TUI AG Financial Year 2005
Interim Report 1 January – 31 March 2005

TUI: successful start into the 2005 financial year.

Tourism and shipping improve earnings

Table of Contents

Economic Situation

Financial Statements

1st Quarter 2005

→ TUI: successful start in the 2005 financial year.

→ Adjusted earnings (EBTA) improved by 8.4%.

→ Earnings in tourism better than last year by 6.3%.

→ Booking for summer season started well.
Booked turnover up 10.8% year-on-year so far.

→ Earnings in shipping increased by 13.6%.

Economic situation in the 1st quarter 2005 – Tourism and shipping improve earnings.

General economic situation

The growth of the world economy, which expanded strongly in 2004, lost speed in the first quarter of 2005. Nevertheless, current economic indicators suggest that the countries that have given momentum to the world economy this far will continue to record – albeit moderate – economic growth.

Regional development

Economic development continued to vary in individual regions. While the US and Chinese economies retained their robust growth despite the high crude oil price and were engines of growth in the quarter under review, the Eurozone recorded low growth. Although domestic demand rose slightly in this region, this growth did not compensate for the decline in export activities. For the second half of the year, economic researchers forecast an increase in economic growth, with Germany expected to again show a restrained development.

Development of the divisions

The tourism division recorded a consolidation of the positive trend in the 2004/2005 winter season, which terminated at the end of April. Overall, bookings for the 2005 summer season started off well, with growth rates varying by source markets.

Shipping benefited from sustained economic growth in Asia and the US and continued the previous year's positive business development. Transport volumes rose year-on-year, with freight rates remaining on a high level.

Application of new IFRS standards

Several revised IFRS accounting standards had to be applied for the first time in preparing the interim financial statements for the first quarter of 2005 (cf. notes on the interim financial statements for more detailed information). This primarily impacted the structure of the profit and loss statement and the balance sheet as well as the recognition or measurement of the conversion option of the convertible bond issued in 2003.

In terms of the segmentation of turnover and earnings by division, the low-cost airlines previously carried under central operations were allocated to the tourism division.

In order to facilitate comparability of the reported figures, the figures for the first quarter of 2004 were restated accordingly, explanatory information concerning the variations was provided where necessary to enhance understanding, and the profit and loss statement was supplemented by a reconciliation table.

Development of turnover and earnings

Turnover by divisions

Continuing operations

In accordance with IFRS 5, consolidated turnover was shown as turnover of the continuing operations. At € 3.23 billion (previous year: € 2.99 billion), turnover of the TUI Group's continuing operations (tourism, shipping, and central operations) was 8.0% up year-on-year in the first quarter of 2005. This increase was attributable to the 6.7% growth in the tourism division and the 16.4% growth in the shipping division.

Discontinuing operations

In the first quarter of 2005, the turnover reported for the discontinuing operations (trading, special logistics) totalled € 353 million (previous year: € 526 million), a 33.0% decline year-on-year. Given an increase in turnover of 23.3% in the trading sector, the decline was due to the divestments made in special logistics in the previous year.

In total, turnover of the TUI Group's divisions stood at € 3.58 billion (previous year: € 3.52 billion), a 1.8% increase year-on-year since the growth in the continuing operations more than offset the decline in the discontinuing operations.

Group turnover by divisions

€ million	Q1 2005	Q1 2004	Var. %
Tourism	**2,515.7**	**2,358.8**	**+ 6.7**
Central Europe	939.6	840.7	+ 11.8
Northern Europe	895.2	848.2	+ 5.5
Western Europe	531.0	507.3	+ 4.7
Destinations	89.2	99.2	- 10.1
Other tourism	60.7	63.4	- 4.3
Shipping	**668.6**	**574.6**	**+ 16.4**
Central operations	**43.9**	**56.1**	**- 21.7**
Continuing operations	**3,228.2**	**2,989.5**	**+ 8.0**
Trading	245.9	199.4	+ 23.3
Special logistics	106.6	326.8	- 67.4
Discontinuing operations	**352.5**	**526.2**	**- 33.0**
Turnover by divisions	**3,580.7**	**3,515.7**	**+ 1.8**

Earnings by divisions

€ million	Q1 2005	Q1 2004	Var. %
Tourism	**- 192**	**- 205**	**+ 6.3**
Central Europe	- 86	- 101	+ 14.9
Northern Europe	- 106	- 98	- 8.2
Western Europe	- 19	- 11	- 72.7
Destinations	23	8	+ 187.5
Other tourism	- 4	- 3	- 33.3
Shipping	**25**	**22**	**+ 13.6**
Central operations	**- 94**	**- 117**	**+ 19.7**
Continuing operations	**- 261**	**- 300**	**+ 13.0**
Trading	16	25	- 36.0
Special logistics	10	27	- 63.0
Discontinuing operations	**26**	**52**	**- 50.0**
Earnings by divisions (EBTA)	**- 235**	**- 248**	**+ 5.2**

Earnings by divisions (adjusted)

€ million	Q1 2005	Q1 2004	Var. %
Earnings by divisions (EBTA)	**- 235**	**- 248**	**+ 5.2**
Unusual expenses and income	–	+ 18	–
Measurement of conversion options	- 27	- 39	+ 30.8
EBTA (adjusted)	**- 208**	**- 227**	**+ 8.4**

Earnings by divisions

Continuing operations

In the first quarter of 2005, tourism and shipping, the continuing operations, as well as central operations reported an increase in earnings (before taxes on income and amortisation of goodwill) to € - 261 million (previous year: € - 300 million), up 13.0%. This was attributable both to the 6.3% improvement in earnings by tourism and the sustained growth in shipping, which reported an increase in earnings of 13.6%. In addition, central operations achieved a reduction in costs, resulting in another improvement in earnings year-on-year.

Discontinuing operations

In the first quarter of 2005, trading and special logistics, the discontinuing operations, recorded a drop in earnings (before taxes on income and amortisation of goodwill) of 50.0% to € 26 million (previous year: € 52 million). This was due to the divestments of material entities of the special logistics sector on the one hand and a decrease in earnings in the trading sector on the other.

Overall, earnings by the divisions of the TUI Group (before taxes on income and amortisation of goodwill) improved by 5.2% to € - 235 million (previous year: € - 248 million) in the first quarter of 2005.

Adjusted earnings

At € - 208 million (previous year: € - 227 million), earnings by divisions adjusted for unusual expenses and income and measurement of the conversion option of the convertible bond issued 2003 according to first-time application of IAS 39 in combination with IAS 32 improved by 8.4% year-on-year in the first quarter of 2005. In the first quarter of 2005, no unusual expenses and income had to be accounted for, while unusual income of € 18 million was recorded in the previous year due to divestments in the special logistics sector.

Development of the divisions

Tourism

Key figures tourism

€ million	Q1 2005	Q1 2004	Var. %
Turnover	2,515.7	2,358.8	+ 6.7
Earnings by division (EBTA)	- 192	- 205	+ 6.3
EBITDA[1]	- 102	- 117	+ 12.8
Capital expenditure	116.9	109.1	+ 7.1
Employees (31 March)	52,556	51,197	+ 2.7

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

In the first quarter of 2005, the overall performance of the tourism division was up on the previous year. Customer numbers grew by 12.4%, with turnover up 6.7% and earnings up 6.3%.

For the first time, the figures for the tourism division included the low-cost airlines Hapag-Lloyd Express (HLX) and Thomsonfly, previously carried under central operations. In order to enhance comparability, both turnover and earnings for the first quarter of 2004 were restated to reflect the reallocation of these figures to the Central Europe sector (HLX) and the Northern Europe sector (Thomsonfly). The resulting variation amounted to € 27 million for turnover and € - 20 million for earnings.

Turnover tourism

In the first quarter of 2005, 3.78 million customers (previous year: 3.36 million) opted for tourism products of the TUI Group. Turnover in the tourism division grew by 6.7% to € 2.52 billion (previous year: € 2.36 billion). The strongest growth was reported by the Central Europe sector, whose turnover rose by 11.8% to € 0.94 billion. This growth was primarily attributable to an increase in turnover in Germany. In the Northern Europe sector, turnover rose by 5.5% to € 0.90 billion. This was mainly due to the positive trend in the UK, which more than offset the slight decline in turnover in the Nordic countries. In the Western Europe sector, turnover grew by 4.7% to € 0.53 billion. This was mainly due to the turnover growth in source markets France and Belgium.

Earnings tourism

For seasonal reasons, the tourism division reported negative earnings in the first quarter of 2005 which, however, improved by 6.3% year-on-year to € - 192 million (previous year: € - 205 million). This was mainly attributable to the increase in earnings in the Central Europe and destinations sectors. The Northern Europe and Western Europe sectors declined year-on-year. In both sectors, this mainly resulted from the first-time inclusion of airlines Thomsonfly and TUI Airlines Belgium, which only started flight operations in the second quarter of the previous year.

Tourism – Central Europe

€ million	Q1 2005	Q1 2004	Var. %
Turnover	939.6	840.7	+ 11.8
Earnings by division (EBTA)	- 86	- 101	+ 14.9
EBITDA[1]	- 72	- 78	+ 7.7
Capital expenditure	48.0	45.5	+ 5.5
Employees (31 March)	9,534	9,653	- 1.2

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

Turnover Central Europe

In the Central Europe sector (Germany, Austria, Switzerland as well as airlines Hapag-Lloyd Flug and Hapag-Lloyd Express), the number of customers rose to 1.73 million. At € 940 million (previous year: € 841 million), turnover was 11.8% up year-on-year, with Germany accounting for the largest portion of this growth.

Earnings Central Europe

Earnings by the sector improved by 14.9% to € - 86 million (previous year: € - 101 million). This was primarily attributable to good tour operation business which benefited, inter alia, from this year's early Easter break, at the end of March. In addition, Hapag-Lloyd Express improved its quarterly earnings.

Customers Central Europe

'000	Q1 2005	Q1 2004	Var. %
Germany[1]	1,620	1,416	+ 14.4
Switzerland	53	29	+ 84.5
Austria	57	59	- 4.1
Central Europe[1]	**1,730**	**1,504**	**+ 15.0**

[1] Incl. customer numbers of Hapag-Lloyd Express. The previous year's figures were restated accordingly.

Germany

In Germany, the previous year's positive trend consolidated in the market for holiday tours. This benefited, inter alia, TUI's tour operators, which managed to achieve an increase in customer numbers by 14.4% to 1.62 million. The TUI and 1-2-Fly tour operators, in particular, reported relatively strong growth, with overall satisfactory price quality. In terms of destinations, customer numbers rose in particular in Egypt and the Caribbean, while mainland Spain reported a drop in bookings year-on-year.

Flight operations

In flight operations, Hapag-Lloyd Flug, rebranded Hapagfly as of May 2005, operated 35 aircraft in the winter season. At 3.7 billion (previous year: 3.3 billion), the number of seat kilometres was up on the previous year. At 86% (previous year: 90%), the seat load factor was good but fell short of the previous year's level, which had been high for a winter season. In the winter season, Hapag-Lloyd Express (HLX) operated 12 aircraft. At 0.8 billion (previous year: 0.6 billion), the number of seat kilometres rose year-on-year. The seat load factor grew to 75% (previous year: 65%).

Switzerland

Switzerland reported significant growth in customer numbers (+ 84.5% to 53 thousand customers), in particular due to the modular products in the flight and hotel sectors, contributing the the overall good performance of the Central Europe sector.

Austria

In Austria, the overall business trend was satisfactory, although at 57 thousand (- 4.1%), customer numbers did not fully match the previous year's level.

Tourism – Northern Europe

€ million	Q1 2005	Q1 2004	Var. %
Turnover	895.2	848.2	+ 5.5
Earnings by division (EBTA)	- 106	- 98	- 8.2
EBITDA[1)]	- 79	- 72	- 9.7
Capital expenditure	18.8	17.1	+ 9.9
Employees (31 March)	17,627	17,968	- 1.9

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

Turnover Northern Europe

In the Northern Europe sector (UK, Ireland, Nordic countries as well as airlines Britannia Airways UK, Britannia Airways Nordic and Thomsonfly), the number of customers grew to 1.18 million. Turnover rose by 5.5% to € 895 million (previous year: € 848 million). This was primarily attributable to the increase in the tour operator business in the UK, which more than offset the slight decline in the Nordic countries, mainly resulting from a temporary dip in business following the tsunamis in Asia. In Ireland, turnover matched the previous year's level.

Earnings Northern Europe

Earnings by the sector declined by 8.2% to € - 106 million (previous year: € - 98 million). This was due to the first-time inclusion of low-cost airline Thomsonfly into the figures for this sector. Thomsonfly had only started operations in the second quarter of the previous year, and recorded negative earnings in the first quarter of 2005 both for seasonal reasons and due to start-up costs for its flight operations from the new departure airports Bournemouth and Doncaster. Earnings in the UK (excl. Thomsonfly) and the Nordic countries developed well and exceeded the previous year's levels in both regions.

Customers Northern Europe

'000	Q1 2005	Q1 2004	Var. %
UK	896[1]	781	+ 14.7
Ireland	26	26	- 2.7
Nordic countries	258	281	- 8.2
Northern Europe	**1,180[1]**	**1,088**	**+ 8.4**

[1] Incl. customer numbers of Thomsonfly, which started flight operations in the second quarter of 2004.

United Kingdom

Following a slow start in January, due to the impact of the tsunamis in Asia, business in the British market picked up again. The number of customers purchasing tourism products of Thomson and the tour operators of the Specialist Holidays Group rose by 14.7% to 0.90 million (previous year: 0.78 million) in the first quarter of 2005. Average prices rose, in particular due to an increase in the proportion of long-haul tours and good skiing holiday business. Besides long-haul destinations, customer numbers rose particularly strongly for tours to Egypt, while destinations in mainland Spain recorded another year-on-year drop in demand.

Flight operations

In flight operations, Britannia Airways UK, which will be rebranded Thomsonfly, operated an average of 25 aircraft for its own charter operations in the winter season and temporarily chartering five aircraft out to third parties for pilgrim flights. At 4.3 billion (previous year: 3.9 billion), the number of seat kilometres on offer rose on the previous year's level. At 93% (previous year: 93%), the seat load factor repeated the previous year's high level. Thomsonfly operated four aircraft in the low-cost scheduled flight segment in the first quarter, offering a total of 0.3 billion seat kilometres. The seat load factor stood at 63%.

Ireland

In Ireland, business in the 2004/2005 winter season overall matched the previous year's level. At 26 thousand, customer numbers were stable. The restructuring of the distribution system resulted in a strong increase in bookings through direct sales channels and positively impacted the development of earnings.

Nordic countries

The Nordic countries recorded an uneven business trend in the winter season. The total number of customers dropped to 258 thousand. In regional terms, this decline primarily affected Sweden. This was due to the impact of the tsunamis in Asia and the loss of Thailand as a destination for the rest of the season, only partly compensated for by other destinations.

Britannia Airways Nordic

Britannia Airways Nordic, whose aircraft will be rebranded Fritidsresor and Star Tour in future, operated seven aircraft in the winter season. Seat kilometres totalled 1.0 billion (previous year: 1.2 billion), with a seat load factor of 95% (previous year: around 98%).

Tourism – Western Europe

€ million	Q1 2005	Q1 2004	Var. %
Turnover	531.0	507.3	+ 4.7
Earnings by division (EBTA)	- 19	- 11	- 72.7
EBITDA [1]	- 9	- 4	- 125.0
Capital expenditure	23.3	6.3	+ 269.8
Employees (31 March)	6,644	6,604	+ 0.6

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

Turnover Western Europe

In the Western Europe sector (France, the Netherlands, Belgium as well as airlines Corsair and TUI Airlines Belgium), the number of customers rose by 13.1% to 874 thousand, primarily due to growth in France and Belgium. Turnover grew by 4.7% to € 531 million (previous year: € 507 million). Here, too, the source markets France and Belgium made the strongest contribution.

Earnings Western Europe

At € - 19 million (previous year: € - 11 million), earnings by the sector dropped by 72.7% year-on-year. On the one hand, this was due to the fact that declines in France were not fully offset by improvements in the Netherlands. On the other hand, earnings in Belgium fell short of the previous year's level due to the seasonal negative result in the flight sector, which only started operation in the second quarter of 2004.

Customers Western Europe

'000	Q1 2005	Q1 2004	Var. %
France	412	350	+ 17.7
Netherlands	229	230	- 0.4
Belgium	233	193	+ 20.8
Western Europe	**874**	**773**	**+ 13.1**

France

In France, customer numbers rose by 17.7% to 412 thousand in the first quarter of 2005. Tour operator Nouvelles Frontières recorded buoyant business activities. It benefited from the introduction of new products for price-conscious customers and the expansion of internet distribution. TUI France, most of whose products are positioned in the upper market segment, also grew and achieved a considerable improvement in its market position. With the acquisition of the Havas Voyages brand, Nouvelles Frontières created a sound basis for a strengthening of its distribution activities.

Corsair

Corsair operated a total of ten aircraft in the winter season. Seat kilometres on offer totalled 4.2 billion (previous year: 4.1 billion), with a seat load factor of 87% (previous year: 83%), up on the previous year. In the framework of the renewal of its fleet of Boeing 747s, the first Boeing 747-400 was commissioned, with a further five aircraft scheduled for replacement in the second quarter of 2005.

Netherlands

In the Netherlands, customer numbers declined slightly in the first quarter of 2005 (- 0.4% to 229 thousand). Nevertheless, TUI Nederland strengthened its market position in a weak market, in particular in the long-haul segment. Due to the economic difficulties of charter airline Holland Exel, which provided long-haul capacity to TUI Nederland, TUI Airlines Nederland – a Group-owned airline – was established. It started operation on 21 April 2005 under the Arkefly brand and will operate four leased Boeing 767-300s.

Belgium

In Belgium, the overall market environment was positive. Customer numbers rose by 20.8% to 233 thousand in the first quarter of 2005. Brisk growth was recorded for skiing tours and city trips. For medium-haul air tours, demand rose for destinations in the eastern Mediterranean, while bookings of long-haul tours declined slightly.

TUI Airlines Belgium

TUI Airlines Belgium, operating under the Jetair brand, operated six aircraft in the winter season, five of which were used on medium-haul routes and one on long-haul routes. Seat kilometres on offer totalled 0.6 billion, with a seat load factor of 91%. In the previous year, TUI Airlines Belgium had not yet started operations in the first quarter.

Tourism – Destinations

€ million	Q1 2005	Q1 2004	Var. %
Turnover	89.2	99.2	- 10.1
Earnings by division (EBTA)	23	8	+ 187.5
EBITDA[1)]	51	27	+ 88.9
Capital expenditure	21.4	31.8	- 32.7
Employees (31 March)	14,157	12,206	+ 16.0

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

Turnover destinations

The destinations sector (incoming agencies and hotel companies) generated turnover of € 89 million (previous year: € 99 million) in the first quarter of 2005, a decline of 10.1% which resulted mainly from the divestment of the Anfi Group in June 2004.

Earnings destinations

Earnings by the sector grew strongly to € 23 million (previous year: € 8 million). The increase was due to the improvement in operating earnings by hotel companies as well as the first-time full year consolidation of a Turkish hotel company and the first-time consolidation of three Spanish clubs.

Incoming agencies

In the period under review, consolidated and associated incoming agencies catered for 1.49 million guests, an increase of 17.0%. Growth rates varied in individual regions. TUI España benefited from its marketing measures and the introduction of new products, while the number of guests catered for by TUI Portugal declined year-on-year. Travco in Egypt und Tantur in Turkey benefited from the increase in demand for tours to the Red Sea and the eastern Mediterranean as well as the takeover of the incoming business of additional Group and non-Group tour operators.

Hotel companies

Hotel companies recorded a significant improvement in their performance year-on-year. This was mainly due to good occupancy rates in RIU hotels, which benefited from strong demand both in the Spanish islands but also the long-haul destinations of the Caribbean and Florida. Robinson Clubs and Dorfhotels also achieved an increase in occupancy rates year-on-year. Magic Life reported good occupancy rates, in particular in its clubs in Egypt. In contrast, Grupotel saw a year-on-year decline in bookings of its hotels in the Balearic Islands.

Tourism – Other tourism

€ million	Q1 2005	Q1 2004	Var. %
Turnover	60.7	63.4	- 4.3
Earnings by division (EBTA)	- 4	- 3	- 33.3
EBITDA[1)]	7	10	- 30.0
Capital expenditure	5.4	8.4	-35.7
Employees (31 March)	4,594	4,766	- 3.6

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

At € 61 million (previous year: € 63 million), the Other tourism sector (business travel and IT service providers) almost reproduced the previous year's turnover. Earnings totalled € - 4 million (previous year: € - 3 million).

Shipping

Key figures shipping

€ million	Q1 2005	Q1 2004	Var. %
Turnover	668.6	574.6	+ 16.4
Earnings by division (EBTA)	25	22	+ 13.6
EBITDA[1]	54	47	+ 14.9
Capital expenditure	121.1	3.4	n.m.
Employees (31 March)	3,988	3,908	+ 2.0

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

In the first quarter of 2005, the shipping division continued the positive trend of the previous year. Transport volumes rose by 12%, turnover grew by 16.4%, and earnings climbed by 13.6% year-on-year.

Following the completion of the concentration of logistics on shipping in the course of 2004 and the related company restructuring as at the end of the first half of 2004, earnings by the division had to be restated for the first quarter of 2004 in order to enhance comparability with the new structure. This resulted in a difference of € 3 million, carried under central operations.

Turnover shipping

The shipping division (Hapag-Lloyd Container Linie and Hapag-Lloyd Kreuzfahrten) increased its turnover by 16.4% to € 669 million (previous year: € 575 million), almost exclusively due to higher turnover in container shipping. This turnover growth resulted both from an increase in transport volumes by 12% to 617 thousand standard containers (TEU) (previous year: 549 thousand TEU) and the persistently high level of average freight rates, which rose by 12% year-on-year to 1,318 $/TEU in the first quarter of 2005.

Earnings shipping

At € 25 million (previous year: € 22 million), earnings by the division climbed by 13.6% year-on-year. This increase was mainly attributable to growth in the container shipping business. Costs were affected by the year-on-year increase in charter rates and oil price-induced increases in bunker costs. In addition, the profit and loss statement was impacted by the weakening of the US dollar against the euro, currency hedges were entered into in order to counteract these currency effects.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	Q1 2005	Q1 2004	Var. %
Far East	257	229	+ 12.1
Trans-Pacific	159	139	+ 14.6
North Atlantic	160	143	+ 12.1
South America	41	38	+ 6.9
Total	**617**	**549**	**+ 12.4**

Hapag-Lloyd Container Linie

In container shipping, Hapag-Lloyd Container Linie benefited from the substantial year-on-year increase in demand for transport volume in the Far East trade lanes, supported by the persistently strong export activities in China and the South East Asian countries. Transport volume grew by 12% to a total of 257 thousand TEU. Freight rates also rose, in particular on the routes from Asia to Europe.

In the Trans-Pacific trade lanes, transport volumes totalled 159 thousand TEU, an increase of just under 15% on the previous year. This growth mainly resulted from an increase in export volumes from Asia to America. The volume growth went hand in hand with a further increase in freight rates.

The transport volume in the North Atlantic trade lanes totalled 160 thousand TEU, up by 12%. Here, too, freight rates rose year-on-year. The transport volume in the South America trade lanes totalled 41 thousand TEU, an increase of 7% year-on-year. Freight rates rose as well.

Hapag-Lloyd Kreuzfahrten

In the cruise sector, Hapag-Lloyd Kreuzfahrten recorded a further increase in bookings. As a result, overall utilisation of shipping capacity also rose, enabling 'Columbus' in particular but also 'Hanseatic' and 'Bremen' to increase their utilisation rates.

Central operations

Changes in segmentation

Central operations comprised TUI AG's corporate centre functions, the Group's real estate companies and the remaining industrial activities. The low-cost airlines Hapag-Lloyd Express and Thomsonfly, previously also carried under central operations, were now recognised in the tourism division. In order to enhance comparability, the figures for the first quarter of 2004 were restated accordingly. This resulted in a variance of € 27 million in turnover and € + 20 million in earnings. Moreover, due to the legal restructuring of the shipping division in 2004, earnings of € + 3 million were allocated to central operations.

Unusual expenses and income

In the first quarter of 2005, no unusual expenses or income were generated. The unusual income of € 18 million generated in the first quarter of 2004 due to the divestments in the special logistics sector were now included in the figures for the special logistics sector, carried under discontinuing operations.

Application of new IFRS standards

Due to the binding application of accounting standard IAS 32 in combination with IAS 39, the conversion options of the convertible bond issued in 2003 must be revalued as at the closing date for every accounting period (cf. also the explanations in the notes). For the first quarter of 2005, this gave rise to an earnings effect of € - 27 million. The corresponding measurement for the previous year's reference period resulted in an earnings effect of € - 39 million, which was carried in the restatement of earnings by central operations for the first quarter of 2004 in order to facilitate a comparability of figures.

Earnings Central operations

Central operations reported turnover of € 44 million (previous year: € 56 million). Earnings by central operations totalled € - 94 million (previous year: € - 117 million). It comprised the costs of central operations, mainly covering the cost of TUI AG's corporate centre functions, of € - 37 million (previous year: € - 46 million), net interest of central operations of € - 37 million (previous year € - 36 million) and other expenses and income of € - 20 million (previous year: € - 35 million).

Central operations reported a decline in costs. Net interest remained nearly stable, because the effect of the reduction of net debt year-on-year was offset by a higher average interest rate. Other expenses and income mainly related to earnings of other companies and the measurement of assets, including the revaluation of the conversion options from the 2003 convertible bond.

Discontinuing operations

Discontinuing operations comprised the trading sector with the US steel service companies of Preussag North America, Inc. (PNA) and the special logistics sector, which in 2005 only included VTG AG with its rail and tank container logistics activities.

Trading

€ million	Q1 2005	Q1 2004	Var. %
Turnover	245.9	199.4	+ 23.3
Earnings by division (EBTA)	16	25	- 36.0
EBITDA[1]	17	29	- 41.4
Capital expenditure	0.8	1.0	- 20.0
Employees (31 March)	1,171	1,141	+ 2.6

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

In the trading sector, the US steel service operations of Preussag North America, Inc. (PNA) successfully completed the first quarter of 2005. Demand continued to be strong in the US steel sector, although prices declined in individual cases. Steel sales totalled 500 thousand tons (previous year: 511 thousand tons), down 2.2% year-on-year. Turnover climbed by 23.3% to € 246 million (previous year: € 199 million). At € 16 million (previous year: € 25 million), earnings declined by 36.0% year-on-year since purchase prices rose significantly year-on-year.

Special logistics

€ million	Q1 2005	Q1 2004	Var. %
Turnover	106.6	326.8	- 67.4
Earnings by division (EBTA)	10	27	- 63.0
EBITDA[1]	12	59	- 79.7
Capital expenditure	4.1	19.4	- 78.9
Employees (31 March)	502	4,508	- 88.9

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

In the framework of the concentration of logistics on shipping, Pracht Spedition+ Logistik, the bulk and special logistics sector of VTG AG and the shareholding in Algeco S.A. were divested in 2004. The remaining special logistics sector thus only comprised the rail and tank container logistics operations of VTG AG in 2005. A year-on-year comparison of figures for the first quarter of 2005 is therefore not meaningful.

The unusual income (€ 18 million) generated in the first quarter of 2004 from the divestments in special logistics and carried under central operations was now allocated to the special logistics sector.

Group profit

Group profit for the first quarter of 2005 totalled € - 197 million (previous year: € - 172 million). They comprised earnings of continuing operations (after tax) of € - 212 million (previous year: € - 208 million), and earnings of discontinuing operations of € + 15 million (previous year: € + 36 million).

Taxes on income

Taxes on income, comprising current income taxes and deferred tax expenses, totalled € - 49 million (previous year: € - 92 million) for the continuing operations. The decline in the tax credit mainly reflected the increase in earnings in the current financial year. Earnings by discontinuing operations comprised a tax expense of

€ 11 million (previous year: € 16 million). Total income taxes amounted to € - 38 million (previous year: € - 76 million).

Depreciation/amortisation

Depreciation/amortisation only included depreciation and impairments of other fixed assets. No amortisation or impairments of goodwill were required. For the continuing operations, depreciation/amortisation totalled € 117 million (previous year: € 115 million), while earnings of the discontinuing operations comprised depreciation/amortisation of € 0 million (previous year: € 30 million). A total amount of € 117 million (previous year: € 145 million) was depreciated for the two sectors.

Net interest

Net interest for the continuing operations totalled € - 44 million (previous year: € - 39 million). This change resulted from the reduction in net debt due to the divestments and the change in average interest rates resulting from the restructuring of the finance structure. Earnings by discontinuing operations comprised net interest of € - 3 million (previous year: € - 6 million). The Group's total net interest amounted to € - 47 million (previous year: € - 45 million).

Operating rental expenses

Operating rental expenses of the continuing operations rose to € 176 million (previous year: € 167 million), in particular due to an increase in charter expenses in the shipping division. Earnings by discontinuing operations included an amount of € 13 million (previous year: € 20 million), a year-on-year decline attributable to the divestments. In total, operating rental expenses amounted to € 189 million (previous year: € 187 million).

Group profit for the year

€ million	Q1 2005	Q1 2004	Var. %
Group profit for the year	**- 196.9**	**- 172.1**	**- 14.4**
Income taxes	- 38.2	- 75.9	- 49.7
Earnings before taxes (EBT)	**- 235.1**	**- 248.0**	**+ 5.2**
Depreciation/amortisation	117.3	144.9	- 19.0
Earnings before taxes, depreciation and amortisation (EBTDA)	**- 117.8**	**- 103.1**	**- 14.3**
Net interest	- 46.6	- 45.0	- 3.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**- 71.2**	**- 58.1**	**- 22.5**
Operating rental expenses	188.7	186.5	+ 1.2
Earnings before interest, taxes, depreciation, amortisation and rent (EBITDAR)	**117.5**	**128.4**	**- 8.5**

Earnings per share

		Q1 2005	Q1 2004	Var. %
Group profit for the year	€ million	**- 197**	**- 172**	**- 14.4**
Minority interests	€ million	+ 3	+ 2	+ 50.0
Interest attributable to TUI AG shareholders	€ million	**- 200**	**- 174**	**- 14.9**
Weighted number of shares	thousand units	178,757	178,469	+ 0.2
Basic earnings per share	€	**- 1.12**	**- 0.97**	**-15.5**
Diluted earnings per share	€	**- 1.12**	**- 0.97**	**-15.5**

Minority interests accounted for € 3 million (previous year: € 2 million) of Group profit for the year. They mainly related to shareholdings in hotel companies and, in 2004, the minority shareholders in Algeco S.A. No dilution effects from the oustanding convertible bond had to be accounted for the Group overall.

Financial position

The consolidated balance sheet for the first quarter of 2005 was prepared in accordance with the provisions of IFRS 5. The balance sheet for the 2004 financial year was not restated in order to account for the resulting disclosure and measurement changes. These variations were outlined in detail in the notes on the interim financial statements under the balance sheet items concerned.

Balance sheet

The Group's balance sheet total increased by 7.3% to € 13.2 billion. The development of the individual balance sheet items resulted from disclosure and measurement changes and from changes in the group of consolidated companies as well as the business trend in the period under review. Equity totalled € 2.9 billion, with an equity ratio of 22.2%.

Assets and liabilities

€ million	31 Mar 2005	31 Dec 2004
Non-current assets	9,663.7	9,758.5
Current assets	2,614.0	2,560.8
Assets classified as held for sale	937.9	–
Assets	**13,215.6**	**12,319.3**
Equity	2,933.8	2,976.0
Non-current liabilities	4,729.0	4,779.1
Current liabilities	5,005.5	4,564.1
Liabilities from assets classified as held for sale	547.3	–
Liabilities	**13,215.6**	**12,319.3**

Financing

At the end of the first quarter of 2005, net debt totalled € 3.4 billion (31 Dec. 2004: € 3.3 billion). It comprised non-current liabilities of € 3.3 billion, current liabilities of € 0.4 billion, cash and cash equivalents of € 0.5 billion as well as financial liabilities of discontinuing operations of € 0.2 billion. The variations of individual line items compared with 31 December 2004 mainly resulted from the seasonal nature of the tourism business and capital expenditure in this quarter.

Development of cash and cash equivalents

€ million	31 Mar 2005	31 Mar 2004	Var. %
Cash and cash equivalents at beginning of period	**481.1**	**348.5**	**+ 38.0**
Cash flow from operating activities	208.4	186.4	+ 11.8
Cash flow from investing activities	- 291.9	- 27.7	n.m.
Cash flow from financing activities	82.4	- 145.1	+ 156.9
Other changes in cash and cash equivalents	4.5	12.3	- 63.4
Cash and cash equivalents at end of period	**484.5**	**374.4**	**+ 29.4**

Further segment data

Investments[1)]

€ million	Q1 2005	Q1 2004	Var. %
Tourism	116.9	109.1	+ 7.1
Central Europe	48.0	45.5	+ 5.5
Northern Europe	18.8	17.1	+ 9.9
Western Europe	23.3	6.3	+ 269.8
Destinations	21.4	31.8	- 32.7
Other tourism	5.4	8.4	- 35.7
Shipping	121.1	3.4	n.m.
Central operations	2.7	2.2	+ 22.7
Continuing operations	**240.7**	**114.7**	**+ 109.9**
Trading	0.8	1.0	- 20.0
Special logistics	4.1	19.4	- 78.9
Discontinuing operations	**4.9**	**20.4**	**- 76.0**
Total	**245.6**	**135.1**	**+ 81.8**

1) in property, plant and equipment and intangible assets incl. goodwill

Depreciation/amortisation[1)]

€ million	Q1 2005	Q1 2004	Var. %
Tourism	88.5	87.5	+ 1.1
Central Europe	16.8	21.6	- 22.2
Northern Europe	27.9	29.4	- 5.1
Western Europe	7.5	7.4	+ 1.4
Destinations	25.9	17.6	+ 47.2
Other tourism	10.4	11.5	- 9.6
Shipping	24.3	22.9	+ 6.1
Central operations	4.0	4.5	- 11.1
Continuing operations	**116.8**	**114.9**	**+ 1.7**
Trading	–	2.0	–
Special logistics	–	28.0	–
Discontinuing operations	**–**	**30.0**	**–**
Total	**116.8**	**144.9**	**- 19.4**

1) in property, plant and equipment and intangible assets incl. goodwill

Employees

	31 Mar 2005	31 Dec 2004	Var. %
Tourism	52,556	49,872	+ 5.4
Central Europe	9,534	9,330	+ 2.2
Northern Europe	17,627	17,517	+ 0.6
Western Europe	6,644	6,617	+ 0.4
Destinations	14,157	11,726	+ 20.7
Other tourism	4,594	4,682	- 1.9
Shipping	3,988	3,976	+ 0.3
Central operations	2,207	2,199	+ 0.4
Continuing operations	**58,751**	**56,047**	**+ 4.8**
Trading	1,171	1,167	+ 0.3
Special logistics	502	502	0.0
Discontinuing operations	**1,673**	**1,669**	**+ 0.2**
Total	**60,424**	**57,716**	**+ 4.7**

Prospects

The 2005 financial year started off well with tourism and shipping, the Group's core businesses, recording an increase in their operating results. Economic researchers expect the overall economic environment to remain favourable for the TUI Group's activities, although market developments in individual countries may fail to keep pace with the world economy, expected to grow more strongly again in the second half of the year.

Tourism

The trend in the tourism division indicates that the recovery of the previous year will continue. Bookings for the 2004/2005 winter season, terminating at the end of April, which include the low-cost airlines for the first time, grew with an increase of 10.1% in customer numbers and 4.4% in booked turnover at Group level.

Bookings for the 2005 summer season have started off well and have grown, in some cases significantly, year-on-year in almost all source markets. At Group level, the year-on-year increase in bookings currently accounts for 19.7% in customer numbers and 10.8% in booked turnover. The stronger relative growth in customer numbers primarily reflects the change in the product mix, which was particularly due to the first-time inclusion of the low-cost airlines. Excluding the low-cost airlines, the tourism business for the 2005 summer season recorded growth in customer numbers of 8.6% and an increase in booked turnover of 9.5%. In regional terms, the two large markets Germany and France as well as the smaller markets have grown strongly so far. In the UK, bookings have picked up considerably, following a slow start at the beginning of the year. Current booking levels are promising, in particular for the business in the peak season from mid-July until mid-September. If the current trend continues, the tourism division is expected to achieve higher earnings in the 2005 financial year than in the previous year and a two-digit percentage increase will be possible.

Booking figures

Year-on-year variation in %	Winter 2004/2005 Turnover	Winter 2004/2005 Customers	Summer 2005 Turnover	Summer 2005 Customers
Germany	+ 1,6	+ 7.1	+ 10.3	+ 21.2
Switzerland	+ 6.3	+ 12.7	+ 23.6	+ 24.1
Austria	- 4.8	- 7.7	+ 8.4	+ 6.4
Central Europe	**+ 2.8**	**+ 7.6**	**+ 11.6**	**+ 20.7**
UK	+ 10.3	+ 19.9	+ 5.4	+ 25.6
Ireland	+ 0.1	+ 1.8	- 4.5	+ 1.9
Nordic countries	- 2.9	- 3.0	+ 20.0	+ 10.9
Northern Europe	**+ 6.7**	**+ 13.9**	**+ 6.7**	**+ 22.2**
France	+ 6.9	+ 20.7	+ 14.3	+ 16.8
Netherlands	- 4.5	- 6.5	+ 21.8	+ 12.6
Belgium	+ 5.4	+ 11.7	+14.1	+ 11.2
Western Europe	**+ 3.7**	**+ 10.7**	**+ 16.4**	**+ 13.5**
Group	**+ 4.4**	**+ 10.1**	**+ 10.8**	**+ 19.7**

As at 29 April 2005

Shipping

Overall, forecasts for the further trend in the 2005 financial year are also favourable for container shipping. Experts expect a further increase in demand for container transport, benefiting Hapag-Lloyd due to the adjustment of its capacity – inter alia through the commissioning of new container ships already ordered. Freight rates are expected to remain at the previous year's level. If these expectations are met and if costs and currency relations between the euro and the US dollar develop favourably, earnings by the shipping division for the 2005 financial year are expected to continue on the high level of the previous year.

Overall, prospects for the TUI Group's activities in the 2005 financial year are favourable. If the economic framework continues to develop positively, as generally expected, and if there are no major disturbances in world politics, the TUI Group will be able to further improve the operating results in its core businesses.

Corporate Governance

Supervisory Board
In the course of the first quarter of 2005, the composition of TUI AG's Supervisory Board changed as follows:

Mssrs Dr. Norbert Emmerich and Dr. Thomas Fischer resigned from the Supervisory Board on 26 January 2005. Dr. Bernd W. Voss resigned from the Supervisory Board as at 1 February 2005. By virtue of the ruling of 14 February 2005 by the District Court of Hanover, Mrs Carmen Riu Güell, Mr Roberto López Abad and Mr Abel Matutes Juan were appointed to the Supervisory Board. On 22 March 2005, the Supervisory Board elected Mrs Carmen Riu Güell to the Presiding Committee.

The overall composition of the Executive Board and Supervisory Board as at the end of the first quarter of 2005 has been published on the Company's website (www.tui.com) where it has been made permanently accessible to the public.

Directors' dealings
On 23 March 2005, Mrs Carmen Riu Güell, Supervisory Board member of TUI AG and executive officer of the RIU Group, notified three transactions involving shares in TUI AG by companies forming part of the RIU Group. The notifications were published in a journal for statutory stock market advertisements and on the Company's website (www.tui.com) where they were made permanently accessible to the public.

TUI AG
The Executive Board
May 2005

Financial Statements

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

€ million	Q1 2005	Q1 2004 restated	Restatement	Q1 2004 original
Turnover	3,228.2	2,989.5	- 526.2	3,515.7
Other income	153.5	146.1	- 15.1	161.2
Change in inventories and other own work capitalised	+ 5.9	+ 9.4	- 2.6	+ 12.0
Cost of materials and purchased services	2,357.2	2,165.0	- 339.3	2,504.3
Personnel costs	545.8	542.2	- 73.1	615.3
Depreciation and amortisation	112.3	114.5	- 30.0	144.5
Impairment of fixed assets	5.0	0.4	–	0.4
Other expenses	571.7	553.3	- 63.7	617.0
Result from the discontinuance of operations	–	–	- 18.4	+ 18.4
Financial result	- 61.8	- 75.4	- 33.0	- 42.4
Earnings from companies measured at equity	+ 5.0	+ 5.7	- 1.7	+ 7.4
Earnings before taxes on income	**- 261.2**	**- 300.1**	**- 90.9**	**- 209.2**
Income taxes	- 48.8	- 91.7	- 31.2	- 60.5
Result from continuing operations	**- 212.4**	**- 208.4**	**- 59.7**	**–**
Result from discontinuing operations	+ 15.5	+ 36.3	+ 36.3	–
Group profit	**- 196.9**	**- 172.1**	**- 23.4**	**- 148.7**
Attributable to shareholders of TUI AG	- 200.4	- 173.7	- 23.4	- 150.3
Attributable to minority interest	+ 3.5	+ 1.6	–	+ 1.6
Group profit for the year	**- 196.9**	**- 172.1**	**- 23.4**	**- 148.7**

€	Q1 2005	Q1 2004 restated	Restatement	Q1 2004 original
Basic earnings per share	**- 1.12**	**- 0.97**	**- 0.13**	**- 0.84**
from continuing operations	- 1.21	- 1.17	–	–
from discontinuing operations	+ 0.09	+ 0.20	–	–
Diluted earnings per share	**- 1.12**	**- 0.97**	**- 0.13**	**- 0.84**
from continuing operations	- 1.21	- 1.15	–	–
from discontinuing operations	+ 0.08	+ 0.18	–	–

Condensed consolidated balance sheet of the TUI Group

€ million		31 March 2005	31 Dec 2004
Assets			
Goodwill	3,807.7		3,763.8
Other intangible assets	172.9		178.1
Investment property	133.2		140.4
Other property, plant and equipment	4,352.2		4,481.9
Companies measured at equity	296.8		339.5
Other investments	473.3		413.5
Fixed assets		**9,236.1**	**9,317.2**
Other receivables and assets	226.2		208.3
Deferred income tax assets	201.4		233.0
Non-current receivables		**427.6**	**441.3**
Non-current assets		**9,663.7**	**9,758.5**
Inventories		**124.7**	**357.1**
Trade accounts receivable	681.1		687.9
Other receivables and assets	1,243.5		1,013.3
Current income tax assets	79.2		21.4
Current receivables		**2,003.8**	**1,722.6**
Cash and cash equivalents		**485.5**	**481.1**
Current assets		**2,614.0**	**2,560.8**
Assets classified as held for sale		**937.9**	**–**
		13,215.6	**12,319.3**

€ million		31 March 2005	31 Dec 2004
Equity and liabilities			
Subscribed capital	457.0		457.0
Reserves and accumulated profits	2,236.9		2,281.2
Equity of shareholders in TUI AG		**2,693.9**	**2,738.2**
Minority interests		**239.9**	**237.8**
Group equity		**2,933.8**	**2,976.0**
Provisions for pensions and similar obligations	600.1		628.0
Deferred and current income tax provisions	344.7		332.1
Other provisions	329.1		340.1
Non-current provisions		**1,273.9**	**1,300.2**
Financial liabilities	3,294.4		3,328.8
Other liabilities	160.7		150.1
Non-current liabilities		**3,455.1**	**3,478.9**
Non-current provisions and liabilities		**4,729.0**	**4,779.1**
Provisions for pensions and similar obligations	28.9		39.7
Current income tax provisions	17.7		23.3
Other provisions	529.6		602.1
Current provisions		**576.2**	**665.1**
Financial liabilities	399.0		402.9
Trade accounts payable	1,856.4		1,844.6
Other liabilities	2,173.9		1,651.6
Current liabilities		**4,429.3**	**3,899.1**
Current provisions and liabilities		**5,005.5**	**4,564.2**
Liabilities from assets classified as held for sale		**547.3**	**–**
		13,215.6	**12,319.3**

Changes in equity

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

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2005	**457.0**	**2,281.2**	**2,738.2**	**237.8**	**2,976.0**
Dividend payments	0.0	0.0	0.0	- 4.1	- 4.1
Other changes without effect on net income	0.0	156.1	156.1	2.7	158.8
Differences from currency translation	0.0	73.5	73.5	3.0	76.5
Reserves for change in value of financial instruments	0.0	125.0	125.0	0.0	125.0
Tax items directly offset against equity	0.0	- 53.7	- 53.7	0.0	- 53.7
Changes in consolidation	0.0	11.3	11.3	- 0.3	11.0
Group profit	0.0	- 200.4	- 200.4	3.5	- 196.9
Balance as at 31 March 2005	**457.0**	**2,236.9**	**2,693.9**	**239.9**	**2,933.8**

Condensed statement of changes in equity for the period from 1 January to 31 March 2004

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2004	**456.2**	**2,025.6**	**2,481.8**	**285.1**	**2,766.9**
First-time application of new IFRS	0.0	- 24.6	- 24.6	0.0	- 24.6
Adjusted Balance as at 1 January 2004	456.2	2,001.0	2,457.2	285.1	2,742.3
Dividend payments	0.0	0.0	0.0	- 3.6	- 3.6
Other changes without effect on net income	0.0	130.6	130.6	38.5	169.1
Differences from currency translation	0.0	159.9	159.9	0.2	160.1
Reserves for change in value of financial instruments	0.0	- 27.9	- 27.9	0.0	- 27.9
Tax items directly offset against equity	0.0	- 1.4	- 1.4	0.0	- 1.4
Changes in consolidation	0.0	0.0	0.0	38.3	38.3
Group profit	0.0	- 150.3	- 150.3	1.6	- 148.7
Balance as at 31 March 2004	**456.2**	**1,981.3**	**2,437.5**	**321.6**	**2,759.1**

Cash flow statement

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

€ million	2005	2004
Cash flow from operating activities	212.6	186.4
Cash flow from investing activities	- 296.1	- 27.7
Cash flow from financing activities	83.4	- 145.1
Change in funds with cash effect	**- 0.1**	**13.6**
Change in cash and cash equivalent due to exchange rate fluctuations and other changes in value	**4.5**	**12.3**
Cash and cash equivalents at the beginning of the period	**481.1**	**348.5**
Cash and cash equivalents at the end of the period	**485.5**	**374.4**

Notes

Accounting principles

Like the consolidated financial statements for the 2004 financial year, the interim financial statements as at 31 March 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS) – published by the International Accounting Standards Board (IASB) – with the interim financial statements published in a condensed form compared with the consolidated annual financial statements in accordance with IAS 34 'Interim Financial Reporting'. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

As of the beginning of the 2005 financial year, the following standards revised or newly issued by the IASB were applicable: IAS 2 (Inventories), IAS 8 (Accounting Policies, Changes in Accounting Estimates, and Errors), IAS 10 (Events After the Balance Sheet Date), IAS 16 (Property, Plant and Equipment), IAS 17 (Leases), IAS 28 (Investments in Associates), IAS 31 (Interests in Joint Ventures), IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 33 (Earnings per Share), IAS 39 (Financial Instruments: Recognition and Measurement), IAS 40 (Investment Property), IFRS 2 (Share-Based Payment), IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

In the 2003 and 2004 financial years, respectively, the following standards – which have meanwhile become mandatory – were applied on a voluntary basis: IAS 1 (Presentation of Financial Statements), IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 36 (Impairment of Assets), IAS 38 (Intangible Assets), IFRS 3 (Business Combinations).

The main effects on the Group's accounting and measurement methods and the presentation of the financial statements are outlined below.

In accordance with IAS 8, the effects of changes in accounting and measurement methods in the current financial year on the previous year's figures have to be presented by means of restating the previous year's figures unless the newly applied standards entail any provision to the contrary. In order to enhance the comparability of figures, the restated previous year's figures are presented alongside the originally published figures from the previous year's profit and loss statement.

Revised IAS 16 stipulates an extension of the principle of depreciation on a component basis and an annual review of residual values, depreciation methods and useful lives which may result in significant adjustment requirements in the framework of the recognition of property, plant and equipment. The review will have to be based on the current market situation and will be regularly completed in future in the framework of the preparation of the annual financial statements. The effects of changes in residual values and measurement parameters will have to be accounted for on a prospective basis.

In the framework of the revised IAS 17, land and buildings elements must be measured separately in classifying leases of land and buildings, with the two elements classified as operating leases or finance leases, respectively.

In accordance with the revised IAS 32 in combination with IAS 39, the conversion option of the convertible bond issued in October 2003 must not longer be classified as an equity component and carried under equity but has to be recognised as a derivative liability and revalued with an effect on results at every closing date. As a result, other liabilities rose by € 24.5 million, reserves declined by € 14.9 million and income tax provisions dropped by € 9.6 million as at 31 December 2004. In the first quarter of 2004, the financial result was reduced by € 38.8 million due to the measurement of the conversion option, resulting in deferred tax income of € 15.4 million. The bond component is measured at amortised cost, as before. This is due to the option, to be exercised unilaterally by TUI AG, of being able to deliver cash if a conversion option is exercised and not having to convert into new shares. The classification of the conversion option as a derivative liability does not depend on the likelihood of the form of settlement of the conversion options exercised.

IFRS 2, newly adopted by the IASB, governs the accounting and measurement of share-based payments. In future, the differences between fair values, determined with lockup periods taken into account, and issuing prices of employee shares will have to be carried as an expense. The presentation of employee shares issued in previous years does not have to be restated. The long-term incentive programme for the Executive Board does not have to be restated, either.

The initial application of IFRS 5 has more far-reaching implications for TUI AG's consolidated financial statements. Income and expenses of sectors to be classified as discontinuing operations under this standard are summarised under the item 'Result from discontinuing operations' in the profit and loss statement. The 'Result from discontinuing operations' also includes effects from the removal of companies from consolidation and from measurement at fair value less costs to sell. Assets and liabilities of the discontinuing operations are disclosed as disposal groups under one line item each in the balance sheet.

Besides discontinuing operations, other non-current assets specifically intended for divestment also have to be allocated to this balance sheet item. The conditions to be met are that the asset concerned must be available for immediate sale in its current state at usual and customary terms and condition usually applied in selling such assets, and the sale must be highly probable. Non-current assets intended for divestment and assets of discontinuing operations are no longer depreciated as of the date of the detailed formal plan to sell. If the fair value less costs to sell is lower than the carrying amount, impairment losses have to be recognised in ‚Result from discontinuing operations'.

With the exception of the changes outlined above, the interim financial statements as at 31 March 2005 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements. The accounting and measurement methods hitherto applied are outlined in detail in the notes on the consolidated financial statements as at 31 December 2004.

Group of consolidated companies

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

The interim financial statements as at 31 March 2005 included a total of 52 domestic and 350 foreign subsidiaries, besides TUI AG.

Since 31 December 2004, four companies have been newly included in the group of consolidated companies. With the exception of one company, included in consolidation for the first time due to an expansion of its business operations, all of these companies were consolidated due to acquisitions of shares. All additions of the 2005 financial year related to the tourism division. The effects of the essential acquisitions on the consolidated financial statements are outlined in a separate section.

Since 31 December 2004, a total of four companies were removed from consolidation, either because they were divested or because they no longer had to be consolidated due to a restriction of their business operations. Two companies removed from consolidation each related to the tourism and the logistics division.

Acquisitions – divestments

In the framework of a step acquisition, the remaining 33% of the shares in Touristik Finanz AG were acquired as of 1 January 2005. The company and two additional subsidiaries will be included in consolidation for the first time as the Group has gained the ability to control the companies. The set-off of the interest in equity after revaluation of assets and liabilities of € 23.6 million against the cost of the acquisition of € 11.8 million, taking account of exchange differences, resulted in negative goodwill of € 12.0 million, reversed with an effect on results and shown as other income. The revaluation reserve of € 11.3 million, which relates to shares already held, was determined on the basis of the hidden reserves and encumbrances of € 4.9 million already disclosed with the first acquisition step. In the first quarter of 2005, the company generated turnover of € 11.2 million and earnings before taxes on income of € - 0.1 million.

In the first quarter of 2005, no further material acquisitions or divestments were made.

	Carrying amounts at acquisition date	Revaluation of assets and liabilities	Carrying amounts at initial consolidation date
Property, plant and equipment	92.1	39.2	131.3
Other fixed assets	0.1	–	0.1
Other receivables and assets	9.2	2.8	12.0
Inventories	1.3	–	1.3
Cash and cash equivalents	1.6	–	1.6
Provisions for income taxes	–	17.2	17.2
Other provisions	0.9	–	0.9
Financial liabilities	53.1	–	53.1
Other liabilities	4.0	0.2	4.2
Equity	**46.3**	**24.6**	**70.9**

Discontinuing operations

At its meetings of 21 March 2003 and 21 January 2004, the Supervisory Board of TUI AG approved the concept for the realignment of the logistics segment. In the framework of preparing an increasingly detailed formal plan to sell the remaining special logistics activities, this sector was classified as a discontinuing operation as at the beginning of the 2005 financial year in accordance with the newly issued IFRS 5. In the first quarter of 2005, special logistics only comprised the rail logistics business unit of VTG AG (UB I). In the first quarter of 2004, special logistics had comprised UB I and the bulk and special logistics operations of VTG AG (UB II), divested in the course of the 2004 financial year, as well as the Algeco Group, also divested in 2004.

Besides the special logistics activities, the US steel service companies were also shown as a discontinuing operation as of the beginning of the 2005 financial year due to the increasingly detailed formal plan to sell these operations and the initial application of IFRS 5. In addition to these companies, carried in the trading sector, a purely holding company of the US steel service companies, allocated to the 'Other/consolidation' sector, was also shown as a component of this discontinuing operation.

The remaining special logistics activities and the US steel service companies will be divested by the end of the 2005 financial year at the latest.

No impairments were required due to the expected net recoverable amounts.

The previous year's result from discontinuing operations comprised tax-free income of € 18.4 million, mainly from the removal of the divested special logistics activities of Pracht Spedition + Logistik GmbH from consolidation.

Result from the discontinuance of operations

€ million	Q1 2005	Q1 2004
Special logistics	5.7	21.7
Trading	9.8	14.6
Total	**15.5**	**36.3**

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

	Special logistics			Trading
€ million	Q1 2005	Q1 2004	Q1 2005	Q1 2004
Turnover	106.6	326.8	245.9	199.4
Operating income	3.9	14.7	0.1	0.4
Operating expenses	98.7	330.1	229.4	173.4
Financial result	- 1.7	- 4.4	- 1.5	- 1.4
Earnings before taxes on income	10.4	8.4	15.7	25.2
Income taxes	4.7	5.1	5.9	10.6
Earnings after taxes on income	5.7	3.3	9.8	14.6

Material assets and liabilities of the discontinuing operations

€ million	Special logistics 31 Mar 2005	31 Dec 2004	Trading 31 Mar 2005	31 Dec 2004
Non-current assets	351.7	333.9	62.9	84.1
Current assets	156.2	183.7	337.5	335.6
Non-current provisions and liabilities	152.7	149.2	136.7	156.7
Current provisions and liabilities	251.8	247.1	103.3	86.7

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

€ million	Special logistics Q1 2005	Q1 2004	Trading Q1 2005	Q1 2004
Cash flow from operating activities	3.0	8.8	26.6	- 20.6
Cash flow from investing activities	- 3.4	- 14.6	- 0.8	- 1.0
Cash flow from financing activities	- 0.4	- 2.7	- 25.6	24.7
Change in cash and cash equivalents due to exchange rate fluctuations	0.0	- 0.2	0.1	- 0.1
Development of cash and cash equivalents	**- 0.8**	**- 8.7**	**0.3**	**3.0**

Notes on the consolidated profit and loss statement

Both the structure and contents of the consolidated profit and loss statement were affected by the initial application of IFRS 5. Income and expenses of discontinuing operations after income tax had to be aggregated in a single line and presented separately from the Group's continuing operations.

The continuing operations tourism and shipping recorded an increase in the operating business volume year-on-year. Consequently, turnover and costs of material and purchased services rose in almost the same proportion, so that the cost of materials ratio only increased insignificantly.

Other income increased slightly year-on-year due to the reversal of negative goodwill of € 12.0 million, arisen in the framework of a step acquisition, with an effect on results.

The improvement in the financial result primarily resulted from a decrease of € 11.5 million in the charges from the market value measurement of the conversion options from the convertible bond issued in October 2003. In contrast, interest expenses rose year-on-year due to the higher-interest bonds only issued shortly after the first quarter of 2004 with a view to refinancing short- and medium-term financial liabilities.

In the first three months of the 2005 financial year, no unusual income and expenses arose. In the previous year, the result from discontinuing operations comprised unusual income of € 18.4 million, mainly resulting from the divestment of Pracht Spedition + Logistik GmbH.

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

Notes on the consolidated balance sheet

The changes in the consolidated balance sheet in comparison with 31 December 2004 mainly resulted from the cycle of the tourism business and the initial application of IFRS 5. The aggregation of the assets and liabilities of the discontinuing operations and other assets held for sale in separate balance sheet items resulted above all in a reduction in fixed assets, inventories and trade accounts receivables and payable.

Assets and associated liabilities classified as held for sale

€ million	31 Mar 2005
Non-current assets	424.7
Current assets	513.2
Assets classified as held for sale	**937.9**
Non-current provisions and liabilities	289.4
Current provisions and liabilities	257.9
Liabilities from assets classified as held for sale	**547.3**

The payments on account made for tourism services for the 2005 summer season, typical of the industry, resulted in an increase in other receivables and assets. The increase in other liabilities was mainly attributable to the increase in tourism advance payments received in tourism.

In comparison with 31 December 2004, goodwill increased exclusively due to changes in exchange rate parities – in particular against the British pound sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries.

Changes in equity

The TUI Group's equity declined by € 14.9 million as at 31 December 2004 due to the statutory retroactive adjustment required in the framework of the initial application of new or revised accounting standards. The adjustment requirement mainly resulted from the differences in the recognition of the conversion options from the convertible bond issued in October 2003 in comparison with previous years.

Equity also declined due to the seasonal nature of earnings in the tourism business. Until the adoption of a resolution on the appropriation of profits by TUI AG's Annual General Meeting on 11 May 2005, the dividend proposed for the 2004 financial year of € 137.6 million will be carried under equity.

Contingent liabilities

As at 31 March 2005, the TUI Group recorded contingent liabilities of approx. € 528 million (31 December 2004: approx. € 552 million). The decline in contingent liabilities in the first three months of the 2005 financial year was primarily attributable to the ongoing scheduled reduction in guarantees and warranties in connection with the former plant engineering and shipbuilding activities.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 4.4 million to € 485.5 million.

The inflow of cash from operating activities rose by € 26.2 million to € 212.6 million year-on-year. This was due to the increase in the operating business volume in tourism and shipping.

The outflow of cash from investing activities totalled € 296.1 million (previous year: € 27.7 million) in the year under review. Besides the previous year's inflow of cash from divestments, the year-on-year change mainly resulted from a significant increase in capital expenditure due to the higher capex volume required in shipping.

Cash and cash equivalents rose by € 83.4 million as a result of the cash flow from financing activities. The funds taken up primarily served to finance the capital expenditure in shipping.

Changes in cash and cash equivalents due to exchange rate fluctuations and other changes in value caused a cash inflow of € 4.5 million.

Segment ratios

In contrast to previous years, the low-cost airlines Hapag-Lloyd Express and Thomsonfly as well as the airport operation company in Coventry were allocated to the tourism division rather than the 'Other/consolidation' sector as of the beginning of the 2005 financial year. The previous year's earnings figures and the breakdown of turnover generated with non-Group third parties were restated accordingly.

Turnover with non-Group third parties by divisions and sectors

	Q1 2005	Q1 2004
Tourism	2,515.7	2,358.8
Shipping	668.6	574.6
Other/consolidation	43.9	56.1
Continuing operations	**3,228.2**	**2,989.5**
Special logistics	106.6	326.8
Trading	245.9	199.4
Discontinuing operations	**352.5**	**526.2**
Total	**3,580.7**	**3,515.7**

Earnings by divisions and sectors (EBTA)

	Q1 2005	Q1 2004
Tourism	- 192	- 205
Shipping	25	22
Other/consolidation	- 94	- 117
Continuing operations	**- 261**	**- 300**
Special logistics	10	27
Trading	16	25
Discontinuing operations	**26**	**52**
Total	**- 235**	**- 248**

Earnings before interest and taxes by divisions and sectors (EBIT)

	Q1 2005	Q1 2004
Tourism	- 191	- 204
Shipping	30	24
Other/consolidation	- 57	- 81
Continuing operations	**- 218**	**- 261**
Special logistics	12	31
Trading	17	27
Discontinuing operations	**29**	**58**
Total	**- 189**	**- 203**

In the first quarter of 2005, earnings before interest and taxes (EBIT) comprised the following results from companies measured at equity: tourism € 4.5 million (previous year: € 6.0 million), shipping € 0.5 million (previous year: € - 0.3 million), other/consolidation € 0.0 million (previous year: € 0.0 million), special logistics € 0.3 million (previous year: € 1.4 million) and trading € 0.6 million (previous year: € 0.3 million).

Future-related statements

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

Financial calendar 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

Imprint

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

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

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

World of TUI