

TUI Group increases turnover and operating earnings in Q3 2008

- Group turnover + 16 per cent; Group underlying EBITA + 4 per cent
- Operating earnings in core business tourism + 15 per cent
- Slight year-on-year decline in Q3 Group profit
- Prospects remain unchanged: Rise in operating earnings expected for the overall year

Hanover, 14 November 2008. TUI Group achieved substantial increases in turnover and operating earnings in tourism, its core business, in the third quarter of 2008. Due to the first-time full consolidation of the turnover portion of First Choice Holidays PLC, turnover by the tourism division grew by around 17 per cent to 6.8 billion euro (previous year: 5.8 billion euro). Operating earnings in tourism (underlying EBITA) climbed by around 15 per cent to 795 million euro (previous year: 689 million euro). Container shipping also recorded a year-on-year increase in turnover of around seven per cent to around 1.7 billion euro in the third quarter (previous year 1.6 billion euro). At 86 million euro, underlying EBITA by the division remained below the previous year's reference figure (107 million euro). This was primarily due to the oil price-induced rise in energy costs.

Turnover by the Group's divisions (tourism, central operations, container shipping) grew by around 16 per cent to 8.5 billion euro (previous year: 7.4 billion euro). Underlying EBITA by Group divisions increased by around four per cent to 859 million euro (previous year: 830 million euro). Due to non-recurring items including the effects of ongoing restructuring programmes and one-off effects in tourism as well as a decline in earnings by container shipping, Group profits decreased by around three per cent year-on-year to around 448 million euro (previous year: 462 million euro). Due to the considerable increase in minority interests, basic earnings per share accounted for 1.00 euro (previous year: 1.73 euro) in the third quarter. Although the consequences of the current financial crisis and the resulting possibility of a slowing world economy cannot yet be fully assessed, TUI AG remains confident that a significant increase in operating earnings will be achieved for the overall year 2008.

Detailed development of the tourism division

The tourism division comprises TUI Travel (tour operator, airline, distribution and incoming agency operations), TUI Hotels & Resorts and the cruises sector.

TUI Travel posted substantial increases in turnover and operating earnings (underlying EBITA) in the third quarter of 2008 due to changes in consolidation¹. Turnover by TUI Travel grew by around 17 per cent to 6.6 billion euro (previous year: 5.7 billion euro). Underlying EBITA climbed by around 19 per cent to 689 million euro (previous year: 581 million euro). Operating earnings improved overall, but were impacted by the strong year-on-year decline of the British pound sterling exchange rate.

In the Mainstream sector the programmes initiated to reduce capacity and improve the margin have paid off. Thus, source market Central Europe (Germany, Austria, Switzerland, Poland and TUIfly.com) recorded better margins in the brochure business and an increase in load factors. On the other hand, higher aircraft fuel costs had to be borne. In source market Northern Europe (UK, Ireland, Canada, Nordic countries, First Choice Airways, Thomsonfly, TUIfly Nordic), the UK, the largest market, also achieved stronger pricing due to capacity cuts and the resulting reduction in the level of discounting in the form of last minute offerings. In source market Western Europe (France, Benelux countries, Corsairfly, Arkefly, Jetairfly), TUI's activities achieved an overall satisfactory performance.

The Specialist and Activity sectors recorded an overall positive development. The Online Destination Services sector reproduced the sound performance recorded by its Online Services segment in the 2007 reference quarter while the performance of the incoming segment slightly declined year-on-year.

In the third quarter of 2008, **TUI Hotels & Resorts** recorded turnover of 143 million euro, up around 13 per cent year-on-year (previous year: 127 million euro). Underlying earnings totalled 101 million euro, matching the sound level achieved in

¹ In the third quarter of 2008, the turnover and earnings contributions of First Choice Holidays were fully consolidated for the first time. In the 2007 reference quarter, the corresponding figures had only included the results for the month of September.

the 2007 reference quarter. Bed capacity rose by 2.3 per cent in the third quarter. While occupancy declined by 1.4 percentage points, average revenues per bed grew by five per cent.

Turnover in the **cruises** sector amounted to 51 million euro in the third quarter, down two per cent year-on-year (previous year: 52 million euro). Despite the adverse effects of the oil price-induced rise in operating costs, Hapag-Lloyd Kreuzfahrten reproduced the solid results achieved in the 2007 reference quarter. Due to proportionate start-up costs of two million euro for the new company TUI Cruises, operating earnings by the sector declined overall to five million euro (previous year: seven million euro).

Detailed development of container shipping

In the third quarter, the development of container shipping was characterised by an increase in transport volumes, a considerable rise in freight rate levels and a pronounced weakening of the US dollar as well as persistently high fuel costs. Hapag-Lloyd increased its transport volumes by six per cent to 1.47 million standard containers (TEU) (previous year: 1.39 million TEU). Average freight rates rose by around 13 per cent year-on-year across all trade lanes. The rise in freight rates was particularly strong in the Trans-Pacific trade lane at around 22 per cent and in the Atlantic trade lane at around 14 per cent.

Prospects

Due to the operating performance in tourism and container shipping achieved to date, the Executive Board continues to expect the overall Group to achieve a considerable rise in operating earnings for the year as a whole.

Tourism is expected to post a significant increase in its operating earnings level based on its performance in the first nine months. TUI Travel has completed the 2008 summer season with good results. Booked turnover in the Mainstream business was two per cent up year-on-year. Customer volumes decreased by six per cent, on capacity reduced by eight per cent. TUI Travel will continue its strategy of flexible capacity adjustments in the current winter season 2008/2009 and the summer season 2009.

In the current financial year, TUI Hotels & Resorts is recording persistently sound demand for hotel beds in the eastern Mediterranean, the Canaries and long-haul destinations. The number of bed nights is therefore expected to rise year-on-year. On the other hand, destinations in the US dollar region will experience negative effects due to currency movements.

The cruises sector continues to benefit from a positive market environment. Rising fuel costs are offset by stronger average pricing for travel products. For the overall year, earnings of Hapag-Lloyd Kreuzfahrten are therefore expected to match the sound level achieved in 2007. In 2008, the cruises sector will also have to account for the proportionate start-up costs for the establishment of the business operations of TUI Cruises.

Despite a dampening of the overall climate in container shipping, the Executive Board expects a significant year-on-year increase in the earnings level for the 2008 financial year. To date, the earnings situation in container shipping has been characterised by a substantial rise in freight rates with a moderate increase in transport volumes. It remains too early to provide a final assessment of the repercussions of the financial crisis on the development of world trade. Nevertheless, positive earnings are also expected for the fourth quarter of 2008.

For the Group, the budgeted one-off costs of the merger between First Choice Holidays and TUI's tourism division in the current financial year will result in a considerable variation between reported earnings and operating earnings in 2008.

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Turnover by divisions

€ million	Q3 2008	Q3 2007	Var. %	9M 2008	9M 2007	Var. %
Tourism	6,837.9	5,843.9	+ 17.0	15,182.8	12,163.6	+ 24.8
TUI Travel	6,644.0	5,664.8	+ 17.3	14,690.6	11,723.7	+ 25.3
TUI Hotels & Resorts	142.9	126.8	+ 12.7	336.7	301.7	+ 11.6
Cruises	51.0	52.3	- 2.5	155.5	138.2	+ 12.5
Central operations	33.0	- 8.8*)	n/a	64.8	66.2	- 2.1
Continuing operations	6,870.9	5,835.1	+ 17.8	15,247.6	12,229.8	+ 24.7
Container shipping	1,672.2	1,564.5	+ 6.9	4,633.5	4,460.7	+ 3.9
Discontinued operation	1,672.2	1,564.5	+ 6.9	4,633.5	4,460.7	+ 3.9
Turnover by divisions	8,543.1	7,399.6	+ 15.5	19,881.1	16,690.5	+ 19.1

*) According to IFRS 5 due to fluctuation of exchange rates

Underlying EBITA by divisions

€ million	Q3 2008	Q3 2007	Var. %	9M 2008	9M 2007	Var. %
Tourism	795	689	+ 15.4	660	507	+ 30.2
TUI Travel	689	581	+ 18.6	520	366	+ 42.1
TUI Hotels & Resorts	101	101	+ 0.0	129	132	- 2.3
Cruises	5	7	- 28.6	11	9	+ 22.2
Central operations	- 22	34	n/a	0	34	n/a
Continuing operations	773	723	+ 6.9	660	541	+ 22.0
Container shipping	86	107	- 19.6	219	76	+ 188.2
Discontinued operation	86	107	- 19.6	219	76	+ 188.2
Underlying EBITA by divisions	859	830	+ 3.5	879	617	+ 42.5

EBITA by divisions

€ million	Q3 2008	Q3 2007	Var. %	9M 2008	9M 2007	Var. %
Tourism	616	638	- 3.4	165	412	- 60.0
TUI Travel	516	530	- 2.6	33	271	- 87.8
TUI Hotels & Resorts	95	101	- 5.9	121	132	- 8.3
Cruises	5	7	- 28.6	11	9	+ 22.2
Central operations	- 22	34	n/a	0	28	n/a
Continuing operations	594	672	- 11.6	165	440	- 62.5
Container shipping	66	95	- 30.5	156	245	- 36.3
Discontinued operation	66	95	- 30.5	156	245	- 36.3
Earnings by divisions (EBITA)	660	767	- 14.0	321	685	- 53.1

Profit and loss statement

€ million	Q3 2008	Q3 2007 ²⁾³⁾ restated	Var. %	9M 2008	9M 2007 ²⁾³⁾ restated	Var. %
Turnover	6,870.9	5,835.1	+ 17.8	15,247.6	12,229.8	+ 24.7
Cost of sales	5,836.2	4,864.7	+ 20.0	13,856.0	11,129.5	+ 24.5
Gross profit/loss	1,034.7	970.4	+ 6.6	1,391.6	1,100.3	+ 26.5
Administrative expenses	460.5	345.6	+ 33.2	1,160.3	743.6	+ 56.0
Other income/other expenses	0.6	22.5	- 97.3	- 81.5	42.4	n/a
Impairment of goodwill	–	33.6	n/a	76.1	33.6	+ 126.5
Financial result	- 54.1	- 70.4	+ 23.2	- 247.7	- 175.9	- 40.8
- Financial income	54.1	60.1	- 10.0	126.5	140.1	- 9.7
- Financial expenses	108.2	130.5	- 17.1	374.2	316.0	+ 18.4
Share of results of joint ventures and associates	+ 27.6	+ 27.1	+ 1.8	+ 40.5	+ 42.5	- 4.7
Earnings before taxes on income	548.3	570.4	- 3.9	- 133.5	232.1	n/a
Reconciliation to underlying earnings:						
Earnings before taxes on income	548.3	570.4	- 3.9	- 133.5	232.1	n/a
Interest result and earnings from the valuation of interest hedges	45.6	68.2	- 33.1	222.2	174.7	+ 27.2
Impairment of goodwill	–	+ 33.6	n/a	+ 76.1	+ 33.6	+ 126.5
EBITA from continuing operations ¹⁾	593.9	672.2	- 11.6	164.8	440.4	- 62.6
Adjustments						
<i>Gains on disposal</i>	–	–		–	–	
<i>Restructuring</i>	93.5	5.9		311.2	16.2	
<i>Purchase price allocation</i>	- 6.8	15.3		46.4	15.3	
<i>Other one-off items</i>	91.9	30.3		137.5	69.6	
Underlying EBITA from continuing operations	772.5	723.7	+ 6.7	659.9	541.5	+ 21.9
Earnings before taxes on income	548.3	570.4	- 3.9	- 133.5	232.1	n/a
Taxes on income	210.8	205.2	+ 2.7	72.6	- 0.7	n/a
Result from continuing operations	337.5	365.2	- 7.6	- 206.1	232.8	n/a
Result from discontinued operation	110.8	96.7	+ 14.6	251.0	194.6	+ 29.0
Group profit/loss for the year	448.3	461.9	- 2.9	44.9	427.4	- 89.5
- attributable to shareholders of TUI AG of Group profit	256.1	440.9	- 41.9	33.7	383.3	- 91.2
- attributable to minority interest of Group profit	192.2	21.0	+ 815.3	11.2	44.1	- 74.6
Group profit/loss	448.3	461.9	- 2.9	44.9	427.4	- 89.5
Basic earnings per share ⁴⁾ in €	+ 1.00	+ 1.73	- 42.2	+ 0.07	+ 1.46	- 95.2
Diluted earnings per share ⁴⁾ in €	+ 0.88	+ 1.50	- 41.3	+ 0.07	+ 1.37	- 94.9

1) EBITA is equivalent to earnings before interest, taxes on income and impairment of goodwill.

2) Since the alternative treatment allowed under IAS 23 to capitalise borrowing costs was exercised in the 2007 financial year, interest expenses declined by € 4.3 million in the previous year's reference period. At the same time, the cost of sales as well as tax expenses rose by € 0.2 million and by € 0.1 million respectively, while other income decreased by € 4.0 million. Earnings by discontinued operation rose overall by € 3.5 million.

3) Originally published previous year's figures were adjusted for purchase price allocations (especially for the First Choice Holidays Group) which in accordance with IFRS 3 have been made within twelve months after the acquisition date of a subsidiary.

4) In calculating earnings per share in accordance with the rules of IAS 33.12, the after-tax amount of the dividend on the hybrid capital was deducted from Group profit attributable to shareholders of TUI AG since the hybrid capital represents equity but does not represent equity attributable to shareholders of TUI AG.