

29 September 2009

TUI TRAVEL PLC

**Pre-Close Trading Update, Shareholder Loan Refinancing and Establishment of
a Strategic Venture in Canada**

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Highlights

- Summer 2009 programmes are now almost fully sold and we have continued to achieve required load factors and pricing.
- Winter 2009/10 booking volumes remain lower than last year, as anticipated, with capacity adjusted to align supply and demand.
- Early bookings in the UK for Summer 2010 are in line with prior year, with average selling prices up 4%.
- Raising approximately £440 million of financing to refinance our shareholder loan.
- Renegotiated the terms of the shareholder loan.
- Refinancing also facilitates continuation of our successful acquisition strategy, including an agreed strategic venture with Sunwing in Canada.
- Remain well positioned to meet the Board's expectations for the year ended 30 September 2009.

TUI Travel's Chief Executive, Peter Long, said: "Trading continues in line with our expectations and we remain satisfied with our trading performance across all open seasons. As we near the end of the current season, we are pleased that the Summer 2009 lates market has traded well showing that holiday demand and supply have been in balance, despite the later booking trends experienced.

The financing measures announced today allow us to commence repayment of our shareholder loan in a pro-active manner and will also allow us to continue to take advantage of attractive M&A opportunities and to build on our successful track record of creating value through our acquisition strategy.

Accordingly, we are delighted with the proposed strategic venture with Sunwing, which represents an opportunity for us to significantly strengthen our position in the Canadian market".

Current Trading

Trading has continued in line with our previous trading statement on 12 August and we remain satisfied with our trading performance across all open seasons.

Summer 2009

Our Summer 2009 programmes, which run to the end of October in most source markets, are now almost fully sold. Trading in the lates market has remained solid and we continue to achieve required load factors and pricing levels, as we benefit from capacity planning which has been in line with demand.

Current Trading ¹	Summer 2009		
y-o-y variation %	ASP²	Sales²	Customers²
MAINSTREAM			
Northern Region			
Short-haul	+5	-6	-11
Medium-haul	+10	+3	-6
Long-haul	+5	-20	-24
UK – Charter	+7	-4	-10
Nordic	+8	-2	-9
Northern Region – Total	+7	-4	-10
Germany – Charter	-3	-12	-9
Germany – Scheduled	+2	-11	-13
Germany – Total	-2	-12	-10
Austria	Flat	-15	-15
Switzerland	-6	-19	-14
Poland	-11	-43	-36
Central Europe – Total	-3	-14	-11
France	-4	-12	-8
Belgium	-1	-6	-5
Netherlands	+2	-11	-13
Western Europe – Total	-2	-10	-8
SPECIALIST	+1	-14	-15
ACTIVITY	NA	-12	NA
A&D³	-4	+9	+13

¹ These statistics are up to 20 September 2009

² These statistics relate to all customers whether risk or non-risk

³ These statistics include Online businesses only

Winter 2009/10

As anticipated, the later booking trend seen in recent seasons has continued into Winter 2009/10, which in itself books later than the Summer season. Again, we are employing cautious capacity planning for this season to ensure that demand and supply are in balance and have retained significant flexibility to adjust capacity further to reflect any changes in the demand pattern.

<u>Current Trading</u> ¹	<i>Winter 2009/10</i>			<i>Risk Only</i>	
y-o-y variation%	Total ASP ²	Total Sales ²	Total Customers ²	<i>Capacity</i> ³	<i>Left to sell</i> ³
MAINSTREAM					
Northern Region					
Short-haul	+12	-24	-32		
Medium-haul	+8	-16	-22		
Long-haul	+9	-19	-26		
UK	+11	-13	-21	-15	-12
Nordic	+3	-22	-24	-11	+6
Northern Region – Total	+7	-18	-24		
Germany	Flat	-22	-22	-7	+4

¹ These statistics are up to 20 September 2009

² These statistics relate to all customers whether risk or non-risk

³ These statistics include all risk capacity programmes

Trading in the UK and Nordics source markets is in line with our last trading statement. Booking volumes have improved in recent weeks versus the cumulative position, reflecting similar trends to those seen in Winter 2008/09 and Summer 2009. Capacity reductions mean that we now have 12% fewer holidays left to sell in the UK. In the Nordics, we have seen strong demand for long-haul holidays and have taken the opportunity to transfer in an extra B767 aircraft from the UK source market for this season.

In Germany, capacity is down 7% and the flexibility of our model means that we can further reduce supply if demand remains weak. Lower flying costs (driven by lower fuel prices) and accommodation savings mean that we can reduce prices below prior year levels whilst maintaining margins.

Our other Central European and Western European source markets have only recently gone on sale and early trading suggests a similar trend to the other source markets.

Summer 2010

We remain pleased with early trading in the UK, which is the only source market that has launched. Bookings for the Summer 2010 programme continue to be in line with the prior year and the average selling price is 4% higher. The load factor is now 12%, which is in line with last year.

Outlook

We remain well positioned to meet the Board's expectations for the year ended 30 September 2009.

Repayment of the Shareholder Loan

TUI Travel today announces a number of financing measures that, together with existing facilities, will enable it to refinance its shareholder loan with TUI AG that currently amounts to approximately £900 million. These measures include:

- Raising approximately £440 million of financing through the issue of a convertible bond and additional bank facilities to commence the refinancing of the shareholder loan.
- Deferring repayment of £150 million of the shareholder loan beyond the 2011 seasonal peak in net debt (April 2011) as part of a rescheduling of the repayment profile of the loan.

Convertible Bond - £300 million

TUI Travel announces today (see separate announcement) that it intends to offer approximately £300 million of senior unsecured convertible bonds due 2014 to international institutional investors, which will be convertible into fully paid ordinary shares of TUI Travel.

Revolving Credit Facility - £140 million

In addition, the Group has received commitments from banks to provide additional revolving credit facilities of £140 million, maturing in June 2012.

Shareholder loan

TUI Travel's existing shareholder loan from TUI AG currently amounts to approximately £900 million. This is due for repayment by 15 January 2011. Under the terms of the shareholder loan, TUI Travel is required to repay amounts owed in the event that new external finance is raised. TUI Travel and TUI AG have agreed an amendment to the original agreement and TUI AG has agreed to waive in part the mandatory repayment obligation. A new repayment schedule has also been agreed as set out below, including a deferral of a final payment of £150 million until after our 2011 seasonal peak in net debt¹:

30 September 2009	£92 million
1 April 2010	£229 million
1 December 2010	£467 million ²
30 April 2011	£150 million

¹ Actual repayments are in Euro; sterling figures are approximate

² Adjusted for any further movements in the balance due prior to that date

In addition to the refinancing raised today, the remainder of the shareholder loan will be repaid using existing cash and bank facilities.

Acquisitions

As well as refinancing the shareholder loan, the raising of financing announced today will allow us to continue our successful acquisitions strategy. This strategy focuses on three main areas of investment:

- Bolt-on acquisitions of niche, higher growth businesses in the specialist sectors are a key driver of TUI Travel's long-term growth. The pipeline of potential acquisitions is strong at present and we envisage the level of investment in the medium term to be similar to recent years.
- Transactions that provide an opportunity to consolidate mainstream markets and act as catalysts to drive the turnaround of underperforming businesses in the Mainstream sector.
- Emerging markets, with focus to date on Russia & CIS.

In the current financial year, we have spent c.£120 million on 14 acquisitions and joint ventures and will spend a further c.£55 million creating the strategic venture in Canada which we have announced today.

Strategic venture in Canada

We have reviewed the strategic alternatives for our Canadian business and are pleased to announce that we have agreed to enter into a strategic venture with Sunwing, a leading tour operator in Canada.

The Canadian market has for some time been both challenging and fragmented. The profitability of our operations in this market has been affected by the excess market capacity and it reported an underlying operating loss of £11 million in the first half of the current financial year. This amount is anticipated to double in the full year to 30 September 2009 to approximately a loss of c.£22 million (2008: loss of £5 million).

This deal strengthens our position in this market and we believe that the transaction has a number of strategic and financial benefits to the Group, including:

- The Group will earn a share of the profitability of the strategic venture, rather than 100% of the losses generated by the current operations;
- Consolidation of the fragmented Canadian tour operator market;
- Improved operational efficiencies, economies of scale and synergies across the merged operations;
- Counter-cyclical profitability between winter and summer seasons;
- Complementary product mix with Signature Vacations having relative strength in Mexico and Sunwing relative strength in Cuba, Canada's two primary destinations; and
- Complementary distribution channel mix.

Under the terms of the deal, TUI Travel will contribute its Canadian operations plus C\$101 million and Sunwing will contribute its operations to the strategic venture. TUI Travel will receive a 49% interest in the strategic venture, with Sunwing's owners receiving 51%.

The gross assets of TUI Travel's Canadian operations totalled C\$83 million¹ at 31 March 2009. The deal is subject to regulatory and competition approvals and is expected to be completed by the end of November.

¹ This excludes goodwill and other intangible assets arising on consolidation of these businesses by TUI Travel

TUIfly – Air Berlin Transaction Update

Under the terms of the previously announced transaction between TUIfly, our airline operations in Germany, and Air Berlin, TUI Travel has agreed to acquire 9.9% of Air Berlin's shares (subject to regulatory clearance). TUI AG intends to acquire the stake if the regulatory clearance is received. The consideration for this transaction will be settled through a reduction of the amounts owed to TUI AG under the shareholder loan.

Russia & CIS

Our growth plans in Russia & CIS are progressing well. The TUI Russia & CIS joint venture has now completed the acquisition of a 75% stake in certain assets of VKO Group, a tour operator and travel agency group based in Russia and the acquisition of a 75% stake in certain assets of Voyage Kiev, a tour operator and travel agency group based in Ukraine.

Boeing 787 Order Book

TUI Travel continues to believe that the Boeing 787 Dreamliner is the ideal aircraft for its airline's long-haul requirements. Not only will it be able to fly greater distances than equivalent aircraft today but it will do so with greater fuel efficiency and additional comfort for our customers.

We have been in extensive discussions with Boeing, however, and it is the intention of both parties to agree to cancel ten of the 23 787 aircraft that we had on order, whilst adding purchase rights, with no obligation, for a further 13 787 aircraft. This optimises the flexibility around our long haul capacity and we expect to receive delivery of the first 787 aircraft in early 2012.

Conference Call

A conference call for analysts and investors will take place today at 9.30am (BST). The dial-in arrangements for the call are as follows:

Telephone: +44 (0) 1452 555 566
Participant Code: 32839622

A recording of the conference call will be available on:

Telephone: +44 (0) 1452 550 000
Participant Code: 32839622#