

TUI AG Financial Year 2004

Interim Report 1 January – 30 September 2004



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→ **TUI in third quarter 2004 – upturn continues**

Further growth in tourism and shipping

→ **Successful summer season in tourism**

14% rise in third quarter earnings to € 572 million

→ **Upswing in shipping continues**

13% increase in third quarter earnings to € 89 million

→ **Trading benefits from steel boom**

Extraordinarily good earnings of € 30 million in third quarter

→ **Strong growth in Group's operating result**

Third quarter earnings confirm expectations for financial year 2004

TUI Group in Figures

€ million	9M 2004	9M 2003	Var. %	
Turnover				
Tourism	10,509	10,179	+	3.2
Logistics	2,655	2,888	-	8.1
Other sectors	1,087	2,287	-	52.5
Group	14,251	15,354	-	7.2
Earnings by divisions (EBTA)				
Tourism	487	301	+	61.8
Logistics	208	199	+	4.5
Other sectors	- 15	532	-	102.8
Group	680	1,032	-	34.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	720	528	+	36.4
Logistics	375	369	+	1.6
Other sectors	166	701	-	76.3
Group	1,261	1,598	-	21.1
Group profit	+ 572	+ 646	-	11.5
Results attributable to shareholders of TUI AG	+ 525	+ 611	-	14.1
Number of shares million units	178.5	178.0	+	0.2
Earnings per share €	+ 2.94	+ 3.43	-	14.3
Cash flow from operating activities	1,136	1,082	+	5.0
Capital expenditure	457	502	-	8.8
Depreciation/ amortisation	408	707	-	42.3

€ million	30 Sep 2004	31 Dec 2003	Var. %	
Assets				
Non-current assets	9,634	10,271	-	6.2
Current assets	3,795	2,718	+	39.6
Total assets	13,429	12,989	+	3.4
Equity and liabilities				
Equity	3,235	2,767	+	16.9
Non-current liabilities	4,882	4,204	+	16.1
Current liabilities	5,312	6,018	-	11.7
Total equity and liabilities	13,429	12,989	+	3.4
Equity ratio	% 24.1	21.3	+	2.8
Net debt	2,657	3,828	-	30.6
Employees	No. 65,827	64,257	+	2.4

Q3, 2004 – Upturn continues. Further growth in tourism and shipping.

General economic situation

The world economy continued to recover, although the momentum of the first half of the year slowed down. With the decreasing economic and fiscal stimuli and the strong rise in the oil price, economic expansion is expected to show more moderate growth in the foreseeable future compared with the pace recorded at the beginning of the year.

Regional development

Growth rates in the key industrialised countries seem to have topped out in the summer. The US and Japan, in particular, recorded a slowdown in GDP growth. The Asian region continued to record brisk economic activities. In the European Union, production continued to grow virtually unabated, although the development of business activity was curbed by the increase in the oil price.

Development of the divisions

Tourism recorded a good third quarter and thus saw a confirmation of the positive trend of the first half of the year. The overall more buoyant economic and political environment benefited in particular the markets that had been most adversely affected in the previous year. The business trend continued to show regional variations; however, volumes rose overall and price levels improved year-on-year.

In the logistics division, container shipping continued the positive trend of the first half of the year. Transport volumes continued to rise on previous quarter's figures, while freight rates remained at a high level. This was essentially attributable to the positive state of the economy in the US and persistently strong growth in the Asian region.

Turnover and earnings

Group turnover

In the third quarter of 2004, the Group generated turnover of € 6.20 billion (previous year: € 6.54 billion). Both tourism and shipping increased their turnover. The year-on-year decline mainly resulted from the divestments in the trading sector and in special logistics; without these divestments, turnover in the third quarter of 2004 would have risen by 6.6%. The Group's accumulated turnover for the first three months totalled € 14.25 billion (previous year: € 15.35 billion). Adjusted for turnover from the divestments, turnover from continued operations grew by 6.4% in the first three quarters of 2004.

Tourism closed the third quarter of 2004 at a turnover of € 4.87 billion (previous year: € 4.72 billion), up 3.2%; with the Northern Europe sector reporting the strongest growth rate. Accumulated turnover for the first three quarters of 2004 also rose by 3.2% to € 10.51 billion (previous year: € 10.18 billion). Logistics recorded a year-on-year decline in turnover to € 899 million (previous year: € 1.04 billion) in the third quarter of 2004, as the growth recorded by container shipping only partly offset the decline resulting from the divestments in special logistics. Accumulated turnover in logistics for the first three quarters of 2004 totalled € 2.66 billion (previous year: € 2.89 billion); adjusted for the relevant divestments, the growth rate amounted to 8.7%. Other sectors recorded a decline in turnover to € 434 million (previous year: € 779 million) in the third quarter of 2004 and to € 1.09 billion (previous year € 2.29 billion) for the first three quarters of 2004. This was attributable to the divestment of the AMC Group in October 2003. Turnover from the continued operations rose, in particular in the trading sector.

Group turnover by divisions

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Tourism	4,874.2	4,722.5	10,509.0	10,179.4	+ 3.2
Central Europe	1,909.6	1,834.9	4,065.8	4,021.2	+ 1.1
Northern Europe	1,773.0	1,674.7	3,833.2	3,497.0	+ 9.6
Western Europe	927.9	934.5	2,025.7	2,031.2	- 0.3
Destinations	206.5	219.9	392.0	442.8	- 11.5
Other tourism	57.2	58.5	192.3	187.2	+ 2.7
Logistics	889.2	1,035.2	2,655.0	2,887.8	- 8.1
Shipping	725.1	647.6	1,972.1	1,753.5	+ 12.5
Special logistics	164.1	387.6	682.9	1,134.3	- 39.8
Other sectors	434.2	778.5	1,086.9	2,286.5	- 52.5
Trading	279.1	157.2	730.0	474.0	+ 54.0
Divestments	-	499.6	-	1,510.9	-
Central operations	155.1	121.7	356.9	301.6	+ 18.3
Group turnover	6,197.6	6,536.2	14,250.9	15,353.7	- 7.2

Earnings by divisions

The TUI Group successfully completed the third quarter of 2004. At € 756 million (previous year: € 500 million), earnings by divisions (earnings before taxes on income and amortisation of goodwill) climbed by 51.2% year-on-year. This was attributable both to the good trend in the summer season in tourism and to a further improvement in earnings of the shipping sector. Moreover, the trading sector generated an extraordinarily strong profit contribution. In the first three quarters of 2004, earnings by divisions totalled € 680 million (previous year: € 1.03 billion), with the previous year's level of earnings characterised by unusual income from the divestment of the energy sector, whereas unusual expenses and income in 2004 accounted for relatively low earnings.

Earnings by divisions

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Tourism	572	500	487	301	+ 61.8
Central Europe	156	89	110	- 20	n. m.
Northern Europe	194	230	142	132	+ 7.6
Western Europe	97	93	78	80	- 2.5
Destinations	116	93	142	110	+ 29.1
Other tourism	9	- 5	15	- 1	n. m.
Logistics	102	96	208	199	+ 4.5
Shipping	89	79	193	143	+ 35.0
Special logistics	13	17	15	56	- 73.2
Other sectors	82	- 96	- 15	532	- 102.8
Trading	30	1	94	0	n. m.
Divestments	-	6	-	9	-
Central operations	52	- 103	- 109	523	- 120.8
Earnings by divisions (EBTA)	756	500	680	1,032	- 34.1

Adjusted earnings by divisions

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Earnings by divisions (EBTA)	756	500	680	1,032	- 34.1
Unusual expenses and income	136	- 32	175	817	- 78.6
Adjusted EBTA	620	532	505	215	+ 134.9

Adjusted EBTA

Disregarding unusual expenses and income, adjusted earnings before taxes on income totalled € 620 million (previous year: € 532 million) in the third quarter of 2004, 16.5% up on the previous year; this clearly reflects the operative improvements in tourism, shipping and trading. Unusual expenses and income in the third quarter of 2004 totalled € 136 million (previous year: € - 32 million), mainly due to the divestment of the Algeco Group. Adjusted earnings by divisions for the first three quarters of 2004 amounted to € 505 million (previous year: € 215 million), a significant increase year-on-year.

Turnover tourism**Tourism**

The tourism division saw a consolidation of the positive trend recorded in the first half of the year, and as a result the business trend in the main 2004 season also improved year-on-year. At 6.73 million (previous year: 6.71 million), again more customers travelled with TUI Group tour operators than last year. The total number of customers in the first three months of 2004 rose to 14.93 million (previous year: 14.76 million), an increase of 1.2%. Turnover in the tourism division rose significantly more strongly than customer numbers, evidencing the overall improvement in price levels. At € 4.87 billion (previous year: € 4.72 billion), tourism

reported a 3.2% increase in turnover year-on-year in the third quarter of 2004. Accumulated turnover for the first three quarters of 2004 was also up by 3.2% to € 10.51 billion (previous year: € 10.18 billion).

Earnings tourism

In the third quarter of 2004, earnings of the tourism division improved considerably to € 572 million (previous year: € 500 million), up 14.4% year-on-year. This increase was primarily attributable to the substantial improvement in earnings in the Central Europe sector and good earnings by the destinations sector, as before. Accumulated earnings generated by the tourism division in the first three quarters of 2004 rose by € 186 million or 61.8% to a total of € 487 million (previous year: € 301 million).

Central Europe

In the third quarter of 2004, the tour operators in the Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) reported a slight increase in customer numbers to 3.00 million (previous year: 2.99 million). While customer numbers dropped slightly in Germany, both Switzerland and Austria recorded growth. In the first three quarters, a total of 6.50 million customers (previous year: 6.49 million) travelled with tour operators of this sector.

Turnover generated by the Central Europe sector rose by 4.1% to € 1.91 billion (previous year: € 1.83 billion) in the third quarter of 2004. While turnover in Germany showed a largely stable trend and Switzerland recorded an increase, turnover in Austria dropped. In the first three months of 2004, turnover totalled € 4.07 billion (previous year: € 4.02 billion).

In the third quarter of 2004, earnings by the Central Europe sector increased significantly year-on-year. They climbed to € 156 million (previous year: € 89 million), up 75.3%. This was above all attributable to the positive development of TUI Deutschland. Upon completion of the first three quarters of 2004, the sector reported earnings of € 110 million (previous year: € - 20 million), reflecting both the recovery of the tour operation business in Germany and good seat load factors in flight operations.

Northern Europe

In the third quarter of 2004, the number of customers travelling with tour operators in the Northern Europe sector (UK, Ireland, Nordic countries and Britannia Airways) rose year-on-year to 2.31 million (previous year: 2.30 million). While the UK recorded growth and the Nordic countries reported a stable trend, Ireland saw a decline in customers. In the first three quarters of 2004, the number of customers in the Northern Europe sector rose to 5.21 million (previous year: 4.98 million).

In the third quarter of 2004, turnover grew by 5.9% to € 1.77 billion (previous year: € 1.67 billion). The UK accounted for around three quarters of the growth in turnover, reporting an increase both in customer numbers and in prices. The Nordic countries reported a continuation of the positive trend and accounted for around one quarter of the growth in turnover in the sector. The Irish market continued to be difficult; nevertheless, turnover in this market almost matched the previous year's level. In the first three quarters of 2004, turnover rose by 9.6% to € 3.83 billion (previous year: € 3.50 billion).

At € 194 million (previous year: € 230 million), earnings in the Northern Europe sector did not match the previous year's level, with varying trends recorded by the individual regions. The UK thus reported a year-on-year drop in quarterly earnings. Given the good, stable earnings in flight operations, this was mainly attributable to the decline in earnings of the tour operators as the strength of the euro against the British pound sterling adversely impacted their operating costs. Due to the very competitive environment, earnings in Ireland did not reach the previous year's level, either. The good performance of the Nordic countries, which improved their quarterly earnings, had a positive impact on earnings of this division. With total earnings of € 142 million (previous year: € 132 million) for the first three quarters, the Northern Europe sector improved year-on-year.

Western Europe

In the Western Europe sector (France, the Netherlands, Belgium, Corsair and TUI Airline Belgium), the number of customers totalled 1.42 million (previous year: 1.43 million) in the third quarter of 2004, a slight decline year-on-year. Growth in Belgium almost compensated for lower customer numbers in France. In the Netherlands the number of customers was virtually unchanged. A total of 3.22 million customers (previous year: 3.29 million) travelled with tour operators in the Western Europe sector in the first three quarters of 2004.

The turnover generated by this sector in the third quarter of 2004 declined by 0.7% to € 928 million (previous year: € 935 million). Turnover in Belgium and the Netherlands was higher than last year. France, in contrast, reported a decline in turnover due to a reduction in volume but also price competition for individual products. Accumulated turnover for the first three quarters of 2004 totalled € 2.03 billion (previous year: € 2.03 billion), a 0.3% decline year-on-year.

In the third quarter of 2004, earnings in the Western Europe sector rose year-on-year to € 97 million (previous year: € 93 million). Improvements in the Netherlands more than offset the slight reduction in earnings in

France and Belgium. As a result, accumulated earnings of this sector for the first three quarters of 2004, at € 78 million (previous year: € 80 million), fell only slightly short of the previous year's level.

Destinations

In the destinations sector (incoming agencies and hotel companies), turnover in the third quarter of 2004 dropped by 5.9% year-on-year to € 207 million (previous year: € 220 million). This was due to the increase in capacity utilisation by the Group's own tour operators and the divestment of the Anfi Group in June 2004. Accumulated turnover for the first three quarters of 2004 totalled € 392 million (previous year: € 443 million), up 11.5% year-on-year.

In the third quarter of 2004, earnings rose in the destinations sector. At € 116 million (previous year: € 93 million), the sector reported an increase of 24.7%. This was attributable both to good occupancy rates in the hotel companies and the positive trend reported by the incoming agencies. Accumulated earnings for the first three quarters of 2004 totalled € 142 million (previous year: € 110 million), a 29.1% increase on the previous year.

Other tourism

In the third quarter of 2004, the Other tourism sector (business travel and IT service providers) generated turnover of € 57 million (previous year: € 59 million). At € 9 million (previous year: € - 5 million), earnings improved on the previous year's level. Accumulated turnover for the first three quarters of 2004 totalled € 192 million (previous year: € 187 million). Earnings totalled € 15 million (previous year: € - 1 million). This growth was mainly due to business travel operations, although the business environment in this sector continued to be difficult.

Logistics

Turnover logistics

With the divestment of the Algeco Group, logistics continued to focus its operations on shipping. Of its remaining operations, container shipping in particular continued the positive trend of the previous quarters. Due to the divestments made this far, turnover of the logistics division dropped to € 889 million (previous year: € 1.04 billion) in the third quarter of 2004, a 14.1% decline on the previous year. However, on a like-for-like basis, i.e. adjusted for the turnover of the divested entities, turnover was up by 9.6%, with this growth exclusively attributable to the increase in turnover in container shipping. Accumulated turnover for the first three quarters totalled € 2.66 billion (previous year: € 2.89 billion), down 8.1% year-on-year. On a like-for-like basis, i.e. accounting for the divestments made, turnover of the continued operations grew by 8.7%.

Earnings logistics

In the third quarter of 2004, the logistics division generated earnings of € 102 million (previous year: € 96 million) and thus rose by 6.3% year-on-year despite the divestment of essential parts of special logistics. This was due to the significant growth in earnings in the shipping sector, which more than offset the decline resulting from the divestments. This also applied to accumulated earnings for the first three quarters of 2004, which rose year-on-year to € 208 million (previous year: € 199 million).

Shipping

The shipping sector reported persistent growth in business volumes in the third quarter of 2004. At 625,000 standard containers (TEU) (previous year: 549,000 TEU), total transport volumes grew by 13.8% year-on-year. Total transport volumes for the first three quarters of 2004 amounted to 1.80 million TEU (previous year: 1.53 million TEU). Due to volume growth and persistently high freight levels, turnover in the third quarter of 2004 rose by 12.0% to € 725 million (previous year: € 648 million). Accumulated turnover for the first three quarters of 2004 stood at € 1.97 billion (previous year: € 1.75 billion), up 12.5% year-on-year.

At € 89 million (previous year: € 79 million), earnings of the shipping sector in the third quarter of 2004 grew by 12.7% year-on-year. This was due to the growth in transport volumes in container shipping and the freight rates achieved, which again increased on the previous year on a weighted average. An even better performance was prevented by the development of the US dollar exchange rate, with the US dollar dropping by 1.5% against the euro in the period under review and by 8.9% compared with the same period last year. In the first three quarters of 2004, accumulated earnings totalled € 193 million (previous year: € 143 million), an increase of 35.0%.

Special logistics

Due to the divestment of Pracht Spedition + Logistik, the bulk and special logistics operations of VTG-Lehnkering AG and the Algeco Group, which was only included in the quarterly financial statements for the months of July and August, the special logistics sector reported a significant drop in turnover year-on-year in the third quarter of 2004. Due to these divestments, turnover only amounted to € 164 million (previous year: € 388 million). Accumulated turnover for the first three quarters of 2004 totalled € 683 million (previous year: € 1.13 billion).

The remaining operations of the special logistics sector still included in the quarterly financial statements – rail logistics of VTG AG and the Algeco Group as per 31 August 2004 - reported earnings of € 13 million (previous year: € 17 million for the entire sector) for the third quarter of 2004. Accumulated earnings for the first three quarters of 2004 totalled € 15 million (previous year: € 56 million).

Trading

Other sectors

Following the divestment of the AMC Group, the trading sector in 2004 only comprises the companies of the PNA Group operating in the steel service business in the US. The extraordinarily good business trend already recorded in the first half of the year continued in the third quarter of 2004. At 525,000 tons, steel sales increased by 17% year-on-year. Price levels also continued to be high. As a result, turnover climbed by 77.5% to € 279 million (previous year: € 157 million). Accumulated steel sales for the first three quarters of 2004 totalled 1,550,000 tons, an increase of almost 15%. During that period, turnover grew by 54.0% to € 730 million (previous year: € 474 million).

The positive business trend was also reflected by a strong increase in earnings. At € 30 million (previous year: € 1 million), earnings grew substantially on the previous year in the third quarter of 2004. Accumulated earnings for the first three quarters of 2004 already amounted to € 94 million (previous year: € 0 million), the best result ever recorded by the PNA Group since its formation.

Divestments

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

Central operations

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

Central operations reported turnover of € 155 million (previous year: € 122 million) in the third quarter of 2004 and € 357 million (previous year: € 302 million) for the first three quarters of 2004. Central operations recorded earnings of € 52 million (previous year: € - 103 million) in the third quarter of 2004 and € - 109 million (previous year: € 523 million) for the first three quarters of 2004. A breakdown of turnover and earnings of central operations is provided below.

Unusual expenses and income

In the past, earnings of central operations were significantly affected by unusual expenses and income, mainly resulting from the divestments made in the respective periods. The net effect from unusual expenses and income totalled € 136 million (previous year: € - 32 million) in the third quarter of 2004 and was primarily attributable to the gains on the

disposal of the Algeco Group. The accumulated effect for the first three quarters of 2004 totalled € 175 million (previous year: € 817 million). The previous year's high level of earnings was due to income from the divestment of the indirect shareholding in Ruhrgas AG in the first quarter of 2003 and Preussag Energie GmbH in the second quarter of 2003.

Costs of central operations

The costs of central operations, mainly consisting of the costs of TUI AG's corporate centre functions, totalled € - 31 million (previous year: € - 34 million) in the third quarter of 2004 and stood at € - 98 million (previous year: € - 120 million) for the first three quarters of 2004.

Net interest result

In the first three quarters of 2004, the net interest result generated by central operations was better year-on-year at € - 22 million (previous year: € - 40 million). This was mainly due to the reduction of net debt and the newly structured financing of the shipping sector. The accumulated interest result for the first three quarters of 2004 was € - 111 million (previous year: € - 93 million).

Other expenses and income

Other expenses and income totalled € - 32 million (previous year: € + 13 million) in the third quarter of 2004 and € - 43 million (previous year: € - 36 million) for the first three quarters of 2004. They mainly related to the earnings of other companies and the measurement of assets in the course of the year.

Low-cost carriers

Low-cost carriers Hapag-Lloyd Express (HLX) and Thomsonfly generated turnover of € 64 million (previous year: € 39 million) in the third quarter of 2004 and a total of € 142 million (previous year: € 81 million) in the first three quarters of 2004; however, due to the start-up phases of HLX in 2003 and Thomsonfly in 2004, a year-on-year comparison is of limited use. HLX used a fleet of eleven aircraft for the summer schedule; in the third quarter of 2004, this fleet carried a total of 787,000 passengers and achieved a seat load factor of 81%. Following its launch on 31 March 2004, Thomsonfly expanded its fleet for the summer schedule to four aircraft. At 202,000 passengers carried, the seat load factor in the third quarter of 2004 already stood at 72%. Earnings in the third quarter of 2004 totalled € 1 million (previous year: € - 10 million). While Thomsonfly incurred start-up costs, HLX generated positive quarterly earnings for the first time. In the first three quarters of 2004, start-up costs and earnings of the two low-cost carriers totalled € - 32 million (previous year: € - 45 million).

Group profit

Group profit totalled € 608 million (previous year: € 236 million) in the third quarter of 2004 and € 572 million (previous year: € 646 million) for the first three quarters of 2004. While operating results improved significantly in tourism, shipping and the remaining trading business, income from divestments declined on the previous year.

Group profit

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003		Var. %
Group profit	607.7	236.4	571.9	646.3	-	11.5
Income taxes	149.0	166.8	108.4	140.3	-	22.7
Earnings before tax (EBT)	756.7	403.2	680.3	786.6	-	13.5
Amortisation of goodwill	0.0	96.5	0.0	245.3		n. m.
Earnings by divisions (EBTA)	756.7	499.7	680.3	1,031.9	-	34.1
Depreciation of property, plant and equipment and current assets	137.2	168.9	408.1	469.8	-	13.1
Earnings before tax, depreciation and amortisation (EBTDA)	893.9	668.6	1,088.4	1,501.7	-	27.5
Extended net interest	- 39.7	- 36.7	- 172.8	- 95.8	-	80.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	933.6	705.3	1,261.2	1,597.5	-	21.1
Operating rental expenses	195.5	168.7 ¹⁾	555.8	506.1	+	9.8
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	1,129.1	874.0	1,817.0	2,103.6	-	13.6

¹⁾ calculated proportionally based on year-end figures

Taxes on income

Taxes on income, comprising current income taxes and deferred tax liabilities, totalled € 149 million (previous year: € 167 million) in the third quarter of 2004. Tax expenditure for the first three quarters of 2004 thus totalled € 108 million (previous year: € 140 million).

Depreciation and amortisation

Depreciation and amortisation of € 137 million (previous year: € 169 million) for the third quarter of 2004 and the accumulated figure of € 408 million (previous year: € 470 million) for the first three quarters of 2004 included additions and depreciation and impairments of other tangible assets and current assets. In accordance with the new IFRS 3 and the revised IAS 38 and 36, amortisation and write-downs of goodwill were no longer offset. In the previous year, they had totalled € 96 million in the third quarter and € 245 million in the first three quarters of the year.

Extended net interest result

The Group's extended net interest result rose to € - 40 million (previous year: € - 37 million) in the third quarter of 2004 and totalled € - 173 million (previous year: € - 96 million) for the first three quarters of 2004. The positive trend was primarily attributable to the reversal of hedging instruments due to the refinancing measures in the second quarter of 2004.

Operating rental expenses

Operating rental expenses totalled € 196 million (previous year: € 169 million) in the third quarter of 2004 and € 556 million (previous year: € 506 million) in the first three quarters of 2004. € 392 million (previous year: € 351 million) of this amount were directly allocatable to operating performance and hence shown under cost of materials. Another € 164 million (previous year: € 156 million) were reported under operating expenses.

Earnings per share

		Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Group profit	€ million	+ 607.7	+ 236.4	+ 571.9	+ 646.3	- 11.5
Minority interests	€ million	+ 41.6	+ 33.3	+ 46.5	+ 35.0	+ 32.9
Interest attributable to TUI AG shareholders	€ million	+ 566.1	+ 203.1	+ 525.4	+ 611.3	- 14.1
Undiluted number of shares	'000 units	178,469	178,038	178,469	178,038	+ 0.2
Basic earnings per share	€	+ 3.17	+ 1.14	+ 2.94	+ 3.43	- 14.3
dto. before amortisation of goodwill	€	+ 3.17	+ 1.71	+ 2.94	+ 4.81	- 38.9
Diluted earnings per share	€	+ 2.91	+ 1.14	+ 2.74	+ 3.43	- 20.1

Minority interests

Minority interests accounted for € 42 million of Group profit (previous year: € 33 million) in the third quarter of 2004 and € 47 million (previous year: € 35 million) in the first three quarters of 2004. They mainly related to shareholdings in hotel companies and the minority shareholders in Algeco. Accordingly, the interest in Group profit for the year attributable to TUI AG shareholders amounted to € 566 million (previous year: € 203 million) for the third quarter of 2004 and € 525 million (previous year: € 611 million) for the first three quarters of 2004.

Earnings per share

Basic earnings per share thus totalled € 3.17 for the third quarter of 2004 and € 2.94 for the first three quarters of 2004. There were dilution effects from the outstanding convertible bond so that diluted earnings per share were at € 2.91 respectively € 2.74.

Financial position

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

Balance sheet

The Group's balance sheet total increased by 3.4% to € 13.4 billion. Several individual balance sheet items changed due to the business trend, the divestments and the refinancing measures implemented in the period under review. Equity totalled € 3.2 billion, with an equity ratio of 24.1%.

Assets and liabilities

€ million	30 Sep 2004	31 Dec 2003
Non-current assets	9,634.4	10,271.4
Current assets	3,794.6	2,717.8
Assets	13,429.0	12,989.2
Equity	3,234.9	2,766.9
Non-current liabilities	4,882.0	4,204.2
Current liabilities	5,312.1	6,018.1
Liabilities	13,429.0	12,989.2

Financing

At the end of the third quarter of 2004, the net financial position totalled € 2.7 billion (31 Dec. 2003: € 3.8 billion). The variations mainly resulted from the seasonal nature of the tourism business and the inflow from the divestments made in the first three quarters of 2004.

Development of cash and cash equivalents

€ million	30 Sep 2004	30 Sep 2003	Var. %	
Cash and cash equivalents at the beginning of the period	348.5	366.5	-	4.9
Cash inflow from operating activities	1,135.5	1,081.7	+	5.0
Cash inflow from investing activities	345.8	1,223.3	-	71.7
Cash outflow from financing activities	- 587.0	- 2,307.8	-	74.6
Other changes in cash and cash equivalents	+ 7.0	- 17.5		n. m.
Cash and cash equivalents at the end of the period	1,249.8	346.2		n. m.

Tourism

In the third quarter of 2004, the upward trend continued in the tourism division. Following the perceptible recovery of business in the first half of the year, performance in the third quarter, which comprises the year's main holiday season, was also significantly up on the previous year. The number of customers travelling with TUI tour operators rose slightly to a total of 6.73 million. However, the economic success was mainly due to the balanced relation of capacities on offer and demand achieved this year. As a result, there were fewer residual capacities that had to be sold at reduced prices, causing an improvement in prices of the tours sold. On the other hand, utilization of capacity on offer, in particular in flight operations but also in hotel companies, increased. The development of earnings, in particular in the Central Europe sector, was further boosted by the recent implementation of cost containment programmes. Each of these factors contributed to the generation of earnings of € 572 million in the third quarter of 2004, a 14.4% increase year-on-year. The tourism division thus generated accumulated earnings of € 487 million in the first three quarters of 2004, up 61.8%.

Tourism

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Turnover	4,874.2	4,722.5	10,509.0	10,179.4	+ 3.2
Earnings by division (EBTA)	572	500	487	301	+ 61.8
EBITDA ¹⁾	651	571	720	528	+ 36.4
Capital expenditure	131.9	102.6	344.5	357.2	- 3.6
Employees (30 Sept.)	-	-	57,762	60,697	- 4.8

¹⁾ Earnings before interest, tax, depreciation and amortisation

In the 2004 summer season, expiring at the end of October, the number of customers booking tours with TUI tour operators grew by 1.9% year-on-year. Within that period, booked turnover rose by 3.4% at Group level and thus outperformed volume growth. On the basis of these booking figures, business is also expected to be good in October.

Bookings for the 2004/2005 winter season, which will start in November 2004 and expire in April 2005, started off well overall, with source markets featuring specific differences in business trends. At Group level, the number of bookings has risen by 2.9% so far. Booked turnover for the winter season has hitherto grown by 5.7%, outperforming growth in booking numbers. A remarkable trend to be mentioned is that the positive development is continuing in the major markets of Germany and the UK and that the improvements in the Nordic countries are proving to be sustainable.

Booking numbers

Year-on-year variation in %	Summer 2004		Winter 2004/2005	
	Turnover	Customers	Turnover	Customers
Germany	+ 3.5	+ 2.3	+ 3.7	+ 1.2
Switzerland	+ 10.9	+ 8.4	+ 12.7	+ 34.0
Austria	+ 0.0	- 3.1	+ 2.4	- 4.4
Central Europe	+ 3.4	+ 1.8	+ 4.1	+ 1.8
UK	+ 5.5	+ 2.9	+ 10.7	+ 3.2
Ireland	- 11.5	- 7.9	+ 1.4	+ 1.2
Nordic countries	+ 10.0	+ 4.0	+ 9.8	+ 4.8
Northern Europe	+ 5.0	+ 2.2	+ 10.3	+ 3.6
Netherlands	+ 0.3	- 1.6	- 9.6	- 13.5
Belgium	+ 4.3	+ 5.9	+ 0.9	+ 4.6
France	- 1.4	+ 0.9	+ 3.3	+ 15.1
Western Europe	+ 0.8	+ 1.8	- 0.6	+ 3.7
Group	+ 3.4	+ 1.9	+ 5.7	+ 2.9

As at 29 October 2004

Central Europe

The Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) reported a significant year-on-year improvement in its performance in the third quarter of 2004. The number of customers travelling with tour operators in this sector grew only slightly to 3.00 million and rose to a total of 6.50 million for the first three quarters of 2004. However, at € 156 million, earnings of the sector in the third quarter of 2004, were substantially higher than in the previous difficult year. This was mainly due to the improved price levels, good seat load factors for flight capacity on offer and the success of the cost containment programmes in Germany. However, tour operators and distribution also improved their earnings in Switzerland and Austria.

Tourism – Central Europe

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Turnover	1,909.6	1,834.9	4,065.8	4,021.2	+ 1.1
Earnings by division (EBTA)	156	89	110	- 20	n. m.
EBITDA ¹⁾	171	106	158	30	n. m.
Capital expenditure	30.9	4.7	86.8	84.8	+ 2.4
Employees (30 Sept.)	-	-	9,478	9,766	- 2.9

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

Overall, the market for holiday tours recorded a slight recovery. For the 2004 summer season, customers continued to exhibit price-conscious booking behaviour in the third quarter. Demand for programmes to be booked individually picked up while bookings of traditional package tours matched the previous year's levels. Against the backdrop of this scenario,

TUI tour operators reported a slight year-on-year decline in customer numbers to 2.57 million in the third quarter of 2004. For the TUI brand, demand was strong for destinations in the eastern Mediterranean, in particular Egypt and Turkey. Destinations benefiting from the crisis in Iraq in the previous year such as the Canary Islands, the Balearic Islands and Greece fell short of the previous year's levels. In the premium segment, Airtours International managed to stabilise its bookings. 1-2-Fly took advantage of the brisk demand for low-cost tours and increased both the number of customers and its market share. Demand was particularly strong for tours to Majorca and Egypt. The direct marketing operations of Berge & Meer continued to develop positively again due to the increase in long-haul tours. Last minute provider L'tur reported good bookings and outperformed last year's levels.

Overall, German tour operators reported a successful quarter. Demand was stimulated by means of special discounts for early booking, positively impacting brochure sales volumes. In addition, last minute sales of capacity were reduced by means of a conservative capacity policy. Another significant factor contributing to the improvement in earnings was the cost containment programme.

TUI Leisure Travel, which comprises the Group's own distribution, stabilised its business after a difficult year and generated an increase in turnover in its travel shops. Internet distribution also continued to grow. Overall, distribution recorded an increase in earnings on the previous year.

Hapag-Lloyd Flug reported good capacity utilisation and very good seat load factors for its aircraft fleet in the third quarter of 2004. Above-average growth was achieved above all in September. With its fleet of 34 aircraft, it offered a capacity of 8.9 billion seat kilometres, around 5% up on the previous year. The seat load factor accounted for just under 93%, an improvement by more than two percentage points. This trend was supported by the charter business, while the seat-only business dropped year-on-year due to yield management measures.

Switzerland

The Swiss tour operators of the TUI Group reported a good performance in the third quarter of 2004. At 0.08 million customers, the number was just under 30% up on the previous year. Demand was strong both for the flight-only offering and the hotel programme of the new tour operator brand FlexTravel. However, direct marketing brand Vögele also grew significantly on the previous year. This growth was mainly attributable to an increase in demand for tours to Turkey, Egypt and the long-haul destinations. Distribution achieved a slight increase in business on the previous year.

Austria

Overall, business in Austria matched the previous year's level in the third quarter of 2004, with the individual brands reporting different trends. While 1-2-Fly grew strongly, bookings of tours offered by GTT and the land-based tours offered by Terra declined. A total of 0.34 million customers travelled with Austrian TUI tour operators, an increase of just under 3% year-on-year. Growth was achieved above all for destinations in Egypt and Tunisia, while destinations in the western Mediterranean dropped slightly below the previous year's levels. The distribution sector grew slightly.

Northern Europe

The Northern Europe sector (UK, Ireland, the Nordic countries, Britannia Airways UK and Britannia Airways Nordic) reported regional differences in performance in the third quarter of 2004. At 2.31 million, the number of customers travelling with tour operators in this sector during that period grew slightly. Overall, the sector reported satisfactory earnings which, however, at € 194 million, did not achieve the previous year's level. While the Nordic countries recorded an increase in earnings, earnings dropped for tour operators in Ireland and the UK.

Tourism – Northern Europe

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Turnover	1,773.0	1,674.7	3,833.2	3,497.0	+	9.6
Earnings by division (EBTA)	194	230	142	132	+	7.6
EBITDA ¹⁾	217	249	214	206	+	3.9
Capital expenditure	19.0	38.4	63.6	79.9	-	20.4
Employees (30 Sept.)	-	-	18,644	18,320	+	1.8

¹⁾ Earnings before interest, tax, depreciation and amortisation

UK

Thomson Holidays and the tour operators of the Specialist Holidays Group reported an overall satisfactory level of bookings for the 2004 summer season. Incoming bookings again grew strongly in August. This was due, among others, to the persistent trend towards late bookings and the small number of discounted offerings available. Overall, volumes but also average prices rose year-on-year. In the third quarter of 2004, a total of 1.75 million customers travelled with British tour operators, an increase of more than 2% year-on-year. Supported by the relatively weak US dollar exchange rate, tours to long-haul destinations grew particularly strongly. Demand for short and medium-haul destinations was comparatively less strong. The relatively high costs for British holidaymakers in the Spanish destinations adversely impacted demand. While bookings for the Balearic Islands and mainland Spain matched the previous year's levels, booking numbers

for the Canary Islands dropped. In contrast, growth was recorded by low-cost destinations such as Turkey and new destinations in eastern Europe – in particular Bulgaria.

The number of tours sold by distribution for the 2004 summer season rose year-on-year, with around 71% being products of the Group's own tour operators. Sales of tours for the 2004/2005 winter season are so far also up on the previous year's level. Internet bookings grew particularly strongly. Due to the launch of the new booking platform, the volume of tours sold in this segment tripled in the first nine months of the year.

In the summer season Britannia Airways UK operated 32 aircraft. In the third quarter of 2004 it offered 10.8 billion seat kilometres, an increase of 5% on the previous year. The seat load factor stood at more than 95% and was thus slightly up on the previous year's level.

Ireland

The Irish market continued to be difficult. Apart from strong competition involving large price discounts by some tour operators, the presence of low-cost airlines on traditional package tour routes continued to increase. The situation was further intensified by the persistent trend towards late bookings. In this environment, TUI Ireland reported a decline in bookings for the 2004 summer season on the previous year. From a destinations' perspective, the Canary Islands reported growth while bookings for the Balearic Islands and mainland Spain declined. A total of 0.17 million customers travelled with the Irish tour operators in the third quarter of 2004, a drop of around 13% on the previous year.

Nordic countries

In the Nordic countries the TUI Nordic tour operators benefited from the early launch of sales of their programmes for the 2004 summer season and from the expansion of offerings in low-cost destinations such as Bulgaria and Turkey. By means of an adequate sales management, discounts and short-term sales of capacity were largely avoided so that average prices rose. Bookings rose in particular for tours to Turkey and eastern European destinations, while the Spanish destinations reported declines. In the third quarter of 2004, a total of 0.39 million customers travelled with TUI Nordic tour operators, almost matching the previous year's level.

Britannia Airways Nordic operated a fleet of six aircraft in the summer season. In the third quarter of 2004, capacity on offer totalled 1.5 billion seat kilometres, a decline of just under 3% on the previous year. At around 96%, the average seat load factor was slightly up on the previous year's level.

Western Europe

In the Western Europe sector (France, Netherlands, Belgium, Corsair and TUI Airline Belgium), the development of business varied in the individual countries. The total number of customers travelling with the tour operators in the third quarter of 2004 in this sector was 1.42 million, a slight decline on the previous year. While the Netherlands reported largely stable customer numbers and Belgium recorded growth, France saw a corresponding decline in customers. Nevertheless, at € 97 million, earnings of the sector were up on the previous year.

Tourism – Western Europe

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003		Var. %
Turnover	927.9	934.5	2,025.7	2,031.2	-	0.3
Earnings by division (EBTA)	97	93	78	80	-	2.5
EBITDA ¹⁾	106	100	104	106	-	1.9
Capital expenditure	22.7	7.9	39.9	18.8	+	112.2
Employees (30 Sept.)	-	-	6,704	6,406	+	4.7

¹⁾ Earnings before interest, tax, depreciation and amortisation

France

Against the background of a difficult market, the French tour operators reported an overall satisfactory performance. Nouvelles Frontières recorded an increase in incoming bookings, in particular for tours to Morocco, Egypt and Croatia. The traditional French holiday destinations in the French overseas departments and former colonies saw a significant increase in competition, causing declines in the tour operation and seat-only business. The new TUI France brand developed well in its first summer season. A total of 0.49 million customers travelled with French tour operators in the third quarter of 2004, a decline of just under 7% year-on-year.

Corsair operated a fleet of nine aircraft in the 2004 summer season. The new destinations in Morocco, Marrakesh and Fès, which were included in the programme for the first time this year, recorded good booking levels. This also applied to the weekly flight from Toulouse to La Reunion, newly launched in July. Total seat kilometres on offer rose to 5.2 billion in the third quarter of 2004, an increase of 2% year-on-year, while the seat load factor grew by almost one percentage point to 83%.

Netherlands

In the 2004 summer season, the Dutch tour operator market declined by 3%. In this difficult environment, TUI Nederland outperformed the market and slightly increased its market share. The development of demand varied in the individual market segments. While bookings of long-haul destinations

and city tours sold well and grew in volume, incoming bookings for medium-haul destinations and land-based tours declined more strongly than the market average. Overall, TUI Nederland's tour operators recorded a slight decline in customer numbers to 0.41 million in the third quarter of 2004.

Belgium

TUI Belgium's tour operators saw varying trends affecting their performance in the 2004 summer season. On the one hand, they recorded very good demand for long-haul destinations – in particular Mexico – while, on the other hand, demand for European short and medium-haul destinations was relatively restrained. Turkey and Egypt were the only destinations that managed to beat the trend and generate growth. Incoming bookings of land-based tours also fell slightly short of the previous year's level. In contrast, bookings of short trips and city tours grew again in the third quarter. In the third quarter of 2004, a total of 0.52 million customers travelled with the Belgian tour operators, an increase of more than 6% year-on-year.

TUI Airlines Belgium, the new airline, continued to develop in line with expectations and already made a positive profit contribution. In the third quarter of 2004, it offered 1.6 billion seat kilometres with a seat load factor of around 92%.

Destinations

At € 116 million, the destinations sector improved its earnings level in the third quarter of 2004 on the previous year. This growth was largely attributable to the development of hotel companies; however, incoming agencies also performed better than last year.

Tourism – Destinations

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Turnover	206.5	219.9	392.0	442.8	-	11.5
Earnings by division (EBTA)	116	93	142	110	+	29.1
EBITDA ¹⁾	132	110	188	154	+	22.1
Capital expenditure	41.9	39.2	115.1	139.8	-	17.7
Employees (30 Sept.)	-	-	18,216	20,987	-	13.2

¹⁾ Earnings before interest, tax, depreciation and amortisation

Incoming agencies

The Group's consolidated and associated incoming agencies reported a successful performance in the third quarter of 2004. They catered for a total of 3.98 million guests in that period, an increase of more than 5% year-on-year. Individual agencies showed different business trends.

TUI España reported an increase in the number of guests to 1.60 million, above all due to its thriving business in the Caribbean. TUI Portugal also reported a year-on-year increase in the number of guests to 0.13 million. At 0.77 million, the number of guests of TUI Hellas was slightly below the previous year. Travco benefited from the strong increase in demand for tours to Egypt and more than doubled the number of guests serviced in comparison with the previous year, to 0.19 million. Tantur, the Turkish agency, also benefited from the recovery of tourism in the eastern Mediterranean. The number of guests catered for grew year-on-year by around one fifth to 0.37 million. The business volume of the remaining agencies rose to a total of 0.92 million.

Hotel companies

In the third quarter of 2004, hotel companies reported an overall improvement in performance on the previous year, albeit with regional variations. Hotel occupancy rates were good and exceeded the previous year's levels in most cases. RIU hotels recorded good bookings in the short and medium-haul segment, with Tunisia in particular reporting improved occupancy rates. Hotels in long-haul destinations, above all Mexico, recorded above-average high occupancy rates. On the Balearic Islands, Grupotel was affected by a weakening of demand for tours to Spain and reported a slight decline in occupancy. Robinson Clubs, in contrast, reported an increase in occupancy rates year-on-year. This also applied to Magic Life, with the clubs in Egypt particularly well booked. Iberotel also managed to benefit from the current trend towards tours to Egypt, generating a considerable increase in occupancy rates on the previous year. Grecotel achieved satisfactory occupancy rates in its facilities in Greece, although these did not fully match the previous year's levels.

Other tourism

In the third quarter of 2004, TUI Business Travel, which operates under the TQ3 Travel Solutions brand, had to operate in virtually the same business environment as before. Nevertheless, it managed to improve its earnings, mainly due to the success of the cost containment programme.

Tourism – Other tourism

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Turnover	57.2	58.5	192.3	187.2	+ 2.7
Earnings by division (EBTA)	9	- 5	15	- 1	n. m.
EBITDA ¹⁾	25	6	56	32	+ 75.0
Capital expenditure	17.4	12.4	39.1	33.9	+ 15.3
Employees (30 Sept.)	-	-	4,720	5,218	- 9.5

¹⁾ Earnings before interest, tax, depreciation and amortisation

Logistics

The development of turnover and earnings of the logistics division was impaired by the ongoing divestment of activities in the special logistics sector both in the third quarter of 2004 and in the first three quarters of 2004. Overall, however, the logistics division improved its performance year-on-year. This was attributable to the persistently positive business trend in container shipping which, with its steady growth in turnover and earnings, more than offset the declines due to the divestments and the weaker business trend in the remaining special logistics operations.

Logistics

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Turnover	889.2	1,035.2	2,655.0	2,887.8	-	8.1
Earnings by division (EBTA)	102	96	208	199	+	4.5
EBITDA ¹⁾	166	153	375	369	+	1.6
Capital expenditure	30.5	33.0	104.0	101.1	+	2.9
Employees (30 Sept.)	-	-	4,453	9,315	-	52.2

¹⁾ Earnings before interest, tax, depreciation and amortisation

Shipping

In the third quarter of 2004, the container shipping industry continued to record an increase in demand on the previous year. As before, demand for transport volume rose most strongly on the Far East trade lane. However, brisk growth was also achieved on the North Atlantic routes and in Trans-Pacific transport. Overall, freight rates remained high, with partial further improvements being achieved.

Shipping

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Turnover	725.1	647.6	1,972.1	1,753.5	+	12.5
Earnings by division (EBTA)	89	79	193	143	+	35.0
EBITDA ¹⁾	127	100	275	207	+	32.9
Capital expenditure	16.8	8.1	40.7	18.9	+	115.3
Employees (30 Sept.)	-	-	3,951	3,918	+	0.8

¹⁾ Earnings before interest, tax, depreciation and amortisation

Hapag-Lloyd Container Linie

Hapag-Lloyd Container Linie continued the positive business trend of previous quarters and achieved a year-on-year increase in its performance in the third quarter of 2004. This positive trend was based on the 13.8% increase in transport volumes to 625,000 standard containers (TEU). Moreover, average weighted freight rates rose by 7.3% year-on-year to 1,284 \$/TEU in the third quarter of 2004. They also increased again in comparison with the first half of 2004. However, this positive trend was

curbed by the weakening of the US dollar exchange rate on the previous year: at an average of 1.22 \$/€, it dropped by 8.9% in value in the third quarter of 2004 compared with the same period last year. The negative impact was partly offset by means of currency hedges. Costwise, the increase in crude oil prices resulted in higher bunker costs, which, however, were contrasted by cost savings for cargo handling and land transport.

Transport volumes Hapag-Lloyd Container Linie

TEU '000	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Far East	262	228	752	624	+ 20.5
North Atlantic	157	139	460	406	+ 13.3
Trans-Pacific	162	144	460	395	+ 16.5
South America	44	38	127	112	+ 13.4
Total	625	549	1,799	1,537	+ 17.0

In the third quarter of 2004, in the Far East trade lane, transport volumes rose by just under 15% year-on-year to 262,000 TEU. Brisk growth was achieved in particular on the routes from Asia to Europe due to persistently high exports from the Asian region. Inner-Asian transports also continued to rise. In the North Atlantic trade lane, transport volumes rose by around 13% year-on-year to 157,000 TEU. This was attributable to the persistently high level of transports on the routes from Europe to America. In the Trans-Pacific trade lane, transport volumes rose by more than 12% to 162,000 TEU. This growth was primarily due to the increase in volumes on the routes from Asia to America. The South America trade lane also reported year-on-year growth in container transports to 44,000 TEU.

Hapag-Lloyd Kreuzfahrten

In the third quarter of 2004, Hapag-Lloyd Kreuzfahrten achieved an improvement in business operations on the previous year, although the market for premium cruises remained difficult. The positive trend was supported by the increase in utilisation of the cruise ships, in particular the 'Europa', which again was the only cruise ship in the world to be included in the 5-star-plus category by the Berlitz Cruise Guide. However, the 'Hanseatic' and the 'Columbus' also achieved higher occupancy rates, while bookings for the 'Bremen' remained at a constant level. Another factor contributing to the success of this sector was the concentration of business on deep sea cruises and the related exit from the river cruise business as part of the restructuring of the sector, which positively affected its cost trend.

Special logistics

Following the completion of the divestment of Pracht Spedition + Logistik in the first quarter of 2004, the bulk and special logistics sector of VTG-Lehnkering AG was divested in April 2004 as part of the concentration of the logistics division on shipping. Pracht will not be included in the consolidated financial statements for 2004, while the bulk and special logistics sector will only be included for the period until 31 March 2004. The former VTG-Lehnkering AG now operates under the name of VTG AG, whose activities comprise rail and tank container logistics.

In September 2004 the divestment was completed of the 66.98% share in the French Algeco S.A. to the British private equity company TDR Capital LLP. The Algeco Group was therefore only included in the consolidated financial statements up to 31 August 2004.

Because of the divestments, both turnover and earnings in the special logistics sector dropped significantly below the previous year's levels in the third quarter of 2004 and for the first three quarters of 2004.

Special logistics

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %
Turnover	164.1	387.6	682.9	1,134.3	- 39.8
Earnings by division (EBTA)	13	17	15	56	- 73.2
EBITDA ¹⁾	39	53	100	162	- 38.3
Capital expenditure	13.7	24.9	63.3	82.2	- 23.0
Employees (30 Sept.)	-	-	502	5,397	- 90.7

¹⁾ Earnings before interest, tax, depreciation and amortisation

VTG AG

In the third quarter of 2004, VTG AG, with its rail logistics and tank container logistics sectors, performed satisfactorily overall. In rail logistics, the utilisation of tank vessels was maintained at the previous quarter's level. Transpetrol, the rail forwarder, continued to record steady business. Utilisation of Transwaggon's goods and flat wagons declined slightly, primarily because of the weakness of economic activity in the automotive sector. Business in the tank container logistics sector was largely unchanged. The business trend continued to be impacted by the imbalance of transport volumes on the routes to and from Asia.

Other Sectors

Other sectors comprised the trading sector with the remaining steel service activities of the PNA Group, the activities divested in 2003, and the Group's central operations with TUI AG's corporate centre functions and the remaining industrial shareholdings.

Trading

In the course of the third quarter of 2004, the situation on the American steel market began to relax somewhat. The availability of raw materials such as coke and scrap improved, allowing US steel manufacturers to again improve capacity utilisation. In addition, imports of steel at attractive prices increased. As a result, the price mark-ups charged by steel manufacturers for rolled steel products declined. The companies of the PNA Group continued to operate in a favourable market situation with good demand levels.

In the third quarter of 2004, the US steel service companies of Preussag North America, Inc. (PNA) sold a total of 525,000 tons of steel, 17.0% up on the previous year. Accumulated steel sales for the first three months of 2004 totalled 1,550,000 tons, an increase of just under 15% on the previous year. The Feralloy Group accounted for the largest proportion of growth, with steel sales up by 22% year-on-year. However, Infra-Metals and the Delta Steel Group also achieved substantial sales increases of 3% and 8%, respectively, in the first three quarters of 2004.

PNA Group

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var.	%
Turnover	279.1	157.2	730.0	474.0	-	59.6
Earnings by division (EBTA)	30	1	94	0		n. m.
EBITDA ¹⁾	34	5	106	11		n. m.
Capital expenditure	0.8	0.9	2.5	3.6	-	30.6
Employees (30 Sept.)	-	-	1,159	1,101	+	5.3

¹⁾ Earnings before interest, tax, depreciation and amortisation

Divestments

This sector comprised the figures presented in the 2003 financial statements for the former energy sector and the AMC Group, which were included in consolidation until the end of June 2003 and the end of October 2003, respectively. The divestments made in the 2004 financial year – Pracht Spedition + Logistik, the bulk and special logistics sector of VTG-Lehnkering AG and the Algeco Group – will continue to be presented in the logistics division in the course of the year.

Prospects

In the first nine months of the 2004 financial year, all the divisions recorded a year-on-year improvement in their business performance. Against this background, prospects for the entire 2004 financial year are promising.

In tourism, the overall framework continues to provide every reason for optimism. In October, the last month of the 2004 summer season, capacities were well utilised. Overall, bookings for the 2004/2005 winter season, which commences in November, have started off well. The trend emerging for the winter season is that turnover growth will again outperform volume growth. Total earnings of the tourism division in the 2004 financial year will grow by at least 70% on the previous year.

Following the growth achieved so far, prospects for the shipping sector remain good for the entire 2004 financial year. Due to the economic environment and the sector's own strong competitive position, further growth in transport volumes and persistently high freight rates are expected. Earnings in the shipping sector will therefore rise year-on-year for the 2004 financial year.

Following three extraordinarily good quarters, the trading sector will generate a record result for the entire 2004 financial year.

This background confirms the expectation that earnings by divisions, adjusted for unusual expenses and income, will significantly rise year-on-year in the 2004 financial year to at least € 420 million (previous year: € 242 million).

Further Information

Additional key figures by segments

Capital expenditure¹⁾

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Tourism	131.9	102.6	344.5	357.2	-	3.6
Central Europe	30.9	4.7	86.8	84.8	+	2.4
Northern Europe	19.0	38.4	63.6	79.9	-	20.4
Western Europe	22.7	7.9	39.9	18.8	+	112.2
Destinations	41.9	39.2	115.1	139.8	-	17.7
Other tourism	17.4	12.4	39.1	33.9	+	15.3
Logistics	30.5	33.0	104.0	101.1	+	2.9
Shipping	16.8	8.1	40.7	18.9	+	115.3
Special logistics	13.7	24.9	63.3	82.2	-	23.0
Other sectors	1.9	7.5	8.9	43.3	-	79.4
Trading	0.8	0.9	2.5	3.6	-	30.6
Divestments	-	1.5	-	29.7	-	-
Central operations	1.1	5.1	6.4	10.0	-	36.0
Total	164.3	143.1	457.4	501.6	-	8.8

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

Depreciation/amortisation¹⁾

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Var. %	
Tourism	81.2	175.7	243.9	481.4	-	49.3
Central Europe	18.9	32.2	55.7	94.7	-	41.2
Northern Europe	27.4	65.4	84.6	203.6	-	58.4
Western Europe	8.4	16.0	24.1	47.0	-	48.7
Destinations	14.7	48.3	43.7	98.1	-	55.5
Other tourism	11.8	13.8	35.8	38.0	-	5.8
Logistics	46.9	53.8	144.2	157.8	-	8.6
Shipping	23.4	23.2	69.1	68.2	+	1.3
Special logistics	23.5	30.6	75.1	89.6	-	16.2
Other sectors	6.6	29.5	20.1	68.2	-	70.5
Trading	2.0	2.4	6.1	7.2	-	15.3
Divestments	-	1.6	-	24.0	-	-
Central operations	4.6	25.5	14.0	37.0	-	62.2
Total	134.7	259.0	408.2	707.4	-	42.3

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

Employees

As per 30 September 2004, the consolidated Group companies employed 65,827 people worldwide, including 15,863 in Germany and 49,964 in foreign Group companies. The headcount therefore rose by 1,570 or 2.4% compared with December 2003. This was primarily due to the seasonal increase in the headcount in tourism and changes in consolidation in the destinations sector. This increase more than offset the declines resulting from the divestments in the logistics division.

Employees by divisions

	30 Sep 2004	31 Dec 2003		Var. %
Tourism	57,762	51,708	+	11.7
Central Europe	9,478	9,391	+	0.9
Northern Europe	18,644	18,033	+	3.4
Western Europe	6,704	6,521	+	2.8
Destinations	18,216	12,896	+	41.3
Other tourism	4,720	4,867	-	3.0
Logistics	4,453	9,235	-	51.8
Shipping	3,951	3,897	+	1.4
Special logistics	502	5,338	-	90.6
Other sectors	3,612	3,314	+	9.0
Trading	1,159	1,104	+	5.0
Divestments	-	-	-	-
Central operations	2,453	2,210	+	11.0
Total	65,827	64,257	+	2.4

Corporate Governance

In the course of the third quarter of 2004, the following changes occurred in the composition of the boards of TUI AG:

Executive Board

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

The current composition of the Executive Board and Supervisory Board is provided on the Company's website (www.tui.com), where it is permanently accessible to the public.

TUI AG
The Executive Board
November 2004

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Financial Statements

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

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003
Turnover	6,197.6	6,536.2	14,250.9	15,353.7
Other income	167.1	52.9	504.7	569.1
Change in inventories and other own work capitalised	+ 13.5	+ 10.6	+ 37.6	+ 46.3
Cost of materials and purchased services	4,229.4	4,713.4	9,930.6	11,200.2
Personnel costs	604.7	670.6	1,815.6	1,959.2
Depreciation and amortisation	125.6	218.9	399.1	667.3
(of which amortisation of goodwill)	(0.0)	(73.1)	(0.0)	(219.7)
Impairment of fixed assets	9.1	40.1	9.1	40.1
(of which impairment of goodwill)	(0.0)	(22.3)	(0.0)	(22.3)
Other expenses	755.3	514.3	1,996.0	1,897.9
(of which other taxes)	(10.7)	(9.6)	(27.3)	(26.5)
Result from the discontinuance of operations	+ 126.8	- 7.0	+ 175.4	+ 661.9
Financial result	- 41.6	- 38.7	- 171.3	- 97.0
Earnings from companies measured at equity	+ 17.4	+ 6.5	+ 33.4	+ 17.3
(of which amortisation of goodwill)	(0.0)	(1.1)	(0.0)	(3.3)
Earnings before taxes on income	+ 756.7	+ 403.2	+ 680.3	+ 786.6
Income taxes	+ 149.0	+ 166.8	+ 108.4	+ 140.3
Group profit	+ 607.7	+ 236.4	+ 571.9	+ 646.3
Attributable to equity holders of TUI AG	+ 566.1	+ 203.1	+ 525.4	+ 611.3
Attributable to minority interest	+ 41.6	+ 33.3	+ 46.5	+ 35.0
Group profit	+ 607.7	+ 236.4	+ 571.9	+ 646.3

€	Q3 2004	Q3 2003	9M 2004	9M 2003
Basic earnings per share	+ 3.17	+ 1.14	+ 2.94	+ 3.43
Diluted earnings per share	+ 2.91	+ 1.14	+ 2.74	+ 3.43
Earnings per share before amortisation of goodwill	+ 3.17	+ 1.71	+ 2.94	+ 4.81

Condensed consolidated balance sheet of the TUI Group

€ million	30 Sep 2004	31 Dec 2003
Assets		
Fixed assets	9,172.9	9,688.1
Goodwill	3,845.3	3,807.9
Other intangible assets	181.3	198.6
Investment property	140.5	149.3
Other property, plant and equipment	4,172.3	4,734.7
Companies measured at equity	368.9	332.4
Other investments	464.6	465.2
Non-current receivables	461.5	583.3
Other receivables and assets	330.0	395.0
Deferred income tax assets	131.5	188.3
Non-current assets	9,634.4	10,271.4
Inventories	568.9	532.4
Current receivables	1,975.9	1,836.9
Trade accounts receivable	1,001.5	898.2
Other receivables and assets	966.6	916.9
Current income tax assets	7.8	21.8
Cash and cash equivalents	1,249.8	348.5
Current assets	3,794.6	2,717.8
	13,429.0	12,989.2

€ million	30 Sep 2004	31 Dec 2003
Group equity and liabilities		
Group equity	3,234.9	2,766.9
Subscribed capital	456.2	456.2
Reserves and accumulated profits	2,523.8	2,025.6
Equity of shareholders in TUI AG	2,980.0	2,481.8
Minority interests	254.9	285.1
Non-current provisions	1,229.2	1,287.6
Provisions for pensions and similar obligations	613.1	598.3
Deferred and current income tax provisions	263.6	329.1
Other provisions	352.5	360.2
Non-current liabilities	3,652.8	2,916.6
Financial liabilities	3,525.0	2,710.2
Other liabilities	127.8	206.4
Non-current provisions and liabilities	4,882.0	4,204.2
Current provisions	769.0	890.5
Provisions for pensions and similar obligations	49.4	46.8
Current income tax provisions	97.7	159.2
Other provisions	621.9	684.5
Current liabilities	4,543.1	5,127.6
Financial liabilities	381.4	1,467.1
Trade accounts payable	2,384.1	2,036.6
Other liabilities	1,777.6	1,623.9
Current provisions and liabilities	5,312.1	6,018.1
	13,429.0	12,989.2

Changes in equity

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

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2004	456.2	2,025.6	2,481.8	285.1	2,766.9
First-time application of IFRS 3	0.0	11.1	11.1	0.0	11.1
Adjusted balance as at 1 January 2004	456.2	2,036.7	2,492.9	285.1	2,778.0
Dividend payments	0.0	- 137.4	- 137.4	- 15.4	- 152.8
Other changes without effect on net income	0.0	99.1	99.1	- 61.3	37.8
Differences from currency translation	(0.0)	(65.0)	(65.0)	(0.0)	(65.0)
Reserves for change in value of financial instruments	(0.0)	(133.5)	(133.5)	(0.0)	(133.5)
Tax items directly offset against equity	(0.0)	(- 55.3)	(- 55.3)	(0.0)	(- 55.3)
Offsetting difference from the acquisition of minority interests	(0.0)	(- 44.1)	(- 44.1)	(0.0)	(- 44.1)
Changes in consolidation	(0.0)	(0.0)	(0.0)	(- 61.3)	(- 61.3)
Group profit	0.0	525.4	525.4	46.5	571.9
Balance as at 30 September 2004	456.2	2,523.8	2,980.0	254.9	3,234.9

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

€ million	Subscribed capital	Reserves and accumulated profits	Equity of share-holders in TUI AG	Minority interests	Group equity
Balance as at 1 January 2003	455.1	2,455.0	2,910.1	270.4	3,180.5
Dividend payments	0.0	- 137.1	- 137.1	- 10.8	- 147.9
Other changes without effect on net income	0.0	- 126.7	- 126.7	- 8.2	- 134.9
Differences from currency translation	(0.0)	(- 28.1)	(- 28.1)	(- 7.8)	(- 35.9)
Reserves for change in value of financial instruments	(0.0)	(- 184.7)	(- 184.7)	(0.0)	(- 184.7)
Tax items directly offset against equity	(0.0)	(- 2.8)	(- 2.8)	(0.0)	(- 2.8)
Changes in consolidation	(0.0)	(88.9)	(88.9)	(- 0.4)	(88.5)
Group profit	0.0	611.3	611.3	35.0	646.3
Balance as at 30 September 2003	455.1	2,802.5	3,257.6	286.4	3,544.0

Cash flow statement

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

€ million	2004		2003
Cash inflow from operating activities	1,135.5		1,081.7
Cash inflow from investing activities	345.8		1,223.3
Cash outflow from financing activities	- 587.0		- 2,307.8
Change in funds with cash effect		894.3	- 2.8
Change in cash and cash equval. due to exchange rate fluctuations and other changes in value		7.0	- 17.5
Cash and cash equivalents at the beginning of the period		348.5	366.5
Cash and cash equivalents at the end of the period		1,249.8	346.2

Accounting principles

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

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

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

Group of consolidated companies

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

The interim financial statements as per 30 September 2004 included a total of 52 domestic and 350 foreign subsidiaries, besides TUI AG.

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

The additions related mainly to the tourism and logistics divisions and were not significant for the presentation of a true and fair view of the financial position and performance of the Group, either individually or when taken together.

Since 31 December 2003, a total of 41 companies were removed from consolidation. Most of these, i.e. 32 companies, related to business unit II (bulk and special logistics) of VTG AG and the companies of the Algeco Group. A further three companies of the tourism division were removed from consolidation due to divestments and two companies due to mergers. The remaining disposals related to the logistics division and 'Other sectors'.

Discontinuing operations

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

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

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

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

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

The Algeco Group was sold to UK financial investor TDR Capital LLP in September 2004.

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

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

Material assets and liabilities of the discontinuance of

Energy

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

Trading

€ million	30 Sep 2004	Trading 31 Dec 2003
Non-current assets	90.8	92.2
Current assets	357.1	209.3
Provisions	34.1	16.9
Financial liabilities	204.5	155.3
Other liabilities	76.4	51.7

Specialist logistics

€ million	30 Sep 2004	Specialist logistics 31 Dec 2003
Non-current assets	284.1	934.5
Current assets	146.5	362.9
Provisions	100.5	205.7
Financial liabilities	185.0	478.8
Other liabilities	69.2	238.1

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

Energy

€ million	Q3 2004	Q3 2003	9M 2004	Energy 9M 2003
Turnover	-	-	-	177.0
Other income	-	-	-	6.4
Operating expenses	-	-	-	162.2
Financial result	-	-	-	- 1.0
Earnings before taxes on income	-	-	-	20.2
Income taxes	-	-	-	13.4
Earnings after taxes on income	-	-	-	6.8

Trading

€ million	Q3 2004	Q3 2003	9M 2004	Trading 9M 2003
Turnover	279.1	656.8	730.0	1,808.0
Other income	0.2	0.4	0.8	3.7
Operating expenses	247.7	651.7	631.8	1,804.1
Financial result	- 2.0	1.0	- 6.2	0.1
Earnings before taxes on income	30.3	6.6	94.3	8.6
Income taxes	11.3	2.8	39.5	5.6
Earnings after taxes on income	19.0	3.8	54.8	3.0

Specialist logistics

€ million	Q3 2004	Q3 2003	Specialist logistics 9M 2004	Specialist logistics 9M 2003
Turnover	164.2	388.1	682.9	1,134.4
Other income	2.3	7.0	22.6	33.4
Operating expenses	156.7	373.5	683.4	1,096.9
Financial result	- 2.3	- 0.9	- 8.7	- 12.0
Earnings before taxes on income	7.8	14.9	14.7	54.1
Income taxes	4.5	7.2	12.2	22.3
Earnings after taxes on income	3.3	7.7	2.5	31.8

Cash flow from operating, investing and financing activities**Energy**

€ million			Q3 2004	Q3 2003	9M 2004	Energy 9M 2003
Cash outflow from operating activities	-	-	-	-	-	22.4
Cash outflow from investing activities	-	-	-	-	-	23.1
Cash inflow from financing activities	-	-	-	-	-	3.8
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	-	-	-	-	-	-
Change in cash and cash equivalents	-	-	-	-	-	41.7

Trading

€ million			Q3 2004	Q3 2003	9M 2004	Trading 9M 2003
Cash inflow/outflow from operating activities	-	20.6	-	5.8	-	31.0
Cash outflow from investing activities	-	0.6	-	1.9	-	4.2
Cash inflow/outflow from financing activities	23.2	-	10.9	-	44.0	-
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	0.0	-	0.7	-	0.0	5.1
Change in cash and cash equivalents	2.0	2.5	2.7	4.2	4.2	4.2

Specialist logistics

€ million			Q3 2004	Q3 2003	Specialist logistics 9M 2004	Specialist logistics 9M 2003
Cash inflow/outflow from operating activities	-	16.4	25.1	-	35.7	112.4
Cash inflow/outflow from investing activities	34.1	-	19.8	-	128.9	62.1
Cash outflow from financing activities	-	17.6	-	11.6	-	49.2
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	-	2.6	0.0	-	5.1	0.2
Change in cash and cash equivalents	-	2.5	6.3	-	12.9	0.9

Notes on the consolidated profit and loss statement

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

Other income declined due to the fact that the previous year's other income included one-off income from the divestment of the indirect shareholding in Ruhrgas AG. Other income and other expenses rose due to the increase in operating business volume and the disproportional increase in commissions in the source market Northern Europe.

The decline in expenses for scheduled depreciation/amortisation was primarily attributable to the fact that amortisation of goodwill has no longer been effected since 1 January 2004 (previous year: € 223.0 million).

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

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

In the first nine months of the 2004 financial year, consolidated earnings included unusual earnings totalling around € 175 million, carried as

earnings from discontinuing operations. Unusual income of around € 205 million resulted from the divestment of Pracht Spedition + Logistik GmbH, the bulk and special logistics business unit (UB II) of VTG AG and the companies of the Algeco Group as well as provisioning no longer required due to the divestment of the Preussag Energie Group. Unusual expenses of around € 30 million related to provisions for planned divestments.

Earnings in the previous year's reference period included net unusual income of around € 817 million. This amount included € 662 million carried as income from discontinuing operations, mainly resulting from the divestment of the Preussag Energie Group. Around € 200 million related to the divestment of the indirect shareholding in Ruhrgas AG, effected as an independent transaction alongside the divestment of the Preussag Energie Group. Unusual expenses of € 45 million related to provisions for divestments already effected in the past.

Notes on the consolidated balance sheet

In comparison with 31 December 2003, goodwill increased mainly as a result of changes in exchange rate parities – in particular against the British pound sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries.

The reduction in other tangible assets primarily resulted from the divestments made in the current financial year, in particular the disposal of Pracht Spedition + Logistik GmbH, the bulk and special logistics business unit (UB II) of VTG AG and the companies of the Algeco Group.

Due to the seasonal nature of the tourism business, both trade accounts receivable and trade accounts payable in the tourism division rose in comparison with 31 December 2003. Due to the increase in advance payments received for tourism services, other liabilities also rose in this period.

The ongoing reduction in the Group's debt by means of divestments and the positive business trend enhanced an improvement in the net financial position, comprising liquid funds and financial liabilities. On the other hand, the payment of the dividend for the 2003 financial year had the opposite effect.

In the first half of 2004, the TUI Group restructured its refinancing mainly by means of non-current refinancing measures. A 3-year borrower's note loan totalling € 120 million, a 7-year bond totalling € 625 million and a 5-year bond totalling € 400 million were issued in the capital market. A multi-year syndicated bank facility of € 600 million was signed to this

end. On the other hand, the 1999 convertible bond of € 550 million, a syndicated bank loan of € 800 million and bilateral dues to banks were redeemed.

Changes in equity

Due to the positive consolidated earnings, equity rose in comparison with 31 December 2003. Another factor causing an increase in equity were changes in exchange rates – in particular against the British pound sterling – taken directly to equity.

Equity declined as a result of the dividend of € 137.4 million adopted by the Annual General Meeting of TUI AG on 18 May 2004.

Negative goodwill was eliminated from revenue reserves with no effect on results as per 1 January 2004 as an adjustment to the opening balance. The goodwill arising in the current financial year from the acquisition of minority shares was also offset against the revenue reserves with no effect on results.

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

Contingent liabilities

As per 30 September 2004, the TUI Group recorded contingent liabilities of around € 555 million (31 December 2003: around € 676 million). The decline in contingent liabilities in the first three quarters of the 2004 financial year was primarily attributable to the ongoing scheduled reduction in guarantees and warranties in connection with the former activities in plant engineering and shipbuilding.

For financial charges for proceedings arising from the declaratory action filed by the receiver of Babcock Borsig AG i. l., a provision was established amounting only to the anticipated cost of legal advice, since the action is expected to be dismissed.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 916.8 million to € 1,265.3 million.

At € 1,135.5 million, the inflow of cash from operating activities rose by € 53.8 million year-on-year. This was due to the increase in the operating business volume, in particular in tourism. As the divested companies were

only included in consolidation on a pro rata temporis basis both for the current and previous financial year, a year-on-year comparison of figures is only of limited use.

The inflow of cash from investing activities totalled € 345.8 million. The previous year's high cash inflow was essentially attributable to the divestment of the Preussag Energie Group.

Cash and cash equivalents declined by € 587.0 million as a result of the cash outflow from financing activities. This was due to the redemption of financial liabilities – in particular from current operations – and the interest and dividends paid.

Changes in cash and cash equivalents due to exchange rate fluctuations and other changes in value caused a cash inflow of € 7.0 million.

Segment data

Third party turnover by divisions

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Variance
Tourism	4,874.2	4,722.5	10,509.0	10,179.4	329.6
Logistics ¹⁾	889.2	1,035.2	2,655.0	2,887.8	- 232.8
Energy ²⁾	0.0	0.0	0.0	176.9	- 176.9
Trading ²⁾	279.1	656.8	730.0	1,808.0	- 1,078.0
Others / Consolidation	155.1	121.7	356.9	301.6	55.3
Total	6,197.6	6,536.2	14,250.9	15,353.7	- 1,102.8

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

²⁾ Discontinuing operation

Results by divisions (EBTA)

€ million	Q3 2004	Q3 2003	9M 2004	9M 2003	Variance
Tourism	572	500	487	301	186
Logistics ¹⁾	102	96	208	199	9
Energy ²⁾	0	1	0	20	- 20
Trading ²⁾	30	7	94	9	85
Discontinuing operations ³⁾	126	-	175	662	- 487
of which Logistics	127	- 38	146	- 38	184
of which Energy	- 1	0	29	769	- 740
of which provisions, among other things Trading	0	31	0	- 69	69
Others / Consolidation	- 74	- 97	- 284	- 159	- 125
Total	756	500	680	1,032	- 352

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

²⁾ Discontinuing operation – result of operations

³⁾ Discontinuing operation – result from the discontinuance of operations

EBTA result includes financial result for the first nine months as follows: Tourism division € 10 million (previous year: € 16 million), Logistics division € - 22 million (previous year: € - 12 million), Energy division € 0 million (previous year: € - 1 million), Trading division € - 6 million (previous year: € - 1 million) and Others/Consolidation division € - 154 million (previous year: € - 99 Million).

EBTA result includes result from companies at equity for the first nine months as follows: Tourism division € 27 million (previous year: € 12 million), Logistics division € 1 million (previous year: € 0 million), Trading division € 1 million (previous year: € 1 million) and Others/Consolidation division € 4 million (previous year: € 4 million).

EBTA result excludes amortization and impairment of goodwill for the first nine months as follows: Tourism division € 0 million (previous year: € 238 million), Logistics division € 0 million (previous year: € 2 million) and Others/Consolidation division € 0 million (previous year: € 2 million).

EBTA result includes financial result for the third quarter as follows: Tourism division € 3 million (previous year € 10 million), Logistics division € - 18 million (previous year: € - 4 million), Energy division € 0 million (previous year: € 0 million), Trading division € - 2 million (previous year: € 3 million) and Others/Consolidation division € - 25 million (previous year: € - 46 million).

EBTA result includes result from companies at equity for the third quarter as follows: Tourism division € 15 million (previous year: € 0 million), Logistics division € 0 million (previous year: € - 1 million), Trading division € 0 million (previous year: € 1 million) and Others/Consolidation division € 2 million (previous year: € 4 million).

EBTA result excludes amortization and impairment of goodwill for the third quarter as follows: Tourism division € 0 million (previous year: € 94 million), Logistics division € 0 million (previous year: € 0 million) and Others/Consolidation division € 0 million (previous year: € 1 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

Annual Press Conference 2005	23 March 2005
Interim Report January to March 2005	11 May 2005 ¹⁾
Annual General Meeting 2005	11 May 2005
Interim Report January to June 2005	11 August 2005 ¹⁾
Interim Report January to September 2005	10 November 2005 ¹⁾

¹⁾ scheduled

Imprint

TUI AG

Karl-Wiechert-Allee 4
D-30625 Hanover

Phone ++49.0511.566-00

Telefax ++49.0511.566-1901

E-Mail investor.relations@tui.com

Internet www.tui.com

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



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