

TUI AG Financial Year 2006
Interim Report 1 January – 30 June 2006

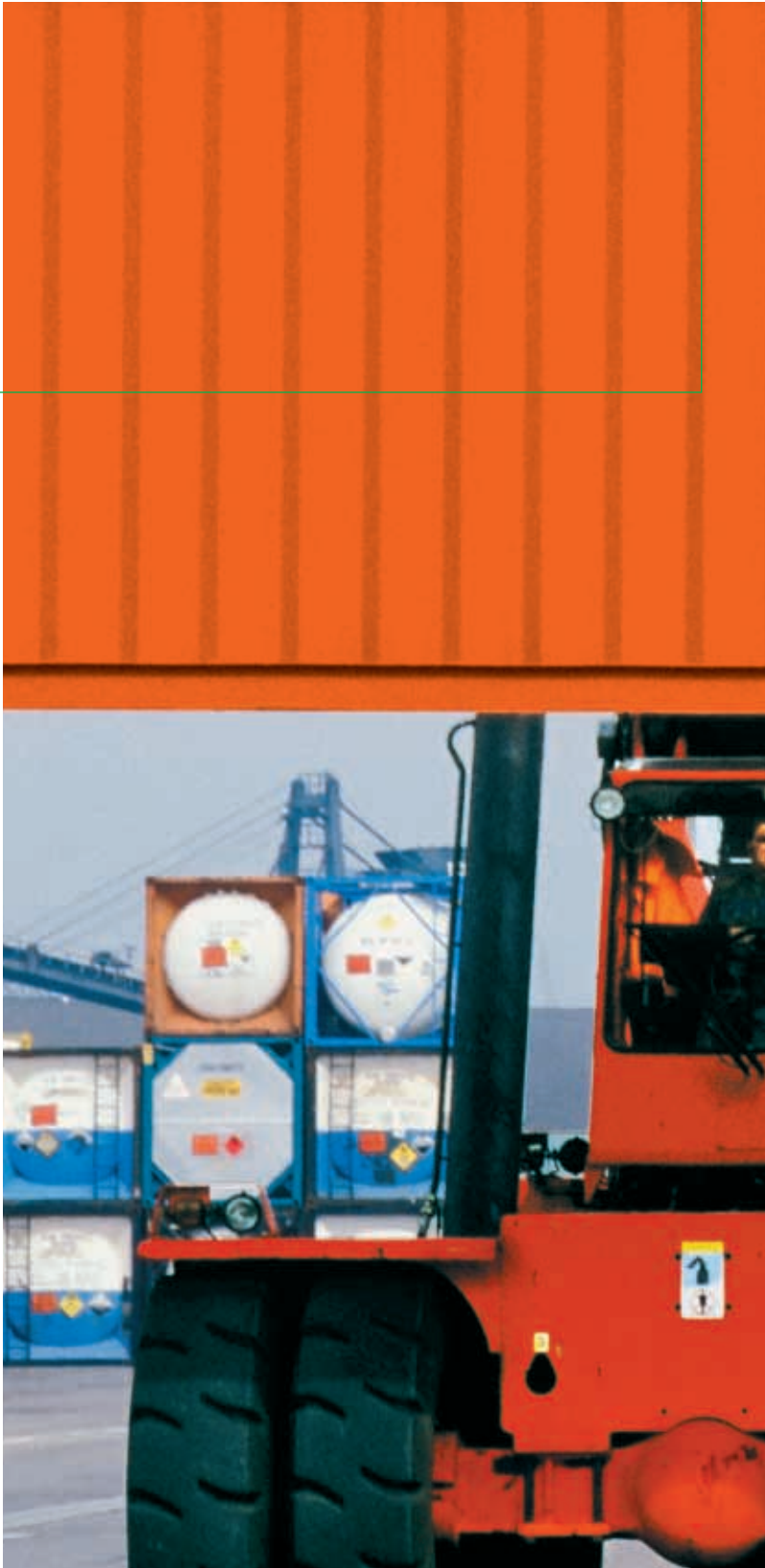


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2nd Quarter 2006

- Significant growth in turnover due to expansion of the shipping division.
- Earnings in tourism up 31.0% year-on-year.
- Integration costs caused negative result in shipping.
- Bookings for summer season slightly above last year's level.
- Reduction of net debt to € 2.9 billion.

Economic situation in Q2 2006 – Earnings by tourism up year-on-year. Significant increase in turnover due to expansion in shipping.

General economic situation

In the first half of 2006, the world economy continued to expand, showing an overall robust growth trend despite a slowdown in economic activity. The TUI Group's operations were affected by the increase in the oil price and its effects on the development of aircraft fuel and ship bunker costs.

Regional development

In the second quarter of 2006, economic activity continued to pick up significantly in the industrialised countries; however, production growth slowed down substantially in the US. This was due to the tightening of the monetary policy and the associated increase in interest rates. In Asia, the economy continued its growth course both in Japan and the emerging markets. Economic recovery also continued in the Eurozone. In Germany, the economic upswing gained momentum, with economic growth primarily triggered by the industrial sector.

Development of the divisions

In the second quarter of 2006, tourism benefited from the Easter break in April. Overall, incoming bookings for the 2006 summer season were satisfactory, with regional variations in booking trends.

The shipping division recorded growth in shipping volumes, benefiting from the ongoing increase in demand for container transport, boosted by sustained economic growth in the industrialised regions. Average freight rates slightly decreased in the course of the quarter, in particular on routes to and from Asia due to sharp cost pressure.

Turnover and earnings

Several revised IFRS accounting standards had to be applied for the first time in preparing the consolidated financial statements for 2005. In order to ensure the comparability of the reported data, the figures for the second quarter of 2005 and the first half of 2005 were restated accordingly, where necessary.

Turnover by divisions

Continuing operations

In accordance with IFRS 5, consolidated turnover comprised turnover of the TUI Group's continuing operations: tourism, shipping and central operations. At € 5.30 billion (previous year: € 4.34 billion), it was 22.1% up year-on-year in the second quarter of 2006. In the first half of 2006, Group turnover totalled € 9.50 billion (previous year: € 7.57 billion), an increase of 25.5%. This growth was attributable to the 2.4% increase in tourism and the 126.3% growth in shipping.

Discontinuing operations

In the second quarter of 2006, the discontinuing operations (trading and, in 2005, special logistics) posted turnover of € 123 million (previous year: € 359 million), a decline of 65.7%. Accumulated turnover for the first half of 2006 stood at € 401

million (previous year: € 712 million), down 43.6% year-on-year. Besides a drop in turnover of 19.1% in trading, this decline resulted from the divestments in the special logistics sector in 2005. After the divestment of the US steel service companies of Preussag North America, Inc. (PNA) in May 2006 the TUI Group comprises no more discontinuing operations.

At € 5.42 billion (previous year: € 4.70 billion), total turnover by the TUI Group's divisions was 15.4% up year-on-year; in the first half of 2006, it grew by 19.6% to € 9.90 billion (previous year: € 8.28 billion).

Turnover by divisions

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	3,641.5	3,492.8	6,152.1	6,008.5	+ 2.4
Central Europe	1,554.8	1,414.8	2,459.7	2,354.4	+ 4.5
Northern Europe	1,235.2	1,229.5	2,149.9	2,124.7	+ 1.2
Western Europe	710.5	666.2	1,236.4	1,197.2	+ 3.3
Destinations	137.1	121.1	238.4	210.3	+ 13.4
Other tourism	3.9	61.2	67.7	121.9	- 44.5
Shipping	1,605.8	765.4	3,245.4	1,434.0	+ 126.3
Central operations	54.4	84.0	104.6	127.9	- 18.2
Continuing operations	5,301.7	4,342.2	9,502.1	7,570.4	+ 25.5
Trading	123.0	249.6	401.0	495.5	- 19.1
Special logistics	-	109.5	-	216.1	-
Discontinuing operations	123.0	359.1	401.0	711.6	- 43.6
Turnover by divisions	5,424.7	4,701.3	9,903.1	8,282.0	+ 19.6

Earnings by divisions (EBITA)

With the beginning of the 2006 financial year, the reporting indicator 'Earnings by divisions' was converted to earnings before interest, taxes and amortisation of goodwill (EBITA), an indicator which has become increasingly customary in financial communication. In order to maintain the comparability of the reported figures, the figures for the relevant 2005 quarter were restated and carried accordingly.

Earnings by divisions (EBITA)

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	152	116	69	- 62	n. m.
Central Europe	66	37	- 36	- 47	+ 23.4
Northern Europe	43	38	- 49	- 59	+ 16.9
Western Europe	- 3	- 5	- 39	- 24	- 62.5
Destinations	38	44	44	69	- 36.2
Other tourism	8	2	149	- 1	n. m.
Shipping	- 41	91	- 66	123	n. m.
of which operating result	- 11	91	4	123	- 96.7
of which integration costs	- 30	-	- 70	-	-
Central operations	- 22	- 3	16	- 56	n. m.
Continuing operations	89	204	19	5	+ 280.0
Trading	- 2	11	18	28	- 35.7
Special logistics	-	49	-	62	-
Divestments	-	-	5	-	-
Discontinuing operations	- 2	60	23	90	- 74.4
Earnings by divisions (EBITA)	87	264	42	95	- 55.8

Continuing operations

In the second quarter of 2006, earnings by the continuing operations tourism and shipping as well as central operations declined by 56.4% to € 89 million (previous year: € 204 million). Accumulated earnings for the first half of 2006 totalled € 19 million (previous year: € 5 million). While tourism and central operations recorded

significant improvements, earnings contributed by shipping declined significantly year-on-year due to the fast proceeding integration and the related expenses.

Discontinuing operations

In the second quarter of 2006, earnings by discontinuing operations totalled € - 2 million (previous year: € 60 million). In the first half of 2006, accumulated earnings totalled € 23 million (previous year: € 90 million), down by 74.4%. This decline resulted from the divestment of the special logistics sector, completed in 2005, and the divestment of the trading sector as per 9 May 2006.

Overall, earnings by the TUI Group's divisions declined by 67.0% to € 87 million (previous year: € 264 million) in the second quarter of 2006. In the first half of 2006, accumulated earnings by divisions totalled € 42 million (previous year: € 95 million).

Adjusted earnings by divisions

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Earnings by divisions (EBITA)	87	264	42	95	- 55.8
Earnings of disposals	+ 6	+ 37	+ 155	+ 37	+ 318.9
CP Ships integration costs	- 30	-	- 70	-	-
Revaluation of conversion options	-	+ 12	+ 15	- 15	n. m.
Adjusted EBITA	111	215	- 58	73	n. m.

Adjusted earnings

Adjusted for the earnings of disposals and the cost of the integration of CP Ships, earnings by divisions totalled € 111 million in the second quarter of 2006 (previous year: € 215 million), down 48.4% year-on-year. For the first half of 2006, they totalled € - 58 million (previous year: € 73 million), also a decrease year-on-year.

With effect from 3 April 2006, TUI AG waived its option, to be exercised unilaterally, of delivering cash if conversion options from the convertible bond issued in 2003 were to be converted. Fair value measurement with an effect on results ended as of that date so that the effect of the revaluation of conversion options, required according to IAS 39 in combination with IAS 32, was recorded for the last time in the first quarter of 2006.

In the second quarter of 2006, net gains on disposal of € + 6 million were generated. They comprised the book profit of the TQ3 Group with its business travel activities (Q2 2006: € + 6 million, H1: € + 150 million), the gain on disposal from the divestment of the Dutch special tour operators (Q2: € + 12 million) and the gain on disposal from the discontinuing operations (Q2: € - 12 million, H1: € - 7 million). In the first half of 2006, net gains on disposal totalled € 155 million. In the first half of 2005, a gain on disposal of € + 37 million was generated in connection with the sale of operations in the special logistics sector. In addition, one-off costs were incurred in the framework of the integration of CP Ships, acquired in 2005, into Hapag-Lloyd; these costs amounted to € 30 million for the second quarter of 2006 and € 70 million for the first half of 2006.

Development of the divisions

Tourism

Key figures Tourism

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	3,641.5	3,492.8	6,152.1	6,008.5	+ 2.4
Earnings by division (EBITA)	152	116	69	- 62	n. m.
Capital expenditure	151.9	133.4	348.1	250.3	+ 39.1
Employees (30 June)	-	-	52,785	57,808	- 8.7

In the second quarter of 2006, the overall performance of the tourism division improved year-on-year. Customer numbers were 4.2% up year-on-year, with turnover growth of 4.3% and earnings (EBITA) growth of 31.0% year-on-year. In the first half of 2006, customer numbers rose by 2.0%. Accumulated turnover was 2.4% up, with a significant improvement in earnings (EBITA).

Turnover tourism

In the second quarter of 2006, 6.01 million (previous year: 5.76 million) customers purchased tourism products of the TUI Group. Total customer numbers for the first half of 2006 rose to 9.74 million (previous year: 9.55 million), up 2.0%. In the second quarter, turnover by the TUI Group grew by 4.3% to € 3.64 billion (previous year: € 3.49 billion). Accumulated turnover for the first half of 2006 totalled € 6.15 billion (previous year: € 6.01 billion), an increase of 2.4% year-on-year.

The Central Europe, Northern and Western Europe sectors as well as the destinations sector recorded an increase in turnover both for the second quarter of 2006 and the first half of 2006, albeit with regional variations. In the Central Europe sector, the growth in turnover of 9.9% in the second quarter of 2006 and 4.5% in the first half of 2006 primarily resulted from an increase in turnover in Germany. In the Northern Europe sector, the turnover growth was mainly attributable to the business trend in the UK and the Nordic countries, with a year-on-year increase of 0.5% in the second quarter of 2006 and 1.2% in the first half of 2006. Turnover in the Western Europe sector grew by 6.6% in the second quarter and 3.3% in the first half of 2006, with all countries of the region contributing to this growth.

Earnings tourism

At € 152 million (previous year: € 116 million), earnings by the tourism division rose year-on-year in the second quarter of 2006. In the first half of 2006, they grew substantially to € 69 million (previous year: € - 62 million), due to the divestment of the business travel activities in the first quarter of 2006 (book profit totalling € 150 million).

The earnings growth in the second quarter of 2006 was attributable to the fact that the Easter break fell into this period, additionally boosting business at the beginning of the summer season, in particular in source market Central Europe. The deterioration of the performance of the destinations sector resulted from on-off effects in the previous year, whereas the operating result mainly developed positive. Accumulated for the first half of 2006, operating earnings, adjusted for the book profits from the divestment of the business travel activities, dropped year-on-year. This was attributable to the persistently difficult market environment in France. In addition, the destinations sector recorded a year-on-year decline in its performance: in 2005, semi-annual earnings of the hotel companies had benefited from the first-time consolidation of the Toufag Group (three Spanish Robinson Clubs). Moreover, Turkey and Egypt recorded a considerable drop in bookings.

The effects of the increase in the cost of aircraft fuel were limited by hedges. They were also included in price calculations and covered by aircraft fuel surcharges to the largest possible extent.

Key figures Central Europe

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	1,554.8	1,414.8	2,459.7	2,354.4	+ 4.5
Earnings by division (EBITA)	66	37	- 36	- 47	+ 23.4
Capital expenditure	59.8	14.3	174.7	62.3	+ 180.4
Employees (30 June)	-	-	9,831	9,639	+ 2.0

Turnover Central Europe

In the Central Europe sector (Germany, Austria, Switzerland and airlines Hapag-Lloyd Flug and Hapag-Lloyd Express), the number of customers rose by 11.8% to 2.99 million (previous year: 2.67 million). Accumulated customer numbers for the first half of 2006 totalled 4.70 million (previous year: 4.40 million), up 6.6%. Turnover rose 9.9% to € 1.55 billion (previous year: € 1.41 billion) in the second quarter of 2006. Total turnover for the first half of 2006 grew by 4.5% to € 2.46 billion (previous year: € 2.35 billion). This was primarily attributable to the development of business in Germany.

Earnings Central Europe

Earnings by the sector rose by 78.4% to € 66 million (previous year: € 37 million) in the second quarter of 2006. This was due to the fact that Easter was in mid-April and thus in the second quarter this year so that the tour operation business associated with the Easter break shifted to the second quarter compared with 2005. An income of € 10 million from sale-and-lease-back agreements for two aircraft was contrast by expenses of € 11 million which incurred in the framework of the restructuring programme for efficiency enhancements. In the first half of 2006, earnings by the Central Europe sector benefited from a significant increase in the earnings contribution by the flight function of the tour operator.

Customer numbers Central Europe

'000	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Germany	2,681	2,385	4,299	4,005	+ 7.3
Switzerland	68	57	106	110	- 3.5
Austria	240	231	291	288	+ 0.8
Central Europe	2,989	2,673	4,696	4,403	+ 6.6

Germany

In Germany, the travel market showed a positive trend due to the Easter break that fell into the second quarter this year. At 2.68 million customers (previous year: 2.39 million), TUI tour operators managed to exceed 2005 levels by 12.4% in the second quarter of 2006. Tour operators TUI and 1-2-Fly recorded moderate growth, while the special tour operators partly achieved strong growth. In terms of destinations, demand rose for tours to the Balearic Islands and Italy while Turkey and North Africa suffered from restraint in bookings.

Flight operations

In flight operations, Hapag-Lloyd Flug operates 33 aircraft in the summer season. At 5.0 billion (previous year: 5.5 billion), the number of seat kilometres offered declined year-on-year in the second quarter of 2006. This was also attributable to the replacement of the Airbus A310 fleet by smaller Boeing 737s. At 88.0%, the seat load factor rose by 4.5 percentage points year-on-year, up from 83.5%. Hapag-Lloyd Express (HLX) operates 18 aircraft in the summer season and offered 1.3 billion seat kilometres (previous year: 1.2 billion) in the second quarter. At 79.4% (previous year: 77.4%), the seat load factor rose year-on-year.

Switzerland

The Swiss tour operation market recovered in the second quarter of 2006, and the TUI Suisse tour operators managed to participate in the recovery. Customer numbers rose by 20.5% to 68 thousand (previous year: 57 thousand). This trend was mainly supported by the tour operator brands FlexTravel and 1-2-Fly, newly introduced in the summer of 2005. Imholz was another brand that managed to grow.

Austria

In Austria, TUI Austria's tour operators managed to hold their own well despite the continued decline in the travel market. Customer numbers grew by 3.8% to 240 thousand (previous year: 231 thousand). Due its strong focus on Turkey, the Gulet brand suffered declines, while the TUI and Terra brands reported growth.

Key figures Northern Europe

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	1,235.2	1,229.5	2,149.9	2,124.7	+ 1.2
Earnings by division (EBITA)	43	38	- 49	- 59	+ 16.9
Capital expenditure	19.6	13.0	28.2	31.8	- 11.3
Employees (30 June)	-	-	16,338	17,202	- 5.0

Turnover Northern Europe

In the Northern Europe sector (UK, Ireland, Nordic countries as well as airlines Thomsonfly (charter and scheduled flights) and TUIfly Nordic), the number of customers dropped by 3.6% to 1.88 million (previous year: 1.95 million) in the second quarter of 2006. In the first half of 2006, the number of customers travelling with tour operators of this sector totalled 3.10 million (previous year: 3.13 million), a decline of 1.2% year-on-year. Turnover rose by 0.5% to € 1.24 billion (previous year: € 1.23 billion) in the second quarter of 2006. This was primarily attributable to better prices for tour operation products. For the first half of 2006, the sector reported turnover of € 2.15 billion (previous year: € 2.12 billion).

Earnings Northern Europe

Earnings by the sector climbed by 13.2% year-on-year to € 43 million (previous year: € 38 million) in the second quarter of 2006. For the first half of 2006, earnings totalled € - 49 million (previous year: € - 59 million), up 16.9%. This improvement resulted, amongst others, from the better performance of Thomsonfly in the UK, whereas the operating result remained unchanged.

Customer numbers Northern Europe

'000	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
UK	1,473	1,542	2,417	2,438	- 0.8
Ireland	117	116	142	142	- 0.0
Nordic countries	293	296	537	554	- 3.1
Northern Europe	1,883	1,954	3,096	3,134	- 1.2

UK

In the second quarter, the tour operators of TUI UK achieved an overall satisfactory business trend, despite a decline in customer numbers in a difficult market environment. The Soccer World Cup caused customer restraint in bookings so that the total number of customers dropped by 4.5% to 1.47 million (previous year: 1.54 million). In terms of destinations, demand rose for medium- and long-haul destinations, in particular Bulgaria and Egypt as well as Florida. Demand dropped, however, for tours to traditional destinations such as Spain and Greece. Special tour operators were particularly successful in marketing the mobile homes offered by Thomson Al Fresco.

Flight operations

In flight operations, Thomsonfly operates a total of 47 aircraft in the 2006 summer season. At 6.6 billion (previous year: 6.4 billion), the number of seat kilometres

offered for charter flights increased year-on-year. The seat load factor declined slightly to 87.7% (previous year: 88.6%). In the low-cost scheduled flight segment, Thomsonfly reduced the number of seat kilometres on offer to a total of 656 million seat kilometres (previous year: 738 million). The seat load factor rose to 83.5%, up from 70.4% in 2005, an increase of 13.1 percentage points.

Ireland

Ireland reported a steady development of bookings for the 2006 summer season. In the second quarter of 2006, customer numbers rose by 0.7% to 117 thousand (previous year: 116 thousand). Traditional destinations such as Spain or Greece, accounting for a large part of the summer programme, saw a satisfactory trend, but demand was also good for destinations in Eastern Europe, offered for the first time.

Nordic countries

The Nordic countries recorded an overall satisfactory business trend in the second quarter of 2006. At 293 thousand (previous year: 296 thousand), the number of customers almost matched 2005 levels. Swedish tour operators benefited from the strong market position of their brands.

TUIfly Nordic

TUIfly Nordic operates five aircraft in the 2006 summer season. At 1.0 billion (previous year: 740 million), the number of seat kilometres offered climbed by 32.0% year-on-year, with a seat load factor of 90.2% (previous year: 89.6%).

Key figures Western Europe

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	710.5	666.2	1,236.4	1,197.2	+ 3.3
Earnings by division (EBITA)	- 3	- 5	- 39	- 24	- 62.5
Capital expenditure	13.2	72.5	42.1	95.8	- 56.1
Employees (30 June)	-	-	6,703	6,894	- 2.8

Turnover Western Europe

In the Western Europe sector (France, the Netherlands, Belgium as well as airlines Corsair, TUI Airlines Nederland and TUI Airlines Belgium), the number of customers totalled 1.14 million (previous year: 1.14 million) in the second quarter of 2006, matching 2005 levels. In the first half of 2006, a total of 1.95 million (previous year: 2.01 million) customers travelled with tour operators of this sector, a year-on-year decline of 3.0%. The declines in customer numbers recorded by tour operators in France and the Netherlands were almost offset by growth in Belgium. Turnover in the second quarter of 2006 rose by 6.6% to € 711 million (previous year: € 666 million). In the first half of 2006, turnover by the sector stood at € 1.24 billion (previous year: € 1.20 billion), up 3.3% year-on-year.

Earnings Western Europe

At € - 3 million (previous year: € - 5 million), earnings by the sector climbed year-on-year in the second quarter of 2006. Accumulated earnings for the first half of 2006 totalled € - 39 million (previous year: € - 24 million), a decline of 62.5% year-on-year. Business in France continued to be affected by the difficult market environment, characterised by customer restraint in bookings, mainly caused by the chikengunya fever in Reunion which strongly impacted demand for this destination, representing an important destination for Nouvelles Frontières and Corsair. The Soccer World Cup also caused a general restraint in bookings. Excluding the income from the sale-and-lease-back agreements for two aircraft (€ 5 million), source market Belgium also recorded a decline in earnings. Taking account of the gain on disposal from the divestment of the special tour operators, the Netherlands managed to reproduce the level achieved in 2005, which had included the gain on disposal from the divestment of the canal boat business, in the second quarter of 2006.

Customer numbers Western Europe

'000	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
France	392	429	760	841	- 9.6
Netherlands	314	340	532	569	- 6.5
Belgium	431	367	658	600	+ 9.7
Western Europe	1,136	1,136	1,950	2,010	- 3.0

France

In France, the tour operation market continued to show a declining trend. The weakness of demand also affected Nouvelles Frontières and Corsair. The number of tour operation customers dropped by 8.7% to 392 thousand (previous year: 429 thousand) in the second quarter of 2006. Tour operator Nouvelles Frontières continued to operate in a difficult business environment, with the substantial declines in bookings of tours to the long-haul destination Reunion only partly offset by an increase in bookings of alternative destinations Guadeloupe and Morocco. The tour operator brand TUI France, in contrast, expanded its market position and achieved significant growth in bookings year-on-year. As far as destinations are concerned, demand was strongest for tours to North Africa, in particular.

Corsair

Corsair operates nine aircraft in the 2006 summer season. In the second quarter of 2006, seat kilometres on offer declined year-on-year to a total of 3.1 billion (previous year: 3.5 billion). The seat load factor stood at 80.1% (previous year: 81.2%).

Netherlands

In the Netherlands, customer numbers declined by 7.6% to 314 thousand (previous year: 340 thousand) in the second quarter of 2006. Nevertheless, TUI Nederland's tour operators managed to stabilise their market share in a difficult market environment. In terms of destinations, demand dropped significantly for tours to Turkey, while Tunisia recorded relatively good bookings.

TUI Airlines Nederland

TUI Airlines Nederland, which started operation in April 2005 under the Arkefly brand, operates three aircraft in the 2006 summer season. Capacity on offer totalled 767 million seat kilometres. The seat load factor stood at 91.0 %.

Belgium

In Belgium, the tour operation market recorded an increase in demand in the second quarter of 2006. Customer numbers rose by 17.1% to 431 thousand (previous year: 367 thousand). In terms of the classical seaside holiday destinations, the decline in bookings of tours to Turkey was more than offset by an increase in demand for destinations in the western Mediterranean. Demand was also good for the self-drive short trip programme, while city breaks were increasingly affected by competitive pressure.

TUI Airlines Belgium

TUI Airlines Belgium, operating under the Jetair brand, operates eight aircraft in the summer season. Seat kilometres on offer totalled 1.4 billion (previous year: 1.2 billion), with a seat load factor of 90.1%, matching the 2005 level of 90.0%.

Key figures Destinations

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	137.1	121.1	238.4	210.3	+ 13.4
Earnings by divisions (EBITA)	38	44	44	69	- 36.2
Capital expenditure	53.3	28.8	92.7	50.2	+ 84.7
Employees (30 June)	-	-	19,443	19,533	- 0.5

Turnover destinations	The destinations sector (incoming agencies and hotel companies) posted turnover of € 137 million (previous year: € 121 million) in the second quarter of 2006. In the first half of 2006, turnover climbed to € 238 million (previous year: € 210 million), an increase of 13.4% year-on-year.
Earnings destinations	Earnings by the sector declined by 13.6% to € 38 million (previous year: € 44 million) in the second quarter of 2006. Accumulated earnings for the first half of 2006 also dropped year-on-year to € 44 million (previous year: € 69 million). This was due to the year-on-year decline in relation to the higher semi-annual earnings in 2005, which had benefited from the first-time consolidation of the Toufag Group (three Spanish Robinson Clubs), and a significant restraint in bookings of tours to Turkey and Egypt. On the other hand, the RIU Group achieved a substantial increase in its operating result, with strong business growth in the second quarter of 2006.
Incoming agencies	With individual destinations reporting different trends, the number of guests catered for by consolidated and associated incoming agencies declined to 3.03 million (previous year: 3.32 million) in the second quarter of 2006. While TUI España recorded constant customer numbers in the western Mediterranean, TUI Portugal reported an increase in customer numbers, in particular from source market Northern Europe. In the eastern Mediterranean, TUI Türkiye saw a decline in customer numbers due to the overall restraint in bookings in the second quarter of 2006. The number of customers also declined slightly in Greece. Egypt recorded a positive trend in the number of guests catered for in the second quarter of 2006, a year-on-year increase. In northern Africa, the Tunisian agency saw a decline in the number of guests catered for. In terms of long-haul destinations, the Dominican Republic reported an increase in customer numbers in the second quarter of 2006. Mexico saw a very positive trend in customer volume, despite the aftermath of hurricane Wilma. Asian destinations also continued to show a good development.
Hotel companies	Hotel companies managed to achieve an overall increase in occupancy rates year-on-year in the second quarter of 2006. The Hotels & Resorts sector showed regional differences in hotel occupancy rates. RIU hotels in medium-haul destinations – in particular the Balearic and Canary Islands – achieved very good occupancy rates despite an increase in capacity. Long-haul destinations also reported very high occupancy rates. Occupancy rates were also high in Robinson Clubs, with declines in Turkey offset by clubs in other regions. The difficult business trend in Turkey and Egypt also affected Magic Life, which had reduced its capacity in the market and reported declines in bookings. Iberotel and Grecotel had expanded their capacity but were affected by a decline in customer numbers. Grupotel, in contrast, reduced its capacity and achieved relatively good occupancy rates.

Key figures Other tourism

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	3.9	61.2	67.7	121.9	- 44.5
Earnings by division (EBITA)	8	2	149	- 1	n. m.
Capital expenditure	6.0	4.8	10.4	10.2	+ 2.0
Employees (30 June)	-	-	470	4,540	- 89.6

Turnover generated by the Other tourism sector, which only comprised the IT services companies in the second quarter of 2006, dropped to € 4 million (previous year: € 61 million) in the second quarter of 2006. Accumulated turnover for the first half of 2006 totalled € 68 million (previous year: € 122 million), a significant decline

year-on-year because turnover did not comprise a turnover contribution by the business travel activities any longer. Earnings by the sector amounted to € 8 million (previous year: € 2 million) in the second quarter of 2006. Accumulated earnings for the first half of 2006 totalled € 149 million (previous year: € - 1 million). This figure includes the gain on disposal from the divestment of the business travel activities of € 150 million, of which € 144 million were generated in the first quarter and € 6 million in the second quarter of 2006.

Shipping

Key figures Shipping

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	1,605.8	765.4	3,245.4	1,434.0	+ 126.3
Earnings by division (EBITA)	- 41	91	- 66	123	n. m.
Capital expenditure	26.7	44.8	138.2	165.9	- 16.7
Employees (30 June)	-	-	8,912	4,038	+ 120.7

In the first half of 2006, the shipping division comprised the container shipping business of Hapag-Lloyd, Hapag-Lloyd Kreuzfahrten, Hapag-Lloyd AG and the container shipping company CP Ships, acquired in October 2005. For this reason and due to the ongoing integration of CP Ships into Hapag-Lloyd, a year-on-year comparison of the figures for the second quarter of 2006 and the first half of 2006 is of limited use only.

Turnover shipping

Turnover by the shipping division grew to € 1.61 billion, an increase of 109.8%. Accumulated turnover for the first half of 2006 totalled € 3.25 billion, up 126.3%. This growth resulted from the integration of CP Ships, which contributed € 706 million to quarterly turnover and € 1.50 billion to semi-annual turnover, as well as from growth in shipping volumes in some trade lanes.

The transport volume in the shipping division rose to a total of 1,287 thousand standard containers (TEU), including 792 thousand TEU for Hapag-Lloyd and 495 thousand TEU for CP Ships. The accumulated transport volume for the first half of 2006 totalled 2,483 thousand TEU, including 1,490 thousand TEU for Hapag-Lloyd and 993 thousand TEU for CP Ships.

Freight rates shipping

Average freight rates generated in the second quarter of 2006 totalled 1,303 \$/TEU in Hapag-Lloyd, down 1.8% year-on-year (1,327 \$/TEU) and rose by 4.1% year-on-year for CP Ships at 1,632 \$/TEU (previous year: 1,568 \$/TEU). In the first half of 2006, average freight rates in Hapag-Lloyd declined slightly by 1.2% to 1,307 \$/TEU (previous year: 1,323 \$/TEU). The quarterly and semi-annual decline was primarily due to the drop in freight rates in the Far East trade lane, Hapag-Lloyd's highest-volume trade lane. At 1,657 \$/TEU (previous year 1,556 \$/TEU), CP Ships achieved 6.5% growth in average freight rates. Compared with the previous quarter (Q1 2006), freight rates declined by 0.7% in Hapag-Lloyd (previous quarter: 1,312 \$/TEU) and 3.0% in CP Ships (previous quarter: 1,682 \$/TEU).

Earnings shipping

While the sector recorded an increase in turnover, on the other hand it reported an oil-price-related increase in bunker costs. In addition, increased charter rates and other cost increases in each trade lane of both container lines accrued, so that operating earnings significantly declined year-on-year. The impact resulting from the cost increases was not offset by the growth in transport volumes. As customary

in this sector, the increase in bunker prices was countered by means of bunker adjustment factors, factored into freight rates. In the light of the competitive situation, it was not possible to fully compensate for the price increases. Earnings comprised one-off expenses of € 30 million for the second quarter and € 70 million for the first half of 2006, incurred in connection with the integration of CP Ships. Overall, earnings by the division were significantly down year-on-year at € - 41 million for the second quarter of 2006 (previous year: € 91 million) and € - 66 million for the first half of 2006 (previous year: € 123 million).

In the second quarter of 2006, the integration of CP Ships into Hapag-Lloyd progressed according to plan. In the period under review, the integration of the container services of the two companies commenced. For the second quarter of 2006, the trends in the trade lanes were still reported separately for Hapag-Lloyd and CP Ships. In the framework of the planned integration, Hapag-Lloyd's trade lanes had already been restructured in comparison with 2005, and the Australasia trade lane newly formed in the first quarter of 2006.

However, due to the steady integration of the two businesses, a separate presentation of the transport volumes for Hapag-Lloyd and CP Ships is less and less useful. Moreover, the historically different definition of the trade lanes operated by the two companies may cause difficulties in interpreting the figures presented.

Transport volumes Hapag-Lloyd

'000 TEU	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Far East	274	221	515	435	+ 18.4
Trans-Pacific	180	129	342	252	+ 35.7
Atlantic	158	156	305	300	+ 1.7
Latin America	71	59	134	112	+ 19.6
Australasia	109	91	194	173	+ 12.1
Total	792	656	1,490	1,272	+ 17.1

Hapag-Lloyd

In the second quarter of 2006, Hapag-Lloyd transported a total of 792 thousand TEU, an increase of 20.7%. Average freight rates in the individual trade lanes showed uneven trends but overall fell short of the level achieved in 2005.

In the Far East trade lane, Hapag-Lloyd achieved another significant year-on-year increase in transport volumes and reported an 8.9% decline in freight rates in the second quarter of 2006. Transport volumes rose by 24.0% to a total of 274 thousand TEU.

Transport volumes in the Trans-Pacific trade lane amounted to 180 thousand TEU, an increase of 39.5% year-on-year. This volume growth was also attributable to the takeover of the freight volumes of CP Ships by Hapag-Lloyd in the framework of the integration process. The freight rate was 1.5% down on the previous year's reference quarter.

The Atlantic trade lane showed a stable development in the second quarter of 2006. Transport volumes rose by 1.3% to 158 thousand TEU. Freight rates, which had risen by 15.2%, increasingly came under pressure towards the end of the quarter.

In the Latin America trade lane, the transport volume was 71 thousand TEU, 20.3% up year-on-year. Due to the persistently intense competition, freight rates declined by 7.5% year-on-year.

In the Australasia trade lane, the transport volume rose to 109 thousand TEU, an increase of 19.8% year-on-year. An opposite effect was caused by the decline in freight rates of 10.5%.

Transport volumes CP Ships

'000 TEU	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Trans-Atlantic	232	299	479	579	- 17.3
Asia	126	143	249	265	- 6.0
Australasia	73	67	137	132	+ 3.8
Latin America	62	67	121	129	- 6.2
Other	2	5	7	10	- 30.0
Total	495	581	993	1,115	- 10.9

CP Ships

In the second quarter of 2006, the transport volume shipped by CP Ships totalled 495 thousand TEU, down 14.8% year-on-year. The decline was attributable to the takeover of transport volumes by Hapag-Lloyd in the framework of the integration on the one hand and a year-on-year reduction in freight capacities on the other. Freight rates grew by 4.1% year-on-year.

In the Trans-Atlantic trade lane, the transport volume totalled 232 thousand TEU, a 22.4% decline year-on-year. CP Ships had reduced its capacity due to the strong increase in additional container transport capacity in the market. Since the cargo space on offer became scarcer, freight rates rose by 12.0% year-on-year but came under pressure towards the end of the quarter.

In the Asia trade lane, transport volumes totalled 126 thousand TEU, down 11.9% year-on-year. Freight rates matched the previous year's level.

In the Australasia trade lanes, transport volumes climbed by 9.0% to 73 thousand TEU. Freight rates dropped by 1.3% year-on-year.

In the Latin America trade lanes, transport volumes fell by 7.5% to 62 thousand TEU. Freight rates also declined by 12.8% year-on-year.

Hapag-Lloyd Kreuzfahrten

In the cruise sector, Hapag-Lloyd Kreuzfahrten benefited from a further improvement in bookings in the second quarter of 2006. As a result, utilisation of shipping capacity also rose. The booking volume showed a positive trend, in particular for 'Europa' and 'Columbus'. As other sectors, this sector, too, was adversely affected by oil price-induced cost increases.

Central operations

Key figures Central operations

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	54.4	84.0	104.6	127.9	- 18.2
Earnings by division (EBITA)	- 22	- 3	16	- 56	n. m.
Capital expenditure	4.2	4.7	8.2	7.4	+ 10.8
Employees (30 June)	-	-	2,148	2,183	- 1.6

Central operations covered TUI AG's corporate centre functions and intermediate holding companies non-allocatable to the segments as well as other operating areas, comprising the Group's real estate companies and the remaining industrial activities.

Turnover central operations Central operations reported turnover of € 54 million (previous year: € 84 million) for the second quarter of 2006 and € 105 million (previous year: € 128 million) for the first half of 2006. To a large extent, this turnover was attributable to other operating sectors.

Earnings central operations In the second quarter of 2006, earnings by central operations totalled € - 22 million (previous year: € - 3 million). They comprised earnings by other operating sectors of € 4 million (previous year: € 16 million) and earnings by the holdings of € - 26 million (previous year: € - 19 million).

In the first half of 2006, earnings by central operations totalled € 16 million (previous year: € - 56 million). The improvement resulted from one-off effects of a divestment in the real estate sector ('Schacht Konrad') and the revaluation of the conversion option from the 2003 convertible bond. Earnings by central operations comprised earnings by other operating sectors of € 51 million (previous year: € 15 million) and earnings by the holdings of € - 35 million (previous year: € - 71 million).

The holding result declined in the second quarter of 2006. It comprised the costs of corporate centre functions of TUI AG and the interim holdings of € - 25 million (previous year: € - 20 million) and other expenses and income from the valuation of assets of € - 1 million (previous year: € 1 million) in the second quarter of 2006.

In the first half of 2006, the holding result improved. It comprised the costs of the corporate centre functions of TUI AG and the interim holdings of € - 52 million (previous year: € - 54 million) and other expenses and income from the valuation of assets of € 17 million (previous year: € - 17 million).

Discontinuing operations

Discontinuing operations comprised the trading sector with the US steel service companies of Preussag North America (PNA). The closing for the divestment of PNA was on 9 May 2006. In 2005, the discontinuing operations also covered the special logistics sector which comprised VTG AG's rail logistics, besides the trading sector. The figures for the second quarter of 2006 and the first half of 2006 are therefore not comparable with the previous year's figures.

In the second quarter of 2006, the discontinuing operations generated turnover of € 123 million (previous year: € 359 million), down 65.7% year-on-year, since the turnover of the special logistics sector, which was fully divested in December 2005, was no longer included. Furthermore the trading sector only contributed to turnover until its deconsolidation in May 2006. In the first half of 2006, it totalled € 401 million (previous year: € 712 million).

For the same reason, earnings by discontinuing operations declined to € - 2 million (previous year: € 60 million) in the second quarter of 2006. In the first half of 2006, they totalled € 23 million (previous year: € 90 million).

After the divestment of the trading sector in May 2006 the TUI Group comprises no more discontinuing operations.

Group profit

Condensed consolidated profit and loss statement

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	5,301.7	4,342.2	9,502.1	7,570.4	+ 25.5
Other income	154.4	195.7	462.4	349.2	+ 32.4
Change in inventories and other own work capitalised	3.1	- 13.9	7.3	- 8.0	+ 191.3
Cost of materials and purchased services	4,027.3	3,059.3	7,226.5	5,415.3	+ 33.4
Personnel costs	631.4	539.2	1,244.8	1,069.1	+ 16.4
Depreciation and amortisation	167.3	113.5	336.9	225.8	+ 49.2
Impairment of fixed assets	15.8	- 0.5	16.9	4.5	+ 275.6
Other expenses	543.9	623.5	1,172.6	1,193.0	- 1.7
Financial income	42.3	37.6	112.3	67.3	+ 66.9
Financial expenses	94.1	85.3	198.6	184.6	+ 7.6
Earnings from companies measured at equity	10.9	8.9	15.9	13.9	+ 14.4
Earnings before taxes on income	32.6	150.2	- 96.3	- 99.5	+ 3.2
Income taxes	- 10.7	32.8	- 30.8	- 12.0	- 156.7
Result from continuing operations	43.3	117.4	- 65.5	- 87.5	+ 25.1
Result from discontinuing operations	- 4.5	31.6	13.0	47.2	- 72.5
Group profit	38.8	149.0	- 52.5	- 40.3	- 30.3
- attributable to shareholders of TUI AG	28.2	146.2	- 65.9	- 46.6	- 41.4
- attributable to minority interest	10.6	2.8	13.4	6.3	+ 112.7
Group profit	38.8	149.0	- 52.5	- 40.3	- 30.3
Basic earnings per share (in €)	+ 0.11	+ 0.82	- 0.26	- 0.26	0.0
Diluted earnings per share (in €)	+ 0.11	+ 0.76	- 0.26	- 0.26	0.0

In comparison with previous quarters, the development of the items of the condensed consolidated profit and loss statement and earnings before taxes on income of the continuing operations was primarily determined by the business trend in shipping, in particular the consolidation of CP Ships as of October 2005 and its integration into Hapag-Lloyd. Further changes were attributable to the divestment of the business travel activities as at 31 March 2006.

Due to the acquisition of CP Ships, both the cost of material ratio and the personnel cost ratio and the structure of other operating income and expenses can no longer be compared with the relevant previous quarterly figures. As a matter of principle, shipping has a higher cost of material ratio than tourism.

Turnover

Turnover comprised the turnover of the tourism and shipping divisions as well as central operations, which include TUI AG, the Group's real estate companies and the remaining industrial activities. At € 5.30 billion, turnover grew by 22.1% year-on-year in the second quarter of 2006. For the first half of 2006, turnover rose by 25.5% to € 9.50 billion. A detailed breakdown of turnover and the turnover trend is presented in the section 'Turnover and earnings'.

Other income

Other income primarily comprised profits from the sale of fixed and current asset items, supplementary transactions, foreign exchange gains, income from cost reimbursements and income from letting and leasing contracts as well as license agreements. Other income declined by € 41 million (21.1%) year-on-year to € 154 million in the second quarter of 2006. For the first half of 2006, it rose by 32.4% to € 462 million. The positive change is attributable to the book profit from the divestment of the business travel activities.

Changes in inventories and other own work capitalised rose year-on-year to € 3 million for the second quarter of 2006 and € 7 million for the first half of 2006;

this increase was mainly attributable to the real estate companies comprised in other operating areas.

Cost of materials and purchased services

The cost of materials and purchased services comprised the cost of raw materials including fuel, supplies, purchased merchandise and services. In tourism, this mainly related to the cost of third-party services such as rental and operating lease payments, hotel rental payments, the cost of flight and other transport services as well as aircraft fuel. In the shipping division, the cost of purchased services primarily included the cost of third-party container transport, bunker costs, port and terminal costs as well as charter, rental and operating lease costs for ships and containers. The increase in the cost of materials and purchased services of 31.6% to € 4.03 billion in the second quarter of 2006 and of 33.4% to € 7.23 billion in the first half of 2006 mainly resulted from the inclusion of CP Ships in consolidation and from cost increases in shipping.

Personnel costs

Personnel costs included expenses for wages and salaries, social security contributions as well as pension costs (excluding the interest portion) and benefits. They also included expenses for personnel adjustments in the framework of restructuring processes. Personnel costs rose by 17.1% to € 631 million in the second quarter of 2006 and by 16.4% to € 1.24 billion in the first half of 2006. This was primarily due to the consolidation of CP Ships and the resulting increase in the headcount in the shipping division as well as expenses for personnel adjustments arising from restructuring processes in CP Ships (€ 50 million) and in the Central Europe sector (€ 11 million) in the first half of 2006.

Depreciation and amortisation

Depreciation and amortisation comprised the amortisation of property, plant and equipment and other intangible assets. At € 167 million, it was 47.4% up year-on-year in the second quarter of 2006; for the first half of 2006, it rose by 49.2% to € 337 million. This was mainly due to the investments in ships and containers in connection with the acquisition of CP Ships in the fourth quarter of 2005.

Impairments

Impairments totalled € 16 million for the second quarter of 2006 and € 17 million for the first half of 2006. They mainly related to depreciation on real estate (including leasehold improvements) in connection with the integration of CP Ships and the divestment of TQ3.

Other expenses

Other expenses included commissions for tourism services, distribution and advertising expenses, rental and lease expenses, administrative expenses including contributions, charges and fees, expenses for financial and monetary transactions as well as other taxes. Other expenses dropped by 12.8% to € 544 million in the second quarter of 2006 and by 1.7% to € 1.17 billion in the first half of 2006. The decline recorded despite an increase due to changes in consolidation, was mainly attributable to a reduction in expenses in tourism (including TQ3).

Financial result

The financial result comprised the net interest result, the net result from investments and marketable securities and the result from changes in the fair value of derivative financial instruments, which are subject to strong fluctuations as at the measurement dates and may therefore cause strong fluctuations in financial income and expenses. At € - 52 million, the financial result declined by 8.6% year-on-year in the second quarter of 2006 and comprised financial income of € 42 million (previous year: € 38 million) as well as financial expenses of € 94 million (previous year: € 85 million). In the first half of 2006, the financial result improved by € 31 million

(26.4%) from € - 117 million to € - 86 million and comprised financial income of € 112 million (previous year: € 67 million) and financial expenses of € 199 million (previous year: € 185 million). The change in the financial result included a substantial amount of € 30 million which resulted from the measurement of the conversion options of the convertible bond issued in 2003. The deterioration of the interest result of around € 11 million was offset by positive earnings from the measurement of derivative financial instruments.

Earnings from companies measured at equity

The earnings from companies measured at equity comprised the interest in net profit for the year of the associated companies and joint ventures as well as necessary impairments of goodwill of these companies. At € 11 million for the second quarter of 2006 and € 16 million for the first half of 2006, it grew by 22.5% and 14.4%, respectively. It mainly resulted from investments in the destinations sector. Impairments of goodwill were not required.

Income taxes

Income taxes comprised taxes on the profits from ordinary business activities of the continuing operations. The TUI Group's tax rate depends strongly on the earnings share contributed by each of the two divisions, tourism and shipping, as most of the earnings in shipping are subject to tonnage taxes. Income taxes totalled € - 11 million in the second quarter of 2006 and were comprised of current income taxes of € 20 million (previous year: € 16 million) as well as deferred income taxes of € - 31 million (previous year: € 17 million). For the first half of 2006, income taxes totalled € - 31 million (previous year: € - 12 million), comprised of current income taxes of € - 2 million (previous year: € - 18 million) and deferred income taxes of € - 29 million (previous year: € 6 million). The increase in tax proceeds as against the first half of 2006 was mainly attributable to the almost completely tax-exempt recognition of the book profit from the divestment of the business travel activities.

Result from discontinuing operations

Earnings of the operations classified as discontinuing operations in accordance with IFRS 5 totalled € - 5 million for the second quarter of 2006 and € 13 million for the first half of 2006. They comprised an income tax expense of € 2 million and € 9 million, respectively. Earnings before taxes on income amounted to € - 3 million and € 22 million, respectively, including an amount of € 9 million and € 29 million, respectively, contributed by the trading sector and € - 12 million and € - 7 million attributable to divestments. A detailed breakdown of the development of these earnings is provided in the section 'Turnover and earnings'.

Group profit

Group profit totalled € 39 million (previous year: € 149 million) in the second quarter of 2006, down 74.0%. In the first half of 2006, they declined by 30.3% to € - 53 million (previous year: € - 40 million). While the divestment of the business travel activities generated a book profit, expenses were incurred due to restructuring processes and the operating business, in particular shipping.

Minority interest

Minority interest in Group profit totalled € 11 million for the second quarter of 2006 and € 13 million for the first half of 2006 and thus rose substantially year-on-year. They almost exclusively related to companies in the destinations division.

Earnings per share

After deduction of minority interest, TUI AG shareholders accounted for € 28.2 million of Group profit in the second quarter of 2006, a decline of 80.7% year-on-year. In the first half of 2006, they accounted for € - 65.9 million and were thus

down 41.4% year-on-year. Due to the capital increase implemented in September 2005 and the issuance of employee shares, the number of dividend-bearing shares rose to 250,732,575. As a result, basic earnings per share declined to € 0.11 (previous year: € 0.82) in the second quarter. For the first half of 2006, basic earnings did not change.

Profit and loss statement indicators

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Earnings before interest, taxes, depreciation, amortisation and rent (EBITDAR)	556.7	492.5	933.9	587.0	+ 59.1
Operating rental expenses	284.9	175.6	559.2	351.1	+ 59.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	271.8	316.9	374.7	235.9	+ 58.8
Depreciation/amortisation less reversals of depreciation ¹⁾	183.3	113.6	356.0	230.9	+ 54.2
Earnings before interest, taxes and amortisation of goodwill (EBITA)	88.5	203.3	18.7	5.0	+ 274.0
Depreciation of goodwill	0.0	0.0	0.0	0.0	-
Earnings before interest and taxes (EBIT)	88.5	203.3	18.7	5.0	+ 274.0
Interest result	- 55.9	- 53.1	- 115.0	- 104.5	- 10.0
Earnings before taxes (EBT)	32.6	150.2	- 96.3	- 99.5	+ 3.2

¹⁾ on property, plant and equipment as well as intangible assets, investments and current assets

Operating rental expenses

In the second quarter of 2006, operating rental expenses of the continuing operations climbed to € 284.9 million (previous year: € 175.6 million), in particular due to an increase in expenses for CP Ships' charter contracts. In the first half of 2006, operating rental expenses for the continuing operations totalled € 559.2 million (previous year: € 351.1 million).

Interest result

In the second quarter of 2006, the interest result of the continuing operations totalled € - 55.9 million (previous year: € - 53.1 million). Earnings by discontinuing operations comprised an interest result of € - 0.5 million (previous year: € - 3.4 million). The Group's total interest result was € - 56.4 million (previous year: € - 56.5 million).

In the first half of 2006, the interest result of the continuing operations totalled € - 115.0 million (previous year: € - 104.5 million). Earnings by the discontinuing operations comprised an interest result of € - 1.0 million (previous year: € - 7.1 million). The total interest result carried by the Group was € - 116.0 million (previous year: € - 111.6 million). The decline in the interest result was mainly due to the increase in the average interest rate due to the restructuring in the financing structure effected in 2005, despite a decrease in net debt arising from the divestments.

Net assets and financial position

Balance sheet

The Group's balance sheet total rose by 2.4% to € 15.7 billion as against the end of 2005. The development of the individual balance sheet items essentially resulted from changes in the group of consolidated companies due to the inclusion of CP Ships, acquired in October 2005, as well as the divestment of the remaining operations of the special logistics sector in December 2005.

Equity totalled € 4.0 billion, with an equity ratio of 25.2% (down from 28.5% at the end of the 2005 financial year).

Assets and liabilities

€ million	30 June 2006	31 Dec 2005
Non-current assets	11,676.4	11,864.8
Current assets	4,017.3	3,463.6
Assets	15,693.7	15,328.4
Equity	3,954.5	4,375.2
Provisions	2,310.0	2,576.7
Financial liabilities	4,324.0	4,358.2
Other liabilities	5,105.2	4,018.3
Liabilities	15,693.7	15,328.4

Liabilities from lease, rental and leasing agreements

Besides the liabilities from finance leases comprised in financial liabilities, the Group had liabilities from operating leases of € 3.6 billion. They declined by € 0.2 billion as against the level reported at the end of the 2005 financial year, and there was no material change in their structure.

Financing

At the end of the first half of 2006, net Group debt totalled € 2.9 billion (31 Dec. 2005: € 3.8 billion). It comprised non-current financial liabilities of € 3.2 billion, current financial liabilities of € 1.1 billion as well as cash and cash equivalents of € 1.4 billion. The variations in individual items as against 31 December 2005 mainly resulted from the seasonal nature of the tourism business. The increase in cash and cash equivalents was primarily attributable to the advance payments received in tourism and the payments received for the divestment of the business travel activities at the end of the first quarter of 2006 and the PNA Group in early May 2006, resulting in an increase in the inflow of cash from investing activities.

Development of cash and cash equivalents

€ million	30 June 2006	30 June 2005	Var. %
Cash and cash equivalents at beginning of period	607.5	481.1	+ 26.3
Cash flow from operating activities	909.1	897.1	+ 1.3
Cash flow from investing activities	259.1	- 331.4	n. m.
Cash flow from financing activities	- 364.0	- 294.3	- 23.7
Cash changes	804.2	271.4	+ 196.3
Other changes	- 10.1	12.3	n. m.
Cash and cash equivalents at end of period	1,401.6	764.8	+ 83.3

Further segment data

Capital expenditure

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	151.9	133.4	348.1	250.3	+ 39.1
Central Europe	59.8	14.3	174.7	62.3	+ 180.4
Northern Europe	19.6	13.0	28.2	31.8	- 11.3
Western Europe	13.2	72.5	42.1	95.8	- 56.1
Destinations	53.3	28.8	92.7	50.2	+ 84.7
Other tourism	6.0	4.8	10.4	10.2	+ 2.0
Shipping	26.7	44.8	138.2	165.9	- 16.7
Central operations	4.2	4.7	8.2	7.4	+ 10.8
Continuing operations	182.8	182.9	494.5	423.6	+ 16.7
Trading	0.2	1.0	2.0	1.8	+ 11.1
Special logistics	-	7.9	-	12.0	-
Discontinuing operations	0.2	8.9	2.0	13.8	- 85.5
Total	183.0	191.8	496.5	437.4	+ 13.5

Depreciation/amortisation

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	91.0	84.4	178.5	172.9	+ 3.2
Central Europe	15.4	16.0	31.4	32.8	- 4.3
Northern Europe	31.5	27.4	59.2	55.3	+ 7.1
Western Europe	17.5	11.3	34.6	18.8	+ 84.0
Destinations	20.2	19.1	40.7	45.0	- 9.6
Other tourism	6.4	10.6	12.6	21.0	- 40.0
Shipping	81.7	24.9	161.3	49.2	+ 227.8
Central operations	10.4	4.2	14.0	8.2	+ 70.7
Continuing operations	183.1	113.5	353.8	230.3	+ 53.6
Trading	-	-	-	-	-
Special logistics	-	-	-	-	-
Discontinuing operations	-	-	-	-	-
Total	183.1	113.5	353.8	230.3	+ 53.6

Employees

	30 June 2006	31 Dec 2005	Var. %
Tourism	52,785	50,498	+ 4.5
Central Europe	9,831	9,691	+ 1.4
Northern Europe	16,338	16,254	+ 0.5
Western Europe	6,703	6,904	- 2.9
Destinations	19,443	12,866	+ 51.1
Other tourism	470	4,783	- 90.2
Shipping	8,912	9,077	- 1.8
Central operations	2,148	2,183	- 1.6
Continuing operations	63,845	61,758	+ 3.4
Trading	-	1,189	-
Special logistics	-	-	-
Discontinuing operations	-	1,189	-
Total	63,845	62,947	+ 1.4

Prospects

For the 2006 financial year, economic researchers expect a persistently positive development of the economic environment for the TUI Group's activities, despite a general slowdown in economic activity. Hence, the propensity to consume will continue to rise in European countries and thus increase the demand for travel, and growth in world trade and thus container transports will continue, as forecast. Nevertheless, individual countries may record below-average market growth in tourism, and container shipping may see an adverse effect on freight rates due to a temporary imbalance of supply and demand in individual trade lanes. As far as external factors are concerned, the persistently high crude oil price in particular will impact the development of aircraft fuel and ship bunker costs and may thus impair earnings by the divisions.

Tourism

Tourism is recording an overall restrained upturn in bookings, with the large markets Germany, the UK and France showing uneven trends. Bookings for the 2005/2006 winter season, which ended in April, closed at year-on-year growth, which at Group level accounted for 6.6% in terms of customer numbers and 3.1% in terms of booked turnover. Overall, incoming bookings for the current 2006 summer season have been satisfactory to date. At Group level, bookings are currently up 2.3% year-on-year in terms of customer numbers and 0.6% in terms of booked turnover. In regional terms, growth has been strongest in the smaller markets to date, some of which have recorded significant growth rates. In the UK, bookings roughly match 2005 levels in a declining market. Business in Germany has only picked up slightly this far after the Soccer World Cup. In France, booking numbers reflect the restrained overall demand in the travel market, which, however, is gradually picking up again.

Booking numbers

Year-on-year variation in %	Winter 2005/2006		Summer 2006	
	Turnover	Customers	Turnover	Customers
Germany	+ 2.0	+ 8.1	- 1.8	+ 3.5
Switzerland	+ 5.1	- 1.6	+ 8.0	+ 4.8
Austria	+ 0.4	- 6.2	- 3.5	- 2.9
Eastern Europe	+ 39.6	+ 42.8	+ 12.7	+ 3.0
Central Europe	+ 3.3	+ 8.5	- 1.1	+ 3.1
UK	+ 5.2	+ 15.1	- 2.0	+ 0.2
Ireland	+ 2.8	- 1.6	+ 2.7	- 0.9
Nordic countries	+ 2.9	- 4.0	+ 8.4	+ 4.0
Northern Europe	+ 4.6	+ 10.8	- 0.2	+ 0.6
France	- 3.0	- 9.6	- 3.1	- 3.5
Netherlands	+ 5.5	- 2.3	+ 8.4	+ 0.8
Belgium	+ 1.6	+ 3.2	+ 13.5	+ 11.6
Western Europe	+ 0.0	- 4.6	+ 5.4	+ 2.7
Group	+ 3.1	+ 6.6	+ 0.6	+ 2.3

As at 28 April 2006 for winter season, 28 July 2006 for summer season

Concerning the development of earnings (earnings before interest, taxes and amortisation of goodwill (EBITA)) by the individual sectors of the tourism division in the 2006 financial year, most sectors are expected to record improvements. In the Central Europe sector, programmes to improve production workflows and product innovation have again been reinforced. Despite the resulting one-off expenses, these programmes will create a significant improvement in earnings. In the Northern Europe sector, the restructuring programmes implemented in the UK in 2005 and the improvements in flight operations will have a positive effect on

earnings in a declining market. The Nordic countries are expected to reproduce 2005 earnings levels. The Western Europe sector is expected to generate a positive accumulated profit, in particular due to a year-on-year improvement in the business trend in France in the second half of the year. As before, the destinations sector is expected to generate a high earnings level again. Other tourism will additionally benefit from the positive gain on disposal from the divestment of the business travel activities. Even excluding this effect, earnings by the tourism division will rise year-on-year.

Shipping

In shipping, the integration of CP Ships into Hapag-Lloyd will have a substantial effect on earnings in the 2006 financial year (earnings before interest, taxes and amortisation of goodwill (EBITA)). The integration is planned to be completed by 2007 and entails costs, quantified as around € 100 million, most of which will be incurred in the 2006 financial year. In the course of the integration process, synergy effects, resulting amongst others from efficiency improvements and cost cuts, are expected to be realised; they are expected to already positively affect the earnings situation in 2007 and had originally been expected to initially generate earnings improvements of around € 180 million as of 2008, following the completion of the integration process. The integration process is currently progressing faster than expected and shows additional earnings enhancement potential, so that synergies worth up to € 220 million are now aimed at.

Turnover and earnings from operating business in the shipping division will be characterised by the first-time consolidation of CP Ships for a full financial year. Despite an increase in transport volumes, Hapag-Lloyd and CP Ships are expected to significantly undercut the high earnings levels achieved in 2005. This assumption is based, amongst others, on the integration costs, the development of freight rates in individual trade lanes, in particular in Asian transports, the higher bunker costs and the cost of land-based transport. From today's perspective, given the current external framework the shipping division is still expected to generate positive earnings despite high one-off integration costs.

From today's perspective, central operations are expected to show a significant improvement, attributable to cost reductions and, above all, income from the real estate sector.

With the completion of the divestment of the remaining steel trading activities in the second quarter of 2006, TUI no longer has any discontinuing operations.

Overall, turnover generated by the TUI Group's continuing operations (tourism, shipping and central operations) in 2006 is therefore expected to rise significantly, with relevant earnings (EBITA) expected to decline year-on-year.

Corporate Governance

In the course of the second quarter of 2006, the composition of the Executive Board and Supervisory Board of TUI AG changed as follows:

Executive Board

With effect from 10 May 2006, the Supervisory Board appointed Mssrs Michael Behrendt and Peter Rothwell as full members of the Executive Board in addition to the four previous members. Mr Behrendt is in charge of shipping, and Mr Rothwell is responsible for tourism.

Supervisory Board

The term of all 20 Supervisory Board members ended on 10 May 2006, the day of the Annual General Meeting. The ten employee representatives on the Supervisory Board were elected on 5 April 2006. The following employee representatives were elected:

Jan Kahmann, Andreas Barczewski, Uwe Klein, Christian Kuhn, Alfred Linzmeier, Petra Oechtering, Roland Schneider, Ilona Schulz-Müller, Olaf Seifert and Henry Sieb.

On 10 May 2006, the Annual General Meeting elected the following shareholder representatives as Supervisory Board members:

Jean-Claude Baumgarten, Jella Susanne Benner-Heinacher, Sepp Dieter Heckmann, Dr. Jürgen Krumnow, Dr. Dietmar Kuhnt, Roberto López Abad, Dr. h. c. Abel Matutes Juan, Carmen Riu Güell, Dr. Manfred Schneider and Dr. Franz Vranitzky.

The new term of office lasts until 2011.

At its constitutive meeting on 10 May 2006, the Supervisory Board elected Dr. Krumnow chairman and Mr Kahmann deputy chairman of the Supervisory Board.

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

TUI AG
The Executive Board
August 2006

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

€ million	Q2 2006	Q2 2005 restated	Restatement	Q2 2005 original
Turnover	5,301.7	4,342.2	–	4,342.2
Other income	154.4	195.7	–	195.7
Change in inventories and other own work capitalised	+ 3.1	- 13.9	–	- 13.9
Cost of materials and purchased services	4,027.3	3,059.3	- 2.3	3,061.6
Personnel costs	631.4	539.2	- 16.0	555.2
Depreciation and amortisation	167.3	113.5	–	113.5
Impairment of fixed assets	15.8	- 0.5	–	- 0.5
Other expenses	543.9	623.5	- 7.6	631.1
Financial income	42.3	37.6	+ 18.5	19.1
Financial expenses	94.1	85.3	+ 26.3	59.0
Earnings from companies measured at equity	+ 10.9	+ 8.9	–	+ 8.9
Earnings before taxes on income	+ 32.6	+ 150.2	+ 18.1	+ 132.1
Income taxes	- 10.7	+ 32.8	+ 5.7	+ 27.1
Result from continuing operations	+ 43.3	+ 117.4	+ 12.4	+ 105.0
Result from discontinuing operations	- 4.5	+ 31.6	+ 0.0	+ 31.6
Group profit	+ 38.8	+ 149.0	+ 12.4	+ 136.6
Attributable to shareholders of TUI AG	+ 28.2	+ 146.2	+ 12.4	+ 133.8
Attributable to minority interest	+ 10.6	+ 2.8	–	+ 2.8
Group profit	+ 38.8	+ 149.0	+ 12.4	+ 136.6

€	Q2 2006	Q2 2005 restated	Restatement	Q2 2005 original
Basic earnings per share	+ 0.11	+ 0.82	+ 0.07	+ 0.75
from continuing operations	+ 0.11	+ 0.63	+ 0.07	+ 0.56
from discontinuing operations	–	+ 0.19	–	+ 0.19
Diluted earnings per share	+ 0.11	+ 0.76	+ 0.06	+ 0.70
from continuing operations	+ 0.11	+ 0.59	+ 0.06	+ 0.53
from discontinuing operations	–	+ 0.17	–	+ 0.17

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

€ million	H1 2006	H1 2005 restated	Restatement	H1 2005 original
Turnover	9,502.1	7,570.4	–	7,570.4
Other income	462.4	349.2	–	349.2
Change in inventories and other own work capitalised	+ 7.3	- 8.0	–	- 8.0
Cost of materials and purchased services	7,226.5	5,415.3	- 3.5	5,418.8
Personnel costs	1,244.8	1,069.1	- 31.9	1,101.0
Depreciation and amortisation	336.9	225.8	–	225.8
Impairment of fixed assets	16.9	4.5	–	4.5
Other expenses	1,172.6	1,193.0	- 9.8	1,202.8
Financial income	112.3	67.3	+ 37.1	30.2
Financial expenses	198.6	184.6	+ 52.7	131.9
Earnings from companies measured at equity	+ 15.9	+ 13.9	–	+ 13.9
Earnings before taxes on income	- 96.3	- 99.5	+ 29.6	- 129.1
Income taxes	- 30.8	- 12.0	+ 9.7	- 21.7
Result from continuing operations	- 65.5	- 87.5	+ 19.9	- 107.4
Result from discontinuing operations	+ 13.0	+ 47.2	+ 0.1	+ 47.1
Group profit	- 52.5	- 40.3	+ 20.0	- 60.3
Attributable to shareholders of TUI AG	- 65.9	- 46.6	+ 20.0	- 66.6
Attributable to minority interest	+ 13.4	+ 6.3	–	+ 6.3
Group profit	- 52.5	- 40.3	+ 20.0	- 60.3

€	H1 2006	H1 2005 restated	Restatement	H1 2005 original
Basic earnings per share	- 0.26	- 0.26	+ 0.11	- 0.37
from continuing operations	- 0.31	- 0.54	+ 0.11	- 0.65
from discontinuing operations	+ 0.05	+ 0.28	–	+ 0.28
Diluted earnings per share	- 0.26	- 0.26	+ 0.11	- 0.37
from continuing operations	- 0.31	- 0.54	+ 0.11	- 0.65
from discontinuing operations	+ 0.05	+ 0.25	–	+ 0.25

Condensed consolidated balance sheet of the TUI Group

€ million	30 June 2006	31 Dec 2005
Assets		
Goodwill	3,736.2	3,756.4
Other intangible assets	808.7	898.5
Investment property	87.3	90.2
Other property, plant and equipment	5,880.2	5,881.0
Companies measured at equity	371.1	372.7
Other investments	321.7	322.7
Fixed assets	11,205.2	11,321.5
Receivables from derivative financial instruments	33.0	51.1
Other receivables and assets	177.9	192.8
Deferred income tax assets	260.3	299.4
Non-current receivables	471.2	543.3
Non-current assets	11,676.4	11,864.8
Inventories	167.6	150.4
Trade accounts receivable	1,040.1	965.3
Receivables from derivative financial instruments	121.5	149.1
Other receivables and assets	1,240.0	869.3
Current income tax assets	32.0	15.6
Current receivables	2,433.6	1,999.3
Assets classified as held for sale	14.5	714.7
Cash and cash equivalents	1,401.6	599.2
Current assets	4,017.3	3,463.6
	15,693.7	15,328.4

€ million	30 June 2006	31 Dec 2005
Group equity and liabilities		
Subscribed capital	641.0	641.0
Reserves	2,774.4	3,172.6
Amounts recognised directly in equity relating to non-current assets held for sale	0.0	4.6
Hybrid capital	294.8	294.8
Equity before minority interests	3,710.2	4,113.0
Minority interests	244.3	262.2
Group equity	3,954.5	4,375.2
Provisions for pensions and similar obligations	1,050.9	1,260.8
Deferred and current income tax provisions	248.1	293.4
Other provisions	385.6	401.9
Non-current provisions	1,684.6	1,956.1
Financial liabilities	3,179.1	3,213.9
Liabilities from derivative financial instruments	26.3	32.1
Other liabilities	33.7	39.4
Non-current liabilities	3,239.1	3,285.4
Non-current provisions and liabilities	4,923.7	5,241.5
Provisions for pensions and similar obligations	31.7	32.8
Current income tax provisions	11.4	19.8
Other provisions	582.3	568.0
Current provisions	625.4	620.6
Financial liabilities	1,144.9	1,144.3
Trade accounts payable	2,409.3	2,103.7
Liabilities from derivative financial instruments	75.9	41.0
Other liabilities	2,560.0	1,513.6
Current liabilities	6,190.1	4,802.6
Liabilities from assets classified as held for sale	0.0	288.5
Current provisions and liabilities	6,815.5	5,711.7
	15,693.7	15,328.4

Statement of recognised income and expenses

€ million	H1 2006	H1 2005
Currency translation	- 211.2	174.0
Reserves for change in value of financial instruments	- 111.4	234.7
Change in value with no effect on net income from companies measured at equity	- 15.0	0.0
Actuarial gains and losses from pension provisions and associated fund assets	197.0	0.0
Tax item directly offset against equity	- 14.2	- 99.5
Income and expenses directly recognised in equity	- 154.8	309.2
Group profit	- 52.5	- 40.3
Total income and expenses recognised in the financial year	- 207.3	268.9
attributable to shareholders of TUI AG	- 210.1	252.3
attributable to minority interests	2.8	16.6

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

€ million	2006	2005
Cash flow from operating activities	909.1	897.1
Cash flow from investing activities	259.1	- 331.4
Cash flow from financing activities	- 364.0	- 294.3
Change in funds with cash effect	804.2	271.4
Change in cash and cash equivalents due to changes in consolidation and exchange rate fluctuations	- 10.1	12.3
Cash and cash equivalents at the beginning of the period	607.5	481.1
Cash and cash equivalents at the end of the period	1,401.6	764.8

Notes

Accounting principles

The Group's interim financial statements as at 30 June 2006 were prepared in a condensed form compared with the consolidated annual financial statements in accordance with IAS 34 'Interim Financial Reporting'. The only deviation from the historical cost principle was the accounting method applied in measuring financial instruments.

As of the beginning of the 2006 financial year, the following standards revised or newly issued by the IASB were applicable: IAS 21 The Effects of Changes in Foreign Exchange Rates (amendment concerning net investments in a foreign operation), IAS 39 Financial Instruments: Recognition and Measurement (amendment on fair value option), IAS 39 Financial Instruments: Recognition and Measurement (amendment on financial guarantee contracts), IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRIC 4 Determining whether an Agreement contains a Lease, IFRIC 5 Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. The application of these standards did not result in any effects on the TUI Group's accounting and measurement methods.

In addition, the revised IAS 19 Employee Benefits has been compulsory since 1 January 2006. This standard had already been applied voluntarily since 1 January 2005, and the option provided under this standard of offsetting actuarial gains and losses against equity with no effect on results when they occur had been exercised since that date.

With the exception of the changes outlined above, the interim financial statements as at 30 June 2006 were prepared in accordance with the same accounting and measurement principles as those applied in the preceding consolidated financial statements as at 31 December 2005.

The 2005 profit and loss statement was restated retrospectively in order to account for the effects of the changes in accounting and measurement methods only implemented with the last consolidated financial statements. The reversal of the amortisation of actuarial gains and losses in the recognition of pension obligations resulted in a decline in personnel costs of € 16.3 million while deferred income tax expenses rose by € 5.0 million and earnings from discontinuing operations rose by € 0.1 million. The interest portion of the measurement of pension obligations was no longer carried under personnel expenses but was shown under financial expenses. Accordingly, the expected return from the related fund assets was recognised as financial income. As a result, personnel costs declined by € 15.6 million, with an increase in financial expenses of € 52.7 million and financial income of € 37.1 million.

Due to changes in the treatment of costs for the production of holiday brochures, the cost of material and purchased services declined by € 3.5 million and other expenses dropped by € 9.8 million, while deferred income tax expenses rose by € 4.7 million.

In order to enhance the comparability of figures, the restated figures for 2005 are presented alongside the originally published figures. The accounting and measurement methods hitherto applied are outlined in detail in the notes on the consolidated financial statements as at 31 December 2005.

Group of consolidated companies

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

The interim financial statements as at 30 June 2006 included a total of 48 domestic and 351 foreign subsidiaries, besides TUI AG.

Since 31 December 2005, six companies were newly included in the group of consolidated companies. With the exception of one company which was included in consolidation for the first time due to an expansion of its business activities, these companies were newly formed companies. Five additions related to the tourism division, with one company added to the shipping division.

Since 31 December 2005, a total of 51 companies were removed from consolidation. Thirty-six companies related to the tourism division. Besides the divestment of the TQ3 Group (twelve companies), the liquidation of subsidiaries (20 companies) was another main reason for the reduction in the group of consolidated companies. A further four companies were removed from consolidation due to a merger.

Fifteen companies were related to the trading division. All of these were companies operating in the US steel trading business of PNA Group Inc.

Acquisitions – divestments

As at 31 March 2006, TUI AG completed the sale of the business travel activities pooled under TQ3 Travel Solutions Management Holding GmbH to the Dutch BCD Holdings N.V. By 31 March 2006, the TQ3 Group generated turnover of € 62.3 million and earnings after income tax of € - 3.1 million. In the first half of 2005, turnover totalled € 118.8 million and earnings amounted to € - 8.4 million. A total of twelve subsidiaries were divested at a sales price of € 232.9 million. Following the deduction of the expenses associated with the divestment of € 17.5 million, the divestment resulted in overall positive earnings after income taxes of € 149.7 million in the first half of 2006, carried under Other tourism. In the framework of the divestment, liabilities to TUI AG of around € 98 million were netted out.

€ million	31 March 2006	31 Dec 2005
Goodwill	104.7	104.9
Other intangible assets	2.9	2.5
Property, plant and equipment	15.9	23.0
Investments	13.5	13.9
Trade accounts receivable	84.6	64.8
Other receivables and assets	51.4	49.2
Deferred income tax claims	4.5	2.3
Cash and cash equivalents	30.6	7.3
Pension provisions	14.2	13.7
Provisions for income taxes	2.5	1.8
Other provisions	16.1	14.6
Financial liabilities	5.5	6.2
Trade accounts payable	60.6	39.7
Other liabilities	143.5	118.5
Share of TUI AG shareholders in equity	65.7	73.4

Since the sales negotiations entered an increasingly specific stage, the business travel activities were already classified as a disposal group in accordance with IFRS 5 as at 20 December 2005. The assets and liabilities of the TQ3 Group therefore already had to be summarized in separate balance sheet items in the annual financial statements for 2005.

As at 9 May 2006, TUI AG sold its wholly-owned indirect subsidiary PNA Group Inc. to US financial investor Platinum Equity. By 9 May 2006, the PNA Group generated turnover of € 401.0 million and posted earnings after income taxes of € 19.8 million. In the first half of 2005, turnover had totalled € 495.5 million, with earnings of € 15.8 million. The sale of a total of 15 subsidiaries was effected at a sales price of € 210.8 million. Including the expenses of € 6.4 million associated with the divestment, the sale generated overall negative earnings before income taxes of € 12.1 million for the trading division in the first half of 2006.

€ million	9 May 2006	31 Dec 2005
Property, plant and equipment	59.6	63.7
Investments	7.0	6.8
Trade accounts receivable	137.8	125.1
Other receivables and assets	226.9	190.9
Deferred income tax claims	10.2	4.2
Cash and cash equivalents	0.8	1.7
Pension provisions	7.4	7.9
Provisions for income taxes	14.4	2.6
Other provisions	10.0	13.8
Financial liabilities	67.7	50.4
Trade accounts payable	120.0	94.0
Other liabilities	3.7	5.8
Equity	219.1	217.9
Minority interests	2.6	2.4
Share of TUI AG shareholders in equity	216.5	215.5

With the application of IFRS 5, the US steel service companies were classified as discontinuing operations as at 1 January 2005. The assets and liabilities of the PNA Group already had to be summarized in separate balance sheet items in the 2005 consolidated financial statements.

As at the end of the first half of the year, the special travel activities of TUI Nederland were sold with effect from 1 January 2006 in the framework of a management buy-out. TUI Nederland N.V. sold all assets and liabilities of the special travel companies at a sales price of € 17.5 million to De Reisspecialisten Groep B.V. In the first half of 2006, the divestment resulted in positive earnings before income taxes of € 12.4 million. The turnover and profit contribution of the divested group of special travel companies had to be classified as immaterial in relation to the TUI Group's turnover and earnings.

Discontinuing operations

At the beginning of the 2005 financial year, both the US steel service companies and the remaining special logistics activities as at 1 January 2005 were classified as discontinuing operations in the framework of the first-time application of IFRS 5. The divestment of the rail logistics business unit of VTG (UB I) to the Luxembourg-based company Compagnie Européenne de Wagons was already successfully completed in December 2005. In February 2006, TUI sold its indirect 100% share in the US steel trading business of PNA Group Inc. to financial investor Platinum Equity subject to a suspensive condition. The sale was completed on 9 May 2006.

Result from the discontinuing operations

Besides the operating income and expenses of these operations, the result from the discontinuing operations also included effects of the deconsolidation of operations already divested.

Result from the discontinuing operations (after income tax)

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005
Special logistics	–	5.5	–	11.3
Trading	7.6	6.0	19.8	15.8
Energy	–	–	–	–
Subtotal – Result after income tax	7.6	11.5	19.8	27.1
Special logistics	–	20.1	–	20.1
Trading	- 12.1	–	- 12.1	–
Energy	–	–	5.3	–
Subtotal – Result from divestment/deconsolidation	- 4.5	20.1	- 6.8	20.1
Special logistics	–	25.7	–	31.4
Trading	- 4.5	5.9	7.7	15.7
Energy	–	–	5.3	–
Total – Result from the discontinuing operations	- 4.5	31.6	13.0	47.2

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

€ million	Special logistics				Trading			
	Q2 2006	Q2 2005	H1 2006	H1 2005	Q2 2006	Q2 2005	H1 2006	H1 2005
Turnover	–	109.5	–	216.1	123.0	249.6	401.0	495.5
Operating income	–	3.3	–	7.3	0.2	0.1	0.3	0.2
Depreciation/amortisation	–	–	–	–	–	–	–	–
Other operating expenses	–	101.9	–	200.0	113.1	239.0	372.1	468.4
Financial income	–	1.6	–	2.0	0.3	0.4	0.4	0.7
Financial expenses	–	2.5	–	5.1	0.8	1.6	1.4	3.4
Result from companies measured at equity	–	–	–	0.2	0.1	0.1	0.6	0.7
Earnings before taxes on income	–	10.0	–	20.5	9.7	9.6	28.8	25.3
Income taxes	–	4.5	–	9.2	2.1	3.6	9.0	9.5
Earnings after taxes on income	–	5.5	–	11.3	7.6	6.0	19.8	15.8

Material assets and liabilities of the discontinuing operations

€ million	Trading	
	30 June 2006	31 Dec 2005
Non-current assets	–	74.7
Current assets	–	317.7
Non-current provisions and liabilities	–	50.3
Current provisions and liabilities	–	124.2

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

€ million	Special logistics						Trading	
	Q2 2006	Q2 2005	H1 2006	H1 2005	Q2 2006	Q2 2005	H1 2006	H1 2005
Cash flow from operating activities	–	12.9	–	15.9	- 5.6	27.4	- 17.4	54.0
Cash flow from investing activities	–	- 8.8	–	- 12.2	- 0.2	- 0.5	- 2.0	- 1.3
Cash flow from financing activities	–	- 1.7	–	- 2.1	2.5	- 24.0	18.4	- 49.6
Change in cash and cash equivalents due to exchange rate fluctuations	–	–	–	–	0.0	- 0.5	0.1	- 0.4
Development of cash and cash equivalents	–	2.4	–	1.6	- 3.3	2.4	- 0.9	2.7

Notes on the consolidated profit and loss statement

The year-on-year development of the consolidated profit and loss statement was essentially characterised by changes in the group of consolidated companies. On the one hand, the TQ3 Group was only included in continuing operations until 31 March 2006. On the other hand, the first-time consolidation of CP Ships was not effected until the fourth quarter of 2005. A year-on-year comparison of the performance of the continuing operations for the first half of 2006 is therefore of limited use only. On balance, earnings by the CP Ships Group totalled € - 22 million, including the effects of the purchase price allocation required in the framework of the first-time consolidation; however, since the integration of CP Ships into Hapag-Lloyd Container Linie has already commenced, this figure can no longer be used for reference purposes. On balance, earnings by the CP Ships Group totalled € - 22 million, including the effects of the purchase price allocation required in the framework of the first-time consolidation; however, since the integration of CP Ships into Hapag-Lloyd Container Linie has already commenced, this figure can no longer be used for reference purposes. A further negative earnings effect of € 70 million resulted from the integration process, in particular from the cost of personnel reductions and of onerous lease agreements for administrative buildings. Even when adjusted for the effect of the first-time consolidation of CP Ships, the turnover volume of the shipping division was up year-on-year. Overall, earnings adjusted for the restructuring expenses dropped to € 4 million (previous year: € 123 million) due to the development of freight rates and the increase in short-term charter rates as well as the cost of bunker oil.

The year-on-year development of earnings by the tourism division was essentially characterised by the income from the divestment of the TQ3 Group of € 149.7 million, realised in the Other tourism sector.

Overall, earnings posted by the tourism division in the first half of 2006, adjusted for the income from the divestment of the TQ3 Group, fell short of 2005 levels, although turnover rose year-on-year and earnings in source markets Central Europe and Northern Europe increased year-on-year. This was mainly due to the persistently

difficult market environment in France. The destinations sector partly achieved improvements in operating earnings but reported an overall decline in earnings due to one-off effects in 2005. In the first half of 2005, the destinations sector had posted earnings of € 12.0 million from the reversal of the negative goodwill which had arisen in connection with the acquisition of the shares in Touristik Finanz AG.

In the Western Europe sector, earnings of € 12 million were generated from the divestment of TUI Nederland's special travel activities and from two aircraft sale-and-lease-back agreements totalling € 5 million. On the other hand, earnings in the current financial year were impacted for the first time by the full seasonal expenses for the flight operations of TUI Airlines Nederland, which had only started operation in April 2005. In the Central Europe sector, earnings in the first half of 2006 were impacted by restructuring expenses of € 11 million, while income of € 17 million was generated from three aircraft sale-and-lease-back agreements.

In terms of other operating companies, the Group's real estate companies generated one-off income of € 40.8 million from the sales agreement already concluded at the end of the 1980s for the 'Schacht Konrad'. The realisation of earnings had previously been counteracted by suspensive conditions.

The second quarter of 2005 was adversely impacted by a measurement result of € 14.7 million due to the fair value measurement of the conversion options from the convertible bond issued in October 2003. In the period under review, in contrast, the fair value measurement resulted in income of € 15.0 million. With effect from 3 April 2006, TUI AG has irrevocably waived its option, to be exercised unilaterally, of being able to deliver cash should a conversion option be exercised; the conversion options have therefore been treated as equity instruments again as of the date of the waiver. Fair value measurement with an effect on results thus ended on 3 April 2006.

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

In the first half of the 2006 financial year, net unusual expenses after income tax totalling around € 7 million were carried under 'Result from the discontinuing operations'. These expenses resulted from the deconsolidation of the PNA Group totalling € 12.1 million and income of € 5.3 million from the payment of previously disputed dividend claims on a company of the Preussag-Energie Group. In 2005, earnings from the discontinuing operations comprised unusual income of around € 20 million after income taxes, resulting from the reversal of provisions no longer required.

Notes on the consolidated balance sheet

The changes in the consolidated balance sheet in comparison with 31 December 2005 mainly resulted from the cycle of the tourism business. Trade account receivables and the corresponding liabilities in the tourism division rose due to the seasonal cycle of the tourism business. Due to the increase in advance payments in tourism, other liabilities and liquid funds also rose within this period.

Goodwill declined as against its level on 31 December 2005, mainly due to changes in exchange rate parities – in particular against the British pound sterling – of the goodwill recognised in the functional currencies of the respective subsidiaries.

Assets held for sale and related liabilities

€ million	30 June 2006	31 Dec 2005
Trading	–	392.4
TQ3 Group	–	263.9
Other non-current assets	14.5	58.4
Assets held for sale	14.5	714.7
Trading	–	171.7
TQ3 Group	–	114.4
Liabilities related to other non-current assets	–	2.4
Liabilities from assets classified as held for sale	–	288.5

The reduction in assets held for sale and the related liabilities resulted from the divestment of the TQ3 Group to the Dutch company BCN Holdings N.V. as at 31 March 2006 and the sale of PNA Group Inc. to US financial investor Platinum Equity as at 9 May 2006.

Changes in equity

The TUI Group exercises the option offered by IAS 19 of offsetting actuarial gains and losses against equity with no effect on results when they occur. In this context, provisions for pensions decreased by € 197.0 million in the first half of the financial year, primarily due to the significant increase in the long-term interest rate level observed in the key countries since the beginning of the year. Taking account of deferred taxes of € 64.0 million to be carried, equity rose accordingly by € 133.0 million with no effect on results.

Group equity rose by a further € 7.2 million due to the fair value measurement of the conversion options from the convertible bond issued in 2003 with no effect on results. Fair value measurement with no effect on results was possible since TUI AG irrevocably waived its option of delivering cash should a conversion option be exercised with effect from 3 April 2006. Conversion options have therefore had to be treated as equity instruments again since the waiver date and, unlike in previous reporting periods, do not result in fair value measurement with an effect on results.

Group equity declined due to differences in the currency translation of financial statements of foreign subsidiaries as well as the conversion of goodwill carried in foreign currencies.

A further reason for the year-on-year decline in equity was the resolution, adopted by the Annual General Meeting of TUI AG on 10 May 2006, to pay a dividend totalling € 193.1 million for the 2005 financial year.

Equity also declined due to changes in the value of financial instruments, used to hedge against exposure to payment flow risks, carried with no effect on results.

Group equity also declined due to negative consolidated earnings of € 52.5 million.

Contingent liabilities

As at 30 June 2006, the TUI Group's contingent liabilities totalled around € 252 million (31 December 2005: around € 306 million). Contingent liabilities were carried at the level of potential availment as at the balance sheet date. They mainly related to remaining guarantees and warranties from the former plant engineering and shipbuilding activities, which serve to settle ongoing business transactions and were reduced in the first half of 2006.

Other financial liabilities

Other financial liabilities from operating rental, lease and charter agreements declined slightly at the end of the first half of 2006 to € 4.2 billion, down from € 4.4 billion as at 31 December 2005. The fair value dropped accordingly from € 3.8 billion to € 3.6 billion.

The remaining other financial liabilities dropped to € 4.1 billion as at the end of the first half of 2006, down from € 4.2 billion as at the end of the 2005 financial year. At € 3.5 billion, the fair value declined year-on-year from € 3.7 billion. While order commitments for tourism services declined slightly by € 0.2 billion to € 2.8 billion for seasonal reasons, order commitments for investments, in particular the planned construction of hotel complexes, rose by € 0.1 billion to € 1.2 billion.

Notes on the cash flow statement

In the period under review, cash and cash equivalents rose by € 794.1 million to € 1,401.6 million.

At € 909.1 million, the inflow of cash from operating activities rose slightly year-on-year.

The inflow of cash from investing activities totalled € 259.1 million (previous year: outflow of € 331.4 million) in the current financial year. The inflow of cash in the current financial year mainly resulted from the divestment of the TQ3 Group to the Dutch company BCD Holdings N.V. and of PNA Group Inc. to US financial investor Platinum Equity.

The outflow of cash from financing activities totalled € 364.0 million (previous year: € 294.3 million). The year-on-year increase in the outflow of cash in the period under review was mainly attributable to the year-on-year increase in the dividend payment to TUI AG shareholders in the second quarter 2006.

Cash and cash equivalents decreased by € 10.1 million due to changes in exchange rates and changes in the group of consolidated companies.

Statements of changes in equity

Condensed statement of changes in equity for the period from 1 January to 30 June 2006

€ million	Subscribed capital	Capital reserves	Revenue reserves	Hybrid capital	Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2006	641.0	2,385.0	792.3	294.8	4,113.1	262.2	4,375.3
Dividend payments	0.0	0.0	- 203.4	0.0	- 203.4	- 18.0	- 221.4
Changes without effect on net income	0.0	7.2	- 140.8	0.0	- 133.6	- 13.3	- 146.9
Reclassification convertible bond	0.0	7.2	0.0	0.0	7.2	0.0	7.2
Final consolidation	0.0	0.0	3.4	0.0	3.4	- 2.7	0.7
Differences from currency translation	0.0	0.0	- 201.8	0.0	- 201.8	- 9.4	- 211.2
Measurement changes with no effect on results	0.0	0.0	72.3	0.0	72.3	- 1.7	70.6
Tax items directly offset against equity	0.0	0.0	- 14.7	0.0	- 14.7	0.5	- 14.2
Group profit	0.0	0.0	- 65.9	0.0	- 65.9	13.4	- 52.5
Balance as at 30 June 2006	641.0	2,392.2	382.2	294.8	3,710.2	244.3	3,954.5

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

€ million	Subscribed capital	Capital reserves	Revenue reserves		Equity before minority interests	Minority interests	Equity
Balance as at 1 January 2005	457.0	1,566.3	400.0		2,423.3	236.4	2,659.7
Dividend payments	0.0	0.0	- 134.8		- 134.8	- 6.9	- 141.7
Changes without effect on net income	0.0	0.0	309.7		309.7	9.7	319.4
Differences from currency translation	0.0	0.0	163.7		163.7	10.3	174.0
Measurement changes with no effect on results	0.0	0.0	234.7		234.7	0.0	234.7
Tax items directly offset against equity	0.0	0.0	- 99.5		- 99.5	0.0	- 99.5
First time consolidation	0.0	0.0	0.0		0.0	- 0.3	- 0.3
Final consolidation	0.0	0.0	0.0		0.0	- 0.3	- 0.3
Offsetting difference from the acquisition of minority interest	0.0	0.0	- 0.5		- 0.5	0.0	- 0.5
Effect from business combination achieved in stages	0.0	0.0	11.3		11.3	0.0	11.3
Group profit	0.0	0.0	- 46.6		- 46.6	6.3	- 40.3
Balance as at 30 June 2005	457.0	1,566.3	528.3		2,551.6	245.5	2,797.1

Segment ratios

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

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005
Tourism	3,641.5	3,492.8	6,152.1	6,008.5
Shipping	1,605.8	765.4	3,245.4	1,434.0
Other operative sectors	54.1	83.2	104.0	126.7
Holding companies	0.3	0.8	0.6	1.2
Continuing operations	5,301.7	4,342.2	9,502.1	7,570.4
Special logistics	–	109.5	–	216.1
Trading	123.0	249.6	401.0	495.5
Discontinuing operations	123.0	359.1	401.0	711.6
Total	5,424.7	4,701.3	9,903.1	8,282.0

Earnings before interest, taxes and amortisation of goodwill according to divisions and sectors (EBITA)

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005
Tourism	152	116	69	- 62
Shipping	- 41	91	- 66	123
Other operative sectors	4	16	51	15
Holding companies	- 18	12	- 32	- 42
Consolidation	- 8	- 31	- 3	- 29
Continuing operations	89	204	19	5
Special logistics	–	49	–	62
Trading	- 2	11	18	28
Energy	–	–	5	–
Discontinuing operations	- 2	60	23	90
Consolidation	–	–	–	–
Total	87	264	42	95

In the first half of 2006, earnings before interest, taxes and amortisation of goodwill (EBITA) comprised the following results from the companies measured at equity: tourism € 12.8 million (previous year: € 13.0 million), shipping € 3.1 million (previous year € 0.9 million), other operative sectors € 0.0 million (previous year: € 0.0 million), holding companies € 0.0 million (previous year: € 0.0 million), special logistics € 0.0 million (previous year: 0.2 million) and trading € 0.6 million (previous year: € 0.7 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 2006/2007

Interim Report January to September 2006	9 November 2006
Annual Press Conference 2007	21 March 2007
Annual General Meeting 2007	16 May 2007

Imprint

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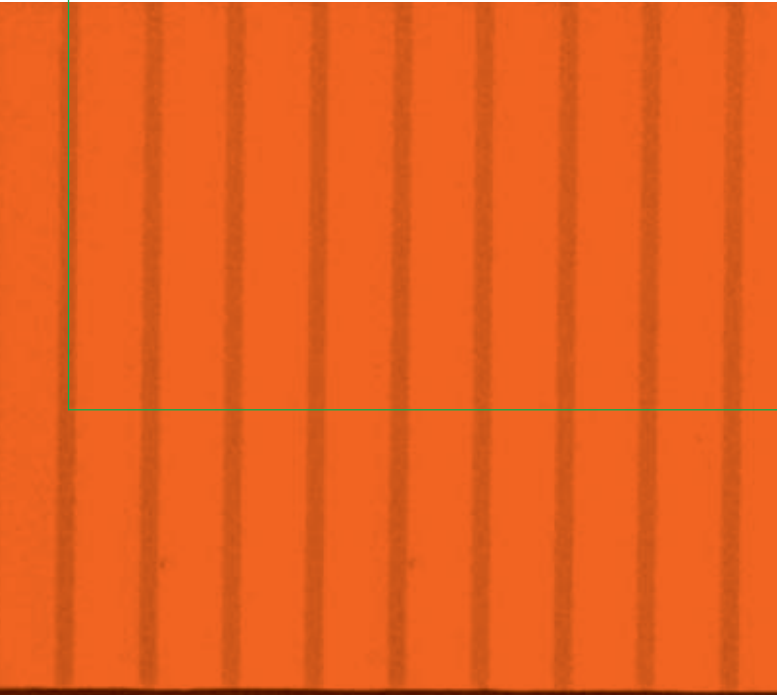
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