TUI AG Financial Year 2008
Interim Report 1 January – 31 March 2008

TUI
Aktiengesellschaft

Table of Contents

2 Economic Situation

2 General economic situation

2 Special events in the quarter under review

3 Consolidated turnover and earnings

6 Development of the divisions
6 Tourism
11 Discontinued operation

13 Consolidated earnings

16 Net assets and financial position

18 Other segment indicators

19 Prospects

21 Corporate Governance

21 Events after the closing date

22 Interim Financial Statements

22 Profit and loss statement
23 Balance sheet
24 Statement of recognised income and expenses
24 Cash flow statement

25 Notes

25 Accounting principles
25 Basis of consolidation
27 Discontinued operation
28 Notes on the profit and loss statement
30 Notes on the balance sheet
31 Changes in equity
31 Contingent liabilities
31 Other financial commitments
32 Notes on the cash flow statement
33 Statements of changes in equity
34 Segment indicators
34 Related parties

Q1 2008

TUI Group in figures

€ million		Q1 2008	Q1 2007	Var. %
Continuing operations				
Turnover		3,637	2,670	+ 36.2
EBITDAR		15	17	- 10.1
EBITDA		- 160	- 132	- 20.7
EBITA		- 298	- 222	- 34.2
of which tourism		- 305	- 237	- 28.7
of which central operations		7	15	- 53.3
Underlying EBITA		- 214	- 212	- 0.9
of which tourism		- 221	- 227	+ 2.6
of which central operations		7	15	- 53.3
Discontinued operation				
EAT		- 11	102	n/a
EBITA		1	137	- 99.3
Underlying EBITA		18	- 36	n/a
Group				
EBITA		- 297	- 85	- 249.4
Underlying EBITA		- 196	- 248	+ 21.0
Group profit/loss		- 278	- 105	- 164.8
Basic earnings per share	in €	- 0.69	- 0.47	- 46.8
Capital expenditure		246	197	+ 24.7
Equity ratio (31 March)	in %	16.5	9.2	- 2.7*)
Employees (31 March)		69,843	56,425	+ 23.8

*) percentage points

→ Separation of container shipping resolved.

→ Tourism: Margin growth, synergies delivered as planned.

→ Shipping: Considerable increase in freight rates, stable development of margins.

Economic Situation in Q1 2008

General economic situation

In the first quarter of 2008, the expansion of the world economy slowed down in the wake of the sub-prime crisis in the US and the resulting turbulence in the international financial markets. This may cause adverse effects in the course of the year, in particular for domestic economic activity in the US. Most other industrialised countries continue to show significant internal expansionary forces, although economic activity in Western Europe has cooled down slightly. The emerging markets continue to see sustained growth. A renewed strong increase in commodity prices caused a notable rise in consumer price inflation in recent months.

Special events in the quarter under review

On 17 March 2008, TUI AG announced the decision by the Executive Board and Supervisory Board to separate container shipping from the Group. Since then, the process has been driven ahead according to plan. The time-frame for the separation of container shipping aims at approaching prospective buyers following the preparation of an information memorandum in late May/early June.

The divestment process is firmly focused on achieving highest possible value for TUI AG's shareholders. At the same time, the Supervisory Board has mandated the Executive Board to identify further growth options for the expansion of the tourism business.

Following the fundamental decision to separate container shipping from the Group, these activities have been classified as a discontinued operation and reclassified accordingly pursuant to IFRS 5. The discontinued operation thus comprises the container shipping activities and the interests in the Altenwerder and Montreal, Canada, container terminals (Montreal Gateway Terminals). The cruises sector, previously managed in the shipping division, remains within the TUI Group and is now shown in the tourism division.

Consolidated turnover and earnings

Development of turnover by divisions

Turnover by divisions

€ million	Q1 2008	Q1 2007	Var. %
Tourism	3,623.3	2,639.4	+ 37.3
TUI Travel	3,471.4	2,505.3	+ 38.6
TUI Hotels & Resorts	93.9	84.2	+ 11.5
Cruises	58.0	49.9	+ 16.2
Central operations	13.2	31.0	- 57.4
Continuing operations	**3,636.5**	**2,670.4**	**+ 36.2**
Container shipping	1,451.2	1,423.7	+ 1.9
Discontinued operation	**1,451.2**	**1,423.7**	**+ 1.9**
Turnover by divisions	**5,087.7**	**4,094.1**	**+ 24.3**

Continuing operations

In the first quarter of 2008, turnover by the TUI Group's continuing operations was up 36.2% year-on-year.

In the first quarter of 2008, tourism turnover of € 3.6 billion grew by 37.3% year-on-year. The turnover growth was driven by all tourism segments, with TUI Travel in particular recording substantial increases in turnover due to consolidation. Even adjusted for the first-time consolidation of the First Choice activities, turnover by TUI Travel rose by 1.8%.

Discontinued operation

Discontinued operation, which mainly comprised the reclassified container shipping operations, recorded turnover growth of 1.9% to € 1.5 billion. The key drivers for this development were the year-on-year increase in freight rate levels as well as slight growth in volumes whereby turnover growth was impacted by the year-on-year decline by 14.4% in the US dollar exchange rate against the euro.

Group

Total turnover by the TUI Group's divisions rose to € 5.1 billion in the first quarter of 2008, up 24.3% year-on-year.

Development of earnings by divisions

Earnings by divisions (EBITA)

	Underlying EBITA by division			EBITA by division		
€ million	Q1 2008	Q1 2007	Var. %	Q1 2008	Q1 2007	Var. %
Tourism	- 221	- 227	+ 2.6	- 305	- 237	- 28.7
TUI Travel	- 240	- 246	+ 2.4	- 324	- 256	- 26.6
TUI Hotels & Resorts	13	16	- 18.8	13	16	- 18.8
Cruises	6	3	+ 100.0	6	3	+ 100.0
Central operations	7	15	- 53.3	7	15	- 53.3
Continuing operations	**- 214**	**- 212**	**- 0.9**	**- 298**	**- 222**	**- 34.2**
Container shipping	18	- 36	n/a	1	137	- 99.3
Discontinued operation	**18**	**- 36**	**n/a**	**1**	**137**	**- 99.3**
Earnings by divisions (EBITA)	**- 196**	**- 248**	**+ 21.0**	**- 297**	**- 85**	**- 249.4**

Continuing operations

In the first quarter of 2008, earnings by the continuing operations tourism and central operations before adjustment for one-off effects declined for seasonal reasons by € 76 million to € - 298 million year-on-year due to the first-time consolidation of First Choice. Adjusted for the one-off effects included in earnings for the first quarter of 2008, operating earnings (underlying EBITA by divisions) declined only slightly by 0.9% to € - 214 million. Adjusted for First Choice, the operating earnings improved significantly by 38.2% to € - 131 million.

Underlying EBITA by division: Tourism

€ million	Q1 2008	Q1 2007	Var. %
EBITA by division	**- 305**	**- 237**	**- 28.7**
Gains on disposals	–	–	
Restructuring	*+ 27*	*+ 2*	
Purchase price allocation	*+ 42*	–	
Other one-off items	*+ 15*	*+ 8*	
Underlying EBITA by division	**- 221**	**- 227**	**+ 2.6**

For seasonal reasons the first quarter of tourism division is loss making. At € - 305 million, tourism earnings declined by 28.7% year-on-year, primarily due to the first-time consolidation of First Choice. Earnings for the first quarter of 2008 included costs incurred in the wake of the merger between First Choice and TUI's tourism entities totalling € 69 million, comprised of restructuring costs of € 20 million, purchase price allocations of € 42 million and one-off integration costs of € 7 million. Furthermore, earnings included one-off effects from current restructuring measures totalling € 7 million as well as one-off expenses of € 8 million of which € 3 million were incurred to facilitate marketing of an aircraft previously leased to third parties. In the first quarter of 2007, earnings had included one-off expenses for the introduction of the new TUIfly.com brand and follow-up costs for changes in the air passenger duty in the UK. Adjusted for these one-off effects, earnings in the first quarter of 2008 grew by 2.6%.

Underlying EBITA by division: Central operations

€ million	Q1 2008	Q1 2007	Var. %
EBITA by division	**7**	**15**	**- 53.3**
Gains on disposals	–	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	–	–	
Revaluation of conversion rights	–	–	
Underlying EBITA by division	**7**	**15**	**- 53.3**

Earnings by central operations declined by 53.3% to € 7 million compared with 2007 levels, which were supported by profits from the valuation of derivatives.

Discontinued operation

Underlying EBITA by division: Discontinued operation

€ million	Q1 2008	Q1 2007	Var. %
EBITA by division	**1**	**137**	**- 99.3**
Gains on disposals	*–*	*- 196*	
Restructuring	*–*	*–*	
Purchase price allocation	*+ 19*	*+ 21*	
Other one-off items	*- 2*	*+ 2*	
Underlying EBITA by division	**18**	**- 36**	**n/a**

At € 1 million, container shipping earnings, reclassified to discontinued operation, were substantially down on the earnings of € 137 million in the corresponding quarter which was characterised by the one-off income from the divestment of the majority interest in Montreal Gateway Terminals of € 181 million and the divestment of the minority interest of Hapag-Lloyd AG in Germanischer Lloyd AG of € 15 million. In the first quarter of 2008, expenses for the purchase price allocation and minor one-off income from the reversal of a provision for the integration of CP Ships had to be adjusted for. Following adjustment of the one-off effects, earnings by container shipping totalled € 18 million in the first quarter of 2008, a substantial increase in earnings of € 54 million year-on-year.

Group

Underlying EBITA by division: Group

€ million	Q1 2008	Q1 2007	Var. %
EBITA by division	**- 297**	**- 85**	**- 249.4**
Gains on disposals	*–*	*- 196*	
Restructuring	*+ 27*	*+ 2*	
Purchase price allocation	*+ 61*	*+ 21*	
Other one-off items	*+ 13*	*+ 10*	
Revaluation of conversion rights	*–*	*–*	
Underlying EBITA by division	**- 196**	**- 248**	**+ 21.0**

Overall, earnings by the TUI Group's division declined by € 212 million in the first quarter of 2008 compared with the 2007 reference quarter, which had been characterised by gains on disposals. Adjusted for one-off effects, earnings totalled € - 196 million, up 21.0%.

Development of the tourism division

Tourism – Key figures

€ million	Q1 2008	Q1 2007	Var. %
Turnover	3,623.3	2,639.4	+ 37.3
EBITA by division	**- 305**	**- 237**	**- 28.7**
Gains on disposals	–	–	
Restructuring	*+ 27*	*+ 2*	
Purchase price allocation	*+ 42*	–	
Other one-off items	*+ 15*	*+ 8*	
Underlying EBITA by division	**- 221**	**- 227**	**+ 2.6**
Investments	115.4	89.6	+ 28.8
Headcount (31 March)	61,499	47,200	+ 30.3

Following the formation of TUI Travel through the merger between the TUI Group's former tourism division and First Choice in September 2007, the division now comprises TUI Travel with its tour operator and distribution activities as well as incoming agency services and the hotel operations managed under TUI Hotels & Resorts. Cruises operating under the Hapag-Lloyd Kreuzfahrten and TUI Cruises brands are also included in the tourism division as of the first quarter of 2008.

At € 3.6 billion, turnover by tourism was 37.3% up year-on-year. The growth in turnover was driven by all tourism segments, with TUI Travel in particular recording significant increases in turnover due to consolidation. Adjusted for the First Choice activities not yet included in the previous year's quarter (€ 922 million), turnover grew by 2.3%. Earnings by the tourism division declined by 28.7% to € - 305 million due to consolidation. Adjusted for one-off effects earnings rose by 2.6% year-on-year.

TUI Travel

TUI Travel – Key figures

€ million	Q1 2008	Q1 2007	Var. %
Turnover	3,471.4	2,505.3	+ 38.6
EBITA by division	**- 324**	**- 256**	**- 26.6**
Gains on disposals	–	–	
Restructuring	*+ 27*	*+ 2*	
Purchase price allocation	*+ 42*	–	
Other one-off items	*+ 15*	*+ 8*	
Underlying EBITA by division	**- 240**	**- 246**	**+ 2.4**
Investments	64.5	31.4	+ 105.4
Headcount (31 March)	47,919	33,923	+ 41.3

Turnover and earnings

Turnover by TUI Travel rose by 38.6% year-on-year in the first quarter due to the first-time consolidation of the First Choice activities. Even adjusted for this effect, the former TUI entities recorded turnover growth of 1.8%. Due to the first-time consolidation of First Choice earnings declined considerably.

The underlying EBITA by divisions of TUI Travel rose by € 6 million despite the first-time inclusion of the seasonally negative result from First Choice of € - 83 million. This was essentially attributable to the improvement in the earnings situation in tour operator activities in Northern and Central Europe in the Mainstream Holidays sector of TUI Travel. The operative improvement overall was also enhanced by the early Easter break, which fell into the first quarter in 2008.

Mainstream
Mainstream Holidays, the largest sector within TUI Travel, covers retail, tour operations, airline, accomodation as well as other tourism services in the three source markets Central Europe, Northern Europe and Western Europe.

In the framework of the restructuring of the management organisation of the Mainstream sector by TUI Travel, the Canadian tour operator activities and the French tour operator Marmara were reclassified from the Specialist Holidays sector to the Mainstream sector, with the Canadian activities allocated to the Northern Europe sector and Marmara allocated to the Western Europe sector.

TUI Travel Mainstream volumes

'000	Q1 2008	Q1 2007	Var. %
Central Europe	1,944	1,907	+ 1.9
Northern Europe	1,676	1,282	+ 30.7
of which First Choice Holidays	*(471)*	*0*	–
Western Europe	992	813	+ 22.0
of which First Choice Holidays	*(122)*	*0*	–
Total	**4,612**	**4,002**	**+ 15.2**

Central Europe

In source market Central Europe (Germany, Austria, Switzerland and airline TUIfly.com), customer volumes grew by 1.9% in the first quarter of 2008. German tour operators continued the successful performance of 2007 and benefited from strong demand for their product portfolios. Activities in Switzerland and Austria developed positively.

Northern Europe

In source market Northern Europe (UK, Ireland, Canada, Nordic countries and the airlines First Choice Airways, Thomsonfly and TUIfly Nordic), customer volumes grew due to consolidation by 30.7% year-on-year in the first quarter of 2008. Activities in the UK benefited significantly from strong demand in the travel market, reflected by an improvement in prices and margins on reduced capacities. The improvements in the cost base resulting from the restructuring measures implemented in previous years also contributed to the improved performance of the Northern Europe sector. The winter business in the Nordic countries benefited from the continuing successful expansion of the long-haul programme to Thailand.

Western Europe

Source market Western Europe (France, the Netherlands, Belgium and the airlines Corsairfly, Arkefly and Jetairfly) recorded an increase in customer volumes of 22.0%. Adjusted for the first-time inclusion of the customer volume of the French tour operator Marmara, an increase of 7.0% was recorded. Business in France benefited from the cost savings achieved by means of changes in Corsair's fleet structure and improvements in capacity management. While activities in the Netherlands were impacted by an increase in maintenance costs for Arkefly in the first quarter. Belgian tour operators outperformed their 2007 performance, which had already been very positive, in the first quarter.

Specialist Holidays

The Specialist Holidays sector, comprising various specialist tour operators for the Destination, Premium and Lifestages segments, recorded 174,000 customers in the first quarter of 2008, matching the level achieved in the 2007 reference period. The student travel tour operators in the US in the Lifestages segment expanded their operations through the acquisitions made in the 2007 financial year, which caused a seasonal increase in up-front costs in the first quarter.

Activity

In the Activity sector, made up of tour operators offering active holidays in the Marine, Adventure and Experiential segments, business continued to show a positive development in the first quarter. Apart from the operative development, positive profit contributions from acquisitions made in 2007 in the Adventure and Experiential segments, which are less susceptible to the seasonal swing in tourism, contributed to the positive performance.

Online Destination Services

The Online Destination Services sector pools online services and classical incoming agency services. Both segments continued the positive development of the previous year.

TUI Hotels & Resorts

TUI Hotels & Resorts encompasses the Group's hotel companies. In the first quarter of 2008, the sector reported a total of 4.0 million bed nights. Occupancy stood at 74.5% and was thus up year-on-year. Many hotel facilities, in particular in the eastern Mediterranean, were not open during the winter months according to plan. The individual hotel groups and regions reported varying business developments.

TUI Hotels & Resorts – Key figures

€ million	Q1 2008	Q1 2007	Var. %
Turnover	93.9	84.2	+ 11.5
EBITA by division	**13**	**16**	**- 18.8**
Gains on disposals	–	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	–	–	
Underlying EBITA by division	**13**	**16**	**- 18.8**
Investments	50.7	57.4	- 11.7
Headcount (31 March)	13,365	13,083	+ 2.2

Turnover and earnings

TUI Hotels & Resorts reported consolidated turnover growth of 11.5% in the first quarter of 2008. While bed nights rose year-on-year, average revenues per bed declined slightly, a development primarily attributable to the persistent weakness of the US dollar. This effect mainly related to the Riu Group with its activities in Mexico, Jamaica, the Dominican Republic, Bahamas and US.

In the first quarter of 2008, earnings totalled € 13 million, down 18.8% year-on-year. There were no one-off effect adjustments neither in the first quarter of 2008 nor in the first quarter of 2007. Given the overall positive business development, the decline in earnings was essentially attributable to an increased contribution from asset management included in 2007 figures.

TUI Hotels & Resorts

	Capacity ('000)[1]			Occupancy rate (%)[2]			Average revenue per bed (€)[3]		
Hotel brand	**Q1 2008**	**Q1 2007**	**Var. %**	**Q1 2008**	**Q1 2007**	**Var. % points**	**Q1 2008**	**Q1 2007**	**Var. %**
Riu	3,657	3,531	+ 3.6	83.7	79.9	+ 3.8	50.95	52.55	- 3.0
Magic Life	518	319	+ 62.4	42.3	54.0	- 11.7	34.24	31.43	+ 8.9
Grupotel	106	93	+ 13.8	47.0	54.6	- 7.6	34.38	33.17	+ 3.6
Iberotel	584	582	+ 0.2	55.9	51.0	+ 4.9	33.67	29.83	+ 12.9
Robinson	471	470	+ 0.2	69.0	65.3	+ 3.7	97.29	90.22	+ 7.8
Grecotel	2	4	- 56.9	21.5	57.2	- 35.7	140.82	29.80	+ 372.6
Dorfhotel	57	59	- 3.7	65.1	65.6	- 0.5	17.59	16.40	+ 7.3
Total	**5,394**	**5,058**	**+ 6.6**	**74.5**	**72.9**	**+ 1.6**	**51.83**	**52.21**	**- 0.7**

[1] Number of owned/leased beds multiplied by open days per quarter
[2] Occupied beds divided by capacity
[3] Arrangement turnover divided by occupied beds

Riu
Riu, one of Spain's leading hotel chains, operated 101 facilities in the period under review. Capacity rose by 3.6% year-on-year to 3.7 million available hotel beds. Occupancy of this expanded capacity rose significantly by 3.8 percentage points year-on-year to 83.7%, a development attributable in particular to strong demand for the Canaries. Average revenues per bed, in contrast, declined by 3.0%, primarily due to negative exchange rate effects for destinations in the US dollar currency region. Overall, the first quarter of 2008 saw a year-on-year increase in earnings from the Riu Group's hotel operations and decline in the profit contribution from asset management. As before, Riu's performance rendered an essential contribution to the positive earnings situation of the sector.

Magic Life
Magic Life, the all-inclusive club brand, only operated six of its 15 facilities in the period under review for seasonal reasons, since as planned most clubs in Greece and Turkey were not open. Capacity on offer rose considerably year-on-year due to the opening of a new club in Egypt, while occupancy declined by 11.7 percentage points due to the start-up phase of this new resort. Average revenues per bed benefited from a lower portion of discounted stock and rose by 8.9%.

Grupotel
In the first quarter of 2008, 13 of the 34 hotels of the Grupotel chain in Majorca, Menorca and Ibiza were open. The decline in occupancy was offset by increases in prices.

Iberotel
In the first quarter of 2008, all 23 Iberotels, most of which are located in Egypt and Turkey, were open. Capacity hardly changed year-on-year and occupancy rose to 55.9% in the first quarter of 2008, a substantial year-on-year improvement. Average revenues per bed also developed positively.

Robinson
Robinson, market leader in the premium segment for club holidays, operates 22 club facilities, of which 14 were open in the first quarter of 2008. Capacity remained virtually unchanged year-on-year, with occupancy up 3.7 percentage points. Average revenues per bed grew by 7.8% year-on-year.

Grecotel
In the first quarter, all 19 holiday facilities of the leading hotel company in Greece were closed as planned, with the exception of one special event.

Dorfhotel
The development of Dorfhotels matched 2007 figures in the first quarter of 2008. The figures above exclusively relate to the two Group-owned facilities in Austria.

Cruises

Hapag-Lloyd Kreuzfahrten – Key figures

€ million	Q1 2008	Q1 2007	Var. %
Turnover	58.0	49.9	+ 16.2
EBITA by division	**6**	**3**	**+ 100.0**
Gains on disposals	–	–	
Restructuring	–	–	
Purchase price allocation	–	–	
Other one-off items	–	–	
Underlying EBITA by division	**6**	**3**	**+ 100.0**
Investments	0.2	0.8	- 75.0
Headcount (31 March)	215	194	+ 10.8
Utilisation (in %)	**76.4**	**74.4**	**+ 2.0*)**

*) percentage points

Turnover and earnings

In the first quarter of 2008, Hapag-Lloyd Kreuzfahrten again developed positively. Demand for cruises in the premium and luxury segment continued to show satisfactory growth. Due to the high-quality of the products, average turnover per day also rose again year-on-year. Total turnover stood at € 58 million, a substantial increase of 16.2% year-on-year.

Despite adverse effects due to the rise in oil price-induced operating costs, earnings doubled to € 6 million year-on-year.

Business development

In the first quarter of 2008, Hapag-Lloyd Kreuzfahrten bookings developed positively. The sustained rise in passenger volumes led to an increase in occupancy of the ships. The 'Hanseatic' and 'Bremen', in particular, reported satisfactory growth both in booking volumes and rates.

Discontinued operation

Since the decision to separate container shipping from the Group, announced on 17 March 2008, this sector has been carried as a discontinued operation in accordance with IFRS 5. Apart from container shipping, it comprises the strategic interests in the Altenwerder and Montreal, Canada, container terminals (Montreal Gateway Terminals).

Discontinued operation – Key figures

€ million	Q1 2008	Q1 2007	Var. %
Turnover	1,451.2	1,423.7	+ 1.9
EAT	- 11	102	n/a
Net interest result/taxes	12	35	n/a
EBITA by division	**1**	**137**	**- 99.3**
Gains on disposals	*0*	*- 196*	
Restructuring	*0*	*0*	
Purchase price allocation	*+ 19*	*+ 21*	
Other one-off items	*- 2*	*+ 2*	
Underlying EBITA by division	**18**	**- 36**	**n/a**
Investments	128.6	105.2	+ 22.2
Headcount (31 March)	7,599	8,290	- 8.3

Turnover and earnings

Turnover by the reclassified container shipping operations rose slightly by 1.9% to around € 1.5 billion in the first quarter of 2008. While volumes remained stable, this development resulted from a significant increase in freight rate levels. On the other hand, the US dollar weakened substantially by 14.4% against the euro.

Earnings declined by € 136 million to € 1 million. However, the previous year's reference quarter had comprised gains on disposal from the divestment of the majority interest in Montreal Gateway Terminals of € 181 million and from the divestment of the minority interest of Hapag-Lloyd AG in Germanischer Lloyd AG of € 15 million, while one-off expenses of € 2 million were incurred in connection with the integration of CP Ships. The first quarter of 2008 included adjustments for expenses for the purchase price allocation and minor one-off income from the reversal of a provision for the integration of CP Ships. After adjustment of the one-off effects, earnings by container shipping totalled € 18 million in the first quarter of 2008. This corresponded to an increase in earnings of € 54 million against the 2007 reference quarter.

Development of the trade lanes

Transport volumes Hapag-Lloyd

'000 TEU	Q1 2008	Q1 2007	Var. %
Far East	330	335	- 1.5
Trans-Pacific	265	243	+ 8.9
Atlantic	339	370	- 8.3
Latin America	206	214	- 3.7
Australasia	178	152	+ 16.6
Total	**1,318**	**1,315**	**+ 0.3**

Freight rates Hapag-Lloyd

US-$/TEU	Q1 2008	Q1 2007	Var. %
Far East	1,645	1,234	+ 33.3
Trans-Pacific	1,511	1,381	+ 9.4
Atlantic	1,653	1,466	+ 12.7
Latin America	1,506	1,392	+ 8.2
Australasia	1,203	1,179	+ 2.0
Ø for all trade lanes	**1,539**	**1,346**	**+ 14.3**

In the first quarter, Hapag-Lloyd only generated slight volume growth of 0.3% year-on-year. Although transport volumes rose in trade lanes Trans-Pacific and Australasia, volumes in trade lanes Far East, Atlantic and Latin America declined year-on-year. Freight rates rose substantially in all trade lanes, growing overall by a total of 14.3% year-on-year.

Far East

In the Far East trade lane, transport volumes declined slightly by 1.5% year-on-year. Besides the slow start of the export trade after the Chinese New Year, the extreme winter spell in China caused production losses causing a decline in transport volumes to Europe. With growth of 33.3%, the Far East trade lane showed the highest rise in freight rates in the first quarter. Freight rates rose substantially, both on the routes from Asia to Europe and in the opposite direction. The rise in freight rates resulted primarily from an increase in basic freight rates and the increasing implementation of freight rate surcharges to account for higher bunker costs.

Trans-Pacific

Transport volumes rose by 8.9% year-on-year in the Trans-Pacific trade lane. This was attributable to the rise in transport volumes on the routes from North America to Asia. The weakening of the US dollar caused an increase in demand for American products in the Asian region. Freight rate levels also grew by 9.4% year-on-year in this trade lane. Freight rates were increased in particular on the routes from North America to Asia.

Atlantic

In the Atlantic trade lane, the average freight rate level was 12.7% up year-on-year. Higher freight rates were achieved in particular on routes from North America to Europe as demand for American products rose due to the weakening of the US dollar exchange rate against the euro. On the other hand, transport volumes were 8.3% down year-on-year. One of the key factors for this decline was the appreciation of the euro against the US dollar. In combination with the currently difficult economic situation resulting from the sub-prime crisis in the US, this development adversely affected demand by American consumers for European goods.

Latin America

In the Latin America trade lane, transport volumes in the first quarter fell by 3.7% year-on-year. This was due to a decline in transport volumes from Latin America to North America due to the weakening of the US dollar. Freight rate levels in the Latin America trade lane rose by 8.2% year-on-year due to an increase in freight rates for imports from Asia, Europe and North America.

Australasia

At 16.6%, the Australasia trade lane recorded the strongest volume growth, since inner-Asian transports grew significantly year-on-year. Freight rates for the Australasia trade lane rose by 2.0% year-on-year, a development primarily attributable to the increase in freight rates in inner-Asian transports.

Consolidated earnings

Profit and loss statement

€ million		Q1 2008	Q1 2007	Var. %
Turnover		3,636.5	2,670.4	+ 36.2
Cost of sales		3,572.3	2,747.5	+ 30.0
Gross profit/loss		**64.2**	**- 77.1**	**n/a**
Administrative expenses		377.2	161.1	+ 134.1
Other income/other expenses		17.6	11.5	+ 53.0
Impairment of goodwill		–	–	–
Financial result		- 93.1	- 51.9	- 79.4
- Financial income		8.5	16.0	- 46.9
- Financial expenses		101.6	67.9	+ 49.6
Share of results of joint ventures and associates		7.6	5.2	+ 46.2
Earnings before taxes on income		**- 380.9**	**- 273.4**	**- 39.3**
Reconciliation to underlying earnings:				
Earnings before taxes on income		- 380.9	- 273.4	- 39.3
Interest result and earnings from the valuation of interest hedges		82.9	51.7	+ 60.3
Impairment of goodwill		–	–	
EBITA from continuing operations*)		- 298.0	- 221.7	- 34.4
Adjustments				
Gains on disposals		–	–	
Restructuring		*27.1*	*1.6*	
Purchase price allocation		*41.5*	*0.0*	
Other one-off items		*15.7*	*8.3*	
Underlying EBITA from continuing operations		**- 213.7**	**- 211.8**	**- 0.9**
Earnings before taxes on income		**- 380.9**	**- 273.4**	**- 39.3**
Taxes on income		- 114.3	- 66.0	- 73.2
Result from continuing operations		**- 266.6**	**- 207.4**	**- 28.5**
Result from discontinued operation		- 11.5	102.4	n/a
Group profit/loss for the year		**- 278.1**	**- 105.0**	**- 164.9**
- attributable to shareholders of TUI AG of Group profit		- 166.8	- 116.5	- 43.2
- attributable to minority interests of Group profit		- 111.3	11.5	n/a
Group profit/loss		**- 278.1**	**- 105.0**	**- 164.9**
Basic earnings per share	in €	- 0.69	- 0.47	- 46.8
Diluted earnings per share	in €	- 0.69	- 0.47	- 46.8

*) EBITA is equivalent to earnings before interest, taxes on income and impaiment of goodwill.

As container shipping has been classified a discontinued operation according to IFRS 5 since March 2008, earnings by this sector are now shown under the item 'Result from Discontinued operation'; they are no longer carried under continued operations. The previous year's figures were restated accordingly in accordance with IFRS 5.

The year-on-year development of the consolidated profit and loss statement for the continuing operations was primarily characterised by the inclusion of the First Choice Holidays Group, acquired in September 2007.

Overall, current earnings by continuing operations reflect the seasonality of the tourism business, with positive earnings primarily generated in the second and third quarters of any one year.

Turnover and cost of sales

Turnover comprised the turnover of the continuing operations, i.e. tourism and central operations. In the first quarter of 2008, turnover grew by 36.2% to € 3.6 billion year-on-year. Besides the increase caused by the inclusion of the First Choice Holidays Group in consolidation, this growth was mainly attributable to an increase in customer volumes and better prices in the Mainstream sector of TUI Travel. Turnover was shown on a cost of sales basis, which also rose due to changes in consolidation. A detailed breakdown of turnover and the turnover development is presented in the section 'Consolidated turnover and earnings'.

Gross profit

Gross profit as the balance from turnover and cost of sales totalled € 64 million (previous year: € - 77 million) in the first quarter. This growth reflected the overall positive development of the Group's tourism business and is also attributable to the inclusion of the First Choice Holidays Group in the group of consolidated companies.

Administrative expenses

Administrative expenses comprised expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the first quarter, they totalled € 377 million, up 134.1% year-on-year. The considerable year-on-year increase in administrative costs resulted from the consolidation of the First Choice Holidays Group and the restructuring and integration costs included in the quarter under review.

Other income/ Other expenses

Other income and other expenses primarily comprised profits or losses from the sale of fixed asset items. At € 18 million, other income was 53.0% up year-on-year in the first quarter of 2008, primarily due to the inclusion of income from sale-and-lease-back transactions.

Impairment of goodwill

As in the 2007 reference quarter, there was no impairment of goodwill in the first quarter of 2008.

Financial result

The financial result comprised the net interest result and the net result from marketable securities. At € - 93 million, the financial result declined year-on-year in the first quarter of 2008 and comprised financial income of € 9 million (previous year: € 16 million) and financial expenses of € 102 million (previous year: € 68 million), which rose year-on-year due to the inclusion of the financial liabilities of the First Choice Holidays Group in consolidation.

Share of results of joint ventures and associates

The share of results of joint ventures and associates comprised the share in net profit for the year of the associated companies and joint ventures as well as necessary impairments of the goodwill of these companies. At € 8 million, it grew by 46.2% in the first quarter of 2008. It mainly arose from the year-on-year rise in earnings by the joint ventures and associates in the TUI Hotels & Resorts sector.

Underlying earnings (EBITA)

Underlying earnings of the continuing operations totalled € - 214 million in the first quarter of 2008, a slight decrease year-on-year. EBITA was adjusted for gains on disposals, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the sections on 'Consolidated turnover and earnings' and 'Development of the divisions'.

Taxes on income

Taxes on income comprised taxes on profits from business activities of the continuing operations. Based on the seasonal loss of € 381 million an arithmetic tax income was calculated which is primarily to be carried by the tourism entities. The tax income totalled € 114 million in the first quarter (previous year: € 66 million). The increase in tax income resulted from the corporate restructuring of the German companies transferred to TUI Travel and the inclusion of the tax income of the First Choice Holidays Group.

Result from discontinued operation

In the first quarter of 2008, earnings by the discontinued operation primarily comprised the reclassified container shipping operations and totalled € - 12 million. The item was restated accordingly for the 2007 reference period and totalled € 102 million due to the inclusion of gains on disposals. A detailed breakdown of the development of these earnings is provided in the section 'Result from discontinued operation' in the notes.

Group profit

In the first quarter, Group profit totalled € - 278 million (previous year: € - 105 million), down 164.9%.

Minority interests

Minority interests in Group profit totalled € - 111 million for the first quarter of 2008. They almost exclusively related to shareholders of TUI Travel and companies in the sector TUI Hotels & Resorts.

Earnings per share

After deduction of minority interests, TUI AG shareholders accounted for € - 167 million of Group profit in the first quarter of 2008, down 43.2% year-on-year. As a result, basic earnings per share amounted to € - 0.69 (previous year: € - 0.47) in the first quarter.

Performance indicators

Key figures of the profit and loss statement of the continuing operations

€ million	Q1 2008	Q1 2007	Var. %
Earnings before interest, taxes on income, depreciation, impairment and rent (EBITDAR)	**15.2**	**16.9**	**- 10.1**
Operating rental expenses	174.9	149.2	+ 17.2
Earnings before interest, taxes on income, depreciation and impairment (EBITDA)	**- 159.7**	**- 132.3**	**- 20.7**
Depreciation/amortisation less reversals of depreciation[1)]	138.3	89.4	+ 54.7
Earnings before interest, taxes on income and impairment of goodwill (EBITA)	**- 298.0**	**- 221.7**	**- 34.4**
Impairment of goodwill	0.0	0.0	n/a
Earnings before interest and taxes on income (EBIT)	**- 298.0**	**- 221.7**	**- 34.4**
Interest result	- 82.9	- 51.7	- 60.3
Earnings before taxes on income (EBT)	**- 380.9**	**- 273.4**	**- 39.3**

[1)] on property, plant and equipment, intangible assets, financial and other assets

Operating rental expenses

In the first quarter, operating rental expenses of the continuing operations amounted to € 175 million (previous year: € 149 million). The increase in rental expenses was attributable to the inclusion of the First Choice Holidays Group.

Interest result

In the first quarter of 2008, the interest result of the continuing operations totalled € - 83 million (previous year: € - 52 million).

Net assets and financial position

The Group's balance sheet total increased by 1.0% to € 16.5 billion as against the end of 2007. The changes in the consolidated balance sheet essentially resulted from the business cycle in tourism. The Group's net assets and financial position were also affected by the acquisitions and divestments (see section 'Acquisitions – divestments' in the notes).

Assets and liabilities

€ million	31 Mar 2008	31 Dec 2007	Var. %
Non-current assets	8,408.7	11,507.6	- 26.9
Current assets	8,052.9	4,796.6	+ 67.9
Assets	**16,461.6**	**16,304.2**	**+ 1.0**
Equity	2,717.8	3,124.2	- 13.0
Provisions	1,769.4	2,442.5	- 27.6
Financial liabilities	5,121.5	5,540.2	- 7.6
Other liabilities	6,852.9	5,197.3	+ 31.9
Liabilities	**16,461.6**	**16,304.2**	**+ 1.0**

Non-current assets

As at 31 March 2008, non-current assets accounted for 51.1% of total assets, compared with a share of 70.6% as at 31 December 2007. Non-current assets declined from € 11.5 billion to € 8.4 billion in the period under review. This decrease was mainly attributable to the reclassification of the container shipping assets held for sale to current assets.

Current assets

As at 31 March 2008, current assets accounted for 48.9% of total assets, up from 29.4% as at 31 December 2007. Current assets rose from € 4.8 billion as at 31 December 2007 to € 8.1 billion as at 31 March 2008. This increase was primarily attributable to the reclassification of the container shipping assets held for sale to current assets.

Equity

Equity totalled € 2.7 billion as at 31 March 2008. The equity ratio stood at 16.5%, compared with 19.2% at the end of the 2007 financial year. Detailed information on the changes is provided under 'Changes in equity' in the notes to this interim report.

Provisions

Provisions mainly comprised provisions for pension obligations, effective and deferred tax provisions and provisions for typical operating risks. As at 31 March 2008, they totalled € 1.8 billion and were thus € 0.7 million or 27.6% down on their level as at 31 December 2007. This was mainly due to a significant decrease in pension provisions due to the increase in the long-term interest rate level in the UK.

Financial liabilities

As at 31 March 2008, financial liabilities comprised non-current financial liabilities of € 4.3 billion and current financial liabilities of € 0.9 billion. As at 31 December 2007, non-current assets stood at € 4.7 billion, with current financial liabilities of € 0.8 billion. At the end of the first quarter of the 2008 financial year, net debt totalled € 3.5 billion (down from € 3.9 billion as at the end of the 2007 financial year).

Other liabilities

As at 31 March 2008, other liabilities stood at € 6.9 billion, up € 1.7 billion or 31.9% as against 31 December 2007. This was mainly due to the increase in advance payments received in the tourism business.

Other segment indicators

Capital expenditure

€ million	Q1 2008	Q1 2007	Var. %
Tourism	115.4	89.6	+ 28.8
TUI Travel	64.5	31.4	+ 105.4
TUI Hotels & Resorts	50.7	57.4	- 11.7
Cruises	0.2	0.8	- 75.0
Central operations	1.5	2.0	- 25.0
Continuing operations	**116.9**	**91.6**	**+ 27.6**
Container shipping	128.6	105.2	+ 22.2
Discontinued operation	**128.6**	**105.2**	**+ 22.2**
Total	**245.5**	**196.8**	**+ 24.7**

Depreciation of property, plant and equipment

€ million	Q1 2008	Q1 2007	Var. %
Tourism	135.2	86.8	+ 55.8
TUI Travel	114.7	67.2	+ 70.7
TUI Hotels & Resorts	18.7	18.0	+ 3.9
Cruises	1.8	1.6	+ 12.5
Central operations	2.4	4.6	- 47.8
Continuing operations	**137.6**	**91.4**	**+ 50.5**
Container shipping	65.1	65.3	- 0.3
Discontinued operation	**65.1**	**65.3**	**- 0.3**
Total	**202.7**	**156.7**	**+ 29.4**

Employees

	31 Mar 2008	31 Dec 2007	Var. %
Tourism	61,499	60,044	+ 2.4
TUI Travel	47,919	47,705	+ 0.4
TUI Hotels & Resorts	13,365	12,127	+ 10.2
Cruises	215	212	+ 1.4
Central operations	745	821	- 9.3
Continuing operations	**62,244**	**60,865**	**+ 2.3**
Container shipping	7,599	7,656	- 0.7
Discontinued operation	**7,599**	**7,656**	**- 0.7**
Total	**69,843**	**68,521**	**+ 1.9**

Prospects

Overall, economic growth is expected to slow down slightly in the current year, although worldwide expansion continues at a considerable pace with an upward underlying trend. Worldwide economic growth has been overshadowed by the sub-prime crisis in the US. The economic trend has also been impaired by the surge in prices, in particular for crude oil and foodstuffs. In the Eurozone, the appreciation of the single currency has had a further damping effect. Nevertheless, the economy will continue to grow in that region, too, with experts expecting growth rates to remain below the long-term trend. The emerging markets have primarily been affected by the weakening of economic activity in the industrialised countries through their foreign trade operations, but have this far shown substantial production growth.

Tourism

In the first quarter of 2008, the activities pooled under TUI Travel benefited from restructuring measures initiated or implemented in previous years and stable demand in the travel market. The overall reduction in capacity in the Mainstream sector caused enhancements in occupancy and margins. This trend is expected to continue in the next few months. For the current winter season, booked turnover was up 5%, with customer numbers on previous year's level. Bookings for the 2008 summer season are up 4% year-on-year while customer numbers are stable. TUI Hotels & Resorts and cruises also matched expectations for the overall year 2008 with their positive performance in the first quarter.

Following the completion of the first quarter, earnings (underlying earnings before interest, taxes and impairment of goodwill [underlying EBITA by divisions]) showed the following trend for the 2008 financial year:

The tourism entities TUI Travel, TUI Hotels & Resorts and Cruises expect earnings growth for 2008. The key earnings drivers in TUI Travel are the expected synergies from the merger between TUI and First Choice, margin improvements due to the capacity and product-related measures initiated in the Mainstream sector and further growth in the Specialist Holidays, Activity Holidays and Online Destination Services sectors. TUI Hotels & Resorts is planning further increases in bed nights, driven by the expected positive trend in long-haul destinations and the eastern Mediterranean. Cruises expects gratifying demand for cruises and a stable political framework in the destinations.

Central operations

From today's perspective, central operations will not fully match the previous year's figures despite the savings generated due to the positive effects of the measurement of foreign currency transactions included in 2007 figures.

Discontinued operation

The current earnings situation in shipping in the first quarter of 2008 was characterised by a significant increase in freight rate levels compared with the first quarter of 2007. Transport volumes, in contrast, still fell short of expectations in the first quarter due to a weakening of the Chinese export market – as the crucial factor for Far East and Trans-Pacific transports – and a decline in domestic demand in the US. In this context, risks for the overall year include risks related to the aftermath of the sub-prime crisis on the development of world trade, which cannot yet be finally assessed.

On the other hand, the earnings situation will also be affected by the development of shipping bunker prices. The bunker price continued to rise in the first quarter of 2008. Besides these factors, the development of earnings by container shipping will also be impacted by the further development of the US dollar exchange rate against the euro.

Continuing operations/Group

Overall, the Executive Board expects a significant increase in turnover in the 2008 financial year for the continuing operations (tourism and central operations), essentially attributable to the first-time consolidation of the activities of First Choice for a full year against the background of capacity reductions. Based on the earnings target for TUI's former tourism entities, the Group expects further substantial growth in earnings by tourism, taking account of the expected future profit contributions of the former First Choice entities and initial synergy effects. Earnings by tourism will also essentially be affected by the increase in energy prices and the further development of the British pound sterling against the euro. From today's perspective, a final assessment of the development of Group earnings is not possible at this point in time due to the planned separation of container shipping.

Corporate Governance

In the course of the first quarter of 2008, the composition of TUI AG's Supervisory Board changed as follows:

Mr Christian Kuhn resigned from TUI AG's Supervisory Board with effect from 31 December 2007. By order of the local court of 17 January 2008, Mr Hans-Dieter Rüster was appointed Mr Kuhn's successor on TUI AG's Supervisory Board.

The current complete composition of the Executive Board and Supervisory Board is listed on the Company's website (www.tui-group.com), where it has been made permanently accessible to the public.

Events after the closing date

With effect of 28 April 2008, the local court has appointed Mr Vladimir Yakushev to Supervisory Board, Dr Franz Vranitzky had previously resigned from the Supervisory Board.

TUI AG
The Executive Board
May 2008

Interim Financial Statements

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

€ million	Notes	Q1 2008	Q1 2007[2]
Turnover		3,636.5	2,670.4
Cost of sales	(1)	3,572.3	2,747.5
Gross profit/loss		**64.2**	**- 77.1**
Administrative expenses	(1)	377.2	161.1
Other income/other expenses	(2)	+ 17.6	11.5
Impairment of goodwill		–	–
Financial income		8.5	16.0
Financial expenses		101.6	67.9
Share of results of joint ventures and associates		7.6	5.2
Earnings before taxes on income		**- 380.9**	**- 273.4**
Reconciliation to underlying earnings:			
Earnings before taxes on income		- 380.9	- 273.4
Interest result and earnings from the valuation of interest hedges		82.9	51.7
Impairment of goodwill		–	–
EBITA from continuing operations[1]		- 298.0	- 221.7
Adjustments:			
Gains on disposals		*–*	*–*
Restructuring		*27.1*	*1.6*
Purchase price allocation		*41.5*	*–*
Other one-off items	(3)	*15.7*	*8.3*
Underlying EBITA from continuing operations		**- 213.7**	**- 211.8**
Earnings before taxes on income		**- 380.9**	**- 273.4**
Taxes on income		- 114.3	- 66.0
Result from continuing operations		**- 266.6**	**- 207.4**
Result from discontinued operation		- 11.5	102.4
Group profit/loss		**- 278.1**	**- 105.0**
- Group profit attributable to shareholders of TUI AG		- 166.8	- 116.5
- Group profit attributable to minority interests		- 111.3	11.5
Group profit		**- 278.1**	**- 105.0**

€	Q1 2008	Q1 2007[2]
Basic earnings per share[3]	**- 0.69**	**- 0.47**
from continuing operations	- 0.64	- 0.88
from discontinued operation	- 0.05	+ 0.41
Diluted earnings per share[3]	**- 0.69**	**- 0.47**
from continuing operations	- 0.64	- 0.88
from discontinued operation	- 0.05	+ 0.41

[1] EBITA is equivalent to earnings before interest, taxes on income and impairment of goodwill.

[2] Since the alternative treatment allowed under IAS 23 to capitalise borrowing costs was exercised in the 2007 financial year, interest expenses declined by € 1.7 million in the previous year's reference period. At the same time, the cost of sales rose by € 0.1 million, while Other income decreased by € 1.2 million. Taking account of the tax effect, earnings by continuing operations thus grew by € 0.2 million. Earnings by discontinued operation rose overall by € 0.6 million.

[3] In calculating earnings per share in accordance with the rules of IAS 33.12, the after-tax amount of the dividend on the hybrid capital was deducted from Group profit attributable to shareholders of TUI AG since the hybrid capital represents equity but does not represent equity attributable to shareholders of TUI AG.

Balance sheet of the TUI Group

€ million	31 Mar 2008	31 Dec 2007
Assets		
Goodwill	2,830.1	3,058.3
Other intangible assets	858.8	1,373.8
Investment property	87.4	90.5
Property, plant and equipment	3,403.6	5,706.2
Investment in joint ventures and associates	448.0	540.7
Financial assets available for sale	103.8	108.2
Trade and other receivables	433.7	408.8
Derivative financial instruments	38.7	28.8
Deferred tax assets	204.6	192.3
Non-current assets	**8,408.7**	**11,507.6**
Inventories	100.4	208.7
Financial assets available for sale	12.2	13.7
Trade and other receivables	2,061.1	2,496.3
Derivative financial instruments	400.0	413.1
Income tax receivables	134.2	42.0
Cash and cash equivalents	1,571.3	1,614.0
Assets held for sale	3,773.7	8.8
Current assets	**8,052.9**	**4,796.6**
	16,461.6	**16,304.2**

€ million	31 Mar 2008	31 Dec 2007
Equity and liabilities		
Subscribed capital	642.3	642.3
Capital reserves	2,471.9	2,471.9
Revenue reserves	- 991.4	- 582.2
Hybrid capital	294.8	294.8
Equity before minority interests	**2,417.6**	**2,826.8**
Minority interests	300.2	297.4
Equity	**2,717.8**	**3,124.2**
Pension provisions and similar obligations	562.5	825.2
Income tax provisions	156.3	256.3
Deferred tax provisions	135.7	245.5
Other provisions	388.9	489.9
Non-current provisions	**1,243.4**	**1,816.9**
Financial liabilities	4,258.1	4,732.8
Derivative financial instruments	242.9	126.4
Other liabilities	143.7	130.4
Non-current liabilities	**4,644.7**	**4,989.6**
Non-current provisions and liabilities	**5,888.1**	**6,806.5**
Pension provisions and similar obligations	21.2	31.7
Income tax provisions	79.6	62.3
Other provisions	425.2	531.6
Current provisions	**526.0**	**625.6**
Financial liabilities	863.4	807.4
Trade accounts payable	1,917.3	2,679.0
Derivative financial instruments	222.9	174.4
Other liabilities	2,766.2	2,087.1
Current liabilities	**5,769.8**	**5,747.9**
Liabilities related to assets held for sale	**1,559.9**	**0.0**
Current provisions and liabilities	**7,855.7**	**6,373.5**
	16,461.6	**16,304.2**

Statement of recognised income and expenses

€ million	Q1 2008	Q1 2007
Currency translation	- 185.4	- 25.4
Change in value of joint ventures and associates with no effect on profit or loss	- 12.6	14.0
Reserves for change in value of financial instruments	- 39.6	71.3
Actuarial gains and losses from pension obligations and related fund assets	159.0	149.9
Tax item directly offset against equity	- 31.8	- 57.4
Income and expenses directly recognised in equity	**- 110.4**	**152.4**
Group profit/loss	- 278.1	- 105.0
Total income and expenses recognised in the financial year	**- 388.5**	**47.4**
- attributable to shareholders of TUI AG	- 360.5	38.3
- attributable to minority interests	- 28.0	9.1

Cash flow statement

€ million	Q1 2008	Q1 2007
Cash flow from operating activities	394.5	204.0
Cash flow from investing activities	- 219.6	18.9
Cash flow from financing activities	- 67.2	24.6
Change in funds with cash effect	**107.7**	**247.5**
Change in cash and cash equivalents due to changes in consolidation and exchange rate fluctuation	**- 47.8**	**6.6**
Cash and cash equivalents at the beginning of the period	**1,614.0**	**688.7**
Cash and cash equivalents at the end of the period	**1,673.9**	**942.8**
of which included in the balance sheet as assets classified held for sale	102.6	0.0
Cash and cash equivalents at the end of the period for continuing operations	**1,571.3**	**942.8**

Notes

Accounting principles

In accordance with IAS 34 'Interim Financial Reporting', the Group's interim financial statements as at 31 March 2008 were prepared in a condensed form compared with the consolidated annual financial statements. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

As of the beginning of the 2008 financial year, interpretation IFRIC 11 – 'IFRS 2 - Group and Treasury Share Transactions' -, published by the IASB, was applicable. The application of this interpretation did not have any effects on the interim financial statements as at 31 March 2008.

As a matter of principle the interim financial statements as at 31 March 2008 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements as at 31 December 2007.

Since the beginning of the 2007 financial year, TUI AG has exercised the option offered under IAS 1 to structure the consolidated profit and loss statement in accordance with the cost of sales format.

In order to enhance international comparability, expenses and income from changes in the value of financial instruments resulting from bunker oil hedges, aircraft fuel hedges and hedges for future cash flows in foreign currencies were allocated to the expense or income items also showing the hedged items. As a result, the previous year's financial result declined by € 27.5 million in the reference quarter.

Basis of consolidation

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

The interim financial statements as at 31 March 2008 included a total of 46 domestic and 689 foreign subsidiaries, besides TUI AG.

Since 1 January 2008, seven tourism companies were newly included in consolidation due to acquisitions. One company was liquidated and therefore deconsolidated after the end of the year 2007.

Acquisitions – divestments

In the first quarter of 2008, seven tourism companies were acquired at acquisition costs amounting to the equivalent of € 27.4 million (including ancillary costs).

Summary presentation of the acquisitions

Name and headquarters of the acquired company	Business activity	Acquirer	Date of acquisition	Acquired share	Acquisition costs[1)] € million
Active Safary Pty. Ltd., West Leederville, Australia, and Active Travel & Recruitment Pty. Ltd., West Leederville, Australia	Special tour operator for Australia	Trek America Travel Ltd.	21 Jan 08	each 100%	1.3
Destination Florida-New England, Inc., Florida, USA, and Destination Canada/ New England, Inc., Maine, USA	Provider of services for cruise companies	First Choice Holdings, Inc.	17 Jan 08	each 100%	4.7
Gullivers Group Ltd., Tewkesbury, UK, and Gullivers Sports Travel Ltd., Tewkesbury, UK	Special tour operator	TUI Travel PLC	29 Feb 08	each 100%	21.1
Your Sporting Challenge Ltd., Southampton, UK	Special tour operator	TUI Travel PLC	19 Mar 08	100%	0.3
Total					**27.4**

[1)] The acquisition costs in foreign currencies were translated into € and also comprised the ancillary costs.

In some cases, acquisition costs also comprised the best possible estimates of additional purchase price elements depending on future events, in addition to the purchase prices already paid.

Summary presentation of the first-time consolidation balance sheets

€ million (translated)	Carrying amounts as at acquisition date	Revaluation of assets and liabilities	Revalued carrying amounts at date of first-time consolidation
Intangible assets	–	6.0	6.0
Property, plant and equipment	0.5	–	0.5
Investment property	1.1	–	1.1
Fixed assets	**1.6**	**6.0**	**7.6**
Inventories	–	–	–
Receivables and other assets including prepaid expenses	3.4	–	3.4
Cash and cash equivalents	8.4	–	8.4
Deferred tax provisions	–	1.4	1.4
Other provisions	1.0	–	1.0
Financial liabilities	0.1	–	0.1
Liabilities and deferred income	6.5	–	6.5
Equity	**5.8**	**4.6**	**10.4**

The total difference of around € 17.0 million between the acquisition costs and the acquired revalued net assets was temporarily carried as goodwill in each case.

Due to the short period of time between the acquisition of the companies and the preparation of the present interim report of the TUI Group, the purchase price allocation to the individual assets and liabilities was only prepared on a temporary basis and it was not possible to make any further disclosures on IFRS 3.

Discontinued operation

On 17 March 2008, TUI AG announced the decision by the Executive Board and the Supervisory Board to separate container shipping from the Group. In line with that decision and the provisions of IFRS 5, the container shipping sector was carried as a discontinued operation in the present interim report as at 31 March 2008.

The discontinued operation comprised the container shipping activities and the interests in the container terminals in Altenwerder and Montreal, Canada. The cruise sector, previously managed in the shipping division, will be retained by the TUI Group and will now be allocated to tourism.

Following the separation of container shipping, the TUI Group will exclusively operate in tourism, its core business sector.

Result from the discontinued container shipping operations

Items of the profit and loss statement of the discontinued operation

€ million	Container shipping Q1 2008	Q1 2007
Turnover	1,451.2	1,423.7
Cost of sales	1,430.9	1,435.5
Administrative expenses	30.2	48.0
Other income/other expenses	+ 5.4	+ 195.0
Financial income	3.8	3.4
Financial expenses	6.7	6.1
Share of results of joint ventures and associates	5.6	1.9
Earnings before taxes on income	**- 1.8**	**134.4**
Taxes on income	9.7	32.0
of which deferred taxes	8.8	29.5
Earnings after taxes on income (Earnings from discontinued operation)	**- 11.5**	**102.4**

Due to the weakening of the US dollar exchange rate against the euro, turnover by the discontinued container shipping operations only rose slightly year-on-year despite a slight increase in transport volumes and a rise in freight rates in US dollars.

In the first three months of the current financial year, earnings by container shipping were considerably down year-on-year. This was due to the one-off gains from the divestment of the minority interest in Germanischer Lloyd AG and the assets and liabilities of the Canadian Montreal Gateway Terminals totalling € 195.8 million, included in Other income for 2007. Underlying earnings, adjusted in particular for this one-off income from divestments, rose substantially on the previous year's operating earnings due to turnover growth and a slight decrease in costs.

The Other income shown for the current financial year mainly resulted from the divestment of older shipping containers.

Assets and liabilities of the discontinued operation

€ million	Container shipping 31 Mar 2008
Non-current assets	2,833.9
Current assets	919.5
Assets held for sale	**3,753.4**
Non-current provisions and liabilities	665.2
Current provisions and liabilities	894.7
Liabilities relating to assets held for sale	**1,559.9**

The current assets held for sale included the cash and cash equivalents of container shipping of € 102.6 million. The financial liabilities allocable to container shipping totalled € 390.7 million as at 31 March 2008 (including current financial liabilities of € 26.4 million).

The cumulative expenses of the discontinued operation taken directly to equity totalled € 61.3 million.

Cash flows from operating, investing and financing activities of the discontinued operation

€ million	Container shipping Q1 2008	Q1 2007
Cash flow from operating activities	+ 82.6	+ 27.4
Cash flow from investing activities	- 124.6	+ 108.2
Cash flow from financing activities	+ 24.8	- 155.8
Change in cash and cash equivalents due to exchange rate fluctuations	- 8.0	- 1.7
Change of cash and cash equivalents	**- 25.2**	**- 21.9**

Notes on the profit and loss statement

Since container shipping was classified as a discontinued operation according to IFRS 5 since March 2008, earnings by this sector have now been shown under the item 'Result from discontinued operation' instead of the items of the 'Continued operations'. In accordance with IFRS 5, the previous year's figures were restated accordingly.

The year-on-year development of the consolidated profit and loss statement of the continued operations was essentially characterised by the consolidation of the First Choice Holidays Group acquired in September 2007.

At turnover of € 922.0 million, the First Choice Holidays Group generated seasonally negative underlying EBITA of € - 83.0 million in the first quarter of 2008.

Overall, the earnings situation of the continued operations was also characterised by the seasonal swing of the tourism business, as a result of which positive earnings are primarily generated in the second and third quarters of any one year.

Turnover by the TUI Travel sector rose substantially overall, with the First Choice Holidays Group, acquired in the late summer of 2007, in particular contributing to turnover in the first quarter of the 2008 financial year at € 922.0 million. Besides this growth caused by the change in the group of consolidated companies, turnover also rose due to the increases in customer volumes and in prices, in particular in source markets Northern, Central and Western Europe. In addition, TUI Hotels &

Resorts and cruises generated turnover growth of € 9.7 million and € 8.1 million, respectively.

(1) Turnover and administrative expenses

Adjusted for the contribution by the First Choice Holidays Group in the current financial year, turnover declined year-on-year. Besides an increase in aircraft fuel prices and the opposite effects of cost reduction measures, this trend was in particular also due to the weak British pound sterling exchange rate.

Administrative expenses grew by € 216.1 million due to the consolidation of the First Choice Holidays Group and the restructuring and integration costs for TUI Travel, carried under this item.

Turnover and administrative expenses comprised the following items:

Rental and lease expenses

€ million	Q1 2008	Q1 2007
Rental and lease expenses	174.9	149.2

The increase in rental and lease expenses was attributable to the consolidation of the First Choice Holidays Group. It was partly offset by a decline in such expenses due to the restructuring measures in source market TUI UK.

Personnel costs

€ million	Q1 2008	Q1 2007
Personnel costs	549.7	442.4

The restructuring measures implemented in previous years, above all in source market Northern Europe and TUI AG, led to a reduction in personnel costs, which partly limited the rise caused by the inclusion of the First Choice Holidays Group in consolidation.

Depreciation/amortisation/impairments

€ million	Q1 2008	Q1 2007
Depreciation and amortisation	136.8	91.4
Impairments of property, plant and equipment	0.8	–
Total	**137.6**	**91.4**

The increase in depreciation due to the integration of the First Choice Holidays Group was partly offset by a decline in depreciation due to restructuring activities in source market Northern Europe.

(2) Other income/ Other expenses

Other income/Other expenses

€ million	Q1 2008	Q1 2007
Other income	21.1	14.8
Other expenses	3.5	3.3
Total	**17.6**	**11.5**

Other income in the current financial year primarily resulted from book profits in connection with sale-and-lease-back agreements in the flight operations sector (€ 9.1 million) and gains on disposal in the real estate sector (€ 3.4 million). The income shown in the previous year's reference period mainly resulted from the divestment of a hotel complex and of various plots of land.

The change in the financial result is due to an increase in interest expenses caused by changes in the group of consolidated companies to account for the financial liabilities of the First Choice Holidays Group on the one hand and a bank loan (€ 450.0 million) taken up on the basis of an exchangeable bond by TUI AG as well as the slight year-on-year increase in interest rate levels on the other hand.

The tax income resulting from the seasonal swing in tourism in the first quarter of 2008 rose substantially year-on-year due to the inclusion of the First Choice Holidays Group.

(3) Other one-off items according to divisions

In addition to the disclosures required according to IFRS, a reconciliation to underlying earnings is provided in the consolidated profit and loss statement. The adjustments show deconsolidation income as gains on disposals, events according to IAS 37 as restructuring measures and all effects resulting from purchase price allocations on EBITA under purchase price allocations. This reconciliation also includes the following individual one-off effects.

Other one-off items according to divisions

€ million	Q1 2008	Q1 2007
Tourism	15.7	8.3
TUI Travel	15.7	8.3
of which First Choice Holidays	*7.5*	–
TUI Hotels & Resorts	–	–
Cruises	–	–
Central operations	–	–
Total	**15.7**	**8.3**

Special one-off expenses incurred in the tourism division in the first quarter of 2008 mainly resulted from the integration cost of TUI Travel from the merger of the British activities of € 8.9 million.

One-off expenses shown for the 2007 reference period above all related to the rebranding of the new TUIfly.com brand and the costs for changes in the air passenger duty in the UK which could not be passed on to passengers.

Notes on the balance sheet

The changes in the consolidated balance sheet as against 31 December 2007 were mainly characterised by the classification of shipping as a discontinued operation according to IFRS 5 and the corresponding recognition of the assets and liabilities of this sector as separate balance sheet items.

The notes provided below will therefore only concern the changes in balance sheet items, ruling out the above effect. The changes in the balance sheet items were primarily attributable to the seasonal swing in tourism, which manifested itself more strongly following the acquisition of the First Choice Holidays Group. Both trade accounts receivable and other receivables from advance payments in tourism as well as trade accounts payable rose as a result. Due to the seasonal increase in advance payments in tourism, other liabilities rose particularly strongly as against 31 December 2007.

Goodwill declined as against 31 December 2007, in particular due to the weakening of the British pound sterling against the euro.

The item 'Assets held for sale' as at 31 March 2008 comprised the assets of the discontinued operation (€ 3,753.4 million) and other non-current assets (€ 20.3 million). At the end of March 2008, this item also included property held for sale and apartments of a hotel complex under 'Other assets held for sale' (as at 31 December 2007: € 8.8 million).

In connection with the increase in the interest rate level in the first quarter of 2008, the measurement of pension provisions according to IAS 19 resulted in a corresponding decline in this balance sheet item.

The considerable decrease in the net financial position as against 31 December 2007 resulted from the effect of the reclassification to discontinued operation as well as from the redemption of current liabilities to banks by TUI Travel.

Changes in equity

Group equity declined in particular due to the seasonal swing in tourism as a result of the negative consolidated earnings of € 278.1 million.

The TUI Group exercised the option offered by IAS 19 of offsetting actuarial gains and losses against equity outside profit or loss when they occur. The increase in the long-term interest rate level since the beginning of the year, in particular in the UK and the Eurozone, caused a reduction in the actuarial losses offset against equity of € 159.0 million. Taking account of the deferred taxes to be carried of € 45.4 million, equity rose by € 113.6 million with no effect on profit or loss.

Equity further declined due to the weakness of the US dollar and British pound sterling in the period under review.

The negative equity attributable to the minority interests in TUI Travel, primarily caused by the first-time consolidation of the First Choice Holidays Group, will continue to be offset against revenue reserves in accordance with IAS 27.35.

Contingent liabilities

As at 31 March 2008, the TUI Group's contingent liabilities totalled around € 59.5 million (as at 31 December 2007: around € 70.7 million). Contingent liabilities were carried at the level of potential availment as at the balance sheet date. They related, among others, to remaining guarantees and warranties from the former plant engineering and shipbuilding activities, settled in the course of time.

Other financial commitments

Financial commitments from operating lease, rental and charter contracts declined to € 4.6 billion at the end of the first quarter of the 2008 financial year, down from € 5.3 billion as at 31 December 2007. The fair value decreased from € 4.3 billion to € 3.8 billion. Of this total, container shipping accounted for € 2.0 billion (nominal value) or € 1.7 billion (fair value).

The remaining Other financial commitments rose overall to € 4.4 billion as at the end of the first quarter of 2008, up from € 4.1 billion as at the end of the last financial year. While order commitments in respect of capital expenditure increased by € 0.3 billion to € 3.7 billion due to the ordering of six new container ship builds with a capacity of 8,750 TEU each, other financial commitments only declined slighty. The fair value of the remaining Other financial liabilities grew from € 3.6 billion to € 3.8 billion. As at

31 March 2008, order commitments in respect of capital expenditure in container shipping had a nominal value of € 0.8 billion (fair value: € 0.7 billion).

Order commitments for tourism services were no longer shown as of the 2007 financial year, in the line with customary industry practice. The previous year's figures were restated accordingly.

Notes on the cash flow statement

Based on after-tax Group profit the cash flow from operating activities was prepared using the indirect method. In the period under review, cash and cash equivalents of the continuing operations declined slightly by € 42.7 million to € 1,571.3 million due to the classification of container shipping as a discontinued operation (cash and cash equivalents as at 31 March 2008: € 102.6 million).

The inflow of cash from operating activities rose substantially by € 190.5 million to € 394.5 million year-on-year. This increase was mainly attributable to the sound performance in shipping and tourism.

The outflow of cash from investing activities totalled € 219.6 million in the current financial year. The outflow of cash in the current financial year was mainly attributable to payments made for investments in property, plant and equipment (essentially container ships and hotel complexes) and investments (above all the acquisition of seven tourism companies by the TUI Travel Group in the current quarter). On the other hand, an inflow of cash was generated, mainly due to the redemption of loans in connection with the disposal of the AMC Group in previous years. In 2007, an inflow of cash of € 325.2 million was generated from the divestment of fixed assets and intangible assets, above all the sale of the Montreal Gateway Terminals.

The outflow of cash from financing activities, including interest payments, totalled € 67.2 million. While a long-term bank loan was taken up on the basis of an exchangeable bond, short-term bank loans were repaid by TUI Travel.

Cash and cash equivalents decreased by a further € 47.8 million, primarily due to exchange rate fluctuations, i.e. the weakening of the British pound sterling.

Statements of changes in equity

For the period from 1 January to 31 March 2008

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2008	**642.3**	**2,471.9**	**- 582.2**	**294.8**	**2,826.8**	**297.4**	**3,124.2**
Dividend payments	–	–	- 5.9	–	- 5.9	–	- 5.9
Dividend hybrid capital	–	–	- 6.4	–	- 6.4	–	- 6.4
Effect of acquisition of minority interest	–	–	- 10.8	–	- 10.8	–	- 10.8
Share-based payments	–	–	5.2	–	5.2	–	5.2
Income and expenses directly carried in equity	–	–	- 71.9	–	- 71.9	- 6.7	- 78.6
Tax items directly offset against equity	–	–	- 31.6	–	- 31.6	- 0.2	- 31.8
Group profit/loss	–	–	- 287.8	–	- 287.8	9.7	- 278.1
Balance as at 31 March 2008	**642.3**	**2,471.9**	**- 991.4**	**294.8**	**2,417.6**	**300.2**	**2,717.8**

For the period from 1 January to 31 March 2007[1)]

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2007	**641.7**	**2,396.2**	**- 604.4**	**294.8**	**2,728.3**	**279.1**	**3,007.4**
Dividend payments	–	–	–	–	–	- 6.5	- 6.5
Dividend hybrid capital	–	–	- 2.1	–	- 2.1	–	- 2.1
First-time consolidation	–	–	–	–	–	2.8	2.8
Effect of acquisition of minority interest	–	–	- 18.4	–	- 18.4	- 0.7	- 19.1
Income and expenses directly carried in equity	–	–	212.3	–	212.3	- 2.5	209.8
Tax items directly offset against equity	–	–	- 57.5	–	- 57.5	0.1	- 57.4
Group profit/loss	–	–	- 116.5	–	- 116.5	11.5	- 105.0
Balance as at 31 March 2007	**641.7**	**2,396.2**	**- 586.6**	**294.8**	**2,746.1**	**283.8**	**3,029.9**

[1)] Due to changes in the accounting for borrowing costs according to IAS 23, the previous year's figures were restated accordingly.

Segment indicators

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

€ million	Q1 2008	Q1 2007
Tourism	3,623.3	2,639.4
TUI Travel	3,471.4	2,505.3
of which First Choice Holidays	*922.0*	–
TUI Hotels & Resorts	93.9	84.2
Cruises	58.0	49.9
Central operations	13.2	31.0
Continuing operations	**3,636.5**	**2,670.4**
Container shipping	1,451.2	1,423.7
Discontinued operation	**1,451.2**	**1,423.7**

Earnings before interest, taxes and impairment of goodwill by divisions and sectors (EBITA)

€ million	Q1 2008	Q1 2007
Tourism	- 305	- 237
TUI Travel	- 324	- 256
of which First Choice Holidays	*- 152*	–
TUI Hotels & Resorts	13	16
Cruises	6	3
Central operations	7	15
Continuing operations	**- 298**	**- 222**
Container shipping	1	137
Discontinued operation	**1**	**137**

In the first quarter of the 2008 financial year, earnings before interest, taxes and impairments of goodwill (EBITA) comprised the following results from joint ventures and associates: tourism € 7.6 million (previous year: € 5.2 million) and shipping € 5.6 million (previous year € 1.9 million).

Related parties

Apart from the subsidiaries included in the consolidated financial statements, TUI AG, in carrying out its ordinary business activities, maintained indirect or direct relationships with related parties. All transactions with related parties were carried out at arm's length on the basis of international comparable uncontrolled price methods in accordance with IAS 24, as before. The investment by Riu Hotels S.A. listed in the notes on the consolidated financial statements as at 31 December 2007 continued to be held unamended as at the cut-off date for the interim financial statements. More detailed information on related parties is provided in the notes on the consolidated financial statements for 2007 under 'Other notes'.

Reservation concerning future-related statements

The present interim report contains various statements relating to TUI's future development. These statements are based on assumptions and estimates. Although we are convinced that these forward-looking statements are realistic they are not guarantees of future performance since our assumptions involve certain risks and uncertainties that may cause actual results to differ materially from expected results. This may be due to market fluctuations, the development of world market prices for commodities and exchange rates or fundamental changes in the economic environment. TUI does not intend to and does not undertake any obligation to update or revise any forward-looking statements in order to reflect events or developments after the date of this report.

Financial Calendar 2008

Annual Press Conference 2008	18 March 2008
Annual General Meeting 2008	7 May 2008
Interim Report January to March 2008	15 May 2008
Interim Report January to June 2008	14 August 2008*
Interim Report January to September 2008	14 November 2008*

* scheduled

Imprint

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany

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

TUI AG
Karl-Wiechert-Allee 4
30625 Hanover
Germany