TUI AG Financial Year 2005

Interim Report 1 January – 30 June 2005

TUI
Aktiengesellschaft

2nd Quarter 2005

TUI continues positive trend

Higher turnover and improved earnings in tourism and shipping

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Economic Situation

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2nd Quarter 2005

→ Good business development in 2nd quarter.
→ Adjusted earnings (EBTA) increased by 25%.
→ Earnings in tourism up by 8.0% year-on-year.
→ Bookings for summer season promising.
→ Booked turnover up 8.2% year-on-year so far.
→ Earnings in shipping improved again.

Economic situation in the 2nd quarter 2005 – Tourism and shipping improved year-on-year.

General economic situation

In the first half of 2005, the upswing of the world economy continued, although it lost some of its momentum in several industrialised countries compared with the growth rates recorded in 2004.

Regional development

Overall, economic activity continued to grow both in the western industrialised countries and in Asia, albeit with regional differences: while the US as well as China and Japan recorded strong economic expansion, the Eurozone did not match the global growth rate and overall failed to reach the growth level expected at the beginning of the year due to the strong increase in oil prices.

Development of the divisions

The tourism division continued last year's positive trend. The overall level of incoming bookings for the 2005 summer season was good, with growth rates varying by region.

Shipping continued last year's good business trend. Transport volumes were higher year-on-year, with freight rates remaining on high level. This development was primarily supported by the sustained economic growth in the US and Asia.

Application of new IFRS standards

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

In terms of the segmentation of turnover and earnings by divisions, the airlines Hapag-Lloyd Express and Thomsonfly previously carried under central operations were reallocated to the tourism division and the recognition of results from divestments in 2004 was restated to match the new structure of the profit and loss statement.

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

Turnover and earnings

Turnover by divisions

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Tourism	**3,492.8**	**3,353.6**	**6,008.5**	**5,712.4**	**+ 5.2**
Central Europe	1,414.8	1,384.7	2,354.4	2,225.4	+ 5.8
Northern Europe	1,229.5	1,220.4	2,124.7	2,068.6	+ 2.7
Western Europe	666.2	590.5	1,197.2	1,097.8	+ 9.1
Destinations	121.1	86.3	210.3	185.5	+ 13.4
Other tourism	61.2	71.7	121.9	135.1	- 9.8
Shipping	**765.4**	**672.4**	**1,434.0**	**1,247.0**	**+ 15.0**
Central operations	**84.0**	**68.1**	**127.9**	**124.2**	**+ 3.0**
Continuing operations	**4,342.2**	**4,094.1**	**7,570.4**	**7,083.6**	**+ 6.9**
Trading	249.6	251.5	495.5	450.9	+ 9.9
Special logistics	109.5	192.0	216.1	518.8	- 58.3
Discontinuing operations	**359.1**	**443.5**	**711.6**	**969.7**	**- 26.6**
Turnover by divisions	**4,701.3**	**4,537.6**	**8,282.0**	**8,053.3**	**+ 2.8**

Earnings by divisions

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Tourism	**94**	**87**	**- 98**	**- 118**	**+ 16.9**
Central Europe	31	36	- 55	- 65	+ 15.4
Northern Europe	33	32	- 73	- 66	- 10.6
Western Europe	- 9	- 8	- 28	- 19	- 47.4
Destinations	38	18	61	26	+ 134.6
Other tourism	1	9	- 3	6	n. m.
Shipping	**85**	**84**	**110**	**106**	**+ 3.8**
Central operations	**- 47**	**- 73**	**- 141**	**- 190**	**+ 25.8**
Continuing operations	**132**	**98**	**- 129**	**- 202**	**+ 36.1**
Trading	9	39	25	64	- 60.9
Special logistics	48	- 6	58	21	n. m.
Divestments	–	30	–	30	–
Discontinuing operations	**57**	**63**	**83**	**115**	**- 27.8**
Earnings by divisions (EBTA)	**189**	**161**	**- 46**	**- 87**	**+ 47.1**

Adjusted earnings by divisions

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Earnings by divisions (EBTA)	**189**	**161**	**- 46**	**- 87**	**+ 47.1**
Unusual expenses and income	+ 37	+ 21	+ 37	+ 39	- 5.1
Revaluation of conversion options	+ 12	+ 28	- 15	- 11	- 36.4
Adjusted EBTA	**140**	**112**	**- 68**	**- 115**	**+ 40.9**

Turnover by divisions

Continuing operations

In accordance with IFRS 5, consolidated turnover represented the turnover of the TUI Group's continuing operations: tourism, shipping and central operations. At € 4.34 billion (previous year: € 4.09 billion), it was 6.1% up year-on-year in the second quarter of 2005. In the first half of 2005, Group turnover totalled € 7.57 billion (previous year: € 7.08 billion), an increase of 6.9%. This growth was attributable to the 5.2% growth in tourism and the 15.0% growth in shipping.

Discontinuing operations

In the second quarter of 2005, the turnover reported for the discontinuing operations (trading, special logistics) totalled € 359 million (previous year: € 444 million), a 19.1% decline year-on-year. Accumulated turnover for the first half of 2005 stood at € 712 million (previous year: € 970 million), down 26.6% year-on-year. Given an increase in turnover of 9.9% in the trading sector, the decline was due to last year's divestments in special logistics.

In total, turnover of the TUI Group's divisions amounted to € 4.70 billion (previous year: € 4.54 billion) in the second quarter of 2005 and to € 8.28 billion (previous year: € 8.05 billion) for the first half of 2005, a year-on-year increase of 3.6% and 2.8%, respectively, which was attributable to the fact that the growth in the continuing operations more than offset the decline in the discontinuing operations.

Earnings by divisions

Continuing operations

In the second quarter of 2005, the continuing operations tourism and shipping as well as central operations reported a 34.7% increase in earnings (before taxes on income and amortisation of goodwill) to € 132 million (previous year: € 98 million). Accumulated earnings for the first half of 2005 totalled € - 129 million (previous year: € - 202 million), a 36.1% improvement year-on-year. This was attributable both to the 16.9% improvement in earnings by tourism and the 3.8% earnings increase in shipping but also the cost reductions achieved by central operations, resulting in a 25.8% improvement in earnings by this sector year-on-year.

Discontinuing operations

In the second quarter of 2005, trading and special logistics, the discontinuing operations, recorded a drop in earnings (before taxes on income and amortisation of goodwill) to € 57 million (previous year: € 63 million, incl. divestments). Total earnings by these operations in the first half of 2005 amounted to € 83 million (previous year: € 115 million, incl. divestments), a decline of 27.8%. This was primarily due to a decrease in earnings in the trading sector which continued to record a good business trend but did not reproduce last year's record profit, which had benefited from an extraordinary market development. In connection with the divestment of entities in the special logistics sector, unusual income from the reversal of provisions no longer required arose alongside the results from current business activities.

Overall, earnings by the TUI Group's divisions (before taxes on income and amortisation of goodwill) climbed by 17.4% to € 189 million (previous year: € 161 million) in the second quarter of 2005. For the first half of 2005, earnings by divisions improved by 47.1% to € - 46 million (previous year: € - 87 million).

Adjusted earnings

In the second quarter of 2005, earnings by divisions adjusted for unusual expenses and income and the revaluation of conversion options from the convertible bond issued in 2003, stipulated by IAS 39 in conjunction with IAS 32, totalled € 140 million (previous year: € 112 million), up 25.0% year-on-year. For the first half of 2005, they stood at € - 68 million (previous year: € - 115 million), an improvement of 40.9% year-on-year. In the first quarter of 2005, no unusual expenses and income had to be accounted for, while the second quarter of 2005 saw the generation of unusual income in connection with the divestment of entities in the special logistics sector. In the first half of 2004, divestments in the special logistics sector and the settlement of divestments in the former energy sector and other former Group companies had generated net unusual expenses and income of € + 39 million.

Development of the divisions

Tourism

Key figures tourism

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	3,492.8	3,353.6	6,008.5	5,712.4	+ 5.2
Earnings by division (EBTA)	94	87	- 98	- 118	+ 16.9
EBITDA[1]	180	150	78	33	n. m.
Capital expenditure	133.4	103.6	250.3	212.7	+ 17.7
Employees (30 June)	–	–	57,808	56,919	+ 1.6

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

In the second quarter of 2005, the overall performance of the tourism division was better than last year. Customer numbers grew by 8.5%, with turnover up 4.2% and earnings up 8.0% year-on-year. In the first half of 2005, customer numbers rose by 10.0%. Turnover was up by 5.2% and earnings improved by 16.9%.

Since the beginning of the 2005 financial year, the figures for the tourism division have included the airlines Hapag-Lloyd Express (HLX) and Thomsonfly, previously carried under central operations. In order to enhance comparability, both turnover and earnings for the 2004 financial year were restated to reflect the reallocation of these figures to the Central Europe sector (HLX) and the Northern Europe sector (Thomsonfly). The resulting variation amounted to € 51 million for the second quarter and € 78 million for the first half of 2004 in terms of turnover. The restatement of earnings amounted to € - 13 million for the second quarter and € - 33 million for the first half of 2004.

Turnover tourism

In the second quarter of 2005, 5.76 million customers (previous year: 5.31 million) purchased tourism products of the TUI Group. The total number of customers rose to 9.55 million (previous year: 8.68 million) in the first half of 2005, up 10.0%. Turnover in the tourism division grew by 4.2% to € 3.49 billion (previous year: € 3.35 billion) in the second quarter of 2005. Accumulated turnover for the first half of 2005 totalled € 6.01 billion (previous year: € 5.71 billion), an increase of 5.2% year-on-year.

The Central Europe, Northern Europe and Western Europe sectors and the destinations sector recorded an increase in turnover both for the second quarter of 2005 and for the first half of 2005, with growth rates showing regional variations. In the Central Europe sector, the turnover growth of 2.2% in the second quarter of 2005 and 5.8% in the first half of 2005 primarily resulted from an increase in turnover in Germany. In the Northern Europe sector, the development of business in the UK contributed primarily to turnover growth, accounting for 0.7% in the second quarter of 2005 and 2.7% in the first half of 2005. Turnover in the Western Europe sector rose by 12.8% in the second quarter of 2005 and by 9.1% in the first half of 2005, mainly driven by an increase in turnover in France and the Netherlands.

Earnings tourism

At € 94 million (previous year: € 87 million), earnings by the tourism division rose by 8.0% year-on-year in the second quarter of 2005. They improved by 16.9% to € - 98 million (previous year: € - 118 million) in the first half of 2005. The earnings growth in the second quarter of 2005 was primarily driven by the destinations sector. Accumulated earnings for the first half of 2005 improved year-on-year in the Central

Europe and destinations sector. In the Northern Europe and Western Europe sectors, earnings matched last year's levels in the second quarter of 2005 and decreased on last year's levels in the first half of 2005. In both sectors, this resulted mainly from the first-time full year consolidation of the Thomsonfly and TUI Airlines Belgium airlines, which only started their flight operations in the second quarter of 2004.

Tourism – Central Europe

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	1,414.8	1,384.7	2,354.4	2,225.4	+ 5.8
Earnings by division (EBTA)	31	36	- 55	- 65	+ 15.4
EBITDA[1]	43	43	- 29	- 35	+ 17.1
Capital expenditure	14.3	10.5	62.3	56.0	+ 11.3
Employees (30 June)	–	–	9,639	9,491	+ 1.6

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

Turnover Central Europe

In the Central Europe sector (source markets Germany, Austria, Switzerland, and airlines Hapag-Lloyd Flug and Hapag-Lloyd Express), the number of customers climbed by 11.1% to 2.67 million (previous year: 2.41 million). Accumulated customer numbers for the first half of 2005 totalled 4.40 million (previous year: 3.91 million), up 12.6%. Turnover grew by 2.2% to € 1.41 billion (previous year: € 1.38 billion) in the second quarter of 2005. Total turnover in the first half of 2005 rose by 5.8% to € 2.35 billion (previous year: € 2.23 billion). This was primarily attributable to the development of business in Germany.

Earnings Central Europe

At € 31 million (previous year: € 36 million), earnings by the sector in the second quarter of 2005 declined year-on-year. This was caused by a shift in the tour operation business due to this year's early Easter break, already at the end of March, and the impact of the expansion of the seat-only business by Hapag-Lloyd Flug (e.g. the related marketing costs). This was largely offset by income from sale-and-lease-back contracts for four aircraft, reducing future operating costs and increasing flexibility in connection with the fleet replacement scheduled for the year 2006. In the first half of 2005, earnings by the Central Europe sector improved by 15.4% to € - 55 million (previous year: € - 65 million).

Customers Central Europe

'000	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Germany[1]	2,385	2,109	4,005	3,525	+ 13.6
Switzerland	57	58	110	87	+ 26.5
Austria	231	239	288	298	- 3.1
Central Europe[1]	**2,673**	**2,406**	**4,403**	**3,910**	**+ 12.6**

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

Germany

In Germany, the travel market continued to show a positive trend in the second quarter of 2005. This benefited TUI's operations, helping them to increase their customer numbers by 13.0% to 2.39 million (previous year: 2.10 million) year-on-year. The strongest relative growth was recorded by tour operators offering tours in the budget and direct sales segments as well as in the seat-only business. In terms of destinations, bookings rose in particular for tours to Turkey and Northern Africa. In contrast, bookings of tours to Egypt and land-based destinations declined.

Flight operations

In flight operations, Hapag-Lloyd Flug operates 36 aircraft for the summer season. In the second quarter of 2005, the number of seat kilometres offered was 5.5 billion (previous year: 5.3 billion), up on last year. At just under 84% (previous year: 83%), the seat load factor increased year-on-year. In the summer season, Hapag-Lloyd Express (HLX) operates 15 aircraft and offered just under 1.2 billion seat kilometres (previous year: 0.9 billion) in the second quarter of 2005. At 77%, the seat load factor nearly matched last year's level (previous year: 78%). HLX closed the second quarter of 2005 at slightly positive earnings.

Switzerland

Switzerland reported a 2.5% decline in customer numbers to 57 thousand customers (previous year: 58 thousand) in the second quarter of 2005. While both the medium-haul package tour offerings of the Imholz brand and the FlexTravel long-haul products developed well, direct tour operator Vögele Reisen recorded a decline in the long-haul business.

Austria

In Austria, customer numbers in the second quarter of 2005 fell 2.9% short of last year's level at 231 thousand (previous year: 239 thousand). The growth generated by the 1-2-Fly brand did not offset the decline in bookings recorded by other brands.

Tourism – Northern Europe

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	1,229.5	1,220.4	2,124.7	2,068.6	+ 2.7
Earnings by division (EBTA)	33	32	- 73	- 66	- 10.6
EBITDA[1]	56	55	- 23	- 17	- 35.3
Capital expenditure	13.0	27.5	31.8	44.6	- 28.7
Employees (30 June)	–	–	17,202	18,962	- 9.3

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

Turnover Northern Europe

In the Northern Europe sector (source markets UK, Ireland, Nordic countries as well as airlines Britannia Airways UK, Britannia Airways Nordic and Thomsonfly), the number of customers rose by 3.8% to 1.95 million (previous year: 1.88 million) in the second quarter of 2005. In the first half of 2005, 3.13 million (previous year: 2.97 million) customers travelled with tour operators of the sector, an increase of 5.5%. Turnover grew by 0.7% to € 1.23 billion (previous year: € 1.22 billion) in the second quarter of 2005. This was mainly attributable to growth in the business in the UK. For the first half of 2005, the sector reported turnover of € 2.12 billion (previous year: € 2.07 billion).

Earnings Northern Europe

At € 33 million (previous year: € 32 million), earnings by the sector were slightly higher than last year. In the first half of 2005, earnings totalled € - 73 million (previous year: € - 66 million). The decline of 10.6% mainly resulted from the first-time full year consolidation of Thomsonfly in this sector. In 2004, Thomsonfly had only started operation in the second quarter and reported negative earnings in the first half of 2005, both for seasonal reasons but also due to the start-up costs for its flight operations from the new departure airports Bournemouth und Doncaster. Earnings in the UK (excl. Thomsonfly) and the Nordic countries rose year-on-year in both regions in the first half of 2005.

Customers Northern Europe

'000	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
UK	1,542	1,426	2,438	2,207	+ 10.5
Ireland	116	126	142	152	- 6.3
Nordic countries	296	330	554	611	- 9.4
Northern Europe	**1,954**	**1,882**	**3,134**	**2,970**	**+ 5.5**

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

UK

The UK saw a steady development of business in the second quarter of 2005. TUI UK's tour operators consolidated their leading market position in the second quarter of 2005. At 1.54 million customers (previous year: 1.43 million), the number of customers grew by 8.1%. The demand for 2005 summer brochure tours rose due to new destinations such as Croatia and Egypt but also an expansion of long-haul tour and cruise offerings. Earnings were positively affected by the increase in average prices year-on-year. Distribution in the UK recorded the fastest growth in web-induced sales.

Flight operations

In flight operations, Britannia Airways UK operates 34 aircraft for its charter operations in the 2005 summer season. At 6.4 billion (previous year: 6.3 billion), the number of seat kilometres on offer in the second quarter of 2005 grew year-on-year. At 89% (previous year: 88%), the seat load factor exceeded the already high level achieved last year. In the low-cost scheduled flight segment, Thomsonfly operated nine aircraft in the second quarter of 2005, offering a total of 0.7 billion seat kilometres (previous year: 0.3 billion). The seat load factor accounted for 70%.

Ireland

In Ireland, bookings for the 2005 summer season showed a satisfactory trend. Although customer numbers dropped year-on-year to 116 thousand (previous year: 126 thousand) in the second quarter of 2005 since departures from Belfast were no longer offered in Northern Ireland for market-related reasons, the restructuring of the distribution system and the marketing measures initiated in the Republic of Ireland stimulated demand for tours by Budget Travel.

Nordic countries

The Nordic countries recorded an overall satisfactory business trend in the second quarter of 2005. The number of customers declined to 296 thousand (previous year: 330 thousand), not least due to the aftermath of the tsunamis in Asia. The volume of the 2005 summer brochure was adjusted to market development, with higher average prices for booked tour operator tours and the cost-containment measures implemented in previous years positively affecting the earnings situation.

Britannia Airways Nordic

Britannia Airways Nordic operates four aircraft in the 2005 summer season. In the second quarter of 2005, it offered 0.7 billion (previous year: 1.0 billion) seat kilometres and achieved a seat load factor of 90% (previous year: 91%).

Tourism – Western Europe

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	666.2	590.5	1,197.2	1,097.8	+ 9.1
Earnings by division (EBTA)	- 9	- 8	- 28	- 19	- 47.4
EBITDA[1]	5	2	- 4	- 2	- 100.0
Capital expenditure	72.5	10.9	95.8	17.2	n. m.
Employees (30 June)	–	–	6,894	6,622	+ 4.1

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

Turnover Western Europe

In the Western Europe sector (source markets France, the Netherlands, Belgium as well as airlines Corsair, TUI Airlines Nederland and TUI Airlines Belgium), the number of customers rose by 10.8% to 1.14 million (previous year: 1.03 million) in the second quarter of 2005. In the first half of 2005, a total of 2.01 million (previous year: 1.80 million) customers travelled with tour operators of the sector, an increase of 11.8% year-on-year. The three source markets varied in terms of their contribution to this growth. Turnover in the second quarter of 2005 grew by 12.8% to € 666 million (previous year: € 591 million) in the second quarter of 2005. In the first half of 2005, the sector posted turnover of € 1.20 billion (previous year: € 1.10 billion), up 9.1% year-on-year. This mainly resulted from an increase in turnover in France and the Netherlands.

Earnings Western Europe

At € - 9 million (previous year: € - 8 million), earnings by the sector matched last year's level in the second quarter of 2005. Accumulated earnings for the first half of 2005 totalled € - 28 million (previous year: € - 19 million). The tour operation business showed regional variations in earnings. While France recorded largely steady earnings, the Netherlands achieved an increase in earnings with Belgium reporting a drop in earnings below last year's levels. This year-on-year development of earnings in the Western Europe sector was attributable to the level of earnings in flight operations in the first half of 2005. On the one hand, expenses were incurred in connection with the renewal of Corsair's fleet of Boeing 747s and the start-up costs related to the launch of flight operations by TUI Airlines Nederland in April 2005. Another factor still impacting earnings for the first half of 2005 was the full year consolidation of TUI Airlines Belgium, which had only started its flight operations in the second quarter of 2004.

Customers Western Europe

'000	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
France	429	368	841	718	+ 17.0
Netherlands	340	318	569	548	+ 3.8
Belgium	367	339	600	532	+ 12.9
Western Europe	**1,136**	**1,025**	**2,010**	**1,798**	**+ 11.8**

France

In France, the promising booking trend for tours in the summer season continued. Customer numbers rose by 16.4% to 429 thousand (previous year: 368 thousand) in the second quarter of 2005. Tour operator Nouvelles Frontières continued to record brisk business. A positive earnings effect was caused by the sale of accommodation facilities hitherto managed by the company itself in connection with ski tour offerings. TUI France recorded an upward trend both in its market position and in customer numbers. The most popular destinations included in particular Morocco and Tunisia.

Corsair

Corsair operates a total of eleven aircraft in the 2005 summer season. In the second quarter of 2005, seat kilometres on offer totalled 3.49 billion (previous year: 3.20 billion), with a seat load factor of 81% (previous year: 82%), matching last year's level. In the framework of the replacement of its fleet of Boeing 747s, the second Boeing 747-400 was commissioned in May. A further four aircraft are scheduled for replacement in the course of the 2005 financial year.

Netherlands

In the Netherlands, tour operators managed to expand their business in a weak market both in the medium-haul and long-haul segments. Customer numbers rose by 6.9% to 340 thousand (previous year: 318 thousand) in the second quarter of

2005. The excursion business with canal boats in Amsterdam was sold in the second quarter of 2005.

TUI Airlines Nederland

The newly established airline TUI Airlines Nederland, which started operation on 21 April 2005 under the Arkefly brand, already achieved a seat load factor of 83% within the first three months of operation. TUI Airlines Nederland operates four leased Boeing 767-300s in the 2005 summer season and flies both on medium-haul and long-haul routes.

Belgium

In Belgium, the trend recorded in the first quarter continued. Customer numbers increased by 8.4% to 367 thousand (previous year: 339 thousand) in the second quarter of 2005. Demand was particularly strong for city tours. In terms of air tours, the medium-haul destinations around the eastern Mediterranean and in northern Africa were particularly well booked. Bookings of long-haul destinations, in contrast, declined slightly.

TUI Airlines Belgium

TUI Airlines Belgium, which started operation on 1 April 2004, operates a total of seven aircraft on medium- and long-haul routes in the 2005 summer season. In the second quarter of 2005, seat kilometres on offer totalled 1.20 billion (previous year: 0.86 billion), with a seat load factor of 90% (previous year: 91%).

Tourism – Destinations

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	121.1	86.3	210.3	185.5	+ 13.4
Earnings by division (EBTA)	38	18	61	26	+ 134.6
EBITDA[1]	63	29	114	56	+ 103.6
Capital expenditure	28.8	41.4	50.2	73.2	- 31.4
Employees (30 June)	–	–	19,533	17,148	+ 13.9

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

Turnover destinations

The destinations sector (incoming agencies and hotel companies) generated turnover of € 121 million (previous year: € 86 million) in the second quarter of 2005. In the first half of 2005, turnover grew to € 210 million (previous year: € 186 million), an increase of 13.4% year-on-year. A decline in turnover due to the divestment of the Anfi Group in June 2004 was more than offset by the first-time full consolidation of the Toufag Group (three Spanish Robinson Clubs) and growth in the hotel companies' direct marketing business.

Earnings destinations

Earnings by the sector increased substantially to € 38 million (previous year: € 18 million) in the second quarter of 2005. Accumulated earnings for the first half of 2005 also rose strongly to € 61 million (previous year: € 26 million). This was mainly due to an increase in the operating result of the hotel companies and the first-time full year consolidation of a Turkish hotel company as well as the first-time consolidation of the Toufag Group (three Spanish Robinson Clubs).

Incoming agencies

In the second quarter of 2005, consolidated and associated incoming agencies catered for 3.32 million (previous year: 3.26 million) guests, an increase of 2.1% year-on-year. Business trends varied in individual regions. While TUI España benefited from an increase in the number of customers travelling to Spain, the number of guests catered for by TUI Portugal declined slightly year-on-year. TUI Hellas achieved last year's business volume. Travco recorded a decline in the number of guests, reflecting the weakening in demand for tours to Egypt. Tantur offered its incoming services for the 2005 summer season under the TUI Türkiye brand name and reported growth of its business.

Hotel companies

Hotel companies recorded a year-on-year increase in their performance in the second quarter of 2005. Occupancy rates were good in RIU hotels in Spain and were very good in hotels in the long-haul destinations in the Caribbean and Florida. Iberotels in Egypt saw a slight decline in occupancy rates, following last year's extraordinarily good level. Robinson recorded a slight increase in occupancy rates year-on-year. Grupotel in the Balearic Islands, the Magic Life clubs and the Dorf-hotel did not fully match last year's occupancy rates. Grecotel, in contrast, achieved higher occupancy rates.

Tourism – Other tourism

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	61.2	71.7	121.9	135.1	- 9.8
Earnings by division (EBTA)	1	9	- 3	6	n. m.
EBITDA[1)]	13	21	20	31	- 35.5
Capital expenditure	4.8	13.3	10.2	21.7	- 53.0
Employees (30 June)	–	–	4,540	4,696	- 3.3

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

At € 61 million (previous year: € 72 million), the Other tourism sector (business travel and IT service providers) recorded a year-on-year drop in turnover. As a result, accumulated turnover for the first half of 2005 also fell short of last year's level at € 122 million (previous year: € 135 million), a decline by 9.8% year-on-year. At € 1 million (previous year: € 9 million) earnings by the sector also dropped below last year's level in the second quarter of 2005. Accumulated earnings for the first half of 2005 totalled € - 3 million (previous year: € 6 million).

Shipping

Key figures shipping

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	765.4	672.4	1,434.0	1,247.0	+ 15.0
Earnings by division (EBTA)	85	84	110	106	+ 3.8
EBITDA[1)]	116	115	170	162	+ 4.9
Capital expenditure	44.8	20.5	165.9	23.9	n. m.
Employees (30 June)	–	–	4,038	3,898	+ 3.6

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

In the second quarter of 2005, the shipping division continued its positive trend despite considerable cost increases, above all in the cost of bunker oil and charter rates for short-term contracts. Transport volumes rose by 5%, turnover was 13.8% higher, and earnings increased by 1.2% year-on-year.

Following the completion of the concentration of logistics on shipping in the course of 2004 and the related company restructuring as at the end of the first half of 2004, earnings by the division had to be adjusted in order to enhance comparability with the new structure. This resulted in a difference of € + 5 million for the second quarter of 2004 and € + 2 million for the first half of 2004, carried under central operations.

Turnover shipping

The shipping division (Hapag-Lloyd Container Linie and Hapag-Lloyd Kreuzfahrten) increased its turnover by 13.8% to € 765 million (previous year: € 672 million) in the second quarter of 2005. This growth was almost exclusively attributable to turnover growth in container shipping, resulting both from a 5% increase in transport volumes to 655 thousand standard containers (TEU) (previous year: 625 thousand TEU) and the 11% increase in freight rates to 1,327 $/TEU. Accumulated turnover for the first half of 2005 totalled € 1.43 billion (previous year: € 1.25 billion), up 15.0% year-on-year. Transport volumes rose by just over 8% to 1.27 million TEU (previous year: 1.17 million TEU) in that period. Average freight rates improved by 11% to 1,323 $/TEU (previous year: 1,188 $/TEU) in the first half of 2005.

Earnings shipping

At € 85 million (previous year: € 84 million), earnings by the division rose slightly year-on-year. In the first half of 2005, it grew by 3.8% year-on-year to € 110 million (previous year: € 106 million). This improvement mainly resulted from the container shipping business, which recorded an increase in turnover, on the one hand, but also a year-on-year increase in charter rates, in particular for short-term contracts, as well as oil price-induced increases in bunker costs, on the other. Earnings were additionally impacted by the year-on-year weakening of the US dollar exchange rate against the euro. Currency hedges were entered into in order to counteract these currency effects.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Far East	266	261	523	490	+ 6.7
Trans-Pacific	171	159	330	298	+ 10.7
North Atlantic	171	160	331	303	+ 9.2
South America	47	45	88	83	+ 6.0
Total	**655**	**625**	**1,272**	**1,174**	**+ 8.3**

Hapag-Lloyd Container Linie

In the Far East trade lanes, Hapag-Lloyd Container Linie recorded another year-on-year increase in transport volumes and freight rates in the second quarter of 2005. However, these positive effects were compensated for by cost increases and the year-on-year weakening of the US dollar exchange rate against the euro. Transport volumes rose by 2% to a total of 266 thousand TEU.

In the Trans-Pacific trade lanes, transport volumes totalled 171 thousand TEU, an increase of just under 8% on the last year's level. Here, too, freight rates rose but did not fully compensate for negative effects from an increase in bunker costs and charter rates.

The North Atlantic trade lanes saw a positive development in the second quarter of 2005. Transport volumes totalled 171 thousand TEU, an increase of 7% year-on-year. Freight rates also increased year-on-year, more than offsetting the cost increases so that earnings in these trade lanes were up year-on-year.

In the South America trade lanes, cost increases were almost offset by a 4% increase in transport volumes to 47 thousand TEU and a rise in freight rates year-on-year.

Hapag-Lloyd Kreuzfahrten

In the cruise sector, Hapag-Lloyd Kreuzfahrten benefited from a further increase in bookings in the second quarter of 2005, resulting in a rise in utilisation of shipping capacity. 'Europa', in particular, reported an increase in demand, but 'Hanseatic' and 'Bremen' also reported higher bookings than last year.

Central operations

Segmentation change

Central operations comprised TUI AG's corporate centre functions, the Group's real estate companies and the remaining industrial activities. The airlines Hapag-Lloyd Express and Thomsonfly, previously also carried under central operations, were now recognised in the tourism division. In order to enhance comparability, the figures for the first half of 2004 were restated accordingly. The restatement resulted in a difference of € 51 million in turnover for the second quarter of 2004 and € 78 million in turnover for the first half of 2005. It had a positive effect on earnings, resulting in a difference of € + 13 million for the second quarter of 2004 and € + 33 million for the first half of 2004. Moreover, due to the legal restructuring of the shipping division in 2004, earnings of € - 5 million were allocated to central operations for the second quarter of 2005, with earnings of € - 2 million reallocated to central operations for the first half of 2005.

Earnings central operations

Central operations reported turnover of € 84 million (previous year: € 68 million) in the second quarter of 2005 and € 128 million (previous year: € 124 million) for the first half of 2005. In the second quarter of 2005 earnings by central operations totalled € - 47 million (previous year: € - 73 million). They comprised the costs of central operations, mainly covering the cost of TUI AG's corporate centre functions, of € - 24 million (previous year: € - 27 million), the net interest result of central operations of € - 38 million (previous year: € - 74 million) and other expenses and income of € + 15 million (previous year: € + 28 million).

In the first half of 2005, earnings by central operations totalled € - 141 million (previous year: € - 190 million). They comprised the cost of central operations of € - 61 million (previous year: € - 73 million), the net interest result of central operations of € - 75 million (previous year: € - 110 million) and other expenses and income of € - 5 million (previous year: € - 7 million).

The costs of central operations were almost constant in the second quarter of 2005 and declined overall in the first half of 2005. Net interest improved both in the second quarter of 2005 and in the first half of 2005 on the previous year, a year in which expenses had been incurred for refinancing measures. Other expenses and income mainly related to earnings by other companies and the measurement of assets, including the revaluation of the conversion options from the 2003 convertible bond.

New IFRS standards

On the basis of accounting standard IAS 32 in combination with IAS 39, the conversion options of the convertible bond issued in 2003 must be revalued as at the closing date for every accounting period (cf. also the explanations in the notes). This gave rise to an earnings effect of € + 12 million for the second quarter of 2005 and € - 15 million for the first half of 2005. The corresponding measurement for last year's reference period resulted in an earnings effect of € + 28 million for the second quarter of 2004 and € - 11 million for the first half of 2004, carried in the restatement of earnings by central operations for the corresponding periods in order to facilitate a comparability of figures.

Unusual expenses and income

In the first quarter of 2005, no unusual expenses or income were generated. The unusual income generated in the second quarter of 2005 was due to the settlement of divestments in the special logistics sector. As a result, income of € 37 million was carried in the earnings by this sector. In last year's reference quarter, net unusual income of € 21 million was generated in the second quarter, carried under discontinuing operations (divestments) at an amount of € 30 million and under central operations at an amount of € - 9 million in this interim report due to the new IRFS structuring provisions. This income related to earnings from the settlement of the divestment of the former energy sector and other Group companies in previous years. In the first half of 2004, the accumulated amount was € + 39 million, including an amount of € - 9 million to be allocated to central operations.

Discontinuing operations

Discontinuing operations comprised the trading sector with the US steel service companies of Preussag North America, Inc. (PNA) and the special logistics sector, which in 2005 only included VTG AG with its rail and tank container logistics activities. In addition, lagging expenses and income from the settlement of divestments had to be carried under this item.

Trading

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	249.6	251.5	495.5	450.9	+ 9.9
Earnings by division (EBTA)	9	39	25	64	- 60.9
EBITDA[1]	10	42	27	71	- 62.0
Capital expenditure	1.0	0.7	1.8	1.7	+ 5.9
Employees (30 June)	–	–	1,168	1,144	+ 2.1

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

In the trading sector, the US steel service operations of Preussag North America, Inc. (PNA) closed the second quarter of 2005 at an overall satisfactory performance. Following last year's boom, steel sales totalled around 507 thousand tons (previous year: 514 thousand tons) in the second quarter of 2005, down 1.4% year-on-year. In the first half of 2005, they amounted to 1,007 thousand tons (previous year: 1,025 thousand tons), a decline of 1.8% year-on-year. Turnover also declined slightly in the second quarter of 2005 to € 250 million (previous year: € 252 million), down 0.8%. In the first half of 2005, turnover stood at € 496 million (previous year: € 451 million), an increase of 9.9% year-on-year. Earnings declined by 76.9% year-on-year to € 9 million (previous year: € 39 million) in the second quarter of 2005 since purchasing prices rose significantly year-on-year. As a result, earnings for the first half of 2005 did not reproduce last year's high level at € 25 million (previous year: € 64 million).

Special logistics

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Turnover	109.5	192.0	216.1	518.8	- 58.3
Earnings by division (EBTA)	48	- 6	58	21	n. m.
EBITDA[1]	49	21	61	80	- 23.8
Capital expenditure	7.9	30.2	12.0	49.6	- 75.8
Employees (30 June)	–	–	506	2,179	- 76.8

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

In the framework of the concentration of logistics on shipping, Pracht Spedition + Logistik, the bulk and special logistics sector of VTG AG and the shareholding in Algeco S.A. were divested in 2004. The remaining special logistics sector thus only comprised the rail and tank container logistics operations of VTG AG in 2005. This remaining sector was divested to the French company Compagnie Européenne de Wagons in June 2005, subject to approval by the competent anti-trust authorities.

The transaction is expected to close at the end of September 2005. Due to the structural change in the sector, a year-on-year comparison of figures for the 2005 period under review is impossible.

In the second quarter of 2005, earnings by the special logistics sector comprised the result from current business activities of € 11 million and unusual income in connection with divestments of € 37 million.

Divestments
Due to the application of new IFRS standards in the second quarter of 2004, unusual income from the settlement of the divestment of the former energy sector of € 30 million, previously carried under central operations, was carried under divestments.

Consolidated earnings

Consolidated earnings in the second quarter of 2005 totalled € 137 million (previous year: € 131 million). They comprised earnings by continuing operations (after income tax) of € 105 million (previous year: € 89 million), and earnings by discontinuing operations of € 32 million (previous year: € 42 million).

Consolidated earnings for the first half of 2005 totalled € - 60 million (previous year: € - 42 million). They comprised earnings by continuing operations (after income tax) of € - 107 million (previous year: € - 120 million), and earnings by discontinuing operations of € 47 million (previous year: € 78 million).

Income taxes

Taxes on income, comprising current income taxes and deferred tax expenses, totalled € 27 million (previous year: € 10 million) for the continuing operations in the second quarter of 2005. Earnings by discontinuing operations comprised a tax expense of € 25 million (previous year: € 21 million). Total income taxes amounted to € 52 million (previous year: € 31 million).

Taxes on income totalling € 14 million (previous year: € - 45 million) had to be carried in the first half of 2005. They included an amount of € - 22 million (previous year: € - 82 million) for continuing operations and € 36 million (previous year: € 37 million) for discontinuing operations. The decline in the negative tax position mainly reflected the increase in earnings in the current business.

Depreciation/amortisation

Depreciation/amortisation included depreciation and impairments of other fixed assets and investments, write-ups were deducted. No amortisation or impairments of goodwill were required. For the continuing operations, depreciation/amortisation totalled € 113 million (previous year: € 100 million) in the second quarter of 2005, while earnings of the discontinuing operations did not comprise any depreciation/amortisation. An amount of € 113 million (previous year: € 126 million) was depreciated for the two sectors.

In the first half of 2005, depreciation/amortisation totalled € 230 million (previous year: € 215 million) for the continuing operations and € 0 million (previous year: € 56 million) for the discontinuing operations. Total depreciation/amortisation amounted to € 230 million (previous year: € 271 million).

Net interest

Net interest for the continuing operations totalled € - 45 million (previous year: € - 71 million) in the second quarter of 2005. Earnings by discontinuing operations comprised net interest of € - 3 million (previous year: € - 4 million). The Group's total net interest amounted to € - 48 million (previous year: € - 75 million).

In the first half of 2005, net interest for the continuing operations totalled € - 89 million (previous year: € - 110 million). Earnings by discontinuing operations comprised net interest of € - 6 million (previous year: € - 10 million). The Group's total net interest amounted to € - 95 million (previous year: € - 120 million). This improvement in net interest primarily resulted from the expenses incurred in the previous year in connection with the refinancing measures. Other changes were attributable to the reduction in net debt due to the divestments and the change in average interest rates resulting from the restructuring of the finance structure in 2004.

Operating rental expenses

Operating rental expenses of the continuing operations rose to € 175 million (previous year: € 157 million) in the second quarter of 2005, in particular due to an increase in expenses for short-term charter contracts in the shipping division. Earnings by discontinuing operations included an amount of € 13 million (previous year: € 17 million), a year-on-year decline attributable to the divestments. Total operating rental expenses amounted to € 188 million (previous year: € 174 million).

In the first half of 2005, operating rental expenses totalled € 377 million (previous year: € 360 million). They included an amount of € 351 million (previous year: € 324 million) for continuing operations and € 26 million (previous year: € 36 million) for discontinuing operations.

Group profit for the year

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Group profit for the year	**136.6**	**130.5**	**- 60.3**	**- 41.6**	**- 45.0**
Income taxes	52.1	30.8	13.9	-45.1	n. m.
Earnings before taxes (EBT)	**188.7**	**161.3**	**- 46.4**	**- 86.7**	**+ 46.5**
Depreciation/amortisation	112.7	126.0	230.0	270.9	- 15.1
Earnings before taxes, depreciation and amortisation (EBTDA)	**301.4**	**287.3**	**183.6**	**184.2**	**- 0.3**
Net interest	- 48.3	- 75.4	- 94.9	- 120.4	+ 21.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**349.7**	**362.7**	**278.5**	**304.6**	**- 8.6**
Operating rental expenses	188.3	173.8	377.0	360.3	+ 4.6
Earnings before interest, taxes, depreciation, amortisation and rent (EBITDAR)	**538.0**	**536.5**	**655.5**	**664.9**	**- 1.4**

Earnings per share

		Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Group profit for the year	€ million	**+ 136.6**	**+ 130.5**	**- 60.3**	**- 41.6**	**- 45.0**
Minority interests	€ million	+ 2.8	+ 3.3	+ 6.3	+ 4.9	+ 28.6
Interest attributable to TUI AG shareholders	€ million	**+ 133.8**	**+ 127.2**	**- 66.6**	**- 46.5**	**- 43.2**
Weighted number of shares	(thousand units)	178,757	178,469	178,757	178,469	+ 0.2
Basic earnings per share	€	**+ 0.75**	**+ 0.71**	**- 0.37**	**- 0.26**	**- 42.3**
Diluted earnings per share	€	**+ 0.70**	**+ 0.68**	**- 0.37**	**- 0.26**	**- 42.3**

Minority interests mainly related to shareholdings in hotel companies and, in 2004, the minority shareholders in Algeco S.A. They accounted for € + 2.8 million (previous year: € + 3.3 million) in the second quarter of 2005 and totalled € 6.3 million (previous year: € 4.9 million) in the first half of 2005. The number of shares increased due to the issue of employee shares in October 2004. A dilution effect from the outstanding convertible bond had to be carried for the Group for the second quarter of 2005.

Financial position

The consolidated balance sheet as at 30 June 2005 was restated in accordance with the provisions of IFRS 5. The balance sheet for the 2004 financial year was not restated in order to account for the resulting disclosure and measurement changes. These changes were outlined in detail in the notes on the interim financial statements under the balance sheet items concerned.

Balance sheet

The Group's balance sheet total rose by 13.1% to € 13.9 billion. The development of the individual balance sheet items resulted from disclosure and measurement changes and from changes in the group of consolidated companies as well as the business trend in the period under review. Equity totalled € 3.1 billion, with an equity ratio of 22.2%.

Assets and liabilities

€ million	30 June 2005	31 Dec 2004
Non-current assets	9,792.2	9,758.5
Current assets	4,139.3	2,560.8
Assets	**13,931.5**	**12,319.3**
Equity	3,093.4	2,976.0
Non-current liabilities	4,785.0	4,779.1
Current liabilities	6,053.1	4,564.1
Liabilities	**13,931.5**	**12,319.3**

Financing

At the end of the first half of 2005, net Group debt totalled € 3.0 billion (31 Dec. 2004: € 3.3 billion). It comprised non-current financial liabilities of € 3.3 billion, current financial liabilities of € 0.3 billion, cash and cash equivalents of € 0.8 billion and the financial liabilities of the discontinuing operations of € 0.2 billion. The variations in individual items as against the levels on 31 December 2004 mainly resulted from the seasonal nature of the tourism business and the investments made in the first half of 2005.

Development of cash and cash equivalents

€ million	30 June 2005	30 June 2004	Var. %
Cash and cash equivalents at beginning of period	**481.1**	**348.5**	**+ 38.0**
Cash flow from operating activities	897.1	826.3	+ 8.6
Cash flow from investing activities	- 331.4	- 16.3	n. m.
Cash flow from financing activities	- 294.3	- 469.7	+ 37.3
Other changes in cash and cash equivalents	12.3	9.4	+ 30.9
Cash and cash equivalents at end of period	**764.8**	**698.2**	**+ 9.5**

Additional key figures by segments

Capital expenditure[1]

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Tourism	**133.4**	**103.6**	**250.3**	**212.7**	**+ 17.7**
Central Europe	14.3	10.5	62.3	56.0	+ 11.3
Northern Europe	13.0	27.5	31.8	44.6	- 28.7
Western Europe	72.5	10.9	95.8	17.2	n. m.
Destinations	28.8	41.4	50.2	73.2	- 31.4
Other tourism	4.8	13.3	10.2	21.7	- 53.0
Shipping	**44.8**	**20.5**	**165.9**	**23.9**	**n. m.**
Central operations	**4.7**	**3.0**	**7.4**	**5.2**	**+ 42.3**
Continuing operations	**182.9**	**127.1**	**423.6**	**241.8**	**+ 75.2**
Trading	1.0	0.7	1.8	1.7	+ 5.9
Special logistics	7.9	30.2	12.0	49.6	- 75.8
Discontinuing operations	**8.9**	**30.9**	**13.8**	**51.3**	**- 73.1**
Total	**191.8**	**158.0**	**437.4**	**293.1**	**+ 49.2**

[1] in tangible and intangible assets incl. goodwill

Depreciation/amortisation[1]

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Var. %
Tourism	**84.4**	**75.9**	**172.9**	**163.4**	**+ 5.8**
Central Europe	16.0	15.9	32.8	37.5	- 12.5
Northern Europe	27.4	27.8	55.3	57.2	- 3.3
Western Europe	11.3	8.3	18.8	15.7	+ 19.7
Destinations	19.1	11.4	45.0	29.0	+ 55.2
Other tourism	10.6	12.5	21.0	24.0	- 12.5
Shipping	**24.9**	**22.8**	**49.2**	**45.7**	**+ 7.7**
Central operations	**4.2**	**4.2**	**8.2**	**8.7**	**- 5.7**
Continuing operations	**113.5**	**102.9**	**230.3**	**217.8**	**+ 5.7**
Trading	–	2.1	–	4.1	–
Special logistics	–	23.6	–	51.6	–
Discontinuing operations	**–**	**25.7**	**–**	**55.7**	**–**
Total	**113.5**	**128.6**	**230.3**	**273.5**	**- 15.8**

[1] from tangible and intangible assets incl. goodwill

Employees

	30 June 2005	31 Dec 2004	Var. %
Tourism	**57,808**	**49,872**	**+ 15.9**
Central Europe	9,639	9,330	+ 3.3
Northern Europe	17,202	17,517	- 1.8
Western Europe	6,894	6,617	+ 4.2
Destinations	19,533	11,726	+ 66.6
Other tourism	4,540	4,682	- 3.0
Shipping	**4,038**	**3,976**	**+ 1.6**
Central operations	**2,184**	**2,199**	**- 0.7**
Continuing operations	**64,030**	**56,047**	**+ 14.2**
Trading	1,168	1,167	+ 0.1
Special logistics	506	502	+ 0.8
Discontinuing operations	**1,674**	**1,669**	**+ 0.3**
Total	**65,704**	**57,716**	**+ 13.8**

Prospects

In the first half of 2005, the TUI Group continued the positive trend of the 2004 financial year, achieving an increase in operating results in tourism and shipping, its core businesses. Economic researchers continue to expect the economic environment for the activities of the TUI Group to show an overall favourable trend in the second half of 2005, although individual countries may show weaker economic activity than the overall world economy.

Tourism

According to the trend observed in the tourism division, last year's recovery will continue in the second half of 2005. So far, bookings for the 2005 summer season have – in some cases significantly – exceeded last year's levels in all source markets. At Group level, the year-on-year increase in bookings accounted for 15.7% in customer numbers and 8.2% in booked turnover at the end of July. The stronger relative growth in customer numbers primarily reflects the change in the product mix, in particular due to the first-time inclusion of the airlines Hapag-Lloyd Express and Thomsonfly in the booking numbers for the Central Europe and Northern Europe sectors. Excluding these airlines, the tourism business recorded growth of 5.4% in customer numbers and 6.8% in booked turnover for the 2005 summer season by the end of July.

So far there have been regional variations in growth, with some of the smaller markets in particular recording robust growth. Current booking levels, in particular for the peak holiday season are promising. If this trend continues, the tourism division is expected to achieve year-on-year growth in earnings (EBTA) – potentially in the lower double-digit percentage range – in the 2005 financial year.

Booking numbers

	Winter 2004/2005		Summer 2005	
Year-on-year variation in %	**Turnover**	**Customers**	**Turnover**	**Customers**
Germany	+ 1.6	+ 7.1	+ 7.5	+ 17.5
Switzerland	+ 6.3	+ 12.7	+ 16.1	+ 15.5
Austria	- 4.8	- 7.7	+ 5.6	+ 3.5
Central Europe	**+ 2.8**	**+ 7.6**	**+ 8.3**	**+ 16.5**
UK	+ 10.3	+ 19.9	+ 5.0	+ 22.5
Ireland	+ 0.1	+ 1.8	+ 0.6	+ 2.6
Nordic countries	- 2.9	- 3.0	+ 9.9	+ 1.4
Northern Europe	**+ 6.7**	**+ 13.9**	**+ 5.5**	**+ 18.2**
France	+ 6.9	+ 20.7	+ 10.8	+ 10.4
Netherlands	- 4.5	- 6.5	+ 18.1	+ 10.5
Belgium	+ 5.4	+ 11.7	+ 9.8	+ 9.6
Western Europe	**+ 3.7**	**+ 10.7**	**+ 12.5**	**+ 10.1**
Group	**+ 4.4**	**+ 10.1**	**+ 8.2**	**+ 15.7**

As at 29 April 2005 for winter season, 29 July 2005 for summer season

The positive trends in the tourism business in the years 2004 and 2005 together with generally expected market growth provide every reason to be confident also in the medium term. Although it is not possible to specify earnings (EBTA) for the forthcoming three years in detail, it can be expected against this background, that the tourism division in the medium term will return to sales ratios (EBTA) for levels achieved prior to the contraction phase in tourism.

Shipping

Overall, forecasts for the further trend in container shipping in the 2005 financial year are favourable. Market experts expect an increase in demand for container transport, a trend Hapag-Lloyd has already adapted to by the increase of its capacity – inter alia through the commissioning of new container ships already ordered. Assuming demand continues to be persistently strong, freight rates are expected to remain at a high level. Should these expectations be met and should costs and currency relations between the euro and the US dollar develop favourably, earnings by the shipping division are expected to continue on last year's high level in the 2005 financial year.

In the medium term, growth in container shipping is generally expected to continue to exceed gross national product worldwide. With the new ships already ordered, Hapag-Lloyd has created the basis that will enable the company to participate in this growth and retain its current profitability level in the medium term.

TUI Group

Overall, prospects for the TUI Group's activities in the 2005 financial year are favourable. If the economic framework continues to develop positively, as generally expected, and in the absence of any major disturbances of world politics, it can be expected that the TUI Group will further improve its overall earnings (EBTA) in its continuing operations tourism, shipping and central operations, taken as a whole. As in the previous year, earnings by the discontinuing operations will be essentially determined by the level of the disposal gains from the divestments in the special logistics sector and the business trend in the trading sector, which is expected to generate good earnings again which will, however, fall significantly short of last year's record level. Consequently, non-adjusted earnings by the Group's divisions may fail to match last year's levels due to the high unusual income from divestments generated in 2004 despite the expected improvement of the earnings of the continuing operations.

Corporate Governance

The composition of the Executive Board and Supervisory Board did not change in the course of the second quarter of 2005. The current composition has been published on the Company's website (www.tui.com) where it has been made permanently accessible to the public.

TUI AG
The Executive Board
August 2005

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Interim Financial Statements

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

€ million	Q2 2005	Q2 2004 restated	Restatement	Q2 2004 original
Turnover	4,342.2	4,094.1	- 443.5	4,537.6
Other income	195.7	170.6	- 5.8	176.4
Change in inventories and other own work capitalised	- 13.9	+ 7.0	- 5.1	+ 12.1
Cost of materials and purchased services	3,061.6	2,919.0	- 277.9	3,196.9
Personnel costs	555.2	542.6	- 53.0	595.6
Depreciation and amortisation	113.5	103.3	- 25.7	129.0
Impairment of fixed assets	- 0.5	- 0.4	–	- 0.4
Other expenses	631.1	561.5	- 62.2	623.7
Result from the discontinuance of operations	–	–	- 30.2	+ 30.2
Financial income	19.1	40.2	12.3	27.9
Financial expenses	59.0	95.9	- 19.3	115.2
Earnings from companies measured at equity	+ 8.9	+ 8.6	–	+ 8.6
Earnings before taxes on income	**+ 132.1**	**+ 98.6**	**- 34.2**	**+ 132.8**
Income taxes	+ 27.1	+ 10.1	- 9.8	+ 19.9
Result from continuing operations	**+ 105.0**	**+ 88.5**	**- 24.4**	**–**
Result from discontinuing operations	+ 31.6	+ 42.0	+ 42.0	–
Group profit	**+ 136.6**	**+ 130.5**	**+ 17.6**	**+ 112.9**
Attributable to shareholders of TUI AG	+ 133.8	+ 127.2	+ 17.6	+ 109.6
Attributable to minority interest	+ 2.8	+ 3.3	–	+ 3.3
Group profit for the year	**+ 136.6**	**+ 130.5**	**+ 17.6**	**+ 112.9**

€	Q2 2005	Q2 2004 restated	Restatement	Q2 2004 original
Basic earnings per share	**+ 0.75**	**+ 0.71**	**+ 0.10**	**+ 0.61**
from continuing operations	+ 0.56	+ 0.72	–	–
from discontinuing operations	+ 0.19	- 0.01	–	–
Diluted earnings per share	**+ 0.70**	**+ 0.68**	**+ 0.10**	**+ 0.58**
from continuing operations	+ 0.53	+ 0.68	–	–
from discontinuing operations	+ 0.17	- 0.01	–	–

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

€ million	H1 2005	H1 2004 restated	Restatement	H1 2004 original
Turnover	7,570.4	7,083.6	- 969.7	8,053.3
Other income	349.2	316.7	- 20.9	337.6
Change in inventories and other own work capitalised	- 8.0	+ 16.4	- 7.7	+ 24.1
Cost of materials and purchased services	5,418.8	5,084.0	- 617.2	5,701.2
Personnel costs	1,101.0	1,084.8	- 126.1	1,210.9
Depreciation and amortisation	225.8	217.8	- 55.7	273.5
Impairment of fixed assets	4.5	–	–	–
Other expenses	1,202.8	1,114.8	- 125.9	1,240.7
Result from the discontinuance of operations	–	–	- 48.6	+ 48.6
Financial income	30.2	50.8	- 0,5	51.3
Financial expenses	131.9	181.9	0.9	181.0
Earnings from companies measured at equity	+ 13.9	+ 14.3	- 1.7	+ 16.0
Earnings before taxes on income	**- 129.1**	**- 201.5**	**- 125.1**	**- 76.4**
Income taxes	- 21.7	- 81.6	- 41.0	- 40.6
Result from continuing operations	**- 107.4**	**- 119.9**	**- 84.1**	**–**
Result from discontinuing operations	+ 47.1	+ 78.3	+ 78.3	–
Group profit	**- 60.3**	**- 41.6**	**- 5.8**	**- 35.8**
Attributable to shareholders of TUI AG	- 66.6	- 46.5	- 5.8	- 40.7
Attributable to minority interest	+ 6.3	+ 4.9	–	+ 4.9
Group profit for the year	**- 60.3**	**- 41.6**	**- 5.8**	**- 35.8**

€	H1 2005	H1 2004 restated	Restatement	H1 2004 original
Basic earnings per share	**- 0.37**	**- 0.26**	**- 0.03**	**- 0.23**
from continuing operations	- 0.65	- 0.45	–	–
from discontinuing operations	+ 0.28	+ 0.19	–	–
Diluted earnings per share	**- 0.37**	**- 0.26**	**- 0.03**	**- 0.23**
from continuing operations	- 0.65	- 0.45	–	–
from discontinuing operations	+ 0.25	+ 0.18	–	–

Condensed consolidated balance sheet of the TUI Group

€ million		30 June 2005	31 Dec 2004
Assets			
Goodwill	3,858.6		3,763.8
Other intangible assets	168.5		178.1
Investment property	131.3		140.4
Other property, plant and equipment	4,395.0		4,481.9
Companies measured at equity	314.5		339.5
Other investments	492.7		413.5
Fixed assets		**9,360.6**	**9,317.2**
Other receivables and assets	259.2		208.3
Deferred income tax assets	172.4		233.0
Non-current receivables		**431.6**	**441.3**
Non-current assets		**9,792.2**	**9,758.5**
Inventories		**124.8**	**357.1**
Trade accounts receivable	890.7		687.9
Other receivables and assets	1,426.0		1,013.3
Current income tax assets	36.6		21.4
Current receivables		**2,353.3**	**1,722.6**
Assets classified as held for sale		**896.4**	**–**
Cash and cash equivalents		**764.8**	**481.1**
Current assets		**4,139.3**	**2,560.8**
		13,931.5	**12,319.3**

€ million		30 June 2005	31 Dec 2004
Group equity and liabilities			
Subscribed capital	457.0		457.0
Reserves and accumulated profits	2,387.2		2,281.2
Amounts recognised directly in equity relating to non-current assets held for sale	2.3		–
Equity of shareholders in TUI AG		**2,846.5**	**2,738.2**
Minority interests		**246.9**	**237.8**
Group equity		**3,093.4**	**2,976.0**
Provisions for pensions and similar obligations	610.5		628.0
Deferred and current income tax provisions	379.8		332.1
Other provisions	309.2		340.1
Non-current provisions		**1,299.5**	**1,300.2**
Financial liabilities	3,345.2		3,328.8
Other liabilities	140.3		150.1
Non-current liabilities		**3,485.5**	**3,478.9**
Non-current provisions and liabilities		**4,785.0**	**4,779.1**
Provisions for pensions and similar obligations	31.3		39.7
Current income tax provisions	2.5		23.3
Other provisions	449.9		602.1
Current provisions		**483.7**	**665.1**
Financial liabilities	259.8		402.9
Trade accounts payable	2,180.6		1,844.6
Other liabilities	2,624.8		1,651.6
Current liabilities		**5,065.2**	**3,899.1**
Liabilities from assets classified as held for sale		**504.2**	**–**
Current provisions and liabilities		**6,053.1**	**4,564.2**
		13,931.5	**12,319.3**

Changes in equity

Condensed statement of changes in equity for the period from 1 January to 30 June 2005

€ million	Subscribed capital	Reserves and accumulated profits	Assets classified as held for sale[1]	Equity of shareholders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2005	**457.0**	**2,281.2**	**0.0**	**2,738.2**	**237.8**	**2,976.0**
Dividend payments	**0.0**	**- 134.8**	**0.0**	**- 134.8**	**- 6.9**	**- 141.7**
Changes without effect on net income						
Differences from currency translation	0.0	161.4	2.3	163.7	10.3	174.0
Reserves for change in value of financial instruments	0.0	234.7	0.0	234.7	0.0	234.7
Tax items directly offset against equity	0.0	- 99.5	0.0	- 99.5	0.0	- 99.5
Offsetting difference from the acquisition of minority interests	0.0	- 0.5	0.0	- 0.5	0.0	- 0.5
Effect from business combinations achieved in stages	0.0	11.3	0.0	11.3	0.0	11.3
Changes in consolidation	0.0	0.0	0.0	0.0	- 0.6	- 0.6
Total of changes without effect on net income	**0.0**	**307.4**	**2.3**	**309.7**	**9.7**	**319.4**
Group profit	**0.0**	**- 66.6**	**0.0**	**- 66.6**	**6.3**	**- 60.3**
Balance as at 30 June 2005	**457.0**	**2,387.2**	**2.3**	**2,846.5**	**246.9**	**3,093.4**

[1] The information represents amounts recognised directly in equity relating to non-current assets held for sale

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 shareholders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2004	**456.2**	**2,025.6**	**2,481.8**	**285.1**	**2,766.9**
First-time application of new IFRS	0.0	- 13.5	- 13.5	0.0	- 13.5
Adjusted balance as at 1 January 2004	**456.2**	**2,012.1**	**2,468.3**	**285.1**	**2,753.4**
Dividend payments	**0.0**	**- 137.4**	**- 137.4**	**- 6.4**	**- 143.8**
Changes without effect on net income					
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
Total of changes without effect on net income	**0.0**	**128.4**	**128.4**	**13.0**	**141.4**
Group profit	**0.0**	**- 46.5**	**- 46.5**	**4.9**	**- 41.6**
Balance as at 30 June 2004	**456.2**	**1,956.6**	**2,412.8**	**296.6**	**2,709.4**

Cash flow statement

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

€ million	2005	2004
Cash flow from operating activities	897.1	826.3
Cash flow from investing activities	- 331.4	- 16.3
Cash flow from financing activities	- 294.3	- 469.7
Change in funds with cash effect	**271.4**	**340.3**
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	**12.3**	**9.4**
Cash and cash equivalents at the beginning of the period	**481.1**	**348.5**
Cash and cash equivalents at the end of the period	**764.8**	**698.2**

Notes

Accounting principles

Like the consolidated financial statements for the 2004 financial year, the interim financial statements as at 30 June 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), with the interim financial statements published in a condensed form compared with the consolidated annual financial statements in accordance with IAS 34 'Interim Financial Reporting'. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

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

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

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

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

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

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

In accordance with the revised IAS 32 in combination with IAS 39, the conversion option of the convertible bond issued in October 2003 must no longer be classified as an equity component and carried under equity but has to be recognised as a derivative liability and revalued with an effect on results at every closing date. Other liabilities rose by € 24.5 million, reserves declined by € 14.9 million and income tax provisions dropped by 9.6 million caused by this as at 31 December 2004. In the first half of 2004, the financial result was reduced by € 10.3 million due to the measurement of the conversion option, resulting in deferred tax income of € 4.6 million. The bond component was measured at amortised cost, as before. This is due to the option, to be exercised unilaterally by TUI AG, of being able to deliver cash if a conversion option is exercised and not having to convert into new shares. The classification of the conversion option as a derivative liability does not depend on the likelihood of the form of settlement of the conversion options exercised.

IFRS 2, newly adopted by the IASB, governs the accounting and measurement of share-based payments. In future, the differences between fair values, determined with lock-up periods taken into account, and issuing prices of employee shares will have to be carried as an expense. The presentation of employee shares issued in previous years will not have to be restated. No material restatement of the long-term incentive programme for the Executive Board is required, either.

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

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

With the addition of the changes outlined above, the interim financial statements as at 30 June 2005 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements. The accounting and measurement methods hitherto applied are outlined in detail in the notes on the consolidated financial statements as at 31 December 2004.

Group of consolidated companies

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

The interim financial statements as at 30 June 2005 included a total of 51 domestic and 350 foreign subsidiaries, besides TUI AG.

Since 31 December 2004, four companies were newly included in the group of consolidated companies. With the exception of one company, included in consolidation for the first time due to an expansion of its business operations, all of these companies were consolidated due to acquisitions of shares. All additions of the 2005 financial year related to the tourism division.

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

Acquisitions – divestments

In the framework of a business combination achieved in stages, the remaining 33% of the shares in Touristik Finanz AG were acquired as of 1 January 2005. The company and two additional subsidiaries will be included in consolidation for the first time as the Group has gained the ability to control the companies. The set-off of the interest in equity after revaluation of assets and liabilities of € 23.6 million against the cost of the acquisition of € 11.8 million, taking account of exchange differences, resulted in negative goodwill of around € 12 million, reversed with an effect on results and shown as other income. The revaluation reserve of € 11.3 million, which relates to shares already held, was determined on the basis of the hidden reserves and encumbrances of € 4.9 million already disclosed with the first acquisition step.

In the first half of 2005, the company generated turnover of € 21.7 million and earnings before taxes on income of € - 0.5 million.

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

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

Discontinuing operations

At its meetings of 21 March 2003 and 21 January 2004, the Supervisory Board of TUI AG approved the concept for the realignment of the logistics segment. In the framework of preparing an increasingly detailed formal plan to sell the remaining special logistics activities, this sector was classified as a discontinuing operation as at the beginning of the 2005 financial year in accordance with the newly issued IFRS 5. In the first half of 2005, special logistics only comprised the rail logistics business unit of VTG AG (UB I). In the first half of 2004, special logistics had comprised UB I and the Algeco Group, divested in the course of the 2004 financial year, as well as the bulk and special logistics operations of VTG AG (UB II) until they were divested on 31 March 2004.

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

The divestment of the remaining special logistics activities to the French Compagnie Européenne de Wagons was contractually agreed at the beginning of June. The sale is subject to the approval by the competent anti-trust authorities. The closing of the transaction is likely expected for the end of September 2005. The divestment of the US steel service companies is likely expected to be completed by the end of the 2005 financial year at the latest.

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

Result from the discontinuance of operations

Besides the operating income and expenses of these operations, the result from the discontinuance of operations also included effects of the removal of divested operations from consolidation.

Result from the discontinuance of operations (after income tax)

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004
Special logistics	5.6	- 9.1	11.3	- 5.8
Trading (incl. holding companies)	5.9	21.5	15.7	36.1
Energy	–	–	–	–
Sub-total – Result after income tax	**11.5**	**12.4**	**27.0**	**30.3**
Special logistics	20.1	0.3	20.1	18.7
Trading (incl. holding companies)	–	–	–	–
Energy	–	29.3	–	29.3
Sub-total – Result from divestment/removal from consolidation	**20.1**	**29.6**	**20.1**	**48.0**
Special logistics	25.7	- 8.8	31.4	12.9
Trading (incl. holding companies)	5.9	21.5	15.7	36.1
Energy	–	29.3	–	29.3
Total – Result from the discontinuance of operations	**31.6**	**42.0**	**47.1**	**78.3**

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

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Q2 2005	Q2 2004	H1 2005	H1 2004
	Special logistics				Trading (incl. holding companies)			
Turnover	109.5	191.9	216.1	518.7	249.6	251.5	495.5	450.9
Operating income	45.7	0.6	49.6	15.3	0.1	0.2	0.2	0.6
Depreciation/amortisation[1)]	0.0	23.6	0.0	51.6	0.0	2.1	0.0	4.1
Other operating expenses	144.8	173.0	243.5	475.1	239.1	209.9	468.5	381.3
Financial result	- 0.4	- 1.9	- 2.1	- 6.3	- 1.2	- 1.3	- 2.7	- 2.6
Earnings before taxes on income	10.0	- 6.5	20.4	1.9	9.5	39.1	25.2	64.3
Income taxes	4.4	2.6	9.1	7.7	3.6	17.6	9.5	28.2
Earnings after taxes on income[2)]	**5.6**	**- 9.1**	**11.3**	**- 5.8**	**5.9**	**21.5**	**15.7**	**36.1**

1) In accordance with the provisions of newly applicable IFRS 5, assets of the discontinuing operations must no longer be depreciated as of the date on which the detailed plan to sell the operations was prepared.

2) Excl. result from the divestment/removal from consolidation of the bulk and special logistics business unit of VTG AG (UB II) (€ + 5 million in H1 2004)

Material assets and liabilities of the discontinuing operations

€ million	30 June 2005	31 Dec 2004	30 June 2005	31 Dec 2004
	Special logistics		Trading (incl. holding companies)	
Non-current assets	324.0	333.9	70.4	84.1
Current assets	182.5	183.7	334.5	335.6
Non-current provisions and liabilities	150.6	149.2	123.9	156.7
Current provisions and liabilities	228.6	247.1	100.8	86.7

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

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004	Q2 2005	Q2 2004	H1 2005	H1 2004
	Special logistics				Trading (incl. holding companies)			
Cash flow from operating activities	12.9	43.3	15.9	52.1	27.4	- 1.0	54.0	- 21.6
Cash flow from investing activities	- 8.8	109.4	- 12.2	94.8	- 0.5	- 0.6	- 1.3	- 1.6
Cash flow from financing activities	- 1.7	- 152.1	- 2.1	- 154.8	- 24.0	- 0.7	- 49.6	24.0
Change in cash and cash equivalents due to exchange rate fluctuations	–	- 2.3	–	- 2.5	- 0.5	0.0	- 0.4	- 0.1
Development of cash and cash equivalents	**2.4**	**- 1.7**	**1.6**	**- 10.4**	**2.4**	**- 2.3**	**2.7**	**0.7**

Notes on the consolidated profit and loss statement

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

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

In the second quarter of 2005, one-time expenses were incurred in conjunction with the expansion of the seat-only business by Hapag-Lloyd Flug and the launch of the new Hapagfly brand, affecting earnings in the period under review. Besides these one-time expenses, income was generated from sale-and-lease-back contracts. In the framework of these contracts, four Boeing 737-800s were sold as at 30 June 2005. This move enhances the flexibility in connection with the replacement of the aircraft fleet, scheduled for 2006. These opposite effects offset one another so that overall, Central Europe, the sector concerned, did not record any major earnings effect.

In addition, earnings by the tourism division in the second quarter of the period under review in the Western Europe sector was also impacted by one-time expenses in connection with the replacement of Corsair's fleet of Boeing 747s. Due to delays in the delivery of individual aircraft, a short-term increase in charter expenses was required in order to secure the lacking flight capacity. At the same time, this fleet renewal scheme generated one-time expenses for employee training schemes and for social plans. In addition, the Western Europe sector incurred one-time start-up costs in connection with the start of flight operations by TUI Airlines Nederland as of April 2005.

In contrast, earnings were positively affected by the sale of accommodation facilities previously managed by the Group itself in connection with ski tour offerings which, however, did not fully offset the one-time expenses incurred.

The destinations sector recorded positive effects, in particular due to the increase in operating results by hotel companies and the first-time full consolidation of Magic Life Group, in particular the Turcotel Tourizm A.S., Istanbul.

The financial result of last year's reference period was impacted by one-time expenses of around € 32 million, mainly caused by the reversal of the hedge relationship in the framework of the ongoing reduction in the Group's net debt and the refinancing of current financial liabilities by non-current fixed-interest components. Such expenses only had a minor effect on the financial result of the period under review. In contrast, the financial result of the current period was impacted by the year-on-year increase of € 4.3 million in the charges from the market value measurement of the conversion options from the convertible bond issued in October 2003 and the increase in interest expenses due to the higher-interest bond issued after the first quarter of 2004 with a view to refinancing current financial liabilities.

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

In the first six months of the 2005 financial year, unusual income of around € 20 million after income tax was carried under the 'Result from the discontinuance of operations'. This income mainly resulted from the reversal of provisions no longer required. Last year, the 'Result from the discontinuance of operations' comprised unusual income of around € 48 million after income tax, resulting from the divestment of Pracht Spedition + Logistik GmbH and the bulk and special logistics business unit of VTG AG (UB II) as well as the reversal of provisions no longer required in connection with the divestment of the Preussag Energie Group.

Notes on the consolidated balance sheet

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

Held-for-sale assets and associated liabilities

€ million	30 June 2005
Non-current assets	394.5
Current assets	501.9
Held-for-sale assets	**896.4**
Non-current provisions and liabilities	274.5
Current provisions and liabilities	229.7
Liabilities from held-for-sale assets	**504.2**

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

Goodwill rose as against its level on 31 December 2004, mainly due to changes in exchange rate parities – in particular against the British pound sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries.

Changes in equity

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

A positive effect on equity was caused by the changes in exchange rate parities – in particular against British pound sterling – carried with no effect on results, and the changes in the value of financial instruments, also carried with no effect on results.

In contrast, a negative effect on equity as against the last balance sheet date resulted from Group profit for the first half of the year under review and the resolution by TUI AG's Annual General Meeting on 11 May 2005 that a dividend of € 137.6 million to be paid for the 2004 financial year.

Contingent liabilities

As at 30 June 2005, the TUI Group recorded contingent liabilities of approx. € 543 million (31 December 2004: approx. € 552 million). The reduction in contingent liabilities in the first half of the 2005 financial year was primarily attributable to the ongoing scheduled reduction in guarantees and warranties in connection with the former plant engineering and shipbuilding activities. This reduction was partly offset by temporary contingent liabilities, issued in the framework of the divestment of property, plant and equipment.

Other financial commitments

As at 30 June 2005, other financial commitments equalled the level reported in the annual financial statements as at 31 December 2004 (around € 6.3 billion). Due to the seasonal nature of the tourism business, the decline in other financial commitments by a total of around € 280 million was mainly attributable to the decline in order commitments for accommodation and flight services in the tourism division. This decline was offset by an equivalent increase in financial commitments from operating lease and charter contracts in the shipping division, reflecting both the expansion of the operative shipping business and the conclusion of charter contracts with longer contract terms.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 283.7 million to € 764.8 million.

The inflow of cash from operating activities rose by € 70,8 million to € 897.1 million year-on-year. This was due, in particular, to the decline in inventories, mainly in the US steel trading business. Another factor contributing to this effect was the increase in the operating business volume in tourism and shipping.

The outflow of cash from investing activities totalled € 331.4 million (previous year: € 16.3 million) in the current financial year. Besides last year's inflow of cash from divestments, the year-on-year change mainly resulted from a significant increase in capital expenditure in shipping and in tourism (in particular advance payments made for the acquisition of aircraft).

Cash and cash equivalents dropped by € 294.3 million (previous year: € 469.7 million) as a result of the cash flow from financing activities. The higher cash outflow in last year's reference period was mainly attributable to the redemption of financial debt in the first half of 2004.

Changes in cash and cash equivalents due to exchange rate fluctuations and other changes in value caused a cash inflow of € 12.3 million.

Segment ratios

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

Turnover with non-Group third parties by divisions and sectors

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004
Tourism	3,492.8	3,353.6	6,008.5	5,712.4
Shipping	765.4	672.4	1,434.0	1,247.0
Other/consolidation	84.0	68.1	127.9	124.2
Continuing operations	**4,342.2**	**4,094.1**	**7,570.4**	**7,083.6**
Special logistics	109.5	192.0	216.1	518.8
Trading	249.6	251.5	495.5	450.9
Discontinuing operations	**359.1**	**443.5**	**711.6**	**969.7**
Total	**4,701.3**	**4,537.6**	**8,282.0**	**8,053.3**

Earnings by divisions and sectors (EBTA)

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004
Tourism	94	87	- 98	- 118
Shipping	85	84	110	106
Other/consolidation	- 47	- 73	- 141	- 190
Continuing operations	**132**	**98**	**- 129**	**- 202**
Special logistics	48	- 6	58	21
Trading	9	39	25	64
Energy[1]	–	30	–	30
Discontinuing operations	**57**	**63**	**83**	**115**
Total	**189**	**161**	**- 46**	**- 87**

[1] Earnings effect of removal from consolidation

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

€ million	Q2 2005	Q2 2004	H1 2005	H1 2004
Tourism	96	77	- 95	- 127
Shipping	91	92	121	116
Other/consolidation	- 9	1	- 66	- 80
Continuing operations	**178**	**170**	**- 40**	**- 91**
Special logistics	49	- 3	61	28
Trading	11	40	28	67
Energy[1]	–	30	–	30
Discontinuing operations	**60**	**67**	**89**	**125**
Total	**238**	**237**	**49**	**34**

[1] Earnings effect of removal from consolidation

In the first half of 2005, earnings before interest and taxes (EBIT) comprised the following results from companies measured at equity: tourism € 10.3 million (previous year: € 11.9 million), shipping € 0.9 million (previous year: € - 0.1 million), other/consolidation € 0.0 million (previous year: € 0.0 million), special logistics € 0.2 million (previous year: € 0.7 million) and trading € 0.7 million (previous year: € 0.8 million).

Future-related statements

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

Financial calendar 2005/2006

Interim Report January to September 2005	10 November 2005
Annual Press Conference 2006	22 March 2006
Interim Report January to March 2006	9 May 2006[1]
Annual General Meeting 2006	10 May 2006
Interim Report January to June 2006	10 August 2006[1]
Interim Report January to September 2006	9 November 2006[1]

[1] scheduled

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