

Annual General Meeting

18 May 2004, 10:30 a.m.

Speech

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CFO

TUI AG

- Only the speech as given is valid -

Ladies and Gentlemen,

As already announced by Dr Frenzel, I would now like to present and comment, in somewhat greater detail, on the main items and changes in the Group's consolidated financial statement for 2003.

Application of new IAS Standards

The TUI Group's annual financial statements have in recent years reflected the restructuring of our business portfolio. This is also the case – especially in view of the sale of our energy operations – with the accounts for the 2003 financial year. At the same time, the constant restructuring activities within the Group have had a negative effect on comparability and transparency. We have therefore decided to apply the revised International Accounting Standard (IAS 1) for 2003, even though this will not become mandatory until 1 January 2005, to ensure that, with the approaching end of Group restructuring, no further factors will detract from the future comparability of our financial statements.

A significant feature of the revised IAS standard is the altered breakdown of the profit and loss account. Among other changes, intermediate totals such as the operating result and combined divisional earnings (EBTA) are no longer found. The profit and loss account now only contains a combined total: earnings before tax (EBT).

In contrast, we have considerably augmented our divisional reporting. Here you will now find a full disclosure of financial performance indicators, from earnings before tax (EBT) and the combined divisional result (EBTA) that will be familiar to you, through to capital market-oriented indicators such as EBITDA and EBITDAR.

We have also expanded our annual report by listing additional performance indicators from the various operational areas and have for the first time allocated goodwill to the various divisions.

This divisional allocation of goodwill was also taken as the basis for its valuation in 2003 – something I will return to in detail later on.

TUI in figures

Having spoken about new aspects and special features of the 2003 financial statement, I will now turn to the Group's key performance indicators. Combined divisional earnings (EBTA) reached € 913m in 2003, the highest figure ever achieved by the company. When assessing this result, however, one change must be borne in mind - the fact that operating taxes are now included within this figure for the first time.

As I said, combined divisional earnings totalled € 913m. Under the old system, this figure would have turned out to be € 956m, i.e. € 43m higher. The difference consists of operating taxes, largely balanced out by goodwill depreciation of companies valued at equity.

The Group's consolidated turnover was, at € 19.2bn, down 5.4% on the previous year. This decline resulted mainly from lower turnover in the Trading Division.

It is pleasing that we saw a marked increase in the Group's annual surplus, from € 41m in 2002 to € 315m in 2003. Earnings per share rose from € 0.18 in the previous year to € 1.54 in 2003. At the same time, we have made provisions for all identifiable risks to avoid as far as possible future burdens on profit.

Combined divisional result

Now I'll return briefly to the earnings situation in our various divisions, about which Dr Frenzel has already reported in detail, and our performance in terms of return on capital:

The 2003 financial year saw both positive and negative developments in our operational divisions, which largely balanced each other out.

For example, although Tourism earnings did not match those in the previous year, the year-end total – at € 208m – slightly exceeded the revised-down figure that was forecast following the exceedingly difficult first half of the year.

Our second most important business area, Logistics, ended a successful year with earnings of € 314m – more than this division has ever achieved before.

Shipping, in particular, can look back on a very good year, generating a new record result with earnings of € 253m.

Against the background of the divisional results achieved, the Group's return on equity was, at 33%, around 15 percentage points up on the previous year. The operative performance indicator "return on invested capital" – defined as combined divisional earnings before interest as a proportion of interest-bearing capital – improved from 10% in 2002 to 18% in 2003. This reflects our successful efforts to reduce our interest-bearing capital base by paying off our debt.

I wish to conclude my remarks on our corporate divisions by adding a few words about the results of the operational area we call "Other/Consolidation".

The proceeds from the disposal of our Energy Division influenced this result considerably. Divestments carried out in the 2003 financial year generated overall yields of € 930m. Of this total, € 730m came from the sale of Preussag Energie GmbH, with the sell-off of our indirect holding in Ruhrgas AG accounting for € 200m. On the debit side there were, of course, interest expenditures, Corporate Centre costs incurred by TUI AG and provisions for divestments both completed and still in planning. Overall net earnings in this division came to € 359m.

Goodwill

As I indicated at the start, I will now say a little about the allocation of goodwill to the various divisions, and about current goodwill valuation. This is essential if we are to avoid having to undertake any more scheduled depreciations of goodwill in connection with revised IAS standards from the first quarter of 2004, and will thus have a positive effect on the future development of the Group's consolidated financial statements.

With the company-law restructuring and our decision to focus our Logistics operation on shipping, the Group's transformation is fast approaching completion. The operational structures in our core business of Tourism have been consolidated, and in Logistics we can anticipate which units will remain within the Group in the long term. We had to wait until this basis had been established until we could properly allocate goodwill, which is why this aspect did not feature in the Group's financial statements before 2003.

We have at the same time subjected all our business units in turn to rigorous goodwill-impairment testing. In choosing the standards to apply in this test, we were partly guided by the fact that the "impairment only" approach, which will be adopted in future, no longer envisages scheduled depreciation of goodwill.

Based on the results of our impairment test we have, in addition to scheduled depreciation of goodwill totalling € 284m, carried out extraordinary devaluations amounting to € 383m. Overall, those

depreciations of goodwill that are reflected in the operational result amount to € 667m.

Almost all of the non-scheduled devaluations involved the Europe North operations of our Tourism Division, and primarily our business in the Nordic countries. We have included this devaluation despite the significant improvement in operational development from the present point of view.

But I really want to stress the following: our core operations under our TUI and Thomson Holidays brands in the major markets, i.e. Germany and the UK, have passed their impairment tests with flying colours. In concrete terms, this means that the strategic prices we paid on acquiring these businesses are still justified today.

As a result of goodwill being allocated to the various divisions, it was necessary – in a further change to our financial reporting – to disclose goodwill on the balance sheet in the respective national currencies of the acquired subsidiaries. This led to an additional reduction of € 371m in goodwill, although this has no effect on the operating result. It was primarily goodwill in the Europe North division that was affected by this, owing to the British pound's falling against the euro, especially in the 2003 financial year.

Balance sheet/debt

Following these remarks on the earnings situation, and on new aspects and special features of the 2003 accounts, I would like to turn to the consolidated balance sheet:

The Group's balance-sheet total fell 16% to € 13bn. This decrease was chiefly caused by changes to our portfolio of consolidated companies and the valuation of goodwill that we carried out.

The Group's equity capital totals € 2.8bn and, due to the foreign exchange adjustment of the goodwill figure – which has no effect on the operating result – is therefore € 0.4bn down on the previous year. However, 2003 saw the equity ratio improve by 0.8% overall to 21.3%.

Liabilities fell by € 1.5bn to € 8bn, this being mainly attributable to repayment of financial debt.

I would like at this point to make a few comments about our financial position.

In the past financial year we rigorously adhered to our policy of divesting ourselves of industrial activities in order to re-finance acquisitions with which to establish and expand our core business of Tourism. The sale of the Energy Division netted us high returns. We put this money to good use by making further large inroads into the debt we deliberately took on during the phase of corporate restructuring.

You can see the result of this in our balance sheet: in the 2003 financial year we lowered our net debt by € 1.6bn to € 3.8bn.

Three key decisions - to focus our Logistics operations on shipping, to hold a partial IPO of these activities, and to divest ourselves of our remaining Logistics business - will generate additional funds.

Following the completion of all divestments now underway or still at the planning stage, such as those in Trading, we will see our net debt reduced to below € 2bn. This is something we are seeking to achieve in the course of the next year.

Thank you for your attention.