

TUI TRAVEL PLC

FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 2009

Key financials

First quarter ended 31 December 2009

£m	Q1 10	Q1 09	Change
Revenue	2,533	2,747	-8%
Underlying operating loss ¹	(107)	(35)	-£72m

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

Summary

- Loss increased in the first quarter primarily due to:
 - Planned capacity-led volume reductions in Q1, which resulted in organic revenue down 14%;
 - Tough comparative period, particularly for winter holidays, with our Q1 09 departures over 75% booked at the time of Lehman Brothers' demise; and
 - Continued competitive and yield pressure in Corsair.
- Experiencing a significant improvement in profitability in Q2 and with seven weeks remaining we expect our result for the first half to be in line with expectations due to:
 - Improved trading trends, with significantly less product left to sell in our major source markets;
 - Reduced volume impact as winter capacity cuts were weighted towards Q1;
 - Our exit from scheduled flying operations in Germany; and
 - Completion of the strategic venture with Sunwing in Canada.
- Recent trading demonstrates continued improvements in demand for holidays:
 - Winter 2009/10: Booking volumes and pricing have continued to strengthen for the remainder of the season;
 - Winter 2009/10: Booking volumes since our last update are trading ahead of the capacity left to sell in all source markets;
 - Summer 2010: We are pleased with trading for the summer season; since our last trading update, customer bookings in the Nordics and the UK are up 40% and 6% respectively; and
 - Summer 2010: Measured capacity increases in the UK and Nordics following demand strength, introduction of further differentiated content and an additional ship in Thomson Cruises.

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

“Our flexible business model allowed us to manage the impact of the first full winter season since the height of the economic downturn by ensuring demand was in line with profitable supply. As anticipated, trading has been difficult, especially against a tough comparative period, but sustained improvements in demand over a number of months leave us more confident that the worst is behind us.

I expect positive momentum in each of the remaining quarters of 2010 as trading benefits from improved demand in all source markets, merger synergies are delivered, and the benefits of our strategic venture in Canada and our exit from scheduled flying in Germany are realised. For these reasons, I remain confident that we can meet our Board’s expectations for 2010.”

Conference Call

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

Telephone: +44 (0) 1452 555 566
Participant Code: 55550611

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

<http://www.tuitravelplc.com>

A recording of the conference call will be available on:

Telephone: +44 (0) 1452 550 000
Participant Code: 55550611#

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TUI Travel PLC

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CURRENT TRADING & OUTLOOK

Current Trading

Winter 2009/10

Trading has continued to improve across all source markets in the period since our last update on 1 December 2009, with recent booking volumes remaining ahead of cumulative bookings to date. Booking volumes in line with capacity reductions mean that load factors are generally in line with the prior year.

y-o-y customer booking variation %	Cumulative position at Prelims	Trading 22 Nov to 31 Jan¹	Cumulative position now
UK	-16	-1	-11
Nordics	-15	+11	-10
Germany	-15	+3	-9
France	-9	+2	-6
Belgium	+1	+14	+5
Netherlands	-12	-1	-9

Current Trading¹	Winter 2009/10			Risk Only	
y-o-y variation%	ASP²	Sales²	Customers²	Capacity³	Left to sell³
MAINSTREAM					
Northern Region					
Short-haul	+8	-13	-20		
Medium-haul	+9	-2	-10		
Long-haul	<u>+9</u>	<u>-11</u>	<u>-19</u>		
UK	+10	-2	-11	-14	-24
Nordic	+3	-8	-10	-11	-10
Northern Region – Total	+8	-5	-11		
Germany	-2	-11	-9	-9	-9
Austria	-2	-24	-22		
Switzerland	-5	-4	+2		
Poland	<u>-5</u>	<u>-20</u>	<u>-15</u>		
Central Europe – Total	-2	-11	-9		
France	-7	-13	-6		
Belgium	-5	-1	+5		
Netherlands	<u>+5</u>	<u>-4</u>	<u>-9</u>		
Western Europe – Total	-5	-8	-3	-3	-11
SPECIALIST	-15	-22	-8		
ACTIVITY	NA	-11	NA		
A&D⁴	-4	+28	+33		

¹ These statistics are up to 31 January 2010 (UK to 7 February 2010) and are shown on a constant currency basis

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

³ These statistics include all risk capacity programmes

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

In the UK, the improved booking trend experienced since September has continued and since our last trading update booking volumes have been running at only 1% down with the cumulative position improving from 16% down to 11% down now. This improvement is despite a period when adverse weather conditions led to reduced footfall on the high street which had an impact on sales through retail channels for three weeks, when booking

volumes were down 17%. Load factors for some very near term departure dates were affected as a result. In subsequent weeks, however, booking volumes have been very strong as consumers returned to the high street. The load factor for the Winter 2009/10 season is three points ahead of last year at 80% and we have 24% fewer holidays left to sell.

For the season as a whole, pricing remains strong due to successful capacity management; average selling prices have strengthened slightly and are now up 10% versus the prior year. For peak December departures there was some pressure on pricing and margins in the later market compared to the strong prior year trading when peak weeks were well booked before the height of the economic downturn. In January, however, margins and load factors have been better than the prior year.

In the Nordics, trading in all source markets in the region has been strong, with particular strength seen in Finland and Denmark. Booking volumes in the region have been higher year-on-year in each week since September, with strong demand for Thailand and Egypt. Since our last trading update bookings have been 11% higher than the prior year, significantly ahead of the amount of product we have left to sell. We now have 10% less product left to sell and the load factor is one percentage point ahead of last year at 96%. Average selling prices remain up 3%, in line with cost inflation.

In Germany, booking volumes since our last trading update were 3% higher than the prior year. Cumulative booking volumes are now 9% down, a significant improvement compared to our last trading update when they were down 15%. Average selling prices are down 2% as we continue to pass lower flying costs (driven by lower fuel prices) and accommodation savings through to our customers.

In France, Nouvelles Frontières and Marmara are trading well, with bookings for packages higher than the prior year. However, despite some recent improvement booking volumes in Corsair remain 15% down. Similarly, Corsair has experienced weak yields in the season to date although, again, there are signs of improvement in recent weeks. In the second quarter of last year, profitability was affected by destination issues in the French West Indies and Madagascar which caused poor load factors and yield performance.

Belgium continues to trade particularly well, with 5% more bookings than at the same point last year and load factor is now 94%. In the Netherlands, booking volumes are 9% down, but this is due to lower non-risk sales. Sales of risk capacity, however, are up versus the prior year, leaving the load factor higher at 82%.

In the Specialist & Emerging Markets sector, trading has improved since our last update with cumulative bookings now 8% down versus 11% down previously. This is primarily due to stronger booking trends in our European and UK businesses. In Russia, volumes have also increased significantly over the past few weeks.

In the Activity sector, trading has also continued to improve in recent weeks. In the last four weeks, sales are up 5% year-on-year driven by a strong performance in the Adventure division and an improvement in the Ski division following a slow start to the season.

The strong trading in the A&D sector is led by our B2C business, which has seen exceptional volume growth following a successful marketing campaign by Laterooms.com and improved conversion rates after investments in content and search optimisation. Volumes in our B2B businesses also grew strongly, albeit at a lower rate. Margins per roomnight are currently slightly higher than the prior year despite slightly lower transaction values.

Summer 2010

We remain pleased with trading for the forthcoming summer season.

y-o-y customer booking variation %	Cumulative position at Prelims	Trading 22 Nov to 31 Jan ¹	Cumulative position now
UK	-3	+6	+1
Nordics	-2	+40	+23

Note: other source markets had only recently gone on sale on the date of our Preliminary results.

y-o-y variation%	Summer 2010			Risk Only	
	ASP ²	Sales ²	Customers ²	Capacity ³	Left to sell ³
MAINSTREAM					
Northern Region					
Short-haul	+8	-4	-11		
Medium-haul	+8	+16	+7		
Long-haul	+3	+13	+10		
UK	+9	+10	+1	+3	+4
Nordic	Flat	+24	+23	+11	+5
Northern Region – Total	+7	+11	+3		
Central Europe					
Germany	Flat	-7	-8	-5	-1
Austria	-2	+5	+7		
Switzerland	-3	+3	+6		
Poland	-1	-3	-1		
Central Europe – Total	Flat	-6	-6		
Western Europe					
France	-7	+8	+17		
Belgium	+3	+4	+1		
Netherlands	+1	-12	-13		
Western Europe – Total	-1	Flat	+1	+1	Flat
SPECIALIST ACTIVITY					
A&D⁴	+5	-1	-6		
	NA	+5	NA		
	Flat	+60	+59		

¹ These statistics are up to 31 January 2010 (UK to 7 February 2010) and are shown on a constant currency basis

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

³ These statistics include all risk capacity programmes

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

In the UK, the introduction of further differentiated properties and strong growth in our fly-cruise product where we have added an extra ship for Summer 2010, coupled with in-fill in some regional gateway airports where we are either underrepresented or where competitor failure has reduced capacity, has led to a measured increase in our capacity for Summer 2010, which is now up 3%. We continue to monitor supply and demand and have retained sufficient flexibility to adjust capacity accordingly.

The UK load factor is now 34%, down one percentage point versus the prior year following the recent capacity increase. Average selling prices have strengthened in recent weeks and are now 9% higher than the prior year.

In the Nordics, we have increased Summer 2010 capacity by 11% through additional third party flying arrangements. Similar to Winter 2009/10, demand in the Nordics for Summer 2010 holidays has been exceptionally strong in recent weeks. Booking volumes are now up 23% and load factor is 36%, four percentage points higher than prior year despite the increase in capacity. Demand is particularly strong for our differentiated Blue Village and

Blue Star family club concepts, leading to a three percentage point increase in our differentiated product mix.

In Germany, risk capacity is down 5% following the right-sizing of our charter fleet as a result of the transaction with Air Berlin. Total capacity (risk and non-risk), however, is higher year-on-year, but we retain flexibility to adjust this as necessary.

In the other Mainstream source markets, which have only recently gone on sale, we are pleased with initial trading.

The Specialist & Emerging Markets sector is trading behind the prior year primarily due to lower volumes in our North American Student Division and in some of our Continental European businesses, where booking volumes have been affected by a change in the timing of Easter. The North American Student division continues to be affected by lower demand for travel to Mexico, a key destination for brands such as StudentCity.com. The key UK specialist brands, including Sovereign, Hayes & Jarvis and Citalia are all trading ahead of the prior year and are approximately 36% sold, up four percentage points.

In the Activity sector, cumulative sales to date are up 5%, with sales in the last four weeks 31% ahead following a strong pick up in demand.

Volume growth in the B2C and B2B Online businesses in the A&D sector has so far continued its strong winter performance, with roomnights up 59%. Margins are also tracking ahead of the prior year.

Fuel/Foreign Exchange

We are largely hedged for the current financial year, providing certainty of cost when planning capacity and pricing.

	Winter 2009/10	Summer 2010
Euro	99%	99%
USD	94%	86%
Jet Fuel	88%	83%
<i>As at 5 February 2010</i>		

Foreign Exchange Translation

The weakness of Sterling increased the underlying operating loss in the quarter by £6m due to losses when translating the results of Euro-based businesses. If exchange rates remain at current levels we anticipate that the impact of translation losses on the full year will be broadly neutral.

Outlook

We are seeing holiday demand improving across all our source markets, with sustained improvements in booking volumes over the last three to four months. Pricing remains robust and we are currently recovering input cost inflation in the remainder of the winter season and for the forthcoming summer season. We are pleased with how Summer 2010 trading has started, but are ensuring that we maintain sufficient flexibility to react to any changes in demand. We remain confident that we can meet our Board's expectations for the year ending 30 September 2010.

FIRST QUARTER BUSINESS AND FINANCIAL REVIEW

Group Performance

First quarter ended 31 December 2009

£m	Q1 10	Q1 09	Change
Revenue	2,533	2,747	-8%
Underlying operating loss ¹	(107)	(35)	-£72m

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

Group revenue declined by 8% to £2,533m in Q1 10 (Q1 09: £2,747m). Capacity reductions reduced organic revenue by 14%. Foreign currency translation increased revenue by 7% due to Sterling weakness and the net impact from acquisitions and disposals was a 1% decrease versus the prior year.

The Group's underlying operating loss in the quarter was £107m, an increase of £72m on the prior year (Q1 09: loss of £35m), primarily due to capacity-led volume declines, the first quarter of last year being largely sold at the time of Lehman Brothers' demise, and weak yields in Corsair. Foreign currency translation increased the loss by £6m versus the prior year.

Segmental Performance

	Northern Region	Central Europe	Western Europe	Total M'stream	Spec. & EM	Act- ivity	A&D	JVs	Group	Total Group
Customers ('000)										
Q1 10	1,170	1,540	915	3,625	148					
Q1 09	1,431	2,025	981	4,437	166					
Change %	-18%	-24%	-7%	-18%	-11%					
Revenue (£m)										
Q1 10	748	904	475	2,127	148	146	112	-	-	2,533
Q1 09	853	960	496	2,309	198	140	100	-	-	2,747
Change%	-12%	-6%	-4%	-8%	-25%	4%	12%	-	-	-8%
Underlying operating (loss)/profit (£m)										
Q1 10	(54)	(9)	(26)	(89)	(2)	(10)	-	-	(6)	(107)
Q1 09	(4)	(14)	(13)	(31)	4	(5)	1	2	(6)	(35)
Change	-50	+5	-13	-58	-6	-5	-1	-2	-	-72

Mainstream Sector

Northern Region

The Northern Region reported an underlying operating loss of £54m in Q1 10, an increase of £50m (Q1 09: loss of £4m). The increased losses were largely due to capacity reductions in the UK and Nordics which, whilst ensuring that supply and demand were in balance, removed holidays which had previously made a positive contribution. At the start of October 2008 when consumer confidence fell sharply after the failure of Lehman Brothers, the Northern Region was already c.80% booked for Q1 09 departures. Q1 10 therefore, is the first full winter quarter of the recession, leading us to take cautious capacity management actions. Customer volumes in the region were 261,000 lower than in the prior year, leading to lost profit contribution of c.£30m.

The UK source market was also affected by the non-recurrence of the significant benefit experienced in the October 2008 lates market from those customers re-booking holidays following the failure of XL Leisure Group.

Losses in our Canadian tour operator also increased in the quarter due to continued challenging market conditions. We expect this result to reverse in the second quarter due to improved trading and due to the completion of the strategic venture with Sunwing.

Central Europe

Central Europe achieved a £5m improvement in underlying operating losses to £9m (Q1 09 loss: £14m). In Germany, the elimination of scheduled flying losses in TUIfly following the transaction with Air Berlin which completed in October 2009 was partially offset by lost contribution due to capacity-led volume reductions.

Western Europe

Underlying operating losses in Western Europe increased by £13m to £26m (Q1 09 loss: £13m), primarily due to trading weakness in Corsair and a £4m impact arising from translation of foreign currency losses.

Unlike the rest of our business, the lack of flexibility in Corsair's model results in high operational gearing. In the first quarter, Corsair suffered from yield pressure due to continued soft demand for the French West Indies (FWI) destinations, whereas demand was relatively strong in the comparable period in 2009. We continue to explore ways to reduce the risk inherent in this business model and will update the market once we have concluded stakeholder discussions.

Our tour operators in France, Nouvelles Frontieres and Marmara, performed in line with the prior year, as did Belgium and the Netherlands.

Specialist & Emerging Markets Sector

The Specialist & Emerging Markets sector reported an underlying operating loss of £2m, £6m worse than prior year (Q1 09 profit: £4m), primarily due to capacity reductions in our private jet tours business.

Capacity in the US private jet tours businesses was reduced by 70% for Winter 2009/10 as the key booking period for this season was during the height of the recession given the 12 to 15 month booking lead times for these products. The impact on profitability of the lower volumes was £3m in the first quarter, with a similar impact expected in the second quarter. Additionally, some of our European businesses had weaker demand which affected results in the first quarter

Activity Sector

The Activity sector reported underlying operating losses of £10m (Q1 09 loss: £5m), including a £1m impact from the translation of foreign currency losses. The increase in losses was primarily due to lower capacity and volumes for ski holidays in the peak Christmas and New Year periods, lower capacity in polar cruising and volume reductions in Marine.

A&D Sector

The A&D sector reported an underlying operating result of £nil (Q1 09 profit £1m) due to foreign exchange translation losses. Profitability in our Online B2C business improved due to better conversion rates in Asiarooms following its switch from a merchant model to a commissionable model. This was offset, however, by reduced volumes in our Destination Services business in Spain.

Strategic venture with Sunwing in Canada

On 29 September 2009, we announced a strategic venture with Sunwing, a leading tour operator in Canada. This transaction strengthens our position in the Canadian market and has a number of strategic and financial benefits to the Group. All necessary competition and regulatory approvals have now been received and the transaction completed on 14 January 2010. From the completion date, the entity will be consolidated under the equity accounting method.

Acquisitions

In the three months ended 31 December 2009, the Group acquired two businesses for £9m, including £3m of contingent consideration:

- In the Activity sector, we consolidated our leading position in the student sports tours market with the acquisition of SET Sports Tours, which organises sports tours and festivals for schools, clubs, and universities.
- In the A&D sector, we acquired Select Tours, Australia's premier cruise handling operator, strengthening our leading position in the global cruise destination services market.

Revised IFRS 3 (2008), which is applicable for all acquisitions after 1 October 2009, requires consideration that is contingent on future service by the vendor to be expensed over the service period, and acquisition costs to be expensed as incurred. As a result of these changes £2m has been expensed in the period and included in 'Amortisation of business combination intangibles and acquisition costs'.

Separately disclosed items

Separately disclosed items were £18m in Q1 10 (Q1 09: £21m). These include £14m (Q1 09: £21m) of merger related integration costs, £2m (Q1 09: £1m) of other restructuring costs, and £2m (Q1 09: £1m credit) relating to the restructuring of the aircraft fleet.

Net Debt and Interest

As a result of significantly lower capacity in the winter season, we have, as anticipated, experienced a working capital outflow in the first quarter and accordingly will have an increase in the swing from trough to peak net debt. Nonetheless, we remain on track to achieve previous cash flow and interest guidance.

TUI AG Reporting

TUI AG, our majority shareholder, will issue its results for the 3 months to 31 December 2009 on 15 February. This report will contain financial information relating to TUI Travel PLC. However, this information is not directly comparable to TUI Travel PLC's results due to different presentation, reporting currency and treatment of certain items.

Consolidated income statement (unaudited)
for the 3 month period ended 31 December 2009

	3 month period ended 31 December 2009 £m	3 month period ended 31 December 2008 £m
Continuing operations		
Revenue	2,533	2,747
Cost of sales	(2,415)	(2,571)
Gross profit	118	176
Administrative expenses	(257)	(246)
Share of loss of joint ventures and associates	(1)	-
Operating loss	(140)	(70)
Analysed as:		
Underlying operating loss	(107)	(35)
Separately disclosed items	(18)	(21)
Amortisation of business combination intangibles and acquisition costs	(14)	(14)
Taxation on profit of joint ventures and associates	(1)	-
	(140)	(70)
Financial income	25	22
Financial expenses	(51)	(41)
Net financial expenses	(26)	(19)
Loss before tax	(166)	(89)
Taxation	45	25
Loss for the period from continuing operations	(121)	(64)
Discontinued operation		
Loss from discontinued operation	(3)	(3)
Loss for the period	(124)	(67)
Attributable to:		
Equity holders of the parent	(124)	(67)
Minority interest	-	-
Loss for the period	(124)	(67)
Non-GAAP measures		
Reconciliation of underlying operating loss to underlying loss before tax		
	£m	£m
Underlying operating loss	(107)	(35)
Net underlying financial expenses	(26)	(19)
Underlying loss before tax	(133)	(54)