

TUI Deutschland remains set for growth

31 percent more long-haul guests – slight growth in sales still on the horizon for the summer – starting winter 2010, the biggest flight programme ever – for medium-haul winter holidays prices down one percent on average, on long-haul flights moderate price rise of three percent

Hannover/Fleesensee, 21 June 2010. TUI Deutschland profits from its growth programme: Germany's leading travel operator is satisfied with its summer business despite cautious consumer sentiment. "The expansion programme is paying off. Demand is growing, above all in the particularly promising segments characterised by good profit margins," said Dr Volker Böttcher, Chief Executive of TUI Deutschland, at the presentation of the 2010/2011 winter programme in Land Fleesensee, Mecklenburg, northeast Germany. "This includes the significantly rising occupancy levels in our exclusive hotels, in specialist travel, and the long-haul holiday segment." With a 31 percent growth in the number of bookings TUI is currently upping its market share in the long-haul business. "For the winter season I am confident that we can achieve at least a positive, stable sales trend compared to the previous year," added Böttcher.

In line with its growth strategy TUI Deutschland is rolling out its expansion programme for 2010/2011 and beyond across a broad front. "As the league leaders we are back on the attack. There are new exclusive hotels, world-wide more holiday offerings and the biggest winter flight programme ever for flights from Germany." On price developments for the winter season Dr Böttcher commented: "We take the economic woes of the consumer very seriously and offer the worried customer more bargain holiday products at consistent high quality." In the medium-haul holiday sector prices are down on average by one percent. On the other hand, due to the higher aviation fuel prices and the unfavourable exchange rates, customers wanting long-haul holidays have to pay on average up to three percent more.

Current summer season: ten percent more holidaymakers in Turkey

Despite the subdued consumer propensity to spend TUI Deutschland is registering a sustained thirst for travel by German holidaymakers this summer. With a slight drop in turnover of two percent (trading update on 11 May from TUI Travel PLC)

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page 1 of 6

the company is recording almost stable summer business activities compared with the previous year. "Above all against the backdrop of special factors, such as the volcanic ash cloud-related flight ban and the financial crisis in Greece, we are happy with this trend," argues Böttcher. It is possible that the end of the summer will even see some small overall growth.

Market research results also confirm that Germans are very interested in travelling: currently there is remaining potential for a further 13 million holidays for the summer. In the holiday by air segment, which is important for TUI, the remaining potential is 2.4 million holidays for summer 2010, according to the forecasts of GfK and TUI Market Research. Thus, intentions to travel by plane at the moment are up 7 percent compared to last year. The focus is on longer flight package holidays of 13 to 15 days as well as on sunshine destinations in the western and eastern Mediterranean.

Of the medium-haul destinations Turkey is way ahead with ten percent growth and has become TUI Deutschland's third most important destination. Egypt, Croatia and Israel are also among the winners. On the other hand, TUI has registered substantial drops this summer for Italy and Portugal. Spain was able to get back on track after a weak start and is only down three percent year-on-year and, thanks to the expansion in flights, Menorca was even able to notch up a clear plus.

Demand for Greece rises again

Immediately after the demonstrations in Athens as well as the strikes the number of new bookings for holidays in Greece briefly indicated a downward trend. In the meantime, however, business has markedly picked up, and this is being supported by discounts that Greek hoteliers giving. "Greece offers such good value for money, much better than for a long time. Price-conscious holidaymakers should make the most of this opportunity," stresses Böttcher.

TUI is seeing stable development in Germany for the independent travel arrangement segment. Above all in the specialist business segment things are running particularly smoothly. The demand for health and wellness travel from the specialists TUI Vital as well as for river cruises is gratifyingly high and demonstrates noticeable growth. Also sales for city trips are substantially higher than the year before.

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Two percentage points expansion in market share for long-haul holidays

TUI is currently achieving its greatest growth in the faraway holiday segment. With a 31 percent increase in holidaymakers TUI added another two percentage points to its market share – and the trend is still upward. The strong demand covers almost all long-haul destinations: in USA and Canada the number of travellers grew by some 26 percent. TUI is chalking up even higher growth rates for the Maldives and Mauritius as well as for Australia, China, Namibia and the United Arab Emirates. Tourism is showing recovery in Mexico (+42 percent) and Thailand (+66 percent). Just the Dominican Republic and Jamaica are down.

Package holidays are the winners in the crisis

Tour operator holidays are experiencing a renaissance. Böttcher: "Consumers are now much more concerned with safety in the wake of the crisis of the European flight ban caused by the volcanic ash cloud in April." According to a representative survey of 1005 Germans by TNS Emnid commissioned by TUI, over recent weeks one in three Germans now see this type of holiday as more attractive. Of German tourists who had already booked a tour operator holiday as many as 50 percent said they were convinced that this type of travel has become more attractive.

"Tour operator holidays turned out to be the winners of the crisis," said Böttcher. Today they are oriented to the particular needs and demands of different target groups and over time have increasingly lost their image as an interchangeable mass product. And in times of instability they suit the Germans' needs perfectly – reliable holiday organisation, price stability, fixed contact persons, and personal care and attention, especially when a crisis occurs. Modern tour operator holidays have little in common with the package tours of past years, added Böttcher. The potential for organised holiday travel remains high.

Winter season: Focus on long-haul destinations – Panama and Taiwan new additions to the programme

This year Böttcher is expecting a new record number of long-haul tourists: for the industry as a whole he forecasts that 4.8 million Germans will head off to faraway places. That is why starting with this winter season TUI Deutschland will continue its expansion programme with a focus on long-haul destinations. The programme is

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being boosted by ten percent. At the same time the new brand TUI Fernreisen (TUI Long-Haul Holidays) is being launched with the winter programme.

The number of exclusive hotels has again grown appreciably, above all at long-haul destinations. There are now 43 hotels that can be booked only with TUI Deutschland. These include a new Riu hotel in Cuba. For medium-haul destinations TUI is now already generating about 60 percent of its turnover through the sale of exclusive products. The most important innovations in the winter programme include Panama and Taiwan as two completely new destinations: eight hotels can be booked in Panama, including the first city hotel under the Riu brand, as can three circular tours. In Taiwan the choice includes three hotels and two excursions. And following the example of the award-winning Snow Guarantee, TUI is offering a Summer Guarantee for selected long-haul flights: If the weather forecast seven days before the departure date for the booked destination predicts average temperatures below 20 degrees Celsius, then TUI guests are entitled to change their booking free of charge.

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TUI is also launching innovations for medium-haul holidays: for holidays lasting more than 60 days Germany's leading travel operator offers home leave for people escaping the winter by giving away a home flight to give people a break from their holiday. Jordan has been added as a new destination: the programme includes ten hotels as well as two circular tours and two hiking holidays. For city trips the Flex Rate will now also cover Amsterdam, Paris and Vienna. The Flex Rate allows free cancellations and changes to the trip up to three days before the departure date. TUI successfully launched this innovative product feature last year in Berlin and Munich. The winter sports programme now offers for the first time the chance to book a biathlon taster week in Antholzertal in Italy.

Biggest winter flight programme ever

Germany TUI is starting the biggest winter flight programme ever from German airports. Overall capacity has been expanded by 14 percent as a result of the massive increase in flexible seat allocations. These seats can be used or handed back to the airline depending on the demand. This does not increase the company risk. "In keeping with our position of being the quality and market leader we want to offer

our customers as big a choice as possible as regards routes and departure dates," is how Böttcher explained the expansion of the flight programme.

With respect to the airports being operated, the greatest expansion has largely been in Berlin and Cologne. But also the airports at Memmingen, Zweibrücken and Rostock are seeing greater passenger volumes. Direct flights to Marrakech are new to the programme (from Cologne with Germanwings) as are flights to Fujairah in the United Arab Emirates and Lira in Costa Rica (from Düsseldorf with Elite Aviation).

General price stability in the winter season

With the 2010/2011 winter season TUI is promoting an overall stable price development throughout the group. On average prices are down by one percent for medium haul holidays. As a result of higher aviation fuel prices and unfavourable exchange rates long-haul destination prices are up three percent.

On the Canary Islands – the most important sun destination – and in the rest of Spain prices are down by a good one percent. With a three percent drop the price declines are the greatest on Malta and the Cape Verde Islands. For Portugal, Cyprus and Morocco the reduction amounts to one percent. Prices are stable in Turkey, while prices are slightly higher in Egypt.

On long-haul flights the unfavourable exchange rates and higher jet fuel prices account for the mild rise in price, compounded by regionally-related cost increases. Prices in the USA and on the Maldives remain stable, despite the less favourable euro dollar exchange rate. TUI Deutschland is registering a small price rise on Mauritius (+4 percent) and for travel to Asia (+4 percent). Travel to the football World Cup host South Africa has become tangibly more expensive, where tourists have to put up with a twelve-percent price hike. The reason is the marked decline in the value of the euro against the rand. On the other hand, TUI holidaymakers can look forward to paying less for trips to the Seychelles (-3 percent), Costa Rica (-5 percent), Brazil (-2 percent), Mexico (-3 percent) and Cuba (-1 percent).

page 5 of 6

In the independent travel arrangement segment – the most important countries being Germany, Austria and Switzerland – prices are hovering one to two percent

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over last year's prices. "The drop in VAT for hotels in Germany is not reflected in the room rates. On the contrary we have noted that many hoteliers have invested in product quality, either in improved infrastructure or refurbishment," said Böttcher.

Outlook: set for growth

For the 2010/2011 winter season ahead TUI Deutschland is reckoning with a business development that is at least on par with last year. A precondition for this is stable economic development without increasing unemployment. At the same time the industry is looking back on a weak winter season totally overshadowed by the economic and finance crisis. The cautious optimism is based above all on the expansion programme and the strong product range. "This means in the coming winter season that our sales should at least remain constant -- with a tendency to grow," summed up Böttcher.

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With more than 20 percent market share TUI Deutschland GmbH is the leading tour operator in Germany. Besides the core brand of TUI, numerous other well known brands are part of the company; brands such as 1-2-FLY and airtours as well as the specialists Gebeco and L'tur. TUI therefore covers the entire holiday spectrum from premium through individual to budget. TUI Deutschland is a wholly owned subsidiary of TUI Travel PLC, the world's biggest tourism company. TUI Travel PLC, which is listed on the LSE, is represented in 180 countries and caters for over 30 million customers.