

Speech by

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Executive board chairman

TUI AG

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- Check against delivery -

Shareholders,
Ladies and Gentlemen,

Welcome to TUI AG's Annual General Meeting. My colleagues on the Executive Board and myself are pleased to see that so many of you have come here to Hanover again this year.

2004, Ladies and Gentlemen, was an eventful and at the same time economically successful year for TUI. We achieved the turnaround in our operating business in tourism and continued our successful track in shipping. After the two difficult years, 2002 and 2003, in the tourism business, in which we had to cope with the aftermath of 9/11 and the war in Iraq, we have succeeded in renewing our previous earning power. And yet: we intend to move beyond what we have achieved to date.

In the first part of my report, I will comment on the 2004 financial year with its somewhat turbulent spells. Mr. Feuerhake will then give you more details on our earnings and balance sheet. I will then take over again to outline the current business trend and the prospects for the the Group's medium-term earnings perspectives.

Let me start with the year 2004. The business decisions taken in previous year paid off:

- Our operating result more than doubled to 490 million euros.

- We succeeded in increasing our earnings in tourism by almost 75%.
- Earnings in shipping again exceeded the previous year's record level.

Over and above the business development, we also took a number of important decisions for the future of our company:

- The placement of the shares of WestLB in the capital market and with Spanish investors put an end to the uncertainty concerning the future of our shareholding structure, which also paralysed our share price development. Approx. 13% of our shares are now held by Spanish investors, some of whom have been linked with us through partnerships and business relationships of many years standing in the tourism industry. WestLB's remaining shares have been floated on a broad basis, strengthening our market capitalisation and benefiting our position in the capital market. I would like to take this opportunity to express a warm word of thanks to WestLB for the significant support in the more than 30 years in which it has accompanied our company and for the considerate sales solution, which was in the interest our company and all of our shareholders.
- 2004 was also the year in which we took the strategic decision to retain shipping completely within the Group. We had

originally intended to launch an IPO for a minority interest in the shipping company Hapag-Lloyd. As we progressed with these plans, it became evident that an IPO would not have realised the inherent value of Hapag-Lloyd – far from it, i.e. it would have meant wasting assets – your assets.

We had no alternative but to cancel the IPO and rethink our strategic position. Hapag-Lloyd, our second pillar, shipping, will completely remain within the Group in the long term. That decision was even easier for us since the successful divestment of Algeco and parts of the VTG-Lehnkering Group helped us to continue the scheduled reduction in the Group's net debt. Even without Hapag-Lloyd's IPO, we will reach our goal of bringing our net debt down from originally almost 7 billion euros to less than 2 billion euros.

- In the summer of 2004, the TUI share went through a number of turbulent weeks. Various market participants, including larger-scale hedge funds, had sold TUI shares short, expecting TUI to be removed from DAX. This resulted in a steady drop in our share price, which was not, however, caused by any business reasons. Ultimately, this speculation was proven wrong. Boosted by the good business trend, our share price then rose steadily.

The last few days of 2004 faced us with a particular challenge. We all recall the deeply moving pictures of the devastating tsunami in South East Asia. We – and here I am referring to the entire European tourism

industry – have mastered this challenge. In an unprecedented aid campaign, we helped thousands of holidaymakers, flying those wishing to return home and catering for their needs. I would like to again express my profound gratitude to the hundreds of employees for their tireless efforts and endless commitment – in particular in the humanitarian field. We are therefore particularly sad that many people could not be rescued. We also mourn the death of five Group employees who were working in the stricken region.

We have decided to support the reconstruction measures in the worst-stricken regions by means of a financial contribution of 1.25 million euros from our Group.

Incidentally, this campaign is generously supported by donations from our own staff. More than 100,000 euros have already been collected. I would like to take this opportunity to express my sincere thanks to our employees.

Ladies and Gentlemen,
2004 was an eventful year, in which the Group developed well in its core businesses, tourism and shipping.

In tourism, our turnover increased significantly in most European markets, although customer numbers only grew moderately. The crucial factors of our economic success last year were that we kept prices at acceptable levels in marketing our capacity and that we

increased capacity utilisation, thus generating better earnings, by means of selectively channelling demand to our own capacity. In other words: our business model of an integrated tourism group proved its worth in 2004. Or as our video puts it is:

'Not a quirk, but rather a model to increase our earning power, which clearly distinguishes us from our competitor.'

Moreover, TUI started adjusting to the changes in the market at an early stage. This move paid off, benefiting the cost reduction and restructuring measures initiated in the difficult years, 2002 and 2003. In the course of the last three years, we have reduced production costs in the Group by more than 500 million euros. This enabled us to secure our competitiveness and in 2004 reap part of the harvest we sowed in previous years in terms of efficiency improvement measures.

Let me add a comment concerning the current discussion on corporate and entrepreneurs' responsibility: As far as I am concerned, socially compatible action implies doing everything in one's power to sustainably secure a company's competitiveness and hence the majority of jobs. It would be more convenient to sit back and take things easy, avoiding painful, unpopular decisions. However, Ladies and Gentlemen, this failure to act would be irresponsible because in the final analysis it would put the entire company at risk. At the same time, I would like to make it quite clear that we feel deeply committed to Germany as a location for industry, and we will do everything we can to accept responsibility for secure jobs in Germany.

But let me return to our business: Although I am on the whole satisfied with the development of the tourism business in 2004, for the next few years we have far more ambitious plans, as I will explain to you later when I turn to the prospects. We exceeded our earnings target in 2004, at the same time streamlining and expanding our core business tourism. The takeover of 100% of the shares in the Magic Life Group and the establishment of the new airlines Thomsonfly.com and TUI Airlines Belgium are just two examples. In Switzerland, we increased our interest in TUI Suisse to 100%, restructuring and further developing our business. In Russia, we took a first step in this growth market of the future with our shareholding in Mostravel. Today we are by far the European market leader with the strongest brand – TUI – and rising earning capacity. This will be our solid basis for growth in the next few years.

In shipping, we again exceeded the previous year's record level with our EBTA of 279 million euros in 2004. Following the concentration of Hapag-Lloyd on shipping, i.e. the divestment of the bulk and special logistics activities of VTG, the Algeco Group and Pracht Spedition, we now hold an excellent position and intend to grow further in this field.

We were again very pleased with our performance in shipping. Our turnover continued to rise in 2004, with a further increase in transport volumes. Boosted by strong demand, annual average freight rates were also up on the previous year's levels. Our investment policy of the past is now bearing fruit: since we acquired Hapag-Lloyd in 1998, we have more than doubled Hapag-Lloyd's capacity by investing approx. 1

billion euros on new container ships. We intend to continue on this growth path. With Hapag-Lloyd, we have an excellently positioned company with high earning capacity. And this is not to change.

The previous year's positive earnings trend provides us with the leeway to again propose a dividend of 77 cents per no-par value share. This means maintaining the high dividend level, which we even managed to retain in previous, weaker years. I would ask for your approval of the joint proposal made by the Executive Board and Supervisory Board under item 2 on the agenda.

At this stage, I would like to refer to item 6 on the agenda: 'Resolution to convert bearer shares into registered shares, and corresponding amendments of the Charter.' The reasons for this step were explained in detail in our invitation to the AGM. Registered shares facilitate better contact between the company and its shareholders. Moreover, the conversion will make it easier for us to prove that the majority of shares in the company are held by EU nationals, which is required to obtain the operating licenses for our airlines under transport legislation. We therefore ask you for your approval of this step.

So much for the 2004 highlights from my point of view. Before turning to the current trends, I would ask Mr Feuerhake to give you some details on our 2004 consolidated financial statements.

Thank your very much for the time being!

Ladies and Gentlemen,

Let me carry on from Mr Feuerhake's comments with my report on the current development and a strategic outlook.

Yesterday we published the figures for the first quarter of 2005. A condensed version may be requested at the Investor Relations Desk.

TUI has seen a successful start to the new year 2005. Earnings by continuing operations tourism and shipping as well as central operations improved by 39 million euros or 13% to ./ 261 million euros year-on-year. This is an extraordinarily promising start to the new financial year. You may recall that for seasonal reasons we always post negative earnings in tourism for the first quarter since the costs payable in advance for the summer season are reflected in figures for this period. Earnings by the discontinuing operations, trading and special logistics, declined to 26 million euros due to the divestments effected. Overall, earnings by divisions, adjusted for the effects of IFRS changes as well as unusual expenses and income, improved by 8.4% to ./ 208 million euros.

In the first quarter of 2005, the overall performance of the tourism division rose year-on-year. Customer numbers were 9.6% up, turnover rose by 6% and earnings improved by 6.3% to ./ 192 million euros. These figures included operations in the start-up phase, i.e. Thomsonfly, HLX and Coventry airport, presented separately from our tourism business in the previous year. On a like-for-like basis, earnings

improved by a further 10 million euros, i.e. our operating result in tourism was better by 12.5% than in the previous year.

Germany saw a consolidation of the previous year's positive trend. Tour operators TUI and 1-2-Fly in particular showed relatively strong growth, with overall satisfactory price levels. A significant increase in customer numbers was reported by Switzerland, in particular in the modular products in flight and hotel operations.

In the Northern Europe sector, growth in the tour operator business in the UK offset the slight decline in the Nordic countries in the wake of the aftermath of the tsunami in South East Asia in January in particular. For the current summer season, the Nordic countries, too, are again reporting excellent growth rates.

In France, tour operator Nouvelles Frontières benefited from the launch of new products, with TUI France also reporting growth and an improvement in its market position. Nouvelles Frontières has secured a good base for boosting its distribution activities with the acquisition of the Havas Voyages brand.

In the Netherlands, TUI Nederland strengthened its market position in a weak market. Due to the economic difficulties of the charter airline Holland Exel, which provides capacity for TUI Nederland, a Group-owned airline was established: TUI Airlines Nederland. It started operation on 21 April and will operate four leased Boeing 767-300s.

We will thus continue the growth path in the Netherlands which has already been started successfully.

The destinations sector also continued its growth path, with hotels and incoming agencies contributing equally to this trend. The good performance of hotel companies was in particular attributable to the very good occupancy rates of the RIU Group, which recorded strong demand both in the Spanish islands but also the long-haul destinations in the Caribbean.

The high level of bookings orders in all source markets makes us confident that the good business trend in tourism will sustain throughout the year.

For the summer season, booked turnover as at the end of April is 10.8% up on the previous year. In accordance with segment accounting, this figure includes the growth of our low-cost airlines. Excluding HLX and Thomsonfly, we are still showing a very gratifying growth of 9.5%. In the last few weeks, incoming orders were very strong, exceeding the levels reported over the last three years. What is particularly gratifying about this trend is that Switzerland (+23.6%) and Scandinavia (+20.0%), the markets recording a weaker performance in the last few years, show significant improvements year-on-year and that bookings are also very good in the German market, with an increase in booked turnover of + 10.3%.

In the first quarter, shipping increased its turnover by 15.7% to 665 million euros, improving its earnings by 13.6% to 25 million euros (previous year: 22 million euros). This turnover growth mainly resulted from the increase in transport volumes and persistently high freight rates. Hapag-Lloyd Container Linie continues to benefit from the Far East trade lane, which benefits from the transport requirements in China and the South East Asian countries. The development of costs was affected by the year-on-year increase in charter rates and the rise in bunker costs caused by the high of crude oil price.

In the cruises sector, Hapag-Lloyd Kreuzfahrten reports a further increase in the booking situation.

The 'Other/consolidation' sector reports earnings of ./ 78 million euros (previous year: ./ 74 million euros) for the first three months of 2005. These earnings include central operations, including the financing costs which dropped substantially year-on-year to ./ 94 million euros, as well as discontinuing operations, i.e. the US steel trading activities and special logistics with earnings of 16 million euros.

Ladies and Gentlemen,

As you can see, we had a successful start to 2005. The positive business trend of 2004 is continuing.

Where are we heading from here?

For the year as a whole, we assume a further double-digit increase in tourism earnings. Moreover, we expect shipping to continue to

generate high earnings and thus our core businesses to continue to improve. However, the summer season has only just started and it is too early at this stage to provide you with a more specific forecast for 2005. Every week in which we generate a further increase in incoming bookings, however, confirms our expectations for 2005.

However, Ladies and Gentlemen, our planning extends beyond the current year, so that I would like to take this opportunity to adopt a longer-term perspective and outline the strategic development of our Group.

How do we intend to achieve our goal of a lasting increase in our earning power?

The starting position is clear. Tourism and shipping form a sound basis for solid future earnings. At the same time, they provide us with ample opportunities for growth and improvements in earnings.

Let us first of all take a look at tourism. Following two weak years, we generated earnings of 360 million euros in 2004. We thus left our competitors far behind, but have not yet fully tapped our potential for the future. With 2.8% return on sales, we have not yet matched the good levels of 2001, with earnings of 530 million euros or a return on sales of 4.2%. We believe we can repeat and surpass this level if we continue to have the wind behind us. More specifically:

In the medium term, we are intending to almost double earnings by tourism as against 2004 levels to EBTA of approx. 700 million euros. As

far as we are concerned, the medium-term perspective implies the period until 2008. We are not expecting any significant growth surges, such as those that we had prior to 2001, but primarily base our earnings growth programme on bundles of measures within our control, boosted by further moderate growth of our markets, such as the growth we had in 2004.

In order to achieve this improvement in earnings, we are currently working on a large number of well-defined individual measures at all stages of the tourism value chain. This approach breaks down overall ambitious goals into realisable modules. Let me share the key data with you:

The key leverage point is a further sustainable reduction in our costs and improvement in the efficiency of our production. Building on the substantial cost reductions of around 500 million euros already achieved since 2001, we intend to realise further earnings effects of around 150 million euros by means of cost-cutting and efficiency improvement measures. To this end, efficiency improvement programmes have been launched in the UK and Germany, the two large markets. Apart from the cuts in staffing levels which have already been announced, these programmes are not focused on further staff reductions. Rather we aim to change our work organisation, optimise distribution costs, generate substantial savings in the maintenance costs of our airlines and increase its productivity in order to achieve this goal.

Efficiency improvement also implies taking a close look at the parts of the company that failed to meet our earnings expectations in 2004 and get them back on the success track by means of selective measures. Examples are our activities in Switzerland and the Netherlands, which have undergone a fundamental change and are now developing positively and will continue to increase our overall earning power. The total expected impact of the efficiency improvements in our underperformers will be up to 50 million euros annually. Once again, the underlying assumption for this figure is the absence of any far-reaching market distortions.

Apart from efficiency enhancement and further cost reductions, we also intend to tap our earnings potential by means of strengthening vertical integration of our value chain, in particular the hotels, aircraft and shareholdings in the destinations. The business model of our integrated tourism group has proven its worth. It owns moving assets: 3,200 travel agencies, 74 websites, 55 call centres, 79 tour operators, 108 aircraft, 285 hotels and clubs with 163,000 beds in many countries in the world. The smart combination of these assets ensures our competitive edge and boosts our earning power.

Over the last few years, we have invested heavily in the elements of our value chain and will continue to do so. We will thus open 21 new hotels with more than 13,000 beds in 2005. In 2006, a further 13 hotels with more than 6,000 beds will follow. In flight operations, our aircraft fleet will be expanded by an additional four aircraft in the Netherlands, and our shareholding portfolio of incoming agencies has also been

expanded this year to include one agency in Italy. All of these efforts will further strengthen our earning power, in particular in the hotel sector, the backbone of our business model, where we have identified additional potential of up to 35 million euros annually.

Despite many predictions to the contrary, TUI has succeeded in facing up to the challenge by the low-cost flight segment. We have not lost out – on the contrary: we have incorporated the new trend and are doing better than we did in the past with our flight operations.

Over the last two years, the flight market has changed dramatically. The previously separate market segments, scheduled, charter and low-cost flights, are converging into a single air market. The low-cost model has become part and parcel of everyday life. It will defend its own high market share in the flight market. The advantage of this concept is to achieve an extraordinary level of productivity in point-to-point traffic, based on high flight frequencies and low cost structures. We are currently combining the productivity of this flight segment with the high seat load factors of charter flights to tourist destinations. We are thus using our low-cost aircraft on the high-frequency routes, e.g the route to Majorca, a move enabling us to offer attractive prices to our customers in the high-volume market.

This approach is worthwhile for us. Hapag-Lloyd Express has reached break-even, and Thomsonfly in the UK will follow suit next year. The elimination of the costs payable up front in tourism alone will increase our earnings by around 30 million euros annually. We have sharpened

the profile of our German charter airline, rebranding it Hapagfly, in order to strengthen our position in the seat-only business. The combination of low costs and high seat load factors in the charter and scheduled business as well as direct online distribution strengthens our earning power in flight operations and thus secures our long-term competitiveness in the large high-volume markets.

The TUI Group operates seven airlines in Europe, managed by a central Airline Management system. The fleet operated by World of TUI is thus the fifth largest airline in Europe and an important earnings driver with additional potential for the next few years.

As you can see, Ladies and Gentlemen, the markets are not standing still but keep changing dynamically. We regard this as an opportunity rather than a threat and are spearheading this change. The strongest change is currently driven by the internet, a form of distribution in which we have invested massively over the last two years.

TUI is currently Europe's market leader in the online segment in tourism. Our web-induced turnover has increased almost twentyfold in the last four years. In 2004, we generated online turnover of 2.6 billion euros, including internet-induced bookings. This already accounts for 20% of our overall tourism turnover, with distribution costs in this segment significantly lower than in traditional travel agency sales.

Our Group's brands are one of our key assets in this respect. The TUI brand has been awarded a prize as the 'most trusted brand' among

European travel brands for the fifth time in succession by Readers' Digest. Similar awards confirm the high brand appeal of TUI and its individual brands, such as Robinson, airtours, 1-2-Fly, Nouvelles Frontières or Thomson.

Thanks to the investment activities in brands and systems, we are excellently positioned in the online distribution segment. The new forms of distribution offer new opportunities to tap new customer groups. They also increase the utilisation of our hotel capacity, e.g. through our hotel portal.

Online turnover will continue to rise but will not replace travel agencies. For many customers it is indispensable to obtain advice and support from travel agencies, in particular when booking premium tours. Over the next few years, we expect the online segment to offer a considerable potential for growth, including earnings growth. Besides the earnings generated in flight, hotel or package products sold online, we have identified an further potential of up to 35 million euros annually of additional sales commissions in these new, innovative forms of distribution.

Last but not least, we will also participate in the expected growth of our markets. Given moderate market growth rates, such as those expected by all forecasts, we will have additional opportunities of generating further double-digit percentage earnings growth in the next few years. However, we are not focusing on this growth but keep improving the efficiency of our structures and our market position in

order to appropriately participate in this development. This also includes tapping additional earnings potential in new source markets. China and Russia marked the beginning of this process. It continued with the acquisition of a participation in 'Le Passage to India' in India. Other markets will follow suit, tapping additional earnings potential over the next few years.

Ladies and Gentlemen,

As you can see, we are working on a whole raft of individual measures and are working towards our ambitious earnings target of around 700 million euros annually in tourism on a realistic basis. All our expectations are naturally based on the assumption that the macroeconomic framework in our source markets will be relatively stable and we will continue to get some impetus from the markets. What was important to us was not only to share with you the earnings potential of our tourism segment but to primarily assure you that we are working at full speed to tap this potential.

Now just a few brief comments on shipping.

Our second pillar – shipping – is moving on from one record to the next. The excellent result generated in 2003 was even exceeded in 2004 with earnings by the division totalling around 280 million euros, and we are expecting further volume growth for the next few years.

Our projects for the further improvement in earnings in the shipping division focus in particular on the increase in ship sizes and the

continuous improvement of IT systems to adjust unbalanced import and export cargo flows as much as possible and reduce empty transports. Just over a month ago, the 'Colombo Express' was christened in Singapore. At a transport capacity of 8,750 containers, it is the world's largest container ship. We need these large ships to handle the available transport volume and tap the benefits of mass transportation. Hapag-Lloyd is to commission a further nine ships by 2008.

The profitability of this business hinges on a logistics system which covers the entire transport chain, guarantees reliable door-to-door transports to customers, while at the same time minimising transport costs.

Following the successful completion of the concentration of business activities on shipping, we also achieved a closer integration of the organisational structures of Hapag-Lloyd AG and container shipping, removing any dual functions this month. Our shipping sector is characterised by a very lean organisation with a great deal of clout and flat decision-making hierarchies.

Hapag-Lloyd has an excellent starting position offering attractive opportunities for increasing earnings, over and above market growth. In the medium term, we will certainly have an opportunity to achieve a significant increase in our earnings beyond the high level already achieved.

The allocation of the Group's capital expenditure on the corporate sectors is geared towards long-term recoverable returns, which have to meet capital market requirements. While capital expenditure focused on tourism in previous years – due to backlog in the hotel sector in particular – the relationship between tourism and shipping will be more balanced again in the future. In shipping, too, we will actively pursue and implement any growth potential.

Ladies and Gentlemen,

We have got off to a good start and have not only got ambitious objectives but have already started to implement them. The figures for 2004 and in particular our strategic potential with the growth sectors tourism and shipping clearly confirm the path on which we have embarked. We will consistently progress down this path with the main objective of achieving further increases in our Group's earning power for you, our shareholders.

The ongoing increase in our earning capacity will create the conditions for a positive evaluation of our company by the capital markets. It provides us with an opportunity for growth, value enhancement and stable jobs.

Thank you very much for your attention.