

TUI AG Financial Year 2004

Interim Report 1 January – 30 June 2004



3	General economic situation	14	Business trend in the divisions	26	Prospects
3	Turnover and earnings	14	Tourism	27	Further information
3	Group	15	Central Europe	27	Additional key figures by segments
5	Tourism	17	Northern Europe	27	Employees
8	Logistics	19	Western Europe	28	Corporate Governance
9	Other sectors	20	Destinations	30	Financial statements
11	Group profit	21	Other tourism	34	Notes
13	Financial position	22	Logistics		
		22	Shipping		
		23	Special logistics		
		25	Other sectors		
		25	Trading		
		25	Divestments		

→ **TUI shows good business development in 2004**

Strong improvement in operating results

→ **Upswing in tourism**

At € 100 million, second quarter earnings almost doubled

At least 70 percent increase in earnings for 2004 financial year expected

→ **Growth in shipping continues**

At € 79 million, second quarter earnings well above previous year

Further positive development in the second half-year expected

→ **Extraordinary good earnings in trading**

Second quarter earnings improved to € 39 million

→ **Strong increase of operating results by divisions in 2004**

More than € 420 million (previous year: € 242 million) expected

TUI Group in figures

€ million	H1 2004	H1 2003	Var. %	
Turnover				
Tourism	5,635	5,457	+	3.3
Logistics	1,766	1,853	-	4.7
Other	653	1,508	-	56.7
Group	8,054	8,818	-	8.7
Earnings by divisions (EBTA)				
Tourism	- 85	- 199	+	57.3
Logistics	106	103	+	2.9
Other	- 97	628	-	115.4
Group	- 76	532	-	114.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	69	- 43	+	260.5
Logistics	209	216	-	3.2
Other	50	719	-	93.0
Group	328	892	-	63.2
Group profit	- 36	410		n. m.
Results attributable to shareholders of TUI AG	- 41	408		n. m.
Number of shares	million 178.5	178.0	+	0.2
Earnings per share	€ - 0.23	2.29		n. m.
Cash flow from operating activities	826	883	-	6.4
Capital expenditure	293	359	-	18.2
Depreciation/ amortisation	274	448	-	39.0

€ million	30 June 2004	31 Dec 2003	Var. %	
Assets				
Non-current assets	10,115	10,271	-	1.5
Current assets	3,580	2,718	+	31.7
Total assets	13,694	12,989	+	5.4
Equity and liabilities				
Equity	2,740	2,767	-	1.0
Non-current liabilities	4,927	4,204	-	17.2
Current liabilities	6,027	6,018	+	0.2
Total equity and liabilities	13,694	12,989	+	5.4
Equity ratio	% 20.0	21.3	-	1.3
Net debt	3,288	3,828	-	14.1
Employees	No. 66,213	64,257	+	3.0

Q2, 2004 – Good business development, strong improvement in operating results

General economic situation

In the first half of 2004, the world economy continued on the strong upswing. Major overall conditions which have hitherto been the driving force behind this trend are expected to be less favourable in the second half of the year. Nevertheless, stimulating forces are expected to be strong enough to keep the world economy on the path of expansion.

Regional development

Economic expansion was particularly strong in the Asian region, boosted by the strong demand in China. The US saw a consolidation of economic recovery and strong growth in employment. In the European Union, the pace of expansion continued to pick up but was relatively moderate in comparison with other regions. Exports continued to be the mainstay of growth, while private consumption did not yet provide a major impetus.

Development of the divisions

Tourism continued to show an upward trend, as in the first quarter. The economic and political environment continues to brighten so that the second half of the year is expected to improve on the difficult previous year. Regional differences persisted, with markets which had been particularly strongly affected last year recording aboveaverage improvements.

In the logistics division, the positive trend in container shipping continued. Transport volumes grew again, with freight rates maintaining their high levels. This was essentially attributable to persistent growth in the Asian economies and economic activity in the US.

Turnover and earnings

Group turnover

In the second quarter of 2004, the TUI Group's turnover totalled € 4.54 billion (previous year: € 5.04 billion). In the first half of 2004, Group turnover totalled € 8.05 billion (previous year: € 8.82 billion). The decline of 10.0% in the second quarter or 8.7% in the first half of the year resulted from the divestments made in the course of the previous year and in the first half of 2004. Adjusted for relevant turnover, Group turnover from continued operations grew by 6.1% in the second quarter and 6.2% in the first half of the year.

At € 3.30 billion (previous year: € 3.23 billion), tourism reported a 2.1% increase in turnover in the second quarter of 2004. Turnover grew substantially in the Northern Europe sector. In the first half of the year, tourism generated an increase in turnover to € 5.63 billion (previous year:

€ 5.46 billion), up 3.3%. Due to the structural changes in the division, logistics reported a 9.3% decline in turnover to € 846 million (previous year: € 953 million) in the second quarter of 2004. As a result, turnover for the first half of 2004 dropped by 4.7% to € 1.77 billion (previous year: € 1.85 billion) year-on-year as the growth in container shipping only partially offset the decline in turnover caused by the divestments in the special logistics sector. Other sectors recorded a 56.7% decline in turnover to € 370 million (previous year: € 856 million) in the second quarter of 2004 as well as a 56.7% decline in turnover for the first half of 2004 to € 653 million (previous year: € 1.51 billion). This was primarily attributable to the divestment of the AMC Group in October 2003. The turnover of the remaining activities rose.

Group turnover by divisions

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Tourism	3,302.8	3,234.9	5,634.8	5,456.9	+ 3.3
Central Europe	1,342.3	1,356.5	2,156.2	2,186.3	- 1.4
Northern Europe	1,212.0	1,095.0	2,060.2	1,822.3	+ 13.1
Western Europe	590.5	604.2	1,097.8	1,096.7	+ 0.1
Destinations	86.3	112.3	185.5	222.9	- 16.8
Other tourism	71.7	66.9	135.1	128.7	+ 5.0
Logistics	864.4	953.3	1,765.8	1,852.6	- 4.7
Shipping	672.4	577.0	1,247.0	1,105.9	+ 12.8
Special logistics	192.0	376.3	518.8	746.7	- 30.5
Other sectors	370.4	855.8	652.7	1,508.0	- 56.7
Trading	251.5	155.3	450.9	316.8	+ 42.3
Divestments	-	591.8	-	1,011.3	-
Central operations	118.9	108.7	201.8	179.9	+ 12.2
Group turnover	4,537.6	5,044.0	8,053.3	8,817.5	- 8.7

Earnings by divisions

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Tourism	100	53	- 85	- 199	+ 57.3
Central Europe	39	0	- 46	- 109	+ 57.8
Northern Europe	42	29	- 52	- 98	+ 46.9
Western Europe	- 8	- 6	- 19	- 13	- 46.2
Destinations	18	24	26	17	+ 52.9
Other tourism	9	6	6	4	+ 50.0
Logistics	72	68	106	103	+ 2.9
Shipping	79	45	104	64	+ 62.5
Special logistics	- 7	23	2	39	- 94.9
Other sectors	- 39	499	- 97	628	- 115.4
Trading	39	-	64	- 1	-
Divestments	-	-	-	3	-
Central operations	- 78	499	- 161	626	- 125.7
Earnings by divisions (EBTA)	133	620	- 76	532	- 114.3

Adjusted EBTA

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Earnings by divisions (EBTA)	133	620	- 76	532	- 114.3
Unusual expenses and income	21	649	39	849	-
Adjusted EBTA	112	- 29	- 115	- 317	+ 63.7

Earnings by divisions

In the second quarter of 2004, the TUI Group recorded earnings by divisions (EBTA) of € 133 million (previous year: € 620 million), with the previous year's earnings characterised by the unusual income from the divestment of the energy sector. Earnings by divisions for the first half of 2004 totalled € - 76 million (previous year: € 532 million) as unusual expenses and income were only minor compared with last year.

Adjusted EBTA

Disregarding unusual expenses and income, adjusted earnings by divisions totalled € 112 million (previous year: € - 29 million) in the second quarter of 2004, i.e. positive earnings which were considerably up on the previous year. This was mainly due to the significant improvement of earnings in tourism and the increase in earnings in container shipping. Moreover, the US steel service companies recorded extraordinarily good quarterly earnings again. Adjusted earnings by divisions for the first half of 2004 totalled € - 115 million (previous year: € - 317 million), an improvement of 63.7% year-on-year.

Turnover tourism**Tourism**

Following the successful start to the new financial year, the upward trend in the tourism division persisted in the second half of the year. At a total of 5.07 million customers, the TUI Group's tour operators recorded an increase of just under 1% year-on-year. Customers totalled € 8.20 million in the first half of 2004, around 2% growth year-on-year. The turnover of the tourism division rose by 2.1% to € 3.30 billion (previous year: € 3.23 billion) in the second half of 2004. Accumulated turnover for the first half of 2004 totalled € 5.63 billion (previous year: 5.46 billion), up 3.3% year-on-year.

Earnings tourism

In the second quarter of 2004, earnings of the tourism division rose to € 100 million (previous year: € 53 million), up 88.7% on the previous year. This was primarily attributable to the upturn in Central Europe and Northern Europe which reported a recovery of business in source markets Germany, UK and Scandinavia which had been particularly adversely affected by the period of weakness in the previous year. Earnings generated

by the Western Europe sector fell slightly short of the previous year's level. This also applied to the destinations sector. Accumulated earnings of the tourism division in the first half of 2004 rose by 57.3% and totalled € - 85 million (previous year: € - 199 million).

Central Europe

In the second quarter of 2004, the tour operators in the Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) reported a decline of around 1% in customers year-on-year to a total of 2.23 million guests, with Germany reporting an overall stable number. At € 1.34 billion (previous year: € 1.36 billion), turnover was 1.0% lower than the previous year. Germany and Austria reported a slight decline in turnover year-on-year while turnover in Switzerland was stable. In the first half of 2004, the Central Europe sector reported a slight growth in customers to 3.50 million; turnover dropped by 1.4% to € 2.16 billion (previous year: € 2.19 billion).

Due to the good quality of the tour operator business in Germany, and in particular the increase in utilisation of flight capacities, the earnings in the Central Europe sector improved substantially to € 39 million (previous year: € 0 million) in the second quarter of 2004. The growth was almost exclusively attributable to the improvement in earnings in Germany. Switzerland reported a slight increase in earnings, while earnings in Austria remained on the previous year's level. Accumulated earnings improved for the first half of 2004 of the sector to € - 46 million (previous year: € - 109 million).

Northern Europe

In the second quarter of 2004, customers travelling with tour operators in the Northern Europe sector (UK, Ireland, Nordic countries and Britannia Airways) increased by just under 6% to 1.81 million. Turnover grew by 10.7% to € 1.21 billion (previous year: € 1.10 billion). The UK accounted for around two thirds of this turnover growth. It was attributable both to higher volumes but also an increase in price levels. The recovery in the Nordic countries persisted. It accounted for around one third of the growth in turnover. The comparatively small Irish market continued to be difficult, with turnover roughly matching the previous year's level. In the first half of 2004, customers in the Northern Europe sector rose by more than 8% to 2.90 million. Turnover generated in that period totalled € 2.06 billion (previous year: € 1.82 billion), up 13.1%.

In the second quarter of 2004, the Northern Europe sector generated turnover of € 42 million (previous year: € 29 million), an increase of 44.8%. Continuing on the positive trend reported in the previous year, the Nordic countries made a substantial contribution, as did flight operations in the UK, which increased their profit contribution year-on-year.

At € - 52 million (previous year: € - 98 million), the Northern Europe sector also reported an overall improvement in performance year-on-year.

Western Europe

In the second quarter of 2004, customers travelling with the tour operators of the Western Europe sector (France, Netherlands, Belgium and Corsair) totalled 1.03 million, down around 4% year-on-year. Trends varied in the individual countries. While Belgium and the Netherlands reported growth, France recorded a decline. However, the turnover generated by the sector only fell by 2.3% to € 591 million (previous year: € 604 million). Customers for the first half of 2004 totalled 1.80 million and hence also fell short of the previous year's level. Total turnover of the sector amounted to € 1.10 billion (previous year: € 1.10 billion), up 0.1% year-on-year.

In the Western Europe sector, the development of earnings again showed regional variations in the second quarter of 2004. At € - 8 million (previous year: € - 6 million), earnings were slightly below the previous year's level. Belgium and the Netherlands reported improvements in earnings while France achieved lower quarterly earnings. As a result, earnings by the sector for the first half of 2004 again were slightly lower than in the previous year at € - 19 million (previous year: € - 13 million).

Destinations

In the second quarter of 2004, turnover in the destinations sector (incoming agencies and hotel companies) totalled € 86 million (previous year: € 112 million), down 23.2% year-on-year. This was mainly due to a decline in turnover with third parties in hotel companies as capacities were increasingly occupied by the Group's own tour operator customers. At € 186 million (previous year: € 223 million), turnover in the first half of 2004 therefore did not fully match the previous year's level.

Earnings by the destinations sector totalled € 18 million (previous year: € 24 million), in the second quarter of 2004. This was equally attributable both to hotel companies and destination services, supported by good occupancy rates. In the first half of 2004, earnings by the sector rose to € 26 million (previous year: € 17 million), a 52.9% increase on the previous year.

Other tourism

In the second quarter of 2004, the Other tourism sector (business travel and IT service providers) generated turnover of € 72 million (previous year: € 67 million). At € 9 million (previous year: € 6 million), earnings were upon the previous year's level. In the first half of 2004, turnover exceeded the previous year's level at € 135 million (previous year: € 129 million). Earnings totalled € 6 million, following € 4 million in the same quarter last year.

Logistics	
Turnover logistics	<p>The logistics division, with its remaining operations, successfully completed the second quarter of 2004. Container shipping in particular continued the positive business trend. At € 864 million (previous year: € 953 million), turnover dropped by an arithmetic 9.3% year-on-year. This was attributable to the decline in turnover in special logistics, which was mainly due to the divestment of Pracht Spedition + Logistik and of the bulk and special logistics operations of VTG-Lehnkering with effect from 1 January 2004 and 1 April 2004 respectively. On a like-for-like basis, the logistics division generated a 10.9% increase in turnover, supported above all by growth in container shipping. In the first half of 2004, turnover totalled € 1.77 billion (previous year: € 1.85 billion). The remaining business of the division achieved an 8.2% increase in turnover in this period.</p>
Earnings logistics	<p>In the second quarter of 2004, the logistics division generated earnings of € 72 million (previous year: € 68 million), up 5.9%. The significant improvement in container shipping more than offset the decline in special logistics which was mainly attributable to the divestments. Due to the growth in shipping, earnings in the first half of 2004 rose to € 106 million (previous year: € 103 million), up 2.9% year-on-year.</p>
Shipping	<p>The shipping sector reported persistent growth in business volumes. At 625,000 standard containers (TEU), the transport volume grew by 20.7% year-on-year in the second quarter of 2004. At 1.17 million TEU, total transport volumes grew by 18.8% in the first half of 2004. Boosted by volume growth at persistently high freight rates, turnover in the second quarter of 2004 rose to € 672 million (previous year: € 577 million) and thus rose by 16.5% year-on-year. For the first half of 2004, shipping reported growth in turnover of 12.8% to € 1.25 billion (previous year: € 1.11 billion).</p> <p>Earnings by the shipping sector in the second half of 2004 rose by 75.6% to € 79 million (previous year: € 45 million). This was mainly due to the increase in transport volumes in container shipping and the development of US dollar-denominated freight rates, which again were slightly higher year-on-year on the main shipping routes. The development of earnings was curbed by the persistently weak US dollar. At € 104 million (previous year: € 64 million) for the first half year of 2004, the sector recorded a 62.5% increase in earnings on the previous year.</p>
Special logistics	<p>In the second quarter of 2004, at € 192 million (previous year: € 376 million), the special logistics sector reported a significant decline in turnover year-on-year, primarily attributable to the divestments of Pracht Spedi-</p>

tion + Logistik and the bulk and special logistics operations of VTG-Lehnering. At € 519 million (previous year: € 747 million), the turnover generated in the first half of 2004 therefore also fell short of the previous year's level. Adjusted for the divestment effect, turnover fell by 1.3%, with both rail logistics of VTG AG and Algeco's mobile buildings rental business contributing to this trend.

The remaining operations of special logistics reported earnings of € - 7 million (previous year: € 23 million) for the second quarter of 2004 and of € 2 million (previous year: € 39 million) for the first half of 2004, with the second quarter characterised by restructuring expenses.

Other sectors

Trading

Following the divestment of the AMC Group, the trading sector in 2004 only comprises the companies of the PNA Group operating in the steel service business in the US. Against the background of favourable economic activity in the steel sector, the sector again reported an extraordinarily good business trend. At 514,000 tons, steel sales increased by 13.0% year-on-year. Price levels also increased. As a result, turnover rose by 61.9% to € 252 million (previous year: € 155 million) in the second quarter of 2004. For the first half of 2004, the PNA Group reported turnover of € 451 million (previous year: € 317 million), up 42.3%.

The positive business trend was also reflected by the earnings of the PNA Group which again rose substantially to € 39 million (previous year: € 0 million) in the second quarter of 2004 and already totalled € 64 million (previous year: € - 1 million) for the first half of 2004.

Divestments

In 2003, the divestments sector comprised the former energy sector and the AMC Group, included in consolidation until the end of June 2003 and the end of October 2003 respectively, and hence included in the relevant figures for the 2003 financial year. The gains on disposal from these divestments are reported under central operations in the management reports for the relevant quarters.

Central operations

Besides TUI AG with its corporate centre functions, central operations included the Group's real estate companies, the remaining industrial activities and the newly formed low-cost carriers Hapag-Lloyd Express and Thomsonfly.

Central operations reported turnover of € 119 million (previous year: € 109 million) in the second quarter of 2004 and € 202 million (previous year: € 180 million) in the first half of 2004. Central operations recorded

total earnings of € - 78 million (previous year: € 499 million) in the second half of 2004 and € - 161 million (previous year: € 626 million) in the first half of 2004. A breakdown of turnover and earnings of central operations is provided below.

Unusual expenses and income

In the past, earnings of central operations were significantly affected by unusual expenses and income, mainly resulting from the divestments made in the respective periods. In the second quarter of 2004 the net effect totalled only € 21 million (previous year: € 649 million) and a total of € 39 million (previous year: € 849 million) in the first half of 2004. The previous year's high level of earnings was due to income from the divestment of the indirect shareholding in Ruhrgas AG in the first quarter of 2003 and Preussag Energie GmbH in the second quarter of 2003. The divestments made in the first half of 2004 were only comparatively small.

Costs of central operations

The costs of central operations, which mainly consisted of the costs of TUI AG's corporate centre functions, totalled € - 23 million (previous year: € - 61 million) in the second quarter of 2004 and stood at € - 67 million (previous year: € - 86 million) for the first half of 2004.

Net interest result

The net interest result of central operations in the second quarter of 2004 at € - 53 million (previous year: € - 11 million), was higher than in the previous year due to the refinancing measures and hence increased to € - 89 million for the first half of 2004 (previous year: € - 53 million).

Other expenses and income

Other expenses and income totalled € - 10 million (previous year: € - 68 million) in the second quarter of 2004 and € - 1 million (previous year: € - 49 million) in the first half of 2004. They mainly related to the earnings of other companies and the measurement of assets in the course of the year.

Low-cost carriers

Low-cost carriers Hapag-Lloyd Express (HLX) and Thomsonfly achieved turnover of € 51 million (previous year: € 31 million) in the second quarter of 2004 and a total of € 78 million (previous year: € 42 million) in the first half of 2004, with the previous year's turnover being relatively low due to the start-up phase of HLX's business operations. With the launch of the summer schedule, HLX expanded its fleet to eleven aircraft. At a total of 730,000 passengers carried, the seat load factor achieved a good level of 78% in the second quarter of 2004. Thomsonfly started business operations on 31 March 2004 from Coventry airport. Its fleet has meanwhile been expanded to a total of four aircraft. In the second quarter of 2004, earnings were negative, as expected, and totalled € - 13 million (previous year: € - 20 million), with HLX reporting a year-on-year impro-

vement in quarterly earnings. In the first half of 2004, start-up costs and earnings of the two low-cost carriers totalled € - 33 million (previous year: € - 35 million).

Group profit

Group profit for the year totalled € 113 million (previous year: € 506 million) in the second quarter of 2004 and € - 36 million (previous year: € 410 million) for the first half of 2004. While operating results improved significantly in tourism, the core business, as well as in shipping and the remaining trading business, income from divestments declined on the previous year.

Group profit

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Group profit	112.9	506.3	- 35.8	409.9	n. m.
Income taxes	19.9	38.6	- 40.6	- 26.5	- 53.2
Earnings before tax (EBT)	132.8	544.9	- 76.4	383.4	n. m.
Amortisation of goodwill	-	75.0	-	148.8	-
Earnings before taxes on income and amortisation of goodwill (EBTA)	132.8	619.9	- 76.4	532.2	n. m.
Depreciation of property, plant and equipment	126.0	150.0	270.9	300.9	- 10.0
Earnings before tax, depreciation and amortisation (EBTDA)	258.8	769.9	194.5	833.1	- 76.7
Extended net interest result	- 90.5	- 1.2	- 133.1	- 59.1	- 125.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	349.3	771.1	327.6	892.2	- 63.3
Operating rental expenses	173.8	168.7 ¹⁾	360.3	337.4	+ 6.8
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	523.1	939.8	687.9	1,229.6	- 44.1

¹⁾ calculated proportionally based on year-end figures

Taxes on income

Taxes on income, comprising current income taxes and deferred tax liabilities, totalled € 20 million (previous year: € 39 million) in the second quarter of 2004. Thus, the taxes for the first half of 2004 totalled € - 41 million (previous year: € - 27 million). The changes in the tax position were attributable to changes in the structure of earnings from current business operations as well as from deferred taxes.

Depreciation / amortisation

Depreciation and amortisation of € 126 million (previous year: € 152 million) for the second quarter of 2004 and the accumulated figure of € 271 million (previous year: € 304 million) for the first half of 2004 only included depreciation and impairments of other tangible assets. In accordance with the new IFRS 3 and the revised IAS 38 and 36, amortisation and write-downs of goodwill were no longer offset. In the previous year, they had totalled € 75 million in the second quarter and € 149 million in the first half of the year.

Extended net interest result

The Group's extended net interest result stood at € - 90 million (previous year: € - 1 million) in the second half of 2004 and totalled € - 133 million (previous year: € - 59 million) for the first half of 2004. This was primarily attributable to the reversal of hedging instruments due to the reduction in borrowings and the refinancing of current and medium-term financial debt by means of long-term fixed-interest bearing debt components.

Operating rental expenses

Operating rental expenses totalled € 174 million (previous year: € 169 million) in the second quarter of 2004 and € 360 million (previous year: € 337 million) in the first half of 2004. € 124 million (previous year: € 117 million) of the total for the second quarter of 2004 and € 256 million (previous year: € 234 million) of the total for the first half of 2004 were directly allocatable to operating performance and hence shown under cost of materials. Another € 50 million (previous year: € 52 million) were reported under operating expenses in the second quarter of 2004, with the relevant figure for the first half of 2004 amounting to € 104 million (previous year: € 103 million).

Earnings per share

		Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Group profit	€ million	+ 113	+ 506	- 36	+ 410	n. m.
Minority interests	€ million	+ 3	+ 5	+ 5	+ 2	n. m.
Interest attributable to TUI AG shareholders	€ million	+ 110	+ 501	- 41	+ 408	n. m.
Weighted number of shares	units	178,469	178,038	178,469	178,038	+ 0.2
Basic earnings per share	€	+ 0.61	+ 2.81	+ 0.23	+ 2.29	n. m.
Diluted earnings per share	€	+ 0.61	+ 2.81	+ 0.23	+ 2.29	n. m.
EPS before amortisation of goodwill	€	+ 0.61	+ 3.22	+ 0.23	+ 3.10	n. m.

Minority interests

Minority interests accounted for € + 3 million of Group profit for the year (previous year: € + 5 million) in the second quarter of 2004 and € + 5 million (previous year: € + 2 million) in the first half of 2004. They mainly related to shareholdings in hotel companies and the minority shareholders in Algeco.

Earnings per share

Accordingly, the interest in Group profit attributable to TUI AG shareholders amounted to € 110 million (previous year: € 501 million) for the second quarter of 2004 and € - 41 million (previous year: € 408 million) for the first half of 2004. Basic earnings per share therefore totalled € + 0.61 for the second half of 2004 and € - 0.23 for the first half of 2004. There were no dilution effects from the outstanding convertible bonds so that basic and diluted earnings per share were identical.

Financial position

The divestments of the 2003 financial year affected not only the consolidated profit and loss statement but also a number of balance sheet items. The consolidated balance sheet was restructured in accordance with IAS 1 (revised 2003).

Balance sheet

The Group's balance sheet total only changed slightly. It was up by 5.4% to € 13.7 billion. The development of individual balance sheet items resulted both from changes in the group of consolidated companies and the development of business in the period under review. Equity totalled € 2.7 billion, with an equity ratio of 20.0%.

Assets and liabilities

€ million	30 June 2004	31 Dec 2003
Non-current assets	10,114.6	10,271.4
Current assets	3,579.7	2,717.8
Assets	13,694.3	12,989.2
Group equity	2,739.8	2,766.9
Non-current liabilities	4,927.3	4,204.2
Current liabilities	6,027.2	6,018.1
Liabilities	13,694.3	12,989.2

Financing

At the end of the second quarter of 2004, the net financial position totalled € 3.3 billion (31 Dec. 2003: € 3.8 billion). The variations mainly resulted from the seasonal nature of the tourism business as well as from proceeds from divestments.

Development of cash and cash equivalents

€ million	30 June 2004	30 June 2003		Var. %
Cash and cash equivalents at the beginning of the period	348.5	366.5	-	4.9
Cash inflow from operating activities	826.3	882.9	-	6.4
Cash inflow/outflow from investing activities	- 16.3	+ 1,238.6		n. m.
Cash outflow from financing activities	- 469.7	- 2,112.7		77.8
Other changes in cash and cash equivalents	9.4	- 16.5		n. m.
Cash and cash equivalents at the end of the period	698.2	358.8	-	94.6

Tourism

Following the good start to the new financial year, the upward trend in the tourism division continued in the second quarter of 2004. The number of customers travelling with TUI tour operators rose by 0.6% to 5.07 million. Demand largely equalled the capacities on offer. As a result, prices of the tours sold and hence margins also matched expectations. Demand was consistently channelled to Group-owned capacities, causing an improvement in utilisation rates, in particular in flight operations. The combined effects of these measures gave rise to a year-on-year increase in quarterly earnings to € 100 million, almost double the level generated last year.

Developments in Germany, the UK and the Nordic countries, which had been particularly adversely affected in the past, were especially gratifying. The reversal of the trend was particularly obvious in these countries as they additionally benefited from the fact that the cost containment and restructuring measures were beginning to pay off.

Tourism

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Turnover	3,302.8	3,234.9	5,634.8	5,456.9	+ 3.3
Earnings by divisions (EBTA)	100	53	- 85	- 199	+ 57.3
EBITDA ¹⁾	166	129	69	- 43	+ 260.5
Capital expenditure	103.6	114.3	212.6	254.6	- 16.5
Employees (30 June)	-	-	56,564	59,258	- 4.5

¹⁾ Earnings before interest, tax, depreciation and amortisation

For the 2003/2004 winter season, covering the period from November to April, customer numbers and booked turnover were both around 6% up on the previous year's levels for the Group as a whole. This was already reflected by the positive development of turnover and earnings for the first quarter of 2004 and continued in April.

Following the slow start at the beginning of the year, bookings for the 2004 summer season which commenced in May improved steadily. As the primary effects caused by the war in Iraq faded away in the booking statistics for the first half of the year, customer numbers and booked turnover for the 2004 summer season were 1.9% and 2.5% up on the previous year's levels for the Group as a whole as of the beginning of August. The booking trend was particularly gratifying in July, a positive sign for the further development of the summer season. Weekly bookings received in July for departures in the peak holiday season were up on the previous year's levels. Accordingly, good utilisation of the flight and hotel capacities on offer is expected both for this period and for the autumn holiday period.

Booking figures

Year-on-year variation in %	Winter 2003/2004		Summer 2004	
	Turnover	Customers	Turnover	Customers
Germany	1.7	6.8	2.5	2.1
Switzerland	1.0	4.4	10.5	7.2
Austria	4.6	- 0.5	- 1.7	- 5.1
Central Europe	1.8	6.4	2.3	1.3
UK	11.0	5.5	4.2	2.2
Ireland	- 11.2	- 6.8	- 16.1	- 13.1
Nordic countries	11.4	6.9	8.8	4.3
Northern Europe	10.7	5.5	3.5	1.3
Netherlands	1.8	2.1	- 0.7	- 1.2
Belgium	3.9	4.8	3.6	5.4
France	11.3	11.6	0.9	6.8
Western Europe	7.1	6.7	1.3	4.0
Group	6.1	6.2	2.5	1.9

As at 6 August 2004

Central Europe

The Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) continued the development of the previous quarter and reported a significant improvement in its performance for the second quarter of 2004. A total of 2.23 million customers travelled with tour operators in the sector, just under 1% down on the previous year. Nevertheless, customer numbers for the first half of 2004 rose by 0.1% to 3.50 million. Following last year's weakness, the sector generated clearly positive earnings of € 39 million again in the second quarter of 2004. The increase in earnings was largely attributable to the improved quality of the German tour operator business and the increase in seat load factors in flight operations. Switzerland, too, reported an increase in earnings year-on-year, while earnings in Austria matched almost the previous year's level.

Tourism – Central Europe

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Turnover	1,342.3	1,356.5	2,156.2	2,186.3	- 1.4
Earnings by divisions (EBTA)	39	0	- 46	- 109	+ 57.8
EBITDA ¹⁾	49	18	- 13	- 76	+ 82.9
Capital expenditure	10.5	15.4	55.9	80.1	- 30.2
Employees (30 June)	-	-	9,443	9,885	- 4.5

¹⁾ Earnings before interest, tax, depreciation and amortisation**Germany**

Demand for holiday tours picked up gradually for the 2004 summer season. As before, a relatively large number of holidaymakers booked late and were priceconscious. This benefited in particular the low-cost providers.

However, at the same time an increasing number of holidaymakers took advantage of the benefits offered for early booking and was increasingly interested in high-quality offerings. Against this background a total of 1.94 million customers travelled with a TUI tour operator in the second quarter of 2004, almost the same number as last year. Holiday destinations in the eastern Mediterranean in particular recorded a positive trend, while the Spanish islands and Greece did not match the previous year's levels. Air-tours International, the tour operator in the premium segment, reported a stabilisation of bookings. The 1-2-Fly brand benefited from brisk demand for low-cost tours and strongly expanded its market position. It recorded strong demand for tours to Majorca, Egypt and Turkey in particular. The direct marketing activities of Berge & Meer also recorded a gratifying trend, in particular in long-haul tours. Last-minute provider L'tur, in contrast, reported a slight decrease in booking figures on the previous year, in line with the reduced need for the last-minute sales of tours.

Overall, the second quarter of 2004 showed a satisfactory trend for the tour operators. The significant year-on-year reduction in last-minute sales needs to be highlighted in particular. This was due to an improvement in sales of brochure tours, supported by special discounts for early booking, on the one hand, and a more conservative capacity policy, on the other.

TUI Leisure Travel, which comprises the Group's own distribution, continued to improve in the second quarter of 2004 and increased both its turnover and earnings year-on-year. Internet distribution was consolidated. 'Touristik Express', a new sales brand, was launched in April. It offers a limited variety of low-cost tours in specially designed travel shops.

Hapag-Lloyd Flug reported a very positive trend in the second quarter of 2004. It recorded very good utilisation of its fleet of 34 aircraft as tour operator customers were increasingly channelled to Group-owned flight capacities and sales to third parties grew. Average sales revenues thus rose, with the seat-only business now characterised by intensified competition and declining. At 5.3 billion seat kilometres, the capacity on offer was 8% up on the previous year's level. The seat load factor was almost 83% and hence rose by around one percentage point.

Switzerland

In the second quarter of 2004, the situation of the Swiss tour operators was satisfactory across the board. At a total of 0.06 million customers, the number was 9% up year-on-year. The flight-only offering of the new tour operator brand FlexTravel in particular showed a positive development. Direct marketing brand Vögele also continued the positive trend of the previous quarter. It recorded very good demand for tours to Egypt,

Turkey and long-haul destinations. Distribution achieved a slight improvement in business on the previous year.

Austria

The development of business in Austria dropped below the previous year's level in the second quarter of 2004, with the individual brands reporting different trends. While 1-2-Fly managed to grow, bookings of tours offered by GTT and the land-based tours offered by Terra declined. A total of 0.24 million customers travelled with the Austrian tour operators in the second quarter of 2004, a 9% decline year-on-year. The distribution sector continued to grow. Since the beginning of the 2004 summer season, besides Hungary the new source markets of Slovenia and Slovakia have also been managed from Austria.

Northern Europe

The Northern Europe sector (UK, Ireland, Nordic countries, Britannia Airways UK and Britannia Airways Nordic) continued to improve year-on-year in the second quarter of 2004. At 1.81 million, customers travelling with tour operators of this sector grew by 5.6% in this period. Accordingly, the customer number for the first half of 2004 rose by 8.4% to 2.90 million. Earnings of the sector were up to € 42 million in the second quarter of 2004. This was primarily due to the significant improvement in the Nordic countries and the gratifying performance of flight operations.

Tourism – Northern Europe

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Turnover	1,212.0	1,095.0	2,060.2	1,822.3	+ 13.1
Earnings by divisions (EBTA)	42	29	- 52	- 98	+ 46.9
EBITDA ¹⁾	65	55	- 3	- 43	+ 93.0
Capital expenditure	27.5	18.7	44.6	41.5	+ 7.5
Employees (30 June)	-	-	18,655	18,607	+ 0.3

¹⁾ Earnings before interest, tax, depreciation and amortisation

UK

British tour operators enjoyed a good start to the 2004 summer season, with the late booking trend already observed in the previous season continuing. Bookings exceeded the previous year's levels in both Thomson Holidays and the Specialist Holidays Group. Both volumes and average prices increased. As in the winter season, long-haul destinations recorded strong growth as the US dollar exchange rate continued to be attractive. Short-haul destinations, in contrast, reported moderate growth levels. Compared with the previous year, budget-priced regions such as Turkey, Egypt and new destinations in Eastern Europe attracted a higher number

of holidaymakers while demand for tours to Spain declined this summer. In the second quarter of 2004, a total of 1.37 million customers travelled with British tour operators, an increase of more than 6% year-on-year. Bookings for the 2004/2005 winter season, sold since October 2003, have sold well and currently exceed the previous year's levels.

The number of tours sold by distribution in the 2004 summer season rose year-on-year, with 75% of products sold being Group-owned products. Sales of tours for the 2004/2005 winter season are also up on the previous year's level. Due to the launch of a new platform for Lunn Poly's website, the number of internet bookings increased substantially. This enables distribution to considerably reduce the costs per tour sold.

In the summer season Britannia Airways UK operates 32 aircraft. Due to the increase in utilisation of existing aircraft, capacity on offer in the second quarter of 2004 totalled 6.3 billion seat kilometres, 13% up year-on-year. The seat load factor stood at just under 87% and thus reached the previous year's level.

Ireland

Business in the small Irish market continued to be difficult. The situation was characterised by strong price competition, increasing competition by low-cost airlines and a persistent trend towards late bookings. As a result, TUI Ireland's bookings for the summer season were down year-on-year. Declines were recorded in particular for Spanish destinations, while long-haul destinations were well booked due to the favourable US dollar exchange rate. In the second quarter of 2004, a total of 0.13 million customers travelled with the Irish tour operators, a slight increase year-on-year. For the 2004/2005 winter season, TUI Ireland launched only a small programme which was satisfactorily booked so far.

Nordic countries

In the Nordic countries the TUI Nordic tour operators benefited both from the rise in demand for the 2004 summer season and the early launch of sales of their programmes, providing them with a competitive edge. Bookings were up on the previous year's levels with both volumes and average prices improving year-on-year. A particularly gratifying trend was the strong growth of business in Sweden, the Nordic market generating the highest volume. Another major reason for the improvements was the expansion of programmes in budget-priced destinations such as Turkey and the Eastern European countries on the Black Sea. In the second quarter of 2004, a total of 0.33 million customers travelled with TUI Nordic tour operators, an increase of more than 3% year-on-year. Bookings for the 2004/2005 winter season have started off well so far.

Britannia Airways Nordic will operate six Boeing 737s in the summer season. In the second quarter of 2004, capacity on offer totalled 1.0 billion seat kilometres, an increase of 11% on the previous year. At around 86%, the average seat load factor only dropped slightly below the previous year's level.

Western Europe

In the Western Europe sector (France, Netherlands, Belgium and Corsair), the development of business in the second quarter of 2004 varied by country. The total number of customers travelling with the tour operators in this sector was 1.03 million, around 4% down year-on-year. Growth in Belgium and the Netherlands was contrasted by a reduction in customer numbers in France. Earnings of the sector totalled € - 8 million and thus was lower than the previous year's level.

Tourism – Western Europe

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Turnover	590.5	604.2	1,097.8	1,096.7	+ 0.1
Earnings by divisions (EBTA)	- 8	- 6	- 19	- 13	+ 46.2
EBITDA ¹⁾	2	2	- 2	6	- 133.3
Capital expenditure	10.9	5.6	17.2	10.9	+ 57.8
Employees (30 June)	-	-	6,622	6,385	+ 3.7

¹⁾ Earnings before interest, tax, depreciation and amortisation

France

Following the initially slow start to the 2004 summer season in France due to the air crash near Sharm El Sheik, demand subsequently picked up again considerably. Consequently, bookings of Nouvelles Frontières exceeded the previous year's level. Destinations in Morocco, Egypt and Mexico in particular reported high growth rates, while the classic French holiday destinations in the French overseas departments and Greece recorded a slight decline. The new TUI France brand also achieved a satisfactory level of bookings. A total of 0.37 million customers travelled with French tour operators in the second quarter of 2004, a 13% decline year-on-year.

In the 2004 summer season, Corsair operates nine aircraft. The new destinations in Morocco, Marrakesh and Fès, met with good acceptance by the customers. Total seat kilometres on offer rose by around 4% to 3.20 billion in the second quarter of 2004, with a seat load factor of more than 82%, around 2 percentage points less than last year.

Netherlands

In the 2004 summer season, TUI Nederland's business slightly outperformed the market, which contracted by around 4%. It also achieved a slight increase in its market share. Bookings differed for individual products. Bookings of city tours and long-haul destinations in particular outperformed the market, while bookings of short-haul destinations and land-based tours were slow. In the second quarter of 2004, a total of 0.32 million customers travelled with TUI Nederland tour operators, an increase of about 1% year-on-year.

Belgium

TUI Belgium's tour operators reported strong bookings of long-haul destinations and moderate demand for short and medium-haul destinations for the 2004 summer season. Exceptions to this trend were primarily Egypt and Turkey, which reported very good bookings. As the main brochures for land-based tours were launched later than last year, bookings in this segment are currently falling short of the previous year's level. In contrast, bookings of short trips and particularly city tours continued to grow. In the second quarter of 2004, a total of 0.34 million customers travelled with the Belgian tour operators, an increase of around 3% year-on-year. The development of TUI Airlines Belgium, the new airline, matched expectations in the first few months of operation.

Destinations

At € 18 million, the destinations sector again generated satisfactory earnings for the second quarter of 2004. This was attributable to the steady development of business both in incoming agencies and hotel companies.

Tourism – Destinations

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %	
Turnover	86.3	112.3	185.5	222.9	-	16.8
Earnings by divisions (EBTA)	18	24	26	17	+	52.9
EBITDA ¹⁾	29	37	56	44	+	27.3
Capital expenditure	41.1	65.2	73.2	100.6	-	27.2
Employees (30 June)	-	-	17,148	19,253	-	10.9

¹⁾ Earnings before interest, tax, depreciation and amortisation

Incoming agencies

At 3.26 million, the number of guests catered for by the Group's consolidated and associated incoming agencies in the second quarter of 2004 grew again year-on-year. Individual agencies showed different business trends. TUI España, operating in the western Mediterranean and the Caribbean, reproduced the previous year's level at 1.28 million guests.

Following the strong demand for destinations in Portugal, the number of guests serviced by TUI Portugal last year dropped to 0.10 million. In the eastern Mediterranean, Travco benefited from the extremely strong demand for tours to Egypt and more than doubled the number of guests serviced in comparison with the previous year to 0.30 million. Tantur also reported a persistently positive business trend. The number of guests catered for rose year-on-year to 0.25 million. The business volume of the remaining agencies totalled 1.33 million guests.

Hotel companies

Hotel companies reported an overall satisfactory development of business in the second quarter of 2004, albeit with regional variations. The main hotel companies managed to improve their occupancy rates year-on-year. RIU hotels recorded satisfactory occupancy rates in the short- and medium-haul segment and again aboveaverage occupancy rates for their long-haul destinations. Grupotels on the Balearic Islands reported a slight decline in occupancy rates due to a reduction in periods of operation. For seasonal reasons, Robinson only operated three quarters of its clubs in the second quarter; these clubs reported an improvement in occupancy rates year-on-year. Magic Life reopened all of its clubs in the course of the quarter. Clubs in Egypt in particular were well booked. This year's boom in demand for Egypt also benefited Iberotel, which saw a significant improvement in occupancy rates in its hotels. Grecotel opened its hotels in the course of the quarter and reported satisfactory occupancy rates.

Other tourism

TUI Business Travel, which operates under the TQ3 Travel Solutions brand, continued to operate in a difficult business environment in the second quarter of 2004. It nevertheless managed to improve its earnings.

Tourism – Other tourism

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var.	%
Turnover	71.7	66.9	135.1	128.7	+	5.0
Earnings by divisions (EBTA)	9	6	6	4	+	50.0
EBITDA ¹⁾	21	17	31	26	+	19.2
Capital expenditure	13.3	9.4	21.7	21.5	+	0.9
Employees (30 June)	–	–	4,696	5,128	-	8.4

¹⁾ Earnings before interest, tax, depreciation and amortisation

Logistics

In the second quarter of 2004, the logistics division improved its performance year-on-year. Container shipping in particular continued its positive business trend. The special logistics sector with its activities remaining following the divestments, in contrast, did not manage to continue the previous year's trend and fell short of the previous year's performance.

Logistics

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003		Var. %
Turnover	864.4	953.3	1,765.8	1,852.6	-	4.7
Earnings by divisions (EBTA)	72	68	106	103	+	2.9
EBITDA ¹⁾	122	123	209	216	-	3.2
Capital expenditure	50.7	37.2	73.5	68.1	+	7.9
Employees (30 June)	-	-	6,077	9,305	-	34.7

¹⁾ Earnings before interest, tax, depreciation and amortisation

Shipping

In the second quarter of 2004, container shipping recorded persistently strong demand for transport volume and a seasonal increase in demand. In regional terms, transport volumes rose most strongly in the Far East shipping area, but the Trans-Pacific and North Atlantic shipping areas also recorded significant growth. Freight rates on the high-volume routes in the major shipping areas remained high, with partial year-on-year improvements being achieved.

Shipping

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003		Var. %
Turnover	672.4	577.0	1,247.0	1,105.9	+	12.8
Earnings by divisions (EBTA)	79	45	104	64	+	62.5
EBITDA ¹⁾	102	66	148	107	+	38.3
Capital expenditure	20.5	8.1	23.9	10.8	+	121.3
Employees (30 June)	-	-	3,898	3,887	+	0.3

¹⁾ Earnings before interest, tax, depreciation and amortisation

Hapag-Lloyd Container Linie

Hapag-Lloyd Container Linie continued its positive business trend in the second quarter of 2004. This was primarily due to the increase in transport volumes of around 21% to 625 million standard containers (TEU). In addition, freight rates continued to develop favourably, exceeding the previous quarter's levels but also increasing on a year-on-year basis. However, the development of turnover and earnings was curbed by the persistently weak US dollar exchange rate. The weakness of the US dollar

was cushioned by means of currency hedges and positive effects of costs incurred in US dollars.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Far East	261	206	490	396	+ 23.7
North Atlantic	160	144	303	267	+ 13.5
Trans-Pacific	159	130	298	251	+ 18.7
South America	45	38	83	74	+ 12.2
Total	625	518	1,174	988	+ 18.8

In the Far East shipping area, transport volumes rose by just under 27% year-on-year to 261,000 TEU. This was due to a considerable increase in transport on the routes between Europe and Asia and in inner-Asian transport. One of the key driving forces behind this development was the strong Chinese export market. Transport volumes in the North Atlantic shipping area increased by around 11% year-on-year to 160,000 TEU. Strong growth was primarily achieved on the high-volume trade lanes from Europe to America. In the Trans-Pacific shipping area, a substantial year-on-year increase in transport volumes was recorded in particular on the trade lanes from Asia to America. At 159,000 TEU, transport volumes climbed by around 22%. At 45,000 TEU, the South America shipping area also reported growth in its transport volumes. This was primarily due to an increase in inner-American transport.

Hapag-Lloyd Kreuzfahrten

The premium cruise market segment continued to be difficult; nevertheless, Hapag-Lloyd Kreuzfahrten recorded an improvement in its business in the second quarter of 2004. Its flagship 'Europa' in particular recorded a gratifying increase in bookings. The 'Hanseatic' also achieved good capacity rates. In comparative terms, the 'Columbus' and 'Bremen' achieved lower occupancy rates.

Special logistics

Following the divestment of Pracht Spedition + Logistik in the first quarter of 2004, the bulk and special logistics sector of VTG-Lehnkering AG was divested in April 2004 as part of the concentration of the logistics division on shipping. The former VTG-Lehnkering AG carries on business as VTG AG, which only operates in the rail logistics and tank container logistics sectors.

Following the end of the second quarter of 2004, TUI sold its 66.98% share in Algeco S.A., held by some of its shareholdings, to UK financial investor TDR Capital LLP on 16 July 2004. The closing for this transaction is expected for September 2004.

The divestments had a major impact on turnover and earnings both for the second quarter of 2004 and the first half of 2004, which thus dropped significantly below the previous year's levels.

Special logistics

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Turnover	192.0	376.3	518.8	746.7	- 30.5
Earnings by divisions (EBTA)	- 7	23	2	39	- 94.9
EBITDA ¹⁾	20	57	61	109	- 44.0
Capital expenditure	30.2	29.1	49.6	57.3	- 13.4
Employees (30 June)	-	-	2,179	5,418	- 59.8

¹⁾ Earnings before interest, tax, depreciation and amortisation

VTG AG

The rail and tank container logistics sector recorded an uneven business trend. Utilisation of tank cars was stable in the period under review and fell slightly short of the previous quarter's level for seasonal reasons. Transpetrol, the rail forwarder, reported a largely steady business trend. Overall, utilisation of Transwaggon's goods and flat wagons was good. Business in the tank container logistics sector continued to be difficult. The forwarding business was adversely affected above all by the imbalance of transport volumes on the routes to and from Asia.

Algeco Group

In the mobile buildings rental business, markets continued to see intense competition in the second quarter of 2004. This also impacted rental prices, in particular in France and Germany. Southern Europe continued to record a satisfactory business trend. At 106,000, the number of units available for rental at the end of June exceeded the previous year's level. Utilisation rates in most regions matched the previous year's levels, with Germany recording a slight increase in utilisation in the course of the quarter under review. The sales business dropped slightly below the previous year's level. This also applied to pallet logistics which saw the realignment of its business continuing.

Other Sectors

Other sectors comprised the trading sector retained by the Group, i.e. the PNA Group, the divested activities, the Group's central operations with TUI AG's corporate centre functions, and the remaining industrial shareholdings.

Trading

In the second quarter of 2004, the US steel service companies of Preussag North America, Inc. (PNA) sold a total of 514,000 tons of steel, 13.0% up on the previous year. Accumulated steel sales for the first half of 2004 totalled 1,025,000 tons, an increase of more than 13%. The Feralloy Group in particular but also Infra-Metals and the Delta Steel Group achieved strong increases in sales.

At the beginning of the second quarter of 2004, the American steel market continued to be tight. Scarce raw materials, in particular in coke and scrap, caused production bottlenecks for steel manufacturers time and again. This resulted in persistently high price mark-ups, charged in particular for rolled steel products. The companies of the PNA Group again took advantage of this market situation in the quarter under review and achieved good margins.

PNA Group

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003		Var. %
Turnover	251.5	155.3	450.9	316.8	+	42.3
Earnings by divisions (EBTA)	39	-	64	- 1		-
EBITDA ¹⁾	43	4	72	6		-
Capital expenditure	0.7	1.0	1.7	2.7	-	37.0
Employees (30 June)	-	-	1,144	1,101	+	3.9

¹⁾ Earnings before interest, tax, depreciation and amortisation

Divestments

The figures presented in the 2003 financial statements for this sector included the former energy sector and the AMC Group, which were included in consolidation until the end of June 2003 and the end of October 2003 respectively. The divestments of the logistics division, Pracht Spedition + Logistik and the bulk and special logistics sector of VTG Lehnkering AG, will continue to be presented in the logistics division in the quarterly reports of this year.

Prospects

With business in the core divisions having already developed better than expected in the first half of 2004, the prospects for the 2004 business year as a whole are promising.

In tourism, bookings for the current summer season are good. The booking figures in the important large source markets of Germany and the UK continued to rise, above all due to the strong demand of the past few weeks. As a consequence, the main holiday periods in the third quarter as well as October are already very well booked. Noticeable outcomes of this are improvements in the flight load factor and hotel occupancy rate. In addition the upturn in the Nordic countries is having a favourable effect on the overall development of the division. Following the restructuring of the business, this sector is once again achieving positive results. All in all, in the second half-year the tourism division can therefore continue the pleasing development already achieved in the previous year's period and thus generate a result for the 2004 financial year, which will be at least 70% better than last year.

For shipping, the prospects after the previous growth figures are likewise good for the second half-year. The economic situation and our strong competitive position are reasons to expect a further growth in transport volumes. With persistently high freight rates, the positive business development will go on, so that we anticipate that the 2004 business year will close with an increased result over the previous year.

Against this background, we can assume that in the 2004 financial year earnings of the divisions, adjusted for unusual expenses and income, will be significantly higher than last year and reach at least € 420 million (previous year: € 242 million).

Further Information

Additional key figures by segments

Capital expenditure¹⁾

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Tourism	103.6	114.3	212.6	254.6	- 16.5
Central Europe	10.5	15.4	55.9	80.1	- 30.2
Northern Europe	27.5	18.7	44.6	41.5	+ 7.5
Western Europe	10.9	5.6	17.2	10.9	+ 57.8
Destinations	41.4	65.2	73.2	100.6	- 27.2
Other tourism	13.3	9.4	21.7	21.5	+ 0.9
Logistics	50.7	37.2	73.5	68.1	+ 7.9
Shipping	20.5	8.1	23.9	10.8	+ 121.3
Special logistics	30.2	29.1	49.6	57.3	- 13.4
Other sectors	3.7	16.0	7.0	35.8	- 80.4
Trading	0.7	1.0	1.7	2.7	- 37.0
Divestments	-	11.9	-	28.2	-
Central operations	3.0	3.1	5.3	4.9	+ 8.2
Total	158.0	167.5	293.1	358.5	- 18.2

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

Depreciation/amortisation¹⁾

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Var. %
Tourism	75.5	155.1	162.7	305.7	- 46.8
Central Europe	15.5	32.1	36.8	62.5	- 41.1
Northern Europe	27.8	69.1	57.2	138.2	- 58.6
Western Europe	8.3	15.4	15.7	31.0	- 49.4
Destinations	11.4	26.7	29.0	49.8	- 41.8
Other tourism	12.5	11.8	24.0	24.2	- 0.8
Logistics	46.4	51.7	97.3	104.0	- 6.4
Shipping	22.8	22.5	45.7	45.0	+ 1.6
Special logistics	23.6	29.2	51.6	59.0	- 12.5
Other sectors	6.7	17.9	13.5	38.7	- 65.1
Trading	2.1	2.4	4.1	4.8	- 14.6
Divestments	-	9.7	-	22.4	-
Central operations	4.6	5.8	9.4	11.5	- 18.3
Total	128.6	224.7	273.5	448.4	- 39.0

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

Employees

As per 30 June 2004, the consolidated Group companies employed 66,213 people worldwide, including 15,946 in Germany and 50,267 in foreign Group companies. The headcount therefore rose by 1,956 or 3.0% since December 2003. This was primarily due to seasonal developments in tourism.

Employees by divisions

€ million	30 June 2004	31 Dec 2003		Var. %
Tourism	56,564	51,708	+	9.4
Central Europe	9,443	9,391	+	0.6
Northern Europe	18,655	18,033	+	3.4
Western Europe	6,622	6,521	+	1.5
Destinations	17,148	12,896	+	33.0
Other tourism	4,696	4,867	-	3.5
Logistics	6,077	9,235	-	34.2
Shipping	3,898	3,897	+	0.0
Special logistics	2,179	5,338	-	59.2
Other sectors	3,572	3,314	+	7.8
Trading	1,144	1,104	+	3.6
Divestments	-	-	-	-
Central operations	2,428	2,210	+	9.9
Total	66,213	64,257	+	3.0

Corporate Governance

In the course of the second quarter of 2004, no changes occurred in the composition of the boards of TUI AG. The current composition of the Executive Board and Supervisory Board is stated on the Company's website (www.tui.com), where it is permanently accessible to the public.

TUI AG
The Executive Board
August 2004

30 Financial statements

- 30 Profit and loss statement
- 31 Balance sheet
- 32 Changes in equity
- 33 Cash flow statement

34 Notes

- 34 Accounting principles
- 34 Group of consolidated companies
- 35 Discontinuing operations
- 39 Notes on the consolidated profit and loss statement
- 40 Notes on the consolidated balance sheet
- 41 Changes in equity
- 41 Contingent liabilities
- 41 Notes on the cash flow statement
- 42 Segment data

Financial Statements

Condensed profit and loss statement of the TUI Group for the period from 1 January to 30 June

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003
Turnover	4,537.6	5,044.0	8,053.3	8,817.5
Other income	176.4	137.2	337.6	516.2
Change in inventories and other own work capitalised	+ 12.1	- 13.3	+ 24.1	+ 35.7
Cost of materials and purchased services	3,196.9	3,758.2	5,701.2	6,486.8
Personnel costs	595.6	650.4	1,210.9	1,288.6
Depreciation and amortisation	129.0	224.7	273.5	448.4
(of which amortisation of goodwill)	(0.0)	(73.8)	(0.0)	(146.6)
Impairment of fixed assets	- 0.4	0.0	0.0	0.0
(of which impairment of goodwill)	(0.0)	(0.0)	(0.0)	(0.0)
Other expenses	623.7	669.0	1,240.7	1,383.6
(of which other taxes)	(10.1)	(7.6)	(16.6)	(16.9)
Result from the discontinuance of operations	+ 30.2	+ 668.9	+ 48.6	+ 668.9
Financial result	- 87.3	- 0.4	- 129.7	- 58.3
Earnings from companies measured at equity	+ 8.6	+ 10.8	+ 16.0	+ 10.8
(of which amortisation of goodwill)	(0.0)	(1.1)	(0.0)	(2.2)
Earnings before taxes on income	+ 132.8	+ 544.9	- 76.4	+ 383.4
Income taxes	+ 19.9	+ 38.6	- 40.6	- 26.5
Group profit	+ 112.9	+ 506.3	- 35.8	+ 409.9
Attributable to equity holders of TUI AG	+ 109.6	+ 501.6	- 40.7	+ 408.2
Attributable to minority interest	+ 3.3	+ 4.7	+ 4.9	+ 1.7
Group profit	+ 112.9	+ 506.3	- 35.8	+ 409.9

€	Q2 2004	Q2 2003	H1 2004	H1 2003
Earnings per share (basic and diluted)	+ 0.61	+ 2.81	- 0.23	+ 2.29
Earnings per share before amortisation of goodwill	+ 0.61	+ 3.22	- 0.23	+ 3.10

Condensed consolidated balance sheet of the TUI Group

€ million	30 June 2004	31 Dec 2003
Assets		
Fixed assets	9,592.6	9,688.1
Goodwill	3,938.0	3,807.9
Other intangible assets	193.8	198.6
Investment property	142.1	149.3
Other property, plant and equipment	4,508.5	4,734.7
Companies measured at equity	352.9	332.4
Other investments	457.3	465.2
Non-current receivables	522.0	583.3
Other receivables and assets	343.3	395.0
Deferred income tax assets	178.7	188.3
Non-current assets	10,114.6	10,271.4
Inventories	752.4	532.4
Current receivables	2,129.1	1,836.9
Trade accounts receivable	1,030.3	898.2
Other receivables and assets	1,076.4	916.9
Current income tax assets	22.4	21.8
Cash and cash equivalents	698.2	348.5
Current assets	3,579.7	2,717.8
	13,694.3	12,989.2

€ million	30 June 2004	31 Dec 2003
Group equity and liabilities		
Group equity	2,739.8	2,766.9
Subscribed capital	456.2	456.2
Reserves and accumulated profits	1,987.0	2,025.6
Equity of shareholders in TUI AG	2,443.2	2,481.8
Minority interests	296.6	285.1
Non-current provisions	1,163.8	1,287.6
Provisions for pensions and similar obligations	610.6	598.3
Deferred and current income tax provisions	221.0	329.1
Other provisions	332.2	360.2
Non-current liabilities	3,763.5	2,916.6
Financial liabilities	3,627.4	2,710.2
Other liabilities	136.1	206.4
Non-current provisions and liabilities	4,927.3	4,204.2
Current provisions	704.3	890.5
Provisions for pensions and similar obligations	44.8	46.8
Current income tax provisions	61.1	159.2
Other provisions	598.4	684.5
Current liabilities	5,322.9	5,127.6
Financial liabilities	359.3	1,467.1
Trade accounts payable	2,403.3	2,036.6
Other liabilities	2,560.3	1,623.9
Current provisions and liabilities	6,027.2	6,018.1
	13,694.3	12,989.2

Changes in equity

Condensed statement of changes in equity for the period from 1 January to 30 June 2004

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group Equity
Balance as at 1 January 2004	456.2	2,025.6	2,481.8	285.1	2,766.9
First-time application of IFRS 3	0.0	11.1	11.1	0.0	11.1
Adjusted balance as at 1 January 2004	456.2	2,036.7	2,492.9	285.1	2,778.0
Dividend payments	0.0	- 137.4	- 137.4	- 6.4	- 143.8
Other changes without effect on net income	0.0	128.4	128.4	13.0	141.4
Differences from currency translation	(0.0)	(117.2)	(117.2)	(1.7)	(118.9)
Reserves for change in value of financial instruments	(0.0)	(36.2)	(36.2)	(0.0)	(36.2)
Tax items directly offset against equity	(0.0)	(- 25.0)	(- 25.0)	(0.0)	(- 25.0)
Changes in consolidation	(0.0)	(0.0)	(0.0)	(11.3)	(11.3)
Group profit	0.0	- 40.7	- 40.7	4.9	- 35.8
Balance as at 30 June 2004	456.2	1,987.0	2,443.2	296.6	2,739.8

Condensed statement of changes in equity for the period from 1 January to 30 June 2003

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group Equity
Balance as at 1 January 2003	455.1	2,455.0	2,910.1	270.4	3,180.5
Dividend payments	0.0	- 137.1	- 137.1	- 10.2	- 147.3
Other changes without effect on net income	0.0	- 99.1	- 99.1	- 2.3	- 101.4
Differences from currency translation	(0.0)	(- 19.8)	(- 19.8)	(- 5.9)	(- 25.7)
Reserves for change in value of financial instruments	(0.0)	(- 152.7)	(- 152.7)	(0.0)	(- 125.7)
Tax items directly offset against equity	(0.0)	(- 12.6)	(- 12.6)	(0.0)	(- 12.6)
Changes in consolidation	(0.0)	(86.0)	(86.0)	(3.6)	(89.6)
Group profit	0.0	408.2	408.2	1.7	409.9
Balance as at 30 June 2003	455.1	2,627.0	3,082.1	259.6	3,341.7

Cash flow statement

Condensed cash flow statement for the period from 1 January to 30 June

€ million		2004	2003
Cash inflow from operating activities	826.3		882.9
Cash inflow/outflow from investing activities	- 16.3		1,238.6
Cash outflow from financing activities	- 469.7		- 2,112.7
Change in funds with cash effect		340.3	8.8
Change in cash and cash equival. due to exchange rate fluctuations and other changes in value		9.4	- 16.5
Cash and cash equivalents at the beginning of the period		348.5	366.5
Cash and cash equivalents at the end of the period		698.2	358.8

Accounting principles

Like the consolidated financial statements for the 2003 financial year, the interim financial statements as per 30 June 2004 were prepared in accordance with the International Financial Reporting Standards (IFRS) – published by the International Accounting Standards Board (IASB) – with the interim financial statements published in a condensed form compared with the consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting'. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

Since 1 January 2004, the new IFRS 3 'Business Combinations' and the revised IAS standards 36 'Impairment of Assets' (revised 2004) and IAS 38 'Intangible Assets' (revised 2004) have been voluntarily applied prior to their effective dates. These standards have been applied on a prospective basis since the beginning of the current financial year, i.e. current purchases of companies are reported in accordance with the new rules, without adjusting the previous year's financial statements. At the same time, scheduled amortisation of goodwill has ceased to be effected. In the future, goodwill will be regularly reviewed by means of impairment tests conducted after the termination of the annual planning process. Direct offsetting of goodwill from companies purchased before 1 October 1995 is no longer reversed with no effect on the profit and loss statement in the framework of a removal from consolidation. Negative goodwill was derecognised with a corresponding adjustment to the opening balance as per 1 January 2004 of revenue reserves.

With the exception of the changes outlined above, the interim financial statements as per 30 June 2004 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements. The accounting and measurement methods applied are outlined in detail in the notes on the consolidated financial statements as per 31 December 2003.

Group of consolidated companies

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

The interim financial statements as per 30 June 2004 included a total of 54 domestic and 363 foreign subsidiaries, besides TUI AG.

Since 31 December 2003, eight companies have been newly included in the group of consolidated companies. These companies included newly established or acquired companies and one company spun off in the preparation for a divestment transaction.

The additions related to the tourism and logistics divisions and were not significant for the presentation of a true and fair view of the financial position and performance of the Group, neither individually nor when taken together.

Since 31 December 2003, a total of 23 companies were removed from consolidation. Most of the removals, i.e. 15 companies, related to business unit II (bulk and special logistics). Another three companies of the tourism division were removed from consolidation due to divestments and one company due to a merger. The remaining disposals related to the logistics division and 'Other sectors'.

Discontinuing operations

With the divestment of the domestic activities of the Preussag Energie Group to the Gaz de France Group and of the international activities to OMV AG, the operations of the energy sector were completely discontinued in the 2003 financial year. The companies were removed from consolidation as per 31 March 2003 and 30 June 2003, respectively.

With the divestment of the AMC Group, the trading sector partly terminated its business activities in the 2003 financial year. The AMC Group was sold in the framework of an MBO with effect from 1 November 2003.

The intention to divest the US steel service activities remains unchanged. The trading sector therefore continued to be considered a discontinuing operation in accordance with IAS 35 at the reporting date.

At its meetings on 21 March 2003 and 21 January 2004, the Supervisory Board approved the concept for the realignment of the logistics segment. In the framework of the planned concentration of business on the tourism and shipping sectors, the Group will divest its remaining shareholdings in the special logistics segment. In this connection Pracht Spedition + Logistik GmbH was sold to the Swiss forwarding group Kühne und Nagel with effect from 1 January 2004.

Furthermore, the bulk and special logistics (UB II) business unit of VTG AG was sold to financial investor Triton Managers Limited in April 2004.

The sale of the Algeco Group to the British financial investor TDR Capital LLP was published after the reporting date.

Apart from these transactions already completed, the Group intends additionally to divest the rail logistics (UB I) business unit of VTG AG. This intention was publicly announced shortly after the decision was taken. The special logistics sector thus represents another discontinuing operation in accordance with IAS 35.

In the light of the divestment transactions outlined above, a year-on-year comparison of individual items of the profit and loss statement is only of limited use as the companies will be included in consolidation on a pro rata temporis basis until the divestment date.

Material assets and liabilities of the discontinuance of

Energy

The activities of the energy sector were completely discontinued in the 2003 financial year. Therefore assets resp. liabilities of this sector were no longer recognised in the consolidated balance sheets already as at 31. December 2003.

Trading

€ million	30 June 2004	Trading 31 Dec 2003
Non-current assets	92.3	92.2
Current assets	293.6	209.3
Provisions	28.2	16.9
Financial liabilities	183.1	155.3
Other liabilities	58.5	51.7

Specialist logistics

€ million	30 June 2004	Specialist logistics 31 Dec 2003
Non-current assets	628.7	934.5
Current assets	356.2	362.9
Provisions	159.5	205.7
Financial liabilities	312.6	478.8
Other liabilities	218.2	238.1

Material items of the profit and loss statements of the discontinuance of

Energy

€ million	Q2 2004	Q2 2003	H1 2004	Energy H1 2003
Turnover	-	63.5	-	177.0
Other income	-	2.4	-	6.4
Operating expenses	-	84.8	-	162.2
Financial result	-	- 0.6	-	- 1.0
Earnings before taxes on income	-	- 19.5	-	20.2
Income taxes	-	- 2.8	-	13.4
Earnings after taxes on income	-	- 16.7	-	+ 6.8

Trading

€ million	Q2 2004	Q2 2003	H1 2004	Trading H1 2003
Turnover	251.5	683.7	450.9	1,151.2
Other income	0.2	1.8	0.6	3.3
Operating expenses	211.3	685.4	384.1	1,152.4
Financial result	- 2.0	- 0.5	- 4.2	- 0.9
Earnings before taxes on income	38.9	0.2	64.0	2.0
Income taxes	19.0	1.6	28.2	2.8
Earnings after taxes on income	19.9	- 1.4	35.8	- 0.8

Specialist logistics

€ million	Q2 2004	Q2 2003	Specialist logistics H1 2004	H1 2003
Turnover	191.9	375.9	518.7	746.3
Other income	9.9	10.7	20.3	26.4
Operating expenses	200.9	360.5	526.7	723.4
Financial result	- 2.0	- 4.3	- 6.4	- 11.1
Earnings before taxes on income	- 1.5	22.5	6.9	39.2
Income taxes	2.9	8.4	7.7	15.1
Earnings after taxes on income	- 4.4	14.1	- 0.8	24.1

Cash flow from operating, investing and financing activities

Energy

€ million	Q2 2004	Q2 2003	H1 2004	Energy H1 2003
Cash inflow/outflow from operating activities	-	29.3	-	- 22.4
Cash outflow from investing activities	-	- 10.4	-	- 23.1
Cash inflow from financing activities	-	5.3	-	3.8
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	-	-	-	-
Change in cash and cash equivalents	-	24.2	-	- 41.7

Trading

€ million	Q2 2004	Q2 2003	H1 2004	Trading H1 2003
Cash inflow/outflow from operating activities	3.2	32.5	- 18.4	36.8
Cash outflow from investing activities	- 0.7	- 1.9	- 1.7	- 2.4
Cash inflow/outflow from financing activities	- 2.3	- 19.8	20.8	- 28.4
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	- 0.1	- 0.3	-	- 4.3
Change in cash and cash equivalents	0.1	10.5	0.7	1.7

Specialist logistics

€ million	Q2 2004	Q2 2003	H1 2004	Specialist logistics H1 2003
Cash inflow from operating activities	43.3	68.8	52.1	87.3
Cash inflow/outflow from investing activities	109.4	- 21.1	94.8	- 42.3
Cash outflow from financing activities	- 152.1	- 32.9	- 154.8	- 37.6
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	- 2.3	- 0.1	- 2.5	- 0.2
Change in cash and cash equivalents	- 1.7	14.7	- 10.4	7.2

Notes on the consolidated profit and loss statement

Source markets Northern Europe and Central Europe benefited from an increase in momentum in the operating business year-on-year. As a result, turnover in particular as well as cost of materials and cost of purchased services rose year-on-year in the Northern Europe source market. Opposing effects mainly resulted from changes in the group of consolidated companies in the previous year. Both turnover, cost of materials and purchased services as well as other expenses declined year-on-year as the companies of the Preussag Energie Group, the AMC Group and Pracht Spedition + Logistik GmbH were no longer included in consolidation in the period under review. Moreover, the companies of the bulk and special logistics business unit (UB II) of VTG AG were only included in consolidation on a pro rata temporis basis until the respective divestment date in the current financial year.

Other income stated in the previous year's corresponding interim report included one-off income from the divestment of the indirect shareholding in Ruhrgas AG.

The decline in expenses for scheduled depreciation/amortisation was primarily attributable to the fact that scheduled amortisation of goodwill has no longer been effected since 1 January 2004 (previous year: € 148.8 million).

The financial result declined year-on-year due to the increase in interest expenses resulting from the refinancing of current and medium-term financial debt by longer-term components. In addition, the financial result for the current year was essentially impacted by one-off expenses of around € 32 million, primarily resulting from the reversal of the hedging relationship of interest derivatives used as cash flow hedges, hitherto taken directly to equity in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. This reversal of the hedging relationship had been required due to the ongoing reduction in borrowings and the refinancing of current and medium-term financial debt by means of long-term fixed-interest bearing debt components.

Overall, the earnings situation is characterised by the seasonal nature of the tourism business. Due to the business cycles, the profit contributions of the tourism division are mainly made in the second and third quarter of any one year.

In the first half of the 2004 financial year, Group earnings included net unusual income totalling around € 39 million. Unusual income of around

€ 49 million was reported as earnings from discontinuing operations and resulted from the divestment of Pracht Spedition + Logistik GmbH and the bulk and special logistics business unit (UB II) of VTG AG as well as provisioning no longer required due to the divestment of the Preussag Energie Group. Unusual expenses of around € 10 million related to provisions for divestments already effected in the past.

Earnings in the previous year's reference period included net unusual income of around € 849 million. This amount included € 669 million carried as income from discontinuing operations, mainly resulting from the divestment of the Preussag Energie Group. Around € 200 million related to the divestment of the indirect shareholding in Ruhrgas AG, effected as an independent transaction alongside the divestment of the Preussag Energie Group.

Notes on the consolidated balance sheet

In comparison with 31 December 2003, goodwill rose mainly as a result of changes in exchange rate parities of the goodwill recognised in the functional currencies of the respective subsidiaries, in particular against British pound sterling. In addition goodwill increased due to the finalization of the complete takeover of the TUI Suisse Group in the first quarter of the current financial year and the multistage acquisition of a company in the rail logistics sector.

The increase in inventories and trade accounts receivable compared with 31 December 2003 was primarily related to the tourism division. Inventories were affected by the advance payments for tourism services, mainly for the 2004 summer season, which are customary in the industry. The increase in other liabilities was also mainly attributable to the increase in advance payments received for tourism services.

The reduction in financial liabilities was affected by the Group's divestment programme which brought Group debt further down. However, the payment of the dividend for the 2003 financial year had an opposite effect.

In the first half of 2004, the TUI Group restructured its refinancing mainly by means of new non-current refinancing measures. A 3-year borrower's note loan totalling € 120 million, a 7-year bond totalling € 625 million and a 5-year bond totalling € 400 million were issued in the capital market. In addition a multi-year syndicated bank facility of € 600 million was signed. On the other hand, the 1999 convertible bond of € 550 million, a syndicated bank loan of € 800 million and bilateral dues to banks were redeemed.

Changes in equity

Net equity changed only slightly compared with 31 December 2003. Apart from consolidated earnings, equity was adversely impacted by the dividend of € 137.4 million to be paid out for the 2003 financial year, as resolved by the Annual General Meeting of TUI AG on 18 May 2003.

Changes in exchange rates – above all against the British pound sterling – taken directly to equity had a positive effect on equity.

Negative goodwill was derecognised with a corresponding adjustment to the opening balance as per 1 January 2004 of revenue reserves.

By means of a resolution adopted at the Annual General Meeting of TUI AG on 18 June 2004, conditional capital was increased by € 70.0 million to a total of € 199.0 million as against the last balance sheet date.

Contingent liabilities

As per 30 June 2004, the TUI Group recorded contingent liabilities of around € 593 million (31 December 2003: around € 676 million). The decline in contingent liabilities in the first half of the 2004 financial year was primarily attributable to the ongoing scheduled reduction in guarantees and warranties in connection with the former activities in the plant engineering and shipbuilding sectors.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 349.7 million to € 698.2 million.

At € 826.3 million, the inflow of cash from operating activities dropped by € 56.6 million year-on-year. This was due to the fact that divested companies were only included in consolidation on a pro rata temporis basis both for the current and previous financial year. A year-on-year comparison of figures is therefore only of limited use .

The outflow of cash from investing activities totalled € 16.3 million. The previous year's high cash inflow was essentially attributable to the divestment of the Preussag Energie Group.

Cash and cash equivalents declined by € 469.7 million from the cash outflow from financing activities. This was due to the redemption of financial liabilities – in particular from current operations – and the interest paid.

Changes in cash and cash equivalents due to exchange rate fluctuations and other changes in value caused a cash inflow of € 9.4 million.

Segment data

Third party turnover by divisions

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Variance
Tourism	3,302.8	3,234.9	5,634.8	5,456.9	+ 177.9
Logistics ¹⁾	864.4	953.3	1,765.8	1,852.6	- 86.8
Energy ²⁾	0.0	63.4	0.0	176.9	- 176.9
Trading ²⁾	251.5	683.7	450.9	1,151.2	- 700.3
Others / Consolidation	118.9	108.7	201.8	179.9	+ 21.9
Total	4,537.6	5,044.0	8,053.3	8,817.5	- 764.2

¹⁾ The logistics division includes the discontinuing operation specialist logistics.

²⁾ Discontinuing operation

Results by divisions (EBTA)

€ million	Q2 2004	Q2 2003	H1 2004	H1 2003	Variance
Tourism	100	53	- 85	- 199	+ 114
Logistics ¹⁾	72	68	106	103	+ 3
Energy ²⁾	0	- 21	0	19	- 19
Trading ²⁾	39	0	64	2	+ 62
Discontinuing operations ³⁾	31	669	49	669	- 620
of which logistics	1	0	19	0	+ 19
of which energy	30	769	30	769	- 739
of which provisions, among other things trading	0	- 100	0	- 100	+ 100
Others / Consolidation	- 109	- 149	- 210	- 62	- 148
Total	133	620	- 76	532	- 608

¹⁾ The logistics division includes the discontinuing operation specialist logistics.

²⁾ Discontinuing operation – result of operations

³⁾ Discontinuing operation – result from the discontinuance of operations

EBTA result includes financial result as follows: Tourism division in H1/2004 € 7 million (€ 6 million in H1/2003), Logistics division € - 4 million in H1/2004 (€ - 8 million in H1/2003), Energy division € 0 million in H1/2004 (€ - 1 million in H1/2003), Trading division € - 4 million in H1/2004 (€ - 1 million in H1/2003) and Others/Consolidation division € - 129 million H1/2004 (€ - 53 million in H1/2003).

EBTA result includes result from companies at equity as follows: Tourism division in H1/2004 € 12 million (€ 12 million in H1/2003), Logistics division € 1 million in H1/2004 (€ 1 million in H1/2003), Trading division € 1 million in H1/2004 (€ 0 million in H1/2003) and Others/Consolidation division € 2 million H1/2004 (€ 0 million in H1/2003).

EBTA result excludes amortisation and impairment of goodwill as follows: Tourism division in H1/2004 € 0 million (€ 144 million in H1/2003), Logistics division € 0 million in H1/2004 (€ 2 million in H1/2003) and Others/Consolidation division € 0 million H1/2004 (€ 1 million in H1/2003).

EBTA result includes financial result as follows: Tourism division in Q2/2004 € 8 million (€ 7 million in Q2/2003), Logistics division € - 2 million in Q2/2004 (€ - 2 million in Q2/2003), Energy division € 0 million in Q2/2004 (€ 0 million in Q2/2003), Trading division € - 1 million in Q2/2004 (€ - 1 million in Q2/2003) and Others/Consolidation division € - 92 million Q2/2004 (€ - 3 million in Q2/2003).

EBTA result includes result from companies at equity as follows: Tourism division in Q2/2004 € 7 million (€ 12 million in Q2/2003), Logistics division € 0 million in Q2/2004 (€ 1 million in Q2/2003), Trading division € 1 million in Q2/2004 (€ 0 million in Q2/2003) and Others/Consolidation division € 1 million Q2/2004 (€ 0 million in Q2/2003).

EBTA result excludes amortisation and impairment of goodwill as follows: Tourism division in Q2/2004 € 0 million (€ 72 million in Q2/2003), Logistics division € 0 million in Q2/2004 (€ 1 million in Q2/2003) and Others/Consolidation division € 0 million Q2/2004 (€ 0 million in Q2/2003).

Future-related statements

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

Financial Calendar 2004/2005

Interim Report January to September 2004	11 November 2004
Annual Press Conference 2005	23 March 2005
Interim Report January to March 2005	11 May 2005 ¹⁾
Annual General Meeting 2005	11 May 2005
Interim Report January to June 2005	11 August 2005 ¹⁾
Interim Report January to September 2005	1 November 2005 ¹⁾

¹⁾ scheduled

Imprint

TUI AG

Karl-Wiechert-Allee 4
D-30625 Hanover

Phone ++49.0511.566-00

Telefax ++49.0511.566-1901

E-Mail investor.relations@tui.com

Internet www.tui.com

The German Version of this report is legally binding. The Company cannot be held responsible for any misunderstandings or misinterpretation arising from this translation. Both versions are available on the web: www.tui.com



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