

**TUI TRAVEL PLC**
**INTERIM MANAGEMENT STATEMENT AND RESULTS FOR  
THE THIRD QUARTER AND NINE MONTHS ENDED 30 JUNE 2010 (UNAUDITED)**
**Key financials**

Third quarter ended 30 June 2010

£m	Pro forma Q3 10 <sup>2</sup>	Q3 09	Change %
Revenue	<b>3,416</b>	3,575	<b>-4%</b>
Underlying operating profit <sup>1</sup>	<b>103</b>	102	<b>+1%</b>
Underlying operating margin %	<b>3.0%</b>	2.9%	<b>+0.1pp</b>

<sup>1</sup> Underlying operating profit excludes separately disclosed items, amortisation of IFRS 3 intangibles and taxation of results of the Group's joint ventures and associates

<sup>2</sup> Pro forma revenue and underlying operating profit are financial measures for the period reported before the estimated financial impact of the closures of Northern European airspace as a result of volcanic ash

**Highlights**

- Underlying operating profit excluding the volcanic ash impact is in line with the prior year at £103m; however, incremental synergy benefits have been offset by a weaker trading result.
- The total impact of the volcanic ash disruption, including the impact of further airspace closures in May, is estimated to be £105m and almost 400,000 of our customers were affected.
- Summer 2010 trading:
  - Booking volumes have been strong across our source markets over the last twelve weeks with the exception of the UK and the Netherlands: Nordics up 14%, Germany up 12%, France up 5%, Belgium up 15%, UK down 2%, Netherlands down 3%;
  - Whilst our bookings to date are up 2% in the UK, the market has been particularly affected by the disruption caused by airspace closures, good weather and the uncertainty around the emergency budget, resulting in a later booking pattern which has adversely affected profitability;
  - The German market has seen strong booking volumes during the period but in lower margin product;
  - Following the difficult trading conditions in these markets and an anticipated adverse foreign exchange translation impact in the final quarter we now expect our full year results to be at the lower end of expectations.
- Early Winter 2010/11 and Summer 2011 trading has started positively.

Peter Long, Chief Executive of TUI Travel PLC, commented

“The strong booking trends experienced up until the volcanic ash disruption in mid-April and the subsequent rebound in early May were not sustained throughout the early summer period. This was particularly marked in the UK source market where trading was affected by further airspace closures, good weather and post election uncertainty regarding the emergency budget. All of these factors have had an impact on consumers’ booking patterns. Consequently, the booking curve has shortened and the mix of later market sales for

Summer 2010 has increased. The higher than expected proportion of sales in the lower margin later period will inevitably affect UK profitability. Additionally in Germany, although volumes have been good, there is continued price pressure in commodity segments.

When we take the later booking curve and the adverse impact of foreign exchange translation into account, we believe that the results for the year will be at the lower end of the range of expectations. Furthermore, it remains difficult to predict how the later booking pattern will change over the next 12-18 months in the light of the current economic environment. We are, therefore, taking a more prudent view of the outlook, including the timeline for the delivery of our margin roadmap. Nevertheless, I have a strong belief that our continued focus on differentiated product, turning around underperforming businesses and growth initiatives will enable us to achieve our medium term margin targets”.

### **Investor and Analyst Conference Call**

A conference call for investors and analysts will take place today at 8.15am (BST). The dial-in arrangements for the call are as follows:

Telephone: +44 (0) 1452 555 566  
Participant Code: 92946889

A presentation to accompany the conference call will be made available at 8.00 am (BST) via our corporate website:

<http://www.tuitravelplc.com>

A recording of the conference call will be available for one month on:

Telephone: +44 (0) 1452 550 000  
Participant Code: 92946889#

### **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
Michelle Jeffery, Corporate Communications Manager	Tel: 01293 645 776

#### **Hudson Sandler**

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

## CURRENT TRADING AND OUTLOOK

Summer 2010

YoY customer booking variation %	Cumulative bookings at 2 May	Bookings since previous trading statement	Cumulative bookings at 1 August
UK	+4	-2	+2
Nordic Region	+19	+14	+17
Germany	-2	+12	+3
France	+13	+5	+10
Belgium	-3	+15	+2
Netherlands	-4	-3	-4

<u>Current Trading</u> <sup>1</sup>	<i>Summer 2010</i>			<i>Risk Only Capacity</i> <sup>3</sup>
YoY variation%	Total ASP <sup>2</sup>	Total Sales <sup>2</sup>	Total Customers <sup>2</sup>	
<b>MAINSTREAM</b>				
<b>Northern Region</b>				
Short-haul	+11	-2	-12	
Medium-haul	+6	+15	+9	
Long-haul	+8	+29	+19	
<b>UK</b>	<b>+10</b>	<b>+12</b>	<b>+2</b>	+3
Nordic Region	+1	+18	+17	+15
<b>Northern Region</b>	<b>+9</b>	<b>+13</b>	<b>+4</b>	
Germany	-2	+1	+3	-5
Austria	-1	-3	-2	
Switzerland	-2	+1	+3	
Poland	-5	+20	+27	
<b>Central Europe</b>	<b>-2</b>	<b>+1</b>	<b>+3</b>	
France	Flat	+10	+10	
Belgium	-3	-1	+2	
Netherlands	+3	-1	-4	
<b>Western Europe</b>	<b>Flat</b>	<b>+3</b>	<b>+3</b>	+3
<b>SPECIALIST</b>	<b>+4</b>	<b>Flat</b>	<b>-4</b>	
<b>ACTIVITY</b>	<b>NA</b>	<b>+4</b>	<b>NA</b>	
<b>A&amp;D</b> <sup>4</sup>	<b>+4</b>	<b>+34</b>	<b>+28</b>	

<sup>1</sup> These statistics are up to 1 August 2010 and are shown on a constant currency basis

<sup>2</sup> These statistics relate to all customers whether risk or non-risk

<sup>3</sup> These statistics include all risk capacity programmes

<sup>4</sup> These statistics refer to online businesses only; Sales refers to total transaction value (TTV) and customers refers to roomnights

In the UK, the market has slowed markedly following the recurrence of airspace closures, the emergency budget and subsequent austerity measures, and the better than average UK weather, combined with quiet trading during the World Cup. Since our last update, industry booking volumes were c.10% down on the prior year. Within this difficult market context we traded relatively well, but nevertheless have experienced slower booking trends (2% lower in the period) compared to the strong trading seen before April. This has resulted in more stock left to sell in the later period, leading to lower booked margins than previously expected. Whilst demand has improved in recent weeks, margins are lower than previously forecast and load factor is now 83%, one percentage point lower than the prior year.

Trading in the Nordic region has been consistently strong and we are almost fully sold. We expect the business to deliver record summer profits despite the best weather experienced in over 100 years across much of the region. This reflects the success of our differentiated product strategy.

In Germany, we have seen good booking volumes in recent months (up 12% since our last update) but this has been offset by a shift in demand to lower value products which attract lower margins. We also experienced growth in less profitable overland tours following the

airspace closures as customers were concerned about a recurrence of the disruption. Load factor is now 84%, one percentage point higher than prior year.

In France, Nouvelles Frontières is trading ahead of the prior year which was affected by civil unrest in a number of key destinations. Demand for its new concept clubs continues to be strong. Marmara is likewise seeing strong volume growth and its three new clubs in Taba (Egypt), Marbella and Sardinia have also proved successful in their first summer of operation.

We have appointed Pascal de Izaguirre, formerly Executive Vice President, Ground Operations at Air France, as the new Managing Director of Corsair and the new management team is finalising plans for a business that can operate on a viable basis in the future. The scheduled flying market continues to be highly competitive, but there are signs of a more stable yield environment and Corsair is benefitting accordingly.

In Belgium, trading has strengthened since our last update and we are outperforming in a weak market, particularly in medium haul destinations. An increased flying programme from regional airports and strong customer demand for our recently enlarged 'comfort class', which offers an extra two inches of leg room, are contributing to our success.

In the Netherlands, demand was slow during the country's World Cup campaign but has strengthened since the tournament ended.

Booking volumes in the Specialist sector, excluding our emerging markets businesses, are now 4% down compared with the prior year, due to continued weakness in sales of long haul packages on scheduled flights. Booking activity in our Russian and Ukrainian businesses continues to be strong, with volumes up 30% on the prior year, although margins remain subdued due to the high levels of competition in the market.

In the Activity sector, sales to date are up 4%, representing greater demand for Adventure holidays.

Strong volume growth in the B2C and B2B online businesses in the A&D sector has continued, with roomnights up 28%. Margins remain ahead of the prior year in this segment offsetting the volume decline seen in the offline business.

#### Volcanic Ash Impact

As a result of the widespread closures of European airspace following concerns related to volcanic ash in the atmosphere, almost 400,000 of our customers were affected by either having their holidays cancelled or being stranded in resort. 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 now have greater clarity of the total impact of the disruption and now expect the total cost of welfare, repatriation and cancelled flights to total £95m. The disruption is estimated to have cost a further £10m due to lost contribution in the period immediately following the closures coupled with the further closures and disruption in May, particularly in the UK. The welfare and repatriation costs of £67m are reported as separately disclosed items in the income statement and the impact of lost contribution of £38m is excluded from our pro forma operating profit, as identified in the income statement.

We are very disappointed that national governments and the EU are refusing to contemplate compensating the industry for an unjustified airspace closure that was entirely beyond our control.

Early trading for this period has started positively in all source markets.

In the UK, cumulative bookings are up 3% and bookings in the last four weeks are up 22%. As a result of improved productivity of our fleet in our winter flying programme and a change in the fleet mix in Canada from B757s to B737-800s, there is a capacity increase in the UK for Winter 2010/11. It is currently too early in the booking cycle to determine whether we will achieve a margin benefit from these actions given the current economic environment.

In the Nordic region, bookings have started strongly across all four countries. The load factor is ahead of the prior year at 35% despite an increase in capacity following the reduction implemented last year and after the strong demand seen in Summer 2010. The planned capacity increase has partly been achieved through the use of additional long haul aircraft from our airlines in the UK and France to take advantage of higher returns than are currently available in those markets.

### **Foreign Exchange Translation**

The underlying operating profit in the third quarter was £3m lower due to a foreign exchange translation impact following the recovery of Sterling against the Euro. With exchange rates at current levels we anticipate an adverse impact on the full year result of approximately £10m to £15m, primarily due to the translation of high season profits from Eurozone source markets.

### **Integration Synergies**

During the quarter we delivered £28m of incremental synergy benefit, with £24m in the UK Mainstream and £4m in other source markets. Total synergies achieved since merger are £174m, including an incremental benefit of £54m in the current financial year. We now expect £75m of incremental benefit in the full year, giving a total benefit of £195m delivered since merger.

### **Outlook**

The later booking pattern in the UK source market means that we have more stock left to sell in the later market and accordingly expect margins to be lower than previously forecast. We are accelerating the remaining synergy delivery to help mitigate the trading impact but, nevertheless, we do not now believe that the UK source market will fully recover the incremental losses incurred in the winter period. This, coupled with an anticipated adverse foreign exchange translation impact, means we now envisage the Group's full year results to be at the lower end of expectations.

Whilst encouraged by early trading for the upcoming winter season, we remain cautious on the outlook for demand beyond this financial year given the uncertain economic environment facing many of our customers and therefore we are taking a more prudent view of the timeline for the delivery of our margin roadmap. However, with a continued focus on offering more unique holiday experiences and improving the profitability of our poorer performing businesses we remain confident that we can still achieve our medium term margin targets.

## THIRD QUARTER BUSINESS AND FINANCIAL REVIEW

### Group Performance

#### Third quarter ended 30 June 2010

£m	Pro forma Q3 10 <sup>2</sup>	Q3 09	Change %
Revenue	3,416	3,575	-4%
Underlying operating profit <sup>1</sup>	103	102	+1%
Underlying operating margin %	3.0%	2.9%	+0.1pp

#### Nine months ended 30 June 2010

£m	Pro forma 9M 10 <sup>2</sup>	9M 09	Change %
Revenue	8,349	8,954	-7%
Underlying operating loss <sup>1</sup>	(211)	(187)	-13%
Underlying operating margin %	(2.5%)	(2.1%)	-0.4pp

<sup>1</sup> Underlying operating profit / loss excludes separately disclosed items, amortisation of IFRS 3 intangibles and taxation of results of the Group's joint ventures and associates.

<sup>2</sup> Pro forma revenue and underlying operating profit are financial measures for the period reported before the estimated financial impact of the closures of Northern European airspace as a result of volcanic ash

Group revenue (pro forma) declined by 4% to £3,416m in Q3 10. Organic revenue was 2% higher in the quarter, while foreign currency translation reduced revenue by 4% and the net impact from acquisitions and disposals reduced revenue by 2% following the strategic actions in Canada and scheduled flying in Germany.

The Group's pro forma underlying operating profit was £103m (Q3 09: £102m), with the result primarily driven by incremental integration synergies being offset by difficult trading conditions in the UK and Germany.

The main drivers of the year on year change in Q3 underlying operating profit are:

£m	
<b>Q3 09 underlying operating profit</b>	<b>102</b>
Incremental synergies	+28
Acquisitions (low-season losses)	-2
Emerging Markets	-2
FX Translation	-3
Trading	-20
<b>Q3 10 underlying operating profit (pro forma)</b>	<b>103</b>

## Segmental Performance

Segmental performance measures are reported on a pro forma basis, before the estimated financial impact of the closures of Northern European airspace as a result of volcanic ash.

	Northern Region	Central Europe	Western Europe	<b>Total Mainstream</b>	<b>Specialist</b>	<b>Activity</b>	<b>A&amp;D</b>	<b>Group</b>	<b>Total Group</b>
<b>Customers ('000)</b>									
Q3 10	1,905	1,965	1,419	<b>5,289</b>	269	-	-	-	-
Q3 09 <sup>2</sup>	1,885	2,114	1,407	<b>5,406</b>	293	-	-	-	-
Change %	+1%	-7%	+1%	<b>-2%</b>	-8%	-	-	-	-
<b>Revenue (£m)</b>									
Q3 10	1,167	1,041	691	<b>2,899</b>	191	184	142		<b>3,416</b>
Q3 09	1,032	1,277	718	<b>3,027</b>	208	181	159	-	<b>3,575</b>
Change %	+13%	-18%	-4%	<b>-4%</b>	-8%	+2%	-11%		<b>-4%</b>
<b>Underlying operating profit / (loss) (£m)<sup>1</sup></b>									
Q3 10	49	32	(2)	<b>79</b>	3	9	18	(6)	<b>103</b>
Q3 09	38	41	(16)	<b>63</b>	8	21	16	(6)	<b>102</b>
Change %	+29%	-22%	-88%	<b>+25%</b>	-63%	-57%	+13%	-	<b>+1%</b>
<b>Underlying operating margin%</b>									
Q3 10	4.2%	3.1%	-0.3%	<b>2.7%</b>	1.6%	4.9%	12.7%	-	<b>3.0%</b>
Q3 09	3.7%	3.2%	-2.2%	<b>2.1%</b>	3.8%	11.6%	10.1%	-	<b>2.9%</b>
Change %	+0.5pp	-0.1pp	+1.9pp	<b>+0.6pp</b>	-2.2pp	-6.7pp	+2.6pp	-	<b>+0.1pp</b>

<sup>1</sup> Underlying operating profit / (loss) excludes separately disclosed items, amortisation of IFRS 3 intangibles and taxation of results of the Group's joint ventures and associates. Segmental results include the Group's share of results from joint ventures and associates

<sup>2</sup> Prior year customer numbers have been restated to reflect strategic transactions in Canada and Germany

### **Northern Region**

The Northern Region increased profit by £11m to £49m. In the UK, incremental synergy benefits of £24m were partially offset by lower trading profits following the slowdown in UK bookings and the increase in the proportion of lates market sales. Performance in the Nordic region was in line with expectations. In Canada, we continue to benefit from Sunwing's profitable summer programme following our strategic venture and now expect full year profits to be c.£20m better than the prior year.

### **Central Europe**

Central Europe reported a profit of £32m in Q3 10 (Q3 09: £41m). The result was adversely affected by lower load factors in June driven by the World Cup and lost sales following the volcano disruption, price pressure on commodity product and by a shift in mix towards lower priced holidays.

### **Western Europe**

Western Europe reported a loss of £2m, an improvement of £14m (Q3 09 £16m). The reduction in losses was driven by a better trading result across all source markets, including non-recurrence of the social unrest in the French West Indies in 2009 which affected Nouvelles Frontières (NF). NF's new clubs continue to be well received in the market and the tour operator achieved higher volumes and margins in the quarter. New destinations launched this summer by Marmara added profitable volume in their first season. Jetair in Belgium benefited from increased market share after competitors reduced capacity and exited from certain regional airports.

## **Specialist & Emerging Markets**

The sector delivered a profit of £3m in the third quarter, down £5m (Q3 09: £8m) due to lower trading profits and increased investment in our emerging markets presence. Trading profits reduced by £3m due to lower volumes in our long-haul, scheduled specialists and reduced demand for spring break trips in our US student business. Start up costs in our Russia & Ukraine joint ventures reduced profits by £2m in the quarter.

## **Activity**

The Activity sector delivered a profit of £9m in Q3 10 (Q3 09: £21m). Profits were affected by lower volumes in the polar cruising business (partly due to a planned reduction in the number of tours and partly due to lower occupation rates) as fixed costs were not recovered. Additionally, profitability in the Ski division was reduced due to lower volumes in the profitable Easter period following substantial capacity reductions for the whole season. In the Sport division, differences in timing of major events versus last year has shifted profits from Q3 to Q4.

## **Accommodation & Destinations (A&D)**

A&D reported a profit of £18m in Q3 10 (Q3 09: £16m). The increase was driven by growth generated from destination management services in new source markets in Latin America and Asia, including cruise handling operations, and from strong volume growth in LateRooms.com and Asiarooms.com.

## **TUI AG Reporting**

TUI AG, our majority shareholder, is issuing its third quarter results for the three months to 30 June 2010 tomorrow, 11 August. This report contains financial information relating to TUI Travel PLC. However, this information is not directly comparable due to different presentation and treatment of certain items.

**TUI TRAVEL PLC**  
**INTERIM RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2010**

Condensed consolidated income statement for the 9-month period ended 30 June 2010

	Note	<b>Pro forma results 9-month period ended 30 June 2010</b>	Pro forma impact of volcanic ash disruption	<b>9-month period ended 30 June 2010</b>	9-month period ended 30 June 2009	Year ended 30 September 2009
		£m	£m	£m	£m	£m
<b>Continuing operations</b>						
Revenue	1	8,349	(125)	8,224	8,954	13,863
Cost of sales		(7,838)	20	(7,818)	(8,467)	(12,705)
<b>Gross profit</b>		<b>511</b>	<b>(105)</b>	<b>406</b>	<b>487</b>	<b>1,158</b>
Administrative expenses		(862)	–	(862)	(838)	(1,130)
Share of (loss) / profit of joint ventures and associates		(4)	–	(4)	4	9
<b>Operating (loss) / profit</b>		<b>(355)</b>	<b>(105)</b>	<b>(460)</b>	<b>(347)</b>	<b>37</b>
<b>Analysed as:</b>						
Underlying operating (loss) / profit		(211)	(38)	(249)	(187)	443
Separately disclosed items	2	(97)	(67)	(164)	(117)	(340)
Acquisition related items		(44)	–	(44)	(42)	(56)
Impairment of goodwill		–	–	–	–	(7)
Taxation on results of joint ventures and associates		(3)	–	(3)	(1)	(3)
		<b>(355)</b>	<b>(105)</b>	<b>(460)</b>	<b>(347)</b>	<b>37</b>
Financial income		62	–	62	52	72
Financial expenses		(142)	–	(142)	(116)	(161)
<b>Net financial expenses</b>		<b>(80)</b>	<b>–</b>	<b>(80)</b>	<b>(64)</b>	<b>(89)</b>
<b>Loss before tax</b>		<b>(435)</b>	<b>(105)</b>	<b>(540)</b>	<b>(411)</b>	<b>(52)</b>
Taxation		124	29	153	115	42
<b>Loss for the period / year from continuing operations</b>		<b>(311)</b>	<b>(76)</b>	<b>(387)</b>	<b>(296)</b>	<b>(10)</b>
<b>Discontinued operation</b>						
Loss from discontinued operation		(22)	–	(22)	(8)	(14)
<b>Loss for the period / year</b>		<b>(333)</b>	<b>(76)</b>	<b>(409)</b>	<b>(304)</b>	<b>(24)</b>
<b>Attributable to</b>						
Ordinary shareholders		(333)	(76)	(409)	(305)	(25)
Non-controlling interests		–	–	–	1	1
<b>Loss for the period / year</b>		<b>(333)</b>	<b>(76)</b>	<b>(409)</b>	<b>(304)</b>	<b>(24)</b>

# Notes to the condensed consolidated financial statements

## 1. Basis of preparation

The financial information in this report relating to the 9 month periods ended 30 June 2010 and 30 June 2009 is unaudited. The unaudited financial information relating to the income statement for the 9 month periods ended 30 June 2010 and 30 June 2009 has been prepared on the basis of the Company's adopted IFRS accounting policies.

### *Pro forma financial information*

An unaudited pro forma income statement for the year ended 30 September 2010 has been prepared by the Directors, on the pro forma basis described below. This is to illustrate the estimated financial effect on the consolidated income statement in the current year of the unprecedented closure of UK and European airspace, following the eruption of the Eyjafjallajokull volcano in Iceland in April 2010. During this period of closure and the period to resumption of a full flying schedule, from 15 April 2010 to c. 23 April 2010, the Group's ability to earn revenue from package holidays and flights was severely impacted and the Group incurred costs associated with disruption caused to holidays in progress and stranded passengers.

The unaudited pro forma information is included within the consolidated income statement. This is to provide information which the Directors consider helps to provide a better understanding of the underlying performance of the business. The differences between the unaudited pro forma income statement information and the consolidated statutory income statement for the year are summarised as follows:

- The pro forma income statement excludes the estimated incremental direct costs incurred by the Group in respect of welfare costs to look after the customers who were affected by the closure of European airspace. These costs principally include hotel costs for stranded inbound and outbound customers, and the cost of repatriation of inbound customers. The estimated costs amount to £67m.
- The pro forma income statement includes the estimated revenue (£93m) and estimated attributable cost of sales and administrative expenses (£65m) from holidays and flights which were both booked and paid for prior to the closure of the airspace but which were cancelled and unable to depart during the affected period (a foregone gross profit contribution of £28m).
- The pro forma income statement also includes an estimated reduction in holiday and flights sales of £32m and cost of sales of £22m in the immediate period after 23 April 2010, as a result of the uncertainty from both the original closure of airspace and further additional closures and disruption in May, particularly in the UK. This impact, in terms of foregone gross profit contribution, is estimated at £10m.

A detailed analysis of the impact on the pro forma income statement of the impact of volcanic ash disruption is shown in the table below:

	<b>Cancellations 15-23 April £m</b>	<b>Estimated impact post 23 April £m</b>	<b>Incremental costs £m</b>	<b>Total £m</b>
Revenue	(93)	(32)	-	(125)
Cost of sales	65	22	(67)	20
Gross profit	(28)	(10)	(67)	(105)
Separately disclosed item (SDI)	-	-	(67)	(67)
Non-SDI	(28)	(10)	-	(38)
	(28)	(10)	(67)	(105)

Certain customers whose holidays and / or flights were cancelled will have subsequently re-booked their holiday once full holiday and flying operations commenced again after 23 April 2010. It is not possible to reliably track such re-bookings. It is also not possible to demonstrate that the re-booked holiday capacity would not otherwise have been sold and made a positive contribution, given the ability of the Group to sell and distribute holidays up until the date of departure. Consequently no adjustment has been made to reflect an estimate of such possible re-bookings in the pro forma financial information.

The pro forma income statement does not include the estimated benefit of lost revenue and positive contribution which would have arisen from the sale of further holidays during the affected period from 15-23 April 2010 in the 'lates' market which would otherwise have departed during this period.

The closure of UK and European airspace had no effect on the comparative year to 30 September 2009 and therefore no pro forma income statement is presented for this period.

### 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 2).

### Acquisition related items

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

## 2. Separately disclosed items

	9-month period ended 30 June 2010 £m	9-month period ended 30 June 2009 £m	Year ended 30 September 2009 £m
<b>Separately disclosed items in operating (loss) / profit</b>			
Merger related integration costs	61	87	144
Restructuring expenses	36	30	72
Aircraft impairment	-	-	124
<b>Total pre volcanic ash</b>	<b>97</b>	<b>117</b>	<b>340</b>
Incremental costs caused by volcanic ash disruption	67	-	-
<b>Total</b>	<b>164</b>	<b>117</b>	<b>340</b>
<b>Separately disclosed financial expenses</b>	<b>2</b>	<b>8</b>	<b>12</b>

### 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.

On completion of the integration of IT systems in the UK tour operator, a review of legacy system-generated balances has occurred. This has led to the identification of a number of small receivable balances which have built up over an extended period of time at the rate of c. £4m a year over a 7-year period. Management no longer believes that these items are recoverable and therefore they have written off £29m in the current year.

The business has also now completed the creation of a single management information (MI) suite in the UK business. The improved MI and forecast capability which it has given the

business has now led to the closing out of certain foreign currency positions based on the improved visibility of past and future requirements, resulting in a £17m charge in the period.

Included in the 9-month period ended 30 June 2010 is a £44m credit which relates to a combination of aircraft order cancellation credits and compensation for delays to the delivery of aircraft.

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 9-month period ended 30 June 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 £5m 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 9-month period ended 30 June 2009 was £15m 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 £40m in relation to transaction costs and associated restructuring in the German source market due to the transaction to sell TUIfly's city charter business to Air Berlin PLC, and £13m for the ongoing restructuring of the French tour operator, Nouvelles Frontières.

### **Aircraft impairment**

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.

### **Volcano impact**

Included in separately disclosed items are the estimated incremental direct costs incurred by the Group in respect of welfare costs to look after the customers who were affected by the closure of European airspace. These estimated costs principally include hotel costs for stranded inbound and outbound customers, and the cost of repatriation of inbound customers. These costs amount to an estimated £67m and are shown in the 'Pro forma impact of volcanic ash disruption' column on the face of the condensed consolidated income statement on page 9.

### **Separately disclosed financial expenses**

The separately disclosed financial expenses in the 9 months ended 30 June 2010 relate to charges in respect of bank guarantees for merger integration costs.