

TUI Travel PLC
("TUI Travel")

First Quarter Results ended 31 December 2012 and Interim Management Statement

- Outperformance in UK & Nordic markets
- Our unique holidays driving increases in UK market share
- Q1 underlying operating loss reduced by 15%¹
- Expect performance towards the top end of roadmap guidance for full year²

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

"We are pleased to report that our strong trading momentum has continued with particularly encouraging growth in the UK and Nordics. Our leading position in the UK has further benefited from increased market share as a result of higher demand for our unique holidays. Across all our key markets demand for the overseas holiday remains strong, despite the overall economic environment."

"We are confident that our customer focused strategy is driving performance and based on current trading we expect to be towards the top end of our roadmap guidance of 7 to 10% underlying operating profit growth for the 2013 financial year."

Highlights

- **Positive trading momentum**
 - Operating loss reduced by £16m to £93m (excluding the impact of empty leg accounting¹ which has no full year impact). Underlying Q1 operating loss of £116m (2012: loss of £109m).
 - Significant continued growth in UK cumulative market share (GFK Ascent) with Summer 2013 up 4% and the key January booking period up 2%, gaining on the 7% increase in the same period last year.
 - Strong trading in the Nordic region and Accommodation Wholesaler.
- **Unique holidays and direct distribution strategies delivering**
 - Unique holiday bookings in the UK, Nordics and Germany increased by 15%, 10% and 6% year-on-year respectively for Summer 2013.
 - Direct distribution sales in the UK and Nordics for Summer 2013 of 90% (2012: 89%) and 85% (2012: 84%) with online sales accounting for 37% (2012: 36%) and 65% (2012: 63%) respectively.
- **Online Accommodation growth**
 - Accommodation Wholesaler continues to build a global leadership position with TTV up by 9% for Summer 2013, driven by Latin America and Asia where TTV is up by 23%.
- **Strong current trading**
 - Winter 2012/13 – 83% sold with higher margins and average selling prices in key source markets.
 - Strong Summer 2013 bookings in the UK and Nordics, up 9% and 10% respectively.
 - Summer 2013 margins ahead of prior year in key source markets.

¹Figure excludes impact of empty leg accounting. Empty legs relate to the cost incurred by aircraft returning from the beginning and end of each season without customers (an empty leg of a round trip). As a result of the change in estimate in empty leg accounting referred to in the year-end accounts, the phasing of the empty leg costs will change in each quarter but there will be no full-year cost impact.

²Based on current trading

Investor and Analyst Conference Call

A conference call for investors and 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: 94124221

A presentation to accompany the conference call will be made available at 7.30am (GMT) via our corporate website: <http://www.tuitravelplc.com>

A recording of the conference call will be available for 30 days on:

Telephone: +44 (0)1452 550 000
Participant Code: 94124221

Pre-close Trading Update

TUI Travel will issue a pre-close trading update on Wednesday 27th March 2013.

Enquiries:

Analysts & Investors

Andy Long, Director of Strategy & Investor Relations
Tej Randhawa, Investor Relations Manager

Tel: +44 (0)1293 645 795
Tel: +44 (0)1293 645 829

Press

Lesley Allan, Corporate Communications Director
Mike Ward, External Communications Manager
Michael Sandler / Katie Matthews (Hudson Sandler)

Tel: +44 (0)1293 645 790
Tel: +44 (0)1293 645 776
Tel: +44 (0)20 7796 4133

CURRENT TRADING

Winter 2012/13

Overall 83% of the Mainstream programme has been sold to date with higher average selling prices and margins across our key source markets.

<u>Current Trading</u> ¹				Winter 2012/13	
YoY variation%	Total ASP ²	Total Sales ²	Total Customers ²	<i>Risk Only</i>	
				<i>Capacity</i> ³	<i>Left to sell</i> ³
MAINSTREAM					
UK	+4	+4	Flat	Flat	-2
Nordic region	+5	+9	+4	+4	+7
Germany	+8	+4	-4	-3	-21
France tour operators	+7	-25	-29	-33	-35
Other ⁴	<u>+1</u>	<u>Flat</u>	<u>-1</u>		
Total Mainstream	+5	+1	-4		
SPECIALIST & ACTIVITY					
	N/A	-3	N/A		
Accommodation Wholesaler ⁵					
	+8	+24	+15		

¹ These statistics are up to 3 February 2013 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 Other includes Austria, Belgium, Netherlands, Poland and Switzerland and excludes Emerging Markets

⁵ These statistics refer to online accommodation wholesaler only; Sales refer to total transaction value (TTV) and customers refers to roomnights

In the UK, bookings are flat in line with capacity. We are pleased with our price performance, with average selling prices up 4% reflecting inflationary cost increases of circa 2% and improved mix towards unique holiday sales. Sales of unique holidays (differentiated and exclusive product combined) are up 3% compared with this time last year and account for 78% of holidays sold to date, up two percentage points on the prior year. Online sales continue to grow, accounting for 46% of Winter holidays booked, up by two percentage points on the prior year. To date, 73% of the overall programme has been sold.

In the Nordic region, bookings are 4% ahead of the prior year, in line with its capacity increase. Average selling prices are up 5%. Sales of unique holidays (differentiated and exclusive product combined) are up 5% compared with this time last year, accounting for 90% of holidays sold to date, up one percentage point on the prior year. Online sales continue to grow, accounting for 64% of Winter holidays booked, up by three percentage points on the prior year. To date, 92% of the overall programme has been sold.

In Germany, bookings are down 4% broadly tracking capacity cuts. Average selling prices are up 8%. The volume decline is driven by the performance of our Specialist Tour Operators where demand for Egypt and last minute bookings in L'Tur have been down year on year. The Mainstream Tour Operator continues to perform well and sales of unique holidays (differentiated and exclusive product combined) account for 48% of holidays sold to date, up two percentage points on the prior year. To date, 81% of the overall programme has been sold.

In France, we have reduced capacity by 33%, with sizeable reductions in capacity to Egypt and a number of long-haul destinations. Therefore, bookings are down by 29%, in line with our expectations. To date, 76% of the overall programme has been sold.

In Accommodation Wholesaler, TTV is up by 24%, driven by Latin America and Asia where TTV increased by 41%. Bookings (room nights) are up by 15% with average selling prices up by 8%.

Specialist & Activity sales is down by 3%. The Specialist Holidays Group is benefitting from an improved ski season driven by better snow conditions and higher levels of direct distribution.

Summer 2013

Since our last announcement, trading in the UK and Nordic source markets has been particularly strong, with all other source markets performing in line with expectations. Average selling prices and margins across our key source markets are up year-on-year. To date 32% of the overall Mainstream Summer programme has been sold.

Current Trading¹				Summer 2013	
YoY variation%	Total ASP²	Total Sales²	Total Customers²	Risk Only Capacity³	Left to sell³
MAINSTREAM					
UK	+4	+13	+9	+3	Flat
Nordic region	+5	+15	+10	+7	+6
Germany	+5	+3	-1	+1	+2
France tour operators	-3	-11	-8	-12	
Other ⁴	Flat	-3	-3		
Total Mainstream	+4	+6	+2		
SPECIALIST & ACTIVITY					
	N/A	-4	N/A		
Accommodation Wholesaler⁵					
	+6	+9	+3		

¹ These statistics are up to 3 February 2013 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 Other includes Austria, Belgium, Netherlands, Poland and Switzerland

⁵ These statistics refer to online accommodation businesses only; Sales refer to total transaction value (TTV) and customers refers to roomnights

In the UK, bookings are up by 9%, ahead of a 3% increase in capacity. Turn of year trading has been ahead of expectations with a sustained increase in demand for holiday packages. We continue to take market share in the UK as outlined in the table below. In the month of January we have taken further market share, gaining on an increased share in the same period last year.

	Cumulative		Month of January	
	Summer 2012	Summer 2013	Summer 2012	Summer 2013
UK Market Share Gain ¹	+1 ppt	+4 ppt	+7 ppt	+2 ppt

¹ GfK Ascent

Average selling prices are up by 4%, reflecting cost base inflation of approximately 2% and the continued increase in unique holiday sales. Sales of unique holidays (differentiated and exclusive product combined) are up by 15% compared to the same period last year accounting for 84% of holidays sold to date, up by three percentage points. Online sales account for 38% of Summer holidays booked, up one percentage point on the prior year. To date, 39% of the overall programme has been sold.

In the Nordic region, bookings are up 10% with average selling prices up by 5%. Sales of unique holidays (differentiated and exclusive product combined) are up by 10% compared to the same period last year, accounting for 95% of holidays sold to date, up by one percentage point. Online sales continue to grow, accounting for 66% of Summer holidays booked, up by two percentage points on the prior year. To date, 33% of the overall programme has been sold.

In Germany, bookings are down by 1% with average selling prices up 5%. Sales of packages are up year-on-year, however our Overland programme is down. Sales of unique holidays (differentiated and exclusive product combined) continue to perform well and are up 6% over the same period last year and account for 56% of all packages sold, an increase of five percentage points over the prior year. To date 33% of the overall programme has been sold.

In France, we have reduced capacity by 12%, primarily to longhaul destinations, as a result of this bookings are down 8%, which is inline with our expectations. To date 20% of the programme has been sold.

In Accommodation Wholesaler, TTV is up by 9%. The Latin America and Asian markets continue to drive TTV growth, which is up by 23%, offsetting a weaker performance from Spain and Portugal driven by weak demand from the domestic market.

In Specialist & Activity, whilst sales in North American Specialist and Adventure are robust, trading conditions remain challenging in a number of other segments and as a result overall sales are down by 4% on the prior year.

Fuel/Foreign exchange

We have hedged the majority of our fuel and currency requirements for the seasons currently on sale, which gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel.

	Winter 2012/13	Summer 2013
Euro	97%	95%
US Dollars	97%	88%
Jet Fuel	94%	84%
<i>As at 24 January 2013</i>		

Outlook

Positive trading momentum continues for Summer, with a third of Mainstream Summer holidays sold to date. Customer demand for our unique holidays has allowed us to increase capacity in the UK, Nordics and Germany. In the UK we have again increased our market share year on year as a result of increased demand for our unique holidays.

We are confident that our strategy is driving performance and based on current trading we expect to be towards the top end of our roadmap guidance of 7 to 10% underlying operating profit growth for the 2013 financial year¹.

¹Based on current trading.

FIRST QUARTER BUSINESS AND FINANCIAL REVIEW

Group Performance

First quarter ended 31 December 2012

£m	Underlying results ¹			Statutory results	
	Q1 13	Q1 12	Change%	Q1 13	Q1 12
Revenue	2,718	2,845	-4%	2,718	2,845
Operating loss	(116)	(109)	-6%	(149)	(131)

¹ Underlying operating profit excludes separately disclosed items, amortisation of business combination intangibles, acquisition related expenses, impairment of goodwill and available for sale financial asset and interest and taxation of results of the Group's joint ventures and associates

Group revenue declined by 4% from the prior year at £2,718m (2012: £2,845m). This result was driven by a foreign currency translation impact of -4%.

The Group's underlying operating loss increased to £116m (Q1 12: loss of £109m). However, this included a £23m impact from empty leg accounting¹ as outlined at the FY12 preliminary results. On an underlying basis, excluding the impact from empty leg accounting, underlying operating loss reduced by £16m to £93m.

Our business improvement programme is progressing to plan with £6m delivered in the quarter.

The main drivers of the year on year increase in underlying operating loss were:

£m	
Q1 12 underlying operating loss	(109)
Trading	10
Investment in Accommodation OTA	(2)
Business improvement	6
FX translation	2
Q1 13 underlying operating loss (excluding empty legs)	(93)
Empty leg accounting	(23)
Q1 13 underlying operating loss	(116)

A reconciliation of underlying operating loss to statutory operating loss is as follows:

	Q1 13 £m	Q1 12 £m
Underlying operating loss	(116)	(109)
Separately disclosed items	(9)	(5)
Acquisition related expenses	(17)	(17)
Impairment of goodwill	(7)	-
Statutory operating loss	(149)	(131)

¹ Empty leg accounting. Empty legs relate to the cost incurred by aircraft returning from the beginning and end of each season without customers (an empty leg of a round trip). As a result of the change in estimate in empty leg accounting referred to in the year-end accounts, the phasing of the empty leg costs will change in each quarter but there will be no full-year cost impact.

Segmental Performance

Segmental performance is based on underlying financial information (which excludes certain items, including separately disclosed items and acquisition related expenses).

	Total Mainstream	Emerging Markets	A&D	Specialist	Central	Total Group
Customers ('000)						
Q1 13	3,573	-	-	254	-	3,827
Q1 12	3,699	-	-	242	-	3,941
Change %	-3%	-	-	+5%	-	-3%
Revenue (£m)						
Q1 13	2,305	-	146	267	-	2,718
Q1 12	2,401	-	151	293	-	2,845
Change %	-4%	-	-3%	-9%	-	-4%
Underlying operating (loss)/profit (£m) ¹						
Q1 13 excl empty leg accounting	(63)	(4)	5	(22)	(9)	(93)
Q1 13 empty leg accounting	(23)	-	-	-	-	(23)
Q1 13	(86)	(4)	5	(22)	(9)	(116)
Q1 12	(85)	(9)	8	(15)	(8)	(109)
Change %	-1%	+56%	-38%	-47%	-13%	-6%

¹Underlying operating profit excludes separately disclosed items, amortisation of business combination intangibles, acquisition related expenses, impairment of goodwill and available for sale financial assets and interest and taxation of results of the Group's joint ventures and associates

Mainstream Sector

Mainstream sector operating loss reduced by £22m to £63m (excluding the impact of empty leg accounting which has no full year impact). Underlying Mainstream sector Q1 operating loss was £86m (2012: loss of £85m).

In the UK, we delivered an improved Q1 performance on the back of increased margins and load factors. We continued to see strong demand for unique holidays, accounting for 81% of departures in Q1, up three percentage points on the prior year. The result also benefited from a three percentage point increase in direct distribution to 87% compared with the prior year. Online bookings accounted for 44% of all bookings during the first quarter, up two percentage points year-on-year.

The Nordic region result was up, excluding the impact of empty leg accounting, driven by improved trading in the tour operator. We remodelled our Winter programme, remixing it towards a higher number of medium-haul destinations. Unique holidays accounted for 92% of departures in Q1 FY13, up two percentage points over the prior year. Direct distribution increased by one percentage point to 87%. Online distribution continues to grow, standing at 63% of bookings in Q1, up two percentage points over the prior year.

The result in Germany was broadly flat, excluding the impact of empty leg accounting. Long haul performed particularly well, with strong demand to Thailand, USA and Cuba. Unique holidays accounted for 48% of departures in Q1 FY13, up three percentage points over the prior year.

France reported a small improvement in operating loss. This was driven by the successful delivery of efficiency savings from the business improvement programme. The tour operator continues to be impacted by low demand from North Africa and general consumer weakness. We have reduced our loss-making long-haul programme, removing unprofitable routes and destinations from the portfolio. The airline saw changes to the fleet composition during the quarter, with the first of our new A330-300s

aircraft arriving in November 2012. A smaller, more flexible fleet will help to reduce risk within the programme.

Emerging Markets

In the Emerging Markets Sector, our Russian business delivered an improvement on underlying trading leading to an operating loss of £4m (Q1 12: loss of £9m).

Accommodation & Destinations (A&D) Sector

The A&D Sector reported an underlying operating profit of £5m (Q1 12: £8m). In the Accommodation Wholesaler division, volumes increased due to continued growth in the source markets and destinations of the Americas and Asia.

Volumes in the Accommodation OTA division also improved, driven by the expansion and roll out of the AsiaRooms brand, with significant market share gains in key markets such as Singapore and Malaysia. This positive performance was partly offset by a further £2m investment in the Accommodation OTA in the quarter.

Specialist & Activity Sector

The Specialist & Activity Sector reported an underlying operating loss of £22m (Q1 12: loss of £15m). The adverse variance to the prior year was driven primarily by North American Specialist where Starquest (private jet tours) offered one less tour in Q1 compared to the prior year. The Specialist Holiday Group benefited from an improved ski season driven by better snow conditions and higher levels of direct distribution.

Separately disclosed items (SDIs)

SDIs in the quarter net to a £9m expense (Q1 12: £5m expense). These charges relate primarily to the removal of the sector management layer in the Specialist & Activity Sector, and the on-going restructuring in France.

Goodwill Impairment

Due to on-going trading difficulties in the Languages businesses in the Specialist & Activity Sector, we have reassessed the level of goodwill associated with those businesses and concluded that it was appropriate to impair it by £7m.

Cash and liquidity

We remain pleased with our funding and liquidity position. We have three main sources of long-term debt funding – these include the external bank revolving syndicated credit facilities totalling £1,020m which mature in June 2015, a £350m convertible bond (due October 2014 and which we will be refinancing during the 2013 financial year) and a £400m convertible bond (due April 2017). The external bank revolving facility is used to manage the seasonality of the Group's cash flows and liquidity.

Consolidated income statement (unaudited)
for the 3 month period ended 31 December 2012

	3 month period ended 31 December 2012 £m	3 month period ended 31 December 2011 £m
Revenue	2,718	2,845
Cost of sales	(2,574)	(2,705)
Gross profit	144	140
Administrative expenses	(294)	(268)
Share of profit /(loss) of joint ventures and associates	1	(3)
Operating loss	(149)	(131)
Analysed as:		
Underlying operating loss	(116)	(109)
Separately disclosed items	(9)	(5)
Acquisition related expenses	(17)	(17)
Impairment of goodwill	(7)	-
	(149)	(131)
Financial income	21	21
Financial expenses	(50)	(48)
Net financial expenses	(29)	(27)
Loss before tax	(178)	(158)
Taxation	60	55
Loss for the period	(118)	(103)
Attributable to:		
Equity holders of the parent	(119)	(103)
Minority interest	1	-
Loss for the period	(118)	(103)

Note 1. Basis of preparation (unaudited)

The unaudited financial information in this report relates to the 3 month periods ended 31 December 2012 and 31 December 2011. This unaudited financial information does not constitute the statutory accounts of TUI Travel PLC within the meaning of section 434 of the Companies Act 2006.

The unaudited financial information relating to the income statement for the 3 month periods ended 31 December 2012 and 31 December 2011 has been prepared on the basis of the Company's Adopted IFRSs accounting policies, which are disclosed in Note 1 of the consolidated financial statements for the year ended 30 September 2012, except that the Group has adopted a number of amendments to existing standards that have become effective in the current period. These have not had an impact on the financial information contained in this report.