

TUI TRAVEL PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2009
Key Financials

£m	Underlying results ¹			Statutory results	
	2009	2008	Change%	2009	2008
Revenue	13,863	13,932	Flat	13,863	13,932
Operating profit / (loss)	443	398	+11%	37	(184)
Profit / (loss) before tax	366	319	+15%	(52)	(267)
Basic eps	23.8p	20.4p	+17%	(1.0)p	(24.4)p
Dividend per share	10.7p	9.7p	+10%	10.7p	9.7p

¹ Underlying operating profit and underlying profit before tax are from continuing operations and exclude separately disclosed items, amortisation of business combination intangibles, goodwill impairment and taxation of results of the Group's joint ventures and associates. Underlying profit before tax also excludes separately disclosed financial expenses. Underlying earnings per share excludes the same items, net of related taxation.

Highlights

- The Group has delivered a strong performance despite significant economic headwinds, with underlying operating profit up 11% to £443m (2008: £398m).
- Underlying operating margin up 30 basis points to 3.2% (2008: 2.9%).
- Underlying earnings per share increased by 17% to 23.8p (2008: 20.4p).
- Final dividend of 7.7p per share, resulting in a 10% increase in the full year dividend to 10.7p per share (2008: 9.7p).
- Integration progressing well, with £120m of synergy benefits delivered in the year and on-track to deliver our £200m target by 2011.
- Increased differentiated product mix by 4pp, including investments in Sensatori, Sensimar and Blue Village concepts.
- Significant transactions announced in Canada and Germany (TUIfly) in the year and eleven bolt-on acquisitions completed in the specialist sectors.
- Raised £490m of financing through a convertible bond and additional bank facility.
- Remain confident of delivering our medium term margin guidance.
- Current trading
 - Trading for Winter 2009/10 continues to improve in all source markets, despite challenging market conditions; and
 - Summer 2010 UK trading remains encouraging, with load factor in line with the prior year and average selling prices now up 7% year-on-year.

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

“We are very pleased with the performance of the Group in the second year as a merged company. Despite the challenging economic environment we have delivered strong earnings growth, demonstrating the resilience of our business model and the effectiveness with which we have delivered merger synergies.

Our customers’ behaviour has demonstrated that even against a backdrop of reduced consumer confidence, the main summer holiday is an essential expenditure. We have managed capacity carefully for the current winter season and as a result remain confident that we can meet our Board’s expectations for 2010.

Our progress to date in delivering our strategic imperatives, particularly the transactions announced in Canada and by TUIfly, gives me confidence we can achieve the margin roadmap we set out at our January 2008 investor day”.

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

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CURRENT TRADING, HEDGING, INTEGRATION, SEPARATELY DISCLOSED ITEMS AND OUTLOOK

Current Trading

Summer 2009

Trading for the Summer 2009 season finished in line with our expectations. Despite the later booking trend, we achieved required load factors and average selling prices demonstrating the flexibility of our business model and the strength of demand for the main summer holiday. This was a pleasing performance against the backdrop of exceptional fuel and currency driven cost inflation as well as the challenging economic environment.

Winter 2009/10

Booking volumes have improved since our previous trading statement on 29 September. Across all source markets, recent booking volumes are significantly ahead of the cumulative booking position and ahead of capacity reductions. This trading pattern is similar to that experienced in the last two seasons, where booking volumes improved throughout the season, reflecting a later booking trend. Our focus is on ensuring that we achieve required prices and load factors and, as such, we entered the season with reduced capacity in anticipation of weaker demand and have leveraged the flexibility in our model to further reduce supply in Germany, which is now down 9%. We retain flexibility to further adjust capacity to reflect changes in demand, although on the evidence of recent trading, we do not expect to alter capacity significantly in either direction in the remainder of the season.

y-o-y customer booking variation%	Last 4 weeks	Last 6 weeks	Last 8 weeks	Last 10 weeks	Cumulative
UK	-4	-6	-8	-9	-16
Nordics	+14	+10	+12	+9	-15
Germany	-7	-3	-4	-5	-15
France	+10	+18	+16	+10	-9
Belgium	+13	+9	+9	+6	+1
Netherlands	-6	-1	-2	-5	-12

Current Trading ¹	Winter 2009/10			Risk Only		
	y-o-y variation%	Total ASP ²	Total Sales ²	Total Customers ²	Capacity ³	Left to sell ³
MAINSTREAM						
Northern Region						
Short-haul	+6	-20	-25			
Medium-haul	+7	-11	-18			
Long-haul	+9	-14	-21			
UK	+10	-8	-16	-15		-13
Nordic	+3	-13	-15	-11		+4
Northern Region – Total	+6	-13	-18			
Central Europe						
Germany	Flat	-15	-15	-9		+4
Austria	-2	-27	-26			
Switzerland	-6	-11	-5			
Poland	-7	-24	-18			
Central Europe – Total	Flat	-15	-15			
Western Europe						
France	-11	-19	-9			
Belgium	-4	-3	+1			
Netherlands	+3	-10	-12			
Western Europe – Total	-8	-14	-7			
SPECIALIST						
ACTIVITY	NA	-19	NA			
A&D⁴	-8	+20	+30			

¹ These statistics are up to 22 November 2009

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 B2B Online businesses only and sales refer to total transaction value (TTV)

In the UK, booking volumes have improved in recent weeks, reflecting similar trends to those seen in the Winter 2008/09 and Summer 2009 seasons. In the last four weeks, booking volumes were down 4% compared to the cumulative position which is down 16%. Capacity reductions mean that we now have 13% fewer holidays left to sell in the UK. Including mix benefits, average selling prices remain up 10%, with margins flat year-on-year.

In the Nordics, booking volumes have been ahead of prior year in recent weeks and the cumulative booking position has improved significantly from -24% at our last trading update to -15%. The improvement has been seen across all source markets in the region, with particular strength in Sweden and Finland which are our two largest markets in the Nordics. Although we currently have more product left to sell than last year, our rate of sale leaves us confident that we will achieve required load factors.

In Germany, we have leveraged the flexibility in our model to reduce capacity by 9% to ensure that we achieve required load factors and average selling prices. We have reduced our prices to pass lower flying costs (driven by lower fuel prices) and accommodation savings through to our customers, which should help to deliver our required volumes without harming our margins.

In Western Europe, like our other source markets, cumulative booking volumes are down versus the prior year but the trend has improved in recent weeks and volumes were ahead in Belgium and France. Belgium is trading particularly well, continuing its strong performance in the Summer 2009 lates market, and has taken more bookings than at the same time last year.

The Specialist and Activity sectors have also experienced a later booking trend and have seen significant improvements in demand in recent weeks. In the Specialist & Emerging Markets Sector, bookings in the last four weeks are flat on the prior year, whereas cumulative booking volumes are down 11%. The improvement has been seen across all divisions within the sector, with a

particularly marked upturn in the US and Russian source markets. In the Activity Sector, sales in the last four weeks were up 15% versus the prior year, with all divisions showing positive year-on-year trends.

In the A&D Sector, greater availability of bed stock and price reductions by accommodation suppliers has led to a significant growth in volumes (+30%) in our online B2B division. As a wholesaler of accommodation, our margins per transaction have remained flat despite the fall in average transaction values and the strong volume growth means that total margins are ahead of the prior year for the season so far. We are seeing similar trends in our online B2C division, with strong growth in our LateRooms business, and we have successfully transitioned our Asiarooms brand from a merchant to a commissionable model, driving higher conversion rates and improved margins.

Summer 2010

We remain pleased with trading in the UK for the Summer 2010 programme, with bookings down 3%. We are currently planning for flat capacity for the season. The load factor is flat versus the prior year at 20% and the average selling price of packages is now up 7%, although this partly reflects the shift in destination mix away from short-haul and the product mix shift towards differentiated product.

Initial trading in the Nordics market for Summer 2010 has also been encouraging, with load factors flat at 15% and average selling prices up 3%.

Fuel/Foreign Exchange

We have hedged a significant proportion of our fuel and foreign exchange exposure for 2010 in line with our hedging policy.

	Winter 2009/10	Summer 2010
Euro	75%	74%
USD	93%	83%
Jet Fuel	86%	78%
<i>As at 20 November 2009</i>		

Higher fuel prices resulted in \$125m of extra costs in Summer 2009 versus Summer 2008. Based on achieved hedged rates and current forward rates, the effective fuel rate for Summer 2010 is currently 20% lower in local currency terms. For most of our Continental European businesses this, coupled with lower accommodation cost rates, allows them to reduce prices significantly whilst maintaining margins. In the UK source market, however, the strength of the Euro (+10% year-on-year) offsets the fuel rate savings.

Integration

The merger integration continues to progress well and we are on track to deliver our £200m synergy target. We have delivered £120m of benefit to date and expect to deliver a further £60m in 2010.

Synergy phasing

£m	FY08	FY09	FY10	FY11
P&L benefit	35	120	180	200
Incremental P&L benefit	+35	+85	+60	+20

Separately disclosed items

Separately disclosed items within the operating result for the year were £340m (2008: £380m). The majority of these items were non-cash in nature, relating to accounting impairments and write offs. Out of the £340m total, £142m were cash items. Separately disclosed items in the year included:

- costs of £143m incurred to achieve the synergy benefits;
- an impairment charge of £124m in respect of write downs of Boeing 747 aircraft operated by Corsair;
- restructuring expenses of £40m, which relate primarily to the closure of the Sunsail Clubs in Turkey and on-going restructuring in Nouvelles Frontieres; and
- costs of £32m relating to the transaction between TUIfly and Air Berlin.

Outlook

In the current economic climate, we have taken a cautious approach to capacity planning to ensure that supply is in line with demand and we are pleased with our current booking position.

For Winter 2009/10, we have seen stronger bookings over the course of recent weeks, which reflects a similar pattern to our experience in Winter 2008/09, and this gives us confidence that we will achieve required load factors.

Consumer demand for the main summer holiday remains strong, as evidenced by our performance in the Summer 2009 season. We are currently planning for capacity to be approximately flat in most source markets for the Summer 2010 season, although we retain flexibility to adjust supply as demand develops. In addition, our businesses are benefiting from significantly lower cost pressures than Summer 2009 which means that, unlike last year, we do not have to pass on substantial price increases to our customers. In many of our non-UK source markets lower input costs, driven by lower fuel rates, mean that we can reduce prices without harming margins. We expect this to further stimulate demand.

All of the above leaves us well placed to meet the Board's expectations for the year ending 30 September 2010.

Business and Financial Review

Group Performance

Year ended 30 September

£m	Underlying results ¹			Statutory results	
	2009	2008	Change	2009	2008
Revenue	13,863	13,932	Flat	13,863	13,932
Operating profit / (loss)	443	398	+11%	37	(184)
Profit / (loss) before tax	366	319	+15%	(52)	(267)
Basic earnings / (loss) per share (p)	23.8p	20.4p	+17%	(1.0)p	(24.4)p

¹ Underlying operating profit and underlying profit before tax are from continuing operations and exclude separately disclosed items, amortisation of business combination intangibles, goodwill impairment and taxation of results of the Group's joint ventures and associates. Underlying profit before tax also excludes separately disclosed financial expenses. Underlying earnings per share excludes the same items, net of related taxation.

Group revenue for 2009 was slightly lower than the prior year at £13,863m (2008: £13,932m). Capacity reductions reduced underlying revenue by 14%, partially offset by 4% higher selling prices, resulting in an organic revenue decline of 10%. Foreign currency translation increased revenue by 9% due to Sterling weakness and revenue from acquisitions resulted in a 1% increase over prior year.

The Group achieved a £45m improvement in underlying operating profits to £443m in 2009 (2008: £398m). This improvement has primarily been achieved by the delivery of integration synergies and the recovery of scheduled flying losses in the UK and Germany. The improvement was partially offset by the adverse impact on our French business of weaker demand and socio-political events in the French West Indies and Madagascar, and weaker demand and excess market capacity in Canada.

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

£m	
FY08 underlying operating profit	398
Incremental synergies	+85
Scheduled flying	+19
Impact of FY08 sale & leasebacks	-10
France – Nouvelles Frontières / Corsair trading	-26
Canada trading	-19
Other trading	+1
Swine Flu	-10
Acquisitions	+5
FY09 underlying operating profit	443

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

Year ended 30 September	2009 £m	2008 £m
Underlying profit before tax	366	319
Separately disclosed items – operating (Note 3)	(340)	(380)
Separately disclosed items – financial expenses (Note 4)	(12)	(4)
Impairment of goodwill	(7)	(112)
Amortisation of business combination intangibles	(56)	(87)
Taxation on profits of joint ventures and associates	(3)	(3)
Statutory loss before tax	(52)	(267)

Segmental Performance

Segmental performance is based on underlying financial information (which excludes separately disclosed items, impairment of goodwill 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 2.

Mainstream Sector

The Mainstream Sector reported an underlying operating profit of £305m in 2009, an improvement of £28m (2008: £277m). This represents 65% of Group underlying operating profit before central costs (2008: 65%).

Mainstream	<u>2009</u>	<u>2008</u>	<u>Change %</u>
Underlying operating profit (£m)			
Northern Region	206	178	+16%
Central Europe	66	62	+6%
Western Europe	33	37	-11%
Total	<u>305</u>	<u>277</u>	<u>+10%</u>
Underlying operating margin %			
Northern Region	4.9%	4.1%	+80bps
Central Europe	1.4%	1.3%	+10bps
Western Europe	1.2%	1.4%	-20bps
Total	<u>2.6%</u>	<u>2.3%</u>	<u>+30bps</u>

Northern Region

The Northern Region achieved a 16% improvement in underlying operating profit to £206m in 2009 (2008: £178m). The improvement was largely driven by incremental merger synergies of £64m and reduced scheduled flying losses in the UK, offset by weaker trading in Canada and Ireland, the weaker Winter programme for Thailand in the Nordics and the adverse impact of the swine flu outbreak in Mexico on the UK performance.

Underlying operating profit bridge £m	UK & Ireland	Nordics	Canada	Northern Region
2008	133	49	(5)	178
Scheduled flying losses	9	-	-	9
Sale and Leaseback transaction	(5)	-	-	(5)
Swine Flu	(9)	-	-	(9)
Trading	(10)	(3)	(19)	(33)
Acquisitions	2	-	-	2
Synergies	64	-	-	64
2009	184	46	(24)	206

Northern Region	2009	2008	Change %
Customers ('000)			
UK and Ireland	5,687	6,978	-19%
Nordic	1,177	1,313	-10%
Canada	240	279	-14%
Total	7,104	8,570	-17%
Revenue (£'m)			
UK and Ireland	3,257	3,433	-5%
Nordic	797	766	+4%
Canada	168	178	-6%
Total	4,222	4,377	-4%
Underlying operating profit/(loss) (£m)			
UK and Ireland	184	133	+38%
Nordic	46	49	-6%
Canada	(24)	(5)	n/a
Total	206	178	+16%
Underlying operating margin %			
UK and Ireland	5.6%	3.9%	+170bps
Nordic	5.8%	6.4%	-60bps
Canada	(14.3%)	(2.8%)	-1150bps
Total	4.9%	4.1%	+80bps

UK and Ireland

UK and Ireland delivered a £51m improvement in underlying profits to £184m in 2009 (2008: £133m).

The UK delivered synergies of £93m in 2009, an increase of £64m over prior year synergies of £29m. Significant achievements during the year included the full integration of the Thomson and First Choice cabin crews and pilots from 1 May onwards, further consolidation of the core IT systems and infrastructure with Summer 2009 running off a single reservation system, and the successful integration of Island Cruises with Thomson Cruises.

During the year, the business eliminated a significant amount of loss making scheduled flying capacity, which resulted in the reduction of £9m of scheduled flying losses from the previous

financial year. Charter capacity reductions supported a stronger pricing environment in the lates market and input cost inflation was recovered through higher average selling prices.

The outbreak of swine flu in Mexico in April 2009 resulted in an adverse impact of £9m in the second half of 2009, due to repatriation and compensation costs, increased cancellations and lower load factors when the Mexico flying programme resumed in May.

The Irish business increased operating losses by £3m versus the prior year, due to a significant decrease in demand resulting from the weak economic environment. Customer volumes decreased by 23% in 2009, with a similar decrease in capacity. Additionally, all operators in the market reduced prices to secure volumes, and margins were eroded as a result. We have carried out a strategic review of the Irish business which will enable it to operate more profitably in this challenging market in the coming year, through measures including cost reductions and further capacity rationalisation.

Controlled distribution increased by three percentage points to 78% in 2009, as improved functionality on both the Thomson and First Choice websites drove greater online volumes. The recently launched 'MyThomson' is a personalised portal that allows customers to access bookings, pay balances and select seats.

The focus on delivering high quality differentiated product and service continued in 2009. Thomson built on the highly successful 2008 launch of Sensatori in Crete with two more of these five star concept hotels: Sensatori Mexico (opened May 2009) and Sensatori Tenerife (opening May 2010). First Choice launched the hugely popular Splash brochure, with 13 Splash hotels each offering unlimited free access to an onsite waterpark. The First Choice Holiday Village portfolio also expanded, with an updated unit in Lanzarote and further openings (including Rhodes) are planned for 2010. The cruise programme also saw further expansion: Thomson Dream joined the fleet, to sail from April 2010, opening up new destinations in Cuba and Honduras. We now have a market leadership position in the 3 to 4 star cruise market in the Mediterranean.

Nordics

The Nordics business reported underlying operating profits of £46m (2008: £49m) and an operating margin of 5.8%. If we were to include profits earned from destination services, which includes transfers and excursions, and which are reported in our A&D Sector, the operating margin generated by the Nordics business would be c.7%.

The year-on-year decline in profit was primarily due to reduced demand for the main long-haul destination of Thailand in Winter 2008/09 following political upheaval in Bangkok. Winter 2008/09 volumes to Thailand were lower and margins were further affected due to discounting in the lates market, leading to a £10m loss. However, there was a good recovery in this destination during the Summer 2009 season and volumes to Thailand were ahead of last year. We are the only tour operator to offer direct flights on our own airline from all major Nordic airports to the Thailand market, which strengthens our position as the leading long-haul operator in the Nordic region.

The Summer 2009 programme performed very well, with strong customer demand, particularly in the lates market. Load factor improved by six percentage points over the prior year, contributing to record Summer profits for the Nordics business. Summer 2009 capacity was reduced by 12%, with the majority of reductions targeted in the shoulder months.

During 2009 the level of differentiated product offered by the Nordics business increased by four percentage points to 41%. This was driven by the opening of a new eco-friendly Blue Village in Rhodes and the creation of a new concept, Blue Unique, with 20 small unique hotels in several charter destinations.

Controlled distribution increased by six percentage points to 85% in 2009, driven by growth in online sales which reached 52% in 2009 (2008: 46%). Improvements in web functionality and increased availability of products online contributed to the significant growth in online sales during the year.

Canada

Canada reported an underlying operating loss of £24m in 2009 (2008: loss of £5m). The Canadian market has for some time been both challenging and fragmented, and significant over-capacity resulted in deep discounting and margin erosion for all market participants in 2009.

We have reviewed the strategic alternatives for the Canadian business and on 29 September 2009 we announced that we have agreed a strategic venture with Sunwing, a leading tour operator in Canada. This deal strengthens our position in the Canadian market and has a number of strategic and financial benefits to the Group. This deal is subject to regulatory clearance, which we expect to receive shortly.

Central Europe

The Central Europe division reported an underlying operating profit of £66m in 2009 (2008: £62m). As outlined in the table below, the improvement of £4m is principally due to strong Summer 2009 trading in the German tour operator (up £15m), the elimination of TUIfly losses (£10m), partially offset by weak trading in Switzerland (down £4m) and Poland (down £11m).

Underlying operating profit bridge, £m	Germany	Austria	Switzerland	Poland	Central Europe
2008	45	9	4	4	62
Scheduled flying losses	10	-	-	-	10
Impact of sale & leasebacks	(5)	-	-	-	(5)
Trading	15	(2)	(4)	(11)	(2)
Synergies	-	1	-	-	1
2009	65	8	-	(7)	66

Central Europe	<u>2009</u>	<u>2008</u>	<u>Change %</u>
Customers ('000)			
Germany	8,775	10,056	-13%
Switzerland	286	324	-12%
Austria	565	682	-17%
Poland	104	141	-27%
Total	<u>9,730</u>	<u>11,203</u>	<u>-13%</u>
Revenue (£m)			
Germany	4,144	4,036	+3%
Switzerland	185	196	-6%
Austria	405	385	+5%
Poland	62	85	-27%
Total	<u>4,796</u>	<u>4,702</u>	<u>+2%</u>
Underlying operating profit/(loss) (£m)			
Germany	65	45	+44%
Switzerland	-	4	n/a
Austria	8	9	-11%
Poland	(7)	4	n/a
Total	<u>66</u>	<u>62</u>	<u>+6%</u>
Underlying operating margin %			
Germany	1.6%	1.1%	+50bps
Switzerland	-	2.0%	-200bps
Austria	2.0%	2.4%	-40bps
Poland	(11.3%)	4.7%	-1,600bps
Total	<u>1.4%</u>	<u>1.3%</u>	<u>+100bps</u>

Germany

Underlying operating profit for 2009 was £65m, an improvement of £20m over the prior year (2008: £45m). Strong Summer 2009 trading in the tour operator led to an improvement of £18m in the 2009 result. This was driven by a 17% cut in charter capacity, which resulted in fewer holidays left to sell than in the prior year, particularly in the lates market. As a result, higher average selling prices were achieved which led to improved margins over last year. Demand was also stimulated by passing on hotel rate renegotiations to the customer. The capacity cuts were mainly in the short and medium-haul destinations of Balearics, Greece, Canaries and Mainland Spain, partly offset by increased customer demand for destinations such as Turkey, Cape Verde, Croatia and the US.

TUIfly also improved its result by cutting capacity in its loss-making scheduled flying routes. Capacity was cut by 16% in Summer 2009, which led to a two percentage point improvement in load factors for its Summer 2009 programme and resulted in a £10m improvement in margins over the prior year. During the year we also announced that we entered into a strategic venture with Air Berlin, which will further de-risk the TUIfly business through an exit of the scheduled flying operation and will secure optimal capacity for the German tour operator.

Germany improved its controlled distribution by six percentage points to 46% in 2009, through increased sales through our own retail network and direct brands such as Berge & Meer and L'Tur.

The underlying operating margin % in Germany improved by 50bps to 1.6% (2008: 1.1%), but this remains below target margins. The proforma margin, which reflects the benefit of eliminating residual losses of £20m and associated revenues of £275m in the scheduled flying operation, is 2.2%.

Switzerland

Switzerland reported a breakeven underlying operating result in 2009 (2008: profit of £4m). Customer volumes decreased by 12% over the prior year due to soft consumer demand, as well as over capacity in the market and aggressive pricing by competitors to protect market share. In addition, prices were adversely affected by the unfavourable exchange rate for the Swiss Franc against the Euro.

Austria

Austria reported underlying operating profits of £8m (2008: £9m). Trading performance was adversely impacted by weaker customer demand in the Austrian market, although margins were protected by capacity control which led to a decline in volumes of 17% over prior year. The volume decreases were largely in the destinations of Greece, Spain and Tunisia.

The Austrian business delivered synergies of £4m in 2009, an increase of £1m over the prior year figure of £3m. This has been achieved through the integration of the former First Choice and TUI businesses, including significant savings on IT, commission, advertising and brochure costs.

Poland

Poland reported an underlying operating loss of £7m in 2009 (2008: profit of £4m). This decline was driven by the significant weakening of the Polish Zloty against the Euro which increased input costs and significantly reduced customer demand for Euro destinations. Volumes decreased by 27% in 2009 over prior year.

Western Europe

Western Europe reported underlying operating profits of £33m in 2009 (2008: £37m). In France, our airline Corsair was significantly impacted by the socio-political issues in the French West Indies and Madagascar in the second quarter. This was offset by a very strong performance from Belgium due to robust Summer 2009 trading and reduced fuel costs.

Underlying operating profit bridge, £m	France	Netherlands	Belgium	Western Europe
2008	5	8	24	37
FWI / Madagascar	(15)	-	-	(15)
Trading	(12)	(1)	21	8
Acquisitions	(1)	-	-	(1)
Synergies	4	-	-	4
2009	(19)	7	45	33

Western Europe	<u>2009</u>	<u>2008</u>	<u>Change %</u>
Customers ('000)			
France	2,217	2,451	-10%
Netherlands	1,274	1,430	-11%
Belgium	1,790	1,864	-4%
Total	<u>5,281</u>	<u>5,745</u>	<u>-8%</u>
Revenue (£m)			
France	1,228	1,307	-6%
Netherlands	700	686	+2%
Belgium	724	759	-5%
Total	<u>2,652</u>	<u>2,752</u>	<u>-4%</u>
Underlying operating profit / (loss) (£m)			
France	(19)	5	n/a
Netherlands	7	8	-13%
Belgium	45	24	+88%
Total	<u>33</u>	<u>37</u>	<u>-11%</u>
Underlying operating margin %			
France	(1.5%)	0.4%	-190bps
Netherlands	1.0%	1.2%	-20bps
Belgium	6.2%	3.2%	+300bps
Total	<u>1.2%</u>	<u>1.4%</u>	<u>-20bps</u>

France

Underlying operating profit bridge, £m	Nouvelles Frontieres	Corsair	Marmara	France
2008	(22)	10	17	5
FWI / Madagascar	-	(15)	-	(15)
Trading	8	(19)	(1)	(12)
Acquisitions	(1)	-	-	(1)
Synergies	2	-	2	4
2009	<u>(13)</u>	<u>(24)</u>	<u>18</u>	<u>(19)</u>

France reported an underlying operating loss of £19m in 2009 (2008: profit of £5m). Corsair, our French long-haul scheduled airline, was significantly impacted by a series of socio-political events in the key destinations of French West Indies and Madagascar during the second quarter. Consumer sentiment towards these destinations continued to be weak for the remainder of 2009 and passenger numbers to these destinations decreased by 15% versus the prior year. As a result, Corsair incurred repatriation costs, cancellations and weaker demand for these destinations, which led to a £15m impact on operating profits.

The airline also experienced softer consumer demand following the economic downturn. As a result of the softer demand, the average selling prices achieved were not sufficient to recover input costs.

Controlled distribution improved by four percentage points in 2009 to 50%, driven by a redesign of our French websites and a series of marketing actions to strengthen brand awareness.

France delivered synergies of £5m, an increase of £4m over the prior year synergies of £1m. These synergies were primarily generated by distributing Marmara products through the Nouvelles Frontieres retail network and savings on seat rates for shared routes. In addition, Marmara launched four new long-haul destinations - Mauritius, Dominican Republic, Kenya and Canada - using Nouvelles Frontieres' in-house flight capacity, which enabled Marmara to offer these destinations at attractive prices for the French customer.

We are focused on strategic solutions for all aspects of the Nouvelles Frontieres and Corsair businesses, including:

- Continuing to review the business model and strategy for the Corsair business;
- Addressing our product strategy, including revitalisation of our differentiated product offering and rationalisation of the product range to exit from unprofitable destinations; and
- Expanding distribution capability, including an agreement with Carlson Wagonlit.

Netherlands

Netherlands reported an underlying operating profit of £7m in 2009 (2008: £8m). Summer 2009 margins were slightly behind prior year, as average selling prices were under pressure in the lates market due to the softer consumer demand and the later booking profile. Total capacity for 2009 was reduced by 12% compared to prior year, particularly to the destinations of Spain (down 15%) and Turkey (down 10%), with customer volumes down 11%.

Belgium

Belgium achieved a strong improvement in underlying operating profits to £45m (2008: £24m). This was driven by careful capacity management, which resulted in higher occupancies and strong pricing in the Summer 2009 lates market, combined with innovative up-selling, cost efficiencies and a significant reduction in fuel costs. During 2009, the business successfully launched a new web based reservation platform, which improved operational efficiency and web capability.

Specialist & Emerging Markets Sector

The Specialist & Emerging Markets Sector reported underlying operating profits of £31m (2008: £26m). This was due to the delivery of incremental synergies of £3m and acquisition profits of £1m, with trading slightly ahead of prior year.

£m	Europe	US	Specialist
2008	14	12	26
Acquisitions	-	1	1
Synergies	3	-	3
Trading	(1)	2	1
2009	16	15	31

Specialist & Emerging Markets	2009	2008	Change %
Customers ('000)			
Europe	530	634	-16%
US	303	339	-11%
Total	833	973	-14%
Revenue (£'m)			
Europe	584	609	-4%
US	241	210	+15%
Total	825	819	+1%
Underlying operating profit (£m)			
Europe	16	14	+14%
US	15	12	+25%
Total	31	26	+19%
Underlying operating margin %			
Total	3.8%	3.2%	+60bps

Europe

The Europe division reported underlying operating profits of £16m in 2009 (2008: £14m), an increase of £2m.

The division delivered incremental synergies of £3m in 2009, primarily due to the integration of the former Thomson and First Choice businesses in the UK. The majority of the UK businesses are now on one common reservation platform and this has significantly increased call centre and online conversion rates for the former Thomson businesses this year.

Underlying trading decreased by £1m in 2009 compared to prior year, primarily reflecting softer trading in some markets where conditions were challenging. Volumes reduced by 44% and 26% in the Spanish and Irish businesses, respectively, due to the significant weakening of the economies in these markets. Citalia, the Italian specialist business, suffered a 15% decrease in volumes due to the Sterling weakening against the Euro which led to customers switching to non Euro destinations. Hayes & Jarvis and Sovereign performed well, however, with margins ahead of prior year and volume growth of 8% and 14%, respectively.

US

The US division reported underlying operating profits of £15m in 2009 (2008: £12m), an increase of £3m. Underlying trading improved by £2m in 2009 over prior year and acquisitions contributed an incremental £1m of profits in the year.

The luxury private jets segment performed very well in 2009 as its winter programme was fully sold before the recession fully impacted the US economy. This was partly offset by softer trading in the Escorted Tours businesses, as demand decreased for its specialist premium products due to the weakening of the US economy.

Emerging Markets

Our growth plans in Russia & CIS are progressing well. During 2009 the TUI Russia & CIS joint venture completed the acquisition of a 75% stake in certain assets of VKO, a tour operator and travel agency group based in Russia and the acquisition of a 75% stake in certain assets of Voyage Kiev, a tour operator and travel agency group based in Ukraine. We expect the joint venture to complete the acquisition of 75% of Mostravel shortly. The result for the Emerging Markets division is included within Joint Ventures and Associates.

Activity Sector

The Activity Sector delivered underlying operating profits of £59m in 2009 (2008: £50m), driven by acquisition profits of £3m and integration synergies growth of £7m, with underlying trading broadly in line with prior year.

£m	Marine	Adventure	Ski, Student & Sport	Activity
2008	19	14	17	50
Acquisitions	-	2	1	3
Synergies	1	-	6	7
Trading	(1)	(3)	3	(1)
2009	19	13	27	59

Activity	<u>2009</u>	<u>2008</u>	<u>Change %</u>
Revenue (£m)			
Marine	131	142	-8%
Adventure	240	239	-
Ski, Student and Sport	445	399	+12%
Total	816	780	+5%
Underlying operating profit (£m)			
Marine	19	19	-
Adventure	13	14	-7%
Ski, Student and Sport	27	17	+59%
Total	59	50	+18%
Underlying operating margin %			
Total	7.2%	6.4%	+80bps

The Marine division reported underlying profits of £19m in 2009 (2008: £19m). Additional synergies of £1m were delivered in 2009 in line with prior year, through cost savings achieved by merging back office operations across the Marine businesses. The business was able to mitigate the impact on profitability of weaker consumer demand by reducing capacity and implementing cost saving measures, and also benefited from some currency gains. The flagship yacht base in Tortola, in the British Virgin Islands, was officially opened in February 2009. The marina is home to 400 catamarans and mono-hulls and provides excellent recreation and leisure facilities for guests before and after their charter. During 2009, Le Boat also successfully launched its products through the TUI Deutschland retail network, which is now Le Boat's largest distributor in that market.

The Adventure businesses reported underlying operating profits of £13m in 2009 (2008: £14m). Businesses acquired during the year, plus the annualisation of acquisitions made in the prior year, contributed £2m of profit in 2009. The acquisition of ATA in April 2009 enabled the Australian group of businesses to extract synergies from the integration of ATA with its existing operations. In July 2009 we acquired Zegrahm, which will operate closely with our Quark polar cruise business to expand distribution and undertake joint marketing initiatives. The North American and Scandinavian Adventure businesses, however, saw reduced customer demand in 2009 with revenue down 15% compared to prior year.

The Ski, Student and Sports divisions increased underlying operating profits in 2009 by £10m to £27m (2008: £17m). The divisions delivered strong trading growth of £3m in 2009 versus prior year, driven by the Lions Tour in June 2009 and growth in the Student businesses. Businesses acquired during the year, plus the annualisation of acquisitions made in the prior year, contributed £1m of profit in 2009, with the Sports division strengthening its position through the acquisition of Williment, the leading sports business in New Zealand, and the Student division entering the substantial and rapidly expanding language school market with the acquisition of EAC. The Ski division delivered additional integration synergies of £6m in 2009 over prior year, through the integration of the former TUI and First Choice ski and club businesses.

Accommodation & Destinations (A&D) Sector

The A&D Sector reported underlying operating profits of £60m in 2009 (2008: £57m). The increase was due to incremental merger synergies of £3m and contribution from new acquisitions of £1m, partially offset by the adverse impact of the swine flu in Mexico of £1m.

Accommodation & Destinations			<u>change %</u>
Customers			
	B2B roomnights		+10%
	B2C roomnights		+17%
	Incoming passenger volumes		-10%
		2009	2008
		change %	
Revenue (£m)	<u>552</u>	<u>502</u>	<u>+10%</u>
Underlying operating profit (£m)	<u>60</u>	<u>57</u>	<u>+5%</u>
Underlying operating margin %	<u>10.9%</u>	<u>+11.4%</u>	<u>-50bps</u>

A&D delivered synergies of £5m in 2009, an increase of £3m over the prior year synergies of £2m. These synergies were delivered through the integration of the former TUI and First Choice Destinations businesses, primarily in Dominican Republic, Mexico and Spain. The integration process continues to be ongoing in this sector, with further integration to take place in Spain, Portugal, Turkey and Greece.

During 2008 and 2009, A&D acquired three cruise handling businesses and an online bedbank business, and these businesses contributed £1m in additional profits in 2009 versus the prior year.

The business was impacted by the swine flu outbreak in Mexico in 2009, as customer presence in the Mexican resorts was significantly reduced, leading to lost transfer and excursion revenue. This resulted in lost contribution of £1m in 2009.

Underlying trading was broadly in line with prior year. The Destinations businesses were adversely impacted by the capacity reductions implemented by the tour operators in its core markets, such as Spain and Greece, in 2009. Customer volumes were down 10% in 2009 versus the prior year. Additionally, excursion revenues were lower in the agencies based in Euro destinations due to the significant weakening of Sterling, which reduced in-resort spending by UK visitors.

The online businesses performed well due to the diversity of the B2B and B2C portfolio. Weaker performance in the more mature destinations of Spain and Portugal due to the economic environment and competitive pressure was compensated by growth in demand in emerging markets such as Asia and the Americas. LateRooms.com also performed well in 2009, with volumes up 47% over prior year due to its effective marketing campaign and a strong increase in content. Following the successful launch of LateRooms.es in 2008, LateRooms.it was successfully launched into the Italian source market in 2009.

Acquisitions

In the year, the Group completed 12 acquisitions, including 11 within high growth niche segments of the leisure travel market in line with its strategy of making 'bolt-on' acquisitions of businesses with the ability to generate premium margins and high earnings growth. The 12 businesses were acquired for a total consideration of £89m. For comparison, in the year ended 30 September 2008, we made 16 acquisitions for a total consideration of £109m.

Company	Description	Date	Country
Activity Sector			
Sport Abroad	Sports tours	October 2008	United Kingdom
Teamlink Travel	Student sports tours	October 2008	United Kingdom
Edwin Doran	Student sports tours	November 2008	United Kingdom
Master Yachting	Yacht charters	November 2008	Germany
Off The Piste	Student ski	December 2008	United Kingdom
Adventure Tours Australia	Adventure tours	April 2009	Australia
Williment Travel Group	Sports tours	May 2009	New Zealand
Zegrahm Expeditions	Adventure cruising	June 2009	USA
EAC Language Centres	Language school	July 2009	United Kingdom
Specialist & Emerging Markets Sector			
Travel Adventures	Student travel	October 2008	USA
A&D Sector			
Aragon Tours	Cruise handling	May 2009	United Kingdom
Mainstream Sector – Northern Region			
Island Cruises	Cruise operator	November 2008	United Kingdom
TOTAL CONSIDERATION			£89m

In addition, we announced a further three significant investments in the year. We invested £8m in our joint venture in Russia & CIS, £30m for a 9.9% stake in Air Berlin as part of the transaction between TUIfly (our airline operations in Germany), and Air Berlin and announced that we will invest c.£55m in a strategic venture with Sunwing in Canada.

Strategic venture in Canada

We have agreed a strategic venture with Sunwing, a leading tour operator in Canada. Under the terms of the deal, TUI Travel will contribute its Canadian operations plus C\$101 million and Sunwing will contribute its operations to the strategic venture. TUI Travel will receive a 49% interest in the strategic venture, with Sunwing's owners receiving 51%.

The Canadian market has for some time been both challenging and fragmented. The profitability of our operations in this market has been affected by the excess market capacity and in the year to 30 September 2009 the business made a loss of £24m (2008: loss of £5m).

This venture strengthens our position in the Canadian market and we believe that the transaction delivers a number of strategic and financial benefits to the Group. In particular, the Group will earn a share of the profitability of the strategic venture, rather than 100% of the losses generated by the current operations.

This deal is subject to regulatory clearance, which we expect to receive shortly.

TUIfly – Air Berlin Transaction

As part of the transaction between TUIfly, our airline operations in Germany, and Air Berlin, TUI Travel has acquired 9.9% of Air Berlin's shares.

Russia & CIS

As described above, our Russia & CIS joint venture has completed the acquisition of a 75% stake in certain assets of two businesses and expects to complete the acquisition of a further business shortly.

Sale & leaseback transactions

In the year, we successfully completed the sale & leaseback of all seven aircraft that were acquired in the period as well as four aircraft that were held for sale at 30 September 2008. Proceeds for the four aircraft that were owned at the start of the period were £90m.

We do not have any planned aircraft deliveries in the year ending 30 September 2010.

Taxation

Underlying profit before tax excluding joint ventures and associates for the year was £351m (2008: £304m). The effective tax rate on these profits is 28.0% (2008: 28.0%). Based on the current structure of the business and existing local taxation rates and legislation, it is expected that the underlying tax rate will reduce to a level of around 27%.

Statutory loss before tax for the year less the share of profit in joint ventures and associates was £61m (2008: loss of £279m). The tax credit on this loss was £42m (2008: nil) representing an effective tax rate of 69% (2008: nil). This rate differs from the underlying effective tax rate due to the tax effect of separately disclosed items, amortisation of business combination intangibles, goodwill impairment charges and the recognition for the first time in the current year of deferred tax assets for losses arising in prior periods in certain territories.

The cash tax rate is expected to be lower than the underlying income statement tax rate as we utilise our deferred tax assets generated from restructuring expenditure and tax losses. In the coming year, we envisage a cash tax rate of approximately 15% of underlying profit before tax.

Earnings per share

Underlying basic earnings per share was 23.8p (2008: 20.4p), an improvement of 17%. Basic loss per share from continuing operations was 1.0p (2008: 24.4p).

Dividends

The Board is recommending a final dividend of 7.7p per share (2008: 6.9p). On 19 May 2009, the Board recommended an interim dividend of 3.0p per share (2008: 2.8p), making a full year dividend of 10.7p per share (2008: 9.7p). This represents a payout ratio of 45% of underlying basic earnings per share. The final dividend will be paid on 1 April 2010 to holders of relevant shares on the register at 12 March 2010.

The Group's policy is to maintain underlying dividend cover at around two times. We intend to continue to operate a dividend re-investment plan as an alternative to receiving a cash dividend.

Cash and liquidity

The net debt position (cash and cash equivalents less loans, overdrafts and finance leases) at the year end was £338m (2008: £136m). This consisted of £790m of cash and £1,128m of interest-bearing loans and liabilities.

The increase in net debt has arisen primarily due to:

- The cash impact of costs incurred to deliver the synergy benefits;
- A working capital outflow driven by capacity reductions and the later booking curve;
- Acquisitions made in the year; and
- An adverse impact arising on the translation of foreign currency denominated debt.

On 29 September 2009, we announced a number of financing measures, including:

- An issue of £350m of convertible bonds due in October 2014;
- Additional revolving credit facilities of £140m, maturing in June 2012; and
- Deferral to April 2011 of €160 million of the shareholder loan, beyond the 2011 seasonal peak in net debt, as part of a rescheduling of the repayment profile of the loan.

In accordance with the new repayment schedule, we repaid €100m of our shareholder loan on 30 September 2009 and the outstanding balance is now €919m. The new repayment schedule is set out below:

1 April 2010	€250 million
1 December 2010	€509 million ¹
30 April 2011	€160 million

¹Adjusted for any further movements in the balance due prior to that date

In addition to the above, we have a £770m revolving credit facility which matures in June 2012. Given the Group's current facilities and current cash flow forecasts, the Board remains satisfied with the Group's funding and liquidity position. Fixed charges cover and the ratio of net debt to EBITDA, which we believe to be the most useful measures of cash generation and gearing, were 2.0x and 0.5x respectively at the year end (2008: 2.1x and 0.2x respectively). Fixed charges cover is defined as EBITDA before operating lease rentals charge divided by net interest plus operating lease rentals. EBITDA is defined as earnings before interest, tax, depreciation and amortisation and is calculated on an underlying basis.

Pension deficit

The net accounting pension deficit at the year end has increased to £500m (2008: £253m). The increase was driven primarily by a reduction in the discount rate used to calculate the present value of future liabilities from 6.9% to 5.5% in the UK. The basis for the reduced discount rate was lower corporate bond yields.

We anticipate cash contributions to fund the pension deficit will be c.£70m per annum in 2010 and will remain at this level in the medium term.

Accounting policies

There have been no changes in accounting policies during this financial year. The Group continues to monitor the potential impact and timing of changes to International Financial Reporting Standards which will be applicable to the Group in future years.

Treasury policies

The Board has established a framework to ensure that the Group has adequate policies, procedures and controls to successfully manage the financial risks that it faces. These form part of the Company's Risk Management Framework.

The key financial risks faced by the Company are in relation to foreign currency, interest rate, fuel price and liquidity. Group Treasury has implemented individual treasury policies to cover specific risks faced by each business unit. The procedures stipulate the levels of authority applied to dealing and approve the financial instruments that may be used to manage these exposures. All significant treasury transactions on behalf of the businesses are undertaken and executed by Group Treasury. Transactions are undertaken only to hedge underlying exposures. Financial instruments are not traded, nor are speculative positions taken.

Consolidated income statement

for the year ended 30 September 2009

	Note	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Continuing operations			
Revenue	2	13,863	13,932
Cost of sales		(12,705)	(12,911)
Gross profit		1,158	1,021
Administrative expenses		(1,130)	(1,217)
Share of profit of joint ventures and associates		9	12
Operating profit / (loss)	2	37	(184)
Analysed as:			
Underlying operating profit	2	443	398
Separately disclosed items	3	(340)	(380)
Amortisation of business combination intangibles		(56)	(87)
Impairment of goodwill		(7)	(112)
Taxation on profits of joint ventures and associates		(3)	(3)
		37	(184)
Financial income	4	72	122
Financial expenses	4	(161)	(205)
Net financial expenses	4	(89)	(83)
Loss before tax		(52)	(267)
Taxation	6	42	–
Loss for the year from continuing operations		(10)	(267)
Discontinued operation			
Loss from discontinued operation		(14)	–
Loss for the year		(24)	(267)
Attributable to:			
Equity holders of the parent		(25)	(271)
Minority interest		1	4
Loss for the year		(24)	(267)
		Pence	Pence
Basic and diluted loss per share (pence) for loss attributable to the equity holders of the company during the year			
- basic and diluted: from continuing operations	9	(1.0)	(24.4)
- basic and diluted: from discontinued operation	9	(1.3)	–
Non-GAAP measures			
Reconciliation of underlying operating profit to underlying profit before tax			
		£m	£m
Underlying operating profit	2	443	398
Net underlying financial expenses	4	(77)	(79)
Underlying profit before tax		366	319
		Pence	Pence
Underlying earnings per share (pence) for profit attributable to the equity holders of the company during the year			
- basic	9	23.8	20.4
- diluted	9	23.5	20.2

Consolidated balance sheet

at 30 September 2009

	Note	30 September 2009 £m	30 September 2008 £m
Non-current assets			
Intangible assets		4,737	4,429
Property, plant and equipment		964	926
Investments in joint ventures and associates		112	114
Other investments		77	56
Trade and other receivables		194	210
Retirement benefit asset		1	17
Derivative financial instruments		13	48
Deferred tax assets		211	205
		6,309	6,005
Current assets			
Inventories		51	51
Other investments		36	29
Trade and other receivables		1,536	1,653
Income tax recoverable		30	29
Derivative financial instruments		271	273
Cash and cash equivalents	8	790	1,130
Assets classified as held for sale		126	157
		2,840	3,322
Total assets		9,149	9,327
Current liabilities			
Interest-bearing loans and borrowings		(327)	(99)
Retirement benefits		(3)	(2)
Derivative financial instruments		(284)	(178)
Trade and other payables		(4,162)	(4,057)
Provisions		(189)	(235)
Income tax payable		(67)	(89)
Liabilities classified as held for sale		(59)	(22)
		(5,091)	(4,682)
Non-current liabilities			
Interest-bearing loans and borrowings		(801)	(1,167)
Retirement benefits		(498)	(268)
Derivative financial instruments		(18)	(50)
Trade and other payables		(108)	(149)
Provisions		(250)	(180)
Deferred tax liabilities		(97)	(235)
		(1,772)	(2,049)
Total liabilities		(6,863)	(6,731)
Net assets		2,286	2,596
Equity			
Share capital		112	112
Other reserves		2,775	2,749
Retained deficit		(604)	(270)
Total equity attributable to equity holders of the parent		2,283	2,591
Minority interest		3	5
Total equity	10	2,286	2,596

Consolidated statement of cash flows

for the year ended 30 September 2009

	Note	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Loss for the year		(24)	(267)
Adjustment for:			
Depreciation and amortisation		287	331
Impairment of intangible assets and property, plant and equipment		132	145
Equity-settled share-based payment expenses		16	14
(Profit) / loss on sale of property, plant and equipment		(12)	71
Share of profit of joint ventures and associates		(9)	(12)
(Gain) / loss on foreign exchange		(23)	26
Dividends received from joint ventures and associates		10	9
Financial income	4	(72)	(122)
Financial expenses	4	161	205
Loss from discontinued operation		14	–
Taxation	6	(42)	–
Operating profit before changes in working capital and provisions		438	400
Increase in inventories		(2)	(5)
Decrease / (increase) in trade and other receivables		93	(235)
(Decrease) / increase in trade and other payables		(183)	265
(Decrease) / increase in provisions and employee benefits		(23)	42
Cash flows from operations		323	467
Interest paid		(68)	(109)
Interest received		6	53
Income taxes paid		(43)	(33)
Cash flows from operating activities		218	378
Investing activities			
Proceeds from sale of property, plant and equipment		161	347
Proceeds from disposal of subsidiaries net of cash disposed of		–	2
Acquisition of subsidiaries net of cash acquired		(48)	(90)
Acquisition of minority shareholdings		(3)	(20)
Investment in joint ventures, associates and other investments		(51)	(9)
Acquisition of property, plant and equipment and software		(234)	(277)
Cash flows from investing activities		(175)	(47)
Financing activities			
Proceeds from new loans and deposits taken		17	232
Repayment of borrowings		(280)	(1,411)
Payment of finance lease liabilities		(22)	(26)
Ordinary and minority interest dividends paid		(110)	(70)
Acquisition of shares for share-based payments		–	(7)
Cash flows from financing activities		(395)	(1,282)
Net decrease in cash and cash equivalents		(352)	(951)
Cash and cash equivalents at start of the year	8	1,130	1,959
Reclassification of cash to assets classified as held for sale		(4)	–
Effect of foreign exchange on cash held		16	122
Cash and cash equivalents at end of the year	8	790	1,130

Consolidated statement of recognised income and expense

for the year ended 30 September 2009

	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Foreign exchange translation	129	180
Actuarial (losses) / gains arising in respect of defined benefit pension schemes	(271)	4
Cash flow hedges:		
movement in fair value	(60)	163
amounts recycled to the income statement	(81)	37
Changes in the fair value of available for sale financial instruments	(1)	-
Tax on items taken directly to equity	105	(62)
Net (loss) / income recognised directly in equity	(179)	322
Loss for the year	(24)	(267)
Total recognised (expense) / income for the year	(203)	55
Attributable to:		
Equity holders of the parent	(205)	50
Minority interest	2	5
Total	(203)	55

1. Basis of preparation

(A) Statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 September 2009. Financial Statements for the year ended 30 September 2009 will be delivered to the registrar of companies in due course. KPMG Audit Plc has reported on these accounts; their report 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 498(2) or (3) of the Companies Act 2006.

(B) Statement of compliance

The accounting policies applied by the Group in its consolidated financial statements for the year ended 30 September 2009 are in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRSs). The accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(C) Funding and liquidity

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 €919m and is being repaid in instalments over the period to April 2011 and the £910m of syndicated bank revolving credit facility which matures in June 2012. On 25 September 2009 the Group also agreed an annually renewable £40m bonding and letter of credit facility. In addition, on 1 October 2009, the Group offered £350m of senior unsecured convertible bonds due 2014. The coupon has been set at 6.0% per annum, and the conversion price has been set at 349.3 pence per share, which represents a premium of 33.0% over the volume weighted average price of TUI Travel PLC's ordinary shares from launch to pricing. Settlement occurred on 5 October 2009.

The ratio of Earnings Before Interest Taxation Depreciation, Amortisation and operating lease Rentals (EBITDAR) 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 well within the covenant limits. Forecasts reviewed by the Board, including forecasts adjusted for significantly worse economic conditions, show continued compliance with these covenants. EBITDA is Earnings Before Interest, Taxation, Depreciation and Amortisation. For both covenants earnings are calculated on an underlying basis as described in Note 1(D).

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

(D) Underlying measures of profits and losses

The Group believes that underlying operating profit, underlying profit before tax and underlying earnings per share provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial year. 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 is operating profit or loss from continuing operations stated before separately disclosed items (Note 3), amortisation of intangible assets acquired in business combinations, impairment of goodwill and taxation on the Group's share of the results of joint ventures and associates.

Underlying profit before tax is profit or loss from continuing operations before taxation (Group and share of joint ventures and associates), amortisation of intangible assets acquired in business combinations, impairment of goodwill and separately disclosed items included within both the operating result (Note 3) and net financial expenses (Note 4).

Underlying earnings used in the calculation of underlying earnings per share is profit after tax from continuing operations excluding amortisation of intangible assets acquired in business combinations, impairment of goodwill and separately disclosed items included within both the operating result (Note 3) and net financial expenses (Note 4) (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 or elsewhere

Separately disclosed items are those significant items which in management's judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Such items are included within the income statement caption to which they relate (Notes 3 and 4).

2. Segmental information

Segmental information is presented initially by the Group's business Sectors (the primary format). Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate costs and net financial expenses.

Year ended 30 September 2009										
Mainstream Sector				Total Mainstream Sector £m	Specialist & Emerging Markets Sector £m	Activity Sector £m	Accommodation & Destinations Sector £m	Joint Ventures and Associates £m	Eliminations / Corporate £m	Total Group £m
Central Europe £m	Northern Region £m	Western Europe £m								
Revenue										
Total revenue	4,829	4,302	2,671	11,802	825	816	738	–	(318)	13,863
Inter segment revenue	(33)	(80)	(19)	(132)	–	–	(186)	–	318	–
External revenue										
- continuing operations	4,796	4,151	2,652	11,599	816	758	549	–	–	13,722
- acquired operations	–	71	–	71	9	58	3	–	–	141
Total external revenue	4,796	4,222	2,652	11,670	825	816	552	–	–	13,863
Operating profit / (loss)	18	115	(124)	9	18	6	36	9	(41)	37
Amortisation of business combination intangibles	1	20	3	24	8	13	11	–	–	56
Separately disclosed items	47	71	154	272	5	33	13	3	14	340
Impairment of goodwill	–	–	–	–	–	7	–	–	–	7
Taxation on profits of joint ventures and associates	–	–	–	–	–	–	–	3	–	3
Underlying operating profit / (loss)	66	206	33	305	31	59	60	15	(27)	443
Analysed as:										
- continuing operations	66	204	33	303	30	54	60	15	(27)	435
- acquired operations	–	2	–	2	1	5	–	–	–	8
										443
Net financing expenses excluding separately disclosed items (Note 4)										
										(77)
Underlying profit before tax										366

Year ended 30 September 2008										
Mainstream Sector				Total Mainstream Sector £m	Specialist & Emerging Markets Sector £m	Activity Sector £m	Accommodation & Destinations Sector £m	Joint Ventures and Associates £m	Eliminations / Corporate £m	Total Group £m
Central Europe £m	Northern Region £m	Western Europe £m								
Revenue										
Total revenue	4,714	4,532	2,753	11,999	819	780	701	–	(367)	13,932
Inter segment revenue	(12)	(155)	(1)	(168)	–	–	(199)	–	367	–
External revenue										
- continuing operations	4,702	4,377	2,752	11,831	808	706	495	–	–	13,840
- acquired operations	–	–	–	–	11	74	7	–	–	92
Total external revenue	4,702	4,377	2,752	11,831	819	780	502	–	–	13,932
Operating (loss) / profit	(113)	(104)	20	(197)	1	(4)	42	12	(38)	(184)
Amortisation of business combination intangibles	1	58	2	61	8	8	10	–	–	87
Separately disclosed items	62	224	15	301	17	46	5	–	11	380
Impairment of goodwill	112	–	–	112	–	–	–	–	–	112
Taxation on profits of joint ventures and associates	–	–	–	–	–	–	–	3	–	3
Underlying operating profit / (loss)	62	178	37	277	26	50	57	15	(27)	398
Analysed as:										
- continuing operations	62	178	37	277	26	42	57	15	(27)	390
- acquired operations	–	–	–	–	–	8	–	–	–	8
										398
Net financing expenses excluding separately disclosed items (Note 4)										
										(79)
Underlying profit before tax										319

3. Separately disclosed items

	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Merger related integration costs	143	164
Restructuring expenses	40	65
Aircraft	157	151
Total	340	380

Separately disclosed items are included within the income statement as follows:

	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Revenue	–	12
Cost of sales	209	228
Administrative expenses	131	140
Total	340	380

Merger related integration costs

These relate primarily to the costs of integration of the UK businesses. The majority of costs arise from the integration of First Choice and Thomson in the UK, and in particular from the formation of one airline and an integrated retail estate. A combined Mainstream UK head office has been established in Luton. Costs also arise from bringing together former Thomson Specialist businesses with the former First Choice Activity and Specialist Sectors, notably Ski and UK specialist brands. In the Accommodation & Destinations Sector separate First Choice and TUI Tourism incoming agencies have been combined in a number of key destinations, notably Spain.

Costs include amounts paid or provided for redundancy and integration remuneration costs (including the cost of the Value Creation Share Plan and rolled over First Choice share awards), property closures and lease obligations, as well as professional fees relating to the integration project.

IFRS 3 business combination fair value adjustments in respect of First Choice customer deposits held at 3 September 2007 reduced deferred income by £14m at that date, with a corresponding reduction in statutory revenues for the year ended 30 September 2008 and the period ended 30 September 2007. This amount is included within separately disclosed integration items for the year ended 30 September 2008 in order to better present the underlying trading performance of the Group in that year.

Restructuring expenses

Costs incurred in the year ended 30 September 2009 relate to restructuring programmes which are not related to the business combination of First Choice and the TUI Tourism businesses. The principal items are £16m relating to the closure of the Sunsail Clubs in Turkey and the Caribbean (announced in March 2009), £13m for the ongoing restructuring of the French tour operator, Nouvelles Frontières, and £8m for restructuring the German source market as a consequence of the sale of TUIfly's city charter operation to Air Berlin PLC.

Costs incurred in the year ended 30 September 2008 relate to restructuring programmes that were already underway in both the First Choice and TUI Tourism businesses prior to the business combination as well as subsequent restructuring activities across all Sectors. Costs also related to the integration of acquired businesses into the Group. Principal restructuring projects 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 the 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 year ended 30 September 2009 there is a £124m impairment charge principally in respect of asset write downs of Boeing 747s operated by Corsair. Costs of £32m were incurred relating to the transaction to sell TUIfly's city charter business to Air Berlin PLC. These costs include the income statement charge from discontinued hedge accounting on fuel and currency hedges which are no longer required, various contract cancellation penalties as well as legal and professional fees.

Foreign exchange losses on aircraft order book hedging of £16m have been offset by a gain of £23m from discontinued hedge accounting on the ten Boeing 787 orders which have been cancelled. Net gains arising on the sale and leaseback of aircraft were £4m. £1m has been charged relating to the carrying value of aircraft held for sale.

In the year ended 30 September 2008 costs principally include sale and leaseback losses of £102m and write-downs on aircraft held for sale of £23m. Other items include fuel and related currency option premium costs and losses on aircraft order book hedging.

4. Net financial expenses

	Year ended 30 September 2009	Year ended 30 September 2008
	£m	£m
Financial income		
Bank interest receivable	6	42
Interest on pension scheme assets	64	68
Interest receivable in respect of loans to parent	–	4
Other financial income	2	8
Total	72	122
Financial expenses		
Bank interest payable on loans and overdrafts	(11)	(45)
Interest on pension scheme liabilities	(81)	(72)
Interest payable in respect of loans from parent	(42)	(67)
Finance lease charges on leases	(10)	(12)
Unwinding of discount on provisions	(5)	(4)
Other financial expenses	(12)	(5)
Total	(161)	(205)
Net financial expenses	(89)	(83)

	Year ended 30 September 2009	Year ended 30 September 2008
	£m	£m
Net financial expenses (as above)	(89)	(83)
Less separately disclosed financial expenses	12	4
Net underlying financial expenses	(77)	(79)

The separately disclosed expenses relate to non-debt items including the revaluation of a put option written by the Group in respect of a minority shareholder of L'TUR Tourismus AG.

5. Income and expenses

	Year ended 30 September 2009	Year ended 30 September 2008
	£m	£m
Included in the income statement for the year are the following (credits) / charges		
Operating lease income, aircraft	(18)	(6)
Operating lease rentals, land and buildings	163	167
Operating lease rentals, aircraft and other equipment	408	327
Depreciation of property, plant and equipment	184	206
Amortisation of intangible assets	103	125
Charge for share-based payments	17	15
(Profit) / loss on sale of property, plant and equipment	(12)	71
(Gain) / loss on foreign currency retranslation	(23)	26
Impairment of goodwill and other intangibles	7	114
Impairment of property, plant and equipment	125	31

Operating lease rentals, land and buildings, includes £8m (2008: £19m) of costs included in separately disclosed items (Note 3) as provisions for onerous leases, primarily related to the closure of Sunsail Clubs in Turkey (£4m) and integration of the UK Thomson / First Choice retail estate (£4m). Also within separately disclosed items is £1m of costs in relation to aircraft leases.

6. Taxation

The tax (credit) / charge can be summarised as follows:

	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
(i) Analysis of (credit) / charge in the year		
Current tax charge:		
UK corporation tax on loss for the year	(21)	–
Non-UK tax on loss for the year	41	54
Adjustments in respect of previous years	(3)	1
	17	55
Deferred tax (credit):		
Origination and reversal of timing differences:		
Current year UK	(5)	(43)
Current year non-UK	(43)	(12)
Adjustments in respect of previous years	(11)	–
	(59)	(55)
Total income tax (credit) in income statement	(42)	–

(ii) Reconciliation of effective tax rate

The total tax (credit) for the year is higher (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 29%). The differences are explained below:

	Year ended 30 September 2009		Year ended 30 September 2008	
	£m	%	£m	%
Loss before tax reported in the income statement	(52)		(267)	
Less share of profit in joint ventures and associates	(9)		(12)	
	(61)		(279)	
Income tax on loss before tax excluding share of profit of joint ventures and associates at the standard rate of UK tax of 28% (2008: 29%)	(17)	28%	(81)	29%
Expenses not deductible for tax purposes	3	(5%)	39	(14%)
Income not taxable	(4)	6%	–	–
(Utilisation) / Non-utilisation of tax losses	(1)	2%	44	(16%)
Higher tax rates on overseas earnings	(8)	13%	–	–
Lower tax rates on overseas earnings	(1)	2%	(3)	1%
Adjustments to taxation in respect of previous periods	(14)	23%	1	–
Total income tax (credit) in income statement	(42)	69%	–	–

The underlying effective rate of taxation for the year ended 30 September 2009 is calculated based on the underlying profit before tax (excluding separately disclosed items, amortisation of IFRS 3 business combination intangibles and goodwill impairment charges) and is calculated at 28%. The actual tax rate of 69% differs from the underlying effective tax rate due to the tax effect of separately disclosed items, amortisation of IFRS 3 business combination intangibles, goodwill impairment charges and the recognition in the current year of deferred tax assets on losses from prior years due to a greater degree of certainty in the timing and method of their utilisation.

7. Dividends

The following dividends relate to ordinary shares which have been deducted from equity in the year:

	Pence per share	Year ended 30 September 2009 £m	Year ended 30 September 2008 £m
Dividends relating to the year ended 30 September 2007			
Interim dividend (paid September 2007)	2.5	–	–
Final dividend (paid April 2008)	5.9	–	65
	8.4	–	65
Dividends relating to the year ended 30 September 2008			
Interim dividend (paid October 2008)	2.8	31	–
Initial interim dividend (paid April 2009)	6.9	76	–
	9.7	107	–

The interim dividend in respect of the year ended 30 September 2009 of 3.0p per share was paid on the 1 October 2009 and this dividend of £33m will be recognised as a deduction from equity in the year ending 30 September 2010.

Subsequent to the balance sheet date, the Directors have proposed a final dividend of 7.7p per share (2008: final dividend of 6.9p per share) payable on 1 April 2010 to the holders of relevant shares on the register at 12 March 2010. The final proposed dividend amounts to £85m and will, after approval by shareholders, be recognised in the consolidated financial statements for the year ending 30 September 2010. The final ordinary dividend of 7.7p per share, together with the interim dividend of 3.0p per share, makes a total dividend of 10.7p per share relating to the year ended 30 September 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 final dividend, may do so by contacting Equiniti direct on 0871 384 2030. The last day for election for the final proposed dividend is 18 March 2010 and any requests should be made in good time ahead of that date.

8. Movements in cash and net debt

	Cash and cash equivalents £m	Amounts due to related parties £m	Bank loans £m	Loan notes £m	Finance Leases £m	Other financial liabilities £m	Total £m
Cost							
At 1 October 2007	1,959	(1,400)	(553)	(28)	(178)	(37)	(237)
Cash movement	(951)	778	400	21	26	–	274
Non - cash movement	–	(23)	–	(1)	(11)	(4)	(39)
Foreign exchange	122	(195)	(17)	(1)	(24)	(4)	(119)
Arising on acquisition	–	–	(15)	–	–	–	(15)
At 30 September 2008	1,130	(840)	(185)	(9)	(187)	(45)	(136)
Cash movement	(352)	91	143	6	22	23	(67)
Non - cash movement	(4)	29	–	(2)	–	(12)	11
Foreign exchange	16	(120)	(8)	(1)	(26)	(5)	(144)
Arising on acquisition	–	–	(1)	–	(1)	–	(2)
At 30 September 2009	790	(840)	(51)	(6)	(192)	(39)	(338)

Non-cash movements in respect of other financial liabilities arise from the issue of a put option in respect of minority interest shares.

9. (Loss) / earnings per share

Basic and diluted loss per share from continuing operations is as follows

	(Loss) / Earnings 2009 £m	Weighted average no. of shares 2009 Millions	(Loss) / Earnings per share 2009 Pence	(Loss) / Earnings 2008 £m	Weighted average no. of shares 2008 Millions	(Loss)/ Earnings per share 2008 Pence
Basic and diluted loss per share	(11)	1,107	(1.0)	(271)	1,109	(24.4)
Amortisation of business combination intangibles, and impairment of goodwill (net of tax)	47	–	4.3	174	–	15.7
Separately disclosed items (net of tax)	227	–	20.5	323	–	29.1
Basic underlying earnings per share	263	1,107	23.8	226	1,109	20.4
Effect of dilutive options	–	11	(0.3)	–	9	(0.2)
Diluted underlying earnings per share	263	1,118	23.5	226	1,118	20.2

Basic and diluted loss per share from the discontinued operation is as follows

	Loss 2009 £m	Weighted average no. of shares 2009 Millions	Loss per share 2009 Pence	Earnings 2008 £m	Weighted average no. of shares 2008 Millions	Earnings per share 2008 Pence
Basic and diluted loss per share	(14)	1,107	(1.3)	–	1,109	–

For statutory measures of loss per share, in both the current and prior year the effect of options is anti-dilutive. The anti-dilutive effect is not taken into account and basic loss per share and diluted loss per share are both disclosed as (1.0) pence (2008: (24.4) pence) for continuing operations and (1.3) pence (2008: nil pence) for the discontinued operation. The diluting effect of options in 2009 and 2008 is included solely to calculate diluted underlying earnings per share.

10. Capital and reserves

	Share capital £m	Merger reserve £m	Translation reserve £m	Hedging reserve £m	Retained (deficit) / earnings £m	Equity holders of parent £m	Minority interest £m	Total £m
At 1 October 2007	112	2,490	45	(107)	83	2,623	7	2,630
Total recognised income / (expense) for the year	–	–	187	134	(271)	50	5	55
Share-based payment	–	–	–	–	14	14	–	14
Acquisition of own shares	–	–	–	–	(7)	(7)	–	(7)
Acquisition in stages	–	–	–	–	(7)	(7)	–	(7)
Dividends	–	–	–	–	(66)	(66)	(4)	(70)
Acquisition of minority interest	–	–	–	–	(16)	(16)	(3)	(19)
At 30 September 2008	112	2,490	232	27	(270)	2,591	5	2,596
Total recognised income / (expense) for the year	–	–	128	(102)	(231)	(205)	2	(203)
Share-based payment	–	–	–	–	16	16	–	16
Dividends	–	–	–	–	(107)	(107)	(3)	(110)
Acquisition of minority interest	–	–	–	–	(12)	(12)	(1)	(13)
At 30 September 2009	112	2,490	360	(75)	(604)	2,283	3	2,286