TUI achieves 15.4 per cent turnover growth in Q2 / Increase in earnings by tourism / Considerable decline in earnings by shipping

Hanover, 10 August 2006. TUI AG has significantly increased its turnover in the second quarter of 2006. In the second quarter, turnover by the tourism division grew by 4.3 per cent to 3.64 billion euros (2005: 3.49 billion euros). Due to the integration of CP Ships, turnover by the shipping division rose by 109.8 per cent to 1.61 billion euros (2005: 765 million euros). At 5.3 billion euros, turnover by the continuing operations (tourism, shipping and central operations) thus climbed by 22.1 per cent year-on-year (4.34 billion euros). Overall, Group turnover totalled 5.42 billion euros, up 15.4 per cent year-on-year (4,7 billion euros).

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'The second quarter was characterised by a positive trend in tourism and a negative freight and cost development in shipping, the scope of which had not been expected', says TUI's CEO Dr Michael Frenzel. While the tourism division improved significantly, earnings by the shipping division were considerably down. In the second quarter, tourism increased its earnings (EBITA) to 152 million euros (2005: 116 million). In shipping, in contrast, earnings dropped substantially to -41 million euros year-on-year (91 million euros). Earnings comprised one-off expenses of 30 million euros for the integration of CP Ships. Overall, TUI reports earnings of 89 million euros (2005: 204 million euros) for the continuing operations in the second quarter. Adjusted for the earnings of disposals and the cost of the integration of CP Ships, earnings by divisions totalled 111 million euros in the second quarter of 2006 (previous year 215 million euros).

Frenzel stresses the fact that the tourism division has improved in particular in the Central and Northern Europe sectors. This was due to the three factors price quality, integrated control system and the seasonal effect of Easter falling into the second quarter this year. Earnings increased by 78.4 per cent to 66 million euros (2005: 37 million euros) in the Central Europe sector and by 13.2 per cent to 43 million euros (2005: 38 million euros) in the Northern Europe sector. Frenzel: 'Our strategy said price quality before volume growth. And this strategy has worked.'
At Group level, booked tourism turnover is up 0.6 per cent year-on-year and customer numbers are up 2.3 per cent.

Despite this slight increase in bookings the integrated control system has led to higher occupancy rates for group-owned airlines and hotel companies. 'This proves, once again, that our integrated model works well,' says Frenzel. In contrast, the earnings trend in the Western Europe sector is not yet satisfactory, with still negative but slightly improved quarterly earnings of -3 million euros (2005: -5 million euros).

The development in the shipping division was characterised by declining freight rates and high costs. In particular the oil price-induced drastic increase in bunker costs had a negative impact. Operating earnings therefore dropped significantly year-on-year. Without the high one-off restructuring costs half-year earnings would have been positive. TUI's CEO upholds his positive assessment of the status of the integration of CP Ships. Frenzel says: 'The integration process is currently progressing faster than originally expected and has shown additional earnings enhancement potential. Instead of the originally expected earnings improvements of 180 million euros as of 2008, we are now aiming to achieve synergies of 220 million euros. Most of these synergies shall be realised already in 2007.'

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Outlook

TUI's CEO Frenzel expects the development of earnings (EBITA) by the tourism division to improve in the 2006 financial year. The Central Europe sector is expected to generate significantly higher earnings, despite one-off expenses incurred for the current efficiency programme. In the Northern Europe sector, earnings in the UK will benefit from the restructuring programme implemented in 2005 and improvements in flight operations. The Western Europe sector is also expected to create an improvement in earnings.

In shipping, earnings in the 2006 financial year will be influenced by the integration of CP Ships into Hapag-Lloyd Container Linie. Most of the integration costs of around 100 million euros will be incurred in 2006. Although volumes are developing positively it is expected that the shipping division will fall significantly short of last year's high earnings.

Under the current external business conditions TUI assumes that the shipping division will still be able to generate positive earnings in the full year.

The debt situation has developed positively. In spite of the acquisition of CP Ships the level of debt could be improved compared to last year and was reduced to 2.9 billion euros.

From today's perspective TUI AG aims at dividend continuity.

Turnover by divisions

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	3,641.5	3,492.8	6,152.1	6,008.5	+ 2.4
Central Europe	1,554.8	1,414.8	2,459.7	2,354.4	+ 4.5
Northern Europe	1,235.2	1,229.5	2,149.9	2,124.7	+ 1.2
Western Europe	710.5	666.2	1,236.4	1,197.2	+ 3.3
Destinations	137.1	121.1	238.4	210.3	+ 13.4
Other tourism	3.9	61.2	67.7	121.9	- 44.5
Shipping	1,605.8	765.4	3,245.4	1,434.0	+ 126.3
Central operations	54.4	84.0	104.6	127.9	- 18.2
Continuing operations	**5,301.7**	**4,342.2**	**9,502.1**	**7,570.4**	**+ 25.5**
Trading	123.0	249.6	401.0	495.5	- 19.1
Special logistics	–	109.5	–	216.1	–
Discontinuing operations	**123.0**	**359.1**	**401.0**	**711.6**	**- 43.6**
Turnover by divisions	**5,424.7**	**4,701.3**	**9,903.1**	**8,282.0**	**+ 19.6**

Earnings by divisions (EBITA)

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Tourism	152	116	69	- 62	n. m.
Central Europe	66	37	- 36	- 47	+ 23.4
Northern Europe	43	38	- 49	- 59	+ 16.9
Western Europe	- 3	- 5	- 39	- 24	- 62.5
Destinations	38	44	44	69	- 36.2
Other tourism	8	2	149	- 1	n. m.
Shipping	- 41	91	- 66	123	n. m.
of which operating result	- 11	91	4	123	- 96.7
of which integration costs	- 30	–	- 70	–	–
Central operations	- 22	- 3	16	- 56	n. m.
Continuing operations	**89**	**204**	**19**	**5**	**+ 280.0**
Trading	- 2	11	18	28	- 35.7
Special logistics	–	49	–	62	–
Divestments	–	–	5	–	–
Discontinuing operations	**- 2**	**60**	**23**	**90**	**- 74.4**
Earnings by divisions (EBITA)	**87**	**264**	**42**	**95**	**- 55.8**
Earnings of disposals	+ 6	+ 37	+ 155	+ 37	+ 318.9
CP Ships integration costs	- 30	–	- 70	–	–
Revaluation of conversion options	–	+ 12	+ 15	- 15	n. m.
Adjusted EBITA	**111**	**215**	**- 58**	**73**	**n. m.**

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Consolidated profit and loss statement

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Turnover	5,301.7	4,342.2	9,502.1	7,570.4	+ 25.5
Other income	154.4	195.7	462.4	349.2	+ 32.4
Change in inventories and other own work capitalised	3.1	- 13.9	7.3	- 8.0	+ 191.3
Cost of material and purchased services	4,027.3	3,059.3	7,226.5	5,415.3	+ 33.4
Personnel costs	631.4	539.2	1,244.8	1,069.1	+ 16.4
Depreciation and amortisation	167.3	113.5	336.9	225.8	+ 49.2
Impairment	15.8	- 0.5	16.9	4.5	+ 275.6
Other expenses	543.9	623.5	1,172.6	1,193.0	- 1.7
Financial income	42.3	37.6	112.3	67.3	+ 66.9
Financial expenses	94.1	85.3	198.6	184.6	+ 7.6
Result from companies measured at equity	10.9	8.9	15.9	13.9	+ 14.4
Earnings before taxes on income	**32.6**	**150.2**	**- 96.3**	**- 99.5**	**+ 3.2**
Income taxes	- 10.7	32.8	- 30.8	- 12.0	- 156.7
Result from continuing operations	**43.3**	**117.4**	**- 65.5**	**- 87.5**	**+ 25.1**
Result from discontinuing operations	- 4.5	31.6	13.0	47.2	- 72.5
Group profit	**38.8**	**149.0**	**- 52.5**	**- 40.3**	**- 30.3**
- attributable to shareholders of TUI AG	28.2	146.2	- 65.9	- 46.6	- 41.4
- minority interests	10.6	2.8	13.4	6.3	+ 112.7

Earnings per share

€	Q2 2006	Q2 2005	H1 2006	H1 2005	Var. %
Basic earnings per share	+ 0.11	+ 0.82	- 0.26	- 0.26	0.0
Diluted earnings per share	+ 0.11	+ 0.76	- 0.26	- 0.26	0.0

Detailed overview of Q2

Tourism

In the second quarter, the **Central Europe** sector (Germany, Austria, Switzerland and airlines Hapagfly and Hapag-Lloyd Express) recorded an increase in customer numbers of 11.8 per cent to 2.99 million (2005: 2.67 million). The development of business in Germany contributed essentially to the turnover growth by the sector. In the second quarter, turnover grew by 9.9 per cent to 1.55 billion euros

(2005: 1.41 billion euros). Earnings rose significantly year-on-year. In the second quarter, they totalled 66 million euros, up 78.4 per cent year-on-year (37 million euros).

This development was due to the fact that Easter was in mid-April and thus fell into the second quarter this year. The tour operation business associated with the Easter break therefore shifted into the second quarter in comparison with 2005. Moreover, income from two aircraft sale-and-lease-back contracts of 10 million euros was generated; at the same time, however, expenses of 11 million euros were incurred in the framework of the restructuring programme for efficiency enhancement.

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In the **Northern Europe** sector (UK, Ireland, Nordic countries and airlines Thomsonfly (charter and scheduled flights) as well as TUIfly Nordic), the number of customers travelling with tour operators in this sector totalled 1.88 million in the second quarter, down 3.6 per cent year-on-year (1.95 million). Turnover, in contrast, rose due to an increase in prices of tours offered by tour operators and totalled 1.24 billion euros in the second quarter (2005: 1.23 billion euros). Due to the overall good performance of the UK, earnings by the Northern Europe sector increased. The restraint in bookings related to the Soccer World Cup was offset partly by an improvement in the performance of Thomsonfly. In the second quarter, earnings grew by 13.2 per cent to 43 million euros (2005: 38 million euros).

In the **Western Europe** sector (France, Belgium, Netherlands and airlines Corsair, TUI Airlines Belgium, TUI Airlines Nederland), the number of customers was 1.14 million in the second quarter (2005: 1.14 million) and thus matched 2005 levels. Turnover climbed by 6.6 per cent to 711 million euros in the second quarter (2005: 666 million euros). Earnings by the Western Europe sector were – 3 million euros in the second quarter and thus rose year-on-year (- 5 million euros). The development of earnings was affected in particular by the weaker business in France, where demand in the travel market was impaired by the persistently difficult market environment. This was mainly due to the Chikungunya fever in Réunion. Demand for this long-haul destination, which is relevant for tour operator Nouvelles Frontières and airline Corsair, declined strongly. In addition, there was an overall restraint in bookings due to the Soccer World Cup.

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Turnover in the **destinations** sector (incoming agencies and hotel companies) climbed to 137 million euros (2005: 121 million euros) in the second quarter. Earnings by the sector totalled 38 million euros in the second quarter, down 13.6 per cent year-on-year (44 million euros). This was due to restrained bookings of tours to Turkey and Egypt. The RIU Group, in contrast, recorded a significant increase in its operating earnings.

Shipping

In the second quarter of 2006, the shipping division achieved turnover of 1.61 billion euros, an increase of 109.8 per cent. This growth resulted from the integration of CP Ships and growth in transport volumes in individual trade lanes. CP Ships contributed 706 million euros to quarterly turnover. The transport volume in the shipping division rose to 1.287 million standard containers (TEU) in the second quarter of 2006. Of this total, 0.792 million TEU were related to Hapag-Lloyd Container Linie and 0.495 million TEU to CP Ships. The average freight rate generated in the second quarter was 1,303 USD/TEU for Hapag-Lloyd, down 1.8 per cent year-on-year (1,327 USD/TEU). This was primarily due to the decline in freight rates in the Far East trade lane, the highest-volume trade lane operated by Hapag-Lloyd. For CP Ships, the rate stood at 1,632 USD/TEU, up 4.1 per cent year-on-year (1,568 USD/TEU).
Compared with the first quarter of 2006, freight rates declined by 0.7 per cent (previous quarter 2006: 1,312 USD/TEU) for Hapag-Lloyd and by 3.0 per cent (previous quarter 2006: 1,682 USD/TEU) for CP Ships.

While turnover grew year-on-year, charter rates rose more strongly than in 2005 and both container lines recorded oil price-induced increases in bunker costs in all trade lanes. Operating earnings therefore declined year-on-year. The cost increases were not offset by the increase in transport volumes. In addition, one-off expenses of 32 million euros were incurred in the framework of the integration of CP Ships in the second quarter of 2006. At – 41 million euros (2005: 91 million euros), earnings by the shipping division were significantly down year-on-year.

Discontinuing operations

Discontinuing operations (trading and, in 2005, special logistics) posted turnover of 123 million (2005: 359 million euros) in the second quarter. The decline was attributable, among others, to the divestments in the special logistics sector in 2005. Following the divestment of the trading activities of PNA in May 2006, TUI no longer has any discontinuing operations.

Note concerning the reporting indicator EBITA

With the beginning of the 2006 financial year, the reporting indicator 'earnings by divisions' was converted to earnings before interest, taxes and amortisation of goodwill (EBITA). The figures reported for the corresponding quarter in 2005 were restated and carried accordingly.

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