

Significant increase in turnover and operating earnings in Q2 / Earnings growth considerably driven by container shipping / Earnings forecast for overall year continues to be optimistic / Separation process for container shipping progressing according to plan

Hanover, 14 August 2008. In the second quarter of 2008, TUI AG achieved significant increases in turnover and operating earnings, both in tourism and container shipping. **Turnover** by the Group's divisions grew by 20 per cent year-on-year to 6.2 billion euro (previous year: 5.2 billion euro) in the second quarter. **Operating earnings** by the divisions (underlying EBITA) rose to 216 million euro (previous year: 35 million euro). Besides a gratifying performance by the tourism division, the earnings growth was considerably driven by the substantial increase in operating earnings by container shipping. TUI's Executive Board therefore continues to expect a significant increase in underlying earnings by each of the two divisions, tourism and container shipping, for the year as a whole.

Due to special items, arising in particular from the strategic realignment of flight operations, **Group earnings** decreased considerably to –125 million euro (previous year: 71 million euro) in the second quarter. **Earnings per share** accounted for –0.24 euro for the second quarter (previous year: 0.19 euro).

In the context of the implementation of the strategic realignment of airline operations by TUI Travel, a sale-and-lease-back agreement worth 526 million US dollars had been concluded in June 2008 for 19 aircraft owned by TUI Travel. This transaction by TUI Travel resulted in a book loss of 102 million euro due to the dollar/euro exchange rate. In connection with the strategic realignment of airline activities TUI Travel incurred further expenses of 56 million euro, resulting from the measurement of individual aircraft still owned by TUI Travel and the reversal of existing exchange rate hedging instruments. In addition, an impairment of 73 million euro was required for the airlines Hapag-Lloyd Flug and Hapag-Lloyd Express, operating under the TUIfly brand¹.

¹ In line with the status of the negotiations on a potential merger with the airlines Germanwings GmbH and Eurowings Luftverkehrs AG, the assets and liabilities associated with Hapag-Lloyd Flug and Hapag-Lloyd Express had to be classified as a disposal group in the balance sheet as at 30 June 2008.

As at 30 June 2008, the Group's net debt totalled 3.1 billion euro, down from 3.9 billion euro as at the end of the 2007 financial year.

Detailed development of the tourism division

TUI's tourism division comprises the three segments TUI Travel, TUI Hotels & Resorts and the cruise business of Hapag-Lloyd Kreuzfahrten and TUI Cruises. **Turnover by the tourism division** totalled 4.7 billion euro (previous year: 3.7 billion euro) in the second quarter, up 28 per cent year-on-year. The turnover growth was driven by all tourism segments, with TUI Travel in particular recording significant increases in turnover due to changes in consolidation. **Operating earnings** by tourism (underlying EBITA) grew by around 91 per cent to 86 million euro (previous year: 45 million euro).

In the second quarter, **TUI Travel** increased its **turnover** by around 29 per cent to 4.5 billion euro (previous year: 3.5 billion euro) due to the first-time consolidation of the First Choice activities. **Underlying EBITA** by TUI Travel grew by 40 million euro year-on-year to 71 million euro (previous year: 31 million euro). Besides the consolidation effects this growth was partly attributable to the increase in average margins and load factors in the Mainstream business in the Central Europe and Northern Europe sectors. The integration of activities in the British market continued to progress according to plan so that the expected synergies were leveraged accordingly. The development was also driven by the positive performance of the Specialist Holidays, Activity and Online Destination Services sectors.

TUI Hotels & Resorts also increased its **turnover** by around ten per cent to almost 100 million euro in the second quarter (previous year: 91 million euro). Both occupancy and average revenues per hotel bed rose slightly year-on-year. In the second quarter, **underlying earnings** by the hotel sector totalled 15 million euro, matching the gratifying level achieved in 2007.

The **cruises** sector comprises Hapag-Lloyd Kreuzfahrten and the TUI Cruises activities currently being established. The **turnover** generated by Hapag-Lloyd Kreuzfahrten climbed by 29 per cent to around 47 million euro (previous year: 36 million euro) in the second quarter. The rise in demand created a further improvement in the occupancy of the ships and a year-on-year increase in average revenues per day. Following a minor loss in the 2007 reference quarter, **operating earnings** (underlying EBITA) were balanced in the second quarter of 2008 (previous year: -1 million euro).

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Detailed development of container shipping

Turnover by the division grew by 2.6 per cent to around 1.5 billion euro (previous year: 1.4 billion euro) in the second quarter. This growth resulted from a considerable improvement in freight rate levels, with slight volume growth. It was adversely impacted by the considerable weakening of the US dollar exchange rate against the euro. In the second quarter, **operating earnings** rose significantly by 110 million euro to 115 million euro (previous year: 5 million euro).

In the second quarter, Hapag-Lloyd increased its **transport volume** by 3.7 per cent year-on-year. The total transport volume accounted for 1.43 million standard containers (TEU). This volume growth was driven by the Trans-Pacific, Latin America and Australasia trade lanes, while the Far East and Atlantic trade lanes remained below 2007 volume levels. All trade lanes with the exception of Australasia considerably increased their **average freight rates** (+16.2 per cent). The strongest increase was achieved by the Far East trade lane (+28 per cent).

Prospects

In the light of the performance achieved in the first half of the year, the TUI Group's **tourism entities** expect a substantial improvement in earnings year-on-year for the overall year 2008.

The key earnings drivers in TUI Travel are the expected synergies from the merger between TUI and First Choice as well as margin enhancements attributable to the capacity- and product-related initiatives launched in the Mainstream sector. Earn-

ings will additionally benefit from the sustained growth of the Specialist Holidays, Activity and Online Destination Services sectors. The hotel sector is planning further increases in the number of bed nights, driven among others by the expected positive development in the long-haul segment. The cruises sector expects solid demand for cruises and a stable political framework in the destinations.

Considering the gratifying performance in the first half of the year and the current development of business, TUI AG continues to expect earnings by **container shipping** to rise significantly year-on-year in the 2008 financial year despite an overall slowdown in the economic scenario. As before, risks for the overall year relate to the effects of the crisis in the financial markets on the development of world trade, a final assessment of which is not yet possible. Earnings will also be affected by the development of shipping bunker prices. At the same time, the development of earnings by container shipping will reflect the further development of the US dollar exchange rate against the euro.

From today's perspective, a final assessment of the development of Group earnings is not possible at this point due to the planned separation of container shipping operations from the Group.

Separation process in container shipping progressing according to plan

The separation process in container shipping is progressing according to plan and will be continued. Upon the submission of the non-binding bids, TUI AG has now invited bidders for a second round and launched the due diligence process. The completion of the bidding process is expected for the autumn at the earliest.

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Turnover by divisions

€ million	Q2 2008	Q2 2007	Var. %	H1 2008	H1 2007	Var. %
Tourism	4,721.6	3,680.3	+ 28.3	8,344.9	6,319.7	+ 32.0
TUI Travel	4,575.2	3,553.6	+ 28.7	8,046.6	6,058.9	+ 32.8
TUI Hotels & Resorts	99.9	90.7	+ 10.1	193.8	174.9	+ 10.8
Cruises	46.5	36.0	+ 29.2	104.5	85.9	+ 21.7
Central operations	18.6	44.0	- 57.7	31.8	75.0	- 57.6
Continuing operations	4,740.2	3,724.3	+ 27.3	8,376.7	6,394.7	+ 31.0
Container shipping	1,510.1	1,472.5	+ 2.6	2,961.3	2,896.2	+ 2.2
Discontinued operation	1,510.1	1,472.5	+ 2.6	2,961.3	2,896.2	+ 2.2
Turnover by divisions	6,250.3	5,196.8	+ 20.3	11,338.0	9,290.9	+ 22.0

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Underlying EBITA by divisions

€ million	Q2 2008	Q2 2007	Var. %	H1 2008	H1 2007	Var. %
Tourism	86	45	+ 91.1	- 135	- 180	+ 25.0
TUI Travel	71	31	+ 129.0	- 169	- 213	+ 20.7
TUI Hotels & Resorts	15	15	-	28	31	- 9.7
Cruises	0	- 1	+ 100.0	6	2	+ 200.0
Central operations	15	- 15	n/a	22	- 2	n/a
Continuing operations	101	30	+ 236.7	- 113	- 182	+ 37.9
Container shipping	115	5	n/a	133	- 31	n/a
Discontinued operation	115	5	n/a	133	- 31	n/a
Earnings by divisions (EBITA)	216	35	+ 517.1	20	- 213	n/a

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EBITA by divisions

€ million	Q2 2008	Q2 2007	Var. %	H1 2008	H1 2007	Var. %
Tourism	- 146	11	n/a	- 451	- 224	- 101.3
TUI Travel	- 159	- 3	n/a	- 483	- 257	- 87.9
TUI Hotels & Resorts	13	15	- 13.3	26	31	- 16.1
Cruises	0	- 1	+ 100.0	6	2	+ 200.0
Central operations	15	- 21	n/a	22	- 8	n/a
Continuing operations	- 131	- 10	n/a	- 429	- 232	- 84.9
Container shipping	89	13	+ 584.6	90	150	- 40.0
Discontinued operation	89	13	+ 584.6	90	150	- 40.0
Earnings by divisions (EBITA)	- 42	3	n/a	- 339	- 82	- 313.4

Profit and loss statement

€ million	Q2 2008	Q2 2007	Var. %	H1 2008	H1 2007	Var. %
Turnover	4,740.2	3,724.3	+ 27.3	8,376.7	6,394.7	+ 31.0
Cost of sales	4,447.5	3,517.3	+ 26.4	8,019.8	6,264.8	+ 28.0
Gross profit/loss	292.7	207.0	+ 41.4	356.9	129.9	+ 174.7
Administrative expenses	322.6	236.9	+ 36.2	699.8	398.0	+ 75.8
Other income/other expenses	- 99.7	+ 8.4	n/a	- 82.1	19.9	n/a
Impairment of goodwill	76.1	-	-	76.1	-	-
Financial result	- 100.5	- 53.6	- 87.5	- 193.6	- 105.5	- 83.5
- Financial income	63.9	64.0	- 0.2	72.4	80.0	- 9.5
- Financial expenses	164.4	117.6	+ 39.8	266.0	185.5	+ 43.4
Share of results of joint ventures and associates	+ 5.3	+ 10.2	- 48.0	+ 12.9	+ 15.4	- 16.2
Earnings before taxes on income	- 300.9	- 64.9	- 363.6	- 681.8	- 338.3	- 101.5
Reconciliation to underlying earnings:						
Earnings before taxes on income	- 300.9	- 64.9	- 363.6	- 681.8	- 338.3	- 101.5
Interest result and earnings from the valuation of interest hedges	93.7	54.8	+ 71.0	176.6	106.5	+ 65.8
Impairment of goodwill	+ 76.1	-	-	+ 76.1	-	-
EBITA from continuing operations ^{*)}	- 131.1	- 10.1	n/a	- 429.1	- 231.8	- 85.1
Adjustments						
<i>Gains on disposals</i>	-	-	-	-	-	-
<i>Restructuring</i>	190.6	8.7		217.7	10.3	
<i>Purchase price allocation</i>	11.7	-		53.2	-	
<i>Other one-off items</i>	29.9	31.0		45.6	39.3	
Underlying EBITA from continuing operations	101.1	29.6	+ 241.6	- 112.6	- 182.2	+ 38.2
Earnings before taxes on income	- 300.9	- 64.9	- 363.6	- 681.8	- 338.3	- 101.5
Taxes on income	- 23.9	- 139.9	+ 82.9	- 138.2	- 205.9	+ 32.9
Result from continuing operations	- 277.0	75.0	n/a	- 543.6	- 132.4	- 310.6
Result from discontinued operation	151.7	- 4.5	n/a	140.2	97.9	+ 43.2
Group profit/loss for the year	- 125.3	70.5	n/a	- 403.4	- 34.5	n/a
- attributable to shareholders of TUI AG of Group profit	- 55.6	58.9	n/a	- 222.4	- 57.6	- 286.1
- attributable to minority interests of Group profit	- 69.7	11.6	n/a	- 181.0	23.1	n/a
Group profit/loss	- 125.3	70.5	n/a	- 403.4	- 34.5	n/a
Basic earnings per share	in € - 0.24	+ 0.19	n/a	- 0.93	- 0.28	- 232.1
Diluted earnings per share	in € - 0.24	+ 0.20	n/a	- 0.93	- 0.28	- 232.1

^{*)} EBITA is equivalent to earnings before interest, taxes on income and impairment of goodwill.

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