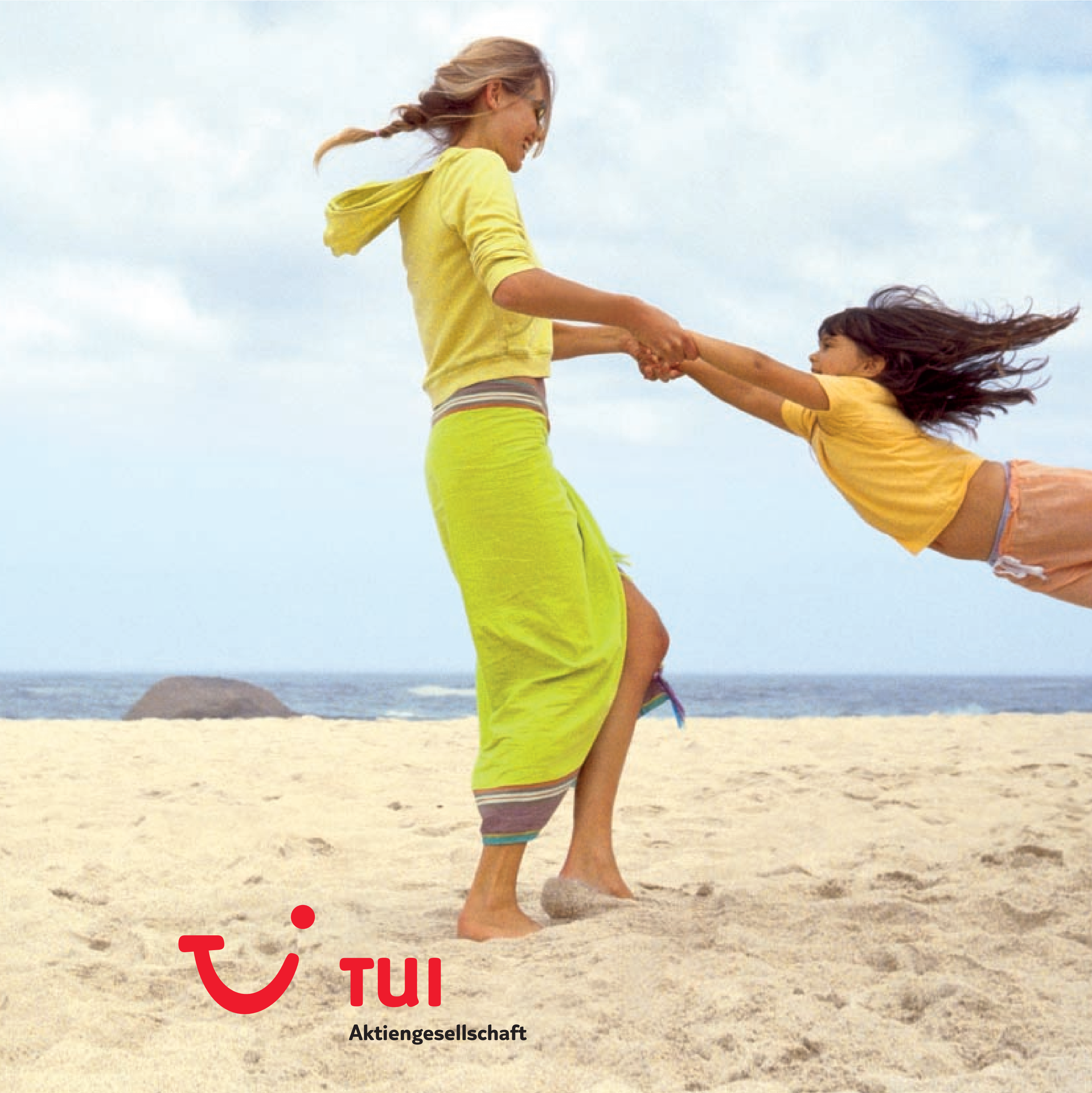
Financial Statements 2004

TUI AG



TUI Aktiengesellschaft

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The annual financial statements and the management report of TUI AG for the 2004 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 2004.

Balance Sheet of TUI AG as at 31 December 2004

€ '000	Notes		31 Dec 2004	31 Dec 2003
Assets				
Fixed assets	(1)			
Intangible assets			1,313	1,449
Tangible assets			576,912	574,751
Investments				
Shares in Group companies		6,027,045		6,813,212
Other investments		367,873		419,321
			6,394,918	7,232,533
			6,973,143	**7,808,733**
Current assets				
Inventories	(2)		21	51
Receivables and other current assets	(3)		898,262	1,042,414
Cash-in-hand and bank deposits	(4)		45,157	39,015
			943,440	**1,081,480**
Prepaid expenses	(5)		**2,285**	**6,159**
			7,918,868	**8,896,372**

€ '000	Notes		31 Dec 2004	31 Dec 2003
Equity and liabilities				
Shareholders' equity				
Subscribed capital	(6)	456,984		456,248
(Conditional capital)		(160,000)		(128,997)
Capital reserves	(7)	1,558,553		1,556,122
Revenue reserves	(8)	276,098		276,098
Profit available for distribution	(9)	138,000		137,800
(of which profit carried forward)		(379)		(410)
			2,429,635	**2,426,268**
Special non-taxed items	(10)		**48,081**	**51,741**
Provisions				
Provisions for pensions and similar obligations		169,400		171,062
Other provisions	(11)	838,543		1,102,807
			1,007,943	**1,273,869**
Liabilities	(12)			
Bonds		2,159,550		1,684,467
Liabilities to banks		147,385		915,113
Trade accounts payable		5,761		130,746
Other liabilities		2,118,263		2,413,274
			4,430,959	**5,143,600**
Deferred income	(13)		**2,250**	**894**
			7,918,868	**8,896,372**

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

€ '000	Notes		2004	2003
Turnover	(17)	119,780		–
Other operating income	(18)	694,380		658,645
			814,160	658,645
Cost of materials	(19)	78,240		–
Personnel costs	(20)	71,997		81,289
Depreciation	(21)	109,952		4,356
Other operating expenses	(22)	670,940		635,345
			- 931,129	- 720,990
Net income from investments	(23)		+ 620,403	+ 962,287
Depreciation on investments	(24)		199,956	728,921
Net interest	(25)		- 166,842	- 134,789
Profit from ordinary business			**+ 136,636**	**+ 36,232**
Extraordinary results	(26)		–	+ 42,857
Taxes	(27)		- 985	- 58,301
Net profit for the year			**137,621**	**137,390**
Profit carried forward			379	410
Profit available for distribution			**138,000**	**137,800**

Development of Fixed Assets of TUI AG

€ '000	Balance at 1 Jan 2004	Additions*)	Disposals*)	Transfers	Balance at 31 Dec 2004
	Cost of Aquisition and Manufacturing Costs				
Intangible assets					
Concessions, patents and licenses	1,992	116	36	0	2,072
	1,992	**116**	**36**	**0**	**2,072**
Tangible assets					
Real estate, land rights and buildings including buildings on third-party property	96,924	181	725	0	96,380
Machinery and fixtures	1,490	0	90	0	1,400
Aircraft and spare parts	496,789	580	90	0	497,279
Other plants and office equipment	18,993	404	1,548	21	17,870
Work in progress	21	108,431	0	- 21	108,431
	614,217	**109,596**	**2,453**	**0**	**721,360**
Investments					
Shares in Group companies	8,178,361	90,002	679,598	- 13	7,588,752
Loans to Group companies	47,529	0	45,102	0	2,427
Other shareholdings	373,089	5,879	20,567	13	358,414
Loans to associated companies	685	700	0	0	1,385
Securities held as fixed assets	0	10,000	0	0	10,000
Other investments	6,541	28	1,464	0	5,105
Payments on account	437	2,000	0	0	2,437
	8,606,642	**108,609**	**746,731**	**0**	**7,968,520**
Fixed assets	**9,222,851**	**218,321**	**749,220**	**0**	**8,691,952**

*) incl. to/of Group companies

				Depreciation	Net Book Value	
	Balance at 1 Jan 2004	Depreciation for the year	Disposals*)	**Balance at 31 Dec 2004**	**Balance at 31 Dec 2004**	**Balance at 31 Dec 2003**
	543	251	35	759	1,313	1,449
	543	**251**	**35**	**759**	**1,313**	**1,449**
	27,026	3,073	0	30,099	66,281	69,898
	1,411	16	90	1,337	63	79
	0	102,116	25	102,091	395,188	496,789
	11,029	1,274	1,382	10,921	6,949	7,964
	0	0	0	0	108,431	21
	39,466	**106,479**	**1,497**	**144,448**	**576,912**	**574,751**
	1,365,149	197,008	450	1,561,707	6,027,045	6,813,212
	0	0	0	0	2,427	47,529
	8,920	2,925	8	11,837	346,577	364,169
	0	0	0	0	1,385	685
	0	24	0	24	9,976	0
	40	0	6	34	5,071	6,501
	0	0	0	0	2,437	437
	1,374,109	**199,957**	**464**	**1,573,602**	**6,394,918**	**7,232,533**
	1,414,118	**306,687**	**1,996**	**1,718,809**	**6,973,143**	**7,808,733**

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. Purchased intangible assets were measured at cost and amortised on a straight-line basis over the expected useful life of three years. Property, plant and equipment was measured at cost, based on tax provisions, less depreciation.

For buildings and land improvements, depreciations were 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, following the abolition of the tax simplification regulation, on a pro rata temporis basis as of 1 January 2004. 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.

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 reported at their present values. The requirement to reverse impairment was met by means of write-backs.

Consumables and supplies as well as merchandise 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 closing 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 at 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 over the term of the bonds in proportion to interest payments. 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 also capitalised as a discount and reversed over the period of the probable use of the conversion options.

The purchase premiums paid under caps and floors were capitalised under other assets. These premiums were reversed on a pro rata temporis basis.

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.

Provisions for pensions, which also included coal supply rights, early retirement and bridging payment rights, were itemised at the allowable value pursuant to section 6a of the German Income Tax Act, actuarially calculated on the basis of the discount value method and a discount rate of 6%.

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.

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 shown in an annex to the notes. The major direct shareholdings are listed separately 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 € 109.6 million and included an amount of € 108.4 million for four aircraft currently still being converted.

Investments
Additions to Group companies of € 90.0 million related on the one hand to the contribution in kind of TUI InfoTec GmbH & Co KG to Preussag Finanz- und Beteiligungs-GmbH. On the other hand, investments were made in the tourism sector, consisting in particular of the acquisition of the remaining 49% each of the shares in TUI (Suisse) Holding AG and in Tantur Turizm Seyahat Ltd. as well as the launch of activities on the Russian travel market via a subsidiary.

The disposals of Group companies of € 679.1 million primarily resulted from the repayment of the capital reserve of Preussag Finanz- und Beteiligungs-GmbH as well as intra-Group transfers of TUI InfoTec GmbH & Co KG and of the shares in l'tur tourismus AG.

Loans to Group companies declined due to loan redemptions of e.g. MS 'Europa' GmbH and TUI Beteiligungs AG.

As far as investments were concerned, additions totalled € 5.9 million, resulting from acquisitions and equity contributions. The disposals of € 20.6 million related in particular to intra-Group transfers of Magic Life Assets AG and the hotel companies Sumba S.A., Borneo S.A., CM Hoteles S.A.

In the framework of statutory obligations to secure employees' entitlements from outstanding payments under the 'block-model' for partial retirement schemes, long-term securities pledged to a trustee totalling € 10.0 million were acquired for TUI's employees.

(2) Inventories

Inventories

€ '000	31 Dec 2004	31 Dec 2003
Consumables and supplies	21	20
Merchandise	–	31
	21	**51**

(3) Receivables and other assets

Receivables and other assets

€ '000	31 Dec 2004	31 Dec 2003
Trade accounts receivable	2,198	124,113
of which with a remaining term of more than 1 year	(–)	(118,480)
Receivables from Group companies	590,042	600,522
of which with a remaining term of more than 1 year	(182,898)	(98,504)
Receivables from companies in which shareholdings are held	4,991	14,335
of which from banks	(–)	(1,708)
of which with a remaining term of more than 1 year	(–)	(–)
Other assets	301,031	303,444
of which with a remaining term of more than 1 year	(52,154)	(87,627)
	898,262	**1,042,414**

Receivables from Group companies and companies in which shareholdings are held did not include any trade accounts receivable at the respective balance sheet date.

The reduction in trade accounts receivable resulted from the payment of a receivable from a finance lease in the course of the year.

(4) Cash in hand and bank balances

This item included an amount of € 45.1 million (previous year: € 39.0 million) of bank balances.

(5) Prepaid expenses

Prepaid expenses

€ '000	31 Dec 2004	31 Dec 2003
Discount	232	5,367
of which with a remaining term of more than 1 year	(232)	(232)
Other prepaid expenses	2,053	792
	2,285	**6,159**

(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.

Subscribed capital registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover rose by € 735,902.40 to € 456,983,835.51 due to the issue of 287,860 new employee shares. At financial year-end, the total number of shares amounted to 178,756,539.

The Annual General Meeting of 18 May 2004 authorised TUI AG's Executive Board to acquire own shares of up to 10% of the capital stock. The authorisation will expire on 17 November 2005 and replaces the authorisation granted by the Annual General Meeting of 18 June 2003. The authorisation to acquire own shares was not used.

GEV Gesellschaft für Energie- und Versorgungswerte mbH, a subsidiary of WestLB AG, sold its approx. 31.4% share in TUI AG, held for many years, at the beginning of December 2004. The share block was divested in two tranches: 9.97% was acquired by the Spanish Riu familiy via affiliated companies, another 7.3% was acquired by two other Spanish investors, Caja des Ahorros del Mediterráneo and Grupo Empresas Matutes. A second tranche of approx. 14% was sold to institutional investors, primarily in Germany and other European countries.

Conditional capital
The Annual General Meeting of 31 March 1999 resolved to create conditional capital of € 39.0 million to secure conversion options in connection with the issue of convertible bonds. On the basis of this resolution, TUI AG issued a convertible bond of € 550.0 million in June 1999. The conditional capital of around € 39.0 million which had not yet been exercised expired with the repayment of the convertible bond in June 2004.

The Annual General Meeting of 18 June 2003 authorised the Executive Board of TUI AG to issue bearer bonds with conversion options or warrants for shares in TUI AG of up to € 1.0 billion in one or several tranches by 17 June 2008 with the approval of the Supervisory Board. The Annual General Meeting created conditional capital of € 90.0 million to service these options and warrants. In the 2003 financial year, a convertible bond with a nominal volume of € 384.6 million was issued. The conversion rights entitled the holders to convert each convertible bond with a nominal value of € 50,000.00 into 2,314 shares in TUI AG. In order to be able to use the possibility of issuing bonds in the future, 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 12 April 2000 for the issue of employee shares stood at € 8,047,977.07 by the end of the 2003 financial year. At the Annual General Meeting of 18 May 2004, the resolution adopted on 12 April 2000 was repealed and replaced by a new resolution totalling € 10.0 million. Following the issue of 287,860 employee shares, the authorised capital stood at € 9,264,097.60 at the end of the financial year.

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

(7) Capital reserves

Capital reserves only included transfers from share premiums and amounts from the issue of bonds for conversion options and warrants to purchase shares in TUI AG. In addition, premiums 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 a total of € 2.4 million due to the premiums of the employee shares issued.

(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 stood at € 137,620,882.83. Taking account of the retained profit brought forward of € 379,117.17, profit available for distribution totalled € 138,000,000.00. A proposal will be submitted to the Annual General Meeting to use the profit available for distribution of € 138,000,000.00 of this financial year for the payment of a dividend of € 0.77 per no-par value share and to carry forward on new account the amount of € 357,464.97 remaining after the dividend payment of € 137,642,535.03.

(10) Special non-taxed item

The special non-taxed item totalled € 48.1 million (previous year: € 51.7 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 burden for the individual financial years.

(11) Other provisions

Other provisions

€ '000	31 Dec 2004	31 Dec 2003
Tax provisions	164,760	182,232
Other provisions	673,783	920,575
	838,543	**1,102,807**

The reduction in tax provisions mainly resulted from utilisation.

Other provisions mainly related to anticipated losses from derivatives, provisions for the investment portfolio and other risks. The changes in other provisions resulted from additions to provisions for anticipated losses for derivatives due to negative market values and from the first-time formation of provisions for maintenance and repair expenses for aircraft. On the other hand, the reversal of provisions for investment risks had a contrary effect on other provisions.

Approx. 42% (previous year: around 39%) of other provisions had a remaining term of up to one year.

(12) Liabilities

Liabilities

€ '000	31 Dec 2004 Remaining term	31 Dec 2004 Total	31 Dec 2003 Total	31 Dec 2003 Remaining term
Bonds		**2,159,550**	**1,684,467**	
up to 1 year	–			549,917
1 – 5 years	1,534,550			1,134,550
more than 5 years	625,000			–
of which convertible		(384,550)	(934,467)	
up to 1 year	(–)			(549,917)
1 – 5 years	(384,550)			(384,550)
more than 5 years	(–)			(–)
Liabilities to banks		**147,385**	**915,113**	
up to 1 year	116,152			624,093
1 – 5 years	31,233			291,020
more than 5 years	–			–
Trade accounts payable		**5,761**	**130,746**	
up to 1 year	5,761			130,746
1 – 5 years	–			–
more than 5 years	–			–
Other liabilities		**2,118,263**	**2,413,274**	
up to 1 year	1,682,040			2,228,373
1 – 5 years	293,431			84,636
more than 5 years	142,792			100,265
of which liabilities to Group companies		**1,975 980**	**2,209,251**	
up to 1 year	1,551,099			2,112,184
1 – 5 years	282,089			8,925
more than 5 years	142,792			88,142
of which liabilities to companies in which shareholdings are held		**9,565**	**128,735**	
up to 1 year	9,565			53,304
1 – 5 years	–			75,431
more than 5 years	–			–
of which to banks		(–)	(128,735)	
up to 1 year	(–)			(53,304)
1 – 5 years	(–)			(75,431)
more than 5 years	(–)			(–)
of which Other liabilities		**132,718**	**69,035**	
up to 1 year	121,376			56,632
1 – 5 years	11,342			280
more than 5 years	–			12,123
of which from taxes		(23,286)	(3,012)	
up to 1 year	(23,286)			(3,012)
1 – 5 years	(–)			(–)
more than 5 years	(–)			(–)
of which relating to social security		(1,237)	(1,083)	
up to 1 year	(1,237)			(1,083)
1 – 5 years	(–)			(–)
more than 5 years	(–)			(–)
		4,430,959	**5,143,600**	

Bonds included the convertible bond of € 384.6 million issued by TUI AG in October 2003. The convertible bond will mature on 1 December 2008 and carries a nominal interest coupon of 4% p.a. The conversion price was fixed at € 21.60. Since 1 December 2003, the convertible bond has been admitted to official trading at the Luxembourg Stock Exchange and at the Frankfurt OTC market. The right to convert the bonds into no-par value shares can be exercised any time between 2 January 2004 and 17 November 2008.

The convertible bond of € 550.0 million issued in 1999 was redeemed on schedule on 17 June 2004.

The bearer bond of € 750.0 million issued in October 1999 was divided into 750,000 bonds of a par value of € 1,000.00 each. The bond carried a nominal interest coupon of 5.875% p.a. and will mature on 22 October 2006.

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 coupon will increase by 75 basis points after a period of 18 months in October 2005, unless TUI AG has not achieved a rating. The bond of € 400.0 million issued in June 2004 carries a floating-interest coupon (EURIBOR + 2.10%) and will also be increased by 75 basis points following a period of 18 months, unless TUI AG has not achieved a rating. This instrument will mature in August 2009. The last-mentioned two bonds are also divided into bonds of a par value of € 1,000.00 each.

Liabilities to Group companies and to companies in which shareholdings are held did not contain any trade accounts payable as at the respective balance sheet date.

Liabilities with a remaining term of more than 5 years totalled € 767.8 million (previous year: € 100.3 million). The year-on-year increase was mainly attributable to the bond of € 625.0 million maturing in May 2011.

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

(13) Deferred income

Deferred income

€ '000	31 Dec 2004	31 Dec 2003
Other deferred income	2,250	894

Deferred income mainly related to deferred income from operating leases, including an amount of € 1.5 million to Group companies (previous year: € 0.7 million).

(14) Contingent liabilities

Contingent liabilities

€ '000	31 Dec 2004	31 Dec 2003
Liabilities under guarantees, bill and cheque guarantees	1,688,614	1,225,951
Liabilities under warranties	1,064	1,296
	1,689,678	**1,227,247**
of which to Group companies	(1,174,181)	(603,746)

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. The increase was primarily attributable to the statutory guarantee obligations of TUI Northern Europe vis-à-vis civil aviation authorities and similar regulatory organisations. On the other hand, the liabilities from warranties related to the companies of the former Babcock Borsig Group were further reduced. As in the previous year, appropriate provisions were formed concerning the risk of anticipated obligations.

(15) Other financial commitments

Other financial commitments

€ '000	31 Dec 2004	31 Dec 2003
Lease, rental, leasing and similar contracts	244,316	156,673
Order commitments	90	1,285
Other financial commitments	37,044	85,382

The increase in lease, rental and leasing contracts was mainly attributable to aircraft lease agreements with third parties in which TUI AG was the lessee.

Other financial commitments mainly included commitments to purchase services and potential commitments to acquire additional shares in subsidiaries and participations. Other financial commitments, based on nominal values, included expenses of € 83.0 million (previous year: € 37.2 million) due in the subsequent year; commitments due within more than 5 years totalled € 9.5 million (previous year: € 21.8 million) at the balance sheet date. Other financial commitments to Group companies amounted to € 11.1 million (previous year: € 37.5 million).

(16) Derivative financial instruments

Derivative financial instruments

€ '000	Nominal volume	Positive fair values	Negative fair values
Currency hedging instruments	**6,730,123**	**181,342**	**179,734**
of which with Group companies	(3,297,893)	(147,795)	(35,871)
Commodity hedging instruments	**910,284**	**44,699**	**44,699**
of which with Group companies	(455,142)	(10,879)	(33,820)
Interest swaps, including forward rate agreements	**2,116,324**	**165**	**27,740**
of which with Group companies	(248,107)	(–)	(617)
Other instruments	**1,050,524**	**25,264**	**14,982**
of which with Group companies	(93,523)	(5,426)	(–)

The fair values at the respective closing dates were based on option price models or present values of discounted cash flows expected for the future. Commodity hedges were not based on settlement through delivery of the underlying item but on cash compensation of the difference between market value and hedge price.

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 2004	31 Dec 2003
Receivables from Group companies	9,563	2,258
Other assets	21,556	13,015
Payables to Group companies	16,143	5,434
Other payables	10,765	2,978

Provisions for negative market values in other provisions

€ '000	31 Dec 2004	31 Dec 2003
Currency hedges instruments	168,506	92,426
Commodity hedges instruments	44,699	24,679
Interest rate hedges instruments	27,740	64,255
	240,945	**181,360**

The provisions for currency hedges increased considerably due to the complete integration of the Northern source market in TUI AG's central currency management.

Notes on the Profit and Loss Statement

(17) Turnover

Geographical breakdown of turnover

€ '000	2004	2003
Germany	93,250	–
of which with Group companies	(86,854)	(–)
EU (excl. Germany)	21,609	–
of which with Group companies	(18,195)	(–)
Rest of Europe	2,616	–
Asia	2,305	–
	119,780	**–**

Turnover almost exclusively comprised proceeds from aircraft rental.

(18) Other income

Other income

€ '000	2004	2003
Reversals of special non-taxed items	3,660	13,090
Miscellaneous other operating income	690,720	645,555
	694,380	**658,645**

Miscellaneous other income primarily included income from the reversal of provisions as well as currency gains from currency transactions, book profits from the sale of investments and fixed assets, income from the reversal of value adjustments and income from sideline operations.

(19) Cost of materials and purchased services

The costs totalling € 78.2 million comprised expenses for aircraft rental of € 41.8 million for the first time and expenses of € 36.4 million for long-term lease agreements with third parties. The cost of raw materials and supplies was not included.

(20) Personnel costs

Personnel costs

€ '000	2004	2003
Wages and salaries	49,832	59,409
Social security contributions, pension costs and benefits	22,165	21,880
of which pension costs	(16,460)	(15,736)
	71,997	**81,289**

Personnel costs declined year-on-year. This was mainly attributable to the decline in the average headcount, caused to some extent by the transfer of employees to services subsidiaries.

(21) Depreciation

Depreciation

€ '000	2004	2003
Amortisation of intangible assets and depreciation of property, plant and equipment	106,730	4,356
Depreciation of current assets	3,222	–
	109,952	**4,356**

In the year under review, property, plant and equipment comprised depreciation of aircraft for the first time. In contrast to the previous year, an amount of € 1.4 million of property, plant and equipment was impaired to account for the impairment of a plot of land.

Current assets comprised the impairment of an aircraft available for sale.

(22) Other expenses

Other expenses

€ '000	2004	2003
Miscellaneous other expenses	670,940	635,345

This item covered in particular expenses for anticipated losses from derivatives, transfers to provisions for investment risks and costs of financial and monetary transactions, fees and charges and other administrative costs.

(23) Net income from investments

Net income from investments

€ '000	2004	2003
Income from participations	61,617	697,898
of which from Group companies	(50,401)	(697,813)
Income from profit transfer agreements	583,194	441,232
of which from Group companies	(583,194)	(441,232)
Expenses relating to losses taken over	- 24,408	- 176,843
of which to Group companies	(- 24,408)	(- 176,843)
	620,403	**962,287**

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

The decline in income from participations in the year under review was due to the previous year's one-off income from restructuring.

(24) Write-downs of investments

Write-downs of investments included an amount of € 197.0 million relating to Group companies (previous year: € 713.1 million). Impairments mainly related to the participation in TUI Northern Europe Ltd. The corporate value was determined on the basis of the discounted cash flow method, as in the previous year, and took account in particular of the adjustment to the changes in market conditions in the UK on the basis of conservative assumptions. In addition, the book value of the participation in TUI (Suisse) Holding AG had to be impaired.

(25) Interest result

Interest result

€ '000	2004	2003
Income from other securities and long-term loans	2,481	15,604
of which from Group companies	(1,824)	(15,286)
Other interest and similar income	48,162	53,224
of which from Group companies	(20,400)	(41,023)
Interest and similar expenses	- 217,485	- 203,617
of which to Group companies	(- 69,388)	(- 60,077)
	- 166,842	**- 134,789**

In the course of the 2003 financial year, the Company began to convert its refinancing structure to longer-term components. This process continued in the year under review. The bonds issued in order to repay liabilities to banks carried interest coupons related to capital markets and exceeding the interest payments to banks oriented to money market levels. The extension of terms therefore resulted in an increase in interest expenses.

(26) Extraordinary result

In the year under review, no extraordinary results were generated. In the previous year, the extraordinary result included book profits from divestments of subsidiaries of € 42.9 million.

(27) Taxes

Taxes

€ '000	2004	2003
Taxes on income	- 8,628	- 76,233
Other taxes	7,643	17,932
	- 985	**- 58,301**

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.

Expenses and income attributable to other periods

Expenses of € 153.9 million and income of € 116.4 million were attributable to other financial years; they were for the most part carried under other expenses and income. In addition, expenses and income attributable to other periods reduced the income tax burden by € 20.7 million.

Other Notes

Annual average headcount (excl. apprentices)

	2004	2003
Wage earners	13	39
Salaried employees	524	546
Total employees	**537**	**585**

The headcount primarily declined due to transfers of employees to subsidiaries in which the provision of various services is concentrated.

Remuneration of the Executive Board
The remuneration of the members of the Executive Board comprised both fixed and variable components. The variable compensation component consisted of a performance-related compensation linked to the dividend and a personal assessment factor, and a long-term incentive programme.

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

Development of aggregate phantom stocks

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

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

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

Remuneration of Executive Board members

€ '000	2004	2003
Fixed compensation	2,438	2,566
Performance-related compensation	2,891	2,265
Long-term incentive programme	2,051	2,893
of which from phantom stocks	(1,989)	(2,731)
of which from changes in share prices of phantom stocks granted in previous years	(62)	(162)
	7,380	**7,724**

Remuneration of individual Executive Board members for 2004

€ '000	Fixed compen-sation	Perfor-mance-related compen-sation	Long-term incentive programme	Total
Dr. Michael Frenzel (CEO)	1,120	1,101	714	2,935
Sebastian Ebel	371	482	375	1,228
Dr. Peter Engelen	368	482	391	1,241
Rainer Feuerhake	579	826	571	1,976
	2,438	**2,891**	**2,051**	**7,380**

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

Pension provisions for active members of the Executive Board totalled € 8,672 thousand (previous year: € 8,052 thousand) as at the balance sheet date. Pension provisions for former members of the Executive Board and their dependants amount to € 32,973 thousand (previous year: € 32,808 thousand) at the balance sheet date. During the financial year under review, former Board members received total payments of € 3,307 thousand (previous year: € 5,562 thousand).

Remuneration of the Supervisory Board

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

Remuneration of individual Supervisory Board members for 2004

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

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

Directors' dealings

At the end of the 2004 financial year the number of shares in TUI AG held by the Executive Board and Supervisory Board members did not exceed the limit of 1% of the shares issued by the Company, stipulated in section 6.6 of the German Corporate Governance Code as the limit above which these holdings have to be reported separately. Overall, the Executive Board members held 784 shares and the Supervisory Board members 7,984 shares. In the 2004 financial year, the Company was notified of the purchase of shares by a member of the Supervisory Board, and this information was made permanently accessible to the public in accordance with section 15 a of the German Securities Trading Act.

The Executive Board and the Supervisory Board submitted the declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act and made it permanently accessible to the public on the Company's website.

Hanover, 11 March 2005

The Executive Board

Frenzel

Ebel Engelen Feuerhake

Major direct Shareholdings

Annex to the notes

Shareholdings

		Share-holding %	Subscribed capital in '000	Profit for the year[1] in '000
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	6,113
JetAir N.V., Oostende[2]	€	28.0[7]	750	20,386
Groupe Nouvelles Frontières S.A.S., Paris	€	100.0	3,274	578
Touraventure S.A., Paris	€	8.3[8]	10,469	16,889
TUI Northern Europe Ltd., London[3]	GBP	100.0	250,459	163,700
Robinson Club GmbH, Hanover	€	100.0	5,138	*
„MAGIC LIFE der Club" International Hotelbetriebs GmbH, Vienna	€	51.0[9]	146	- 18,075
RIUSA II S.A., Palma de Majorca[2] [5]	€	50.0	1,202	53,701
Atlantica Hellas S.A., Athens[3] [4]	€	50.0	11,026	- 1,879
GRUPOTEL DOS S.A., Cán Picafort[3] [4]	€	50.0	84,546	- 304
RIU Hotels S.A., Palma de Majorca[4] [6]	€	49.0	841	30,822
TQ3 Travel Solutions Management Holding GmbH, Bremen	€	100.0	11,000	*
Other Companies				
TUI AUSTRIA Holding AG, Vienna	€	100.0	73	3,272
TUI (Suisse) Holding AG, Zurich	CHF	100.0	3,599	- 135
TUI Belgium N.V., Brussels	€	100.0	24,080	21,987
TUI Holding Spain S.L., Barcelona	€	100.0	1,004	769
TUI Beteiligungs AG, Hamburg	€	100.0	72,800	*
Preussag UK Ltd., London	GBP	100.0	150,000	6,136
Preussag Finanz- und Beteiligungs-GmbH, Salzgitter	€	100.0	148,000	*
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	100.0	71,427	*
Wolf GmbH, Mainburg	€	80.0	20,000	7,233

*) Profit transfer agreement
[1] according to local laws
[2] according to financial statement of the group
[3] according to financial statements as per 31 Dec 2003
[4] Joint venture
[5] Control despite shareholding of 50% or less
[6] according to financial statements of the group as per 31 Dec 2003
[7] Rest of shares are held by TUI Belgium N.V. (72%)
[8] Rest of shares are held by Groupe Nouvelles Frontières S.A.S. (91.7%)
[9] Rest of shares are held by TUI AUSTRIA Holding AG (49.0%)

Auditors' Report

Auditors' Report

'We have audited the annual financial statements, together with the bookkeeping system of the TUI AG, Berlin und Hannover, and the management report combined with the management report of the group for the business year from 1 January to 31 December 2004. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law are the responsibility of the Company's Executive Board. 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 § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit 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 evaluations of 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 Executive Board, as well as evaluating the overall presentation of the annual financial statements and 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, the annual financial statements 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. On the whole the combined management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.'

Hanover, 11 March 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Nienborg
Wirtschaftsprüfer

Rolfes
Wirtschaftsprüfer

Boards of the TUI AG Supervisory Board

Members of the Supervisory Board

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

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

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

Jella Susanne Benner-Heinacher
Solicitor
Managing Director of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.
Düsseldorf

Dr. Norbert Emmerich
Member of the Executive Board
of WestLB AG
Düsseldorf
(since 5 November 2004
until 26 January 2005)

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

Uwe Klein
Clerk
Hamburg

Fritz Kollorz
Member of the Executive Board of the
Mining, Chemical and Energy Industrial Union
Hanover

Christian Kuhn
Travel agent
Hanover

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

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

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

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

Petra Oechtering
Travel agent
Cologne

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

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

Hans-Dieter Rüster
Aircraft engineer
Langenhagen

Marina Schmidt
Travel agent
Hamburg

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

**Prof. Dr.-Ing. Dr. h.c.
Ekkehard D. Schulz**
Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

Hartmut Schulz
Movement Controller
Langenhagen

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

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

Dr. Bernd W. Voss
Member of the Supervisory Board
of Dresdner Bank AG
Frankfurt/Main
(until 1 February 2005)

Dr. Franz Vranitzky
Chancellor (retrd.) of the Republic of Austria
Vienna

as of 28 February 2005

Committees of the Supervisory Board

Presiding Committee

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

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

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

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

Uwe Klein
Clerk
Hamburg

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

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

Hartmut Schulz
Movement Controller
Langenhagen

Audit Committee

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

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

Uwe Klein
Clerk
Hamburg

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

**Prof. Dr.-Ing. Dr. h.c.
Ekkehard D. Schulz**
Chairman of the Executive Board
of ThyssenKrupp AG
Düsseldorf

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

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

as of 28 February 2005

Other board memberships of the Supervisory Board*)

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

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

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

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

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

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

Uwe Klein
a) Hapag-Lloyd AG

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

Christian Kuhn
a) TUI Deutschland GmbH[2]

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

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

Petra Oechtering
a) –

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

Hans-Dieter Rüster
a) –

Marina Schmidt
a) –

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

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

Hartmut Schulz
a) –

Ilona Schulz-Müller
a) WinCom Versicherungsholding AG

Dipl.-Math. Olaf Seifert
a) TUI España S.A.
TUI Hellas Travel and Tourism A.E.

Dr. Bernd W. Voss
a) Allianz Lebensversicherungs-AG
Continental AG
Dresdner Bank AG
Osram GmbH
Quelle AG
Wacker Chemie GmbH
b) ABB Ltd.
Bankhaus Reuschel & Co.[1]

Dr. Franz Vranitzky
b) Magic Life der Club International
Hotelbetriebs GmbH[1]
Magna International Corp.

*) Information refers to 31 December 2004 or date of resignation from the Supervisory Board of TUI AG in 2004
[1] Chairman
[2] Deputy Chairman

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

Executive Board

Executive Board of TUI AG

Dr. Michael Frenzel
Chairman

Sebastian Ebel
Platforms

Dr. Peter Engelen
Human Resources and Legal Affairs

Rainer Feuerhake
Finance

Executive Committee

Dr. Michael Frenzel
Chairman

Sebastian Ebel
Platforms

Dr. Peter Engelen
Human Resources and Legal Affairs

Rainer Feuerhake
Finance

Michael Behrendt
Shipping sector
(since 1 October 2004)

Dr. Volker Böttcher
Central Europe sector

Peter Rothwell
Northern Europe sector

Eric Debry
Western Europe sector

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

Other board memberships of the Executive Board*)

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

Sebastian Ebel
a) Hapag-Lloyd Fluggesellschaft mbH
TUI Business Travel Deutschland GmbH[1]
TUI Deutschland GmbH
TUI Leisure Travel GmbH
b) Grecotel S.A.
RIUSA II S.A.
TUI Belgium N.V.
TUI España Turismo S.A.
TUI Nederland N.V.

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

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

*) Information refers to 31 December 2003 or date of resignation from the Executive Board of TUI AG in 2004
[1] Chairman
[2] Deputy Chairman
a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Report of the Supervisory Board

In the following, the Supervisory Board reports about its activities in the 2004 financial year, in particular the plenary discussions, the work done by the committees, corporate governance, the audit of the financial statements of TUI AG and the Group as well as changes in the membership of the Boards of the Company.

In the 2004 financial year, the Supervisory Board performed its duties in accordance with the law and the Articles of Association. They included monitoring the work of the Executive Board and providing regular advice to the Board on the management of the Company. The Supervisory Board was directly involved in all key decisions affecting the Company.

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

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

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

Work of the committees

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

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

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

Focus of deliberations in the Supervisory Board

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

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

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

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

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

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

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

Corporate Governance

At their meeting of 10 November 2004, the Executive Board and the Supervisory Board discussed an update of the declaration of conformity with the German Corporate Governance Code. They issued the joint declaration of conformity in accordance with section 161 of the German Stock Corporation Act on 15 December 2004 and made it permanently accessible to the public on TUI's website. According to the declaration, TUI AG complies with all recommendations of the German Corporate Governance Code in its currently applicable version dated 21 May 2003. In accordance with sub-section 3.10 of the Code and also on behalf of the Supervisory Board, the Executive Board reports about corporate governance in a separate chapter of the annual report.

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

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

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

The financial statements, the management report and the auditors' reports were submitted to all members of the Supervisory Board. They were discussed at the Audit Committee meeting of 18 March 2005 and the Supervisory Board meeting of 22 March 2005 at which representatives of the auditors were present and were available to provide supplementary information.

On the basis of its own audit of the annual financial statements of TUI AG and the TUI Group, as well as the joint management report as at 31 December 2004 and the results of the audit, the Supervisory Board approved the annual financial statements prepared by TUI AG, which were thereby adopted, the consolidated financial statements and the Group management report. The Supervisory Board also examined and approved the proposal for the appropriation of the profits for the 2004 financial year submitted by the Executive Board.

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

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

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

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

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

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

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

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

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

The Supervisory Board
Hanover, 22 March 2005

Dr. Jürgen Krumnow
Chairman

Five Years Summary

Balance sheet

€ million	31 Dec 2000	31 Dec 2001	31 Dec 2002	31 Dec 2003	31 Dec 2004
Assets					
Fixed assets	7,268.2	6,824.7	7,274.7	7,808.7	6,973.1
Current assets (incl. prepaid expenses)	2,307.3	2,605.0	2,131.0	1,087.7	945.8
Liabilities					
Equity and liabilities	2,366.3	2,417.0	2,417.0	2,426.3	2,429.6
Subscribed capital	(444.2)	(455.1)	(455.1)	(456.2)	(457.0)
Special non-taxed item	71.9	67.0	64.2	51.7	48.1
Provisions	653.6	585.7	1,063.2	1,273.9	1,008.0
Liabilities (incl. deferred income)	6,483.7	6,360.0	5,861.3	5,144.5	4,433.2
Balance sheet total	**9,575.5**	**9,429.7**	**9,405.7**	**8,896.4**	**7,918.9**

Profit and Loss Statement

€ million	AFY 2000*)	2001	2002	2003	2004
Profit from ordinary activities	**63.0**	**208.2**	**157.8**	**36.2**	**136.6**
Extraordinary profit/loss	–	- 71.6	+ 1.2	+ 42.9	–
Taxes	28.1	- 0.3	21.9	- 58.3	- 1.0
Profit for the year	**34.9**	**136.9**	**137.1**	**137.4**	**137.6**

Profit appropriation

€ million	AFY 2000[1]*)	2001	2002	2003	2004
Profit available for distribution	34.9	137.5	137.5	137.8	138.0
Retained profit brought forward	0.1	0.4	0.4	0.4	0.4
Dividend payment	**34.8**	**137.1**	**137.1**	**137.4**	**137.6**

[1] after consideration of profit appropriation as at 30 September 2000

Dividend per share

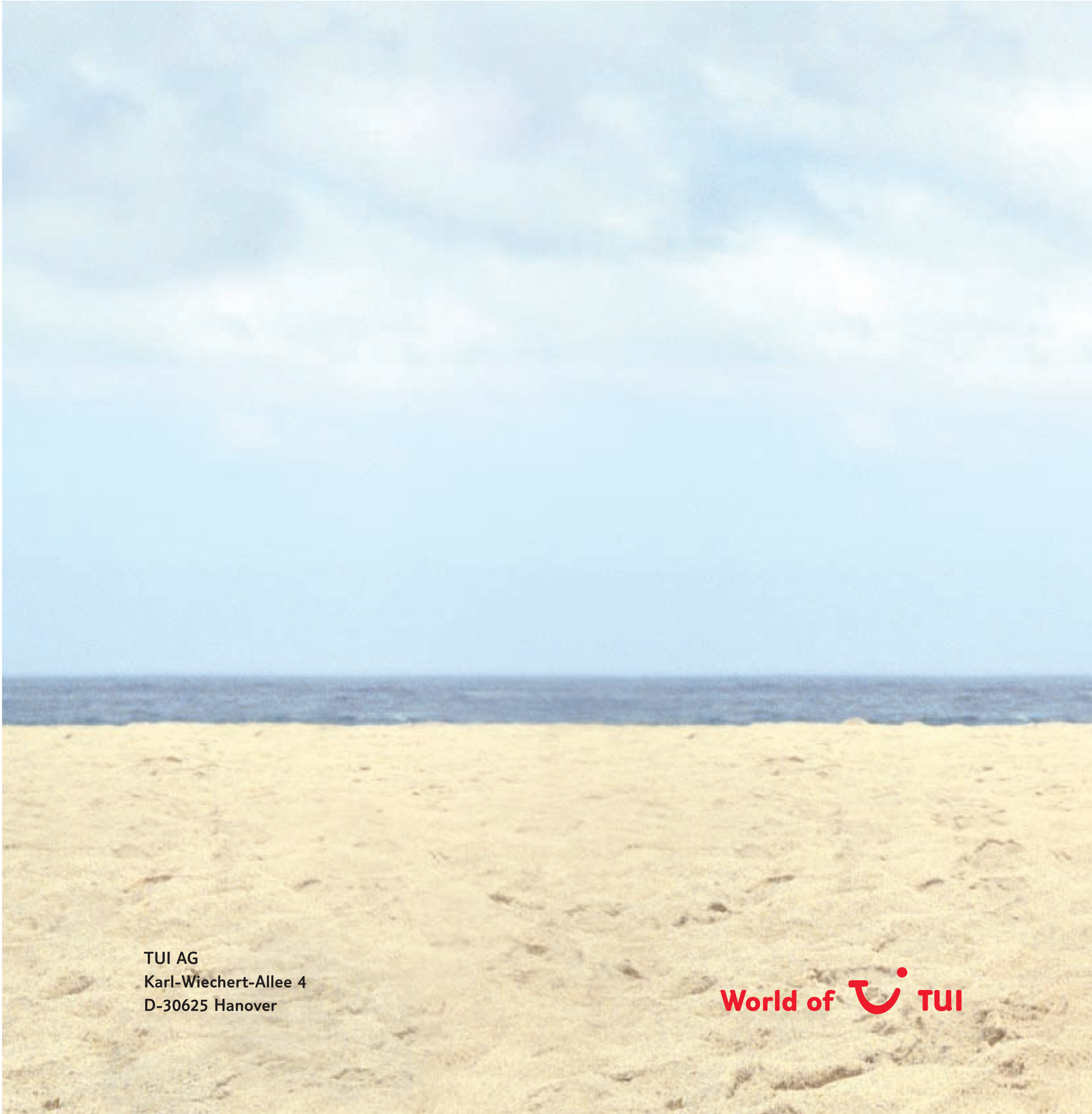
€	AFY 2000*)	2001	2002	2003	2004
Dividend	0.20	0.77	0.77	0.77	0.77
Tax credit[2]	–	–	–	–	–
	0.20	**0.77**	**0.77**	**0.77**	**0.77**

[2] for German taxable shareholders

TUI share price

€	AFY 2000*)	2001	2002	2003	2004
High	42.00	44.70	35.57	17.20	20.45
Low	32.80	19.20	13.98	7.75	12.94
Year-end closing price	38.60	27.60	16.16	16.53	17.42

*) Abbreviated financial year from 1 October 2000 to 31 December 2000



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World of TUI