

3 February 2011

**TUI TRAVEL PLC**

**("TUI TRAVEL")**

**FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2010**

**AND INTERIM MANAGEMENT STATEMENT**

**Key financials**

First quarter ended 31 December 2010

£m	Q1 11	Q1 10	Change
Revenue	<b>2,694</b>	2,533	<b>+6%</b>
Underlying operating loss <sup>1</sup>	<b>(84)</b>	(107)	<b>+21%</b>

<sup>1</sup> Underlying operating loss excludes separately disclosed items, amortisation of business combination intangibles, acquisition related expenses and taxation of results of the Group's joint ventures and associates

**Summary**

- Good Q1 performance driven by demand for differentiated product.
- Total revenue up 6% to £2,694m.
- Organic revenue up 10%, driven by higher volumes.
- Underlying operating loss improved by £23m to £84m.
- Improved trading performance across most source markets.
- Good turnaround progress in the quarter.
- Integration now complete and £200m of merger synergies delivered.
- Egypt and Tunisia situation could impact the Q2 result by £25m to £30m.

Peter Long, Chief Executive of TUI Travel commented:

"The improvement in the first quarter result was primarily driven by continued delivery of our turnaround plan and final merger synergy benefits, as well as a better trading performance.

We are closely monitoring events in Egypt and Tunisia and the safety of our customers is our primary consideration. Early indications are that customers are choosing to rebook to alternative destinations and we are taking action to remix our programmes in line with customer demand.

The progress in the first quarter represents an encouraging start to 2011 and the forward booking position is good. We remain cautious, however, given the current economic and geopolitical uncertainty".

## **FIRST QUARTER BUSINESS AND FINANCIAL REVIEW**

### **Group Performance**

Group revenue increased by 6% to £2,694m (Q1 10: £2,533m). Organic revenue growth was 10%, driven by stronger Mainstream volumes and pricing, together with strong growth in online accommodation sales in the A&D Sector. Our exit from scheduled flying operations in Germany and the strategic transaction in Canada, where we now account for the business as an associate, reduced revenue by 2%. Foreign exchange translation reduced revenues by a further 2%.

The Group's underlying operating loss improved £23m against the prior year to £84m (Q1 10: loss of £107m). The improvement was primarily driven by the Northern Region and Western Europe.

The strengthening of Sterling reduced the underlying operating loss in the quarter by £3m due to the translation of foreign currency losses at a more favourable exchange rate.

### **Segmental Performance**

	Northern Region	Central Europe	Western Europe	Total M'stream	Emerging Markets	Spec. & Activity	A&D	Group	Total
<b>Customers ('000)<sup>1</sup></b>									
Q1 11	1,209	1,504	1,042	<b>3,755</b>					
Q1 10	1,127	1,540	951	<b>3,618</b>					
Change %	+7%	-2%	+10%	<b>+4%</b>					
<b>Revenue (£m)</b>									
Q1 11	825	928	562	<b>2,315</b>	-	249	130	-	<b>2,694</b>
Q1 10	748	904	514	<b>2,166</b>	-	246	121	-	<b>2,533</b>
Change %	10%	3%	9%	<b>7%</b>	-	1%	7%	-	<b>6%</b>
<b>Underlying operating (loss)/profit (£m)</b>									
Q1 11	(39)	(14)	(17)	<b>(70)</b>	(3)	(9)	4	(6)	<b>(84)</b>
Q1 10	(54)	(9)	(26)	<b>(89)</b>	(2)	(11)	1	(6)	<b>(107)</b>
Change	15	(5)	9	<b>19</b>	(1)	2	3	-	<b>23</b>

<sup>1</sup> Northern Region customer numbers exclude our Canadian operations in both years

### **Mainstream Sector**

#### **Northern Region**

Underlying operating loss in the Northern Region reduced by £15m to £39m (Q1 10: £54m). The improvement was driven by the benefits of the strategic venture in Canada with Sunwing, improved trading in the UK and Nordics, and delivery of the final £5m of UK merger synergies.

In the UK, better trading offset costs arising from: the severe weather disruption in December; lost contribution as a result of two cruise ships being in extended dry dock for maintenance; and higher flying costs due to the UK fleet operating more B757s in the UK fleet for this winter. This fleet remix allows our Canadian venture to optimise its winter profit.

The Nordic region delivered increased profitability as a result of higher volumes, following market share gains. The business successfully used a B747 from our French airline to enhance its market leading Thailand programme.

The strategic venture with Sunwing in Canada was formed in January 2010. This quarter, therefore, was the first Q1 where we benefited from the improved profitability in this business. The venture has also started to deliver its synergy plan, which includes reduced flying costs, increased accommodation purchasing power, removal of duplicated resources and a shift to a single reservation system.

### **Central Europe**

In Central Europe, the underlying operating loss increased by £5m to £14m (Q1 10: £9m). The increase resulted primarily from the exit from scheduled flying operations in October 2009, following the transaction between TUIfly and Air Berlin, as these operations contributed profits in October 2009. The severe weather also affected the result in the quarter.

### **Western Europe**

The underlying operating loss in Western Europe reduced by £9m to £17m (Q1 10: £26m). All source markets in the region contributed to the improved result following strong volume growth. Corsair delivered an improved operating result in the quarter, although as we reduce capacity in the summer season as part of the turnaround plan, we expect some of this benefit to reverse.

### **Emerging Markets Sector**

In the Emerging Markets Sector, we continue to invest in building scale and in brand development in Russia and Ukraine. Underlying operating losses were £3m (Q1 10: £2m).

### **Specialist & Activity Sector**

The Specialist & Activity Sector reported an underlying operating loss of £9m, £2m better than the prior year (Q1 10: £11m), due to a recovery in our private jet tours business, and improved trading in the Marine business.

### **A&D Sector**

The A&D Sector reported an improved underlying operating profit of £4m (Q1 10 £1m), driven by a strong increase in roomnights in our accommodation businesses.

Our accommodation wholesalers, Bedsonline and Hotelbeds, delivered a 20% increase in roomnights following continued expansion in Latin America, with particularly strong growth in Brazil. LateRooms.com, our accommodation OTA, increased roomnights by 19% as it continued to increase its market share. The increase in profits was partially offset by marketing and product investment in AsiaRooms.com, where we are increasing our hotel content and translating our website into local languages to address the high growth domestic markets in Asia.

### **Separately disclosed items**

Separately disclosed items were £7m (Q1 10: £18m). These consist of restructuring costs of £6m, mainly related to the ongoing restructuring in France of both the retail business and the airline, and £1m of residual merger related integration costs.

### **Egypt and Tunisia Update**

We expect the Egypt and Tunisia situation to negatively affect our Q2 result.

In Egypt, we have cancelled programmes from many source markets, including Germany France, Belgium, the Netherlands and the Nordics. In line with Government advice, we are continuing our operations from the UK source market to the Red Sea resorts and are closely monitoring the situation. If we are not able to operate any further holidays to Egypt for the rest of the winter from any source market except for the UK, we estimate the Q2 impact will

be approximately £20m. If UK Government advice changes and we can no longer operate from that source market we would expect the impact to increase by approximately £5m.

In Tunisia we have incurred costs to repatriate customers and have forgone contribution following cancellation of holidays in all source markets. Together, we estimate this will affect the Q2 result by approximately £5m.

Early indications are that customers are choosing to rebook to alternative destinations and we are taking action to remix our programmes in line with customer demand.

Consolidated income statement (unaudited)  
for the 3 month period ended 31 December 2010

	3 month period ended 31 December 2010 £m	3 month period ended 31 December 2009 £m
<b>Continuing operations</b>		
<b>Revenue</b>	<b>2,694</b>	2,533
Cost of sales	<b>(2,560)</b>	(2,415)
<b>Gross profit</b>	<b>134</b>	118
Administrative expenses	<b>(246)</b>	(257)
Share of profit of joint ventures and associates	<b>4</b>	(1)
<b>Operating loss</b>	<b>(108)</b>	(140)
Analysed as:		
Underlying operating loss	<b>(84)</b>	(107)
Separately disclosed items	<b>(7)</b>	(18)
Amortisation and acquisition costs	<b>(16)</b>	(14)
Taxation on profits of joint ventures and associates	<b>(1)</b>	(1)
	<b>(108)</b>	(140)
Financial income	<b>31</b>	25
Financial expenses	<b>(57)</b>	(51)
<b>Net financial expenses</b>	<b>(26)</b>	(26)
<b>Loss before tax</b>	<b>(134)</b>	(166)
Taxation	<b>37</b>	45
<b>Loss for the year from continuing operations</b>	<b>(97)</b>	(121)
<b>Discontinued operation</b>		
Loss from discontinued operation	<b>(2)</b>	(3)
<b>Loss for the year</b>	<b>(99)</b>	(124)

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