

TUI Travel PLC
("TUI Travel")

Third Quarter Results ended 30 June 2013 and Interim Management Statement

- Strong demand across key markets
- Demand for our unique holidays continues to grow
- Q3 underlying operating profit up by 18%¹
- Very confident of achieving full year underlying operating profit growth of at least 10%²
- Well positioned to continue to deliver our five year growth roadmap.

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

"Our strategy of offering our customers unique holiday experiences continues to drive sustainable growth. Our strong brands and market leadership position are fundamental in achieving this strategy. As we progress towards the end of the high-season, 84% of our Summer 2013 programme is now sold.

"The flexibility and robustness of our business model enables us to more effectively absorb the impacts of geopolitical events. Given our current position we remain very confident of achieving full year underlying operating profit growth of at least 10% on a constant currency basis and are well positioned to continue to deliver our five year growth roadmap."

Highlights

- **Q3 Results**
 - Operating profit improved by £13m to £87m (excluding the impact of empty leg accounting¹ which has no full year impact) despite an £11m impact from the timing of Easter. Underlying Q3 operating profit of £76m (Q3 2012: £74m).
 - Continued market outperformance in the UK with strong margins, load factors and capacity growth.
 - Strong trading in the Nordic region and Accommodation Wholesaler.
 - Business improvement programme progressing to plan with £11m of cost savings delivered.
 - Operational cashflow improvement of £198m in the third quarter compared with the same period last year.
- **Sustained growth in demand for unique holidays**
 - Unique holiday bookings in the UK, Nordics and Germany increased by 14%, 11% and 9% year-on-year respectively for Summer 2013.
 - Direct distribution sales in the UK and Nordics for Summer 2013 of 91% (2012: 90%) and 88% (2012: 87%) respectively.
 - Online sales account for 47% (2012: 45%) in the UK and 69% (2012: 68%) in the Nordics.
 - MyThomson mobile app launched into Apple App Store in June with high ratings and over 120,000 downloads to date. Develop once and roll out across all markets.
- **Online Accommodation growth**
 - Accommodation Wholesaler continues to build a global leadership position with TTV up by 19% for Summer 2013.

- **Positive current trading momentum**

- Summer 2013: 84% of the overall Mainstream programme now sold.
- Strong high-season Summer 2013 trading in the UK and Nordics, revenues up 11% and 10% respectively.
- Encouraging start to Winter 2013/14 trading.

Investor and Analyst Conference Call

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

Telephone: +44 (0)1452 555 566
Participant Code: 17658806

A presentation to accompany the conference call will be made available at 8.00 am (BST) 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: 17658806

Investor Relations app

TUI Travel has launched an IR Briefcase App for iPhones and iPads. The app provides the latest news releases, reports and presentations in a simple, easy to use format, offering investor relations information for use whether online or offline. The app is available for download on the iTunes App Store.

Pre-close Trading Update

TUI Travel will issue a pre-close trading update on Thursday 26th September 2013.

Enquiries:

Analysts & Investors

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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.

²Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result in the current and prior year

CURRENT TRADING & OUTLOOK

Summer 2013

To date 84% of the overall Mainstream Summer programme has been sold. Bookings for the high season are strong.

<u>Current Trading</u>¹		Summer 2013		
YoY variation%	Total ASP²	Total Sales²	Total Customers²	Capacity³
MAINSTREAM				
UK	+7	+11	+4	+4
Nordics	+3	+10	+7	+9
Germany	+8	+2	-5	Flat
France tour operators	+3	-20	-22	-19
Other ⁴	<u>+2</u>	<u>+1</u>	<u>-1</u>	
Total Mainstream	+6	+4	-2	
SPECIALIST & ACTIVITY				
	N/A	-4	N/A	
Accommodation Wholesaler⁵	+2%	+19%	+17%	

¹ These statistics are up to 28 July 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 continue to outperform the market with volumes up by 4%, in line with capacity. Average selling prices are up by 7%, partly reflecting cost base inflation of approximately 2% and the continued increase in unique holidays. Sales of unique holidays are up by 14% compared to the same period last year, accounting for 83% of holidays sold to date, up by four percentage points. Online sales account for 47% of Summer holidays booked, up by two percentage points on the prior year. As part of our mobile strategy, we launched the MyThomson app into the Apple App Store in June with high ratings and over 120,000 downloads to date. To date, 86% of the programme has been sold.

In the Nordics, bookings are up 7% with average selling prices 3% ahead of the prior year. Sales of unique holidays are up by 11% compared to the same period last year, accounting for 94% of holidays sold to date, up by two percentage points. Online sales continue to grow, accounting for 69% of Summer holidays booked, up by one percentage point on the prior year. To date, 90% of the programme has been sold.

In Germany, bookings are down by 5% with average selling prices up 8%. Our core package holiday product is up year-on-year, however overall volumes continue to be affected by our Overland programme which is down. Sales of unique holidays remain strong and are up 9% over the same period last year accounting for 53% of all packages sold, an increase of four percentage points over the prior year. Online sales have increased by 25% over the period. To date, 83% of the programme has been sold in Germany.

In France, trading remains challenging with bookings down by 22%, reflecting a capacity cut of 19% mostly on seat-only and long-haul. We continue to reshape our programme with far less emphasis on North African destinations. To date, 83% of the programme has been sold.

In Accommodation Wholesaler, TTV is up by 19%, driven by the Latin American and Asian markets. TTV sales for North American and European Cities performed well against the prior year, despite 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. We have also exited a number of unprofitable lines of business and faced tough comparatives in the Sports business. As a result, overall sales are down by 4% on the prior year.

Winter 2013/14

We have had an encouraging start to the Winter 2013/14 season. In the UK, bookings are up 1%. Sales of unique holidays are up 13% compared with this time last year. Average selling prices are up 8%, broadly reflecting the increased mix of unique holidays, with revenues up by 9%. To date, 21% of the Winter programme has been sold.

In the Nordic region, bookings are up 1%. Sales of unique holidays are up 3% compared with this time last year. Average selling prices are up 2% with revenues up by 4%. To date, 26% of the Winter programme has been sold.

Purchase of Boeing aircraft

On 9 July 2013, we obtained shareholder approval to purchase 60 narrow-body Boeing 737 MAX aircraft from Boeing, as part of our fleet renewal strategy and move to Modern Mainstream. The delivery period for the 60 committed aircraft will start in January 2018 and run until March 2023. We also have the option and right to purchase up to a further 90 Boeing 737 MAX aircraft.

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.

	Summer 2013	Winter 2013/14	Summer 2014
Euro	98%	87%	52%
US Dollars	96%	91%	58%
Jet Fuel	96%	87%	60%

As at 2 August 2013

Cash and liquidity

The movement in operating cashflow for the third quarter ended 30 June 2013 improved by £198m, to an inflow of £864m (3-month period ended 30 June 2012: inflow of £666m). This was primarily driven by increased customer deposit levels and receipt of a VAT refund in Belgium.

The net debt position (cash and cash equivalents less loans, overdrafts and finance leases) at 30 June 2013 was £183m (30 June 2012: £556m). This consisted of £964m of cash, £117m of current interest-bearing loans and liabilities and £1,030m of non-current interest-bearing loans and liabilities.

Outlook

Bookings for the high season are strong and we have had an encouraging start to the Winter season in the markets that are on sale. As a group, we operate a flexible and robust business model which enables us to more effectively absorb the impacts of geopolitical events.

Our proven strategy continues to accelerate us towards a complete Modern Mainstream offering through the sustained growth of unique holidays and direct distribution. Given our current position we remain very confident of achieving full year underlying operating profit growth of at least 10% on a constant currency basis and are well positioned to continue to deliver our five year growth roadmap.

BUSINESS AND FINANCIAL REVIEW

Group Performance

Third quarter ended 30 June 2013

£m	Underlying results ¹			Statutory results	
	Q3 13	Q3 12	Change	Q3 13	Q3 12
Revenue	3,860	3,690	+5%	3,860	3,690
Operating profit	76	74	+3%	67	32
Operating profit excl Empty Legs	87	74	+18%	N/A	N/A
Underlying operating margin %	2.3% ²	2.0% ²	+0.3pp	1.7%	0.9%

9-month period ended 30 June 2013

£m	Underlying results ¹			Statutory results	
	9M 13	9M 12	Change	9M 13	9M 12
Revenue	9,257	9,137	+1%	9,257	9,137
Operating loss	(213)	(243)	+12%	(280)	(375)
Operating loss excl Empty Legs	(187)	(243)	+23%	N/A	N/A
Underlying operating margin %	-2.0% ²	-2.7% ²	+0.7pp	-3.0%	-4.1%

¹ Underlying operating profit excludes separately disclosed items, 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

Group revenue increased by 5% to £3,860m (Q3 12: £3,690m). This result was driven by a foreign currency translation benefit of 3% and organic revenue growth of 2%.

The Group's underlying operating profit improved to £76m (Q3 12: £74m). However, this included an £11m impact from empty leg accounting² as outlined in the FY12 preliminary results as well as an £11m impact from the timing of Easter.

On an underlying basis, excluding the impact from empty leg accounting, underlying operating profit increased by £13m to £87m.

Our business improvement programme is progressing to plan with £11m of cost savings delivered in the quarter.

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

£m	Q3	9M
Q3 12 underlying operating profit	74	(243)
Trading	+13	+27
Easter	-11	-
Business improvement	+11	+28
FX translation	-	+1
Q3 13 underlying operating profit/(loss) (excluding empty legs)	87	(187)
Empty leg accounting	-11	-26
Q3 13 underlying operating profit/(loss)	76	(213)

² 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 change in each quarter but there will be no full-year cost impact.

A reconciliation of underlying operating loss to statutory operating loss for the nine-month period ended 30 June 2013 is as follows:

	9M 13 £m	9M 12 £m
Underlying operating loss	(213)	(243)
Separately disclosed items	3	(75)
Acquisition related expenses	(47)	(46)
Impairment of available for sale financial asset	-	(10)
Impairment of goodwill	(10)	-
Taxation on profits and interest of joint ventures and associates	(13)	(1)
Statutory operating loss	(280)	(375)

Quarterly 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)						
Q3 13	5,449	-	-	389	-	-
Q3 12	5,524	-	-	463	-	-
Change %	-1%	-	-	-16%	-	-
Revenue (£m)						
Q3 13	3,320	-	210	330	-	3,860
Q3 12	3,146	-	197	347	-	3,690
Change %	+6%	-	+7%	-5%	-	+5%
Underlying operating profit/ (loss) (£m) ¹						
Q3 13 excl empty leg accounting	73	(3)	18	6	(7)	87
Q3 13 empty leg accounting	(11)	-	-	-	-	(11)
Q3 13	62	(3)	18	6	(7)	76
Q3 12	56	(4)	16	13	(7)	74
Change %	+11%	+25%	+13%	-54%	Flat	+3%

¹ Underlying operating profit excludes separately disclosed items, acquisition related expenses, impairment of goodwill and financing assets and interest and taxation of results of the Group's joint ventures and associates

Mainstream Sector

The Mainstream Sector underlying operating profit increased by £17m to £73m, excluding the impact of empty leg accounting which has no full year impact. This also included a £10m impact from the timing of Easter. Underlying Mainstream operating profit in Q3 was £62m (Q3 2012: £56m).

In the UK, we delivered an improved Q3 performance on the back of increased margins and load factors. We continued to see strong demand for unique holidays, accounting for 85% of departures in Q3, up three percentage points on the prior year. The result also benefited from a four percentage point increase in direct distribution to 90% compared with the prior year. Online bookings accounted for 46% of all bookings during the third quarter.

The Nordic region result was up, excluding the impact of empty leg accounting, driven by improved trading in the tour operator. Unique holidays accounted for 96% of departures in Q3 FY13, up two percentage points over the prior year. Direct distribution increased by one percentage point to 89%. Online distribution continues to grow, standing at 69% of bookings in Q3, up two percentage points over the prior year.

In Germany, we delivered an improved performance in our Mainstream business. Unique holidays accounted for 54% of departures in Q3 FY13, up five percentage points over the prior year. We also saw the first departures for our new TUI Reisewelten labels (Beach, Classic, Lifestyle, Nature, Premium and Scene), which have been well received by our customers. Online sales increased by 11% year-on-year during the period.

France reported a reduction 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 for North Africa and general consumer weakness. We also reduced capacity to a number of unprofitable routes and destinations.

Emerging Markets

In the Emerging Markets Sector, our Russian business delivered an improvement in underlying trading leading to an operating loss of £3m (Q3 12: loss of £4m).

Accommodation & Destinations (A&D) Sector

The A&D Sector reported an underlying operating profit of £18m (Q3 12: £16m). This was largely driven by strong trading in the Accommodation Wholesaler division, particularly from the Americas and Asia. This helped to offset investment relating to expansion in Asia for our OTA business and investment in our recent Brazilian OTA acquisition, Malapronta.

Specialist & Activity Sector

The Specialist & Activity Sector reported an underlying operating profit of £6m (Q3 12: £13m). The adverse variance to the prior year was driven primarily by weak demand in the Education business, the exit of a number of unprofitable business lines, the timing of Easter and tough comparatives in the Sports business.

The Adventure business saw profit growth, driven by strong trading in Australia and the UK following increased marketing spend. North American Specialist benefited from an extra tour in Q3 for Starquest (private jet tours), compared with the prior year.

Separately Disclosed Items (SDIs)

Separately disclosed items in the quarter totalled a credit of £11m. This included a further £10m credit from the completion of the pension transaction in the Netherlands, £15m credit from aircraft transactions and £7m of restructuring costs in the Marine business in the Specialist & Activity Sector. Further information is included in Note 2.

Financing

We remain confident in 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 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.

We recently signed a new medium-term £300m bank credit facility maturing in April 2016. This was to ensure the Group was in a position, if required, to redeem the £350m convertible bond that matures in October 2014.

TUI TRAVEL PLC

INTERIM RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

Condensed consolidated income statement for the 9-month period ended 30 June 2013

	9-month period ended 30 June 2013	9-month period ended 30 June 2012	Year ended 30 September 2012
Note	£m	£m	£m
Revenue	9,257	9,137	14,460
Cost of sales	(8,678)	(8,663)	(12,965)
Gross profit	579	474	1,495
Administrative expenses	(872)	(852)	(1,199)
Share of profit of joint ventures and associates	13	3	5
Operating (loss) / profit	(280)	(375)	301
Analysed as:			
Underlying operating (loss) / profit	(213)	(243)	490
Separately disclosed items	3	(75)	(92)
Acquisition related expenses	(47)	(46)	(62)
Impairment of goodwill	(10)	–	(20)
Impairment of available for sale financial asset	–	(10)	(10)
Taxation on profits and interest of joint ventures and associates	(13)	(1)	(5)
	(280)	(375)	301
Financial income	61	67	96
Financial expenses	(150)	(146)	(196)
Net financial expenses	(89)	(79)	(100)
(Loss) / profit before tax	(369)	(454)	201
Taxation	133	167	(64)
(Loss) / profit for the period / year	(236)	(287)	137
Attributable to			138
Ordinary shareholders	(236)	(284)	(1)
Non-controlling interests	–	(3)	137
(Loss) / profit for the period / year	(236)	(287)	87

Notes to the interim results for the nine months to 30 June 2013

1. Basis of preparation

The unaudited financial information in this report relates to the 9-month periods ended 30 June 2013 and 30 June 2012. 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 9-month periods ended 30 June 2013 and 30 June 2012 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.

2. Separately disclosed items

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.

	9-month period ended 30 June 2013 £m	9-month period ended 30 June 2012 £m	Year ended 30 September 2012 £m
Separately disclosed items in operating (loss) / profit			
Restructuring and other separately disclosed items	25	84	102
Aircraft and other assets	(16)	(9)	–
Pension related credit	(25)	–	–
Litigation provisions	13	–	17
Change in accounting estimates	–	–	(27)
Total	(3)	75	92

Restructuring and other separately disclosed items

The overall charge of £25m includes £28m of restructuring costs in the 9-month period ended 30 June 2013. Restructuring costs include £16m in the Specialist & Activity Sector due to the removal of the Sector management team, the closure of a business in the Languages division and rationalisation of overseas bases in the Marine division. In addition there has been £6m of restructuring costs in France from the ongoing restructure of both the tour operator and the airline. These restructuring costs are offset by a £3m credit on the change in value of unhedged foreign currency derivative instruments relating to future seasons.

Aircraft and other assets

During the 9-month period ended 30 June 2013, a total credit of £16m has been recognised which arises from the sale and leaseback of aircraft and other aircraft-related transactions.

Pension related credit

In the Netherlands, the management and Works Council of TUI Nederland NV agreed to close the existing defined benefit pension scheme and replace it with a defined contribution scheme. This change is classified as a curtailment under IAS 19 and the resultant reduction in accrued pension liabilities of £14m has been recognised in the income statement in the period in which it occurred.

The management of TUI Nederland NV and the pension scheme trustees have also agreed to transfer the existing pension fund assets and liabilities to AEGON, a multinational life insurance, pensions and asset management company headquartered in the Netherlands. This transfer of the pension assets and liabilities has been approved by the Dutch pension regulator and has now been accounted for, generating a further credit in the income statement of £11m.

Litigation provisions

The Group continues to assess the likely outcome of the legal actions in which it is involved and in accordance with IAS 37, has increased the level of provision where it is more likely than not that an outflow of resources will be required to settle outstanding matters.