

Please find below today's release of TUI Travel PLC:

TUI TRAVEL PLC: Trading Update

London, 26 September 2007. Following the successful completion of the merger of the tourism businesses of TUI AG and First Choice Holidays PLC to form TUI Travel PLC, we are pleased to provide an update on current trading, acquisitions and business integration ahead of the start of our first full financial year for the 12 months ended 30 September 2008.

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Current Trading

Since the trading numbers announced on the 9th August consumer demand across the TUI Travel businesses for Summer 2007 has remained strong. Forward bookings for Winter 2007/08 and early bookings for Summer 2008 are also very positive.

Summer 2007

After a relatively weak start to the Summer 2007 season, demand has picked up across all source markets and the Group has continued to trade in line with the Board's expectations.

<u>Current Trading</u> ^[1]			
y-o-y variation%	Summer 07		
	Sales	Customers	<i>Capacity</i>
MAINSTREAM			
Northern Europe			
First Choice			
Short-haul	-2	flat	-5
Medium-haul	+3	+1	<i>flat</i>
Long-haul	<u>+27</u>	<u>+22</u>	<u>+25</u>
First Choice -Total	+6	+3	<i>flat</i>
TUI – UK			
Short-haul	-5	+3	+3
Medium-haul	-1	-1	-4

Long-haul	-19	-30	-30
TUI UK - Total	-4	flat	-1
TUI – Nordic	<u>+6</u>	<u>+3</u>	<u>+2</u>
TUI Northern Europe – Total	-1	+1	flat
Central Europe			
TUI – Germany	+6	+10	-
TUI – Austria	-2	-4	-
TUI – Switzerland	<u>+22</u>	<u>+14</u>	<u>-</u>
TUI Central Europe - Total	+6	+9	+10
Western Europe			
TUI – France	+2	-4	-
TUI – Belgium	+10	+10	-
TUI – Netherlands	<u>+14</u>	<u>+9</u>	<u>-</u>
TUI Western Europe – total	+8	+5	+7
SPECIALIST [2]	+16	+16	
ACTIVITY [3]	+3	n/a	
ONLINE DESTINATION SERVICES			
	Sales	Bednights	
Online Destination Services [3]	+40	+24	
Laterooms.com	+53	+50	
[1] These statistics are up to 23 September 2007			
[2] These statistics exclude FY2006 and FY2007 acquisitions			
[3] These statistics are for the online businesses only			

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MAINSTREAM SECTOR

Northern Europe (UK & Ireland and Nordic)

In the UK Mainstream business the First Choice brand, as anticipated, has performed particularly well with sales up 6% on flat capacity. This has been particularly driven by a strong long-haul offering and a recovery in medium-haul compared to last year. In the Thomson business sales are down 4% on lower capacity. This is primarily a result of remixing volume by reducing capacity in the package holiday segment and increasing participation in the component led independent travel segment. Whilst tightening the package holiday capacity in Thomson has led to good margin performance in the Summer, overall margins across the TUI Travel UK & Ireland businesses continue to be adversely impacted by higher APD taxes and the year on year increase in fuel costs.

The Nordic businesses which make up the rest of the Northern Europe Sector have had a strong Summer.

Central Europe (Germany, Switzerland and Austria)

In the German source market, although consumer demand has been strong with bookings up 10%, there has been a considerable increase in capacity leading to weaker selling prices, lower load factors and margin pressure. In addition, the German business has suffered as a result of third party tour operators returning capacity. For Summer 2008 capacity will be reduced to 48 aircraft from the current fleet of 55.

The other central European source markets have performed in line with our expectations.

Western Europe (France, Belgium and The Netherlands)

We are pleased with the performance in Western Europe where the Belgian and Dutch markets have performed very well with revenues up 10% and 14% respectively. The French business has also recovered strongly from a difficult Summer

last year and will significantly reduce its loss for the year compared to 2006. All these businesses have seen margins improve year-on-year.

SPECIALIST SECTORS (Specialist, Activity and Online Destination Services)

The First Choice specialist businesses have continued their strong performance throughout the summer. On a like-for-like basis sales are up 16% in Specialist, 3% in Activity and 40% in Online Destination Services. Margins have improved across these businesses.

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Winter 07/08

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All businesses that have Winter programmes on sale are currently performing well for the Winter season. Capacity has been tightened across a number of source markets and margins are currently ahead of last year. We are further sold in the UK by 5 percentage points compared to this time last year.

y-o-y variation%	Winter 07/08		
	Sales	Customers	Capacity
MAINSTREAM			
Northern Europe			
First Choice			
Short-haul	+1	-3	-22
Medium-haul	+29	+24	-10
Long-haul	<u>+27</u>	<u>+23</u>	<u>+2</u>
Total First Choice	+25	+20	-10
TUI – UK			
Short-haul	-10	-18	-20
Medium-haul	+24	+20	-3
Long-haul	<u>-5</u>	<u>-13</u>	<u>-4</u>
TUI UK – total	+3	-2	-10
TUI – Nordic	<u>+23</u>	<u>+21</u>	<u>+14</u>
TUI Northern Europe – total	+10	+4	-4

Central Europe			
TUI – Germany	+9	+9	-
TUI – Austria	+1	+6	-
TUI – Switzerland	<u>+31</u>	<u>+30</u>	<u>-</u>
TUI Central Europe - total	+10	+10	+10
Western Europe			
TUI – France	+4	-6	-
TUI – Belgium	+17	+23	-
TUI – Netherlands	<u>+28</u>	<u>+15</u>	<u>-</u>
TUI Western Europe	+8	+6	+1
SPECIALIST [2]	+8	+15	
ACTIVITY [2]	+11	n/a	
[1] These statistics are up to 23 September 2007			
[2] These statistics exclude FY2006 and FY2007 acquisitions			
[3] ODS and Laterooms.com – Winter season is not significantly sold at this point in time			

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Summer 08

For Summer 2008, the UK & Ireland Mainstream business is the only programme that has been on sale for any reasonable time period and we are seeing the benefit of having the two strongest tour operating businesses. Currently, First Choice sales are 26% ahead on customer bookings that are up 24%. The programme is 3 percentage points further sold than at the same point last year and long-haul is selling particularly well. In Thomson sales are 2% ahead on capacity that has been reduced by 8%. Margins overall in the TUI Travel UK & Ireland business are slightly ahead of last year.

Acquisitions

Over the summer period we have completed nine acquisitions within niche specialist segments of the leisure travel market for a maximum consideration of £81.7m. An initial consideration of £52.2m has been paid with a further amount of up to £29.5m that could be paid as deferred and contingent consideration. For the eleven months ended 30 September 2007, we have made sixteen acquisitions for a maximum consideration of £227.5m with an initial consideration of £159.0m.

In addition, as recently announced, we have divested of Budget Travel, one of the Group's Irish businesses to Primera Travel Group, a privately owned Icelandic travel company. Completion of the sale is subject to approval from the EU Competition authority.

We have acquired businesses within the online, activity, premium escorted tours and student travel segments of the market:

- Within Online Destination Services, we have strengthened our position further in the Asia Pacific region by agreeing to acquire asiarooms.com, a leading online B2C provider of hotel accommodation in Asia. Asiarooms.com has established itself as a significant online retailer of accommodation by applying leading edge technology and web capabilities in one of the fastest growing travel markets. Its main source markets are the USA, UK, Singapore and Australia serving key destinations of Thailand, Singapore, Japan and Hong Kong. In the current year, the business is on track to sell nearly 4m bed nights. This acquisition adds to our growing position in the Asia Pacific region and online accommodation market where we continue to see excellent growth and margin opportunities for the Group going forward.
- In the Activity Holidays Sector, we have acquired four companies. Within the premium North American escorted tours segment, we acquired Starquest, an operator of themed luxury travel adventures by private jet. Along with our existing business, TCS (acquired as part of the Grand Expeditions acquisition in December 2005), we are now the clear market leader within this high-growth segment of the US travel market. As previously announced, we acquired Hannibal Travel Group which is a leading premium escorted tours operator serving the

Danish 'baby boomer' and 'young professional' demographic. It also compliments our existing Danish activity operation. In addition, we have added to our Schools and Adventure Travel Group within the Adventure division with the acquisition of Ski Alpine, which is a provider of group ski trips to UK university students. Finally, we have entered the sports tour market with the acquisition of Australian Sports Tours which offers fully guided tours and independent travel packages through B2B and B2C distribution channels for major sporting events. Operating at double-digit margins and within a fast growing area of the marketplace, we are looking to develop our participation within this niche segment.

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- Within North American Student Travel, we have added to our two acquisitions in the first half with the purchase of World Class Vacations and New Horizons Tour and Travel. These acquisitions will maintain our position at the forefront of the fragmented and high growth group performance segment of the student travel marketplace in the US.
- Within the Mainstream Sector, we have acquired an online car broker and an online independent package holiday review site. These businesses will further enable us to meet the needs of the travel consumer for flexibility and choice in their holiday decision making.

The acquisition pipeline remains strong as we continue to target travel companies, notably within the Asia Pacific region, online, activity and North American student travel segments, that exhibit excellent growth characteristics and the ability to generate premium margins, high earnings growth and strong cash flow.

Integration Process

The integration process has started very well. The UK and Ireland management team has been announced and the two integration teams across the business are now fully operational. We are increasingly confident that during the first 100 days strategic clarity will be reached on a number of key business issues and that, over the stated three year period, we will deliver at least £100m in synergy benefits.

Outlook

In line with previous statements by both First Choice and TUI AG and based on the Summer 2007 trading numbers the TUI Travel Board is satisfied that these businesses will meet their expectations in respect of their current financial year ends. This is based on the continued trading progress made during Summer 2007 together with the benefits of the cost restructuring in the TUI Tourism businesses that are coming through in the second half of 2007 particularly in the 4th quarter.

Going forward, the first TUI Travel PLC year-end will be 30 September 2008.

Accordingly, for comparative purposes proforma financials for the 12 months ended 30 September 2007 and 30 September 2006 are being produced. These will be available for release in early December. In arriving at the September numbers, adjustments will arise as we harmonise the October year-end of First Choice and the December year-end of TUI Tourism.

Commenting on the trading update, Peter Long, Chief Executive, TUI Travel PLC said:

“I am pleased with the way the peak summer season trading has progressed across our businesses and the signs for future seasons’ trading are very encouraging particularly in the UK where we are benefiting from two strong franchises. Our acquisition pipeline remains strong and I am delighted with the acquisitions we have completed. Acquisitions remain a key priority for TUI Travel.

“The integration of the TUI Tourism and First Choice businesses has started and as I have been visiting the TUI Tourism businesses over the past few weeks my belief that we have an exceptional value creation opportunity by combining the best of both businesses has been reinforced.”

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Future communication dates

The next communication dates for the company will be as follows:

8 November	Trading update in conjunction with TUI AG's 3 rd quarter results
Early December	Proforma financials for the twelve months to 30 September 2007 and 2006
29 January	Strategic update and Interim Management Statement

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There will be an Analyst Conference Call at 0900 (BST) and the dial-in details are as follow:

UK dial-in : 0800 6940 257

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