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The annual financial statements and the management report of TUI AG for the 2005 financial year have been published in the Federal Gazette (Bundesanzeiger) and deposited with the commercial registers of the district courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580.

The management report of TUI AG has been combined with the management report of the Group and published in the TUI Annual Report 2005.

The German version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation.

Balance Sheet of TUI AG as at 31 December 2005

€ '000	Notes	31 Dec 2005	31 Dec 2004
Assets			
Fixed assets	(1)		
Intangible assets		3,239	1,313
Property, plant and equipment		560,014	576,912
Investments			
Shares in Group companies	6,309,916		6,027,045
Other investments	532,205		367,873
		6,842,121	6,394,918
		7,405,374	6,973,143
Current assets			
Inventories	(2)	22	21
Receivables and other assets	(3)	3,040,194	898,262
Cash in hand and bank balances	(4)	3,032	45,157
		3,043,248	943,440
Prepaid expenses	(5)	7,250	2,285
		10,455,872	7,918,868

€ '000	Notes	31 Dec 2005	31 Dec 2004
Equity			
Shareholders' equity			
Subscribed capital	(6)	640,988	456,984
(Conditional capital)		(160,000)	(160,000)
Capital reserves	(7)	2,395,094	1,558,553
Revenue reserves	(8)	471,240	276,098
Profit available for distribution	(9)	195,500	138,000
(of which retained earnings brought forward)		(358)	(379)
		3,702,822	2,429,635
Special non-taxed item	(10)	43,810	48,081
Provisions			
Provisions for pensions and similar obligations		216,435	169,400
Other provisions	(11)	731,486	838,543
		947,921	1,007,943
Liabilities	(12)		
Bonds		3,459,550	2,159,550
(of which convertible)		(384,550)	(384,550)
Liabilities to banks		402,924	147,385
Trade accounts payable		13,908	5,761
Other liabilities		1,877,852	2,118,263
		5,754,234	4,430,959
Deferred income	(13)	7,085	2,250
		10,455,872	7,918,868

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

€ '000	Notes	2005	2004
Turnover	(17)	166,767	119,780
Other operating income	(18)	730,168	694,380
		896,935	814,160
Cost of materials	(19)	110,510	78,240
Personnel costs	(20)	121,579	71,997
Depreciation/amortisation	(21)	98,134	109,952
Other operating expenses	(22)	718,107	670,940
		- 1,048,330	- 931,129
Net income from investments	(23)	+ 2,433,185	+ 620,403
Write-downs of investments	(24)	1,708,384	199,956
Interest result	(25)	- 192,805	- 166,842
Profit from ordinary business activities		+ 380,601	+ 136,636
Taxes	(26)	- 9,684	- 985
Net profit for the year		390,285	137,621
Retained earnings brought forward		357	379
Transfer to other revenue reserves		- 195,142	-
Profit available for distribution		195,500	138,000

Development of fixed assets of TUI AG

€ '000	Balance at 1 Jan 2005	Additions ^{*)}	Disposals ^{*)}	Reclassifications	Historial cost
					Balance at 31 Dec 2005
Intangible assets					
Concessions, industrial property rights and similar rights and values	2,072	2,245	29	0	4,288
	2,072	2,245	29	0	4,288
Property, plant and equipment					
Real estate, land rights and buildings incl. buildings on third-party properties	96,380	316	5,731	0	90,965
Machinery and fixtures	1,400	0	0	0	1,400
Aircraft and spare parts	497,279	58,267	129,139	108,419	534,826
Other plants, operating and office equipment	17,870	819	1,089	0	17,600
Assets under construction	108,431	49,335	0	- 108,419	49,347
Payments on account	0	65,229	0	0	65,229
	721,360	173,966	135,959	0	759,367
Investments					
Shares in Group companies	7,588,752	2,146,363	188,866	27,581	9,573,830
Loans to Group companies	2,427	155,013	2,718	0	154,722
Investments	358,414	32,380	1,548	- 25,581	363,665
Loans to affiliates	1,385	6,550	685	0	7,250
Securities held as fixed assets	10,000	5,274	0	0	15,274
Other loans	5,105	10	350	0	4,765
Payments on account	2,437	0	0	- 2,000	437
	7,968,520	2,345,590	194,167	0	10,119,943
Fixed assets	8,691,952	2,521,801	330,155	0	10,883,598

*) incl. from/to consolidated companies

	Balance at 1 Jan 2005	Depreciation/ amortisation	Disposals*)	Value adjustments		Carrying amounts
				Balance at 31 Dec 2005	Balance at 31 Dec 2005	Balance at 31 Dec 2004
	759	319	29	1,049	3,239	1,313
	759	319	29	1,049	3,239	1,313
	30,099	1,570	2,738	28,931	62,034	66,281
	1,337	13	0	1,350	50	63
	102,091	95,175	39,116	158,150	376,676	395,188
	10,921	1,057	1,056	10,922	6,678	6,949
	0	0	0	0	49,347	108,431
	0	0	0	0	65,229	0
	144,448	97,815	42,910	199,353	560,014	576,912
	1,561,707	1,704,139	1,932	3,263,914	6,309,916	6,027,045
	0	0	0	0	154,722	2,427
	11,837	60	1,518	10,379	353,286	346,577
	0	4,185	685	3,500	3,750	1,385
	24	0	24	0	15,274	9,976
	34	0	5	29	4,736	5,071
	0	0	0	0	437	2,437
	1,573,602	1,708,384	4,164	3,277,822	6,842,121	6,394,918
	1,718,809	1,806,518	47,103	3,478,224	7,405,374	6,973,143

Notes

General notes

The financial statements of TUI AG were prepared in accordance with the provisions of the German Commercial Code, with due consideration of the supplementary provisions of the German Stock Corporation Act. In the balance sheet and the profit and loss statement of TUI AG, individual items were grouped together in the interest of the clarity of presentation; these items are reported separately in the notes, together with the necessary explanations.

The financial year of TUI AG covers the period from 1 January to 31 December of any one year.

Accounting and measurement

The accounting and measurement methods and the classification applied in the previous year were retained in the financial year under review, with the exception of the first-time measurement of the pension provisions according to IAS 19. Purchased intangible assets were measured at cost and amortised on a straight-line basis over the expected useful life of three or five years respectively. Property, plant and equipment was measured at cost, based on tax provisions, less depreciation.

For building and land improvements, depreciation was either calculated on a straight-line basis or, where permitted by tax regulations, on a declining balance basis. Aircraft was depreciated on the basis of the declining balance method, based on a useful life of 12 years and residual values of 1% of acquisition costs. Shorter useful lives were applied to purchases of used aircraft, in line with tax regulations. Other depreciable property, plant and equipment with a useful life of more than five years was depreciated on the basis of the declining balance method and, since 1 January 2004, on a pro rata temporis basis. Straight-line depreciation was regularly applied whenever the calculated amount based on this method exceeded that obtained by using the declining balance method. Where use was made of special tax depreciation allowances, assets were depreciated on a straight-line basis. Low-value assets were written off in full in the year of acquisition and shown as disposals.

Scheduled depreciation was essentially based on the following useful lives:

Property, plant and equipment	Useful life
Buildings	10 to 50 years
Machinery and fixtures	4 to 15 years
Aircraft and spare parts	up to 12 years
Other plant, office and operating equipment	3 to 15 years

If, at the balance sheet date, the fixed assets had a lower market value which was expected to be permanent, the assets were impaired by a corresponding amount.

Shares in Group companies and participations as well as other investments were measured at the lower of cost or fair value. Non-interest or low-interest loans were discounted to their present values. The requirement to reverse impairment was met by means of write-backs.

Consumables and supplies were measured at the lower of cost or market value.

Receivables and other assets were reported at the lower of nominal or fair values. Concerning these items, all identifiable individual risks and the general credit risk were accounted for by means of appropriate value discounts.

Hedged foreign currency receivables and liabilities were measured at the rate of exchange at the forward hedging transaction date. As a matter of principle, short-term unhedged currency items were measured at the exchange rate at the balance sheet date. Long-term unhedged currency receivables were translated at the buying rate at the date of the transaction or the closing rate, if lower. Long-term unhedged currency payables were measured at the selling rate of the date of the transaction or the closing rate at the balance sheet date, if higher.

Under prepaid expenses, the difference between the issuing amount of bonds and the amount repayable was capitalised as a discount and written off on a straight-line basis over the term of the bonds. In the case of deviations from the redemption schedule, impairments were effected. Items resulting from the issuance of convertible bonds and transferred to the capital reserves were capitalised as a discount and reversed over the period of the probable use of the conversion options.

The creation of the special non-taxed item was based on the opportunity to carry forward book profits. The special non-taxed item comprised the differences between tax-based and commercial-law depreciation.

In the 2005 financial year, the measurement of pension obligations was changed compared with the previous year for two reasons:

1. The biometric base data underlying the measurement of the pension provisions were adjusted with the introduction of new mortality tables as at 31 December 2005. The '2005 G reference tables' by Prof. Dr. Klaus Heubeck represented so-called 'generation tables', while the '1998 tables' used in the 2004 consolidated financial statements were period tables. In calculating mortality probabilities, the new tables do not just take into account of the beneficiaries' age but also the year in which they were born. The application of the new Heubeck tables was compulsory for the 2005 financial year.
2. In previous years, the commercial-law measurement of pension obligations was based on the discount value method, and current pension payments were calculated on the basis of the projected unit credit method. In accordance with the tax provisions (section 6a of the German Income Tax Act), a discount rate of 6% p.a. was applied so far. For a number of years, this discount rate has been significantly higher than corresponding maturity-related return rate in the capital market.

In addition, future increases in salaries and pensions were not taken into account for index-linked pension payments. Since the application of IFRS rules (IAS 19) provides an improved overview of the Company's net assets, financial position

and results of operations, pension obligations were carried and measured on the basis of this accounting method as at 31 December 2005, deviating from the method used in the previous year. The provision amount in accordance with IAS 19 corresponded to the present value of the defined benefit obligation (DBO). The measurement was based on assumptions concerning annual increases in salaries and pensions as well as staff turnover and on an interest rate of 4.25%.

Due to the changes effected, pension obligations are not comparable with 2004 figures.

As at the balance sheet date, 31 December 2005, pension obligations of € 216.3 million were carried. The compulsory application of Prof. Dr. Klaus Heubeck's new '2005 G reference tables' resulted in a positive effect of € 2.6 million, while the first-time application of IAS 19 resulted in a negative charge of € 52.4 million.

Provisions for taxes and other provisions were calculated on the basis of sound business judgement principles.

The discount rate applied in the determination of provisions for anniversary bonuses was 5.5% p.a. All other provisions were carried at nominal amounts, unless an interest portion had to be taken into account.

Derivative financial instruments were exclusively over-the-counter (OTC) transactions for which no stock market price exists. The determination of the fair value for the optional derivative financial instruments was based on the Black & Scholes model; for fixed-price transactions, the measurement was based on the discounted cash flow of the transactions, taking into account of interest, price and volatility curves, if necessary, as at the balance sheet date and the terms of the respective instruments.

The measurement of instruments was supported by systems; for quality assurance purposes, the determined amounts were compared with those provided by external counterparties as at the balance sheet date. For all commodity hedging transactions, a cash compensation was effected for the difference between the market price and the hedge price.

Other provisions reflected all identifiable risks and doubtful obligations. Liabilities were shown at the repayable amounts.

Notes on the Balance Sheet

(1) Fixed assets

The development of the individual fixed asset items in the financial year under review is attached to the balance sheet. The major direct shareholdings are listed in an annex to the notes. The complete list of shareholdings has been filed with the commercial registers of the district courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580.

Property, plant and equipment

Additions of property, plant and equipment totalled € 174,0 million and mainly related to investment in six aircraft, of which two are still being converted. Moreover, the first advance payments for the acquisition of ten Boeing 737-800s were made. Due to the sale of seven aircraft, TUI AG's aircraft fleet was reduced.

Investments

Additions to Group companies of € 2,146.4 million almost exclusively relate to the intra-Group acquisition of Hapag-Lloyd AG. The purchasing price was determined on the basis of a corporate value established by an expert report. Further investments were made in the tourism division, e.g. the increase in the interest in Touristik Finanz AG to 100% and the payment to the capital reserves of Robinson Club GmbH.

The disposals of Group companies of € 188.9 million primarily resulted from the repayment of the capital reserve of TUI Beteiligungs GmbH and the reclassification of TQ3 Travel Solutions Management Holding GmbH into current assets due to the planned disposal. Further disposals mainly resulted from intra-Group transfers of 'Magic Life der Club' International Hotelbetriebs GmbH and Wolf GmbH.

An increase in loans to Group companies resulted from loans to TUI Beteiligungs GmbH and Robinson Austria Clubhotel GmbH; reductions mainly resulted from redemptions of Robinson Club GmbH.

Additions to investments totalled € 32.4 million, resulting from acquisitions and capital increases, of which € 19.6 million related to RIU Hotels S. A.

The long-term investments acquired in the framework of statutory obligations to secure employees' entitlements from credits under part-time block-model schemes for elderly employees and pledged to a trustee were increased by € 5.3 million to € 15.3 million.

(2) Inventories

Inventories exclusively related to consumables and supplies.

(3) Receivables and other assets**Receivables and other assets**

€ '000	31 Dec 2005	31 Dec 2004
Trade accounts receivable	1,854	2,198
of which with a remaining term of more than 1 year	(–)	(–)
Receivables from Group companies	2,801,984	590,042
of which with a remaining term of more than 1 year	(12,280)	(182,898)
Receivables from companies in which shareholdings are held	8,800	4,991
of which with a remaining term of more than 1 year	(–)	(–)
Other assets	227,556	301,031
of which with a remaining term of more than 1 year	(55,606)	(52,154)
	3,040,194	898,262

Receivables from Group companies and companies in which shareholdings are held include minor amounts of trade accounts receivable at the respective balance sheet date.

The increase in receivables from Group companies was mainly attributable to the financing of the acquisition of CP Ships Ltd. by TUI Beteiligungs GmbH and its profit and loss transfer, while the intra-Group acquisition of Hapag-Lloyd AG had an opposite effect.

(4) Cash in hand and bank balances

This item included an amount of € 3.0 million (previous year: € 45.1 million) of bank balances.

(5) Prepaid expenses**Prepaid expenses**

€ '000	31 Dec 2005	31 Dec 2004
Discount	843	232
of which with a remaining term of more than 1 year	(598)	(232)
Other prepaid expenses	6,407	2,053
	7,250	2,285

(6) Subscribed capital

TUI AG's subscribed capital consisted of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock attributable to each individual share was approx. € 2.56. In July 2005, the previous bearer shares were converted to registered shares.

Due to the capital increase, the subscribed capital registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover rose by € 182.8 million (71,502,616 shares at a subscription price of € 14.20 per share). Subscribed capital also rose due to the issuance of 473,420 employee shares, growing by € 1.2 million to a total of € 641.0 million. At the end of the financial year, the subscribed capital therefore comprised 250,732,575 shares (previous year: 178,756,539 shares).

The Annual General Meeting of 11 May 2005 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 10 November 2006 and replaces the authorisation granted by the Annual General Meeting of 18 May 2004. To date, the authorisation to acquire own shares has not been used.

Conditional capital

The Annual General Meeting of 18 June 2003 resolved to create conditional capital of € 90.0 million. The conditional capital serves to secure conversion options and warrants from the issuance of one or several bonds with a total par value of up to € 1.0 billion by 17 June 2008. In October 2003, bonds with conversion options of around € 384.6 million were issued. The conversion options entitle the holders to convert every convertible bond with a nominal value of € 50,000 into 2,520 shares in TUI AG. To date, the holders of the convertible bonds have not yet exercised any conversion rights.

In order to be able to use the opportunity of issuing further bonds, the Annual General Meeting of 18 May 2004 resolved to create additional conditional capital of € 70.0 million. Thus, bonds with conversion options or warrants with a nominal volume of up to € 1.0 billion and a term of up to 30 years can be issued by 17 May 2009.

Authorised capital

The authorised capital of € 10.0 million created by the Annual General Meeting of 18 May 2004 for the issuance of employee shares stood at € 9.3 million at the end of the 2004 financial year. In the 2005 financial year, the authorised capital was partly used to issue 473,420 employee shares (previous year: 287,860 shares). Thus, authorised capital for the issuance of employee shares stood at € 8.1 million at the end of the 2005 financial year.

In addition to the authorised capital for the issue of employee shares, the Annual General Meeting of 18 May 2004 also resolved to create additional authorised capital for the issue of new shares against cash or non-cash contribution totalling € 215.6 million. Due to the issue of 71,502,616 shares against cash contribution, this authorised capital decreased by € 182.8 million to € 32.8 million at the end of the 2005 financial year.

Including the remaining authorised capital for the issuance of employee shares, total unused authorised capital stood at € 40.9 million. TUI AG's Executive Board has been authorised to use this capital by 17 May 2009.

(7) Capital reserves

Capital reserves included transfers from share premiums. They also comprised amounts from the issue of bonds for conversion options and warrants for the purchase of shares in TUI AG. In addition, agios from the future exercise of conversion options or warrants were transferred to the capital reserves. In the financial year under review, capital reserves rose by € 832.5 million due to the issue of new shares against cash contribution and by € 4.0 million (previous year: € 2.4 million) due to the issue of employee shares.

(8) Revenue reserves

As before, revenue reserves consisted solely of other revenue reserves. There were no provisions in the articles of association on the formation of reserves.

(9) Profit available for distribution

Net profit for the year totalled € 390,285,070.06. Following the transfer of an amount of € 195,142,535.03 to other revenue reserves and taking into account the retained profit brought forward of € 357,464.97, profit available for distribution totalled € 195,500,000.00. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution for a dividend of € 0.77 per no-par value share and to carry forward on new account the amount of € 2,435,917.25 remaining after the dividend payment of € 193,064,082.75.

(10) Special non-taxed item The special non-taxed item totalled € 43.8 million (previous year: € 48.1 million) and included tax-related depreciation of fixed assets in accordance with section 6b of the German Income Tax Act. Due to the long reversal period, reversal of the special non-taxed item entailed a low income tax effect for individual financial years.

(11) Other provisions

Other provisions

€ '000	31 Dec 2005	31 Dec 2004
Tax provisions	135,000	164,760
Other provisions	596,486	673,783
	731,486	838,543

The decrease of tax provisions resulted mainly from the use of these provisions.

Other provisions mainly related to provisions for the investment portfolio, anticipated losses from derivatives and other risks. The overall reduction in other provisions resulted from the decline in provisions for anticipated losses from derivatives, which had to be formed for negative fair values. On the other hand, transfers to provisions for supplier invoices not yet received had an opposite, significantly smaller, effect. Around 37% of other provisions (previous year: around 42%) had a remaining term of up to one year.

(12) Liabilities

Liabilities

€ '000	31 Dec 2005		31 Dec 2004	
	Remaining terms	Total	Total	Remaining terms
Bonds		3,459,550	2,159,550	
up to 1 year	750,000			–
1 – 5 years	1,334,550			1,534,550
more than 5 years	1,375,000			625,000
of which convertible		(384,550)	(384,550)	
up to 1 year	(–)			(–)
1 – 5 years	(384,550)			(384,550)
more than 5 years	(–)			(–)
Liabilities to banks		402,924	147,385	
up to 1 year	208,358			116,152
1 – 5 years	84,699			31,233
more than 5 years	109,867			–
Trade accounts payable		13,908	5,761	
up to 1 year	13,908			5,761
1 – 5 years	–			–
more than 5 years	–			–
Other liabilities		1,877,852	2,118,263	
up to 1 year	1,614,120			1,682,040
1 – 5 years	263,732			293,431
more than 5 years	–			142,792
of which liabilities to Group companies		1,807,038	1,975,980	
up to 1 year	1,555,038			1,551,099
1 – 5 years	252,000			282,089
more than 5 years	–			142,792
of which liabilities to companies in which shareholdings are held		6,673	9,565	
up to 1 year	6,673			9,565
1 – 5 years	–			–
more than 5 years	–			–
of which Other liabilities		64,141	132,718	
up to 1 year	52,409			121,376
1 – 5 years	11,732			11,342
more than 5 years	–			–
of which from taxes		(6,940)	(23,286)	
up to 1 year	(6,940)			(23,286)
1 – 5 years	(–)			(–)
more than 5 years	(–)			(–)
of which relating to social security		(1,053)	(1,237)	
up to 1 year	(1,053)			(1,237)
1 – 5 years	(–)			(–)
more than 5 years	(–)			(–)
		5,754,234	4,430,959	

Convertible bonds included the convertible bond of € 384.6 million issued in October 2003. This convertible bond will mature on 1 December 2008 and carries a nominal interest coupon of 4% p.a. Due to the capital increase, the conversion price declined to € 19.84 from previously € 21.60. The convertible bond has been admitted to official trading at the Luxembourg Stock Exchange and at the Frankfurt OTC market since 1 December 2003. The right to convert the bonds into no-par value shares can be exercised any time between 2 January 2004 and 17 November 2008.

Bonds included a total of six further bonds with a total issuing volume of € 3,075.0 million with a denomination of € 1,000.00 each.

The bearer bond of € 750.0 million issued in October 1999 will mature on 23 October 2006 and carries a nominal interest coupon of 5.875% p.a.

The bond of € 625.0 million issued in May 2004 and maturing in May 2011 carries a fixed-interest nominal coupon of 6.625%. The bond of € 400.0 million issued in June 2004 carries a floating-rate interest coupon (EURIBOR + 2.10%) and will mature in August 2009.

In order to finance the acquisition of CP Ships Ltd. three additional bonds with a total volume of € 1,300.0 million were issued in December 2005. The senior floating rate notes with a volume of € 550.0 million carry a floating-rate interest coupon (3-months-EURIBOR + 1.55%) and will mature in December 2010. The senior fixed rate notes with a volume of € 450.0 million carry a fixed-rate nominal interest coupon of 5.125% and will mature in December 2012. The subordinated hybrid bond with a volume of € 300.0 million has no fixed maturity date. Subject to the resolution on dividend payment taken by the Annual General Meeting it will carry a fixed-interest interest coupon of 8.625% until January 2013 and will subsequently carry a floating-rate interest coupon (3-months-EURIBOR + 7.3%).

Liabilities to Group companies and to companies in which shareholdings are held contain minor amounts of trade accounts payable as at the respective balance sheet date.

Liabilities with a remaining term of more than five years totalled € 1,484.9 million (previous year: € 767.8 million).

Liabilities were not secured by rights of lien or similar rights.

(13) Deferred income

Deferred income

€ '000	31 Dec 2005	31 Dec 2004
Other deferred income	7,085	2,250

Deferred income mainly related to deferred income from operating leases, including an amount of € 6.4 million to Group companies (previous year: € 1.5 million €).

(14) Contingent liabilities**Contingent liabilities**

€ '000	31 Dec 2005	31 Dec 2004
Liabilities under guarantees, bill and cheque guarantees	1,484,227	1,688,614
Liabilities under warranties	856	1,064
	1,485,083	1,689,678
of which to Group companies	(1,226,260)	(1,174,181)

TUI AG has taken over guarantees and warranties on behalf of subsidiaries and third parties, mainly serving the settlement of ongoing business transactions and the collateralisation of loans. In the financial year under review, the liabilities from warranties related to the companies of the former Babcock Borsig Group were further reduced. As in 2004, appropriate provisions were formed concerning the risk of anticipated obligations.

(15) Other financial commitments**Other financial commitments**

€ '000	31 Dec 2005	31 Dec 2004
Lease, rental, leasing and similar contracts	369,838	244,316
Order commitments	235,915	90
Other financial commitments	21,017	37,044

The increase in lease, rental and leasing contracts was related to newly concluded aircraft lease agreements with third parties.

Order commitments rose due to the forthcoming acquisition of ten Boeing 737-800s.

Other financial commitments related to commitments to purchase services. Other financial commitments included an amount of € 262.7 million (previous year: € 83.0 million) of expenses due in the subsequent year; liabilities due within more than 5 years totalled € 20.1 million (previous year: € 9.5 million). Other financial commitments to Group companies totalled € 9.5 million (previous year: € 11.1 million).

(16) Derivative financial instruments**Derivative financial instruments**

€ '000	Nominal volume	Positive fair values	Negative fair values
Currency hedges	10,729,118	161,269	127,505
of which with Group companies	(4,946,795)	(18,343)	(114,198)
Commodity hedges	1,977,706	59,685	59,685
of which with Group companies	(988,853)	(27,881)	(31,804)
Interest swaps, including forward rate agreements	284,664	9,531	244
of which with Group companies	(8,692)	(-)	(204)
Other instruments	863,478	24,466	11,319
of which with Group companies	(-)	(-)	(-)

Commodity hedges exclusively related to ship and aircraft fuel.

For the financial instruments entered into, the following carrying amounts were recognised under the balance sheet items listed below:

Carrying amounts of the option premiums

€ '000	31 Dec 2005	31 Dec 2004
Receivables from Group companies	3,261	9,563
Other assets	44,581	21,556
Payables to Group companies	53,110	16,143
Other payables	11,474	10,765

Provisions for negative market values in other provisions

€ '000	31 Dec 2005	31 Dec 2004
Currency hedges	110,445	168,506
Commodity hedges	44,641	44,699
Interest rate hedges	244	27,740
	155,330	240,945

Provisions for currency hedges decreased primarily due to smaller variations between the measurement prices as at the balance sheet date and the business prices of the foreign exchange instruments, in particular relating to US dollars. Due to the return of interest rate derivatives in the completed financial year, provisions for interest rate hedges reduced.

Notes on the Profit and Loss Statement

(17) Geographical breakdown of turnover

Geographical breakdown of turnover

€ '000	2005	2004
Germany	97,006	93,250
of which with Group companies	(90,535)	(86,854)
EU (excl. Germany)	66,806	21,609
of which with Group companies	(65,945)	(18,195)
Rest of Europe	2,616	2,616
Asia	339	2,305
	166,767	119,780

Turnover almost exclusively comprised proceeds from aircraft rental. The turnover growth was mainly attributable to the conclusion of additional lease contracts with Group-owned airlines.

(18) Other operating income

Other operating income

€ '000	2005	2004
Reversals of special non-taxed items	4,271	3,660
Miscellaneous other operating income	725,897	690,720
	730,168	694,380

Miscellaneous other operating income primarily included income from the reversal of provisions as well as income from derivative financial instruments, book profits from the disposal of investments and property, plant and equipment, currency gains from currency transactions, income from the reversal of value adjustments and income from sideline operations.

(19) Cost of materials

Cost of materials

€ '000	2005	2004
Cost of consumables and supplies	2,545	0
Cost of purchased services	107,965	78,240
	110,510	78,240

The cost of purchased services rose due to newly concluded aircraft lease contracts with third parties.

(20) Personnel costs

Personnel costs

€ '000	2005	2004
Wages and salaries	51,310	49,832
Social security contributions, pension costs and benefits	70,269	22,165
of which pension costs	(64,785)	(16,460)
	121,579	71,997

Personnel costs rose year-on-year, primarily due to the increase in pension costs. The compulsory application of Prof. Dr. Klaus Heubeck's new '2005 G reference tables' resulted in a positive effect of € 2.6 million, while the first-time application of IAS 19 resulted in a charge of € 52.4 million.

**(21) Depreciation/
amortisation****Depreciation/amortisation**

€ '000	2005	2004
Amortisation of intangible assets and depreciation of property, plant and equipment	98,134	106,730
Depreciation of current assets	0	3,222
	98,134	109,952

In the year under review, depreciation of property, plant and equipment mainly related to aircraft. Unlike in 2004 (€ 1.4 million), no impairments of property, plant and equipment and no value adjustments of current assets were effected in the financial year under review.

**(22) Other operating
expenses****Other operating expenses**

€ '000	2005	2004
Miscellaneous other operating expenses	718,107	670,940

This item covered in particular expenses for anticipated losses from derivatives, costs of financial and monetary transactions, transfers to provisions for investment risks as well as fees, charges and other administrative costs. Due to the financing measures, the cost of capital procurement rose year-on-year. The expenses incurred for the auditors amounted to € 0.9 million for audits of the annual financial statements, € 2.0 million for other certification or measurement services and € 1.2 million for other services.

**(23) Net income from invest-
ments****Net income from investments**

€ '000	2005	2004
Income from participations	285,263	61,617
of which from Group companies	(264,195)	(50,401)
Income from profit transfer agreements	2,206,283	583,194
of which from Group companies	(2,206,283)	(583,194)
Expenses relating to losses taken over	- 58,361	- 24,408
of which to Group companies	(- 58,361)	(- 24,408)
	2,433,185	620,403

The income from profit transfer agreements included the transfer of profits of subsidiaries and the related rebilled tax portion as well as income from investments of subsidiaries.

Income from participations and profit transfer agreements rose year-on-year due to one-off income from restructuring in shipping and due to indirect book profits from the divestment of the VTG Group.

(24) Write-downs of investments

Write-downs of investments included an amount of € 1,704.1 million on shares of relating Group companies (previous year: € 197.0 million). Impairments mainly related to the participations in TUI Beteiligungs GmbH and TUI Northern Europe Ltd. The impairment relating to TUI Beteiligungs GmbH resulted from the intra-Group divestment of Hapag-Lloyd AG to TUI AG and the divestment of the VTG Group. TUI Northern Europe Ltd. had to be impaired due to the reduction in the corporate value, determined on the basis of the discounted cash flow method based on conservative assumptions and reflecting the changes in market conditions in the UK as well as the development of the exchange rate of the British pound sterling.

(25) Interest result**Interest result**

€ '000	2005	2004
Income from other securities and long-term loans	1,834	2,481
of which from Group companies	(1,255)	(1,824)
Other interest and similar income	51,727	48,162
of which from Group companies	(34,301)	(20,400)
Interest and similar expenses	- 246,366	- 217,485
of which to Group companies	(- 72,431)	(- 69,388)
	- 192,805	- 166,842

In the course of the 2003 financial year, the Company began to convert its Group financing structure to longer-term components. This process continued in the 2004 financial year by means of the issue of bonds totalling € 1,025.0 million and in December 2005 by means of bonds totalling € 1,300.0 million. The bonds issued in order to repay liabilities to banks carried interest coupons in line with capital markets and exceeding the interest payments to banks based on money market levels. The interest effect of the bonds issued in mid-2004 was applicable to a full financial year for the first time in the financial year under review. Thus, the extension of the maturities profile has resulted in higher interest expenses. In addition, one-off effects from the return of interest rate derivatives resulted in a further rise in expenses.

(26) Taxes**Taxes**

€ '000	2005	2004
Taxes on income	- 25,279	- 8,628
Other taxes	15,595	7,643
	- 9,684	- 985

For the financial year under review, no corporation tax and trade tax expenses were required, in particular due to tax-free investment income and tax-free gains on disposal. Due to a reassessment of the tax audit risks for assessment periods until including the financial year under review, income tax provisions of a total of € 14.7 million were reversed.

Expenses and income attributable to other periods

Income of € 164.9 million and expenses of € 82.7 million were attributable to other financial years; for the most part, they were carried under other operating expenses and income. In addition income and expenses and attributable to other periods reduced the income tax burden by € 14.4 million.

Other Notes

Annual average headcount (excl. apprentices)

	2005	2004
Wage earners	4	13
Salaried employees	531	524
Total employees	535	537

Remuneration of the Executive Board

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

In the 2005 financial year, the Executive Board members were granted a performance-related bonus in the framework of the long-term incentive programme. This bonus was translated into phantom shares in TUI AG on the basis of an average share price. The calculation was based on earnings by divisions (EBTA), translated into phantom shares on the basis of the average share price of the TUI share on the 20 trading days following the Supervisory Board meeting at which the annual financial statements were approved. Thus, the number of phantom shares granted in a financial year is not determined until the subsequent year. Following a lock-up period of two years, the individual Executive Board members are free to exercise their right to cash payment from this bonus within previously determined periods of time. The payment level is based on TUI AG's average stock price over a period of 20 trading days after the exercise date. There are no absolute or relative return or share price targets. A cap is provided for exceptional unforeseen developments.

Development of aggregate phantom stocks

Balance as at 31 Dec 2004	398,270
Phantom stocks granted	98,437
Phantom stocks exercised	66,556
Additions or disposals of phantom stocks	–
Balance as at 31 Dec 2005	430,151

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

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

Remuneration of Executive Board members

€ '000	2005	2004
Non-performance-related compensation	2,688	2,438
Performance-related compensation	4,055	2,891
Long-term incentive programme		
of which from phantom stocks	2,005	1,989
of which from changes in share prices of phantom stocks granted in previous years	- 250	62
Total	8,498	7,380

Remuneration of individual Executive Board members

€ '000	Non-performance-related compensation	Performance-related compensation	Long-term incentive programme	2005 Total	2004 Total
Dr. Michael Frenzel (CEO)	1,099.3	1,544.5	648.2	3,292.0	2,934.7
Sebastian Ebel	461.7	675.7	347.2	1,484.6	1,227.6
Dr. Peter Engelen	470.4	675.7	330.8	1,476.9	1,240.9
Rainer Feuerhake	656.9	1,158.4	428.8	2,244.1	1,976.4
Total	2,688.3	4,054.3	1,755.0	8,497.6	7,379.6

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

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

Pension obligations for Executive Board members

At the balance sheet date, pension commitments for active Executive Board members amounted to € 16,782 thousand (previous year: € 8,672 thousand). Pension commitments for former members of the Executive Board and their surviving dependants totalled € 39,147 thousand (previous year: € 32,973 thousand) at the balance sheet date. The year-on-year increase was primarily attributable to the transition to measurement according to IAS 19.

The pension commitments for German beneficiaries were funded via pledged reinsurance policies. The pension commitment for a former Board member was covered by a fund.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board comprises a fixed and a variable component. It is determined on the basis of section 18 of the Articles of Association of TUI AG, which have been made permanently accessible to the general public on the internet.

Accordingly, the members of the Supervisory Board obtain a reimbursement of their expenses; in addition they receive a fixed remuneration of € 5,000, payable upon the

termination of the financial year. The chairman receives twice that amount, the deputy chairperson and all other members of the Presiding Committee receive one and a half times that amount. Members and chairpersons of committees receive a separate remuneration. In addition, the Supervisory Board members obtain a variable remuneration component, determined on the basis of the dividend payment made for the completed financial year and corresponding to 1% of the amount by which the dividend distributed to the shareholders exceeds 4% of the capital stock. That amount is distributed to the members of the Supervisory Board based on the same proportion as the one applied to the fixed remuneration.

Remuneration of the Supervisory Board

€ '000	2005	2004
Fixed compensation	117	116
Variable compensation	1,658	1,164
Compensation for committee membership	133	106
Total	1,908	1,386

In addition, travel expenses and other cash expenses of € 64 thousand (previous year: € 53 thousand) were reimbursed. The remuneration of the Supervisory Board totalled to € 1,972 thousand (previous year: € 1,439 thousand).

Remuneration of individual Supervisory Board members for 2005

€ '000	Fixed compensation	Variable compensation	Compensation for committee membership	Total
Dr. Jürgen Krumnow (Chairman)	10.0	142.5	19.1	171.6
Jan Kahmann (Deputy Chairman)	7.5	106.9	–	114.4
Jella Susanne Benner-Heinacher	5.0	71.2	–	76.2
Dr. Norbert Emmerich (until 26 January 2005)	0.4	5.2	–	5.6
Dr. Thomas Fischer (until 26 January 2005)	0.5	7.7	–	8.2
Uwe Klein	7.5	106.9	19.1	133.5
Fritz Kollorz	5.0	71.2	–	76.2
Christian Kuhn	5.0	71.2	–	76.2
Dr. Dietmar Kuhnt	5.0	71.2	38.2	114.4
Dr. Klaus Liesen	7.5	106.9	–	114.4
Roberto López Abad (as of 14 February 2005)	4.4	62.3	–	66.7
Dr. Abel Matutes Juan (as of 14 February 2006)	4.4	62.3	–	66.7
Petra Oechtering	5.0	71.2	–	76.2
Carmen Riu Güell (as of 14 February 2005)	6.3	90.2	–	96.5
Hans-Dieter Rüter	5.0	71.2	–	76.2
Marina Schmidt	5.0	71.2	–	76.2
Dr. Manfred Schneider	5.0	71.2	–	76.2
Dr.-Ing. Ekkehard D. Schulz	5.0	71.2	19.1	95.3
Hartmut Schulz	7.5	106.9	–	114.4
Ilona Schulz-Müller	5.0	71.2	19.1	95.3
Olaf Seifert	5.0	71.2	19.1	95.3
Dr. Bernd W. Voss (until 1 February 2005)	0.5	6.1	–	6.6
Dr. Franz Vranitzky	5.0	71.2	–	76.2
Total	116.5	1,658.3	133.7	1,908.5

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

Shareholder structure

TUI AG received the following notifications according to section 21 sub-section 1 of the German Securities Trading Act (WpHG):

7 December 2004

Riu family

Luis Riu Güell and Carmen Riu Güell have notified us that their voting rights in TUI AG exceeded the threshold of 5% on 2 December 2004 for each party and now account for 9.97% for each party. The 9.97% share has been attributable to each of the two parties as of that date due to their joint control over Saranja S.L. and one further subsidiary pursuant to section 22 sub-section 1 sentence 1 no. 1 of the German Securities Trading Act (WpHG) (the voting rights attributable to each of the two parties relate to one single shareholding).

30 March 2005

Caja de Ahorros del Mediterráneo has notified us that its share in the voting rights in TUI AG, Berlin/Hanover, exceeded the threshold of 5% on 21 March 2005 and now accounts for 5.00% (rounded down).

RIU Hotels S.A. has notified us that its share in the voting rights in TUI AG exceeded the threshold of 5% on 29 March 2005 and now accounts for 5.10%.

H. San Francisco S.A. has notified us that its share in the voting rights in TUI AG dropped below the threshold of 5% on 29 March 2005 and now accounts for 0%.

Saranja S.L. has notified us that its share in the voting rights in TUI AG dropped below the threshold of 5% on 29 March 2005 and now accounts for 0%.

6 December 2005

Caja de Ahorros del Mediterráneo has submitted the following notification both in its own name and in the name and on behalf of Inversiones Cotizadas del Mediterráneo:

- With effect from 1 December 2005, Caja de Ahorros del Mediterráneo no longer directly holds its voting rights in TUI AG, Berlin/Hanover, of 5.00%. Following the transfer of the participation in TUI AG to Inversiones Cotizadas del Mediterráneo, the shareholding in TUI AG is now only held indirectly. Caja de Ahorros del Mediterráneo is therefore entitled to 5.00% of the voting rights in TUI AG, attributable to the company pursuant to section 22 sub-section 1 sentence 1 no. 1 of the German Securities Trading Act (WpHG).
- With effect from 1 December 2005, the voting rights in TUI AG, Berlin/Hanover, of Inversiones Cotizadas del Mediterráneo exceeded the threshold of 5.00%. The voting rights now account for 5.00%.

More detailed information is available on the company's website (www.tui-group.com).

German Corporate Governance Code

The Executive Board and the Supervisory Board submitted the annual declaration of compliance with the German Corporate Governance Code required under section 161 of the German Stock Corporation Act on 9 November 2005 and made it permanently accessible to the public on the Company's website (www.tui-group.com).

Hanover, 7 March 2006

The Executive Board

Frenzel

Ebel

Engelen

Feuerhake

Major direct Shareholdings

Annex to the notes

Shareholdings

		Share- holding %	Nominal capital in '000 CU	Result for the year ¹⁾ in '000 CU
Tourism				
TUI Deutschland GmbH, Hanover	€	100.0	15,000	*
1-2-FLY GmbH, Hanover	€	100.0	8,000	*
TUI Leisure Travel GmbH, Hanover	€	100.0	14,501	*
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	100.0	45,000	*
TUI Nederland N.V., Rijswijk ²⁾	€	100.0	10,000	11,594
JetAir N.V., Oostende ³⁾	€	28.0 ⁶⁾	750	15,727
Groupe Nouvelles Frontières S.A.S., Montreuil	€	100.0	3,274	- 2,139
Touraventure S.A., Montreuil	€	8.3 ⁷⁾	10,469	- 62,499
TUI Northern Europe Ltd., Luton ³⁾	GBP	100.0	250,459	- 1,097
Robinson Club GmbH, Hanover	€	100.0	5,138	*
RIUSA II S.A., Palma de Mallorca ^{2) 5)}	€	50.0	1,202	45,865
Atlantica Hellas S.A., Athens ^{3) 4)}	€	50.0	11,026	- 265
GRUPOTEL DOS S.A., Cán Picafort ^{2) 4)}	€	50.0	84,546	172
RIU Hotels S.A., Palma de Mallorca ⁴⁾	€	49.0	40,809	25,052 ⁸⁾
Shipping				
Hapag-Lloyd AG, Hamburg	€	100.0	60,000	490,008
Other companies				
TUI AUSTRIA Holding AG, Vienna	€	100.0	73	2,287
TUI (Suisse) Holding AG, Zurich	CHF	100.0	3,599	- 111
TUI Belgium N.V., Brussels	€	100.0	24,080	15,051
TUI Holding Spain S.L., Barcelona	€	100.0	1,004	5,903
TUI Beteiligungs GmbH, Hanover	€	100.0	500	*
Preussag UK Ltd., London	GBP	100.0	150,000	5,713
Preussag Finanz- und Beteiligungs-GmbH, Hanover	€	100.0	148,000	*
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	100.0	71,427	*

* Profit and loss transfer agreement

¹⁾ According to local laws

²⁾ According to financial statements for the Group

³⁾ According to financial statements as per 31 Dec 2004

⁴⁾ Joint venture

⁵⁾ Control

⁶⁾ Remaining shares (72.0 %) are held by TUI Belgium N.V.

⁷⁾ Remaining shares (91.7 %) are held by the Groupe Nouvelles Frontières S.A.S.

⁸⁾ According to financial results as per 31 Dec 2004.

Auditors' Report

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the TUI AG, Berlin and Hanover, for the business year from January 1 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and the group management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hanover, 9 March 2006

PricewaterhouseCoopers	
Aktiengesellschaft	
Wirtschaftsprüfungsgesellschaft	
Nienborg	Rolfes
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Boards of the TUI AG Supervisory Board

Members of the Supervisory Board

Dr. Jürgen Krumnow

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

Jan Kahmann

Deputy Chairman
Member of the Federal Executive Board
of ver.di – Vereinte Dienstleistungsgewerkschaft
Berlin

Jella Susanne Benner-Heinacher

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

Dr. Norbert Emmerich

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

Dr. Thomas Fischer

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

Uwe Klein

Clerk
Hamburg

Fritz Kollorz

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

Christian Kuhn

Travel agent
Hanover

Dr. Dietmar Kuhnt

ex. Chairman of the Executive Board
of RWE AG
Essen

Dr. Klaus Liesen

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

Roberto López Abad

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

Dr. h.c. Abel Matutes Juan

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

Petra Oechtering

Travel agent
Cologne

Carmen Riu Güell

Entrepreneur
Playa de Palma
(since 14 February 2005)

Hans-Dieter Rüster

Aircraft engineer
Langenhagen

Marina Schmidt

Travel agent
Hamburg

Dr. Manfred Schneider

Chairman of the Supervisory Board
of Bayer AG
Leverkusen

Dr.-Ing. Ekkehard D. Schulz

Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

Hartmut Schulz

Movement Controller
Langenhagen

Ilona Schulz-Müller

Representative for equality
in the Federal Executive Board
of ver.di – Vereinte Dienstleistungsgewerkschaft
Berlin

Olaf Seifert

Head of the Group Controlling Department
of TUI AG
Hanover

Dr. Bernd W. Voss

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

Dr. Franz Vranitzky

Chancellor (retrd.) of the Republic of Austria
Vienna

Committees of the Supervisory Board

Presiding Committee

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

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

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

Uwe Klein
Clerk
Hamburg

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

Carmen Riu Güell
Entrepreneur
Playa de Palma
(since 22 March 2005)

Hartmut Schulz
Movement Controller
Langenhagen

Audit Committee

Dr. Dietmar Kuhnt
Chairman
ex. Chairman of the Executive Board
of RWE AG
Essen

Dr. Jürgen Krumnow
ex. Member of the Executive Board
of Deutsche Bank AG
Frankfurt/Main

Uwe Klein
Clerk
Hamburg

Dr.-Ing. Ekkehard D. Schulz
Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

Ilona Schulz-Müller
Representative for equality
in the Federal Executive Board
of ver.di – Vereinte Dienstleistungs-
gewerkschaft
Berlin

Olaf Seifert
Head of the Group Controlling Department
of TUI AG
Hanover

Other board memberships of the Supervisory Board*)

Dr. Jürgen Krumnow

(Chairman)

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

Jan Kahmann

(Deputy Chairman)

- a) Eurogate Beteiligungs-GmbH²⁾

Jella Susanne Benner-Heinacher

- a) A.S. Création AG
K+S AG

Dr. Norbert Emmerich

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

Dr. Thomas Fischer

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

Uwe Klein

- a) Hapag-Lloyd AG

Fritz Kollorz

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

Christian Kuhn

- a) TUI Deutschland GmbH²⁾

Dr. Dietmar Kuhnt

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

Dr. Klaus Liesen

- a) E.ON AG
Volkswagen AG

Roberto López Abad

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

Dr. h.c. Abel Matutes Juan

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

Petra Oechtering

–

Carmen Riu Güell

- b) RIUSA II, S.A.

Hans-Dieter Rüter

–

Marina Schmidt

–

Dr. Manfred Schneider

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

Dr.-Ing. Ekkehard D. Schulz

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

Hartmut Schulz

–

Ilona Schulz-Müller

- a) WinCom Versicherungsholding AG

Olaf Seifert

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

Dr. Bernd W. Voss

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

Dr. Franz Vranitzky

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

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

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards required by law

b) Membership in comparable Boards of domestic and foreign companies

Executive Board

Executive Board of TUI AG

Dr. Michael Frenzel

Chairman

Sebastian Ebel

Controlling

Dr. Peter Engelen

Human Resources and Legal Affairs

Rainer Feuerhake

Finance

Executive Committee

Dr. Michael Frenzel

Chairman

Sebastian Ebel

Controlling

Dr. Peter Engelen

Human Resources and Legal Affairs

Rainer Feuerhake

Finance

Dr. Volker Böttcher

Central Europe sector

Peter Rothwell

Northern Europe sector

Eric Debry

Western Europe sector

Christoph R. Müller

Airline sector
(since 25 January 2006)

Karl J. Pojer

Hotels & Resorts sector
(since 25 January 2006)

Michael Behrendt

Shipping sector

Adolf Adrion

Shipping sector
(since 25 January 2006)

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

Dr. Michael Frenzel

(Chairman)

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

Sebastian Ebel

- a) Hapag-Lloyd Fluggesellschaft mbH
TQ3 Travel Solutions Management
Holding GmbH¹⁾
TUI Deutschland GmbH
TUI Leisure Travel GmbH
- b) Grecotel S.A.
RIUSA II S.A.
TUI Belgium N.V.
TUI España Turismo S.A.
TUI Nederland N.V.

Dr. Peter Engelen

- a) Hapag-Lloyd Fluggesellschaft mbH
TQ3 Travel Solutions Management
Holding GmbH
TUI Deutschland GmbH
TUI Leisure Travel GmbH
- b) TUI China Travel Co. Ltd.

Rainer Feuerhake

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

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

¹⁾ Chairman

²⁾ Deputy Chairman

a) Membership in Supervisory Boards
required by law

b) Membership in comparable Boards
of domestic and foreign companies

Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2005 financial year, in particular the plenary discussions, the work done by the committees, corporate governance, the audit of the financial statements of TUI AG and the Group as well as changes in the membership of the Boards of the Company.

Cooperation between Supervisory Board and Executive Board

In the 2005 financial year, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. It monitored the work of the Executive Board and regularly advised the Board on the management of the Company. The Supervisory Board was involved in all key decisions affecting the Company.

In written and verbal reports, the Executive Board provided regular, timely and comprehensive information to the Supervisory Board, encompassing all relevant information on the development of business and the position of the Group, including the risk situation and risk management. The Executive Board discussed the strategic orientation of the Group and all key transactions of relevance to the Company – in particular the further development of the Group – with the Supervisory Board. Deviations of the development of business from the approved plans were presented, explained and discussed.

The reports provided by the Executive Board were discussed at length by the committees and the Supervisory Board plenary meetings. Transactions requiring the approval of the Supervisory Board and decisions of fundamental importance were discussed in depth with the Executive Board prior to a decision being taken. The Supervisory Board was fully informed about specific and particularly urgent plans and projects arising between the regular meetings and, where necessary, submitted its approval in writing. In addition, the Chairman of the Supervisory Board was regularly informed about current business developments and major transactions in the Company.

Supervisory Board and committees

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

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

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

Work of the Presiding Committee

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

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

Work of the Audit Committee

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

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

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

The meeting on 8 November 2005 mainly focused on the interim financial statements for the third quarter of 2005. The agenda also covered other issues including plans to integrate CP Ships in Group accounting, Group financing and the assigned rating, the internal control system, in particular Group Internal Auditing activities in the 2004/2005 financial years and the audit plan for 2006. Auditor representatives attended all three meetings of the Audit Committee and presented reports on their activities.

Deliberations in the Supervisory Board

The Executive Board's reports and the discussions at Supervisory Board meetings regularly focused on the development of turnover, earnings and employment of the Group and the divisions as well as the financial situation and structural development of the Group.

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

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

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

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

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

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

Corporate governance

At the meeting of 9 November 2005, the Executive and Supervisory Boards discussed an update of the declaration of compliance with the German Corporate Governance Code and issued the joint declaration of compliance pursuant to section 161 of the German Stock Corporation Act. It was made permanently accessible to the public on TUI AG's website. Accordingly, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 2 June 2005. In accordance with section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board reports about corporate governance in a separate chapter of the annual report (Corporate Governance Report).

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

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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, were appointed as the auditors by the Annual General Meeting held on 11 May 2005 and commissioned by the Supervisory Board. The audit covered the annual financial statements of TUI AG as at 31 December 2005, submitted by the Executive Board and prepared in accordance with the provisions of the German Commercial Code (HGB), and the joint management report for TUI AG and the TUI Group and the consolidated financial statements for the 2005 financial year, prepared in accordance with the provisions of the International Accounting Standards Board (IASB) observing in addition the provisions of section 315a, sub-section 1 of the German Commercial Code (HGB). The auditors issued their unqualified audit certificate for the annual financial statements of TUI AG and the consolidated financial statements.

The financial statements, the management report and the auditors' reports were submitted to all members of the Supervisory Board. They were discussed at the Audit Committee meeting of 17 March 2006 and the Supervisory Board meeting on 21 March 2006, at which representatives of the auditors were present and were available to answer questions.

On the basis of its own audit of the annual financial statements of TUI AG and the TUI Group and the joint management report as at 31 December 2005 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, the consolidated financial statements and the Group management report. The Supervisory Board also examined and approved the proposal for the appropriation of profits for the 2005 financial year submitted by the Executive Board.

Supervisory Board and committee membership

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

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

Executive Committee membership

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

The Supervisory Board
Hanover, 21 March 2006

Dr. Jürgen Krumnow
Chairman