Thomas Cook Group

25 November 2015

Audited results for the year ended 30 September 2015

Return to profit and well positioned for growth

£m (unless otherwise stated)	**12 months ended**		**Change**	**Like-for-like change[ii]**
	30 Sept 2015	**30 Sept 2014**		
Revenue	7,834	8,588	(754)	86
Underlying[i] Profit from Operations (Underlying EBIT)	310	323	(13)	30
Profit from operations (EBIT)	211	52	159	202
Profit/(Loss) after tax	19	(115)	134	177
Basic EPS	1.6p	(8.2)p	9.8p	
Underlying EPS	8.9p	11.3p	(2.4)p	
Net Debt	(139)	(326)	187	156[iii]

Notes (i) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are detailed on page 17

(ii) 'Like-for-like' change adjusts for the impact of disposals, foreign exchange translation, fuel and other. The detailed like-for-like adjustments are shown on page 10

(iii) 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation, the impact of changing finance lease arrangements, new equity investment and disposal proceeds

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of ongoing business performance

First profit after tax in five years

- Group revenue of £7,834 million, up 1.1%
- Underlying EBIT of £310 million, up 11%
- Profit after tax of £19 million, an increase of £177 million
- Significantly stronger balance sheet with extended maturities and new enlarged banking facilities
- Dividend expected to be paid in early 2017 in respect of FY16 earnings
- New financial targets for the period to FY18

Customers responding to our differentiated holiday offering

- Traded well overall despite external headwinds
- Strong performance in our UK business which increased underlying EBIT by 42% to £119 million
- Northern Europe and Airlines Germany grew underlying EBIT by 23% and 19% respectively
- Underlying EBIT in Continental Europe declined by 21% due to more competitive environment; actions taken to restore profitable growth
- Encouraging start to next year with strong Winter 15/16 trading in the UK and Northern Europe

Renewed focus on customer excellence to drive long-term growth through New Operating Model

- Increasing investment in customer service and rolling out 24-hour hotel satisfaction promise
- Introduced customer satisfaction as core KPI to drive loyalty and recommendations
- Focusing on growing our sales of differentiated holidays and building appeal of own-brand hotels
- Improving online and retail experience to give customers access whenever and however they want
- Building a strong partnership with Fosun: Chinese joint venture and Club Med co-operation on track; hotel investment fund progressing, with benefits now expected over the medium term

Peter Fankhauser, Chief Executive of Thomas Cook commented:

“2015 has been a year of real progress as good trading combined with rigorous cost control to deliver our first positive profit after tax in five years. Despite turbulence in some of our destinations, the underlying business performed in line with our plans at the start of the year, demonstrating its greater resilience.

“Customers have responded well to our increased focus on higher-quality hotels with our own-brand properties proving particularly popular, growing bookings by more than 40% over the year. We have continued to build on this success with the launch of a new boutique concept, Casa Cook, with the first hotel set to open next spring in Rhodes.

“Looking across the Group, the UK continued to strengthen as a better quality holiday offering and other business improvements delivered a 42% increase in underlying operating profit. Northern Europe and our German airlines business also performed well with underlying operating profits up 23% and 19% respectively. As previously highlighted, Continental Europe, particularly Germany and France, were weaker due to more competitive trading conditions.

“Of course, the past year has also presented considerable challenges for Thomas Cook as we confronted the mistakes that were made following the deaths of Bobby and Christi Shepherd in Corfu nine years ago. I am clear that we need to learn from the tragedy and do things differently in the future. Last week, we launched the Safer Tourism Foundation together with the children’s mother, Sharon Wood.

“But we also recognise that change needs to come from within Thomas Cook, putting our customers first in everything that we do. That is why we have introduced customer satisfaction as a new internal measure of success and why we are rolling out a 24-hour hotel satisfaction promise for key hotels across the group. It is also why we are putting a renewed focus on the quality of our holiday offering and pushing hard to further develop our online and retail channels.

“During the year our staff have shown great dedication in times of crisis, working tirelessly to support our customers. Their response to recent events in both Egypt and, earlier in the year, Tunisia, shows what we can achieve when we pull together. In a time of geopolitical uncertainty, that level of customer care is a key advantage of our packaged holiday offering.

“The new financial year has got off to a good start with encouraging trading overall for Winter 2015/16 and Summer 2016. With our business on a firmer financial footing, we have a clear strategy in place to deliver greater value for customers and sustainable growth for our shareholders.”

Presentation to equity analysts

A presentation will be held for equity analysts and investors today at 9.00 a.m. (GMT), at The Brewery, 52 Chiswell Street, London EC1Y 4SD. A live webcast of the presentation will available via the following link and dial in:

http://webcasts.thomascookgroup.com/thomascook007/default.asp

United Kingdom 020 3059 8125
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Forthcoming announcement dates

The Group intends to announce its results for the first quarter ended 31 December 2015 on 11 February 2016.

Enquiries

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FINANCIAL AND TRADING HIGHLIGHTS

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of ongoing business performance

- Group revenue increased by £86 million, or 1.1%, on a like-for-like basis to £7,834 million (FY14: £7,748 million), reflecting continued customer demand for our differentiated holiday offering
- Gross margin was maintained at 22.6%, with improved yield management and cost efficiencies mitigating continued competitive pressures
- Profit from operations improved by £202 million to £211 million (FY14: £9 million), helped by a £172 million reduction in EBIT separately disclosed items
- Underlying EBIT improved by £30 million to £310 million (FY14: £280 million), taking the Group to a 4.0% underlying EBIT margin (FY14: 3.6%)
  - The UK business continued to strengthen, increasing underlying EBIT to £119 million (FY14: £84 million) and achieving an underlying EBIT margin of 4.8% (FY14: 3.5%)
  - Northern Europe and Airlines Germany performed well, increasing underlying EBIT by £18 million and £9 million respectively
  - Underlying EBIT in Continental Europe declined by £19 million to £71 million (FY14: £90 million), due to a more competitive environment; actions have been taken to restore profitable growth
- Profit after tax increased by £177 million to a positive £19 million, the first positive profit after tax the Group has reported since 2010
- Net debt reduced by £156 million on a like-for-like basis (£187 million on a statutory basis) to £139 million (FY14: £326 million), reflecting improved cash generation and working capital timing differences
- Winter trading is encouraging overall with average selling prices up 3% and positive momentum continuing in the UK and Northern Europe
- We have launched our New Operating Model, an updated transformation programme which supports our new financial targets between FY15 and FY18 – see below under "New Operating Model"

PROGRESS IN EXECUTING OUR STRATEGY

Our strategy is to grow profitably by providing our customers with a broad range of high quality differentiated and flexible holiday experiences, supported by world-class customer service. Recognising the importance of the accommodation and flight to customers' experience of their holidays, we are putting our own-brand hotels and flights at the centre of our offering, complemented by a wide range of third-party product. We believe that this strategy will enable us to generate resilient revenue growth, improve profitability, increase cash flows and deliver further shareholder value.

Customer At Our Heart

Underpinning our strategy is our aim always to give customers the very best holiday experience. The past year has seen us renew our focus in this area. We believe that putting the customer at the heart of our business is the key to long-term, sustainable growth, and a core driver of shareholder value. Customers who are more satisfied are more likely to return and recommend their holiday to others, leading to both top line growth through increased lifetime value, and margin growth through lower acquisition costs. We are therefore increasing our investment in customer service, launching a 24-hour hotel satisfaction promise, and further empowering front line staff to serve our customers better. We have also introduced Net Promoter Score (NPS) as a core internal performance measure, with the aim of making progressive improvements over the next few years from its current level of 40 for the Group.

Growing our own-brand hotels

A key area of focus in the last year has been growing our portfolio of own-brand hotels. We added 72 own-brand hotels in FY15, taking the total to over 200 for the Summer 15 season. Reflecting growing customer demand, bookings of Sunwing, Sunprime, Sentido, SunConnect and Smartline hotels rose by 41% in FY15.

We are also further expanding the appeal of our own-brand hotels with the launch of a new boutique concept, Casa Cook. Aimed at young modern travellers, our first Casa Cook hotel is expected to open in May 2016 in Rhodes, with further hotel launches planned in the future. Further information can be found at www.casacook.com.

Investing in our airlines

The last year has seen us make good progress in developing our airlines business, with the completion of a £100 million investment programme to refurbish passenger cabins in over 60 aircraft. This includes state-of-the-art in-flight entertainment and a luxurious business class on long-haul flights. We have also added 21 new Airbus A321 aircraft to our fleet, with four more due for Summer 2016. In addition we have cut delays of more than three hours by half compared to two years ago, further improving the customer experience and helping to minimise compensation payments, with plans to halve these delays again.

Improving our omni-channel proposition

We are focused on using technology to serve our customers better, across all points in the customer journey. The investment we have made in building OneWeb, our international web platform currently deployed in the UK, is paying off, with significant increases in conversion across every device type – up 10% for desktop, 16% for tablet, and 67% for mobile devices, compared to the previous year. Across the Group, web penetration increased to 40%, up from 38% in FY14.

Recognising the particular value of mobile, our dedicated mobile development team, based in Stockholm, has recently launched a successful digital companion app in the UK and Scandinavian markets. This follows the success of our TravelGuide app in Germany. These apps allow customers to search for holidays, manage their bookings, make balance payments, get to know their destinations better, and book excursions and other ancillaries. In the last year, over 230,000 of our Nordic customers downloaded the app, registering more than 3.5 million sessions.

Cost out and profit improvement

We aim to provide best value to our customers through an efficient, low cost operating structure. Our Cost Out and Profit Improvement programme continued to deliver significant benefits in FY15, achieving £110 million of further savings, in addition to the £400 million of savings achieved in the previous three years. These savings have been generated through the integration of our airlines, restructuring our UK business and other targeted benefits.

Strategic partnership with Fosun

In March 2015, we announced a strategic partnership with Fosun International Limited focusing on three main joint initiatives described below, and underpinned by a new equity issue. At that time, Fosun purchased, through its subsidiaries, newly-issued shares for £91.8 million. Since then Fosun has purchased, through its subsidiaries, additional shares in the open market, bringing its current shareholding to 5.8%.

China JV

We continue to make good progress in respect of our China joint venture. We have established the joint venture company, based in Shanghai, and have put in place the core management team, comprising both existing Thomas Cook staff and new external hires. Our business plan focuses on the fast-growing Chinese leisure travel market, and we expect to obtain the relevant regulatory licences to begin trading in the New Year.

Club Med

Our marketing and distribution partnership with Club Med, announced in July, is now operational, both in France and in several other European markets. Through this partnership we intend to further expand the range of premium holidays offered to our customers.

Hotel investment fund

We also announced in July a Memorandum of Understanding with Fosun to establish a hotel investment fund to acquire hotels and resorts in our core destination markets. A management team is being recruited

to form the fund management company that will raise capital from investors, including Fosun and/or its portfolio companies. Once established, the fund will accelerate the development of our own-brand hotel offering, enabling our Hotels & Resorts business to grow revenues and margins by taking on management contracts for the hotels owned by the fund, and by achieving significantly improved hotel utilisation rates.

While we are making good progress in establishing the fund, we now expect the fund to deliver benefits to Thomas Cook over the medium term. Both Thomas Cook and Fosun are fully committed to delivering this key strategic initiative.

New Operating Model

During the last year we launched our New Operating Model, an updated transformation programme that enables us to implement our strategy in a clear and structured way over the next three years. The New Operating Model comprises a set of initiatives that aim to generate significant, sustainable, long-term profit growth, including revenue growth through a better quality proposition that attracts more customers at higher price points, and margin improvements through better yielding and cost efficiencies.

We believe the New Operating Model will enable Thomas Cook to achieve the following, between FY15 and FY18:

- **Revenue growth** at least in line with the European leisure travel market, which we estimate will grow, on average, at between 2% and 3% per year
- **Annual EBIT benefits** of between £100 million and £120 million by FY18, with one-off implementation costs totalling approximately £100m, of which £25 million was incurred in FY15.
- **Cash conversion** in excess of 70% per year, based on a revised definition of cash conversion, being the percentage of underlying profit before tax that is converted into free cash flow
- **Fixed-term debt reduction** of at least £300 million over the next three years

We expect these benefits to be generated by business improvement initiatives which focus on the areas below.

1. Own-brand hotels and flights

Our own-brand hotels and flights enable us to offer our customers a consistent, high quality, exclusive experience, and to capture more margin. Having grown our portfolio of own-brand hotels to around 200 in two years, our focus now is on generating more value from these hotels. We are doing this by growing occupancy rates, improving yields through more effective distribution, and continuing to improve the quality and develop the brand proposition.

In our airlines, we intend to further grow our seat-only business, improve yields and reduce risk.

2. Our holiday offering

We are focusing our holiday offering on a core portfolio of our own-brand hotels, and a closely-managed portfolio of selected partner hotels, chosen on the basis of quality and high standards of service. This differentiated offering gives a better quality customer experience and generates higher average selling prices, margins and loyalty rates. We supplement this core offering with a wide range of complementary products that give customers greater choice and flexibility when choosing their holiday.

We aim to grow our sales of differentiated holidays by improving quality and service standards, in order to attract new customers to the Group as well as encourage existing customers to trade up. By focusing our sales towards a more concentrated portfolio of hotels, we are better able to fill any guaranteed commitments and negotiate more exclusive relationships. We are also sharing more of our hotel capacity within the Group, allowing us to maximise margins by allocating capacity where there is most demand.

In complementary products, we are targeting the lowest possible production cost, aiming to source these products automatically and distributing via our IT systems.

3. Omni-channel and customer

As a full service tour operator, we have direct relationships with many of our customers throughout their holiday experience. Our aim is to strengthen these relationships, by ensuring our customers have access to us however and whenever they want. We aim to increase efficiency and effectiveness in all channels,

whether online, by phone or in store. We also continue to optimise our websites, in order to offer increasingly personalised services to customers.

We offer a variety of ancillary products across the Group, which allow customers to tailor their holiday whilst providing a valuable incremental source of revenue and margin. These include travel or booking insurance, airline meals and seat selection, extra luggage, private transfers, room upgrades, excursions and entertainment whilst in resort. Through better implementation of our Customer Relationship Management (CRM) systems, we intend to present more tailored ancillary offers to our customers during the pre-departure period. We are also sharing best practice throughout the Group in this area to drive sales.

4. Efficiencies

We are underpinning everything that we do with a rigorous focus on efficiency. Although we have made excellent progress in reducing costs to date, there remains an opportunity for significant further efficiencies, while still improving customer satisfaction. This will be achieved by reducing duplication between markets, and by better integrating processes and functions.

Having generated significant efficiencies by harmonising and integrating airline functions, we are now implementing a "One Tour Operator" initiative to integrate our tour operations across the Group, consolidating our processes, simplifying our structure and making us more effective. At the same time we will continue to pursue every opportunity to minimise cost and complexity throughout our business.

We are holding a presentation for analysts and investors at 9.00 a.m. (GMT) today at which we will give further details of the expected benefits of our New Operating Model.

Dividends and financing strategy

As we indicated at our interim results in May 2015, in view of the progress we have made and the projected benefits we believe are deliverable as part of the New Operating Model, we expect to pay a dividend from FY16 profits in early FY17.

Our policy will be to target a payout ratio of between 20% and 30% of reported net profit each year. We believe this represents an appropriate balance between debt reduction and providing a return to shareholders. A final dividend will be declared with the full year results announcement each year, starting with the announcement of our FY16 results, in a year's time. In view of the seasonality of the Group's profit profile, it is not our intention to pay interim dividends for the foreseeable future. The Board will review the policy annually as we reduce debt, to determine the scope to increase the payout ratio in the future.

Alongside making dividend payments, the reduction of fixed-term debt remains a priority for the Group, and we intend to continue to move towards a more efficient capital structure, with reduced interest costs.

CURRENT TRADING

Summer 2015

Our Summer programme finished on 31 October 2015 with no significant changes since we made our pre-close announcement on 24 September 2015.

Winter 2015/16

The Winter 15/16 season is 58% sold for the Group as a whole, 1% ahead of this time last year. Overall, bookings for the Group are 1% higher than last year, with average prices 3% stronger, reflecting an encouraging performance so far, particularly from our UK and Northern Europe businesses.

UK bookings are 8% higher than at this time last year, with average selling prices 2% ahead. This growth comes from the further expansion of our Winter Sun programme, building on the success of scaling up our long haul activities in Winter 2014/15. In particular, sales to North America, Mexico and the Canaries have increased through both capacity expansion and stronger load factors, and this has been accompanied by a growing proportion of holiday sales to own-brand and partner hotels. These factors have led to an overall increase in bookings, average selling prices, and margins for the UK business.

Northern Europe is trading very strongly, with bookings and average selling prices 7% and 9% higher than last year, respectively. Northern Europe's winter programme is 3% better sold than at this stage last year, with improved load factors, continuing the strong trading performance achieved over the summer.

In Continental Europe, the competitive pressures seen over the summer have continued into the winter. Increased capacity in the market, combined with weakening consumer confidence, have resulted in a decline in bookings of 6% compared to this time last year, and lower margins. The business has successfully mitigated some of this pressure by focusing on higher value revenue, achieving an increase in average selling prices of 6% through greater sales of differentiated holidays and an increased proportion of long haul holidays, particularly in Germany and France. We have also strengthened the German management team, and taken action to improve distribution relationships.

Airlines Germany bookings are 1% lower, as growth in our long-haul business, particularly to destinations such as Cuba, the Dominican Republic and North America, has been offset by lower short haul bookings. Yields have been impacted in both the long and short-haul markets by increased competition, and in the short-haul market by weaker demand. As a result, margins in Airlines Germany are behind the high levels seen in the first quarter of last year.

Winter 2015/16	Year-on-Year Variation %		
	Bookings(i)	ASP(i)	% Sold(ii)
UK	+8%	+2%(iii)	53%
Continental Europe	-6%	+6%	54%
Northern Europe	+7%	+9%	70%
Airlines Germany	-1%	-1%	58%
Total	**+1%**	**+3%**	**58%**(iv)

Based on cumulative bookings to 14 November 2015

Notes:
(i) Risk and non-risk customers
(ii) Risk customers only
(iii) UK average selling price is up by 7% for charter risk and 7% for seat only, resulting in a 2% increase on a blended basis due to the change in mix
(iv) For the tour operator only, the Winter 2015/16 season is 62% sold, 7% higher than last year

Summer 2016

While it is early in the booking cycle, we are encouraged by booking and pricing trends for Summer 2016 across the Group. Our UK business, which tends to have an earlier booking pattern than other markets, is currently 23% sold, with bookings higher by 5% than at this time last year, and average selling prices up 3% for charter risk, and 2% for seat-only, leading to a blended increase in selling prices of 1%.

Hedging of Fuel and Foreign Exchange

The objective of the Group's hedging policy is to smooth fluctuations in the price of Jet Fuel and foreign currencies, in order to provide greater certainty for planning purposes. The proportion of our exposures that have been hedged are shown in the table below.

	Winter 15/16	Summer 16	Winter 16/17
Euro	95%	75%	34%
US Dollar	95%	84%	50%
Jet Fuel	91%	90%	82%

As at 31 October 2015

As Jet Fuel is priced in US Dollars, our net fuel costs are influenced by both the fuel price and the movements in the US Dollar against our base currencies.

While net fuel costs reduced by around £100 million in FY15 compared to last year, these benefits were partly absorbed by higher dollar-denominated non-fuel flying costs, and partly passed on to our customers through lower prices. For FY16, we currently estimate that our net fuel costs will fall by a further £100 million, although our prudent assumption is that we do not expect to retain these benefits.

The Group does not hedge the translation of overseas profits into Sterling, and as a result of currency movements during the year, reported profits in FY15 were lower by £38 million.

The average and period end exchange rates relevant to the Group were as follows:

	Average Rate		Period End Rate	
	FY15	FY14	FY15	FY14
GBP/Euro	1.35	1.22	1.35	1.29
GBP/US Dollar	1.55	1.66	1.51	1.62
GBP/SEK	12.60	10.98	12.66	11.72

Outlook

Our underlying business grew in FY15 in line with our plans at the start of the year, with the UK and Northern Europe performing especially well, despite facing both significant disruption in certain destinations and foreign exchange headwinds. Although market conditions in Continental Europe continue to be competitive, FY16 has got off to a good start overall, with the strong trading seen in the UK and Northern Europe last summer continuing into the Winter.

Our business is inevitably impacted from time to time by geopolitical events. In early November we suspended our UK flying programme to Sharm-El-Sheikh airport in Egypt following UK Foreign Office advice, and subsequently repatriated approximately 1,700 guests. Our programme to Tunisia remains suspended for most markets.

Despite the fragile geopolitical environment, our business has continued to grow. Demand for our differentiated holidays is increasing, we are making continuous improvements to our holiday portfolio, and we are becoming more efficient. Our New Operating Model, together with a renewed focus on our customers, marks a new phase of transformation for Thomas Cook, which we anticipate will deliver long-term, sustainable, profitable growth. Accordingly, we remain confident on delivering on our expectations for the current financial year.

FINANCIAL REVIEW

£m	12 months ended 30 Sep 2015	12 months ended 30 Sep 2014	Change	Like-for-like Change (ii)
Revenue	7,834	8,588	(754)	86
Gross profit	1,774	1,916	(142)	20
Gross Margin (%)	22.6%	22.3%	0.3%	0.0%
Operating expenses	(1,464)	(1,593)	129	10
Underlying(i) profit from operations (Underlying EBIT)	**310**	**323**	**(13)**	**30**
EBIT Separately Disclosed Items	(99)	(271)	172	172
Profit from operations (EBIT)	**211**	**52**	**159**	**202**
Associated Undertakings	8	2	6	6
Net finance charges (underlying)	(141)	(143)	2	2
Separately disclosed finance charges	(28)	(25)	(3)	(3)
Profit/(loss) before tax	**50**	**(114)**	**164**	**207**
Tax	(31)	(1)	(30)	(30)
Profit/(loss) after tax	**19**	**(115)**	**134**	**177**
Basic EPS	1.6p	(8.2p)	9.8p	
Underlying EPS	8.9p	11.3p	(2.4)p	
Free cash flow(iii)	161	116	45	
Net debt	(139)	(326)	187	156(iv)

Notes (i) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are detailed on page 17

(ii) 'Like-for-like' change adjusts for the impact of disposals, foreign exchange translation, fuel and other. The detailed like-for-like adjustments are shown on page 10

(iii) Free cash flow is cash from operating activities less capital expenditure and interest paid

(iv) 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation, the impact of changing finance lease arrangements, new equity investment and disposal proceeds

Overview

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of ongoing business performance

Our FY15 financial performance delivered continued growth in like-for-like underlying Group EBIT which, combined with a significant reduction in Separately Disclosed Items, led to a reported profit after tax of £19 million, a like-for-like improvement of £177 million compared to the prior year. This is the first time in five years that the Group has reported a bottom-line profit.

Group revenue grew by £86 million (1%) on a like-for-like basis, whilst underlying EBIT increased by £30 million on a like-for-like basis to £310 million. We achieved higher profitability through an improved product mix and efficiencies and through delivery of our Cost Out and Profit Improvement programme.

Free cash flow for the year was £161 million (FY14: £116 million), which benefited from an improved working capital position. In addition, we issued 73.1 million new shares to Fosun, representing 4.8% of the enlarged issued ordinary share capital of the Company, for £91.8 million as part of a strategic partnership announced in March 2015). This resulted in net cash inflow for the year of £247 million (FY14: £107 million).

As a consequence of the Group's improved cash flow, and after reflecting non-cash changes such as foreign currency translation, Group net debt reduced to £139 million at September 2015 from £326 million at the end of FY14.

During FY15 we continued to strengthen the Group's financial position through further improvements to our capital structure and by increasing access to liquidity. See page 18 for further details.

Like-for-like Analysis

Certain items, such as the normal translational effect of foreign exchange movements, affect the comparability of the underlying performance between financial years. Accordingly, to assist in understanding the impact of those factors, and to better present year-on-year trading progression, 'Like-for-like' comparisons with FY14 are presented in addition to the change in reported numbers.

The 'Like-for-like' adjustments to the Group's FY14 results and the resulting year-on-year movements are as follows:

	Revenue £m	Gross Margin %	Operating Expenses £m	EBIT £m
FY14 Reported (Continuing)	**8,588**	**22.3%**	**(1,593)**	**323**
Impact of Currency Movements	(641)	0.1%	97	(38)
Disposals/store closures	(98)	(0.1)%	22	(5)
Reduced fuel cost	(101)	0.3%	-	-
Year Ended September 2014 'Like-for-like'	**7,748**	**22.6%**	**(1,474)**	**280**
Year Ended September 2015 Reported	**7,834**	**22.6%**	**(1,464)**	**310**
Like-for-like Change (£'m)	86	n/a	10	30
Like-for-like Change (%)	1.1%	FLAT	0.6%	10.7%

Revenue

Group revenue increased by £86 million (1%) on a like-for-like basis. This reflects a £263 million increase in sales of holidays to own-brand hotels and other new products, partially offset by the effect of disruption in Tunisia of £130 million and a net reduction in other revenue of £47 million. The strong growth in own-brand products reflects the continued focus on differentiated holidays which yield higher margins, improved customer retention and better ancillary sales.

The main components of the like-for-like revenue movement are:

	£m
FY14 Like-for-like Revenue	**7,748**
Own-Brand Hotels & Other New Products	263
Tunisia	(130)
Other	(47)
FY15 Revenue	**7,834**

Gross Margin

On a like-for-like basis, FY15 gross margin is in line with last year, maintaining a cumulative improvement of 160 basis points since FY12.

An improved product mix and higher margin ancillary products contributed a gross margin improvement of 70 basis points. Gross margin also continued to benefit from our Cost Out and Profit Improvement initiatives, which contributed a 60 basis point improvement, mainly due to efficiencies within our airlines. These improvements were offset by hotel bed cost inflation which lowered gross margin by 100 basis points, and increases in non-fuel flying costs which impacted gross margin by 30 basis points.

These components of the like-for-like movement in gross margin are outlined below:

£m	%
FY14 Like-for-like Gross Margin	**22.6%**
Product / Yield Mix	0.7%
Bed Cost inflation	(1.0)%
Profit Improvement	0.6%
Non-Fuel Flying Costs	(0.3)%
FY15 Gross Margin	**22.6%**

Operating Expenses / Overheads

Operating expenses for FY15 of £1,464 million represent a year-on-year like-for-like decrease of £10 million (1%), mainly due to the Group's Cost Out initiatives. In total, cash operating costs were £23 million (2%) lower than last year on a like-for-like basis, offset by a £13 million increase in depreciation which reflects the higher level of investment in IT and our airlines in recent years.

£m	**Year Ended 30 Sep 2015**	**Year Ended 30 Sep 2014**	**Change**	**Year Ended 30 Sep 2014 Like-for-like**	**Like-for-like Change**
Personnel Costs	(859)	(913)	54	(845)	(14)
Net Operating Expenses	(431)	(507)	76	(468)	37
SubTotal	**(1,290)**	**(1,420)**	**130**	**(1,313)**	**23**
Depreciation	(174)	(173)	(1)	(161)	(13)
Total	**(1,464)**	**(1,593)**	**129**	**(1,474)**	**10**

Underlying EBIT

Group underlying EBIT increased by £30 million on a like-for-like basis to £310 million in FY15. The growth in underlying EBIT is primarily due to improved margins through the expansion of our own-brand and differentiated holidays, the addition of profitable long haul routes in our airlines and the continuing delivery of our Cost Out and Profit Improvement measures.

Overall, gross profit improved by £20 million, as an underlying margin benefit of £42 million was partially offset by market disruption in Tunisia, which cost approximately £22 million.

Overheads were £10 million lower than last year, mainly due to further Cost Out benefits of £61 million in FY15, offset by the re-investment of £19 million through further Strategic Operating investments and a higher depreciation charge (£13 million), mainly associated with the recent investment in our airline fleet.

£m	£m
FY14 Like-for-like EBIT	**280**
Gross Profit excluding Tunisia	42
Disruption in Tunisia	(22)
Overhead cost out	61
Strategic Opex investment	(19)
Depreciation and Other	(32)
FY15 EBIT	**310**

SEGMENTAL REVIEW

Sources of Growth in Underlying EBIT

In FY15 the Group reported an improvement in underlying EBIT of £30 million on a like-for-like basis with all segments reporting improved results, with the exception of Continental Europe.

The adjustments to reflect year-on-year growth in like-for-like EBIT on a segmental basis are summarised as:

Underlying EBIT reconciliation (£m)	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
FY14 Reported	**89**	**102**	**101**	**50**	**(19)**	**323**
Disposals / Store Closures	(5)	-	-	-	-	(5)
Impact of Currency Movements	-	(10)	(23)	(5)	-	(38)
Accounting changes	-	(2)	-	2	-	-
FY14 Like-for-like	**84**	**90**	**78**	**47**	**(19)**	**280**
FY15 Reported	**119**	**71**	**96**	**56**	**(32)**	**310**
Like-for-like change	**35**	**(19)**	**18**	**9**	**(13)**	**30**
of which Gross Margin	4	(39)	27	29	(1)	20
of which Overhead	31	20	(9)	(20)	(12)	10

Reported performance by segment for FY15 is as follows:

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
Revenue	2,457	3,449	1,057	1,257	(386)[(i)]	7,834
Gross Margin %	26.7%	13.5%	27.9%	28.4%	n/a	22.6%
Underlying EBIT	119	71	96	56	(32)	310

Notes (i) As a result of intercompany eliminations

The financial performance of each segment is considered below:

United Kingdom & Ireland

	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Revenue	2,457	2,585	(128)	2,458	(1)
Gross Margin	26.7%	26.1%	0.6%	26.6%	0.1%
Underlying EBIT	**119**	**89**	**30**	**84**	**35**
Underlying EBIT margin (%)	4.8%	3.5%	1.3%	3.4%	1.4%
Departed Customers (000's)	6,109	6,170	(61)	6,153	(44)

Our UK business delivered a strong performance during FY15, with underlying EBIT growing by £35 million on a like-for-like basis to £119 million, representing a 140 basis point increase in EBIT margin to 4.8%. This was delivered through increased sales of our own-brand hotels, further long haul expansion in the airline, successful implementation of operational actions and continued Cost Out initiatives. FY15 underlying EBIT was adversely impacted by £11 million due to disruption in Tunisia and benefited from the release of maintenance provisions in the UK airline of £10 million (flat year-on-year).

Revenue of £2,457 million was £1 million lower than prior year on a like-for-like basis (£128 million lower on a headline basis). The business significantly expanded its Winter programme, with an increase in both new and existing long haul destinations, with a corresponding increase in both Seat Only revenue and increased package holiday sales. However, this growth was offset by the disruption to the Summer programme with the cancellations of holidays to Tunisia.

Gross margin increased by 10 basis points on a like-for-like basis to 26.7%. This reflects the continuing benefits of improvements in product quality, with a higher proportion of customers staying in our own-brand hotels and increasing operating efficiencies in our UK airline.

Our OneWeb platform, which was launched in FY14, has increased the booking conversion rates across all device types. With a 16% increase in conversion on tablets, and 67% increase on mobile devices, OneWeb is proving particularly effective at converting customer interest on these rapidly growing platforms.

Our UK business has been significantly transformed over the past three years by removing unprofitable sales, improving product quality and by implementing cost efficiencies. As a result, the business is now better positioned for profitable growth.

Continental Europe

	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Revenue	3,449	3,958	(509)	3,554	(105)
Gross Margin	13.5%	14.2%	(0.7)%	14.2%	(0.7)%
Underlying EBIT	**71**	**102**	**(31)**	**90**	**(19)**
Underlying EBIT margin (%)	2.1%	2.6%	(0.5)%	2.5%	(0.4)%
Departed Customers (000's)	7,061	7,458	(397)	7,399	(329)

Revenue and underlying EBIT performance by key market within Continental Europe is set out below:

Revenue and EBIT by Market

£m	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Revenue					
- Germany	2,059	2,449	(390)	2,066	(7)
- Russia	144	181	(37)	163	(19)
- France	265	329	(64)	298	(33)
- Other Continental Markets	981	999	(18)	1,027	(46)
Total	**3,449**	**3,958**	**(509)**	**3,554**	**(105)**
Underlying EBIT					
- Germany	52	77	(25)	70	(18)
- Russia	1	(3)	4	(3)	4
- France	(14)	(9)	(5)	(8)	(6)
- Other Continental Markets	32	37	(5)	31	1
Total	**71**	**102**	**(31)**	**90**	**(19)**

Continental Europe delivered an underlying EBIT result of £71 million, £19 million lower than last year on a like-for-like basis. The reduction in EBIT is primarily related to margin pressure as a result of overcapacity affecting our German business together with weakening consumer confidence. This has led to an EBIT decline of £18 million on a like-for-like basis in Germany. In response, we have strengthened our German management team, improved third-party agency relationships, further increased our focus on differentiated product and own-brand hotels, and we plan to strengthen our omni-channel approach with a new web platform to launch during H1 2016. We believe these measures, along with a continued focus on customer value in priority to headline pricing, will help to offset a competitive trading environment.

Overall revenue was £105 million (3%) lower than last year on a like-for-like basis, due primarily to planned capacity reductions in France and Russia to reflect local market conditions.

Our French business saw its operating loss widen by £6 million to £14 million on the back of a continued weaker French consumer demand generally and lower customer demand to North African destinations in particular.

Through a reduction in risk capacity, our Russian business continued to focus on profitable business which, together with further cost savings, saw the business report a profit of £1 million in FY15, an improvement of £4 million on the FY14 result. This is first time the business has been profitable since it was acquired.

Our other Continental markets performed well, despite competitive market conditions. The Benelux region reported an EBIT result which was in line with last year on a like-for-like basis, whilst our Eastern European businesses in Poland, Hungary and the Czech Republic recorded year-on-year growth totalling £1 million.

Northern Europe

	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Revenue	1,057	1,153	(96)	998	59
Gross Margin	27.9%	27.4%	0.5%	27.0%	0.9%
Underlying EBIT	**96**	**101**	**(5)**	**78**	**18**
Underlying EBIT margin (%)	9.1%	8.7%	0.4%	7.8%	1.3%
Departed Customers (000's)	1,698	1,511	187	1,702	(4)

Our Northern Europe business reported an EBIT result of £96 million for FY15, £18 million better than last year on a like-for-like basis, as it further increased its industry leading EBIT margin to over 9%.

Despite a competitive environment in the Nordics, our business remains the market leader in terms of number of passengers and profitability. Through an improved yield management performance, the business was well positioned to take advantage of poor weather in the early part of the Summer, to deliver an exceptionally strong trading performance in the "lates" market in the fourth quarter. FY15 EBIT also benefited from a revision to aircraft maintenance provisions of circa £4 million during the year.

Revenue of £1,057 million was £59 million higher on a like-for-like basis, demonstrating the strong differentiation of its product offering, which retains unrivalled popularity with customers in its source markets, together with strong ancillary sales.

Gross Margin of 27.9% was 90 basis points higher than FY14 on a like-for-like basis. Load factors in excess of 99% and strong average selling prices led to high margins for classic packages, complemented with further sales of dynamic packages and higher ancillary sales reflecting effective online distribution, powerful brands and a focus on customer relationship management.

Airlines Germany

	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Revenue	1,257	1,299	(42)	1,145	112
Gross Margin	28.4%	27.8%	0.6%	28.7%	(0.3)%
Underlying EBIT	**56**	**50**	**6**	**47**	**9**
Underlying EBIT margin (%)	4.5%	3.8%	0.7%	4.1%	0.4%
Departed Customers (000's)	7,713	7,196	517	7,263	450

Condor, our German airline, again performed strongly in a competitive market to report EBIT of £56 million in FY15, £9 million higher than last year on a like-for-like basis.

Revenues increased by £112 million on a like-for-like basis, driven by profitable growth of our long haul business. Long haul revenues increased by 14.5%, with Seat Capacity up 9% compared to last year. Despite an increase in capacity, load factors improved further to 89.6% from 88.4% in FY14. Yields were up 3.6%, driven by strong sales for our fully refurbished business class cabin.

In the short/medium haul market, capacity increased by 7.1%, driven by the increased earning capacity of our aircraft following the cabin refurbishments. Load factors increased by 1.1 percentage points to 91.6%, but yields declined by 4% as a consequence of the reduction in fuel market prices and intense competitive pressures in this market.

EBIT margin of 4.5% was 40 basis points higher than last year on a like-for-like basis, as a strong long haul business, fuel price reductions and the continuation of our Profit Improvement Programme more than compensated for short/medium haul market pressures, currency effects from the decline of the Euro against the US Dollar, and increased aircraft, landing and overflight costs.

Our Profit Improvement Programme also focused on ancillary sales with the successful introduction of our Airshoppen concept in Germany. As a consequence, ancillary revenue per customer increased by 5%.

Corporate

	FY15	FY14	Change	FY14 Like-for-Like	Like-for-Like Change
Operating Expenses	(32)	(20)	(12)	(20)	(12)
Foreign Exchange	0	1	(1)	1	(1)
EBIT	**(32)**	**(19)**	**(13)**	**(19)**	**(13)**

Corporate operating expenses were £13 million higher than last year on a like-for-like basis at £32 million (FY14: £19 million). As we reported in our FY14 announcement, the Corporate result in FY14 benefited by £12 million from revised provisions for employee share incentive plans and other remuneration schemes which were not repeated in FY15.

OTHER FINANCIAL ITEMS

Finance costs

Group finance costs for the year decreased by £2 million to £151 million (FY14: £153 million). This consisted of net interest charges before aircraft financing of £134 million (FY14: £132 million) and aircraft financing charges totalling £17 million (FY14: £21 million). A detailed analysis of net finance costs is set out Note 5 on page 34.

Separately Disclosed Items

Net Separately Disclosed Items (SDIs) for FY15 were a £120 million charge, a reduction of £176 million compared to the prior year (FY14: £296 million). This breaks down into a cash SDI impact of £69 million (FY14: £119 million) and non-cash impact of £51 million (FY14: £177 million).

£m	FY15			FY14		
	Cash[i]	Non-cash	Total	Cash	Non-cash	Total
Restructuring	(51)	(1)	(52)	(109)	(1)	(110)
Reassessment of deferred consideration	-	18	18	-	-	-
Asset valuations	-	-	-	-	(57)	(57)
Onerous contracts and legal disputes	(5)	(30)	(35)	(5)	(74)	(79)
Other	(13)	(17)	(30)	(5)	(20)	(25)
EBIT related items	**(69)**	**(30)**	**(99)**	**(119)**	**(152)**	**(271)**
Profit on disposal of associated undertaking	-	7	7	-	-	-
Finance related charges	-	(28)	(28)	-	(25)	(25)
Total	**(69)**	**(51)**	**(120)**	**(119)**	**(177)**	**(296)**

Notes (i) Cash items encompasses both current year cashflows, and cash effects which have not been realised before the end of the period

Further information is included within Note 4 on page 33.

Taxation

The overall tax charge in the year increased to £31 million from a £1 million charge in FY14 as summarised below. Current tax of £27 million is £10 million higher than last year due to increased charges for our profitable businesses in Northern Europe and Continental Europe, while the change in deferred tax reflects the recognition deferred tax assets in FY14 in respect of carried forward tax losses in our UK business.

	FY15 £m	**FY14 £m**
Current Tax	(27)	(17)
Deferred Tax	(4)	16
Total Tax Charge	**(31)**	**(1)**
Total Cash Tax	**(18)**	**(32)**

Further information is included within Note 6 on page 35.

Operating lease charges

Operating lease charges of £205 million have increased by £20m since FY14, as analysed below.

	FY15 £m	**FY14 £m**
Included within EBIT:		
Aircraft operating lease charges	135	106
Retail operating lease charges	44	49
Hotel operating lease charges	26	30
Total	**205**	**185**

Earnings per share

Underlying earnings per share, before separately disclosed items, was 8.9 pence, a year-on-year reduction of 2.4 pence (FY14: 11.3 pence).

	FY15	FY14
Profit/(Loss) After Tax (£m)	19	(115)
Exceptionals	120	296
Attributable to Minority Interest (£m)	4	(3)
Exceptional Tax	(11)	(15)
Adjusted Profit / (Loss) After Tax (£m)	132	163
Weighted Ave. # of shares (m)	1,487	1,440
Earnings per Share (Pence)	8.9	11.3

The basic profit per share for the year was 1.6 pence, which amounts to a year-on-year improvement of 9.8 pence (FY14: loss 8.2 pence). Further information is included within Note 7 on page 36.

Liquidity and capital structure

During FY15 we continued to strengthen the Group's financial position through further improvements to our capital structure and by increasing our access to liquidity through larger bank financing facilities.

In January 2015 we gained strong support for a new 7-year, €400 million Eurobond to refinance a Eurobond bond of the same size which matured in June 2015, which further extended the debt profile of the business. In May 2015 we signed a new £800 million financing facility, which includes a £500 million revolving credit facility (RCF), and a £300 million committed bonding and guarantee facility. This agreement increased the size of the committed facilities available to the Group from £470 million to £800 million and further extended the maturity of those facilities to May 2019.

The larger RCF is better aligned to our seasonal working capital swing and will help to create a more efficient capital structure over time. The new facilities also removed certain restrictive terms from our previous facility documentation, and now permits the resumption of dividend payments. This reflects an

improving trend in our credit standing from 'B-' with a 'negative outlook' in July 2012 to 'B' with a 'stable outlook' as at September 2015, which we expect to improve further over the medium term.

Summary Cash Flow Statement[(i)]

	FY15	FY14
	£m	£m
Underlying EBIT	310	323
Depreciation	174	173
Underlying EBITDA	**484**	**496**
Working Capital	139	3
Tax	(18)	(32)
Pensions & Other	(20)	(22)
Operating Cash flow	**585**	**445**
Exceptional Items [(ii)]	(98)	(43)
Capital Expenditure	(201)	(156)
Net Interest Paid	(125)	(130)
Free Cash flow[(iii)]	**161**	**116**
New Equity	92	-
Other	(6)	(9)
Net Cash flow	**247**	**107**

Opening Net Debt	**(326)**	**(421)**
Net Cash Flow	247	107
Other Movements in Net Debt [(iv)]	(60)	(12)
Closing Net Debt	**(139)**	**(326)**

Notes (i) The Group uses three non-statutory cash flow measures to manage the business. Operating Cashflow is net cash from operating activities excluding interest income, aircraft related costs and the cash effect of separately disclosed items impacting EBIT. Free Cash flow is cash from operating activities less capital expenditure and interest paid. In FY14 Free Cash flow also includes the net cash received on disposals. Net Cashflow is the net (decrease)/increase in cash and cash equivalents excluding the net movement in borrowings, finance lease repayments and facility set-up fees.

(ii) Exceptional items include net cash from disposals of £20 million in FY15 and £78 million in FY14

(iii) Free cash flow is cash from operating activities less capital expenditure and interest paid.

(iv) Represents retranslation of foreign currency debt items and amortisation of capitalised fees

Free cash flow for the year was £161 million (FY14: £116 million) helped by improved working capital, offset by greater investment in capital expenditure and restructuring costs. In addition, new equity was issued to Fosun as part of a strategic partnership announced in March 2015, which resulted in net cash flow for the year of £247 million (FY14: £107 million).

Exceptional items (£m)	**FY15**	**FY14**
Prior year (paid in FY15)	(40)	(34)
Prior year EU261 (paid in FY15)	(16)	-
Current year[(i)]	(42)	(9)
Total Exceptional items	(98)	(43)

Notes (i) Exceptional items include net cash from disposals of £20 million in FY15 and £78 million in FY14

The Group has used a measure of cash conversion which reflects the amount of cash flow retained by the business, which can be used for investment in capital expenditure, debt repayment or payment of dividends. On this basis, cash conversion has improved to 75% in FY15 (FY14: 55%). As part of the New Operating Model, the Group intends to use a revised measure of cash conversion from FY16 onwards (see above under "New Operating Model").

	FY15	FY14
Operating Cash flow(i)	585	445
Net Interest	(125)	(130)
Cash Exceptionals	(98)	(43)
Converted Cash	362	272
EBITDA	484	496
Cash conversion	**75%**	**55%**(ii)

Notes (i) Operating Cash flow defined as net cash from operating activities before net interest payments exceptional cash costs.
(ii) Cash conversion for FY14 has been restated to be consistent with the FY15 presentation; FY14 reported cash conversion was 62%

Net Assets

The Group's balance sheet at 30 September 2015 is set out on page 27. During the year the Group's Net Asset value increased by £83 million to £368 million at 30 September 2015 (September 2014: £285 million), analysed as follows:

	£m
Opening Net assets	**285**
PBT before exceptional items	170
Tax charge	(31)
Non-recurring items	(120)
Balance sheet revaluations	(17)
Issue of shares (net of costs)	89
Other	(8)
Closing net assets	**368**

Net Debt

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During the year, the Group reduced net debt from £326 million to £139 million.

The composition and maturity of the Group's net debt is summarised below:

£m	30 Sept. 2015	30 Sept. 2014	Movement	Maturity
2015 Euro Bond	-	(310)	310	June 2015
2017 GBP Bond	(299)	(297)	(2)	June 2017
2020 Euro Bond	(388)	(408)	20	June 2020
2021 Euro Bond	(295)	-	(295)	June 2021
Commercial Paper	(155)	(82)	(73)	Various
Revolving Credit Facility	-	-	-	May 2019
Finance Leases	(183)	(181)	(2)	Various
Aircraft related borrowings	(99)	(79)	(20)	Various
Other external debt	(47)	(13)	(34)	Various
Arrangement fees	26	25	1	n/a
Total Debt	(1,440)	(1,345)	(95)	
Cash (net of overdraft)	1,301	1,019	282	
Net Debt	**(139)**	**(326)**	**187**	

The Group's £800 million Committed Facilities comprises a Revolving Credit Facility of £500 million, of which £46.6 million was drawn at 30 September 2015, and a £300 million bonding and guarantee facility of which £247.2 million was drawn at 30 September 2015 (2014 £126.0 million). The Revolving Credit Facility is shown as nil in the above table as the drawn element (£46.6 million) relates to a drawdown of the ancillary facilities of the RCF, which has been used solely for bonding and is thus net debt neutral. These facilities mature in May 2019.

Treasury Management

The Group's funding, liquidity and exposure to foreign currencies, interest rates, commodity prices and financial credit risk are managed by a centralised Treasury function and are conducted within a framework of Board-approved policies and guidelines.

The principal aim of Treasury activities is to reduce volatility by hedging, which provides a degree of certainty to the operating segments, and to ensure a sufficient level of liquidity headroom at all times.

The successful execution of policy is intended to support a sustainable low risk growth strategy, enable the Group to meet its financial commitments as they fall due, and enhance the Group's credit rating over the medium term.

Credit Rating

The Group has maintained its 'B' ratings from both Standard & Poor's and Fitch, who commented on the significant progress made in the transformation of the Group, particularly in relation to our cost reduction programme.

Corporate Ratings	2015		2014	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B	Stable	B	Positive
Fitch	B	Stable	B	Positive

Cash management

Due to the seasonality of the Group's business cycle and cash flows, a substantial amount of surplus cash accumulates during the Summer months. Efficient use and tight control of cash throughout the Group is facilitated by the use of cash pooling arrangements and the net surplus cash is invested by Treasury in high quality, short-term liquid instruments consistent with Board-approved policy, which is designed to mitigate counterparty credit risk. Yield is maximised within the terms of the policy but returns in general remain low given the low interest rate environment in the UK, the US and Europe.

A small portion of the Group's cash is restricted in overseas jurisdictions primarily due to legal or regulatory requirements. Such cash does not form part of the liquidity headroom calculation.

Targets and key performance indicators – FY13 to FY15

Since March 2013, we have reported our progress against a set of targets and KPIs that were intended to measure our progress in implementing our strategy between FY13 and FY15. The table below shows our achievements over this period.

Financial year ended 30 September		Actual				Target
		FY12	FY13	FY14	FY15	FY15
Targets	New Product revenue	N/A	£94m	£280m	£543m	>£700m
	Web penetration[(i)]	34%	36%	38%	40%	>50%
	Wave 1 cost out/profit improvement (run-rate)	£60m	£194m	£400m	£510m	>£500m
KPIs	Sales Growth	N/A	N/A	(2.1%)	(1.2)%	>3.5%[(ii)]
	Underlying gross margin improvement[(iii)]	N/A	0.8%	1.5%	1.6%	>1.5%
	UK underlying EBIT margin	0.1%	2.2%	3.5%	4.8%	>5%
	Cash conversion[(iv)]	11%	48%	55%[(v)]	75%	>70%

Notes: (i) Measured on a last 12 months (LTM) departed basis
(ii) Compound annual growth rate from FY13 to FY15 including new product revenue
(iii) Underlying gross margin, adjusted for disposals and shop closures to make all periods from FY12 - FY15 like-for-like
(iv) Cash conversion ratio is defined as free cash flow after exceptional items and before capital expenditure as a percentage of EBITDA
(v) Cash conversion for FY14 has been restated to be consistent with the FY15 presentation; FY14 reported cash conversion was 62%

Our overarching aim over the last three years has been to put the Group on a more stable foundation by sustainably growing profits. Accordingly, we have made good progress on our profit improvement targets, but those targets not directly linked to profit improvement have not been met.

The Group achieved its underlying gross margin improvement target for FY15 one year early, supported by our Cost Out programme, which has consistently exceeded targets. We have also made good progress in growing our UK EBIT margin, coming close to our 5% target for FY15, compared to zero in FY12. In cash conversion, we achieved 75% in FY15, ahead of our target of 70%.

We made good progress in growing New Product revenues from our higher margin own-brand and partner hotels, generating incremental revenue of £543 million between FY12 and FY15 (despite the sales impact of Tunisia). However, we did not meet our £700 million target overall as a result of a strategic decision to sell fewer lower margin City and commodity hotels in order to focus on profits.

Consistent with our previous disclosure, we did not meet our full year sales growth and web penetration targets, as we chose to remove certain low or nil profit business lines in order to focus on profits and to reduce business risk.

The table below shows our Cost Out and Profit performance, compared to our targets.

£m		FY 12	FY 13	FY 14	FY 15	FY 15 Target
UK turnaround		**60**	**124**	**140**	**140**	**140**
Group-wide cost out		**-**	**70**	**260**	**370**	**360**
- Integrated air travel strategy		-	*27*	*100*	*148*	*134*
- Organisational structure		-	*30*	*91*	*118*	*111*
- Product, infrastructure, technology, and other		-	*13*	*69*	*104*	*115*
Total targeted benefits[(i)]		**60**	**194**	**400**	**510**	**500**
Costs to achieve[(ii)]						
- Income statement [(iii)]		36	47	30	24	11
- Cash flow	- Operating expenditure	30	29	33	37	24
	- Capital expenditure	-	8	21	34	31

Notes: (i) Run rate
(ii) One-off costs
(iii) One off costs in the income statement are included in separately disclosed items

Appendix 1 – Audited statutory information with comparatives

Group Income Statement

		Audited Year ended 30 September 2015			Audited Year ended 30 September 2014		
		Underlying	**Separately**	**Total**	Underlying	Separately	Total
	notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	3	**7,834**	**-**	**7,834**	8,588	-	8,588
Cost of providing tourism services		**(6,060)**	**(2)**	**(6,062)**	(6,672)	(50)	(6,722)
Gross profit		**1,774**	**(2)**	**1,772**	1,916	(50)	1,866
Personnel expenses		**(859)**	**(27)**	**(886)**	(913)	(26)	(939)
Depreciation and amortisation		**(174)**	**(1)**	**(175)**	(173)	-	(173)
Net operating expenses		**(431)**	**(47)**	**(478)**	(507)	(126)	(633)
Loss on disposal of assets		**-**	**(13)**	**(13)**	-	(19)	(19)
Impairment of goodwill and amortisation of business	4	**-**	**(9)**	**(9)**	-	(50)	(50)
Profit from operations		**310**	**(99)**	**211**	323	(271)	52
Share of results of associates		**1**	**-**	**1**	2	-	2
Profit on sale of associated undertaking		**-**	**7**	**7**	-	-	-
Finance income	5	**10**	**-**	**10**	10	-	10
Finance costs	5	**(151)**	**(28)**	**(179)**	(153)	(25)	(178)
Profit/ (loss) before tax		**170**	**(120)**	**50**	182	(296)	(114)
Tax	6			**(31)**			(1)
Profit/ (loss) for the year				**19**			(115)
Attributable to:							
Owners of the parent				**23**			(118)
Non-controlling interests				**(4)**			3
				19			(115)
				pence			pence
Basic earnings/ (loss) per share (pence)	7			**1.6**			(8.2)

Thomas Cook Group

Group Statement of Other Comprehensive Income

	Audited Year ended 2015 £m	Audited Year ended 2014 £m
Profit/ (loss) for the year	**19**	(115)
Other comprehensive income and expense		
Items that will not be reclassified to profit or loss		
Actuarial gains/ (losses) on defined benefit pension schemes	**143**	(91)
Tax on actuarial gains/ (losses)	**(18)**	19
Items that may be reclassified subsequently to profit or loss		
Foreign exchange translation losses	**(34)**	(103)
Fair value gains and losses		
Losses deferred for the year	**(223)**	-
Tax on losses deferred for the year	**48**	-
Losses transferred to the income statement	**88**	45
Tax on losses transferred to the income statement	**(24)**	(10)
Total net other comprehensive expense for the year	**(20)**	(140)
Total comprehensive expense for the year	**(1)**	(255)
Attributable to:		
Owners of the parent	**3**	(258)
Non-controlling interests	**(4)**	3
Total comprehensive expense for the year	**(1)**	(255)

Group Cash Flow Statement

	Audited Year ended 2015 £m	Audited Year ended 2014 £m
Profit/ (loss) before tax	**50**	(114)
Adjustments for:		
Net finance costs	**169**	168
Net investment income and share of results of associates	**(1)**	(2)
Depreciation, amortisation and impairment	**184**	233
Loss on disposal of assets	**13**	19
Share-based payments	**1**	4
Profit on sale of associated undertakings	**(7)**	-
Decrease in provisions	**(55)**	(51)
Additional pension contributions	**(28)**	(26)
Interest received	**10**	9
Decrease/ (increase) in working capital:		
Inventories	**-**	(8)
Receivables	**139**	86
Payables	**17**	49
Cash generated from operations	**492**	367
Income taxes paid	**(18)**	(32)
Net cash from operating activities	**474**	335
Dividends received from associates	**-**	2
Proceeds on disposal of subsidiaries (net of cash disposed)	**-**	78
Proceeds on disposal of property, plant and equipment	**3**	2
Purchase of subsidiaries (net of cash acquired)	**-**	(4)
Purchase of tangible assets	**(130)**	(118)
Purchase of intangible assets	**(70)**	(38)
Proceeds from sale of associated undertakings	**17**	-
Net cash used in investing activities	**(180)**	(78)
Dividends paid to non-controlling interests	**(6)**	(4)
Interest paid	**(134)**	(139)
Draw down of borrowings	**561**	125
Repayment of borrowings	**(450)**	(208)
Payment of facility set-up fees	**(18)**	-
Shares purchased by Employee Benefit Trust	**-**	(9)
Net proceeds on the issue of ordinary shares	**92**	1
Repayment of finance lease obligations	**(35)**	(44)
Net cash from/ (used in) financing activities	**10**	(278)
Net increase/ (decrease) in cash and cash equivalents	**304**	(21)
Cash and cash equivalents at beginning of year	**1,017**	1,090
Effect of foreign exchange rate changes	**(35)**	(52)
Cash, cash equivalents and overdrafts at end of year	**1,286**	1,017

Group Balance Sheet

	Audited as at 2015 £m	Audited as at 2014 £m
Non-current assets		
Intangible assets	**2,794**	2,873
Property, plant and equipment		
- aircraft and aircraft spares	**605**	578
- other	**202**	177
Investments in associates	**4**	14
Other investments	**1**	1
Deferred tax assets	**197**	195
Pension asset	**50**	-
Tax assets	**-**	2
Trade and other receivables	**55**	106
Derivative financial instruments	**15**	19
	3,923	3,965
Current assets		
Inventories	**32**	34
Tax assets	**3**	3
Trade and other receivables	**585**	705
Derivative financial instruments	**114**	68
Cash and cash equivalents	**1,301**	1,019
	2,035	1,829
Total assets	**5,958**	5,794
Current liabilities		
Retirement benefit obligations	**(7)**	(1)
Trade and other payables	**(1,979)**	(2,083)
Borrowings	**(219)**	(449)
Obligations under finance leases	**(35)**	(34)
Tax liabilities	**(22)**	(15)
Revenue received in advance	**(1,117)**	(999)
Short-term provisions	**(147)**	(247)
Derivative financial instruments	**(176)**	(66)
	(3,702)	(3,894)
Non-current liabilities		
Retirement benefit obligations	**(322)**	(447)
Trade and other payables	**(79)**	(90)
Long-term borrowings	**(1,038)**	(715)
Obligations under finance leases	**(148)**	(147)
Non-current tax liabilities	**(22)**	(21)
Deferred tax liabilities	**(46)**	(49)
Long-term provisions	**(210)**	(143)
Derivative financial instruments	**(23)**	(3)
	(1,888)	(1,615)
Total liabilities	**(5,590)**	(5,509)
Net assets	**368**	285

Group Balance Sheet continued

Equity	**Audited as at 2015 £m**	Audited as at 2014 £m
Called-up share capital	**69**	69
Share premium account	**524**	435
Merger reserve	**1,547**	1,547
Hedging and translation reserves	**(12)**	133
Capital redemption reserve	**8**	8
Accumulated losses	**(1,778)**	(1,907)
Investment in own shares	**(18)**	(38)
Equity attributable to equity owners of the parent	**340**	247
Non-controlling interests	**28**	38
Total equity	**368**	285

Group Statement of Changes in Equity

The movements in equity for the year ended 30 September 2015 were as follows:

	Share capital & share premium £m	Other reserves £m	Translation & hedging reserve £m	Accumulated losses £m	Attributable to equity holders of parent £m	Non-controlling interests £m	**Total £m**
Opening balance at 1 October 2013	503	1,526	201	(1,721)	509	39	548
Loss for the year	-	-	-	(118)	(118)	3	(115)
Other comprehensive income/(expense) for the year	-	-	(68)	(72)	(140)	-	(140)
Total comprehensive	-	-	(68)	(190)	(258)	3	(255)
Equity credit in respect of share-based	-	-	-	4	4	-	4
Investment in Employee Benefit Trust	-	(9)	-	-	(9)	-	(9)
Issue of shares – exercise of warrants	1	-	-	-	1	-	1
Dividends to non-controlling interests	-	-	-	-	-	(4)	(4)
At 30 September 2014	**504**	**1,517**	**133**	**(1,907)**	**247**	**38**	**285**
Profit for the year	-	-	-	23	23	(4)	**19**
Other comprehensive income/(expense) for the year	-	-	(145)	125	(20)	-	**(20)**
Total comprehensive income/ (expense)	-	-	(145)	148	3	(4)	**(1)**
Equity credit in respect of share-based	-	-	-	1	1	-	**1**
Exercise of shares - Employee Benefit Trust	-	20	-	(20)	-	-	**-**
Issue of shares – Fosun	89	-	-		89	-	**89**
Dividends to non-controlling interests	-	-	-	-	-	(6)	**(6)**
At 30 September 2015	**593**	**1,537**	**(12)**	**(1,778)**	**340**	**28**	**368**

Notes to the Financial Information

1. General information and basis of preparation

The financial information contained in this preliminary announcement, which comprises the Group income statement, Group statement of comprehensive income, Group cash flow statement, Group balance sheet, Group statement of changes in equity and related notes, has been prepared on a going concern basis under the historical cost convention using the accounting policies set out in the 2015 Annual Report unless otherwise stated.

The financial information contained herein does not constitute the statutory accounts of the Group within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 30 September 2015, on which the auditors have given an unqualified opinion are expected to be posted to shareholders in January 2015. Further copies will be available for members of the public on our website at www.thomascookgroup.com, or on application to the Group Company Secretary, Thomas Cook Group plc, 3rd Floor, South Building, 200 Aldersgate, London, EC1A 4HD.

2. Accounting policies

The accounting policies adopted, are consistent with those of the annual financial statements for the year ended 30 September 2015, as described in those annual financial statements.

In the current year, the following new or amended standards have been adopted.

IFRS 10 "Consolidated financial statements" standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements. The amendment did not have an effect on the group financial statements.

IFRS 11 "Joint arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The amendment did not have an effect on the group financial statements.

IFRS 12 "Disclosure of interests in other entities" standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendment did not have an effect on the group financial statements.

IAS 27 (revised) "Separate financial statements". This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment did not have an effect on the group financial statements.

IAS 28 (revised) "Investments in associates and joint ventures" standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment did not have an effect on the group financial statements.

IAS 32 "offsetting financial assets and liabilities" provides clarification on the application of offsetting rules relating to financial assets and financial liabilities. The amendment did not have a significant effect on the group financial statements.

IAS 36 "Impairment of assets" removes certain disclosures of the recoverable amounts of CGUs. The application of these amendments has had no material impact on the disclosures in the group financial statements.

IAS 39 "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. The application of these amendments has not had any material impact on the group financial statements.

IFRIC 21 “Levies”, sets out the accounting for an obligation to pay levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy. The Group is not currently subject to significant levies so the impact on the Group is not material. The application of these amendments has not had any material impact on the group financial statements.

3. Segmental information

For management purposes, the Group is currently organised into four geographic operating divisions: UK, Continental Europe, Northern Europe, and Airlines Germany. These divisions are the basis on which the Group reports its primary segment information. Certain residual businesses and corporate functions are not allocated to these divisions and are shown separately as Corporate.

The reportable segments are consistent with the presentation of information to the Group Chief Executive (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

The primary business of all these operating divisions is the provision of leisure travel services and, accordingly, no separate secondary segmental information is provided.

Segmental information for these activities is presented below.

Year ended 30 September 2015

	UK	Continental Europe	Northern Europe	Airlines Germany	Corporate	**Total**
	£m	£m	£m	£m	£m	**£m**
Revenue						
Segment sales	2,457	3,449	1,057	1,257	-	**8,220**
Inter-segment sales	(54)	(31)	(16)	(285)	-	**(386)**
Total revenue	2,403	3,418	1,041	972	-	**7,834**
Result						
Underlying profit/(loss) from operations	**119**	**71**	**96**	**56**	**(32)**	**310**
Separately Disclosed Items	**(41)**	**(30)**	**(1)**	**(2)**	**(16)**	**(90)**
Impairment of goodwill and amortisation of business combination intangibles	**(7)**	**(2)**	**-**	**-**	**-**	**(9)**
Segment result	**71**	**39**	**95**	**54**	**(48)**	**211**
Share of results of associates						**1**
Profit on sale of associated undertaking						**7**
Finance income						**10**
Finance costs						**(179)**
Profit before tax						**50**
Tax						**(31)**
Profit for the year						**19**

Year ended 30 September 2014

	UK	Continental Europe	Northern Europe	Airlines Germany	Corporate	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Segment sales	2,585	3,958	1,153	1,299	-	8,995
Inter-segment sales	(56)	(26)	(8)	(317)	-	(407)
Total revenue	2,529	3,932	1,145	982	-	8,588
Result						
Underlying profit/(loss) from operations	89	102	101	50	(19)	323
Separately Disclosed Items	(95)	(41)	-	(16)	(69)	(221)
Impairment of goodwill and amortisation of business combination intangibles	(48)	(2)	-	-	-	(50)
Segment result	(54)	59	101	34	(88)	52
Share of results of associates						2
Finance income						10
Finance costs						(178)
Loss before tax						(114)
Tax						(1)
Loss for the year						(115)

Inter-segment sales are charged at prevailing market prices.

4. Separately disclosed items

	2015 £m	* re-presented 2014 £m
Affecting profit from operations		
Reorganisation and restructuring costs	**(52)**	(110)
Reassessment of deferred consideration	**18**	
Impairment of goodwill and valuation reviews	**-**	(57)
Onerous contracts and legal disputes	**(35)**	(79)
Amortisation of business combination intangibles	**(9)**	(9)
Provision for tax dispute resolution	**-**	2
Other	**(21)**	(18)
	(99)	(271)
Affecting income from associates		
Profit on sale of associated undertakings	**7**	-
	7	-
Affecting finance income and costs		
Write off of unamortised bank facility set-up and related costs	**(7)**	-
Net interest cost on defined benefit obligation	**(12)**	(15)
Unwind of discount on non-current liabilities	**(9)**	(10)
	(28)	(25)
Total separately disclosed items	**(120)**	(296)

*£2m of forward points on foreign exchange cash flow hedging contracts has been re-presented from finance costs to cost of providing tourism services and £14m of loss on disposal of assets has been reclassified from restructuring costs to other.

Restructuring costs

Restructuring costs of £52 million include £25m in relation to implementation costs associated with delivering the New Operating Model (NUMO). In addition, there have been Group- wide restructuring costs of £27m.

Reassessment of deferred consideration

In line with IFRS, the Group reassessed the carrying value of a contingent obligation to acquire from the Co-operative Group and Central England Co-operative their shares in the UK retail joint venture. The reassessment resulted in a reduction of £18m to the liability.

Goodwill impairment and asset valuation reviews

The prior year balance relates to pre-disposal goodwill impairment of £41m.

Onerous contracts and legal disputes

During the year the Group has assessed its position in respect of certain onerous contracts and made appropriate adjustments to assets on the balance sheet and made provision for future losses under these contracts. The charge primarily comprises an onerous lease of £9 million. In relation to onerous contracts identified in prior years, the Group has recognised a final £24 million non-cash charge in respect of a UK outsourcing contract that concluded in June 2015.

Amortisation of business combination intangibles

Material business combination intangible assets were acquired as a result of the merger between Thomas Cook AG and MyTravel Group plc and other business combinations made in subsequent years. The amortisation of these intangible assets is significant and the Group's management consider that it should be disclosed separately to enable a full understanding of the Group's results.

Provision for tax dispute resolution

In FY14 there was a release of £2m to a provision held on a sales tax judgement.

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Other

This amount includes loss on the disposal of assets as well as £6m gain from the movement in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance.

Finance related charges

The Group has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £9m on the discounted value of such liabilities is recognised within separately disclosed finance related charges.

During the year £7m of facility fees have been written off.

Interest income and charges arising on the Group's defined benefit pension schemes is £12m.

5. Finance income and costs

	2015	2014
	£m	£m
Underlying finance income		
Income from loans included in financial assets	**1**	1
Other interest and similar income	**9**	9
Underlying finance income	**10**	10
Underlying finance costs		
Bank and bond interest	**(95)**	(89)
Fee amortisation	**(8)**	(9)
Letters of credit	**(15)**	(17)
Other interest payable	**(16)**	(17)
	(134)	(132)
Underlying aircraft related finance costs		
Interest payable	**(3)**	(4)
Finance costs in respect of finance leases	**(14)**	(17)
	(17)	(21)
Underlying finance cost	**(151)**	(153)
Net underlying interest	**(141)**	(143)
Separately disclosed finance costs		
Write off of unamortised bank facility set-up and related costs	**(7)**	-
Net interest cost on defined benefit obligation	**(12)**	(15)
Unwind of discount on non-current liabilities	**(9)**	(10)
	(28)	(25)
Total net interest	**(169)**	(168)

6. Tax

Analysis of tax charge

	2015 £m	2014 £m
Current tax		
Overseas		
corporation tax charge for the year	**29**	23
adjustments in respect of prior periods	**(2)**	(6)
	27	17
Deferred tax		
tax charge/ (credit) for the year	**4**	(16)
	4	(16)
Total tax charge	**31**	1

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on pension schemes and the fair value of derivative financial instruments of £6m has been credited directly to equity (2014: credit of £9m). UK corporation tax is calculated at 20.5% (2014: 22%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £1,935m (2014: £2,340m) are available predominantly in the UK, France and Spain for offset against future profits.

7. Earnings per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 9m shares held by the employee share ownership trusts (2014: 21m).

	2015	2014
Basic and diluted earnings/ (loss) per share	**£m**	£m
Net profit attributable to the owners of the parent	23	(118)
	millions	**millions**
Weighted average number of shares for basic earnings/(loss) per share	1,487	1,440
Weighted average number of shares for diluted earnings/(loss) per share*	1,487	1,464
	pence	**pence**
Basic and diluted earnings/ (loss) per share from continuing operations	1.6	(8.2)
Underlying basic and diluted earnings per share	**£m**	**£m**
Underlying net profit attributable to equity holders of the parent **	132	163
	Pence	**pence**
Underlying basic earnings per share	8.9	11.3
Underlying diluted earnings per share	8.9	11.1

* Awards of shares under the Thomas Cook Performance Share Plan, Buy As You Earn Scheme, Restricted Share Plan and Co-Investment Plan will be satisfied by shares held in trust and therefore are potentially dilutive. The remainder of the share schemes will be satisfied by the purchase of existing shares in the market and will therefore not result in any dilution of earnings per share.

** Underlying net profit attributable to owners of the parent is derived from the continuing pre-exceptional profit before tax for the year ended 30 September 2015 of £170m (2014: 182m) and then deducting a notional tax charge of £42m (2014: £16m), and taking into account non-controlling interests.

8. Provisions

	Aircraft maintenance provisions	Off-market leases	Insurance and litigation	Reorganisation and Restructuring	Other provisions	Total
	£m	£m	£m	£m	£m	£m
At 1 October 2014	**234**	**15**	**90**	**23**	**28**	**390**
Additional provisions in the year	125	6	62	8	10	211
Unused amounts released in the year	(30)	2	(3)	(7)	(2)	(40)
Unwinding of discount	4	1	-	-	-	5
Utilisation of provisions	(87)	(13)	(73)	(17)	(12)	(202)
Exchange differences	(5)	-	(1)	(1)	-	(7)
At 30 September 2015	**241**	**11**	**75**	**6**	**24**	**357**

	2015	2014
	£m	£m
Included in current liabilities	147	247
Included in non-current liabilities	210	143
At 30 September	**357**	**390**

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and ten years. The aircraft maintenance provisions are reassessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spares) or aircraft costs.

Off-market leases relate to leases acquired in previous years through the Resort Mallorca Hotels International S.L.U (Hi!Hotels) acquisition and certain office locations, which have commitments in excess of the market rate at the time of the transaction.

Insurance and litigation represents costs related to legal disputes, customer compensation claims and estimated costs arising through insurance contracts in the Groups subsidiary, White Horse Insurance Ireland Limited. Reorganisation and restructuring plans predominantly represent committed restructuring costs in the UK and Continental segments.

"Other" represents liabilities where there is uncertainty of the timing or amount of the future expenditure required in settlement and includes such items as onerous contracts, dilapidations and emissions trading liabilities. This grouping contains no single amount larger than £6m.