

Speech by
Rainer Feuerhake
CFO
TUI AG

Annual General Meeting
11 May 2005
Hanover

- Check against delivery -

Ladies and Gentlemen,

Let me also like to bid you a warm welcome to today's Annual General Meeting. Dr Frenzel has already presented the 2004 financial year. I will now give you more details and explanations on the consolidated financial statements.

Group realignment

Ladies and Gentlemen, as in previous years, the 2004 financial statements are characterised by the Group's realignment process. In the completed financial year, the Group restructuring focused on the concentration of logistics on shipping. In the framework of a restructuring of the shipping company, the shipping activities were pooled under Hapag-Lloyd AG. The remaining special logistics activities were completely divested in the framework of the ongoing divestment programme, with the exception of the rail logistics operations. These divestments included in particular the bulk and special logistics activities of VTG, the Algeco Group and forwarder Pracht.

Besides the concentration in the logistics sector, we have also developed our tourism shareholding portfolio. The focus was on the increase in our shareholdings in TUI Suisse and the Magic Life Group to 100% each. We sold our majority in the Anfi Group and the 10% interest in Alpitours.

Ladies and Gentlemen, as you can see, the Group's portfolio change also kept us busy in the completed financial year and impacted our 2004 financial statements.

Consolidated earnings

Having outlined the 'change processes', let me now turn to the 'fruits' of our strategy: What is the Group's earnings situation?

At an accounted turnover of approx. EUR 18.0 billion, consolidated turnover dropped by approx. EUR 1.2 billion year-on year. The decline resulted from the divestments made in the previous year and in the course of the 2004 financial year. Based on restated turnover for the previous year to adjust it for the Group realignment effects, the year-on-year comparison shows an increase in turnover of EUR 1.2 billion or 7%.

A similar picture emerges for earnings by divisions, EBTA (earnings before taxes and amortisation of goodwill). In absolute figures, earnings dropped from EUR 913 million to EUR 622 million. The unusual income of EUR 132 million posted in 2004, resulting from the divestments in special logistics, are significantly lower than in 2003, the year in which very high income was generated due to the divestment of the energy sector. Adjusted for unusual income and expenses, a significant increase in the Group's operating earning power is manifested. The 2003 operating result of EUR 242 million was more than doubled to EUR 490 million.

The increase in our operating earning power and the termination of goodwill amortisation went hand in hand with a substantial increase in earnings before taxes (EBT) by EUR 376 million to EUR 622 million. Group profit for the year rose by EUR 217 million or 69% to EUR 532 million. This corresponds to an income tax burden of EUR 90 million, i.e. a tax rate of less than 20%. The low tax rate is the result of the completion of our Group's target structure with the two pillars, tourism and shipping. Since the shipping sector is not liable to pay earnings-related income taxes but pays a volume-related tonnage tax, we should be able to keep our tax burden at a relatively low level in future.

As a result, earnings per share rose by 78% to EUR 2.74.

The Group's core figures clearly indicate that TUI can look back upon a successful year 2004. This also applies to the profitability level achieved. Adjusted for unusual income and expenses, the return on invested capital (ROIC) – defined as earnings by divisions before interest in proportion to interest-bearing capital – rose by 5.1 percentage points to 12.0%. Compared with our current cost of capital of 8.1%, excess return of 3.9% or, in absolute figures, a positive contribution margin of around EUR 224 million is posted for the 2004 financial year.

Earnings by segments

Having presented earnings at Group level, let me now turn to the development of earnings within the segments.

To a large extent, the increase in the Group's operating earning power is attributable to the positive trend in tourism. Earnings grew by 73% to EUR 362 million. At EUR 290 million, earnings in logistics dropped below the previous year's level due to the divestments effected. The trading sector posted record earnings of EUR 116 million.

Let me now turn to the individual segments, starting with tourism.

Within the tourism segment, the Central Europe sector recorded a substantial recovery of earnings to EUR 82 million, thus returning to clearly positive figures.

At EUR 65 million, earnings in the Northern Europe sector failed to match the previous year's level. However, taking account of the fact that this figure includes a charge of EUR 30 million for the ongoing restructuring and realignment of business processes for the UK market, earnings for 2004 also show an improvement in operating earning capacity year-on-year.

At EUR 41 million, earnings of the Western Europe sector matched the previous year's level.

The destinations sector once again proved to be a stable and important earnings pillar of our integrated business model. This sector pools our activities in hotel companies and incoming agencies. At EUR 144 million, a further significant year-on-year increase was achieved.

So much for tourism. Let me now turn to our second pillar: logistics, or rather shipping.

The shipping sector continued its growth. At EUR 279 million, it even exceeded the previous year's record result by EUR 17 million. The year-on-year increase in the cost of financing resulting from the restructuring was not taken into account.

At EUR 290 million, the logistics segment overall did not match the previous year's level. As has already been pointed out several times, this is due to the divestments effected in the special logistics sector. Due to the divestments, earnings in special logistics declined by EUR – 50 million to EUR 11 million.

By way of conclusion, let me briefly comment on the trading sector and on earnings by central operations and the 'Other/consolidation' segment.

The trading business showed a very gratifying trend in the completed 2004 financial year. In the wake of the worldwide boom in the steel sector, the steel service companies of PNA achieved a significant increase in earnings. At EUR 116 million, the PNA Group posted its best earnings ever.

Total earnings of the operating sectors tourism, logistics and trading account for EUR 768 million. Deducing the expenses for central operations of EUR – 146 million, earnings by divisions stand at EUR 622 million.

Earnings by central operations include income from the divestments effected and from the measurement of assets. Besides this income, the sector records expenses for corporate centre costs, financing costs and for operations in the start-up phase, carried in this sector for the last time in 2004.

As I already pointed out at the outset of my presentation, income from divestments totalled EUR 132 million in the 2004 financial year. This amount was largely attributable to the divestment of the Algeco Group. Measurement of assets, another item listed here, mainly results from the reversal of provisions formed in previous years, e.g. in connection with the sale of real estate.

The costs of central operations, mainly including TUI AG's corporate centre costs, declined to EUR 120 million. At EUR – 178 million, net interest of central operations rose year-on-year.

Balance sheet and financing

Let me now turn from the 'fruits' of our strategy – the Group's earnings situation – to its 'base' – the consolidated balance sheet.

The development of the Group's key balance sheet figures since the 2001 financial year shows the effects of our Group realignment. Due to the divestments, the Group's balance sheet total dropped by EUR 4.3 billion to EUR 12.3 billion as at 31 December 2004.

In parallel to the improvement in the Group's operating earning power in the completed financial year 2004 and the structural strengthening of our balance sheet relations in the last few financial years, the equity ratio steadily rose to 24.3%.

In the course of the realignment of the Group, the Group's liabilities changed due to the reduction in our net debt and the extension of the maturities of our financial liabilities.

The inflow of funds from the divestments effected enabled us to bring our net debt down from EUR 6.2 billion in 2001 to EUR 3.3 billion. By means of the proceeds from the divestments yet to be effected in rail logistics and the divestment of our trading activities in the US as well as an active management of our net cash flow and working capital, we intend to reduce our net debt to the target amount of EUR 2 billion by the end of the current financial year 2005.

With the far-reaching realignment process of our Group portfolio drawing to a close, we have restructured the maturities of our financial liabilities, creating a sound and stable basis for the further development of our core businesses, tourism and shipping. The proportion of financial liabilities with a term of less than one year only totalled 11% as at 31 December 2004.

In this context, we are currently preparing for our credit rating, which we intend to achieve by the autumn of this year.

These considerations take us to the question of the strategic outlook for the Group. As has already been announced, Dr Frenzel will now present the prospects to you.

Thank you very much for your attention.