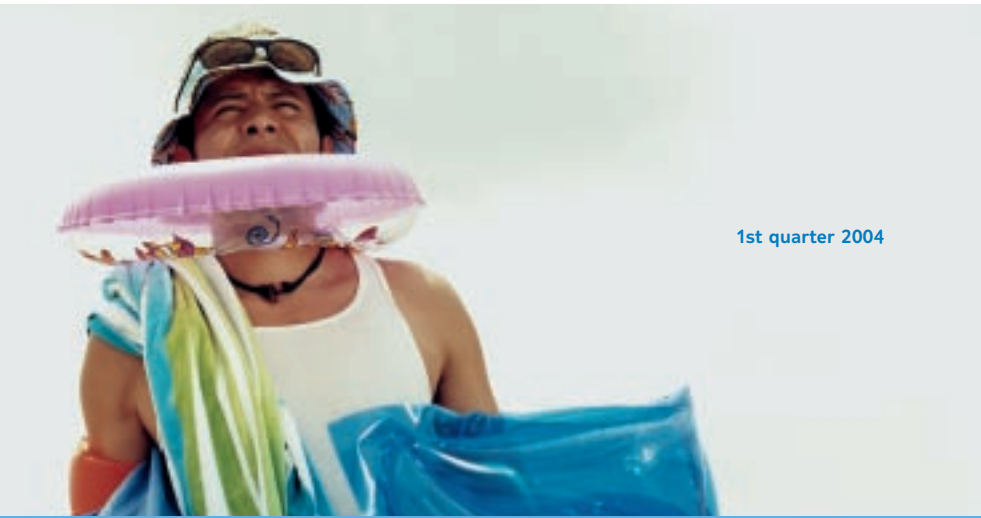


TUI AG Financial Year 2004

Interim Report 1 January – 31 March 2004



1st quarter 2004



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- **Good start in the new financial year**
- **Considerable improvement in tourism**
- **Shipping continues on the good trend of the previous year**
- **At € - 227 million adjusted earnings by divisions were 21% up on the previous year**
- **Net debt further reduced to € 3.74 billion**

TUI Group in Figures

€ million	Q1 2004	Q1 2003	Var. %	
Turnover				
Tourism	2,332	2,222	+	5.0
Logistics	902	899	+	0.2
Other	282	652	-	56.7
Group	3,516	3,773	-	6.8
Earnings by divisions (EBTA)				
Tourism	- 185	- 252	+	26.6
Logistics	34	35	-	2.9
Other	- 58	129	-	145.0
Group	- 209	- 88	-	137.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)				
Tourism	- 97	- 172	+	43.6
Logistics	87	93	-	6.5
Other	- 12	200	-	106.0
Group	- 22	121	-	118.2
Group profit for the year	- 149	- 96	-	54.3
Interest of TUI AG shareholders	- 150	- 93	-	61.3
Number of shares	million 178.5	178.0	+	0.2
Earnings per share	€ - 0.84	- 0.52	-	61.5
Cash flow	186	74	+	151.4
Capital expenditure	135	191	-	29.3
Depreciation/amortisation	145	224	-	35.3

€ million	31 Mar 2004	31 Dec 2003	Var. %	
Assets				
Non-current assets	10,415	10,271	+	1.4
Current assets	3,126	2,718	+	15.0
Total assets	13,541	12,989	+	4.2
Equity and liabilities				
Equity	2,784	2,767	+	0.6
Non-current liabilities	4,178	4,204	-	0.6
Current liabilities	6,579	6,018	+	9.3
Total equity and liabilities	13,541	12,989	+	4.2
Equity ratio	% 20.6	21.3	-	0.7
Net debt	3,736	3,828	-	2.4
Employees	62,904	64,257	-	2.1

Q1, 2004 – Good start in the new financial year

General economic situation

In the second half of 2003, the world economy expanded strongly. This development continued at the beginning of 2004. For the second half of the year, economists expect a slowdown in production growth and a reduction in the cyclical gap between industrialised countries.

Development in the regions

In the first quarter of 2004, economic growth was again strongest in the US and Asia. Economic activity in Europe was set to recover in the spring of 2004. The national economies in the Eurozone overcame stagnation. Their exports grew substantially as a result of economic growth in the rest of the world. However, economic recovery was still restrained. This was primarily due to private consumption, which has only gradually gained momentum.

Development of the divisions

Following a number of difficult years, tourism started to improve considerably, a trend supported by positive economic signals. However, regional differences persisted, with Germany recovering more slowly than the UK, the second largest market. Another development supporting confidence was the recovery of the Scandinavian market, which had been adversely affected in the past.

In the logistics division, last year's positive trend continued. Shipping recorded persistently high transport volumes and freight rates. This development was primarily supported by the brisk growth of the Asian economies and the US.

Turnover and earnings

Group turnover

In the first quarter of 2004, the TUI Group's turnover totalled € 3.52 billion (previous year: € 3.77 billion), down 6.8% on the previous year. This decline was exclusively attributable to the divestments made in the previous year. Adjusted for relevant turnover, Group turnover rose by 6.3%.

At € 2.33 billion (previous year: € 2.22 billion), tourism reported a 5.0% increase in turnover year-on-year. This was mainly attributable to the Northern Europe and Western Europe sectors. The logistics division also recorded a year-on-year increase in turnover which rose to € 901 million (previous year: € 899 million), an arithmetic increase of 0.2%, with the growth in container shipping offsetting the decline in turnover caused by the divestment of Pracht Spedition + Logistik. On a like-for-like basis,

turnover in logistics rose by 5.8%. Other sectors recorded a 56.7% decline in turnover to € 282 million (previous year: € 652 million), primarily due to the divestment of the AMC Group and the energy sector. The turnover of the remaining activities rose year-on-year.

Group turnover by divisions

€ million	Q1 2004	Q1 2003	Var. %	
Tourism	2,332.0	2,222.0	+	5.0
Central Europe	813.9	829.8	-	1.9
Northern Europe	848.2	727.3	+	16.6
Western Europe	507.3	492.5	+	3.0
Destinations	99.2	110.6	-	10.3
Other tourism	63.4	61.8	+	2.6
Logistics	901.4	899.3	+	0.2
Shipping	574.6	528.9	+	8.6
Special logistics	326.8	370.4	-	11.8
Other sectors	282.3	652.2	-	56.7
Trading	199.4	161.5	+	23.5
Divestments	-	419.5	-	-
Central operations	82.9	71.2	+	16.4
Group turnover	3,515.7	3,773.5	-	6.8

Earnings by divisions

€ million	Q1 2004	Q1 2003	Var. %	
Tourism	- 185	- 252	+	26.6
Central Europe	- 85	- 109	+	22.0
Northern Europe	- 94	- 127	+	26.0
Western Europe	- 11	- 7	-	57.1
Destinations	8	- 7	+	214.3
Other tourism	- 3	- 2	-	50.0
Logistics	34	35	-	2.9
Shipping	25	19	+	31.6
Special logistics	9	16	-	43.8
Other sectors	- 58	129	-	145.0
Trading	25	- 1	n. m.	
Divestments	-	3	-	-
Central operations	- 83	127	-	165.4
Earnings by divisions (EBTA)	- 209	- 88	-	137.5

Adjusted earnings by divisions

€ million	Q1 2004	Q1 2003	Var. %	
Earnings by divisions (EBTA)	- 209	- 88	-	137.5
Unusual expenses and income	18	200	-	91.0
Adjusted EBTA	- 227	- 288	+	21.2

Earnings by divisions

In the first quarter of 2004, earnings by divisions (earnings before taxes on income and amortisation of goodwill) totalled € - 209 million (previous year: € - 88 million), down on the previous year. They were characterised by two opposing trends. On the one hand, earnings of the sectors retained following the divestments increased by 22.0% to € - 227 million (previous year: € - 291 million). This trend confirms the good performance, above all in tourism – the Group's core business – but also in shipping. On the other hand, earnings from unusual expenses and income, which in the previous year consisted of income from the first stage of the divestment of the energy sector, dropped substantially to € 18 million (previous year: € 200 million).

Disregarding unusual expenses and income, adjusted earnings by divisions totalled € - 227 million (previous year: € - 288 million) in the first quarter of 2004, up 21.2% year-on-year. This increase was mainly due to the significant improvement of earnings in tourism and the maintaining of a good level of earnings in container shipping. Moreover, the US steel service companies recorded a considerable improvement in earnings year-on-year.

Tourism

The start of the 2004 financial year was promising. Hitherto, Group-level number of customers and booked turnover for the 2003/2004 winter season have both been around 6% up on the previous year's levels. In the first quarter of 2004, the number of customers buying tourism products of the TUI Group totalled 3.13 million, up 4.3% on the previous year. The turnover of the tourism division rose by 5.0% to € 2.33 billion (previous year: € 2.22 billion).

In the first quarter of 2004, earnings of the tourism division totalled € - 185 million (previous year: € - 252 million), up 26.6% on the previous year. Central Europe and Northern Europe in particular – with the two largest source markets, Germany and UK – generated a substantial improvement in earnings. The Western Europe sector did not fully match the previous year's level due to a drop in earnings in France. The destinations sector, in contrast, reported an increase in earnings, generated both by hotel companies and incoming agencies.

Central Europe

In the first quarter of 2004, the Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) reported a 2.1% increase in customers year-on-year to 1.27 million. At € 814 million (previous year: € 830 million), turnover fell 1.9% short of the previous year's level. This reflected both changes in pricing policies with reduced brochure prices and different

trends in individual source markets. Turnover in Germany rose slightly, a trend primarily attributable to growth achieved by tour operators in the low-budget segment. In contrast, turnover declined in Switzerland, whereas it remained relatively stable in Austria.

At € - 85 million (previous year: € - 109 million), the Central Europe sector improved its earnings by 22.0% year-on-year. This was almost exclusively attributable to an improvement in earnings in Germany, with tour operators, flight operations as well as distribution reporting better earnings. Earnings improved in Switzerland and remained relatively stable in Austria.

Northern Europe

In the first quarter of 2004, customer numbers in the Northern Europe sector (UK, Ireland, Nordic countries and Britannia Airways) rose by 13.3% to 1.09 million. Turnover grew by 16.6% to € 848 million (previous year: € 727 million). This was primarily due to an increase in price levels in the UK. In regional terms, two thirds of the significant increase in turnover resulted from growth in the UK, while the recovery in the Nordic countries accounted for around one third.

In the first quarter of 2004, the Northern Europe sector generated earnings of € - 94 million (previous year: € - 127 million), an improvement of 26.0%. With their significant year-on-year increase in quarterly earnings, the Nordic countries made a substantial contribution. Earnings also improved in the UK, primarily due to the good performance of flight operations.

Western Europe

In the first quarter of 2004, the Western Europe sector (France, Netherlands, Belgium and Corsair) recorded a 3.1% decline in customer numbers to 0.77 million. Growth in Belgium was contrasted by slight declines in the Netherlands and France where previous year's figures were boosted by the bankruptcy of an airline. Turnover generated by the Western Europe sector rose by 3.0% to € 507 million (previous year: € 493 million), with Belgium and France reporting increases in turnover on the previous year, while the Netherlands recorded a slight decline.

In the Western Europe sector, the development of earnings showed regional variations in the first quarter of 2004. In Belgium and the Netherlands the profit contribution did not change essentially on the previous year, while France reported a slight decrease. At € - 11 million (previous year: € - 7 million), quarterly earnings of the sector dropped by 57.1% year-on-year.

Destinations

In the first quarter of 2004, turnover in the destinations sector (incoming agencies and hotel companies) totalled € 99 million (previous year: € 111

million), down 10.3% year-on-year. The decline affected both hotel companies and incoming agencies. It was mainly due to a reduction in turnover with third parties.

At € 8 million (previous year: € - 7 million), the destinations sector closed the first quarter of 2004 with positive earnings and a significant improvement over the previous year. This was attributable to good capacity utilisation in hotel companies and higher number of customers of the incoming agencies.

Other tourism

The Other tourism sector (business travel and IT service providers) reproduced the previous year's turnover level at € 63 million (previous year: € 62 million) in the first quarter of 2004. At € - 3 million (previous year: € - 2 million), this also applied to earnings.

Logistics

The logistics division continued the positive trend of the previous year. At € 901 million (previous year: € 899 million), turnover rose by an arithmetic 0.2% year-on-year. While container shipping reported an increase in turnover, special logistics recorded a decline, primarily due to the divestment of Pracht Spedition + Logistik. The divestment took effect as per 1 January 2004. On a like-for-like basis, the logistics division generated a 5.8% increase in turnover.

In the first quarter of 2004, the logistics division generated earnings of € 34 million (previous year: € 35 million), slightly below the previous year. Container shipping increased its earnings and made the strongest contribution to the earnings of the division. The special logistics division, in contrast, did not match the previous year's figures.

Shipping

In the shipping sector, turnover rose to € 575 million (previous year: € 529 million) in the first quarter of 2004, up 8.6% year-on-year. Earnings rose by 31.6% to € 25 million (previous year: € 19 million). The improvements were primarily attributable to the increase in transport volumes in container shipping, which rose by 17% on the previous year to 549 thousand standard containers (TEU), and the rise in freight rates, which improved by an average of 11% on the main shipping routes year-on-year. The development of turnover and earnings was slowed by currency effects arising from the fall of the US dollar exchange rate against the euro.

Special logistics

In the first quarter of 2004, the special logistics sector reported an 11.8% decline in turnover to € 327 million (previous year: € 370 million). This was mainly due to the divestment of Pracht Spedition + Logistik.

VTG-Lehnkering Group and the Algeco Group generated a slight increase in turnover, which meant that the adjusted turnover of the sector, disregarding the divestment effect, rose by 1.1%. Earnings totalled € 9 million (previous year: € 16 million), down 43.8% year-on-year. The VTG-Lehnkering Group recorded a stronger decline than the Algeco Group, which reported relatively stable development of its mobile buildings business.

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. Their turnover rose by 23.5% to € 199 million (previous year: € 162 million) in the first quarter of 2004. The companies benefited from the recovery of the US steel sector. This was also reflected in the earnings of the PNA Group, which accounted for € 25 million (previous year: € - 1 million), a substantial increase on the previous year.

Divestments

In 2003, the former divestments sector comprised the energy sector and the AMC Group, included in consolidation until the end of June 2003 and the end of October 2003 respectively, and hence included in the relevant figures for the 2003 financial year. In the previous year, the Energy sector did not contribute to the operational result. The gains on disposal from these divestments are reported under central operations in the management reports for the relevant quarters.

Central operations

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

In the first quarter of 2004, Hapag-Lloyd Express (HLX) generated turnover of € 27 million (previous year: € 11 million), with the previous year's turnover being relatively low due to the start-up phase of business operations. HLX generated a 65% seat load factor, a satisfactory level for this part of the winter season. Thomsonfly started business operations on 1 April 2004. Earnings and start-up costs of the low-cost carriers totalled € - 20 million (previous year: € - 15 million).

Central operations (excluding the low-cost carriers) reported turnover of € 56 million (previous year: € 60 million). This amount included the remaining real estate and industrial activities. Central operations (excluding HLX and Thomsonfly) recorded total earnings of € - 63 million (previous year: € 142 million).

Earnings of central operations were significantly affected by unusual income, mainly resulting from the divestments made in the respective periods. In the first quarter of 2004, the unusual income totalled € 18 million (previous year: € 200 million). The previous year's high level was due to earnings from the divestment of the indirect shareholding in Ruhrgas AG, while only comparatively small divestments were made this year.

The costs of central operations, which mainly consisted of the costs of TUI AG's corporate centre functions, totalled € - 44 million (previous year: € - 25 million) in the first quarter of 2004.

The net interest result generated by central operations improved due to the reduction in net debt. At € - 36 million (previous year: € - 52 million), it was 30.8% below the previous year's level.

Other expenses and income totalled € - 1 million (previous year: € + 19 million). They mainly related to the earnings of other companies and the measurement of assets.

Group profit for the year

Group profit for the year

€ million	Q1 2004	Q1 2003	Var. %
Group profit for the year	- 148.7	- 96.4	- 54.3
Income taxes	- 60.5	- 65.1	+ 7.1
Earnings before tax (EBT)	- 209.2	- 161.5	- 29.5
Amortisation of goodwill	0.0	73.8	-
Earnings by divisions (EBTA)	- 209.2	- 87.7	- 138.5
Depreciation of property, plant and equipment	144.9	150.9	- 4.0
Earnings before tax, depreciation and amortisation (EBTDA)	- 64.3	63.2	- 201.7
Net interest	42.6	57.9	- 26.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	- 21.7	121.1	- 117.9
Operating rental expenses	186.5	168.7 ¹⁾	+ 10.6
Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR)	164.8	289.8	- 43.1

¹⁾ calculated proportionally based on year-end figures

As per the end of the first quarter of 2004, Group profit for the year totalled € - 149 million (previous year: € - 96 million). While operating results improved in tourism, the core business, as well as in shipping and the remaining trading business, income from divestments declined on the previous year.

Taxes on income, comprising current income taxes and deferred tax liabilities, totalled € - 61 million (previous year: € - 65 million). The reduction in the negative tax position was mainly attributable to the improvement in earnings in current business.

Depreciation and amortisation of € 145 million (previous year: € 151 million) only included depreciation and impairments of other tangible assets. In accordance with the new IFRS 3, as well as IAS 38 and 36 (revised), amortisation or write-downs of goodwill were no longer offset. In the previous year, they had totalled € 74 million.

The Group's interest result improved to € - 43 million (previous year: € - 58 million). This was primarily attributable to the reduction in financial debt as a result of the divestments.

Operating rental expenses totalled € 187 million (previous year: € 169 million), an increase of 10.7%. € 132 million of this total were directly allocatable to operating performance and hence shown under cost of materials, while another € 55 million were reported under operating expenses.

Earnings per share

		Q1 2004	Q1 2003	Var. %
Group profit for the year	€ million	- 149	- 96	- 54.3
Minority interests	€ million	1	- 3	+ 133.3
Interest of TUI AG shareholders	€ million	- 150	- 93	- 61.3
Weighted number of shares	'000 units	178,469	178,038	+ 0.2
Basic earnings per share	€	- 0.84	- 0.52	- 61.5
Diluted earnings per share	€	- 0.84	- 0.52	- 61.5

Minority interests accounted for € 1 million of Group profit for the year (previous year: € - 3 million). 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 € - 150 million (previous year: € - 93 million). For the first quarter of 2004, basic earnings per share therefore totalled € - 0.84, while diluted earnings per share – with no dilution effects from the outstanding convertible bonds to be taken into account – amounted also to € - 0.84.

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 given in the notes of the 2003 financial statements.

Balance sheet

The Group's balance sheet total did not change significantly. It increased by 4.2% to € 13.5 billion. The development of individual balance sheet items resulted both from changes in the group of consolidated companies and the development of business in the period under review. Equity totalled € 2.8 billion, with an equity ratio of 20.6%.

Assets and liabilities

€ million	31 Mar 2004	31 Dec 2003
Non-current assets	10,414.5	10,271.4
Current assets	3,126.2	2,717.8
Assets	13,540.7	12,989.2
Group equity	2,783.7	2,766.9
Non-current liabilities	4,178.2	4,204.2
Current liabilities	6,578.8	6,018.1
Liabilities	13,540.7	12,989.2

Financing

At the end of the first quarter of 2004, the net financial debt totalled € 3.7 billion (31 Dec 2003: € 3.8 billion). The variations resulted from the seasonal nature of the tourism business and proceeds from divestments.

Development of cash and cash equivalents

€ million	31 Mar 2004	31 Mar 2003	Var. %	
Cash and cash equivalents at the beginning of the period	348.4	366.5	-	4.9
Cash inflow from operating activities	186.4	74.3	+	150.9
Cash outflow/inflow from investing activities	- 27.7	113.1	-	124.5
Cash outflow from financing activities	- 145.1	- 255.9	+	43.3
Other changes in cash and cash equivalents	12.3	- 6.7	+	283.6
Cash and cash equivalents at the end of the period	374.4	291.3	+	28.5

Tourism

Earnings generated by the tourism division in the first quarter of 2004 were significantly up on the previous year's level. In the 2003/2004 winter season, the demand for holiday tours picked-up considerably, with individual markets reporting different trends. The improvements were especially gratifying in Germany and the Nordic countries, which had been particularly suffered in the past from the difficult economic and geopolitical environment affecting the tourism sector.

Tourism

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	2,332.0	2,222.0	+	5.0
Earnings by divisions (EBTA)	- 185	- 252	+	26.6
EBITDA ¹⁾	- 97	- 172	+	43.6
Investments	109.0	140.3	-	22.3
Headcount (31 March)	51,079	54,547	-	6.4

¹⁾ Earnings before interest, tax, depreciation and amortisation

For the 2003/2004 winter season, covering the period from November to April, customer numbers and booked turnover were both around 6% up on the previous year's levels for the Group as a whole. After a slow start, bookings for the 2004 summer season have steadily improved since the beginning of the year. The large markets UK and Germany continued the positive trend of the winter season, while the Nordic countries also picked up substantially.

Booking figures

Year-on-year variation in %	Winter 2003/2004		Summer 2004	
	Turnover	Customers	Turnover	Customers
Germany	+ 1.7	+ 6.8	+ 3.9	+ 5.1
Switzerland	+ 1.0	+ 4.4	+ 14.7	+ 8.7
Austria	+ 4.6	- 0.5	- 1.0	- 3.7
Central Europe	+ 1.8	+ 6.4	+ 3.7	+ 4.0
UK	+ 11.0	+ 5.5	+ 6.9	+ 2.5
Ireland	- 11.2	- 6.8	- 24.1	- 24.5
Nordic countries	+ 11.4	+ 6.9	+ 10.5	+ 9.0
Northern Europe	+ 10.7	+ 5.5	+ 5.0	+ 0.9
Netherlands	+ 1.8	+ 2.1	+ 0.3	- 0.8
Belgium	+ 3.9	+ 4.8	+ 1.5	+ 2.1
France	+ 11.3	+ 11.6	- 1.6	+ 0.7
Western Europe	+ 7.1	+ 6.7	0.0	+ 0.8
Group	+ 6.1	+ 6.2	+ 3.3	+ 2.2

As at 30 April 2004

Central Europe

In the first quarter of 2004, the Central Europe sector (Germany, Austria, Switzerland and Hapag-Lloyd Flug) reported a significant year-on-year improvement in its performance. A total of 1.27 million customers booked holiday tours with tour operators in the sector, up 2.1% on the previous year. The division recorded an improvement in earnings to € - 85 million, with Germany accounting for the largest proportion of improvements. Activities in Switzerland were slightly up on the previous year's level, while Austria's profit contribution was almost stable.

Tourism – Central Europe

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	813.9	829.8	-	1.9
Earnings by division (EBTA)	- 85	- 109	+	22.0
EBITDA ¹⁾	- 62	- 94	+	34.0
Investments	45.4	64.7	-	29.8
Headcount (31 March)	9,593	10,089	-	4.9

¹⁾ Earnings before interest, tax, depreciation and amortisation

Germany

Although holidaymakers' travelling behaviour continued to be characterised by consumer restraint in Germany, both demand and booking numbers picked up in comparison with the previous year. Bookings of low-cost offerings showed a particularly gratifying development. 1.18 million customers travelled with German tour operators, almost 3% up on the previous year's level. The TUI brand accounted for the largest proportion of these customers; it managed to roughly maintain the previous year's customer volume. Holiday destinations in the Eastern Mediterranean recorded significant growth, while the Canary Islands, which had benefited from the conflict in Iraq in the previous year, fell short of the previous year's levels. In the premium segment, Airtours International reported a stabilisation of bookings. The 1-2-Fly brand took advantage of the trend towards low-budget tours and generated a significant increase in bookings. It also recorded strong demand for tours to Egypt, Tunisia and Turkey, but the Balearic Islands were also well booked. The direct marketing activities of Berge & Meer also picked up. Last-minute provider L'tur, in contrast, reported a slight decrease in customer numbers on the previous year.

TUI Leisure Travel, which comprises the Group's own distribution, stabilised its performance and in the first quarter of 2004 generated a slight increase over the previous year's levels. Internet distribution grew significantly. The hotel portal was opened in March. As a result, customers and travel agencies now have several thousand hotels at their disposal for individual booking.

Hapag-Lloyd Flug operated 34 aircraft in the winter season. Utilisation improved substantially in the course of the quarter. With the new flight concept using hubs in Germany, the capacity on offer totalled 3.3 billion seat kilometres, up on the previous year's level. The seat load factor also rose and reached 90%, a high level for the winter season.

Switzerland

In the 2003/2004 winter season, the Swiss tour operators recorded an increase in bookings compared with the previous year; this trend also continued for the summer season. With a total of 0.03 million customers in the first quarter of 2004, the number was almost 12% up on the previous year. This was mainly attributable to the positive development of the new tour operator brand FlexTravel and of Vögele's direct marketing activities. Distribution managed to hold its own. With effect from 1 January 2004, the joint venture between TUI and Kuoni Reisen Holding AG was terminated, so that TUI again holds 100% of TUI (Suisse) Holding AG.

Austria

In Austria, bookings for the 2003/2004 winter season matched the previous year's level. While the 1-2-Fly brand recorded a positive trend, bookings of land-based tours declined. Bookings for the summer season were slightly below of the previous year's levels. In the first quarter of 2004, 0.06 million customers travelled with the Austrian tour operators, a 13% decline year-on-year. The distribution sector grew on the previous year's level.

Northern Europe

In the first quarter of 2004, the Northern Europe sector (UK, Ireland, Nordic countries, Britannia Airways UK and Britannia Airways Nordic) improved its performance in both the British market and the Nordic countries. Tour operators in this sector recorded a total of 1.09 million customers, an increase of more than 13% on the previous year. Earnings of the sector improved to € - 94 million. This was primarily due to the continued recovery of business in the Nordic countries.

Tourism – Northern Europe

€ million	Q1 2004	Q1 2003	Var. %
Turnover	848.2	727.3	+ 16.6
Earnings by division (EBTA)	- 94	- 127	+ 26.0
EBITDA ¹⁾	- 68	- 98	+ 30.6
Investments	17.1	22.8	- 25.0
Headcount (31 March)	17,910	18,906	- 5.3

¹⁾ Earnings before interest, tax, depreciation and amortisation

UK

The 2003/2004 winter season saw a substantial year-on-year improvement for British tour operators. Bookings exceeded the previous year's levels in both Thomson Holidays and the Specialist Holidays Group. Volumes rose by around 5%, while average prices increased by approx. 7%. The strongest increase in booked turnover related to long-haul destinations, which benefited from the favourable US dollar exchange rate. Substantial growth was also reported for skiing holidays in France. Concerning Spanish short-haul destinations, which accounted for the bulk of the winter programme, bookings for the Canary Islands increased and demand for destinations in mainland Spain remained stable, while bookings for the Balearic Islands declined. In the first quarter of 2004, a total of 0.78 million customers travelled with British tour operators, an increase of 14% on the previous year. TUI UK thus continued to expand its market share.

The number of tours sold by distribution in the winter season was up year-on-year, with almost 70% of products sold being own products. Due to the launch of a new platform for Lunn Poly's website, the number of internet bookings rose substantially in the first quarter.

In the winter season Britannia Airways UK operated 32 aircraft, six of which were temporarily used for a special programme to carry Muslim pilgrims. The number of long-haul flights was increased in the winter schedule to support the growth in tour operator volumes in this sector. Capacity on offer totalled 3.9 billion seat kilometres, with the seat load factor rising year-on-year to 93%.

Ireland

TUI Ireland had only launched a small winter programme; total bookings for the 2003/2004 winter season therefore were below of the previous year's level. Nevertheless, the number of customers in the first quarter of 2004 rose by around 6% year-on-year to 0.03 million. The market was characterised by weak economic activity, strong price competition and an increasing trend towards late bookings. Bookings for the summer season to date therefore were considerably lower than in the previous year.

Nordic countries

In the Nordic countries the tour operator business continued to pick up. Bookings for the 2003/2004 winter programme were substantially up on the previous year's level, with volumes up by around 6% and average prices up by 5%. In the first quarter of 2004, 0.28 million customers travelled with Nordic tour operators, an increase of more than 12% year-on-year. Internet distribution continued to grow, with 13% of customers

travelling in the first quarter booking their tours via the web. Bookings for the summer season also started off well: tour operators benefited from launching their programmes earlier than their competition. Moreover, the expansion of the programme to include low-cost destinations such as Turkey and Bulgaria started to pay off.

In the winter season, Britannia Airways Nordic operated seven aircraft. The fleet comprised six Boeing 737s operating on short-haul routes and one Boeing 767 of Britannia UK operating on long-haul routes. Their average seat load factor totalled just under 98% in the first quarter, with capacity on offer amounting to 1.2 billion seat kilometres.

Western Europe

In the Western Europe sector (France, Netherlands, Belgium and Corsair), the first quarter of 2004 showed regional variations. The companies operating in this sector recorded a total of 0.77 million customers, 3% down on the previous year's level. Growth in Belgium was contrasted by a reduction in bookings in France and the Netherlands. Earnings of the sector totalled € - 11 million and thus were lower than in the previous year.

Tourism – Western Europe

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	507.3	492.5	+	3.0
Earnings by division (EBTA)	- 11	- 7	-	57.1
EBITDA ¹⁾	- 4	4	-	200.0
Investments	6.3	5.3	+	18.9
Headcount (31 March)	6,604	6,874	-	3.9

¹⁾ Earnings before interest, tax, depreciation and amortisation

France

Tour operators in France reported an overall satisfactory trend for the 2003/2004 winter season. Both the package tour business and the seat-only business contributed to this. Destinations in French overseas territories and land-based destinations in France reported particularly strong growth, while tours to Spain and Italy declined. In the first quarter of 2004, business did not match the previous year's level: at 0.35 million, the number of customers dropped by approx. 9% year-on-year. Bookings for the the summer season were impacted by the aircraft crash near Sharm El Sheik. Meanwhile the situation has improved and bookings matched the previous year's level at the end of the quarter.

In the 2003/2004 winter season, Corsair operated eleven aircraft. In January 2004 it included two new destinations in Morocco, Marrakesh and Fès, in its flight programme. A total of 4.1 billion seat kilometres were offered; the seat load factor stood at 83%, slightly down year-on-year.

Netherlands

In the 2003/2004 winter season, TUI Nederland's business grew by around 2%, in line with the market trend. Improvements were achieved in all market segments with the exception of land-based tours. In the first quarter of 2004, a total of 0.23 million customers travelled with the Dutch tour operators, a 2% decline year-on-year. In a difficult market environment, bookings for the summer season matched the previous year's level at the end of the first quarter, with medium-haul destinations recording particularly good booking levels. With its new websites for Arke and Holland International, TUI Nederland established a good position in the direct selling segment.

Belgium

TUI Belgium's tour operators reported growth for the 2003/2004 winter season, both for short- and long-haul destinations, and particularly tours to Northern Africa and the Caribbean. Bookings of skiing tours and city trips also increased. In the first quarter of 2004, a total of 0.19 million customers travelled with the Belgian tour operators, an increase of 9% on the previous year. The main brochures were launched later than last year; nevertheless, bookings exceeded the previous year's levels at the end of the quarter. The short trip and city trip programmes are already well booked. In connection with the insolvency of Sobelair, TUI Belgium established its own airline, TUI Airlines Belgium, which started flight operations on 1 April 2004.

Destinations

The destinations sector improved its performance in the first quarter of 2004 and reported positive earnings of € 8 million. This improvement was attributable both to incoming agencies and hotel companies.

Tourism – Destinations

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	99.2	110.6	-	10.3
Earnings by division (EBTA)	8	7	+	214.3
EBITDA ¹⁾	27	7	+	285.7
Investments	31.8	35.4	-	10.2
Headcount (31 March)	12,206	13,482	-	9.5

¹⁾ Earnings before interest, tax, depreciation and amortisation

Incoming agencies

In the first quarter of 2004, the Group's consolidated and associated incoming agencies catered for a total of 1.27 million guests, an increase of 2.5% year-on-year. Business showed regional variations and was characterised by the small number of guests in the winter season. In the western Mediterranean and Caribbean, TUI España serviced 0.91 million guests, an increase on the previous year. This was mainly due to the service and support of new customer segments. The number of guests catered for by TUI Portugal climbed to 0.05 million. In the eastern Mediterranean, Travco recorded a positive development of demand in Egypt. With 0.09 million, the number of guests catered for rose year-on-year. Tantar benefited from the recovery of demand for Turkish destinations. The number of guests rose to 0.02 million. Business volume of the remaining agencies totalled 0.20 million guests.

Hotel companies

In the first quarter of 2004, for seasonal reasons only some of the hotels grouped under TUI Hotels & Resorts were open. Their total occupancy rate stood at around 73% and was thus up on the previous year. RIU hotels recorded an above-average occupancy rate for its long-haul destinations; hotels on the Balearic Islands also reported good booking levels. In contrast, Grupotel hotels in this area, which reopened in February, saw their occupancy rates drop year-on-year. Robinson only operated two thirds of its clubs all the year round. Its occupancy rates rose slightly compared to the last year. Magic Life only operated six of its clubs throughout the year. Like Iberotel, it recorded particularly good booking levels for its complexes in Egypt. In Greece, Grecotels closed down for the winter.

Other tourism

TUI Business Travel, which operates under the TQ3 Travel Solutions brand, recorded sluggish business in the first two months of the quarter; only in March did demand pick up.

Tourism – Other tourism

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	63.4	61.8	+	2.6
Earnings by division (EBTA)	- 3	- 2	-	50.0
EBITDA ¹⁾	10	9	+	11.1
Investments	8.4	12.1	-	30.6
Headcount (31 March)	4,766	5,196	-	8.3

¹⁾ Earnings before interest, tax, depreciation and amortisation

Logistics

The logistics division continued on the good business trend of the previous year. Container shipping in particular improved its performance year-on-year. In the special logistics sector, in contrast, business was slower than in the previous year.

Logistics

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	901.4	899.3	+	0.2
Earnings by division (EBTA)	34	35	-	2.9
EBITDA ¹⁾	87	93	-	6.5
Investments	22.8	30.9	-	26.2
Headcount (31 March)	8,416	9,307	-	9.6

¹⁾ Earnings before interest, tax, depreciation and amortisation

Shipping

The business trend in container shipping was characterised by persistently strong demand for transport volume – which, however, was below the level for the previous quarter for seasonal reasons – as well as persistently high freight rates on high-volume routes in the major shipping areas. Transport in the Far East, Trans-Pacific and North Atlantic shipping areas rose substantially year-on-year, while the South America shipping area only reported moderate growth due to weak economic activity in this region.

Shipping

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	574.6	528.9	+	8.6
Earnings by division (EBTA)	25	19	+	31.6
EBITDA ¹⁾	46	41	+	12.2
Investments	3.4	2.7	+	25.9
Headcount (31 March)	3,908	3,814	+	2.5

¹⁾ Earnings before interest, tax, depreciation and amortisation

Hapag-Lloyd Container Linie

Hapag-Lloyd Container Linie reported a year-on-year increase in earnings for the first quarter of 2004. The improvement in earnings was primarily due to the increase in average freight rates, which improved in all shipping areas and rose by a total of 11% year-on-year, and the 17% increase in transport volumes to just under 549,000 standard containers (TEU). The development of turnover and earnings was affected by the decline in the US dollar exchange rate on the previous year's level.

Transport volumes Hapag-Lloyd Container Linie

'000 TEU	Q1 2004	Q1 2003		Var. %
Far East	229	190	+	20.5
North Atlantic	143	123	+	16.3
Trans-Pacific	139	121	+	14.9
South America	38	36	+	5.6
Total	549	470	+	16.8

In the Far East shipping area, transport volumes rose by around 21% year-on-year to 229,000 TEU. This was due to an increase in export volumes to Asia and higher imports into Europe. Inner-Asian transport also grew. Overall, the increase in transport volumes in this region was primarily attributable to the strong economic growth in China. Transport volumes in the North Atlantic shipping area increased by approx. 16% to 143,000 TEU. This development was supported by the 12% increase in transports to North America. In the Trans-Pacific shipping area, transport volumes also grew substantially. At 139,000 TEU, they climbed by around 15% year-on-year. This growth was mainly due to the increase in American export volumes to Asia. In the South America shipping area, transport volumes rose by approx. 6% to 38,000 TEU. While exports from Latin America to Europe almost matched the previous year's level, the shipping volumes in the opposite direction grew. In addition, inner-American transport volumes also rose.

Hapag-Lloyd Kreuzfahrten

Hapag-Lloyd Kreuzfahrten reported an improvement in its business in the first quarter of 2004. Nevertheless, the booking situation was not satisfactory for all destinations on offer. This was mainly true for the Columbus, which recorded a decline in occupancy rates year-on-year. In contrast, occupancy rates of the Europa rose considerably. The Bremen cruise liner was well booked, while the Hanseatic did not fully match the previous year's occupancy rate. Both turnover and earnings rose year-on-year.

Special logistics

In accordance with the resolution adopted in January 2004, the logistics division will concentrate on shipping and special logistics will therefore be divested. In this connection Pracht Spedition + Logistik was already divested with effect from 1 January 2004 and was no longer included in the figures for the first quarter of 2004. This resulted in a decline in the figures compared with the previous year, in particular in turnover of the sector. In the first quarter of 2004, turnover fell by an arithmetic 11.8% to € 327 million. However, without the divestment of Pracht Spedition + Logistik, it would have risen by 1.1%.

Special logistics

€ million	Q1 2004	Q1 2003	Var. %	
Turnover	326.8	370.4	-	11.8
Earnings by division (EBTA)	9	16	-	43.8
EBITDA ¹⁾	41	52	-	21.2
Investments	19.4	28.2	-	31.2
Headcount (31 March)	4,508	5,493	-	17.9

¹⁾ Earnings before interest, tax, depreciation and amortisation

VTG-Lehnkering Group

For the bulk and special logistics sector, a purchase agreement was concluded with financial investor Triton in March 2004, with closing on 26 April 2004. In the first quarter of 2004 the sector accounted for 56% of the turnover of the VTG-Lehnkering Group and made a positive contribution to the operating result.

The rail logistics and tank container sector recorded good utilisation of tank wagons, matching the previous year's level. Utilisation of the high-capacity goods wagons of the Transwaggon Group was satisfactory. Transpetrol, the rail forwarder, reported a steady business trend. In tank container logistics, the number of transports in the forwarding business rose year-on-year. The rental business, in contrast, declined on the previous year.

Algeco Group

In the mobile buildings rental business, markets continued to see intense competition, above all in France; it was therefore difficult to maintain price levels. With 105,800 units, the number of units available for rental by the end of March rose by just under 3% year-on-year. Overall, utilisation rates were good and exceeded the previous year's levels in all regions. Sales of mobile buildings, in contrast, recorded sluggish business, particularly in France. Pallet logistics started to benefit from the realignment of the business effected in the previous year.

Other sectors

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

Trading

In the first quarter of 2004, the US steel service companies of Preussag North America, Inc. (PNA) sold a total of 511,000 tons of steel, 13.8% up on the previous year. The Feralloy Group in particular but also Infra-Metals and the Delta Steel Group achieved strong increases in sales.

In the period under review, the American steel market was characterised by a scarcity of steel and the resulting high price mark-ups charged by the manufacturers. Steel imports were limited by the weak dollar and high freight rates. The companies of the PNA Group took advantage of this market situation and implemented significant price increases for their customers. As a result they generated high margins, in particular from ex-stock sales.

PNA Group

€ million	Q1 2004	Q1 2003	Var. %
Turnover	199.4	161.5	+ 23.5
Earnings by division (EBTA)	25	- 1	n. m.
EBITDA ¹⁾	29	2	n. m.
Investments	1.0	1.7	- 41.2
Headcount (31 March)	1,141	1,276	- 10.6

¹⁾ Earnings before interest, tax, depreciation and amortisation

Divestments

As part of the consolidation of its tourism activities, TUI divested its 10% indirect shareholding in the Italian Alpitour Group in January 2004. In this transaction TUI exercised the contractually agreed put option. The transaction also included the divestment of the 50% share in the Italian Neos airline.

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

Prospects

In the first quarter of 2004, the economic climate continued to improve. The economy picked up in the key European markets of the TUI Group, although economic recovery is still restrained.

In the tourism division, the situation has substantially improved. The 2003/2004 winter season generated growth amounting to around 6% both in terms of customer numbers and booked turnover at Group level. Following a slow start, bookings for the 2004 summer season have picked up considerably, and at the end of April bookings for the summer season exceeded the previous year's levels. The large markets of Germany and the UK are currently outperforming average Group growth rates. The Nordic countries also record a clearly positive business trend. The trend towards late bookings continues. The number of tours booked to date are in line with expectations, and the same applies for price levels. This gives confidence for business in the peak season. It is therefore to be expected that the earnings generated by the tourism division will significantly rise year-on-year if the favourable economic environment continues.

The logistics division also had a promising start to the 2004 financial year. Container shipping in particular continued on the previous year's positive business trend. If transport volumes continue to rise and freight rates remain at a high level, the shipping sector will generate another improvement in earnings. In the special logistics sector business is expected to develop steadily with corresponding operating results; at the same time, the profit contribution made by this sector will be impacted by the time-frame for scheduled divestments.

Prospects for the 2004 financial year are more favourable than last year. If the economic climate continues to improve, as generally expected, this will benefit both tourism and shipping. Costwise, the companies have implemented comprehensive measures in the last two difficult years and thus paved the way for an above-average share in economic recovery.

Further information

Further segment data

Investments¹⁾

€ million	Q1 2004	Q1 2003	Var. %	
Tourism	109.0	140.3	-	22.3
Central Europe	45.4	64.7	-	29.8
Northern Europe	17.1	22.8	-	25.0
Western Europe	6.3	5.3	+	18.9
Destinations	31.8	35.4	-	10.2
Other tourism	8.4	12.1	-	30.6
Logistics	22.8	30.9	-	26.2
Shipping	3.4	2.7	+	25.9
Special logistics	19.4	28.2	-	31.2
Other sectors	3.3	19.8	-	83.3
Trading	1.0	1.7	-	41.2
Divestments	-	0.9	-	-
Central operations	2.3	17.2	-	86.6
Total	135.1	191.0	-	29.3

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

Depreciation/amortisation¹⁾

€ million	Q1 2004	Q1 2003	Var. %	
Tourism	87.2	150.6	-	42.1
Central Europe	21.3	30.4	-	29.9
Northern Europe	29.4	69.1	-	57.5
Western Europe	7.4	15.6	-	52.6
Destinations	17.6	23.1	-	23.8
Other tourism	11.5	12.4	-	7.3
Logistics	50.9	52.3	-	2.7
Shipping	22.9	22.5	+	1.8
Special logistics	28.0	29.8	-	6.0
Other sectors	6.8	20.8	-	67.3
Trading	2.0	2.4	-	16.7
Divestments	-	1.5	-	-
Central operations	4.8	16.9	-	71.6
Total	144.9	223.7	-	35.2

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

Personnel

As per 31 March 2004, the consolidated Group companies employed 62,904 people worldwide, including 18,191 in Germany and 44,713 in foreign Group companies. The headcount therefore decreased by 1,353 or 2.1% since December 2003. This was primarily due to further divestments effected in early 2004.

Personnel by divisions

	31 Mar 2004	31 Dec 2003		Var. %
Tourism	51,079	51,708	-	1.2
Central Europe	9,593	9,391	+	2.2
Northern Europe	17,910	18,033	-	0.7
Western Europe	6,604	6,521	+	1.3
Destinations	12,206	12,896	-	5.4
Other tourism	4,766	4,867	-	2.1
Logistics	8,416	9,235	-	8.9
Shipping	3,908	3,897	+	0.3
Special logistics	4,508	5,338	-	15.5
Other sectors	3,409	3,314	+	2.9
Trading	1,141	1,104	+	3.4
Divestments	-	-	-	-
Central operations	2,268	2,210	+	2.6
Total	62,904	64,257	-	2.1

Corporate Governance**Boards**

During the first quarter of 2004, the following changes occurred in the composition of the boards of TUI AG:

Supervisory Board

Dr. Johannes Ringel resigned from the Supervisory Board as per 12 January 2004. On 16 January 2004, the district court of Hanover appointed Dr. Thomas Fischer to replace him on the Supervisory Board.

The composition of the Executive Board and Supervisory Board at the end of the first quarter of 2004 is stated on the Company's website (www.tui.com), where it is permanently accessible to the public.

Directors' dealings

On 21 January 2004, Supervisory Board member Dr. Bernd W. Voss acquired 5,000 TUI shares at a price of € 20.65 per share. The Company was not notified of any other directors' dealings in TUI shares in the first quarter of 2004.

TUI AG
The Executive Board
May 2004

Financial Statements

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

€ million	Q1 2004	Q1 2003
Turnover	3,515.7	3,773.5
Other income	161.2	379.0
Change in inventories and other own work capitalised	+ 12.0	+ 49.0
Cost of materials and purchased services	2,504.3	2,728.6
Personnel costs	615.3	638.2
Depreciation and amortisation	144.5	223.7
(of which amortisation of goodwill)	(0.0)	(72.8)
Impairment of fixed assets	0.4	0.0
(of which impairment of goodwill)	(0.0)	(0.0)
Other expenses	617.0	714.6
(of which other taxes)	(6.5)	(9.3)
Result from the discontinuance of operations	18.4	0.0
Financial result	- 42.4	- 57.9
Earnings from companies measured at equity	7.4	0.0
Earnings before taxes on income	- 209.2	- 161.5
Income taxes	- 60.5	- 65.1
Group profit for the year	- 148.7	- 96.4
Minority interests	1.6	- 3.0
Group profit for the year attributable to shareholders in TUI AG	- 150.3	- 93.4

€	Q1 2004	Q1 2003
Earnings per share (basic and diluted)	- 0.84	- 0.52
Earnings per share before amortisation of goodwill	- 0.84	- 0.12

Condensed balance sheet of the TUI Group

€ million		31 Mar 2004	31 Dec 2003
Assets			
Goodwill	3,972.1		3,807.9
Tangible assets and other intangible assets	5,042.9		5,082.6
Investments	818.3		797.6
Fixed assets		9,833.3	9,688.1
Other receivables and assets	377.2		395.0
Deferred income tax claims	204.0		188.3
Non-current receivables		581.2	583.3
Non-current assets		10,414.5	10,271.4
Inventories		652.1	532.4
Trade accounts receivable	1,022.2		898.2
Other receivables and assets	1,064.1		916.9
Current income tax claims	13.4		21.8
Current receivables		2,099.7	1,836.9
Cash and cash equivalents		374.4	348.5
Current assets		3,126.2	2,717.8
		13,540.7	12,989.2

€ million		31 Mar 2004	31 Dec 2003
Group equity and liabilities			
Subscribed capital	456.2		456.2
(Conditional capital)	(129.0)		(129.0)
Reserves and accumulated profits	2,005.9		2,025.6
Interest in equity of shareholders in TUI AG		2,462.1	2,481.8
Minority interests		321.6	285.1
Group equity		2,783.7	2,766.9
Provisions for pensions and similar obligations	614.1		598.3
Income tax provisions	290.7		329.1
Other provisions	343.2		360.2
Non-current provisions		1,248.0	1,287.6
Financial liabilities	2,785.8		2,710.2
Other liabilities	144.4		206.4
Non-current liabilities		2,930.2	2,916.6
Non-current provisions and liabilities		4,178.2	4,204.2
Provisions for pensions and similar obligations	51.3		46.8
Income tax provisions	161.0		159.2
Other provisions	632.0		684.5
Current provisions		844.3	890.5
Financial liabilities	1,324.5		1,467.1
Trade accounts payable	2,111.9		2,036.6
Other liabilities	2,298.1		1,623.9
Current liabilities		5,734.5	5,127.6
Current provisions and liabilities		6,578.8	6,018.1
		13,540.7	12,989.2

Changes in equity

Condensed statement of changes in equity for the period from 1 January to 31 March 2004

€ million	Subscribed capital	Reserves and accumulated profits	Interest in 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
Dividend payments	0.0	0.0	0.0	- 3.6	- 3.6
Transfers to reserves	0.0	0.0	0.0	0.0	0.0
Other changes without effect on net income	0.0	130.6	130.6	38.5	169.1
Group profit	0.0	- 150.3	- 150.3	1.6	- 148.7
Balance as at 31 March 2004	456.2	2,005.9	2,462.1	321.6	2,783.7

Condensed statement of changes in equity for the period from 1 January to 31 March 2003

€ million	Subscribed capital	Reserves and accumulated profits	Interest in equity of shareholders 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	0.0	0.0	- 5.2	- 5.2
Transfers to reserves	0.0	0.0	0.0	0.0	0.0
Other changes without effect on net income	0.0	- 154.4	- 154.4	2.3	- 152.1
Group profit	0.0	- 93.4	- 93.4	- 3.0	- 96.4
Balance as at 31 March 2003	455.1	2,207.2	2,662.3	264.5	2,926.8

Cash flow statement

Condensed cash flow statement for the period from 1 January to 31 March

€ million	2004	2003
Cash and cash equivalents at the beginning of the period	348.5	366.5
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value (incl. changes in scope of consolidation)	12.3	- 6.7
Cash inflow from operating activities	186.4	74.3
Cash inflow/outflow from investing activities	- 27.7	113.1
Cash outflow from financing activities	- 145.1	- 255.9
Change in funds with cash effect	13.6	- 68.5
Cash and cash equivalents at the end of the period	374.4	291.3

Notes

Accounting principles

Like the consolidated financial statements for the 2003 financial year, the interim financial statements as per 31 March 2004 were prepared in accordance with the International Financial Reporting Standards (IFRS) – published by the International Accounting Standards Board (IASB) – on the basis of the historical cost principle. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

The interim financial statements as per 31 March 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 to the consolidated financial statements as per 31 December 2003.

Since 1 January 2004, the new IFRS 3 'Business Combinations' and the revised IAS standards 38 and 36 have been voluntarily applied prior to their effective dates. These standards have been applied on a prospective basis since the beginning of the current financial year, i.e. current purchases of companies are reported in accordance with the new rules, without adjusting the previous year's financial statements. At the same time, scheduled amortisation of goodwill has ceased to be effected. In the future, goodwill will be regularly reviewed by means of impairment tests conducted after the termination of the annual planning process.

In accordance with the IFRS rules, these interim financial statements are published in an abbreviated format compared with the annual consolidated financial statements.

Group of consolidated companies

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

The interim financial statements as per 31 March 2004 included a total of 62 domestic and 372 foreign subsidiaries, besides TUI AG.

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

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

Since 31 December 2003, a total of three companies were removed from consolidation because these companies were divested or have discontinued operations. The disposals related to the tourism and logistics divisions and 'Other sectors'.

Discontinuing operations

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

With the divestment of the AMC Group, the operations of the trading sector were partly discontinued in the 2003 financial year. The AMC Group was sold in the framework of an MBO with effect from 1 November 2003.

In the light of these divestment transactions, a year-on-year comparison of individual items of the profit and loss statement is of limited use only.

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

At its meetings on 21 March 2003 and 21 January 2004, the Supervisory Board approved the concept for the realignment of the logistics segment. In the framework of the planned concentration of business on the tourism and shipping sectors, the Group will divest its remaining shareholdings in the logistics segment.

In this connection Pracht Spedition + Logistik GmbH was sold to the Swiss forwarding group Kühne und Nagel with effect from 1 January 2004.

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

Apart from these transactions which have already been completed, the Group intends to additionally divest the rail logistics (UB I) business unit

of VTG-Lehnkering AG as well as the Algeco Group. This intention was publicly announced shortly after decision-making. The specialist logistics sector thus represents another discontinuing operation in accordance with IAS 35.

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 sheet already as at 31 December 2003.

Trading

€ million	Trading	
	31 Mar 2004	31 Dec 2003
Non-current assets	94.5	92.2
Current assets	258.1	209.3
Provisions	23.5	16.9
Financial liabilities	183.8	155.3
Other liabilities	50.7	51.7

Specialist logistics

€ million	Specialist logistics	
	31 Mar 2004	31 Dec 2003
Non-current assets	1,009.8	934.5
Current assets	350.2	362.9
Provisions	203.4	205.7
Financial liabilities	472.1	478.8
Other liabilities	223.7	238.1

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

Energy

€ million	Energy	
	Q1 2004	Q1 2003
Turnover	-	113.5
Operating income	-	7.1
Operating expenses	-	80.5
Financial result	-	- 0.4
Earnings before taxes on income	-	39.7
Income taxes	-	16.2

Trading

€ million	Q1 2004	Trading Q1 2003
Turnover	199.4	467.5
Operating income	0.4	13.2
Operating expenses	172.8	478.7
Financial result	- 2.2	- 0.4
Earnings before taxes on income	25.1	1.8
Income taxes	9.2	1.2

Specialist logistics

€ million	Specialist logistics Q1 2004	Specialist logistics Q1 2003
Turnover	326.8	370.4
Operating income	13.6	19.8
Operating expenses	329.1	367.0
Financial result	- 4.4	- 6.8
Earnings before taxes on income	8.4	16.7
Income taxes	4.8	6.7

Cash flow from operating, investing and financing activities of the discontinuance of**Energy**

€ million	Q1 2004	Energy Q1 2003
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	-	0.0
Cash outflow from operating activities	-	- 51.7
Cash outflow from investing activities	-	- 12.7
Cash outflow from financing activities	-	- 1.5
Change in cash and cash equivalents	-	- 65.9

Trading

€ million	Q1 2004	Trading Q1 2003
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	0.1	- 4.0
Cash inflow/outflow from operating activities	- 21.6	4.3
Cash outflow from investing activities	- 1.0	- 0.5
Cash inflow/outflow from financing activities	23.1	- 8.6
Change in cash and cash equivalents	0.6	- 8.8

Specialist logistics

€ million	Specialist logistics	
	Q1 2004	Q1 2003
Change in cash and cash equivalents due to exchange rate fluctuations and other changes in value	- 0.2	- 0.1
Cash inflow from operating activities	8.8	18.5
Cash outflow from investing activities	- 14.6	- 21.2
Cash outflow from financing activities	- 2.7	- 4.7
Change in cash and cash equivalents	- 8.7	- 7.5

Notes on the consolidated profit and loss statement

In the tourism division, the operating business picked up year-on-year. This applied in particular to TUI Northern Europe, even after adjusting for currency effects. As a result, turnover as well as cost of materials and cost of purchased services rose year-on-year. However, turnover, cost of materials and purchased services as well as other expenses declined in absolute terms, primarily due to changes in the group of consolidated companies. Hence, in comparison with the previous year the companies of the Preussag Energie Group, the AMC Group and Pracht Spedition + Logistik GmbH were removed from consolidation in the period under review.

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

The decline in expenses for scheduled depreciation/amortisation was primarily attributable to the fact that amortisation of goodwill has not been required any longer since 1 January 2004. The background to this change is outlined in greater detail under 'Accounting principles'.

The improvement in the financial result was mainly due to a reduction in interest expenses following the reduction in borrowings, mainly attributable to the proceeds from the divestments.

In the first quarter of the 2004 financial year, earnings by divisions included unusual income totalling around € 18 million. This amount was reported as earnings from discontinuing operations and mainly resulted from the divestment of Pracht Spedition + Logistik GmbH.

In the first quarter of the previous year, earnings by divisions had included unusual income of around € 200 million from the divestment of the indirect shareholding in Ruhrgas AG.

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

Notes on the consolidated balance sheet

In comparison with 31 December 2003, goodwill rose mainly due to changes in exchange rate parities – in particular against British pounds sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries. Another reason for the increase in goodwill in the first quarter was the termination of the complete takeover of the TUI Suisse Group.

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

The reduction in financial liabilities was affected by the Group's divestment programme which brought Group debt further down.

Changes in equity

Net equity only changed slightly compared with 31 December 2003. The earnings-induced reduction in equity was mainly offset by changes in exchange rates – above all against British pounds sterling – taken directly to equity with no effect on income.

The dividend of € 137.4 million proposed for the 2003 financial year will continue to be shown in equity until the adoption of the relevant resolution at TUI AG's Annual General Meeting on 18 May 2004.

Contingent liabilities

As per 31 March 2004, the TUI Group recorded contingent liabilities of around € 614 million (31 December 2003: around € 676 million). The decline in contingent liabilities in the first quarter of the 2004 financial year was primarily attributable to the ongoing reduction in guarantees and warranties in connection with the former activities in the plant engineering and shipbuilding sectors.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 25.9 million to € 374.4 million.

At € 186.4 million, the inflow of cash from operating activities rose by € 112 million year-on-year. This was due to the increase in the contribution to operating profit on the previous year.

The outflow of cash from investing activities totalled € 27.7 million. The previous year's high cash inflow was essentially attributable to the divestment of the indirect shareholding in Ruhrgas AG.

Cash and cash equivalents declined by € 145.1 million from the cash outflow from financing activities. This was due to the redemption of financial liabilities – in particular from current operations – and the interest paid.

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

Segment data

Third party turnover

€ million	Q1 2004	Q1 2003	Var.
Tourism	2,332.0	2,222.0	110.0
Logistics ¹⁾	901.4	899.3	2.1
Energy ²⁾	0.0	113.5	- 113.5
Trading ²⁾	199.4	467.5	- 268.1
Others / Consolidation	82.9	71.2	11.7
Total	3,515.7	3,773.5	- 257.8

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

²⁾ Discontinuing operation

Earnings by divisions (EBTA)

€ million	Q1 2004	Q1 2003	Var.
Tourism	- 185	- 252	67
Logistics ¹⁾	34	35	- 1
Energy ²⁾	0	40	- 40
Trading ²⁾	25	2	23
Discontinuing operations ³⁾	18	0	18
Others / Consolidation	- 101	87	- 188
Total	- 209	88	- 121

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

Future-related statements

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

Financial calendar 2004

Annual General Meeting 2004	18 May 2004
Interim Report January to June 2004	12 August 2004 ¹⁾
Interim Report January to September 2004	11 November 2004 ¹⁾

¹⁾ scheduled

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