

Tourism Merger with First Choice Holidays PLC and IPO of the new TUI Travel PLC completed. Increase in earnings of 14%.

The tourism division comprises TUI Travel PLC and the TUI Hotels & Resorts sector. In the financial year 2007, the TUI Group's retail, tour operating and airline activities and the incoming agencies were merged with the operations of the former First Choice Holidays PLC to form TUI Travel PLC. Following difficult market conditions in the first half of the year, the TUI Travel PLC business improved significantly in the further course of the year. As a result, underlying earnings before profit contribution from the former First Choice Holidays PLC businesses included since September, rose in 2007. The TUI Hotels & Resorts sector again benefited from the sustained growth of the Riu Group in 2007.

Turnover and earnings in tourism

Tourism – Key figures

€ million	2007	2006	Var. %
Turnover	15,638.5	14,085.1	+ 11.0
Segment turnover	15,664.5	14,121.7	+ 10.9
Cost of sales	14,444.8	13,104.2	+ 10.2
Gross profit	1,219.7	1,017.5	+ 19.9
Administrative expenses	1,088.3	876.9	+ 24.1
Other income/expenses	40.1	204.3	- 80.4
Result from companies measured at equity	39.0	43.0	- 9.3
EBITA by division	210.5	387.9	- 45.7
<i>Gains on disposals</i>	+ 6.8	- 153.3	
<i>Restructuring</i>	+ 62.4	+ 100.6	
<i>Purchase price allocation</i>	+ 48.8	-	
<i>Other one-off items</i>	+ 120.4	+ 59.5	
Underlying EBITA by division	448.9	394.7	+ 13.7
Investments	531.1	547.7	- 3.0
Headcount (31 Dec)	59,832	44,409	+ 34.7

In the financial year under review the tourism division turnover climbed 11.0% year-on-year to € 15.6 billion. The first-time consolidation of First Choice generated a substantial year-on-year increase in turnover. Adjusted for this effect as well as for the pro-rated turnover of the divested business travel activities comprised in 2006, turnover grew by 1.9%.

Turnover was netted with the cost of sales. The latter accounted for € 14.4 billion, up 10.2%. In the year 2007, gross profit being the difference between turnover and the cost of sales totalled € 1,220 million (previous year: € 1,018 million), up 19.9%.

Administrative expenses comprised expenses not directly caused by the realisation of turnover, e.g. expenses for general management functions.

The cost increase in 2007 year-on-year was caused by the first-time consolidation of First Choice.

Other income and other expenses primarily comprised profits or losses from the sale of fixed assets. The difference between other income and other expenses declined by € 164 million to € 40 million due to the gain on disposal included in the earnings year-on-year from the divestment of the business travel activities.

The result from companies measured at equity comprised the proportionate profit for the year of the associated companies and joint ventures. At € 39 million, it declined by 9.3% in 2007 year-on-year. The profit contribution resulted mainly from the companies measured at equity in TUI Hotels & Resorts and Online Destination Services within TUI Travel PLC.

Earnings by the tourism division totalled € 211 million (previous year: € 388 million). The decline in earnings was partly attributable to the inclusion of one-off income from the divestment of the business travel operations in 2006. On the other hand, earnings in 2007 were impacted by restructuring costs and the completed amortisation of assets of purchase price allocations which arose in the wake of the acquisition of First Choice. Adjusted for one-off effects, underlying operating earnings by the tourism division totalled € 449 million, up 13.7% year-on-year. TUI Travel PLC contributed € 304 million to these earnings, with TUI Hotels & Resorts sector accounting for € 146 million. Underlying earnings of TUI Travel PLC included earnings of € 3 million for the First Choice sectors, consolidated for the first time as of September 2007.

TUI Travel PLC

TUI Travel PLC – Key figures

€ million	2007	2006	Var. %
Turnover	15,258.7	13,676.0	+ 11.6
EBITA by division	103.3	150.6	- 31.4
<i>Gains on disposals</i>	+ 6.8	- 12.8	
<i>Restructuring</i>	+ 62.4	+ 97.9	
<i>Purchase price allocation</i>	+ 48.8	–	
<i>Other one-off items</i>	+ 83.1	+ 22.9	
Underlying EBITA by division	304.4	258.6	+ 17.7
Investments	220.9	361.8	- 38.9
Headcount (31 Dec)	47,705	33,696	+ 41.6

Turnover and earnings

Turnover by TUI Travel PLC grew by € 1.6 billion to € 15.3 billion in 2007, primarily due to the first-time consolidation of First Choice operations. The adjusted turnover rose by 1.8%.

Earnings by TUI Travel PLC decreased by 31.4% year-on-year to € 103 million in 2007. The decline in earnings was attributable to the inclusion of the one-off income from the divestment of the business travel activities in 2006. Moreover, earnings in 2007 included in particular charges from the merger with First Choice.

Earnings in 2007 comprised one-off effects resulting from:

- ongoing restructuring programmes of € 28 million.
- expenses for one-off items of € 27 million, above all including one-off costs for the re-branding of the new brand TUIfly.com of € 13 million and one-off expenses resulting from an increase in air passenger duties in the UK which could not be passed on to passengers of € 10 million.
- costs associated with the merger between First Choice and TUI's tourism division of a total of € 146 million, including gains on disposals of € 7 million, restructuring costs of € 34 million, purchase price allocations of € 49 million and other one-off costs regarding the integration of € 56 million.

Adjusted for these one-off effects, TUI Travel PLC posted underlying earnings of € 304 million, an increase of € 46 million on 2006 on a like-for-like basis. These earnings included a profit contribution of € 3 million by the First Choice sectors consolidated for the first time as of September 2007. The increase in underlying earnings adjusted for the first-time consolidation of First Choice and the one-off effects was mainly attributable to the successful restructuring programmes in the UK and France and the recovery of the French travel market. In the German market the performance of the flight activities had an adverse effect.

Mainstream

Mainstream Holidays is the largest sector within TUI Travel PLC, selling flight, accommodation and other tourism services in the three source markets Central Europe, Northern Europe and Western Europe.

Customer numbers TUI Travel PLC Mainstream

'000	2007	2006	Var. %
Central Europe	11,590	10,542	+ 9.9
Northern Europe	7,742	6,999	+ 10.6
of which First Choice Holidays ¹⁾	(764)	–	–
Western Europe	4,632	4,389	+ 5.5
Total	23,963	21,930	+ 9.3

¹⁾ as from 3 September 2007

Central Europe

In source market Central Europe (Germany, Austria, Switzerland and airline TUIfly.com) customer volumes grew by 9.9% in the 2007 financial year. This growth was mainly attributable to the tour operators of TUI Deutschland and the seat-only business of TUIfly.com. The business volume growth in Germany also generated an increase in turnover in source market Central Europe.

Despite an overall positive development of bookings in the 2007 summer season, overall source market Central Europe did not reach the strong 2006 performance due to the difficult environment in the German flight market. The main reason for the decline in earnings was the slight reduction in the load factor in the airlines business.

Northern Europe

In source market Northern Europe (UK, Ireland, Nordic countries and the airlines Thomsonfly, TUIfly Nordic and First Choice Airways) customer

volumes grew partly due to the first-time consolidation of First Choice's UK Mainstream business since September 2007 in a difficult market environment. Adjusted for this special effect, guest numbers were in line with 2006. Growth in Thomsonfly's seat-only business and the Nordic countries was offset by decreases in UK tour operations. Adjusted for the consolidation of First Choice's UK Mainstream business for four months period in 2007, turnover declined slightly year-on-year. The Irish tour operator Budget Travel is included until the date of acquisition by the Icelandic company Primera Travel Group in October 2007. The sale was made in order to comply with anti-trust rules in relation to the merger between TUI's tourism division and First Choice Holidays PLC.

Due to the success of the restructuring programmes implemented in previous years and in 2007, source market Northern Europe reproduced its strong 2006 performance despite a difficult market environment in the UK. In the financial year 2007, the package tour business in the UK operated in an adverse market environment characterised by price and cost pressures, in particular following the increase in the air passenger duty (APD). In the fourth quarter, the British travel market showed some initial signs of recovery. The Nordic countries continued to record a positive business development in a favourable market environment.

Western Europe

In source market Western Europe (France, the Netherlands, Belgium and airlines Corsairfly, Arkefly and Jetairfly), turnover rose due to an increase in customer volumes in the Netherlands and Belgium.

The restructuring programmes of the tourism entities in France, the considerable recovery of the French travel market in the course of the year and the continued positive business development in the Belgian market, resulted in a significant improvement in business in source market Western Europe.

Specialist Holidays

The Specialist Sector comprises three segments: Destination, Premium and Lifestages. While Destination focuses on specific destinations, the Premium Segment comprises five brands specialising in premium leisure travel experiences in Europe, Asia and the Caribbean. The Lifestages Segment offers specially tailored tours for particular customer demographics. In 2007, the sector was included in TUI's consolidated financial statements for the first time for a period of four months and was almost in line with the corresponding period in 2006. The tour operators pooled in this segment increased their customer volumes by 5% year-on-year to 678,000.

Activity

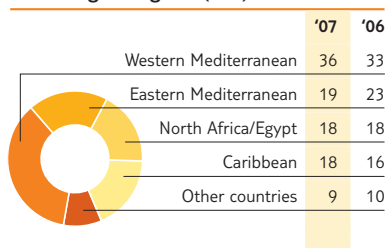
The Activity Sector comprises three segments: Marine, Adventure and Experiential each consisting of a number of travel companies covering activity-related holidays. The Marine Segment encompasses providers of charter yachts, while the portfolio of the Adventure and Experiential Segments includes cultural and luxury escorted tours. The Activity Sector was included in TUI's consolidated financial statements for the first time for a period of four months in 2007 and improved significantly year-on-year during that period.

Online Destination Services

The Online Destination Services Sector provides incoming agencies services and sells accommodation online to both business and consumers. Online Destination Services runs data bases of hotels and apartments, offered both to travel shops and tour operators but also directly to the final customers. The incoming agencies provide services at destination, e.g. transfers, services for holidaymakers and other services for tour operators and cruise lines. These services are carried out by local acting agencies.

The Online Destination Services Sector was included in TUI's consolidated financial statements for the first time for a period of four months in 2007 and improved significantly year-on-year in that period. This improvement was supported in particular through the acquisition of Laterooms at the end of 2006. Incoming agencies reached their successful performance of 2006 and rendered the most substantial contribution to earnings by the Online Destination Services Sector in 2007.

**Group-owned hotel beds
 according to regions (in %)**



TUI Hotels & Resorts

TUI Hotels & Resorts encompasses the Group's hotel companies. Its portfolio comprises hotel companies in which a majority interest is held, joint ventures with local partners, companies in which financial interests are held and hotels operated under management agreements. At the end of 2007, the companies operated a total of 237 hotels with a capacity of around 144,000 beds, mostly in the four-star category. The year-on-year change was mainly attributable to the transfer of the Nordotel, Atlantica and Gran Resort companies and their hotel facilities to TUI Travel PLC as per 3 September 2007.

The number of bednights in hotels of the TUI Hotels & Resorts sector totalled 32.7 million. Bed occupancy amounted to 81.2% and thus rose by 4.0 percentage points year-on-year. The individual hotel groups and regions reported varying business trends.

Turnover and earnings

TUI Hotels & Resorts – Key figures

€ million	2007	2006	Var. %
Turnover	379.8	346.7	+ 9.5
EBITA by division	108.8	86.6	+ 25.6
<i>Gains on disposals</i>	–	–	
<i>Restructuring</i>	–	–	
<i>Purchase price allocation</i>	–	–	
<i>Other one-off items</i>	+ 37.3	+ 36.6	
Underlying EBITA by division	146.1	123.2	+ 18.6
Investments	310.2	185.9	+ 66.9
Headcount (31 Dec)	12,127	10,713	+ 13.2

The TUI Hotels & Resorts sector consolidated turnover totalled € 0.4 billion, up 9.5% year-on-year. This increase was due to the rise in sales of bednights and the improved average revenue per bed, whereby the individual hotel companies did not contribute equally to this growth. At € 109 million, earnings climbed by 25.6% year-on-year. Earnings included one-off expenses of an impairment on hotel resorts of the Magic Life Group of € 37 million. Adjusted for these one-off effects, earnings in 2007 climbed by 18.6% to € 146 million year-on-year.

The rise in operating earnings was mainly driven by the Riu hotels, the largest hotel group in the TUI Hotels & Resorts sector, which benefited both from the earnings effect from the opening of new facilities but also higher occupancy rates and revenue per bed. Earnings were adversely affected by the relative weakness of the US dollar against the euro. This effect primarily affected the Riu group and its activities in the destinations Mexico, Jamaica, Dominican Republic, Bahamas and USA, but was more than offset by the increases in occupancy rates and revenue per bed. A further positive effect was attributable to an operating earnings recovery in the club business of the Magic Life Group.

Business development TUI Hotels & Resorts

TUI Hotels & Resorts

Hotel brand	Capacity ('000) ¹⁾			Occupancy rate (%) ²⁾			Average revenue per bed (€) ³⁾		
	2007	2006	Var. %	2007	2006	Var. % points	2007	2006	Var. %
Riu	15,071	14,086	+ 7.0	85.6	83.4	+ 2.2	45.96	43.30	+ 6.1
Magic Life	2,835	3,170	- 10.6	80.2	75.2	+ 5.0	36.75	38.33	- 4.1
Grupotel	834	819	+ 1.8	83.5	83.3	+ 0.2	41.19	38.43	+ 7.2
Iberotel	2,719	2,722	- 0.1	61.6	56.0	+ 5.6	30.24	31.50	- 4.0
Robinson	2,220	2,153	+ 3.1	77.1	73.1	+ 4.0	73.75	72.54	+ 1.7
Grecotel	730	737	- 1.0	83.1	84.3	- 1.2	65.62	59.73	+ 9.9
Dorfhotel	200	194	+ 3.3	61.0	64.1	- 3.1	30.67	29.02	+ 5.7
Total	24,609	23,881	+ 3.0	81.2	78.1	+ 3.1	46.25	44.37	+ 4.2

¹⁾ Group-owned or leased hotel beds multiplied by opening days per year

²⁾ Occupied beds divided by capacity

³⁾ Arrangement revenue divided by occupied beds

Riu

Riu, one of the leading Spanish hotel groups, continued in 2007 the positive development of previous years. Riu operated 103 facilities with 73,437 beds. While the number of hotels was reduced slightly, bed capacity rose due to changes in the portfolio. Overall, four new Riu hotels were opened in the last financial year. Capacity rose substantially year-on-year by 7.0% to 15.1 million available hotel beds. Occupancy of this greatly increased capacity rose by 2.2 percentage points year-on-year. This was due to the favourable development of demand in all destinations. Average revenue per bed grew by 6.1%. Although business development was impacted by negative exchange rate effects in the destinations in the US dollar currency area, Riu contributed substantially to the positive earnings performance of the sector.

Magic Life

In the period under review, Magic Life, the all-inclusive club brand, operated its 17 facilities with a total capacity of 14,405 beds primarily in Turkey, Egypt and Tunisia. By means of a substantial reduction in capacity by 10.6% to 2.8 million available hotel beds, Magic Life managed to increase its occupancy rate to 80.2%; this was an increase of 5.0 percentage points year-on-year. Average revenue per bed declined by 4.1%. The Magic Life Group further stabilised its earnings situation in the course of the year but did not realise a positive contribution to earnings.

Grupotel

The Grupotel chain operating in Spain with its 34 facilities on Majorca, Menorca and Ibiza had 13,468 beds in the 2007 financial year. The company benefited from the considerable increase in demand for holidays in the Balearics and reproduced 2006 occupancy rates, having expanded its capacity by 1.8%. Average revenue per bed rose substantially by 7.2%. This increase was also reflected by the rise in the group's profit contribution.

Iberotel

In the financial year 2007, Iberotel operated 21 hotels, most of which were located in Egypt and Turkey. The number of hotel beds totalled 12,086. At 61.6%, occupancy grew by 5.6 percentage points year-on-year. In Egypt, in contrast, occupancy rose due to operative improvements, with a total capacity of 2.7 million available hotel beds. The group posted the same earnings level as in 2006, with a slight decline in average revenues per bed.

Robinson

Robinson, market and quality leader in the premium segment for club holidays, operated a total of 20 club facilities with 11,114 beds in eight countries in 2007. Overall occupancy of facilities rose year-on-year in all destinations, with the clubs in Turkey benefiting particularly strongly from an increase in demand. Total growth amounted to 4.0 percentage points. Robinson had a capacity of 2.2 million beds, which corresponded to a year-on-year increase of 3.1%. A temporary closure of a club for renovation purposes was more than offset by the opening of a new club. Average revenue per bed climbed by 1.7% year-on-year.

Grecotel

Grecotel, the leading hotel company in Greece, offered, in the reporting period, hotel accommodation in 19 Greek holiday complexes with 9,129 beds. At - 1.2 percentage points, occupancy only dropped slightly on its high level achieved in 2006. This was due to adverse business effects caused by a decline in demand in view of the forest fires in Greece. However, these were almost offset by an expansion of local business. Capacity was reduced by 1.0% year-on-year and totalled 0.7 million beds. Overall, Grecotel achieved substantial growth in average revenue per bed of 9.9%.

Dorfhotel

The two Dorfhotel complexes owned by the Group are located in Austria. The effects of the decline in occupancy rates recorded in the region were offset by an increase in rates. The Dorfhotel concept developed positively in the financial year under review. Other complexes run by the management were located in Fleesensee and Sylt, a facility newly opened in 2007.

As the Dorfhoteles primarily offer family rooms and apartments with accordingly a higher number of beds, the average revenues are lower than those of other hotel brands which mainly offer double bedrooms.