**532.1**	**314.9**
Group profit for the year attributable to shareholders of TUI AG		+ 488.3	+ 275.0
Minority interests	(13)	+ 43.8	+ 39.9
Group profit for the year		**532.1**	**314.9**

€	Notes	2004	2003
Basic earnings per share	(14)	**2.74**	**1.54**
Diluted earnings per share		**2.56**	**1.54**
Earnings per share before amortisation of goodwill		2.74	5.26

Balance Sheet of the TUI Group as at 31 December 2004

€ million	Notes		31 Dec 2004	31 Dec 2003
Assets				
Goodwill	(15)	3,763.8		3,807.9
Other intangible assets	(16)	178.1		198.6
Investment property	(17)	140.4		149.3
Other property, plant and equipment	(18)	4,481.9		4,734.7
Companies measured at equity	(19)	339.5		332.4
Other investments	(20)	413.5		465.2
Fixed assets			**9,317.2**	**9,688.1**
Other receivables and assets	(23)	208.3		395.0
Deferred income tax claims	(24)	233.0		188.3
Non-current receivables			**441.3**	**583.3**
Non-current assets			**9,758.5**	**10,271.4**
Inventories	(21)		**357.1**	**310.8**
Trade accounts receivable	(22)	687.9		898.2
Other receivables and assets	(23)	1,013.3		1,138.5
Current income tax claims	(24)	21.4		21.8
Current receivables			**1,722.6**	**2,058.5**
Cash and cash equivalents	(25)		**481.1**	**348.5**
Current assets			**2,560.8**	**2,717.8**
			12,319.3	**12,989.2**

€ million	Notes		31 Dec 2004	31 Dec 2003
Equity and liabilities				
Subscribed capital	(26)	457.0		456.2
Reserves	(27)	2,158.1		1,887.8
Net profit available for distribution	(28)	138.0		137.8
Interest in equity of shareholders in TUI AG			**2,753.1**	**2,481.8**
Minority interests	(29)		**237.8**	**285.1**
Equity			**2,990.9**	**2,766.9**
Provisions for pensions and similar obligations	(30)	628.0		598.3
Current income tax provisions	(31)	118.8		119.9
Deferred income tax provisions	(31)	222.9		209.2
Other provisions	(31)	340.1		360.2
Non-current provisions			**1,309.8**	**1,287.6**
Financial liabilities		3,328.8		2,710.2
Other liabilities		125.6		206.4
Non-current liabilities	(32)		**3,454.4**	**2,916.6**
Non-current provisions and liabilities			**4,764.2**	**4,204.2**
Provisions for pensions and similar obligations	(30)	39.7		46.8
Current income tax provisions	(31)	23.3		159.2
Other provisions	(31)	602.1		684.5
Current provisions			**665.1**	**890.5**
Financial liabilities		402.9		1,467.1
Trade accounts payable		1,844.6		2,036.6
Other liabilities		1,651.6		1,623.9
Current liabilities	(32)		**3,899.1**	**5,127.6**
Current provisions and liabilities			**4,564.2**	**6,018.1**
			12,319.3	**12,989.2**

Statement of Changes in Equity

€ million	**Subscribed capital** (26)	Capital reserves	Revenue reserves	Differences from currency translation	Revaluation reserve for business combinations	Revaluation reserve for financial assets	**Total reserves** (27)	Profit available for distribution (28)	**Equity attributable to shareholders in TUI AG**	Minority interests (29)	**Total equity**
Balance as at 1 Jan 2003	**455.1**	**1,554.4**	**675.0**	**- 88.3**	**0.0**	**176.4**	**2,317.5**	**137.5**	**2,910.1**	**270.4**	**3,180.5**
First-time application of IAS 21 (revised 2003)				- 179.9			- 179.9		- 179.9		- 179.9
Adjusted as at 1 Jan 2003	**455.1**	**1,554.4**	**675.0**	**- 268.2**	**0.0**	**176.4**	**2,137.6**	**137.5**	**2,730.2**	**270.4**	**3,000.6**
Dividend payments							0.0	- 137.1	- 137.1	- 16.8	- 153.9
Issue of employee shares	1.1	3.2					3.2		4.3		4.3
Issue of convertible bond		42.1					42.1		42.1		42.1
Differences from changes in consolidation			54.5	15.6		- 0.7	69.4		69.4	2.9	72.3
Differences from currency translation				- 255.3		- 1.0	- 256.3		- 256.3	- 10.0	- 266.3
Changes in fair value of available-for-sale financial assets						0.4	0.4		0.4		0.4
Changes in fair value of cash flow hedges						- 69.4	- 69.4		- 69.4	- 3.6	- 73.0
Available-for-sale financial assets taken to income						- 202.7	- 202.7		- 202.7		- 202.7
Cash flow hedges taken to income						16.9	16.9		16.9	1.6	18.5
Tax items directly offset against equity		- 15.0				24.0	9.0		9.0	0.7	9.7
Transfers to reserves		4.4	133.2				137.6	- 137.6	0.0		0.0
Group profit for the year							0.0	275.0	275.0	39.9	314.9
Balance as at 31 Dec 2003	**456.2**	**1,589.1**	**862.7**	**- 507.9**	**0.0**	**- 56.1**	**1,887.8**	**137.8**	**2,481.8**	**285.1**	**2,766.9**
First-time application of IFRS 3			11.1				11.1		11.1		11.1
Adjusted as at 1 Jan 2004	**456.2**	**1,589.1**	**873.8**	**- 507.9**	**0.0**	**- 56.1**	**1,898.9**	**137.8**	**2,492.9**	**285.1**	**2,778.0**
Dividend payments							0.0	- 137.4	- 137.4	- 20.2	- 157.6
Issue of employee shares	0.8	2.4					2.4		3.2		3.2
Differences from changes in consolidation						- 0.4	- 0.4		- 0.4	- 68.4	- 68.8
Offsetting difference from the acquisition of minority interests			- 65.6				- 65.6		- 65.6		- 65.6
Effect from business combinations achieved in stages					10.6		10.6		10.6		10.6
Differences from currency translation				- 57.5			- 57.5		- 57.5	- 2.0	- 59.5
Changes in fair value of available-for-sale financial assets						0.6	0.6		0.6		0.6
Changes in fair value of cash flow hedges						- 49.0	- 49.0		- 49.0	- 1.0	- 50.0
Available-for-sale financial assets taken to income						0.3	0.3		0.3		0.3
Cash flow hedges taken to income						73.1	73.1		73.1	0.3	73.4
Tax items directly offset against equity						- 6.0	- 6.0		- 6.0	0.2	- 5.8
Transfers to reserves		3.2	347.5				350.7	- 350.7	0.0		0.0
Group profit for the year							0.0	488.3	488.3	43.8	532.1
Balance as at 31 Dec 2004	**457.0**	**1,594.7**	**1,155.7**	**- 565.4**	**10.6**	**- 37.5**	**2,158.1**	**138.0**	**2,753.1**	**237.8**	**2,990.9**

Cash Flow Statement

€ million	Notes	2004	2003
Group profit for the year		532.1	314.9
Depreciation. armortisation and impairments (+)/write-back (-) of fixed assets		565.3	1,325.9
Other non-cash expenses (+)/income (-)		- 57.4	- 33.3
Interest expenses		252.8	241.9
Profit (-)/loss (+) from disposals of fixed assets		- 204.0	- 935.1
Increase (-)/decrease (+) in inventories		- 110.2	- 5.5
Increase (-)/decrease (+) in receivables and other assets		25.0	- 20.7
Increase (+)/decrease (-) in provisions		- 72.4	- 116.6
Increase (+)/decrease (-) in liabilities (excl. liabilities to banks)		32.3	130.7
Cash inflow/outflow from operating activities	(33)	**963.5**	**902.2**
Payments received from disposals of tangible and intangible assets		124.5	352.7
Payments received from disposals of consolidated companies and financial assets (excl. disposals of cash and cash equivalents due to divestments)		791.1	1,547.9
Payments made for investments in tangible and intangible assets		- 666.5	- 589.9
Payments made for investments in consolidated companies and financial assets and for credits and loans to third parties (excl. cash and cash equivalents received due to acquisitions)		- 265.2	- 208.1
Cash inflow/outflow from investing activities	(34)	**- 16.1**	**1,102.6**
Payments received from capital increases and allowances by shareholders		3.2	4.4
Dividend payment by			
- TUI AG		- 137.4	- 137.1
- subsidiaries to other shareholders		- 19.6	- 17.1
Payments received from the issue of loans and the raising of financial liabilities		1,897.3	2,033.6
Payments made for redemption of loans and financial liabilities		- 2,336.4	- 3,683.3
Interest paid		- 220.1	- 210.8
Cash inflow/outflow from financing activities	(35)	**- 813.0**	**- 2,010.3**
Net change in cash and cash equivalents		**134.4**	**- 5.5**
Development of cash and cash equivalents	(36)		
Cash and cash equivalents at beginning of period		**348.5**	**366.5**
Change in cash and cash equivalents due to changes in consolidation		3.5	9.2
Change in cash and cash equivalents due to exchange rate fluctuations		- 5.3	- 21.7
Change in cash and cash equivalents with cash effects		134.4	- 5.5
Cash and cash equivalents at end of period		**481.1**	**348.5**

Notes Principles and Methods underlying the Consolidated Financial Statements

General

TUI AG, the Hanover-based TUI Group's parent company, is 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 in a separate annex to the notes in the section on 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 and made it permanently accessible to the general public on the Company's website.

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

The TUI Group's core businesses are tourism and logistics. In tourism, the Group has activities at all stages of the value chain. The services portfolio includes the organisation of tours by tour operators, the distribution of tours in travel agencies and by new media, transport by Group-owned airlines, services for holidaymakers in the destinations by Group-owned incoming agencies, and accommodation of guests in Group hotels. The Group's logistics activities were focused on shipping in the course of 2004. The core of the shipping business is an international container shipping line, and the division also includes cruise activities. Most of the special logistics companies were divested in 2004. The Group still holds the rail and tank container logistics operations, which are also available for sale. In addition, the Group operates steel service activities in the US and carries out other industrial operations to a limited extent. These have not yet been divested within the context of its strategic realignment.

Accounting principles

The consolidated financial statements of TUI AG were prepared in accordance with international accounting standards, the International Financial Reporting Standards (IFRS), of the International Accounting Standards Board (IASB), London. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments. All requirements of each of the compulsory standards applicable as per the balance sheet date were completely fulfilled. In addition to the standards IAS 1 (revised 2003) and IAS 21 (revised 2003) already voluntarily applied prior to their effective dates in the previous year, the new IFRS 3 'Business Combinations' and the revised IAS 36 'Impairment of Assets' (revised 2004) and IAS 38 'Intangible Assets' (revised 2004) were voluntarily applied since 1 January 2004, prior to their effective dates.

The requirements of section 292a of the German Commercial Code (HGB) for an exemption from the duty to prepare consolidated financial statements in accordance with German accounting standards were met. According to standard no. 1 of the German Accounting Standards Committee (DRSC), the consolidated financial statements were in particular consistent with the European Union Directive on Consolidated Financial Accounting (Directive 83/349/EEC).

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) were carried at equity. Companies managed jointly with one or several partners (joint ventures) were not included on the basis of proportionate consolidation but 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 associated companies was analogous to the principles applying to consolidated subsidiaries. Equity measurement in each case was based on the last annual or consolidated financial statements.

Group of consolidated companies

In the 2004 financial year, the consolidated financial statements included a total of 52 domestic and 350 foreign subsidiaries, besides TUI AG.

Sixty-two domestic and 165 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.

Out of the total of 18 additions to the group of consolidated companies, twelve companies, i.e. the vast majority, related to the tourism and logistics division. In the Western Europe sector, the Belgian airline established in the previous year was included in consolidation for the first time due to the start-up of its business operations. In addition, one sub-group in the hotel sector previously measured at equity was added to the group of consolidated companies due to the acquisition of 100% of the shares as per 1 November 2004. The purchase price for the shares purchased in 2004 (50.0%) totalled approx. € 26.0 million and will be subject to potential adjustments in future in accordance with net debt. In the 2004 financial year, the companies generated turnover of € 11.1 million and negative result of around € 1.5 million until they were included in consolidation for the first time. In the first two month of Group affiliation, turnover amounted to € 3.5 million with positive result of € 4.0 million. A reconciliation of the revaluation of assets and liabilities, carried out in the framework of first-time consolidation, to the resulting goodwill is included in the section on goodwill. The newly acquired airport operating company in the UK was carried under the 'Other/consolidation' sector. A further 15 companies were included in consolidation for the first time mainly due to spin-offs and the establishment of new companies as well as the expansion of their business operations.

Besides the additions to the group of consolidated companies, a total of 47 companies were removed from consolidation in the 2004 financial year. Thirty-three of these removals related to discontinuing operations due to divestments of companies. First of all, Pracht Spedition + Logistik GmbH was divested at the beginning of the financial year. In addition, 15 companies of the bulk and special logistics sectors of VTG AG (UB II) were divested. A further 17 companies were removed from consolidation due to the divestment of the Algeco Group, another company operating in the logistics division. Disclosures on discontinuing operations are outlined in detail under note 9.

Due to divestments or mergers, the group of companies included in consolidation in the tourism division declined by a further nine companies. The remaining five removals related to the logistics division and the 'Other/consolidation' sector.

The effects of the changes in the group of consolidated companies are outlined below.

Development of the group of consolidated companies[1) and the group of companies measured at equity

	Balance 31 Dec 2003	Additions	Disposals	Balance 31 Dec 2004
Consolidated subsidiaries	**431**	**18**	**47**	**402**
Domestic companies	62	8	18	52
Foreign companies	369	10	29	350
Associated companies	**19**	**3**	**1**	**21**
Domestic companies	4	1	1	4
Foreign companies	15	2	–	17
Joint ventures	**27**	**2**	**2**	**27**
Domestic companies	7	1	1	7
Foreign companies	20	1	1	20

[1)] excl. TUI AG

Effects of additions to and removals from consolidation

Balance sheet € million	**Additions 31 Dec 2004**	**Disposals 31 Dec 2003**
Non-current assets	276.3	531.9
Current assets	22.2	351.4
Provisions	26.3	89.7
Financial liabilities	152.5	253.0
Other liabilities	20.8	191.8

Effects of additions to and removals from consolidation

Profit and loss statement **€ million**	**Additions 2004**	**Disposals 2004**	**Disposals 2003**
Turnover with third-parties	9.2	425.1	1,102.3
Turnover with consolidated Group companies	111.5	0.5	10.3
Operating income	25.6	59.3	336.7
Operating expenses	126.1	453.6	1,322.2
Financial result	3.0	- 1.2	4.9
At equity result	–	–	–
Earnings before taxes on income	23.2	30.1	132.0
Income taxes	1.1	12.9	42.2

Twenty-one associated companies and 27 joint ventures were measured at equity. The group of companies measured at equity increased by two companies on the previous year. Five companies were added to equity measurement while three were removed. The additions mainly resulted from acquisitions of shareholdings. On the other hand, two 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 143. 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 the foreign subsidiaries were translated according to the functional currency concept. The respective functional currency corresponds to the currency of the country of incorporation of the company. Assets, liabilities and balance sheet notes as well as goodwill associated with the foreign subsidaries were translated at the mean rate of exchange applicable at the balance sheet date (closing rate). 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 the 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 companies.

All differences resulting from the translation of the financial statements of foreign subsidiaries were carried with no effect on results and separately shown under revenue reserves. 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 31 Dec 2004	31 Dec 2003	Average rate 2004	2003
1 Pound Sterling	1.41	1.41	1.47	1.45
1 US Dollar	0.73	0.79	0.80	0.88
100 Swiss Francs	64.78	64.14	64.76	65.76
100 Swedish Kronas	11.09	11.02	10.96	10.96

Consolidation methods

Capital consolidation was based on the purchase method of accounting by eliminating acquisition costs against the revalued acquiree's equity attributable to the parent company at the acquisition date. Any excess of acquisition costs over net assets acquired was recognised as goodwill for all companies purchased since 1 October 1995. Since the prospective application of IFRS 3 'Business Combinations' as per 1 January 2004, this goodwill was no longer amortised. Impairment tests of goodwill were regularly effected at least once a year following the completion of the annual planning process in conjunction with the annual financial statements. Any goodwill from subsidiaries purchased before 1 October 1995 continued to be eliminated against revenue reserves. As a matter of principle, any negative goodwill from capital consolidation was hitherto carried as a deduction from capitalised goodwill and systematically amortised over the useful lives of the non-monetary assets of the companies. Due to the application of IFRS 3, new negative goodwill was immediately recognised in profit or loss as it arose. Due to the application of the provisions of IAS 21 (revised 2003), goodwill and negative goodwill were recognised as an asset of the acquired subsidiary.

Goodwill arising in the framework of the acquisition of minority interests was directly eliminated against revenue reserves. The fair value measurement of the assets and liabilities of companies included in consolidation for the first time due to business combinations achieved in stages resulted in a change in equity with no effect on results. In this respect, account was only taken of the effect of the revaluation related to the shares held before the date of first-time consolidation.

In connection with the removal from consolidation, the differences between the results generated by a subsidiary during the period of inclusion in Group consolidation and the results of the subsidiary carried in the annual financial statements of the parent company as well as exchange differences were recognised in profit or loss. In the case of a disposal of goodwill in a subsidiary acquired before 1 October 1995 and removed from the group of consolidated companies, the elimination against revenue reserves with no effect on results effected in the past was no longer reversed with no effect on results. Any minority interests were disposed of with no effect on profits.

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 and in the statement of changes in fixed assets under 'Associated companies or joint ventures measured at equity'. Concerning the treatment of remaining differences, the principle applied in capital consolidation was also applied to the companies measured at equity, with goodwill contained in equity measurement. As per 1 January 2004, negative goodwill totalling € 11.1 millon was eliminated against revenue reserves with no effect on results in order to adjust the opening balance. The 'Result from companies measured at equity' contained both the share of these companies in the profit for the year after taxes and the impairment of goodwill of these companies. The previous year's figures also included the amortisation of goodwill, no longer to be carried out since the beginning of the 2004 financial year. 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 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 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.

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 commisson income from package tours of non-Group tour operators sold by the travel agencies was recognised upon payment by the customers; however, upon departure at the latest. Commission income from Group products sold was not recognised until upon departure of the customers. The services of tour operators mainly consisted in the organisation and coordination of package tours. Turnover from the organisation of package tours was therefore completely recognised upon the start of the tour. Turnover from individual tour modules booked directly with airlines, hotel companies or incoming agencies by customers was recognised as at the date at which the customers used the service. Revenue from services in the logistics division was recognised on an accrual basis.

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

Transaction costs on the issue of shares, conversion options or warrants were eliminated against the capital reserves formed for the issue with no effect on results.

Assets were capitalised when all material risks and rewards incident to ownership were attributable to the Group. Assets were measured at amortised cost, with the exception of certain financial assets.

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 conversion was not capitalised.

Intangible assets were amortised and property, plant and equipment with a limited service life depreciated over the expected useful life unless a different amortisation or depreciation method was more appropriate in exceptional cases due to the actual development of the useful life. Impairment tests for assets were conducted when there were any events or indications suggesting that there was an impairment. An impairment was charged where the future economic benefit from the asset was below its carrying amount. The recoverable amount of an asset was the net selling price or present value of future cash flows expected to arise from the asset, if higher (value in use). Where the original causes for impairments charged in previous years no longer applied, the impairment was written back to other income. Goodwill was not written back.

Goodwill from the acquisition of companies before 1 October 1995 was eliminated against revenue reserves. Goodwill from the acquisition of companies acquired since 1 October 1995 was capitalised. Due to the application of IFRS 3 'Business Combinations', capitalised goodwill is no longer amortised. Impairment tests for capitalised goodwill were conducted at least annually following the completion of the annual planning process in connection with the annual financial statements. As a matter of principle, any negative goodwill from capital consolidation was hitherto carried as a deduction from capitalised goodwill and amortised over the useful lives of the non-monetary assets of the companies. In accordance with the provisions of IFRS 3, new negative goodwill had to be completely reversed with an effect on results as per the date at which it was generated. As per 1 January 2004, existing negative goodwill of € 11.1 million was eliminated against revenue reserves with no effect on results in the framework of at equity measurement in order to adjust the opening balance.

Other purchased 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.

Property, plant and equipment were measured at cost, less scheduled wear-and-tear depreciation and in individual cases impairments. Investment grants received were shown as reductions in cost where these grants were directly attributable to individual tangible asset items. Where a direct allocation of grants was not possible, the grants received were carried as deferred income and reversed in accordance with the useful life of the investment project.

For aircraft, residual values of up to 20% of the acquisition costs were deducted in determining depreciation; for vessels and in justified cases for machinery and fixtures, scrap values were deducted as residual values.

Useful lives

Useful lives

	Useful lives
Other intangible assets	
Concessions, industrial property rights and similar rights and values (excl. software)	Up to 20 years
Software	Up to 10 years
Property, plant and equipment	
Hotel buildings	25 years
Other buildings	Up to 50 years
Tank farms	Up to 25 years
Other technical plants and machinery	Up to 40 years
Container ships	23 years
Other ships and wagon fleet	Up to 30 years
Aircraft and spare parts for aircraft	Up to 18 years
Operating and business equipment	Up to 10 years

The repair and maintenance costs of property, plant and equipment were recognised as expenses. Replacement and renewal costs were recognised as subsequent costs of conversion when they led to a considerable extension of the useful life or a substantial improvement or major change in the use of the tangible asset.

In accordance with IAS 17, leased property, plant and equipment in which the TUI Group carried all the risks and rewards incident to ownership of the assets (finance leases) were measued at the cost that would have been incurred if the assets had been purchased or the net 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 were lessors in the framework of finance leases, receivables amounting to the net investment value under the lease were carried. The periodic structure of the income from the finance leases produced a constant rate of interest on the net investment value outstanding unter the leases. Rental income from operating leases was recognised on a straight-line basis over the terms of the respective leases.

Real estate not used by Group companies for their operative business and exclusively held to generate rental income and profits from capital appreciation (investment property) was recognised at amortised cost.

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. 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.

Financial assets were recognised at cost upon acquisition. Marketable financial assets were recognised for the first time at the settlement date, i.e. the day at which the asset was delivered. Primary financial instruments were measured depending on the

Company's intention to hold them. In the TUI Group, the instruments were either classified as available-for-sale or as loans and receivables originated by the Company. As a matter of principle, derivative financial instruments were concluded and classified as hedges.

Besides all purchased securities, available-for-sale financial assets comprised all shares in non-consolidated Group companies and shareholdings. They were initially measured at cost and subsequently at the fair value of the financial assets. The changes in the fair values between the date of acquisition and the balance sheet date were recognised in the revaluation reserve 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 non-scheduled amortisation in the result for the period. Where no fair value listed on an active market existed for shares in non-consolidated Group companies and 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 and receivables originated by the Company were measured at amortised cost. They included loans as well as all receivables and other assets. Concerning these items, all identifiable individual risks and the general credit risk supported by empirical information were accounted for by means of appropriate value discounts.

As a rule, liabilities were carried as they arose at the value of the consideration received after deduction of the costs of borrowing. In the subsequent period, liabilities were measured at amortised cost using the effective interest method.

For the issue of financial instruments comprising both a liability and an equity element in the form of conversion options or warrants, the financial resources received for the respective component were reported in accordance with their character. In this regard, bonds were reported at the value that would have been achieved by the issue of this debt instrument without the equity element and on the basis of current market conditions. The difference arising on the issuing proceeds was transferred to the capital reserves, taking account of deferred taxes.

In the individual financial statements, foreign currency receivables and liabilities were measured at the rate of exchange at the balance sheet date. The currency differences resulting from the translation of foreign currency receivables and liabilities were reported under cost of purchased services and materials when they had arisen in the course of normal operating processes, or under other operating expenses and income when they were attributable to other facts.

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

When a hedged future transaction gave rise to the recognition of an asset, the accumulated gains and losses from the derivative financial instrument directly recognised in equity were shown as a reduction or increase in cost. When the hedged item was a hedged expense or income item, the accumulated gains or losses from the hedge were realised as income or expense of the period when the hedged item affected net profit or loss. When in exceptional cases the necessary criteria for hedge accounting under IAS 39 were not met by individual derivative financial instruments, all changes in fair values were immediately recognised in the result for the period.

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. Long-term provisions, insofar as there was a material effect, were reported at their net present value. Pension provisions were recognised using the projected unit credit method in accordance with IAS 19 (revised 2002). Income tax provisions – provided they existed in the same fiscal territory and were congruent in terms of nature and maturity – were offset against the corresponding tax refund claims.

In accordance with IAS 12 (revised 2000), the accounting and measurement of deferred 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.

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.

Notes on the accounting and measurement methods deviating from German law
Accounting under the International Financial Reporting Standards (IFRS) is primarily oriented towards meeting investors' information requirements. IFRS therefore provides for a strict separation between commercial-law and tax-law accounting.

In accordance with IFRS 3 'Business Combinations', goodwill was no longer amortised. In contrast to German commercial law, goodwill only had to be subjected to an impairment test at least once a year.

Under the rules of IAS 21 (revised 2003) and IAS 39, all foreign currency receivables and liabilities had to be translated at the rate of exchange at the balance sheet date. All derivative financial instruments and available-for-sale securities had to be recognised at their fair values. As a result, the profit and loss statement or equity also included unrealised gains. These provisions deviate from the historical cost, realisation and imparity principles required under German commercial law.

Under IAS 19 (revised 2002), pension provisions were recognised in accordance with the projected unit credit method. Calculation according to the German tax based method was not admissible. Assets acquired to protect provisions for pensions and part-time schemes for elderly workers against insolvency, or to finance these provisions, were offset against the corresponding provisions in accordance with IAS 19 due to the irrevocable earmarking of these assets. Under German commercial law, the acquired assets have to be recognised separately from the provisions.

In accordance with IAS 12 (revised 2000), the accounting and measurement of deferred taxes followed the balance sheet liability method deviating from the German Commercial Code. Tax savings from future loss carryforwards assessed as realisable were carried in the balance sheet as deferred tax assets.

Under IFRS, income by tour operators was recognised at the date of departure of the customers. Under commercial law, income and profits were carried at the end of a tour.

Whereas liabilities were carried at the repayable amounts under commercial law, liabilities were reported at the value of the consideration received after deduction of the cost of borrowing under IFRS. In contrast to commercial law, the costs arising in conjunction with the issue of shares and subscription rights were treated with no effect on profits and directly eliminated against the capital reserve.

Furthermore, in contrast to German commercial law, self-generated intangible assets such as computer software were recognised, and no provisions were formed for omitted maintenance activities carried out within three months. Moreover, provisions for supplier invoices not yet received were carried as trade accounts payable due to the high probability of the outflow of resources under the IFRS rules.

Segment reporting

Notes on the segments

In segment reporting, the business activities of the TUI Group were attributed to the tourism and logistics divisions and to the remaining trading sector as well as to the energy sector of the former industry division for the previous year. The segmentation of the Group reflected the Group's internal management control. The allocation of the individual companies to the divisions and sectors was solely based on economic criteria, irrespective of their participation structure under company law.

The tourism division covered all tourism companies of the Group with the exception of the cruise activities of Hapag-Lloyd AG which were reported in the logistics division. The tourism division was subdivided into the five sectors Central Europe, Northern Europe, Western Europe, Destinations and Other tourism activities. This classification mainly followed geographical aspects and the respective functions within the value chain.

The Central Europe sector was formed by the distribution and tour operating activities in Germany, Switzerland, Austria and Poland. Hapag-Lloyd Fluggesellschaft mbH was also included in this sector. 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 Britannia Airways UK and Britannia Airways Nordic airlines. The Western Europe sector comprised the distribution and tour operating activities in France, the Netherlands and Belgium as well as Corsair S.A. and TUI Airlines Belgium N.V. airlines. 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 logistics division comprised the shipping and special logistics sectors. The shipping sector covered both container shipping and cruise activities. Special logistics covered the companies providing transport and service activities for the chemical industry and the mineral oil industry and those manufacturing or renting out mobile buildings and pallets until they were divested.

As regards the former industry division, the Group still held the trading sector, while the energy sector was additionally included in the previous year. The trading sector comprised the US steel service companies. The companies of the AMC Group were also included in the trading sector until they were divested as per 31 October 2003. Due to the divestments already completed or planned for the remaining activities, the industry division represented a discontinuing operation.

TUI AG, the Group's holding company, was responsible both for cross-divisional functions such as finance, taxes and legal affairs but also operative management functions for the tourism division. Along with other activities which could not be allocated to individual sectors and with consolidations of relationships between the segments, TUI AG was therefore shown as a separate reporting unit under 'Others/consolidation'. These activities mainly included the low-cost airlines Hapag-Lloyd Express GmbH and Budget Air Ltd., still in the development stage, the Group's real estate companies and Wolf GmbH.

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 and liabilities and excluding 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 as well as the scheduled amortisation of goodwill for the previous year.

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, while financial liabilities were used to fund 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, the 'result from discontinuing operations' was again allocated to the individual types of income and expenses. This applied in particular to impairments of property, plant and equipment of € 25.0 million (previous year: impairment of goodwill of € 14.3 million and property, plant and equipment of € 30.0 million) in the framework of the provisions for discontinuing operations.

In comparison with the previous year, the definition of the interest element to calculate the earnings ratios only comprised earnings from the measurement of interest hedges, while the measurement of other financial instruments was no longer taken into consideration. The presentation of the previous year's figures was adjusted accordingly.

Reconciliation of Group profit for the year to earnings ratios

€ million	Notes	2004	2003
Group profit for the year		**532.1**	**314.9**
Income taxes	(12)	+ 89.7	- 68.9
Earnings before taxes (EBT)		**621.8**	**246.0**
Amortisation of goodwill	(6)/(7)/(11)	–	667.3
Earnings before taxes and amortisation of goodwill (EBTA)		**621.8**	**913.3**

€ million	Notes	2004	2003
Earnings before taxes (EBT)		**621.8**	**246.0**
Interest income	(10)	77.6	88.9
Interest expenses	(10)	252.8	241.9
Result from the measurement of interest hedges	(10)	- 20.6	- 5.3
Earnings before interest and taxes (EBIT)		**817.6**	**404.3**
Scheduled amortisation of goodwill	(6)	–	278.9
Impairment of goodwill	(7)	–	382.9
Amortisation of goodwill of associated companies and joint ventures measured at equity	(11)	–	5.5
Earnings before interest, taxes and amortisation of goodwill (EBITA)		**817.6**	**1,071.6**
Amortisation of other intangible assets and property, plant and equipment	(6)	520.0	599.0
Impairment of other intangible assets and property, plant and equipment	(7)	38.0	49.2
Write-downs of available-for-sale financial assets and loans	(10)	9.0	11.1
Write-backs and post-capitalisation of other intangible assets and property, plant and equipment as well as inventories		2.4	8.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**1,382.2**	**1,722.2**
Operating rental expenses	(4)/(8)	701.9	674.8
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)		**2,084.1**	**2,397.0**

Major Subsidiaries, Associated Companies and Joint Ventures

		Nominal share capital in '000	Result for the year[1] in '000	Shareholding (%) total	Shareholding (%) 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 TOUROPA Touristik GmbH & Co KG, Vienna	€	75	2,793	75.0	75.0
TUI (Suisse) AG, Zurich	CHF	4,854	19,161	100.0	100.0
TUI Nederland N.V., Rijswijk[2]	€	10,000	6,113	100.0	–
JetAir N.V., Oostende[2]	€	750	20,386	100.0	72.0
Groupe Nouvelles Frontières S.A.S., Paris	€	3,274	578	100.0	–
Touraventure S.A., Paris	€	10,469	16,889	100.0	91.7
TUI Northern Europe Ltd., London[3]	GBP	250,459	163,700	100.0	–
TUI Holding Spain S.L., Barcelona	€	1,004	769	100.0	–
Robinson Club GmbH, Hanover	€	5,138	*	100.0	–
„MAGIC LIFE der Club" International Hotelbetriebs GmbH, Vienna	€	146	- 18,075	100.0	49.0
Turcotel Turizm A.S., Istanbul[7]	TRL	70,949,830	13,591,228	100.0	100.0
RIUSA II S.A., Palma de Majorca[2] [5]	€	1,202	53,701	50.0	–
Atlantica Hellas S.A., Athens[3] [4]	€	11,026	- 1,879	50.0	–
GRUPOTEL DOS S.A., Cán Picafort[3] [4]	€	84,546	- 304	50.0	–
Tunisie Voyages S.A.R.L., Tunis[3]	TND	1,810	1,087	50.0	–
RIU Hotels S.A., Palma de Majorca[4] [6]	€	841	30,822	49.0	–
TQ3 Travel Solutions Management Holding GmbH, Bremen	€	11,000	*	100.0	–
TUI InfoTec GmbH, Hanover	€	1,000	*	100.0	100.0
Logistics					
Hapag-Lloyd AG, Hamburg	€	60,000	207,134	100.0	100.0
Hapag-Lloyd Container Linie GmbH, Hamburg	€	25,600	*	100.0	100.0
VTG Aktiengesellschaft, Hamburg	€	54,340	*	100.0	100.0
Trading					
Feralloy Corp., Chicago[2]	USD	2,000	37,691	100.0	100.0
Delta Steel, L.P., Houston	USD	2,000	18,502	100.0	100.0
Other Companies					
TUI Beteiligungs AG, Hamburg	€	72,800	*	100.0	–
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	71,427	*	100.0	–
Preussag Immobilien GmbH, Salzgitter	€	25,000	*	100.0	100.0
Wolf GmbH, Mainburg	€	20,000	7,233	80.0	–

*) 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 2003
4) Joint venture
5) Control despite shareholding of 50% or less
6) according to financial statements of the Group as per 31 Dec 2003
7) in million

Key Figures by Divisions and Sectors

€ million	Tourism 2004	Tourism 2003	Logistics*) 2004	Logistics*) 2003
Statements of results				
Third-party turnover	13,122.5	12,671.3	3,472.2	3,915.1
Inter-segment turnover	82.0	29.7	0.0	0.8
Segment turnover	**13,204.5**	**12,701.0**	**3,472.2**	**3,915.9**
Earnings before taxes on income (EBT)	**362.4**	**- 439.2**	**289.5**	**305.6**
Amortisation of goodwill	0.0	642.5	0.0	17.0
Amortisation of goodwill of companies measured at equity	0.0	4.8	0.0	0.6
Earnings by divisions (EBTA)	**362.4**	**208.1**	**289.5**	**323.2**
Earnings before taxes (EBT)	**362.4**	**- 439.2**	**289.5**	**305.6**
Net interest result and result from the measurement of interest hedges	20.5	8.5	- 29.3	- 27.2
Earnings before interest and taxes (EBIT)	**341.9**	**- 447.7**	**318.8**	**332.8**
of which at equity result	(39.3)	(35.2)	(1.2)	(2.7)
Amortisation of goodwill	0.0	642.5	0.0	17.0
Amortisation of goodwill of companies measured at equity	0.0	4.8	0.0	0.6
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**341.9**	**199.6**	**318.8**	**350.4**
Amortisation of other intangible assets and depreciation of property, plant and equipment	328.1	330.6	174.4	212.8
Other depreciation/amortisation and write-backs	- 3.3	- 1.4	- 1.9	- 3.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**673.3**	**531.6**	**495.1**	**567.0**
Rental expenses	451.3	471.5	185.9	150.1
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**1,124.6**	**1,003.1**	**681.0**	**717.1**
Segment assets and liabilities				
Operating segment assets	7,849.7	7,683.1	1,881.9	2,692.0
of which goodwill	(3,752.7)	(3,777.2)	(11.1)	(30.7)
Carrying amounts of companies measured at equity	324.2	317.3	9.5	9.8
Financial assets	848.2	1,233.2	245.6	63.1
Segment assets	**9,022.1**	**9,233.6**	**2,137.0**	**2,764.9**
Operating segment liabilities	3,467.5	3,335.0	677.7	830.0
Financial liabilities	989.4	1,459.5	731.9	535.5
Segment liabilities	**4,456.9**	**4,794.5**	**1,409.6**	**1,365.5**
Additional disclosures				
At equity result	39.3	35.2	1.2	2.7
of which operating result	(39.3)	(40.0)	(1.2)	(3.3)
of which amortisation of goodwill	(0.0)	(4.8)	(0.0)	(0.6)
Non-cash expenses	7.8	1.6	0.0	2.5
Return on sales (% on EBTA)	2.7	1.6	8.3	8.3
Investments	521.1	518.0	140.6	158.7
Investments in goodwill	11.1	85.9	0.0	1.2
Investments in other intangible assets and property, plant and equipment	510.0	432.1	140.6	157.5
Financing ratio (%)	63.0	187.9	124.0	144.8
Personnel at year-end	49,482	51,708	4,478	9,235

*) after restructuring **) Discontinuing operation

Key Figures by Regions

€ million	Germany 2004	Germany 2003	EU (excl. Germany) 2004	EU (excl. Germany) 2003	Rest of Europe 2004	Rest of Europe 2003
Consolidated turnover by customers	1,692.0	2,368.7	9,303.6	10,278.2	468.7	921.0
Consolidated turnover by domicile of companies	8,259.6	8,480.0	8,467.9	9,547.1	248.1	246.5
Operating segment assets	4,245.0	4,579.9	5,618.5	5,970.1	84.2	100.0
of which goodwill	(688.1)	(701.0)	(3,034.4)	(3,044.5)	(18.3)	(18.2)
Operating segment liabilities	2,609.6	2,754.7	2,456.3	2,472.6	79.2	69.8
Additional disclosures						
Depreciation/amortisation	256.9	413.8	248.1	862.8	6.0	9.9
Investments	154.5	248.9	432.2	418.3	3.1	4.7
Investments in goodwill	0.5	10.4	10.6	75.5	0.0	0.0
Investments in other intangible assets and property, plant and equipment	154.0	238.5	421.6	342.8	3.1	4.7
Personnel at year-end	15,744	18,860	33,089	36,539	3,510	2,274

***) Changes in intra-Group supplies due to stronger integration within the value chain

Energy**)		Trading**)		Other/consolidation		Group	
2004	2003	2004	2003	2004	2003	2004	2003
0.0	176.9	971.5	2,056.0	480.0	396.1	18,046.2	19,215.4
0.0	0.0	0.0	0.0	- 82.0	- 30.5	0.0	0.0
0.0	**176.9**	**971.5**	**2,056.0**	**398.0**	**365.6**	**18,046.2**	**19,215.4**
0.0	**20.2**	**115.5**	**12.2**	**- 145.6**	**347.2**	**621.8**	**246.0**
0.0	0.0	0.0	0.0	0.0	2.3	0.0	661.8
0.0	0.0	0.0	0.0	0.0	0.1	0.0	5.5
0.0	**20.2**	**115.5**	**12.2**	**- 145.6**	**349.6**	**621.8**	**913.3**
0.0	**20.2**	**115.5**	**12.2**	**- 145.6**	**347.2**	**621.8**	**246.0**
0.0	- 1.1	- 8.7	- 3.8	- 178.3	- 134.7	- 195.8	- 158.3
0.0	**21.3**	**124.2**	**16.0**	**32.7**	**481.9**	**817.6**	**404.3**
(0.0)	(0.0)	(1.3)	(1.2)	(0.0)	(3.4)	(41.8)	(42.5)
0.0	0.0	0.0	0.0	0.0	2.3	0.0	661.8
0.0	0.0	0.0	0.0	0.0	0.1	0.0	5.5
0.0	**21.3**	**124.2**	**16.0**	**32.7**	**484.3**	**817.6**	**1,071.6**
0.0	19.2	8.0	14.4	47.5	71.3	558.0	648.3
0.0	0.0	0.0	- 0.3	- 1.4	3.2	- 6.6	- 2.3
0.0	**40.5**	**132.2**	**30.7**	**81.6**	**552.4**	**1,382.2**	**1,722.2**
0.0	0.4	3.5	7.2	61.2	45.6	701.9	674.8
0.0	**40.9**	**135.7**	**37.9**	**142.8**	**598.0**	**2,084.1**	**2,397.0**
0.0	0.0	406.7	292.0	531.2	570.3	10,669.5	11,237.4
(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(3,763.8)	(3,807.9)
0.0	0.0	5.8	5.3	0.0	0.0	339.5	332.4
0.0	0.0	1.9	0.9	- 39.7	- 87.9	1,056.0	1,209.3
0.0	**0.0**	**414.4**	**298.2**	**491.5**	**482.4**	**12,065.0**	**12,779.1**
0.0	0.0	76.8	61.0	980.3	1,263.2	5,202.3	5,489.2
0.0	0.0	199.8	155.3	1,838.7	2,092.4	3,759.8	4,242.7
0.0	**0.0**	**276.6**	**216.3**	**2,819.0**	**3,355.6**	**8,962.1**	**9,731.9**
0.0	0.0	1.3	1.2	0.0	3.4	41.8	42.5
(0.0)	(0.0)	(1.3)	(1.2)	(0.0)	(3.5)	(41.8)	(48.0)
(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(5.5)
0.0	0.0	0.0	13.9	0.0	2.5	7.8	20.5
	11.4	11.9	0.6			3.4	4.8
0.0	24.4	3.1	7.9	12.1	14.6	676.9	723.6
0.0	0.0	0.0	0.0	0.0	0.0	11.1	87.1
0.0	24.4	3.1	7.9	12.1	14.6	665.8	636.5
	78.7	258.1	182.3			82.4	181.1
0	0	1,167	1,104	2,589	2,210	57,716	64,257

North and South America		Other regions		Consolidation		Group	
2004	2003	2004	2003	2004***)	2003	2004	2003
3,307.5	2,675.5	3,274.4	2,972.0			18,046.2	19,215.4
1,039.6	849.3	31.0	92.5			18,046.2	19,215.4
610.0	483.1	357.1	111.3	- 245.3	- 7.0	10,669.5	11,237.4
(2.1)	(6.5)	(20.9)	(37.7)			(3,763.8)	(3,807.9)
166.3	125.8	127.8	72.3	- 236.9	- 6.0	5,202.3	5,489.2
40.4	18.9	9.3	6.8	- 2.7	- 2.1	558.0	1,310.1
63.7	40.3	23.4	11.4			676.9	723.6
0.0	0.5	0.0	0.7			11.1	87.1
63.7	39.8	23.4	10.7			665.8	636.5
2,906	2,591	2,467	3,993			57,716	64,257

Key Figures Tourism Division

€ million	Central Europe 2004	Central Europe 2003	Northern Europe 2004	Northern Europe 2003
Statements of results				
Third-party turnover	5,227.3	5,097.1	4,635.4	4,301.1
Inter-segment turnover	40.0	36.6	47.5	5.5
Segment turnover	**5,267.3**	**5,133.7**	**4,682.9**	**4,306.6**
Earnings before taxes on income (EBT)	**82.4**	**- 70.1**	**65.2**	**- 385.6**
Amortisation of goodwill	0.0	51.2	0.0	464.6
Amortisation of goodwill of companies measured at equity	0.0	2.4	0.0	0.0
Earnings by divisions (EBTA)	**82.4**	**- 16.5**	**65.2**	**79.0**
Earnings before taxes (EBT)	**82.4**	**- 70.1**	**65.2**	**- 385.6**
Net interest result and result from the measurement of interest hedges	19.0	6.9	13.6	14.4
Earnings before interest and taxes (EBIT)	**63.4**	**- 77.0**	**51.6**	**- 400.0**
of which at equity result	(1.3)	(- 1.5)	(0.0)	(0.0)
Amortisation of goodwill	0.0	51.2	0.0	464.6
Amortisation of goodwill of companies measured at equity	0.0	2.4	0.0	0.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**63.4**	**- 23.4**	**51.6**	**64.6**
Amortisation of other intangible assets and depreciation of property, plant and equipment	68.7	76.2	115.3	121.2
Other depreciation/amortisation and write-backs	- 0.4	- 1.1	0.0	0.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**132.5**	**53.9**	**166.9**	**185.8**
Rental expenses	91.7	97.1	179.9	227.9
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**224.2**	**151.0**	**346.8**	**413.7**
Segment assets and liabilities				
Operating segment assets	1,655.3	1,757.2	3,132.0	3,164.6
of which goodwill	(650.0)	(647.8)	(1,913.9)	(1,906.3)
Carrying amounts of companies measured at equity	7.6	6.8	0.0	0.0
Financial assets	417.8	475.6	622.2	523.3
Segment assets	**2,080.7**	**2,239.6**	**3,754.2**	**3,687.9**
Operating segment liabilities	989.0	887.5	1,505.3	1,487.1
Financial liabilities	188.2	508.6	306.2	288.4
Segment liabilities	**1,177.2**	**1,396.1**	**1,811.5**	**1,775.5**
Additional disclosures				
At equity result	1.3	- 1.5	0.0	0.0
of which operating result	(1.3)	(0.9)	(0.0)	(0.0)
of which amortisation of goodwill	(0.0)	(2.4)	(0.0)	(0.0)
Non-cash expenses	1.7	0.0	0.0	0.0
Return on sales (% on EBTA)	1.6	- 0.3	1.4	1.8
Investments	22.8	95.7	110.2	118.3
Investments in goodwill	1.2	10.0	9.8	19.8
Investments in other intangible assets and property, plant and equipment	21.6	85.7	100.4	98.5
Financing ratio (%)	301.3	133.1	104.6	495.2
Personnel at year-end	9,281	9,391	17,176	18,033

	Western Europe		Destinations		Other Tourism/ Consolidation		Tourism Division	
	2004	2003	2004	2003	2004	2003	2004	2003
	2,505.2	2,479.6	508.2	547.5	246.4	246.0	13,122.5	12,671.3
	5.7	8.9	576.5	552.0	- 587.7	- 573.3	82.0	29.7
	2,510.9	**2,488.5**	**1,084.7**	**1,099.5**	**- 341.3**	**- 327.3**	**13,204.5**	**12,701.0**
	40.9	**9.1**	**144.1**	**17.4**	**29.8**	**- 10.0**	**362.4**	**- 439.2**
	0.0	33.1	0.0	85.0	0.0	8.6	0.0	642.5
	0.0	0.0	0.0	2.1	0.0	0.3	0.0	4.8
	40.9	**42.2**	**144.1**	**104.5**	**29.8**	**- 1.1**	**362.4**	**208.1**
	40.9	**9.1**	**144.1**	**17.4**	**29.8**	**- 10.0**	**362.4**	**- 439.2**
	- 4.8	- 6.8	- 4.5	- 4.1	- 2.8	- 1.9	20.5	8.5
	45.7	**15.9**	**148.6**	**21.5**	**32.6**	**- 8.1**	**341.9**	**- 447.7**
	(- 0.7)	(0.1)	(38.7)	(41.8)	(0.0)	(- 5.2)	(39.3)	(35.2)
	0.0	33.1	0.0	85.0	0.0	8.6	0.0	642.5
	0.0	0.0	0.0	2.1	0.0	0.3	0.0	4.8
	45.7	**49.0**	**148.6**	**108.6**	**32.6**	**0.8**	**341.9**	**199.6**
	35.6	36.0	62.1	56.6	46.4	40.6	328.1	330.6
	- 1.8	1.6	1.3	- 3.3	- 2.4	1.4	- 3.3	- 1.4
	83.1	**83.4**	**209.4**	**168.5**	**81.4**	**40.0**	**673.3**	**531.6**
	51.5	42.1	110.1	87.7	18.1	16.7	451.3	471.5
	134.6	**125.5**	**319.5**	**256.2**	**99.5**	**56.7**	**1,124.6**	**1,003.1**
	1,052.0	884.0	1,752.7	1,540.2	257.7	337.1	7,849.7	7,683.1
	(471.7)	(471.8)	(612.6)	(642.0)	(104.5)	(109.3)	(3,752.7)	(3,777.2)
	0.3	1.2	315.4	305.4	0.9	3.9	324.2	317.3
	194.9	240.5	71.0	173.3	- 457.7	- 179.5	848.2	1,233.2
	1,247.2	**1,125.7**	**2,139.1**	**2,018.9**	**- 199.1**	**161.5**	**9,022.1**	**9,233.6**
	705.5	605.1	197.6	199.2	70.1	156.1	3,467.5	3,335.0
	204.7	189.2	679.1	616.4	- 388.8	- 143.1	989.4	1,459.5
	910.2	**794.3**	**876.7**	**815.6**	**- 318.7**	**13.0**	**4,456.9**	**4,794.5**
	- 0.7	0.1	38.7	41.8	0.0	- 5.2	39.3	35.2
	(- 0.7)	(0.1)	(38.7)	(43.9)	(0.0)	(- 4.9)	(39.3)	(40.0)
	(0.0)	(0.0)	(0.0)	(2.1)	(0.0)	(0.3)	(0.0)	(4.8)
	4.0	0.0	2.1	1.5	0.0	0.1	7.8	1.6
	1.6	1.7	13.3	9.5			2.7	1.6
	183.9	75.1	163.3	186.3	40.9	42.6	521.1	518.0
	0.0	50.5	0.1	0.8	0.0	4.8	11.1	85.9
	183.9	24.6	163.2	185.5	40.9	37.8	510.0	432.1
	19.4	92.0	38.0	76.0			63.0	187.9
	6,617	6,521	11,726	12,896	4,682	4,867	49,482	51,708

Key Figures Logistics Division

€ million	Shipping 2004	Shipping 2003	Special logistics 2004	Special logistics 2003
Statements of results				
Third-party turnover	2,686.7	2,381.2	785.5	1,533.9
Inter-segment turnover	3.9	9.2	0.2	0.8
Segment turnover	**2,690.6**	**2,390.4**	**785.7**	**1,534.7**
Earnings before taxes on income (EBT)	**279.0**	**261.6**	**10.5**	**44.0**
Amortisation of goodwill	0.0	0.1	0.0	16.9
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.6
Earnings by divisions (EBTA)	**279.0**	**261.7**	**10.5**	**61.5**
Earnings before taxes (EBT)	**279.0**	**261.6**	**10.5**	**44.0**
Net interest result and result from the measurement of interest hedges	- 17.2	- 4.2	- 12.1	- 23.0
Earnings before interest and taxes (EBIT)	**296.2**	**265.8**	**22.6**	**67.0**
of which at equity result	(0.4)	(- 2.3)	(0.8)	(5.0)
Amortisation of goodwill	0.0	0.1	0.0	16.9
Amortisation of goodwill of companies measured at equity	0.0	0.0	0.0	0.6
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**296.2**	**265.9**	**22.6**	**84.5**
Amortisation of other intangible assets and depreciation of property, plant and equipment	92.3	92.7	82.1	120.1
Other depreciation/amortisation and write-backs	0.0	- 3.0	- 1.9	- 0.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**388.5**	**361.6**	**106.6**	**205.4**
Rental expenses	118.5	70.9	67.4	79.2
Earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR)	**507.0**	**432.5**	**174.0**	**284.6**
Segment assets and liabilities				
Operating segment assets	1,457.8	1,439.9	424.1	1,252.1
of which goodwill	(1.5)	(1.5)	(9.6)	(29.2)
Carrying amounts of companies measured at equity	7.8	7.4	1.7	2.4
Financial assets	161.4	24.8	84.2	38.3
Segment assets	**1,627.0**	**1,472.1**	**510.0**	**1,292.8**
Operating segment liabilities	518.3	470.1	159.4	359.9
Financial liabilities	542.4	56.7	189.5	478.8
Segment liabilities	**1,060.7**	**526.8**	**348.9**	**838.7**
Additional disclosures				
At equity result	0.4	- 2.3	0.8	5.0
of which operating result	(0.4)	(- 2.3)	(0.8)	(5.6)
of which amortisation of goodwill	(0.0)	(0.0)	(0.0)	(0.6)
Non-cash expenses	0.0	2.3	0.0	0.2
Return on sales (% on EBTA)	10.4	10.9	1.3	4.0
Investments	73.6	37.5	67.0	121.2
Investments in goodwill	0.0	0.0	0.0	1.2
Investments in other intangible assets and property, plant and equipment	73.6	37.5	67.0	120.0
Financing ratio (%)	125.4	247.5	122.5	113.0
Personnel at year-end	3,976	3,897	502	5,338

Consolidation Shipping/Special logistics 2004	2003	Logistics (after restructuring) 2004	2003	Other/ Consolidation 2004	2003	Logistics (before restructuring) 2004	2003
		3,472.2	3,915.1	0.0	0.0	3,472.2	3,915.1
- 4.1	- 9.2	0.0	0.8	0.0	- 0.4	0.0	0.4
- 4.1	**- 9.2**	**3,472.2**	**3,915.9**	**0.0**	**- 0.4**	**3,472.2**	**3,915.5**
		289.5	**305.6**	**0.0**	**- 9.3**	**289.5**	**296.3**
		0.0	17.0	0.0	0.0	0.0	17.0
		0.0	0.6	0.0	0.0	0.0	0.6
		289.5	**323.2**	**0.0**	**- 9.3**	**289.5**	**313.9**
		289.5	**305.6**	**0.0**	**- 9.3**	**289.5**	**296.3**
		- 29.3	- 27.2	0.0	10.8	- 29.3	- 16.4
		318.8	**332.8**	**0.0**	**- 20.1**	**318.8**	**312.7**
		(1.2)	(2.7)	(0.0)	(0.0)	(1.2)	(2.7)
		0.0	17.0	0.0	0.0	0.0	17.0
		0.0	0.6	0.0	0.0	0.0	0.6
		318.8	**350.4**	**0.0**	**- 20.1**	**318.8**	**330.3**
		174.4	212.8	0.0	0.4	174.4	213.2
		- 1.9	- 3.8	0.0	- 0.8	- 1.9	- 4.6
		495.1	**567.0**	**0.0**	**- 18.9**	**495.1**	**548.1**
		185.9	150.1	0.0	1.1	185.9	151.2
		681.0	**717.1**	**0.0**	**- 17.8**	**681.0**	**699.3**
		1,881.9	2,692.0	0.0	12.2	1,881.9	2,704.2
		(11.1)	(30.7)	(0.0)	(0.0)	(11.1)	(30.7)
		9.5	9.8	0.0	0.0	9.5	9.8
		245.6	63.1	0.0	101.1	245.6	164.2
		2,137.0	**2,764.9**	**0.0**	**113.3**	**2,137.0**	**2,878.2**
		677.7	830.0	0.0	156.9	677.7	986.9
		731.9	535.5	0.0	95.4	731.9	630.9
		1,409.6	**1,365.5**	**0.0**	**252.3**	**1,409.6**	**1,617.8**
		1.2	2.7	0.0	0.0	1.2	2.7
		(1.2)	(3.3)	(0.0)	(0.0)	(1.2)	(3.3)
		(0.0)	(0.6)	(0.0)	(0.0)	(0.0)	(0.6)
		0.0	2.5	0.0	0.0	0.0	2.5
		8.3	8.3			8.3	8.0
		140.6	158.7	0.0	0.0	140.6	158.7
		0.0	1.2	0.0	0.0	0.0	1.2
		140.6	157.5	0.0	0.0	140.6	157.5
		124.0	144.8			124.0	145.1
		4,478	9,235	0	0	4,478	9,235

Notes on the Consolidated Profit and Loss Statement

(1) Turnover

Group turnover by business activity

€ million	**2004**	**2003**
Tourism services	13,191.7	12,694.2
Transport services	3,031.0	3,238.4
Production of goods and other services	400.0	359.8
Trading in merchandise	1,041.3	2,441.8
Letting and leasing	382.2	481.2
Total	**18,046.2**	**19,215.4**

Segment reporting presents Group turnover, broken down into sectors and regions.

The year-on-year decline in turnover mainly resulted from the discontinuance of operations and other divestments taken into account on a pro rata temporis basis until the respective divestment date. On a like-for-like basis, i.e. following adjustment of the corresponding turnover generated in the previous year in the trading sector (€ 1.4 billion), in special logistics (€ 0.7 billion) and other companies (€ 0.2 billion), Group turnover rose by 7.3% year-on-year.

(2) Other income

Other income

€ million	**2004**	**2003**
Book profits from the sale of fixed assets and current assets	68.7	279.2
Income from supplementary transactions	97.7	132.4
Foreign exchange gains	117.8	119.4
Income from rebilling	80.5	67.3
Income from letting and leasing contracts	14.5	12.5
Income from the reduction in value adjustments to trade accounts receivable	25.0	15,9
Other income	278.2	241.9
Total	**682.4**	**868.6**

The decline in book profits from the sale of fixed assets and current assets mainly resulted from the fact that the previous year's figure included the proceeds from the divestment of the indirect shareholding in Ruhrgas AG of € 200.0 million. As in the previous year, the book profits from the discontinuance of operations were recognised under 'Operating result from discontinuing operations' in the profit and loss statement.

Income from the reversal of provisions was carried under the profit and loss statement item 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	**2004**	**2003**
Change in stocks of finished goods and work in progress	+ 13.1	- 5.1
Other own work capitalised	36.8	35.7
Total	**+ 49.9**	**+ 30.6**

(4) Cost of materials and purchased services

Cost of materials and purchased services

€ million	**2004**	**2003**
Cost of raw materials, supplies and purchased merchandise	1,793.3	2,799.4
Cost of purchased services	10,093.5	10,174.0
Rental and lease expenses	522.5	468.1
Total	**12,409.3**	**13,441.5**

The decline in the cost of materials and purchased services was almost exclusively attributable to the divestments made in the period under review and in the previous year.

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 logistics division, in particular the shipping sector, due to operating leases for additional ships in order to expand capacity.

(5) Personnel costs

Personnel costs

€ million	**2004**	**2003**
Wages and salaries	1,932.8	2,018.5
Social security contributions, pension costs and benefits	535.6	550.3
Total	**2,468.4**	**2,568.8**

Pension costs included expenses for defined benefit pension obligations. This item also included the interest portion of the measurement of pension obligations. A detailed presentation of pension obligations is given under note 30.

In comparison with the previous year, the cost of wages and salaries declined by 4.2%. This was due to a reduction in the average headcount by 4,911 to 62,674 employees (excluding apprentices). The drop in staffing levels primarily resulted from the divestment in 2004 of the companies of the special logistics sector whose employees were included in the Group headcount for the financial year on a pro rata temporis basis until the companies were sold. This item was also impacted by the divestment of the AMC Group, effected in the last quarter of the previous year. The average headcount in tourism dropped slightly from 53,929 to 52,950 employees in the period under review.

Average annual headcount (excl. apprentices)

	2004	**2003**
Wage earners	2,402	5,034
Salaried employees	60,272	62,551
Total	**62,674**	**67,585**

(6) Depreciation and amortisation

Depreciation and amortisation

€ million	2004	2003
Amortisation of goodwill	–	278.9
Amortisation of other intangible assets and depreciation of property, plant and equipment	520.0	599.0
Total	**520.0**	**877.9**

Depreciation and amortisation was based on the uniform useful lives outlined unter the explanatory information on accounting and measurement.

Amortisation of goodwill of the previous year included the amortisation of goodwill both from the acquisition of subsidiaries and from the acquisition of business operations. Due to the first-time application of IFRS 3 'Business Combinations', goodwill was no longer amortised since 1 January 2004.

(7) Impairment of fixed assets

Impairment of fixed assets

€ million	2004	2003
Impairment of goodwill	–	368.6
Impairment of other intangible assets and property, plant and equipment	13.0	19.2
Total	**13.0**	**387.8**

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. In the logistics segment, cash-generating units were defined as a function of business activities.

In the framework of the impairment tests, the carrying amounts plus the goodwill allocated to the tested units were compared with their value in use. Where the carrying amounts exceeded the value in use, impairment was recognised. 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 on the basis of the three-year medium-term plan prepared as per the 2004 financial year-end with a pre-tax interest rate of approx. 8.1% p.a. For the period following the detailed planning period, the operating cash flow was calculated on the basis of an assumed growth rate of 2.0% p.a. Even if the growth rate were to only amount to 1.5% p.a., no impairment of goodwill would have been required in the period under review.

In the previous year, goodwill had to be impaired for individual operations due to the results of the impairment tests implemented. Goodwill had to be impaired in particular in the Northern Europe sector. This impairment was triggered by the development of earnings in the Nordic countries and in a specialist tour operator in the UK, which fell short of expectations. Goodwill also had to be impaired for two hotel companies. In the previous year in individual cases expected sales prices were used in the framework of the impairment tests.

In the 2004 financial year, impairment of property, plant and equipment was primarily effected for tank wagons in the special logistics sector due to a reduction in net gains on disposal resulting from sales negotiations. In the previous year, tank wagons and commercial property also had to be impaired.

(8) Other expenses

Other expenses

€ million	2004	2003
Commissions for tourism services and other selling expenses	1,103.3	1,044.3
Rental and lease expenses	179.4	206.7
Expenses for insurance premiums	53.4	66.5
Advertising expenses	257.2	244.2
Contributions, charges, fees and consultancy expenses	98.6	128.1
Expenses for write-downs of receivables and value adjustments	50.9	52.6
Other expenses for financial and monetary transactions	129.7	169.9
Other expenses from creation of provisions	19.0	88.8
Administrative expenses	356.1	369.0
External services and non-operating material expenses	208.0	313.4
Losses from the disposal of fixed assets and current assets	23.7	38.4
Other taxes	41.0	55.4
Other operating expenses	191.3	268.2
Total	**2,711.6**	**3,045.5**

The item 'Commissions for tourism services and other selling expenses' mainly comprised travel agency commissions and commissions passed on from insurance policies covering travel contract cancellation costs.

As before, the utilisation of provisions created and charged to other operating expenses in previous years, the cost of which was now shown under the corresponding type of expense, was offset against the cost of provisions newly created.

Expenses for financial and monetary transactions also included exchange losses from changes in exchange rates between the date of transaction and the date of payment of receivables and payables denominated in foreign currencies.

Other expenses from the discontinuance of operations were shown under 'Result from the discontinuance of operations' in the profit and loss statement.

(9) Result from the discontinuance of operations

Result from the discontinuance of operations

Discontinuing operations	2004	2003
Special logistics	+ 145.8	- 121.3
Energy	+ 21.5	+ 729.6
Trading	- 35.0	- 50.6
Earnings before taxes	**+ 132.3**	**+ 557.7**
Income taxes	- 6.8	- 9.2
Earnings after taxes	**+ 139.1**	**+ 566.9**

The result from the discontinuance of operations resulted from the strategic realignment of the Group and thus had to be classified as unusual. As a matter of principle, these results were carried in the parent company's segment affected by the divestment of the operations. Both in the 2004 financial year and in the previous year, total income and expenses were shown under the 'Other/consolidation' segment.

In the 2004 financial year, the result from the discontinuance of operations comprised a profit of € 145.8 million from the divestment of the companies of the special logistics sector (Algeco Group € + 155.7 million, bulk and special logistics € - 24.2 million, Pracht Spedition + Logistik GmbH € + 14.3 million) and income of € 21.5 million from the reversal of provisions no longer required in connection with the divestment of the Preussag Energie Group. On the other hand, provisioning charges of € 35.0 million for the discontinuing operation trading were incurred. In this context, impairments of around € 25 million were effected for the PNA Group on fixed assets. The impairments were made due to anticipated exchange rate losses from conservatively calculated net gains on disposal denominated in US dollars, resulting from estimated selling prices. Tax effects from the discontinuance of operations were carried under 'taxes on income' in the profit and loss statement.

The Group divested its industrial sectors building engineering, trading and energy in several steps.

The Supervisory Board of TUI AG approved a divestment programme for the building engineering and trading sectors in October 2000. The divestment of the building engineering sector was completed in the 2002 financial year; the discontinuance of the trading sector was partly effected in the 2003 financial year with the divestment of the AMC Group. Plans to sell the US steel service activities were upheld. The trading sector thus continued to meet the definition of a discontinuing operation.

The activities of the energy sector were completely discontinued in the 2003 financial year. The domestic and international activities of Preussag Energie GmbH were sold in two stages. First, the German business of Preussag Energie GmbH was sold to the Gaz de France Group as at 31 May 2003. OMV AG then acquired the international operations as at 30 June 2003. Energy activities were sold at a total selling price of around € 1.4 billion.

At its meetings of 21 March 2003 and 21 January 2004, the Supervisory Board approved the concept for the realignment of the logistics segment. The Group plans to focus on tourism and shipping and will thus divest its other shareholdings in the logistics segment. This intention was publicly announced shortly after the approval of the concept. The special logistics sector therefore represents a discontinuing operation. In this context, Pracht Spedition + Logistik GmbH was sold to the Swiss forwarding group Kühne & Nagel with effect from 1 January 2004 (selling price € 37.0 million). In addition, the bulk and special logistics sector of VTG AG (UB II) was sold to financial investor Triton Managers Limited (selling price € 52.8 million). The divestment of the Algeco Group to British private equity company TDR Capital LLP took place in September 2004 (selling price € 319.9 million).

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

€ million	2004	Energy 2003
Turnover	–	177.0
Operating income	–	7.6
Operating expenses	–	163.4
Financial result	–	- 1.0
Earnings before taxes on income	–	20.2
Income taxes	–	13.4

€ million	2004	Trading 2003
Turnover	971.5	2,056.0
Operation income	9.9	10.3
Operation expenses	858.5	2,052.4
Financial result	- 8.7	- 2.9
Earnings before taxes on income	115.5	12.2
Income taxes	44.0	4.8

€ million	2004	Special logistics 2003
Turnover	785.7	1,534.8
Operating income	65.3	67.7
Operating expenses	828.8	1,543.0
Financial result	- 12.5	- 20.5
Earnings before taxes on income	10.5	44.0
Income taxes	15.1	23.8

Material assets and liabilities of the discontinuing operations

Energy

The activities of the energy sector were already fully discontinued in the 2003 financial year. The assets and liabilities from this sector were therefore not recognised in the 2003 financial statements.

€ million	31 Dec 2004	Trading 31 Dec 2003
Non-current assets	83.8	92.2
Current assets	335.9	209.3
Provisions	24.9	16.9
Financial liabilities	199.9	155.3
Other liabilities	61.2	51.7

€ million	31 Dec 2004	Special logistics 31 Dec 2003
Non-current assets	333.9	934.5
Current assets	183.7	362.9
Provisions	112.0	205.7
Financial liabilities	209.5	478.8
Other liabilities	74.8	238.1

Cash flow from operating, investing and financing activities

€ million	2004	Energy 2003
Change in cash and cash equivalents due to exchange rate fluctuations	–	–
Cash inflow/outflow from operating activities	–	- 22.4
Cash inflow/outflow from investing activities	–	- 23.1
Cash inflow/outflow from financing activities	–	+ 3.8
Change in cash and cash equivalents	**–**	**- 41.7**

€ million	Trading 2004	2003
Change in cash and cash equivalents due to exchange rate fluctuations	- 0.2	- 5.7
Cash inflow/outflow from operating activities	- 54.7	+ 19.9
Cash inflow/outflow from investing activities	- 2.1	- 7.2
Cash inflow/outflow from financing activities	58.0	- 31.7
Change in cash and cash equivalents	**1.0**	**-24.7**

€ million	Special logistics 2004	2003
Change in cash and cash equivalents due to exchange rate fluctuations	–	- 0.2
Cash inflow/outflow from operating activities	51.6	+ 144.6
Cash inflow/outflow from investing activities	111.9	- 89.3
Cash inflow/outflow from financing activities	- 168.2	- 46.0
Change in cash and cash equivalents	**- 4.7**	**+ 9.1**

The Group plans to give up the entrepreneurial management of the remaining discontinuing operations in the 2005 financial year.

(10) Financial result

Financial result

€ million	2004	2003
Result from non-consolidated Group companies	2.4	4.9
Income from other investments	1.8	4.3
Income from profit transfer agreements with non-consolidated Group companies	6.6	4.8
Income from profit transfer agreements with other investments	–	0.2
Expenses relating to losses taken over from non-consolidated Group companies	0.4	1.1
Net income from investments	**+ 10.4**	**+ 13.1**
Write-downs of available-for-sale financial assets and loans	**9.0**	**11.1**
Income from securities and long-term loans from non-consolidated Group companies	0.6	0.6
Other income from securities and long-term loans	4.4	5.0
Other interest and similar income from non-consolidated Group companies	0.6	0.7
Other interest and similar income	72.0	82.6
Interest and similar expenses to non-consolidated Group companies	2.3	2.9
Other interest and similar expenses	250.5	239.0
Net interest result	**- 175.2**	**- 153.0**
Result from the measurement of interest hedges	**- 20.6**	**- 5.3**
Result from the measurement of other financial instruments	**- 14.1**	**+ 9.0**
Total	**- 208.5**	**- 147.3**

The write-downs of available-for-sale financial assets and loans included an amount of € 8.3 million (previous year: € 9.6 million) of non-scheduled write-downs. This item included in particular write-downs of investments and securities held as fixed assets.

The net interest result was impacted by the year-on-year increase in interest rates resulting from the longer-term structure of refinancing for short- and medium-term financial liabilities. This effect was only partly offset by the continued reduction in financial debt resulting from the divestments implemented.

The indexing of the financial statements of foreign subsidiaries based in hyperinflationary economies led to the realisation of purchasing power gains totalling € 5.9 million (previous year: € 0.7 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.

The result from the development of the value of derivative financial instruments not classified as hedges dropped from a gain of € 3.7 million in the previous year to a loss of € 34.7 million for the 2004 financial year. This decline was primarily attributable to the reversal of the hedge relationship of derivative interest hedges used to hedge exposure to cash flow risks and previously carried directly in equity under IAS 39 'Financial Instruments: Recognition and Measurement'. The reversal of hedge relationships had been required due to the refinancing of short- and medium-term financial debt by means of longer-term fixed-interest components and the resultant elimination of the corresponding hedged items.

(11) Result from companies measured at equity

Result from companies measured at equity

€ million	2004	2003
Result from associated companies measured at equity	+ 5.5	+ 0.8
Result from joint ventures measured at equity	+ 36.3	+ 41.7
Total	**+ 41.8**	**+ 42.5**

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. In the previous year, the amortisation of goodwill – no longer required since the beginning of the 2004 financial year – totalled € 5.5 million.

Group share in individual items of profit and loss statements of joint ventures

€ million	2004	2003
Operating income	266.2	189.9
Operating expenses	221.1	147.7
Operating result	**45.1**	**42.2**
Financial result	0.0	7.0
Profit on ordinary activities	45.1	49.2
Taxes	8.8	3.9
Profit for the year	**36.3**	**45.3**
Amortisation of goodwill	–	3.6
Result from joint ventures measured at equity	**36.3**	**41.7**

(12) Income taxes

Breakdown of income tax expenses

€ million	2004	2003
Current income taxes		
in Germany	11.7	1.0
abroad	74.2	100.7
Deferred tax income/expenses	+ 3.8	- 170.6
Total	**+ 89.7**	**- 68.9**

The decline in current income tax expenses was mainly due to the reassessment of tax risks in foreign subsidiaries and changes in consolidation. This effect was partly offset by means of an increase in current tax expenses in foreign subsidiaries due to an increase in earnings. The increase in deferred taxes mainly resulted from intra-Group restructurings launched in the previous year and generating substantial deferred tax income.

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. The corporation tax rate was 25.0% (previous year: 26.5%), plus a 5.5% solidarity surcharge on corporation tax. The increase in the previous year's corporation tax rate was attributable to the Flood Victims Solidarity Act enacted by the German government. Under this Act, the corporation tax rate was increased by 1.5% to 26.5% for the year 2003 to use these resources to establish a 'reconstruction aid' fund. On the basis of this tax legislation, all deferred tax items of German companies realised in 2003 were measured at an average tax rate of 40%. All deferred tax items realised as of 2004 are measured at a tax rate of 39%.

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 42.0%.

In accordance with the rules of IAS 12 (revised 2000), 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 beween the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base. Where the temporary differences between the commercial 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 declined by € 2.6 million in the 2004 financial year (previous year: increase of € 14.1 million). This decrease in equity resulted from a decline of € 5.8 million due to deferred taxes from differences in the measurement of financial instruments to hedge future cash flows, partly offset by an increase of € 3.2 million attributable to differences in the measurement of the equity component of the convertible bonds issued.

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 2004 Assets	31 Dec 2004 Liabilities	31 Dec 2003 Assets	31 Dec 2003 Liabilities
Differences in depreciation and amortisation methods and useful lives	116.5	436.5	91.1	402.5
Finance lease transactions	–	2.3	–	8.1
Differences in carrying amounts of property, plant and equipment and investments	9.4	36.9	12.7	24.7
Differences in carrying amounts of receivables and other assets	122.8	8.5	110.2	18.9
Fair values of financial assets	69.9	23.9	79.8	36.5
of which deferred taxes taken directly to equity	(57.6)	(18.8)	(76.0)	(31.3)
Measurement of pension provisions	48.4	14.3	57.9	12.3
Differences in carrying amounts of other provisions	138.1	52.9	111.7	32.8
Other transactions	92.4	142.4	55.3	121.5
Capitalised tax savings from realisable loss carryforwards	130.3	–	117.7	–
Set-off of deferred tax assets and liabilities	- 494.8	- 494.8	- 448.1	- 448.1
Balance sheet amount	**233.0**	**222.9**	**188.3**	**209.2**

Differences in the financial and tax balance sheets with regard to 'Other provisions' were primarily attributable to the creation of provisions for anticipated losses. Where changes in the fair values of financial assets were taken directly to equity, the related deferred taxes also led to an increase or decrease in equity with no effect on results. 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.

While deferred tax liabilities hardly changed on the previous year, deferred tax assets increased due to a number of factors, in particular changes in the carrying amounts of other provisions.

Breakdown of tax loss carryforwards

€ million	31 Dec 2004	31 Dec 2003
German loss carryforwards		
Corporation tax	137.3	346.0
Trade tax	35.5	312.4
Foreign loss carryforwards	653.3	609.2
Total potential tax savings from loss carryforwards	**233.0**	**306.9**

Although German loss carryforwards could be used over an unlimited period of time, as before, the annual use of such carryforwards was restricted as of the 2004 financial year due to the introduction of minimum taxation. Foreign loss carry-forwards 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.

Time limits for existing loss carryforwards

€ million	31 Dec 2004	31 Dec 2003
Loss carryforwards forfeitable within one year	19.1	0.2
Loss carryforwards forfeitable within 2 to 5 years	145.0	105.9
Loss carryforwards forfeitable within more than 5 years (excluding non-forfeitable loss carryforwards)	12.8	47.6
Non-forfeitable loss carryforwards	649.2	1,113.9
Total unused loss carryforwards	**826.1**	**1,267.6**

Potential tax savings of € 102.7 million (previous year: € 189.2 million) were not capitalised since the benefit of the underlying loss carryforwards was unlikely to be realised within the planning period.

In the 2004 financial year, the use of loss carryforwards for which no asset was recognised in previous years for the resulting potential tax savings led to no reduction in the tax burden (previous year: € 37.5 million). As in 2003, it was not possible to reduce the tax burden for the year under review by means of tax loss carrybacks.

Development of capitalised tax savings from realisable loss carryforwards

€ million	2004	2003
Capitalised tax savings at the beginning of the financial year	117.7	241.2
Changes in consolidation and currency adjustment	- 1.5	- 8.6
Use of loss carryforwards	- 45.1	- 87.1
Value adjustment to previously capitalised tax savings from loss carryforwards	- 5.9	- 39.8
Capitalisation of tax savings from loss carryforwards	+ 65.1	+ 12.0
Capitalised tax savings at financial year-end	**130.3**	**117.7**

The tax saving from the capitalisation of tax loss carryforwards rose slightly year-on-year. These changes resulted from a decline in the use and write-downs of carry-forwards on the one hand, and the increase in capitalisation of tax savings, related to changes in temporary differences between consolidated and tax balance sheet on the other.

The actual income tax expense of € 89.7 million (previous year: € -68.9 million) was € 152.8 million less (previous year: € 167.3 million less) than the expected income tax expense of € 242.5 million (previous year: € 98.4 million) which would have resulted from the application of the German income tax rate to the Group's annual pre-tax profit.

Reconciliation of expected to actual income tax expense

€ million	2004	2003
Group profit for the year before income taxes	621.8	246.0
Expected income tax expense (tax rate: 39% for 2004, 40% for 2003)	**242.5**	**98.4**
Difference between actual and expected tax rates	- 130.7	- 103.4
Proportion of taxation relating to: tax-exempt income	- 183.2	- 393.6
non-tax-deductible expenses	162.7	433.4
temporary differences and losses for which no deferred taxes were recognised	13.4	3.9
tax expenses and income unrelated to accounting period	- 4.0	- 119.0
other variances	- 11.0	11.4
Actual income tax expense	**89.7**	**- 68.9**

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. Due to the 1.5% increase in the corporation tax rate in the 2003 financial year under the German Flood Victims Solidarity Act, the reconciliation for 2003 was calculated on the basis of a Group tax rate of 40%. The decline in tax-free earnings was attributable to the year-on-year reduction in divestment proceeds. The Group's non-tax-deductible expenses primarily related to the amortisation of goodwill from capital consolidation effected in the previous year.

(13) Minority interests in Group profit for the year

Minority interests in Group profit for the year

€ million	2004	2003
Profit attributable to minority interests	51.0	51.4
Loss attributable to minority interests	7.2	11.5
Total	**43.8**	**39.9**

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 interest: 50%). Minority interests were also held in several incoming agencies.

The minority interests in the TUI Suisse Group and the Magic Life Group (previous year: 49% each) were completely acquired in the 2004 financial year. Minority interests in the Anfi Group (minority interest: 49%) and Algeco S.A. (minority interest: approx. 33%) were only taken into account until the respective companies were divested.

(14) Earnings per share

In accordance with IAS 33, basic earnings per share were calculated by dividing the Group's net profit for the year due to the shareholders of TUI AG by the weighted average number of no-par value bearer shares outstanding during the year under review. The average number of shares resulted from the total of shares at the beginning of the financial year (178,468,679 shares) plus the employee shares issued in December 2004, included on a pro rata temporis basis for a total of 23 days (287,860 shares).

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. Unlike in previous years, a diluting effect arose from the convertible bond issued in October 2003. The bond can be converted since 2 January 2004. In 2003, the impairment of goodwill of a discontinuing operation of € 14.3 million was taken into account in the determination of earnings per share before amortisation of goodwill.

	2004	2003
Group profit for the year attributable to TUI shareholders (€ million)	488.3	275.0
Weighted average number of shares	178,486,818	178,070,135
Basic earnings per share (€)	**2.74**	**1.54**
Group profit for the year attributable to TUI shareholders (€ million)	488.3	275.0
Interest savings from convertible bonds (after tax, € million)	14.9	–
Diluted share in Group profit for the year attributable to TUI AG shareholders (€ million)	503.2	275.0
Weighted average number of shares	178,486,818	178,070,135
Diluting effect from assumed exercise of convertible bonds	17,803,240	–
Weighted average number of shares (diluted)	196,290,058	178,070,135
Diluted earnings per share (€)	**2.56**	**1.54**
Earnings per share before amortisation of goodwill (€ million)	**2.74**	**5.26**

Notes on the Consolidated Balance Sheet

(15) Goodwill

Goodwill

€ million	2004	2003
Historical cost		
Balance as at 1 Jan	**5,305.4**	**5,648.4**
First-time application of IFRS 3	- 1,497.5	–
Adjusted balance as at 1 Jan	3,807.9	5,648.4
Exchange differences	- 0.8	- 435.5
Additions due to changes in consolidation	–	0.5
Additions	11.1	87.1
Disposals[1]	38.4	- 7.8
Reclassifications	- 16.0	- 2.9
Balance as at 31 Dec	**3,763.8**	**5,305.4**
Amortisation		
Balance as at 1 Jan	**1,497.5**	**894.7**
First-time application of IFRS 3	- 1,497.5	–
Adjusted balance as at 1 Jan	0.0	894.7
Exchange differences	–	- 64.7
Additions due to changes in consolidation	–	0.2
Amortisation for the current year	–	661.8
Disposals[1]	–	- 2.6
Reclassifications	–	2.9
Balance as at 31 Dec	**0.0**	**1,497.5**
Carrying amounts as at 31 Dec	**3,763.8**	**3,807.9**
Carrying amounts as at 31 Dec (previous year)	**3,807.9**	**4,753.7**

[1] of which disposals from changes in consolidation of € 33.8 million or € 0.0 million (previous year € - 15.3 million or € - 8.8 million)

As of the 2004 financial year, capitalised goodwill was no longer amortised. Goodwill was regularly subjected to impairment tests at least annually following the completion of the annual planning process in the framework of the annual financial statements. In accordance with IFRS 3, the accumulated amortisation carried at the end of the previous financial year was offset against the historical cost of the goodwill. In accordance with the provisions of IAS 21 (revised 2003), goodwill was recognised in the functional currency of the subsidiaries following the allocation of goodwill to individual segments and sectors in the financial year 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 declined by € 0.8 million (previous year: € 370.8 million) in the 2004 financial year.

A substantial portion of the goodwill recognised related to source markets UK (€ 1,489.5 million), Germany (€ 346.9 million) and the Nordic countries (€ 305.9 million). In the hotel companies sector, goodwill of € 356.8 million was carried for the RIU Group.

Goodwill of € 65.6 million that arose in the year under review from the acquisition of minority shares was directly eliminated against revenue reserves.

The preliminary purchase price of the 50% interest in a sub-group in the hotel sector acquired in 2004 in the framework of a business combination achieved in stages totalled € 26.0 million. Prorated equity after revaluation of assets and liabilities as at 1 November 2004 of € 47.3 million was offset against the purchase price, resulting in negative goodwill of € 21.3 million, which was reversed with an effect on results and shown as other income. The revaluation reserve formed of € 10.6 million, related to the shares previously held, was determined on the basis of the hidden reserves and encumbrances already disclosed as at the date of the initial acquisition transaction.

€ million	Carrying amounts as at acquisition date	Revaluation of assets and liabilities	Carrying amounts as at the date of first-time consolidation
Property, plant and equipment	179.3	65.7	245.0
Other receivables and assets	7.1	–	7.1
Cash and cash equivalents	–	–	–
Income tax provisions	–	18.6	18.6
Other provisions	0.8	3.6	4.4
Financial liabilities	89.8	–	89.8
Other liabilities	44.7	–	44.7
Equity	**51.1**	**43.5**	**94.6**

Due to the application of IAS 36 (revised 2004), it was no longer admissible to write back the impairment of goodwill. In the previous year, no write-backs were effected either.

(16) Other intangible assets

Other intangible assets

€ million	Concessions, industrial property rights and similar rights and values	Self-generated software	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**
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**
Carrying amount as at 31 Dec 2004	**86.1**	**88.9**	**3.1**	**178.1**
Carrying amount as at 31 Dec 2003	**130.9**	**65.3**	**2.4**	**198.6**

[1] of which disposals from changes in consolidation of € 24.2 million or € 14.5 million

Other intangible assets

€ million	Exploration and drilling licences	Concessions, industrial property rights and similar rights and values	Self-generated software	Payments on account	Total
Historical cost					
Balance as at 1 Jan 2003	**13.9**	**549.9**	**86.7**	**6.7**	**657.2**
Exchange differences	–	- 13.8	–	–	- 13.8
Additions due to changes in consolidation	–	1.1	–	–	1.1
Additions	–	67.0	20.9	2.2	90.1
Disposals	13.9	230.6	–	–	244.5[1]
Reclassifications	–	13.4	–	- 6.5	6.9
Balance as at 31 Dec 2003	**0.0**	**387.0**	**107.6**	**2.4**	**497.0**
Amortisation					
Balance as at 1 Jan 2003	**13.9**	**359.4**	**23.7**	**0.0**	**397.0**
Exchange differences	–	- 8.4	–	–	- 8.4
Additions due to changes in consolidation	–	0.7	–	–	0.7
Amortisation for the current year	–	65.7	18.6	–	84.3
Disposals	13.9	164.1	–	–	178.0[1]
Reclassifications	–	2.8	–	–	2.8
Balance as at 31 Dec 2003	**0.0**	**256.1**	**42.3**	**0.0**	**298.4**
Carrying amount as at 31 Dec 2003	**0.0**	**130.9**	**65.3**	**2.4**	**198.6**
Carrying amount as at 31 Dec 2002	**0.0**	**190.5**	**63.0**	**6.7**	**260.2**

[1] of which disposals from changes in consolidation of € 216.8 million or € 170.5 million

Self-generated software related to computer programmes for tourism applications which were exclusively used internally by the Group.

As in the previous year, no write-backs to other intangible assets were effected in the year under review. As in 2003, there were no material restraints on ownership or disposal.

(17) Investment property

Investment property

€ million	Investment property
Historical cost	
Balance as at 1 Jan 2004	**252.8**
Exchange differences	–
Additions due to changes in consolidation	–
Additions	2.6
Disposals	40.3
Reclassifications	2.2
Balance as at 31 Dec 2004	**217.3**
Depreciation	
Balance as at 1 Jan 2004	**103.5**
Exchange differences	–
Additions due to changes in consolidation	–
Write-down for the current year	4.5
Disposals	31.7
Reclassifications	0.6
Balance as at 31 Dec 2004	**76.9**
Carrying amounts as at 31 Dec 2004	**140.4**
Carrying amounts as at 31 Dec 2003	**149.3**

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 € 140.4 million (previous year: € 149.3 million). The fair values of approx. € 151.5 million (previous year: € approx. 162.7 million) were calculated by the Group's own real estate companies, without consulting an external expert, on the basis of comparable market rents. Property for which purchase contracts had already been concluded, the selling price was used as the fair value. Investment property generated total income of € 114.0 million (previous year: € 138.4 million). The generation of this income was associated with expenses of € 104.8 million (previous year: € 132.8 million) in the 2004 financial year.

(18) Other property, plant and equipment

Other property, plant and equipment

€ million	Real estate with hotels	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**
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**
Carrying amount as at 31 Dec 2004	**722.0**	**480.3**	**1,285.0**
Carrying amount as at 31 Dec 2003	**390.1**	**645.3**	**1,387.0**

[1)] of which disposals from changes in consolidation of € 1,250.8 million or € 699.5 million

At the balance sheet date, the carrying amount of the property, plant and equipment subject to restraints on ownership amounted to € 121.7 million (previous year: € 89.4 million), including an amount of € 120.3 million (previous year: € 85.5 million) pledged as security.

For the Group, write-backs totalling € 0.3 million (previous year: € 0.7 million) were effected for property, plant and equipment.

Changes in individual items of property, plant and equipment primarily resulted from disposals from the group of consolidated companies. Due to the divestment of the capital-intensive companies of the bulk and special logistics sector of VTG AG (UB II) and the Algeco Group, fixed assets declined by a total of approx. € 515.8 million, including an amount of € 292.2 million relating to mobile buildings and containers.

Property, plant and equipment comprised all leased assets in which consolidated subsidiaries carried the economic ownership of the assets.

Ships and wagons	Mobile 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**
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**
1,064.3	**287.3**	**88.9**	**347.0**	**132.1**	**75.0**	**4,481.9**
1,141.8	**559.1**	**158.2**	**376.1**	**68.6**	**8.5**	**4,734.7**

Development of leased assets

€ million	Buildings	Aircraft	Ships and wagons	Mobile buildings 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**
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**
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 2003	**109.0**	**519.0**	**98.3**	**61.7**	**13.8**	**801.8**

[1] of which disposals from changes in consolidation of € 50.0 million or € 17.9 million

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 € 541.1 million (previous year: € 688.9 million). The decline in leased property, plant and equipment assets and future lease payments mainly resulted from the acquisition of aircraft and hotels previously leased. Group companies accepted guarantees for the residual values of leased assets totalling € 158.8 million (previous year: € 186.1 million).

Reconciliation of future lease payments to liabilities from finance leases

€ million	up to 1 year	more than 1-5 years	more than 5 years	31 Dec 2004 Total	31 Dec 2003 Total
	Remaining term				
Total future lease payments	88.7	202.5	249.9	541.1	688.9
Interest portion	22.0	61.6	22.3	105.9	138.1
Liabilities from finance leases	66.7	140.9	227.6	435.2	550.8

However, Group companies were not only lessees under finance leases but leased and rented out property, plant and equipment (incl. investment property), generating turnover of € 382.2 million (previous year: € 481.2 million). Following the divestment of substantial parts of special logistics, movable property, plant and equipment were predominantly leased out in the rail and tank container logistics sector of VTG AG (UB I). Overall, property, plant and equipment assets with a carrying amount of € 439.9 million (previous year: € 759.4 million) were leased out to third parties, of which the largest proportion, € 273.4 million (previous year: € 583.2 million), was accounted for by rolling stock.

In addition, the Group leased out Group-owned aircraft to third parties on the basis of finance leases.

Reconciliation of receivables from future lease payments to receivables from finance leases

€ million	up to 1 year	more than 1-5 years	more than 5 years	31 Dec 2004 Total	31 Dec 2003 Total
	Remaining term				
Total receivables from future lease payments	2.7	12.5	–	15.2	186.8
Interest portion	0.6	1.1	–	1.7	45.8
Receivables from finance leases	2.1	11.4	–	13.5	141.0

(19) 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**
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**
Carrying amount as at 31 Dec 2004	**259.2**	**80.3**	**339.5**
Carrying amount as at 31 Dec 2003	**265.4**	**67.0**	**332.4**

[1] of which disposals from changes in consolidation of € 37.1 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 adjustment. In the framework of the first-time application of IFRS 3, existing negative goodwill of € 11.1 million was directly taken to revenue reserves.

For companies jointly managed by the Group and other 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 2004	31 Dec 2003
Goodwill from equity measurement	**24.7**	**12.7**
Non-current assets	394.6	421.3
Current assets	77.6	74.9
Non-current provisions and liabilities	144.0	170.1
Current provisions and liabilities	93.7	73.4
Joint ventures measured at equity	**259.2**	**265.4**

(20) Other investments

Other 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**
Amortisation	
Balance as at 1 Jan 2004	**129.2**
Exchange differences	- 1.4
Additions due to changes in consolidation	98.4
Amortisation for the current year	6.4
Disposals	6.3
Reclassifications	0.9
Balance as at 31 Dec 2004	**227.2**
Carrying amounts as at 31 Dec 2004	**69.9**
Carrying amounts as at 31 Dec 2003	**78.7**

[1] of which disposals from changes in consolidation of € 18.3 million or € 4.2 million

The TUI Group's investments exclusively comprised loans and receivables originated by the Company 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. The interest rates for loans varied from 0% p.a. to 7.0% p.a. (previous year: 0% p.a. to 7.0% p.a.).

Overall, shares in non-consolidated subsidaries and investments with a carrying amount of € 116.6 million (previous year: € 122.8 million) were measured at cost.

Write-downs of € 1.4 million (previous year: € 0.1 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.

(21) Inventories

Inventories

€ million	31 Dec 2004	31 Dec 2003
Raw materials and supplies	55.7	75.9
Work in progress	25.3	43.3
Finished goods and merchandise	276.1	194.7
	357.1	313.9
./. Advance payments received	–	3.1
Total	**357.1**	**310.8**

In the 2004 financial year, no inventories (previous year: € 11.8 million) were carried at net realisable value. As in the previous year, no write-backs of inventories were effected in the Group.

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**
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**
3.5	**46.7**	**4.5**	**19.6**	**266.8**	**2.5**	**413.5**
8.3	**44.1**	**3.5**	**18.8**	**311.3**	**0.5**	**465.2**

Inventories are primarily accounted for the US steel service companies. Inventories totalling € 214.8 million (previous year: € 72.9 million) were pledged as collateral by the US steel service companies in taking up loans.

Advance payments for tourism services, in particular hotel services, customary in the sector, and other payments on account were carrried under other receivables and assets. The reporting of the previous year's figure (€ 221.6 million) was adjusted accordingly.

(22) Trade accounts receivable

Trade accounts receivable

€ million	31 Dec 2004	31 Dec 2003
from third parties	664.1	869.7
from non-consolidated Group companies	12.0	15.7
from affiliates	11.8	12.8
Total	**687.9**	**898.2**

(23) Other receivables and assets

Other receivables and assets

€ million	31 Dec 2004 Remaining term more than 1 year	31 Dec 2004 Total	31 Dec 2003 Total	31 Dec 2003 Remaining term more than 1 year
Receivables from derivatives	**19.1**	**123.7**	**174.0**	**47.4**
Receivables from loans to non-consolidated Group companies	36.7	42.9	42.9	37.8
Other receivables from non-consolidated Group companies	3.8	11.1	7.9	–
Receivables from loans to affiliates	7.5	17.7	25.9	4.5
Other receivables from affiliates	2.3	13.1	22.8	2.2
Other receivables	**50.3**	**84.8**	**99.5**	**44.5**
Other tax refund claims	0.5	68.1	91.9	0.6
Interest deferral	–	13.9	16.2	–
Receivables from loans to third parties	0.2	66.6	140.4	40.3
Receivables from members of the boards	–	0.2	0.2	0.1
Receivables from finance leases	11.4	13.5	141.0	132.5
Payments on account	96.6	296.5	265.3	43.7
Other assets	29.1	302.8	352.4	83.3
Other assets	**137.8**	**761.6**	**1,007.4**	**300.5**
Prepaid expenses	**1.1**	**251.5**	**252.6**	**2.6**
Total	**208.3**	**1,221.6**	**1,533.5**	**395.0**

Restraints on ownership or disposal existed for an amount of € 108.9 million (previous year: € 50.8 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 1.63% p.a. to 3.40% p.a. (previous year: 1.63% p.a. to 4.23% 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, maintenance and accrued brochure costs.

(24) Current and deferred income tax claims

Income tax claims

€ million	31 Dec 2004	31 Dec 2003
Deferred income tax claims	233.0	188.3
Current income tax claims	21.4	21.8
Total	**254.4**	**210.1**

Assets from future income tax benefits comprised 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 carryforwards assessed as recoverable in the future. Deferred tax assets are outlined in detail under note 12. This item also included current income tax claims.

(25) Cash and cash equivalents

Cash and cash equivalents

€ million	31 Dec 2004	31 Dec 2003
Bank deposits	464.7	327.7
Cheques, cash in hand	16.4	20.8
Total	**481.1**	**348.5**

As in the previous year, cash and cash equivalents were not subject to any restraints on disposal.

Group equity
Changes in equity of the TUI Group are presented in the statement of changes in equity.

(26) Subscribed capital

The subscribed capital of TUI AG consisted of no-par value shares, each representing an identical share in the capital stock. The proportion in the capital stock per share was around € 2.56.

The subscribed capital of TUI AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, rose by € 735,902.40 to a total of € 456,983,835.51 due to the issuance of 287,860 employee shares. Subscribed capital thus comprised 178,756,539 shares (previous year: 178,468,679 shares) at the end of the financial year.

The Annual General meeting of 18 May 2004 authorised the Executive Board of TUI AG to purchase own shares of up to 10% of the subscribed capital. The authorisation will expire on 17 November 2005 and replaces the authorisation granted by the Annual General Meeting of 18 June 2003. So far, the possibility of acquiring own shares has not been used.

In early December 2004, GEV Gesellschaft für Energie- und Versorgungswerte mbH, a subsidiary of WestLB AG, divested its interest of approx. 31.4% in TUI AG, held for many years. The block of shares was sold in two tranches: 9.97% of one tranche was purchased by the Spanish Riu family via affiliated companies. A further approx. 7.3% was purchased by two other Spanish investors, Caja de Ahorros del Mediterráneo and Grupo Empresas Matutes. A second tranche of around 14% was sold to institutional investors, mainly in Germany and other European countries.

Conditional capital
The Annual General Meeting of 31 March 1999 adopted a resolution creating conditional capital of € 39.0 million to secure conversion rights in connection with the issue of convertible bonds. On the basis of this resolution, TUI AG issued a convertible bond of € 550.0 million in June 1999. Following the redemption of the convertible bond in June 2004, the unused conditional capital of just under € 39.0 million was reversed on the basis of a resolution adopted by the Supervisory Board of TUI AG.

On 18 June 2003, the Annual General Meeting 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. In October 2003, convertible bonds totalling around € 384.6 million were issued. The conversion rights entitled the holders to convert each convertible bond of a par value of of € 50,000.00 into

2,314 shares in TUI AG. The convertible bond has been admitted to official stock exchange trading since 1 December 2003. Exercise of the conversion rights has been possible since 2 January 2004.

In order to be able to use the possibility of issuing bonds in the future, 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.

Changes in conditional capital

€ '000	Conditional capital 31 Dec 2003	Availment in the current financial year (Number of exercised warrants and conversion options)	Increase in subscribed capital	Changes due to AGM and Supervisory Board resolutions	Conditional capital 31 Dec 2004
Conversion rights	128,997	–	–	31,003	160,000
Total	**128,997**	**–**	**–**	**31,003**	**160,000**

Authorised capital

At the end of the 2003 financial year, the authorised capital of € 10.0 million created at the Annual General Meeting of 12 April 2000 for the issue of employee shares stood at € 8,047,977.07. The Annual General Meeting of 18 May 2004 resolved to reverse this amount and replaced it by a new resolution creating authorised capital of € 10.0 million. The authorised capital was partly used in the financial year under review to issue 287,860 employee shares (previous year: 430,380 shares). The remaining authorised capital thus stood at € 9,264,097.60.

The resolutions adopted at the Annual General Meeting of 12 April 2000 to create authorised capital of a total of € 209.0 million for the issue of new no-par value shares against cash or non-cash contribution were repealed and replaced by new resolutions totalling € 215.6 million at the Annual General Meeting of 18 May 2004. The authorised capital was not used to issue new no-par value shares.

(27) Reserves

The Group's reserves comprised the capital reserve, revenue reserves, differences arising on the currency translation of goodwill and financial statements of foreign subsidiaries as well as the revaluation reserve for financial instruments. Due to the application of IFRS 3, a revaluation reserve for business combinations was shown for the first time. Changes in individual reserves are outlined in detail in the statement of changes in equity.

Capital reserve

The capital reserve exclusively 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. 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 offset against the transfers to the capital reserve resulting from these transactions.

In the year under review, the capital reserve increased by € 2.4 million (previous year: € 3.2 million) due to the issue of employee shares. The capital reserve rose by an additional amount of € 3.2 million (previous year: € 4.4 million) as a result of the reversal of the provision for deferred taxes, set up in the wake of the issuance of conversion options and taken directly to capital reserves. In the previous year, the capital reserve had increased by € 27.1 million due to the transfer of the equity component of the convertible bond issued in October 2003, taking account of deferred taxes.

Revenue reserves

Revenue reserves were equivalent to other revenue reserves pursuant to commercial-law reporting requirements. They comprised transfers from the results of the current or previous financial years as well as eliminations of goodwill from capital consolidation and equity measurement of subsidiaries purchased before 30 September 1995. In addition, adjustments from the first-time application of new IFRS standards were transferred to or offset against revenue reserves. Revenue reserves thus rose by € 11.1 million due to the elimination of negative goodwill required under IFRS 3. Goodwill of € 65.6 million arising on the acquisition of minority interests was eliminated against revenue reserves in the 2004 financial year.

For subsidiaries purchased before 1 October 1995, goodwill was directly eliminated against the revenue reserves. With the start of the 2004 financial year and the first-time application of IFRS 3, this direct elimination was no longer reversed with no effect on results when the goodwill was disposed of.

The articles of association of TUI AG did not contain any provisions pertaining to the formation of reserves.

Differences arising on currency translation

Differences arising on currency translation comprised differences from the currency translation of the financial statements of foreign subsidaries as well as differences from the translation of goodwill denominated in foreign currency.

Revaluation reserve for business combinations

The revaluation reserve included the equity effect of the adjustment of the carrying amounts of assets and liabilities of companies acquired in the framework of business combinations achieved in stages and included in consolidation for the first time. Account was only taken of the revaluation effect related to the shares held before the date of first-time consolidation, which was carried out with no effect on results.

Revaluation reserve for financial instruments

The reserve for changes in the value of financial instruments contained all accumulated gains and losses from changes in the fair values of financial instruments entered into as cash flow hedges. When the hedged transaction occurred, the results of the hedge were reclassified either as an income or expense item in the profit and loss statement or as an increase or decrease in the cost of assets.

(28) Net profit available for distribution

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.

Reconciliation of Group profit for the year to net profit available for distribution of TUI AG

€ million	2004	2003
Group profit for the year (excl. minority interests)	488.3	275.0
Retained profits brought forward of TUI AG	0.4	0.4
Transfers to reserves	350.7	137.6
Net profit available for distribution of TUI AG	**138.0**	**137.8**

A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for the payment of a dividend of € 0.77 per no-par value share and to carry the amount of € 357,464.97, remaining after the deduction of the dividend total of € 137,642,535.03, forward on new account.

(29) Minority interests

Minority interests mainly related to companies of the tourism division, above all companies of the RIU Group (minority interest: 50%) and a number of incoming agencies. The minority interests in the TUI Suisse Group and the Magic Life Group (previous year: 49% each) were completely acquired in the 2004 financial year. Minority interests were also affected by the divestment of the Anfi Group (minority interest: 49%) and the companies of the Algeco Group (minority interest: approx. 33%).

(30) Provisions for pensions 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 externally, systems existed for defined benefit plans entailing the formation of provisions or investments in funds outside the company.

German employees enjoyed benefits from a statutory defined contribution plan paying pensions as a function of 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 2004 financial year, the pension costs for all defined contribution plans for the TUI Group totalled € 90.0 million (previous year: € 98.5). The pension costs for defined benefit pension commitments totalled € 136.2 million (previous year: € 138.9 million).

Pension costs for defined benefit pension obligations

€ million	2004	2003
Current service cost resulting from employee service in the current period	56.9	50.5
Interest cost	106.5	103.7
Expected return on external plan assets	70.0	55.6
Past service cost due to plan changes	3.1	1.1
Losses/gains on curtailment or settlement of pension obligations	0.1	- 0.2
Amortisation of actuarial gains/losses	39.6	39.4
Total	**136.2**	**138.9**

The increase in the expected return on external plan assets in 2004 primarily resulted from the year-on-year increase in the plan assets of TUI Northern Europe. The increase in current service cost and in particular in the interest cost in the 2004 financial year had an opposite effect. Total pension costs for defined benefit pension obligations only 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.

Pension provisions were almost exclusively related to benefit obligations for Germany companies.

Development of provisions for pensions and similar obligations

€ million	Opening balance 1 Jan 2004	Changes in consolidation[1]	Utilisation	Reversal	Addition	Closing balance 31 Dec 2004
Provisions for pensions	623.8	- 17.1	35.1	0.4	75.1	646.3
Similar obligations	21.3	- 1.3	2.2	–	3.6	21.4
Total	**645.1**	**- 18.4**	**37.3**	**0.4**	**78.7**	**667.7**

[1] as well as transfers and exchange differences

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 Britannia Airways. Furthermore, funded pension obligation systems were operated by foreign companies of Hapag-Lloyd Container Linie, in the US steel service companies as well as in companies in Switzerland and the Netherlands.

While the fund assets were determined on the basis of the fair values of invested funds as at 31 December 2004, 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.	2004	2003
Discount rate	4.75	5.25
Projected future salary increases	1.33 – 2.5	1.67 – 3.0
Projected future pension increases	1.0 – 1.33	1.0 – 1.67
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.	2004 Discount rate	2004 Projected return on plan assets	2004 Projected future salary increase	2003 Discount rate	2003 Projected return on plan assets	2003 Projected future salary increase
Eurozone	4.75	4.0 – 6.0	0.0 – 3.85	5.25	5.25 – 6.0	2.0 – 3.8
UK	5.25 – 5.4	4.5 – 7.9	3.9 – 4.4	5.4	7.7	3.8 – 4.3
Rest of Europe	3.75	2.5 – 5.0	0.02 – 2.5	3.75 – 5.25	3.25 – 7.0	0.0 – 3.5
America	6.0 – 6.25	6.0 – 8.0	3.0 – 5.0	6.25	8.0	4.0
Asia	2.0 – 3.75	1.5 – 2.75	1.5 – 3.0	2.0 – 3.5	1.5 – 2.75	1.5 – 3.0

Reconciliation of the present value of pension obligations to liability recognised in the balance sheet

€ million	31 Dec 2004 Plants with obligation in excess of assets	31 Dec 2004 Plants with assets in excess of obligations	31 Dec 2004 Total	31 Dec 2003 Plants with obligation in excess of assets	31 Dec 2003 Plants with assets in excess of obligations	31 Dec 2003 Total
Actual present value of fully or partly funded pension obligations	1,430.7	20.5	1,451.2	1,201.4	101.2	1,302.6
Fair value of external plan assets	951.4	21.1	972.5	727.4	103.7	831.1
Excess	479.3	- 0.6	478.7	474.0	- 2.5	471.5
Actual present value of non-funded pension obligations			545.8			543.6
Net present value of pension obligations			**1,024.5**			**1,015.1**

€ million	31 Dec 2004	31 Dec 2003
Net present value of pension obligations	**1,024.5**	**1,015.1**
Adjustment for actuarial gains/losses	- 387.3	- 398.8
Adjustment for past service benefits	0.3	0.5
Net recognised liability	**637.5**	**616.8**
of which provisions for pensions for non-funded obligations	499.7	506.3
of which provisions for pensions for funded obligations	146.6	117.5
of which capitalised assets	- 8.8	- 7.0

The differences of € 387.0 million not yet affecting results at the balance sheet date will be recognised ratably as expenses over the remaining working lives of active employees. The reduction in the difference mainly resulted from amortisation of the current financial year and, at € 34.8 million, predominantly related to the TUI Northern Europe sector.

An opposite effect was mainly attributable to the reduction in the discount rate in Eurozone. The resulting increase in the actual present value of pension obligations led to an increase in the actuarial loss for the year under review, so that a total reduction in the difference not yet affecting results of around € 11 million was effected.

In the year under review, the present value of pension obligations rose in particular in TUI Northern Europe. At around € 111 million, the increase conformed with expectations. Since the plan assets showed a positive development year-on-year in line with the recovery of international capital markets, these differences only led to a moderate increase in the present value of pension obligations in net terms.

The increase in the pension provisions formed for funded obligations was mainly attributable to the above-mentioned amortisation of actuarial losses in the year under review.

Where plan assets exceeded obligations, taking account of actuarial gains or losses, in funded pension obligations and there was an entitlement to reimbursement of or reduction in future contribution payments to the fund, the excess was capitalised in conformity with the upper limit defined by IAS 19 (revised 2002).

(31) Income tax provisions and other provisions

Development of provisions in the 2004 financial year

€ million	Opening balance 1 Jan 2004	Changes in consolidation[1]	Utilisation	Reversal	Addition	Closing balance 31 Dec 2004
Provisions for current income tax	279.1	- 100.8	49.7	41.5	55.0	142.1
Provisions for deferred income tax	209.2	- 5.3	–	–	19.0	222.9
Income tax provisions	**488.3**	**- 106.1**	**49.7**	**41.5**	**74.0**	**365.0**
Personnel costs	326.7	- 32.9	125.9	10.8	168.6	325.7
Typical operating risks	114.1	19.4	33.0	9.0	57.1	148.6
Provisions for other taxes	67.2	2.4	21.3	1.1	21.4	68.6
Miscellaneous provisions	536.7	- 1.7	141.1	162.5	167.9	399.3
Other provisions	**1,044.7**	**- 12.8**	**321.3**	**183.4**	**415.0**	**942.2**
Total	**1,533.0**	**- 118.9**	**371.0**	**224.9**	**489.0**	**1,307.2**

[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, 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 € 148.6 million comprised provisions for maintenance operations for leased aircraft of € 83.4 million and provisions for stabilising and restoration measures for the former mining activities (approx. € 50.0 million). These provisions included an amount of € 32.1 million (previous year: € 17.0 million) for necessary environmental protection measures.

Other provisions mainly included provisions for risks from onerous contracts (€ 52.9 million; previous year: € 103.7 million) and guarantee, warranty and liability risks (€ 99.7 million; previous year: € 99.6 million). 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 availment 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. Provisions for pending losses from the management of real estate were no longer required due to contractual changes and were therefore reversed.

In the framework of the adoption of comprehensive restructuring measures to increase efficiency and save costs, provisions of € 37.5 million were formed in the Northern Europe sector.

Maturities of income tax provisions and other provisions

€ million	31 Dec 2004 Remaining term of more than 1 year	31 Dec 2004 Total	31 Dec 2003 Total	31 Dec 2003 Remaining term of more than 1 year
Provisions for current taxes on income	118.8	142.1	279.1	119.9
Provisions for deferred taxes	222.9	222.9	209.2	209.2
Income tax provisions	**341.7**	**365.0**	**488.3**	**329.1**
Personnel costs	68.8	325.7	326.7	70.4
Typical operating risks	106.5	148.6	114.1	84.4
Provisions for other taxes	7.9	68.6	67.2	24.5
Miscellaneous provisions	156.9	399.3	536.7	180.9
Other provisions	**340.1**	**942.2**	**1,044.7**	**360.2**
Total	**681.8**	**1,307.2**	**1,533.0**	**689.3**

(32) Liabilities

Financial liabilities

€ million	31 Dec 2004 Remaining term up to 1 year	31 Dec 2004 Remaining term more than 1-5 years	31 Dec 2004 Remaining term more than 5 years	31 Dec 2004 Total	31 Dec 2003 Total	31 Dec 2003 Remaining term more than 1 year
Convertible bonds	–	341.9	–	341.9	877.2	332.8
Other bonds	–	1,142.5	608.8	1,751.3	748.4	748.4
Liabilities to banks	245.5	675.9	157.1	1,078.5	1,698.9	1,017.3
Liabilities from finance leases	66.7	140.8	227.7	435.2	550.8	470.8
Financial liabilities due to non-consolidated Group companies	51.4	–	13.0	64.4	62.5	12.3
Financial liabilities due to affiliates	9.4	–	–	9.4	173.8	108.2
(of which to banks)	(–)	(–)	(–)	(–)	(161.9)	(108.2)
Other financial liabilities	29.9	18.1	3.0	51.0	65.7	20.4
Total	**402.9**	**2,319.2**	**1,009.6**	**3,731.7**	**4,177.3**	**2,710.2**

In the 2004 financial year, convertible bonds exclusively 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 entitled the holder to convert it into 2,314 shares at a conversion price of € 21.60 any time between 2 January 2004 and 17 November 2008.

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 of the balance sheet date in accordance with the internationally accepted Effective Interest Method.

Besides the corporate bond of € 750.0 million issued in October 1999, other bonds comprised the bonds issued in April and June 2004 totalling € 1,025.0 million.

The corporate bond, maturing in October 2006, entailed an interest coupon of 5.875% p.a. The bond of € 625 million, issued in 2004 and maturing in May 2011, also carried fixed interest of 6.625%. The bond of € 400.0 million issued in June 2004 entailed a floating interest rate (EURIBOR + 2.10%). This instrument will mature in August 2009. All three bonds were divided into bonds with a par value of € 1,000.00 each.

Since WestLB AG was no longer classified as an affiliate due to the divestment of its indirect share in TUI AG, the corresponding financial liabilities were carried as liabilities to banks for the 2004 financial year.

Liabilities to banks broke down as follows:

Liabilities to banks

		31 Dec 2004				31 Dec 2003
			Remaining term			
Maturing in	**Weighted average interest rate p.a.**	**€ million**	up to 1 year	more than 1-5 years	more than 5 years	**€ million**
2004	6.04%	–	–	–	–	0.3
2005	3.81%	3.1	3.1	–	–	9.4
2006	4.66%	74.4	43.2	31.2	–	124.6
2007	2.03%	–	–	–	–	27.5
2008	4.58%	7.9	2.0	5.9	–	4.0
2009	3.41%	167.0	0.1	166.9	–	–
2010	3.42%	226.2	39.4	165.9	20.9	–
2011	3.21%	11.1	0.4	1.9	8.8	–
2014	4.50%	32.1	0.5	8.7	22.9	–
After 2015	4.12%	11.4	–	2.3	9.1	–
	Total fixed-interest	**533.2**	**88.7**	**382.8**	**61.7**	**165.8**
2005	Euribor	14.3	14.3	–	–	–
2006	Euribor	64.5	60.3	4.2	–	555.3
2006	Libor	–	–	–	–	1.5
2007	Euribor	21.5	8.6	12.9	–	46.5
2008	Euribor	20.0	4.0	16.0	–	294.3
2008	Libor	23.3	4.2	19.1	–	101.6
2009	Euribor	4.8	–	4.8	–	–
2009	Libor	172.0	–	172.0	–	31.5
2010	Euribor	4.1	0.2	1.8	2.1	–
2011	Euribor	18.7	1.5	12.2	5.0	–
2012	Euribor	–	–	–	–	39.5
2012	Libor	81.5	5.7	29.2	46.6	106.6
2013	Libor	19.5	2.5	10.1	6.9	–
After 2015	Euribor	38.2	0.8	5.9	31.5	–
After 2015	Libor	2.1	–	0.4	1.7	–
	Total floating-interest	**484.5**	**102.1**	**288.6**	**93.8**	**1,176.8**
	Other	13.5	7.4	4.5	1.6	141.8
	Total medium- and long-term liabilities	**1,031.2**	**198.2**	**675.9**	**157.1**	**1,484.4**
	Euribor	19.1	19.1	–	–	349.3
	Other	28.2	28.2	–	–	27.1
	Total short-term liabilities	**47.3**	**47.3**	**–**	**–**	**376.4**
	Total	**1,078.5**	**245.5**	**675.9**	**157.1**	**1,860.8**
	Of which due to related parties	(–)	(–)	(–)	(–)	(161.9)

At € 542.3 million, the fair values of the main fixed-interest liabilities to banks only slightly exceeded the carrying amounts of € 533.2 million. For floating-interest liabilities, the carrying amounts corresponded to the fair values.

In the 2004 financial year, the Group renewed many of its bilateral short-term credit lines. In addition, a syndicated credit line of € 350 million as well as a loan of € 250 million maturing in 2010 were signed in June 2004. On the other hand, the Group redeemed its syndicated credit line of € 800 million of 2003 in June 2004. Almost all of these credit lines carried floating interest rates based on EURIBOR.

The long-term credit line of 2003, unrelated to other Group financing, of USD 195 million, taken up to finance the operations of the US steel service companies, was extended by a further USD 50 million in 2004. The assets of the US steel service companies were pledged as collateral for the loan. The credit line was a floating-interest loan based 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 2004	31 Dec 2003
To banks	283.7	321.5
To non-banks	6.4	37.8
Total	**290.1**	**359.3**

Trade accounts payable

€ million	31 Dec 2004	31 Dec 2003
To third parties	1,817.6	2,022.0
To non-consolidated Group companies	12.4	6.3
To affiliates	14.6	8.3
Total	**1,844.6**	**2,036.6**

Other liabilities

	31 Dec 2004				31 Dec 2003	
	Remaining term					Remaining term
€ million	up to 1 year	more than 1-5 years	more than 5 years	Total	Total	more than 1 year
Derivatives	**146.1**	**47.0**	**0.7**	**193.8**	**250.0**	**111.5**
Other liabilities due to non-consolidated Group companies	18.4	–	–	18.4	18.7	–
Other liabilities due to affiliates	2.7	–	–	2.7	2.6	–
Other liabilities relating to income taxes	1.3	–	–	1.3	2.1	–
Other liabilities relating to other taxes	52.8	–	–	52.8	53.6	–
Other liabilities relating to social security	47.3	0.9	–	48.2	63.4	0.7
Other liabilities relating to employees	13.9	0.2	–	14.1	19.0	0.1
Other liabilities relating to members of the boards	3.3	–	–	3.3	2.8	–
Other miscellaneous liabilities	165.0	13.9	–	178.9	268.9	12.8
Liabilities for bills drawn	0.8	–	–	0.8	21.2	–
Advance payments received	1,166.2	41.3	–	1,207.5	1,062.6	43.6
Other liabilities	**1,471.7**	**56.3**	**–**	**1,528.0**	**1,514.9**	**57.2**
Deferred income	**33.8**	**19.6**	**2.0**	**55.4**	**65.4**	**37.7**
Total	**1,651.6**	**122.9**	**2.7**	**1,777.2**	**1,830.3**	**206.4**

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.

Deferred income included government grants to promote investments and not directly attributable to individual asset items (investment grants) of € 0.5 million (previous year: € 2.1 million).

Of the total of all liabilities in the previous year, € 481.9 million had a remaining term of more than five years.

Contingent liabilities

Contingent liabilities

€ million	31 Dec 2004	31 Dec 2003
Liabilities under guarantees, bill and cheque guarantees due to non-consolidated Group companies	16.5	16.4
Other liabilities under guarantees, bill and cheque guarantees	522.2	653.2
Other liabilities under warranties	5.5	2.8
Contingent liabilities related to the provision of collateral for third-party liabilities	7.7	3.1
Total	**551.9**	**675.5**

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 to fully cover the guarantees and warranties granted in previous years for 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.

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. 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 Duisburg only amounted to the level of the anticipated cost of proceedings since the action was expected to be dismissed. As in previous years, the subsidaries had formed appropriate provisions or expected adequate insurance benefits to cover any potential financial charges from other court or arbitration proceedings. The financial position was therefore unlikely to be substantially affected by such charges.

Other financial commitments

Notional values of other financial commitments

€ million	up to 1 year	Remaining term more than 1-5 years	more than 5 years	31 Dec 2004 Total	31 Dec 2003 Total	Remaining term more than 1 year
Order commitments in respect of capital expenditure	**106.5**	**344.0**	**–**	**450.5**	**129.3**	**28.4**
Order commitments in respect of tourism services	**1,038.6**	**583.5**	**328.6**	**1,950.7**	**2,551.8**	**1,254.8**
Accommodation services	470.3	578.0	328.6	1,376.9	1,946.1	1,254.8
Flight services	560.4	5.5	–	565.9	590.9	–
Other services	7.9	–	–	7.9	14.8	–
Environmental protection services	**–**	**–**	**–**	**–**	**10.4**	**9.8**
Other financial commitments	**107.6**	**43.8**	**3.4**	**154.8**	**232.5**	**151.3**
Total	**1,252.7**	**971.3**	**332.0**	**2,556.0**	**2,924.0**	**1,444.3**
Fair value	**1,195.9**	**845.1**	**263.2**	**2,304.2**	**2,598.4**	**1,192.5**

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 4.75% p.a. (previous year: 5.25% p.a.). If the previous year's interest rate of 5.25% p.a. had been applied, the fair value would have been € 23.9 million less.

The increase in order commitments in respect of capital expenditure of € 321.2 million was mainly attributable to the planned acquisition of aircraft. A slight increase was attributable to planned investments in the hotel sector and the logistics division.

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. The decline in commitments for accommodation services was primarily due to changes in the purchasing policy of German tour operators.

Other financial commitments mainly included amounts for obligations 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 2004 up to 1 year	Remaining term more than 1-5 years	more than 5 years	Total	31 Dec 2003 Total	Remaining term more than 1 year
Hotels	86.0	301.8	57.9	445.7	493.3	339.1
Travel agencies	66.0	181.3	184.0	431.3	393.5	336.1
Administrative buildings	56.0	201.8	162.1	419.9	229.8	188.1
Aircraft	202.5	393.5	39.1	635.1	1,110.2	902.5
Ships	249.1	640.8	374.9	1,264.8	569.6	486.9
Rolling stock	25.3	75.8	45.8	146.9	164.2	135.2
Other	81.4	143.6	132.2	357.2	487.4	359.1
Total	**766.3**	**1,938.6**	**996.0**	**3,700.9**	**3,448.0**	**2,747.0**
Fair value	**731.6**	**1,686.7**	**789.7**	**3,208.0**	**2,947.2**	**2,281.3**

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 4.75% p.a. (previous year: 5.25% p.a.). If the previous year's interest rate of 5.25% p.a. had been applied, the fair value would have been € 46,0 million less.

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 increase in commitments for administrative buildings mainly resulted from the long-term building lease obligations for the West Midlands International airport in Coventry, acquired in the 2004 financial year.

The significant reduction in commitments for aircraft was due to the timing of contracts and exchange rate effects on the one hand and the future acquisition of own aircraft as well as the restructuring of lease agreements on the other.

The increase in the commitments for ships resulted from the expansion of the container ship fleet and the conclusion of a new charter agreement fixing higher rates and longer terms upon the expiry of existing agreements.

The decline in other lease and rental obligations was mainly attributable to the end of lease agreements for apartments in Salzgitter as well as from the divestment of the bulk and special logistics sector of VTG AG (UB II).

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 assumed the central role 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 volumes. 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 services 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. A regular internal control and monitoring system was operated to check compliance with the set limits and guidelines on the one hand and performance in comparison with overall industry standards on the other. 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 subsidiaries.

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 companies of the TUI Group 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 logistics division, in particular in container shipping, 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 logistics 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

An interest rate risk, i.e. potential fluctuations in the value of a financial instrument resulting from changes in market interest rates, 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.

Fair values and carrying amounts of bonds issued (31 Dec 2004)

€ million	Volume	Fair value of debt component	Fair value of equity component	Total fair value	Carrying amount
1999/06 corporate bond	750.0	780.4	–	780.4	748.9
2003/08 convertible bond	384.6	378.3	24.5	402.8	341.9
2004/11 bond	625.0	672.2	–	672.2	608.8
2004/09 bond	400.0	416.2	–	416.2	393.6

Market risk

Market risk arises from the fact that the value of a financial instrument may change due to fluctuating prices on the financial markets. 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 € 6.6 million (previous year: € 10.3 million) were carried as 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, irrespective of existing collateral, but taking into account any legally enforceable possibilities of netting financial assets and liabilities. 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 as well as lump-sum bad debt allowances based on empirical values.

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 partners asset losses would be incurred only up to this amount. Since derivative financial instruments were concluded with a variety of top-rated debtors, no significant concentration of 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 were concluded to limit the resulting cost of borrowing funds. The changes in the market values of these financial instruments, classified as cash flow hedges in accordance with the rules of IAS 39, were taken directly to equity. Due to the reversal of the hedge relationship required in the wake of the refinancing of a substantial proportion of short- and medium-term financial debt by means of longer-term fixed-interest components, the fair values of the interest rate hedges taken directly to equity declined to € -1.3 million (previous year: € -43.3 million) as at 31 December 2004.

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.

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 future aircraft fuel requirements. The price hedges were based on corresponding plans and met the conditions of cash flow hedges under IAS 39. Accumulated changes in market values were 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.

The notional amounts corresponded to the total of all purchase or sale amounts or the contract values of the transactions.

Notional amounts of derivative financial instruments

			31 Dec 2004	31 Dec 2003	
	Remaining term				Remaining term
€ million	up to 1 year	more than 1 year	Total	Total	more than 1 year
Interest rate hedges					
Swaps	–	1,696.4	1,696.4	2,390.1	2.300.0
Caps and floors	15.2	–	15,2	1,358,8	1,349.5
Collars	15.2	–	15.2	2.0	1.2
Forward rate agreements	155.4	16.4	171.8	328.8	–
Currency hedges					
Forward contracts	2,815.9	270.6	3,086.5	3,121.7	291.0
Options	433.3	62,3	495.6	298.5	15.8
Collars	51.3	175.3	226.6	115.8	35.7
Swaps and other currency hedges	93.5	–	93.5	299.0	71.8
Commodity hedges					
Swaps	227.9	12.9	240.8	252.6	24.6
Options	14.5	–	14.5	15.1	1.1
Collars	97.8	15.2	113.0	109.0	9.9

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 recognised option price models. 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

	31 Dec 2004		31 Dec 2003	
€ million	Receivables	Payables	Receivables	Payables
Fair value hedges to hedge exposure to				
currency risks	0.1	1.9	1.6	0.4
Cash flow hedges to hedge exposure to				
currency risks	79.0	152.4	47.2	155.2
interest rate risks	0.2	1.3	16.3	58.9
market risks	33.8	10.9	66.4	1.9
Hedges	**113.1**	**166.5**	**131.5**	**216.4**
Other derivative financial instruments	**10.6**	**27.3**	**42.5**	**33.6**
Other	**123.7**	**193.8**	**174.0**	**250.0**

Financial instruments which represented an interest rate or currency hedge 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. This item also included financial instruments entered into in the framework of company acquisitions or divestments.

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.

(33) Cash inflow/outflow from operating activities

The cash inflow from operating activities included interest received. In the year under review, interest payments received totalled € 74.7 million (previous year: € 63.7 million). In the 2004 financial year, income tax payments resulted in a cash outflow of € 118.7 million (previous year: € 121.9 million).

(34) 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 2004 financial year resulted in cash payments of around € 203.3 million (previous year: around € 38.0 million). The cash inflow from the purchase transactions totalled approx. € 3.7 million. In the same period, cash payments of around € 731.6 million (previous year: around € 1,531 million) were received by the Group from the divestment of most parts of the special logistics sector and other divestments. The total of cash and cash equivalents sold in the framework of the sales transactions amounted to around € 16.7 million in the 2004 financial year.

Non-cash investments were primarily effected in the logistics and tourism divisions by means of finance leases. Lease agreements resulted in total investments of € 18.0 million (previous year: € 12.0 million).

(35) Cash inflow/outflow from financing activities

Apart from the cash outflow from the redemption of existing financial liabilities, the cash flow from financing activities also included the interest paid in the financial year under review. The cash inflow from operating activities was primarily used to repay financial debt, reducing it by around € 439.1 million.

(36) 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 flucutations 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 at 31 December 2004, total cash and cash equivalents were not subject to any restraints on disposal.

Other Notes

Events after the balance sheet date

In the period under review, no major transactions were decided, initiated or implemented after the balance sheet date.

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

€ million	2004	2003
Services provided by the Group		
Management and consultancy services	24.8	21.4
Sales of tourism services	4.1	19.0
Distribution services	7.7	6.6
Other services	4.5	4.9
Total	**41.1**	**51.9**
Services received by the Group		
In the framework of lease, rental and leasing agreements	42.0	42.6
Purchase of hotel services	124.0	112.5
Incoming services	79.0	43.4
Distribution services	0.7	18.7
Other services	5.8	4.5
Total	**251.5**	**221.7**

Transactions with associated companies in which shareholdings were held and joint ventures were primarily effected in the tourism segment. They related in particular the tourism services of the incoming agencies and hotel companies used by the Group's tour operators.

The logistics division 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 leased tangible 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.

Financial liabilities to related parties included liabilities from finance leases totalling € 61.1 million (previous year: 116.7 million). Receivables and payables concerning related parties as at the balance sheet date are presented under notes 22, 23 and 32.

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.

Given its indirect equity participation, WestLB AG Düsseldorf/Münster met the formal requirements for a related party of TUI AG in accordance with IAS 24 until it sold its indirect shareholding in TUI AG at the beginning of December 2004. In holding its participation, WestLB AG did not pursue any entrepreneurial objectives and did not have any part in the financial or operating policy decisions of TUI AG. Relations with WestLB AG consisted entirely of transactions customarily carried out with commercial banks. In the 2004 financial year, WestLB AG operated in particular in conjunction with other commercial banks, for the Group in raising a syndicated guarantee line and issuing two bonds.

On the basis of the rulings handed down by the Federal Supreme Court of Justice (BGH) for other companies, the formal requirements for the assumption of an active legal dependency of TUI AG on the WestLB Group were met upon the termination of the Annual General Meeting of 18 May 2004 so that the Executive Board of TUI AG submitted a report on related parties for the period from 1 January to 30 November 2004 as stipulated by section 312 of the German Stock Corporation Act.

According to this report, TUI AG received an appropriate consideration for every legal transaction with related parties as defined by section 312 of the German Stock Corporation Act. Furthermore, no legal transactions were effected or omitted upon the initiative or in the interest of the WestLB Group in the period under review.

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 framework of the long-term incentive programme, the Executive Board members received a performance-related bonus in the 2004 financial year, which was translated into 'phantom stocks' of TUI AG on the basis of an average share price. The calculation was based on earnings by divisions (EBTA). The translation into phantom stocks was based on the average stock market price of the 20 trading days following the Supervisory Board meeting adopting the annual financial statements. The number of phantom stocks granted for a financial year was thus not determined until the subsequent year. After a lock-up period of two years, the entitlement to cash payment from this bonus can be exercised individually by the Executive Board members. The level of the cash payment depended on the average share price of TUI AG shares over a period of 20 trading days following the exercise date. There are no absolute or relative return or price targets. A cap has been fixed for extraordinary unforeseen developments.

Development of aggregate phantom stocks

Balance as at 31 Dec 2003	**249,011**
Phantom stocks allocated	156,156
Phantom stocks exercised	6,897
Additions or disposals of phantom stocks	–
Balance as at 31 Dec 2004	**398,270**

As at 31 December 2004, former Executive Board members held 60,001 phantom stocks (previous year: 86,027 phantom stocks).

In the 2004 financial year, provisions totalling € 9,850 thousand (previous year: € 8,000 thousand) existed for the entitlements under the long-term incentive programmes, including the granting of phantom stocks of which for current Board members € 8,950 thousand and for former Board members € 900 thousand.

Remuneration of Executive Board members

€ '000	2004	2003
Fixed compensation	3,027	3,510
Performance-related compensation	2,891	2,939
Long-term incentive programme		
Phantom stocks granted	1,989	2,731
Changes in share prices of phantom stocks granted in previous years	62	162
Total	**7,969**	**9,342**

Remuneration of individual Executive Board members for 2004

€ '000	Fixed compensation	Performance-related compensation	Long-term incentive programme	Total
Dr. Michael Frenzel (CEO)	1,405	1,101	714	3,220
Sebastian Ebel	425	482	375	1,282
Dr. Peter Engelen	412	482	391	1,285
Rainer Feuerhake	785	826	571	2,182
Total	**3,027**	**2,891**	**2,051**	**7,969**

As in the previous year, the Executive Board members did not receive any loans or advances in the 2004 financial year.

Pension obligations for current members of the Executive Board amounted to € 10,762 thousand (previous year: € 10,077 thousand) at the balance sheet date. Pension obligations for former members of the Executive Board and their dependants totalled € 36,026 thousand (previous year: € 36,327 thousand). The pension obligations for German beneficiaries were funded by means of the conclusion of pledged employer's pension liability insurance policies. As the employer's pension liability insurance policies fully covered the pension obligations for former and current Executive Board members, the insurance policies were deducted from the pension obligations as an asset. Pension obligations for a former Executive Board member were covered by a funded plan. In the 2004 financial year, remuneration for former members of the Executive Board totalled € 3,307 thousand (previous year: € 10,598 thousand).

Remuneration of the Supervisory Board

Total remuneration of the members of the Supervisory Board amounted to € 1,439 thousand (previous year: € 1,432 thousand) in the 2004 financial year. The remuneration comprised a fixed component totalling € 116 thousand (previous year: € 124 thousand) and a variable component linked to the dividend and totalling € 1,164 thousand (previous year: € 1,164 thousand) as well as the remuneration for committee membership of € 106 thousand (previous year: € 97 thousand). In addition, travel expenses and other expenses totalling € 53 thousand (previous year: € 47 thousand) were reimbursed.

Remuneration of individual Supervisory Board members for 2004

€ '000	Fixed compensation	Variable compensation	compensation for committee membership	Total
Dr. Jürgen Krumnow (Chairman as of 10 Nov 2004)	6	58	26	90
Dr. Friedel Neuber (Chairman, deceased on 23 Oct 2004)	8	83	11	102
Jan Kahmann (Deputy Chairman)	8	76	–	84
Jella Susanne Benner-Heinacher	5	51	–	56
Dr. Norbert Emmerich (as of 10 Nov 2004)	1	8	–	9
Dr. Thomas Fischer (as of 16 Jan 2004)	4	41	12	57
Uwe Klein	8	76	14	98
Fritz Kollorz	5	51	–	56
Christian Kuhn	5	51	–	56
Dr. Dietmar Kuhnt	7	72	4	83
Dr. Klaus Liesen	8	76	–	84
Petra Oechtering	5	51	–	56
Dr. Johannes Ringel (up to 12 Jan 2004)	–	2	–	2
Hans-Dieter Rüster	5	51	–	56
Marina Schmidt	5	51	–	56
Dr. Manfred Schneider	5	51	–	56
Prof. Dr. Ekkehard D. Schulz	5	51	13	69
Hartmut Schulz	8	76	–	84
Ilona Schulz-Müller	5	51	13	69
Olaf Seifert	5	51	13	69
Dr. Bernd W. Voss	5	51	–	56
Dr. Franz Vranitzky	3	35	–	38
Total	**116**	**1,164**	**106**	**1,386**

Apart from the work of the employees' representatives performed in the framework of their contracts of employment, the members of the Supervisory Board did not perform any personal services such as consultancy or agency services for the TUI AG and its subsidiaries in the 2004 financial year.

Directors' dealings
At the end of the 2004 financial year, the number of shares in TUI AG held by the Executive Board and Supervisory Board members did not exceed the limit of 1% of the shares issued by the Company, stipulated in section 6.6 of the German Corporate Governance Code as the limit above which these holdings have to be reported separately. Overall, the Executive Board members held 784 TUI shares and the Supervisory Board members 7,948 shares. In the 2004 financial year, the Company was notified of the purchase of shares by a member of the Supervisory Board, and this information was made permanently accessible to the public in accordance with section 15a of the German Securities Trading Act.

Hanover, 11 March 2005

The Executive Board

Frenzel

Ebel Engelen Feuerhake

Auditor's Report

'We have audited the consolidated financial statements of TUI AG, Berlin and Hanover, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from 1 January to 31 December 2004 to the preparation and the content of the consolidated financial statements according to the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IFRS.

Our audit, which according to German auditing regulations also extends to the combined management report of the group and of TUI AG prepared by the Executive Board for the business year from 1 January to 31 December 2004, has not led to any reservations. In our opinion, on the whole the combined group management report, together with the other information of the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the combined group management report for the business year from 1 January to 31 December 2004 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.'

Hanover, 11 March 2005

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Interim Report January to March 2005	11 May 2005
Annual General Meeting 2005	11 May 2005
Interim Report January to June 2005	11 August 2005
Interim Report January to September 2005	10 November 2005

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