

Economic Situation in Q1 2009

General economic situation

The massive downward trend of the global economy continued in the first quarter of 2009. While the effects of the financial crisis were initially felt particularly strongly in the US in 2008, the sharp economic downswing of recent months affected all regions in the world without exception. In the industrialised countries, the recession intensified towards the end of 2008. The strongly export-dependent emerging economies in Asia also recorded a dramatic economic downswing since they were impacted by the slump in demand for consumer goods in the industrialised countries. Due to the worldwide decline in industrial production, world trade also decreased notably.

Special events in the quarter under review

In the first quarter of 2009, TUI AG closed the sale of Hapag-Lloyd AG to 'Albert Ballin' Holding GmbH & Co. KG. The shipping company was sold at an enterprise value of €4.45bn. TUI AG, in turn, acquired a 43.33% stake in the bidding company. The sales transaction created a book profit of around €1bn within the Group.

With the transfer of ownership, TUI AG received an inflow of liquidity of €1.6bn. In order to guarantee the financial stability of the Hapag-Lloyd Group even after the transfer of ownership, TUI AG provides additional credit facilities with a total volume of up to €1.1bn for a limited period at customary market terms and conditions. TUI expects that most of these facilities will be used.

In the first quarter of 2009, TUI Travel PLC and Air Berlin PLC agreed a long-term strategic partnership for their German airline business. The centrepiece of the agreement is for Air Berlin to assume operational responsibility for TUIfly's previous city business as of the 2009/10 winter schedule. Of the 38 aircraft TUIfly intends to utilise as of 2010, 17 aircraft including crews will be chartered to Air Berlin on the basis of a long-term lease agreement. 21 aircraft will continue to fly under the TUIfly brand and be utilised for TUI Deutschland.

In this connection, a cross-shareholding agreement is planned in which TUI Travel PLC will take a 19.9% stake in Air Berlin PLC and vice versa, Air Berlin PLC will take a 19.9% stake in Hapag-Lloyd Fluggesellschaft mbH (TUIfly). If this project obtains antitrust approval, it is to be implemented with economic effect as of 1 October 2009.

Consolidated turnover and earnings

Development of turnover

Divisional turnover

€ million	Q1 2009	Q1 2008	Var. %
Tourism	3,068.2	3,617.6	- 15.2
TUI Travel	2,914.4	3,465.7	- 15.9
TUI Hotels & Resorts	95.8	93.9	+ 2.0
Cruises	58.0	58.0	-
Central operations	14.7	13.2	+ 11.4
Continuing operations	3,082.9	3,630.8	- 15.1
Discontinued operation container shipping	1,118.9	1,451.2	- 22.9
Divisional turnover	4,201.8	5,082.0	- 17.3

In the first quarter of 2009, turnover by the continuing operations amounted to €3.1bn, down 15% year-on-year. The decline in turnover was attributable to TUI Travel's diminishing business volume, caused by the capacity cuts and the fact that, unlike in 2008, the Easter business was not included. Another reason for the decline in turnover by tourism was the weakening of the exchange rate of the British pound against the euro.

Discontinued operations, which comprised the container shipping activities, recorded a 23% decline in turnover to €1.1bn in the first quarter. This was primarily due to two reasons: the year-on-year decline in freight rate levels of 14% and the year-on-year fall in transport volumes of 15%. On the other hand, the US dollar exchange rate rose by 13% against the euro.

At €4.2bn, total turnover by the TUI Group's divisions fell 17% year-on-year in the first quarter of 2009.

Development of earnings

Underlying divisional EBITA

€ million	Q1 2009	Q1 2008	Var. %
Tourism	- 276.1	- 220.6	- 25.2
TUI Travel	- 288.7	- 239.7	- 20.4
TUI Hotels & Resorts	12.7	13.2	- 3.8
Cruises	- 0.1	5.9	n/a
Central operations	- 48.1	6.9	n/a
All other segments	7.6	43.5	- 82.5
Consolidation	- 55.7	- 36.6	- 52.2
Continuing operations	- 324.2	- 213.7	- 51.7
Discontinued operation container shipping	- 221.7	18.5	n/a
Underlying divisional EBITA	- 545.9	- 195.2	- 179.7

Divisional EBITA

€ million	Q1 2009	Q1 2008	Var. %
Tourism	- 351.2	- 306.0	- 14.8
TUI Travel	- 363.8	- 325.1	- 11.9
TUI Hotels & Resorts	12.7	13.2	- 3.8
Cruises	- 0.1	5.9	n/a
Central operations	- 48.1	6.9	n/a
All other segments	7.6	43.5	- 82.5
Consolidation	- 55.7	- 36.6	- 52.2
Continuing operations	- 399.3	- 299.1	- 33.5
Discontinued operation container shipping	748.8	1.1	n/a
Divisional earnings (EBITA)	349.5	- 298.0	n/a

Operating earnings adjusted for special effects of the continuing operations tourism and central operations (underlying divisional EBITA) decreased by €111m to €-324m year-on-year in the first quarter of 2009, mainly due to the lower profit contribution by tourism.

In the first quarter of 2009, the seasonally negative underlying earnings by tourism totalled €-276m, down €56m year-on-year. The decrease in TUI Travel's operating earnings was driven by the late Easter in 2009 and the adverse impacts of political unrest on tours to the French West Indies as well as Madagascar and Thailand. This affected in particular TUI activities in France and the Nordic countries. In addition, demand in the travel market decreased, as expected, in the first quarter due to the current economic climate. Thanks to active capacity management, however, pricing and utilisation of the committed capacity in all essential volume markets were retained in line with expectations. The hotel sector generated stable earnings in the first quarter. Earnings by the cruises sector were impacted by the start-up losses of TUI Cruises.

Underlying earnings by the central operations fell by €55m to €-48m year-on-year in the first quarter of 2009. The decline in earnings was mainly attributable to profits from the valuation of derivatives which were included in previous year's figures.

Underlying earnings by the container shipping operations, reclassified to discontinued operations, were €240m down year-on-year in the first quarter of 2009, mainly due to the 14% decrease in freight rate levels and the 15% decline in volumes year-on-year.

Total underlying earnings by the TUI Group's divisions declined by €351m to €-546m in the first quarter of 2009.

Underlying divisional EBITA: Group

€ million	Q1 2009	Q1 2008	Var. %
Divisional EBITA	349.5	- 298.0	n/a
Gains on disposal	- 989.5	-	
Restructuring	+ 27.5	+ 27.1	
Purchase price allocation	+ 29.5	+ 61.7	
Other one-off items	+ 37.1	+ 14.0	
Underlying divisional EBITA	- 545.9	- 195.2	- 179.7

In the first quarter of 2009, the Group had items worth €895m to be adjusted. Reported divisional EBITA accounted for €350m in the first quarter, a significant rise of €648m year-on-year. They included the special income from the book profit realised in the first quarter from the sale of the majority stake in container shipping of €990m.

TUI Travel

TUI Travel – Key figures

€ million	Q1 2009	Q1 2008	Var. %
Turnover	2,914.4	3,465.7	- 15.9
Divisional EBITA	- 363.8	- 325.1	- 11.9
Gains on disposal	–	–	
Restructuring	+ 27.5	+ 27.1	
Purchase price allocation	+ 10.5	+ 42.6	
Other one-off items	+ 37.1	+ 15.7	
Underlying divisional EBITA	- 288.7	- 239.7	- 20.4
Capital expenditure	54.7	64.5	- 15.2
Headcount (31 March)	48,667	47,919	+ 1.6

Turnover and earnings

In the first quarter of 2009, turnover by TUI Travel decreased 16% year-on-year. The decline in turnover was primarily attributable to the capacity cuts in the volume business and the year-on-year weakening of the exchange rate of the British pound against the euro. Another reason for the decrease in turnover by TUI Travel was that Easter in 2009 fell into the second quarter.

TUI Travel's operating earnings were seasonally negative in the first quarter. They declined by €49m to €-289m year-on-year. Apart from the Easter business not falling into the first quarter, this decline was driven by external factors impacting the travel business for several long-haul destinations and affecting in particular source markets France and the Nordic countries. The French West Indies and Madagascar, characterised by political unrest in the first quarter of 2009, constitute important winter destinations for the French travel market. For the long-haul business of the Nordic tour operators, Thailand, which was also affected by civil unrest, constitutes another key destination.

All volume markets showed a cyclical downturn in demand for holiday tours in the first quarter, as expected. Thanks to active capacity management, however, both pricing and utilisation of the committed capacity were maintained at a high level, despite a decline in booking numbers.

In the first quarter of 2009, TUI Travel had to carry adjustments totalling €75m for special one-off effects. Earnings for the first quarter included in particular the following adjustment items:

- restructuring costs of €28m, arising in particular on discontinuing operation of four leased hotel complexes in Turkey and Greece and restructuring tour operator activities in France;
- effects of €11m from purchase price allocations, and
- one-off effects of €37m, in particular integration costs incurred for the tour operator and incoming activities in the UK and Spain.

Accordingly, reported earnings by TUI Travel decreased by 12% to €-364m.

Consolidated earnings

Consolidated income statement

€ million	Q1 2009	Q1 2008 ¹⁾ restated	Var. %
Turnover	3,082.9	3,630.8	- 15.1
Cost of sales	3,164.5	3,567.7	- 11.3
Gross profit/loss	- 81.6	63.1	n/a
Administrative expenses	326.2	377.2	- 13.5
Other income/other expenses	+ 5.0	+ 17.6	- 71.6
Impairments of goodwill	–	–	n/a
Financial result	- 63.1	- 93.1	+ 32.2
Financial income	40.1	8.5	+ 371.8
Financial expenses	103.2	101.6	+ 1.6
Share of results of joint ventures and associates	+ 3.8	+ 7.6	- 50.0
Earnings before taxes on income	- 462.1	- 382.0	- 21.0
Reconciliation to underlying earnings:			
Earnings before taxes on income	- 462.1	- 382.0	- 21.0
Interest result and earnings from the valuation of interest hedges	62.8	82.9	- 24.2
Impairments of goodwill	–	–	n/a
EBITA from continuing operations	- 399.3	- 299.1	- 33.5
Adjustments			
Gains on disposal	–	–	
Restructuring	+ 27.5	+ 27.1	
Purchase price allocation	+ 10.5	+ 42.6	
Other one-off items	+ 37.1	+ 15.7	
Underlying EBITA from continuing operations	- 324.2	- 213.7	- 51.7
Earnings before taxes on income	- 462.1	- 382.0	- 21.0
Taxes on income	- 85.0	- 114.7	+ 25.9
Result from continuing operations	- 377.1	- 267.3	- 41.1
Result from discontinued operation	+ 791.6	- 11.5	n/a
Group profit/loss	414.5	- 278.8	n/a
Group profit/loss attributable to shareholders of TUI AG	553.1	- 167.2	n/a
Group profit/loss attributable to minority interests	- 138.6	- 111.6	- 24.2
Group profit/loss	414.5	- 278.8	n/a
Basic earnings per share	in € 2.18	- 0.69	n/a
Diluted earnings per share	in € 2.18	- 0.69	n/a

¹⁾ Adjustments resulting from the introduction of IFRIC 13 and the finalisation of purchase price allocations by 31 December 2008

As container shipping has been classified a discontinued operation according to IFRS 5 since March 2008, earnings by this sector are now shown under the item 'Result from discontinued operation' and not under continuing operations. The year-on-year development of consolidated earnings was primarily characterised by the sale of container shipping in the first quarter of 2009. Overall, earnings by continuing operations are characterised by the seasonality of the tourism business, as a result of which positive earnings are primarily generated in the second and third quarters of any one year.

Turnover and cost of sales

Turnover comprised the turnover of the continuing operations, i.e. tourism and central operations. In the first quarter of 2009, turnover decreased to €3.1bn year-on-year, down 15%. The decline was mainly driven by the year-on-year weakening of the exchange rate of the British pound and the fall in TUI Travel's business volume. Apart from capacity reductions, the late Easter also contributed to the decline in volume in the first quarter in TUI Travel. Cost of sales also decreased due to the

lower business volume and the weak British pound as well as cost containments which resulted from the integration measures. A detailed breakdown of turnover and the development of turnover is presented in the section 'Consolidated turnover and earnings'.

Gross profit/loss	Gross profit/loss as the balance of turnover and cost of sales decreased year-on-year to €-82m in the first quarter of 2009 (previous year: €63m).
Administrative expenses	Administrative expenses comprised expenses not directly allocable to the turnover transactions, such as expenses for general management functions. In the first quarter, they totalled €326m, down 14% year-on-year. The decrease in administrative costs resulted from the weakness of the British pound as well as synergy effects caused by the integration of TUI's former tourism division with First Choice.
Other income/ other expenses	Other income and other expenses primarily comprised profits or losses from the sale of fixed asset items. At €5m, the balance of income and expenses in the first quarter was 72% down on the corresponding figure for 2008, which had been higher due to income from sale-and-lease-back transactions.
Impairments of goodwill	In the first quarter of 2009, no impairments of goodwill were effected.
Financial result	The financial result comprised the interest result and the net result from marketable securities. At €-63m, the financial result grew 32% year-on-year in the first quarter of 2009 and comprised financial income of €40m (previous year: €9m), which rose substantially year-on-year, and financial expenses of €103m (previous year: €102m), which were up by 1%.
Share of results of joint ventures and associates	The share of results of joint ventures and associates comprised the share in net profit for the year of the associated companies and joint ventures as well as impairments of the goodwill of these companies. The decline of €4m in the first quarter of 2009 resulted from the year-on-year decline in profit contributions by the joint ventures and associates in TUI Travel and TUI Hotels & Resorts.
Underlying EBITA from continuing operations	In the first quarter of 2009, underlying earnings by the continuing operations totalled €-324m, down 52% year-on-year. EBITA was adjusted for gains on disposals, restructuring expenses, purchase price allocations and one-off items. The adjustments are outlined in detail in the section on 'Consolidated turnover and earnings' and in the comments on the divisions.
Taxes on income	Taxes on income comprised taxes on profits from the business activities of the continuing operations. In the first quarter they totalled €-85m, following €-115m in 2008.
Result from discontinued operation	The result from the discontinued operation comprised the reclassified container shipping operations. It totalled €792m, following €-12m in the first quarter of 2008. The substantial rise mainly resulted from the book profit of €990m realised in the quarter under review from the sale of the container shipping. In accordance with IFRS 5, scheduled depreciation of fixed assets has had to be suspended since 31 March 2008. Likewise, at equity measurement of the container shipping participations has had to be discontinued. This resulted in a €66m rise in earnings in the current quarter. A detailed breakdown is provided in the notes in the section 'Result from discontinued operation'.

Group profit/loss Group profit/loss rose substantially and accounted for €415m in the first quarter (previous year: Group profit/loss of €-279m).

Minority interests Minority interests in Group profit/loss totalled €-139m for the first quarter of 2009. They related to the outside shareholders of TUI Travel PLC and companies in the TUI Hotels & Resorts sector.

Earnings per share

After deduction of minority interests, TUI AG shareholders accounted for €553m (previous year: €-167m) of Group profit/loss in the first quarter of 2009. As a result, basic earnings per share amounted to €2.18 (previous year: €-0.69) in the first quarter.

Performance indicators

Key figures of the profit and loss statement of the continuing operations

€ million	Q1 2009	Q1 2008	Var. %
Earnings before interest, taxes on income, depreciation, impairment and rent (EBITDAR)	- 91.8	9.6	n/a
Operating rental expenses	209.0	174.9	+ 19.5
Earnings before interest, taxes on income, depreciation and impairment (EBITDA)	- 300.8	- 165.3	- 82.0
Depreciation/amortisation less reversals of depreciation ¹⁾	98.5	133.8	- 26.4
Earnings before interest, taxes on income and impairment of goodwill (EBITA)	- 399.3	- 299.1	- 33.5
Impairment of goodwill	-	-	n/a
Earnings before interest and taxes on income (EBIT)	- 399.3	- 299.1	- 33.5
Interest result	- 62.8	- 82.9	+ 24.2
Earnings before taxes on income (EBT)	- 462.1	- 382.0	- 21.0

¹⁾ on property, plant and equipment, intangible assets, financial and other assets

Operating rental expenses Operating rental expenses of the continuing operations amounted to €209m (previous year: €175m) in the first quarter. The rise in rental and leasing expenses was attributable to the strategic realignment of flight operations (sale-and-lease-back agreements) in the TUI Travel Group. This increase was partly offset by capacity reductions in the flight business as well as currency effects caused by the development of the British pound.

Interest result The interest result of the continuing operations totalled €-63m (previous year: €-83m) in the first quarter of 2009.

Net assets and financial position

The Group's balance sheet total decreased by 9% to €15.3bn as against the end of 2008. The changes in the consolidated statement of financial position resulted from the business cycle in tourism. On the other hand, major changes in the Group's net assets and financial position also resulted from the sale of container shipping and the acquisition of an entrepreneurial stake of 43% in 'Albert Ballin' Joint Venture GmbH & Co. KG.

Assets and liabilities

€ million	31 Mar 2009	31 Dec 2008	Var. %
Non-current assets	9,041.3	7,339.9	+ 23.2
Current assets	6,244.3	9,365.9	- 33.3
Assets	15,285.6	16,705.8	- 8.5
Equity	2,577.2	2,242.5	+ 14.9
Provisions	1,930.0	2,152.1	- 10.3
Financial liabilities	4,999.2	4,974.7	+ 0.5
Other liabilities	5,779.2	7,336.5	- 21.2
Liabilities	15,285.6	16,705.8	- 8.5

Non-current assets

As at 31 March 2009, non-current assets accounted for 59% of total assets, compared with a share of 44% as at 31 December 2008. Non-current assets grew from €7.3bn to €9.0bn in the period under review. This rise mainly resulted from the acquisition of an entrepreneurial stake of 43% in 'Albert Ballin' Joint Venture GmbH & Co. KG and the loans granted to 'Albert Ballin' Holding GmbH & Co. KG in the framework of the sale of container shipping.

Current assets

As at 31 March 2009, current assets accounted for 41% of total assets, down from 56% as at 31 December 2008. Current assets decreased from €9.4bn as at 31 December 2008 to €6.2bn as at 31 March 2009. The change primarily resulted from the decrease in assets held for sale due to the sale of the container shipping.

Equity

Equity totalled €2.6bn as at 31 March 2009. The equity ratio stood at 17%, compared with 13% as at the end of financial year 2008. Detailed information on the individual changes is provided under 'Changes in equity' in the notes to this interim report.

Provisions

Provisions mainly comprised provisions for pension obligations, effective and deferred income tax provisions and provisions for typical operating risks. As at 31 March 2009 they totalled €1.9bn, down 10% as against 31 December 2008.

Financial liabilities

As at 31 March 2009, financial liabilities consisted of non-current financial liabilities of €4.1bn and current financial liabilities of €1.0bn. As at 31 December 2008, non-current financial liabilities as well as current liabilities amounted to the same. At the end of the first quarter of 2009, net debt totalled €2.6bn, down from €2.9bn as at the end of financial year 2008. Including the net financial position of container shipping, separately shown in accordance with IFRS 5, the sale of this sector brought the Group's net financial position significantly down from €4.1bn to €2.6bn as at 31 December 2008.

Other liabilities

As at 31 March 2009, other liabilities amounted to €5.8bn, down €1.6bn or 21% as against 31 December 2008. The decline resulted in particular from the decrease in debt in combination with assets held for sale due to the sale of container shipping.