

TUI Travel PLC
("TUI Travel")

Interim Results for the six months ended 31 March 2013

14% IMPROVEMENT IN FIRST HALF RESULT - STRONG TRADING CONTINUES

Key Financials

£m	Underlying results ¹			Statutory results	
	H1 13	H1 12	Change%	H1 13	H1 12
Revenue	5,397	5,447	-1%	5,397	5,447
Operating loss excl Empty Legs	(274)	(317)	+14%	N/A	N/A
Operating loss	(289)	(317)	+9%	(347)	(407)
Loss before tax	(346)	(367)	+6%	(404)	(457)

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

Highlights

• **Interim results**

- Operating loss reduced by £43m to £274m (excluding the impact of empty leg accounting² which has no full year impact). Underlying H1 operating loss of £289m (H1 2012: loss of £317m).
- UK & Nordics source markets delivered H1 revenue growth of 5% and 10% respectively. UK underlying operating loss reduced by £22m to £103m² and Nordics operating profit by £14m to £36m².
- France operating loss reduced by £11m to £50m². Our turnaround plans continue to deliver, offsetting difficult trading conditions in the tour operator.
- Business improvement programme progressing to plan with £17m of cost savings delivered.
- Interim dividend increase of 10% to 3.75p (H1 2012: 3.40p).
- Free cash outflow improvement of £233m to £774m. The net debt position excluding asset-backed financing of £369m (H1 2012: £205m) at 31 March 2013 was £680m (31 March 2012: £979m).

• **Modern Mainstream driving performance**

- Unique holiday bookings in the UK, Nordics and Germany increased by 15%, 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 87% (2012: 86%) respectively.
 - Online sales account for 42% (2012: 41%) in the UK and 68% (2012: 66%) in the Nordics.

• **Online Accommodation growth**

- Accommodation Wholesaler continues to build on its global leadership position with TTV up by 14% for Summer 2013.

• **Strong trading momentum continues**

- Summer 2013 - 58% sold with improved margins and average selling prices in key source markets. Significant growth in profitable market share in the UK.
- Strong Summer 2013 sales in the UK and Nordics, up 13% and 14% respectively.
- Full year underlying operating profit growth anticipated to be at least 10% on a constant currency basis³.

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

"Our strategy of focusing on unique holidays and putting our customers at the heart of our business continues to deliver strong growth. With our market leading brands and scale we have the ability to give our customers great holiday experiences, at terrific value, in a segment of the market that is increasing in popularity. Our drive to Modern Mainstream is contributing significantly to our outperformance in a number of markets where we are achieving strong booking volumes and improved margins. Given current trading and the visibility we have within our businesses we anticipate full year underlying operating profit growth of at least 10% on a constant currency basis."

Investor and Analyst briefing and webcast

A presentation for analysts and investors will be held today at 9.30am (GMT) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. There will be a live audio webcast of the presentation. Please visit www.tuitravelplc.com for more details.

Interim Management Statement & Q3 Results

TUI Travel will issue its interim management statement and third quarter results on Wednesday 7th August 2013.

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² Figure 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.

³ Constant 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

Winter 2012/13

The Winter programme across our Mainstream markets has closed out ahead of our expectations, reflecting a strong lates market. The season ended with higher average selling prices, margins and load factors across each of our key source markets.

Our unique holiday offering continues to be popular with customers, accounting for 69% of Mainstream bookings this Winter, up by three percentage points versus the prior year. The proportion of holidays sold online continues to increase, accounting for 36% of all holidays booked in Winter, up one percentage point over the prior year.

Current Trading¹	Winter 2012/13			
YoY variation%	Total ASP²	Total Sales²	Total Customers²	Risk Capacity³
MAINSTREAM				
UK	+6	+5	Flat	Flat
Nordics	+5	+10	+5	+4
Germany	+9	+3	-5	-4
France tour operators	+7	-25	-29	-33
Other ⁴	<u>+1</u>	<u>+1</u>	<u>Flat</u>	
Total Mainstream	+6	+2	-4	
SPECIALIST & ACTIVITY	N/A	-3	N/A	
Accommodation Wholesaler ⁵	+7	+26	+17	

¹ These statistics are up to 5 May 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 wholesaler only; Sales refer to total transaction value (TTV) and customers refers to roomnights

Summer 2013

Since our last announcement, trading across our key source markets remains in line with our expectations. However, we remain particularly pleased with strong trading in the UK and Nordic markets, which continue to show double-digit revenue growth. Average selling prices and margins across our key source markets are up on the prior year. To date 58% of the overall Mainstream Summer programme has been sold. In Accommodation Wholesaler and Specialist & Activity, trading remains in line with our expectations.

<u>Current Trading¹</u>	Summer 2013			<i>Risk Only</i>	
	YoY variation%	Total ASP ²	Total Sales ²	Total Customers ²	Capacity ³ Left to sell ³
MAINSTREAM					
UK		+5	+13	+7	+3 -2
Nordics		+5	+14	+9	+10 +10
Germany		+7	+4	-3	Flat +1
France tour operators		+3	-13	-15	-19 -22
Other ⁴		<u>+3</u>	<u>+1</u>	<u>-2</u>	
Total Mainstream		+6	+6	Flat	
SPECIALIST & ACTIVITY					
		N/A	-3	N/A	
Accommodation Wholesaler⁵					
		+3	+14	+11	

¹ These statistics are up to 5 May 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 7%, ahead of a 3% increase in capacity. Trading in the UK continues to outperform the market according to GFK Ascent. Average selling prices are up by 5%, partly reflecting cost base inflation of approximately 2% and the continued increase in unique holidays. Sales of unique holidays are up by 15% compared to the same period last year, accounting for 83% of holidays sold to date, up by three percentage points. Customer demand for our unique Sensatori, Couples and Holiday Village products remains strong with bookings outperforming the prior year. Online sales account for 42% of Summer holidays booked, up one percentage point on the prior year. To date, 62% of the programme has been sold.

In the Nordics, bookings are up 9% and broadly in line with capacity growth, whilst average selling prices remain 5% ahead of the prior year. Sales of unique holidays are up by 11% compared to the same period last year, accounting for 95% of holidays sold to date, up by two percentage points. In particular, strong demand for our Blue Village and Blue Star products has resulted in customer bookings up by 17% and 13% respectively. Online sales continue to grow, accounting for 68% of Summer holidays booked, up by two percentage points on the prior year. To date, 63% of the programme has been sold.

In Germany, bookings are down by 3% with average selling prices up 7%. Sales of package holidays are up year-on-year, however our Overland programme continues to be down. Sales of unique holidays remain strong and are up 9% over the same period last year accounting for 54% of all packages sold, an increase of four percentage points over the prior year. This has been driven by the Summer 2013 launch of our new TUI Reisewelten labels (Beach, Classic, Lifestyle, Nature, Premium and Scene), which have been well received by our customers. Online sales have increased by 17% over the period. To date 55% of the programme has been sold in Germany.

In France, bookings are down by 15%, reflecting capacity cuts of 19%, primarily for seat-only and long-haul destinations. Whilst the trading environment remains challenging, we continue to reshape our programme towards more profitable destinations. To date 50% of the programme has been sold.

In Accommodation Wholesaler, TTV is up by 14%, 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 and as a result overall sales are down by 3% 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.

	Summer 2013	Winter 2013/14
Euro	98%	83%
US Dollars	91%	77%
Jet Fuel	90%	78%
<i>As at 2 May 2013</i>		

Foreign exchange translation improved the underlying operating result by £1m in the first half, primarily due to the strength of the Euro. If exchange rates remain at current levels we anticipate that the impact on the full year will be positive.

Outlook

As the leader in our industry with a clear strategic focus based on our tour operator and online accommodation business models, the Group is structured internally to ensure that it is able to optimise its growth potential and continued delivery of long-term success and value. Mainstream, our largest Sector, has under the leadership of Johan Lundgren been simplified into one cohesive team. The Mainstream Board is responsible for the delivery of the Sector's growth with clearly defined goals and accountability across all source markets and functions. It is working to maximise the identified opportunities arising from the scale of the business, brand strength, long-term supplier relationships, operational efficiencies and common KPIs. Operating the Sector in this way is delivering and has a clear link to our continued outperformance.

Our acceleration to Modern Mainstream is based on the pillars of unique holidays, direct distribution and operational efficiencies which are key components of the overall Group strategy. We are confident that this strategy is driving performance and based on current trading we expect to report underlying profit growth of at least 10% on a constant currency basis for the 2013 financial year.

BUSINESS AND FINANCIAL REVIEW

Group Performance

Six months ended 31 March 2013

£m	Underlying results ¹			Statutory results	
	H1 13	H1 12	Change%	H1 13	H1 12
Revenue	5,397	5,447	-1%	5,397	5,447
Operating loss excl Empty Legs	(274)	(317)	+14%	N/A	N/A
Operating loss	(289)	(317)	+9%	(347)	(407)
Loss before tax	(346)	(367)	+6%	(404)	(457)

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

Group revenue declined by 1% to £5,397m (H1 12: £5,447m). This result was driven by a foreign currency translation impact of -1%. Organic revenue growth over the period was flat overall versus the prior year.

The Group's underlying operating loss reduced to £289m (H1 12: loss of £317m). However, this included a £15m impact from empty leg accounting² as outlined at the FY12 preliminary results. On an underlying basis, excluding the impact from empty leg accounting, underlying operating loss reduced by £43m to £274m.

Our business improvement programme is progressing to plan with £17m of cost savings delivered in the period.

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

£m	
H1 12 underlying operating loss	(317)
Trading	14
Easter	11
Business improvement	17
FX translation	1
H1 13 underlying operating loss (excluding empty legs)	(274)
Empty leg accounting	(15)
H1 13 underlying operating loss	(289)

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

	H1 13 £m	H1 12 £m
Underlying operating loss	(289)	(317)
Separately disclosed items	(8)	(52)
Acquisition related expenses	(31)	(35)
Impairment of goodwill	(10)	-
Taxation on profits and interest of joint ventures and associates	(9)	(3)
Statutory operating loss	(347)	(407)

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 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).

Mainstream Sector

The Mainstream sector underlying operating loss reduced by £45m to £235m, excluding the impact of empty leg accounting which has no full year impact. Underlying Mainstream operating loss in H1 was £250m (H1 2012: loss of £280m).

Mainstream	H1 13	H1 12	Change %
Customers ('000)			
UK	1,472	1,460	+1%
Nordics	649	620	+5%
Germany	2,163	2,219	-3%
France	600	765	-22%
Other	1,664	1,651	+1%
Total	6,548	6,715	-2%
Revenue (£m)			
UK	1,101	1,049	+5%
Nordics	589	535	+10%
Germany	1,525	1,561	-2%
France	411	517	-21%
Other	784	783	Flat
Total	4,410	4,445	-1%
Underlying operating (loss) / profit (£m)			
UK	(113)	(125)	+10%
Nordics	38	22	+73%
Germany	(63)	(61)	-3%
France	(51)	(61)	+16%
Other	(61)	(55)	-11%
Total	(250)	(280)	+11%

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

£m	UK	Nordics	Germany	France	Other	Mainstream
H1 12	(125)	22	(61)	(61)	(55)	(280)
Trading	16	12	(6)	-	(4)	18
Easter	5	2	3	-	-	10
Business improvement	1	-	3	10	2	16
FX translation	-	-	-	1	-	1
H1 13 (excluding empty legs)	(103)	36	(61)	(50)	(57)	(235)
Empty leg accounting	(10)	2	(2)	(1)	(4)	(15)
H1 13	(113)	38	(63)	(51)	(61)	(250)

UK

The UK business delivered a £22m improvement in underlying operating loss to £103m, excluding the impact of empty leg accounting. Underlying H1 operating loss was £113m (H1 2012: loss of £125m).

This improved position was driven by strong load factors and late Winter trading as well as a focus on higher margin unique holidays increasingly distributed online. The trading result also included a £5m benefit from an earlier Easter in the second quarter. Demand for our unique holidays remained strong over the period, accounting for 81% of departures in H1, up two percentage points on the prior year. We expanded a number of unique holiday products over the Winter season, driven by customer demand, including Couples and Splash concepts. The result also benefited from a three percentage point increase in direct distribution to 87% compared with the prior year. Online bookings accounted for 45% of all bookings during the first half, up two percentage points year-on-year.

The UK business delivered £1m of efficiency savings towards the business improvement programme in the period.

Nordics

Nordics achieved an underlying operating profit of £38m (H1 2012: profit of £22m). This improved position was driven by strong trading in the tour operator and a non-repeat of the flooding in Bangkok which adversely affected the result last year. We remodelled our Winter programme, remixing it towards a higher number of medium-haul destinations including the Canaries. This improvement in profit led to a strong underlying operating margin for the Nordic business of 6.5%.

Unique holidays accounted for 90% of departures in the first half, in line with the prior year but masking a shift from exclusive to higher-margin differentiated products. In particular, there was strong demand for our Blue Couples (customer bookings up by 78%) and Blue Star concepts (customer bookings up by 40%). Direct distribution increased by two percentage points to 87%. Online distribution continues to grow, standing at 64% of bookings in H1, up three percentage points over the prior year.

Germany

Germany reported an underlying operating loss of £63m (H1 2012: loss of £61m). Excluding the impact of empty leg accounting, underlying operating loss was flat at £61m. Long-haul performed particularly well, with strong demand to Thailand, USA and Cuba.

Unique holidays accounted for 49% of departures in H1 FY13, up three percentage points over the prior year. Demand has been driven by the Robinson and Sensimar brands, with the latter benefiting from the opening of the Sensimar Khao Lak. We continue to implement our strategy to improve direct distribution with a focus on online via our re-launched TUI.com website.

The German business delivered £3m of efficiency savings towards the business improvement programme in the period.

France

France reported an underlying operating loss of £51m (H1 2012: loss of £61m). This improved performance was primarily driven by successful cost-saving initiatives through the business improvement programme. This relates to the airline and consolidation of the French tour operators to create a single business, which was implemented last year.

The tour operator continues to be impacted by low demand for North African destinations such as Tunisia, Egypt and Morocco 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 two new A330-300s aircraft arriving during the period. A smaller, more flexible fleet will help to reduce risk within the programme. Our remaining 747s and A330-200s were also refitted during the period to allow for increased leg room and achieve higher levels of customer satisfaction.

The French business delivered £10m of efficiency savings towards the business improvement programme in the period.

France	<u>H1 13</u>	<u>H1 12</u>	<u>Change %</u>
Underlying operating loss (£m)			
Tour Operator	(42)	(42)	Flat
Airline	(9)	(19)	+53%
	<u>(51)</u>	<u>(61)</u>	+16%

Emerging Markets

In the Emerging Markets Sector, our Russian business delivered an improvement in underlying trading leading to an operating loss of £7m (H1 2012: loss of £13m).

Emerging Markets (share of JV)			
	<u>H1 13</u>	<u>H1 12</u>	<u>Change %</u>
Underlying operating loss (£m)	(7)	(13)	+46%

Accommodation & Destinations (A&D) Sector

Accommodation & Destinations (A&D) delivered an underlying operating loss of £1m (H1 2012: profit of £8m). This reflects the timing of investment in infrastructure, the investment in OTA including our recent Brazilian acquisition, Malapronta and the phasing of costs within Inbound Services.

TTV for the Sector increased by 12% to £1,160m (H1 2012: £1,034m). This was primarily driven by growth in Hotelbeds and Bedsonline in Accommodation Wholesaler and by our cruise handling business, Inter cruises.

Accommodation & Destinations	<u>H1 13</u>	<u>H1 12</u>	<u>Change %</u>
Customers ('000)			
Online Accommodation roomnights	9,590	8,522	+13%
Incoming passenger volumes	4,066	3,905	+4%
Revenue (£m)	282	278	+1%
Underlying operating profit / (loss) (£m)			
Online Accommodation	1	7	-86%
Inbound Services	(2)	1	N/A
Total	<u>(1)</u>	<u>8</u>	<u>N/A</u>

Online Accommodation

The Online Accommodation business delivered underlying operating profit of £1m (H1 2012: £7m), reflecting the timing of infrastructure investments, expansion in Asia for our OTA business and investment in our recent Brazilian OTA acquisition, Malapronta.

TTV for Online Accommodation grew by 14% to £763m and roomnights increased by 13% primarily due to strong organic growth from our Accommodation Wholesaler brands (Hotelbeds and Bedsonline). The key area of focus remains on international expansion, particularly in the Americas and Asia.

Inbound Services

The Inbound Services business delivered underlying operating loss of £2m (H1 2012: profit of £1m), reflecting the phasing of costs between the first half and second half of the financial year. Incoming passenger volumes increased by 4% over the prior year. In cruise handling, the number of port calls handled increased by 25%.

Specialist & Activity Sector

The Specialist & Activity Sector reported an underlying operating loss of £12m (H1 2012: loss of £16m). The year-on year improvement of £4m was driven primarily by the Specialist Holiday Group which benefited from an improved ski season, the restructuring of the sector (where we have cut central costs) and a £1m benefit from the earlier timing of Easter.

North American Specialist reported an adverse result due to one less departure in Starquest (private jet tours) during the second quarter and timings of trips within Quark (polar expeditions). The Sport division suffered from a lack of significant sporting events compared with the prior year, which benefited from UEFA and Olympic programmes.

Specialist & Activity delivered £1m of efficiency savings towards the business improvement programme in the period.

Specialist & Activity	H1 13	H1 12	Change %
Customers ('000)	668	696	-4%
Revenue (£m)	705	724	-3%
Underlying operating loss (£m)	(12)	(16)	+25%

Acquisitions & Investments

Total consideration paid in respect of acquisitions was £9m during the period net of cash acquired. Further information is included in Note 11.

Taxation

Underlying loss before tax for the period was £346m. The underlying effective tax rate on these losses is 27%. Based on the current structure of the business and existing local taxation rates and legislation, it is expected that the underlying tax rate will be maintained at this level in the medium term. The effective tax rate for the six months ended 31 March 2013 is 35%. This differs to the underlying tax rate due to the tax effect of acquisition related expenses, separately disclosed items and the change in the deferred tax rate in the UK.

The cash tax rate is expected to be lower than the underlying income tax rate as we utilise our deferred tax assets generated from restructuring expenditure and trading losses. In the coming year, we envisage an underlying cash tax rate of approximately 20% of underlying profit before tax.

Dividends

The Board recommends an interim dividend per ordinary share of 3.75p (H1 12: 3.40p), payable to holders of relevant shares on the register at 6 September 2013. This will be paid on 4 October 2013.

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

Separately disclosed items

Separately disclosed items net to an £8m expense in the period (H1 12: £52m). This included a restructuring charge of £17m, primarily relating to restructuring within our Specialist and Activity and French businesses. We also recorded a pension related credit of £14m. Further information is included in Note 5.

Cash and liquidity

The net debt position (cash and cash equivalents less loans, overdrafts and finance leases) at 31 March 2013 was £1,049m (31 March 2012: £1,184m). This consisted of £502m of cash and £123m of current interest-bearing loans and liabilities and £1,428m of non-current interest-bearing loans and liabilities.

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 which we intend to refinance 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
for the 6-month period ended 31 March 2013

		6-month period ended 31 March 2013	6-month period ended 31 March 2012	Year ended 30 September 2012
	Note	£m	£m	£m
Revenue	4	5,397	5,447	14,460
Cost of sales		(5,173)	(5,276)	(12,965)
Gross profit		224	171	1,495
Administrative expenses		(581)	(579)	(1,199)
Share of profits of joint ventures and associates		10	1	5
Operating (loss) / profit	4	(347)	(407)	301
Analysed as:				
Underlying operating (loss) / profit	4	(289)	(317)	490
Separately disclosed items	5	(8)	(52)	(92)
Acquisition related expenses	6	(31)	(35)	(62)
Impairment of goodwill	7	(10)	–	(20)
Impairment of available for sale financial asset		–	–	(10)
Taxation on profits and interest of joint ventures and associates		(9)	(3)	(5)
		(347)	(407)	301
Financial income		39	45	96
Financial expenses		(96)	(95)	(196)
Net financial expenses		(57)	(50)	(100)
(Loss) / profit before tax		(404)	(457)	201
Taxation	8	143	167	(64)
(Loss) / profit for the period / year		(261)	(290)	137
Attributable to:				
Equity holders of the parent		(261)	(288)	138
Non-controlling interests		–	(2)	(1)
(Loss) / profit for the period / year		(261)	(290)	137

		6-month period ended 31 March 2013	6-month period ended 31 March 2012	Year ended 30 September 2012
		Pence	Pence	Pence
Basic and diluted (loss) / earnings per share for (loss) / profit attributable to the equity holders of the Company during the period / year				
Basic (loss) / earnings per share	10	(23.6)	(26.0)	12.5
Diluted (loss) / earnings per share	10	(23.6)	(26.0)	12.3

Consolidated statement of comprehensive income
for the 6-month period ended 31 March 2013

	6-month period ended 31 March 2013	6-month period ended 31 March 2012	Year ended 30 September 2012
	£m	£m	£m
(Loss) / profit for the period / year	(261)	(290)	137
Other comprehensive (expense) / income			
Items that will not be reclassified:			
Actuarial losses arising in respect of defined benefit pension schemes	(34)	(26)	(172)
Tax on actuarial losses	8	7	32
Items that will not be reclassified	(26)	(19)	(140)
Items that may be reclassified:			
Foreign exchange translation	132	(106)	(160)
Foreign exchange gains recycled through the consolidated income statement	(2)	–	–
Cash flow hedges:			
- movement in fair value	118	47	(42)
- amounts recycled through the consolidated income statement	(6)	(2)	(30)
- tax on cash flow hedges	(22)	(13)	15
Available for sale financial assets:			
- movement in fair value	4	(1)	(4)
- amounts recycled to the consolidated income statement	–	–	10
Items that may be reclassified	224	(75)	(211)
Other comprehensive income / (loss) for the period / year net of tax	198	(94)	(351)
Total comprehensive loss for the period / year	(63)	(384)	(214)
Total comprehensive loss for the period / year			
<i>Attributable to:</i>			
Equity holders of the parent	(63)	(380)	(211)
Non-controlling interests	–	(4)	(3)
Total	(63)	(384)	(214)

Consolidated balance sheet
at 31 March 2013

		31 March 2013	31 March 2012	30 September 2012
	Note	£m	£m	£m
Non-current assets				
Intangible assets		4,619	4,569	4,482
Property, plant and equipment		1,269	1,075	1,096
Investments in joint ventures and associates		273	254	258
Other investments		71	71	66
Trade and other receivables		275	256	225
Retirement benefit asset		–	1	–
Derivative financial instruments		30	21	21
Deferred tax assets		332	305	125
		6,869	6,552	6,273
Current assets				
Inventories		65	78	61
Other investments		17	18	19
Trade and other receivables		1,633	1,721	1,312
Income tax recoverable		41	65	15
Derivative financial instruments		177	161	98
Cash and cash equivalents	14	502	424	830
Assets classified as held for sale		17	6	13
		2,452	2,473	2,348
Total assets		9,321	9,025	8,621
Current liabilities				
Interest-bearing loans and borrowings		(123)	(98)	(70)
Retirement benefits		(3)	(2)	(2)
Derivative financial instruments		(100)	(89)	(125)
Trade and other payables	13	(4,777)	(4,452)	(4,549)
Provisions for liabilities		(308)	(342)	(300)
Income tax payable		(22)	(123)	(39)
		(5,333)	(5,106)	(5,085)
Non-current liabilities				
Interest-bearing loans and borrowings		(1,428)	(1,510)	(868)
Retirement benefits		(679)	(512)	(646)
Derivative financial instruments		(13)	(8)	(20)
Trade and other payables		(66)	(56)	(48)
Provisions for liabilities		(322)	(338)	(316)
Deferred tax liabilities		(67)	(63)	(29)
		(2,575)	(2,487)	(1,927)
Total liabilities		(7,908)	(7,593)	(7,012)
Net assets		1,413	1,432	1,609
Equity				
Called up share capital		112	112	112
Convertible bond reserve		88	85	88
Other reserves		2,863	2,770	2,627
Accumulated losses		(1,694)	(1,580)	(1,262)
Total equity attributable to equity holders of the parent		1,369	1,387	1,565
Non-controlling interests		44	45	44
Total equity		1,413	1,432	1,609

Consolidated statement of cash flows
for the 6-month period ended 31 March 2013

	6-month period ended 31 March 2013	6-month period ended 31 March 2012	Year ended 30 September 2012
	£m	£m	£m
(Loss) / profit for the period / year	(261)	(290)	137
Adjustment for:			
Depreciation and amortisation	118	107	219
Impairment of intangible assets and property, plant and equipment	7	–	22
Impairment of goodwill	10	–	20
Equity-settled share-based payment expense	8	8	16
Profit on sale of property, plant and equipment	–	(7)	(9)
Share of (profit) / loss of joint ventures and associates	(10)	1	(5)
Loss on foreign exchange	17	3	14
Impairment of available for sale financial asset	–	–	10
Dividends received from joint ventures and associates	28	–	4
Pension curtailment gain recognised in the consolidated income statement	(14)	–	(1)
Financial income	(39)	(45)	(96)
Financial expenses	96	95	196
Taxation	(143)	(167)	64
Operating (loss) / profit before changes in working capital and provisions	(183)	(295)	591
(Increase) / decrease in inventories	(3)	(3)	17
Increase in trade and other receivables	(317)	(330)	(55)
(Decrease) / increase in trade and other payables	(15)	(218)	126
Decrease in provisions and employee benefits	(20)	(4)	(35)
Cash flows from operations	(538)	(850)	644
Interest paid	(44)	(38)	(75)
Interest received	6	5	15
Income taxes paid	(71)	(23)	(82)
Cash flows from operating activities	(647)	(906)	502
Investing activities			
Proceeds from sale of property, plant and equipment	58	42	116
Proceeds from disposal of investments	–	1	–
Acquisition of subsidiaries, net of cash acquired	(9)	(10)	(23)
Proceeds from other investments	–	–	1
Investment in joint ventures and associates and other investments	(40)	(18)	(25)
Acquisition of property, plant and equipment	(119)	(103)	(287)
Acquisition of intangible assets	(38)	(40)	(91)
Cash flows from investing activities	(148)	(128)	(309)
Financing activities			
Proceeds from new loans	482	642	14
Repayment of borrowings	(25)	(5)	(43)
Payment of finance lease liabilities	(12)	(8)	(19)
Dividends paid to ordinary and non-controlling interests	(38)	(37)	(128)
Cash flows from financing activities	407	592	(176)
Net (decrease) / increase in cash and cash equivalents	(388)	(442)	17
Cash and cash equivalents at start of period / year	830	902	902
Effect of foreign exchange on cash held	60	(36)	(89)
Cash and cash equivalents at end of period / year	502	424	830

Consolidated statement of changes in equity for the 6-month period ended 31 March 2013

	Called up share capital £m	Convertible bond reserve £m	Merger reserve £m	Other reserves £m	Accumulated losses £m	Equity holders of the parent £m	Non controlling interests £m	Total £m
At 1 October 2012	112	88	2,523	104	(1,262)	1,565	44	1,609
Total comprehensive loss for the period								
Loss for the period	–	–	–	–	(261)	(261)	–	(261)
Other comprehensive income / (loss)								
Items that will not be reclassified:								
Actuarial loss arising in respect of defined benefit pension schemes, net of tax	–	–	–	–	(26)	(26)	–	(26)
Items that may be reclassified:								
Foreign exchange translation	–	–	–	146	(16)	130	–	130
Cash flow hedges, net of tax	–	–	–	90	–	90	–	90
Changes in the fair value of available for sale financial assets				–	4	4	–	4
Total other comprehensive gain / (loss)	–	–	–	236	(38)	198	–	198
Total comprehensive gain / (loss) for the period	–	–	–	236	(299)	(63)	–	(63)
Transactions with owners								
Share-based payment: charge for the period	–	–	–	–	5	5	–	5
Share-based payment – disposal on award of shares	–	–	–	–	(8)	(8)	–	(8)
Acquisition of non-controlling interests	–	–	–	–	–	–	1	1
Dividends	–	–	–	–	(130)	(130)	(1)	(131)
Total transactions with owners	–	–	–	–	(133)	(133)	–	(133)
At 31 March 2013	112	88	2,523	340	(1,694)	1,369	44	1,413

Consolidated statement of changes in equity for the 6-month period ended 31 March 2012

	Called up share capital £m	Convertible bond reserve £m	Merger reserve £m	Other reserves £m	Accumulated losses £m	Equity holders of the parent £m	Non controlling interests £m	Total £m
At 1 October 2011	112	85	2,523	323	(1,155)	1,888	50	1,938
Total comprehensive loss for the period								
Loss for the period	–	–	–	–	(288)	(288)	(2)	(290)
Other comprehensive income / (loss)								
Items that will not be reclassified:								
Actuarial loss arising in respect of defined benefit pension schemes, net of tax	–	–	–	–	(19)	(19)	–	(19)
Items that may be reclassified:								
Foreign exchange translation	–	–	–	(108)	4	(104)	(2)	(106)
Cash flow hedges, net of tax	–	–	–	32	–	32	–	32
Changes in the fair value of available for sale financial assets	–	–	–	–	(1)	(1)	–	(1)
Total other comprehensive loss	–	–	–	(76)	(16)	(92)	(2)	(94)
Total comprehensive loss for the period	–	–	–	(76)	(304)	(380)	(4)	(384)
Transactions with owners								
Share-based payments: charge for the period	–	–	–	–	5	5	–	5
Acquisition of non-controlling interests	–	–	–	–	(1)	(1)	–	(1)
Dividends	–	–	–	–	(125)	(125)	(1)	(126)
Total transactions with owners	–	–	–	–	(121)	(121)	(1)	(122)
At 31 March 2012	112	85	2,523	247	(1,580)	1,387	45	1,432

1. Basis of preparation

Statement of compliance

This condensed consolidated interim financial information for the 6-month period ended 31 March 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard (IAS) 34 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the Company's published consolidated financial statements for the year ended 30 September 2012, which were prepared in accordance with IFRS as adopted by the European Union.

The condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2012 were approved by the Board of Directors on 3 December 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was (i) unqualified; (ii) did not include a reference to any matters to which they drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 of the Companies Act 2006.

This condensed consolidated interim financial information was approved by the Board of Directors on 9 May 2013.

Accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed consolidated interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 30 September 2012, except as noted below in respect of taxes in the interim period and new and amended standards adopted by the Group:

Taxes in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

a) *New and amended standards adopted by the Group*

The following accounting standards and interpretations issued by the International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) have been adopted by the Group from 1 October 2012 with no significant impact on the consolidated results or financial position:

- *Amendment to IAS 1 - Presentation of financial statements on OCI*
- *Amendment to IAS 12 - Income taxes on deferred tax*

These adoptions have not had a significant impact on the current or prior period's / year's results or balance sheet positions, and therefore no restatement of the prior period's / year's equity or (loss) / profit has been presented for new standards.

b) *New and amended standards which are not considered relevant to the Group*

The following amendment is not yet effective and is not considered to be relevant to the Group:

- *Amendments to IFRS 1 - First time adoption on hyperinflation and fixed dates*

c) *New interpretations and amendments to standards and interpretations that have been issued but are not yet effective*

The following further new accounting standards, amendments to existing standards and interpretations are not yet effective and have not been adopted early:

Notes to the condensed consolidated interim financial information

- *Various IFRSs - 2011 Annual improvements*
- *IFRS 9 - Financial instruments*
- *IFRS 10 - Consolidated financial statements*
- *IFRS 11 - Joint arrangements*
- *IFRS 12 - Disclosures of interests in other entities*
- *Amendment to IFRS 10,11 and 12 on transition guidance*
- *IFRS 13 - Fair value measurement*
- *IAS 19 (revised 2011) - Employee benefits*
- *IAS 27 (revised 2011) - Separate financial statements*
- *IAS 28 (revised 2011) - Investments in associates and joint ventures*
- *Amendment to IFRS 1 – First time adoption on government grants*
- *Amendments to IAS 32 and IFRS 7 on Financial Instruments – asset and liability offsetting*

The revision to IAS 19 'Employee benefits' will be effective for the financial year commencing 1 October 2013 and makes significant changes to the recognition, measurement and disclosure of defined benefit pension schemes. Had the standard been applied in the current interim period, the Group's underlying and statutory loss before tax would have increased by approximately £6m with a corresponding reduction in net actuarial losses being recognised in the Consolidated statement of comprehensive income. This charge equates to an increase in the statutory and underlying loss per share of 0.5p. The impact on the Group's profit before tax for the current year ending 30 September 2013 is expected to be £12m, equating to a decrease in the statutory and underlying earnings per share of 1.1p.

The Group continues to monitor the potential impact of these and other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods.

Estimates and judgements

The preparation of interim financial information requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Underlying measures of profit / (loss)

The Group believes that underlying operating profit / (loss), underlying profit / (loss) before tax and underlying earnings / (loss) per share provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial period / year. The term underlying is not defined by 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 International Financial Reporting Standards. The Group defines these underlying measures as follows:

Underlying operating profit / (loss) is operating profit or loss from continuing operations stated before separately disclosed items (Note 5), acquisition related expenses, impairment of goodwill and available for sale financial assets and interest and taxation on the Group's share of the results of joint ventures and associates.

Underlying profit / (loss) before tax is profit or loss from continuing operations before taxation (including the Group's share from joint ventures and associates), acquisition related expenses, impairment of goodwill and available for sale financial assets, interest and taxation of joint ventures and associates and separately disclosed items included within the operating result.

Underlying earnings / (loss) used in the calculation of underlying earnings / (loss) per share is profit / (loss) after tax from continuing operations excluding acquisition related expenses, impairment of goodwill and available for sale financial assets and separately disclosed items included within the operating

result. For the purpose of this calculation, an underlying tax charge is used which excludes the tax effects of separately disclosed items, acquisition related expenses, goodwill and available for sale financial asset impairment charges and separately disclosed tax items.

It should be noted that the definitions of underlying items being used in this condensed consolidated interim financial information 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

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.

Acquisition related expenses

Acquisition related expenses comprise amortisation of business combination intangibles, other acquisition related expenses and remuneration for post-combination services.

Funding, liquidity and going concern

The Directors have considered the funding and liquidity position of the Group.

The Board remains satisfied with the Group’s funding and liquidity position. At 31 March 2013, the main sources of debt funding included:

- 1 a total of £1,020m syndicated bank revolving credit facilities which mature in June 2015;
- 2 £299m of drawn finance lease obligations with repayments up to March 2022;
- 3 £185m of bonding and letter of credit facilities which mature in June 2015;
- 4 a £350m convertible bond (due October 2014) issued in October 2009; and
- 5 a £400m convertible bond (due April 2017) issued in April 2010.

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 Earnings Before Interest, Taxation, Depreciation and Amortisation (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 well within the covenant limits at the date of the balance sheet. Forecasts reviewed by the Board, including forecasts adjusted for significantly worse economic conditions, show continued compliance with these covenants. For both covenants, earnings are calculated on an underlying basis as described above.

On the basis of its forecasts, both base case and adjusted as described above and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

2. Seasonality

The Group’s travel leisure business is subject to significant seasonal fluctuations between the Winter and Summer seasons, resulting in losses being expected in the first half and profits being expected in the second half of the year. The Group mitigates this seasonal impact through operating a broad range of holiday products in both the Winter and Summer seasons and in different global holiday markets which have different annual cycles. There are appropriate sources of debt funding, as described in Note 1, to match the seasonality of the Group’s cash flows.

3. Principal risks and uncertainties

The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. The principal risks and uncertainties faced by the Group for the remainder of the financial year and which are unchanged from the prior year, are listed below:

- Global financial factors, such as exchange rates, fuel prices and tax laws and the global economic environment
- Political volatility, natural catastrophes and outbreaks
- Regulatory environment, particularly in relation to aviation taxes and environmental and consumer protection
- The economic environment, changing consumer preferences and desires
- Reliance on IT systems
- Investment into niche businesses and emerging markets
- Ability to retain key management

Further details of the Group's risk profile analysis can be found on pages 23 to 27 of the Group's Annual Report and Accounts for the year ended 30 September 2012, available from the Group website: www.tuitravelplc.com.

4. Segmental information

Information regarding the identification of the chief operating decision-maker and the basis of measurement for the current and prior periods and for the year ended 30 September 2012 is disclosed on pages 94 and 95 of the Group's 2012 Annual Report and Accounts.

Group structure

As disclosed in the Group's 2012 Annual Report & Accounts, with effect from 1 October 2012, the businesses within our Mainstream Sector are reported via each key source market instead of regionally. Emerging Markets remains outside of the Mainstream Sector for internal management reporting purposes and is reported separately.

The Mainstream Sector consists of the following source markets: UK & Ireland, Germany, France, Corsair, the Nordic Countries, Canada, Belgium & Morocco, the Netherlands, Austria, Switzerland, Poland, Southern Europe and the Hotels division. Each source market represents an individual operating segment, prior to applying aggregation criteria, for the purposes of segmental information.

The Specialist & Activity Sector operates and reports under seven divisions: Specialist Holidays Group, Marine, PEAK (formerly named Adventure), North American Specialist, North American Education, Experience Education and Sport.

The Accommodation & Destinations Sector (A&D) provides a range of services in destinations to tour operators, travel agents, corporate clients and direct to the consumer worldwide. A&D consists of Online Accommodation (including Accommodation Wholesaler and Accommodation OTA) and Inbound Services.

Reportable and reported segments

The results of the UK & Ireland, Germany, Nordics and the French tour operator are reported separately due to the size and importance of these source markets and which meet the threshold for being individual reportable segments. The results for the French scheduled airline, Corsair, are shown separately to that of the French tour operator as it has a different business model to the rest of the Group's integrated tour operators. All of the other Mainstream Sectors, except for the Hotels division, meet the aggregation criteria set out in IFRS 8 and are reported as one segment, the Rest of Mainstream. All of the aggregated businesses are considered to be similar in nature and economically similar over the long term. The Hotels division is reported separately as this does not meet the aggregation criteria of IFRS 8.

Notes to the condensed consolidated interim financial information

Emerging Markets, the Specialist & Activity and A&D Sectors are all reported as separate Sector totals as this is consistent with internal management reports.

Segmental information for both the current and prior periods has been presented using this structure, with the prior periods' information being restated.

6-month period ended 31 March 2013

Sector	Total revenue £m	Inter-segmental revenue £m	Total external revenue £m	Underlying operating (loss) / profit £m
UK & Ireland	1,202	(101)	1,101	(113)
Germany	1,545	(20)	1,525	(63)
Nordics	589	–	589	38
French tour operator	242	–	242	(42)
French airline	196	(27)	169	(9)
Hotels	53	(44)	9	(33)
Rest of Mainstream	788	(13)	775	(28)
Total Mainstream	4,615	(205)	4,410	(250)
Specialist & Activity	706	(1)	705	(12)
A&D	341	(59)	282	(1)
Emerging Markets	–	–	–	(7)
All other segments and unallocated items	–	–	–	(19)
Total Group	5,662	(265)	5,397	(289)

6-month period ended 31 March 2012

Sector	Total revenue (restated) £m	Inter-segmental revenue (restated) £m	Total external revenue (restated) £m	Underlying operating (loss) / profit (restated) £m
UK & Ireland	1,147	(98)	1,049	(125)
Germany	1,570	(9)	1,561	(61)
Nordics	535	–	535	22
French tour operator	343	–	343	(42)
French airline	200	(26)	174	(19)
Hotels	53	(43)	10	(26)
Rest of Mainstream	810	(37)	773	(29)
Total Mainstream	4,658	(213)	4,445	(280)
Specialist & Activity	724	–	724	(16)
A&D	342	(64)	278	8
Emerging Markets	–	–	–	(13)
All other segments and unallocated items	–	–	–	(16)
Total Group	5,724	(277)	5,447	(317)

Year ended 30 September 2012

Sector	Total revenue (restated) £m	Inter-segmental revenue (restated) £m	Total external revenue (restated) £m	Underlying operating profit / (loss) (restated) £m
UK & Ireland	3,756	(122)	3,634	197
Germany	3,932	(15)	3,917	87
Nordics	1,085	(1)	1,084	71
French tour operator	903	–	903	(32)
French airline	403	(43)	360	(15)
Hotels	191	(166)	25	6
Rest of Mainstream	2,469	(74)	2,395	106
Total Mainstream	12,739	(421)	12,318	420
Specialist & Activity	1,479	(1)	1,478	48
A&D	859	(195)	664	66
Emerging Markets	–	–	–	(15)
All other segments and unallocated items	–	–	–	(29)
Total Group	15,077	(617)	14,460	490

Reconciliation of underlying operating (loss) / profit in segmental analysis to (loss) / profit before tax

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
Underlying operating (loss) / profit	(289)	(317)	490
Separately disclosed items	(8)	(52)	(92)
Acquisition related expenses	(31)	(35)	(62)
Impairment of goodwill	(10)	–	(20)
Impairment of available for sale financial asset	–	–	(10)
Taxation on profits and interest of joint ventures and associates	(9)	(3)	(5)
Operating (loss) / profit	(347)	(407)	301
Net financial expenses	(57)	(50)	(100)
(Loss) / profit before tax	(404)	(457)	201

5. Separately disclosed items

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
Separately disclosed items in operating (loss) / profit			
Restructuring and other separately disclosed items	9	59	102
Aircraft and other assets	–	(7)	–
Pension related credit	(14)	–	–
Litigation provisions	13	–	17
Changes in accounting estimates	–	–	(27)
Total	8	52	92

Restructuring and other separately disclosed items

The overall charge of £9m includes £17m of restructuring costs in the 6-month period ended 31 March 2013. Restructuring costs include £9m in the Specialist & Activity sector due to the removal of the sector management team and the closure of a business in the languages division and £5m in France from the ongoing restructure of both the tour operator and the airline. These restructuring costs are offset by an

Notes to the condensed consolidated interim financial information

£8m credit on the change in value of unhedged foreign currency derivative instruments relating to future seasons.

During the 6-month period ended 31 March 2012 there were Mainstream restructuring costs of £51m which principally related to the restructuring programme of the tour operator in France, the restructure of the Moroccan airline Jet4You and the restructure of the German business. In addition, costs of £7m were incurred in Group head office companies, being primarily costs incurred supporting the various restructuring programmes around the Group. Finally, residual restructuring costs of £1m were incurred across the Specialist & Activity and Accommodation & Destinations Sectors.

Aircraft and other assets

During the 6-month period ended 31 March 2012, profit on the sale and leaseback of aircraft amounted to £7m.

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. The agreement was contingent on approval by the Dutch pension regulator, which was received after the period end in April 2013. This transfer of the pension assets and liabilities is expected to generate a further credit in the income statement of approximately £14m which will be recognised in the quarter ending 30 June 2013.

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.

6. Analysis of acquisition related expenses

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
Acquisition related expenses in operating (loss) / profit			
Amortisation of business combination intangibles	28	30	59
Other acquisition related expenses	1	3	3
Remuneration for post-combination services	2	2	–
Total	31	35	62

7. Goodwill impairment charge

A goodwill impairment charge of £10m has been recognised in the period in respect of two small businesses that have been identified as non-core to the Group and the intention is to dispose of them.

The goodwill impairment charge in the year ended 30 September 2012 of £20m related primarily to the Italian and Spanish tour operators following a deterioration in their trading results during 2012 together with impairments of two non-core businesses, both of which have been sold in the current period.

8. Taxation

The Group's effective rate of taxation, being the rate of taxation forecast for the full year, applied to the 6-month period ended 31 March 2013, is 35%. The Group's underlying effective rate of taxation for the same period is 27%.

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
(Loss) / profit before tax reported in the consolidated income statement	(404)	(457)	201
Less share of profit in joint ventures and associates	(10)	(1)	(5)
	(414)	(458)	196
Total income tax credit / (charge) in the consolidated income statement	143	167	(64)
Effective tax rate	35%	36%	33%

The effective tax rate for the six month period ended 31 March 2013 of 35% shown above differs from the underlying effective tax rate of 27% due to the tax effect of acquisition related expenses, separately disclosed items and the exclusion of the change in deferred tax rate in the UK.

9. Dividends

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

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
Interim dividend paid for 2012	38	—	—
Final dividend proposed for 2012	92	—	—
Interim dividend paid for 2011	—	36	36
Final dividend paid for 2011	—	89	89
Total dividends	130	125	125

The interim dividend in respect of the year ended 30 September 2012 of 3.4p per ordinary share, totalling £38m was paid on 3 October 2012 and deducted from equity in the current period.

At the Company's Annual General Meeting on 7 February 2013, the shareholders approved the final recommended dividend for 2012 of 8.3p per ordinary share. The value of this dividend, £92m, has therefore been recognised as a deduction from equity in the period and as a liability at 31 March 2013. The dividend was paid on 10 April 2013.

Subsequent to the balance sheet date, the Directors have proposed an interim dividend for the 6-month period ended 31 March 2013 of 3.75p per ordinary share, totalling £42m, payable on 4 October 2013.

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 2013 interim dividend, may do so by contacting Equiniti on 0871 384 2030. The last day for election for the proposed interim dividend is 13 September 2013 and any requests should be made in good time ahead of that date.

10. Loss / earnings per share

The basic (loss) / earnings per share is calculated by dividing the result attributable to ordinary shareholders by the applicable weighted average number of shares in issue during the period, excluding those held in the Employee Benefit Trust.

The diluted (loss) / earnings per share is calculated by:

- taking losses / earnings attributable to ordinary shareholders adjusted where the effect would be dilutive by the interest expense of the Group's convertible bond net of tax; and
- dividing by the adjusted weighted average number of ordinary shares and where the effect would be dilutive, outstanding share awards and the conversion to ordinary shares of the Group's convertible bond.

In accordance with IAS 33: Earnings per share, the calculation of basic and underlying diluted loss per share has not included items that are anti-dilutive. Therefore there is no difference between the calculation of basic and diluted loss per share in the 6-month periods ended 31 March 2013 and 31 March 2012.

The additional underlying earnings per share measures have been given to provide the reader of the interim financial information with a better understanding of the results.

Basic and diluted loss per share for the 6-month period ended 31 March 2013 were as follows:

	Loss for the 6-month period ended 31 March 2013 £m	Weighted average number of shares for the 6-month period ended 31 March 2013 Millions	Loss per share for the 6-month period ended 31 March 2013 Pence	Loss for the 6-month period ended 31 March 2012 £m	Weighted average number of shares for the 6-month period ended 31 March 2012 Millions	Loss per share for the 6-month period ended 31 March 2012 Pence
Basic and diluted loss per share	(261)	1,108	(23.6)	(288)	1,107	(26.0)
Separately disclosed items	8	-		52	-	
Acquisition related expenses and impairments	41	-		35	-	
Tax base difference	(41)	-		(65)	-	
Basic and diluted underlying loss per share	(253)	1,108	(22.8)	(266)	1,107	(24.0)

Basic and diluted earnings per share for the year ended 30 September 2012 were as follows:

	Earnings Year ended 30 September 2012 £m	Weighted average number of shares 30 September 2012 Millions	Earnings per share 30 September 2012 Pence
Basic earnings per share	138	1,108	12.5
Effect of dilutive options	-	10	
Diluted earnings per share	138	1,118	12.3

Notes to the condensed consolidated interim financial information

Basic and diluted underlying earnings per share for the year ended 30 September 2012 were as follows:

	Earnings Year ended 30 September 2012 £m	Weighted average number of shares 30 September 2012 Millions	Earnings per share 30 September 2012 Pence
Basic earnings per share	138	1,108	12.5
Acquisition related expenses and impairments	92	-	
Separately disclosed items	92	-	
Tax base difference	(36)	-	
Basic underlying earnings per share	286	1,108	25.8
Effect of dilutive options	-	10	
Effect of convertible bond (net of tax)	47	205	
Diluted underlying earnings per share	333	1,323	25.2

11. Acquisitions and investments

Acquisitions in the 6-month period ended 31 March 2013

During the 6-month period ended 31 March 2013, the Group acquired five businesses, including the remaining 50.1% of TUI Infotec GmbH ('Infotec') that the Group did not already own and the entire share capital of Isango! Limited and JBS Group, Inc. The Group also acquired seven travel agents in Germany. The total consideration for these acquisitions was £27m, comprising initial and deferred consideration and the non-cash consideration for the Group's share of the Infotec joint venture. The provisional fair value of assets acquired was £8m and the provisional goodwill arising for these acquisitions was £19m. This goodwill predominantly relates to the acquisition of Infotec and represents the ability to control fully that business with a view to drive cost reduction and economies of scale in the Group's IT Infrastructure.

The provisional fair values of the net assets acquired are set out below:

	£m
Intangible fixed assets	5
Tangible fixed assets	8
Cash and cash equivalents	3
Trade and other receivables	27
Trade and other payables	(35)
Total	8

The acquisitions did not have a material effect on revenue and the Group result for the period.

The total cash outflow in the period from acquisition of subsidiaries and travel agencies (net of cash acquired) was £9 million, which comprised £7 million (net) relating to current period acquisitions and £2 million relating to prior period acquisitions.

12. Acquisitions of property, plant and equipment and intangible assets

Additions to property, plant and equipment and intangible assets totalled £293m (2012: £258m) in the 6-month period to 31 March 2013. This comprises £5m (2012: £5m) for land and buildings; £18m (2012: £13m) for yachts, motor boats and cruise ships; £138m (2012: £91m) for aircraft and related equipment; £49m (2012: £70m) for advance payments for future delivery of aircraft; £41m (2012: £40m) for computer hardware and software; and £42m (2012: £39m) of other equipment and intangibles.

The additions of £138m (2012: £91m) to aircraft and related equipment relate to four aircraft (2012: three aircraft) purchased on finance leases, one aircraft purchased outright (2012: none), fleet improvements and capitalised maintenance on owned aircraft.

In the six-month period to 31 March 2013, net book value of property, plant and equipment and intangible assets disposed totalled £58m (2012: £35m), primarily relating to advance payments on the

Notes to the condensed consolidated interim financial information

delivery and subsequent sale and leaseback of three aircraft (2012: three aircraft and one spare engine) with a value of £39m (2012: £34m).

13. Current trade and other payables

	6-month period ended 31 March 2013 £m	6-month period ended 31 March 2012 £m	Year ended 30 September 2012 £m
Customer deposits	2,585	2,385	1,669
Other	2,192	2,067	2,880
Current trade and other payables	4,777	4,452	4,549

14. Movements in cash and net debt

	Cash and cash equivalents £m	Convertible bonds £m	Amounts due to related parties £m	Bank loans £m	Loan notes £m	Finance leases £m	Other financial liabilities £m	Total £m
At 1 October 2012	830	(675)	(10)	(23)	(1)	(186)	(43)	(108)
Cash movement	(388)	—	—	(457)	—	12	—	(833)
Non-cash movement	—	(11)	—	(24)	—	(111)	(1)	(147)
Foreign exchange	60	—	—	(5)	—	(14)	(2)	39
At 31 March 2013	502	(686)	(10)	(509)	(1)	(299)	(46)	(1,049)

	Cash and cash equivalents £m	Convertible bonds £m	Amounts due to related parties £m	Bank loans £m	Loan notes £m	Finance leases £m	Other financial liabilities £m	Total £m
At 1 October 2011	902	(654)	(36)	(30)	(1)	(132)	(45)	4
Cash movement	(442)	—	—	(637)	—	8	—	(1,071)
Non-cash movement	—	(12)	—	10	—	(84)	—	(86)
Foreign exchange	(36)	—	2	—	—	3	—	(31)
At 31 March 2012	424	(666)	(34)	(657)	(1)	(205)	(45)	(1,184)

15. Capital commitments

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

	31 March 2013 £m	31 March 2012 £m	30 September 2012 £m
Capital commitments	16	—	6

In addition to the above items, at 31 March 2013 the Group had contracted to purchase 25 (2012: 33) aircraft with initial deliveries commencing in the third quarter of the financial year 2013 and then continuing through to 2015. At list price, the total order value is US\$3,264m (2012: US\$4,289m) before escalations and discounts.

The Group intends to refinance these aircraft in advance of their delivery dates and therefore does not expect to use its own cash resources for their purchase.

The Group's share of its joint ventures and associates capital commitments was £7m at 31 March 2013 (2012: £nil).

16. Contingent liabilities

The Group is at any time defending a number of actions against it arising in the normal course of business. Provision is made for these actions where this is deemed appropriate. Information regarding contingent liabilities and provisions in respect of tax are disclosed on pages 110 and 111 of the Group's 2012 Annual Report & Accounts. No other actions which are outstanding at 31 March 2013 are expected to have a material effect on these accounts. The Directors consider that adequate provision has been made for all known liabilities.

17. Related party transactions

(a) Ultimate controlling party

The Group's ultimate controlling party is TUI AG, a company registered in Berlin and Hanover (Federal Republic of Germany).

(b) Related party transactions

The Group held receivables of £118 million (31 March 2012: £83 million) and payables of £113 million (2012: £127 million) with its own joint ventures and with TUI AG and its subsidiaries and joint ventures, which arose through the normal course of business, including under the Hotel Framework Agreement and Trademark Licence Agreement, details of which are set out in Note 30 of the Group's 2012 Annual Report and Accounts. During the current and prior financial periods, the Group transacted with its joint ventures and associates in the normal course of business. These transactions did not have a significant impact on the result for the periods.

During the 6-month period to 31 March 2013, the Group received a dividend of £28m (2012: £nil) from Sunwing Travel Group Inc, a 25% associate of the Group and invested £27m into Blue Diamond Hotels and Resorts Inc, a 49% associate of the Group.

18. Post balance sheet events

No material events have occurred subsequent to the end of the interim period that have not already been disclosed in this interim report.

Responsibility statement of the Directors in respect of the condensed consolidated interim financial information

The Directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated information financial information; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The maintenance and integrity of the TUI Travel PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of TUI Travel PLC are listed on page 51 of the TUI Travel PLC Annual Report and Accounts for the year ended 30 September 2012, except for the following changes that have taken place pursuant to the Relationship Agreement between the Company and TUI AG since the date of signing the Annual Report on 3 December 2012:

- On 8 February 2013, Rainer Feuerhake relinquished his role as a Shareholder Non-Executive Director and was replaced by Friedrich Joussen;
- On 25 March 2013, Dr Michael Frenzel retired from the Board as Non-Executive Chairman and Shareholder Non-Executive Director and was replaced by Friedrich Joussen; and
- On the same date, Sebastian Ebel joined the Board as a Shareholder Non-Executive Director.

On behalf of the Board of Directors

Will Waggott
Chief Financial Officer
9 May 2013

Independent review report to TUI Travel PLC

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial information for the six months ended 31 March 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 31 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 May 2013