

TUI AG  
Annual Press Briefing  
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Speech by  
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CEO

*- Check against delivery -*

Ladies and Gentlemen, let me also welcome you very warmly to our annual press briefing on behalf of my colleagues on the Executive Board.

TUI AG again hit the headlines last year, providing you with plenty of material for your print and TV coverage. And we have also seen a very promising start to the year 2008. Before turning to your questions on the current situation and the TUI Group's strategy, I would like to start with a number of core statements on the 2007 financial year and the consolidated financial statements. Following my detailed report on the individual divisions, Mr Feuerhake will take the floor and give you further details on the P&L.

Ladies and Gentlemen, 2007 was a good year for TUI AG. We were set for growth and kept our promise, returning to the profit zone with a notable rise in earnings. In the 2007 financial year, we:

- increased our turnover to 21.9 billion euro
- increased our operating earnings by the divisions by a total of around 47 per cent to 616 million euro (underlying EBITA by the divisions)
- achieved a significant enhancement of Group earnings to 236 million euro following a primarily goodwill-induced minus in 2006
- increased earnings per share

- further improved our corporate structure with the merger between TUI's tourism division and First Choice.
- considerably cut staffing levels in our holding and thus paved the way for a significant reduction in holding costs, and
- last but not least, decided to enter the German volume market for premium cruises with our partner Royal Caribbean Cruises Ltd. The transaction was approved by the anti-trust authorities last week and is not subject to any particular conditions, and TUI Cruises can now launch operations.

Ladies and Gentlemen, this final point is a clear indication that TUI AG will continue to operate in the tourism business.

Tourism is and remains our core business. We are aware today that some market participants misinterpreted the issue of our exchangeable bond in early January as an indication of our intention to exit tourism. However, I can assure you that this was and is not our intention.

Let me now return to our consolidated financial statements. In summary we can say that we have kept our promise. Our two business sectors tourism and shipping achieved profitable growth in 2007. We improved our Group structure in line with our operative business. Through the formation of TUI Travel, TUI AG is now far more transparent for investors. At the same

time, we streamlined our Group structure and invested in new growth sectors such as the cruise business.

In the completed financial year, tourism achieved a notable increase in earnings. This earnings growth was partly attributable to TUI Hotels & Resorts, which posted a rise in earnings driven by a slight increase in capacity, an improvement in average occupancy and a further increase in average revenues per bed. In addition, TUI Travel also posted an increase in earnings. At this point, I would like to immediately tell you that the rise in earnings was mainly driven by our "old" TUI tourism division. I will come back to this point later on.

In shipping we managed to achieve the turnaround last year, following a difficult year 2006, and posted a leap in earnings. Hapag-Lloyd benefited substantially from the successful completion of the integration of CP Ships, and the synergies we had forecast were leveraged according to plan.

I would now like to give you more details concerning the development of the individual divisions. Let me begin with the shipping division.

2007 was by no means an easy year for global container shipping operations. The development was characterised by constant ups and downs. The key parameters in this business are transport volumes, freight rates and bunker costs. A new

factor emerging in the autumn of last year was the concerns about the world economy in the wake of the sub-prime crisis. I will come back to this point later when I share our outlook with you.

The development of the shipping division was characterised by the persistent growth of worldwide transport markets and a considerable increase in freight rates in container shipping in the second half of the year. Due to the decline of the US dollar against the euro, turnover fell by 0.8 per cent to 6.2 billion euro. At 6.0 billion, the bulk of turnover related to container shipping. This represented a slight decline of 1.2 per cent year-on-year. Transport volumes grew by 9.0 per cent. Hapag-Lloyd thus outperformed the overall container shipping market which grew by 7.8 per cent in 2007. Since the middle of the year, average freight rates rose significantly in all trade lanes. Below the bottom line, however, freight rate levels were still 1.3 per cent down year-on-year.

Adjusted for special one-off effects – including the gains on disposal that arose on the divestment of Montreal Gateway Terminals and the minority interest in Germanischer Lloyd AG – underlying EBITA for container shipping totalled 183 million euro. This constitutes a leap in earnings of around 101 million euro or around 125 per cent year-on-year. The effects of the positive volume growth and the efficiency enhancements more than offset the strain resulting from the weakness of the US

dollar against the euro. At this point I would also like to mention that we initiated a number of measures to counter the continual rise in bunker costs in the course of the year. We e.g. successfully hedged our fuel costs and achieved savings in bunker consumption by means of speed reductions and an optimisation of our schedules.

Our growth in 2007 was driven by the Far East trade lane which posted a 16.1 per cent volume growth, the Trans-Pacific trade lane with growth of 10.2 per cent, and the Latin America trade lane with growth of 12.5 per cent.

As already mentioned, freight rates recovered in the second half of the year. Below the bottom line, freight rates were still down in almost all trade lanes. The only exception was the Far East trade lane which recorded an increase in average freight rates of 12.8 per cent.

Adding underlying EBITA of Hapag-Lloyd Kreuzfahrten of 14 million euro, up by almost 80 per cent, to earnings by container shipping, the TUI Group's container shipping division posted underlying EBITA of 197 million euro. Ladies and Gentlemen, we thus more than doubled our operating earnings in shipping with growth of around 121 per cent.

Let me now turn to the development of our tourism division. When we talk about our tourism division, we are

referring to TUI Travel and TUI Hotels & Resorts, our hotel division.

In the 2007 financial year, turnover by tourism rose to 15.6 billion euro and was thus up by around 11 per cent year-on-year. This significant increase was mainly attributable to the inclusion of the turnover by First Choice in consolidation since September 2007. Adjusted for this effect, turnover by the old TUI tourism division grew by around 2.0 per cent.

Operating earnings by the tourism division rose significantly in 2007 to around 449 million, up 13.7 per cent (underlying EBITA). Both TUI Travel and TUI Hotels & Resorts achieved double-digit percentage growth in earnings.

In order to maximise transparency, we have reported both earnings by TUI Travel and earnings by the former First Choice Group. Accordingly, TUI Travel grew by 17.7 per cent to underlying EBITA of around 304 million. The increase in earnings of around 46 million euro included a 3.2 million contribution from the former First Choice. This earnings growth is essentially attributable to the successful restructuring programmes in the British and French markets.

Let me briefly remind you at this point that we responded very quickly to the operative problems emerging in the French and British markets at the end of 2006. We e.g. completely reorganised the back-office structure in Thomson in the UK, closed down call centres, restructured Group distribution and cut commissions in third-party distribution. At the end of 2006, business in France was characterised by overcapacity in airlines, weak economic activity due to the social unrest, and the chigunyunga virus in Réunion, the most important destination. We then launched a set of measures including an optimisation of our capacity management. So much for my brief outline of our successful restructuring measures, which are now reflected in the numbers for 2007.

We will not provide you with a detailed description of the business trends in the individual source markets at this point since this would go beyond the scope of this press briefing. You will find all the details on pages 51 ff. in the Annual Report in your press kits.

Ladies and Gentlemen, our hotel division also posted an excellent performance in the completed financial year, achieving even stronger earnings growth compared with tour operators and TUI Travel. TUI Hotels & Resorts increased its consolidated external turnover by 9.5 per cent to around 380 million euro. Its operating earnings rose even

more strongly at 18.6 per cent. Below the bottom line, the hotel division posted underlying EBITA of 146 million euro.

Bed occupancy rose by 3.1 percentage points year-on-year on 3 per cent more capacity. The highest occupancy rate was achieved by the RIU Group this year, with average occupancy of 85.6 per cent. TUI Hotels & Resorts also achieved earnings growth in the 2007 financial year. Average revenues per bed grew by 4.2 per cent to now 46.25 euro per bed.

The consistent expansion of our hotel division as an essential element of our value added operations continues this year, in line with our announcements. TUI Hotels & Resorts will open a total of 16 hotels from April to November 2008 . One of the milestones will be the opening of the Weisse Wiek resort in Boltenhagen on the Baltic Sea in May. A Dorfhotel and an Iberotel hotel each will be opened directly on the Baltic Sea coast on a fantastic plot of land. For our Iberotel brand, already extremely popular in the eastern Mediterranean, this will be the first hotel opened in Germany. A second Iberotel facility will follow in Land Fleesensee in 2009, again in Mecklenburg - Western Pomerania. This is currently the largest tourism project in Mecklenburg - Western Pomerania. It will be rounded off by a yacht harbour. Further highlights will be the completion of

a five-star RIU hotel in Jamaica, or the expansion of ROBINSON to Morocco and Portugal.

As you all know, one of our largest shareholders, S-Group Capital Management, is interested in developing joint projects for the Russian market with us. I do not want to give you too many details at this point, just to let you know that we have now set up an expert group examining potential joint ideas and projects.

Ladies and Gentlemen, by way of an interim conclusion you can see that our tourism division is right on track. We will continue to grow strongly in this sector.

At this point I would like to ask Mr Feuerhake to explain further details concerning TUI's balance sheet.

**-> Speech by Mr Feuerhake**

Thank you very much, Mr Feuerhake,

I would now like to turn to our business outlook before making a few concluding comments on the strategy-related debate which was initiated at the beginning of the year.

To what extent does the sub-prime crisis in the US affect world trade in 2008 and thus indirectly the business operations of Hapag-Lloyd as one of the world's leading container shippers? And: has it influenced the holiday habits of consumers in the European markets – above all the UK? This far, the market and economic research institutes are not yet fully agreed in their assessments of this matter. However, there is an increasing number of studies expecting no or only minor effects on economic activity in Germany or Europe and on world trade.

Casting a look at our current trading numbers in tourism will be more helpful than reading those studies. We have started off well into the crucial summer season all across Europe, with sound volumes and in particular solid turnover. In Germany, for instance, we are currently selling a particularly large number of tours at the high-margin brochure price. All in all, this trend shows that consumers are unaffected by any negative news concerning holidays and travel. Holidays constitute a basic need for people. If at all, holidays will be the about last issue for consumers when reducing spendings.

For the 2008 financial year, we thus expect earnings growth both for TUI Travel and TUI Hotels & Resorts. For the tourism division we expect an increase in turnover to around 19 billion euro. Due to the capacity adjustments

already initiated in TUI Travel – above all for the German and British markets – the growth in turnover is expected to primarily result from the inclusion of the First Choice activities for a full year. In our view, earnings by TUI Travel will be driven by:

- the expected synergy effects
- margin improvements in the Mainstream business
- and growth in the Specialist and Activity Holidays Sectors as well as the Online Destination Services Sector.

Trading numbers continue to be strong, both for the current winter season and the 2008 summer season. In the Northern Europe sector, turnover is up 7 per cent for the winter and 9 per cent for the summer. In Central Europe, we are currently recording turnover growth of 4 per cent for the winter and 6 per cent for the summer season. The Western Europe sector also reports 4 per cent turnover growth, both for the current winter season and the 2008 summer season. And we are also performing very well in the high-margin Specialist business and the destinations. You will find more details in the current trading update, published by TUI Travel this morning, and in the charts included in your press kits.

We also expect TUI Hotel & Resorts to post a rise in turnover and earnings in the current year. This growth is to

be driven, among others, by an increase in the number of bednights and an increase in average revenues per bed.

Below the bottom line, this means that we expect a significant increase in earnings for the current financial year for our Group's tourism division, despite the intensification of competition and the risk of increases in commodity prices.

With regard to world trade, the fundamental data also remain fairly robust. In all probability, world trade will not lose momentum, driven not least by the strong and continually expanding economy in Asia. Experts expect growth of 7.0 per cent for the worldwide shipping industry for the current year. We are aiming to again outperform the market with Hapag-Lloyd this year. At the same time, we expect an increase in average freight rates. Besides the world economy, other factors influencing our performance will certainly be the development of bunker prices and the US dollar exchange rate against the euro. Overall, depending on the US dollar exchange rate, turnover by our shipping division is expected to rise from 6.2 to up to 7.0 billion euro. Since we will reach the full synergy potential of around 220 million euro, we expect a significant increase in earnings even if volume growth should only turn out to be moderate and freight rates were to only rise moderately.

Overall, our Group's profitability is expected to rise both due to the expected increase in earnings in tourism and the further recovery of shipping. For the current year, TUI AG expects to generate sufficient inflows of earnings to be able to pay a dividend again for 2008.

By way of conclusion, let me briefly summarise the 2007 financial year once again.

- The TUI Group is right on track in both divisions and grew significantly last year.
- In tourism we increased our operating earnings by 13.7 per cent to 449 million euro.
- We achieved the turnaround initiated in France in 2006. We are also benefiting from our restructuring measures in the UK, a key market.
- Besides improvements in the tour operator segment, the strong increase in hotel earnings also contributed to our growth.
- Operating earnings by the shipping division rose to around 198 million euro due to a leap in profits of 121 per cent year-on-year.
- We restructured the TUI Group by means of the merger with First Choice and the subsequent IPO of TUI Travel and have thus considerably enhanced our transparency for the financial market.

- Last but not least we will propose to the Annual General Meeting to resume payment of a dividend. We intend to pay 25 euro cents per no-par value share for the 2007 financial year.
- In 2007 we created a sound basis for future growth in turnover and earnings in both business areas.

Ladies and Gentlemen, as mentioned at the outset of my presentation I would now like to turn to the current debate about the future orientation of our Group strategy. Over the last few weeks, I have made intense efforts to contact our investors and pro-actively discussed TUI's future alignment with them. In the framework of the dialogue with our shareholders, including our core shareholders in tourism, some of whom have positively accompanied our Group for many years, in particular, I have come to realise that these shareholders, faced with the alternative of expanding shipping or tourism, would clearly give preference to further growth in tourism.

Continuing to expand both business areas at the same pace would pose an excessive strain on our Group's internal financing strength, in particular since we will have to invest significantly in shipping over the next few years in order to keep pace with market growth. We are aware of the criticism of our twin-pillar model by the financial market

and have seen daily media coverage of the opinion voiced by those directly interested in a spin-off over the last few days.

We have to realise that the majority of our investors today consider that a separation of shipping would make sense for a variety of motives. This was impressively underpinned by the market response in the run-up to this decision. In the interest of all shareholders but also in the interest of the bondholders as well as our employees and business associates, it is our obligation to pro-actively find a solution that appropriately balances all interests to the largest possible extent and offers the TUI Group optimum development potential.

Moreover, we already actively discussed potential separation scenarios in 2006. In comparison with 2006, our Group is now far more stable and faces a promising future. In 2006 we were right in the middle of the process to integrate CP Ships. That alone was a sufficient reason not to separate shipping. Unlike in 2006, we are currently posting better earnings in both business areas and, with TUI Travel, have given tourism a growth perspective that we did not see back then. When we acquired CP Ships in 2005, we pointed out in many investor meetings that this acquisition was going to enhance the value of our Group, irrespective of whether shipping was going to remain part

of our Group in the long term or was going to be separated from the Group one day. We are satisfied to see that we succeeded in achieving a positive trend in 2007.

Over the last few days, we discussed all strategic options for a separation of the two business areas with our Supervisory Board and concluded that we should suggest that TUI AG should focus on its core business tourism, including the hotel and cruise business, and that all, let me repeat all, options for a separation of shipping should be explored. These include a spin-off, a potential merger, or a divestment as one single entity. Every option has its pros and cons. The criteria for the path we intend to pursue will be determined by our intention to naturally choose the option that creates maximum value in the interest of our shareholders. At the same time, we are aiming to retain a healthy balance sheet structure for the remaining company, just as for the shipping division, to secure its future. This will be the only way to ensure that we will meet the interests of our shareholders and bondholders. If such a solution could be successfully combined with a potential 'Hamburg solution', the better.

We were given the green light by our Supervisory Board yesterday to explore specific solutions for a separation of shipping. Since this will be a complex transaction, in particular from a financing point of view, which will require

significant preparatory activities, this process will take some time. Now that the fundamental decision has been taken, of course we are interested in accelerating the process.

At the same time, we will start to examine potential growth options for our tourism business, which we have identified in particular in the hotel sector. The separation of our shipping operations will enable us to significantly reduce our debt level and improve the financial margin for further organic or external growth in tourism, which we will implement on the basis of sound judgement.

So much for my comments. Thank you very much for your attention, Ladies and Gentlemen! We are now available for your questions.