

**Annual press briefing  
23 March 2005  
Speech by  
Rainer Feuerhake, CFO  
Check against delivery**

Ladies and Gentlemen,

Dr Frenzel has already outlined our results for 2004. I will now give you more details on some of the essential items in our consolidated financial statements.

Let me start with earnings by divisions (EBTA).

In the context of the concentration of logistics on shipping, we restructured this sector in 2004 by corporate actions. Our shipping activities have now been pooled under Hapag-Lloyd AG (new) and financed in accordance with prevailing market requirements. Our special logistics activities were removed from the previous legal structure with a view to divesting these activities.

For better comparison, we have adjusted the figures of our segment report for 2003 to the new structure. As far as 2003 earnings of the logistics division are concerned, this adjustment results in an increase of 9 million euros, almost exclusively related to shipping. You will find the offsetting entry under the Group's central operations, which are correspondingly reduced by the same amount for 2003.

Dr Frenzel has already commented on the development of earnings by divisions. I would like to specifically mention **earnings by central operations** which totalled minus 146 million euros in 2004, compared to plus 370 million euros in the previous year.

In the past, earnings by central operations were significantly affected by unusual expenses and income, which mainly arose from the divestments made in the respective periods.

In the 2004 financial year, the net effect from unusual expenses and income was 132 million euros, mainly resulting from discontinuing operations. The largest amount was due to the divestment of the Algeco Group. Total earnings from the divestments of the special logistics sector amounted to 146 million euros. The reversal and formation of provisions associated with divestments resulted in a net expense of 14 million euros.

Costs of central operations, which mainly comprised the corporate centre costs of TUI AG, fell to 120 million euros (following 143 million euros in the previous year).

At minus 178 million euros (following minus 135 million euros), the net interest result of central operations rose year-on-year. This was mainly due to the negative result from the reversal of

interest hedges in conjunction with the refinancing measures implemented in the first half of the year.

A further item in central operations was other expenses and income, which accounted for plus 69 million euros this year (previous year: plus 39 million euros). This item related to the earnings of other companies and the measurement of assets. A significant part of this amount related to the reversal of provisions formed in previous years, e.g. in connection with the divestment of real estate, which are no longer required.

The low-cost airlines Hapag-Lloyd Express (HLX) and Thomsonfly, which are still in the start-up stage and were managed under central operations in 2004, generated earnings of minus 49 million (previous year: minus 62 million) and thus matched expectations. This applied both to the start-up costs of Thomsonfly, which was launched in April 2004, and the earnings contribution of HLX. HLX generated its first positive earnings in the third quarter of 2003. We expect HLX to post overall positive earnings in 2005.

Next, I would like to provide you with explanations on some of the items in our **profit and loss statement**.

Group profit for the year totalled 532 million euros in the completed financial year (up from 315 million euros in 2003).

This is an increase of 217 million euros year-on-year, primarily attributable to our operating performance.

One of the differences compared with the previous year is the net effect from unusual expenses and income, which in 2004 dropped to 132 million euros and thus declined significantly year-on-year. In 2003, it had totalled 671 million euros, an extraordinarily high level due to the divestment of the energy sector.

Another item is the amortisation of goodwill, which in 2004 was no longer recognised as scheduled, due to the application of the new IFRS rules. The impairment tests required at the end of any financial year did not provide any grounds for impairments in 2004. In the previous year, goodwill amortisation had totalled 667 million euros.

As far as income taxes are concerned, an expense of 90 million euros was recorded. This basically corresponded to the taxes to be paid with deferred tax expenses of 4 million euros.

The Group's income tax expense is relatively low and accounts for around 20%. The main reasons for the low rate are the proceeds from our divestments, which were only taxable to a minor extent under German tax provisions, and the type of taxes payable in our shipping business: the specific tonnage tax typical of the sector, i.e. a tax on property.

In total, the changes in unusual expenses and income, in goodwill amortisation and in taxes on income had a positive effect of only 30 million euros. This is clear evidence, that the improvement in Group profit for the year is almost exclusively driven by our operating performance.

By way of conclusion, I would like to turn to a number of key balance sheet items.

The Group's balance sheet total dropped to 12.3 billion euros. This was mainly attributable to changes in the group of consolidated companies, in particular the divestment of special logistics activities. Equity rose to 3 billion euros due to the increase in revenue reserves. As a result, our equity ratio climbed to 24.3%.

On the liabilities side of the balance sheet, financial liabilities changed due to the reduction in net debt and the extension of maturities.

We have used the proceeds from our divestments to bring our net debt down to 3.25 billion euros. We made significant headway with our divestment programme in 2004 and intend to have it completed by the end of the year. In the special logistics sector, we still hold VTG AG with its rail and tank container logistics activities. The sales process has already progressed significantly and we expect it to be completed in the first half of

the year, subject to any permits that may be required under competition legislation.

We have initiated the preparatory activities for the divestment process for the PNA Group, which operates in the steel service business in the US. We should be able to successfully complete the divestment by the end of the year.

In addition, the heating technology company Wolf and several real estate items not operationally necessary are also available for sale.

Implementation of these measures, a positive cash flow and tight management of our working capital will be required to reduce our net debt to our target of below 2 billion euros. We aim to achieve this in the course of the year.

In parallel to the reduction in net debt, we have extended the maturities of our external financing. While it was appropriate to take up short-term borrowings during the Group realignment phase in order to be flexible and benefit from the attractive short-term interest rates, it is now appropriate to finance, following the realignment, to finance the Group's remaining outside capital requirements by means of longer-term debt components.

In 2004, we therefore issued two bonds: a senior note with a volume of 625 million euros maturing in 2011 and a floating rate note with a volume of 400 million euros maturing in 2009.

We have used these funds and the proceeds from the divestments to redeem our 1999 convertible bond and our short-term borrowings, which primarily consisted of bank loans.

So much for my comments on the consolidated financial statements. Thank you very much for your attention. Dr Frenzel will now share with you our prospects for the 2005 financial year.