

**TUI TRAVEL PLC**
**INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2009 (UNAUDITED)**
**Key Financials**

£m	Underlying results <sup>1</sup>			Reported results	
	H1 09	H1 08	Change	H1 09	H1 08
Revenue	<b>5,379</b>	5,155	<b>+4%</b>	<b>5,379</b>	5,155
Operating loss	<b>(289)</b>	(250)	<b>-15%</b>	<b>(412)</b>	(381)
Loss before tax	<b>(333)</b>	(295)	<b>-13%</b>	<b>(455)</b>	(425)

<sup>1</sup> The Group believes that underlying operating loss and underlying loss before tax provide additional guidance to the statutory measures on the underlying performance of the business during the period. Underlying operating loss and underlying loss before tax above exclude separately disclosed items, amortisation of IFRS 3 intangibles and taxation of results of the Group's joint ventures and associates

**Highlights**

- As anticipated, the Group delivered an underlying operating loss in the first half of £289m (H108: £250m), driven by:
  - adverse £30m foreign exchange translation effect, resulting from the devaluation of Sterling;
  - the timing of Easter, which this year fell in the second half;
  - weaker trading in Canada and destination specific issues in France and Nordics increased the loss by £35m;
  - incremental £48m of synergy benefits delivered; and
  - continued elimination of losses in the scheduled flying operations in Germany and the UK
- Trading for Summer 2009 has continued to strengthen with cumulative bookings for the summer season in line with anticipated demand and capacity cuts across all key markets; fewer holidays left to sell across all regions due to capacity reduction
- Strategic co-operation between TUIfly and Air Berlin announced in March; secures optimal capacity for our German tour operating business and delivers substantial financial benefit
- Entry into the fast growing Russian and CIS source markets
- Completed sale and leaseback of ten aircraft
- The merger integration is progressing well and synergies of £52m were delivered in the first half, leaving us on track to achieve the full year target of £115m and £200m per annum run-rate by FY10
- The Board proposes an interim dividend of 3.0p (H1 08: 2.8p), an increase of 7%

Peter Long, Chief Executive Officer of TUI Travel PLC, commented

“TUI Travel has delivered a first half performance in line with our expectations, having managed certain source market and destination specific issues, while continuing to deliver our key strategic goals and synergy targets. In addition, during the first half we agreed the joint venture in Russia and Ukraine and the strategic co-operation between TUIfly and Air Berlin. Despite the ongoing economic weakness, we are encouraged by current trading patterns and consumer sentiment across the breadth of the Group. This confidence coupled with our strong brands, market leading positions and our flexible business model means we remain well positioned to meet our expectations for the year to 30 September 2009.”

A presentation for analysts and investors will be held today at 9.30am (GMT) at 250, Bishopsgate, London, EC2M 4AA. For details of the webcast please visit [www.tuitravelplc.com](http://www.tuitravelplc.com).

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## CURRENT TRADING

### Winter 2008/09

The Winter 2008/09 season closed in line with our expectations and our last trading update. As a consequence of our actions to reduce capacity, which resulted in us having significantly less stock left to sell in the lates market, we were able to maintain strong pricing throughout the lates selling period. We achieved our target load factors, although there was slight weakness in March as a result of Easter falling in April this year.

<u>Current Trading</u> <sup>1</sup>	<i>Winter 2008/09</i>			
y-o-y variation%	ASP <sup>2</sup>	Sales <sup>2</sup>	Customers <sup>2</sup>	<i>Risk Capacity</i> <sup>3</sup>
<b>Northern Region</b>				
<b>UK – Charter</b>	+11	Flat	-10	-9
Nordic	+2	-6	-8	-7
Canada	<u>Flat</u>	<u>-2</u>	<u>-2</u>	<u>-3</u>
<b>Northern Region – Total</b>	<b>+8</b>	<b>-1</b>	<b>-8</b>	<b>-8</b>
<b>Germany - Total</b>	<b>+6</b>	<b>-5</b>	<b>-10</b>	<b>-17</b>
Austria	+8	-21	-27	
Switzerland	-5	-13	-8	
Poland	<u>+5</u>	<u>+18</u>	<u>+12</u>	
<b>Central Europe – Total</b>	<b>+4</b>	<b>-6</b>	<b>-10</b>	<b>-17</b>
France	+6	-7	-12	-9
Belgium	+4	+2	-2	-6
Netherlands	<u>+2</u>	<u>-7</u>	<u>-9</u>	<u>-10</u>
<b>Western Europe - Total</b>	<b>+4</b>	<b>-5</b>	<b>-9</b>	<b>-9</b>
<b>SPECIALIST</b>	<b>+11</b>	<b>-1</b>	<b>-11</b>	
<b>ACTIVITY</b>	<b>N/A</b>	<b>-7</b>	<b>N/A</b>	
<b>ODS</b>	<b>+2</b>	<b>+4</b>	<b>+2</b>	

<sup>1</sup> These statistics are up to 30 April 2009

<sup>2</sup> These statistics relate to all customers whether risk or non-risk, and are shown on a constant currency basis

<sup>3</sup> These statistics exclude non-risk lines of business – primarily in Western and Central Europe (e.g. overland)

### Summer 2009

Consistent with our actions to align supply with anticipated demand for the Summer 2009 season, volumes to date are tracking lower than prior year. Trading since our last update remains robust, with volumes in both the last two and eight week periods tracking ahead of the cumulative position for the season to date. As evidenced in the winter booking cycle, the trend towards later booking has continued, but as a result of our capacity reductions we have less stock left to sell across all of our source markets.

y-o-y variation%	Last two weeks bookings	Last eight weeks bookings	Cumulative bookings
UK	-5	-10	-16
Nordics	+11	Flat	-15
Germany	-6	-12	-10
France	-1	-7	-16
Belgium	+8	+2	-5
Netherlands	+3	-7	-16

The last two weeks figures are shown net of cancellations, which have increased in the UK in the last two weeks due to customers cancelling bookings to Mexico. Adjusting for this impact, bookings in the last two weeks were up 5% year on year.

<b>Current Trading</b> <sup>1</sup>	<b>Summer 2009</b>			<b>Risk Capacity<sup>3</sup> Capacity Left to sell<sup>4</sup></b>	
<b>y-o-y variation%</b>	<b>ASP<sup>2</sup></b>	<b>Sales<sup>2</sup></b>	<b>Customers<sup>2</sup></b>		
<b>MAINSTREAM</b>					
<b>Northern Region</b>					
Short-haul	+7	-15	-21		
Medium-haul	+11	-4	-13		
Long-haul	+9	-19	-26		
<b>UK – Charter</b>	<b>+9</b>	<b>-9</b>	<b>-16</b>	<b>-17</b>	<b>-17</b>
Nordic	+7	-9	-15	-14	-12
<b>Northern Region – Total</b>	<b>+9</b>	<b>-9</b>	<b>-16</b>	<b>-16</b>	<b>-16</b>
Germany – Charter	-2	-12	-11		
Germany – Scheduled	+10	+2	-7		
<b>Germany – Total</b>	<b>-2</b>	<b>-12</b>	<b>-10</b>	<b>-15</b>	<b>-15</b>
Austria	+3	-16	-18		
Switzerland	-7	-23	-17		
Poland	-4	-51	-49		
<b>Central Europe – Total</b>	<b>-2</b>	<b>-13</b>	<b>-11</b>	<b>-14</b>	<b>-15</b>
France	Flat	-16	-16		
Belgium	Flat	-5	-5		
Netherlands	+1	-16	-16		
<b>Western Europe - Total</b>	<b>Flat</b>	<b>-12</b>	<b>-12</b>	<b>-9</b>	<b>-5</b>
<b>SPECIALIST</b>	<b>+2</b>	<b>-15</b>	<b>-17</b>		
<b>ACTIVITY</b>	<b>NA</b>	<b>-15</b>	<b>NA</b>		
<b>ODS</b>	<b>-3</b>	<b>-3</b>	<b>Flat</b>		

<sup>1</sup> These statistics are up to 10 May 2009

<sup>2</sup> These statistics relate to all customers whether risk or non-risk and are shown on a constant currency basis

<sup>3</sup> These statistics exclude non-risk lines of business – primarily in Western and Central Europe (e.g. overland)

<sup>4</sup> % change in product left to sell versus prior year

## Swine Flu

The impact of swine flu has largely remained a Mexico issue. Although cancellations to Mexico have increased in the immediate period after the outbreak of swine flu, most customers who have decided not to travel to Mexico at present have rebooked to other destinations or have delayed their departure date. The medium and long haul destinations of Egypt (+23% in the last two weeks), Jamaica (+30%) and the Dominican Republic (+19%) have been particularly popular in the last few weeks. Of the c.2,500 customers from the UK who were in Mexico at the time of the outbreak, only around 10% accepted our offer to repatriate them early.

## Fuel / Foreign Exchange

We are largely hedged for the current financial year and continue to hedge for future seasons in line with our hedging policy. Given the recent ongoing decline in oil prices and our hedging position for the financial year ending 30 September 2010 we expect to benefit from lower cost inputs for fuel in 2010.

## Foreign Exchange and Fuel Hedged Position

	<b>Summer 2009</b>	<b>Winter 2009/10</b>
Euro	95%	75%
USD	96%	74%
Jet Fuel	89%	69%
<i>As at 8 May 2009</i>		

## **Foreign Exchange Translation**

The weakness of Sterling against most of our operating currencies, but primarily the Euro and US Dollar, increased the underlying operating loss in the half year by £30m due to the translation impact. If exchange rates remain at current levels we anticipate that the impact on the full year will be marginally favourable.

## **Integration**

During the first half we delivered £52m of synergy benefit (H1 08: £4m), with £37m in the UK Mainstream and £15m from other source markets. We are on track to deliver £115m of benefit in the current financial year and we remain confident of delivering the total synergy target of £200m per annum. The expected total cost of delivering the synergies remains at £260m.

## **Air Berlin Transaction**

On 27 March, we announced that we had agreed the terms of a strategic co-operation with Air Berlin. The transaction satisfies the key strategic goals of de-risking the TUIfly business through an exit of the scheduled flying operation and securing optimal capacity for our tour operator in Germany.

The key benefits of the transaction to TUI Travel are:

- Eliminates losses in the scheduled flying operation of TUIfly;
- Reduces tour operator margin dilution caused by excess capacity;
- Retains economies of scale benefits in TUIfly; and
- Secures the future of the airline for customers and employees.

The transaction is subject to approval by relevant competition authorities.

As part of the transaction we will acquire a 19.9% stake in Air Berlin for €64.8m and Air Berlin will acquire a 19.9% equity stake in TUIfly for €36.3 million.

## **Joint venture and acquisitions in Russia and Ukraine**

On 15 April, we announced that we have signed a joint venture agreement with S-Group Capital Management Limited, (S-Group). The joint venture also announced that it has agreed to acquire majority stakes in certain assets of two tour operators and travel agency groups in Russia and Ukraine. The joint venture has also signed a letter of intent with Mostravel, a Turkey and Egypt destination specialist.

The Russian and CIS leisure tourism markets have experienced significant growth in outbound travel in recent years, with outbound leisure travel growth of 11% per annum since 2001. Although the market has been affected in the current year due to global economic conditions, it remains an excellent long-term growth opportunity for the group.

The joint venture (to be owned 51% by S-Group and 49% by TUI Travel) will be an investment holding company, financed proportionally by both parties. The joint venture is expected to invest up to \$40m in travel businesses by 31 December 2009, with our share of this investment expected to be up to \$20m, either in cash or the value of existing assets contributed to the joint venture. The formation of the joint venture and its subsequent acquisitions are all subject to competition authority approvals.

## **Outlook**

We are encouraged that the improvements in demand experienced in February and March trading have continued into April and May, despite the ongoing economic weakness. We continue to expect a flatter booking profile in the current market, however, the strength of the lates market in Winter 2008/09, where we achieved strong pricing and target load factors, combined with having significantly less product left to sell, gives us reason to be confident. This, coupled with our strong consumer brands, market position and flexible business model means we remain well positioned to meet our expectations for the year to 30 September 2009.

For the next financial year, we are leveraging our scale position to maximise cost opportunities in the supply chain through reduced hotel rates while continuing to assess our capacity plans. As a consequence of the inherent flexibility in our business model, where third party flying accounts for c.30% of our tour operator capacity and only c.20% of our bed stock is committed, we have the ability to align supply with demand.

## **BUSINESS AND FINANCIAL REVIEW**

### **Group Performance**

The Group's H1 09 underlying operating loss was £289m (H1 08: loss of £250m). The variance was driven by a £30m FX translation impact resulting from the devaluation of Sterling. The adverse impact on the French business of the socio-political events in the French West Indies and Madagascar, weaker demand in Canada, and the timing of Easter holidays (which fell in April this year versus March last year) also contributed to the increase in underlying loss. This was partially offset by incremental synergies and the recovery of scheduled flying losses in the UK and Germany.

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

£m	
<b>H1 08 underlying operating loss</b>	<b>(250)</b>
Incremental synergies	+48
Scheduled flying	+12
Impact of sale & leasebacks	-6
France / Nordics / Canada	-35
Easter / Trading	-22
Acquisitions	-6
FX Translation	-30
<b>H1 09 underlying operating loss</b>	<b>(289)</b>

Group revenue rose 4% to £5,379m, due to higher selling prices and the impact of Sterling weakness when translating foreign currency revenue, offset by reduced revenue in March 2009 versus prior year due to the timing of Easter holidays and lower volumes due to reduced capacity.

	Underlying results <sup>1</sup>			Reported results	
£m	H1 09	H1 08	Change	H1 09	H1 08
Revenue	<b>5,379</b>	5,155	<b>+4%</b>	<b>5,379</b>	5,155
Operating loss	<b>(289)</b>	(250)	<b>-16%</b>	<b>(412)</b>	(381)
Loss before tax	<b>(333)</b>	(295)	<b>-13%</b>	<b>(455)</b>	(425)
Loss per share (p)	<b>(21.6)</b>	(19.2)	<b>-13%</b>	<b>(29.6)</b>	(27.7)

<sup>1</sup> The Group believes that underlying operating loss, underlying loss before tax and underlying loss per share provide additional guidance to the statutory measures on the underlying performance of the business during the period. Underlying operating loss and underlying loss before tax exclude separately disclosed items, amortisation of IFRS 3 intangibles and taxation of results of the Group's joint ventures and associates. Underlying loss per share excludes the same items, net of related taxation

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

<b>Six months ended</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£m</b>	<b>£m</b>
<b>Underlying loss before tax</b>	<b>(333)</b>	<b>(295)</b>
Separately disclosed items	(93)	(67)
Amortisation of business combination intangibles	(28)	(62)
Taxation on losses of joint ventures and associates	(1)	(1)
<b>Loss before tax</b>	<b>(455)</b>	<b>(425)</b>

Separately disclosed items are further detailed in note 4 of the condensed interim financial statements.

## Segmental Performance

Segmental performance is based on underlying financial information (which excludes separately disclosed items and amortisation of business combination intangibles). 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 £297m (H1 08: loss of £252m).

<b>Mainstream</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>Change %</u></b>
Customers ('000)			
Northern Region	2,618	3,044	-14%
Central Europe	3,559	4,226	-16%
Western Europe	1,745	2,061	-15%
<b>Total</b>	<b><u>7,922</u></b>	<b><u>9,331</u></b>	<b><u>-15%</u></b>
Underlying operating loss (£m)			
Northern Region	(113.1)	(114.1)	-1%
Central Europe	(120.0)	(93.5)	-28%
Western Europe	(64.2)	(44.4)	-44%
<b>Total</b>	<b><u>(297.3)</u></b>	<b><u>(252.0)</u></b>	<b><u>-18%</u></b>

### Northern Region

The Northern Region division reported underlying operating losses of £113m, in line with prior year (H1 08: loss of £114m). As outlined in the table below, UK synergy growth and improved margins from capacity rationalisation were offset by the timing of Easter and weaker trading in Nordics and Canada.

£m	<b>UK</b>	<b>Nordics</b>	<b>Canada</b>	<b>Northern Region</b>
<b>H1 08</b>	(144)	27	2	(114)
Scheduled flying	+4	-	-	+4
Impact of sale & leasebacks	-3	-	-	-3
Nordics & Canada trading	-	-10	-12	-22
Easter / Trading	-5	-1	-1	-7
Acquisitions	-5	-	-	-5
FX Translation	-	+2	-1	+1
Synergies	+33	-	-	+33
<b>H1 09</b>	<b><u>(120)</u></b>	<b><u>18</u></b>	<b><u>(11)</u></b>	<b><u>(113)</u></b>

<b>Northern Region</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>Change %</u></b>
Customers ('000)			
UK & Ireland	1,875	2,249	-17%
Nordic	529	582	-9%
Canada	215	213	+1%
<b>Total</b>	<b><u>2,618</u></b>	<b><u>3,044</u></b>	<b><u>-14%</u></b>
<b>y-o-y variation</b>			
Revenue growth			
UK & Ireland			Flat
Nordic			+4%
Canada			+6%
<b>Total</b>			<b>+1%</b>

<b>Northern Region</b>	H1 09	H1 08	<b>Change %</b>
Underlying operating (loss) / profit (£m)			
UK & Ireland	(120.0)	(143.6)	+16%
Nordic	18.3	27.4	-33%
Canada	(11.4)	2.1	NA
<b>Total</b>	<b>(113.1)</b>	<b>(114.1)</b>	<b>-1%</b>
Controlled distribution %			
UK & Ireland <sup>1</sup>	76%	73%	+3ppts
Nordic	84%	77%	+7ppts
Canada	17%	16%	+1ppt
<b>Total</b>	<b>73%</b>	<b>69%</b>	<b>+4ppts</b>
<sup>1</sup> Excludes scheduled flying			

### UK and Ireland

The UK achieved an underlying operating loss of £120m, an improvement of £24m over the prior year (H1 08: loss of £144m). This was due to the delivery of synergies and margin improvement from capacity rationalisation, offset by the inclusion of 100% of the winter losses of Island Cruises and the timing of Easter holidays.

Synergies of £37m were delivered in H1 09, an increase of £33m over prior year. The business remains on track to deliver full year synergies of £90m.

During the period, the business continued to exit loss making scheduled flying business, cutting capacity in the scheduled flying operation by 80%, yielding an additional £4m of margin improvement in H1 09 over prior year. Charter capacity was also rationalised, mainly in the short and medium haul destinations of Alicante, Paphos, Las Palmas and Tenerife and input cost inflation was recovered through higher average selling prices.

During the first half, the Group's ownership of Island Cruises increased from 50% to 100% and reporting of its results was moved from Joint Ventures to the UK and Ireland division. As a result, the H1 09 result includes the full £5m of losses from this business, where in the prior year, the Group's 50% share of £5m losses was included in Joint Ventures. The underlying operating loss for the half was also increased by £3m due to the sale and leaseback transaction carried out in the prior financial year. This resulted from lease expenses that were only partially offset by reduced depreciation, although the transaction was earnings neutral given the benefit of lower interest payments. Finally, the timing of Easter had a negative impact on the H1 09 result, due to a significant reduction in the number of higher margin holidays sold in March versus the same month in the previous year.

### Nordics

The Nordics region achieved revenue growth of 4% and delivered underlying operating profits of £18m (H1 08: £27m). This result, although down on last winter's record earnings performance as a result of weaker consumer sentiment and the disruption to Thailand, represents a 4.5% operating margin. In recent weeks, demand, particularly in Norway and Sweden, has been strong for our portfolio of differentiated experiences.

### Canada

Canada reported an underlying operating loss of £11m (H1 08: profit of £2m). The trading environment in the Canadian market remains challenging and significant overcapacity resulted in deep discounting and margin erosion for all market participants.

In planning for future seasons, we are currently reviewing our flying programme, distribution channels and mix, and product portfolio in order to compete more effectively in this fragmented and highly competitive marketplace. Despite the underlying operating loss of

£11m, Canada has still delivered a positive contribution to the Group through the utilisation of aircraft from our UK and German operations which are not required in their source markets in the winter season.

### **Central Europe**

Central Europe reported an underlying loss of £120m in H1 09 (H1 08: loss of £94m), with the adverse performance driven by the impact of weaker Sterling versus last year when translating the foreign currency losses.

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

£m	Germany	Austria	Switzerland	Poland	Central Europe
<b>H1 08</b>	(82)	(8)	(3)	(1)	(94)
Scheduled flying	+8	-	-	-	+8
Impact of sale & leasebacks	-3	-	-	-	-3
Easter / Trading	-3	-4	-2	-4	-13
FX Translation	-17	-2	-1	-	-20
Synergies	-	+2	-	-	+2
<b>H1 09</b>	<b>(97)</b>	<b>(12)</b>	<b>(6)</b>	<b>(5)</b>	<b>(120)</b>

<b>Central Europe</b>	<b>H1 09</b>	<b>H1 08</b>	<b>Change %</b>
Customers ('000)			
Germany	3,302	3,916	-16%
Switzerland	129	140	-8%
Austria	93	138	-33%
Poland	35	32	+9%
<b>Total</b>	<b>3,559</b>	<b>4,226</b>	<b>-16%</b>
<b>y-o-y variation</b>			
Revenue growth			
Germany			+8%
Switzerland			-15%
Austria			-9%
Poland			+23%
<b>Total</b>			<b>+5%</b>
Underlying operating loss (£m)			
Germany	(97.3)	(81.9)	-19%
Switzerland	(6.1)	(3.0)	-103%
Austria	(12.1)	(7.5)	-61%
Poland	(4.5)	(1.1)	-309%
<b>Total</b>	<b>(120.0)</b>	<b>(93.5)</b>	<b>-28%</b>
Controlled Distribution %			
Germany <sup>1</sup>	50%	42%	+8ppts
Switzerland	45%	41%	+4ppts
Austria	24%	19%	+5ppts
Poland	49%	52%	-3ppts
<b>Total</b>	<b>48%</b>	<b>40%</b>	<b>+8ppts</b>

<sup>1</sup> Excludes scheduled flying

## Germany

Germany reported an underlying operating loss of £97m (H1 08: loss of £82m). The increase in operating loss resulted from a £17m FX translation impact and the impact of the later timing of Easter this year.

During H1 09 the business reduced capacity in the loss making scheduled flying routes by 28%, which resulted in a £8m improvement in margins versus prior year. The tour operator also reduced capacity by 10%, which led to improved load factors and reduced volumes sold in the lates markets. This resulted in increased average selling prices over the prior year due to a greater mix of brochure sales.

## Switzerland

Switzerland reported underlying operating losses of £6m, an increase in losses of £3m over the prior year (H1 08: loss of £3m), of which the adverse FX translation impact was £1m. Margins were affected by competitor actions to protect market share, which led to lower bookings and pricing for our products in the winter season.

## Austria

Austria reported underlying operating losses of £12m in H1 09 (H1 08: loss of £8m), including an FX impact of £2m. The Austrian business delivered synergies of £2m (H1 08: nil), although the underlying performance was weaker due to softer customer demand in the Austrian market.

## Poland

Poland, reported losses of £5m, (H1 08 loss £1m). This was due to the significant weakening of the Polish Zloty versus the Euro, which increased input costs and also significantly reduced customer demand for Euro destinations.

## Western Europe

Western Europe reported an underlying operating loss of £64m (H1 08: loss of £44m). The increased loss was driven by the impact of FX translation and weak trading in France due to socio-political issues in the French West Indies and Madagascar.

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

£m	France	Netherlands	Belgium	Western Europe
<b>H1 08</b>	(18)	(14)	(12)	(44)
Socio political destination issues	-13	-	-	-13
Easter / Trading	-1	+5	-1	+3
Acquisitions	-1	-	-	-1
FX Translation	-6	-2	-3	-11
Synergies	+1	-	-	+1
<b>H1 09</b>	<b>(38)</b>	<b>(11)</b>	<b>(16)</b>	<b>(64)</b>

Western Europe	H1 09	H1 08	Change %
Customers ('000)			
France	756	966	-22%
Netherlands	434	476	-9%
Belgium	555	619	-10%
<b>Total</b>	<b>1,745</b>	<b>2,061</b>	<b>-15%</b>

<b>Western Europe y-o-y variation</b>	<b>H1 09</b>	<b>H1 08</b>	<b>Change %</b>
Revenue growth			
France			-2%
Netherlands			+2%
Belgium			+24%
<b>Total</b>			<b>+4%</b>
Underlying operating loss (£m)			
France	(37.8)	(18.4)	-105%
Netherlands	(10.8)	(14.1)	+23%
Belgium	(15.6)	(11.9)	-31%
<b>Total</b>	<b>(64.2)</b>	<b>(44.4)</b>	<b>-45%</b>
Controlled distribution %			
France	51%	49%	+2ppts
Netherlands	56%	53%	+3ppts
Belgium	50%	46%	+4ppts
<b>Total</b>	<b>52%</b>	<b>49%</b>	<b>+3ppts</b>

### France

France reported underlying operating losses of £38m (H1 08: loss of £18m). As previously announced, Nouvelles Frontieres was significantly impacted in the second quarter by a series of socio-political events in key destinations (French West Indies and Madagascar). As a result, the business incurred repatriation costs, cancellations and weaker sentiment towards these destinations, which led to a £13m loss. Additionally, the H1 09 result was adversely impacted by a £6m FX translation impact and Easter timing. The adverse impacts were partially offset by £1m of synergies (H1 08: nil) generated by distributing Marmara products through Nouvelles Frontieres shops and savings on seat rates for shared routes.

### Netherlands

Netherlands achieved a £3m improvement in underlying operating losses to £11m (H1 08: loss of £14m), as a result of capacity rationalisation and the non-recurrence of accidental aircraft damage that affected the prior year, partially offset by the impact of FX translation and Easter timing.

### Belgium

Belgium reported underlying operating losses of £16m (H1 08: loss of £12m). The impact of FX translation was £3m. The business continued to benefit from reduced distribution costs, primarily through an increase in the online mix, and from rationalisation of capacity. However this was offset by reduced volumes and margins due to the timing of the Easter holidays.

## **Specialist & Emerging Markets Sector**

The sector achieved an improvement in underlying operating profits of £7m to £12m in H1 09 (H1 08: £5m), including £3m of FX translation benefits.

Within the European division, underlying operating profits were up £2m on the prior year, due to the delivery of £3m of synergies in H1 09 (H1 08: nil) from the integration of the former TUI and First Choice businesses. This was partly offset by weakness in the Irish and Spanish businesses where demand was affected by economic conditions.

The US businesses performed well during the period, with profits, up £5m to £11m, including £3m of benefit from translation. The expedition businesses performed particularly well, with Starquest and TCS delivering volume growth of 63% and 26%, respectively, due to

increased capacity. Student Travel also performed well during the period, particularly in the education businesses.

<b>Specialist &amp; Emerging Markets</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>Change %</u></b>
Customers ('000)			
Europe	218	254	-14%
US	121	139	-13%
<b>Total</b>	<b><u>339</u></b>	<b><u>393</u></b>	<b><u>-14%</u></b>
<b>y-o-y variation</b>			
Revenue growth			
Europe			+7%
US			+25%
<b>Total</b>			<b><u>+12%</u></b>
			<b><u>Change £m</u></b>
Underlying operating profit / (loss) (£m)			
Europe	0.4	(1.1)	1.5
US	11.4	6.1	5.3
<b>Total</b>	<b><u>11.8</u></b>	<b><u>5.0</u></b>	<b><u>6.8</u></b>

### Activity Sector

The sector reported underlying operating profits of £6m (H1 08: £8m), driven by an adverse FX translation impact of £1m and inclusion of winter losses for businesses acquired in the previous financial year that were not included in H1 08.

Marine revenue decreased by 5% due to weaker demand, particularly in the US market. However, the impact on profitability was mitigated as the business reduced its capacity accordingly and implemented cost saving measures.

The H1 09 result for the Ski, Student and Sports divisions includes £4m of winter losses for businesses acquired in the last financial year. Additionally, the Ski business suffered from a reduction in demand for ski breaks, particularly for Euro based destinations, in the UK source market, although capacity was reduced to bring supply in line with demand. The impact was partially mitigated by the delivery of synergies of £4m in the Ski division, through the integration of the former TUI and First Choice ski businesses.

<b>Activity</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>Change %</u></b>
<b>y-o-y variation</b>			
Total revenue growth			
Marine			-5%
Adventure			+5%
Ski, Student and Sport			-2%
<b>Total</b>			<b><u>flat</u></b>

<b>Activity</b>	<b>H1 09</b>	<b>H1 08</b>	<b><u>Change %</u></b>
Underlying operating (loss) / profit (£m)			<b><u>Change £m</u></b>
Marine	(2.4)	(10.1)	7.7
Adventure	4.7	5.7	(1.0)
Ski, Student and Sport	4.1	12.2	(8.1)
<b>Total</b>	<b><u>6.4</u></b>	<b><u>7.8</u></b>	<b><u>(1.4)</u></b>

### **Online Destination Services Sector**

ODS reported underlying operating losses of £3m (H1 08: £nil). The impact of FX translation increased the loss by £1m over the prior year.

The Sector delivered synergies of £2m (H1 08: nil) from the integration of the former TUI and First Choice businesses in our incoming agency division, primarily in Spain. LateRooms performed well during the period and increased profits by £1m as a result of strong customer demand following successful marketing campaigns in the UK.

The offline businesses, however, were adversely impacted by a decrease in volumes of 6% and 8% in our Portfolio Incoming and Hotelbeds divisions, respectively. This was due to a combination of the timing of Easter holidays, capacity reductions implemented by tour operators during the period, and a reduction in excursion revenues in the agencies based in Euro destinations due to the weakness of Sterling, which reduced in-resort spending by UK visitors.

<b>Online Destination Services</b>	<b><u>H1 09</u></b>	<b><u>H1 08</u></b>	<b><u>y-o-y variation</u></b>
<b>Online - Bednights ('000)</b>			
B2B			+1%
B2C			+6%
<b>Offline – passenger volumes (m)</b>			
Portfolio Incoming division			-6%
Hotelbeds Offline			-8%
Underlying operating loss (£m)			
<b>Total</b>	<b><u>(2.8)</u></b>	<b><u>(0.1)</u></b>	<b><u>(2.7)</u></b>

### **Acquisitions**

In the six months ended 31 March 2009, the Group acquired seven businesses for a maximum total consideration of £50m. The most significant transaction in the period was the purchase of Royal Caribbean's 50% stake in Island Cruises, the joint venture between TUI Travel and Royal Caribbean. Under the agreement, one of the two ships operated by Island Cruises, the Island Star, was returned to Royal Caribbean at the end of March 2009. The other ship, the Island Escape, has been integrated into Thomson Cruises' fleet of five ships.

In addition, we completed five acquisitions in the Activity sector. We consolidated our leading position in the student sports tours and ski market through the acquisitions of Edwin Doran, Teamlink and On the Piste. In the Sport segment, Sport Abroad was added to our unique portfolio of specialist sport tour operators. Within the Marine segment of the Activity sector, we purchased Master Yachting, a leading yacht charter business in Germany that will

complement our existing Marine business. In the Specialist sector we acquired Travel Adventures, which will enhance our US educational tours business.

### **Dividends**

The Board recommends an interim dividend per ordinary share of 3.0p, payable to holders of relevant shares on the register at 4 September 2009. This will be paid on 1 October 2009.

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

### **Loss per share**

Underlying basic loss per ordinary share was 21.6p (H1 08 19.2p). The underlying effective tax rate was 28% and weighted average number of shares in issue was 1,106.7m (H1 08 1,109.4m).

The basic loss per share from continuing operations was 29.6p (H1 08 27.7p).

### **Sale & lease back transactions**

In the first half of the year, we completed the sale & leaseback of seven aircraft, which included four aircraft held for sale at 30 September 2008 and three new aircraft that were delivered in the period. For the four aircraft that were owned at the start of the period, we received £90m of disposal proceeds. Subsequent to the balance sheet date, we have completed three further sale and leaseback transactions, one for an aircraft delivered in the first half and two aircraft that were delivered in April.

As a consequence, we have only one remaining aircraft delivery in the current financial year to finance and do not have any planned aircraft deliveries in the year ending 30 September 2010.

### **Cash and Liquidity**

The net debt position (cash and cash equivalents less loans, overdrafts and finance leases) at 31 March 2009 was £1,097m (31 March 2008: £896m). This consisted of £583m of cash and £71m of current interest-bearing loans and liabilities and £1,609m of non-current interest-bearing loans and liabilities. The increase is primarily due to:

- The impact of foreign exchange translation on our €1 billion shareholder loan with TUI AG. The shareholder loan is fully hedged using derivative instruments and no economic loss therefore arises from the translation. The corresponding gain on the hedge is included in the fair value of derivative financial instruments.
- The impact of the later booking trend and lower capacity on working capital. We are working to mitigate the impact on working capital through improvement of group-wide practices, and envisage much of the negative outflow to reverse in the second half.

## Responsibility statement of the Directors in respect of the interim financial statements

The Directors 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 issued by the IASB and endorsed and 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 2008.

On behalf of the Board of Directors

Paul Bowtell  
Director  
18 May 2009

Condensed consolidated income statement (unaudited)  
for the 6-month period ended 31 March 2009

	Note	6-month period ended 31 March 2009 £m	6-month period ended 31 March 2008 (as restated note 1) £m	Year ended 30 September 2008 £m
<b>Continuing operations</b>				
<b>Revenue</b>	3	<b>5,379.3</b>	5,154.6	13,931.8
Cost of sales		<b>(5,270.1)</b>	(5,043.0)	(12,910.7)
<b>Gross profit</b>		<b>109.2</b>	111.6	1,021.1
Administrative expenses		<b>(521.8)</b>	(491.7)	(1,217.2)
Share of profit / (loss) of joint ventures and associates		<b>1.0</b>	(0.7)	12.0
<b>Operating loss</b>	3	<b>(411.6)</b>	(380.8)	(184.1)
<b>Analysed as:</b>				
Underlying operating (loss) / profit	3	<b>(289.2)</b>	(250.5)	398.0
Separately disclosed items	4	<b>(92.9)</b>	(66.8)	(380.7)
Amortisation of business combination intangibles		<b>(28.3)</b>	(62.3)	(86.9)
Impairment of goodwill	4	<b>–</b>	–	(111.7)
Taxation on results of joint ventures and associates		<b>(1.2)</b>	(1.2)	(2.8)
		<b>(411.6)</b>	(380.8)	(184.1)
Financial income		<b>35.9</b>	82.2	122.0
Financial expenses		<b>(79.6)</b>	(126.2)	(204.5)
<b>Net financial expenses</b>		<b>(43.7)</b>	(44.0)	(82.5)
<b>Loss before tax</b>		<b>(455.3)</b>	(424.8)	(266.6)
Taxation	5	<b>127.5</b>	118.8	0.1
<b>Loss for the period / year from continuing operations</b>		<b>(327.8)</b>	(306.0)	(266.5)
<b>Discontinued operation</b>				
Loss for the period / year from discontinued operation	6	<b>(5.8)</b>	–	–
<b>Loss for the period / year</b>		<b>(333.6)</b>	(306.0)	(266.5)
<b>Attributable to</b>				
Ordinary shareholders		<b>(333.5)</b>	(306.8)	(270.7)
Minority interest		<b>(0.1)</b>	0.8	4.2
<b>Loss for the period / year</b>		<b>(333.6)</b>	(306.0)	(266.5)
			Pence	Pence
<b>Basic and diluted loss per share for result attributable to the equity holders of the company during the period / year</b>				
- from continuing operations	8	<b>(29.6)</b>	(27.7)	(24.4)
- from discontinued operation	8	<b>(0.5)</b>	–	–
		<b>(30.1)</b>	(27.7)	(24.4)
			£m	£m
<b>Underlying operating (loss) / profit</b>		<b>(289.2)</b>	(250.5)	398.0
Net underlying financial expenses	4	<b>(43.7)</b>	(44.0)	(78.3)
<b>Underlying (loss) / profit before tax</b>		<b>(332.9)</b>	(294.5)	319.7
			Pence	Pence
<b>Underlying (loss) / profit per share for result attributable to the equity holders of the company during the period / year</b>				
- basic	8	<b>(21.6)</b>	(19.2)	20.4
- diluted	8	<b>(21.6)</b>	(19.2)	20.2

Condensed consolidated balance sheet (unaudited)  
at 31 March 2009

	31 March 2009	31 March 2008 (as restated note 1)	30 September 2008
Note	£m	£m	£m
<b>Non-current assets</b>			
Intangible assets	4,791.4	4,334.5	4,428.7
Property, plant and equipment	1,029.5	1,434.7	926.2
Investments in joint ventures and associates	90.5	110.4	114.4
Other investments	51.2	56.3	55.8
Trade and other receivables	282.1	263.6	210.3
Employee benefit assets	0.5	19.9	16.9
Derivative financial instruments	70.2	26.4	47.5
Deferred tax assets	427.2	216.6	205.2
	<b>6,742.6</b>	6,462.4	6,005.0
<b>Current assets</b>			
Inventories	71.0	45.4	51.2
Other investments	3.3	9.7	28.6
Trade and other receivables	1,981.8	1,693.0	1,653.5
Income tax recoverable	64.9	24.8	28.8
Derivative financial instruments	622.8	287.6	273.5
Cash and cash equivalents	583.0	1,024.9	1,129.8
Assets classified as held for sale	112.5	15.6	156.8
	<b>3,439.3</b>	3,101.0	3,322.2
<b>Total assets</b>	<b>10,181.9</b>	9,563.4	9,327.2
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	(71.1)	(277.2)	(99.3)
Employee benefit liabilities	(2.7)	(4.4)	(2.0)
Derivative financial instruments	(625.9)	(126.6)	(177.7)
Trade and other payables	(4,282.3)	(3,686.3)	(4,056.5)
Provisions	(266.9)	(245.0)	(234.9)
Income tax payable	(83.0)	(22.6)	(89.5)
Liabilities classified as held for sale	(26.5)	–	(22.4)
	<b>(5,358.4)</b>	(4,362.1)	(4,682.3)
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	(1,609.3)	(1,643.2)	(1,167.1)
Employee benefit liabilities	(356.0)	(225.1)	(268.0)
Derivative financial instruments	(73.4)	(142.7)	(50.0)
Trade and other payables	(124.7)	(128.4)	(148.3)
Provisions	(182.6)	(196.9)	(180.3)
Deferred tax liabilities	(286.1)	(229.8)	(234.8)
	<b>(2,632.1)</b>	(2,566.1)	(2,048.5)
<b>Total liabilities</b>	<b>(7,990.5)</b>	(6,928.2)	(6,730.8)
<b>Net assets</b>	<b>2,191.4</b>	2,635.2	2,596.4
<b>Equity</b>			
Share capital	9 111.8	111.8	111.8
Other reserves	9 2,869.0	2,682.4	2,749.8
Retained deficit	9 (791.7)	(163.4)	(270.6)
<b>Total equity attributable to equity holders of the parent</b>	<b>2,189.1</b>	2,630.8	2,591.0
Minority interest	9 2.3	4.4	5.4
<b>Total equity</b>	<b>2,191.4</b>	2,635.2	2,596.4

Condensed consolidated statement of cash flows (unaudited)  
for the 6-month period ended 31 March 2009

	6-month period ended 31 March 2009	6-month period ended 31 March 2008 (as restated note 1)	Year ended 30 September 2008
Note	£m	£m	£m
<b>Loss for the period / year</b>	<b>(333.6)</b>	<b>(306.0)</b>	<b>(266.5)</b>
<b>Adjustment for:</b>			
Depreciation and amortisation	133.0	153.8	330.9
Impairment of intangible assets and property, plant and equipment	–	–	145.8
Equity-settled share-based payment expenses	8.3	5.9	13.5
(Profit) / loss on sale of property, plant and equipment	(0.9)	1.4	71.4
Share of (profit) / loss of joint ventures and associates	(1.0)	0.7	(12.0)
Loss on foreign exchange	0.1	–	25.1
Dividends received from joint ventures and associates	1.7	–	9.4
Financial income	(35.9)	(82.2)	(122.0)
Financial expense	79.6	126.2	204.5
Income tax credit	(127.5)	(118.8)	(0.1)
Acquisition of shares for share-based payments	(2.3)	–	(7.1)
<b>Operating (loss) / profit before changes in working capital and provisions</b>	<b>(278.5)</b>	<b>(219.0)</b>	<b>392.9</b>
Increase in inventories	(25.6)	(7.8)	(4.9)
Increase in trade and other receivables	(134.2)	(164.4)	(234.8)
(Decrease) / increase in trade and other payables	(105.2)	208.0	265.0
(Decrease) / increase in provisions and employee benefits	(89.7)	13.0	41.8
<b>Cash flows from operations</b>	<b>(633.2)</b>	<b>(170.2)</b>	<b>460.0</b>
Net interest paid	(37.2)	(17.2)	(55.5)
Income taxes paid	(8.5)	(22.8)	(33.5)
<b>Cash flows from operating activities</b>	<b>(678.9)</b>	<b>(210.2)</b>	<b>371.0</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	214.8	67.7	347.2
Proceeds from disposal of subsidiaries net of cash disposed of	–	(5.6)	2.5
Acquisition of subsidiaries, net of cash acquired	(35.5)	(47.0)	(90.3)
Acquisition of minority shareholdings	–	–	(19.8)
Investment in joint ventures and associates	(12.5)	(9.5)	(9.5)
Acquisition of property, plant and equipment and software	(232.1)	(82.8)	(277.4)
<b>Cash flows from investing activities</b>	<b>(65.3)</b>	<b>(77.2)</b>	<b>(47.3)</b>
<b>Financing activities</b>			
Proceeds from new loans	505.6	–	231.7
Repayment of borrowings	(307.9)	(749.4)	(1,410.5)
Payment of finance lease liabilities	(25.7)	(2.3)	(25.6)
Ordinary and minority interest dividends paid	(34.5)	(4.3)	(69.9)
<b>Cash flows from financing activities</b>	<b>137.5</b>	<b>(756.0)</b>	<b>(1,274.3)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(606.7)</b>	<b>(1,043.4)</b>	<b>(950.6)</b>
Cash and cash equivalents at start of period / year	1,129.8	1,958.7	1,958.7
Effect of foreign exchange on cash held	59.9	109.6	121.7
<b>Cash and cash equivalents at end of period / year</b>	<b>583.0</b>	<b>1,024.9</b>	<b>1,129.8</b>

Condensed consolidated statement of recognised income and expense  
(unaudited)

for the 6-month period ended 31 March 2009

	6-month period ended 31 March 2009	6-month period ended 31 March 2008 (as restated note 1)	Year ended 30 September 2008
	£m	£m	£m
Foreign exchange translation	<b>217.6</b>	160.5	180.4
Actuarial (losses) / gains arising in respect of defined benefit pension schemes (net of tax)	<b>(86.0)</b>	62.1	0.2
Cash flow hedges (net of tax)	<b>(99.3)</b>	94.3	141.4
<b>Net income recognised directly in equity</b>	<b>32.3</b>	316.9	322.0
Loss for the period / year	<b>(333.6)</b>	(306.0)	(266.5)
<b>Total recognised (expense) / income for the period / year</b>	<b>(301.3)</b>	10.9	55.5
<b>Attributable to:</b>			
Ordinary shareholders	<b>(301.5)</b>	9.2	50.5
Minority interest	<b>0.2</b>	1.7	5.0
<b>Total</b>	<b>(301.3)</b>	10.9	55.5

# Notes to the condensed consolidated financial statements (unaudited)

## 1. Basis of preparation

### Statement of compliance

These unaudited condensed consolidated interim financial statements for the 6-month period ended 31 March 2009 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. This does not constitute the statutory accounts of TUI Travel PLC within the meaning of section 434 of the Companies Act 2006. Nor does it comprise the interim management statement which would be required under the Disclosure and Transparency Rules of the Financial Services Authority.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on 18 May 2009.

### Accounting policies

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 2008, except the Directors have adopted the following interpretations for the first time this year:

- IFRIC 12 - *Service Concession Arrangements*
- IFRIC 13 - *Customer Loyalty Programmes*
- IFRIC 14 - *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

These changes in policy have not had a significant impact on the current or prior years' results or balance sheet positions, and therefore no restatement of the prior year has been presented.

The following further new accounting standards, amendments to existing standards and interpretations are in issue. However, with the exception of IAS 1 (Revised) and the amendments to IFRS 2 and IFRS 8 (all of which will be effective for the Group in the year ending 30 September 2010), the remainder are not yet endorsed for use in the European Union:

- IAS 1 (Revised) – *Presentation of financial statements*
- IAS 27 (Revised) – *Consolidated and separate financial statements*
- Amendment to IAS 38 – *Intangible assets*
- Amendment to IAS 39 and IFRS 7 – *Financial instruments*
- Amendment to IFRS 2 – *Share-based payment*
- IFRS 3 (Revised) – *Business combinations*
- IFRS 8 – *Operating segments*
- IFRIC 15 – *Agreements for the construction of real estate*
- IFRIC 16 – *Hedges of a net investment in a foreign operation*
- IFRIC 17 – *Distributions on Non-cash assets to owners*
- IFRIC 18 – *Transfers of assets from customers*

The Group's preliminary assessment is as follows:

- IFRS 3 (Revised) continues to apply the acquisition method to business combinations with some changes, particularly around the measurement of contingent payments, the calculation of goodwill and the treatment of transaction costs. These changes will apply to the Group's business combinations occurring from 1 October 2009
- IFRS 8 contains requirements for the disclosure of information about an entity's operating segments and also about an entity's products and services, the geographical areas in which it operates, and its major customers. The standard is principally concerned with disclosure and replaces *IAS 14 – Segment reporting*. The Group is currently assessing the impact this standard would have on the presentation of its consolidated results
- The Group does not currently believe the adoption of the remaining standards or interpretations would 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 2008 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.

On 3 September 2007, the Group was formed through a business combination of the tourism businesses of TUI AG ("TUI Tourism") with First Choice Holidays PLC ("First Choice"). On a consolidated basis, TUI Tourism is considered to be the acquirer of First Choice. The fair valuation of the First Choice assets and liabilities acquired was finalised by 3 September 2008, being 12 months from the date of acquisition, and as a result the income statement, cash flow statement and statement of recognised income and expense for the 6-month period ended 31 March 2008, and the balance sheet at 31 March 2008, have been restated.

The restatement of the income statement relates to the fair value of customer deposits at 3 September 2007, and an additional share-based payment charge, and has resulted in a reduction in turnover of £7.9m, an increase in operating costs of £0.2m, and an increase in the taxation credit of £2.2m for the 6-month period ended 31 March 2008.

The restatement of the balance sheet relates to the finalisation of the fair value of assets and liabilities acquired at 3 September 2007, and has resulted in a net increase in net assets of £53.9m at 31 March 2008.

The restatement of the statement of recognised income and expense results from the restatement of the income statement, and foreign exchange gains on the fair values of assets and liabilities acquired at 3 September 2007.

The restatement has had no impact on cash flows for the 6-month period ended 31 March 2008, but has altered the reconciliation of loss for the period to cash flows from operating activities within the cash flow statement.

### **Estimates**

The preparation of interim financial statements requires management to make judgements, estimates 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. 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 profit / loss before financial income and expenses, taxation (Group and share of joint ventures and associates), separately disclosed items (see Note 4), amortisation of intangible assets acquired in business combinations and impairment of goodwill.

Underlying profit / loss before tax is profit / loss before taxation (Group and share of joint ventures and associates), separately disclosed items, amortisation of intangible assets acquired in business combinations, impairment of goodwill and financing expenses or income arising on the revaluation of minority interest put option liabilities.

Underlying earnings / loss used in the calculation of underlying earnings / loss per share is profit / loss after tax excluding separately disclosed items, amortisation of intangible assets acquired in business combinations, impairment of goodwill and financing expenses or income arising on the revaluation of minority interest put option liabilities (net of related taxation).

It should be noted that the definitions of underlying items being used in these 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 as the Group or elsewhere.

## **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 two main sources of debt funding are the shareholder loan from TUI AG, which is €1.0 billion and matures in January 2011, and the external bank £770 million revolving credit facility which matures in August 2012.

The ratio of Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) 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 within the covenant limits. Forecasts reviewed by the Board, including forecasts adjusted for significantly worse economic conditions, show continued compliance with these covenants.

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

Segmental information is presented by the Group's business sectors and is based on the Group's management and reporting structure. 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.

6-month period ended 31 March 2009

	Mainstream Sector			Total Mainstream Sector £m	Specialist Sector £m	Activity Sector £m	Online Destination Services Sector £m	Joint Ventures and Associates £m	Corporate £m	Total Group £m
	Northern Region £m	Central Europe £m	Western Europe £m							
<b>Total external revenue</b>	<b>1,654.9</b>	<b>1,776.4</b>	<b>952.8</b>	<b>4,384.1</b>	<b>404.3</b>	<b>404.1</b>	<b>186.8</b>	<b>–</b>	<b>–</b>	<b>5,379.3</b>
Operating (loss) / profit	(146.8)	(124.2)	(74.0)	(345.0)	4.7	(17.9)	(12.8)	1.0	(41.6)	(411.6)
Separately disclosed items	23.1	3.7	8.6	35.4	3.5	17.5	4.4	2.6	29.5	92.9
Amortisation of business combination intangibles	10.6	0.5	1.2	12.3	3.6	6.8	5.6	–	–	28.3
Taxation on profits of joint ventures and associates	–	–	–	–	–	–	–	1.2	–	1.2
<b>Underlying operating (loss) / profit</b>	<b>(113.1)</b>	<b>(120.0)</b>	<b>(64.2)</b>	<b>(297.3)</b>	<b>11.8</b>	<b>6.4</b>	<b>(2.8)</b>	<b>4.8</b>	<b>(12.1)</b>	<b>(289.2)</b>
Net underlying financial expenses										(43.7)
<b>Underlying loss before tax</b>										<b>(332.9)</b>

6-month period ended 31 March 2008 (as restated – note 1)

	Mainstream Sector			Total Mainstream Sector £m	Specialist Sector £m	Activity Sector £m	Online Destination Services Sector £m	Joint Ventures and Associates £m	Corporate £m	Total Group £m
	Northern Region £m	Central Europe £m	Western Europe £m							
<b>Total external revenue</b>	<b>1,635.5</b>	<b>1,684.0</b>	<b>915.8</b>	<b>4,235.3</b>	<b>359.5</b>	<b>405.6</b>	<b>154.2</b>	<b>–</b>	<b>–</b>	<b>5,154.6</b>
Operating (loss) / profit	(235.0)	(95.1)	(46.5)	(376.6)	(1.6)	3.7	(5.7)	(0.7)	0.1	(380.8)
Separately disclosed items	71.1	1.3	1.0	73.4	3.1	1.4	0.7	–	(11.8)	66.8
Amortisation of business combination intangibles	49.8	0.3	1.1	51.2	3.5	2.7	4.9	–	–	62.3
Taxation on profits of joint ventures and associates	–	–	–	–	–	–	–	1.2	–	1.2
<b>Underlying operating (loss) / profit</b>	<b>(114.1)</b>	<b>(93.5)</b>	<b>(44.4)</b>	<b>(252.0)</b>	<b>5.0</b>	<b>7.8</b>	<b>(0.1)</b>	<b>0.5</b>	<b>(11.7)</b>	<b>(250.5)</b>
Net underlying financial expenses										(44.0)
<b>Underlying loss before tax</b>										<b>(294.5)</b>

Year ended 30 September 2008

	Mainstream Sector			Total Mainstream Sector £m	Specialist Sector £m	Activity Sector £m	Online Destination Services Sector £m	Joint Ventures and Associates £m	Corporate £m	Total Group £m
	Northern Region £m	Central Europe £m	Western Europe £m							
<b>Total external revenue</b>	<b>4,377.1</b>	<b>4,701.8</b>	<b>2,752.5</b>	<b>11,831.4</b>	<b>819.3</b>	<b>779.5</b>	<b>501.6</b>	<b>–</b>	<b>–</b>	<b>13,931.8</b>
Operating (loss) / profit	(104.2)	(112.5)	19.8	(196.9)	1.1	(4.4)	41.9	12.0	(37.8)	(184.1)
Separately disclosed items	223.6	62.6	15.3	301.5	17.3	45.8	5.5	–	10.6	380.7
Amortisation of business combination intangibles	58.3	0.6	2.2	61.1	7.7	8.1	10.0	–	–	86.9
Impairment of goodwill	–	111.7	–	111.7	–	–	–	–	–	111.7
Taxation on profits of joint ventures and associates	–	–	–	–	–	–	–	2.8	–	2.8
<b>Underlying operating profit / (loss)</b>	<b>177.7</b>	<b>62.4</b>	<b>37.3</b>	<b>277.4</b>	<b>26.1</b>	<b>49.5</b>	<b>57.4</b>	<b>14.8</b>	<b>(27.2)</b>	<b>398.0</b>
Net underlying financial expenses										(78.3)
<b>Underlying profit before tax</b>										<b>319.7</b>

#### 4. Separately disclosed items

	6-month period ended 31 March 2009 £m	6-month period ended 31 March 2008 (as restated note 1) £m	Year ended 30 September 2008 £m
<b>Separately disclosed items in operating profit / (loss)</b>			
Merger related integration costs	49.1	80.0	164.3
Restructuring expenses	25.0	11.4	65.3
Aircraft	18.8	(24.6)	151.1
<b>Total</b>	<b>92.9</b>	<b>66.8</b>	<b>380.7</b>
<b>Separately disclosed items in net financial expenses</b>			
Non-underlying acquisition-related financial expenses	–	–	4.2

#### Merger related integration costs

These primarily relate to the costs of integration of the UK businesses, in particular the integration of First Choice and Thomson in the UK and the formation of one airline and an integrated retail estate.

In the 6-month period ended 31 March 2009, £2.5m of the cost relates to asset write downs following the acquisition and integration of the remaining 50% shareholding in Sunshine Cruises Limited (Island Cruises) into the Thomson Cruises fleet.

#### Restructuring expenses

Costs incurred in the 6-month period ended 31 March 2009 relate to restructuring programmes which are not related to the business combination of First Choice and the TUI Tourism businesses. The main item included here is £15m due to the closure of the Sunsail Clubs in Turkey.

Costs incurred in the comparative 6-month period ended 31 March 2008 primarily relate to restructuring programmes that were already underway prior to the First Choice and TUI Tourism business combination.

In the full year ended 30 September 2008 restructuring also included the integration of the Sunsail and The Moorings businesses and the restructuring of Le Boat in TUI Marine, the rationalisation of the Nouvelles Frontières tour operator product and Corsair scheduled flying programme in France and an impairment charge in respect of the Thomson Alfresco assets.

#### Aircraft

Aircraft costs relate to the continuing restructuring of the aircraft fleet. In the 6-month period ended 31 March 2009, sale and leaseback profits of £5.9m have been offset by £24.7m of costs relating to ineffectiveness 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.

The prior period profit of £24.6m is the net result of gains arising from the ineffectiveness on aircraft order book hedging of £28.1m, offset by £3.5m losses arising from aircraft sale and leaseback transactions. The aircraft order book hedges were closed out in October 2008 and the associated gains and losses at that date will be recognised on purchase and delivery of the related aircraft.

In the year ended 30 September 2008, aircraft costs principally included sale and leaseback losses of £101.7m.

## Non-underlying acquisition-related financial expenses

The non-underlying acquisition-related financial expenses in the year ended 30 September 2008 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.

## Goodwill impairment charge

The goodwill impairment charge in the prior year of £111.7m related to TUIfly, the Group's German aviation business.

## 5. Taxation

The Group's underlying effective tax rate, being tax on underlying profit before tax, and full effective tax rate for the 6-month period ended 31 March 2009, are both 28%. These rates are based on the Group's estimated effective tax rate for the year ending 30 September 2009, which is expected to be around 28%.

## 6. 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.

	6-month period ended 31 March 2009 £m	6-month period ended 31 March 2008 £m	Year ended 30 September 2008 £m
<b>Revenue</b>	<b>31.9</b>	–	–
Expenses	(37.7)	–	–
<b>Loss before tax of discontinued operation</b>	<b>(5.8)</b>	–	–
Tax	–	–	–
<b>Loss after tax of discontinued operation</b>	<b>(5.8)</b>	–	–

## 7. Dividends

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

	6-month period ended 31 March 2009 £m	6-month period ended 31 March 2008 £m	Year ended 30 September 2008 £m
Interim dividend paid for 2008	<b>31.0</b>	–	–
Final dividend proposed for 2008	<b>76.4</b>	–	–
Initial interim dividend for 2007	–	–	65.4
<b>Total dividends</b>	<b>107.4</b>	–	65.4

The interim dividend in respect of the 6-month period ended 31 March 2008 of 2.8p per ordinary share, totalling £31.0m was paid on 1 October 2008 and deducted from equity in the period.

At the Company's AGM on 5 February 2009, the shareholders approved the final recommended dividend for 2008 of 6.9p per ordinary share. The value of this dividend, of £76.4m, has therefore been recognised as a deduction from equity in the period and as a liability at 31 March 2009. The dividend was paid on 6 April 2009.

No dividends were paid in the 6-month period ended 31 March 2008.

Subsequent to the balance sheet date, the Directors have proposed an interim dividend for the 6-month period ended 31 March 2009 of 3.0p per ordinary share, totalling £33.2m, payable on 1 October 2009.

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 2009 interim dividend, may do so by contacting Equiniti on 0871 384 2030. The last day for election for the proposed interim dividend is 10 September 2009 and any requests should be made in good time ahead of that date.

## 8. 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 on losses attributable to ordinary shareholders divided by the adjusted weighted average number of ordinary shares, including outstanding share awards, where their conversion is dilutive.

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 2009 and 31 March 2008.

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 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	Loss 6-month period ended 31 March 2008 £m	Weighted average number of shares 6-month period ended 31 March 2008 Millions	Loss per share 6-month period ended 31 March 2008 Pence
<b>Basic and diluted loss per share</b>	<b>(327.7)</b>	<b>1,106.7</b>	<b>(29.6)</b>	<b>(306.8)</b>	<b>1,109.4</b>	<b>(27.7)</b>
Amortisation of business combination intangibles (net of tax)	19.9	–	1.8	44.7	–	4.1
<b>Basic and diluted loss per share before amortisation of business combination intangibles (net of tax)</b>	<b>(307.8)</b>	<b>1,106.7</b>	<b>(27.8)</b>	<b>(262.1)</b>	<b>1,109.4</b>	<b>(23.6)</b>
Separately disclosed items (net of tax)	68.2	–	6.2	49.3	–	4.4
<b>Basic and diluted underlying loss per share</b>	<b>(239.6)</b>	<b>1,106.7</b>	<b>(21.6)</b>	<b>(212.8)</b>	<b>1,109.4</b>	<b>(19.2)</b>

### Basic and diluted loss per share from discontinued operation

	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	Loss 6-month period ended 31 March 2008 £m	Weighted average number of shares 6-month period ended 31 March 2008 Millions	Loss per share 6-month period ended 31 March 2008 Pence
<b>Basic and diluted loss per share</b>	<b>(5.8)</b>	<b>1,106.7</b>	<b>(0.5)</b>	<b>–</b>	<b>1,109.4</b>	<b>–</b>

## Basic and diluted loss per share

	Loss Year ended 30 September 2008 £m	Weighted average number of shares Year ended 30 September 2008 Millions	Loss per share Year ended 30 September 2008 Pence	Loss Year ended 30 September 2008 £m	Weighted average number of shares Year ended 30 September 2008 Millions	Loss per share Year ended 30 September 2008 Pence
<b>Basic loss per share</b>	(270.7)	1,108.7	(24.4)	(270.7)	1,108.7	(24.4)
Effect of dilutive options	–	–	–	–	9.3	0.2
<b>Basic loss per share adjusted for dilution</b>	(270.7)	1,108.7	(24.4)	(270.7)	1,118.0	(24.2)
Amortisation of business combination intangibles, and impairment of goodwill (net of tax)	173.6	–	15.6	173.6	–	15.5
<b>Basic loss per share before amortisation of business combination intangibles and impairment of goodwill (net of tax)</b>	(97.1)	1,108.7	(8.8)	–	–	–
<b>Diluted loss per share before amortisation of business combination intangibles and impairment of goodwill (net of tax)</b>	–	–	–	(97.1)	1,118.0	(8.7)
Separately disclosed items (net of tax)	323.1	–	29.2	323.1	–	28.9
<b>Basic underlying loss per share</b>	226.0	1,108.7	20.4	–	–	–
<b>Diluted underlying loss per share</b>	–	–	–	226.0	1,118.0	20.2

## 9. Capital and reserves

Movements in capital and reserves for the 6-month period ended 31 March 2009 were as follows:

	Share capital £m	Capital reserve £m	Merger reserve £m	Other reserves £m	Retained deficit £m	Equity holders of parent £m	Minority interest £m	Total £m
<b>At 1 October 2008</b>	<b>111.8</b>	<b>0.1</b>	<b>2,490.0</b>	<b>259.7</b>	<b>(270.6)</b>	<b>2,591.0</b>	<b>5.4</b>	<b>2,596.4</b>
Total recognised income / (expense) for the period	–	–	–	119.2	(420.7)	(301.5)	0.2	(301.3)
Share-based payment	–	–	–	–	8.3	8.3	–	8.3
Acquisition of own shares	–	–	–	–	(2.3)	(2.3)	–	(2.3)
Dividends	–	–	–	–	(107.4)	(107.4)	(3.2)	(110.6)
First time consolidation	–	–	–	–	0.9	0.9	–	0.9
Acquisition of minority interest	–	–	–	–	0.1	0.1	(0.1)	–
<b>At 31 March 2009</b>	<b>111.8</b>	<b>0.1</b>	<b>2,490.0</b>	<b>378.9</b>	<b>(791.7)</b>	<b>2,189.1</b>	<b>2.3</b>	<b>2,191.4</b>

Movements in capital and reserves for the 6-month period ended 31 March 2008 are set out below. These have been restated as described in Note 1.

	Share capital £m	Capital reserve £m	Merger reserve £m	Other reserves £m	Retained earnings (deficit) / £m	Equity holders of parent £m	Minority interest £m	Total £m
<b>At 1 October 2007</b>	<b>111.8</b>	<b>–</b>	<b>2,490.0</b>	<b>(61.3)</b>	<b>82.9</b>	<b>2,623.4</b>	<b>7.4</b>	<b>2,630.8</b>
Total recognised income / (expense) for the period	–	–	–	253.6	(244.4)	9.2	1.7	10.9
Share-based payment	–	–	–	–	5.9	5.9	–	5.9
Redemption of preference shares	–	0.1	–	–	(0.1)	–	–	–
Dividends	–	–	–	–	–	–	(4.3)	(4.3)
Acquisition of minority interest	–	–	–	–	(7.7)	(7.7)	(0.4)	(8.1)
<b>At 31 March 2008</b>	<b>111.8</b>	<b>0.1</b>	<b>2,490.0</b>	<b>192.3</b>	<b>(163.4)</b>	<b>2,630.8</b>	<b>4.4</b>	<b>2,635.2</b>

Movements in capital and reserves for the year ended 30 September 2008 are set out below.

	Share capital £m	Capital reserve £m	Merger reserve £m	Other reserves £m	Retained earnings (deficit) / £m	Equity holders of parent £m	Minority interest £m	Total £m
<b>At 1 October 2007</b>	<b>111.8</b>	<b>–</b>	<b>2,490.0</b>	<b>(61.3)</b>	<b>82.9</b>	<b>2,623.4</b>	<b>7.4</b>	<b>2,630.8</b>
Total recognised income / (expense) for the period	–	–	–	321.0	(270.5)	50.5	5.0	55.5
Share-based payment	–	–	–	–	13.5	13.5	–	13.5
Acquisition of own shares	–	–	–	–	(7.1)	(7.1)	–	(7.1)
Redemption of preference shares	–	0.1	–	–	(0.1)	–	–	–
Dividends	–	–	–	–	(65.4)	(65.4)	(4.5)	(69.9)
Acquisition in stages	–	–	–	–	(7.6)	(7.6)	–	(7.6)
Acquisition of minority interest	–	–	–	–	(16.3)	(16.3)	(2.5)	(18.8)
<b>At 30 September 2008</b>	<b>111.8</b>	<b>0.1</b>	<b>2,490.0</b>	<b>259.7</b>	<b>(270.6)</b>	<b>2,591.0</b>	<b>5.4</b>	<b>2,596.4</b>

## 10. Acquisitions

### (a) Acquisitions in the 6-month period ended 31 March 2009

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

Business	Description	Date	Country
<b>Mainstream Sector – Northern Region</b>			
Sunshine Cruises Limited (trading as Island Cruises)	Cruise operator	November 2008	UK
<b>Specialist &amp; Emerging Markets Sector</b>			
Travel Adventures, Inc	Tour operator	October 2008	USA
<b>Activity Sector</b>			
Sport Abroad (UK) Limited	Tour operator	October 2008	UK
Teamlink Travel Limited	Tour operator	October 2008	UK
Edwin Doran Travel Limited	Tour operator	November 2008	UK
Master Yachting GmbH	Tour operator	November 2008	Germany
On The Piste.com Limited	Tour operator	December 2008	UK

The Group acquired 100% of the voting equity instruments in respect of each acquisition completed during the period with the exception of Sunshine Cruises Limited, where the Group previously held 50% and acquired all the remaining shares during the period.

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

	Book value prior to acquisition £m	Accounting policy adjustments £m	Fair value adjustments £m	Fair value of net assets / (liabilities) acquired £m
<b>Net assets / (liabilities) acquired</b>				
Intangible fixed assets	0.4	–	1.9	2.3
Tangible fixed assets	49.0	–	(0.1)	48.9
Trade and other receivables	29.7	–	–	29.7
Cash and cash equivalents	23.6	–	–	23.6
Interest-bearing liabilities	(0.3)	–	–	(0.3)
Trade and other payables	(35.3)	(0.4)	(0.3)	(36.0)
Deferred tax liabilities	(4.5)	–	(0.3)	(4.8)
<b>Total</b>	<b>62.6</b>	<b>(0.4)</b>	<b>1.2</b>	<b>63.4</b>
Less share of net assets of Sunshine Cruises Limited previously owned				(30.7)
<b>Net assets acquired</b>				<b>32.7</b>

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

Calculation of goodwill arising	£m
<b>Consideration payable</b>	
Initial cash consideration	45.3
Deferred and contingent consideration	3.6
Acquisition expenses	0.7
<b>Total consideration payable</b>	<b>49.6</b>
Net assets acquired	32.7
<b>Provisional goodwill arising</b>	<b>16.9</b>

All acquisitions have been accounted for using the purchase method, as required by IFRS 3. 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 (net of cash acquired) was £35.5 million, which comprises £22.4 million relating to current period acquisitions and £13.1 million relating to prior period acquisitions.

#### **(b) Income statement**

The acquired businesses contributed revenues of £44.0m and loss after tax (including amortisation of business combination intangibles) of £3.5m during the 6-month period ended 31 March 2009.

If the businesses that were acquired at various times during the period ended 31 March 2009 had been part of the Group since 1 October 2008, Group revenue would have increased further by £6.9m and loss after tax decreased by £0.1m.

#### **(c) Acquisitions after the balance sheet date**

Subsequent to 31 March 2009, the Group acquired three further businesses for a total consideration of £18 million. The accounting under IFRS 3 for these recent acquisitions has not yet been finalised.

#### **(d) Agreement between Air Berlin and TUIfly**

On 27 March 2009 the Group agreed the terms of a strategic cooperation between Air Berlin and the Group's German aviation business TUIfly. TUI Travel PLC will acquire a 19.9% equity stake in Air Berlin for €64.8 million cash, and Air Berlin will acquire a 19.9% equity stake in TUIfly for €36.3 million cash. The Group has recorded a €64.8 million asset within current trade and other receivables, and a liability within current trade and other payables, relation to this transaction as at 31 March 2009.

Under the terms of the agreement, TUIfly will continue to operate 38 aircraft and will enter into long-term wet lease contracts to operate 17 aircraft for Air Berlin under the Air Berlin brand, and 21 aircraft for TUI Germany under the TUIfly brand.

The arrangement is subject to anti-trust clearances in certain countries and has an effective date of 1 October 2009.

## 11. Capital and operating lease commitments

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

	31 March 2009 £m	31 March 2008 £m	30 September 2008 £m
<b>Capital commitments</b>	17.4	30.2	60.2

In addition to the above items, the Group has contracted to purchase fifty-five aircraft, deliveries of which have started in April 2009. The Group intends to refinance these aircraft in advance of their delivery dates and therefore does not expect to use its own cash resources for their purchase.

## 12. 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 €1.0 billion (£0.8 billion). The facility has remained in place throughout the 6-month period and the net balance at 31 March 2009 was €1.0 billion (£1.0 billion) including accrued interest of £15 million.

The Group also held receivables of £19 million and payables of £222 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 2008 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.

## 13. 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 2009 are expected to have a material effect on these accounts. The Directors consider that adequate provision has been made for all known liabilities.

## 14. Post balance sheet events

### (a) Joint arrangement with S-Group Capital Management

On 15 April 2009, the Group signed an agreement with S-Group Capital Management Limited for the formation of a jointly owned investment holding company, to be owned 51% by S-Group and 49% by TUI Travel PLC. The joint venture has 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 currently owns 34%. The formation of the joint venture and its subsequent acquisitions are all subject to regulatory and competition authority approvals and confirmations.

Under the terms of the agreement, TUI Travel PLC is expected to invest up to US\$20m, either in cash or in the value of existing assets contributed to the joint venture, by 31 December 2009.

**(b) Acquisitions**

Details of acquisitions since 31 March 2009 are disclosed in Note 10c.

# 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 2009 which comprises Condensed consolidated income statement, Condensed consolidated balance sheet, Condensed consolidated statement of cash flows, Condensed consolidated statement of recognised income and expense 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 2009 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

18 May 2009