

TUI TRAVEL PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2010
Key Financials

£m	Underlying results ¹			Reported results	
	H1 10	H1 09	Change	H1 10	H1 09
Revenue	4,933	5,379	-8%	4,933	5,379
Operating loss	(314)	(289)	-9%	(364)	(412)
Loss before tax	(367)	(333)	-10%	(419)	(456)

¹ Underlying operating loss and underlying loss before tax above exclude separately disclosed items, amortisation of business combination intangibles and acquisition related expenses and taxation of results of the Group's joint ventures and associates

Highlights

- Second quarter underlying operating loss improved by £47m, driven by:
 - Improved trading in most source markets;
 - Exit from scheduled flying in Germany;
 - Benefits of the strategic venture with Sunwing in Canada; and
 - Delivery of merger synergy benefits.
- As anticipated, first half underlying operating loss increased by £25m following the increased first quarter loss which resulted from planned capacity-led volume reductions, a tough comparative period and yield pressure in Corsair.
- Notwithstanding disruption around the closure of European airspace in April, we continue to be pleased with trading for Summer 2010.
 - Trading was strong until the disruption caused by the airspace closure in April and cumulative booking volumes remain above the prior year in most source markets;
 - Demand has improved again in May, following a slowdown after the disruption.
- Full operations resumed after 12 days of disruption caused by the airspace closure; we estimate the impact to be around £90m, which will be separately identified in the third quarter.
- Raised £550m of financing through a convertible bond issue and additional banking facilities which extends and diversifies our debt maturity profile, and provides flexibility to continue our acquisition strategy.
- The Board proposes an interim dividend of 3.2p (H1 09: 3.0p), an increase of 7%.

Peter Long, Chief Executive of TUI Travel PLC, commented

“TUI Travel has delivered a first half performance in line with our expectations. Sustained improvements in demand over the last six months, coupled with the benefits of strategic actions we have taken, produced a strong improvement in profitability in the second quarter.

Whilst the volcanic ash cloud caused unprecedented disruption in April, booking volumes have improved in May and our customers continue to place great value on their main summer holiday. Throughout the crisis, we prioritised the needs of our customers, providing industry leading levels of support and making enormous efforts to repatriate stranded customers by all methods at our disposal. We firmly believe that our efforts have further highlighted the advantages of travelling with a leading tour operator and that these benefits have resonated strongly with customers throughout our source markets. The new approach to the imposition of no-fly zones is based on scientific observations and consultations with engine manufacturers and should mean that any future airspace closures are more tightly targeted and cause substantially less disruption.

Despite the impact of the disruption, I expect positive momentum in the second half of the year as strong underlying demand improves trading and merger synergies continue to be delivered. Excluding the impact from the volcanic ash disruption, I remain confident that we can meet the Board's original expectations for 2010."

A presentation for analysts and investors will be held today at 9.45am (BST) at the London Stock Exchange, 10 Paternoster Square, EC4M 7LS. For details of the webcast please visit www.tuitravelplc.com.

An investor day will be held in resort on 30 September and 1 October and further teach-ins will be held later in October and November on our Activity and Accommodation & Destination sectors.

Enquiries:

TUI Travel PLC

Paul Bowtell, Chief Financial Officer	Tel: 01293 645 713
Andy Jones, Director of Finance & Investor Relations	Tel: 01293 645 795
Paul Rushton, Head of Investor Relations	Tel: 01293 645 795
Lesley Allan, Corporate Communications Director	Tel: 01293 645 774

Hudson Sandler

Jessica Rouleau / Kate Hough	Tel: 020 7796 4133
------------------------------	--------------------

CURRENT TRADING & OUTLOOK

Current Trading

Winter 2009/10

Until the disruption caused by the blanket closure of much of European airspace due to the volcanic ash cloud in mid-April, the winter season continued to trade in line with our expectations. After mid-April, bookings for near term departures slowed, but in most source markets we had very few holidays left to sell in that period.

Current Trading¹	Winter 2009/10			Risk Capacity³
YoY variation%	Total ASP²	Total Sales²	Total Customers²	
MAINSTREAM				
Northern Region				
Short-haul	+8	-16	-23	
Medium-haul	+10	-3	-11	
Long-haul	+9	-11	-18	
UK	+11	-3	-13	-14
Nordic Region	+3	-7	-10	-11
Northern Region	+9	-5	-13	
Germany	-2	-11	-9	-9
Austria	-2	-24	-23	
Switzerland	-6	-3	+4	
Poland	-3	-20	-18	
Central Europe	-2	-11	-9	
France	-7	-9	-2	
Belgium	-6	Flat	+6	
Netherlands	+5	-2	-7	
Western Europe	-5	-6	-1	Flat
SPECIALIST	-15	-20	-6	
ACTIVITY	NA	-9	NA	
A&D⁴	-3	+29	+33	

¹ These statistics are the end of season position and are shown on a constant currency basis

² These statistics relate to all customers whether risk or non-risk

³ These statistics include all risk capacity programmes

⁴ These statistics refer to Online businesses only; Sales refers to total transaction value (TTV) and customers refers to roomnights

Summer 2010

For Summer 2010, trading has continued in line with our expectations, although there was some weakness in the two weeks following the volcanic ash disruption. In most source markets we have now seen demand return to previous levels. Booking volumes in all key source markets are now ahead of capacity changes.

YoY customer booking variation %	Cumulative position at 14 March	Trading 14 March to 2 May	Cumulative position at 2 May
UK	+3	+5	+4
Nordic Region	+23	+6	+19
Germany	-4	+5	-2
France	+19	+4	+13
Belgium	-3	-4	-3
Netherlands	-4	-3	-4

Current Trading ¹	Summer 2010			Risk Only	
YoY variation%	Total ASP²	Total Sales²	Total Customers²	Capacity³	Left to sell³
MAINSTREAM					
Northern Region					
Short-haul	+11	Flat	-10		
Medium-haul	+7	+19	+11		
Long-haul	<u>+5</u>	<u>+20</u>	<u>+15</u>		
UK	+10	+14	+4	+3	+3
Nordic Region	+2	+22	+19	+13	+4
Northern Region	+8	+15	+6		
Germany	-1	-2	-2	-5	-3
Austria	-2	-2	Flat		
Switzerland	-2	+3	+4		
Poland	<u>-1</u>	<u>+17</u>	<u>+19</u>		
Central Europe	-1	-2	-1		
France	-2	+10	+13		
Belgium	-1	-4	-3		
Netherlands	<u>+1</u>	<u>-3</u>	<u>-4</u>		
Western Europe	-1	+1	+2	+1	-4
SPECIALIST	+6	+1	-5		
ACTIVITY	NA	+9	NA		
A&D⁴	+3	+45	+40		

¹ These statistics are up to 2 May 2010 and are shown on a constant currency basis

² These statistics relate to all customers whether risk or non-risk

³ These statistics include all risk capacity programmes

⁴ These statistics refer to Online businesses only; Sales refers to total transaction value (TTV) and customers refers to roomnights

In the UK, we continue to outperform the market in terms of pricing and volumes achieved. Customers are booking earlier, especially for high season departures where they want to guarantee availability of their preferred hotel for their selected holiday dates. Accordingly, booking volumes for August departures are 9% ahead of prior year. Ahead of the football World Cup, to reduce potential risk in the lates period, we have ensured that June departures are well sold. Accordingly, bookings for June departures are currently up 7%. Overall booking volumes and average selling prices for the full season have improved slightly since our previous update, and are now up 4% and 10% respectively. The UK load factor is now 56%, in line with the prior year despite a small increase in capacity of 3%.

In the Nordic Region, booking volumes are up 19% and remain well ahead of the planned capacity increase of 13%. The strong demand continues to be driven by our differentiated and exclusive Blue Village and Blue Star family club concepts. Load factor is now 66%, up three percentage points compared to Summer 2009.

In Germany, total booking volumes are now 2% down and, within this, bookings for our differentiated products are well ahead of the prior year, particularly of our Sensimar concept brand. Load factor is now 57%, one percentage point lower than last year.

Trading in Austria and Switzerland remains in line with expectations and demand remains strong in Poland.

Demand in France remains ahead of the prior year, when the economic environment and destination issues in the French West Indies adversely affected bookings. Bookings for the tour operators' differentiated club products, Club Nouvelles Frontieres and Club Marmara, continue to be particularly strong. In Corsair, after previous pressure on yields, pricing has shown some signs of improvement and was up 3% in the last four weeks.

Following a number of high-profile business closures in the country, sales in Belgium have remained relatively weak in recent weeks after a good start to the season. We are monitoring demand closely and have retained the flexibility to adjust capacity as trading develops.

Booking volumes in the Specialist sector, excluding our emerging markets businesses which were acquired in 2009, are now 5% down compared with the prior year, with weakness in sales of long haul packages on scheduled flights partially offset by improved demand in our US specialist businesses in recent weeks. Trading in our Russian and Ukrainian businesses, however, is significantly ahead of the prior year following continuing market growth and a successful rebrand launch in March when the TUI brand was introduced to these markets. Since the rebrand, cumulative bookings are 54% ahead of the prior year, well ahead of market growth.

In the Activity sector, sales to date are now up 9%, with strong demand for Marine and Lakes & Mountains holidays in recent weeks.

Strong volume growth in the B2C and B2B Online businesses in the A&D sector has continued, with roomnights up 40%. Margins remain ahead of the prior year.

Volcanic ash impact

As a result of the widespread closures of European airspace following concerns related to volcanic ash in the atmosphere, we had to cancel over 175,000 holidays. Although this disruption occurred in the low season and many customers chose to rebook holidays for later in the year, we suffered a significant loss of contribution.

At the same time, we had customers due to fly home at the end of their holidays who were stranded in resort. By the time operations fully returned to normality we had provided welfare to, and repatriated, over 180,000 customers. We worked with hotel partners to provide accommodation and meals, and made every possible effort to repatriate customers by all means available to us, including using our cruise ships to ferry customers back to the UK and flying customers to southern European airports so they could continue their journeys overland.

We estimate that the operating profit impact of cancelled holidays, welfare costs and repatriation to be around £90m. We will identify these costs separately in our third quarter results. We are seeking to mitigate these costs through compensation claims to national Governments for the closure of airspaces. For the summer season, demand has subsequently improved again in May, following a slowdown after the disruption.

Fuel/Foreign Exchange

We are well hedged for the seasons currently on sale, providing certainty of cost when making pricing decisions.

	Summer 2010	Winter 2010/11
Euro	99%	59%
USD	90%	38%
Jet Fuel	87%	53%
<i>As at 5 May 2010</i>		

Outlook

Excluding the impact from the volcanic ash disruption, we remain well positioned to meet the Board's expectations for the year ending 30 September 2010 as a result of strong underlying trading, continuing synergy delivery and turnaround of underperforming businesses.

BUSINESS AND FINANCIAL REVIEW

Group Performance

£m	Underlying results ¹			Reported results	
	H1 10	H1 09	Change	H1 10	H1 09
Revenue	4,933	5,379	-8%	4,933	5,379
Operating loss	(314)	(289)	-9%	(364)	(412)
Loss before tax	(367)	(333)	-10%	(419)	(456)
Loss per share (p)	(24.3)	(21.6)	-12%	(27.7)	(29.6)

¹ Underlying operating loss and underlying loss before tax exclude separately disclosed items, amortisation of business combination intangibles and acquisition related expenses and taxation of results of the Group's joint ventures and associates. Underlying loss per share excludes the same items, net of related taxation

Group revenue declined by 8% to £4,933m in H1 10 (H1 09: £5,379m). Capacity reductions reduced organic revenue by 9%. Foreign currency translation increased revenue by 4% and the net impact from acquisitions and disposals was a 3% decrease versus the prior year following the strategic actions in Canada and scheduled flying in Germany.

The Group's H1 10 underlying operating loss was £314m (H1 09: loss of £289m), following a more difficult first quarter and a reduced loss in the second quarter. The £72m increase in the first quarter loss was primarily due to planned capacity-led volume declines and the first quarter of last year being largely sold before the height of the economic crisis. The £47m second quarter improvement was primarily driven by incremental synergies, the exit from scheduled flying in Germany and the completion of our strategic venture with Sunwing in Canada, as well as an improved trading environment in most source markets relative to the first quarter. Poor trading in Corsair, however, continued to affect profitability in the second quarter.

The main drivers of the year on year change in underlying operating loss are:

£m	Q1	Q2	H1
Underlying operating loss 2009	(35)	(254)	(289)
Incremental synergies	+5	+21	+26
Scheduled flying – Germany	+2	+28	+30
Scheduled flying – Corsair	-13	-9	-22
Canada	-3	+9	+6
Other trading	-60	-5	-65
Russia & CIS acquisitions	-	-4	-4
Other acquisitions	-3	+7	+4
Underlying operating loss 2010	(107)	(207)	(314)

A reconciliation of underlying loss before tax to loss before tax is as follows:

Six months ended	31 March	31 March
	2010	2009
	£m	£m
Underlying loss before tax	(367)	(333)
Separately disclosed items - operating	(19)	(93)
Separately disclosed items - financial charge	(2)	-
Acquisition related items	(29)	(29)
Taxation on losses of joint ventures and associates	(2)	(1)
Loss before tax	(419)	(456)

Separately disclosed items and acquisition related items are further detailed in Notes 4 and 5, respectively, of the condensed interim financial statements.

Segmental Performance

Segmental performance is based on underlying financial information (which excludes certain items, including separately disclosed items and acquisition related items). Underlying financial information is an additional measure to the segmental statutory results. Segmental statutory results are set out in Note 3 of the condensed interim financial statements.

Mainstream Sector

The Mainstream sector reported an underlying operating loss of £305m before joint ventures and associates (H1 09: loss of £297m).

Mainstream	H1 10	H1 09	Change %
Customers ('000) ¹			
Northern Region	2,026	2,403	-16%
Central Europe	2,693	3,550	-24%
Western Europe	1,685	1,745	-3%
Total	6,404	7,698	-17%
Revenue (£m)			
Northern Region	1,433	1,655	-13%
Central Europe	1,661	1,776	-6%
Western Europe	901	953	-5%
Total	3,995	4,384	-9%
Underlying operating loss before joint ventures & associates (£m) ²			
Northern Region	(147)	(113)	-30%
Central Europe	(75)	(120)	+38%
Western Europe	(83)	(64)	-30%
Total	(305)	(297)	-3%

¹ Following the strategic venture with Sunwing, customer numbers excludes Canada.

² Consistent with the adoption of IFRS 8, which requires that an entity's operating segments are reported as the same basis as internally reported information, going forward we intend to report the results of joint ventures and associates within each relevant sector result rather than separately as per previous disclosure. For comparability, in these results we show sector results before and after joint ventures and associates.

Northern Region

The Northern Region division reported an underlying operating loss of £147m (H1 09: loss of £113m). The increased loss was largely due to planned capacity reductions which, whilst ensuring that supply and demand were in balance, removed holidays from the programme that had previously made a positive contribution. Further synergies in the UK partially offset the increased loss.

The main drivers of the year on year change in underlying operating loss are:

£m	UK	Nordic Region	Canada	Northern Region
H1 09 (excl. JVs & associates)	(120)	18	(11)	(113)
Incremental synergies	+20	-	-	+20
Canada venture / trading	-	-	+3	+3
Other trading	-61	+4	-	-57
H1 10 (excl. JVs & associates)	(161)	22	(8)	(147)
JVs & Associates	-	(3)	3	-
H1 10 (incl. JVs & associates)	(161)	19	(5)	(147)

Northern Region	<u>H1 10</u>	<u>H1 09</u>	<u>Change %</u>
Customers ('000) ¹			
UK & Ireland	1,558	1,874	-17%
Nordic Region	468	529	-12%
Total	<u>2,026</u>	<u>2,403</u>	<u>-16%</u>
Revenue (£m) ¹			
UK & Ireland	976	1,092	-11%
Nordic region	405	413	-2%
Canada	52	150	-65%
Total	<u>1,433</u>	<u>1,655</u>	<u>-13%</u>
Underlying operating loss excluding joint ventures & associates (£m)			
UK & Ireland	(161)	(120)	-34%
Nordic Region	22	18	+22%
Canada	(8)	(11)	+27%
Total	<u>(147)</u>	<u>(113)</u>	<u>-30%</u>

¹ From 14 January 2010, our Canadian operations have been accounted for under the equity method and Canadian customer numbers have been excluded

UK & Ireland

The UK & Ireland businesses delivered an underlying operating loss of £161m (H1 09: £120m), primarily due to our cautious approach to capacity planning in anticipation of lower demand in the first full winter season affected by the economic crisis. As a result of our capacity actions, customer volumes in the UK source market were 297,000 lower than in the prior year, leading to lost profit contribution. The focus of our capacity reductions was short haul destinations in the Eurozone, with significantly fewer holidays offered to Mainland Spain, the Balearics and Portugal, whereas the medium haul destinations of Egypt, Cape Verde and Tunisia saw higher volumes year on year. In the first quarter, the UK source market was also affected by the non-recurrence of the significant margin benefit resulting from exceptionally strong pricing in the October 2008 lates market as XL Leisure Group's customers re-booked holidays following the company's failure.

Trading improved throughout the winter. The latter months of the season saw higher load factors (up by over two percentage points on average since January) and better margins than the previous year, partially mitigating the impact of lower volumes in the second quarter of the year.

Incremental synergies of £20m were delivered in the first half and the business remains on track to deliver full year synergies of £160m. Incremental synergies delivered in the period were primarily the full season impact of airline network planning and back office restructuring implemented towards the end of the last winter season.

The tour operator in Ireland reduced losses by £3m versus the prior year, following our cost rationalisation programme and capacity management actions.

Nordic Region

The Nordic Region achieved an improved underlying operating profit of £22m (H1 09: £18m) before joint ventures and associates.

The lost contribution following the capacity-led decline in customer numbers led to lower profitability in the first quarter. In the second quarter, however, the impact of lower volumes was more than offset by improved margins per customer following a significant improvement in demand in the second half of the winter season. In addition, margins were enhanced by

achieving lower third party flying costs and through benefits of accommodation cost negotiations.

The controlled distribution mix was flat versus the prior year at 84%. Within this, however, there was a six percentage point shift in channel mix from retail to online as we reduced the number of owned stores and put additional emphasis on the online channel to optimise our distribution efficiency. The online channel delivered 54% of holiday sales in the winter season (2009: 48%).

Canada

Canada reported a £6m reduction in its underlying operating loss to £5m in the first half (H1 09: loss of £11m), mainly as a result of the completion of the strategic venture between our Canadian business and Sunwing, a leading tour operator in Canada. The transaction completed on 14 January 2010 and the entity has been accounted for under the equity accounting method from this date. Accordingly, a £3m reduction in the loss (to £8m) is reported in underlying operating loss before joint ventures and associates, and a profit of £3m is reported in joint ventures and associates.

This transaction strengthens our position in the Canadian market and has a number of strategic and financial benefits to the Group. On a proforma basis, assuming that the transaction had completed on 1 October 2009, our share of the venture's result would have been an underlying operating profit of £5m in the first half. The seasonal nature of the Canadian business, which has its high season in winter, means the venture will generate a loss in the summer period. We estimate that our share of the venture's second half loss will be approximately £7m and, accordingly, we estimate that our share of the proforma full year result before synergies would be a loss of approximately £2m, representing a significant improvement to the £24m loss reported in the financial year ended 30 September 2009.

Furthermore, we have identified significant opportunities to realise synergies in the venture, primarily through network planning benefits and actions to remove duplicated resources, such as migration to a single reservation system, integration of certain back office functions and consolidation of office premises. We estimate that our share of the synergy benefits are worth at least £8m per annum and therefore estimate that our share of the proforma full year result after synergies would be a profit of at least £6m.

£m	
Underlying operating loss H1 10	(5)
Proforma H1	5
Expected H2 loss	-7
Synergies identified	+8
Proforma FY	6

Central Europe

Central Europe reported a £45m improvement in underlying operating loss before joint ventures and associates to £75m in H1 10 (H1 09: loss of £120m), primarily as a result of the exit from scheduled flying in Germany.

The main drivers of the year on year change in underlying operating loss are:

£m	Germany	Austria	Switzer'd	Poland	Central Europe
H1 09 (excl. JVs & Ass.)	(97)	(12)	(6)	(5)	(120)
Incremental synergies	-	+1	-	-	+1
Scheduled flying	+30	-	-	-	+30
Trading	+7	+4	+2	+1	+14
H1 10 (excl. JVs & Ass.)	(60)	(7)	(4)	(4)	(75)
JVs & Associates.	2	-	-	-	2
H1 10 (incl. JVs & Ass.)	(58)	(7)	(4)	(4)	(73)

Central Europe	<u>H1 10</u>	<u>H1 09</u>	<u>Change %</u>
Customers ('000)			
Germany	2,453	3,302	-26%
Switzerland	124	120	+3%
Austria	86	93	-8%
Poland	30	35	-14%
Total	<u>2,693</u>	<u>3,550</u>	<u>-24%</u>
Revenue (£m)			
Germany	1,489	1,596	-7%
Switzerland	70	76	-8%
Austria	84	82	+2%
Poland	18	22	-18%
Total	<u>1,661</u>	<u>1,776</u>	<u>-6%</u>
Underlying operating loss excluding joint ventures & associates (£m)			
Germany	(60)	(97)	+38%
Austria	(7)	(12)	+42%
Switzerland	(4)	(6)	+33%
Poland	(4)	(5)	+20%
Total	<u>(75)</u>	<u>(120)</u>	<u>+38%</u>

Germany

Germany reported a £37m improvement in underlying operating loss before joint ventures and associates to £60m in H1 10 (H1 09: £97m).

The primary driver of the improvement was the £30m benefit from exiting the scheduled flying operations in TUIfly, resulting from the removal of the loss generated by this business in the prior year and benefits in the tour operator from the optimisation of its flying schedule and increased flexibility. The tour operator also benefited from improved rates when purchasing third party flying and accommodation.

Austria / Switzerland / Poland

Switzerland reported underlying operating losses of £4m (H1 09: £6m). Austria reported an underlying operating loss of £7m in H1 10 (H1 09: £12m), including incremental synergies of £1m and reduced distribution costs following a four percentage point increase in controlled distribution mix. Poland reported an underlying operating loss of £4m, (H1 09 loss £5m) following an improvement in trading in the latter part of the winter season and a reduction in overheads.

Western Europe

Western Europe reported an underlying operating loss of £83m (H1 09: loss of £64m). The increased loss was driven by poor trading in Corsair.

The main drivers of the year on year change in underlying operating loss are:

£m	France	Netherlands	Belgium	Western Europe
H1 09	(38)	(11)	(16)	(64)
Incremental synergies	+1	-	-	+1
Corsair	-22	-	-	-22
Other trading	+7	-5	+1	+2
H1 10	(52)	(16)	(15)	(83)

Note: Figures do not sum due to rounding

Western Europe	H1 10	H1 09	Change %
Customers ('000)			
France	712	756	-6%
Netherlands	396	434	-9%
Belgium	577	555	+4%
Total	1,685	1,745	-3%
Revenue (£m)			
France	454	496	-8%
Netherlands	223	226	-1%
Belgium	224	231	-3%
Total	901	953	-5%
Underlying operating loss (£m)			
France	(52)	(38)	-37%
Netherlands	(16)	(11)	-45%
Belgium	(15)	(16)	+6%
Total	(83)	(64)	-28%

France	H1 10	H1 09	Change %
Underlying operating loss (£m)			
Tour Operators	(29)	(37)	+22%
Corsair	(23)	(1)	n/a
Total	(52)	(38)	-37%

France

France reported an underlying operating loss of £52m (H1 09: loss of £38m) driven by poor trading in Corsair partially offset by reduced losses in our French tour operators.

Despite lost contribution from lower volumes, Nouvelles Frontieres reduced losses in the first half due to the non-recurrence of the socio-political events in the French West Indies which affected the prior year, as well as restructuring implemented last year, which benefited the full period this year, and lower distribution costs.

Marmara benefited from a three percentage point increase in its controlled distribution mix, especially in its recently redesigned website Marmara.com, where online sales increased by 19% versus the prior year, as well as a strong performance in controlled retail stores.

Corsair has experienced yield pressure in a difficult trading environment, with competitors increasing capacity on many routes even though demand remained subdued. As a scheduled airline, the inherent lack of flexibility in its business model has led to a £22m

increase in operating loss to £23m (H1 09: £1m). We are examining options to reduce the risk inherent in this business model, including changing the fleet mix, reducing capacity and managing the cost base, and will update the market once we have concluded stakeholder discussions.

Netherlands

Netherlands reported an underlying operating loss of £16m (H1 09: loss of £11m) due to weaker consumer demand which led to lower volumes and reduced margins.

Belgium

Belgium reported underlying operating losses of £15m (H1 09: loss of £16m), benefiting from better trading.

Specialist & Emerging Markets

The sector reported an underlying operating loss of £1m excluding joint ventures and associates (H1 09: profit of £12m), primarily due to fewer tours operated in the US private jet tours business. Within the European division, lost contribution resulting from lower volumes was only partially offset by cost management and synergy improvements.

Winter 2009/10 the number of tours operated by our US private jet tours businesses was reduced by over 70% as the key booking period for this season was during the height of the recession in the fourth quarter of 2008. The lower volumes reduced profitability by £8m in the first half.

The sector result includes £4m for our share of losses within the newly acquired operations in Russia and the CIS, which are reported as joint ventures and associates.

Specialist & Emerging Markets	<u>H1 10</u>	<u>H1 09</u>	<u>Change %</u>
Customers ('000)			
Europe	208	218	-5%
US	107	121	-12%
Total	315	339	-7%
Revenue (£m)			
Europe	227	264	-14%
US	76	140	-45%
Total	303	404	-25%
Underlying operating profit / (loss) (£m)			<u>Change £m</u>
Europe	(2)	1	-3
US	1	11	-10
Excluding JVs & associates	(1)	12	-13
Russia & CIS JV	(4)	0	-4
Including JVs & associates	(5)	12	-17

Activity

The sector reported underlying operating profits of £6m (H1 09: £6m).

Marine revenue decreased by 9% due to weaker demand at the start of the winter season, although bookings have strengthened considerably in recent months. This led to the underlying operating loss increasing by £5m in H1 10.

The Ski division mitigated a 7% reduction in revenue by reducing fixed chalet capacity and shifting its mix towards more flexible hotel accommodation to reduce risk in anticipation of lower volumes. This enabled it to improve profits by £1m despite lower volumes.

The Student division benefited from acquisitions made last year as well as a strong performance in school ski businesses.

The Sport division benefited from the Winter Olympics and the England cricket tour of South Africa.

Activity	<u>H1 10</u>	<u>H1 09</u>	<u>Change %</u>
Revenue (£m)			
Marine	42	46	-9%
Adventure	152	124	+23%
Ski, Student and Sport	236	234	+1%
Total	<u>430</u>	<u>404</u>	<u>+6%</u>
Underlying operating profit / (loss) (£m)			
Marine	(8)	(3)	-166%
Adventure	4	5	-20%
Ski, Student and Sport	10	4	+150%
Total	<u>6</u>	<u>6</u>	<u>Flat</u>

Accommodation & Destinations

A&D reported a flat year on year underlying operating loss of £3m (H1 09: £3m). Within this result, the B2B and B2C online businesses have seen increased profitability driven by strong volume growth and improved conversion rates. The improvement in conversion rates follows an investment in content acquisition over the last year which has increased the number of hotels in our bed banks. Profitability was offset by start-up investment in new markets within the online businesses and the impact of reduced tour operator volumes in the incoming business and reduced activity in our Asian Meetings, Incentives, Conferences and Entertainment (MICE) business.

Accommodation & Destinations	<u>H1 10</u>	<u>H1 09</u>	<u>Change %</u>
Customers ('000)			
B2B roomnights (Online)	4,154	3,333	+25%
B2C roomnights (Online)	2,281	1,963	+16%
Incoming passenger volumes	2,790	3,218	-13%
Revenue (£m)	205	187	+10%
Underlying operating profit / (loss) (£m)			
Excluding JVs & associates	(3)	(3)	Flat
JVs & Associates	5	5	Flat
Including JVs & associates	<u>2</u>	<u>2</u>	<u>Flat</u>

Acquisitions and investments

In the six months ended 31 March 2010, the Group invested £100m on acquisitions and investments.

In Canada, we entered into a strategic venture with Sunwing, a leading Canadian tour operator. Under the terms of the deal, TUI Travel contributed its Canadian operations plus a net £56m and Sunwing contributed its operations to the strategic venture. TUI Travel received a 49% interest in the strategic venture, with Sunwing's owners receiving 51%. Also

in the Mainstream sector, we have invested in a hotel management company in Turkey and 15 travel agencies in Germany.

In the specialist sectors, we made three bolt-on acquisitions for a maximum total consideration of £13m. In the Activity sector, we consolidated our leading position in the student sports tours market with the acquisition of SET Sports Tours, which organises sports tours and festivals for schools, clubs, and universities. Also, in the Activity sector, we increased our presence in the English language teaching market with the acquisition of the Hampstead School of English. In the A&D sector, we acquired Select Tours, Australia's premier cruise handling operator, strengthening our leading position in the global cruise destination services market.

Revised IFRS 3 (2008), which is applicable for all acquisitions after 1 October 2009, requires all consideration that is contingent on future service by the vendor to be expensed over the service period, and acquisition costs to be expensed as incurred. As a result of these changes £5m has been expensed in the period and included in 'Acquisition related items'.

Dividends

The Board recommends an interim dividend per ordinary share of 3.2p (H1 09 3.0p), payable to holders of relevant shares on the register at 3 September 2010. This will be paid on 1 October 2010.

We intend to continue to operate a dividend re-investment plan as an alternative to the cash dividend.

Separately disclosed items

Separately disclosed items were £19m in H1 10 (H1 09: £93m). These include £34m (H1 09: £49m) of merger related integration costs, £29m (H1 09: £25m) of other restructuring costs, and a credit of £44m (H1 09: expense of £19m) relating to cancellation credits and compensation for delays to the delivery of aircraft.

Further information is included in Note 4 in the condensed interim financial statements.

Loss per share

Underlying basic loss per ordinary share was 24.3p (H1 09 21.6p). The underlying effective tax rate was 27% and weighted average number of shares in issue was 1,108m (H1 09 1,107m).

The basic loss per share from continuing operations was 27.7p (H1 09 29.6p).

Cash and Liquidity

The net debt position (cash and cash equivalents less loans, overdrafts and finance leases) at 31 March 2010 was £1,353m (31 March 2009: £1,097m). This consisted of £402m of cash and £796m of current interest-bearing loans and liabilities and £959m of non-current interest-bearing loans and liabilities. The increase is primarily due to the impact of significantly lower Winter 2010/11 capacity on working capital.

In April, we raised £550m of new financing through a convertible bond and additional bank facilities to ensure we are well placed to exploit our strong pipeline of attractive acquisition opportunities and to take advantage of current favourable capital market conditions to extend and diversify our debt maturity profile and broaden our sources of finance.

Condensed consolidated income statement
for the 6-month period ended 31 March 2010

	Note	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Continuing operations				
Revenue	3	4,933	5,379	13,863
Cost of sales		(4,802)	(5,270)	(12,705)
Gross profit		131	109	1,158
Administrative expenses		(490)	(522)	(1,130)
Share of (loss) / profit of joint ventures and associates		(5)	1	9
Operating (loss) / profit	3	(364)	(412)	37
Analysed as:				
Underlying operating (loss) / profit	3	(314)	(289)	443
Separately disclosed items	4	(19)	(93)	(340)
Acquisition related items		(29)	(29)	(56)
Impairment of goodwill	6	–	–	(7)
Taxation on results of joint ventures and associates		(2)	(1)	(3)
		(364)	(412)	37
Financial income		41	36	72
Financial expenses		(96)	(80)	(161)
Net financial expenses		(55)	(44)	(89)
Loss before tax		(419)	(456)	(52)
Taxation	7	113	128	42
Loss for the period / year from continuing operations		(306)	(328)	(10)
Discontinued operation				
Loss for the period / year from discontinued operation	8	(13)	(6)	(14)
Loss for the period / year		(319)	(334)	(24)
Attributable to				
Ordinary shareholders		(320)	(334)	(25)
Non-controlling interests		1	–	1
Loss for the period / year		(319)	(334)	(24)
		Pence	Pence	Pence
Basic and diluted loss per share (pence) for loss attributable to the equity holders of the company during the period / year				
- basic and diluted: from continuing operations	10	(27.7)	(29.6)	(1.0)
- basic and diluted: from discontinued operation	10	(1.2)	(0.5)	(1.3)
		£m	£m	£m
Underlying operating (loss) / profit		(314)	(289)	443
Net underlying financial expenses		(53)	(44)	(77)
Underlying (loss) / profit before tax		(367)	(333)	366
		Pence	Pence	Pence
Underlying (loss) / profit per share for result attributable to the equity holders of the company during the period / year				
- basic	10	(24.3)	(21.6)	23.8
- diluted	10	(24.3)	(21.6)	23.5

Condensed consolidated statement of comprehensive income
for the 6-month period ended 31 March 2010

	6-month period ended 31 March 2010	6-month period ended 31 March 2009	Year ended 30 September 2009
	£m	£m	£m
Loss for the period / year	(319)	(334)	(24)
Other comprehensive income			
Foreign exchange translation	50	218	130
Actuarial losses arising in respect of defined benefit pension schemes	(20)	(86)	(206)
Cash flow hedges	110	(99)	(102)
Foreign exchange gains recycled through income statement	(6)	–	–
Changes in the fair value of available for sale asset	–	–	(1)
Other comprehensive income for the period / year net of income tax	134	33	(179)
Total comprehensive income for the period / year	(185)	(301)	(203)
Total comprehensive income for the period / year			
<i>Attributable to:</i>			
Equity holders of the parent	(186)	(301)	(205)
Non-controlling interests	1	–	2
Total	(185)	(301)	(203)

Condensed consolidated statement of financial position
at 31 March 2010

	31 March 2010	31 March 2009	30 September 2009
	£m	£m	£m
Non-current assets			
Intangible assets	4,758	4,791	4,737
Property, plant and equipment	960	1,030	964
Investments in joint ventures and associates	209	91	112
Other investments	69	51	77
Trade and other receivables	266	282	194
Retirement benefit asset	1	1	1
Derivative financial instruments	39	70	13
Deferred tax assets	277	427	211
	6,579	6,743	6,309
Current assets			
Inventories	46	71	51
Other investments	1	3	36
Trade and other receivables	1,721	1,982	1,536
Income tax recoverable	65	65	30
Derivative financial instruments	210	623	271
Cash and cash equivalents	402	583	790
Assets classified as held for sale	54	112	126
	2,499	3,439	2,840
Total assets	9,078	10,182	9,149
Current liabilities			
Interest-bearing loans and borrowings	(796)	(71)	(327)
Retirement benefits	(2)	(3)	(3)
Derivative financial instruments	(147)	(626)	(284)
Trade and other payables	(3,968)	(4,282)	(4,162)
Provisions	(148)	(267)	(189)
Income tax payable	(63)	(83)	(67)
Liabilities classified as held for sale	(34)	(27)	(59)
	(5,158)	(5,359)	(5,091)
Non-current liabilities			
Interest-bearing loans and borrowings	(959)	(1,609)	(801)
Retirement benefits	(498)	(356)	(498)
Derivative financial instruments	(7)	(73)	(18)
Trade and other payables	(83)	(125)	(108)
Provisions	(261)	(183)	(250)
Deferred tax liabilities	(96)	(286)	(97)
	(1,904)	(2,632)	(1,772)
Total liabilities	(7,062)	(7,991)	(6,863)
Net assets	2,016	2,191	2,286
Equity			
Share capital	112	112	112
Other reserves	2,971	2,868	2,775
Retained deficit	(1,069)	(791)	(604)
Total equity attributable to equity holders of the parent	2,014	2,189	2,283
Non-controlling interests	2	2	3
Total equity	2,016	2,191	2,286

Condensed consolidated statement of cash flows
for the 6-month period ended 31 March 2010

	6-month period ended 31 March 2010	6-month period ended 31 March 2009	Year ended 30 September 2009
	£m	£m	£m
Loss for the period / year	(319)	(334)	(24)
Adjustment for:			
Depreciation and amortisation	124	133	287
Impairment of intangible assets and property, plant and equipment	–	–	132
Equity-settled share-based payment expenses	8	8	16
Profit on sale of property, plant and equipment	(2)	(1)	(12)
Share of (profit) / loss of joint ventures and associates	5	(1)	(9)
(Gain) / loss on foreign exchange	(13)	–	(23)
Dividends received from joint ventures and associates	–	2	10
Financial income	(41)	(36)	(72)
Financial expenses	96	80	161
Loss from discontinued operation	13	6	14
Taxation	(113)	(128)	(42)
Operating (loss) / profit before changes in working capital and provisions	(242)	(271)	438
Decrease / (increase) in inventories	5	(26)	(2)
(Increase) / decrease in trade and other receivables	(159)	(139)	93
Decrease in trade and other payables	(371)	(105)	(183)
Decrease in provisions and employee benefits	(35)	(90)	(23)
Cash flows from operations	(802)	(631)	323
Net interest paid	(34)	(37)	(62)
Income taxes paid	(22)	(9)	(43)
Cash flows from operating activities	(858)	(677)	218
Investing activities			
Proceeds from sale of property, plant and equipment	16	215	161
Proceeds from disposal of investments	7	–	–
Acquisition of subsidiaries, net of cash acquired	(22)	(35)	(48)
Acquisition of non-controlling shareholdings	–	–	(3)
Investment in joint ventures and associates	(87)	(13)	(51)
Acquisition of property, plant and equipment and software	(113)	(232)	(234)
Cash flows from investing activities	(199)	(65)	(175)
Financing activities			
Proceeds from new loans and deposits taken	733	506	17
Repayment of borrowings	(11)	(308)	(280)
Payment of finance lease liabilities	(12)	(26)	(22)
Ordinary and non-controlling interest dividends paid	(35)	(34)	(110)
Acquisition of shares for share-based payments	–	(3)	–
Cash flows from financing activities	675	135	(395)
Net decrease in cash and cash equivalents	(382)	(607)	(352)
Cash and cash equivalents at start of period / year	790	1,130	1,130
Reclassification of cash to assets classified as held for sale	–	–	(4)
Effect of foreign exchange on cash held	(6)	60	16
Cash and cash equivalents at end of period / year	402	583	790

Condensed consolidated statement of changes in equity for the 6-month period ended 31 March 2010

	Share capital £m	Merger reserve £m	Convertible bond £m	Other reserves £m	Retained deficit £m	Equity holders of parent £m	Non controlling interests £m	Total £m
At 1 October 2009	112	2,490	–	285	(604)	2,283	3	2,286
Total comprehensive (cost) / income for the period								
(Loss) / profit	–	–	–	–	(320)	(320)	1	(319)
Other comprehensive income / (cost)								
Foreign exchange translation	–	–	–	50	–	50	–	50
Actuarial losses arising in respect of defined benefit pension schemes	–	–	–	–	(20)	(20)	–	(20)
Cash flow hedges	–	–	–	110	–	110	–	110
Foreign exchange gains recycled through income statement	–	–	–	–	(6)	(6)	–	(6)
Total other comprehensive income / (cost)	–	–	–	160	(26)	134	–	134
Total comprehensive income / (cost) for the period	–	–	–	160	(346)	(186)	1	(185)
Transactions with owners recorded directly in equity								
Share-based payment	–	–	–	–	13	13	–	13
Own share transactions	–	–	–	–	(13)	(13)	–	(13)
Dividends	–	–	–	–	(119)	(119)	(2)	(121)
Issue of convertible bond	–	–	36	–	–	36	–	36
Total transactions with owners	–	–	36	–	(119)	(83)	(2)	(85)
At 31 March 2010	112	2,490	36	445	(1,069)	2,014	2	2,016

Condensed consolidated statement of changes in equity for the 6-month period ended 31 March 2009

	Share capital £m	Merger reserve £m	Other reserves £m	Retained deficit £m	Equity holders of parent £m	Non controlling interests £m	Total £m
At 1 October 2008	112	2,490	259	(270)	2,591	5	2,596
Total comprehensive (cost) / income for the period							
Loss	–	–	–	(334)	(334)	–	(334)
Other comprehensive income / (cost)							
Foreign exchange translation	–	–	218	–	218	–	218
Actuarial losses arising in respect of defined benefit pension schemes	–	–	–	(86)	(86)	–	(86)
Cash flow hedges	–	–	(99)	–	(99)	–	(99)
Total other comprehensive income / (cost)	–	–	119	(86)	33	–	33
Total comprehensive income / (cost) for the period	–	–	119	(420)	(301)	–	(301)
Transactions with owners recorded directly in equity							
Share-based payment	–	–	–	8	8	–	8
Own share transactions	–	–	–	(3)	(3)	–	(3)
Dividends	–	–	–	(107)	(107)	(3)	(110)
First time consolidation	–	–	–	1	1	–	1
Total transactions with owners	–	–	–	(101)	(101)	(3)	(104)
At 31 March 2009	112	2,490	378	(791)	2,189	2	2,191

Notes to the condensed consolidated financial statements

1. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements for the 6-month period ended 31 March 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard (IAS) 34 *Interim Financial Reporting as adopted by the EU*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2009, which were prepared in accordance with IFRS as adopted by the EU.

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 May 2010.

Accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, this interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 September 2009, except as noted below:

Adoption of IAS 1(revised) - Presentation of Financial Statements

The Group has presented for the first time a condensed consolidated Statement of Comprehensive Income and a condensed consolidated Statement of Changes in Equity. The condensed consolidated Statement of Comprehensive Income replaces the condensed consolidated Statement of Recognised Income and Expense (SORIE). This represents a change from the requirement to present only one financial statement: a SORIE or a statement of all changes in equity. Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects there is no impact on loss per share.

Adoption of IFRS 8 – Operating Segments

IFRS 8 requires that an entity's operating segments are reported on the same basis as the internally reported information that is provided to the chief operating decision maker. The chief operating decision maker has been identified as the Group Management Board (GMB). Following the adoption of IFRS 8, the Group has revised its reported operating segments and provided further information in respect of these segments as well as additional disclosures. Details are provided in Note 3.

Adoption of IFRS 3 (2008) – Business Combinations

IFRS 3 (2008) changes the treatment of incidental acquisition expenses and deferred consideration payments which are contingent on continued employment, the measurement of consideration payable, and the treatment of changes to the amount of consideration payable. This has resulted in items being expensed in the income statement which would previously have been included as part of the cost of investment in an acquired business. The financial impact of this revised standard has been included in the Acquisition related items line on the condensed consolidated income statement. The Group has adopted the transitional arrangements of the revised standard which is therefore applicable prospectively, only for acquisitions after 1 October 2009.

The following accounting standards and interpretations issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) have been adopted by the Group from 1 October 2009 with no significant impact on its consolidated results or financial position:

- *IAS 32 (2008) – Financial Instruments: Presentation*
- *IAS 39 (2008) & IFRIC 9 – Financial Instruments: Recognition and Measurement*
- *IFRIC 17 – Distributions of Non-cash assets to owners*
- *IFRIC 18 – Transfers of assets from customers*
- *Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions*

These above changes in policy have not had a significant impact on the current or prior periods' / year's results or balance sheet positions, and therefore no restatement of the prior period / year equity or profit / (loss) has been presented.

The following further new accounting standards, amendments to existing standards and interpretations are in issue but are not yet endorsed for use in the European Union:

- *Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement*
- *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*
- *Amendment to IFRS 1 – Additional exemptions for First-time Adopters*
- *Revised IAS 24 – Related Party Disclosures*
- *Amendment to IFRS 1 – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters*

The Group does not currently believe the adoption of the above standards or interpretations will have a material impact on the consolidated results or financial position of the Group.

Comparative financial information

The comparative figures for the financial year ended 30 September 2009 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Estimates and Judgements

The preparation of interim financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Underlying measures of profit / loss

The Group believes that underlying operating profit / loss, underlying profit / loss before tax and underlying earnings / loss per share provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial period / year. The term underlying is not defined under International Financial Reporting Standards. It is a measure that is used by management to assess the underlying performance of the business internally and is not intended to be a substitute measure for Adopted IFRSs' GAAP measures. The Group defines these underlying measures as follows:

Underlying operating profit / loss is operating profit or loss from continuing operations stated before separately disclosed items (Note 4), acquisition related items, impairment of goodwill and taxation on the Group's share of the results of joint ventures and associates.

Underlying profit / loss before tax is profit or loss from continuing operations before taxation (Group and share of joint ventures and associates), acquisition related items, impairment of goodwill and separately disclosed items included within both the operating result and net financial expenses.

Underlying earnings / loss used in the calculation of underlying earnings / loss per share is profit / loss after tax from continuing operations excluding acquisition related items, impairment of goodwill and separately disclosed items included within both the operating result and net financial expenses (net of related taxation).

It should be noted that the definitions of underlying items being used in these consolidated financial statements are those used by the Group and may not be comparable with the term “underlying” as defined by other companies within both the same sector or elsewhere.

Separately disclosed items

Separately disclosed items are those significant items which in management’s judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group’s financial performance. Such items are included within the income statement caption to which they relate (Note 4).

Acquisition related items

Acquisition related items comprise amortisation of business combination intangibles, acquisition related expenses and amortisation of contingent consideration.

Funding and liquidity

The Directors have considered the funding and liquidity position of the Company.

The Board remains satisfied with the Group’s funding and liquidity position. The main sources of debt funding as at 31 March 2010 are:

1. the shareholder loan from TUI AG of €919m which is fully drawn and repayable on; 1 April 2010: €250m, 1 December 2010: €509m and 30 April 2011: €160m;
2. the external bank £910 million revolving syndicated credit facilities which mature in June 2012;
3. a £350m convertible bond (due 2014) issued on 1 October 2009 and received on 5 October 2009;
4. a bonding letter of credit facility of £40m which matures in September 2010.

In addition, subsequent to the period end on 22 April 2010, the Group issued a £400m convertible bond (received on 27 April 2010 and due 2017). £150m of new bank revolving credit facilities were also agreed, maturing in 2012.

The ratio of Earnings Before Interest, Taxation, Depreciation, Amortisation and operating lease Rentals (EBITDAR) to fixed charges (being the aggregate amount of interest and any other finance charges in respect of borrowings and including all payments under operating leases) and the ratio of net debt to EBITDA, which the Board believes to be the most useful measures of cash generation and gearing, as well as being the main basis for the Group’s credit facility covenants, are currently well within the covenant limits. Forecasts reviewed by the Board, including forecasts adjusted for significantly worse economic conditions, show continued compliance with these covenants. EBITDA is Earnings Before Interest, Taxation, Depreciation and Amortisation. For both covenants earnings are calculated on an underlying basis as described above.

On the basis of its forecasts, both base case and adjusted as described above, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

2. Seasonality

The Group's travel leisure business is subject to significant seasonal fluctuations between the Winter and Summer seasons. The Group mitigates this seasonal impact through operating a broad range of holiday products in both the Winter and Summer seasons and in different global holiday markets which have different annual cycles. There are appropriate sources of debt funding to match the seasonality of the Group's cash flows, as described in Note 1.

3. Segmental Information

The Group has adopted IFRS 8: Operating Segments for the first time in the period.

Under IFRS 8 segmental information is presented by the Group's business sectors and is based on the Group's management and reporting structure which is reported to the Group Management Board (GMB). Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items include corporate costs and net financial expenses.

Management has determined the reportable segments based on the reports reviewed by the GMB. The GMB consists of tour operating and functional experts drawn from across the Group and executes TUI Travel's day-to-day operations.

All of the segments reported meet the quantitative thresholds required by IFRS 8 with the exception of the French Airline (Corsair).

Corsair has been disclosed separately as it is the only scheduled Airline consolidated within the group and therefore has a different business model to the rest of the Group's integrated tour operators.

6 Month period ended 31 March 2010

Sector	Total external revenue £m	Underlying operating (loss) / profit before joint ventures and associates £m	Joint ventures and associates £m	Underlying operating (loss) / profit £m
UK	976	(161)	-	(161)
Rest of Northern Region	457	14	-	14
Total Northern Region	1,433	(147)	-	(147)
Germany	1,489	(60)	2	(58)
Rest of Central Europe	172	(15)	-	(15)
Total Central Europe	1,661	(75)	2	(73)
French Airline	148	(23)	-	(23)
Rest of Western Europe	753	(60)	-	(60)
Total Western Europe	901	(83)	-	(83)
Total Mainstream	3,995	(305)	2	(303)
Specialist	303	(1)	(4)	(5)
Activity	430	6	-	6
Accommodation and Destinations	205	(3)	5	2
Central	-	(14)	-	(14)
Total Group	4,933	(317)	3	(314)

6 Month period ended 31 March 2009

Sector	Total external revenue £m	Underlying operating (loss) / profit before joint ventures and associates £m	Joint ventures and associates £m	Underlying operating (loss) / profit £m
UK	1,092	(123)	–	(123)
Rest of Northern Region	563	10	(3)	7
Total Northern Region	1,655	(113)	(3)	(116)
Germany	1,596	(97)	3	(94)
Rest of Central Europe	180	(23)	–	(23)
Total Central Europe	1,776	(120)	3	(117)
French Airline	174	(1)	–	(1)
Rest of Western Europe	779	(63)	–	(63)
Total Western Europe	953	(64)	–	(64)
Total Mainstream	4,384	(297)	–	(297)
Specialist	404	12	–	12
Activity	404	6	–	6
Accommodation and Destinations	187	(3)	5	2
Central	-	(12)	–	(12)
Total Group	5,379	(294)	5	(289)

12 Month period ended 30 September 2009

Sector	Total external revenue £m	Underlying operating profit / (loss) before joint ventures and associates £m	Joint ventures and associates £m	Underlying operating profit / (loss) £m
UK	3,257	184	–	184
Rest of Northern Region	965	22	2	24
Total Northern Region	4,222	206	2	208
Germany	4,144	65	5	70
Rest of Central Europe	652	1	–	1
Total Central Europe	4,796	66	5	71
French Airline	357	(24)	–	(24)
Rest of Western Europe	2,295	57	–	57
Total Western Europe	2,652	33	–	33
Total Mainstream	11,670	305	7	312
Specialist	825	31	1	32
Activity	816	59	–	59
Accommodation and Destinations	552	60	7	67
Central	-	(27)	–	(27)
Total Group	13,863	428	15	443

Reconciliation of underlying operating (loss) / profit in segmental analysis to operating (loss) / profit

	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Underlying operating (loss) / profit disclosed above	(314)	(289)	443
Separately disclosed items	(19)	(93)	(340)
Acquisition related items	(29)	(29)	(56)
Impairment of goodwill	–	–	(7)
Taxation on joint ventures and associates	(2)	(1)	(3)
Operating (loss) / profit	(364)	(412)	37

There is no material change in segment assets from the information disclosed in the 2009 Annual Report.

4. Separately disclosed items

	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Separately disclosed items in operating (loss) / profit			
Merger related integration costs	34	49	143
Restructuring expenses	29	25	40
Aircraft	(44)	19	157
Total	19	93	340
Separately disclosed financial expenses	2	–	12

Merger related integration costs

These relate primarily to the costs of integration of the UK businesses. The majority of costs arise from the integration of First Choice and Thomson in the UK, and in particular from the formation of one airline and an integrated retail estate. A combined Mainstream UK head office has been established in Luton. Costs in the comparative periods also arise from bringing together former Thomson Specialist businesses with the former First Choice Activity and Specialist Sectors, notably Ski and UK specialist brands. In the Accommodation & Destinations Sector separate First Choice and TUI Tourism incoming agencies have been combined in a number of key destinations, notably Spain.

Restructuring expenses

Costs incurred in the 6-month period ended 31 March 2010 relate to restructuring programmes which are not related to the business combination of First Choice and the TUI Tourism businesses. The principal items are £22m for the restructuring of our hotel operations in Turkey and £4m for restructuring of the Canadian business as a consequence of the strategic venture transaction with Sunwing Travel Group Inc.

The main cost incurred in the comparative 6-month period ended 31 March 2009 was £16m due to the closure of the Sunsail Clubs in Turkey and the Caribbean.

In the full year ended 30 September 2009 restructuring costs also included £13m for the ongoing restructuring of the French tour operator, Nouvelles Frontières, and £8m for restructuring the German source market as a consequence of the sale of TUIfly's city charter operation to Air Berlin PLC.

Aircraft

Aircraft items relate to the continuing restructuring of the aircraft fleet. The £44m credit in the 6-month period ended 31 March 2010 relates to a combination of aircraft order cancellation credits and compensation for delays to the delivery of aircraft.

In the comparative 6-month period ended 31 March 2009, sale and leaseback profits of £6m were offset by £25m of costs relating to foreign exchange on aircraft order book hedging, aircraft fleet advisory fees, the foreign exchange revaluation of aircraft held for sale and remaining flight replacement costs following the collapse of Futura.

In the year ended 30 September 2009 there was a £124m impairment charge principally in respect of asset write downs of Boeing 747s operated by Corsair. Costs of £32m were incurred relating to the transaction to sell TUIfly's city charter business to Air Berlin PLC.

Separately disclosed financial expenses

The separately disclosed financial expenses in the 6 months ended 31 March 2010 relate to the valuation of a put option written by the Group in respect of a minority shareholder of L'TUR Tourismus AG. The option is exercisable until 31 December 2015.

5. Analysis of acquisition related items

	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Acquisition related items in operating (loss) / profit			
Amortisation of business combination intangibles	24	29	56
Acquisition related expenses	4	–	–
Amortisation of contingent consideration	1	–	–
Total	29	29	56

6. Goodwill impairment charge

The goodwill impairment charge in the year ended 30 September 2009 of £7m related to the closure of the majority of the Sunsail Clubs' operations.

7. Taxation

The Group's effective tax rate, being tax for the 6-month period ended 31 March 2010 and the Group's underlying effective tax rate, being tax on underlying profit before tax for the same period are both 27%.

8. Discontinued operation

The business of Société d'Investissement Aérien S.A. (Jet4You) has been presented as a discontinued operation as it was acquired on 30 June 2008 with a view to its subsequent resale. This disposal is ongoing.

	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Revenue	35	32	80
Expenses	(48)	(38)	(86)
Loss before tax of discontinued operation	(13)	(6)	(6)
Tax	–	–	–
Loss after tax of discontinued operation	(13)	(6)	(6)
Provision for loss on disposal	–	–	(8)
Loss for the period / year from discontinued operation	(13)	(6)	(14)

9. Dividends

The following dividends relating to ordinary shares have been deducted from equity in the period / year:

	6-month period ended 31 March 2010 £m	6-month period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Interim dividend paid for 2009	33	—	—
Final dividend proposed for 2009	86	—	—
Interim dividend paid for 2008	—	31	31
Final dividend paid for 2008	—	76	76
Total dividends	119	107	107

The interim dividend in respect of the year ended 30 September 2009 of 3.0p per ordinary share, totalling £33m was paid on 1 October 2009 and deducted from equity in the period.

At the Company's AGM on 9 February 2010, the shareholders approved the final recommended dividend for 2009 of 7.7p per ordinary share. The value of this dividend, of £86m, has therefore been recognised as a deduction from equity in the period and as a liability at 31 March 2010. The dividend was paid on 1 April 2010.

Subsequent to the balance sheet date, the Directors have proposed an interim dividend for the 6-month period ended 31 March 2010 of 3.2p per ordinary share, totalling £35m, payable on 1 October 2010.

A dividend reinvestment plan is in operation. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2010 interim dividend, may do so by contacting Equiniti on 0871 384 2030. The last day for election for the proposed interim dividend is 17 September 2010 and any requests should be made in good time ahead of that date.

10. Loss per share

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the applicable weighted average number of shares in issue during the period, excluding those held in the employee share ownership trusts.

The diluted loss per share is calculated by:

- taking losses attributable to ordinary shareholders adjusted where the effect would be dilutive by the interest expense of the Group's convertible bond net of tax; and
- dividing by the adjusted weighted average number of ordinary shares and where the effect would be dilutive, outstanding share awards and the conversion to ordinary shares of the Group's convertible bond.

In the accordance with IAS 33: Earnings Per Share, the calculation of diluted loss per share from continuing operations, diluted underlying loss per share from continuing operations, and diluted loss per share from discontinued operation has not included anti-dilutive potential ordinary shares. Therefore there is no difference between the calculation of basic and diluted measures in the 6-month periods ended 31 March 2010 and 31 March 2009.

The additional underlying loss per share measures have been given to provide the reader of the interim financial information with a better understanding of the results.

Basic and diluted loss per share from continuing operations

	Loss 6-month period ended 31 March 2010 £m	Weighted average number of shares 6-month period ended 31 March 2010 Millions	Loss per share 6-month period ended 31 March 2010 Pence	Loss 6-month period ended 31 March 2009 £m	Weighted average number of shares 6-month period ended 31 March 2009 Millions	Loss per share 6-month period ended 31 March 2009 Pence
Basic and diluted loss per share	(307)	1,108	(27.7)	(328)	1,107	(29.6)
Acquisition related items (net of tax)	22	–	2.0	20	–	1.8
Basic and diluted loss per share before amortisation of business combination intangibles (net of tax)	(285)	1,108	(25.7)	(308)	1,107	(27.8)
Separately disclosed items (net of tax)	16	–	1.4	68	–	6.2
Basic and diluted underlying loss per share	(269)	1,108	(24.3)	(240)	1,107	(21.6)

Basic and diluted loss per share from discontinued operation

Basic and diluted loss per share	(13)	1,108	(1.2)	(6)	1,107	(0.5)
---	-------------	--------------	--------------	------------	--------------	--------------

Basic and diluted loss per share from continuing and discontinued operations for the year ended 30 September 2009 is as follows:

	(Loss) / earnings Year ended 30 September 2009 £m	Weighted average no. of shares Year ended 30 September 2009 Millions	(Loss) / earnings per share Year ended 30 September 2009 Pence
Basic and diluted loss per share	(11)	1,107	(1.0)
Amortisation of business combination intangibles, and impairment of goodwill (net of tax)	47	–	4.3
Separately disclosed items (net of tax)	227	–	20.5
Basic underlying earnings per share	263	1,107	23.8
Effect of dilutive options	–	11	(0.3)
Diluted underlying earnings per share	263	1,118	23.5

Basic and diluted loss per share from discontinued operation

Basic and diluted loss per share	(14)	1,107	(1.3)
---	-------------	--------------	--------------

11. Acquisitions and investments

(a) Acquisitions in the 6-month period ended 31 March 2010

The businesses acquired during the period and their acquisition dates were:

Business	Description	Date	Country
Accommodation & Destinations Sector			
Select World Pty Limited (trading as Select Tours Australia)	Cruise Services	October 2009	Australia
Activity Sector			
Sport Executive Travel Limited	Tour operator	December 2009	United Kingdom
Hampstead School of English	Language teaching	February 2010	United Kingdom
Mainstream			
TTOHL Otel Izmetleri Turizm Ve Ticaret Anonim Sirketi	Hotel operations	March 2010	Turkey

The Group acquired 100% of the voting equity instruments in respect of Select World Pty Limited and Sport Executive Travel Limited whilst the Hampstead School of English acquisition related to 100% of the business and assets. TTOHL is a new entity created to manage the operation of eleven hotels in Turkey.

The total net assets / (liabilities) acquired are set out below:

	Book value prior to acquisition £m	Fair value adjustments £m	Fair value of net assets / (liabilities) acquired £m
Net assets / (liabilities) acquired			
Intangible fixed assets	–	37	37
Trade and other receivables	1	–	1
Cash and cash equivalents	4	–	4
Trade and other payables	(31)	–	(31)
Provisions	(1)	–	(1)
Deferred tax liabilities	–	(3)	(3)
Total	(27)	34	7

Provisional goodwill arising on acquisitions in the period is calculated as follows:

Calculation of goodwill arising	£m
Consideration payable – cash paid	13
Net assets acquired	7
Provisional goodwill arising	6

All acquisitions have been accounted for using the purchase method.

In addition to the above, 15 travel agencies were purchased for £5m cash consideration in Germany resulting in goodwill and intangibles of £5m.

Revised IFRS 3 (2008) has been adopted for the first time in the period. The Group has adopted the transitional arrangements of the revised standard which is therefore applicable prospectively for all acquisitions after 1 October 2009. Revised IFRS 3 requires consideration that is contingent on future service by the vendor to always be expensed over the service period and acquisition costs to be expensed as incurred. Previously these costs would have been included as part of the cost of acquisition and calculation of goodwill. As a result of these changes £5m has been expensed in the period and included in the acquisition related items on the condensed consolidated income statement.

Contingent consideration, up to a maximum of £4m in total for Select World Pty Limited, Sports Executive Travel Limited and for Hampstead School of English is payable contingent on the future service of the vendors. There is currently no reason to believe that the maximum amount will not become payable and will therefore be expensed over the related service period.

For current period acquisitions certain fair value adjustments and the value of contingent consideration have necessarily been prepared on a provisional basis due to the recent timing of certain acquisitions and the periods over which contingent consideration may become payable. Experience may result in revisions to fair values in the subsequent accounting period.

The total cash outflow in the period from acquisition of subsidiaries and travel agencies (net of cash acquired) was £26 million, which comprises £18 million relating to current period acquisitions and £8 million relating to prior period acquisitions.

(b) Income statement

The acquired businesses and travel agents contributed revenues of £7m and a profit after tax (including amortisation of business combination intangibles) of £1m during the 6-month period ended 31 March 2010.

If the businesses and travel agencies that were acquired at various times during the period ended 31 March 2010 had been part of the Group since 1 October 2009, Group revenue would have increased further by £2m with no impact on profit after tax.

(c) Joint venture and associated company transactions

Togebi Holdings Limited

On 15 April 2009, the Group signed an agreement with S-Group Capital Management Limited (SGCM) for the formation of a jointly owned investment holding company, to be owned 51% by SGCM and 49% by TUI Travel PLC. The joint venture agreed to acquire majority stakes in the businesses of two tour operators and travel agency groups in Russia and Ukraine, VKO Group and Voyage Kiev, and signed a letter of intent to acquire a 75% controlling stake in Mostravel, an entity in which TUI Travel PLC already owned 34%.

All regulatory and competition authority approvals have now been granted and the joint venture was officially launched on 2 March 2010.

All major decisions have to be agreed by both shareholders and under *IAS 31 – Interests in Joint Ventures*, the entity will be accounted for as a joint venture.

Sunwing strategic venture

The Canadian Mainstream business was classified as a disposal group as at 30 September 2009 and disclosed as held for sale on the basis of the announced strategic venture transaction with Sunwing Travel Group Inc.

Subsequent to the year end, the respective parties received all the necessary regulatory approvals on 14 January 2010 and subsequently finalised the transaction.

TUI Travel Group transferred the above mentioned Canadian business as well as a cash injection of £87m. Pre-completion working capital adjustments net of future consideration payments mean that the expected net cash contribution of TUI Travel Group to the strategic venture will amount to £56m as previously announced.

	6-month period ended 31 March 2010 £m	6-month Period ended 31 March 2009 £m	Year ended 30 September 2009 £m
Disposal of Group company held for sale as at 30 September 2009 – Canadian Mainstream business – 100%			
Revenue	52	150	167
Expenses	(58)	(161)	(192)
Loss before tax of disposed operation	(6)	(11)	(25)
Tax	–	–	–
Loss for the period / year from disposed operation	(6)	(11)	(25)
Associated company share of results of the Sunwing strategic Venture – 49%			
Share of underlying profits before tax for the year	3	–	–
Share of tax charge	–	–	–
Share of net profits	3	–	–

(d) Acquisitions after the balance sheet date

Subsequent to 31 March 2010, the Group acquired one further business and four travel agencies for a total consideration of £10 million. The accounting under IFRS 3 for these acquisitions including the book and fair value of assets and liabilities has not yet been finalised due to the recent timing of these transactions.

12. Capital commitments

The following amounts have been contracted but not provided for at the balance sheet date:

	31 March 2010 £m	31 March 2009 £m	30 September 2009 £m
Capital commitments	8	17	22

In addition to the above items, the Group has contracted to purchase forty aircraft and related spares. The Group intends to refinance these aircraft and related spares in advance of their delivery dates and therefore does not expect to use its own cash resources for their purchase.

13. Related party transactions

(a) Ultimate controlling party

The Group's ultimate controlling party is TUI AG, a company registered in Berlin and Hanover (Federal Republic of Germany).

(b) Related party transactions

On 29 June 2007 the Company entered into the Shareholder Loan Agreement with TUI AG under the terms of which TUI AG will lend a maximum amount of €2 billion (£1.9 billion) to the Company for general corporate purposes. At the beginning of the period, the net balance owed to TUI AG under the Agreement was €0.9 billion (£0.8 billion). The facility has remained in place throughout the 6-month period and the net balance at 31 March 2010 was €0.9 billion (£0.8 billion) including accrued interest of £7 million.

The Group also held receivables of £24 million and payables of £90 million with TUI AG and its subsidiaries, which arose through the normal course of business, including under the Hotel Framework Agreement and Trademark Licence Agreement, details of which are set out in Note 30 of the Group's 2009 consolidated financial statements. During the current period and during the prior financial period the Group transacted with its joint ventures and associates in the normal course of business. These did not have a significant impact on the result for the periods.

14. Contingent liabilities

The Group is at any time defending a number of actions against it arising in the normal course of business. Provision is made for these actions where this is deemed appropriate. No actions which are outstanding at 31 March 2010 are expected to have a material effect on these accounts. The Directors consider that adequate provision has been made for all known liabilities.

15. Post balance sheet events

(a) Funding and Liquidity

Details of the Group's new convertible bond and financing facilities, issued and agreed subsequent to the period end, are given in Note 1.

(b) Acquisitions

Details of acquisitions since 31 March 2010 are disclosed in Note 11(d).

(c) Disruption caused by the eruption of Eyjafjallajokull volcano, Iceland

On Wednesday, 14 April 2010, the Eyjafjallajokull volcano in Iceland entered a new explosive phase of its eruption. In doing so it created a volcanic ash cloud in the atmosphere which then spread south and east, resulting in the closure on safety grounds of much of Northern Europe airspace for a period of 6 days from 15 to 20 April 2010.

Although for the Group this was a period of relatively low holiday activity, the disruption to its programmes has still had a significant financial impact. The Group had to cancel over 175,000 holidays due to the closure of airspace, and at the same time provide welfare to and repatriate over 180,000 customers who were stranded abroad.

(d) Shareholder loan

Subsequent to the period end on 2 April 2010, €250m of the shareholder loan principal amount was repaid to TUI AG in line with the agreed repayment schedule. The remaining instalments fall due on 1 December 2010 (€509m) and 20 April 2011 (€160m).

Responsibility statement of the Directors in respect of the half yearly financial statements

We confirm that to the best of our knowledge:

- the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of TUI Travel PLC are listed in the TUI Travel PLC Annual Report for the year ended 30 September 2009.

On behalf of the Board of Directors

Paul Bowtell
Chief Financial Officer
10 May 2010

INDEPENDENT REVIEW REPORT TO TUI Travel PLC

Introduction

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the 6-month period ended 31 March 2010 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the condensed information in the set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the 6-month period ended 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Oliver Tant

For and behalf of KPMG Audit Plc
Chartered Accountants
8 Salisbury Square, London, EC4Y 8BB
10 May 2010