

FIRST CHOICE HOLIDAYS PLC**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 APRIL 2007****Highlights**

- Underlying operating loss before interest and tax improved by 1% to £66.5m (2006: £67.0m)
- Underlying loss before tax of £82.5m (2006: £76.5m) due to higher financing cost resulting from increased spend on acquisitions
- Interim dividend up by 11% to 2.50p per ordinary share (2006: 2.25p)
- Improvement in underlying gross and operating margin
- Seven strategic acquisitions in niche specialist segments made in the first half for a maximum consideration of £145.8m (2006: £94.9m)
- Continued investment in long-haul programme and Holiday Villages; Dominican Republic opened in Winter 2006, Egypt opening in Summer 2007, Mexico and Cyprus openings planned for Summer 2008
- Specialist sectors underlying operating profit improved to £5.1m (2006: £0.2m)
- Agreement with TUI AG to create TUI Travel PLC by merging First Choice Holidays with the TUI tourism business (excluding certain hotel assets)

Financial highlights

£m	Underlying ¹ results			Reported results		
	HY07	HY06	Change	HY07	HY06	Change
Revenue	1,017.7	960.7	+5.9%	1,017.7	960.7	+5.9%
Operating loss	(66.5)	(67.0)	+0.7%	(86.3)	(68.7)	-25.6%
Loss before tax	(82.5)	(76.5)	-7.8%	(102.8)	(78.2)	-31.5%
Basic loss per share	(11.4p)	(10.5p)	-8.6%	(14.2p)	(11.0p)	-29.1%
Dividend per share	2.50p	2.25p	+11.1%	2.50p	2.25p	+11.1%

Current trading

- For Summer 2007 Mainstream Holidays Sector revenues are up 3%, with long-haul revenues and bookings up 26% and 21% respectively
- Specialist Holidays Sector revenues and bookings are ahead of last year by 18% and 16% respectively
- Activity Holidays Sector revenues are up 5% on a like for like basis
- Online Destination Services bednight bookings are 32% up on prior year
- Laterooms.com bednights and revenues are up 73% and 78% respectively

¹ The Group believes that underlying operating loss, underlying loss before tax and underlying loss per share provide additional guidance to statutory measures on the underlying performance of the business during the financial period. Underlying loss before tax and underlying operating loss exclude separately disclosed items, amortisation of business combination intangibles, impairment of goodwill and taxation of losses of the Group's joint venture and associate.

Commenting on the results, Peter Long, Chief Executive said:

“I am pleased with the first half trading performance in what has been a challenging market, particularly in the UK and of course an exceptionally busy period for the company. The recent acquisitions are performing very well and the pipeline remains strong.”

“It gives me great confidence for the future that we have such strength in depth within our management team that we have been able to pursue a large corporate transaction with TUI, complete the competition process whilst still delivering a good trading performance and integrating a number of acquisitions. Over the next few months this capability will be vital as we focus on delivering the results through the key summer period and completing the merger.”

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First Choice Holidays PLC

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Note to editors:

High resolution images are available for the media to view and download from www.vismedia.co.uk.
For details of the webcast please visit our website www.firstchoiceholidaysplc.co.uk

INTERIM STATEMENT

Overview

The first half performance of the Group has been in line with our expectations and we are pleased to report a satisfactory overall result despite challenging trading conditions in some markets. We have continued to actively manage capacity and differentiate our Mainstream business through greater emphasis on exclusive product and medium and long-haul destinations, whilst building a portfolio of niche leisure travel businesses that operate in high growth segments. This strategy provides us with flexibility and the ability to diversify risk across the Group and drive margin growth.

During the period, we were pleased to announce the proposed creation of one of the world's leading travel groups, TUI Travel PLC through the recommended merger of First Choice and the tourism division of TUI AG (excluding certain hotel assets). The strong strategic fit of the businesses, combined with a leading management team provides the opportunity to create one of the world's most profitable travel groups. The merger will enable us to deliver sustainable revenue and long-term earnings growth while deriving cost advantage from leveraging both synergy opportunities and economies of scale to enhance margins.

Financial results

The Group achieved underlying loss before tax of £82.5m (2006: £76.5m), with underlying operating loss reduced by 1% to £66.5m (2006: £67.0m), on revenue growth of 6% to £1,018m (2006: £961m). The 8% increase in underlying loss before tax to £82.5m was primarily as a result of higher net financing expenses (up £6.5m to £16.0m) due to interest on acquisitions in the first half (£3.0m of the increase), the full period impact on interest expense of FY06 acquisitions (£2.5m of the increase) and higher borrowing costs as a result of the recent rises in UK interest rates (£1.0m of the increase). Consequently, underlying loss per share increased to 11.4 pence (2006: 10.5 pence). The Board has declared an interim dividend of 2.50p (2006: 2.25p) per ordinary share. This represents an increase of 11% compared to the same period in the prior year.

The Group's results, on both a statutory and underlying basis, are set out in the table below.

<u>Six months ended 30 April</u>	2007	2006
Revenue	£1,018m	£961m
Underlying operating loss	(£66.5m)	(£67.0m)
Underlying loss before tax	(£82.5m)	(£76.5m)
Statutory operating loss	(£86.3m)	(£68.7m)
Statutory loss before tax	(£102.8m)	(£78.2m)
Underlying basic loss per share	(11.4p)	(10.5p)
Statutory basic loss per share	(14.2p)	(11.0p)

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

	2007	2006
	£m	£m
Underlying loss before tax	(82.5)	(76.5)
Separately disclosed items	(12.9)	-
Loss on disposal of investment in associate	(0.5)	-
Amortisation of business combination intangibles	(7.9)	(2.5)
Taxation on profits of joint venture and associate	1.0	0.8
Statutory loss before tax	(102.8)	(78.2)

As previously announced, due to the UK Government raising Air Passenger Duty (APD) in December 2006, we have been unable to recover the one-off cost of the retrospective tax for bookings made pre 6 December 2006. In addition, we have incurred some further costs in closing underperforming business units in the first half in Germany and Belgium and downsizing and restructuring particularly through outsourcing back office operations in the Mainstream Holidays Sector. We also incurred advisor fees and other related costs in connection with the potential sale of the Mainstream Sector which was terminated on 12 February 2007. Accordingly, the Group has incurred separately disclosed items of £12.9m (2006: £nil).

Sector reviews

Mainstream Holidays

<u>Winter 2006/07</u>	Winter 06/07	Winter 05/06	Change%
Passengers ('000)¹			
Short-haul	153	173	-12%
Medium-haul	337	364	-7%
Long-haul	135	109	+25%
Total	625	646	-3%
Revenue per passenger			
Short-haul	+4%		
Medium-haul	+3%		
Long-haul	+10%		
Total	+12%		
Revenue growth			
Short-haul	-9%		
Medium-haul	-4%		
Long-haul	+37%		
Subtotal	+8%		
Other revenues ²	-10%		
Total	+4%		
Underlying operating loss (£m)	(60.9)	(54.8)	-11%
Operating margin	(16.6)%	(15.5)%	-1.1ppts
Controlled distribution ³	62%	57%	+5ppts
Online distribution ³	34%	31%	+3ppts
¹ Passenger numbers include inclusive tour and flight-only sales for the UK, Ireland and Ski, whereas the trading updates simply focus on inclusive tour and flight-only sales for the UK.			
² Other revenues include distribution, airline, accommodation only, cancellation and sundry revenue.			
³ Controlled and online distribution is expressed as a total % of customer bookings.			

In what continues to be a particularly challenging UK market, the Mainstream Holidays Sector has performed in line with our expectations. The Sector's revenue for the six months ended 30 April 2007 was £367.7m (2006: £352.5m), with an underlying operating loss of £60.9m (2006: £54.8m). The increase in the underlying loss is attributable to a number of factors, including the impact of the increase in APD resulting in a £2.5m impact to margin. As previously announced, we have not been able to fully recover the rise in fuel prices from our customers, resulting in a £2.0m impact to profitability, while the continuing investment in the long-haul programme has cost £3.0m in the first half. We now have our full complement of six long-haul B767s, with five operating and one providing dedicated standby cover, all of which will be in operation until we start to take delivery of our first B787s in 2009.

Winter capacity was flat year-on-year with a 7% reduction in short-haul, 8% in medium-haul and a 30% increase in long-haul. The demand for our long-haul offering is very encouraging and it now accounts for 25% of our Winter programme (2006: 19%).

We continue to increase our control of distribution and in the Winter period 62% (2006:57%) of First Choice product was sold through our own channels, while for Summer 2007 it is 71% (2006: 66%). The investment in exclusive differentiated product continues. In the Winter we operated five Holiday Villages, including our first long-haul Holiday Village in the Dominican Republic. Our newest Holiday Village, in Egypt, has opened for this Summer and two more Holiday Villages, Mexico and Cyprus, will open next Summer.

Specialist Holidays

This Sector operates a business model characterised by destination specialisation and expertise, flexible accommodation and flying arrangements with niche brands in each source market. The Sector delivered an underlying operating profit of £10.9m (2006: £9.4m) on revenues of £400.6m (2006: £428.3m), representing a margin improvement of 50 basis points. The performance was driven primarily by a strong UK performance, managing capacity in a challenging Canadian market and in the key European source markets.

European Specialist Businesses

The UK Specialist businesses enjoyed an excellent Winter with underlying operating profits increasing by £1.0m year-on-year. The restructuring of the Division and the investment in a dynamic new selling system is now yielding benefits with controlled distribution increasing from 57% of total bookings to 69% across the Division. In the Continental European Specialist businesses the rate of sale continued to improve throughout the season with the businesses managing capacity carefully throughout the period. Egypt has continued to recover from terrorist incidents which affected trading during the Winter 2006 season, while capacity to Morocco increased by 33% following the launch of a further Marmara club in the destination, which proved extremely popular with our customers.

As previously announced, we have decided to scale back, or close, certain smaller businesses in Continental Europe which had sales in the year ending 31 October 2006 of £36.3m. The £4.5m benefit arising from these actions will be realised in the current financial year.

North American Specialist Businesses

The Canadian market remains highly competitive and this Winter the weather was also unseasonably warm during December and January. Despite the competitive environment, Signature Vacations performed strongly across all the regions of the country, as we were able to successfully manage capacity despite weakened demand during the early part of the season with minimal impact on profitability.

The First Choice Student Travel businesses based in the USA and Canada performed in line with our expectations. The recent acquisitions in educational student travel have integrated well into the division and are performing as anticipated.

	<u>Winter 06/07</u>	<u>Winter 05/06</u>	<u>Change%</u>
Passengers ('000)¹			
Europe	360	334	+8%
North America	360	338	+6%
Total	720	672	+7%
Year-on-year variation			
Revenue per passenger			
Europe	-5%		
North America	+4%		
Total	Flat		
Revenue growth			
Europe	+3%		
North America	+11%		
Subtotal	+7%		
Other ²	-12%		
Total	-6%		
Underlying operating (loss)/profit (£m)	2007	2006	
Europe	(4.8)	(7.1)	32%
North America	15.7	16.5	-5%
Total	10.9	9.4	16%
Underlying operating margin	2.7%	2.2%	+0.5ppts
<i>Note</i>			
¹ Passenger and revenue KPI's include FY06 and FY07 acquisitions, and exclude discontinued operations.			
² Other includes revenue relating to discontinued operations in FY06 and FY07 and the impact of changing foreign exchange rates.			

Activity Holidays

The Activity Holidays Sector delivered an underlying operating loss of £6.8m (2006: loss of £7.5m) on revenue growth of 25% to £174.7m (2006: £140.1m). The £0.7m improvement in the underlying operating loss was primarily a result of continued growth in the Adventure division and the contribution from in-year and prior year acquisitions.

Marine

The Sunsail Yachts and Moorings' integration is progressing well and we remain on target to deliver the anticipated cost synergy benefits of £5m this year, which is ahead of our original target.

Sunsail Clubs has reduced capacity following the closure of the Javelin Club in Turkey for re-development, it is planned to re-open the Javelin Club in 2008. This market remains challenging with a number of competitors offering holidays at significantly discounted prices. Our newest club, Phokaia in Turkey is in its second year of operation and demand is very high, up 56% year-on-year, giving us confidence that, despite the competitive environment, a superior club experience is important to our customers.

Occupancy levels within Inland Waterways have risen over the season, while the level of direct sales has increased by four percentage points to 46% (2006: 42%).

Adventure

The Adventure division, which includes First Choice Expedition Cruising, performed in line with our expectations with consumer demand for adventure-style holidays continuing to drive top-line and margin growth, with total revenues up 28% to £105m (2006: £82m) and like-for-like revenues up 19%. During the period, we reviewed our participation in the expedition cruising market and took the strategic decision to focus solely on polar expedition cruising. As a consequence, we acquired Quark Expeditions the world's leading operator of expedition cruise voyages to the polar regions. Quark operate six ships in the polar region and has built up market leading expertise in this activity. This acquisition will allow us to combine the Peregrine ships to create the market-leading operator in the polar expedition cruising market. As a result of this decision, after the period end, we sold the two Clipper ships that we acquired with the INTRAV acquisition for net disposal proceeds of £16m, although we have retained a medium-term charter on the Clipper Adventurer. In our opinion access to this type of capacity is important but ownership of the assets was not the optimum use of capital when capacity was readily available in the marketplace. With our enhanced position in this market we will be able to substantially improve our itineraries in the 2007/08 cruising programme.

The schools business performed well during its key trading period including a strong performance from the Travel Class business we acquired in 2006. The FlexiSki business benefited from restructuring and delivered excellent growth during its key trading period.

Winter 2006/07

Year-on-year variation	Revenue	
	Total	Like-for-like
Marine	+25%	+3%
Adventure ¹	+28%	+19%
Escorted Tours	+9%	n/a
Total	+25%	+15%

	<u>Winter 06/07</u>	<u>Winter 05/06</u>	<u>Change</u>
Underlying operating loss (£m)	(6.8)	(7.5)	+9.3%
Operating margin	(3.9)%	(5.3)%	1.4ppts

¹ Winter 2006/07 revenue includes First Choice Expedition Cruising, which is not included in the trading updates

Escorted Tours

The Escorted Tours division enjoyed revenue growth of 9% to £21.3m (2006: £19.5m) as the portfolio of cultural and luxury escorted tour operators continued to benefit from strong consumer-led growth for these products.

Online Destination Services

The Online Destination Services Sector has achieved 29% like-for-like growth in underlying operating profit in the first half with like-for-like revenues up 11% and total revenues up 88% to £74.7m (2006: £39.8m). Total underlying operating profit has risen 159% to £1.0m (2006: £1.7m loss) as a result of the continued growth in the Hotelbeds and Bedsonline routes to markets, the recovery in Mexico as a destination which was adversely affected last year by Hurricane Wilma and the acquisition of Laterooms.com.

The integration of last year's acquisitions, Meridian and Pacific World, remains in line with expectations and has resulted in the Sector bed-bank increasing substantially for all the main destinations in China and South East Asia.

Laterooms.com, which we acquired in December 2006, had an excellent first four months in the Group and has so far delivered a financial performance in excess of our expectations. We are delighted with this performance and remain confident that this business will complement our existing online capability.

	<u>Winter 06/07</u>	<u>Winter 05/06</u>	<u>Change</u>
Online			
Bednights (m)			
Hotelbeds	3.2	2.2	+46%
Bedsonline	1.7	1.1	+55%
Hotelopia	1.2	1.2	+3%
Total	6.1	4.5	+37%
TTV per bednight (year-on-year change)			
Hotelbeds	+0%		
Bedsonline	+4%		
Hotelopia	+7%		
Total	+2%		
Underlying operating profit/(loss) (£m)	1.0	(1.7)	+159%
Operating margin	1.3%	(4.3)%	+5.6ppts

Acquisitions

In the last six months we have completed seven acquisitions in niche segments of the leisure travel market for a maximum consideration of £145.8m. By way of comparison, in the first half ended 30 April 2006, we made nine acquisitions for a maximum consideration of £94.9m. Of the maximum consideration of £145.8m for the six months ended 30 April 2007, £106.8m has been paid during the first half. A further amount up to £39.0m could be paid as deferred and contingent consideration.

Acquisitions H1 2007

	Max £m	Paid £m
Acquisitions in the year	106.8	106.8
Contingent consideration not recognised	8.3	
Deferred and contingent consideration recognised	30.7	
	<hr/> 145.8	<hr/> 106.8
Acquisition costs	1.2	1.2
Total cost of investment	<hr/> 147.0	<hr/> 108.0
Less contingent consideration not recognised	(8.3)	
Total cost of investment accounted for	<hr/> 138.7	<hr/> 108.0
Cash acquired with acquisitions		(6.2)
Cash paid relating to prior year acquisitions		4.6
Net cash outflow in the period relating to acquisitions		<hr/> 106.4

We have acquired businesses within the online, adventure, premium escorted tours and North American student travel segments of the market:

- In the online market, we acquired laterooms.com, an online hotel price comparator and genuine provider of late availability accommodation. This business operates in a high growth niche market as hoteliers seek to distribute their unsold stock.
- Within North American Student Travel we have acquired two businesses, Young Explorers an educational tours business based in Canada and KSA Events which offers participation by high school students in organised sporting events and tournaments. The acquisition of KSA Events provides us with the platform to enter the group performance segment of the student travel marketplace in the US, which demonstrates similar high-growth characteristics to our existing high school leisure and educational group travel propositions.
- In the Activity Holidays Sector we have acquired four businesses within the Adventure division in the first half. i-to-i, headquartered in the UK, has established itself as a leading provider of Meaningful Travel experiences while iExplore, Inc. is a US premium adventure travel internet portal and WesternXposure is an Australian operator of adventure tours in Western Australia and the Northern Territory. Within expedition cruising, we acquired Quark Expeditions, the world's leading operator of expedition cruise voyages to the Polar Regions, and recently disposed of the two Clipper cruising ships to enable our business to focus exclusively on expedition cruising.

After the period end, we acquired Hannibal Travel Group (trading under the Hannibal and Marco Polo brands) within the Escorted Tours division, which is a leading premium escorted tours operator, serving the Danish market and primarily the 'baby boomer' and 'young professional' demographic.

The acquisition pipeline remains strong and we will continue to target leisure travel companies that have excellent growth characteristics with the ability to generate superior returns for our shareholders.

Cash

Our net debt position of (£373m) represents increased indebtedness of £186m compared to the same point in the prior year (2006: £187m net debt). The net debt position comprises £196m of cash and £569m of debt. Our acquisition strategy accounts for the majority of this increase in debt.

Dividends

The Board has declared an interim dividend of 2.50p (2006: 2.25p) per ordinary share. This represents an increase of 11% compared to the same period in the prior year. This is in line with our stated progressive dividend policy to maintain dividend cover at around two-times. The dividend is payable on 26 September 2007 to shareholders on the register at 24 August 2007.

Corporate activity

On 19 March 2007, we announced a proposed merger with the Tourism Division of TUI AG (excluding certain hotel assets) to create TUI Travel PLC. On 4 June 2007, the European Commission announced that it had conditionally approved the merger, subject to divestment of a business within the Republic of Ireland.

The merger, which will be implemented by way of a Court-approved Scheme of Arrangement, remains subject to a number of conditions, including approval of the TUI Travel PLC prospectus by the UKLA, approval by First Choice shareholders, approval of the Scheme of Arrangement by the UK High Court and the listing of the TUI Travel PLC shares.

The expected timetable of key events is:

29 June 2007- UKLA approval and publication of the TUI Travel PLC prospectus

Early July 2007 - Posting of the First Choice Scheme of Arrangement circular and TUI Travel PLC prospectus to First Choice shareholders

By 1 October 2007 - Delisting of First Choice shares and listing of TUI Travel PLC shares

Within the expected timetable, exact dates for the posting of the First Choice Scheme of Arrangement circular and TUI Travel PLC prospectus to First Choice shareholders, the First Choice shareholder meetings, the Court hearing and for the final merger steps will be decided shortly. Shareholders will be kept fully informed.

Outlook

Current trading ^[1]

y-o-y variation %	Summer 2007	
	Sales	Customers
<u>Mainstream</u> ^[2]		
Short-haul	-8	-6
Medium-haul	flat	flat
Long-haul	+26	+21
Total	+3	flat
<i>Capacity</i>		flat
<u>Specialist</u>		
Europe	+19	+17
North America ^[3]	+7	-1
Total	+18	+16
<u>Activity</u>		
Marine	+2	n/a
Adventure ^[3]	+7	n/a
Total	+5	n/a
<u>Online Destination Services</u>		
Online		
Hotelbeds	+48	+25
Bedsonline	+72	+59
Hotelopia ^[4]	+10	+4
Total	+52	+32
Laterooms	+78	+73
Notes:		
^[1] These figures reflect trading up to 9 June 2007		
^[2] These statistics reflect UK Inclusive Tour and Flight Only sales		
^[3] These statistics exclude FY06 and FY07 acquisitions		
^[4] Hotelopia is on a booking basis		

In the six weeks since the trading update on 1 May 2007, trading for Summer 2007 has continued to perform in line with our expectations.

In Mainstream Holidays our performance has tracked in line with our expectations in what remains a challenging market, with revenues now cumulatively up +3% on flat volumes. We have cut capacity in the short-haul market, while maintaining capacity levels in the medium-haul segment where we are continuing to experience strong demand for Turkey and Greece. Within long-haul, as a result of the 25% increase in capacity and our differentiated product offering, we are continuing to enjoy strong demand for key destinations such as Mexico, Dominican Republic, Cuba and Costa Rica. Accordingly, long-haul revenues are up 26% on volume growth of 21%. We anticipate that margins will remain under pressure as the impact of the rise in APD and year-on-year increase in fuel costs affects our ability to recover the additional costs incurred.

The Specialist Holidays Sector has had an excellent start to Summer across all its businesses with sales and margins up on last year, as demand for the lifestyle and destination specialism products on offer and the growth in controlled distribution yields benefits across the sector.

Overall, the Activity Holidays Sector is performing well with the Adventure businesses enjoying a strong start to the season with revenues up 7% like-for-like and Marine revenues up +2% on a like-for-like basis. Margins are tracking slightly ahead of last year for the summer programme.

In the Online Destination Services Sector all routes to market continue to grow and are performing well, with margins ahead of last year. The Sector continues to benefit from demand for its significant bedbank across over 900 predominately leisure destinations from independent tour operators and travel agents. The integration of laterooms.com is progressing as planned, as the business enjoys strong demand for late availability bedstock, with sales and volumes up 78% and 73% respectively.

Although early in the selling period, where Winter 2007/08 is on sale, we are performing in line with our expectations.

Consolidated income statement
for the six months ended 30 April 2007 (unaudited)

	<i>Note</i>	6 months 30 April 2007 £m	6 months 30 April 2006 £m	Year 31 October 2006 £m
Revenue		1,017.7	960.7	2,715.3
Cost of sales		(940.3)	(893.6)	(2,313.4)
Gross profit		77.4	67.1	401.9
Administrative expenses		(161.4)	(133.7)	(289.0)
Share of operating (losses)/ profit of joint venture and associate		(2.3)	(2.1)	2.8
Operating (loss)/profit		(86.3)	(68.7)	115.7
Analysed as:				
Underlying operating (loss)/profit		(66.5)	(67.0)	135.4
Separately disclosed items	3	(12.9)	–	(5.8)
Amortisation of business combination intangibles		(7.9)	(2.5)	(11.3)
Impairment of goodwill		–	–	(1.4)
Taxation on (losses)/profits of joint venture and associate		1.0	0.8	(1.2)
		(86.3)	(68.7)	115.7
Loss on disposal of investment in associate		(0.5)	–	–
Financial income	4	6.3	3.8	8.9
Financial expenses	4	(22.3)	(13.3)	(27.1)
Net financing expenses		(16.0)	(9.5)	(18.2)
(Loss)/profit before tax		(102.8)	(78.2)	97.5
Taxation	5	28.2	20.6	(25.2)
(Loss)/profit for the period		(74.6)	(57.6)	72.3
Attributable to:				
Ordinary shareholders		(74.9)	(57.8)	72.0
Minority interest		0.3	0.2	0.3
(Loss)/profit for the period		(74.6)	(57.6)	72.3
Basic (loss)/earnings per ordinary share	7	(14.2p)	(11.0p)	13.7p
Non GAAP measures – Reconciliation of underlying operating profit to underlying earnings				
Underlying operating (loss)/profit		(66.5)	(67.0)	135.4
Net financing expenses		(16.0)	(9.5)	(18.2)
Underlying (loss)/profit before tax		(82.5)	(76.5)	117.2
Taxation (Group and share of joint ventures and associates)		29.2	21.4	(26.4)
Tax credit on intangibles acquired in business combinations		(2.4)	–	(4.3)
Tax credit on separately disclosed items		(4.0)	–	(1.7)
Minority interest		(0.3)	(0.2)	(0.3)
Underlying (loss)/earnings attributable to ordinary shareholders		(60.0)	(55.3)	84.5
Basic underlying (loss)/earnings per ordinary share	7	(11.4p)	(10.5p)	16.1p

Consolidated balance sheet
at 30 April 2007 (unaudited)

	30 April 2007 £m	30 April 2006 £m	31 October 2006 £m
Non-current assets			
Intangible assets	761.0	559.8	604.2
Property, plant and equipment	289.4	309.0	312.4
Investments in joint venture and associate	32.2	32.4	36.8
Other investments	0.7	0.9	0.6
Trade and other receivables	106.2	80.4	80.0
Deferred tax assets	56.1	61.0	56.8
	<u>1,245.6</u>	<u>1,043.5</u>	<u>1,090.8</u>
Current assets			
Trade and other receivables	541.4	478.5	391.7
Income tax debtor	18.7	–	–
Derivative financial instruments	6.3	20.0	1.6
Cash and cash equivalents	196.1	156.1	177.5
Assets classified as held for sale	16.0	6.5	1.2
	<u>778.5</u>	<u>661.1</u>	<u>572.0</u>
Total assets	<u>2,024.1</u>	<u>1,704.6</u>	<u>1,662.8</u>
Current liabilities			
Interest-bearing loans and borrowings	(134.5)	(10.2)	(8.6)
Derivative financial instruments	(62.9)	(26.4)	(62.5)
Trade and other payables	(1,036.1)	(1,004.8)	(865.9)
Provisions	(17.7)	(13.1)	(17.6)
Income tax payable	–	(3.4)	(24.7)
	<u>(1,251.2)</u>	<u>(1,057.9)</u>	<u>(979.3)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	(434.5)	(333.3)	(272.2)
Employee benefits	(27.8)	(34.6)	(24.7)
Other long term liabilities	(62.9)	(35.9)	(40.1)
Provisions	(30.8)	(32.3)	(30.2)
Deferred tax liabilities	(50.9)	(29.0)	(34.3)
	<u>(606.9)</u>	<u>(465.1)</u>	<u>(401.5)</u>
Total liabilities	<u>(1,858.1)</u>	<u>(1,523.0)</u>	<u>(1,380.8)</u>
Net assets	<u>166.0</u>	<u>181.6</u>	<u>282.0</u>
Equity			
Share capital	15.9	15.9	15.9
Share premium	242.2	241.7	242.0
Other reserves	296.3	336.8	296.4
Retained earnings	(389.3)	(413.2)	(273.2)
Total equity attributable to equity holders of the parent	<u>165.1</u>	<u>181.2</u>	<u>281.1</u>
Minority interest	<u>0.9</u>	<u>0.4</u>	<u>0.9</u>
Total equity	<u>166.0</u>	<u>181.6</u>	<u>282.0</u>

Consolidated statement of cash flows
for the six months ended 30 April 2007 (unaudited)

	6 months 30 April 2007 £m	6 months 30 April 2006 £m	Year 31 October 2006 £m
(Loss)/profit for the period	(74.6)	(57.6)	72.3
<i>Adjustment for:</i>			
Depreciation and amortisation	30.1	24.2	56.2
Equity-settled share-based payment expenses	3.3	3.0	6.1
Gain on sale of property, plant and equipment	(0.3)	–	(0.9)
Loss/(income) from joint venture and associate	2.3	2.1	(2.8)
Impairment of goodwill	–	–	1.4
Loss on foreign exchange	0.3	–	0.2
Finance income	(6.3)	(3.8)	(8.9)
Finance expense	22.3	13.3	27.1
Income tax (credit) / expense	(28.2)	(20.6)	25.2
Operating (loss)/profit before changes in working capital and provisions	(51.1)	(39.4)	175.9
Increase in trade and other receivables	(157.9)	(168.5)	(60.9)
Increase in trade and other payables	167.2	160.3	12.3
Increase/(decrease) in provisions and employee benefits	5.1	(5.9)	(8.0)
Cash flows from operations	(36.7)	(53.5)	119.3
Interest paid	(19.9)	(11.1)	(22.6)
Interest received	4.0	2.1	5.1
Income taxes paid	(13.3)	(9.3)	(14.4)
Cash flows from operating activities	(65.9)	(71.8)	87.4
Investing activities			
Proceeds from sale of property, plant and equipment	9.5	15.9	20.3
(Purchase of)/proceeds from sale of investments	(0.1)	(0.1)	0.1
Dividends received from associate	–	–	0.5
Acquisition of subsidiaries, net of cash acquired	(106.4)	(79.5)	(108.1)
Acquisition of property, plant and equipment	(23.1)	(20.4)	(59.6)
Purchase of own shares for share-based payments	(3.9)	–	–
Net cash flow from investing activities	(124.0)	(84.1)	(146.8)
Financing activities			
Proceeds from the issue of share capital	–	0.2	0.2
Proceeds from new loans	271.2	294.9	213.2
Repayment of borrowings	(21.1)	(40.3)	(26.8)
Payment of finance lease liabilities	(0.5)	(13.6)	(17.7)
Ordinary and minority interest dividends paid	(40.7)	(34.7)	(34.7)
Net cash flow from financing activities	208.9	206.5	134.2
Net increase in cash and cash equivalents	19.0	50.6	74.8
Cash and cash equivalents at start of period	177.5	105.4	105.4
Effect of foreign exchange on cash held	(0.4)	0.1	(2.7)
Cash and cash equivalents at end of period	196.1	156.1	177.5
Cash and cash equivalents for the cash flow statement comprise:			
Cash and cash equivalents shown on the balance sheet	196.1	156.1	177.5
Overdraft bank accounts shown in interest bearing liabilities	–	–	–
Cash and cash equivalents for the cash flow statement	196.1	156.1	177.5

Consolidated statement of recognised income and expense

for the six months ended 30 April 2007 (unaudited)

	6 months 30 April 2007 £m	6 months 30 April 2006 £m	Year 31 October 2006 £m
Foreign exchange translation	(2.2)	0.7	(3.7)
Actuarial gains arising in respect of defined benefit pension schemes	–	–	4.0
Tax on items taken directly to equity	(0.8)	2.7	21.6
Cash flow hedges:			
- movement in fair value	(25.5)	(7.4)	(55.1)
- amounts recycled to the income statement	28.4	(1.4)	(5.1)
Net expense recognised directly in equity	(0.1)	(5.4)	(38.3)
(Loss)/profit for the period	(74.6)	(57.6)	72.3
Total recognised (expense)/income for the period	(74.7)	(63.0)	34.0
Attributable to:			
Ordinary shareholders	(75.0)	(63.2)	33.7
Minority interest	0.3	0.2	0.3
	(74.7)	(63.0)	34.0

Notes (unaudited)

1. Basis of preparation

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 31 October 2006.

The comparative figures for the financial year ended 31 October 2006 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 237(2) or (3) of the Companies Act 1985.

2. Segmental information

The Sector analysis is based on the Group's management and reporting structure.

Period ended 30 April 2007							
£m	Mainstream Holidays	Specialist Holidays	Activity Holidays	Online Destination Services	Eliminations/ Corporate	Joint venture	Total Group
Revenue							
Total revenue	372.5	400.6	175.3	80.2	(10.9)	-	1,017.7
Less: Inter segment revenue	(4.8)	-	(0.6)	(5.5)	10.9	-	-
External revenue							
- continuing operations	367.7	400.3	172.9	69.5	-	-	1,010.4
- acquisitions	-	0.3	1.8	5.2	-	-	7.3
Total external revenue	367.7	400.6	174.7	74.7	-	-	1,017.7
Operating (loss)/profit	(69.7)	8.5	(11.1)	(4.3)	(7.4)	(2.3)	(86.3)
Add back:							
Amortisation of business combination intangibles	-	1.0	2.2	4.7	-	-	7.9
Separately disclosed items	8.8	1.4	2.1	0.6	-	-	12.9
Taxation on joint venture and associate	-	-	-	-	-	(1.0)	(1.0)
Underlying operating (loss)/profit	(60.9)	10.9	(6.8)	1.0	(7.4)	(3.3)	(66.5)
Analysed as:							
- continuing operations	(60.9)	10.9	(7.0)	(1.2)	(7.4)	(3.3)	(68.9)
- acquisitions	-	-	0.2	2.2	-	-	2.4
	(60.9)	10.9	(6.8)	1.0	(7.4)	(3.3)	(66.5)
Net financing expenses							(16.0)
Underlying loss before tax							(82.5)

2. Segmental information – cont'd

Period ended 30 April 2006							
£m	Mainstream Holidays	Specialist Holidays	Activity Holidays	Online Destination Services	Eliminations/ Corporate	Joint venture and associate	Total Group
Revenue							
Total revenue	361.9	428.3	140.1	44.7	(14.3)	-	960.7
Less: Inter segment revenue	(9.4)	-	-	(4.9)	14.3	-	-
Total external revenue	352.5	428.3	140.1	39.8	-	-	960.7
Operating (loss)/profit	(54.8)	9.0	(9.4)	(1.9)	(9.5)	(2.1)	(68.7)
Add back:							
Amortisation of business combination intangibles	-	0.4	1.9	0.2	-	-	2.5
Taxation on joint venture and associate	-	-	-	-	-	(0.8)	(0.8)
Underlying operating (loss)/profit	(54.8)	9.4	(7.5)	(1.7)	(9.5)	(2.9)	(67.0)
Net financing expenses							(9.5)
Underlying loss before tax							(76.5)

Period ended 31 October 2006							
£m	Mainstream Holidays	Specialist Holidays	Activity Holidays	Online Destination Services	Eliminations/ Corporate	Joint venture and associate	Total Group
Revenue							
Total revenue	1,290.8	961.6	344.2	158.1	(39.4)	-	2,715.3
Less: Inter segment revenue	(18.7)	(0.1)	(0.8)	(19.8)	39.4	-	-
Total external revenue	1,272.1	961.5	343.4	138.3	-	-	2,715.3
Operating profit/(loss)	68.0	30.1	17.7	13.9	(16.8)	2.8	115.7
Add back:							
Amortisation of business combination intangibles	-	5.2	5.6	0.5	-	-	11.3
Separately disclosed items	2.5	3.3	-	-	-	-	5.8
Impairment of goodwill	-	1.4	-	-	-	-	1.4
Taxation on joint venture and associate	-	-	-	-	-	1.2	1.2
Underlying operating loss	70.5	40.0	23.3	14.4	(16.8)	4.0	135.4
Net financing expenses							(18.2)
Underlying profit before tax							117.2

Comparative segmental information has been restated to reflect the transfer of management of Trips Worldwide, Magic of the Orient, Aventuria and Your Man Tours business from the Activity Holidays Sector to the Specialist Holidays Sector. Comparative information has also been restated to reflect corporate costs separately.

Online Destination Services revenue and cost of sales for the six month period to 30 April 2006 have both been reduced by £56.1m in order to be presented on a consistent basis with the other periods reported.

3. Separately disclosed items

As previously announced, due to the UK government raising Air Passenger Duty (APD) in December 2006, we have been unable to recover the one-off cost of the retrospective tax for bookings made pre 6 December 2006. In addition, we have incurred some further costs in closing under performing business units in the first half in Germany and Belgium and downsizing and restructuring particularly through outsourcing back office operations in the Mainstream Holidays Sector. We also incurred advisor fees and other related costs in connection with the potential sale of the Mainstream Sector which was terminated on 12 February 2007. Accordingly, the Group has incurred separately disclosed items of £12.9m (2006: £nil).

4. Net financing expenses

	6 months 30 April 2007 £m	6 months 30 April 2006 £m	Year 31 October 2006 £m
Interest income	4.0	2.0	5.0
Interest on pension scheme assets	2.3	1.8	3.9
Financial income	<u>6.3</u>	<u>3.8</u>	<u>8.9</u>
Bank interest payable on loans and overdrafts	(19.2)	(10.5)	(21.5)
Interest on pension scheme liabilities	(2.4)	(2.2)	(4.5)
Finance lease charges	(0.7)	(0.6)	(1.1)
Financial expenses	<u>(22.3)</u>	<u>(13.3)</u>	<u>(27.1)</u>
Net financing expenses	<u>(16.0)</u>	<u>(9.5)</u>	<u>(18.2)</u>

5. Taxation

Income tax for the six month period to 30 April 2007 is calculated using the estimated annual effective tax rate for the full year ending 31 October 2007.

The estimated annual effective tax rate for the year ended 31 October 2007, calculated on profit/loss before tax separately disclosed items and amortisation of business combination intangibles, is 27.5% (2006: full year actual underlying tax rate 27.6%).

6. Dividends

Dividends have been recognised within equity as follows:

	6 months 30 April 2007 £m	6 months 30 April 2006 £m	Year 31 October 2006 £m
Interim ordinary dividend paid for 2006 2.25p (2005: 1.95p)	11.8	10.1	10.1
Final ordinary dividend paid for 2006 of 5.40p (2005: 4.65p)	28.6	24.4	24.4
	<u>40.4</u>	<u>34.5</u>	<u>34.5</u>

6. Dividends – cont'd

Subsequent to the balance sheet date, the Directors have approved an interim dividend of 2.50p per share (2006: 2.25p) payable on 26 September 2007 to the holders of relevant shares on the register at 24 August 2007. The interim dividend amounts to £13.2m (2006: £11.8m) and will be recognised as a deduction from equity when paid.

A dividend reinvestment plan is available for shareholders. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2007 interim dividend, may do so by contacting Lloyds TSB Registrars direct on 0870 2413018. The last day for election for the interim dividend is 5 September 2007 and any requests should be made in good time ahead of that date.

7. Loss per ordinary share

The basic loss per ordinary share for the six month period to 30 April 2007 is calculated by dividing the loss attributable to ordinary shareholders by the applicable weighted average number of ordinary shares in issue during the period, excluding those held in the employee share ownership trusts.

	Loss 2007 £m	Weighted average no. of shares 6 months 30 April 2007 millions	Loss per share 2007 pence	Loss 2006 £m	Weighted average no. of shares 6 months 30 April 2006 millions	Loss per share 2006 pence
Basic and diluted loss per ordinary share	(74.9)	527.0	(14.2)	(57.8)	524.2	(11.0)
Amortisation of business combination intangibles (net of tax)	5.5	–	1.0	2.5	–	0.5
Basic and diluted loss per share before amortisation of business combination intangibles	(69.4)	527.0	(13.2)	(55.3)	524.2	(10.5)
Separately disclosed items (net of tax)	8.9	–	1.7	–	–	–
Disposal of investment in associate	0.5	–	0.1	–	–	–
Basic and diluted underlying loss per ordinary share	(60.0)	527.0	(11.4)	(55.3)	524.2	(10.5)

In accordance with IAS 33: Earnings Per Share, the calculation of diluted basic loss per ordinary share and diluted underlying loss per ordinary share has not included anti-dilutive potential ordinary shares. Therefore there is no difference between the calculation of basic and diluted measures in the six month period.

8. Acquisitions

During the six months ended 30 April 2007, the Group has made the following acquisitions:

Sector & entity	Country of operation	Date of acquisition	Consideration recognised £m
Specialist			
Young Explorers	Canada	January 2007	0.8
KSA Events	USA	April 2007	+2.1
Activity			
WesternXposure	Australia	February 2007	+2.4
i-to-i	UK	February 2007	+20.6
iExplore	USA	February 2007	+4.6
Quark Expeditions	USA	April 2007	9.8
ODS			
Laterooms.com	UK	December 2006	+97.2
			137.5

+ Provisional, as consideration is dependent on future earnings

Cash paid for the acquisitions in the period, net of cash acquired, was £101.8m; deferred consideration and acquisition costs of £4.6m was paid relating to acquisitions in prior years, giving a total cash payment for acquisitions in the period of £106.4m.

Details in respect of these acquisitions are set out below. Fair value adjustments are provisional.

Total acquisitions £m	Book value prior to acquisition	Fair value adjustments (provisional)	Fair value to Group (provisional)
Property, plant and equipment	1.0	–	1.0
Other intangible assets	0.8	56.6	57.4
Trade and other receivables	6.7	–	6.7
Trade and other payables	(11.2)	–	(11.2)
Interest-bearing loans and borrowings	(17.5)	–	(17.5)
Income tax payable	(0.1)	–	(0.1)
Deferred tax liabilities	–	(17.6)	(17.6)
Cash and cash equivalents	6.2	–	6.2
Net identifiable assets and liabilities	<u>(14.1)</u>	<u>39.0</u>	<u>24.9</u>
Goodwill on acquisition			<u>113.8</u>
Fair value of consideration		137.5	
Acquisition costs		<u>1.2</u>	
Total cost of investment			138.7
Cash and cash equivalents acquired			(6.2)
Loan notes payable			(21.6)
Deferred and contingent consideration and accrued costs			(9.1)
Net cash outflow			<u>101.8</u>

9. Reconciliation of movements in equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity holders of parent £m	Minority interests £m	Total £m
At 31 October 2006	15.9	242.0	296.4	(273.2)	281.1	0.9	282.0
Total recognised (expense)/ income for the period	–	–	(0.1)	(74.9)	(75.0)	0.3	(74.7)
Shares issued	–	0.2	–	(0.2)	–	–	–
Share based payment	–	–	–	3.3	3.3	–	3.3
Acquisition of shares for share-based payment	–	–	–	(3.9)	(3.9)	–	(3.9)
Ordinary dividends (<i>note 6</i>)	–	–	–	(40.4)	(40.4)	–	(40.4)
Minority interest dividend	–	–	–	–	–	(0.3)	(0.3)
At 30 April 2007	15.9	242.2	296.3	(389.3)	165.1	0.9	166.0

Other reserves are analysed as follows:

	Capital reserve £m	Merger reserve £m	Foreign exchange reserve £m	Hedging reserves £m	Total £m
At 31 October 2006	201.4	138.5	(5.8)	(37.7)	296.4
Total recognised (expense)/ income for the period	–	–	(2.2)	2.1	(0.1)
At 30 April 2007	201.4	138.5	(8.0)	(35.6)	296.3

10. Movements in cash and net debt

	30 April 2007 £m	Cash movement £m	Foreign exchange movements £m	Arising on acquisition £m	31 October 2006 £m	30 April 2006 £m
Cash and cash equivalents	196.1	19.0	(0.4)	–	177.5	156.1
Bank loans and loan notes	(561.6)	(250.0)	1.1	(39.1)	(273.6)	(336.0)
Finance leases	(7.4)	0.5	(0.7)	–	(7.2)	(7.5)
Net debt	(372.9)	(230.5)	–	(39.1)	(103.3)	(187.4)

Cash movements in bank loans include £0.1m of repayment of acquisition-related loan notes. For clarity, the cash flow statement includes this movement in payments for the acquisition of subsidiaries.

11. Approval

The interim financial statements were approved by the Board on 13 June 2007.

Independent Review Report by KPMG Audit Plc to First Choice Holidays PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 April 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of recognised income and expense and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 Listing Rules of the Financial Services Authority. 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 April 2007.

KPMG Audit Plc
Chartered Accountants
London

13 June 2007