

## **TUI Deutschland: presentation of winter brochures 2006/2007**

### **TUI Deutschland: positive earnings development / holiday prices remain stable in the winter season / strong product expansion in long haul holiday segment / dynamic flight prices for Spanish mainland / planned TÜV certificate for travel agencies**

Hanover, Antalya, 28 July 2006. TUI, Germany's leading tour operator, is expecting a good earnings result this year in its home market despite a slight downturn in sales for the ongoing summer season. According to TUI Deutschland CEO Dr Volker Böttcher, this is due to a strategy based on stable sales prices. "For us respectable profit development is more important than volume growth," says Böttcher at the launch of TUI's winter brochures in Turkey. Compared with last year TUI is currently registering growth of 3.6 per cent in the number of customers. Booked turnover is currently 1.7 per cent down compared to last year's figure. The strong growth of low-fares airline Hapag-Lloyd Express accounts for the improvement in customer figures. For the winter season starting on 1 November Böttcher announced the introduction of dynamic pricing for the Spanish mainland and a quality initiative in the travel agencies. The prices for holidays in the most important sun and beach winter destinations, Egypt and the Canary Islands, will be slightly lower compared with the previous year.

### **Capacity adjustment and stable prices mean improved aircraft load factors**

The head of TUI Deutschland pointed out that a moderate capacity planning was being implemented during the current summer season. The aim is to achieve higher occupancy rates for group hotel beds and aircraft seats. Böttcher: "What is crucial is not the incremental increase in turnover or market share but what is left over at the end." The improvement in the load factor for TUI's own airline is currently about 2 percentage points higher than last year. "Assuming external factors don't spoil developments, we will deliver respectable profits at the end of the year," adds the head of TUI Deutschland.

### **Winners this summer season: Italy, Spain, long haul holidays and city breaks**

The traditional holiday countries are particularly popular with Germans in the ongoing summer season. In the medium-haul flight segment the winner this year is Italy with a gain in guest volume of some 25 per cent and Malta with an increase of six per cent. The two major Spanish destinations, the Balearics and the Canary Islands, managed to improve on last year's very high guest-figures with growth of one per cent. Böttcher stressed that the growth in sales for TUI's two most important destinations is currently stronger than growth in the number of guests. Equally positive is the development of holidays in Germany itself. For holidays and travel in Germany TUI is registering an increase in bookings of some 22 per cent. TUI Deutschland CEO Böttcher regards the strategy in long-distance holidays and city breaks as a success story. Both travel segments are currently booming and are being further developed by TUI systematically. Compared with the previous year the number of city breaks has risen by about 20 per cent. The long haul holiday segment is now growing at about 29 per cent. Particularly outstanding is the development of the Southeast Asian destinations such as Thailand (+198 per cent), Maldives (+60 per cent) and Sri Lanka (+44 per cent). TUI Deutschland will be expanding both the city breaks as well as the long haul holiday segments further in its winter programme, generating further growth.

The losers this summer season include the North African countries and Turkey. Böttcher ascribed this to the avian flu and the cartoon controversies. "Precisely at the crucial early booking time at the start of the year, when families with school-aged children decide where to go, avian flu and the cartoon controversies dominated the media. That had a negative impact on the booking situation."

### **Winter holiday prices stable / Holiday on the Canary Islands cheaper**

The price development for the coming winter season is quite differentiated. Taking all holiday segments into account prices remain stable. Böttcher: "The good news for sun worshippers is: holidays in Egypt, Turkey and the Canary Islands will be cheaper than last year." Accordingly, the prices for holidays in Turkey have dropped by three per cent and in Egypt and the Canary Islands by 1.5 per cent. The Canary Islands and Egypt account for almost a quarter of all bookings for the winter season. Holiday trips using private cars are getting slightly more expensive owing to the increase in value

added tax. Holiday travel in Germany costs on average two per cent more. In the winter sports destination Austria prices are up by some 2.5 per cent. On the other hand, in the long haul holiday segment travel prices are subject to more significant rises. "This is where the jet fuel price, which remains at a record level, is making itself felt," says Böttcher. As a result the price of holidays is up three per cent on Mauritius, seven percent in Vietnam and eight percent in Kenya.

In the coming winter season TUI is again counting on the attraction of wide-ranging early booker discounts. There are basically three ways of benefiting from the early booker reductions. The first 50,000 customers receive a 50 euro extra discount as a reward for booking early. In addition, TUI also offers the so-called target-date-based early booker discount for almost all beach hotels and most circular tours – the amount varies, depending on the hotel and destination. As a rule these early booker benefits apply to bookings made by 31 October at the latest. For all those who cannot decide by this deadline TUI has – and this is exclusive – the 60-day price discount. Some 230 hotels offer early booker discounts on the basis of booking the holiday at the latest 60 days before the start of the holiday trip. Both the target-date-based early booker discount and the 60-day can be combined with the 50-euro extra discount. For those who make up their minds early this can translate into savings of, for instance, up to 175 euros per person per week for a holiday on Grand Canary.

### **Dynamic flight prices announced for the Spanish mainland**

For the Spanish mainland TUI is launching a novelty on the tour operator market. For the first time holidaymakers can benefit from the changing ticket prices offered by the airlines on package holiday flights, e.g. to the Costa del Sol. The background for this new product is the significant change in customer behaviour. "For the south of Spain the share of component-based holidays already makes up sixty per cent," says Böttcher. With regards to flight-only offers these holidaymakers are already accustomed to more favourable prices when booking early and higher prices for making a booking at short notice. TUI will be bundling the actual ticket prices from the airlines for a particular day with a hotel arrangement to create a package. The basic prices for packages will continue to be shown in the brochure. Böttcher: "With dynamic flight prices the basic prices may drop by as much as 100 euros." At the same time, taking too long to decide to make a booking can also mean that a holiday

becomes more expensive, especially if the price for the flight ticket rises due to high demand.

### **Major product expansion in the long haul holiday segment**

In the coming winter season, TUI is continuing its long-distance holiday strategy with another major expansion. New to the programme are, for example, separate brochures for holiday destinations in the Indian Ocean and Latin America, as well as a special "stars brochure" for long-haul destinations.

TUI is bundling the best holiday hotels in the world for upmarket customers in this brochure. New destinations for the winter season include Zanzibar and Rwanda in Africa, Borneo in Malaysia and Tierra del Fuego with Cape Horn in South America. In addition to the classical package and component holidays, TUI has, compared with the previous year, expanded above all the circular tour and discovery packages. New, for example, is a safari following the trail of the mountain gorillas of Rwanda or an adventure trip on the Pan Americana road from Panama to South Argentina.

### **Quality initiative for travel agencies**

TUI has announced a quality initiative for more than 1,000 of its travel agencies in Germany. Following the launch of the first internal quality programme, the travel agencies are going through a certification process operated by TÜV Süd. Since April they are being tested for, e.g. technical competence, advisory skills, and customer satisfaction. The test, specially developed by TÜV Süd, lasts many hours and includes anonymous test purchases and surveying 10,000 TUI customers. "We are the quality leaders on the German market and are committed to our quality claim. Holidays start with the booking in the travel agency and we want to be the best here, too," says TUI Deutschland CEO Böttcher. The results of the tests by TÜV Süd are expected in the middle of August.

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