Annual Report 2001
Preussag changes to TUI

World of TUI

Success is a Matter of Personality.

Our company has many faces: our staff is comprised of some 70,000 people from over 30 countries all over the world. Individually, all of them make our company what it is and render their own personal contribution to our success.

In tourism, our employees experience the 'World of TUI' in both their working and private lives. The diversity of this world opens up unlimited opportunities and is a constant source of new experience. Each and every one of our employees finds a unique way of enjoying life. Often it is one and the same passion which gives them inspiration in both their professional and personal lives. Our employees have made their own dreams come true and want to do the same for others.

It is this dedication of our employees which makes us strong. They are truly the heart of our company. You will get to know a number of them in the following annual report – just a minute selection of all the many different people working for us.

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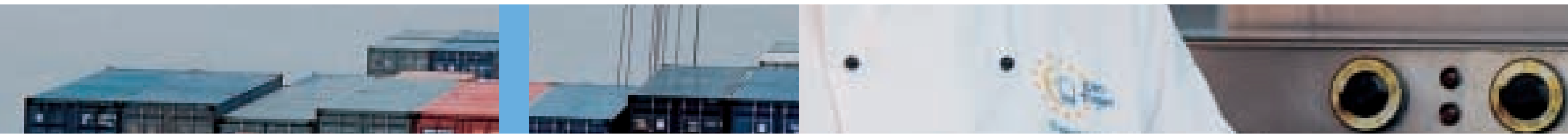

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Dr. Michael Frenzel,
Chairman of the Executive Board

To our Shareholders

Dear Shareholders,

2001 was a year we will never forget. People were severely shaken by the events of 11 September, which have had a lasting effect on their awareness. Following 11 September, we therefore went through an extraordinarily difficult time: the naturalness with which we travel around, one of the basic tenets of the world-wide division of labour, was called into question.

People are gradually regaining confidence, but they have not yet overcome their uncertainty about the future. This is something we still feel – albeit to a lesser extent – in our everyday work, in particular in tourism, our core business, but also in our other business segments.

And yet – for Preussag, 2001 was a year that will also be associated with positive memories. After all, it was remarkable in two respects: on the one hand, 2001 saw our biggest economic success so far, and on the other hand, it was the year in which we launched our new master brand 'World of TUI', the key token of the integration of our tourism business into a European network.

Despite all challenges and external effects, the economic result we achieved in 2001 was extraordinary: at € 811 million, results by divisions exceeded the result generated in the 1999/2000 financial year, by 8,6%.

Results in tourism were boosted by the first-time inclusion of Thomson for a full year, as expected in the wake of the acquisition. Another positive effect was caused by the good summer season, which generated additional growth, above all on the German market. The logistics division and the energy sector also closed the year 2001 with extraordinarily good results. The successful performance of these three divisions has helped us implement additional adjustments in the remaining industrial shareholdings, apart from the scheduled divestments in building engineering – and yet generate an all-time high in profit by divisions.

Our success is closely related to our employees: their motivation and their particular commitment have generated our leading edge in our daily operations and have supported swift change.

Proceeding rapidly with this change and integrating our tourism activities into a European network were the key tasks we had set ourselves for 2001. In both areas, we have achieved our objectives. We essentially completed the divestment of building engineering and drilling services as part of our divestment programme, in some cases ahead of schedule. And in tourism, we implemented the projects we had launched following the acquisition of Thomson in order to create an integrated pan-European tourism group.

As a result of these projects, we have established platforms for the aviation sector and the destinations that will allow us to create a European basis for these parts of our business and to tap economies of scale even better in future. A centralised airline management to control our airlines, central hotel purchasing and a restructuring of our destination management will bring these activities together. It has been just as important for our future success to combine central functions of our tourism business in Germany and the UK with similar functions in Preussag.

Our new master brand 'World of TUI' plays a particularly relevant role for our integration process and the future of our tourism business. 'World of TUI' is a symbol of affiliation, a sign of competence and a quality pledge. It is the master brand which combines our successful national distribution and tour operator brands and links us with holidaymakers in the destinations – all the way from travel shops and tour operators at home to the flight and then to hotels in the destinations and local support and services.

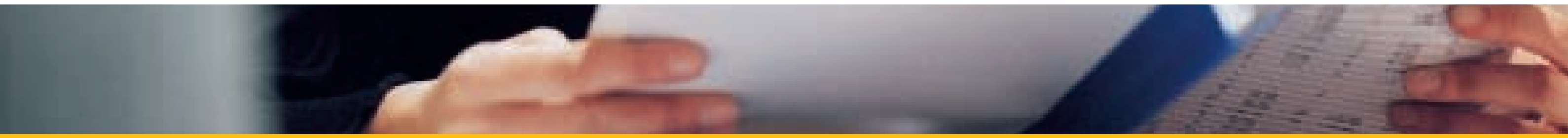
Moreover, the 'World of TUI' provides us with a powerful brand concept allowing us to link our tourism business up with related areas and to roll our currently European business out to other continents.

However, 'World of TUI' is more than a brand: it is a central point of orientation for our customers, staff, business associates and shareholders. At the same time, it shows that we are about to complete our process of change. With your approval, we shall therefore change the name of Preussag into TUI AG at the Annual General Meeting on 26 June 2002. The first German tourism share will then be known as the TUI share.

Yours sincerely

Michael Frenzel

Management Report



'The reins are firmly in my hands. And I'm ready to lead the way.'

Carola Seidl adores horseback riding and is a dedicated Holiday Representative in Majorca.

Economic Situation 2001 – a successful year. Profit by divisions rose to € 811 million. Strong performance in tourism, logistics and energy.

2001 was the most successful year ever in Preussag's history: at € 811 million, profit by divisions was 8,6% higher than those achieved in the 1999/2000 financial year. The tourism division increased its profit contribution by 25.1% in its first full financial year following the acquisition of the Thomson Travel Group. The logistics division and the energy sector also reported excellent results and contributed substantially to Group profits.

Preussag achieved this success although the general economic climate deteriorated in the course of the year and the last quarter was affected by the events of 11 September and their aftermath.

Economic development

Large parts of the world recorded a downturn in economic activity, starting in the spring of 2001. In the USA, whose economic development has an essential impact on the world economy, the previously strong economic growth virtually came to a halt in the middle of the year, although the Federal Reserve Board and the government launched a number of interest-related and fiscal measures to counter this trend. The downturn in economic activity was also an indication of structural weaknesses which were reflected by the sharp plunge in the technology sector and the 'new economy'. Following the events of 11 September, people felt uncertain about the future; this caused a further delay of an economic upturn.

Economic activity in Europe also dropped: the slowdown in growth originated to a large extent in Germany, where the domestic demand for consumer and capital goods fell considerably short of forecasts in certain areas. The UK and France achieved a better performance than the rest of Europe, as they benefited from robust domestic demand.

Growth in the emerging economies of South East Asia was adversely affected by the period of weak economic activity in the USA. Japan was unable to overcome stagnation and did not provide fresh impetus to the economies in the region.

Economic environment by divisions

The economic and political framework also impacted on the development of the Group companies, albeit to varying extents. In tourism, business in the first three quarters continued at last year's growth rates and was not affected by the overall economic development. Subsequently, bookings were initially substantially affected by the events of 11 September and their aftermath and did not start to recover until at the end of the year. In the logistics division, container shipping was primarily affected by the slowdown in the growth of the world trade, but managed to maintain its result and perform very well due to its strong competitive position. The energy sector benefited from the persistently high level of crude oil prices. On the other hand, the building engineering companies were substantially affected by the continued contraction of investments in the construction sector. The trading business was characterised by weak economic activity in certain key regions and low raw material prices.

Group turnover: € 22.4 billion, plus 2.6%

Turnover in tourism: plus 20.8%

Group turnover rose to € 22.4 billion, with the individual divisions showing different trends. Tourism recorded the strongest growth. At € 12.8 billion, turnover was up 20.8% on 1999/2000 financial year. At 56.9%, the tourism division accounted for the largest proportion of Group turnover. The Central Europe sector generated € 7.8 billion, i.e. 61.0% of turnover in tourism – an increase of 11.1%. Besides growth in the tour operator business, acquisitions in the hotel sector also contributed to this result. In the Northern Europe sector, turnover stood at € 5.0 billion, up 40.1% year-on-year. However, this comparison is of limited use, as the Northern Europe sector last year comprised the Thomas Cook Group, included in consolidation for a period of nine months until its removal from consolidation, and the Thomson Travel Group, which was included in consolidation for the first time for the last quarter.

Turnover in logistics: plus 8.4%

Despite difficult market conditions, the logistics division increased turnover by 8.4% to € 3.9 billion. This is mainly attributable to a higher turnover in container shipping. Logistics accounted for 17.4% of Group turnover.

Turnover in industry: minus 25.8%

The industry division, comprising the energy, building engineering and trading sectors, accounted for 25.8% of Group turnover, a considerable decline compared with the previous year. Its turnover also dropped in absolute terms and fell short of last year's value at € 5.6 billion. This was due to divestments in building engineering and in the energy sector and to a substantial drop in turnover from trading activities. Accordingly, the energy sector recorded a decline in turnover to € 0.8 billion, down 0.8% year-on-year. Building engineering generated a turnover of € 1.6 billion, down 22.8% compared with the previous year. The trading sector closed the year at a turnover of € 3.1 billion, a drop of 31.8%.

Group turnover by divisions

In order to enhance comparability, the 2001 financial year is compared with the last full financial year 1999/2000.

€ million	2001	1999/2000	Change (%)
Tourism	**12,762.9**	**10,562.1**	**+ 20.8**
Central Europe	7,783.1	7,007.1	+ 11.1
Northern Europe	4,979.8	3,555.0	+ 40.1
Logistics	**3,889.4**	**3,589.0**	**+ 8.4**
Industry	**5,590.4**	**7,538.3**	**- 25.8**
Energy	836.2	842.7	- 0.8
Building engineering	1,610.8	2,086.9	- 22.8
Trading	3,143.4	4,608.7	- 31.8
Other companies	**168.7**	**164.3**	**+ 2.7**
Total	**22,411.4**	**21,853.7**	**+ 2.6**

76% of turnover in the European region

The realignment of the Group and the presence of the tourism division on all major European source markets caused a further change in the generation of Group turnover. Germany only accounted for € 3.7 billion, i.e. 16.3%. Foreign turnover, in contrast, rose by 5.8% and totalled € 18.7 billion. It contributed 83.7% to Group turnover, following 81.1% last year. At 67.1%, the largest proportion of foreign business was carried out in European Union countries, as in previous years; the Group generated € 12.6 billion or 56.2% of its turnover in this region. North and South America contributed € 3.0 billion, i.e. 13.3%. Turnover in Central and Eastern Europe amounted to € 0.7 billion, representing 3.2% of Group turnover, and in Asia € 2.4 billion or 11.0%, while turnover generated in Africa was again relatively low.

Group turnover by regions

€ million	2001	1999/2000	Change (%)
Germany	3,659.4	4,131.9	- 11.4
EU (excluding Germany)	12,590.1	11,694.5	+ 7.7
Rest of Europe	718.4	904.9	- 20.6
America	2,979.7	2,881.7	+ 3.4
Other regions	2,463.8	2,240.7	+ 10.0
Total	**22,411.4**	**21,853.7**	**+ 2.6**

Profit up again

Profit by divisions

€ 811 million, plus 8.6%

At € 811 million, the divisions again exceeded the previous year's results. Tourism increased its profit by 25.1% to € 530 million. Apart from growth achieved in the Central Europe sector, this was primarily due to the first-time inclusion of the Thomson Travel Group for a full year, as this group looks back upon one of its best years ever and in addition achieved a profit from the divestment of its holiday cottages business. The logistics division and the energy sector also performed very well, exceeding last year's good results at € 308 million and € 338 million, respectively. Overall, the losses incurred in building engineering and the costs incurred from the Group's central activities were therefore more than offset.

The other companies sector, consisting primarily of the Group's central activities, closed the year at a result of € - 364 million. At € - 345 million, a large proportion consisted of net interest and financial expenses, thereof € 70 million of unscheduled depreciation on securities. At € 172 million on balance, the divestments had a positive effect on results, mainly due to capital gains. The remaining amount of € - 191 million related to central costs, value adjustments and other companies associated to this sector.

Results by divisions and Group profit

In order to enhance comparability, the 2001 financial year is compared with the last full financial year 1999/2000.

€ million	2001	1999/2000	Change (%)
Tourism	**529.7**	**423.3**	**+ 25.1**
Central Europe	349.6	268.1	+ 30.4
Northern Europe	180.1	155.2	+ 16.0
Logistics	**308.4**	**220.4**	**+ 39.9**
Industry	**337.7**	**472.4**	**- 28.5**
Energy	338.4	273.5	+ 23.7
Building engineering	- 45.5	110.7	- 141.1
Trading	44.8	88.2	- 49.2
Other companies/consolidation	**- 364.4**	**- 369.2**	+ 1.3
Results of the divisions	**811.4**	**746.9**	**+ 8.6**
Amortisation of goodwill	278.2	170.5	+ 63.2
Profit from ordinary business activities	**533.2**	**576.4**	**- 7.5**
Taxes	121.9	173.9	- 29.9
Group profit for the year	**411.3**	**402.5**	**+ 2.2**

Group profit of € 411 million

Group profit for the year rose by 2.2% to € 411 million. Its growth did not match the increase in results by divisions, as goodwill amortisation rose to € 278 million, a significant increase on last year. Taxes were down on the previous year, amongst others due to a higher volume of tax-free results from divestments.

Earnings per share of € 1.96

After deduction of minority interests, the proportion of Group profit available for distribution to the shareholders of Preussag AG was € 346 million, up 4.5% on the previous year. Earnings per share totalled € 1.96, up from € 1.91 last year.

Structural changes

Preussag continued to further consolidate and expand its position as leading tourism group in Europe in order to strengthen its activities along the value chain by means of targeted acquisitions in new source markets. The integration of the companies newly acquired last year and in 2001 in a European network and the streamlining of the organisational structures in the tourism division were major tasks which were completed in the past financial year. Industrial activities were reduced by means of comprehensive divestments in the building engineering and energy sectors.

Entry into the Italian travel market

Alpitour Group

Following the successful entry into the French market, achieved in October 2000, the first step to enter the growing travel market in Italy was taken in May 2001. Preussag acquired a 10% share in NHT New Holding for Tourism II B.V., the holding of the Alpitour Group, entering into a strategic alliance with the Italian market leader for organised tours. Besides seven tour operator brands, Alpitour includes a travel shop chain, incoming agencies in nine countries and twelve hotels in the four- and five-star categories.

Further expansion in tourism

Magic Life Clubs

Another shareholding of strategic importance was the acquisition of a 51% share in Austrian Magic Life International Hotelbetriebsgesellschaft mbH. The company operates 24 club facilities under the Magic Life brand, ideally complementing the Group’s club holiday offering.

For the Magic Life club brand, an exclusive distribution agreement had existed for the German market since the summer of 2000.

EVS Euro Vacances System

In October 2001, Preussag took over a 40% share in EVS Euro Vacances System Beteiligungsgesellschaft mbH. With this acquisition, Preussag has tapped new distribution channels in the fast-growing segment of direct selling. The transaction is subject to regulatory approval.

Anfi Group

In the hotel sector, the acquisition of a 51% share in the Anfi Group marked the entry in the time-sharing business. Anfi builds and operates time-sharing projects on Gran Canaria. This business adds another activity to the tourism services on offer.

White Eagle Aviation

In August 2001, Preussag entered into an alliance with Polish airline White Eagle Aviation S.A., backed by a shareholding of 29.3%. This partnership strengthens Preussag's position in the Polish market both in operative and strategic terms; on this market, Preussag already maintains a leading position in the package tour business with TUI Polska and Scan Holiday.

Implementation of divestment programme

The comprehensive divestment programme adopted in October 2000 was consistently implemented in the completed financial year. In this regard, several sales were realised although they had originally been planned for 2002. Accordingly, contracts covering around two thirds of the expected cash inflow from the divestments were already contracted and for the most part realised.

Thomas Cook Holdings Ltd.

The takeover of the Thomson Travel Group plc. in May 2000 was approved by the EU Commission on condition that both Preussag and Westdeutsche Landesbank dispose of their respective shareholdings in the British Thomas Cook Holdings, Ltd. These transactions were completed with effect from 30 March 2001, with the acquisition of the Thomas Cook Holdings Ltd. by C&N Touristik.

Thomson Travel Group

In January 2001, the Thomson Travel Group divested its British holiday cottages business which was acquired by the Cendant Group.

Building engineering

In building engineering, divestments progressed swiftly. The first unit to be sold was the Minimax Group, with effect from 1 June 2001, sold to the British Barclays Private Equity. The next company to be sold was the Kermi Group, sold to the Swiss AFG Arbonia-Forster Group as per 1 July 2001. The divestment of the key foreign interests of the Wolf Group was effected in two stages: the Swiss and French companies were purchased by the Italian Merloni TermoSanitari as per 1 December 2001. The shares in the Turkish companies were sold with effect from 1 January 2002.

For the Fels Group, a purchasing contract was concluded in June 2001 with an associated company of Franz Haniel & Cie. GmbH. Following the approval of the agreement by the EU Commission, the German anti-trust authorities approved the transaction with preconditions.

Energy sector

The energy sector was restructured in 2001. With effect from 1 October 2001, the Scottish Abbot Group plc. acquired Deutsche Tiefbohr-AG (Deutag), operating in the international drilling contractor business. Kavernen Bau- und Betriebs-Gesellschaft mbH was sold to Schlumberger GmbH with effect from 1 September 2001. Following the disposal of these two companies, operating in energy services, the energy sector now focuses on the exploration and production of crude oil and natural gas.

Further industrial participations

In March 2002, Preussag took additional measures to adjust the portfolio of industrial shareholdings and in this context completely disposed of its shares in Howaldtswerke-Deutsche Werft AG (HDW). The buyer was One Equity Partners, a company of the American Bank One Group. Prior to the disposal, Celsius AB had exercised its put option in November 2001, giving its 25% share in HDW back. Preussag took over a share of 5%, the remaining 20% were legally owned by a financial investor.

In addition, Preussag continued to decrease its participation in Babcock Borsig AG to 8.9% by means of selling two share packages to Credit Agricole Lazard Financial Products Bank and Deutsche Bank AG in November 2001 and in March 2002 respectively, and the disposal of a smaller number of shares through the stock exchange.

'If you keep all engines running, the sky's the limit.'

Stephan Kleemann builds model airplanes and is an enthusiastic Aviation Engineer.

Tourism Successful year. 'World of TUI' master brand launched. Integration well on track.

In the tourism division, Preussag consolidated its leading position in the European travel market by means of both organic growth and complementary acquisitions. The integration of separate national activities into a single European network progressed swiftly. The key results of this process were the creation of a single business platform for the aviation sector and for the destinations and the integration of diverse central functions. The centralisation of airline management and hotel contracting and the reorganisation of the incoming business prepared the ground for the Group to take even better advantage of economies of scale in future. These organisational measures also created sustainable optimisation of internal cost structures.

'World of TUI'

An essential move for the future of the tourism business was the launch of the new master brand 'World of TUI'. This master brand links the successful national distribution and tour operator brands, airlines and the operations in the destinations at all stages of the tourism value chain. At the same time, it stands as a quality mark for all of the Group's products and services and provides further impetus to the internal integration process within the Group. In addition, 'World of TUI' is an ideal platform for future growth, i.e. both regional expansion and expansion into new business areas.

In business terms, the tourism division initially continued on last year's positive trend. By mid-September, all figures and ratios indicated an extremely positive year. The events of 11 September caused an unprecedented extent of uncertainty among holidaymakers. Following these events, bookings were cancelled and new business was extremely weak. Further aircraft accidents were another reason why bookings only picked up very hesitantly.

Profit in tourism: plus 25.1%

Despite this backdrop, the tourism division can look back upon a successful year 2001. This affirms the consistent orientation to all major source markets in Europe and the positive effects of the vertical integration of business. This success is evident in the 25.1% increase in profits to € 530 million, which was also secured by the flexible adjustment of capacities and reduction of costs in the last three months of the financial year.

Central Europe

The Central Europe sector covers the distribution and tour operator business in Germany, Austria, Switzerland and Poland (Central Europe source market) and the Netherlands and Belgium (Western Europe source market), Hapag-Lloyd Flug, destination management, the hotel companies and the business travel sector. At € 7.8 billion, turnover exceeded last year's level by 11.1%. This was mainly due to the strong increase in the tour operator business; another positive effect was achieved by the first-time inclusion of the Anfi Group and the Magic Life Clubs. Profit rose to € 350 million, up 30.4% year-on-year.

Turnover Tourism Central Europe

€ million	**2001**	**1999/2000**	**Change (%)**
Central Europe source market	5,531.5	5,059.2	+ 9.3
Western Europe source market	1,438.7	1,350.5	+ 6.5
Hapag-Lloyd Flug	1,255.1	907.0	+ 38.4
Destination management	366.2	337.6	+ 8.5
Hotel companies	766.6	463.0	+ 65.6
Business travel	273.7	277.5	- 1.4
Total turnover	**9,631.8**	**8,394.8**	**+ 14.7**
Intercompany turnover	1,848.7	1,387.7	+ 33.2
External turnover	**7,783.1**	**7,007.1**	**+ 11.1**

Central Europe source market

Business in the Central Europe source market showed strong growth and considerably outperformed the market. At € 5.5 billion, total turnover was up 9.3% on last year. The profit contribution also rose.

Germany

In Germany, TUI continued to extend its leading position in the travel market with its well-known tour operator brands such as TUI, 1-2-Fly, airtours, Wolters Reisen and L'tur. TUI tour operators achieved a total growth rate of around 9%, while average growth on the German tour operator market for the 2001 tourism year stood at 6%. Quality brand TUI was once again extraordinarily successful. Here the sustained trend towards second and third holidays had a positive impact. Holiday destinations in the eastern Mediterranean achieved disproportionately high growth rates, with Turkey top of the league. Spain remained by far the most popular destination, although it recorded a slight fall in demand compared with last year. As far as long-haul travel is concerned, Cuba and southern Africa were preferred destinations. Special programmes such as

TUI Family, All Inclusive, TUI city trips and TUI Vital also benefited from an increase in demand and recorded good booking figures. The 1-2-Fly brand, offering low-cost holidays for families and active holidays for young people, also achieved considerable growth, which to a large extent was due to the company's own product lines such as 1-2-Fly Fun Clubs and Sun Aktiv hotels.

German specialist tour operators

Specialist tour operator airtours international consolidated its market position in the premium segment. The turnover achieved by the Group's premium brand matched last year's good level again. The exclusive offers such as golf tours, cruises, motor sports and health and fitness tours were particularly successful again. Wolters Reisen saw an uneven development in the holiday homes business, achieving growth in Eastern European and Scandinavian destinations. In contrast, bookings of holiday homes declined on the British Isles but also in Denmark and Norway compared with last year.

L'tur, European market leader in last-minute trips, once again performed extremely well. It benefited primarily from the sustained trend towards short-term holiday bookings but also from an expansion of its offering. The proportion of package tours rose again and now accounts for three quarters of the business.

TUI Leisure Travel, holding the travel agency activities, continued to expand. New franchise partners helped to further increase the Group's own distribution. With TUI Travel Star, another brand was added as a cooperation system. The proportion of TUI products in the booking volume continued to rise as a result of directional selling measures.

Switzerland

In Switzerland, the tour operator business was marked by fierce competition. TUI Suisse, with its brands Imholz, TUI and Vögele Reisen, initially fully participated in the market growth. In the fourth quarter, however, the general uncertainty following 11 September but also a number of national events such as the collapse of Swissair, the crash of a Crossair plane and the fire in the Gotthard tunnel had very adverse effect on the travel behaviour of Swiss holidaymakers. Last year's business volume was therefore not repeated. Nevertheless, package tours – the key product – recorded an above-average performance, with the TUI brand being particularly successful in acquiring new customers. Vögele Reisen expanded its leading position in the direct sales market. In order to take better advantage of the market potential, sales were boosted by new travel shops and a redesign of the websites.

Austria

In Austria, TUI Austria is way ahead of the competition, leading the tour operator market with its brands Gulet, TUI and Terra. Overall, business development in 2001 was good, with turnover almost 10% up on the previous year. Gulet Touropa Touristik achieved a particularly substantial increase in turnover, benefiting from the strong demand for holiday destinations in the eastern Mediterranean and for all-inclusive holidays in Magic Life Clubs. Terra, specialist for land-based travel, also recorded a successful year. Since the beginning of the 2001/2002 winter season, the TUI brand has been represented in Austria with its entire product range. Distribution, which is organised through the TUI ReiseCenter Austria and the Tiroler Landesreisebüro travel shops, gained several new franchise sites in eastern Austria and intensified the distribution of in-house products.

Poland

TUI Polska took advantage of its opportunities in the developing Polish market and continued to expand. With its brands TUI and Scan Holiday, it occupied leading positions in the package tour market. Overall, the 2001 financial year was successful and closed at a higher business volume than the previous year.

Western Europe source market

The Western Europe source market covers the tourism business in the Netherlands and Belgium. At € 1.4 billion, total turnover – mainly sustained by an increase in market shares in Belgium – was up 6.5% on the previous year. However, markets remained subject to fierce competition so that the development of results did not follow the growth in turnover.

Netherlands

In the 2001 financial year, TUI Nederland successfully concluded comprehensive reorganisation measures. The clear positioning for its brands Arke, Holland International and Fit created favourable conditions for a positive future development. In a market environment characterised by strong competition, there were positive signs: market shares were won in short-haul tours, which play a particularly important role for the business. Nevertheless, the overall market situation remained difficult. By mid-September, bookings were still significantly above the previous year's level, but then dropped considerably, in particular for medium- and long-haul tours. TUI Nederland responded to that trend by quickly implementing cost-cutting measures and adjusting the tour operator programmes to demand.

Belgium

The tour operators and travel shop chains of TUI Belgium recorded a successful year 2001. Its strongest tour operator brand Jetair increased sales of tours by one third in comparison with last year, benefiting from the discontinuation of a competitor's operations; it now has a market share of over 30% in the Belgian package tour market. TUI Belgium with its specialised programmes such as land-based tours or city trips also recorded considerably higher growth than the market. The decline in bookings related to the events of 11 September was less sharp and prolonged than in other countries. Distribution, with the TUI TravelCenters top of the league, took advantage of the steady growth in the Belgian market and expanded its business accordingly.

Hapag-Lloyd Flug:
Number of aircraft per type

Airbus A 310-200	4
Airbus A 310-300	2
Boeing B 737-400	2
Boeing B 737-800	27

Summer 2001

Hapag-Lloyd Flug

Following two years of capacity expansion, the German charter market underwent a consolidation phase. Hapag-Lloyd operated a total of 35 aircraft in the 2001 summer season, of which 33 started from German airports and two operated in the Netherlands. In the framework of the fleet renewal programme, four new Boeing 737-800 aircraft were commissioned in 2001, while three aircraft were disposed of. In the completed financial year, Hapag-Lloyd carried over seven million passengers for the first time, generating the highest seat loading factor of recent years.

Destination management

In the summer of 2001, the Group's own incoming agencies took care of holidaymakers travelling with 'World of TUI' in 19 countries upon arrival and in the respective holiday resorts. The integration of Thomson Travel Group's incoming agencies into the Group as well as the service and support offered to holidaymakers travelling with the tour operators of Thomson, Fritidsresor and Gulet Touropa Touristik created a substantial amount of new business for the sector. As a result, total turnover rose considerably to € 366 million, up 8.5% on the previous year.

Spain and Portugal

The Ultramar Express Group took care of more holidaymakers in its destinations in Spain and the Dominican Republic than last year. While the incoming sector and the day trip business showed a positive development,

'To discover new things, you have to look beneath the surface.'

Yvonne Turk enjoys scuba diving and is an adventurous Manager of three travel agencies.

the weakness of demand in the Spanish market had an adverse effect on Ultramar's tour operator business and distribution. The car rental business with the TUI Cars brand was extended and defended its leading position on Majorca. In Portugal, Miltours expanded its business by means of the integration of the activities of the Thomson Group and the good results of its own tour operator business. In Portugal's key holiday destination, the Algarve, Miltours thus developed into the largest regional agency.

Eastern Mediterranean

In the eastern Mediterranean, TUI Hellas continued on the positive trend from last year. Due to the additional business volume from the Group, the number of holidaymakers catered for by the agency rose by around 35% on the previous year; the agency therefore maintained its position as market leader in the incoming business in Greece. The unbroken trend towards tours to Turkey also had a positive effect on the business of the Turkish agency Tantur, which achieved a record result with an almost 60% increase in the number of holidaymakers. Travel Partner Bulgaria benefited from brisk demand for tours to Bulgaria. Its business was further stimulated by the extension of its services to include additional functions such as tour guides and hotel contracting.

Associated agencies

The number of holidaymakers supported by the associated agencies in Cyprus, Egypt, Tunisia and Morocco exceeded last year's figures, in some cases substantially. The Egyptian Travco in particular recorded a strong increase. TUI Service AG is the central organisation caring for holidaymakers at their destinations. During the last financial year, around 1,700 tour guides provided support for guests on 'World of TUI' holidays in 110 destinations.

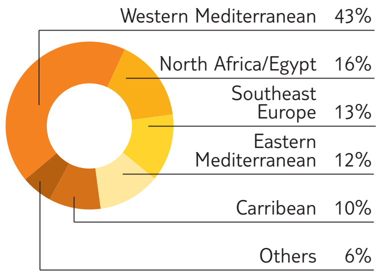
Hotel companies

At the end of the financial year, the hotel portfolio consisted of 278 hotels with 140,585 beds. The consolidated hotel companies generated a total turnover of € 767 million, 65.6% more than last year. As a consequence of good utilisation of the Group's own capacities, results also increased markedly.

Robinson, Magic Life, Dorfhotel

Club holidays were again very much in demand in 2001, with a constant increase in demand for all-inclusive programmes. Robinson, the largest German provider of club holidays in the premium segment, operated 25 clubs in ten countries in the financial year. The average occupancy rate for all Robinson clubs rose slightly on last year and was over 80%.

Controlled hotel beds per region



The fifth Austrian club was opened in Zürs/Arlberg. New clubs are in the construction or planning stage for several Mediterranean countries. Magic Life, the largest Austrian provider of club holidays, operated 24 all-inclusive clubs in six countries in the past financial year. The average occupancy rate of all its clubs was about 80% and thus rose substantially. This was mainly attributable to the strong demand for the Turkish clubs. In the year under review, Dorfhotel operated six sites, mostly hotels and villages in Austria. The number of overnight stays rose by around 10%, with Dorfhotel Fleesensee in Mecklenburg, Germany, which had been opened in the previous year, recording a particularly high level of demand.

RIU, Grupotel, Nordotel

The Spanish hotel companies mainly operate their hotel complexes in destinations in the western Mediterranean which always record good demand. RIU, Spain's second largest hotel chain, operated 95 hotels and apartment complexes. The majority of hotels were on the Balearic Islands, the Canary Islands, in mainland Spain and on the Mediterranean coast; several other hotels were operated in the Caribbean. New complexes were opened on the Balearic Islands, in mainland Spain, Tenerife, Portugal, Tunisia, Bulgaria, Jamaica and Mexico, creating an increase in capacity of around 12%. With a rise in the average occupancy rate to over 80%, RIU looks back upon a successful business year. The second Spanish hotel chain of the Group, Grupotel, operated 34 hotels on the Balearic Islands. In 2001, two new complexes were opened on Ibiza and Majorca. Average utilisation of the hotels stood at almost 80%, matching last year's level. Nordotel operated a total of ten hotels in the Canary Islands and Turkey, exclusively sold via the Thomson Holidays and Fritidsresor tour operators. All hotels recorded very good bookings, as last year.

Anfi Group

Anfi, the time-sharing group, operated three clubs with a total of 684 apartments on Gran Canaria. Another complex was under construction and will be completed in two stages in 2002 and 2003. With currently around 33,000 time-sharing rights sold, Anfi occupied a leading position on the European market.

Grecotel, Iberotel

The hotel companies located in the eastern Mediterranean operated hotels in Greece, Turkey and Egypt. Grecotel, Greece's leading hotel chain, operated a total of 16 hotels in 2001. The hotels in the four- or five-star categories are located in the Greek islands and in the holiday destinations in mainland Greece. At around 90%, average occupancy rates were good again. Iberotel operated two hotels in Turkey and eleven in Egypt, in addition seven Egyptian complexes belonged to the Swiss Inn chain. Four new complexes started operation in 2001. Overall, occupancy rates for the Turkish hotels were good, while occupancy rates declined in Egypt in the fourth quarter, following very good business in the first three quarters.

Business travel

In February 2001, TUI Business Travel, the American Maritz Travel Company and the Australian Internet Travel Group launched a joint business unit under a uniform brand: TQ3 Travel Solutions. In its first year of operation, it was represented in 61 countries and already acquired a comprehensive international business volume. Following the good development of business in the first nine months, the effects of the events of 11 September considerably affected business in the period usually generating the highest turnover for the travel industry. Cutbacks in business travel and the economic problems of scheduled airlines in Europe caused a substantial drop in bookings. As a consequence, total turnover generated by the business travel sector fell short of last year's level by 1.4% and stood at € 274 million. Comprehensive cost-cutting measures helped to counter the effects on results.

Northern Europe

The Northern Europe sector covers the distribution and tour operator business in the United Kingdom, Ireland and the Nordic countries and also encompasses Britannia Airways in the aviation sector.

In the Northern Europe sector a number of organisational changes were initiated in 2001. Besides the transfer of central functions from the Thomson Travel Group to Preussag, the operative business were fundamentally restructured. Hence, the UK distribution and tour operator business of Lunn Poly and Thomson Holidays was merged to increase efficiency and reduce costs. Further integration of sites and operations were undertaken in the Specialist Holidays Group. In the Nordic countries, TUI Nordic streamlined the organisation and moved major activities out of the regional sales offices into the Nordic head office in Sweden.

Turnover of the Northern Europe sector totalled € 5.0 billion, up 40.1%. However, this figure is of limited use, as the Northern Europe sector comprised two different entities in the previous year with the Thomas

Cook Group (from 1 October 1999 to 30 June 2000) and the Thomson Travel Group (from 1 July 2000 to 30 September 2000). At € 180 million, the sector generated a very good result in its first full financial year.

Turnover Tourism Northern Europe

€ million	2001	1999/2000	Change (%)
UK/Ireland source market	3,811.1	–	–
Nordic source market	1,134.1	–	–
Britannia Airways	1,452.8	–	–
Total turnover	**6,398.0**	**4,373.6**	**+ 46.3**
Intercompany turnover	1,418.2	818.6	+ 73.2
External turnover	**4,979.8**	**3,555.0**	**+ 40.1**

UK/Ireland source market

The economic conditions for the tour operator business in the UK was favourable with relatively low inflation, a strong currency and an increasing consumer spend on leisure activities and overseas holidays in particular. Against this background, the UK/Ireland source market generated a total turnover of € 3.8 billion; achieving record profits at Thomson Holidays and in addition achieving a profit from the divestment of the holiday cottages business.

United Kingdom

Overall, tour operators Thomson Holidays, Skytours, Club Freestyle, Just and Portland Direct had a successful year 2001. They started the summer season with a slightly reduced programme compared with last year. Demand was strong and they therefore achieved a good full price mix and a very high utilisation of their aircraft and hotel capacities. Tours to Cyprus and Egypt recorded growth, but the destinations in mainland Spain and the Balearic and Canary Islands were also well-booked. The programmes of the Specialist Holidays Group also sold well. Tour operators reduced their capacities for the 2001/2002 winter season to adjust their offer to the expected demand. They therefore managed to stabilise the good price quality and limited the effects of the events of 11 September on the 2001 financial year.

In the distribution sector, Lunn Poly consolidated its market position as the largest British retail chain. It increased directional selling of Thomson tour operators and generated additional business by means of direct sales channels such as internet, teletext and call centres. Direct selling is an increasingly popular channel for buying tours; this is another reason why the retail brands Lunn Poly, Travel House and Sky Deals recorded an increase in bookings year-on-year.

Ireland

As in previous years, the economic conditions in Ireland remained favourable and the travel market was strong. Budget Travel, Ireland's leading tour operator, participated in the overall good level of demand selling more tours than last year. The Spanish destinations continued to be particularly popular.

Nordic source market

In 2001, after a good start, the Nordic market conditions deteriorated. Following an initially positive development, the trend then reversed and a considerable slowdown in business activity was recorded. At a total turnover of € 1.1 billion, the financial year nevertheless ended on a satisfactory result.

Sweden, Denmark, Norway, Finland

The tour operator business in the individual countries have been consolidated into one principal brand per country: Fritidsresor in Sweden, Star Tour in Norway and Denmark and Finnmatkat in Finland. The summer business was initially good but slowed down perceptibly in the second half of the season. This was mainly due to the loss in the value of the Swedish krona but also the general downturn in consumer confidence and the good summer weather in Northern Europe. For the winter season, programmes were adjusted to the slowdown in demand.

Britannia Airways

In the 2001 summer season, Britannia operated a fleet of 39 aircraft, flying holidaymakers with Thomson tour operators to holiday destinations in the Mediterranean and abroad. 31 aircraft were based in the UK and eight in the Nordic source markets. With high utilisation of flight capacity in the summer season, Britannia continued the excellent performance of the previous year. Effective integrated flight planning with the tour operator contributed to this success. Continued focus on operational efficiency ensured that Britannia retained its position as Britain's most punctual charter airline.

**Britannia:
Number of aircraft per type**

Boeing B 737-800	5
Boeing B 757-200	20
Boeing B 767-200	4
Boeing B 767-300	10

Summer 2001

'Whether on land or at sea, outdoors I am always in my element.'

Gerd Rohden delights in gardening and is a nature-loving Captain of a Hapag-Lloyd container ship.

Logistics Good performance in container shipping. Improvements in rail logistics. Strong growth in mobile buildings business.

The logistics sector, grouped together under Hapag-Lloyd AG, continued the successful development of previous years. Turnover rose to € 3.9 billion, an increase of 8.4% on the 1999/2000 financial year. At € 308 million, the division recorded its best result ever. This growth was mainly attributable to container shipping, but the mobile buildings hire business also recorded an above-average performance.

Turnover Logistics

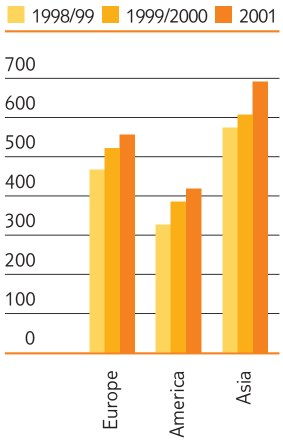
€ million	2001	1999/2000	Change (%)
Shipping	**2,649.0**	**2,405.4**	**+ 10.1**
Hapag-Lloyd Container Linie	2,405.0	2,122.1	+ 13.3
Hapag-Lloyd Kreuzfahrten	223.9	238.6	- 6.2
Hapag-Lloyd AG/Others	20.1	44.7	- 55.0
Logistics	**1,640.3**	**1,566.7**	**+ 4.7**
VTG-Lehnkering Group	964.7	968.3	- 0.4
Pracht Spedition + Logistik	168.5	166.2	+ 1.4
Algeco Group	507.1	432.2	+ 17.3
Total turnover	**4,289.3**	**3,972.1**	**+ 8.0**
Intercompany turnover	399.9	383.1	+ 4.4
External turnover	**3,889.4**	**3,589.0**	**+ 8.4**

Following last year's strong growth in world trade, the general weakness of economic activity was also substantially reflected by the growth rates in world trade. The OECD experts only expected an increase of 0.3% for 2001, a growth rate falling behind growth in world trade for the first time in several years. This also impacted on global container transports; at 1.6%, their growth rate fell considerably short of the long-term average of 6%. Total transport volume rose to 63.4 million standard containers (TEU). The largest proportion was generated by transports on Pacific routes, followed by transports within Asia, transports between Europe and Asia and transports on the Northern Atlantic.

Hapag-Lloyd Container Linie

At € 2.4 billion, Hapag-Lloyd Container Linie generated an increase in total turnover of 13.3% on the previous year, which was good in itself. Results also recorded strong growth again and significantly outperformed last year's results. Container shipping generated the largest proportion of the profit of the logistics division. An increase in transports, another increase in productivity and stable shipping system costs per container unit transported contributed essentially to the extraordinarily good results of container shipping. This also reflected the positive effects from

Hapag-Lloyd Container Linie: Transport volume (in '000 TEU)



the joint use and control of shipping capacities in cooperation with one European and four Asian partners in the framework of the Grand Alliance, the world's largest container shipping consortium.

In the first half of the financial year, Hapag-Lloyd Container recorded a brisk demand on all routes served by its 29 vessels. In the wake of the increasing weakness of economic activity in North America, the transport volume subsequently declined. Furthermore, several new container ships were commissioned, causing overcapacities in freight space while there was a drop in demand. As a consequence, freight rates declined, with the drop affecting different routes to varying extents.

Hapag-Lloyd Container Linie operates in three regions: Europe, America and Asia/Australia. In 2001, the transport volume grew faster than the market again: at 1.7 million standard containers (TEU), it grew by 8% on the 1999/2000 financial year, with the individual regions recording different trends.

Europe region

In the Europe region, the transport volume grew by around 4% to 560,000 TEU. Growth was primarily generated in exports to North America, while volumes shipped on Asian routes did not change much. Three new routes were opened, linking up Mediterranean ports with harbours on the East Coast of the USA and in the Gulf of Mexico. They improved the transport opportunities for customers both in the Mediterranean region and in North America and helped to expand the market share on these routes. The freight rates generated both on routes to America and Asia were stable in the first three quarters so that the profit contribution of the Europe region improved considerably.

America region

The America region recorded a transport volume of 420,000 TEU, up around 3% on the previous year. This growth was partly attributable to the new services set up between North America and the Mediterranean region and between South America and Europe. The downswing of the US economy gave rise to overcapacities on several routes so that freight rates declined, above all for transports to Asia and Europe. Although the America region continued to improve its productivity, it was unable to repeat last year's result.

Asia/Australia region

The Asia/Australia region continued on its strong growth. At a transport volume of 696,000 TEU, it grew by around 12% on last year. Despite an increase in market weakness, it managed to expand its position on all relevant routes, with Pacific routes in particular and inner-Asian transports recording above-average growth. Just as in the other regions, pressure on freight rates also intensified in the Asia/Australia region in the course of the year. Nevertheless, the previous year's good result was just matched.

Hapag-Lloyd Kreuzfahrten

In the first three quarters of the financial year, demand for cruises was relatively brisk; however, following the terrorist attacks in the USA, booking figures were characterised by a significant increase in passenger's restraint. Nevertheless, passenger figures in the German-speaking market rose by about 7%, with river cruises achieving above-average growth.

Hapag-Lloyd Kreuzfahrten generated a total turnover of € 224 million, down 6.2% on the previous year, and did not manage to match last year's result either. One of the key reasons was the increase in costs resulting from the events of 11 September.

Hapag-Lloyd Kreuzfahrten operated a fleet comprising four ships. The flagship 'Europa', in operation for the second year, contributed substantially to results again. It was awarded the renowned Berlitz Cruise Guide award as the world's best cruise ship in its category. 'Columbus' was also well booked, having consolidated its position in the market. 'Hanseatic' lacked operative days due to time spent in dock. 'Bremen' also underperformed compared with last year. Business in river cruises, in contrast, recorded a positive development again.

VTG-Lehnkering Group

The VTG-Lehnkering Group, specialised in the transport and storage of hazardous goods, continued on the steady development of previous years, although its key account business – the chemical and petrochemical industry – recorded a long period of sluggish activities. According to VCI, the association of the chemical industry, production in this sector contracted by around 2% in 2001.

VTG-Lehnkering continued the restructuring of its activities, selling further companies in the maritime services sector. Its core business comprises rail and tank container logistics and bulk and special logistics. Despite the difficult economic climate and the disposal of activities, the VTG-Lehnkering Group generated total turnover of € 965 million; its result exceeded last year's level.

Rail logistics

Rail logistics again made the largest profit contribution. This was due to the persistently high utilisation level of chemical and mineral oil tank wagons. The large-volume goods wagons and flat wagons of the Transwaggon Group also recorded good and steady utilisation. In the rail forwarding business, Transpetrol also looks back upon a successful year. Overall, VTG-Lehnkering had around 26,500 self-owned and managed tank and special goods wagons in Europe.

Tank container logistics

The market for tank container logistics continued to grow. At a total of 4,700 containers in the rental and haulage business, VTG-Lehnkering adjusted its capacities to demand. The number of transports in the haulage business rose significantly, and the rental business recorded good utilisation rates. As a consequence, the results improved.

Bulk and special logistics

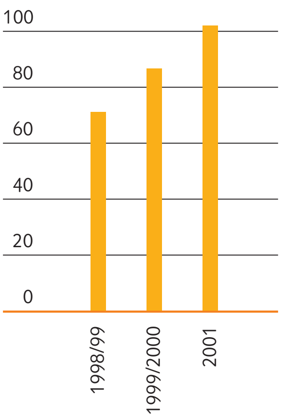
Business in bulk and special logistics did not perform evenly in the individual sectors. Overall, the previous year's result was not fully reproduced. Inland waterway shipping recorded a decline in transport volumes compared with last year. This trend primarily affected the dry goods shipping business, while utilisation of tankers – mostly owned by the Group – was still satisfactory. In the road cargo sector, the fleet was well utilised both in chemical transports and steel transports. In the special logistics sector, covering the storage and transshipment activities, the tank farms recorded good utilisation rates. Utilisation of capacities in the hazardous goods distribution sector considerably increased on the previous year. The chemical services sector showed a positive trend again – German production sites in particular reported an improvement in their order situation.

Pracht Spedition + Logistik

The haulage sector continued to be characterised by fierce competition, mainly affecting the general cargo business in Germany. Margins in this sector were considerably squeezed by overcapacities.

In this overall environment, Pracht Spedition + Logistik achieved a satisfactory performance. Its total turnover rose slightly to € 169 million, and its result was kept stable. The drop in volume in the national haulage business was offset by means of costcutting programmes and growth on international routes. In contract logistics, new customers generated additional business volume.

Algeco:
Mobile buildings park
(in '000 units)



Algeco Group

The Algeco Group, which mainly operates in the hire and sale of mobile buildings, recorded an extremely successful year 2001. Profits were again higher than last year. Total turnover rose to € 507 million, up 17.3% year-on-year. 85% of the business volume was generated by the mobile buildings sector, with pallet logistics and transport contributing the remaining proportion.

The mobile buildings hire business again grew strongly. In order to be able to make to most of the increase in demand, the mobile buildings park was expanded to over 100,000 units. Accordingly, the number of mobile buildings available for rental at year-end was around 16% up on the previous year. Modular office buildings accounted for two thirds of that figure, representing the focus of activities.

In France and on the Iberian Peninsula, utilisation reached last year's level despite a substantial increase in capacities. In Germany, utilisation continued to rise, in contrast to the market trend. This success was based on Algeco's market leader-ship in its principal markets in Europe, which, besides its dense network of branches, positioned closely to its customers, was mainly due to the quality of the mobile buildings, some of which are manufactured in the Group's own production sites.

'To make the right impact, I have to keep my eye on the next move.'

Dave Hodgson likes to relax with a game of pool and is a strategic Masterbrand Implementation Manager.

Industry Non-uniform business trend in the sectors. Strong profit in energy. Performance of trading and building engineering below last year.

The development of business in the energy, building engineering and trading sectors, grouped together within the industry division, was not uniform. While the energy sector generated strong profit, business in building engineering suffered from the difficult situation in the German construction sector. The trading sector was mainly affected by the stagnation of the US economy.

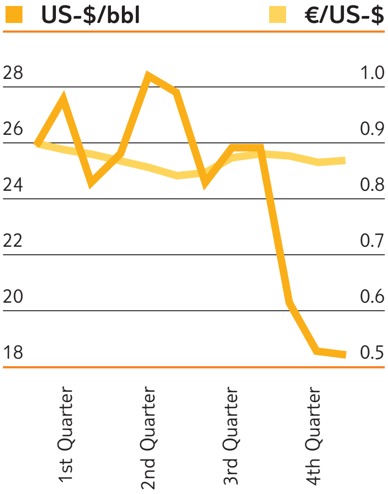
Energy

Following the divestment of drilling services in the second half of the financial year, the energy sector will focus on its core business in the future – exploration and production of crude oil and natural gas in Germany and abroad. Due to the divestments, turnover dropped by 0.8% to € 836 million. At € 338 million, results exceeded last year's figure by 23.7%.

Turnover Energy

€ million	2001	1999/2000	Change (%)
Preussag Energie Group	599.6	589.0	+ 1.8
Deutag Group	320.8	394.0	- 18.6
Total turnover	**920.4**	**983.0**	**- 6.4**
Intercompany turnover	84.2	140.3	- 40.0
External turnover	**836.2**	**842.7**	**- 0.8**

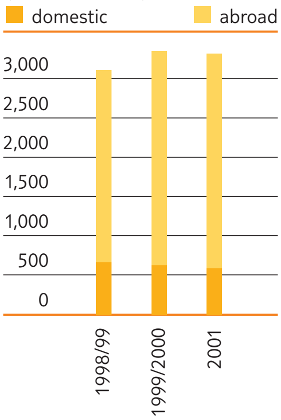
Oil price and US dollar in 2001



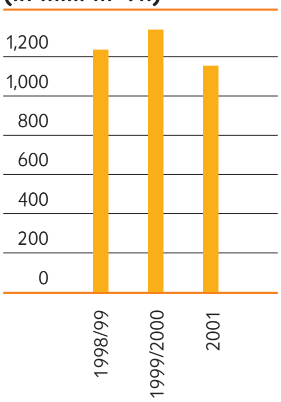
Market development

In the course of the financial year, initially prices on the international crude oil markets were within the bandwidth of 22 to 28 US dollar per barrel, aimed at by OPEC. However, the events of 11 September were followed by a significant collapse in prices down to daily values of around 17 US dollars per barrel in November 2001. As a result of the production cutbacks agreed by OPEC and other major production countries, prices then started to recover slightly. Following peak prices of 29 US dollars per barrel in May, the price of one barrel of North Sea oil Brent stood at around 19 US dollars at the end of the year. The average price for the financial year was 24.50 US dollars per barrel, around 10% down on the value recorded in the 1999/2000 financial year. At € 1.12 per US dollar, the average exchange rate of the US dollar in 2001 was up on last year's level, triggering an additional positive effect on income. In the 2001 financial year, prices of domestic natural gas, which follow heating oil prices with a time-lag, recorded another increase and, on average, were considerably above prices in the 1999/2000 reference period.

**Preussag Energie:
Crude oil production
(in '000 tons)**



**Preussag Energie:
Natural gas production
(in mill. m^3 Vn)**



Preussag Energie Group

The positive development of results for Preussag Energie Group was largely attributable to the high prices of crude oil and an increase in natural gas prices. Other factors contributing to the extraordinarily good result were income from participations in Germany and income from investments abroad, partly of a one-off nature. At € 600 million, total turnover was 1.8% up year-on-year.

In 2001, Preussag Energie produced 3.35 million tons of crude oil, keeping production at the level of the 1999/2000 financial year. Crude oil production in Germany stood at 0.6 million tons. Various technical measures were taken to largely offset the natural decline in production due to the increasing depletion of fields. Production in fields abroad rose to 2.75 million tons. This increase mainly resulted from optimisation measures in existing fields, including fields in Syria, Venezuela and the British North Sea. Moreover, additional drillings started production in Ecuador, Tunisia and the Norwegian North Sea.

Natural gas production totalled 1.16 billion m^3 (Vn), of which 90% were generated from domestic natural gas resources. Domestic sales fell approx. 15% short of last year's volume, as the key account reduced purchases in the course of the year, a decline which was not fully offset by the end of the year 2001 and only partly compensated for by the increase in natural gas production abroad.

In order to maintain reserves and expand the production base, further exploration activities were conducted in the core regions. Here the Pacific region – not least due to the discovery of the Pohokura natural gas reservoir – plays an increasingly important role. Accordingly, Preussag Energie participated in two additional blocks of exploration operations in New Zealand. Activities in Kazakhstan were continued with the start of an additional exploratory drilling.

Kavernen Bau- und Betriebsgesellschaft mbH was included in the consolidated financial statements until 31 August 2001.

Deutag Group

The Deutag Group was included in the consolidated financial statements until 30 September 2001. The high level of crude oil prices stimulated demand for drilling services and the utilisation of drilling rigs. This also applied to offshore services. Total turnover for the consolidation period stood at € 321 million with a negative result.

Building engineering

Economic activity in the German construction industry continued to be weak for the seventh consecutive year and largely determined the development of business in building engineering. The Kermi Group and the Minimax Group were sold with effect from 1 July 2001 and 1 June 2001, respectively, and were therefore included in the consolidated financial statements for a period of six or five months, respectively. This was one of the main reasons for the decline in turnover of 22.8% to € 1.6 billion. Following last year's good results, a considerable loss of € - 46 million was incurred, with none of the four groups of companies making a positive profit contribution.

Turnover Building Engineering

€ million	2001	1999/2000	Change (%)
Fels Group	750.2	683.8	+ 9.7
Wolf Group	743.0	924.5	- 19.6
Kermi Group	109.6	255.9	- 57.2
Minimax Group	198.1	507.4	- 61.0
Total turnover	**1,800.9**	**2,371.6**	**- 24.1**
Intercompany turnover	190.1	284.7	- 33.2
External turnover	**1,610.8**	**2,086.9**	**- 22.8**

Fels Group

Due to the sustained weakness of economic activity in almost all product segments, the building materials market was characterised by overcapacities and fiercer price competition. The lack of investments in residential construction had a particularly adverse effect, with the drop in demand on last year being particularly dramatic in the Eastern German countries. This drop was only partly offset by the stimuli from the renovation and modernisation segments.

Due to the first-time inclusion of Hebel AG for a full financial year, total turnover rose by 9.7% to € 750 million, with a negative result. The four product segments were affected by the weak market environment to varying extents. The porous concrete sector did not manage to escape the decline in demand for wall building materials and recorded a drop in sales. In the second half of the year, business recorded an upturn, supported by a proactive market policy, producing an increase in market share. In the plasterboard segment, sales of Fermacell plasterboards declined in Germany, while almost all foreign markets recorded growth being substantial in some cases. The weakness of economic activity in structural engineering adversely affected in particular the Salith mortar and façade segments, with sales volumes down on last year for all products. In the lime products segment, business was relatively stable, with declining sales in the construction materials sector offset by large volumes sold in the environmental protection area.

Wolf Group

At € 743 million, total turnover of the Wolf Group was 19.6% down on last year's level; the Wolf Group closed the 2001 financial year at a loss. Its associated companies in France and Switzerland were included in the consolidated financial statements until 30 November 2001.

Economic activity on the market for heating technology in Germany continued to be under pressure. There was fierce competition in all product segments. In addition, market volumes declined so that Wolf GmbH recorded a weak business in cast iron heaters and conventional wall heaters. Nevertheless, Wolf managed to stabilise its market shares. Sales of products with condensation technology and of solar panels rose again. In the airconditioning sector, Wolf continued to expand its leading position on the market and stepped up its export business.

The foreign companies, for which sales agreements had already been concluded, recorded regional variations in business trends. In Switzerland, Elcotherm stabilised its business by means of an expansion of its service range. In France, Chaffoteaux & Maury and Cuenod Thermotechnique defended their market positions despite the overall contraction of the market. In Turkey, Baymak saw a deterioration of market conditions due to the national exchange rate problems.

Kermi Group

The Kermi Group was included in the consolidated financial statements for a period of six months (until 30 June 2001). At a total turnover of € 110 million for that period, its operating result was slightly negative. The tense situation in the German construction industry also impacted on the market for heating and sanitary engineering. As a consequence, domestic sales dropped in certain product segments. The export business, in contrast, recorded growth, in particular in design radiators and shower screens.

Minimax Group

The Minimax Group, which was only included in the consolidated financial statements for a period of five months (until 31 May 2001), recorded a total turnover of € 198 million for that period; its operating result was negative. Demand in the public and commercial building construction sectors, of particular relevance for the fire protection business, continued to be restrained. Nevertheless, utilisation of engineering, production and assembly capacities was good as a result of the positive order situation. Both the mobile fire protection segment and the foreign subsidiaries followed on the development of the previous year.

Trading

The trading sector, covering the AMC Group and the US steel service companies consolidated under Preussag North America, Inc. (PNA), recorded a turnover of € 3.1 billion, 31.8% down on last year's level. Both the AMC Group and the US steel service companies closed the 2001 financial year on a positive result. However, at a result of € 45 million, the trading sector fell 49.2% short of its result in the last full financial year.

Turnover Trading

€ million	2001	1999/2000	Change (%)
AMC Group	2,482.9	3,085.6	- 19.5
US steel service companies	795.7	967.5	- 17.8
W. & O. Bergmann Group	–	746.5	–
Total turnover	**3,278.6**	**4,799.6**	**- 31.7**
Intercompany turnover	135.2	190.9	- 29.2
External turnover	**3,143.4**	**4,608.7**	**- 31.8**

AMC Group

The AMC Group was affected by the significant reduction in economic activity compared with last year, in particular in its activities in North America. At € 2.5 billion, its total turnover was 19.5% down year-on-year; this was mainly due to a reduction in turnover from trading operations. Its result also fell short of last year's level.

Trading

In the commodities trading segment, Amalgamated Metal Trading Ltd. (AMT), ring dealing member of the London Metal Exchange, managed to reach satisfactory results. Given unfavourable trading conditions due to low and mostly falling metal prices, income both from commissions and from principal trading was below the previous year's levels. In a difficult business environment, international non-ferrous metal trading did not manage to repeat last year's results, either. In contrast, trading in fine and industrial chemicals improved.

Distribution and merchanting

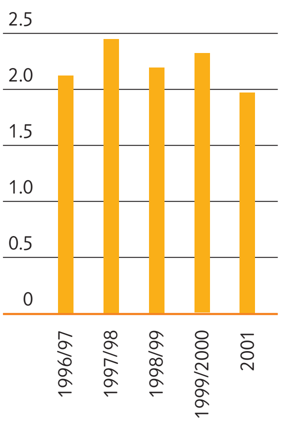
In the distribution and merchanting sector, weak demand in the steel-processing industry in Western Canada and a drop in steel prices had an adverse effect on the steel service centre business of Wilkinson Steel. Debro Steel, located in Eastern Canada, also suffered perceptibly from the difficult market conditions and responded to them by launching a number of adjustment measures. In special chemicals trading, Debro Chemicals was less affected by the weakening level of economic activity. Due to its broad customer base, its business more or less matched the previous year. TR Metro, supplying chemicals to the East Coast of the USA, reached last year's sales volume again and performed better than last year, with an improvement in margins and a reduction of costs. In Great Britain, William Rowland recorded a successful year in special metals trading, despite the tense economic situation. Mountstar Metal's scrap metal trading business suffered from the drop in the price of non-ferrous metals, not completely offset by good business in metal recycling.

Processing

In the metal processing sector, Exchanger Industries benefited from good business in production equipment for the Canadian oil and gas industries in the first few months of the year and considerably exceeded last year's result. Despite declining economic activity in the Canadian construction sector, National Concrete Accessories managed to stabilise sales of industrial building materials at last year's level and performed satisfactorily.
As demand from the construction industry was also slowing in Australia

and New Zealand, the Consolidated Alloys Group recorded a decline in both sales and results. Keeling & Walker, the British tin oxide producer with a strong export orientation, also recorded a drop in business activities compared with last year. Thaisarco, operating a tin smelter in Thailand, was faced with a strong drop in the price of tin and its by-products and was unable to reproduce the good results of last year, despite a further improvement in productivity.

US Steel Service Companies:
Steel sales (in mill. tons)



US Steel Service Companies

The steel service companies consolidated under Preussag North America, Inc. (PNA) were significantly affected by the slow growth of the US economy. Their business was additionally affected by the effects of the events of 11 September. Due to the weakness of demand, large import volumes and high inventory levels, steel prices were under pressure and dropped to an almost 20-year low. In this difficult environment, the US steel service companies did not manage to stabilise last year's sales volumes. At a total of 1.95 million tons of steel, sales dropped by 17%. As a consequence, their total turnover fell by 17.8% to € 796 million and their result was considerably lower than last year.

Preussag International Steel Corp. defended its position relatively well despite the weak market environment. The Infra-Metals division continued to expand its service centre business on the East Coast. Margins, however, continued to show a declining trend. For Delta Steel, Inc. and Smith Pipe and Steel Division, with principal markets in the southern states of Texas and Arizona, the financial year did not develop in a uniform manner. While demand for masts in the telecommunications industry rose considerably, sales of steel products to the construction industry and the crude oil industry dropped significantly. The Feralloy Group, based in Chicago and supplying products to the large industrial zones of the North, the investment goods industry and the automotive industry, was significantly affected by the slow business of their key accounts. Factors with a positive effect on performance were cost-cutting programmes and the reduction in inventories.

'As part of a winning team, I like to stay ahead of the game.'

Stefanie Scheffler plays volleyball and is a team-oriented staff member in the Management Development Department.

Financial Review Lower balance sheet total following divestments. Equity ratio rose to 20.3%. Net debt declined.

The consolidated financial statements for the 2001 financial year were prepared in accordance with the accounting rules of the International Accounting Standards Board (IASB). They meet the conditions for exemption from the duty to prepare consolidated financial statements under German GAAP. Accounting and measurement were carried out according to the IAS standards listed in the notes.

The consolidated financial statements of the Group and the financial statements of Preussag AG were again marked by changes in the Group portfolio. Moreover, the Thomson Travel Group was included in the consolidated financial statements for a full financial year for the first time. Both factors had a – partially substantial – effect both on the balance sheet total and several balance sheet items as well as the profit and loss statement.

Consolidation

The number of companies included in consolidation dropped on balance by seven in the tourism division. In the course of the financial year, the companies of the building engineering and energy sectors were divested and therefore removed from consolidation; accordingly, the number of consolidated companies was reduced by 43 companies. Another decrease by 18 companies resulted from changes in other sectors, primarily from the divestment of the maritime services sector in the logistics division. Including Preussag AG, the total number of consolidated companies amounted to 509, an overall decrease of 68 companies on the previous year.

Accounting principles

Accounting principles

The financial statements of the subsidiaries consolidated in the Preussag Group were prepared on the basis of uniform accounting and measurement principles. The measurement amounts stated in the consolidated financial statements were based solely on the economic representation of the assets and financial situation according to IASB rules, rather than on tax regulations.

In the individual financial statements of Preussag AG and the consolidated subsidiaries as per 31 December 2001, all risks subject to reporting obligations were covered by provisions and value adjustments.

Assets and capital structure

	31 Dec 2001 € million	31 Dec 2001 %	31 Dec 2000 € million	31 Dec 2000 %
Fixed assets	12,225.9	73.5	12,612.8	70.1
Current assets	4,397.8	26.5	5,380.6	29.9
Assets	**16,623.7**	**100.0**	**17,993.4**	**100.0**
Shareholders' equity	3,382.9	20.3	3,231.9	18.0
Long-term liabilities	4,936.3	29.7	5,228.7	29.0
Short-term liabilities	8,304.5	50.0	9,532.8	53.0
Equity and liabilities	**16,623.7**	**100.0**	**17,993.4**	**100.0**

Balance sheet

The balance sheet total for the Group decreased by 7.6% to € 16.6 billion, due largely to the divestments in the building engineering and energy sectors.

Assets: decline due to divestments

Fixed assets

On the assets side, fixed assets fell by 3.1% to € 12.2 billion. This was attributable to the reduction in goodwill by 5.1% to € 4.7 billion, mainly due to amortisation. Concerning tangible assets, including other intangible assets, the additions from investments were more than offset by disposals due to removals of companies from consolidation so that their value decreased by 3.3% to € 6.5 billion. Shareholdings in associated companies and other investments rose by 10.1% overall to € 1.0 billion.

Current assets

Current assets, including assets from prepaid expenses, fell by 18.3% to € 4.4 billion. In relative terms, inventories recorded the strongest decline; at € 0.8 billion, they were down 25.0% compared with the previous balance sheet date. Besides disposals in the industry division, this was also due to volume- and price-related changes in the trading sector. Funds totalled € 0.6 billion, a decline of 24.0%. Receivables and other assets, including prepaid expenses, also fell to € 3.0 billion, a decline of 15.7% on the previous year.

Liabilities: equity ratio of 20.3%

Equity

On the liabilities side, shareholders' equity rose by 4.7% to € 3.4 billion. Subscribed capital rose by 2.5% due to the exercise of option rights from the 1996/2001 bond with warrants attached to € 455 million. Reserves and minority interests also increased in comparison with last year, totalling € 2.5 billion and € 0.4 billion, respectively. The equity ratio climbed to 20.3%, compared with 18.0% at last year's balance sheet date.

Provisions

At € 2.7 billion, provisions were down 13.5% on last year. This decrease mainly affected provisions for pensions and was related to divestments in the building engineering and energy sectors.

Liabilities

At € 10.5 billion, liabilities, including deferred income, dropped by 9.4% year-on-year. The principal reason behind this decline was the reduction in financial debts by 12.0% to € 6.8 billion, caused by the expiry of the 1996/2001 bond with warrants attached and the reduction in other financial debts attributable to the inflow of funds from the divestments. Liabilities from bonds totalled € 1.3 billion and mainly included the 1999/2004 convertible bond and the 1999/2006 corporate bond. Other financial debts stood at € 5.5 billion. The net amount of debt owed fell by 10.9% to € 6.2 billion year-on-year. Trade accounts payable also dropped to € 2.1 billion. Other liabilities, including deferred income, only changed slightly and totalled € 1.6 billion.

Financing

Once again, the flow of funds was significantly affected by the restructuring of the Group over the past financial year. The sizable financing requirements of the previous year resulting from the Thomson acquisition were reduced.

Inflow of funds from the disposal of fixed assets and financial investments totalled € 1.5 billion, mainly due to the divestment programme initiated in October 2000. Taking account of the outflow of funds made for capital expenditure in fixed assets of € 1.4 billion, inflow of funds from investment activities totalled € 0.1 billion. Inflow of funds from operating activities totalled € 1.4 billion. For financing activities, the outflow of funds was € 1.7 billion.

'At every turn, another unique challenge comes my way.'

Tonje Fossum enjoys skiing and is a self-directed Manager Direct Sales.

Cash flow statement

€ million	2001	1999/2000	Change (%)
Cash flow from business activities	1,383.1	965.9	+ 43.2
Cash flow from investment activities	147.8	- 3,655.6	+ 104.0
Cash flow from finance activities	- 1,715.5	3,195.2	- 153.7
Cash effective change in funds	- 184.6	505.5	- 136.5
Funds at financial year-end	643.3	1,005.8	- 36.0

At financial year-end, funds totalled € 0.6 billion. The reduction was primarily due to repayments of financial liabilities. A detailed cash flow statement is presented in the consolidated financial statements.

Investment

Following an extraordinarily high level of total investments in the 1999/2000 financial year due to the acquisition of the Thomson Travel Group, the investment volume returned to a normal level in the 2001 financial year. Additions to fixed assets totalled € 1.8 billion, which is 77.6% less than in the 1999/2000 financial year. Tangible and other intangible assets accounted for € 1.1 billion, while goodwill was € 0.2 billion and investments € 0.5 billion.

Additions to fixed assets included 0.2 billion from the first-time inclusion of companies in consolidation, mainly in the tourism division. On the other hand, the withdrawal of companies from consolidation due to the divestments in the building engineering and energy sectors resulted in disposals of € 0.6 billion.

Capital expenditure by divisions*)

€ million	2001	1999/2000	Change (%)
Tourism	**442.8**	**615.9**	**- 28.1**
Logistics	**309.3**	**492.4**	**- 37.2**
Industry	**175.9**	**189.0**	**- 6.9**
Energy	80.8	58.8	- 37.4
Building engineering	77.7	89.9	- 13.6
Trading	17.4	40.3	- 56.8
Other companies/consolidation	**39.3**	**49.9**	**- 21.2**
Total	**967.3**	**1,347.2**	**- 28.2**

*) incl. intangible assets without goodwill from capital consolidation

Most capital investment was used for the expansion and modernisation of plant and equipment. In tourism, which accounted for 45.8% of capital expenditure, priority was given to expanding bed capacities in the hotel companies. In the logistics division, funds were primarily invested in container shipping and the mobile buildings hire business. Hapag-Lloyd Container Linie commissioned the first container ship – with three more to follow – with a capacity of 7,500 standard containers, and Algeco expanded its mobile buildings park by around 16% to over 100,000 units. In the energy sector, the exploration and development of crude oil and natural gas reserves in foreign fields, primarily in Venezuela, Ecuador and Tunisia, accounted for the major proportion of funds invested.

Profit and loss statement

In order to enhance comparability, the 2001 financial year is compared with the last full finacial year 1999/2000. Turnover totalled € 22.4 billion, up 2.6% on the 1999/2000 financial year. The tourism and logistics divisions recorded an increase in turnover by 20.8% and 8.4%, respectively, while the industry division reported a drop in turnover of 25.8%.

The cost of materials totalled € 15.2 billion, with the cost of outside tourism services accounting for a substantial proportion of these costs. Due to structural changes in the workforce, personnel costs dropped by 0.7% to € 2.9 billion. Depreciation of fixed assets totalled € 0.7 billion.

Depreciation of tangible assets by divisions*)

€ million	**2001**	**1999/2000**	**Change (%)**
Tourism	**284.7**	**241.1**	**+ 18.1**
Logistics	**193.6**	**192.0**	**+ 0.8**
Industry	**187.4**	**172.9**	**+ 8.4**
Energy	83.4	60.9	+ 36.9
Building engineering	83.9	90.8	- 7.6
Trading	20.1	21.2	- 5.2
Other companies/consolidation	**21.0**	**17.9**	**+ 17.3**
Total	**686.7**	**623.9**	**+ 10.1**

*) incl. intangible assets without goodwill from capital consolidation

At € 3.9 billion, other operating expenses were down 0.9% year-on-year. Commissions for tourism services acounted for the largest proportion of these expenses, at 19.7%. A breakdown of other operating expenses is presented in the consolidated financial statements.

The financial result deteriorated to € - 0.3 billion. This was mainly due to the negative interest result, reflecting the interest charge from the short- and medium-term financing of the acquisitions in the tourism division.

Amortisation of goodwill rose by 63.2% to € 0.3 billion, as the full amortisation amounts from the acquisitions made last year had to be carried for the first time.

Taxes totalled € 0.1 billion, a decrease of 29.9% year-on-year. Taxes were down on the previous year, amongst others due to a higher volume of tax-free results from divestments.

Results attributable to minority interests amounted to € 0.1 billion and mainly related to the hotel companies in the tourism division and the minority interests in VTG-Lehnkering AG and Algeco S.A.

Value added

At € 3.9 billion, the operating value added of the Group was up 1.5% on the previous year. The distribution of value added did not change much, at 75.2%, employees accounted for the largest share. The creditors' share rose to 11.0% as sizeable funds were raised to finance the acquisitions made last year. The tax share changed to 3.2% of net value added, mainly due to tax-free results. Shareholders benefited from the successful financial year, receiving 3.5%. A 7.1% share was retained by the Group to strengthen its real-asset value.

In order to enhance comparability, the 2001 financial year is compared with the last full financial year 1999/2000.

Value added statement

	2001 € million	2001 %	1999/2000 € million	1999/2000 %
Source				
Group gross income	24,009	100.0	23,397	100.0
Costs	- 19,173	79.9	- 18,790	80.3
Gross value added	4,836	20.1	4,607	19.7
Depreciation	- 965	4.0	- 794	3.4
Net value added	**3,871**	**16.1**	**3,813**	**16.3**
Distribution				
Employees	2,912	75.2	2,933	76.9
Wages and salaries	(2,367)	(61.1)	(2,410)	(63.2)
Social security	(413)	(10.7)	(395)	(10.4)
Pensions and benefits	(132)	(3.4)	(128)	(3.3)
Public authorities	122	3.2	174	4.6
Creditors	426	11.0	303	7.9
Shareholders	137	3.5	134	3.5
Group	274	7.1	269	7.1
Net value added	**3,871**	**100.0**	**3,813**	**100.0**

Financial statements of Preussag AG (summary)

The financial statements of Preussag AG for the 2001 financial year were prepared in accordance with the rules of the German Commercial Code and given an unqualified audit certificate by auditors PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover. They are published in full in the Federal Gazette (Bundesanzeiger) and deposited at the Commercial Registers of the District Courts of Berlin-Charlottenburg, HRB 321, and Hanover, HRB 6580. They may also be requested in print from Preussag AG.

Net profit for the year and profit appropriation of Preussag AG

For the 2001 financial year, Preussag AG reports a net profit of € 136.9 million. Taking into account the profit brought forward of € 0.6 million, net profit available for distribution totals € 137.5 million, available for the payment of a dividend of € 0.77 per no-par value share. With dividend-bearing capital of € 455.1 million, profit distribution amounts to € 137.1 million, while € 0.4 million remain to be brought forward on new account.

Balance sheet of Preussag AG

€ million	31 Dec 2001	31 Dec 2000
Fixed assets	6,824.7	7,268.2
Tangible assets	80.4	73.0
Investments	6,744.3	7,195.2
Current assets	2,599.5	2,299.2
Receivables	2,585.5	2,276.2
Liquid funds	14.0	23.0
Prepaid expenses	5.5	8.1
Total assets	**9,429.7**	**9,575.5**

€ million	31 Dec 2001	31 Dec 2000
Shareholders' equity	2,417.0	2,366.3
Special non-taxed items	67.0	71.9
Provisions	585.7	653.6
Liabilities	6,353.4	6,483.7
Bonds	1,299.9	1,453.3
Other financial liabilities	3,884.5	3,768.3
Other liabilities	1,169.0	1,262.1
Deferred income	6.6	–
Total shareholders' equity and liabilities	**9,429.7**	**9,575.5**

Profit and loss statement of Preussag AG

€ million	2001	AFY 2000*)	1999/2000
Other operating income	223.1	128.1	183.8
Personnel costs	68.9	17.2	62.4
Depreciation	4.6	1.0	4.5
Other operating expenses	340.3	146.5	239.0
Net income from investments	+ 588.8	+ 260.9	+ 565.9
Depreciation on investments	6.2	109.6	–
Net interest	- 183.7	- 51.7	- 93.0
Profit from ordinary business activities	**208.2**	**63.0**	**350.8**
Extraordinary result	- 71.6	–	- 141.4
Taxes	- 0.3	28.1	75.9
Net profit for the year	**136.9**	**34.9**	**133.5**

*) Abbreviated financial year from 1 October to 31 December 2000

'Every day I see the future in a new light.'

Matt van der Poel is the father of two young boys and an attentive Director Strategy, Research & Development.

Risk Management Taking opportunities and limiting risks. Proven control systems. Additional systems for early identification of risks.

The companies of the Preussag Group are well positioned in their respective markets. In tourism, the Group's core business, they occupy leading positions in Europe. Their strong market position and their attractive product and services portfolios offer numerous opportunities of generating good returns and increasing the Group's corporate value. However, as a global player, the Group also faces a variety of risks arising directly both from the entrepreneurial activity of Group companies and from external factors. The aim is therefore to make the most of business opportunities, while at the same time weighing up and limiting the inevitable risks involved so that the economic benefits prevail.

Latent risks in commercial development

The individual divisions and economic regions in which Group companies operate entail risks that vary depending on how and to what extent they may threaten the result of economic activity. Market risks in particular are increasing in many sectors in the wake of growing globalisation and fiercer competition.

In tourism, holidaymakers' booking patterns are determined by many different economic and social factors. In some destination countries, external factors such as political events and natural disasters can have a damaging effect on business.

In seasonal planning, the tour operators have to accurately predict the trends in destinations and kinds of holidays and take them into account when procuring airline and hotel capacities. The business model in tourism offers opportunities to confront the resulting risks. Hence, the Group's own capacities in flight operations and the hotel sector are considerably below the number of holidaymakers handled by tour operators. Accordingly, the product range can be kept flexible by means of purchasing airline seats and hotel beds from third parties. In addition, the effects of regional fluctuations in demand on capacity utilisation in the destinations can be restricted through our presence on all European source markets. Costwise, prices for products depending on world markets such as kerosine and foreign currency commitments are appropriately hedged.

In the logistics division, performance is affected not only by the balance of trade flows and the balance between demand and shipping capacity, but also by the overall level of economic activity in key industries such as the chemical industry. Due to its membership in the Grand Alliance, the world's largest liner shipping association, but also concentration of business on long-term attractive regions, Hapag-Lloyd is well positioned in container shipping. Risks resulting from changes in prices will be covered by hedges if economically sensible.

Similarly, in the energy sector, it is mainly external factors that entail latent risks to future development. The price of crude oil and the exchange rate of the US dollar are thus of particular importance to performance. Price hedges are concluded for crude oil sales as far as economically justifiable. In the natural gas business, sales are secured by means of long-term contracts.

Proven planning and controlling systems

Handling business risks is an essential part of the entrepreneurial responsibility of Preussag's management in all operational areas. These risks are identified, assessed and controlled by means of company-specific and Group-wide reporting and controlling systems. The essential risk management elements are set out in guidelines applicable to all Group companies.

Preussag uses different control and monitoring systems to measure and control the development of business and the related risks. The multistage, integrated planning and controlling system is a risk management tool that has proven its worth for many years and is at the disposal of Preussag's executive board. On the basis of monthly statements and reports on divisions and Group companies, deviations from projected business developments are identified and analysed so that performance risks are quickly recognised and measures can be taken to deal with them. The supervisory board is involved in this process by means of regular quarterly reports as well as reporting at its regular meetings.

With the Premium concept (Preussag Management Information System for Maximisation of Group Value), Preussag uses a system aimed at value-oriented management. Clearly defined goals and objectives are regularly checked to measure performance. Key figures in this respect are earnings (before tax and goodwill amortisation) and cash flow (in relation to the equity employed by the divisions) as well as the corporate values. The system also provides data used to control investments and standardise the preparation of acquisition and divestment decisions.

Risk-specific control systems

Besides the avoidance of excessively high risks, the specific risk management tools which are employed serve primarily to identify, assess and control the risks associated with business transactions and resulting from the conduct of business. The methods and systems used and the frequency of controls vary, depending on the type of risk. They are continuously checked and adjusted to changing business environments.

Reporting on risks threatening company existence

The additional system for the early identification of risks set up in the wake of the implementation of the regulations of the German Act on Control and Transparency in the Corporate Sector (KonTraG) in the 1998/99 financial year was further developed. This system is designed to identify any potential risks that might threaten the existence of individual Group companies or the entire Group by means of regular and specific reports, to evaluate these risks on the basis of uniform criteria and to provide an overall assessment. By the end of the financial year, these reports had not identified any specific risks threatening the continued existence of individual Group companies or the entire Group.

In compliance with the regulations set forth in the KonTraG, the systems for the early identification of risks were reviewed by our auditors in the course of the annual audit of the financial statements.

Regular auditing

In addition to the control systems and tools described above, auditing departments have also been set up within Preussag AG and Group companies. On the basis of given auditing plans they carry out an additional and ongoing control of transactions and operational processes, checking them for compliance with regulations, security and efficiency.

Central financial management

Preussag operates central cash, foreign exchange, interest and credit management. The individual financing categories and the rules to be complied with, for instance in the fields of project financing or foreign currency management, are defined in guidelines. In order to limit risks from changes in exchange or interest rates for basic transactions there is a foreign exchange and interest management system in operation. Here use is also made of derivative financial instruments. Limits have been fixed for business transactions of this type, and they are regularly checked. Moreover, this type of business in only concluded with banks with a first-rate financial standing, and in the AMC Group due to the specific nature of its business also with other business partners. The scope of the financial business as per balance sheet date is given in the consolidated financial statements.

Risk limitation by means of insurance

In order to cover potential damage and liability risks associated with daily business, we are covered by insurance. The scope of the insurances is regularly checked and adjusted, if necessary. Although insurance does not guarantee complete protection, it is nevertheless to be assumed that the impact of insurable damages on the Group's financial, earnings and liquidity situation will not threaten its very existence.

Contingent liabilities

Contingent liabilities of the Preussag Group have changed for several items due to changes in Group and business structure. This also applies to other financial liabilities. Contingent liabilities and other financial liabilities are listed in the financial statements of the Group and of Preussag AG.

Research and Development Innovations in 2001: New products, new media and the new tourism master brand 'World of TUI'.

New market-driven and trend-setting products and services which also stand out distinctly from the competition are not just indispensable conditions for growth but also ensure market leadership and therefore commercial success. Accordingly, constant renewal based on innovation is vital, in particular in the tourism business with its consumer products. This goes hand in hand with state-of-the-art information technology, exclusive products and a progressive brand policy.

'World of TUI'

The presentation of the new master brand 'World of TUI' on 23 August 2001 marked the implementation of a hitherto unique brand concept in the tourism sector. 'World of TUI' is a global brand and the master brand linking and fostering the Group's strong national brands. With its new logo, combining the letters TUI with the symbol of a smile, the brand represents competence and quality in all stages of the travel experience: from travel agencies via tour operators, airlines and incoming agencies all the way to the Group's hotels.

Trademarks and industrial property rights

Trademarks and industrial property rights safeguard the competitive position of the Group's products but are also an important instrument in customer retention and represent a significant marketing factor. Hence, a comprehensive international set of industrial property rights was created for the new master brand 'World of TUI'. Besides the protection of brands, the prosecution of infringements of industrial property rights plays an increasingly important role.

The number of trademarks in the tourism division continued to rise whereas the share of technical protective rights in the portfolio of protective rights continued to fall, in particular due to the divestments in the building engineering sector. Overall, Group companies enjoy protection of more than 1,000 trademarks in more than 100 mostly European countries.

New product concepts

A major product innovation in 2001 was 'TUI Family' – a product concept allowing TUI to reposition itself in the growth segment of family travel. Club facilities in Germany and abroad specially tailored to families and offering programmes geared to their special needs form the core of the product range.

Other significant innovations in TUI were the redesign of the price lists for the tour catalogues and the introduction of a special catalogue on all-inclusive tours. Both innovations are oriented to customers' needs: enhanced transparency in price determination by means of a simple and clear design of catalogues and reliable planning for the travel budget by means of all-inclusive tours.

With 'Thomson Worldwide', launched for summer 2002, Thomson initiated a new programme in the premium segment, offering selected long-haul destinations with scheduled flights to its customers. The 'Gold', 'Platinum' and 'Superfamily' programmes which have enjoyed continuous success have been expanded to include additional offerings of hotels owned by 'World of TUI'.

Technical progress in the airline sector

Hapag-Lloyd Flug was the first airline in the world to introduce a new wing technology for its entire fleet of Boeing 737-800s: all aircraft were equipped with winglets with a height of 2.40 metres. Besides a reduction in fuel consumption of approx. 5%, the new technology will also generate a considerable reduction in exhaust gases and noise emissions and therefore render a significant contribution to environmental protection.

Leadership driven by information technology

A key element in the framework of the integration of the tourism activities is the Apollo programme launched in January 2001. It creates a Group-wide platform for all information from the destinations of relevance to the optimisation of capacity utilisation. Contractual data, bed capacities and pictures of the hotels and destinations will all be fed into a data base which will allow tour operators in all source markets to access constantly updated online information on availability of the Group-owned bed capacities.

News from the new media

Participation in the television travel channel TV Travel Shop marked the beginning of a new distribution channel in Germany. Currently, around twelve million households can receive the new channel via satellite and cable, the only travel channel in Germany transmitting 24 hours a day.

The www.tui.de website was further improved to offer an even wider range of products and present the products in an even more convenient way:

innovations include virtual walks round many of the hotels on offer to facilitate the selection process for customers. Another innovation is the ticket service where tickets for concerts and festivals can be ordered in cooperation with getgo.de, the German market leader in online ticketing. With only a few mouse clicks, customers can now book both travel, hotel and programme in one stop.

Thomson made considerable progress in implementing its 'Click, call or come in' strategy, aimed at providing all customers with multi-channel internet-based distribution system. The launch of the new website www.lunnpoly.com was a major step taken in the framework of this new strategy. The travel agency version of the system, actually implemented in 46 travel shops, will continue to rollout during 2002. In UK the group operates 14 branded websites, whilst in aggregate make the group the single largest travel site in the UK.

Innovative logistics solutions

Container shipping builts on future-oriented information technology to comply with the increasingly complex demand by their customers. In 2001, Hapag-Lloyd Container Linie further developed the freight information systems to serve clients with state-of-the-art IT infra structure. In the medium term approx. 70% of all contracts will be handled electronically. This can be done either via the own website or by means of the portal 'Inttra', in which Hapag-Lloyd is participating. The final goal is to offer all clients an optimised service tailored to their specific needs.

R&D in the energy sector

In the energy sector, R&D activities focused on the exploration of crude oil and natural gas deposits. One of the key projects was the 'Tight Gas' project, aimed at exploring the prerequisites of tapping reserves with low permeability. Other projects successfully continued included the optimisation of processes for the production of crude oil and natural gas and methods to prevent and remove deformation damage to production probes.

'The stretch from London to Malaga keeps me on my toes.'

Sarah Hicks enjoys ballet dancing and is a dedicated Cabin Crew member.

Environmental Protection Participation in international organisations. Environmental management in the destinations. New certifications for hotels.

The commercial operations of Group companies are largely determined by ecological aspects. Their involvement in economic objectives is therefore indispensable to ensure the sustained economic success of the Group. Consequently, environmental protection and the environmental compatibility of our products and services enjoy a high level of priority in the everyday work of Group companies. This also includes the active participation and involvement in national and international environmental organisations to push the solution of environmental questions and the development of environmental protection standards ahead.

Participation in international organisations

In tourism, the Group's core business, TUI continued its involvement in the public debate of many years at several events. At the International Tourism Fair ITB 2001, Preussag's environmental management presented itself at a separate stall which met with a high level of interest. Other national events at which the ecological aspects of tourism were discussed included the taz newspaper's 2001 congress on the future held in Berlin and the discussion on 'The future of mobility' at the Protestant Church Convention 2001 in Frankfurt.

The British and Scandinavian companies also participated in the debate on environmental protection in a variety of organisations. Thomson representatives met the British Prime Minister to help launch projects on ecologically and socially sustainable tourism in cooperation with non-governmental organisations. Moreover, Thomson as well as TUI, continued their commitment as members of the United Nations Environment Programme Tour Operator Initiative. In the Nordic countries, Fritidsresor was involved in several projects, cooperating with World Wild Life Fund of Nature (WWF) and UNESCO World Heritage.

International year of eco-tourism

The United Nations have proclaimed the year 2002 the International Year of Eco-Tourism. The World Tourism Organization WTO and the United Nations Environmental Programme will coordinate the project and organise a welter of seminars and conferences on the issue of tourism and the ecology. These activities will focus on the preservation of the cultural and natural heritage in ecologically sensitive regions in the world. Preussag will be involved in these – and other – activities both in Germany and abroad. At the UN world summit on sustainable development 'Rio plus 10', a number of practical programmes will be presented; they will demonstrate the fact that the Group vigorously works towards sustainable, ecologically compatible tourism.

Environmental monitoring

The environmental compatibility of the products and an intact environment in the destinations form part of the quality standards of the Group's tour operators and hotels. To monitor the standards, an environmental monitoring system has already been applied for ten years and was further expanded in 2001. The information obtained in this way will be available in a modern data base in the future, allowing not just the environmentally compatible management of the Group's own hotels and their immediate environment but also monitoring the status of nature in the holiday regions and the activities launched by the transport companies.

On the basis of the conclusions from this process, a number of pioneering environmental projects are being initiated and supported in the long term in many destinations. One example is a cooperation contract for several years concluded on Majorca between TUI and one of the large nature conservation organisations on the Balearic Islands to protect the unique nature reserve 'La Trapa'. Another example is a presentation given by TUI on the Seychelles on ecological aspects of the islands, which was taken up as a key issue for a cabinet meeting held in the island state.

Environmental awards for hotels

As before, a number of projects were implemented in the hotel sector to create a lasting reduction in the environmental impact of hotels, such as waste, noise or pollutants, and to reduce water and energy consumption. These efforts were honoured in the form of awards received both internationally but also from guests. RIU hotels received an award to honour their environmental activities at the World Trade Market in London and by the Huelva province in Andalusia. A regular survey of hotel guests crowned the Iberotel Sarigerme Park in Turkey for the fifth consecutive time and the Grecotel hotel group as TUI's Environmental Champions.

Another example of sustainable environmental protection in the hotel sector is the environmental and quality certification under DIN EN ISO 14001/9001 for the Fleesensee/Germany Robinson Club and all four Robinson Club facilities in Turkey.

Environmentally compatible aircraft technology

With their continuous fleet renewal programmes, both Hapag-Lloyd Flug and Britannia Airways render an important contribution to environmental protection in airlines. In 2001, both companies commissioned additional Boeing 737-800 aircraft, equipped with fuel-saving engines and winglet technology so that fuel consumption is down to just 2.1 litre of kerosene per 100 kilometre and seat. Another significant advantage is the reduction of the noise level and noise area of the new aircraft versus older types. By means of its involvement in the work of national and international organisations such as British Air Transport Association (BATA) and International Air Carrier Association (IACA), Preussag's Airline Management is advancing technological progress to save the environment.

Certificates in logistics

In August 2001, Hapag-Lloyd Container Linie was the first shipping company to receive the 'International Air Pollution Prevention Certificate' issued by the German See-Berufsgenossenschaft. This certificate confirms that the new container ships meet the environmental standards of the United Nations Maritime Organisation. These standards include: the ban on the use of fluorocarbons/halons, the restriction of the sulphur portion in fuel and compliance with the limits fixed for exhaust gas emissions.

Emission protection in the energy sector

Due to the relatively strong ecological sensitivity of oil- or gas-producing regions, the implementation of projects on the exploration and production of hydrocarbons has to meet high standards. Preussag Energie has fixed standards, methods and procedures to take account of that fact. An example dating back to last year is the exploratory drilling in the Tunisian city of Sfax. Besides the complete housing of the drilling rig, the comprehensive emission protection measures also included a protective wall of 10 metres all around the drilling site to minimise noise immissions.

Personnel Changing personnel structure. Growth in tourism. Decline in Group workforce due to divestments.

Sustained growth in tourism – both from organic growth and acquisitions – and the scheduled divestments in building engineering and the energy sector influenced the development of the personnel structure in 2001. Overall, the number of employees as per balance sheet date dropped by 9.6% to 69,550 persons. The share in the Group headcount working in the tourism division rose to more than 70%, the logistics division employed around 13% of all employees, and industrial activities accounted for approx. 14%.

Changes in the divisions

At 49,515 employees, the headcount in tourism grew by 5,268 on the previous year. The Central European sector recorded the strongest growth, mainly as a result of the expansion of the hotel sector by means of the take over of Magic Life Clubs and the Anfi del Mar Group and the opening of new RIU hotels. In the logistics division, the headcount remained largely constant. In the energy sector, 2,178 employees left the Group, primarily in the wake of the sale of the Deutag Group and Kavernen Bau- und Betriebs-GmbH. In building engineering, the divestments of the Minimax Group, the Kermi Group and foreign companies of the Wolf Group caused a decline in the workforce by 10,311.

Personnel by divisions

	31 Dec 2001	31 Dec 2000	Change (%)
Tourism	**49,515**	**44,247**	**+ 11.9**
Central Europe	30,518	26,247	+ 16.3
Northern Europe	18,997	18,000	+ 5.5
Logistics	**9,084**	**9,128**	**- 0.5**
Industry	**9,633**	**22,341**	**- 56.9**
Energy	685	2,863	- 76.1
Building engineering	5,790	16,101	- 64.0
Trading	3,158	3,377	- 6.5
Other companies	**1,318**	**1,240**	**+ 6.3**
Total	**69,550**	**76,956**	**- 9.6**

Sustained internationalisation

Due to the increase in the workforce working in tourism, the number of employees working for foreign Group companies also rose to 45,656 or approx. 66% of the Group workforce. Apart from Germany with 34.4% of the employees employment in Europe focused on a number of regions, i.e. the United Kingdom with 23.6%, Spain with 13.4%, the Nordic countries with 3.3% and the Benelux countries with 6.9% of the overall workforce.

Personnel by regions

	31 Dec 2001	31 Dec 2000	Change (%)
Germany	23,894	30,767	- 22.3
United Kingdom	16,417	16,775	- 2.1
Nordic countries	2,279	2,322	- 1.9
Benelux countries	4,779	5,586	- 14.4
Spain	9,348	6,839	+ 36.7
Other Europe	7,893	9,025	- 12.5
Northern America	2,823	2,881	- 2.0
Other countries	2,117	2,761	- 23.3
Total	**69,550**	**76,956**	**- 9.6**

Personnel costs

At € 2,912 million, personnel costs were 0.7% down on the previous year's level. Wages and salaries accounted for € 2,367 million. Social security contributions and payments for pensions and assistance totalled € 545 million, including € 132 million of allocations to the company pension schedule to cover pension entitlements.

Personnel development

Constant initial and further training ensures the upskilling of employees and apprentices in a constantly changing work environment. Around 10,000 employees participated in the training schemes in 2001. A considerable portion of the training activities was implemented by the Group's own education and training company. Additional external programmes covered specific qualifications.

The Group continued to intensify vocational training for young people. With a total of more than 550 new training places and a total of 1,700 apprentices as of the balance sheet date, the training ratio in German Group companies rose to 7%. The Group's comprehensive personnel development schemes, based on its proven potential analysis systems, prepared managers for current and future assignments.

'My recipe for happiness?
An appetite for life's simple pleasures.'

Dimitris Staikopoulos appreciates the simple pleasures and is a passionate Head Chef in Crete.

Prospects Economic downturn is bottoming out. Lower growth forecast. Increased trend to late bookings in tourism.

Prospects for the 2002 financial year are characterised by considerable uncertainty. All major economic regions in the world are affected by a marked weakness of economic activity. As a consequence, no region is showing any particular sign of stimulus for the world economy. The present situation is also affected by the economic effects and the uncertainty of people in the wake of the events of 11 September. These are further factors to be overcome.

Economic outlook

Nevertheless, economists expect that the weakness of economic activity will be overcome in the course of the year 2002 in virtually all countries. A number of early indicators suggest that the bottom of the cycle has already been achieved. The experts are also agreed in their assessment of the leading role that economic activity in the USA will play in further development. They maintain different views concerning the timeframe and intensity of the expected recovery. However, they generally assume that the economic data will not reflect a sustained turnaround until the second half of the year. Accordingly, the forecast of the growth rates expected for 2002 has not changed much on the previous year.

In their forecasts for the year 2002, the experts of the International Monetary Fund predict that the world economy will recover, a process starting in the USA, not least due to the expansionary financial and monetary policy pursued by the administration and the Federal Reserve Board. However, the growth path initiated in the USA will probably initially only show a moderate upward trend.

Expansion in the USA will also improve the economic outlook in Europe. However, forecasts for the individual countries vary. For Germany, growth is expected to be weak, with a similar growth rate to 2001. The weak

Development of real GDP

Change (%)	2001	2002
European Union	+ 1.7	+ 1.3
Germany	+ 0.5	+ 0.7
United Kingdom	+ 2.3	+ 1.8
France	+ 2.1	+ 1.3
Euroland	+ 1.5	+ 1.2
USA	+ 1.0	+ 0.7
Japan	- 0.4	- 1.0
Asian threshold countries	+ 0.4	+ 2.0

Sources: International Monetary Fund. World Economic Outlook. December 2001 (update of the October 2001 edition) increase in the cyclical curve is explained both by the relatively low investment volume expected and restrained private consumption. For the United Kingdom and France, in contrast, forecasts expect a stronger rate of economic growth.

For Japan, the second largest economy in the world, it has to be presumed that the recessionary phase will not be overcome in the short term. This will also affect the pace of growth in the emerging economies of South East Asia.

Tourism

Market development

Tourism is still one of the major growth sectors, even after the events of 11 September. Current forecasts by the World Tourism Organization predict that the average annual growth rate will stand at 4.1% in terms of the number of holidaymakers until 2020. Whenever market growth slowed down in the past in years of political crises, it increased particularly strongly in the respective subsequent year so that the general growth trend was sustained. This reinforces the expectation that the nature of the current market trend will also only be a short-term disruption.

Spending on holidays in Europe will continue to grow more strongly than GDP since holidays continue to play a very important part in private consumption. Package tours are a reliably and well-accepted product in this market. With its offer of new programmes and destinations, the tourism division will continue to prove its innovative capabilities in 2002. Under the new master brand ‘World of TUI’, this message will be effectively communicated by means of emotionally appealing advertising. ‘World of TUI’ with its strong national brands therefore stands a good chance of continuing to grow more strongly than the market.

The tourism division covers the Central Europe, Northern Europe and Western Europe sectors and the activities in the destinations, grouped together in an additional sector.

Central Europe

The Central Europe sector covers all distribution and tour operator activities in the source markets Germany, Austria, Switzerland and Poland and the airline Hapag-Lloyd Flug.

Germany

In Germany, Europe's largest market, prospects for the distribution and tour operator business are good, although the current scenario is characterised by a high level of insecurity. In the medium term, the business of TUI Deutschland will be further boosted by the increasing trend towards second or third holidays and the stronger growth in organised tours as opposed to individualised trips. With its quality approach, TUI is also well positioned to meet customers' demand in future in the light of the socio-demographic development in Germany.

In the wake of the events of 11 September, demand in Germany is only gradually picking up steam. A distinct feature is the trend towards late bookings, which is becoming stronger and stronger compared with previous years. This new booking behaviour makes it more difficult to plan for the season – a situation which the tour operators of TUI Deutschland are adjusting to as far as possible by flexible contracting of their capacities. They also aim to improve average margins by means of differentiated sub-seasons and demand-oriented pricing introduced for the summer season. At the beginning of the year, incoming bookings both for the winter and the summer season still fell short of last year's levels. The subsequent increase in demand suggests that bookings will continue to return to normal, particularly as current surveys indicate that almost all potential holidaymakers are keeping to their holiday plans.

Distribution in the tourism division is integrated within TUI Leisure Travel, which includes the brands Hapag-Lloyd, First and TUI ReiseCenter. Directional sales measures are being taken with a view to creating a continued sustained increase in sales of tours organised by in-house tour operators. The opportunities resulting from the new media – such as the Internet, Call Centres and the TV Travel Shop – as additional distribution channels are consistently taken advantage of.

Austria

In Austria, TUI Austria and Gulet Touropa Touristik have pooled their forces by means of initial integration measures. The tour operator business continues to rely on the popular destinations in the eastern Mediterranean and the Magic Life club brand. The first-time offer of the complete range of TUI programmes in Austria marks a considerable expansion of the product portfolio in the western Mediterranean and in long-haul tours. New franchise partners foster the Group's in-house distribution through TUI ReiseCenters and the Tiroler Landesreisebüro.

Switzerland

In Switzerland, TUI Suisse intends to continue last year's positive trend in distribution and the package tour business, a development mainly supported by its brands Imholz and Vögele Reisen. The introduction of specific country catalogues provides a further boost to the attractiveness of the offering of the TUI brand. Although local events such as the bankruptcy of Swissair and the Crossair crash forced demand even further down in the past few months of 2001, bookings for the summer season have picked up again since the beginning of the year.

Poland

On the Polish market which will continue to be characterised by growth, TUI Polska will maintain its leading market position. As the Group has acquired a shareholding in White Eagle Aviation, in-house flight capacities are available to Polish passengers.

Hapag-Lloyd Flug

On the German charter market, the 2002 summer season will see a reduction in the number of seats available. Hapag-Lloyd Flug is adjusting its fleet planning to the market trend and plans to use 33 aircraft on medium-haul routes in the forthcoming summer season. By means of close cooperation with the German tour operators' capacity management, it expects another stable flight schedule and a high seat occupancy rate.

Northern Europe

The Northern Europe sector covers the distribution and tour operator business in the source markets United Kingdom, Ireland and the Nordic countries along with the airline Britannia Airways.

United Kingdom

In the United Kingdom, the second largest market in Europe, incoming bookings started to return to normal after the events of 11 September more quickly than in other markets. Nevertheless, the UK also saw bookings with Thomson Holidays and the other TUI UK tour operators both for the current winter season and the 2002 summer season falling short of last year's figures by the end of the year 2001. The capacity adjustments implemented by all market players, however, seem to create a balance between supply and demand. TUI UK therefore expects a steady improvement in the booking situation in the course of the year. Once again, mainland Spain, the Balearic Islands and the Canary Islands, followed by Greece, will be the most popular destinations. Holiday regions in the Caribbean should also be able to maintain their position.

In November 2001, TUI UK initiated measures to restructure its operational units and significantly reduce costs. It therefore combined its distribution business, comprising Lunn Poly travel shops, three regional travel chains, call centres and teletext distribution, with its tour operator business. These measures will ensure optimisation of both sales of in-house products and cost structures.

Ireland

TUI Ireland – market leader in Ireland with its brand Budget Travel, both in the tour operator and distribution business – expects a stable development. Bookings for the 2002 summer season, which are mainly post Christmas in the Irish market, improved at the beginning of the year.

Nordic countries

In the Nordic countries Sweden, Norway, Denmark and Finland, TUI Nordic operates with its leading tour operator brands of Fritidsresor, Star Tour and Finnmatkat. In the Nordic market, demand for the winter programme – representing a larger proportion of their business than in other European countries – will be lower than the previous year. TUI Nordic has adapted to this expectation and adjusted its capacities accordingly. The summer season is expected to return to more normal booking levels.

Britannia Airways

Britannia Airways will primarily fly for the tour operators of the Northern Europe sector in 2002. It plans to use a total of 39 aircraft in the summer season to fly from the UK, Ireland and the Nordic countries to Mediterranean and overseas destinations.

Western Europe

The Western Europe sector covers the distribution and tour operator business in the Netherlands and Belgium and will also include France in future.

Netherlands

In the light of weak overall growth of the economy, TUI Nederland expects moderate growth in the tour operator business. Positive effects are expected from the complete integration of its brands Arke and Holland International in one organisation and the restructuring of the in-house distribution.

'Skill in facing life's twists and turns is not a question of age.'

Rita Beisert rides motorcycles and is a skilled Pensions Administrator.

Belgium

Following the strong growth recorded last year, TUI Belgium, with market-leading tour operator Jetair, expects a considerable slowdown in business volume growth. Measures initiated in the distribution sector to optimise their own organisation and expand the franchise system are likely to trigger positive effects.

France

In France, Preussag increased its interest in Nouvelles Frontières, the French market leader in the tour operator business, as in January 2002 by 17.3% to 30.2%, as scheduled. It is scheduled to increase this shareholding to a majority holding in the course of the year 2002.

Destinations

Incoming agencies

The destinations sector covers the Group's own incoming agencies and participations in hotel companies. The incoming agencies are planning to step up the number of holidaymakers taken care of in 2002. This will mainly result from synergy effects from the integration of the TUI and Thomson incoming agencies in Spain, but also from the joint care and support for Group customers from all source markets by in-house agencies.

Hotels

The hotel sector expects an overall steady development of its business for 2002. The strong position in regions with sustained stable demand will have a positive effect. The selective expansion of capacities in the up-market segment will continue – a total of three new hotels and four club facilities will be opened.

Logistics

On the basis of expected future business conditions, the experts of the International Monetary Fund anticipate that world trade will only grow moderately in real terms in 2002, following the decline in growth in 2001; in December 2001, their forecast was 2.1%.

Market development

For world-wide container transport, this means that growth in 2002 will account for 2 to 3%, i.e. considerably below the average growth rate of 6% achieved over many years. Besides the reduction in anticipated growth, the situation on the world market is characterised by shipowners' investments in new ships, which are adding to capacities. In the short term, this development will result in availability of a large volume of transport space, entailing a corresponding impact on freight rates. In the medium term, however, available capacities and demand will come into line again.

Besides the sustained increase in world trade volume, there are two main reasons supporting that expectation: the replacement of conventional shipping of goods by container transports will continue. In addition, the international division of labour with the related increase in requirements in terms of logistics services will continue, albeit with less momentum.

Hapag-Lloyd Container Linie

Hapag-Lloyd Container Linie again intends to outgrow the market in 2002. This objective shall be implemented primarily in transport regions in which it currently holds a relatively small market share, e.g. by means of launching new routes on the Pacific or continued expansion of transports in Asia. As it is a member of the Grand Alliance, the world's largest international liner shipping association, it is ideally placed to hold its own in a market characterised by increasingly fierce competition. In addition Hapag-Lloyd Container Linie relies on its proven operational strength. For 2002, this means that the envisaged increase in volume is to be achieved by means of enhancing efficiency and that the successful cost management is to be rigorously continued.

Hapag-Lloyd Kreuzfahrten

Forecasts for the German market for cruises for the year 2002 only expect a minor increase in passenger figures. With its established product portfolio and the high standard of its cruise ships – from 3-star to 5-star plus –, Hapag-Lloyd Kreuzfahrten is well positioned to continue to play a leading role in the German market.

VTG-Lehnkering Group

The VTG-Lehnkering Group, one of the leading service providers for the chemical and petrochemical industries, will continue its steady development in 2002. Although VCI, the industry association, currently only expects minor growth rates for the chemical industry, the high degree of specialisation of the services range offered by VTG-Lehnkering is expected to generate good capacity utilisation again, in particular in rail logistics. VTG-Lehnkering will further expand its market position in this sector.

In cooperation with M.M. Warburg & Co. and Hapag-Lloyd, the European rail logistics activities of the Australian Brambles Group were taken over; these activities include the leasing and forwarding business of around 19,000 self-owned and 2,400 operated tank and goods wagons. VTG-Lehnkering will assume the operative management of these activities. In addition, an expansion of the activities of 'rail4chem' has been planned. This rail transport company, established by VTG-Lehnkering and three partners, is responsible for the traction of complete train-loads on the rail network of Deutsche Bahn.

Algeco Group

The trend to cover short- and medium-term space requirements by means of modular buildings will continue throughout 2002. In western and south European countries in particular, customers from industry, the construction sector, the services sector and the public sector opt for flexible solutions. The Algeco Group has worked hard to achieve an excellent market position in the European mobile buildings hire business and occupies leading positions in France, its core market, but also Germany, Spain and Portugal. On this basis, it expects a sustained growth of its business in 2002, with its core markets but also younger markets such as Italy and the Czech Republic supporting its expansion. To this end, it plans to further increase the capacities of its mobile buildings park.

Energy

Following the divestment of drilling services in 2001, the Group's energy business is now focused on the exploration and production of crude oil and natural gas by Preussag Energie GmbH.

For the 2002 financial year and beyond, Preussag Energie expects an increase in the volume of crude oil and natural gas production. To achieve this, it plans to further increase production in existing fields on the one hand and to tap additional production potentials on the other. In Germany, the focus is on optimisation of crude oil production. Natural gas sales in Germany, secured by long-term contracts in the liberalised market, can be increased by means of the conclusion of additional delivery contracts, due to sufficient existing reserves. At the international level, Preussag Energie is involved in attractive production fields and exploration blocks. These activities also include shares in fields about to start production.

As a consequence, an increase in the production of both crude oil – in particular in Venezuela, Ecuador and Qatar – and natural gas in the new fields in Trinidad/Tobago, Tunisia and New Zealand is expected. In consolidating its international presence – in managing Group-owned operations or in cooperation with international partners – Preussag Energie focuses on a few chosen core regions and relies on its specific expertise in these areas.

For 2002, Preussag Energie expects total crude oil production to account for over 3 million tons – of which around 80% will come from abroad – and natural gas production to total over 1.4 million m^3 (Vn). The economic development of the energy sector entails imponderabilities related to the future crude oil prices and currency parities in the current environment, characterised by economic and political volatility. On the basis of its curb of crude oil production, at the beginning of 2002, OPEC still aims at crude oil prices in the range of 22 to 28 US dollars per barrel for 2002. Preussag Energie has adjusted to this price range by means of price hedges.

Trading

Following a decline in business in 2001, the trading sector is expected to grow again in the new financial year. One of the crucial factors determining this growth both for the US steel service companies and the AMC Group will be how fast economic recovery in the USA will boost their activities. Assuming organic growth in their existing business areas, both groups expect improvements, above all in non-ferrous metal trading and in the steel business. These improvements will also be supported by the cost-cutting measures launched last year.

The trading sector is part of the ongoing divestment programme and, accordingly, is planned to be sold.

Developments in 2002

In the fourth quarter of 2001, the general weakness of economic activity was more clearly perceptible than before in several sectors and tourism in particular suffered from the effects of the events of 11 September. As a consequence, business development in the first few weeks of the new financial year 2002 was moderate, as expected.

Tourism

The tourism division was faced with a major change in customers' booking patterns. The trend towards late bookings was reinforced – also as a result of the overall economic and political uncertainty. Following a satisfactory Christmas business, the tour operators began the remaining months of the 2001/2002 winter season with around 10% shortfall in bookings compared with the previous year. The recovery of business which started in the course of January and brought an increase in short-term bookings for the Easter holidays, indicates that this shortfall will partly be offset. Bookings for the 2002 summer season were slow in all major source markets at the beginning of the year. The future development of business will crucially depend on whether the current restraint in bookings will fade after Easter.

Logistics

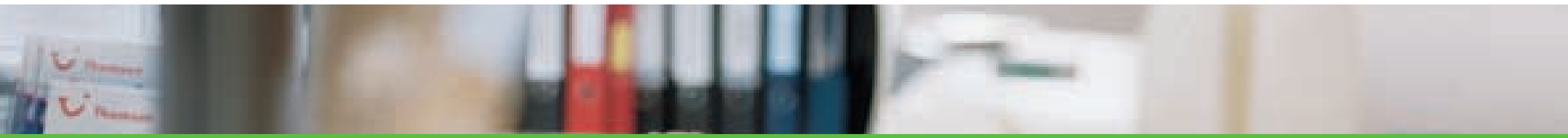
In the logistics division, the development of the previous year's fourth quarter continued. A significant slowdown in growth in the transport volume in container shipping contrasted with persistently steady business trends in rail logistics and in the mobile buildings hire business.

Energy

In the energy sector, sales of natural gas were seasonally high, with crude oil production continuing on the development of volumes in previous quarters. At the beginning of the year, the price of crude oil stood at the bottom end of the price range which OPEC aims to achieve for 2002.

Following the good performance in the 2001 financial year, resulting in the highest-ever result in tourism and record results both in the logistics division and the energy sector, the development of business in all three divisions in 2002 will be substantially affected by the economic trend. Although it is not very probable that the divisions will exceed the profit contributions they made in 2001, total Group performance can be expected to be satisfactory again in the light of a reduction in interest and central costs.

Preussag Share



'You need stamina to keep things running this smoothly.'

Jürgen Körber runs marathons and is a persistent Manager Travel Documents.

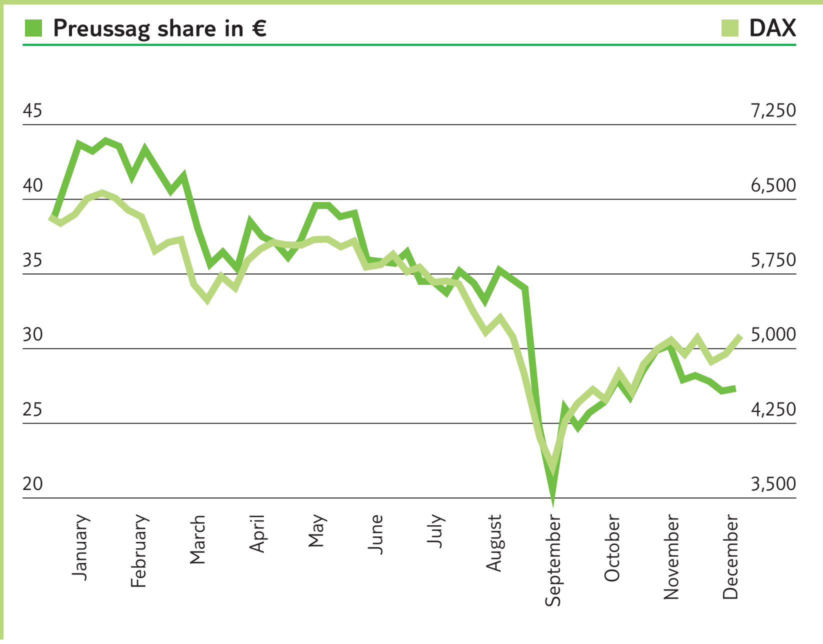
Preussag Share Performance in line with market trend. 2001 – a year of high volatility at the stock markets.

In 2001, the general framework for investment was characterised by a perceptible slowdown in economic activity in many parts of the world, a decline in corporate profits and significant interest rate cuts by the central banks. For German investors the trend continued to be set by the US stock markets, with the German stock exchange only showing a limited degree of inherent momentum. Besides the growing pessimism during the course of the year about the further trend in economic activity and the general weakness of the heavyweights in the telecommunications and information technology markets, another aspect adversely affecting the sentiment among German investors was the sharp decline of Neuer Markt. Following the crash triggered by the events of 11 September, stock markets recovered to their initial levels by the end of the year. However, the subsequent upward trend then turned into a sideways movement as a result of the continuing uncertainty surrounding economic forecasts for 2002.

Share price: following the market trend

The Preussag share had a good start in 2001, reaching its annual high of € 44.70 in February, following on from an opening price of € 39.23. It subsequently continued to outperform the DAX (German stock exchange

Preussag share price in comparison with the DAX (2001)



index), although it did not manage to escape the general downward trend in the market. In the summer months, the Preussag share then lost some of its strength in comparison with the DAX, despite the positive development of business in its core business tourism, because investor assessments for the sector were adversely affected by profit warnings issued by European competitors.

The general price slump in the wake of 11 September dragged the Preussag share down to the lowest daily closing price of the year: 19.20 €. While the DAX lost about 20% of its value at that stage, the Preussag share – just like other aviation and tourism stocks – lost slightly more than 40% of its value. In the subsequent recovery stage, it recouped a large proportion of this loss and ended the year at a price of € 27.60. The upward trend continued in 2002 so that the price level prior to the sharp slump in the stock markets was again achieved by the end of January 2002.

Long-term development of Preussag share prices

€	1997/98	1998/99	1999/2000	AFY 2000*)	2001
Highest share price	39.32	59.25	55.60	42.00	44.70
Lowest share price	23.16	26.08	30.50	32.80	19.20
Share price at financial year-end	29.55	47.30	34.70	38.60	27.60
Book value	13.06	15.85	18.86	18.60	19.00

*) Abbreviated financial year from 1 October to 31 December 2000

Trading: Preussag established as tourism stock

Preussag's transformation into European market leader in tourism has also given rise to a repositioning of the share in the eyes of the financial community. As the only German share in this sector, the Preussag share competes for international investors with listed tourism companies in the UK, Switzerland and France.

In Germany, Preussag shares are officially quoted on all eight German stock exchanges. Besides being traded in the trading floor systems, the shares are also traded in the Xetra electronic trading system. Foreign investors can also trade Preussag shares off the floor via the London SEAQ system.

Due to its liquidity and total market capitalisation amounting to € 4.9 billion at the balance sheet date, the Preussag share has been one of the

DAX30 stocks, the German stock index of the top 30 quoted companies, since 1990. With regard to the two decisive criteria for admission to the index – market capitalisation and trading volume – it occupied 26 and 25 place when the composition of the index was last determined in 2001 and carried a weighting of 0.73%.

Besides the DAX, the central German index, the Preussag share is also included in the European sub-indices DJ Stoxx Cyclical Consumer Goods and Services and in the DJ Euro Stoxx Cyclical Goods and Services; last year its weighting was 1.74% and 3.14% respectively. The Preussag share is also listed in the FTSE Index Eurotops 300 and other industry indices on the German and European markets.

The Preussag share sustained its position in terms of the level of interest shown by investors throughout 2001. An average of 623,565 shares was traded per day, almost the same average volume as last year. Given a free float of around 70%, the turnover rate of the free capital stock was 1.3.

The number of Preussag shares traded on the European futures exchange EUREX totalled around 300,000 contracts in 2001. However, average trading volume amounted to 25,000 contracts per month, falling short of the high volume traded last year.

The number of covered warrants in circulation – warrants issued by banks and covered by share portfolios – fell to 20 as per the balance sheet date. In addition, a large number of covered warrants for Preussag shares were in circulation off the floor.

Subscribed capital: 178,038,299 shares

A total of 428,146 option rights were exercised prior to the maturity of the 1996/2001 bond with warrants attached on 17 May 2001. On the basis of the share split of April 1999, ten no-par value shares had to be issued for every warrant exercised. The number of shares increased by 4,281,460 to 178,038,299 no-par value shares, and subscribed capital rose by € 10,945,378.69 to a total of € 455,147,684.11.

The issue of employee shares scheduled, as in previous years, for October 2001, was suspended as it appeared impossible to determine a fair issuing price in the light of the turmoil in the stock exchanges after 11 September.

'No matter how fast the pace, I'm always up to speed.'

Kathy Heskamp challenges herself with indoor cycling and is an energetic IT-Support staff member at Preussag Energie.

In the 2001 financial year, no bonds were converted from the 1999/2004 convertible bond. As a result, investors continued to hold conversion rights for a total of 8,750,719 shares at the balance sheet date.

2001 Annual General Meeting

Approx. 1,700 shareholders and shareholders' representatives representing 37% of the capital stock participated in the Annual General Meeting on 18 May 2001. Apart from adopting resolutions concerning the annual financial statements for the 1999/2000 financial year and the abbreviated 2000 financial year, the Annual General Meeting focused on the election of the shareholders' representatives to the Supervisory Board. The composition of the Supervisory Board for the new term of office is listed in the annex.

In addition, the Annual General Meeting authorised the Board to purchase own shares under § 71 para. 1 no. 8 of the German Stock Corporation Law. Accordingly, the Board – with the consent of the Supervisory Board – may purchase own shares with a volume of up to 10% of the subscribed capital for purposes other than securities trading. This authorisation expires on 17 November 2002 and replaces the authorisation given by the Annual General Meeting on 12 April 2000. In the 2001 financial year, the authorisation to purchase own shares was not used.

Shareholder structure

Preussag's shareholder structure did not change significantly in the 2001 financial year. German shareholders hold the vast majority of shares in the subscribed capital. As a result of the focus on tourism, foreign investors are showing a high level of interest in Preussag shares: internal and external analyses indicate that they hold more than a quarter of the subscribed capital and that the majority of foreign investors come from the United Kingdom, France, Switzerland and the USA.

The largest single shareholder in Preussag AG is GEV – Gesellschaft für Energie- und Versorgungswerte mbH – a subsidiary of Westdeutsche Landesbank. It holds almost one third of the subscribed capital. Institutional investors hold around 50% of the shares in Preussag, while around 15% are in the hands of private shareholders.

Return rates: dividend unchanged at € 0.77

For the 2001 financial year, Preussag AG shows a profit of € 136.9 million. Taking into account retained profits brought forward of € 0.6 million, net profit of € 137.5 million is available for distribution to shareholders.

It is therefore possible to retain the dividend unchanged and propose a dividend of € 0.77 to the Annual General Meeting. Due to changes in tax legislation, profit distribution no longer carries a tax credit. With a total of 178,038,299 dividend-bearing shares at the end of the financial year, the resulting dividend payouts amount to € 137.1 million; the remaining € 0.4 million will be carried forward on new account.

Preussag shareholders who purchased their shares at the beginning of the 2001 financial year gained a dividend yield of 2.0% for this period.

Longer-term investors, who for instance invested € 500 in Preussag shares ten years ago, exercised their subscription rights and reinvested their dividend income, had a portfolio worth € 1,223 at the balance sheet date, thus gaining an average annual return of 9.4%.

Development of earnings of the Preussag share

€	1997/98	1998/99	1999/2000	AFY 2000*)	2001
Earnings per share	1.69	1.78	1.91	0.08	1.96
Dividend	0.61	0.77	0.77	0.20	0.77
Bonus	0.15	–	–	–	–
Tax credit	0.26	0.32	0.33	–	–

*) Abbreviated financial year from 1 October to 31 December 2000

One of the key figures for investors is earnings per share and the development of this figure. On the basis of reporting according to International Accounting Standards, the Preussag Group achieved earnings per share of € 1.96, a figure based on an average number of shares for the 2001 financial year of 176,694,011. According to current information, the convertible bond maturing in June 2004 will not result in an increase in subscribed capital. Accordingly, earnings per share will not be subject to a dilution effect.

Value-oriented management

On the basis of its value-oriented approach to portfolio management, Preussag has changed from a group of industrial companies to the European market leader in tourism. The increase in group value brought about by this change must be sustained. To this end, Preussag implemented the Premium concept (Preussag management information system for maximisation of the value of the Group), a control tool for value-oriented management of the Group as a whole and its individual companies.

The Premium concept, an integrated system, is designed for both strategic and operational management control. Its strategic dimension supports active portfolio management in acquisition and investment analyses. At operational level, the portfolio is controlled by fixing individual return targets for each sector and allocating financial resources to sectors with high earnings potential.

An essential feature of portfolio analysis is the return on equity: it is calculated for both the Group as a whole and the individual sectors. Return on equity is the ratio between the balance-sheet equity employed in individual sectors and the results of ordinary business activities before amortisation of goodwill. The medium-term objective for the Group is to achieve a return on equity of 25%.

Key return ratios 2001

	Turnover € million	Results by division*) € million	Return on sales %	Equity € million	Return on equity %
Tourism	12,762.9	529.7	4.2	1,657.5	32.0
Logistics	3,889.4	308.4	7.9	1,328.4	23.2
Energy	836.2	338.4	40.5	311.8	108.5
Building engineering	1,610.8	- 45.5	- 2.8	358.5	- 12.7
Trading	3,143.4	44.8	1.4	351.6	12.7
Others/consolidation	168.7	- 364.4	–	- 624.9	–
Group	**22,411.4**	**811.4**	**3.6**	**3,382.9**	**24.0**

*) Earnings before tax and amortisation

At 24.0%, the return on equity for the Preussag Group came close to this target, following a ratio of 22.8% in the 1999/2000 financial year, even though the segment capital increased compared to the previous year and building engineering reported a loss against a proft in the 1999/2000 financial year. In tourism, return on equity rose from 29.2% to 32.0%. Due to the structural changes of the division, these figures are only comparable to a limited extent. Return on equity in logistics was up to 23.2% compared with 22.6% in the previous year. Energy achieved 108.5% following 118.3%. In trading, equity ratio nearly halved from 24.8% to 12.7%. Building engineering reported a negative figure at - 12.7%, but due to the divestments of 2001 comparison with the 1999/2000 financial year is not meaningful.

Investor Relations

Our investor relations activities focused on communicating fully and openly about the development of our business and the progress achieved in implementing our strategic objectives. Other important issues we discussed with shareholders, potential investors, analysts and lenders were the integration process in tourism, the new core business, and the implementation of the divestment programme in the industrial sector.

Our activities focused on the professional players in the capital market. We provided them with the necessary information at three analyst conferences, several presentations and roadshows in Germany, United Kingdom, Switzerland, France and the USA and in regular discussions. Apart from the Annual General Meeting, contacts with private shareholders and potential investors were fostered at shareholder events organised by regional stock exchanges and banks.

The Internet has an important part to play in our everyday investor relations work. Actual information such as quarterly reports and press releases are made available to all interested groups at www.preussag.de, in German and English at the same time. In addition, constantly updated supplementary information and comprehensive historical information about Preussag and the Preussag share can be retrieved. Access to the investor relations website is made easy and convenient by the optimisation of technical features and website design.

*) Abbreviated financial year from 1 October to 31 December 2000

Preussag Group

		1997/98	1998/99	1999/2000	AFY 2000*)	2001
Consolidated companies		361	508	594	577	509
Total turnover	€ mill.	20,035	18,637	25,112	6,048	26,528
Consolidated turnover	€ mill.	18,340	16,501	21,854	5,101	22,411
Foreign turnover	%	66.3	76.3	81.1	74.0	83.7
Results by division	€ mill.	521	620	747	101	811
Profit before tax	€ mill.	479	533	577	34	533
Tax	€ mill.	177	188	174	10	122
Net profit for the year	€ mill.	302	345	403	24	411
Earnings per share	€	1.69	1.78	1.91	0.08	1.96
Cash flow per share	€	5.45	3.59	5.57	- 1.15	7.83
Cash flow/turnover	%	4.5	3.5	4.4	- 3.9	6.2
Internal financing	%	51.8	23.1	20.0	- 33.2	87.9
Fixed assets	€ mill.	5,878	7,769	12,456	12,613	12,226
Current assets	€ mill.	4,402	7,467	6,054	5,381	4,398
Shareholders' equity	€ mill.	1,996	2,718	3,271	3,232	3,383
Liabilities	€ mill.	8,285	12,518	15,239	14,761	13,241
long-term	€ mill.	3,796	3,433	5,271	5,228	4,936
short-term	€ mill.	4,489	9,085	9,968	9,533	8,305
Balance sheet total	€ mill.	10,280	15,236	18,510	17,993	16,624
Equity ratio	%	19.4	17.8	17.7	18.0	20.3
Capital expenditure	€ mill.	1,607	2,499	4,820	604	1,573
Goodwill	€ mill.	605	1,142	3,263	41	96
Tangible assets	€ mill.	834	863	1,346	448	965
Investments	€ mill.	168	494	211	115	512
Depreciation	€ mill.	564	617	840	261	1,013
on goodwill	€ mill.	42	93	174	68	284
on tangible assets	€ mill.	498	492	620	179	681
on investments	€ mill.	24	32	46	14	48
Equity/fixed assets ratio	%	98.5	79.2	68.6	67.1	68.0
Total employees	30 Sept/31 Dec	66,563	79,142	79,959	76,956	69,550
Domestic	30 Sept/31 Dec	43,428	28,718	31,047	30,767	23,894
Abroad	30 Sept/31 Dec	23,135	50,424	48,912	46,189	45,656
Personnel costs	€ mill.	2,941	2,287	2,933	762	2,912

Financial Statements

Profit and Loss Statement of the Preussag Group for the period from 1 January 2001 to 31 December 2001

mill. €	Notes		2001	AFY 2000*)	1999/2000
Turnover	(1)	22,411.4		5,101.1	21,853.7
Change in stocks of goods and other own work capitalised	(2)	+ 65.3		+ 35.5	+ 103.9
Other operating income	(3)	1,321.2		440.8	1,202.6
			23,797.9	5,577.4	23,160.2
Cost of materials	(4)	15,228.6		3,474.4	14,930.3
Personnel costs	(5)	2,911.9		761.6	2,933.2
Depreciation	(6)	686.7		179.6	623.9
Other operating expenses	(7)	3,856.3		954.5	3,846.6
			22,683.5	5,370.1	22,334.0
Operating result			**+ 1,114.4**	**+ 207.3**	**+ 826.2**
Result from companies valued at equity		+ 26.8		- 12.1	- 30.8
Other financial result		- 329.8		- 93.9	- 48.5
Financial result	(8)		**- 303.0**	**- 106.0**	**- 79.3**
Result by divisions			**+ 811.4**	**+ 101.3**	**+ 746.9**
(of which result from discontinuance of operations)	(9)		(+ 36.3)	(–)	(–)
Amortisation of goodwill	(10)		278.2	67.5	170.5
Profit on ordinary activities			**+ 533.2**	**+ 33.8**	**+ 576.4**
Taxes on income		73.5		- 8.1	124.6
(of which taxes from discontinuance of operations)	(9)	(- 47.0)		(–)	(–)
Other taxes		48.4		18.0	49.3
Taxes	(11)		**121.9**	**9.9**	**173.9**
Group profit for the year			**411.3**	**23.9**	**402.5**
Results attributable to minority interests	(12)		65.2	9.7	71.4
Results attributable to shareholders of Preussag AG			**346.1**	**14.2**	**331.1**
Profit carried forward of Preussag AG			0.6	134.0	0.5
Transfers to reserves			- 209.2	+ 20.6	- 197.6
Profit available for distribution of Preussag AG			**137.5**	**168.8**	**134.0**

€	Notes	2001	AFY 2000*)	1999/2000
Earnings per share	(13)	**1.96**	**0.08**	**1.91**
Diluted earnings per share		1.96	0.08	1.88

*) Abbreviated financial year from 1 Oct 2000 to 31 Dec 2000

Balance Sheet of the Preussag Group as per 31 December 2001

mill. €	Notes		31 Dec 2001	31 Dec 2000
Assets				
Fixed assets				
Goodwill	(14)	4,721.4		4,975.3
Other intangible assets	(15)	220.3		171.0
Tangible assets	(16)	6,305.3		6,577.5
Companies valued at equity	(17)	649.4		646.3
Other investments	(17)	329.5		242.7
			12,225.9	**12,612.8**
Current assets				
Inventories	(18)		761.9	1,016.1
Receivables and other current assets				
Trade accounts receivable	(19)	1,192.5		1,596.6
Receivables from derivative financial instruments	(20)	98.9		0.0
Other receivables and assets	(20)	1,355.2		1,535.6
			2,646.6	3,132.2
Funds	(21)		643.3	846.3
			4,051.8	**4,994.6**
Tax claims	(22)		**97.7**	**130.1**
Prepaid expenses	(23)		**248.3**	**255.9**
			16,623.7	**17,993.4**

mill. €	Notes		31 Dec 2001	31 Dec 2000
Shareholders' equity and liabilities				
Shareholders' equity				
Subscribed capital	(24)	455.1		444.2
(Conditional capital 89.0)				
Capital reserves	(25)	1,550.1		1,474.7
Revenue reserves	(26)	925.7		872.9
Reserves for changes in value of financial instruments	(27)	- 36.1		0.0
Net profit available for distribution	(28)	137.5		168.8
(of which profit carried forward)		(0.6)		(134.0)
Interest in equity of shareholders of Preussag AG			3,032.3	2,960.6
Minority interests in equity	(29)		350.6	271.3
			3,382.9	**3,231.9**
Provisions				
Provisions for pensions and similar commitments	(30)	772.0		907.0
Tax provisions	(31)	804.5		922.5
Other provisions	(31)	1,117.7		1,286.3
			2,694.2	**3,115.8**
Liabilities	(32)			
Short-term liabilities				
Financial liabilities		4,033.1		4,797.1
Liabilities from derivative financial instruments		106.6		0.0
Trade accounts payable		2,061.7		2,113.7
Other liabilities		1,316.1		1,482.1
			7,517.5	**8,392.9**
Long-term liabilities				
Financial liabilities		2,798.8		2,965.6
Liabilities from derivative financial instruments		15.4		0.0
Trade accounts payable		1.4		11.6
Other liabilities		75.5		105.3
			2,891.1	**3,082.5**
Deferred income	(33)		**138.0**	**170.3**
			16,623.7	**17,993.4**

Development of Fixed Assets

mill. €	Cost of Acquisition or Manufacturing Balance 1 Jan 2001	Currency Adjustment	Changes in Consolidation	Additions	Disposals[1]	Transfers	Balance 31 Dec 2001
Intangible assets							
Exploration and drilling licences	13.9	0.0	0.0	0.0	0.0	0.0	13.9
Concessions, patents and licences	475.4	1.1	8.6	109.4	56.7	3.0	540.8
(of which self-constructed assets)	(41.5)	(0.0)	(0.0)	(22.7)	(3.9)	(0.0)	(60.3)
Goodwill	5,395.6	0.0	45.6	96.0	244.2	65.9	5,358.9
(of which goodwill from capital consolidation)	(5,349.0)	(0.0)	(41.4)	(93.0)	(233.8)	(65.7)	(5,315.3)
(of which negative goodwill)	(17.2)	(0.0)	(0.0)	(1.0)	(0.0)	(0.0)	(18.2)
Payments on account	2.7	0.0	0.0	6.2	0.8	- 1.1	7.0
Total	**5,887.6**	**1.1**	**54.2**	**211.6**	**301.7**	**67.8**	**5,920.6**
Tangible assets							
Mineral rights	46.2	0.0	0.0	0.0	0.0	0.0	46.2
Real estate, land rights and buildings including buildings on third-party properties	2,367.9	7.5	55.8	121.0	362.4	56.5	2,246.3
(of which buildings as investment properties)	(491.0)	(0.0)	(0.0)	(9.8)	(23.9)	(3.9)	(480.8)
Pits, mines and boreholes	700.1	0.0	0.0	21.5	1.1	1.4	721.9
Machinery and fixtures	1,956.0	8.5	10.8	77.8	636.9	57.6	1,473.8
Ships and wagons	2,420.4	3.4	0.1	84.8	118.2	16.8	2,407.3
Mobile buildings, containers and container trailers	1,005.0	0.3	0.0	139.4	47.2	0.2	1,097.7
Aircraft	2,381.3	25.9	0.0	26.7	185.7	18.4	2,266.6
Other plants and office equipment	1,302.7	4.1	27.5	209.7	310.0	- 9.7	1,224.3
Assets under construction	90.5	0.2	3.1	131.8	17.3	- 63.6	144.7
Payments on account	141.3	0.4	24.8	36.0	15.6	- 79.7	107.2
Total	**12,411.4**	**50.3**	**122.1**	**848.7**	**1,694.4**	**- 2.1**	**11,736.0**
Investments							
Shares in Group companies	151.7	1.8	43.5	6.9	61.7	- 1.2	141.0
Loans to Group companies	9.8	0.0	0.0	0.0	8.5	0.0	1.3
Companies valued at equity	699.5	0.3	0.0	299.6	311.2	- 12.3	675.9
Other shareholdings	118.5	0.0	0.0	131.6	18.2	- 49.7	182.2
Loans to other companies in which shareholdings are held	14.0	0.0	0.0	3.1	3.5	- 5.2	8.4
Securities	16.3	0.1	0.2	16.4	3.7	- 0.3	29.0
Other investments	44.0	0.0	0.0	54.4	19.3	3.0	82.1
Payments on account	14.6	0.0	0.0	0.3	14.6	0.0	0.3
Total	**1,068.4**	**2.2**	**43.7**	**512.3**	**440.7**	**- 65.7**	**1,120.2**
Fixed assets of the Preussag Group	**19,367.4**	**53.6**	**220.0**	**1,572.6**	**2,436.8**	**0.0**	**18,776.8**

[1] Including disposals relating to changes in structure of consolidated companies

a) Intangible assets:	40.8
b) Tangible assets:	1,139.1
c) Investments:	144.3

Depreciation Balance 1 Jan 2001	Currency Adjustment	Changes in Consoli-dation	Depreciation for the Current Year	Disposals[2]	Transfers	Balance 31 Dec 2001	Net Book Values Balance 31 Dec 2001	Balance 31 Dec 2000
13.9	0.0	0.0	0.0	0.0	0.0	13.9	0.0	0.0
307.1	2.1	1.4	54.0	36.9	- 0.2	327.5	213.3	168.3
(6.2)	(0.0)	(0.0)	(6.2)	(2.1)	(0.0)	(10.3)	(50.0)	(35.3)
420.3	0.0	2.1	283.9	71.0	2.2	637.5	4,721.4	4,975.3
(403.3)	(0.0)	(1.0)	(278.2)	(63.0)	(2.0)	(621.5)	(4,693.8)	(4,945.7)
(5.9)	(0.0)	(0.0)	(3.1)	(0.0)	(0.0)	(9.0)	(9.2)	(11.3)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	2.7
741.3	**2.1**	**3.5**	**337.9**	**107.9**	**2.0**	**978.9**	**4,941.7**	**5,146.3**
10.0	0.0	0.0	0.0	0.0	0.0	10.0	36.2	36.2
781.2	4.7	3.4	64.1	157.8	1.4	697.0	1,549.3	1,586.7
(206.6)	(0.0)	(0.0)	(11.6)	(8.6)	(0.1)	(209.7)	(271.1)	(284.4)
532.5	0.0	0.0	31.4	1.1	0.0	562.8	159.1	167.6
1,227.2	5.4	4.7	109.2	463.3	4.8	888.0	585.8	728.8
1,223.8	1.8	0.0	76.6	68.7	0.0	1,233.5	1,173.8	1,196.6
526.5	0.1	0.0	71.4	42.1	0.0	555.9	541.8	478.5
669.5	9.7	0.0	107.8	75.4	0.2	711.8	1,554.8	1,711.8
863.1	5.6	8.6	162.3	261.6	- 6.4	771.6	452.7	439.6
0.1	0.0	0.0	4.2	4.2	0.0	0.1	144.6	90.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	107.2	141.3
5,833.9	**27.3**	**16.7**	**627.0**	**1,074.2**	**0.0**	**5,430.7**	**6,305.3**	**6,577.5**
98.6	1.4	35.0	3.7	43.9	0.0	94.8	46.2	53.1
0.2	0.0	0.0	0.0	0.2	0.0	0.0	1.3	9.6
53.2	0.0	0.0	29.6	54.3	- 2.0	26.5	649.4	646.3
16.3	0.0	0.0	8.2	13.4	0.0	11.1	171.1	102.2
1.1	0.0	0.0	5.5	0.9	0.0	5.7	2.7	12.9
0.2	0.0	0.0	0.0	0.1	0.0	0.1	28.9	16.1
9.8	0.0	0.0	1.2	7.9	0.0	3.1	79.0	34.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	14.6
179.4	**1.4**	**35.0**	**48.2**	**120.7**	**- 2.0**	**141.3**	**978.9**	**889.0**
6,754.6	**30.8**	**55.2**	**1,013.1**	**1,302.8**	**0.0**	**6,550.9**	**12,225.9**	**12,612.8**

[1] Including disposals relating to changes in structure of consolidated companies

a) Intangible assets:	28.0
b) Tangible assets:	693.7
c) Investments:	16.8

Key Figures by Divisions and Sectors

mill. €	Tourism 2001	Tourism 1999/2000	Logistics 2001	Logistics 1999/2000	Energy 2001	Energy 1999/2000
Third-party turnover	12,762.9	10,562.1	3,889.4	3,589.0	836.2	842.7
Inter-segment turnover	19.4	7.2	1.9	2.6	0.1	0.0
Segment turnover	12,782.3	10,569.3	3,891.3	3,591.6	836.3	842.7
Segment operating result	456.2	305.9	333.5	245.4	297.7	233.2
of which expenses with no effect on cash	(11.5)	(3.8)	(2.3)	(25.1)	(0.0)	(0.0)
Financial result	73.5	117.4	- 25.1	- 25.0	40.7	40.3
of which results from companies valued at equity	(55.3)	(21.6)	(- 3.4)	(0.3)	(0.0)	(0.0)
of which extended result from participations	(1.2)	(- 0.4)	(3.0)	(7.1)	(46.6)	(40.9)
of which extended net interest result	(17.0)	(96.2)	(- 24.7)	(- 32.4)	(- 5.9)	(- 0.6)
Results by divisions	529.7	423.3	308.4	220.4	338.4	273.5
Return on sales (%)	4.2	4.0	7.9	6.1	40.5	32.5
Segment assets	4,022.5	4,042.5	2,657.6	2,628.5	802.7	977.8
Interest-bearing assets and funds	1,570.5	1,050.5	513.2	330.7	145.3	142.7
of which book values of companies valued at equity	(269.7)	(206.1)	(16.9)	(5.1)	(0.0)	(0.0)
Assets by divisions	5,593.0	5,093.0	3,170.8	2,959.2	948.0	1,120.5
Segment liabilities	2,801.0	3,643.7	1,008.5	1,021.6	502.0	589.7
Interest-bearing liabilities	1,464.3	1,222.1	681.6	806.4	72.0	221.8
Liabilities by divisions	4,265.3	4,865.8	1,690.1	1,828.0	574.0	811.5
Tangible and intangible assets						
Depreciation	284.7	241.1	193.6	192.0	83.4	60.9
of which non-scheduled	(10.1)	(11.7)	(1.1)	(0.2)	(21.5)	(0.1)
Capital expenditure	442.8	615.9	309.3	492.4	80.8	58.8
Financing ratio (%)	64.3	39.1	62.6	39.0	103.2	103.6
Segment equity	1,657.5	1,449.3	1,328.4	976.3	311.8	231.1
Segment total capital	6,187.9	6,649.2	3,409.4	3,201.1	939.5	1,149.1
Equity ratio (%)	32.0	29.2	23.2	22.6	108.5	118.3
Total capital ratio (%)	9.9	7.5	10.0	8.1	37.8	25.2
Personnel at year-end	49,515	46,264	9,084	9,202	685	3,052

Key Figures by Regions

mill. €	Germany 2001	Germany 1999/2000	EU (excl. Germany) 2001	EU (excl. Germany) 1999/2000	Rest of Europe 2001	Rest of Europe 1999/2000
Consolidated turnover by customers	3,659.4	4,131.9	12,590.1	11,694.5	718.4	904.9
Consolidated turnover by domicile of companies	10,212.3	10,750.3	10,348.5	8,669.6	523.8	631.2
Segment assets	5,807.7	6,366.4	3,014.5	3,920.9	162.8	254.5
Tangible and intangible assets						
Depreciation	386.0	389.1	247.5	156.3	16.0	17.4
Capital expenditure	461.8	928.5	455.3	320.5	22.0	22.8
Segment liabilities	2,923.5	3,561.3	2,084.9	2,775.6	86.8	202.9
Personnel at year-end	23,894	31,047	36,173	38,514	4,543	4,633

Building Engineering		Trading		Others/Consolidation		Group	
2001	1999/2000	2001	1999/2000	2001	1999/2000	2001	1999/2000
1,610.8	2,086.9	3,143.4	4,608.7	168.7	164.3	22,411.4	21,853.7
0.2	1.4	0.0	0.0	- 21.6	- 11.2	0.0	0.0
1,611.0	2,088.3	3,143.4	4,608.7	147.1	153.1	22,411.4	21,853.7
- 6.0	127.1	52.5	105.5	- 19.5	- 190.9	1,114.4	826.2
(0.0)	(0.3)	(0.1)	(0.0)	(70.0)	(84.8)	(83.9)	(114.0)
- 39.5	- 16.4	- 7.7	- 17.3	- 344.9	- 178.3	- 303.0	- 79.3
(0.0)	(0.0)	(2.4)	(2.8)	(- 27.5)	(- 55.5)	(26.8)	(- 30.8)
(- 2.5)	(0.1)	(0.0)	(0.6)	(- 73.1)	(- 3.8)	(- 24.8)	(44.5)
(- 37.0)	(- 16.5)	(- 10.1)	(- 20.7)	(- 244.3)	(- 119.0)	(- 305.0)	(- 93.0)
- 45.5	110.7	44.8	88.2	- 364.4	- 369.2	811.4	746.9
- 2.8	5.3	1.4	1.9			3.6	3.4
954.0	1,748.1	689.8	958.0	722.8	1,094.1	9,849.4	11,449.0
70.3	96.1	99.3	83.3	- 476.8	258.8	1,921.8	1,962.1
(0.0)	(0.0)	(9.4)	(9.3)	(353.4)	(316.0)	(649.4)	(536.5)
1,024.3	1,844.2	789.1	1,041.3	246.0	1,352.9	11,771.2	13,411.1
288.2	747.4	168.9	287.1	643.9	609.3	5,412.5	6,898.8
393.0	701.0	254.1	385.4	4,096.8	3,856.1	6,961.8	7,192.8
681.2	1,448.4	423.0	672.5	4,740.7	4,465.4	12,374.3	14,091.6
83.9	90.8	20.1	21.2	21.0	17.9	686.7	623.9
(7.9)	(6.1)	(0.0)	(0.0)	(2.4)	(0.9)	(43.0)	(19.0)
77.7	89.9	17.4	40.3	39.3	49.9	967.3	1,347.2
108.0	101.0	115.5	52.6	53.4	35.9	71.0	46.3
358.5	525.6	351.6	355.3	- 624.9	- 267.3	3,382.9	3,270.3
1,170.0	2,142.8	798.6	1,050.4	4,118.3	4,316.9	16,623.7	18,509.5
- 12.7	21.1	12.7	24.8			24.0	22.8
1.0	6.7	7.5	10.9			7.4	5.7
5,790	16,664	3,158	3,505	1,318	1,272	69,550	79,959

America		Other Regions		Consolidation		Group	
2001	1999/2000	2001	1999/2000	2001	1999/2000	2001	1999/2000
2,979.7	2,881.7	2,463.8	2,240.7			22,411.4	21,853.7
1,163.1	1,435.0	163.7	367.6			22,411.4	21,853.7
684.0	753.1	196.5	150.0	- 16.1	4.1	9,849.4	11,449.0
22.6	45.4	15.0	16.2	- 0.4	- 0.5	686.7	623.9
18.4	57.2	9.8	18.2			967.3	1,347.2
197.4	231.5	126.3	102.8	- 6.4	24.7	5,412.5	6,898.8
2,823	2,920	2,117	2,845			69,550	79,959

Key Figures by Divisions and Sectors

mill. €	Tourism 2001	Tourism AFY 2000	Logistics 2001	Logistics AFY 2000	Energy 2001	Energy AFY 2000
Third-party turnover	12,762.9	2,353.4	3,889.4	995.3	836.2	269.3
Inter-segment turnover	19.4	3.1	1.9	0.4	0.1	0.0
Segment turnover	12,782.3	2,356.5	3,891.3	995.7	836.3	269.3
Segment operating result	456.2	- 135.2	333.5	104.0	297.7	110.3
of which expenses with no effect on cash	(11.5)	(2.0)	(2.3)	(0.0)	(0.0)	(0.0)
Financial result	73.5	- 8.5	- 25.1	- 6.7	40.7	0.3
of which results from companies valued at equity	(55.3)	(- 3.6)	(- 3.4)	(0.3)	(0.0)	(0.0)
of which extended result from participations	(1.2)	(- 1.2)	(3.0)	(0.3)	(46.6)	(0.2)
of which extended net interest result	(17.0)	(- 3.7)	(- 24.7)	(- 7.3)	(- 5.9)	(0.1)
Results by divisions	529.7	- 143.7	308.4	97.3	338.4	110.6
Return on sales (%)	4.2	- 6.1	7.9	9.8	40.5	41.1
Segment assets	4,022.5	3,869.6	2,657.6	2,623.3	802.7	968.7
Interest-bearing assets and funds	1,570.5	757.2	513.2	373.3	145.3	140.8
of which book values of companies valued at equity	(269.7)	(326.1)	(16.9)	(4.7)	(0.0)	(0.0)
Assets by divisions	5,593.0	4,626.8	3,170.8	2,996.6	948.0	1,109.5
Segment liabilities	2,801.0	2,918.2	1,008.5	1,004.8	502.0	555.3
Interest-bearing liabilities	1,464.3	1,717.4	681.6	776.2	72.0	210.8
Liabilities by divisions	4,265.3	4,635.6	1,690.1	1,781.0	574.0	766.1
Tangible and intangible assets						
Depreciation	284.7	66.6	193.6	50.7	83.4	17.1
of which non-scheduled	(10.1)	(0.5)	(1.1)	(0.0)	(21.5)	(0.0)
Capital expenditure	442.8	317.3	309.3	69.6	80.8	18.6
Financing ratio (%)	64.3	21.0	62.6	72.8	103.2	91.9
Segment equity	1,657.5	1,284.9	1,328.4	1,050.1	311.8	298.3
Segment total capital	6,187.9	6,192.0	3,409.4	3,224.1	939.5	1,158.5
Equity ratio (%)	32.0	- 11.2	23.2	9.3	108.5	37.1
Total capital ratio (%)	9.9	- 2.0	10.0	3.3	37.8	10.0
Personnel at year-end	49,515	44,247	9,084	9,128	685	2,863

Key Figures by Regions

mill. €	Germany 2001	Germany AFY 2000	EU (excl. Germany) 2001	EU (excl. Germany) AFY 2000	Rest of Europe 2001	Rest of Europe AFY 2000
Consolidated turnover by customers	3,659.4	1,327.8	12,590.1	2,298.6	718.4	238.3
Consolidated turnover by domicile of companies	10,212.3	2,649.6	10,348.5	1,879.2	523.8	196.8
Segment assets	5,807.7	6,237.0	3,014.5	3,643.3	162.8	243.9
Tangible and intangible assets						
Depreciation	386.0	105.9	247.5	56.6	16.0	3.8
Capital expenditure	461.8	282.9	455.3	153.8	22.0	4.9
Segment liabilities	2,923.5	3,234.9	2,084.9	2,250.4	86.8	155.6
Personnel at year-end	23,894	30,767	36,173	36,428	4,543	4,119

	Building Engineering		Trading		Others/Consolidation		Group	
	2001	AFY 2000	2001	AFY 2000	2001	AFY 2000	2001	AFY 2000
	1,610.8	540.4	3,143.4	907.6	168.7	35.1	22,411.4	5,101.1
	0.2	0.1	0.0	0.0	- 21.6	- 3.6	0.0	0.0
	1,611.0	540.5	3,143.4	907.6	147.1	31.5	22,411.4	5,101.1
	- 6.0	21.3	52.5	3.6	- 19.5	103.3	1 114.4	207.3
	(0.0)	(0.0)	(0.1)	(0.1)	(70.0)	(10.6)	(83.9)	(12.7)
	- 39.5	- 7.3	- 7.7	- 5.1	- 344.9	- 78.7	- 303.0	- 106.0
	(0.0)	(0.0)	(2.4)	(0.1)	(- 27.5)	(- 8.9)	(26.8)	(- 12.1)
	(- 2.5)	(- 0.2)	(0.0)	(- 0.1)	(- 73.1)	(- 5.2)	(- 24.8)	(- 6.2)
	(- 37.0)	(- 7.1)	(- 10.1)	(- 5.1)	(- 244.3)	(- 64.6)	(- 305.0)	(- 87.7)
	- 45.5	14.0	44.8	- 1.5	- 364.4	24.6	811.4	101.3
	- 2.8	2.6	1.4	- 0.2			3.6	2.0
	954.0	1,670.3	689.8	797.5	722.8	1,036.4	9,849.4	10,965.8
	70.3	104.8	99.3	83.6	- 476.8	454.0	1,921.8	1,913.7
	(0.0)	(0.6)	(9.4)	(7.3)	(353.4)	(307.6)	(649.4)	(646.3)
	1,024.3	1,775.1	789.1	881.1	246.0	1,490.4	11,771.2	12,879.5
	288.2	683.8	168.9	221.9	643.9	572.0	5,412.5	5,956.0
	393.0	713.9	254.1	315.9	4,096.8	4,028.5	6,961.8	7,762.7
	681.2	1,397.7	423.0	537.8	4,740.7	4,600.5	12,374.3	13,718.7
	83.9	27.5	20.1	6.9	21.0	10.8	686.7	179.6
	(7.9)	(4.4)	(0.0)	(1.2)	(2.4)	(6.3)	(43.0)	(12.4)
	77.7	23.3	17.4	5.4	39.3	10.7	967.3	444.9
	108.0	118.0	115.5	127.8	53.4	100.9	71.0	40.4
	358.5	540.2	351.6	333.1	- 624.9	- 274.7	3,382.9	3,231.9
	1,170.0	2,098.7	798.6	892.4	4,118.3	4,427.7	16,623.7	17,993.4
	- 12.7	2.6	12.7	- 0.5			24.0	3.1
	1.0	1.3	7.5	0.7			7.4	1.2
	5,790	16,101	3,158	3,377	1,318	1,240	69,550	76,956

	America		Other Regions		Consolidation		Group	
	2001	AFY 2000	2001	AFY 2000	2001	AFY 2000	2001	AFY 2000
	2,979.7	660.4	2,463.8	576.0			22,411.4	5,101.1
	1,163.1	309.1	163.7	66.4			22,411.4	5,101.1
	684.0	668.2	196.5	187.9	- 16.1	- 14.5	9,849.4	10,965.8
	22.6	6.4	15.0	6.5	- 0.4	0.4	686.7	179.6
	18.4	2.6	9.8	0.7			967.3	444.9
	197.4	210.6	126.3	103.0	- 6.4	1.5	5,412.5	5,956.0
	2,823	2,881	2,117	2,761			69,550	76,956

Development of Equity 2001

mill. €	Subscribed capital	Capital reserves	Revenue reserves	of which difference of currency adjust- ment	Reserves for change in value	of which available for sale securities	Profit available for distri- bution	Equity at- tributable to share- holders of Preussag AG	Minority interests	Total equity
Balance 1 Jan 2001	444.2	1,474.7	872.9	(- 31.3)	0.0	(0.0)	168.8	2,960.6	271.3	3,231.9
Exercised warrants and convertible bonds	10.9	71.1	0.0	(0.0)	0.0	(0.0)	0.0	82.0	0.0	82.0
Payment of dividends	0.0	0.0	0.0	(0.0)	0.0	(0.0)	- 168.2	- 168.2	- 30.1	- 198.3
Changes due to capital and dividend payments	10.9	71.1	0.0	(0.0)	0.0	(0.0)	- 168.2	- 86.2	- 30.1	- 116.3
Application of IAS 39 for the first time	0.0	0.0	- 74.1	(0.0)	86.7	(0.3)	0.0	12.6	- 0.5	12.1
Differences due to changes in the consolidation	0.0	0.0	- 92.6	(3.5)	0.0	(0.0)	0.0	- 92.6	42.4	- 50.2
Currency adjustments	0.0	0.0	14.6	(14.6)	0.0	(0.0)	0.0	14.6	2.3	16.9
Adjustments from changes in market value not affecting results	0.0	0.0	0.0	(0.0)	- 105.8	(- 22.0)	0.0	- 105.8	0.0	- 105.8
Use of reserves for change in value not affecting results	0.0	0.0	0.0	(0.0)	- 2.2	(0.0)	0.0	- 2.2	0.0	- 2.2
Changes without effect on results	0.0	0.0	- 152.1	(18.1)	- 21.3	(- 21.7)	0.0	- 173.4	44.2	- 129.2
Realisation of reserves for change in value affecting results	0.0	0.0	0.0	(0.0)	- 14.8	(- 0.2)	0.0	- 14.8	0.0	- 14.8
Transfers to reserves	0.0	4.3	204.9	(0.0)	0.0	(0.0)	- 209.2	0.0	0.0	0.0
Group profit for the year	0.0	0.0	0.0	(0.0)	0.0	(0.0)	346.1	346.1	65.2	411.3
Balance 31 Dec 2001	**455.1**	**1,550.1**	**925.7**	**(- 13.2)**	**- 36.1**	**(- 21.9)**	**137.5**	**3,032.3**	**350.6**	**3,382.9**

Development of Equity AFY 2000

mill. €	Subscribed capital	Capital reserves	Revenue reserves	of which difference of currency adjust- ment	Reserves for change in value	of which available for sale securities	Profit available for distri- bution	Equity at- tributable to share- holders of Preussag AG	Minority interests	Total equity
Balance 1 Oct 2000	443.4	1,465.4	937.1	(8.2)	–	–	134.0	2,979.9	290.4	3,270.3
Issued employee shares	0.8	7.8	0.0	(0.0)	–	–	0.0	8.6	0.0	8.6
Exercised warrants and convertible bonds	0.0	0.0	0.0	(0.0)	–	–	0.0	0.0	0.5	0.5
Payment of dividends	0.0	0.0	0.0	(0.0)	–	–	0.0	0.0	- 5.1	- 5.1
Changes due to capital and dividend payments	0.8	7.8	0.0	(0.0)	–	–	0.0	8.6	- 4.6	4.0
Differences due to changes in the consolidation	0.0	0.0	- 1.7	(0.9)	–	–	0.0	- 1.7	- 23.7	- 25.4
Currency adjustments	0.0	0.0	- 40.4	(- 40.4)	–	–	0.0	- 40.4	- 0.5	- 40.9
Changes without effect on results	0.0	0.0	- 42.1	(- 39.5)	–	–	0.0	- 42.1	- 24.2	- 66.3
Transfers to reserves	0.0	1.5	- 22.1	(0.0)	–	–	20.6	0.0	0.0	0.0
Group profit for the year	0.0	0.0	0.0	(0.0)	–	–	14.2	14.2	9.7	23.9
Balance 31 Dec 2000	**444.2**	**1,474.7**	**872.9**	**(- 31.3)**	**–**	**–**	**168.8**	**2,960.6**	**271.3**	**3,231.9**

Cash Flow Statement

mill. €	Notes	2001	AFY 2000	1999/2000
Group profit for the year		411.3	23.9	402.5
Depreciation (+)/additions (-) to fixed assets		1,011.5	261.1	811.1
Other non-cash expenditure (+)/earnings (-)		- 51.3	4.3	16.4
Interest expenditure		426.1	117.1	302.9
Profit (-)/loss (+) from disposals of fixed assets		- 403.2	- 157.4	- 185.2
Increase (-)/decrease (+) in inventories		103.6	70.2	- 72.2
Increase (-)/decrease (+) in receivables and other current assets		318.6	366.7	- 49.6
Increase (+)/decrease (-) in provisions		- 83.6	- 134.9	110.1
Increase (+)/decrease (-) in liabilities (excl. liabilities to banks)		- 349.9	- 750.8	- 370.1
Cash flow from business activities	(34)	**1,383.1**	**- 199.8**	**965.9**
Payments received from disposals of tangible and intangible assets		267.8	256.9	250.9
Payments from disposals of financial assets (excl. disposals of funds due to divestments)		1,224.0	38.7	256.3
Payments made for investments in intangible and tangible assets		- 953.3	- 371.6	- 1,167.9
Payments made for investments in financial assets and for credits and loans to third parties (excl. additions of funds due to acquisitions)		- 390.7	- 155.2	- 2,994.9
Cash flow from investment activities	(35)	**147.8**	**- 231.2**	**- 3,655.6**
Payments received from capital increases and allowances by shareholders		82.1	9.2	39.1
Dividend payments of Preussag AG		- 168.2	0.0	- 132.6
Dividend payments of subsidiaries to other shareholders		- 21.1	- 5.1	- 22.1
Payments received from the issue of loans and the raising of financial liabilities		3,035.1	456.1	4,584.7
Payments made for redemption of bonds and financial liabilities		- 4,200.0	- 81.9	- 1,019.8
Payments made for interests		- 443.4	- 110.7	- 254.1
Cash flow from finance activities	(36)	**- 1,715.5**	**267.6**	**3,195.2**
Change in funds with cash effects		**- 184.6**	**- 163.4**	**505.5**

mill. €	Notes	2001	AFY 2000	1999/2000
Flow of funds	(37)			
Funds at the beginning of the period		846.3	1,005.8	3,324.3
Change in funds due to changes in consolidation		- 1.8	0.0	- 2,952.5
Change in funds due to exchange rate fluctuations and other change in value		- 16.6	3.9	128.5
Change in funds with cash effects		- 184.6	- 163.4	505.5
Funds at the end of the period		**643.3**	**846.3**	**1,005.8**

Notes Principles and Methods underlying the Consolidated Financial Statements

Accounting principles

Following the resolution adopted at the Annual General Meeting of Preussag AG on 12 April 2000 to change the financial year to coincide with the calendar year, an abbreviated financial year was established for the period from 1 October to 31 December 2000 (in the tables referred to as AFY 2000). Since 1 January 2001, the Group's financial year has therefore corresponded to the calendar year. Due to the conversion of the financial year and the seasonal nature of the tourism business, a comparison of the figures with the previous year's figures, in particular those contained in the profit and loss statement, is of limited use. In order to enhance comparability, the figures for the 1999/2000 financial year, the last full financial year covering a period of twelve months, were added to the profit and loss statement, segment reporting, the cash flow statement and the corresponding notes. Group reporting was based on euros.

The consolidated financial statements of Preussag AG were prepared in accordance with the binding accounting rules of the International Accounting Standards Board (IASB) the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable at the balance sheet date generally on the basis of the historical cost principle. The accounting method applied in measuring financial instruments deviated from the historical cost principle. With the commencement of the 2001 financial year, the rules contained in IAS 39 (revised 2000) 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' were applied for the first time.

All requirements of each of the standards applied were completely fulfilled and gave rise to the presentation of a true and fair view of the net worth, financial position and results of the Preussag Group. There was no deviation from these standards due to overriding principles.

The requirements of section 292a of the German Commercial Code (HGB) for an exemption from the duty to prepare consolidated financial statements in accordance with German accounting standards were met. According to the standard No. 1 of the German Accounting Standards Committee (DRSC), the consolidated financial statements were in particular consistent with the European Union Directive on Consolidated Financial Accounting (Directive 83/349/EEC). In order to guarantee equivalence with consolidated financial statements prepared under the rules of commercial law, the commercial law disclosures and explanatory information extending beyond the scope of the IASB rules were presented in their entirety.

The Executive Board of Preussag AG, registered in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover, is based in Hanover, Karl-Wiechert-Allee 4.

Effects of new accounting standards

The accounting and measurement of financial instruments as per 1 January 2001 was based on the rules contained in IAS 39 for the first time, i.e. the respective amounts were credited or charged to equity. The previous year's values were not adjusted. The first-time application of IAS 39 led to the following substantial changes to the consolidated financial statements:

- All derivative financial instruments such as interest swaps and forward exchange transactions were recognised at fair values and carried in the balance sheet as receivables or liabilities from derivative financial instruments. The difference between the book values of financial instruments recognised as per 31 December 2000 and the respective fair values was recognised in equity with no effect on results as per 1 January 2001, taking account of deferred taxes.

- Changes in the value of derivative financial instruments entered into as fair value hedges were recognised in the profit and loss statement, as were changes in the value of the respective hedged item.

- Changes in the value of financial instruments entered into as cash flow hedges were directly recognised in equity as a reserve.

- Changes in the value of derivative financial instruments which could not be attributed to a hedge according to the rules of the IASB were shown as profit or loss for the period.

- Unrealised profits or losses from fluctuations in the fair value of available-for-sale financial instruments were carried in the revaluation reserve until the date on which they were realised.

The application of the rules of IAS 39 in the preparation of the balance sheet as per 1 January 2001 resulted in a change in equity of € 12.1 million, taking account of deferred taxes, including minority interests of € - 0.5 million.

Breakdown of the equity effect as per 1 January 2001

mill. €	Revenue reserves	Revaluation reserve
Cash flow hedges to hedge exposure to		
currency risks	–	34.8
interest risks	–	0.3
market risks	–	51.3
Other derivative financial instruments	- 74.1	–
Primary financial instruments	–	0.3
Total	**- 74.1**	**86.7**

Other derivative financial instruments cover transactions which do not meet the strict formal requirements of IAS 39 and were therefore not recognised as hedges. This item also includes the fair value of a put option granted in connection with sales transactions of subsidiaries effected in previous years.

Moreover, IAS 40 'Investment Property' had to be applied for the first time as per 1 January 2001. IAS 40 stipulates that property not used by a group's own companies and exclusively held to generate rental income and appreciation has to be carried either at amortised cost or at fair value. As the property owned by the Group was essentially used by the Group itself in the framework of its ordinary business activities, the Group's residential property in particular met the definition of IAS 40. The corresponding property continued to be recognised at amortised cost so that the first-time application of this standard to the consolidated financial statements did not result in any changes in accounting and valuation.

Principles and methods of consolidation

The consolidated financial statements included all major companies in which Preussag AG was directly or indirectly able to determine the financial and operating policies so as to obtain benefits for the Preussag Group companies from the activity of these companies (subsidiaries). As a matter of principle, this control was exerted by means of voting right majorities in executive bodies; in individual cases, it was based on contractual regulations. These companies were included in the consolidated financial statements as from the date on which control was transferred to the Preussag Group. When the Preussag Group ceased to have this control, the relevant companies were taken out of consolidation.

In principle, all consolidated subsidiaries were included with their annual/consolidated or interim financial statements prepared on the basis of uniform accounting, valuation and consolidation methods and provided with an audit certificate.

Even when taken together, the subsidiaries not included in the consolidated financial statements were not significant for the presentation of a true and fair view of the net worth, financial position and results of the Group. As a matter of principle, shares in Group companies not included in consolidation were valued at amortised cost, unless a reliable fair value could be established.

In the consolidated financial statements, shareholdings in companies in which the Group was able to exert significant influence over the financial and operating decisions within these companies were valued at equity. Apart from this, subsidiaries not included in the consolidation were also valued at equity in individual cases in order to provide a comprehensive and up-to-date presentation of results. The determination of the dates for inclusion in and removal from the group of companies valued at equity was analogous to the principles applying to subsidiaries.

As a matter of principle, equity valuation in each case was based on the last audited annual or consolidated financial statements; no financial statements dated back more than twelve months.

Joint ventures were not included on the basis of proportionate consolidation, but valued at equity.

Information on the main indirect and direct subsidiaries and shareholdings of Preussag AG is listed in a separate annex to the notes. A complete list of shareholdings has been deposited with the commercial registers of the district courts of Berlin-Charlottenburg (HRB 321) and Hanover (HRB 6580); publication of details is dispensed with if it might entail a considerable disadvantage for the Preussag Group.

Group of consolidated companies

In 2001, the consolidated financial statements included a total of 113 domestic and 395 foreign subsidiaries, besides Preussag AG.

78 domestic and 88 foreign subsidiaries were not included in the consolidated financial statements.

Breakdown and development of the group of consolidated companies[1] and the group of companies valued at equity

	Balance 31 Dec 2000	Additions	Disposals	Balance 31 Dec 2001
Consolidated subsidiaries	576	39	107	508
of which in Germany	141	5	33	113
of which abroad	435	34	74	395
Companies valued at equity	79	16	21	74
of which in Germany	17	6	1	22
of which abroad	62	10	20	52

[1] excl. Preussag AG

The change in the group of companies included in consolidation mainly reflected the strategic realignment of the Group to the tourism business. Hence, in the 2001 financial year, 35 companies in the tourism division and four companies in the logistics division were fully consolidated for the first time.

20 additions to the group of consolidated companies in the tourism division were attributable to the first-time consolidation of hotel ownership or management companies, with five of these companies attributable to Magic Life International Hotelbetriebsgesellschaft m.b.H. and its subsidiaries, included in consolidation for the first time as per 1 July 2001.

Companies of the Anfi Group, operating in the production and distribution of time-sharing rights, were included in consolidation for a full year as per 1 January 2001.

The removals of companies from consolidation mainly resulted from the following divestments:

In the framework of the divestment programme adopted in October 2000, 26 companies from building engineering, a sector to be discontinued, were sold. The discontinuing operations are presented in detail under note 9. With economic effect of 30 September 2001, the Deutag Group which provides services for the drilling contractor business was sold to the British Abbot Group comprising 13 companies. Moreover, Kavernen Bau- und Betriebsgesellschaft mbH from the energy sector was sold to Schlumberger GmbH with effect from 1 September 2001. In the logistics division, the VTG-Lehnkering Group sold six companies from the maritime services sector, effective 1 January 2001. In January 2001, the Thomson Travel Group sold the Holiday Cottages Group with a total of 14 companies. The sale of this group operating in the cottage rental business marked the divestment of this business which does not form part of the Thomson Travel Group's core activities.

A total of 18 companies were removed from consolidation with their individual financial statements as a result of mergers. 13 companies were liquidated in the year under review.

Effects of additions to and removals from consolidation

Balance sheet mill. €	Additions 31 Dec 2001	Disposals 31 Dec 2000
Tangible assets	206.5	870.9
Current assets	168.4	835.5
Provisions	25.9	390.1
Liabilities	162.0	636.6
Other operating expenses	70.5	250.7

Effects of additions to and removals from consolidation

Profit and loss statement mill. €	Additions 2001	Disposals 2001
Turnover	280.1	1,045.0
Operating result	39.5	- 46.9
Financial result	- 1.6	- 16.7
Result by divisions	37.9	- 63.6

Besides 52 associated companies, 22 subsidiaries were valued at equity as per 31 December 2001. The group of companies valued at equity contracted by a total of five companies, compared with last year.

The companies of the HDW Group, the Nouvelles Frontières International S.A. Group, the Magic Life Assets Group and the Babcock Borsig Group (until 30 September 2001) were included in equity valuation on the basis of their consolidated financial statements. Three associated companies and twelve shareholdings in the tourism division were valued at equity for the first time, mainly due to the purchase of additional shares.

The companies of the Nouvelles Frontières Group were included in equity valuation for the first time as per 1 July 2001 on the basis of their consolidated financial statements, due to the exertion of significant influence. The audited and approved consolidated financial statements of Nouvelles Frontières International S.A. for the 2001 financial year had not been submitted when the consolidated financial statements of the Preussag Group were prepared and audited. Apart from the first-time inclusion of the Nouvelles Frontières Group, five hotel companies and one Polish airline were valued at equity for the first time in the tourism division.

Other additions to the group of companies valued at equity was one company in the logistics divisions.

In November 2001, Preussag sold 8.5% of the shares in Babcock Borsig AG to the Credit Agricole Lazard Financial Products Bank. Following the sale of these shares, the Group reduced its shareholding in Babcock Borsig AG to under 20%. With the termination of the exertion of significant influence, the Babcock Borsig Group was removed from the group of companies valued at equity. Following additional sales of shares, equity valuation was terminated for seven companies, most of which operated in the tourism division. Twelve companies included in the group of companies valued at equity in the previous year were fully consolidated or merged with fully consolidated subsidiaries in the 2001 financial year.

Foreign currency translation

The financial statements of the foreign subsidiaries were translated according to the functional currency concept. As all companies operate predominantly independently in financial, economic and organisational terms, the respective functional currency corresponds to the currency of the country of incorporation of the company. Assets and liabilities as well as balance sheet notes were translated at the mean exchange rate applicable at the balance sheet date (closing rate); the items of the profit and loss statement and hence the profit for the year shown in the profit and loss statement were translated at the annual average rate.

In subsidiaries operating in hyperinflationary economies, the translation of the income and expense items corresponding to the changed purchasing power conditions, including the result for the year, was effected at the respective closing rate. Prior to translation at the closing rate, the carrying amounts of the non-monetary balance sheet items of these companies were adjusted to the changes in prices that came about during the financial year on the basis of appropriate indices for measuring purchasing power. The purchasing power gains or losses resulting from the indexing were carried as interest income or expenses with an effect on results.

Goodwill arising from the capital consolidation of foreign subsidiaries was translated at historical rates, carried at cost and amortised, with scheduled depreciation taken into account.

The translation of the financial statements of foreign companies valued at equity followed the same principles for carrying equity as those used for consolidated companies.

All differences resulting from the translation of the financial statements of foreign subsidiaries were carried with no effect on results and separately shown under revenue reserves. These currency differences were recognised as income or expenses in the year in which foreign subsidiaries were removed from consolidation.

Exchange rates of relevant currencies

	Closing rate				Average rate
€	31 Dec 2001	31 Dec 2000	2001	AFY 2000	1999/2000
1 Pound Sterling	1.64	1.60	1.61	1.66	1.62
1 US Dollar	1.13	1.07	1.12	1.15	1.04
1 Canadian Dollar	0.71	0.72	0.72	0.75	0.70
1 Australian Dollar	0.58	0.60	0.58	0.61	0.63
100 Swiss Francs	67.54	65.70	66.21	65.97	63.35
100 Norwegian Crowns	12.56	12.09	12.43	12.43	12.27
100 Swedish Crowns	10.72	11.31	10.81	11.62	11.83
100 Czech Crowns	3.13	2.85	2.94	2.87	2.78

Consolidation methods

Capital consolidation was effected, depending on the method of acquisition, by offsetting the acquisition cost of the participation against the proportionate revalued equity at the date of acquisition. Debit differences resulting from this method were capitalised as goodwill and amortised systematically with an effect on results for all purchases of companies since 1 October 1995; debit differences from subsidiaries purchased before that date continued to be offset against revenue reserves. As a matter of principle, credit differences from capital consolidation were carried as deductions from capitalised debit differences and systematically released in accordance with the useful life of non-monetary assets of the companies.

In the wake of the removal from consolidation, the differences between the results generated during the period of inclusion in Group results and the subsidiary's results carried in the parent company's annual financial statements were realised with an effect on results. In the case of a disposal of goodwill acquired before 1 October 1995 in companies leaving the consolidation, the offsetting against revenue reserves with no effect on results effected in the past was reversed. Minority interests in the net assets of the subsidiary leaving the consolidation did not affect the profit from the removal from consolidation, but were disposed of with no effect on profits.

As a matter of principle, the main associated companies in the Group and a number of individual non-consolidated subsidiaries were valued at equity as per the date of acquisition and shown in the balance sheet and in the development of fixed assets under companies valued at equity. Concerning the treatment of remaining differences, the principle applied in capital consolidation was also applied to goodwill reported in equity valuation. The share of these companies in the results for the year including amortisation of goodwill was shown under the Group's financial results. Differing consolidation and valuation methods in the individual or consolidated financial statements of associated companies underlying the equity valuation were retained unless they were fundamentally incompatible with the IASB's accounting rules or unless the necessary information for uniform accounting or revaluation was not known or not available.

Intragroup receivables and liabilities or provisions were offset. Where the conditions for a consolidation of third-party liabilities were met, this consolidation method was applied.

Intercompany turnover and other internal income as well as the corresponding expenses were eliminated unless, taking account of intercompany results, they were to be shown as changes in inventories or own work capitalised. Intercompany profits from intragroup deliveries or services – unless they were immaterial – were eliminated with an effect on results, with deferred taxes taken into account. Intercompany losses were eliminated unless the future benefit flowing from the assets was exceeded. Intragroup deliveries and services were usually provided in conformity with market conditions. Intercompany profits from deliveries to and from companies valued at equity were eliminated on the basis of the same principles when the corresponding facts were known.

Accounting and valuation principles

The financial statements of the subsidiaries included in the Preussag Group were prepared in accordance with uniform accounting and valuation principles. The valuation in the consolidated financial statements was not determined by tax regulations but solely by the commercial presentation of the net worth and financial position as set out in the rules of the IASB.

As a matter of principle, turnover and other operating income was reported upon rendering of the service or delivery of the assets and hence upon transfer of the risk. For services and construction contracts, the turnover was recognised in accordance with the percentage of completion method.

As a rule, dividends were reported when the legal claim had arisen. Interest income and expenses were reported for the proportionate period of time.

Transaction costs arising in conjunction with the issue of shares, conversion options or warrants were offset against the capital reserves provided for the issuance with no effect on results.

Assets were capitalised when all material opportunities and risks related to ownership were attributable to the Group. The valuation of assets was effected at amortised costs. The cost of finance was not capitalised.

Receivables and other current assets were reported at their respective nominal value or at their net present value, if lower. Concerning these items, all identifiable individual risks and the general credit risk supported by empirical information were accounted for by means of appropriate value discounts. In the individual financial statements, foreign currency receivables and liabilities were valued at the rate of exchange at the balance sheet date. The currency differences resulting from the translation of foreign currency receivables and liabilities were reported under cost of materials when they had arisen in the wake of normal operating processes, or under other operating expenses and income when they were attributable to other facts.

In accordance with IAS 39, derivative financial instruments were carried at their fair values. When the derivative financial instruments had been entered into to hedge exposure to changes in the fair value of recognised assets and liabilities (fair value hedges), changes in fair values and changes in the fair value of the underlying hedged item were immediately recognised in the result for the period. When the derivative financial instruments had been entered into to hedge future cash flows (cash flow hedges) such as planned purchases of aircraft fuel, all changes in the fair value of these financial instruments were recognised in the revaluation reserve for financial instruments until the underlying hedged transaction occurred. When a hedged future transaction resulted from the recognition of an asset, the accumulated gains and losses from the derivative financial instrument directly recognised in equity were shown as a reduction or increase in cost. When the hedged item was a hedged expense item, the accumulated gains or losses from the hedge were realised with an effect on results when the hedged transaction occurred. When in exceptional cases the necessary criteria of IAS 39 for recognition as a hedge were not met by individual derivative financial instruments, all changes in fair values were immediately recognised in the net result for the period.

Provisions were formed for third-party contingencies, where these contingencies would probably lead to a future outflow of resources. They were carried at the anticipated settlement amount, taking into account all related identifiable risks, and were not offset against indemnification claims. Long-term provisions, insofar as there was a substantial effect, were reported at the net present value. Pension provisions were valued using the Projected Unit Credit Method in accordance with IAS 19 (revised 2000).

As a rule, liabilities were carried at the value of the consideration received, including the costs of borrowing. In the subsequent period, liabilities were valued at amortised cost using the effective interest method. For the issue of financial instruments comprising both a liability and an equity element in the form of conversion options or warrants, the financial resources received for the respective component were reported in accordance with their character. In this regard, the bond was reported at the value that would have been achieved by the issue of this debt instrument without the equity element and on the basis of current market conditions. Consequently, the amount transferred to capital reserves – taking into account deferred taxes – corresponded to the fair value of the conversion options or warrants at the date of issuance.

In accordance with IAS 12 (revised 2000), the accounting and valuation of deferred taxes followed the balance sheet liability method on the basis of the tax rate applicable at the date of realisation. This method was based on fictional profit retention. The fiscal consequences of profit distribution are only taken into account once a resolution has been adopted on appropriation of profits. For the expected tax benefits relating to losses carried forward which are realisable in future, deferred tax assets were reported.

The preparation of the consolidated financial statements was based on a number of assumptions and estimates which had an effect on the value and presentation of the reported assets, liabilities, income and expenses as well as contingent liabilities. The assumptions and estimates mainly related to the fixing of uniform economic lives, the valuation of construction contracts, the accounting and valuation of provisions and the realisability of future tax savings. The actual values may deviate from the assumptions and estimates made in individual cases. Changes were accounted for with an effect on results by the time new information was available.

Notes on the accounting and valuation methods deviating from German law

IAS 39 was applied for the first time with no effect on results, with the corresponding amounts credited or charged to equity. Because of this conversion method, the values stated in the balance sheet as per 1 January 2001 were not identical to those stated in last year's consolidated financial statements as per 31 December 2000.

Under the rules of IAS 21 and IAS 39, all foreign currency receivables and liabilities had to be translated at the rate of exchange at the balance sheet date. All derivative financial instruments and available-for-sale securities had to be recognised at their fair values. As a result, the profit and loss statement or equity also included unrealised gains. These rules deviated from the historical cost, realisation and imparity principles to be applied under German commercial law.

In accordance with IAS 12 (revised 2000), the accounting and valuation of deferred taxes followed the balance sheet liability method rather than the German Commercial Code. Tax savings from future loss carryforwards assessed as realisable were carried in the balance sheet as deferred tax assets.

In the case of services and construction contracts, revenues and profits were realised in accordance with the stage of completion. Under commercial law, profits were realised at the time of completion and acceptance or upon completion of contract.

Whereas liabilities were carried at the repayable amounts under commercial law, liabilities were reported in accordance with IASB rules, including the cost of borrowing, at the value of the consideration received. Deviating from commercial law, the costs arising in conjunction with the issue of shares and subscription rights were treated with no effect on profits.

Furthermore, in contrast to German law, self-generated intangible assets were recognised, and no provisions were formed for omitted maintenance activities carried out within three months. Moreover, the provisions with debt characters were carried as liabilities.

Segment reporting

Notes on the segments

In order to enhance the comparability of segment reporting for the 2001 financial year, in particular with regard to the disclosures contained in the profit and loss statement, segments were additionally compared with the corresponding values for the 1999/2000 financial year which covered a period of twelve months. The segmentation of the Group into three divisions with a total of five sectors reflected the Group's internal control and reporting structure.

In segment reporting, the business activities of the Preussag Group were attributed to the tourism, logistics and industry divisions in line with the Group structure. The sole criterion for the classification of the individual groups of companies was their economic affiliation to the divisions and sectors, rather than their participation structure under company law.

Under the master brand 'World of TUI', the tourism division integrates all stages of the touristic value chain. Its activities comprise all value-added stages of the holiday business, distribution via travel agencies, tour operation, transport based on company-owned airlines as well as care and support at holiday destinations by incoming agencies and company-run hotels.

The logistics division, covering the VTG-Lehnkering Group and the Algeco Group under the leadership of Hapag-Lloyd AG, provided transport services for container shipping and also special transport and service activities for the chemical industry and the mineral oil industry. This sector also focused on the manufacture and hire of mobile buildings and pallets. The activities in cruises are also allocated to the logistics division.

The industry division comprised the energy, building engineering and trading sectors. In the abbreviated financial year and in the 1999/2000 financial year, the energy sector comprised the companies of Preussag Energie, including the Deutag Group, and KBB. The changes in the sector resulted from the disposal of the Deutag Group and KBB in the 2001 financial year. Following the divestment of these companies, the range of services offered by the sector covered its core activity, i.e. the exploration and production of crude oil and natural gas.

Following the divestment programme adopted and published in October 2000, the building engineering sector met the definition of a discontinuing operation. It comprised the companies of the Fels Group and Wolf GmbH. The reference period also covered the companies of the Wolf, Minimax and Kermi Groups, which were included in this sector but subsequently sold in the 2001 financial year. The activities of the Fels Group focused on the production and distribution of building materials. The companies divested in the 2001 financial year operated in the production and distribution of products for the heating engineering, sanitary technology and fire protection markets.

The trading sector covered national and international trading in non-ferrous metals and products for the steel processing industry. In addition, several companies of the Amalgamated Metal Corporation (AMC) Group produced tin as well as products for the oil, construction and ceramics industries. Besides the AMC Group, the trading sector comprised the companies of the W. & O. Bergmann Group, whose metal trading business was sold in the abbreviated financial year, and the US steel service companies. The trading sector represented a discontinuing operation.

As Preussag AG, the holding company of the Group, did not carry out any operative business itself, it was shown as a separate reporting unit under 'Others/ consolidation' along with other activities which could not be allocated to individual sectors and with consolidations of relationships between the segments.

Notes on the segment data

The definition of terms for the individual segment data corresponded to the control basis for value-oriented management in the Preussag Group.

As a rule, inter-segment turnover was generated in line with the arm's length principle.

The segment operating result was determined before amortisation of goodwill and before consideration of the financial result because a definite allocation of goodwill to divisions and sectors was not possible.

Depreciation was only related to segmental fixed assets and did not comprise any amortisation of goodwill from the acquisition of consolidated subsidiaries.

The result of the companies valued at equity also included the amortisation of the goodwill of these companies in order to provide an accurate presentation of the results from investments of the divisions and sectors.

The operating segment assets and liabilities comprised the assets or liability required for the operation, excluding interest-bearing assets and liabilities as well as taxes.

Capital expenditure covered additions of tangible and intangible assets, excluding the goodwill arising from the acquisition of shareholdings.

Interest-bearing assets and funds were reported for the generation of the financial result and interest-bearing liabilities for the funding of the operating and investing activities.

For the transition of the segment assets of the Group to the Group assets, goodwill from capital consolidation of subsidiaries (€ 4,693.8 million) and tax claims, which have not to be considered under IAS 14 (€ 158.7 million) have to be included. Segment liabilities also did not contain tax provisions and tax liabilities totalling € 866.5 million, which are included in the liabilities of the Group.

Notes on the Consolidated Profit and Loss Statement

(1) Turnover

As a matter of principle, turnover was recognised when the service had been rendered or the goods or merchandise had been delivered. For construction contracts and services, the turnover was recognised in accordance with IAS 18 or IAS 11 on the basis of the completion stage (Percentage of Completion Method). In this regard, the completion stage per contract was determined either by the ratio of accrued costs to expected overall costs (Cost to Cost Method) or by the physical completion stage of the construction process. For tourism services, turnover was realised on the basis of the performance of the service within the tourism value chain. The tour operators' performance mainly included the organisation and coordination of package tours. Turnover from tour operation was therefore recognised as of the start of the tours. As a rule, turnover generated by all downstream services such as hotel and aviation services were realised when holidaymakers had used the services. In accordance with the IASB rules, profits from the Percentage of Completion Method were only realised when the outcome of a construction contract or service could be estimated reliably. In estimating the results of construction contracts and services, all identifiable risks were taken into consideration.

In the reporting period, total turnover of € 16,914.1 million (abbreviated financial year: € 3,472.1 million) was achieved with construction contracts and services. Receivables from services and construction contracts totalled € 839.9 million (previous year: € 909.6 million). Advance payments received for services and construction contracts were carried as € 706.0 million (previous year: € 893.1 million).

Group turnover by business activity

mill. €	2001	AFY 2000	1999/2000
Touristic services	12,728.1	2,384.9	10,562.0
Customised construction contracts, services and production of goods	4,554.2	1,307.2	4,943.6
Trading in merchandise	4,620.7	1,287.3	5,866.1
Leasing and tenancy	498.9	121.2	469.7
Income from patent and licensing agreements and other income	9.5	0.5	12.3
Total	**22,411.4**	**5,101.1**	**21,853.7**

Consolidated turnover, broken down into sectors and regions, is presented in the framework of segment reporting.

(2) Change in inventories and other own work capitalised

Change in inventories and other own work capitalised

mill. €	2001	AFY 2000	1999/2000
Increase/reduction in stocks of finished goods and work in progress	- 38.1	+ 13.6	+ 24.8
Other own work capitalised	103.4	21.9	79.1
Total	**+ 65.3**	**+ 35.5**	**+ 103.9**

(3) Other operating income

Other operating income

mill. €	2001	AFY 2000	1999/2000
Book profits from the sale of fixed assets and current assets	500.5	164.2	249.5
Income from the release of provisions and deferred liabilities	205.5	74.2	164.8
Income from financial and monetary transactions	82.0	39.6	161.3
Income from ongoing charging of costs	61.8	11.1	131.0
Income from leasing and tenancy contracts, licensing and patent agreements	18.2	6.5	35.3
Other income	453.2	145.2	460.7
Total	**1,321.2**	**440.8**	**1,202.6**

(4) Cost of materials

Cost of materials

mill. €	2001	AFY 2000	1999/2000
Cost of raw materials, consumables and supplies	4,317.2	1,231.6	5,723.0
Cost of purchased merchandise	10,911.4	2,242.8	9,207.3
of which for touristic activities	(8,045.1)	(1,439.8)	(6,551.0)
Total	**15,228.6**	**3,474.4**	**14,930.3**

The costs of third party tourism services mainly consisted of hotel and transportation expenses.

(5) Personnel costs

Personnel costs

mill. €	2001	AFY 2000	1999/2000
Wages and salaries	2,367.0	617.1	2,409.7
Social security contributions, pension costs and benefits	544.9	144.5	523.5
of which pension costs	(132.3)	(33.9)	(128.2)
Total	**2,911.9**	**761.6**	**2,933.2**

Pension costs mainly covered additions to the pension provisions. Compound amounts included in the additions to the pension provisions were also shown under this item.

Breakdown of pension costs for defined benefit pension plans

mill. €	2001	AFY 2000	1999/2000
Current service cost	48.4	10.3	44.0
Interest cost	57.5	12.0	42.9
Length of service additionally included due to changes in pension plans	- 0.9	–	2.5
Amortisation of the difference between actual pension obligation and pension provision in the balance sheet	4.2	0.2	1.7
Total	**109.2**	**22.5**	**91.1**

(6) Depreciation

Depreciation

mill. €	2001	AFY 2000	1999/2000
Scheduled depreciation[1] of intangible and tangible assets	643.7	167.2	604.9
Non-scheduled depreciation[1] of intangible and tangible assets	43.0	12.4	19.0
Total	**686.7**	**179.6**	**623.9**

[1] excl. amortisation of goodwill from the acquisition of subsidiaries.

Scheduled depreciation was based on the uniform economic lives outlined under notes 15 and 16.

Non-scheduled depreciation was effected when the recoverable amount that will flow to the Group will be lower than the book value. The recoverable amount corresponded to an asset's net selling price or its value in use, if higher. The value in use was determined on the basis of the present value of the future cash flows attributable to the asset. In the 2001 financial year, non-scheduled depreciation mainly related to plant and machinery (€ 20.5 million) and aircraft (€ 10.1 million).

(7) Other operating expenses

Other operating expenses

mill. €	2001	AFY 2000	1999/2000
Commissions for touristic services	712.8	191.7	810.3
Leasing, rent and patent expenses	659.4	131.7	429.8
Advertising expenses and environmental protection	248.5	109.6	411.0
Contributions, charges, fees and consultancy expenses as well as expenses from financial and monetary transactions	377.6	103.5	438.6
Distribution costs	389.0	101.8	288.8
Other expenses from creation of provisions	125.8	66.9	307.6
Administrative expenses	411.2	64.6	442.2
Outside services and non-operating material expenses	340.8	62.0	285.1
Losses from the disposal of fixed assets and current assets	95.7	7.1	40.9
Other operating expenses	495.5	115.6	392.3
Total	**3,856.3**	**954.5**	**3,846.6**

The commissions for tourism services mainly comprised travel agency commissions and commissions passed on from insurances covering travel contract cancellation costs.

Following the same procedure as before, utilisation of provisions created and charged to other operating expenses in previous years, the cost of which was shown under the respective cost account, was offset against the cost of provisions newly created in the year under review.

(8) Financial result

Financial result

mill. €	2001	AFY 2000	1999/2000
Result from companies valued at equity	**+ 26.8**	**- 12.1**	**- 30.8**
of which from Group companies	(+ 9.5)	(- 2.8)	(+ 4.3)
Income from participations	71.3	1.6	57.5
of which from Group companies	(6.9)	(0.8)	(7.3)
Income from profit transfer agreements	1.6	0.4	1.2
of which from Group companies	(1.1)	(–)	(0.7)
Expenses relating to loss taken over	9.0	0.3	1.1
of which to Group companies	(9.0)	(0.2)	(1.0)
Net income from investments	**+ 63.9**	**+ 1.7**	**+ 57.6**
Depreciation on investments and marketable securities	**88.7**	**7.9**	**13.1**
Income from other securities and loans contained in investments	4.0	2.7	9.5
of which from Group companies	(1.3)	(0.8)	(0.2)
Other interest and similar income	115.9	26.7	200.4
of which from Group companies	(2.9)	(0.8)	(4.5)
Interest and similar expenses	426.2	117.1	302.9
of which to Group companies	(4.3)	(1.2)	(7.3)
Net interest	**- 306.3**	**- 87.7**	**- 93.0**
Results from change in value of derivative financial instruments	+ 1.3	–	–
Total	**- 303.0**	**- 106.0**	**- 79.3**

The results from companies valued at equity also included the amortisation of goodwill on these companies.

Depreciation on investments and marketable securities included € 87.8 million (previous year: € 7.8 million) of non-scheduled depreciation. Non-scheduled depreciation mainly affected the shares in Babcock Borsig AG for which binding contracts existed at the balance sheet date. This item also included depreciation on non-consolidated subsidiaries and uncollectible loans.

The indexing of the financial statements of foreign subsidiaries based in hyper-inflationary economies led to the realisation of purchasing power losses totalling € 6.8 million (previous year: € 0.2 million) from the change in purchasing power parities of these countries; they were recorded under interest income and expenses. The increase in purchasing power losses compared with last year primarily resulted from the devaluation of Turkish lira in February 2001 and from additions of Turkish companies to the group of companies included in consolidation.

(9) Discontinuing operations

The result from discontinuance of operations was exclusively attributable to the companies of the building engineering sector. In October 2000, the Supervisory Board of Preussag AG approved a divestment programme for industrial shareholdings. The divestment reflects the Group's long-term strategy of focusing on the tourism business and divesting the activities of the building engineering and trading sectors. As per 30 May 2001, the Group sold the companies of the Minimax Group to Barclays Private Equity. With effect from 1 July 2001, the Arbonia Forster Group acquired the Kermi Group. The subsidiaries of Wolf GmbH were also divested in the 2001 financial year, with the Italian Merloni TermoSanitari Group purchasing the companies of the Elco and Chaffoteaux & Maury Groups as per 30 November 2001. The shares in two Turkish subsidiaries were acquired by the previous owner as per 31 December 2001. Contracts were concluded with the Haniel Group to sell the Fels Group.

In the financial year, the intention to divest the British AMC Group and the US steel trading activities reached a more concrete dimension. The trading sector therefore also met the definition of a discontinuing operation under IAS 35.

Material assets and liabilities of discontinuing operations

	Building engineering		Trading	
mill. €	**31 Dec 2001**	**31 Dec 2000**	**31 Dec 2001**	**31 Dec 2000**
Fixed assets	830.9	1,189.9	198.0	203.8
Current assets	157.1	613.9	515.8	617.9
Liquid funds	25.2	72.6	71.2	56.7
Provisions	261.5	503.5	42.5	41.4
Financial liabilities	394.2	708.4	254.1	315.9
Other liabilities	89.3	260.8	149.9	201.5

Material items of the profit and loss statement of discontinuing operations

	Building engineering			Trading		
mill. €	**2001**	**AFY 2000**	**1999/2000**	**2001**	**AFY 2000**	**1999/2000**
Turnover	1,444.4	494.2	1,920.3	3,143.4	907.6	4,608.7
Operating result	- 2.0	22.4	123.6	52.5	3.6	105.5
Financial result	- 35.5	- 7.6	- 18.7	- 7.7	- 5.1	- 17.3
Result by divisions	- 37.5	14.8	104.9	44.8	- 1.5	88.2
Taxes	11.5	- 2.3	2.1	20.4	2.6	34.5

It has generally been planned to abandon the entrepreneurial management of the discontinuing operations in the 2002 or 2003 financial year.

(10) Amortisation of goodwill

The amortisation of goodwill from the acquisition of business operations was included under 'Depreciation' (cf. note 6). The increase in amortisation of goodwill was due largely to the fact that the goodwill arising on the acquisition of the Thomson Travel Group was amortised over twelve months for the first time.

Non-scheduled amortisation of goodwill totalled € 1.4 million. In the previous year, non-scheduled amortisation of goodwill was not necessary.

(11) Taxes

Breakdown of tax expenses

mill. €	2001	AFY 2000	1999/2000
Current taxes on income			
in Germany	7.7	10.1	156.4
abroad	72.4	26.9	101.3
Income from deferred taxes	6.6	45.1	133.1
Taxes on income	+ 73.5	- 8.1	+ 124.6
Other taxes	48.4	18.0	49.3
Total	**121.9**	**9.9**	**173.9**

Taxes on income mainly related to profits from ordinary activities after deduction of other taxes. Amortisation of goodwill only led to a reduction in tax charges to the extent to which corresponding goodwill was also reported for tax purposes in the wake of accrual or merger operations or supplementary tax balance sheets prepared for trading partnerships. The German companies of the Preussag Group had to pay an average trade tax of approx. 17% of taxable trading profit, which was deductible in the computation of the corporation tax. In the previous year, the corporation tax rate for retained profits was 40% and for distributed profits 30%, plus a solidarity surcharge on corporation tax of 5.5%.

Due to the reduction in corporation tax as of 1 January 2001 to a uniform rate of 25% for retained and distributed profits, all deferred tax items of German companies were taxed at an average rate of 39%, also considering trade tax and solidarity surcharge. In the 1999/2000 financial year and in the abbreviated financial year, deferred taxes were realised on the basis of the applicable tax rate for retained profits of 52%. The calculation of foreign income tax was based on the laws and regulations applicable in the respective countries. The income tax rates applied to foreign companies varied from 16 to 75%. In France, the tax rate applicable to the calculation of deferred taxes was reduced to a uniform rate of 35.43% in accordance with the adoption of a tax reduction scheme.

In accordance with the rules of IAS 12 (revised 2000), deferred taxes were calculated in accordance with the balance sheet liability method. Accordingly, tax savings and charges deemed to be realisable in future were reported for temporary differences between the book values carried in the consolidated financial statements and the tax base of assets and liabilities.

Tax savings from the use of loss carryforwards that were assessed as realisable in the future were capitalised. The valuation of a deferred tax asset for future tax savings took account of the probability that the respective tax asset can be recovered.

The following deferred tax assets and liabilities reported in the balance sheet were attributable to differences in the recognition and valuation of the balance sheet items

	31 Dec 2001		31 Dec 2000	
mill. €	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible and tangible assests	292.5	1,045.1	174.1	932.2
Investments	0.5	9.8	2.0	8.9
Current assets	44.3	57.4	39.1	33.0
Financial instruments	44.8	42.7	–	–
(of which without effect on results)	(34.0)	(30.1)	(–)	(–)
Pension provisions	61.8	0.7	74.6	1.1
Other provisions	105.3	47.2	148.9	44.1
Other items	189.0	26.4	155.1	53.9
Capitalised tax savings from realisable losses carried forward	131.6	–	134.2	–
Net of deferred taxes	- 772.1	- 772.1	- 597.9	- 597.9
Balance sheet valuation	**97.7**	**457.2**	**130.1**	**475.3**
(of which long-term)	(62.5)	(427.7)	(51.1)	(452.6)

The differences shown in the commercial balance sheet and the tax balance sheet in respect of tangible assets were mainly due to different methods of amortisation and longer useful economic lives. For current assets the differences largely resulted from different income recognition dates for tax purposes for revenue and the valuation of inventories. Differences in the commercial and tax balance sheets with regard to the other provisions were primarily attributable to the creation of provisions for anticipated losses. Deferred taxes on financial instruments resulted from the first-time application of IAS 39. Where changes in the value of financial instruments were carried in equity with no effect on results, the related deferred taxes also led to an increase or decrease in equity with no effect on results. Deferred tax assets due in a territory with taxing power were offset against deferred tax liabilities due in the same territory where maturities matched.

The proposed dividend for the 2001 financial year caused no tax charge (for 1999/2000 and the 2001 abbreviated financial year the total was € 17.2 million).

Breakdown of losses carried forward

mill. €	31 Dec 2001	31 Dec 2000
German losses carried forward		
Corporation tax	261.8	293.4
Trade tax	420.7	412.6
Foreign losses carried forward	498.8	553.8

While domestic losses carried forward were not subject to any restrictions, foreign losses carried forward frequently met with specific national timing restrictions and restrictions on the use of profits from ordinary activities, which were taken into account accordingly in the valuation. Potential tax savings totalling € 131.5 million (previous year: € 180.2 million) were not capitalised since the benefit of the underlying losses carried forward was unlikely to be realised.

The use of loss carryforwards for which no asset was reported for the potentially resulting tax savings in previous years led to a reduction in the tax burden of € 5.4 million (abbreviated financial year: € 2.2 million) for the 2001 financial year. As a result of tax loss carrybacks it was not possible to reduce the tax burden for the financial year (abbreviated financial year: € 0.6 million).

Development of capitalised tax savings from losses carried forward realisable in the future

mill. €	2001	AFY 2000	1999/2000
Capitalised tax savings at the beginning of the financial year	**134.2**	**108.3**	**94.5**
Adjustment with no effect on results following the first-time application of IAS 12 (revised 2000)	–	–	6.2
Changes in the basis of consolidation and exchange adjustment	- 17.6	- 3.9	58.6
Use of losses carried forward	- 31.0	- 3.3	- 27.3
Value adjustment of capitalised tax savings from losses carried forward	- 2.2	- 3.9	- 36.1
Effects of changes in tax rate	–	–	- 16.4
Capitalisation of tax savings from losses carried forward	48.2	37.0	28.8
Capitalised tax savings at financial year-end	**131.6**	**134.2**	**108.3**

The actual income tax expense of € 73.5 million (previous year: € - 8.1 million) was € 115.6 million (previous year: € 16.3 million) less than the expected income tax expense of € 189.1 million (previous year: € 8.2 million) that would result if the domestic tax rate were applied to the Group's annual pre-tax results.

Reconciliation of expected to actual income tax expenses

mill. €	2001	AFY 2000	1999/2000
Group profit for the year before taxes on income	484.8	15.8	527.1
Anticipated expenditure for taxes on income (tax rate 39%, previous years 52%)	**189.1**	**8.2**	**274.1**
Difference between actual and anticipated tax rates	- 35.4	- 10.4	- 137.0
Tax portion			
for tax-exempt income	- 235.2	- 45.5	- 121.8
for non-tax-deductible expenses	229.6	68.6	191.5
for temporary differences and losses for which no deferred taxes were recorded	- 35.3	- 7.7	15.5
for tax expenses and income unrelated to accounting period	- 43.7	- 29.2	42.8
for other deviations	4.4	7.9	- 26.8
Effects of changes in tax rate	–	–	- 113.7
Actual expenditure for taxes on income	**73.5**	**- 8.1**	**124.6**

The difference between actual tax rates and the German tax rate (39% compared with 52% in the previous year) was partly attributable to the fact that lower tax rates were applied to the results of foreign subisidaries.

(12) Results attributable to minority interests

Results attributable to minority interests

mill. €	2001	AFY 2000	1999/2000
Profit due to minority interests	75.6	21.3	100.1
Loss attributable to minority interests	- 10.4	- 11.6	- 28.7
Total	**65.2**	**9.7**	**71.4**

Annual results attributable to minority interests primarily related to consolidated subsidiaries in the tourism division, in particular to the companies of the RIU Group, the Magic Life Group and the Anfi companies. In the logistics division, minority interests mainly related to shareholders in Algeco S.A. and VTG-Lehnkering AG.

(13) Earnings per share

In accordance with IAS 33, undiluted earnings per share were determined as the ratio between the Group's net profit for the year due to the shareholders of Preussag AG and the weighted average number of no-par value shares outstanding during the financial year.

A dilution of earnings per share occurs when the average number of shares is increased by adding the issue of potential shares from the warrants and conversion options issued by Preussag AG. As a rule, warrants and conversion options have a diluting effect on earnings if they lead to the issue of shares at a price below the average stock market share price.

Number of shares for the computation of undiluted and diluted earnings per share in accordance with IAS 33

	2001	AFY 2000	1999/2000
Weighted average number of shares	176,694,011	173,495,974	173,330,809
Number of non-exercised option rights with dilution effect	–	2,102,852	2,423,982
Weighted average number of shares with consideration of the dilution effect	176,694,011	175,598,826	175,754,791

The dilution effect of non-exercised warrants was calculated on the basis of a subscription price per share of DM 37.50 (€ 19.17) and an average share price of € 43.69 for the previous financial year. In the 2001 financial year, the bond with warrants attached did not generate a dilution effect from the repayment of the bond and the exercise of the warrants. The conversion options did not cause a dilution effect.

Earnings per share

	2001	AFY 2000	1999/2000
Group profit for the year due to Preussag shareholders (million €)	346.1	14.2	331.1
Undiluted earnings per share (in €)	1.96	0.08	1.91
Diluted earnings per share (in €)	1.96	0.08	1.88

Further information on the consolidated profit and loss statement

Unusual income and expenses

mill. €	2001	AFY 2000	1999/2000
Unusual income			
from the disposal of fixed and current assets	500.5	164.2	249.5
from other income	117.5	28.6	163.1
from taxes	57.6	–	201.6
Total	**675.6**	**192.8**	**614.2**
(of which relating to prior periods)	668.8	183.9	370.5
Unusual expenses			
from the disposal of fixed and current assets	95.7	7.1	40.9
from restructuring measures	57.2	1.8	15.7
from non-scheduled depreciation	132.2	20.2	40.4
from other expenses	441.4	80.7	254.5
from taxes	–	44.0	95.9
Total	**726.5**	**153.8**	**447.4**
(of which relating to prior periods)	644.6	134.8	413.4

Unusual income and expenses related to those items of the result from ordinary business activities which do not occur regularly or are attributable to other financial years.

Unusual income and expenses were mainly related to the divestment of subsidiaries. Hence, a substantial proportion of unusual income was attributable to dispoasal gains, offset against other expenses as primarily expenses relating to prior periods. Both unusual expenses and income were mainly included in other operating expenses and other operating income, and in taxes on income.

The overall research and development expenses of the Group totalled € 2.0 million (previous year: € 1.7 million). Where there was no basis for capitalisation, these expenses were recognised as expenses in the year in which they were incurred.

Notes on the Consolidated Balance Sheet

(14) Goodwill

For the year under review, the development of capitalised goodwill from the acquisition of companies is outlined under the development of fixed assets.

Goodwill acquired since 1 October 1995 was capitalised and subjected to scheduled depreciation on a straight-line basis over its economic life. Debit differences arising from the capital consolidation of companies acquired before that date continued to be offset against revenue reserves.

The amortisation of goodwill from the acquisition of consolidated subsidiaries took account of the strategic importance of the acquisition of the company and a number of other factors impacting on the useful life and was effected on the basis of the straight-line method over a period of five up to a maximum of 20 years. In the event of additions during the financial year, the amortisation was effected on a pro rata temporis basis.

(15) Other intangible assets

The development of the individual items of other intangible assets for the financial year is outlined under the development of fixed assets.

Other intangible assets that had been purchased were valued at cost and subjected to scheduled depreciation on a straight-line basis over their anticipated economic life. Development costs and own work were capitalised when it was probable that the costs would give rise to future economic benefits for the Group.

The manufacturing cost of self-constructed assets was determined on the basis of direct costs and appropriate indirect costs and depreciation. The book value of capitalised development costs and self-generated intangible assets, mainly software development, totalled € 50.0 million (previous year: € 35.3 million) as of 31 December 2001. The costs were amortised in the same way as purchased assets.

In the year under review, self-generated intangible assets totalling € 22.7 million were capitalised.

Economic lives of other intangible assets

	Economic life
Concessions, industrial property rights and similar rights	up to 20 years
of which software	up to 10 years
Capitalised development costs	3 - 5 years

Write-ups were effected when the reasons for non-scheduled depreciation ceased to exist. As in the previous year, no write-ups were carried out in the year under review.

As in the previous year, there were no material restraints on ownership or disposal.

(16) Tangible assets

The development of the individual tangible asset items for the financial year is outlined under the development of fixed assets.

Breakdown of tangible assets at book values

mill. €	31 Dec 2001	31 Dec 2000
Mineral rights, pits, mines and boreholes	195.3	203.8
Real estate and buildings	1,549.3	1,586.7
of which hotels	(343.0)	(273.9)
Machinery and fixtures	585.8	728.8
Ships and vehicle fleet, mobile buildings and containers	1,715.6	1,675.1
Aircraft	1,554.8	1,711.8
Other plants and office equipment	452.7	439.6
Assets under construction and payment on account	251.8	231.7
Total	**6,305.3**	**6,577.5**

Tangible assets were valued at cost, less scheduled depreciation and in individual cases non-scheduled depreciation. Investment grants were shown as reductions in cost where these grants were directly attributable to individual tangible asset items. Where a direct allocation of grants was not possible, the grants were allocated to the respective periods and released in accordance with the progress of the investment project. When the reasons for non-scheduled depreciation effected in previous years ceased to exist, corresponding write-ups were carried out.

The manufacturing costs of own work capitalised were valued on the basis of direct costs, appropriate indirect costs and depreciation. The cost of finance for the manufacturing period was not included.

Tangible assets with a limited economic life were depreciated on the basis of scheduled straight-line depreciation, unless a different depreciation method was required in individual cases because of the actual development of the economic life. For aircraft, residual values of up to 20% were taken into account in the determination of depreciation, and for ships and – in well-founded cases – for technical plants and machinery, scrap values were carried as residual income.

Drillings were valued in accordance with the 'Successful Effort Method', the method generally employed internationally, according to which only economically successful drillings are capitalised and as a rule depreciated on a straight-line basis or as a function of production. Economically unsuccessful drillings and exploratory drillings were immediately recognised as expenses for the period.

Low-cost assets (with acquisition or manufacturing costs of € 410.00) were written off in full in the year of acquisition and shown as disposals.

Economic lives of tangible assets

	Economic life
Buildings	up to 50 years
of which hotels	25 years
Machinery and fixtures	up to 40 years
of which tank farms	up to 25 years
Ships and wagons	up to 30 years
of which container ships	23 years
Aircraft and spare parts for aircraft	up to 18 years
Plants and office equipment	up to 10 years

The costs related to repairs or maintenance of tangible assets were recognised as expenses. Replacement and renewal costs were recognised as subsequent manufacturing costs when they led to a considerable extension of the useful life or a substantial improvement or major change in the use of the tangible asset.

Obligations for the dismantling or disassembly of assets and the recultivation of locations were capitalised as incidental acquisition costs in accordance with the rules of IAS 16 (revised 1998) to the extent to which provisions had been formed for these obligations under IAS 37.

In accordance with IAS 17, leased tangible assets in which consolidated subsidiaries carried all the risks and rewards incident to ownership of the asset (finance leasing) were valued at the cost that would have been incurred if the asset had been purchased. Scheduled depreciation was effected over the economic life or the lease term, if shorter, on the basis of the depreciation method applicable to comparable purchased or manufactured assets. The payment obligations arising from future lease payments were carried as liabilities, with no consideration of future interest expenses. In the framework of finance leasing, tangible assets with a book value of € 819.0 million (previous year: € 837.9 million) were reported at the balance sheet date. Leased assets were carried at € 534.9 million (previous year: € 556.8 million) for aircraft, € 120.0 million (previous year: € 134.5 million) for ships and wagons, € 74.2 million (previous year: € 84.7 million) for mobile buildings and containers and € 69.5 million (previous year: € 58.4 million) for buildings.

Group companies were not only lessees under finance leases, but achieved turnover of € 498.9 million (abbreviated financial year: € 121.2 million) from the leasing and rental of tangible assets as part of their ordinary business activities. Operational leasing was predominantly carried out in the logistics division, particularly by the companies of the VTG-Lehnkering Group and the Algeco Group. In addition, the Group had residential property that was rented to third parties in order to generate rental income. Overall, tangible assets with a book value of € 825.4 million (previous year: € 807.5 million) were leased to third parties, of which the largest proportion, € 547.8 million (previous year: € 526.4 million), was accounted for by transport vehicles and mobile buildings.

The fair value of the Group's investment property meeting the definition of IAS 40 was about € 450.0 million, with a book value of € 300.6 million included in fixed assets and current assets. The development of the book values of the investment property is shown under 'Development of Fixed Assets'. Investment property generated total income of € 192.2 million. On the other hand, the generation of this income was associated with expenses of € 137.0 million.

In the year under review, the book value of the tangible assets subject to ownership restraints totalled € 118.5 million (previous year: € 71.6 million), of which € 79.3 million (previous year: € 64.5 million) were pledged as collateral.

Write-ups of € 0.1 million (previous year: € 0.3 million) were effected for tangible assets in the Group.

The changes in the individual tangible asset items primarily resulted from the disposal of the companies of the Wolf, Deutag, Kermi and Minimax Groups.

(17) Companies valued at equity and other investments

Breakdown of financial investments

mill. €	31 Dec 2001	31 Dec 2000
Companies valued at equity	**649.4**	**646.3**
Group companies	47.5	62.7
(of which shares)	(46.2)	(53.1)
(of which loans)	(1.3)	(9.6)
Investments	173.8	115.1
(of which shares)	(171.1)	(102.2)
(of which loans)	(2.7)	(12.9)
Shareholdings	28.9	16.1
Other loans	79.0	34.2
Advance payments made	0.3	14.6
Other investments	**329.5**	**242.7**
Total	**978.9**	**889.0**

The development of the individual investment items for the financial year is outlined under 'Development of Fixed Assets'.

For companies valued at equity, proportionate changes in equity with an effect on results were shown under additions and disposals, and amortisation of goodwill was carried under depreciation for the current year.

Due to the exercise of a put option by the Swedish Celsius Group, the Group increased its shareholding in Howaldtswerke-Deutsche Werft AG (HDW). Due to the exercise of the option, 5% of the shares were purchased by the Group, while another 20% were only legally owned by a financial investor. The acquisition of the shares resulted in a corresponding addition to the group of companies valued at equity, with another addition due to the first-time equity valuation of the Nouvelles Frontières Group. On the other hand, the book value of the companies valued at equity dropped, in particular due to the removal of the Babcock Borsig Group from equity valuation and the full consolidation of the Anfi companies as well as nine other companies, particularly in the tourism division.

Following the completion of the financial year under review, Preussag sold all shares in HDW to an associated company of the American Bank One in March 2002.

In accordance with the rules of IAS 39, the valuation of financial instruments depends on the Company's intention to hold them. Accordingly, financial instruments were classified into 'held for trading', 'available-for-sale' or 'held-to-maturity' investments. Another category of financial instruments was 'loans and receivables originated by the company'. While financial instruments held for trading or available-for-sale had to be measured at fair values, held-to-maturity financial instruments and loans and receivables originated by the company were valued at amortised cost. As a matter of principle, the Preussag Group did not hold any financial instruments for trading.

The Preussag Group's investments exclusively covered loans and receivables originated by the company in the form of loans or available-for-sale financial instruments. The loans and credits were recognised at amortised cost. Non-interest or low-interest loans were carried at their present values and amortised according to the effective interest method. The interest rates for loans varied from 0% p.a. to 9.8% p.a. (previous year: 0% p.a. to 8.0% p.a.).

Shares in Group companies and shareholdings were valued at amortised cost, unless a reliable market value could be determined. Shares with a total book value of € 217.3 million were valued at cost under investments.

Write-ups of € 1.3 million (previous year: € 0.1 million) were effected in investments.

At financial year-end, no investments were subject to ownership restraints (previous year: € 16.1 million).

(18) Inventories

Inventories

mill. €	31 Dec 2001	31 Dec 2000
Raw materials and supplies	165.4	222.4
Work in progress	80.3	109.8
Finished goods and merchandise	366.6	505.9
Advance payments made	158.9	205.5
	771.2	**1,043.6**
./. Advance payments received	9.3	27.5
Total	**761.9**	**1,016.1**

Raw materials and supplies as well as merchandise were valued at the lower of cost or fair value.

Work in progress and finished goods were valued at the lower of cost or fair value. Manufacturing costs were calculated on the basis of direct costs plus appropriate indirect cost surcharges and depreciation. The cost of finance for the production period, company pension costs or voluntary social benefits were not included.

Individual value discounts were effected for all inventories when the income probably to be realised from the sale or use of the inventories was lower than the book value of the inventories. The lower fair value was based on the sales revenues expected to be realisable less the costs to be incurred before the sale. When the reasons leading to a devaluation of the inventories ceased to exist, the write-down was reversed. Of all the inventories, € 24.5 million (previous year: € 30.7 million) were carried at fair value. In the Group, no significant write-ups of inventories were recognised, just as last year.

Advance payments received were deducted from inventories when they were attributable to specific construction contracts with a low contract value in individual cases.

As a rule, similar inventory items were valued using the average valuation method.

The decline in inventories of € 254.2 million was mainly due to the disposal of the companies sold in the year under review, which were manufacturing companies and therefore owned corresponding inventories.

(19) Trade accounts receivable

Trade accounts receivable

mill. €	31 Dec 2001	31 Dec 2000
from third parties	1,126.8	1,531.2
from Group companies	11.5	36.1
from companies in which shareholdings are held	54.2	29.3
Total	**1,192.5**	**1,596.6**

Trade accounts receivable included a total of € 63.8 million (previous year: € 50.1 million) for receivables with a remaining term of more than one year. Appropriate value discounts were effected for all identifiable single risks, the general credit risk supported by empirical values and for special country risks.

(20) Other receivables and assets

Other receivables and assets

mill. €	31 Dec 2001 Remaining term more than 1 year	31 Dec 2001 Total	31 Dec 2000 Total	31 Dec 2000 Remaining term more than 1 year
Other receivables from Group companies	18.2	98.9	–	–
Other receivables from companies in which shareholdings are held	1.7	31.8	24.4	0.3
of which from loans	(1.7)	(25.9)	(11.5)	(0.3)
of which other receivables	(–)	(5.9)	(12.9)	(–)
Other receivables from companies in which shareholdings are held	12.1	98.1	134.1	7.7
of which from loans	(3.0)	(39.0)	(91.7)	(2.8)
of which other receivables	(9.1)	(59.1)	(42.4)	(4.9)
Other receivables	**13.8**	**129.9**	**158.5**	**8.0**
Income tax refund claims	1.6	19.5	2.0	0.2
Other taxes	–	41.5	36.1	0.1
Interest deferral	–	9.1	18.2	7.1
Receivables from loans to third parties	0.5	27.5	27.7	6.0
Receivables from members of the boards	–	0.1	0.1	0.1
Other current assets	529.1	1,127.6	1,293.0	321.1
Other current assets	**531.2**	**1,225.3**	**1,377.1**	**334.6**
Total	**563.2**	**1,454.1**	**1,535.6**	**342.6**

Just as last year, no material restraints on ownership or disposal existed for other receivables and assets reported in the financial statements. The interest in Thomas Cook Holdings Ltd., shown under other assets in the previous year, was sold to the former C&N Touristik (now Thomas Cook AG) as of 31 March 2001.

Marketable securities recognised at fair value were shown under other assets for the first time in the financial year. If the reclassification had already been implemented last year, other assets would have increased by € 32.0 million. Marketable securities mainly comprised listed securities and fixed-interest securities with interest rates of 4.35% p.a. to 6.25% p.a., just as last year.

(21) Funds

Funds

mill. €	31 Dec 2001	31 Dec 2000
Securities contained in current assets	**–**	**32.0**
Bank deposits	541.6	720.5
Cheques, cash-in-hand, balances with Bundesbank (German Central Bank)	101.7	93.8
Liquid funds	**643.3**	**814.3**
Total	**643.3**	**846.3**

Marketable securities measured at fair value were shown under other assets for the first time in the financial year.

(22) Assets from future tax benefits

Assets from future tax benefits comprised deferred tax assets from temporary differences between the accounting values carried in the consolidated balance sheet and taxable values as well as the tax savings from loss carryforwards assessed as realisable in the future. Deferred tax assets are outlined in detail under note 11.

(23) Prepaid expenses

Other prepaid expenses mainly comprised prepaid expenses for regular return flights taking place after the balance sheet date, rental and maintenance expenses and brochure costs. Of the total prepaid expenses, € 0.5 million (previous year: € 1.0 million) had a remaining term of more than one year.

Shareholders' equity
The development of shareholders' equity of the Preussag Group for the year under review is presented in the equity schedule.

(24) Subscribed capital

The subscribed capital of Preussag AG consisted of no-par value shares, each representing an identical share in the capital stock. The proportionate share in the capital stock per no-par value share was around € 2.56.

The subscribed capital of € 455,147,684.11 (previous year: € 444,202,305.42) of Preussag AG, registered in the commercial registers of Berlin-Charlottenburg and Hanover, totalled 178,038,299 shares (previous year: 173,756,839 shares).

In the year under review, the number of shares issued rose by 4,281,460 units from the exercise of warrants from the bond with warrants attached maturing in May 2001.

The Annual General Meeting of 18 May 2001 authorised the Executive Board of Preussag AG to purchase own shares of up to 10% of the subscribed capital. The authorisation will be valid until 17 November 2002 and replaces the authorisation granted at the Annual General Meeting of 17 April 2000. The option to purchase own shares has so far not been used.

GEV Gesellschaft für Energie- und Versorgungswerte mbH, Dortmund, a subsidiary of Westdeutsche Landesbank Girozentrale, Düsseldorf/ Münster, held more than 25% of the subscribed capital of Preussag AG.

Conditional capital
Following a resolution adopted by the Annual General Meeting on 24 March 1994 on the issue of bonds with warrants attached, conditional capital totalled DM 45.0 million (€ 23.0 million). The bond with warrants attached issued in April 1996 and amounting to DM 300 million (€ 153.4 million) was due in May 2001. Of the 429,678 warrants not yet exercised by 31 December 2000, 428,146 warrants were exercised in the year under review (19 warrants in the abbreviated financial year). 4,281,460 new no-

par value shares were issued, leading to an increase in subscribed capital of € 10,945,378.69 compared with 31 December 2000. Conditional capital dropped correspondingly. 1,532 warrants, representing conditional capital of € 39,165, were not exercised by 30 April 2001 and therefore became void.

In addition, the Annual General Meeting adopted a resolution of 31 March 1999 creating an additional conditional capital of € 39 million for the issue of conversion options in connection with the issue of convertible bonds. On the basis of this resolution, Preussag AG issued a convertible bond of € 550.0 million in June 1999. This convertible bond has been admitted to trading on the stock exchange since 17 June 1999. In the 1999/2000 financial year, 83 conversion options were exercised, leading to a corresponding reduction in conditional capital of € 3,374.53. On the basis of a conversion ratio of 15.9128 shares per bond, each with a nominal value of € 1,000, 1,320 no-par value shares were issued. Conversion options for a conditional capital of about € 39.0 million were not yet exercised by the balance sheet date.

On 12 April 2000 the Annual General Meeting adopted a resolution creating a conditional capital of € 50 million. The conditional capital is intended for the service of conversion options from the issue of convertible bonds totalling up to € 1.0 billion. The convertible bonds have not yet been issued.

Development of conditional capital

'000 €	Conditional capital 31 Dec 2000	Availment in the current financial year: Number of exercised conversion and option rights	Increase of subscribed capital	Increase as of AGM resolution	Conditional capital 31 Dec 2001
non-exercised option rights	10,984	428,146	10,945	–	39[1]
convertible bond	88,997	–	–	–	88,997
Total	**99,981**	**428,146**	**10,945**	**–**	**88,997**

[1] The amount became void due to the non-exercise of warrants.

Authorised capital

The authorised capital created at the Annual General Meeting of 12 April 2000 of up to a total of € 10.0 million for the issue of employee shares was not used in the financial year. In the previous year, the subscription of 333,185 employee shares by current and former employees of Preussag AG and its Group companies at a price of € 26.08 per share led to a total increase in subscribed capital of € 851,773.93. The authorised capital was reduced accordingly to € 9,148,226.07.

The authorised capital of up to € 165.0 million created by the Annual General Meeting of 12 April 2000 was not used during the financial year for the issue of new no-par value shares for cash or non-cash contributions.

In addition, the Annual General Meeting of 12 April 2000 created another authorised capital of up to € 44.0 million. This authorised capital was not used during the financial year for the issue of new no-par value shares for cash contributions.

(25) Capital reserves

The capital reserves only included transfers from share premiums from the issue and conversion of shares together with amounts that were generated by the issue of bonds for conversion options and option rights to purchase shares in Preussag AG. Agios from option and conversion rights were also allocated to capital reserves. The transaction costs for the issue of conversion options and option rights and the capital increase by the issue of new shares for cash contributions were offset against the transfers to capital reserves resulting from these transactions.

In the financial year, € 71.1 million (previous year: € 3,157.22) from the exercise of subscription rights in connection with the bond with warrants attached were transferred to capital reserves. In the previous year, another € 7.8 million were transferred to capital reserves from the subscription of employee shares. Moreover, capital reserves increased by € 4.3 million in the year under review (previous year: € 1.5 million) as a result of the release of deferred tax provisions, formed in the wake of the issue of conversion options, against capital reserves with no effect on results.

(26) Revenue reserves

Pursuant to commercial-law reporting requirements, revenue reserves consisted solely of other revenue reserves. They comprised allocations from the results of the current or previous financial years, differences arising from the currency translation of the financial statements of foreign subsidiaries with no effect on results, and set-offs against debit and credit differences from the capital consolidation and equity valuation of subsidiaries purchased before 30 September 1995. In addition, adjustments with no effect on results that were due to the first-time application of new IAS standards were transferred to the revenue reserves or offset against them. As per 1 January 2001, a total of € 74.1 million were offset against revenue reserves with no effect on results due to the first-time application of IAS 39. In the previous year, adjustments with no effects on results were not required as the accounting and valuation methods were retained unamended.

The articles of association of Preussag AG did not contain any provisions pertaining to the formation of reserves.

Revenue reserves included differences arising from the translation of foreign currency totalling € - 13.2 million (previous year: € - 31.3 million).

(27) Revaluation reserve for financial instruments

The revaluation reserve for financial instruments was created in the wake of the first-time application of the rules of IAS 39 in the preparation of the balance sheet. It contained all market value changes of primary financial instruments classified as available for sale. When these financial instruments were sold, the accumulated gain or loss from the financial instrument was recognised in the profit and loss statement. The revaluation reserve for financial instruments also included all accumulated gains and losses from changes in the fair values of derivative financial instruments entered into as cash flow hedges. When the hedged transaction occurred, the results of the hedge were reclassified either as an income or expense item in the profit and loss statement or as an increase or decrease in cost. As of 1 January 2001, a total of € 86.7 million were transferred to the revaluation reserve due to the first-time application of IAS 39. The changes reported for the 2001 financial year resulted from reversals of the revaluation reserve with an effect on results, accounting for € 14.8 million, the derecognition with no effect on results of the revaluation reserve for investment transactions implemented in the year under review, totalling € 2.2 million, and changes in the market values of the financial instruments, amounting to € - 105.8 million.

(28) Net profit available for distribution

In accordance with section 58 para. 2 of the German Stock Corporation Act, the results of the commercial-law financial statements of Preussag AG were the authoritative basis for dividend payments to Preussag AG's shareholders. Net profit available for distribution reported in Preussag's consolidated financial statements was identical with the figure carried in the financial statements of Preussag AG. The reconciliation of Group profit for the year to profit available for distribution of Preussag AG is outlined in the profit and loss statement of the Preussag Group. As per 31 December 2001, the Group's net profit available for distribution totalled € 137.5 million, comprising the profit available for distribution generated in the year under review and the profit carried forward from the previous year of € 562,564.92.

A proposal will be submitted to the Annual General Meeting of Preussag AG to use Preussag AG's profit available for distribution for the payment of a dividend of € 0.77 per no-par value share and to carry the amount of € 410,509.77 remaining after the deduction of the dividend total of € 137,089,490.23 forward on new account. Due to changes in tax regulations, no tax credit will be added to dividend payments.

(29) Minority interests in equity

Minority interests in equity mainly related to companies of the tourism division, above all companies of the RIU Group, the Magic Life Group and the Anfi Group. Other noteworthy minority interests existed in the logistics sector for the Algeco Group and the VTG-Lehnkering Group.

(30) Provisions for pensions and similar commitments

A number of pension schemes based on defined contribution plans or defined benefit plans were operated for the employees. Benefit entitlements depended on the legal, tax-related and economic situation in each individual country and were usually based on the employees' length of service and pay level. Whereas defined contribution plans were financed via external funds as a matter of principle, systems existed for defined benefit plans that entailed the formation of provisions or investment (in funds) outside the company.

German employees enjoyed benefits from a statutory defined contribution plan paying pensions as a function of employees' income and the contributions paid in. A number of additional industry pension organisations existed for companies of the Preussag Group. Besides the payment of contributions to the state and private pension insurance institutions, the company was not obliged to pay any other benefits. Current contribution payments were recognised as an expense for the respective period. In the financial year, the pension costs for all defined contribution plans for the Preussag Group totalled € 90.3 million (abbreviated financial year: € 39.9 million).

Provisions for pensions and similar commitments

mill. €	31 Dec 2001	31 Dec 2000
Pension provisions	752.1	886.6
Similar commitments	19.9	20.4
Total	**772.0**	**907.0**

The provisions for pension costs were formed on the basis of promised pension, invalidity and surviving dependents' benefits. Provisions were exclusively formed for defined benefit schemes under which the company guarantees employees a certain level of pension. Provisions for similar commitments covered in particular early retirement and temporary assistance benefits. Pension provisions were almost exclusively related to promised benefits for German companies, whereas in foreign subsidiaries the corresponding benefits were predominantly fund-based.

Development of the provision for pensions

Opening balance 1 Jan 2001	Changes in the basis of consolidation[1]	Utilisation	Release	Addition	Closing balance 31 Dec 2001
907.0	- 148.0	45.5	1.4	59.9	772.0

[1] as well as transfers and exchange adjustments

Due to the divestment of the companies of the Deutag, Minimax, Wolf and Kermi Groups as well as KBB, the provision for pensions and similar commitments decreased by around € 126.6 million.

Actuarial valuations and assumptions formed the basis of the valuation of the pension commitments. The commitments under defined benefit plans were calculated in accordance with the internationally customary Projected Unit Credit Method, taking into account expected future increases in salaries and pensions.

Fundamental actuarial assumptions applied for German subsidiaries

% p.a.	2001	AFY 2000
Assumed rate of interest	5.6%	6.25%
Salary increases	2.5%	2.5 % - 3.0%
Pension increases	1.5 - 1.83%	1.5 % - 2.0%
Turnover rate	2.0%	2.0%

The actuarial valuations for foreign companies were based on specific assumptions for the respective countries. The major fund-based defined benefit pension commitments abroad were based on expected salary increases from 1.5% p.a. to 4.0% p.a. (previous year: 2.5% p.a. to 5.5% p.a.) and expected returns on fund assets from from 6.0% p.a. to 8.0% p.a. (previous year: 6.0% p.a. to 6.6% p.a.).

Reconciliation of the projected unit credit value to provisions carried in the balance sheet

mill. €	31 Dec 2001	31 Dec 2000
Actual projected unit credit value of all pension benefit entitlements	1,895.5	1,942.5
Fair value of externally managed funds	1,023.1	1,066.4
Net project unit credit value	**872.4**	**876.1**
Difference caused by changes in actuarial assumptions and past payment obligations	- 120.3	+ 10.5
Provisions carried in the balance sheet	**752.1**	**886.6**

The difference of € 120.3 million which had not yet affected results at the balance sheet date will be recognised ratably as expense over the residual service life of the active workforce and in subsequent years will correspondingly increase the transfers to provisions for pension plans relating to internally financed pension commitments. The increase in the difference mainly resulted from changes in actuarial parameters and deviations of actual from expected returns on the investment of the external fund assets to cover the future pension commitment.

A breakdown of overall pension costs is presented under note 5.

Defined benefit plans that were not funded by provisions were funded by externally managed funds. This type of pension plan funding was predominantly operated by foreign subsidiaries.

Ratio of fund assets to pension entitlements

	Funds with cover shortage		Funds with surplus cover	
mill. €	31 Dec 2001	31 Dec 2000	31 Dec 2001	31 Dec 2000
Fair value of fund assets	770.2	795.0	252.9	271.4
Present value of pension benefit entitlements	936.5	867.7	201.9	202.5
Cover shortage or surplus cover	**- 166.3**	**- 72.7**	**+ 51.0**	**+ 68.9**

Substantial defined benefit pension plans financed by external pension funds were operated by the companies of the Thomson Travel Group.

Additional retirement benefits granted by foreign companies were primarily operated by companies of the AMC Group, the Algeco Group and the US steel service companies. In the completed financial year, the development of the international capital markets generated a decrease in the value of externally invested fund assets. These changes in value were transferred to the difference caused by changes in actuarial assumptions.

(31) Tax provisions and other provisions

Development of provisions in 2001

mill. €	Opening balance 1 Jan 2001	Change in the basis of consolidat.[1]	Utilisation	Release	Addition	Closing balance 31 Dec 2001
Tax provisions	**922.5**	**- 137.3**	**83.6**	**97.9**	**200.8**	**804.5**
of which provisions for current taxes on income	(400.5)	(- 106.9)	(67.1)	(77.4)	(159.7)	(308.8)
of which provisions for deferred taxes	(475.3)	(- 31.2)	(–)	(19.4)	(32.5)	(457.2)
Other provisions	**1,286.3**	**- 169.9**	**469.0**	**133.9**	**604.2**	**1,117.7**
Personnel costs	316.3	- 69.4	177.9	23.4	214.4	260.0
Typical operating risks	366.0	+ 1.7	51.9	14.0	49.4	351.2
Other provisions	604.0	- 102.2	239.2	96.5	340.4	506.5
Total	**2,208.8**	**- 307.2**	**552.6**	**231.8**	**805.0**	**1,922.2**

[1] as well as transfers and exchange adjustments

Tax provisions

Tax provisions comprised provisions for current and deferred taxes on income and for other taxes. Current income tax provisions – provided they existed in the same fiscal territory and were like provisions in terms of nature and maturity – were offset against the corresponding tax refund claims. Deferred tax liabilities are outlined in note 11.

Other provisions

As a rule, the interest rate for accounting purposes applied in the valuation of provisions for anniversary bonuses carried under personnel costs was 5.5% p.a., as last year.

Provisions for typical operating risks were formed in particular for recultivation and waste disposal commitments. The long-term commitments for the recultivation or restoration of locations were carried at the present value of the anticipated settlement amount. The calculation of the anticipated settlement amount was based on cost increases expected in the future. The corresponding provisions were calculated taking into account price increases of 3.5% and a discount factor of 5.5%. Additions to provisions included an interest portion of € 6.0 million (previous year: € 1.6 million) shown as interest expenses.

Other provisions mainly included provisions for risks from onerous contracts (€ 88.0 million; previous year: € 85.1 million) and guarantee, warranty and liability risks (€ 46.5 million; previous year: € 95.2 million). Other provisions included an amount of € 60.3 million (previous year: € 62.7 million) for environmental protection.

Maturities of tax provisions and other provisions

mill. €	31 Dec 2001 Remaining term more than 1 year	31 Dec 2001 Total	31 Dec 2000 Total	31 Dec 2000 Remaining term more than 1 year
Tax provisions	701.9	804.5	922.5	658.6
of which provisions for current taxes on income	(258.7)	(308.8)	(400.5)	(187.6)
of which provisions for deferred taxes	(427.7)	(457.2)	(475.3)	(452.6)
Other provisions	532.4	1,117.7	1,286.3	519.5
Personnel costs	67.7	260.0	316.3	62.5
Typical operating risks	303.7	351.2	366.0	313.1
Other provisions	161.0	506.5	604.0	143.9
Total	**1,234.3**	**1,922.2**	**2,208.8**	**1,178.1**

(32) Liabilities

Liabilities

mill. €	Remaining term of up to 1 year	1-5 years	more than 5 years	31 Dec 2001 Total	31 Dec 2000 Total	Remaining term of more than 1 year
Financial liabilities	**4,033.1**	**2,367.1**	**431.7**	**6,831.9**	**7,762.7**	**2,965.6**
Bonds	–	1,268.8	–	1,268.8	1,411.0	1,257.6
of which convertible	–	(521.4)	–	(521.4)	(664.0)	(510.6)
Liabilities to banks	3,712.0	799.4	193.4	4,704.8	5,111.6	974.5
Liabilities from bills drawn	–	–	–	–	15.8	–
Liabilities from finance leasing contracts	76.6	239.6	238.2	554.4	704.9	626.0
Financial liabilities to Group companies	67.7	0.1	0.1	67.9	67.3	1.9
Financial liabilities to companies in which shareholdings are held	159.4	59.2	–	218.6	423.1	99.4
of which to banks	(124.3)	(59.2)	(–)	(183.5)	(403.7)	(98.9)
Other financial liabilities	17.4	–	–	17.4	29.0	6.2
Liabilities from derivative financial instruments	**106.6**	**14.7**	**0.7**	**122.0**	**–**	**–**
Trade accounts payable	**2,061.7**	**1.3**	**0.1**	**2,063.1**	**2,125.3**	**11.6**
to third-parties	2,047.6	1.3	–	2,048.9	2,105.7	11.6
to Group companies	10.8	–	0.1	10.9	10.7	–
to companies in which shareholdings are held	3.3	–	–	3.3	8.9	–
Other liabilities	**1,316.1**	**60.1**	**15.4**	**1,391.6**	**1,587.4**	**105.3**
to Group companies	1.8	–	–	1.8	7.4	–
to companies in which shareholdings are held	2.9	–	–	2.9	2.7	–
other liabilities	546.7	18.0	15.4	580.1	589.4	62.0
of which from taxes	(61.8)	(0.3)	(–)	(62.1)	(120.3)	(–)
(of which from taxes on income)	(2.9)	(0.1)	(–)	(3.0)	(28.2)	(–)
of which relating to social security	(40.3)	(–)	(–)	(40.3)	(61.3)	(0.2)
of which to employees	(20.0)	(1.6)	(–)	(21.6)	(27.3)	(2.2)
of which to members of the management	(3.5)	(3.2)	(–)	(6.7)	(5.2)	(5.1)
of which other liabilities	(421.1)	(12.9)	(15.4)	(449.4)	(375.3)	(54.5)
Liabilities from bills accepted	28.4	–	–	28.4	36.9	–
Advance payments received	736.3	42.1	–	778.4	951.0	43.3
Total	**7,517.5**	**2,443.2**	**447.9**	**10,408.6**	**11,475.4**	**3,082.5**

Of the total of all liabilities in the previous year, € 1,264.8 million had a remaining term of more than five years.

In the previous year, bonds included the bond with warrants attached issued by Preussag AG in 1996 with an issue volume of DM 300 million (€ 153.4 million) which was repayed on 17 May 2001 (interest rate 5.75% p.a.). The outstanding warrants entitled holders to purchase no-par value shares in Preussag AG with an accounting value of DM 5.00 (around € 2.56) at a subscription price of DM 37,50 (€ 19.17) per share.

In the 1998/99 financial year, Preussag AG issued a convertible bond of € 550 million maturing on 17 June 2004. The convertible bond with an interest rate of 2.125% p.a. entitled holders to convert each convertible bond of a par value of € 1,000.00 into 15.9128 shares. As a rule, the conversion option may be exercised any time between 1 July 1999 and 28 May 2004. The outside capital component of the convertible bond was valued at its present value based on an interest rate in line with market conditions and was increased by the interest portion of the period as per the balance sheet date in accordance with the Effective Interest Method, the customary method used internationally.

On 22 October 1999 Preussag AG issued a bearer bond with an issue volume of € 750 million and divided into 750,000 bonds with a par value of € 1.000,00. The bond with a nominal interest rate of 5.875% p.a. matures on 22 October 2006.

The liabilities from finance leases were carried without consideration of future interest expenses. The total of all future payments from finance leases was € 733.0 million (previous year: € 922.9 million).

Reconciliation of future leasing payments to liabilities from finance leases

mill. €	Total	Remaining term up to 1 year	more than 1-5 years	more than 5 years
Total of future leasing payments	733.0	117.1	322.9	293.0
Interest portion	178.6	40.5	83.3	54.8
Liabilities from financial leases	554.4	76.6	239.6	238.2

Most medium and long-term liabilities to banks, including banks in which shareholdings were held, were based on variable interest rates and were broken down as follows:

Medium and long-term liabilities to banks[1)]

Original loan principal	Currency	Interest agreement	Interest rate	Remaining term up to 1 year	Remaining term more than 1-5 years	Remaining term more than 5 years	31 Dec 2001 Total	31 Dec 2000 Total	Remaining term more than 1 year
704,765	EUR	variable	3.36 - 6.56%	31,580	585,975	12,394	629,949	671,249	653,359
267,415	EUR	fix	4.09 - 6.90%	34,848	109,321	4,485	148,654	165,906	137,635
126,928	GBP	variable	4.56 - 4.66%	48,472	62,277	86,539	197,288	156,553	119,013
			Total	**114,900**	**757,573**	**103,418**	**975,891**	**993,702**	**910,007**

1) in currency units ('000)

Since most of these liabilities were subject to variable interest rates, the fair value of € 978.3 million (previous year: € 990.3 million) was only slightly higher than the corresponding book value. Short-term variable liabilities totalling around € 1.6 billion were hedged against increases in interest rates by interest limitation contracts.

The interest spread of liabilities to banks ranged from 3.36% p.a. to 6.90% p.a. (previous year: 4.93% p.a. to 6.07% p.a.).

The negative fair values of derivative financial instruments recognised in liabilities are outlined in detail in the explanatory information on financial instruments.

Liabilities secured by mortgages, assignment as security or similar rights

mill. €	31 Dec 2001	31 Dec 2000
to banks	328.1	332.4
to non-banks	20.4	20.0
Total	**348.5**	**352.4**

(33) Deferred income

Deferred income

mill. €	Remaining term of up to 1 year	Remaining term of more than 1 year	31 Dec 2001 Total	31 Dec 2000 Total	Remaining term of more than 1 year
Investment subsidies	1.6	7.6	9.2	6.3	5.1
Other deferred income	54.2	74.6	128.8	164.0	98.7
Total	**55.8**	**82.2**	**138.0**	**170.3**	**103.8**

Government grants to promote investments and not directly allocable to individual asset items (investment grants) were shown under deferred income and recognised with an effect on results for a proportionate period of time in line with the useful life of the corresponding asset items; in the year under review, they totalled € 2.2 million (previous year: € 0.3 million).

Contingent liabilities

Contingent liabilities

mill. €	31 Dec 2001	31 Dec 2000
Liabilities on bills	0.4	20.9
Liabilities under guarantees, bill and cheque guarantees	961.6	1,962.8
Liabilities under warranties	2.2	4.9
of which to Group companies	(–)	(0.7)
Contingent liabilities connected with the provision of collateral for third-party liabilities	0.8	13.7
Total	**965.0**	**2,002.3**

Contingent liabilities were carried at the maximum level of potential availment at the balance sheet date.

Liabilities under warranties were all contractual liabilities to third parties going beyond the typical scope of the business and the industry that were not to be classified as guarantees.

The guarantees and warranties taken over in previous years – in particular by Preussag AG – on behalf of the companies in the former plant engineering and shipbuilding sectors which mainly served the settlement of ongoing business transactions and still existed at the balance sheet date, were shown at their amounts as per that date. In the event of claims raised by creditors, Babcock Borsig AG has assumed an indemnity obligation to Preussag AG. In the period of reporting, the resulting guarantees were again reduced. In addition, the guarantees for the Thomas Cook Group which still existed as per 31 December 2000 and predominantly arose from guarantees for travellers' cheque redemption obligations were completely reduced in the financial year.

Contingent liabilities connected with the provision of collateral for third-party liabilities related to assets used to collateralise third-party liabilities.

The Preussag Group companies were jointly and severally liable for participations in civil-law partnerships for which profit and loss transfer agreements with subsidiaries existed, for participations in joint ventures and participations in partnerships as general partner.

Litigation

Neither Preussag AG nor any of its subsidiaries were involved in pending or foreseeable court or arbitration proceedings which might have a significant impact on its economic position or had such an impact in the past two years. Furthermore, the subsidiaries had formed appropriate provisions or expected adequate insurance benefits to cover any potential financial charges from other court or arbitration proceedings. The financial position was therefore unlikely to be substantially affected by such charges.

Other financial commitments

Nominal values of other financial commitments

mill. €	up to 1 year	Remaining term of more than 1-5 years	more than 5 years	31 Dec 2001 Total	31 Dec 2000 Total	Remaining term of more than 1 year
Order commitments in respect of capital expenditure	265.8	100.3	–	366.1	772.7	461.9
Environmental protection measures	1.0	4.5	5.2	10.7	2.4	1.4
Commitments from lease, tenancy and leasing contracts	1,279.0	2,673.9	990.1	4,943.0	3,735.5	2,873.4
of which for aircraft	(173.1)	(652.6)	(412.9)	(1,238.6)	[1]	[1]
of which for hotel complexes	(147.2)	(526.0)	(168.4)	(859.6)	[1]	[1]
of which for administrative buildings	(114.9)	(372.8)	(348.2)	(835.9)	[1]	[1]
of which for (rail) wagon park	(21.6)	(79.4)	(23.7)	(124.7)	[1]	[1]
Other financial commitments	301.7	251.4	49.8	602.9	280.5	170.1
Total	**1,847.5**	**3,030.1**	**1,045.1**	**5,922.7**	**4,791.1**	**3,506.8**
Fair value	1,749.5	2,573.2	795.8	5,118.5	4,097.4	2,881.2

1) The information for a more detailed breakdown of the commitments from lease, tenancy and leasing contracts was not collected last year.

The fair value of other financial commitments was determined by means of discounting future expenses on the basis of a comparable market interest rate of 5.6% p.a.

The decrease in order commitments in respect of capital expenditure of € 406.6 million was attributable to the scheduled implementation of investments ordered in previous years in the logistics division – in particular for container ships delivered in the year under review – as well as the tourism division – for aircraft ordered in previous years – during the financial year.

Other financial commitments from lease, tenancy and leasing contracts exclusively related to lease contracts in which the risks and rewards incident to ownership of the leased assets – in accordance with the IASB rules – did not lie with the Preussag Group companies ('operating leases'). The increase in these commitments in comparison to the level as per 31 December 2001 was mainly attributable to the tourism division. The increase in commitments from aircraft leasing contracts was due to the expansion of the aircraft fleet by four Boeing 737-800 on the basis of operative leases. The commitment for hotel complexes included tenancy and quota contracts. The increase in this item was attributable to the expansion of the hotel portfolio. The tenancy commitments for administrative buildings related to long-term leasing contracts for office buildings and travel shops. The increase recorded in the 2001 financial year was primarily due to a sale-and-leaseback agreement concluded in connection with the expansion of the 'TUI house'. The commitments for the wagon park in rail logistics include rental rates for tank wagons and special goods wagons.

The remaining other financial commitments mainly included amounts for obligations from orders already placed, commitments in connection with leased land clean-up and renovation, payment obligations and obligations in connection with shareholdings. They also included other financial commitments from contractual agreements on the purchase of subsidiaries.

Financial instruments

Financial instruments are contractual claims or obligations that will lead to an outflow or inflow of financial assets or to the issue of equity rights. They also comprise derivative claims or obligations derived from other financial instruments. The fair value of a financial instrument is the amount for which an asset could be exchanged, sold or purchased, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Due to their monetary nature, financial instruments were exposed to certain financial risks which the Group countered by means of appropriate risk strategies and hedging methods to exclude the risks or restrict their impact on the Group.

Price risk

The value of a financial instrument may change due to changes in exchange rates (currency risk), level of interest rates (interest risk) and changes in market and stock exchange prices (market risk).

Currency risk

Business transactions conducted by companies of the Preussag Group generated income and expenses in foreign currencies, which, however, were not always matched by expenses or income in the same currency with identical amounts and maturities. To this extent the Preussag Group companies were exposed to exchange rate risks. The introduction of the euro limited the currency risk from business in the key tourist destinations to group companies whose functional currency was not the euro. This mainly affected the Thomson Travel Group due to changes in the value of GBP. Other currency risks from the operative business related to fluctuations of the US dollar. In the logistics division, in particular in the framework of international shipping line service, and in the energy sector, major procurement and sales transactions were conducted in US dollars. In the tourism division, payments in US dollars were primarily made for the procurement of services in non-European destinations and for purchases of aircraft fuel and aircraft.

Currency risks were hedged by initially netting foreign exchange income and expenses in the same currency and with the same maturity. The remaining risks were hedged by means of appropriate hedges. Currency risks were hedged by concluding forward exchange or currency option contracts.

Interest risk

An interest risk, i.e. potential fluctuations in the value of a financial instrument caused by changes in market interest rates, existed primarily for mid- and long-term fixed-interest receivables and liabilities. For the most part, financing of the Preussag Group was based on variable interest rates so that it did not entail an interest risk. In terms of long-term fixed-interest financial liabilities, the fair value of the convertible bond issued in the 1998/99 financial year, and of the corporate bond issued during the 1999/2000 financial year – based on the respective stock market price at the balance sheet date – totalled € 1,272.9 million (previous year: € 1,269.9 million). In the previous year, the present value of the option bond repayed in May 2001 was € 153.5 million. The stock price of the convertible bond of € 516.2 million (previous year: € 514.3 million) also included a valuation of the conversion options associated with the bond. Based on an interest rate consistent with market conditions, the fair value of the outside capital component of the convertible bond totalled € 500.3 million (previous year: € 493.7 million) as per the balance sheet date.

Market risk

Market risk arises from the fact that the value of a financial instrument may change due to fluctuating prices on the financial markets. In accordance with the rules of IAS 39, investments held as fixed or current assets were recognised at their fair values. Available-for-sale securities held in this financial year for the first time as current assets of € 80.0 million (previous year: € 32.0 million) were listed shares which were subject to the normal development of prices on the capital markets. The market price risk of these investments was not hedged. Changes in the market risk of available-for-sale securities were directly recognised in the revaluation reserve for financial instruments. Hence, value adjustments of € 21.9 million were carried directly in equity with no effect on results in the year under review.

Credit risk

The credit risk in primary financial instruments resulted from the risk of failure by counterparties to discharge their contractual payment obligations.

The maximum credit risk exposure was mainly reported by means of the total of the fair values of the primary financial assets, irrespective of existing collateral, but taking into account any legally enforceable possibilities of offsetting financial assets and liabilities. A concentration of credit risks may arise from exposures to a single debtor or to groups of debtors having similar characteristics. Since the Preussag Group operated in many different business areas and regions in a diversified manner, the structure of the Group meant that significant credit risk concentrations of receivables from and loans to certain debtors or groups of debtors were not to be expected. There was as well no significant specific concentration of credit risks related to trade accounts receivable for individual countries. The Group covered the identifiable credit risk of individual receivables and the general credit risk by means of corresponding specific bad debt allowances as well as lump-sum bad debt allowances based on empirical values.

For the conclusion of derivative financial instruments, the maximum credit risk was the total of all positive fair values of these instruments, since in the event of default by the contracting partners, asset losses would be sustained only up to this amount.

Since derivative financial instruments were concluded with a variety of first-rate debtors, no significant concentration of credit risks was expected.

Liquidity risk
The overall Group's liquidity requirements were determined by means of its liquidity planning and covered by means of committed credit lines so that the Group's liquidity was guaranteed at any time.

Cash flow hedging
The cash flow risk results from the fact that future cash flows expected from a monetary financial instrument or future transactions are subject to fluctuations and can therefore show quantitative variations. The Group's mainly floating-rate financial debt in particular entailed the risk of fluctuations in future cash flows due to changes in effective interest rates.
In order to minimise this risk, interest limitation contracts were concluded in the 2001 financial year to reduce the cost of borrowing funds. The changes in the fair value of these financial instruments, classified as cash flow hedges under the rules of IAS 39, were recognised in equity with no effect on results. The fair value of the interest limitation deals totalled € 8.8 million as per 31 December 2001.

Cash flow risks from future currency requirements were hedged through derivative financial instruments. In this respect, the foreign currency requirements of the tourism division attributable to expected bookings for future tourism seasons was hedged by means of corresponding forward exchange or option contracts. Following the fixing of planned exchange rates, the hedges covered 80% to 100% of the calculated currency requirements. In the energy sector, currency risks from the sale of future production volumes for the 2002 financial year were completely hedged.

Apart from interest and currency hedging instruments, the companies of the Preussag Group also used price hedging instruments in order to hedge external risks impacting operating activities. These hedges were used in particular for the Group's airlines to hedge future aircraft fuel requirements and in the energy sector to hedge the risks of oil price fluctuations for future production volumes. Future price risks were exclusively hedged through fixed-price and option deals. The price hedges were documented by means of corresponding plans and met the conditions of cash flow hedges under IAS 39. Accumulated changes in fair values were recognised in equity with no effect on results until the occurrence of the hedged transaction. Upon occurrence of the hedged transaction, the accumulated results were carried in the income or expense item covering the associated hedged transaction with an effect on results.

Use of derivative financial instruments by the Group was confined to internally fixed and regularly checked limits. The Group predominantly employed unlisted instruments. The hedging strategy was implemented within the framework of binding guidelines to be adhered to. There was a strict separation between the functional areas of trading, settlement and control.

As a rule, the Group's currency hedges were based on corresponding recognised or future hedged items. In accordance with the criteria stipulated in IAS 39, the hedges were classified as fair value hedges where they related to recognised hedged items and cash flow hedges where future currency requirements were hedged.

Nominal amounts of the derivative financial instruments

mill. €	Remaining term of up to 1 year	Remaining term of more than 1 year	31 Dec 2001 Total	31 Dec 2000 Total	Remaining term of more than 1 year
Interest rate hedging instruments					
Swaps	–	982.6	982.6	106.8	95.4
Interest limitation contracts	7.3	1,600.6	1,607.9	–	–
Foward rate agreements	–	202.4	202.4	494.9	14.4
Other hedging instruments	–	–	–	471.5	451.4
Currency hedging instruments					
Forward buying	3,286.8	337.7	3,624.5	3,992.0	623.1
Forward selling	1,097.5	106.1	1,203.6	959.5	22.5
Buying of options	198.4	–	198.4	468.6	2.1
Selling of options	95.2	–	95.2	119.3	–
Swaps and other currency hedging instruments	163.1	27.7	190.8	105.7	8.0
Commodity hedging instruments					
Swaps	320.3	74.9	395.2	255.5	12.0
Buying of options	41.1	22.9	64.0	194.8	1.6
Selling of options	80.3	47.7	128.0	172.3	–
Other	–	–	–	72.6	–

The nominal amounts corresponded to the total of all purchase or sale amounts or the contract values of the transactions.

The interest/currency swaps not clearly attributable to the currency and interest hedging category (cross currency swaps) were shown separately under currency hedging instruments.The interest spread of interest hedging instruments ranged from 3.33% p.a. to 6.58% p.a. (previous year: 4.80% p.a. to 7.80% p.a.). The currency instruments were primarily based on euros to hedge the US dollar or to hedge subsidiaries whose functional currency was not the euro.

As a matter of principle, the fair values of derivative financial instruments corresponded to the market or stock exchange value. The fair value of unlisted financial derivatives was determined by means of appropriate discounted cash flow methods, e.g. by discounting the expected future cash flows. The calcuation of the options transactions was based on recognised option price models. The fair values of the financial instruments entered into to hedge the price of raw materials were checked by means of confirmations of external counterparties with which these transactions were concluded.

Positive and negative fair values of the financial instruments shown as receivables or payables

mill. €	31 Dec 2001 Receivables	31 Dec 2001 Payables
Fair value hedges to hedge exposure		
to currency risks	0.4	1.0
Cash flow hedges to hedge exposure		
to currency risks	48.8	37.6
to interest risks	11.8	4.8
to market risks	24.1	59.1
Hedges	**85.1**	**102.5**
Other derivative financial instruments	**13.8**	**19.5**
Total	**98.9**	**122.0**

Financial instruments which represented an interest or currency hedge according to operational criteria but did not meet the strict criteria of IAS 39 for the creation of hedges were shown as other derivative financial instruments. This item also included financial instruments entered into with a view to company acquisitions or divestments, in particular a total return swap from the divestment of shares in a shareholding. The changes in the value of these financial instruments were immediately recognised in the profit and loss statement.

Notes on the Consolidated Cash Flow Statement

For the period under review and for the 1999/2000 financial year as well as the abbreviated financial year, the cash flow statement showed the flow of funds on the basis of a separate presentation of cash inflow and outflow from operating, investing and financing activities. The effects of changes to the basis of consolidation were eliminated.

(34) Cash inflow/outflow from operating activities

The cash inflow from operating activities included interest received. In the financial year, interest totalling € 112.8 million was received (previous year: € 22.5 million). In the 2001 financial year, income tax payments resulted in a cash outflow of € 61.9 million (previous year: € 32.2 million). The cash outflow from operating activities reflected the specific nature of the tourism business. Towards the end of any calendar year, the cash outflow increases, primarily due to cash payments for the preparation of the forthcoming tourist season and a seasonal contraction of the travel business.

(35) Cash inflow/outflow from investing activities

The cash payments for investments in tangible and intangible assets or the cash receipts from corresponding sales did not match the additions or disposals shown under the development of fixed assets, which related to the goodwill acquired from capital consolidation apart from non-cash investments and disposals. The outflow of funds for investments included cash payments – offset against the effect on funds of the additions to consolidation – for the acquisition of shares in subsidiaries, most of which were included in the consolidated balance sheet as goodwill and as assets and liabilities.

Major acquisitions made in the financial year related in particular to the acquisition of hotel ownership or operating companies. In the financial year, cash payments totalling € 0.4 billion (previous year: € 0.1 billion) were made for the acquisition of subsidiaries. The inflow of funds from the purchase transactions amounted to € 9.6 million. In the same period, cash payments of € 1.2 billion were received, primarily in the framework of the divestment programme. The total net outflow of funds from the sales transactions was € 73.4 million.

Non-cash investments were primarily made in the logistics and tourism divisions by means of finance leases. A total of € 12.8 million was invested by means of the conclusion of leasing contracts.

(36) Cash outflow/inflow from financing activities

In addition to the outflow of cash due to the payment of interest in the financial year, the cash flow from financing activities included in particular the outflows from the repayment of external funds. The inflow of funds from divestments was mainly used for the repayment of financial debt of € 1.1 billion.

(37) Development of funds

Funds comprised all liquid funds, i.e. cash in hand, cheques, Bundesbank and other bank deposits. In the previous year, marketable securities which were held as a cash reserve and could be sold at short notice were also included in funds. In the 2001 financial year, marketable securities were shown under other assets. If the reclassification had already been effected in the previous year, funds reported in the previous year would have decreased by € 32.0 million to € 814.3 million. The impact of fund movements due to exchange rate fluctuations was shown separately. Also outlined separately were the changes in funds attributable to changes in the basis of consolidation but which did not result from the acquisition or sale of companies. As per 31 December 2001, € 2.6 million of the total funds were subject to restraints on disposal (previous year: € 168.7 million).

Other Notes

Personnel

Average annual headcount (excluding apprentices)

	2001	AFY 2000
Industrial workers	12,506	15,587
Employees	64,789	60,089
Total	**77,295**	**75,676**

The increase resulted mainly from additions to consolidation. The employees of the building engineering sector are included proportionally until removing the respective companies from consolidation. At a total of 50,306 persons, a significant portion of the workforce was employed by the tourism division.

Events occurring after the balance sheet date

After the balance sheet date, the Group implemented major acquisition and disposal transactions. With effect from 15 January 2002, the Group increased its shareholding in the Nouvelles Frontières Group by 17.34% to 30.22%. In March 2002, the Group sold another 3.6 million shares in Babcock Borsig AG to Deutsche Bank AG. Following additional stock market sales of shares from the remaining own shares, the interest held by Preussag was reduced to less than 9% of the capital stock in Babcock Borsig AG. In addition, the Group sold all its shares in HDW to a subsidiary of the American Bank One Group. In the logistics division, Hapag-Lloyd AG and M.M. Warburg & Co. KGaA jointly acquired the European rail logistics activities of the Brambles Group. VTG-Lehnkering AG will be responsible for the operative management of the around 21,000 goods wagons. In March 2002, this transaction was approved by the European competition authorities.

Related parties

Apart from the subsidiaries included in the consolidated financial statements, Preussag AG, in carrying out its ordinary business activities, maintained indirect or direct relationships with a large number of Group companies that were not included in the consolidation, and with associated companies. Related parties controlled by the Preussag Group or over which the Preussag Group was able to exercise a significant influence are listed in the list of shareholdings, with information on the interest held, equity and annual results by sector. The list of shareholdings was deposited in the commercial registers of the district courts of Berlin-Charlottenburg and Hanover.

A large number of non-consolidated Group companies no longer carried out operating activities due to the discontinuation of their business operations or acted as a general partner without capital contribution for consolidated subsidiaries in the legal form of a limited partnership.

Apart from pure equity participations, related parties also included Group participations that supplied goods or provided services for Preussag Group companies as part of their business.

Transactions with related parties

mill. €	2001
Services provided by the Group	
Management and consultancy services	12.9
Sales of tourism services	10.9
Distribution services	2.0
Other services	3.1
Total	**28.9**
Services received by the Group	
Services received in the framework of lease, tenancy and leasing contracts	37.9
Procurement of hotel quotas	112.3
Incoming services	45.8
Distribution services	8.8
Other services	7.9
Total	**212.7**

Transactions in the tourism division mainly affected associated companies in which shareholdings were held. The transactions implemented with related parties in particular affected the tourism services of the incoming agencies and the hotel companies. Group-owned tour operators made use of local care and support services provided by related incoming agencies for holidaymakers travelling with these tour operators. In the hotel companies sector, subsidiaries provided management and consultancy services for related parties, rented hotel buildings and complexes and acquired hotel quotas from these companies in the framework of their own ordinary business activities. In addition, tour operators representing related parties made use of services along the tourism value chain provided by the Preussag Group such as distribution, transportation, accommodation and catering as well as care and support. In the previous year, the Group made use of tourism services provided by related parties of € 32.7 million (in the 1999/2000 financial year: € 153.0 million in total) and rendered total services of € 4.5 million (in the 1999/2000 financial year: € 18.2 million).

The logistics division in particular held participations in companies hiring out tangible assets to consolidated subsidiaries. In view of the commercial ownership in the leased tangible assets held by companies of the Preussag Group, the leased tangible assets and the corresponding liabilities from the respective finance leases were reported in the consolidated balance sheet, as per IASB rules. As of 31 December 2001, the Group had leasing liabilities to related parties totalling € 194.3 million (previous year: € 235.0 million).

In the energy sector, there were participations with other external companies operating in this sector – as is customary in the trade – for the purpose of using and securing crude oil pipelines and selling crude oil and natural gas. Production and supplier services provided by related parties were only of minor importance.

All business transactions with related parties were executed under conditions similar to those for trading with third parties, upon assessment based on international price comparison methods in accordance with IAS 24.

The claims and liabilities of the Preussag Group resulting from these transactions are listed in the explanatory information on the corresponding asset and liability items in the notes. The income and expenses resulting from the capital participations and funding were carried under overall financial results for all companies included, and presented under segment reporting for the individual divisions, together with separate results of associated companies by division.

Given its direct equity participation, Westdeutsche Landesbank Girozentrale, Düsseldorf/Münster met the formal requirements for a related party of Preussag AG in accordance with IAS 24. In holding this participation, Westdeutsche Landesbank did not pursue any entrepreneurial objectives, and therefore did not have any part in the financial or operating policy decisions of Preussag AG. Relations with Westdeutsche Landesbank consisted entirely of transactions customarily carried out with commercial banks.

Total remuneration of the members of the Executive Board of Preussag AG for their work for the Group amounted to € 8,165 thousand (previous year: € 1,540 thousand) in the financial year. For members of the Executive Board, pension provisions totalled € 8,208 thousand (abbreviated financial year: € 9,011 thousand) at the balance sheet date. Total remuneration of the members of the Supervisory Board amounted to € 1,317 thousand (abbreviated financial year: € 400 thousand).

Pension provisions for former members of the Executive Board or their dependants amounted to € 37,846 thousand (previous year: € 37,402 thousand) at the balance sheet date. During the past financial year, these persons received a total of € 2,952 thousand (previous year: € 721 thousand).

The members of the Supervisory Board and the Executive Board are listed separately.

Hanover, 10 April 2002

The Executive Board

Frenzel

Corsten

Engelen

Feuerhake

Gurassa

Stodieck

Auditors' Statement

Auditors' Statement

'We have audited the consolidated financial statements prepared by Preussag Aktiengesellschaft, Berlin and Hanover, comprised of balance sheet, profit and loss statement, change in equity statement, cash flow statement and notes, for the financial year from 1 January to 31 December 2001. The Executive Board is responsible for the preparation and the contents of the consolidated financial statements. It is our responsibility to assess, on the basis of our audit, whether the consolidated financial statements conform with the International Accounting Standards (IAS).

We conducted our audit of the consolidated financial statements on the basis of German auditing rules and the generally accepted auditing standards issued by the German Auditors' Institute (IDW), complemented by the International Standards on Auditing (ISA). Accordingly, the audit was planned and implemented so as to give reasonable assurance in ascertaining whether the consolidated financial statements were free from material misstatements. In determining the audit activities, information on the business activities and the economic and legal position of the Group as well as expectations with regard to potential errors were taken into account. In the framework of the audit, the documents used as evidence for the valuation and information given in the consolidated financial statements were assessed on a test basis. The audit included an assessment of the accounting principles applied and the significant estimates and judgements made by the legal representatives, as well as an assessment of the overall adequacy of the presentation of information in the consolidated financial statements. We consider that our audit gives us reasonable grounds for our opinion.

In our opinion, the consolidated financial statements, in conformity with the IAS, present a true and fair view of the net worth, financial position and results of the Group and of the cash flows in the financial year.

Our audit, which was conducted in accordance with German auditing rules and also covered the combined management report of the Group and of Preussag AG as prepared by the Executive Board for the financial year from 1 January to 31 December 2001, has not given rise to any objections. In our opinion the Group management report provides a true and fair view of the situation of the Group overall and a proper presentation of the risks associated with future development.

We also confirm that the consolidated financial statements and the Group management report for the financial year from 1 January to 31 December 2001 meet the conditions for an exemption of the Group from the duty to prepare consolidated financial statements and a Group management report under German law. We have verified, on the basis of the interpretation of the 7th EU Directive as per DRS 1 of the German Accounting Standards Committee, that Group reporting complies with the Directive and therefore meets the requirements for exemption from reporting obligations under commercial law.'

Hanover, 10 April 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Nienborg
Wirtschaftsprüfer

Rolfes
Wirtschaftsprüfer

Boards of Preussag AG

Members of the Supervisory Board

Presiding Committee

Dr. Friedel Neuber
Chairman
Düsseldorf

Jan Kahmann
Deputy Chairman
Member of the Federal Executive Board
of the United Services Trade Union
Berlin
(Member of the Presiding Committee
since 18 May 2001)

Uwe Klein
Clerk
Hamburg

Dr. Dietmar Kuhnt
Chairman of the Executive Board
of RWE AG
Essen

Dr. Klaus Liesen
Chairman of the Supervisory Board
of Ruhrgas AG
Essen

Gerhard Schneider
Clerk
Sehnde
(Member of the Presiding Committee
since 18 May 2001)

Werner Stegmaier
Senior Service Engineer
Stuttgart
(Member of the Presiding Committee
until 18 May 2001
and of the Supervisory Board
until 31 May 2001)

Jella Susanne Benner-Heinacher
Solicitor
Managing Director of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.
Düsseldorf
(since 18 May 2001)

Dr. Gerold Bezzenberger
Solicitor and Notary Public
Berlin
(until 18 May 2001)

Dr. Jürgen Deilmann
Managing Director of
Deilmann Montan GmbH
Bad Bentheim
(until 18 May 2001)

Dr. Heinz Dürr
Entrepreneur
Berlin
(until 18 May 2001)

Friedel Kemper
Foreman
Lingen
(since 18 May 2001)

Fritz Kollorz
Member of the Executive Board
of the Mining, Chemical and
Energy Industrial Union
Hanover
(Member of the Presiding Committee
until 18 May 2001)

Dr. Jürgen Krumnow
Member of the Board of Advisors
of Deutsche Bank AG
Frankfurt/Main

As of 31 March 2002

Members of the Supervisory Board

Heinz Look
Locksmith
Suddendorf
(until 18 May 2001)

Joachim Lossack
Business Administration Graduate
Hoyerswerda
(until 18 May 2001)

Friedhelm Matic
Head of the Branch Office of the Executive Board of the Trade Union for the Metal Industry
Düsseldorf
(until 18 May 2001)

Dipl.-Kfm. Hans Henning Offen
Deputy Chairman of the Executive Board of Westdeutsche Landesbank Girozentrale
Düsseldorf

Hans-Dieter Rüster
Aircraft engineer
Langenhagen
(since 2 August 2001)

Dr. Günther Saßmannshausen
Hanover
(until 31 March 2002)

Marina Schmidt
Clerk
Hamburg
(since 18 May 2001)

Prof. Dr. Ekkehard Schulz
Chairman of the Executive Board of ThyssenKrupp AG
Düsseldorf
(since 18 May 2001)

Hartmut Schulz
Clerk
Langenhagen
(since 18 May 2001)

Ilona Schulz-Müller
Representative for equality in the Federal Executive Board of the United Services Trade Union
Berlin
(since 18 May 2001)

Dipl.-Math. Olaf Seifert
Head of the Group Controlling Department of Preussag AG
Hanover

Johann Sitzberger
Foreman
Plattling
(until 18 May 2001)

Dr. Bernd W. Voss
Member of the Supervisory Board of Dresdner Bank AG
Frankfurt/Main

Dr. Franz Vranitzky
Chancellor (retrd.) of the Republic of Austria
Vienna
(since 18 May 2001)

As of 31 March 2002

Other board memberships*)

Dr. Friedel Neuber
Chairman
a) Babcock Borsig AG[1)]
Deutsche Bahn AG
Hapag-Lloyd AG
RWE AG[1)]
ThyssenKrupp AG
b) Landwirtschaftliche Rentenbank
Österreichische Kontrollbank AG

Jan Kahmann
Deputy Chairman
a) E.ON AG
Eurogate Beteiligungs-GmbH[2)]
Lufthansa Technik AG

Jella Susanne Benner-Heinacher
a) Buderus AG
A. S. Creation AG
plettac AG

Dr. Gerold Bezzenberger
a) RWE Solutions Aktiengesellschaft

Dr. Jürgen Deilmann
a) Braunschweigische Maschinenbauanstalt AG[1)]

Dr. Heinz Dürr
a) Bankgesellschaft Berlin AG
Benteler AG
Dürr AG[1)]
Dussmann AG & Co. KGaA
Krone GmbH[1)]
Stinnes AG
b) Alp Transit Gotthard AG[2)]
Carl-Zeiss-Stiftung
Landesbank Baden-Württemberg
Österreichische Bundesbahnen[2)]

Friedel Kemper
a) Preussag Energie GmbH

Uwe Klein
a) Hapag-Lloyd AG

Fritz Kollorz
a) DSK Anthrazit Ibbenbüren GmbH[2)]
RAG Aktiengesellschaft[2)]
STEAG AG[2)]
STEAG Walsum Immobilien AG[2)]
Vereinigte Energiewerke AG[2)]

Dr. Jürgen Krumnow
a) Lenze AG[2)]
mg technologies ag
Phoenix AG[1)]
Vivascience AG[2)]
Volkswagen AG
b) Peek & Cloppenburg KG

Dr. Dietmar Kuhnt
a) Allianz Versicherungs-AG
Dresdner Bank AG
Hapag-Lloyd AG
Heidelberger Druckmaschinen AG[1)]
Hochtief AG[1)]
mg technologies ag
RWE Plus AG[1)]
RWE Power AG[1)]
b) Thames Water plc[1)]

Dr. Klaus Liesen
a) Allianz AG[1)]
E.ON AG[1)]
Ruhrgas AG[1)]
Volkswagen AG[1)]
b) Beck GmbH & Co. KG

Heinz Look
a) Preussag Energie GmbH
Volksbank Obergrafschaft e.G.

Joachim Lossack
a) –

*) Information refers to 31 December 2001 or date of resignation
1) Chairman
2) Deputy Chairman
a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Other board memberships*)

Friedhelm Matic
a) EKO Stahl GmbH
WCM Beteiligungs- und Grundbesitz-AG

Dipl.-Kfm. Hans Henning Offen
a) Gildemeister AG
Kaufhof Warenhaus AG
RWE Plus AG
ThyssenKrupp Materials AG
Trienekens AG
WestIntell AG[1]
WestLB (Europa) Holding AG[2]
b) Banque d'Orsay S.A.[1]
Familienstiftung Schwarz
WestAM Holding[1]
WestLB Asset Management Kapitalanlagegesellschaft mbH[1]
WestLB International S.A.

Hans-Dieter Rüster
a) –

Dr. Günter Saßmannshausen
a) Braunschweigische Maschinenbauanstalt AG
Heraeus Holding GmbH
Preussag Energie GmbH
VAW Aluminium AG

Marina Schmidt
a) –

Gerhard Schneider
a) TUI Deutschland GmbH[2]

Prof. Dr. Ekkehard Schulz
a) AXA Colonia Konzern AG
Commerzbank AG
Deutsche Bahn AG
MAN AG
RAG AG[2]
RWE Plus AG
Strabag AG
ThyssenKrupp Automotive AG[1]
ThyssenKrupp Materials AG[1]
ThyssenKrupp Steel AG[1]

Prof. Dr. Ekkehard Schulz
b) Evangelisches und Johanniter Klinikum Duisburg/Dinslaken/Oberhausen gem. GmbH
Rheinkalk Verwaltungs GmbH
The Budd Company
Thyssen Inc.

Hartmut Schulz
a) –

Ilona Schulz-Müller
a) WinCom Versicherungs-Holding AG

Dipl.-Math. Olaf Seifert
a) –

Johann Sitzberger
a) Kermi GmbH

Werner Stegmaier
a) Minimax GmbH[2]

Dr. Bernd W. Voss
a) Continental AG
Deutsche Hypothekenbank Frankfurt-Hamburg AG[2]
Deutsche Schiffsbank AG[1]
Dresdner Bauspar AG[2]
E.ON AG
Karstadt Quelle AG
Oldenburgische Landesbank AG[1]
Quelle AG
Volkswagen AG
Wacker Chemie GmbH
b) Bankhaus Reuschel & Co.[1]

Dr. Franz Vranitzky
b) Magna International Inc.

*) Information refers to 31 December 2001 or date of resignation
1) Chairman
2) Deputy Chairman
a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Members of the Executive Board

Dr. Michael Frenzel
Chairman

Dr. Ralf Corsten
Tourism I
(since 1 January 2001)

Dr. Peter Engelen
Personnel and Legal Affairs
(since 1 May 2001)

Rainer Feuerhake
Finance

Charles Gurassa
Tourism II
(since 1 January 2001)

Dr. Wolfgang Schultze
Personnel and Legal Affairs
(until 30 April 2001)

Dr. Helmut Stodieck
Holdings

Other board memberships*)

Dr. Michael Frenzel
Chairman
a) AXA Colonia Konzern AG
Continental AG
Deutsche Bahn AG[1]
Deutsche Hypothekenbank AG
E.ON Energie AG
Hapag-Lloyd AG[1]
Hapag-Lloyd Flug-gesellschaft mbH[1]
TUI Deutschland GmbH[1]
Volkswagen AG
b) Norddeutsche Landesbank
Preussag North America, Inc[1]

Dr. Ralf Corsten
a) Ergo Versicherungsgruppe AG
Hapag-Lloyd Flug-gesellschaft mbH
Messe Berlin GmbH[1]
TUI Business Travel Deutschland GmbH
TUI Deutschland GmbH
TUI Leisure Travel GmbH[1]
b) Egyptotel Company S.A.E.
Grupotel S.A.[1]
Grupotel DOS S.A.[1]
RIUSA II S.A.
Robinson Club GmbH

Dr. Peter Engelen
a) Fels-Werke GmbH
Hapag-Lloyd Flug-gesellschaft mbH
TUI Business Travel Deutschland GmbH
TUI Deutschland GmbH

Rainer Feuerhake
a) Babcock Borsig AG
Hapag-Lloyd AG
Hapag-Lloyd Flug-gesellschaft mbH
TUI Deutschland GmbH
Wolf GmbH[1]
b) Amalgamated Metal Corporation PLC
Nouvelles Frontières International S.A.
Preussag North America, Inc.
Westdeutsche Immobilienbank

Charles Gurassa
a) Hapag-Lloyd Fluggesellschaft mbH
TUI Business Travel Deutschland GmbH
TUI Deutschland GmbH
b) Thomson Travel Group plc
Thomson Travel Group (Holdings) Ltd.
Whitbread plc

Dr. Wolfgang Schultze
a) ECI Elektro-Chemie GmbH
Fels-Werke GmbH
Hebel AG
TUI Group GmbH

Dr. Helmut Stodieck
a) Babcock Borsig AG
Fels-Werke GmbH[1]
Preussag Energie GmbH
b) Amalgamated Metal Corporation PLC[1]
Metaleurop S.A.
Nouvelles Frontières International S.A.
Preussag North America, Inc.

*) Information refers to 31 December 2001 or date of resignation
1) Chairman
2) Deputy Chairman
a) Membership in Supervisory Boards required by law
b) Membership in comparable Boards of domestic and foreign companies

Report of the Supervisory Board

Report of the Supervisory Board

During the 2001 financial year, the Supervisory Board performed its tasks stipulated by law or the Articles of Association. It supervised and advised the management of the Company. The Supervisory Board was involved in all decisions of fundamental importance to the Company. It was kept informed regularly, timely and comprehensively about all relevant questions concerning the strategy, the development of business and the position of the Group, including the risk situation, by the Executive Board on the basis of written and verbal reports.

Deliberations in the Supervisory Board

In the course of five regular meetings and the constituent meeting of 18 May 2001, the Supervisory Board was involved in all important Company affairs in the 2001 financial year and discussed them with the Executive Board. In addition, the Presiding Committee of the Supervisory Board met three times in the 2001 financial year to prepare decisions to be taken by the Supervisory Board. Including the balance sheet meeting dealing with the 2001 financial year, the Supervisory Board has so far met at two regular meetings and one extraordinary meeting in 2002. The reports submitted by the Executive Board were discussed in detail by the Presiding Committee and at a plenary meeting. All business transactions which required the consent of the Supervisory Board according to the law or the Articles of Association or were of particular importance were discussed in detail prior to passing the corresponding resolutions.

In between the meetings, the Supervisory Board was kept informed about particular or urgent projects and asked for its consent, if and as required. In addition, the Chairman of the Supervisory Board was kept informed about the current business situation and essential business transactions.

The regular meetings focused on the Group's economic situation, in particular the development of turnover and results, and the current and future employment situation in the individual divisions. Three meetings mainly dealt with the short- term and medium-term planning or the discussion and approval of the annual financial statements and the preparation of the Annual General Meetings.

Specific issues discussed at the Supervisory Board meetings were the expansion of tourism, in particular the entry into the Italy source market by means of an indirect shareholding in Alpitour, the largest Italian tour operator, on the one hand, and the implementation of the divestment programme relating to the industry division, adopted in October 2000, on the other. The Supervisory Board was informed about each divestment transaction and asked for its consent at the regular meetings, at an extraordinary meeting or in a written procedure. Executive Board membership matters were discussed at one Presiding Committee meeting and one Supervisory Board meeting.

Examination of the financial statements of Preussag AG and of the consolidated financial statements

The financial statements of Preussag AG and the consolidated financial statements as per 31 December 2001 as well as the joint management report relating to both Preussag AG and the Group for the 2001 financial year submitted by the Executive Board were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, appointed by the Annual General Meeting on 18 May 2001. The auditors found that the legal requirements had been complied with and issued their unqualified audit certificate.

The financial statements, the management report and the auditors' reports were presented to all members of the Supervisory Board. Representatives of the auditors attended the balance sheet meetings of the Presiding Committee and the Supervisory Board and provided information.

The Supervisory Board approves, after examination, the results of the audit and the management report and the financial statements of Preussag AG as per 31 December 2001, which are thereby adopted. After examination, the Supervisory Board concurs with the Executive Board's proposal for the appropriation of the distributable profit. The Supervisory Board has taken note of the Group management report and the consolidated financial statements as per 31 December 2001.

Supervisory Board and Executive Board membership

With the end of the Annual General Meeting of 18 May 2001, Dr. Gerold Bezzenberger, Dr. Jürgen Deilmann, Dr. Heinz Dürr, Heinz Look, Joachim Lossack, Friedhelm Matic and Johann Sitzberger retired from the Supervisory Board as their terms expired. The Supervisory Board thanks the gentlemen for their constructive cooperation.

The workers' representatives on the Supervisory Board were elected on 25 April 2001, and the shareholders' representatives were elected at the Annual General Meeting of 18 May 2001. Following these elections, Jella Susanne Benner-Heinacher, Marina Schmidt and Ilona Schulz-Müller as well as Friedel Kemper, Prof. Dr. Ekkehard Schulz, Hartmut Schulz and Dr. Franz Vranitzky were newly elected into the Supervisory Board. The other members of the Supervisory Board were reelected. In its constituent meeting on 18 May 2001, the Supervisory Board elected Dr. Friedel Neuber chairman and Jan Kahmann deputy chairman of the Supervisory Board and the Presiding Committee; in addition, Uwe Klein, Dr. Dietmar Kuhnt, Dr. Klaus Liesen and Gerhard Schneider were elected members of the Presiding Committee.

Werner Stegmaier retired from the Supervisory Board with effect from 31 May 2001. The Supervisory Board thanks Mr. Stegmaier for his many years of constructive cooperation. By order of the Hanover District Court of 2 August 2001, Hans-Dieter Rüster was appointed member of the Supervisory Board.

Dr. Günther Saßmannshausen retired from the Supervisory Board with effect from 31 March 2002. The Supervisory Board thanks Dr. Saßmannshausen for his many years of constructive cooperation.

Dr. Wolfgang Schultze retired from the Executive Board with effect from 30 April 2001. The Supervisory Board thanks Dr. Schultze for his work on the Executive Board. Dr. Peter Engelen was appointed ordinary member of the Executive Board and personnel director with effect from 1 May 2001.

The Supervisory Board
Hanover, 24 April 2002

Dr. Friedel Neuber
Chairman

Major Shareholdings

		Nominal-share capital in '000	Result for the year[1] in '000	Shareholding (%) total	indirect
Tourism					
TUI Deutschland GmbH, Hanover	€	15,000	*	99.6	99.6
TUI Nederland N.V., Rijswijk[2]	€	10,000	8,042	90.6	90.6
TUI Leisure Travel GmbH, Hanover	€	14,500	*	99.6	99.6
TUI Business Travel Deutschland GmbH, Bremen	€	11,000	*	99.6	99.6
Robinson Club GmbH, Hanover	€	5,138	*	99.6	99.6
RIUSA II S.A., Palma de Mallorca	€	1,202	48,823	49.8	49.8
Anfi Sales S.L., Arguineguin	€	20,591	8,199	50.8	50.8
Hapag-Lloyd Fluggesellschaft mbH, Langenhagen	€	45,000	*	99.6	99.6
Thomson Travel Group plc, London	GBP	250,459	- 30	100.0	–
Nouvelles Frontières International S.A., Paris[3]	FRF	10,230	24	13.0	–
Logistics					
Hapag-Lloyd AG, Bremen and Hamburg	€	72,800	157,806	99.6	–
Hapag-Lloyd Container Linie GmbH, Hamburg	€	25,565	*	99.6	99.6
VTG-Lehnkering AG, Duisburg and Hamburg	€	54,340	14,249	79.4	79.4
ALGECO S.A., Paris/Mâcon	€	7,300	26,764	66.7	66.7
Energy					
Preussag Energie GmbH, Lingen	€	76,694	*	100.0	–
Building Engineering					
FELS-WERKE GmbH, Goslar	€	20,477	*	100.0	–
HEBEL AG, Emmering	€	30,678	- 1 251	100.0	100.0
Wolf GmbH, Mainburg	€	40,903	*	100.0	–
Trading					
Amalgamated Metal Corporation PLC, London	GBP	16,908	3,863	99.4	99.4
Amalgamated Metal Trading Ltd., London	GBP	6,000	138	99.4	99.4
Premetalco, Inc., Rexdale	CAD	21	11,100	99.4	99.4
Feralloy Corp., Chicago	USD	2,000	- 4,920	100.0	100.0
Delta Steel, Inc., Houston	USD	2,000	1,873	100.0	100.0
Other Companies					
Salzgitter Grundstücks- und Beteiligungsgesellschaft mbH, Salzgitter	€	71,427	*	100.0	–
Preussag Immobilien GmbH, Salzgitter	€	24,568	*	100.0	100.0

*) Profit transfer agreement
[1] according to local laws
[2] according to financial statement of the group
[3] Consolidated financial statements as per 31 Dec 2000

Preussag AG: Five Years Summary

Balance Sheet

mill. €	30 Sep 1998	30 Sep 1999	30 Sep 2000	31 Dec 2000	31 Dec 2001
Assets					
Fixed assets	3,972.7	4,191.6	7,023.8	7,268.2	6,824.7
Current assets	958.3	1,131.0	1,587.6	2,307.3	2,605.0
Liabilities					
Shareholders' equity	1,590.0	2 305.4	2,322.7	2,366.3	2,417.0
(subscribed capital)	(390.8)	(442.0)	(443.4)	(444.2)	(455.1)
Special non-taxed items	78.2	87.0	75.2	71.9	67.0
Provisions	530.2	644.4	664.7	653.6	585.7
Liabilities	2,732.6	2,285.8	5,548.8	6,483.7	6,360.0
Balance sheet total	**4,931.0**	**5,322.6**	**8,611.4**	**9,575.5**	**9,429.7**

Profit and Loss Statement

mill. €	1997/98	1998/99	1999/2000	AFY 2000	2001
Profit from ordinary business	**179.5**	**244.4**	**350.8**	**63.0**	**208.2**
Extraordinary profit or loss	–	- 3.3	- 141.4	–	- 71.6
Taxes	31.8	108.4	75.9	28.1	- 0.3
Profit for the year	**147.7**	**132.7**	**133.5**	**34.9**	**136.9**

Appropriation of Profit

mill. €	1997/98	1998/99	1999/2000	AFY 2000*)	2001
Transfer to revenue reserves	30.7	–	–	–	–
Net profit available for distribution	117.6	133.1	134.0	34.9	137.5
Profit carried forward	0.4	0.5	0.5	0.1	0.4
Dividend	**117.2**	**132.6**	**133.5**	**34.8**	**137.1**

*) considering the appropriation of profit of 30 September 2000

Distribution per Share*)

€	1997/98	1998/99	1999/2000	AFY 2000	2001
Dividend	0.62	0.77	0.77	0.20	0.77
Bonus	0.15	–	–	–	–
Tax credit **)	0.26	0.32	0.33	–	–
Total	**1.03**	**1.09**	**1.10**	**0.20**	**0.77**

*) previous years adjusted to no-par value shares
**) for the domestic tax-paying shareholders

Development of the Preussag Share*)

€	1997/98	1998/99	1999/2000	AFY 2000	2001
Highest share price	39.32	59.25	55.60	42.00	44.70
Lowest share price	23.16	26.08	30.50	32.80	19.20
Share price at financial year-end	29.55	47.30	34.70	38.60	27.60

*) previous years adjusted to no-par value shares