Thomas Cook Group

18 May 2017

Results for the six months ended 31 March 2017

Strategic actions improve performance

£m (unless otherwise stated)[(i)]	6 months ended		Change	Like-for-like change[(iii)]
	31 Mar 2017	31 Mar 2016		
Revenue	2,994	2,672	+322	+77
Underlying[(ii)] Gross Margin %	21.1%	21.7%	-60bps	-40bps
Underlying[(ii)] Loss from Operations (Underlying EBIT)	(177)	(163)	-14	+2
Separately Disclosed EBIT Items	(28)	(41)	+13	+13
Loss from operations (EBIT)	(205)	(204)	-1	+15
Loss for the period	(272)	(283)	+11	+27
Net Debt[(iv)]	(794)	(818)	+24	+34

Notes (i) This table includes non-statutory alternative performance measures – see page 22 for explanation, associated definitions and reconciliations to statutory numbers

(ii) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the on going results of the Group. Separately disclosed items are detailed on pages 16 and 30

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

(iv) See page 22 for definition and breakdown of net debt. 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation and the impact of the Group's bond refinancing – see page 18 for reconciliation

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of the Group's underlying year-on-year progression

Robust demand for holidays driving growth

- Revenue up 3% to £2,994 million, reflecting strong Winter demand to Spain and long-haul destinations
- Gross margin down 40 basis points, mainly due to weaker trading at Condor as previously highlighted
- Seasonal underlying EBIT loss improved by £2 million to £177 million
- Seasonal loss for the period (loss after tax) improved by £27 million to £272 million
- Net debt of £794 million, a £34 million improvement reflecting strong bookings for Summer 2017

Delivering for our customers

- More satisfied customers: Net Promoter Score (NPS) increased by 8 points across the Group
- 24-hour hotel promise rolled out to cover 80% of customers in core sun & beach hotels
- Growing in digital: online bookings up 15% in the UK and 35% in Germany
- Sales of higher margin holidays to own-brand hotels up 10% for the Summer
- Partnership with Webjet on track to improve efficiency in complementary hotels

Trading well for Summer 2017

- Strong customer demand for Greece and smaller European destinations like Cyprus and Bulgaria
- Double-digit growth in bookings from Northern Europe and Continental Europe
- UK managing through more competitive market to Spanish islands
- Improved trading and management actions on track to return Condor to profitability for the full year

Peter Fankhauser, Chief Executive of Thomas Cook, commented:

"Thomas Cook has delivered a good performance in the first six months. The progress we've made on our strategy helped achieve a 3 per cent increase in revenues, with strong customer demand for our holidays despite the competitive environment.

"Importantly, the actions we've taken to improve our holiday offering, managing our portfolio of hotels more tightly for quality, are delivering good results. Our customer satisfaction score increased by eight points compared with the same time last year. I am confident we can increase this further, with the roll out of our successful 24-hour hotel satisfaction promise to 80% of customers in our core sun & beach hotels this summer, and other exciting new initiatives in the pipeline.

"We've also made great progress in developing our own-brand hotels and resorts, which give our customers a unique Thomas Cook experience. We're planning 11 new hotel launches this summer including our new family-friendly Casa Cook in Kos, complete with its own beach club, and our first hotel in Sicily, the Sentido Acacia Marina. We also have a further 11 openings in the pipeline for the next 18 months, including at least two new Casa Cook hotels.

"As we look ahead to the key summer season, we are seeing strong customer demand across most of our markets. Greece continues to be the standout destination for Summer 17 while customers are also seeking out smaller European destinations like Cyprus and Bulgaria, as well as travelling further afield. In contrast, following strong growth last year, bookings to the Spanish Islands have levelled off in a very competitive market.

"I'm also pleased with the progress we've made in our Group airlines business. Bookings are up significantly for the Summer, boosted by the addition of 15 new destinations to our flight programme, further expanding the choice and value we offer our customers. In our German airline, Condor, the actions we've taken after the market disruption of last year have started to come through, and we are confident that Condor will return to profit for the full year.

"Despite continued overcapacity in the airline market and strong competition particularly in our UK business, based on current trading we expect underlying EBIT for the full year to be in line with current market expectations.

"As I look across the Group, I see real momentum behind our strategy for profitable growth. By putting a clear focus on giving customers the very best experience when they holiday with Thomas Cook, and making our operations more efficient, I am confident that we can continue to transform the business and deliver increased value to shareholders."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 9.00 a.m. (BST) at Farmers & Fletchers In the City, 3 Cloth Street, London EC1A 7LD. A live webcast of the presentation will be available via the following link and dial-in:

http://view-w.tv/798-1035-18233/en

United Kingdom: 0808 109 0700
All other locations: +44 20 3003 2666
Call password: Thomas Cook

Forthcoming announcement date

The Group intends to announce its results for the third quarter ended 30 June 2017 on Thursday 27 July 2017.

Enquiries

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FINANCIAL HIGHLIGHTS

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

- Group revenue of £2,994 million increased by 3% (H1 2016: £2,917 million), as growth to Spain and long haul destinations offset lower demand for Turkey. On a headline basis (before adjusting for the impact of foreign exchange translation and the change in Easter timing), Group revenue increased by 12%
- Gross margin declined by 40 basis points to 21.1% (H1 2016: 21.5%), mainly due to weaker trading at Condor, as previously highlighted
- Our seasonal underlying EBIT loss was £177 million, an improvement of £2 million (H1 2016: £179 million loss), after adjusting for currency and a £10 million negative impact from Easter falling in the second half
  - Our UK business continued to improve its performance, achieving an underlying EBIT loss of £114 million (H1 2016: £128 million loss)
  - Continental Europe improved EBIT by £8 million to achieve an underlying loss of £50 million (H1 2016: £58 million loss)
  - Northern Europe's EBIT in the first half was £42 million (H1 2016: £42 million), in line with a record Winter season last year
  - As expected, Condor's losses widened by £19 million to £41 million (H1 2016: £22 million loss), although the year-on-year trend has improved during the period
- Loss from operations improved by £15 million to £205 million (H1 2016: £220 million loss), following a reduction in EBIT separately disclosed items of £13 million. The change in EBIT separately disclosed items is described on page 16
- Loss for the period improved by £27 million to £272 million (H1 2016: £299 million) due to a higher tax credit to recognise the tax effect of seasonal losses in the UK, partly offset by one-off finance charges connected with our successful bond refinancing in December 2016
- Net debt decreased by £34 million (£24 million on a statutory basis) to £794 million (H1 2016: £828 million), reflecting higher bookings for Summer 2017

CURRENT TRADING AND OUTLOOK

Winter 2016/17

Trading for the Winter 2016/17 season closed out in line with our expectations, as set out in our pre-close update on 28 March 2017.

Summer 2017

Our Summer 2017 programme is 61% sold, in line with last year. Bookings for the Group are up 12% compared to this time last year, with stronger demand for most destinations, especially Greece, Cyprus, Bulgaria and Croatia. In recent weeks Egypt has seen a significant increase in bookings, with customers attracted by the quality and value of the destination. Demand for Turkey has also improved recently, with bookings now in line with this time last year.

Following strong growth last year, bookings to the Spanish Islands have levelled off in a very competitive market.

Northern Europe continues to enjoy a very strong summer season with bookings up 10% and average selling prices up 2%, supported by strong demand for our own-brand hotels and differentiated holiday offering, particularly in Greece, Cyprus and the Spanish Islands.

Bookings in Continental Europe are up 15%, with good growth across all of our source markets. We have seen particularly strong volume growth in Germany and Russia. Overall pricing is in line with last year, while margins are slightly below last year's levels.

Having refocused its flying programme towards Greece and other short and long haul destinations, Condor's bookings have grown by 18%. This positive performance also reflects demand in the market for Condor's high-quality and reliable service. Average selling prices have decreased by 4%, in line with our expectations.

As we highlighted previously, our UK business is managing through a more competitive market to the Spanish Islands, focusing on selling higher margin, quality holidays rather than pursuing volume growth. As a result, charter risk pricing is up 8%, while bookings are slightly behind last year. For the UK as a whole, including seat-only and non-risk package holidays, both bookings and average selling prices are up by 2%.

Summer 2017	Year-on-Year Variation %		
	Bookings[(i)]	ASP[(i)]	% Sold[(ii)]
UK	+2%	+2%[(iii)]	61%
Continental Europe	+15%	Flat	66%
Northern Europe	+10%	+2%	68%
Airlines Germany (Condor)	+18%	-4%	58%
Total	**+12%**	**-1%**	**61%**[(iv)]

Based on cumulative bookings to 6th May 2017

Notes:
(i) Risk and non-risk customers
(ii) Risk customers only
(iii) UK average selling price is up 8% for charter risk and down 4% for seat only, resulting in an overall ASP up 2% on a blended basis
(iv) For the tour operator only, the Summer 2017 season is 66% sold, in line with last year

Winter 2017/18

While it remains very early in the booking cycle for next winter, bookings for Winter 2017/18 holidays are 1% higher than this time last year, against a strong comparative period. Overall pricing is up 5%, driven by growth to long-haul winter sun destinations.

Outlook

Trading for the Group overall is progressing in line with our expectations, despite continued overcapacity in the airline market and strong competition particularly in our UK business. Based on our current trading performance, and supported by further financial benefits from implementing our strategy, we continue to expect our full year underlying operating result to be in line with current market expectations.

TRANSFORMING OUR BUSINESS FOR PROFITABLE GROWTH

We continue to make good progress in implementing our strategy for profitable growth, by streamlining our business to focus on a number of key areas that will differentiate us from competitors, and by simplifying our organisational structure in order to deliver increased value to shareholders.

Customer At Our Heart

Our strategy is centred around giving our customers the very best holiday experience, leading them to return to Thomas Cook and to recommend us to others. To help embed this customer ethos throughout the organisation, we've rolled out customer values and behaviours training to more than 13,000 of our people to date. As a direct result of this and other actions we've taken, our Net Promoter Score (NPS), which we use to measure customer satisfaction, increased by 8 points in the first half, compared to the same time last year.

Customer care

A key differentiator of a Thomas Cook holiday is the level of care and reassurance we provide, whether through the advice we give when customers choose their holiday, the service we provide both before and after their holiday, or the support we offer while customers are on holiday.

In order to provide more transparent information to our customers, we have introduced clear links to the latest government travel advice on all our relevant web pages, customer-friendly blogs on key destinations from our Group Head of Welfare, and new training and advice to all retail and customer services staff.

We demonstrated our ability to act quickly to take care of our customers in a crisis in January, when we repatriated 3,500 customers from the Gambia within 48 hours of a change in government advice. By sending in special assistance teams, we ensured the repatriation went as smoothly for our customers as possible.

In response to positive feedback, we've also extended our 24-hour hotel satisfaction promise for Summer 2017, targeting around 80% of our sun and beach hotel customers across more than 2,000 differentiated hotels, up from 1,600 hotels at launch last year. This promise gives customers our commitment to resolve any problems they might have with their hotels within 24 hours.

Customer contact

Building closer relationships with our customers is key to sustained growth. In the last six months, the investment we've made in our websites has delivered growth in online bookings of 15% in the UK and 35% in Germany. We've also fully implemented OneWeb, our international web platform, in Belgium, with the Netherlands to follow shortly, giving a better customer experience based on more efficient technology.

To further improve customer engagement, we've significantly refreshed and expanded our web content, adding over 80,000 images, 1,000 room plans and 130 hotel videos for the Summer. Our websites now host over 325,000 hotel and resort images, and over 1,000 videos, making them a rich source of holiday information and inspiration for our customers.

We continue to reshape our retail store network, closing 46 smaller and less profitable UK "neighbourhood" stores during the first half and taking our UK store count to around 750 at the end of March. We also continued to open a small number of larger, new-concept "discovery" stores in high footfall areas. The Co-Operative Group's forthcoming exit from our retail joint venture allows us to take full control of the network, optimise our geographical presence, and bring all stores under the Thomas Cook brand by November 2018.

We are also taking steps to grow the proportion of sales through own-brand and strategic partner channels in Germany, to help us increase margins and improve the customer experience. By targeting agency sales through new franchise stores, strategic partners and key account distributors, we have signed 41 new agency agreements so far this year, well on the way towards our target of 60 new agencies for the full year.

Holidays

Our hotels

At the heart of our holiday offering is our portfolio of own-brand hotels and resorts, which give customers a unique Thomas Cook experience and achieve higher NPS scores and better margins. Reflecting strong demand, we've grown sales of holidays to own-brand hotels for the summer by 10% so far this year.

We continue to develop our own-brand hotel portfolio, with 11 new hotel launches planned for this Summer, and a further 11 currently in the pipeline over the next 18 months. This year's openings include the 100-room Casa Cook Kos, our second hotel under the Casa Cook brand which we created last year to bring an affordable boutique experience to the beach. Our first Casa Cook hotel, in Rhodes, has proved very popular since it opened last July, generating overwhelmingly positive customer reviews and attracting a new set of customers to Thomas Cook. Other new hotel launches this Summer include four new Sentido hotels, three new Smartline hotels, a Sunconnect and a Sunprime, covering destinations including Sicily, Bulgaria, Croatia, the Canary Islands and the Maldives.

We also offer holidays to a closely managed portfolio of selected partner hotels, where our aim is to streamline the portfolio in order to improve hotel utilisation, strengthen relationships with hoteliers and agree more exclusive terms. For Summer 2017 we will offer around 3,500 differentiated hotels (including own-brand and selected partner hotels), a reduction of around 150 compared to the previous year, and well on the way towards our target of around 3,000 differentiated hotels by Summer 2019.

We are also sharing more of our capacity across the Group, allowing us to maximise margins by allocating capacity where there is most demand. We now share capacity across source markets for 43% of our differentiated hotels, up from just 7% in 2014.

Our airline

Over the last four years we have further centralised our airline operations across the Group into a single business line, in order to achieve significant scale economies and deliver improved service and customer value. Operating principally out of Germany under the Condor brand, and the UK and Scandinavia under the Thomas Cook Airlines brand, our combined airline operations form one of the leading leisure airlines in Europe, serving around 17 million customers annually.

Our airline strategy is to profitably grow our position in the European leisure flights market, by opening new routes particularly to long haul destinations, by leveraging our unique distribution system including via our in-house tour operator channels, and by improving our customer proposition, underpinned by a constant focus on operational efficiency and safety.

We continue to expand in long-haul, with bookings up 5% over the Winter and 9% for the Summer, reflecting growth in demand particularly for the Caribbean and North America. We have also reshaped and grown our short and medium haul programme, with bookings up 10% for the Summer. We've added 15 new destinations for the Summer, including the Portuguese island of Porto Santo, Almeria and Malaga in Spain, and Mykonos in Greece, as well as San Diego, New Orleans and San Francisco in the USA. This brings the total number of destinations we serve globally to 134, flying from 57 departure airports across our source markets.

Around half of our airline's customers are in-house package holiday customers, de-risking our airline proposition by providing visibility on capacity requirements and helping the airline to optimise yields. We are also actively developing our other distribution channels where we are seeing good demand, including via third-party tour operators and our own websites.

In line with the rest of the Group, our airline is focused on delivering an excellent customer experience. Our fleet of 94 aircraft is now entirely new or recently refurbished, and through operational improvements we have reduced delays of 3-hours or more to a level where less than one in 200 of our flights is affected. These and other customer-focused initiatives have improved our airline NPS by 7 points in the first half. Further improvements this year include the introduction of a new in-flight entertainment system which streams music and movies direct to customers' smartphones.

As we've highlighted previously, Condor's financial performance has been impacted over the last year by tough trading conditions. As a result, we have implemented various profit improvement measures, which we expect will return Condor to profitability for the full year. This is further discussed on page 15.

In March we announced that Thomas Cook Belgium intends to widen its existing partnership with Brussels Airlines, giving our Belgian customers an expanded choice of flights and routes, and enabling us to manage our aircraft and personnel more efficiently. Subject to completion of the deal, the operations of Thomas Cook Airlines Belgium will be absorbed into Brussels Airlines from the end of this year.

Services

We increased our revenue from ancillary sales by 14% in the first half, reflecting growing customer demand for more personalised products and services. To meet this demand, we have invested in new systems to better integrate ancillary sales into the booking process, and we have improved the way we present ancillary offers to customers. This has led to growth from in-flight meals and seat selection, extra luggage, travel and booking insurance, and excursions and entertainment while in destination.

In addition, we are building on our trusted heritage in financial services by establishing a new division which will consolidate our existing financial services under one business unit, and roll out new financial services across the Group. Led by Anthony Mooney, formerly Director of Financial Services at Virgin Money, this new division aims to create an innovative holiday money offering, making it easy and rewarding for holiday customers to manage and protect their holiday money.

Partnerships

Our core areas of strategic growth are complemented by a series of partnerships which enable us to streamline our business while tapping into new opportunities for growth.

Complementary hotel sourcing partnership with Webjet

In August 2016 we announced a strategic hotel sourcing partnership with Webjet, a leading online digital services provider. Under the terms of the deal, we are moving the direct contracting for our complementary sun & beach hotels to Webjet, allowing Thomas Cook to focus on its core differentiated holiday offering and to harmonise and simplify IT platforms and business processes across the Group. By the end of June 2017 we expect to have moved well over half of the target hotel contracts to Webjet, in line with our intended timeframe. We are also now able to access Webjet's existing portfolio of 7,000 directly contracted hotels, enabling us to offer more choice to our customers.

Thomas Cook China

Thomas Cook China has expanded rapidly in the first half, already booking more guests so far this year than the whole of 2016. Around 60% of customers are outbound from China, reflecting rapidly growing demand from Chinese consumers for personalised holiday packages to destinations around the world. The remaining 40% travel inbound to China. The venture is also building a strong presence in the travel sports market, offering packages to watch European football teams playing at home, as well as inbound services to football clubs touring China for their summer pre-season. We expect our China business to continue to grow rapidly in the coming years.

Operational efficiencies and streamlined organisational structure

We have a number of efficiency programmes underway both as cross-Group initiatives and in each of our local markets, in order to remain competitive and provide best value for our customers. We've set up horizontal functions in the areas of IT, marketing, and contracting & product, in order to reduce duplication and share best practice across the Group. In Continental Europe, we are streamlining processes and removing duplication to achieve significant savings with a focus on Germany, Belgium and the Netherlands, while in France we are further restructuring support operations in order to improve profitability. We have also started a programme to consolidate finance support across the Group in our new shared service centre in Palma, Mallorca, which we expect to lead to further benefits.

New Operating Model benefits

The New Operating Model is our Group-wide transformation programme through which we manage, and measure the financial benefits from, a number of business change initiatives aimed at implementing our strategy for profitable growth. In the first half, this programme delivered annualised net EBIT benefits of £15 million, mainly from retail and online efficiencies relating to the growth of our web channel, higher ancillaries sales and other overhead savings. This takes the cumulative annualised net EBIT benefits delivered over the 18 months since the programme began to £41 million. We remain on track to deliver a total of £130 million to £150 million of cumulative annualised net EBIT benefits between FY16 and FY19.

Financing progress and dividends

We achieved significant progress in our financing strategy in the first half, extending maturities and reducing interest costs through our bond refinancing. The proceeds of our new €750 million bond, bearing a coupon of 6.25% and maturing in June 2022, enabled us to redeem in full both the outstanding £200 million principal of our £300 million bond due in June 2017, and our entire €525 million bond due in June 2020. The new bond was issued at a coupon 150 basis points lower than the two bonds it replaced. We continue to target a further £200 million reduction of fixed term debt by the end of 2018.

Reflecting the Group's improving financial performance, we recently resumed making dividend payments to shareholders, paying our first dividend for five years in April in respect of FY16 earnings. Our policy is to target a payout ratio of between 20% and 30% of reported net profit each year, as we believe this represents an appropriate balance between debt reduction and providing a return to shareholders. As previously announced, it is not our intention to pay interim dividends for the foreseeable future.

Thomas Cook Group

OPERATING AND FINANCIAL REVIEW

£m (unless otherwise stated)(i)	6 months ended 31 Mar 2017	6 months ended 31 Mar 2016	Change	Like-for-like Change (iii)
Revenue	2,994	2,672	+322	+77
Underlying(ii) Gross profit	633	579	+54	+6
Underlying(ii) Gross Margin (%)	21.1%	21.7%	-60bps	-40bps
Underlying(ii) Operating expenses	(810)	(742)	-68	-4
Underlying(ii) loss from operations (Underlying EBIT)	**(177)**	**(163)**	**-14**	**+2**
Separately Disclosed EBIT Items	(28)	(41)	+13	+13
Loss from operations (EBIT)	**(205)**	**(204)**	**-1**	**+15**
Net finance charges (underlying)	(74)	(73)	-1	-1
Separately disclosed finance charges	(35)	(7)	-28	-28
Loss before tax	**(314)**	**(284)**	**-30**	**-14**
Tax	42	1	+41	+41
Loss for period	**(272)**	**(283)**	**+11**	**+27**
Free cash flow(iv)	(648)	(646)	-2	-2
Net debt(v)	(794)	(818)	+24	+34

Notes (i) This table includes non-statutory alternative performance measures - see page 22 for explanation, associated definitions and reconciliations to statutory numbers

(ii) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the on going results of the Group. Separately disclosed items are detailed on pages 16 and 30

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

(iv) Free cash flow is cash from operating activities less exceptional items, capital expenditure and interest paid. A summary cash flow statement is presented on page 17, and a reconciliation of free cash flow is shown on page 22

(v) See page 22 for definition and breakdown of net debt. 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation and the impact of the Group's bond refinancing – see page 18 for reconciliation

Overview

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of the Group's underlying year-on-year progression

The Group continued to improve its financial performance in the first half, achieving higher revenues, a lower seasonal EBIT loss and reduced net debt, compared to the first half last year.

Group revenue increased by £77 million, or 3%, on a like-for-like basis, and by £322 million, or 12%, on a headline basis (before adjusting for the positive benefits of foreign exchange translation differences), reflecting stronger demand for our holidays particularly to Spain and long-haul destinations. While gross profit increased by £6 million, gross margin decreased by 40 basis points to 21.1%, mainly as a result of weaker trading at Condor.

The Group's underlying EBIT loss improved by £2 million to £177 million, while the Group's loss from operations improved by £15 million to £205 million, as a result of lower EBIT Separately Disclosed Items.

Separately disclosed finance charges increased by £28 million as a result of costs arising from our bond refinancing in December. As a result, Group loss before tax increased by £14 million to £314 million.

Tax for the period was a credit of £42 million, which reflects the recognition of the tax effect of seasonal losses in the UK in the first half of the year. This results in an effective tax rate, based on pre-exceptional loss before tax, of 22.1% for H1 2017 (H1 2016: -1.8%).

Loss for the period improved by £27 million to £272 million due to the higher tax credit, partly offset by one-off finance charges connected with our successful bond refinancing in December 2016.

The seasonal cash outflow of £648 million is £2 million higher than last year, with the business achieving working capital improvements due to stronger Summer bookings, offset by the timing of tax payments and additional one-off financing costs associated with the bond refinancing.

As a consequence of the Group's improved working capital position, and after reflecting non-cash changes such as foreign currency translation, Group net debt reduced to £794 million, £34 million lower on a like-for-like basis than at 31 March 2016.

Like-for-like Analysis

Certain items, such as the normal translational effect of foreign exchange movements, affect the comparability of the Group's financial performance between years. Accordingly, to better represent the Group's underlying year-on-year progression, 'like-for-like' comparisons with H1 2016 are presented in addition to the change in reported numbers.

This year Easter fell in the second half of our financial year, resulting in a shift of holidays taken over Easter into the second half, compared to last year when Easter fell in our first half. The movement in the date of Easter is estimated to have adversely affected H1 2017 revenue and underlying EBIT by £55m and £10m, respectively, compared to last year.

'Like-for-like' adjustments to the Group's H1 2016 results and the resulting year-on-year changes are as follows:

Group	Revenue £m	Underlying Gross Margin %	Underlying Operating Expenses £m	Underlying EBIT £m
H1'16 Reported	**2,672**	**21.7%**	**(742)**	**(163)**
Easter timing	(55)	0.1%	-	(10)
Currency Movements & Other[(i)]	326	(0.5)%	(64)	(6)
Reduced fuel costs	(26)	0.2%	-	-
H1'16 Like-for-like	**2,917**	**21.5%**	**(806)**	**(179)**
H1'17 Reported	**2,994**	**21.1%**	**(810)**	**(177)**
Like-for-like change (£m)	+77	n/a	-4	+2
Like-for-like change (%)	+2.6%	-40bps	-0.5%	+1.1%

Note (i) Other includes alignment of comparatives to reallocate per diem costs associated with airline crew from operating costs to cost of sales

Performance by source market

The Group reports the performance of its principal geographic source markets, as that best represents the Group's integrated operating activities (tour operator and airline) and customer experience in each market. The exception to this is Condor, our German airline, which operates independently of our German tour operator and has a high proportion of third party customers.

Underlying EBIT by source market	UK £m	Continental Europe £m	Northern Europe £m	Condor £m	Corporate £m	Group £m
H1'16 Reported	**(124)**	**(48)**	**40**	**(18)**	**(13)**	**(163)**
Easter timing	(5)	(1)	(1)	(3)	-	(10)
Internal business unit transfer[(i)]	1	(1)	-	-	-	-
Impact of Currency Movements	-	(8)	3	(1)	-	(6)
H1'16 Like-for-like	**(128)**	**(58)**	**42**	**(22)**	**(13)**	**(179)**
H1'17 Reported	**(114)**	**(50)**	**42**	**(41)**	**(14)**	**(177)**
Like-for-like change (£m)	+14	+8	Same	-19	-1	+2
Like-for-like change (%)	+10.9%	+13.8%	Same	-86.4%	-7.7%	+1.1%

Note (i) The trade and assets of our accommodation business, Hotels4U, was transferred from our UK business to our Continental Europe business in August 2016; a like-for-like adjustment has been made to show comparable performance of these two segments

Performance by business line

In addition to the Group's source market reporting, we also provide supplementary information to give a better understanding of the separate financial performance of our tour operator and airline business lines. Although these functions are integrated to varying degrees in each of the Group's source markets, they are now separately reported for certain internal management purposes.

From a commercial perspective, we believe the pricing arrangements between our tour operator and airline businesses represent a reasonable approximation of third party arrangements that our tour operator businesses could secure in the market for an equivalent service.

Underlying EBIT by business line	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
H1'16 Reported	**(93)**	**(57)**	**(13)**	**(163)**
Easter	(4)	(6)	-	(10)
Currency	(3)	(3)	-	(6)
H1'16 Like-for-like	**(100)**	**(66)**	**(13)**	**(179)**
H1'17 Reported	**(81)**	**(82)**	**(14)**	**(177)**
Like-for-like change (£m)	+19	-16	-1	+2
Like-for-like change (%)	+19.0%	-24.2%	-7.7%	+1.1%

Revenue

Group revenue increased by £77 million (2.6%) on a like-for-like basis to £2,994 million, as we have reshaped and expanded our Winter holiday programme to meet changing customer demand. This resulted in the growth of holiday sales to Spain (+£56 million), Greece (+£18 million) and to long haul destinations (+£65 million), which has more than offset lower customer demand for holidays to Turkey (-£80 million).

The main components of the changes in like-for-like revenue are as follows:

	£m	
H1'16 Like-for-like Revenue	**2,917**	
Spain	56	+5%
Greece	18	+36%
Long haul	65	+6%
Other	18	+3%
Turkey	(80)	-41%
H1'17 Revenue	**2,994**	

Underlying Gross Margin

Gross margin of 21.1% is 40 basis points lower than last year, principally reflecting market overcapacity which continued to affect our German Airline, Condor, putting downward pressure on yields.

The relative impact on the Group's gross margin performance form each of our sources markets is set out below.

	%
H1'16 Like-for-like Gross Margin	**21.5**
UK	+0.1
Continental Europe	-0.1
Northern Europe	-0.1
Condor	-0.3
H1'17 Like-for-like Gross Margin	**21.1**

Underlying Operating Expenses / Overheads

Operating expenses before depreciation decreased by £1 million to £699 million as the benefits of efficiency initiatives were offset by inflationary increases to the operating cost base. Depreciation increased by £5 million to £111 million following further investment in our aircraft fleet and IT enhancements.

£m	Six months to 31 Mar 2017	Six months to 31 Mar 2016	Change	Like-for-like Change
Personnel Costs	(446)	(417)	-29	+8
Net Operating Expenses	(253)	(228)	-25	-7
Sub Total	**(699)**	**(645)**	**-54**	**+1**
Depreciation and amortisation	(111)	(97)	-14	-5
Total	**(810)**	**(742)**	**-68**	**-4**

Underlying EBIT

The Group reported an underlying EBIT loss of £177 million in the first half of the year, an improvement of £2m compared to last year.

Net benefits of £15 million were delivered in the first half of the year from the implementation of our New Operating Model, in line with our expectations for the Winter period. This contributed to an improved result in our UK and Continental Europe businesses, where seasonal losses were £14 million and £8 million lower than last year, respectively.

However, profitability in Condor has been affected by market overcapacity and weaker customer demand to certain destinations. As a result, Condor's EBIT loss was £19 million higher than last year, but with an improving trend in the second quarter (Q1 -£13m, Q2 -£6m year-on-year).

EBIT

The Group's statutory EBIT loss of £205 million represents an improvement of £15 million compared to last year due to the improvement in underlying EBIT explained above, together with lower separately disclosed items of £28 million (H1 2016: £41 million) (see page 16).

SEGMENTAL REVIEW

Performance by source market

A summary of the results for each geographical segment is set out below.

£m (unless otherwise stated)	UK	Continental Europe	Northern Europe	Condor	Corporate[(i)]	Group
Revenue	707	1,206	617	609	(145)	2,994
Underlying Gross Margin (%)	23.1%	13.7%	25.8%	23.3%	n/a	21.1%
Underlying EBIT	**(114)**	**(50)**	**42**	**(41)**	**(14)**	**(177)**
Underlying EBIT Change	+10	-2	+2	-23	-1	-14
Like-for-Like Underlying EBIT Change	**+14**	**+8**	**Same**	**-19**	**-1**	**+2**
Departed Customers (000's)	1,671	1,938	700	2,694	(647)	6,356

Note (i) Negative revenue and customers reported in Corporate is a result of inter-segment eliminations

United Kingdom & Ireland

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like(i)	Like-for-Like Change
Revenue	707	700	+7	664	+43
Underlying Gross Margin (%)	23.1%	22.4%	+70bps	22.7%	+40bps
Underlying EBIT	**(114)**	**(124)**	**+10**	**(128)**	**+14**
Departed Customers (000's)	1,671	1,799	-128	1,480	+191

Note (i) The trading assets of our accommodation business, Hotels4U, was transferred from our UK to our Continental Europe business in August 2016; a like-for-like adjustment has been made to show comparable performance

Our UK business traded strongly in the first half, with revenue of £707 million, £43 million (6.5%) higher than last year, reflecting the continued growth of our Winter programme particularly to long haul destinations, and focus on quality. This also benefited gross margins, which improved by 40 basis points.

In addition to revenue and margin growth, operating efficiencies of £10 million were achieved in the first half, primarily relating to lower distribution costs as our customers increasingly book online, allowing us to selectively refine our retail store network.

As a result, the UK reported a seasonal underlying EBIT loss of £114 million for the period, representing an improvement of £14 million (H1 2016: £128 million loss).

As part of our distribution strategy, we have agreed to acquire The Co-operative Group's minority interest in our UK retail joint venture. In connection with this, we paid £32m in dividends to The Co-operative Group and will pay a further £56 million in November 2017.

In common with the rest of the UK package travel industry, we have seen an increase in illness related claims from UK consumers. At a time when customer satisfaction levels are increasing, we believe many of these claims are questionable and are motivated by the actions of certain claims management companies. We are working closely with our hotel partners and the authorities, particularly in Spain, to improve processes in resort and will continue actively to lobby government for changes to legislation in this area.

Continental Europe

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like(i)	Like-for-Like Change
Revenue	1,206	1,036	+170	1,201	+5
Underlying Gross Margin (%)	13.7%	13.8%	-10bps	13.9%	-20bps
Underlying EBIT	**(50)**	**(48)**	**-2**	**(58)**	**+8**
Departed Customers (000's)	1,938	1,885	+53	2,123	-185

Note (i) The trade and assets of our accommodation business, Hotels4U, was transferred from our UK to our Continental Europe business in August 2016; a like-for-like adjustment has been made to show comparable performance

Our Continental European businesses reported revenue of £1,206 million, in line with last year, and an underlying EBIT loss of £50 million, an improvement of £8 million. Revenue and underlying EBIT performance by key source market within Continental Europe is set out below.

Revenue and EBIT by Market

£m	H1’17	H1’16	Change	H1’16 Like-for-Like	Like-for-Like Change
Revenue					
- Central Europe[(i)]	761	653	+108	756	+5
- East/West[(ii)]	321	268	+53	310	+11
- Other[(iii)]	124	115	+9	135	-11
Total	**1,206**	**1,036**	**+170**	**1,201**	**+5**
Underlying EBIT					
- Central Europe[(i)]	7	8	-1	8	-1
- East/West[(ii)]	(42)	(41)	-1	(48)	+6
- Other[(iii)]	(15)	(15)	Same	(18)	+3
Total	**(50)**	**(48)**	**-2**	**(58)**	**+8**

Notes (i) Central Europe includes Germany and Austria
(ii) East/West includes Belgium, Netherlands, France, Russia, Poland, Hungary, and the Czech Republic
(iii) ”Other” includes the head office functions based in Germany, our hotel accommodation businesses based in Switzerland, In-Destination Services, and other support functions

Our Central Europe business has successfully rebalanced capacity in response to changing customer demand, substituting alternative destinations to replace lower demand for Turkey. This has resulted in revenue being maintained at last year’s levels. This strategy has enabled us to increase market share in a competitive market, despite margin pressures, enabling the business to report a result broadly in line with last year. We continue to take steps to improve controlled distribution, including expanding our relationships with distribution partners and growing our online presence. Our new web platform has contributed to a rise in online bookings of 35% so far this financial year, albeit from a low base.

In East/West, we have achieved modest profit improvements in France, Russia and Belgium, while our Dutch business traded in line with last year. Russia has benefited from the resumption of holidays to Turkey which, together with the successful expansion of our domestic Russian business, has resulted in strong sales growth of almost 40%. We have also continued to expand our Winter long haul holidays from France, growing revenue by 6% compared to last year. While customer demand in Belgium was below historical levels, due to the negative impact on customer demand after the Brussels airport attack in March last year, our focus on capacity control, margins and efficiency measures has enabled us to reduce seasonal losses in that market.

Other Continental Europe EBIT performance also benefitted from the ongoing streamlining of our structure, which has resulted in an improvement in profitability of £3 million.

Northern Europe

£m (unless otherwise stated)	H1’17	H1’16	Change	H1’16 Like-for-Like	Like-for-Like Change
Revenue	617	536	+81	583	+34
Underlying Gross Margin (%)	25.8%	26.7%	-90bps	26.4%	-60bps
Underlying EBIT	**42**	**40**	**+2**	**42**	**Same**
Departed Customers (000's)	700	687	+13	687	+13

Our Northern Europe business reported revenue of £617 million, £34 million (5.8%) higher than last year, reflecting the benefits of our expanded range of own-brand hotels and increased focus on ancillary products. Although gross margin was 60 basis points lower following strong Winter trading last year, underlying EBIT was maintained at £42 million.

Revenue growth has been supported by our leading position in the package holiday market in Nordics and the expansion of our dynamic packaging business. During the Winter season, in response to customer demand, we increased sales of holidays to the Canary Islands and Cape Verde, which compensated for lower demand to certain long haul destinations. In addition, we continue to refine and streamline cost structures within the four Nordic source markets and to leverage the competitive strengths of our integrated business model.

Condor (Airlines Germany)

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like	Like-for-Like Change
Revenue	609	546	+63	616	-7
Underlying Gross Margin (%)	23.3%	24.2%	-90bps	24.5%	-120bps
Underlying EBIT	**(41)**	**(18)**	**-23**	**(22)**	**-19**
Departed Customers (000's)	2,694	2,850	-156	2,811	-117

As we previously reported, Condor has been impacted by weak consumer demand, particularly to Turkey where it is a market leader, and by market overcapacity particularly to Spanish destinations.

Revenues of £609 million were £7 million (1.1%) lower than last year as we reduced short haul capacity (especially to Turkey) and continued to expand our flights to long haul destinations. Despite this resilient revenue performance, yield pressures have resulted in a seasonal underlying EBIT loss of £41 million, £19 million higher than last year (H1 2016: £22 million loss). However, the trend in Condor's profitability has improved in the second quarter (Q1: -£13m, Q2: -£6m year-on-year), reflecting the measures we have implemented to respond to market pressures.

We have made good progress on the profit improvement measures that we set out in our results announcement in November 2016, including rerouting capacity and increasing our operational flexibility. We estimate that these measures have delivered benefits of £7 million in the first half of the year and have helped to mitigate competitive pricing pressures in the market.

Corporate

Corporate operating expenses of £14 million were broadly in line with prior year.

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like	Like-for-Like Change
Underlying Operating Expenses	(14)	(13)	-1	(13)	-1
Underlying EBIT	**(14)**	**(13)**	**-1**	**(13)**	**-1**

Performance by Business Line

A review of the financial performance of each of the Group's principal business lines is set out below.

Group Tour Operator business

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like	Like-for-Like Change
Revenue	2,284	2,056	+228	2,264	+20
Underlying Gross Margin (%)	15.0%	15.0%	Flat	14.9%	+10bps
Underlying EBIT	**(81)**	**(93)**	**+12**	**(100)**	**+19**
ASP (£)	723	611	+112	685	+38

Tour operator revenue of £2,284 million was £20 million (0.9%) higher than last year, primarily due to growth in our UK and Nordic businesses. The Group's tour operator businesses generated an underlying EBIT loss of £81 million, an improvement of £19 million (19.0%) compared to last year. Benefits from our New Operating Model have underpinned EBIT growth in our tour operator businesses, especially in the UK and Continental Europe, together with another strong performance from our Nordic business, which reported an EBIT result which was only slightly lower than an exceptionally strong result last year.

Group Airline business

£m (unless otherwise stated)	H1'17	H1'16	Change	H1'16 Like-for-Like	Like-for-Like Change
Segmental Sales[(i)]	1,202	1,098	+104	1,163	+39
Underlying Gross Margin (%)	23.8%	24.3%	-50bps	24.7%	-90bps
Underlying EBIT	**(82)**	**(57)**	**-25**	**(66)**	**-16**
Underlying EBITDAR	**67**	**64**	**+3**	**75**	**-8**
Available Seat Kilometre (ASK) (m)	22,148	21,675	+473	21,675	+473
Seat Load Factor (SLF) (%)	88.6%	88.3%	+0.3%	88.3%	+0.3%
Long Haul Yields per seat (£)	307	291	+16	324	-17
Short Haul Yields per seat (£)	116	108	+8	121	-5

Note (i) Segmental sales in the Airline include inter-segment revenues which totalled £492m in H1'17 (£458m in H1'16 and £482m in H1'16 LfL)

Airline revenue increased by 3.4% to £1,202 million as further expansion of our long haul business from the UK and Germany has offset lower capacity and demand in the short and medium haul sector, particularly in Germany and Belgium.

Overall capacity in Available Seat Kilometres was in line with last year, with a 4% reduction in short and medium haul being compensated by a 5% increase in long haul capacity. The seat load factor improved slightly from 88.3% to 88.6%.

The Group's Airline generated an underlying EBIT loss of £82 million, £16 million higher than in the prior year, impacted by lower profitability in Condor, as set out above. Average yields for long haul and short haul seats fell, by £5 (4.1%) and £17 (5.2%) per seat respectively, on a like-for-like basis.

OTHER FINANCIAL ITEMS

Net Finance Charges

Net finance charges increased by £1 million to £74 million (H1 2016: £73 million) and a detailed analysis is set out Note 5 on page 31. Our new bond issued in December 2016 refinanced a significant part of the Group's debt at a cheaper interest rate, which has further strengthened the Group's balance sheet and extended our debt maturity profile. The reduction of fixed term debt through operating cash flow remains a key priority for the Group, which will facilitate a consequent reduction in finance costs.

Separately Disclosed Items

Net Separately Disclosed Items totalled a charge of £63 million, which is £15 million higher than last year (H1 2016: £48 million), as analysed below.

£m	**H1'17**	**H1'16**
New Operating Model implementation costs	(18)	(20)
Restructuring costs	(9)	(4)
Reassessment of provisions	32	4
Store closures	(16)	(13)
Other	(17)	(8)
EBIT related items	**(28)**	**(41)**
Finance related charges	(35)	(7)
Total	**(63)**	**(48)**
Of which:		
- Cash[(i)]	(57)	(23)
- Non-Cash	(6)	(25)

Note (i) Items classified as "Cash" represent both current year cashflows, and cash effects which are yet to be realised

Further information on Separately Disclosed Items is set out in Note 4 on page 30.

Summary Cash Flow Statement[(i)]

£m	H1'17	H1'16
Underlying EBIT	(177)	(163)
Depreciation	111	97
Underlying EBITDA	**(66)**	**(66)**
Working capital	(335)	(407)
Tax	(30)	(6)
Pensions & other operating	(8)	(6)
Operating Cash flow	**(439)**	**(485)**
Exceptional bond refinancing costs	(10)	-
Exceptional items	(41)	(35)
Capital expenditure (net of disposal proceeds)	(91)	(84)
Net interest paid	(67)	(42)
Free Cash flow	**(648)**	**(646)**
Co-op payment[(ii)]	(32)	(4)
Net Cash flow	**(680)**	**(650)**

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 and the cash effect of separately disclosed items impacting EBIT. Free Cash flow is cash from operating activities less capital expenditure and net interest paid. 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) We have agreed to acquire The Co-operative Group's minority interest in our UK retail joint venture. As part of this arrangement we paid £32m in dividends to The Co-operative Group and we will make a final payment of £56 million by November 2017

The seasonal free cash outflow of £648 million was £2 million higher than last year (H1 2016: £646 million). While the Group's working capital position has improved, reflecting an increased level of Summer bookings and customer deposits, this has been offset by the timing of tax payments in Germany, additional bond refinancing costs and the timing of interest payments.

Current year cash exceptional charges totalling £51 million are analysed as follows:

Exceptional items (£m)	H1'17	H1'16
Cash related exceptionals	(57)	(23)
Of which will be paid in future years	22	-
Prior year cash exceptionals paid in financial year	(13)	(8)
Prior year EU261 (paid in Financial Year)	(3)	(4)
Total cash exceptional items	**(51)**	**(35)**

Note (i) Items classified as "Cash" represent both current year cashflows, and cash effects which are yet to be realised

The Group uses a measure of cash conversion representing the percentage of underlying profit before tax that is converted into free cash flow. On this basis, cash conversion on a last twelve months basis to March 2017 is 36% as summarised below.

Cash conversion (£m)	H1'17 LTM	H1'16 LTM
Underlying EBIT	294	321
Net interest	(141)	(135)
Underlying Profit before tax	**153**	**186**
Free Cash flow[(i)]	56	(51)
Cash conversion	36%	n/m

Note (i) Free cash flow is cash from operating activities less exceptional items, capital expenditure and interest paid

Net Debt

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During the last 6 months, the Group's net debt has fallen from £818 million to £794 million, equivalent to an improvement of £34 million on a like-for-like basis.

	£m
H1'16 Reported	**(818)**
Impact of currency movements	15
Impact of bond refinancing	(25)
H1'16 Like-for-like	**(828)**
H1'17 Reported	**(794)**
Like-for-like change	+34

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

£m	31 Mar. 2017	31 Mar. 2016	Movement	Maturity
2017 GBP Bond	-	(299)	**+299**	June 2017
2020 Euro Bond	-	(415)	**+415**	June 2020
2021 Euro Bond	(342)	(316)	**-26**	June 2021
2022 Euro Bond	(642)	-	**-642**	June 2022
Commercial Paper	(140)	(134)	**-6**	Various
Revolving Credit Facility	(50)	-	**-50**	May 2019
Finance Leases(i)	(167)	(183)	**+16**	Various
Aircraft related borrowings(i)	(47)	(69)	**+22**	Various
Other external debt	(33)	(25)	**-8**	Various
Arrangement fees & other(ii)	18	16	**+2**	n/a
Total Debt	**(1,403)**	**(1,425)**	**+22**	
Cash (net of overdraft)	609	607	**+2**	
Net Debt	**(794)**	**(818)**	**+24**	

Notes (i) Debt specific to the Group's Airline operations totalled £203 million at 31 March 2017 (31 March 2016: £241 million)
(ii) Other includes a fair value adjustment to bonds and associated hedging instruments

The Group's £800 million Committed Facilities comprise a Revolving Credit Facility of £500 million, of which £50 million was drawn at 31 March 2017 (nil at 31 March 2016), and a £300 million bonding and guarantee facility of which £273 million was drawn at 31 March 2017 (31 March 2016: £253 million). These Committed Facilities expire in May 2019.

In December 2016, we issued a new €750 million bond, bearing a coupon of 6.25% and maturing on 15 June 2022. The proceeds of the bond enabled us to redeem in full both the outstanding £200 million principal of our £300 million bond maturing in June 2017, and our entire €525 million bond maturing in June 2020. The new bond was issued at a coupon 150 basis points lower than the two bonds it replaced, helping to enhance our financial and operational flexibility.

Treasury and Cash 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.

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 our liquidity headroom calculation.

Hedging of Fuel and Foreign Exchange

The proportion of our forthcoming requirements for Euros, US Dollars and Jet Fuel that have been hedged are shown in the table below

	Summer 17	Winter 2017/18	Summer 18
Euro	95%	76%	41%
US Dollar	94%	84%	43%
Jet Fuel	90%	98%	51%

As at 30 April 2017

As Jet Fuel is priced in US Dollars, we buy forward the requisite amount of US Dollars from a mix of base currencies. For FY17, we estimate that our net fuel costs will fall by around £30 million compared to FY16.

The Group's policy is not to hedge the translation impact of profits generated outside the UK. If end-April rates for the Euro and Swedish Krona were maintained throughout the remainder of FY17, there would be a negative year-on-year translation impact on EBIT of approximately £11 million.

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

	Average Rate		Period End Rate	
	H1'17	**H1'16**	**H1'17**	**H1'16**
GBP/Euro	1.16	1.34	1.17	1.26
GBP/US Dollar	1.24	1.47	1.25	1.44
GBP/SEK	11.14	12.49	11.14	11.67

Credit Rating

Both Fitch and Standard & Poor's revised the outlook on the Group's 'B' ratings to 'positive' in February 2017, recognising the continuing progress in the transformation of Thomas Cook despite external challenges. Moody's affirmed the B1 rating assigned in May 2016.

Corporate Ratings	At 31 March 2017		At 31 March 2016	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B	Positive	B	Stable
Fitch	B	Positive	B	Stable
Moody's	B1	Stable	B1	Stable

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements that are based on estimates and assumptions and are subject to risks and uncertainties. These forward-looking statements are all statements other than statements of historical facts or statements in the present tense, and can be identified with words such as “aim”, “anticipates”, “aspires”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “hopes”, “may”, “outlook”, “plans”, “potential”, “projects”, “predicts”, “should”, “targets”, “will”, “would”, as well as the negatives of these terms and other words of similar meaning. These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those otherwise expressed.

The forward-looking statements in this document are made based upon our estimates, expectations and beliefs concerning future events affecting the Group and are subject to a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which it will operate, which may prove not to be accurate. We caution that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Undue reliance should therefore not be placed on such forward-looking statements.

Any forward-looking statements contained in this document apply only as at the date of this document and are not intended to give any assurance over future results. Other than in accordance with any legal or regulatory obligations, the Group does not undertake any obligation to update or revise any forward-looking statement after the date on which the forward-looking statement was made, whether as a result of new information, future developments or otherwise.

PRINCIPAL RISKS & UNCERTAINTIES

Management have undertaken a broader review of the principal risks and uncertainties affecting the business activities of the Group.

The assessment indicated that the following risks are of a particular relevance to the likely outturn for September 2017 as their impact could have an immediate effect:

- Due to the nature of its business, the Group will always be exposed to a risk of a health and safety incident that may impact our customers or colleagues together with associated reputational damage.
- A significant decline in customer demand due to the growing threat of terrorist attacks in our key tourist destinations, may lead to decreased revenue.
- Cash generation is insufficient to strategically manage debt repayment and/or dividend payment.
- A decision or a course of action is perceived negatively by the media, investors and/or general public, which in turn impacts the corporate reputation of the Group and its share price.

The potential likelihood and impact of these risks remain broadly unchanged since the September 2016 year-end evaluation was performed.

The following principal risks were identified which could impact the Group beyond September 2017:

- Our transformation initiatives fail to deliver our strategic and operational targets.
- Inability to consistently meet customer expectations may have an adverse impact on Thomas Cook's market share.
- Failure to develop a more diverse product portfolio may have an adverse impact on our ability to improve the customers' experience of Thomas Cook holidays.
- Failure to achieve growth in our digital distribution channel may have an adverse impact on our market share, profitability and future growth.
- Failure to recruit or to retain the right people at the right time will lead to a lack of capability or capacity to enable the implementation of our business strategy.
- IT architecture is unable to support the needs of the business.
- Information security and cyber threats are currently a priority across all industries and remain a key Government agenda item. The Group recognises that we have high risk exposure in this area.
- The decision for the UK to exit the EU has a detrimental impact on the Group's operations.
- Failure to comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates.

The potential likelihood and impact of these risks remain broadly unchanged since the September 2016 year-end evaluation was performed.

In addition, in February 2017, the European Union Competition Commission launched an investigation into the travel industry regarding hotel accommodation agreements. As announced publicly on 3 February 2017, the Group notes the decision by the European Commission to investigate the availability of hotel bookings and pricing between member states. Across the Group's 15 European source markets, Thomas Cook is committed to fair and open competition and will cooperate fully with the Commission through this process.

With the exception of the EU Competition Commission investigation, the outcome of this review has not identified new risks for the Group or changes to the Group's control environment which is more fully described throughout the Directors' Report of the Annual Report & Accounts for the year ended 30 September 2016, a copy of which is available on the Group's corporate website, www.thomascookgroup.com.

APPENDIX 1 – USE OF ALTERNATIVE PERFORMANCE MEASURES

The Directors have adopted a number of alternative performance measures (APM), namely underlying EBIT, net debt, operating cash flow, free cash flow and net cash flow. The Group's results are presented both before and after separately disclosed items. Separately disclosed items are disclosed in note 4 of the consolidated financial statements.

These measures have been used to identify the Group's strategic objectives of 'Underlying EBIT and Underlying EBIT margin growth' and 'Net Debt' reduction, and to monitor performance towards these goals. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The definition of each APM presented in this report, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

Underlying EBIT

This is the headline measure of the Group's performance, and is based on profit from operations before the impact of separately disclosed items. Underlying EBIT provides a measure of the underlying operating performance of the Group and growth in profitability of the operations.

Reconciliation to IFRS measures:

£m	**H1'17**	**H1'16**
Loss from operations	(205)	(204)
Less: Separately disclosed items affecting loss from operations (Note 4)	28	41
Underlying EBIT	**(177)**	**(163)**

Management cash flow statement

The Group uses three non-statutory cash flow measures to manage the business. Operating Cashflow is net cash used in operating activities excluding the cash effect of separately disclosed items. Free Cash flow is cash from operating activities less capital expenditure and interest paid. Net Cashflow is the net decrease in cash and cash equivalents excluding the net movement in borrowings, facility set-up fees and finance lease repayments. These cash flow measures are indicators of the financial management of the business. They reflect the cash generated by the business before and after investing and financing activities and explain changes in the Group's Net Debt position.

Reconciliation to IFRS measures:

£m	**H1'17**	**H1'16**
Underlying EBIT	**(177)**	**(163)**
IFRS depreciation and amortisation	111	97
IFRS share based payments	3	3
IFRS movement in working capital and provisions	(363)	(416)
Add back cash impact of separately disclosed items on working capital	28	9
IFRS Income taxes paid	(30)	(6)
IFRS additional pension contributions	(12)	(11)
Add back non cash impact of separately disclosed items	1	2
Operating Cash Flow	**(439)**	**(485)**
Cash Impact of EBIT separately disclosed items	(41)	(34)
IFRS net cash used in operating activities	**(480)**	**(519)**
IFRS proceeds on disposal of property, plant and equipment	1	1
IFRS Investments in joint ventures & associates	-	(3)
IFRS purchase of tangible assets	(62)	(47)
IFRS purchase of intangible assets	(30)	(33)
IFRS interest paid	(77)	(45)
Free Cash Flow	**(648)**	**(646)**
IFRS dividends paid to non-controlling interests	(32)	(4)
Net Cash Flow	**(680)**	**(650)**
IFRS Draw down of borrowings (1)	904	147
IFRS Repayment of borrowings (1)	(848)	(191)
IFRS Payment of facility set-up fees (1)	(10)	-
IFRS Repayment of finance lease obligation (1)	(20)	(17)
Net decrease in cash and cash equivalents	**(654)**	**(711)**
Cash and cash equivalents net of overdrafts at beginning of year	1,234	1,286
Effect of foreign exchange rate changes	29	32
Cash and cash equivalents net of overdrafts at end of the period	**609**	**607**

(1) These cash flows are Net Debt neutral

Net debt

Net debt comprises bank and other borrowings, finance lease payables and net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings, offset by cash and cash equivalents. Net debt is a measure of how the Group manages its balance sheet and capital structure. A strong balance sheet and efficient capital structure is essential to withstand external market shocks and seize opportunities. Accordingly, reducing net debt and the cost of the debt is a priority for the Group.

Reconciliation to IFRS measures:

£m	**HY17**	**HY16**
Borrowings	(1,245)	(1,256)
Obligations under finance leases	(167)	(184)
Net derivative financial instruments – interest rate swaps (Note 9)	(1)	7
Cash and cash equivalents	619	615
Net Debt	**(794)**	**(818)**

APPENDIX 2 – CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Group Income Statement

		Unaudited Six months ended 31 March 2017			Unaudited restated Six months ended 31 March 2016		
		Underlying results	**Separately disclosed items (note 4)**	**Total**	Underlying results	Separately disclosed items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	3	**2,994**	**-**	**2,994**	2,672	-	2,672
Cost of providing tourism services		**(2,361)**	**-**	**(2,361)**	(2,093)	4	(2,089)
Gross profit		**633**	**-**	**633**	579	4	583
Personnel expenses		**(446)**	**(15)**	**(461)**	(417)	(12)	(429)
Depreciation and amortisation		**(111)**	**-**	**(111)**	(97)	-	(97)
Net operating expenses		**(253)**	**(10)**	**(263)**	(228)	(30)	(258)
Amortisation of business combination intangibles	4	**-**	**(3)**	**(3)**	-	(3)	(3)
Loss from operations	3	**(177)**	**(28)**	**(205)**	(163)	(41)	(204)
Finance income	5	**2**	**-**	**2**	3	-	3
Finance costs	4/5	**(76)**	**(35)**	**(111)**	(76)	(7)	(83)
Loss before tax		**(251)**	**(63)**	**(314)**	(236)	(48)	(284)
Tax	6			**42**			1
Loss for the period				**(272)**			(283)
Attributable to:							
Equity holders of the parent				**(267)**			(265)
Non-controlling interests				**(5)**			(18)
				(272)			(283)
Basic and diluted loss per share (pence)	7			**(17.4)**			(17.3)

The notes on pages 28 to 34 form an integral part of the condensed consolidated interim financial statements.

Thomas Cook Group

Group Statement of Other Comprehensive Income

	Unaudited Six months ended 31 March 2017 £m	Unaudited restated Six months ended 31 March 2016 £m
Loss for the period	**(272)**	(283)
Other comprehensive income/(loss)		
Items that will not be reclassified to the Income Statement		
Actuarial gains/(losses) on defined benefit pension schemes	**54**	(42)
Tax on actuarial gains	**(15)**	8
Items that may be reclassified subsequently to the Income Statement		
Foreign exchange translation (losses)/gains	**(7)**	50
Fair value gains and losses		
Gains/(losses) deferred for the period	**68**	(135)
Tax on gains/(losses) deferred for the period	**(15)**	44
(Gains)/losses/transferred to the income statement	**(34)**	69
Tax on (gains)/losses transferred to the income statement	**(5)**	(19)
Total net other comprehensive income/(loss) for the period	**46**	(25)
Total comprehensive loss for the period	**(226)**	(308)
Attributable to:		
Equity holders of the parent	**(220)**	(290)
Non-controlling interests	**(6)**	(18)
Total comprehensive loss for the period	**(226)**	(308)

The notes on pages 28 to 34 form an integral part of the condensed consolidated interim financial statements.

Group Cash Flow Statement

	Unaudited Six months ended 31 March 2017 £m	Unaudited restated Six months ended 31 March 2016 £m
Loss before tax	**(314)**	(284)
Adjustments for:		
Net finance costs	**109**	80
Net investment income and share of results of joint ventures and associates	**-**	-
Depreciation, amortisation and impairment	**125**	112
Share-based payments	**3**	3
Increase/(decrease) in provisions	**11**	(30)
Additional pension contributions	**(12)**	(11)
Interest received	**2**	3
Decrease/ (increase) in working capital:		
Inventories	**(3)**	(7)
Receivables	**(198)**	(171)
Payables	**(173)**	(208)
Cash used in operations	**(450)**	(513)
Income taxes paid	**(30)**	(6)
Net cash used in operating activities	**(480)**	(519)
Proceeds on disposal of property, plant and equipment	**1**	1
Investment in joint ventures and associates	**-**	(3)
Purchase of tangible assets	**(62)**	(48)
Purchase of intangible assets	**(30)**	(33)
Net cash used in investing activities	**(91)**	(83)
Interest paid	**(77)**	(45)
Dividends paid to non-controlling interests	**(32)**	(4)
Draw down of borrowings	**904**	147
Repayment of borrowings	**(848)**	(190)
Payment of facility set-up fees	**(10)**	-
Repayment of finance lease obligation	**(20)**	(17)
Net cash used in financing activities	**(83)**	(109)
Net decrease in cash and cash equivalents	**(654)**	(711)
Cash and cash equivalents net of overdrafts at beginning of year	**1,234**	1,286
Effect of foreign exchange rate changes	**29**	32
Cash and cash equivalents net of overdrafts at end of the period	**609**	607

The notes on pages 28 to 34 form an integral part of the condensed consolidated interim financial statements.

Thomas Cook Group

Group Balance Sheet

	Notes	**Unaudited as at 31 March 2017 £m**	Unaudited restated as at 31 March 2016 £m	Audited restated as at 30 September 2016 £m
Non-current assets				
Intangible assets		**3,078**	2,924	3,077
Property, plant and equipment				
Aircraft and aircraft spares		**580**	610	627
Other		**229**	210	222
Investment in joint ventures and associates		**7**	8	8
Other investments		**1**	1	1
Deferred tax assets		**261**	246	228
Pension asset		**63**	50	52
Trade and other receivables		**74**	62	58
Derivative financial instruments	9	**4**	15	26
		4,297	4,126	4,299
Current assets				
Inventories		**47**	40	43
Tax assets		**5**	2	4
Trade and other receivables		**811**	768	688
Derivative financial instruments	9	**122**	82	145
Cash and cash equivalents		**619**	615	1,776
		1,604	1,507	2,656
Total assets		**5,901**	5,633	6,955
Current liabilities				
Retirement benefit obligations		**(9)**	(7)	(8)
Trade and other payables		**(1,366)**	(1,274)	(2,177)
Borrowings		**(179)**	(175)	(891)
Obligations under finance leases		**(43)**	(39)	(42)
Tax liabilities		**(60)**	(35)	(40)
Revenue received in advance		**(1,916)**	(1,688)	(1,251)
Short-term provisions	8	**(135)**	(112)	(138)
Derivative financial instruments	9	**(45)**	(230)	(83)
		(3,753)	(3,560)	(4,630)
Non-current liabilities				
Retirement benefit obligations		**(447)**	(378)	(501)
Trade and other payables		**(29)**	(79)	(105)
Long-term borrowings		**(1,066)**	(1,081)	(847)
Obligations under finance leases		**(124)**	(145)	(141)
Non-current tax liabilities		**(6)**	(13)	(31)
Deferred tax liabilities		**(54)**	(51)	(51)
Long-term provisions	8	**(274)**	(237)	(255)
Derivative financial instruments	9	**(12)**	(30)	(3)
		(2,012)	(2,014)	(1,934)
Total liabilities		**(5,765)**	(5,574)	(6,564)
Net assets		**136**	59	391
Equity				
Called-up share capital		**69**	69	69
Share premium account		**524**	524	524
Merger reserve		**1,547**	1,547	1,547
Hedging and translation reserves		**123**	(3)	115
Capital redemption reserve		**8**	8	8
Accumulated losses		**(2,126)**	(2,074)	(1,889)
Treasury shares		**(8)**	(18)	(8)
Equity attributable to equity owners of the parent		**137**	53	366
Non-controlling interests		**(1)**	6	25
Total equity		**136**	59	391

The notes on pages 28 to 34 form an integral part of the condensed consolidated interim financial statements.

Group Statement of Changes in Equity

The unaudited movements in equity for the six months ended 31 March 2017 were as follows:

	Share capital & share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2016*	**593**	**1,547**	**40**	**75**	**(1,885)**	**370**	**21**	**391**
Loss for the period	**-**	**-**	**-**	**-**	**(267)**	**(267)**	**(5)**	**(272)**
Other comprehensive income/(loss) for the period	-	-	14	(6)	39	47	(1)	**46**
Total comprehensive income/(loss) for the period	**-**	**-**	**14**	**(6)**	**(228)**	**(220)**	**(6)**	**(226)**
Equity credit in respect of share- based payments	-	-	-	-	3	3	-	**3**
Dividends paid to non-controlling interest	-	-	-	-	-	-	(32)	**(32)**
Settlement of non-controlling interest	-	-	-	-	(16)	(16)	16	**-**
At 31 March 2017	**593**	**1,547**	**54**	**69**	**(2,126)**	**137**	**(1)**	**136**

*Opening balances have been restated.

The restated unaudited movements in equity for the six months ended 31 March 2016 were as follows:

	Share capital & share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2015	593	1,537	(102)	90	(1,778)	340	28	368
Loss for the period	-	-		-	(265)	(265)	(18)	(283)
Other comprehensive income/(loss) for the period	-	-	(41)	50	(34)	(25)	-	(25)
Total comprehensive income/(loss) for the period	**-**	-	(41)	50	(299)	(290)	(18)	(308)
Equity credit in respect of share-based payments	-	-	-	-	3	3	-	3
Dividends paid to non-controlling interest	-	-	-	-	-	-	(4)	(4)
At 31 March 2016	593	1,537	(143)	140	(2,074)	53	6	59

1. Basis of Preparation

Thomas Cook Group plc. ('the company') and its subsidiaries (together, 'the group') is one of the world's leading leisure travel groups. The company is a public limited liability company limited by shares incorporated, registered and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of its registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD.

The consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, the Listing Rules and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim financial information does not comprise statutory accounts of the Group within the meaning of Section 434(3) and 435(3) of the Companies Act 2006. They should be read in conjunction with the Annual Report for the year ended 30 September 2016 (the 'Annual Report'), which has been prepared in accordance with IFRSs as adopted by the European Union, approved by the Board of Directors on 22 November 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The accounting policies and methods of computation used and presentation of these consolidated interim financial statements are the same as those in the Annual Report.

The consolidated half-yearly financial information has been prepared on a going concern basis. The Directors of the Group have a reasonable expectation that, on the basis of current financial projections and borrowing facilities available, the Group is well positioned to meet its commitments and obligations for at least the next 12 months from the date of this report. Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

The half year report for the six months ended 31 March 2017 was approved by the Directors on 17 May 2017. The half year report has been reviewed, not audited. The auditor's review report is on page 35.

During the year a reassessment of contingent consideration to be settled in the period has been performed. This has resulted in a £4m reduction to the prior year separately disclosed items, within the Income Statement, and corresponding reduction in non-controlling interest. Refer to Note 4 for further details of the reassessment.

2. New or amended standard and interpretations in issue but not yet effective or EU endorsed

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective or EU endorsed:

IFRS 9 'Financial instruments' is effective for periods commencing on or after 1 January 2018 and is applicable to the Group from 1 October 2018. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. The adoption of IFRS 9 is likely to have a significant impact on the Group in future periods, specifically in relation to the impairment charge recognised on financial asset balances. The Group is assessing the impact of IFRS 9. This is expected to impact the measurement and disclosures of financial instruments.

IFRS 15 'Revenues from Contracts with Customers' is effective for periods commencing 1 January 2018 and is applicable to the Group from 1 October 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group is assessing the impact of IFRS 15.

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019 and is applicable to the Group from 1 October 2019 subject to endorsement by the EU. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The leasing standard is expected to have a material impact on net debt, gross assets, profit from operations and interest. The Group await the result of on going HMRC consultation to understand the impact on taxes.

3. Segmental information

For management purposes, the Group is organised into four geographic based operating divisions: UK, Continental Europe, Northern Europe, and Condor.

These divisions are the basis on which the Group reports its segment information. Certain residual businesses and corporate functions are not allocated to these divisions and are shown separately as Corporate.

These reportable segments are consistent with how information is presented 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.

3. Segmental information (continued)

Segmental information for these activities is presented below:

	UK £m	Continental Europe £m	Northern Europe £m	Condor £m	Corporate £m	Total £m
Unaudited six months ended 31 March 2017						
Revenue						
Segment sales	**707**	**1,206**	**617**	**609**	**-**	**3,139**
Inter-segment sales	**(29)**	**(8)**	**(9)**	**(99)**	**-**	**(145)**
Total revenue	**678**	**1,198**	**608**	**510**	**-**	**2,994**
Result						
Underlying (loss)/profit from operations	**(114)**	**(50)**	**42**	**(41)**	**(14)**	**(177)**
Separately disclosed items	**(4)**	**(19)**	**(1)**	**-**	**(4)**	**(28)**
Segment result	**(118)**	**(69)**	**41**	**(41)**	**(18)**	**(205)**
Finance income						**2**
Finance costs						**(111)**
Loss before tax						**(314)**
Tax						**42**
Loss for the period						**(272)**
Balance sheet						
Assets						
Segment assets	**3,559**	**3,623**	**1,670**	**1,362**	**7,706**	**17,920**
Inter-segment eliminations						**(12,292)**
						5,628
Investments in joint ventures and associates						**7**
Tax and deferred tax assets						**266**
Total assets						**5,901**
Liabilities						
Segment liabilities	**(3,795)**	**(2,018)**	**(870)**	**(1,017)**	**(8,112)**	**(15,812)**
Inter-segment eliminations						**11,579**
						(4,233)
Tax and deferred tax liabilities						**(120)**
Borrowings and obligations under finance leases						**(1,412)**
Total liabilities						**(5,765)**

	UK £m	Continental Europe £m	Northern Europe £m	Condor £m	Corporate £m	Total £m
Unaudited six months ended 31 March 2016						
Revenue						
Segment sales	700	1,036	536	546	-	2,818
Inter-segment sales	(28)	(9)	(7)	(102)	-	(146)
Total revenue	672	1,027	529	444	-	2,672
Result						
Underlying (loss)/profit from operations	(124)	(48)	40	(18)	(13)	(163)
Separately disclosed items	(24)	(14)	3	3	(9)	(41)
Segment result	(148)	(62)	43	(15)	(22)	(204)
Finance income						3
Finance costs						(83)
Loss before tax						(284)
Tax						1
Loss for the period						(283)

3. Segmental information (continued)

	UK £m	Continental Europe £m	Northern Europe £m	Condor £m	Corporate £m	Total £m
Balance sheet						
Assets						
Segment assets	3,278	3,403	1,557	1,310	8,195	17,743
Inter-segment eliminations						(12,366)
						5,377
Investments in joint ventures and associates						8
Tax and deferred tax assets						248
Total assets						5,633
Liabilities						
Segment liabilities	(3,615)	(2,067)	(903)	(1,090)	(8,143)	(15,818)
Inter-segment eliminations						11,783
						(4,035)
Tax and deferred tax liabilities						(99)
Borrowings and obligations under finance leases						(1,440)
Total liabilities						(5,574)

4. Separately disclosed items

	Unaudited Six months ended 31 March 2017 £m	Re-presented Unaudited Six months ended 31 March 2016 £m
Affecting profit from operations		
New Operating Model implementation costs	**(18)**	(20)
Restructuring costs	**(9)**	(4)
Onerous leases and store closures	**(16)**	(13)
Amortisation of business combination intangibles	**(3)**	(3)
Reassessment of contingent consideration	**32**	4
Asset valuation reviews	**(11)**	(11)
Other	**(3)**	6
	(28)	(41)
Affecting finance income and costs		
Net interest cost on bond refinancing	**(23)**	-
Net interest cost on defined benefit obligation	**(3)**	(3)
Unwind of discount on provisions and other non-current liabilities	**(9)**	(4)
	(35)	(7)
Total separately disclosed items	**(63)**	(48)

New Operating Model implementation and restructuring costs

Implementation costs relating to the New Operating Model total £18m (2016: £20m) and relate to the pillars of efficiencies and omni channel. Restructuring costs of £9m (2016: £4m) largely relate to legacy rationalisation in the UK and France.

Onerous contracts and store closures

Onerous contracts and store closures include £10m in relation to a provision associated with the leases of loss-making UK stores. The provision follows the results of continued strategic reviews of the UK store network as part of the New Operating Model and the transaction with The Co-operative Group discussed below. In addition, £6m of costs have been incurred from closing various stores in UK.

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. Group management considers that amortisation of these assets should be disclosed separately to enable a full understanding of the Group's results.

Reassessment of contingent consideration

In December 2016, the Group announced its intention to acquire full control of its UK retail store network, following notification by The Co-operative Group ('the Co-op') of the decision to exercise its option over its stake in their UK retail joint venture. In line with the requirements of IFRS, the Group has reassessed the carrying value of a contingent obligation to acquire the Co-op shares and this reassessment resulted in a reduction of £32m to the liability previously accrued. As part of the reassessment it was noted that a payment of £4m was made in the prior period which has been restated in the comparatives above (refer to Note 1).

Asset revaluation reviews

Asset valuation reviews of £11m primarily relate to impairments of property, fixtures and fittings of closed UK stores and IT assets in the UK no longer required as part of the implementation of the New Operating Model.

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 provisions is recognised within separately disclosed finance related charges. In addition, the Group incurred an interest charge of £23m as a result of issuing a new Euro bond in December 2016 which refinanced the Group's debt at a lower interest rate, while net interest charges arising on the Group's defined benefit pension schemes were £3m.

5. Finance income and costs

	Unaudited Six months ended 31 March 2017 £m	Unaudited Six months ended 31 March 2016 £m
Underlying finance income		
Other interest and similar income	**2**	3
	2	3
Underlying finance costs		
Bank and bond interest	**(42)**	(43)
Fee amortisation	**(4)**	(3)
Letters of credit	**(9)**	(8)
Other interest payable	**(12)**	(14)
	(67)	(68)
Underlying aircraft related finance costs		
Interest payable	**(1)**	(1)
Finance costs in respect of finance leases	**(8)**	(7)
	(9)	(8)
Net underlying interest	**(74)**	(73)
Separately disclosed finance costs (note 4)		
Bond refinancing costs	**(23)**	-
Net interest cost on defined benefit obligation	**(3)**	(3)
Unwind of discount on provisions and other non-current liabilities	**(9)**	(4)
	(35)	(7)
Total net finance costs	**(109)**	(80)

6. Income taxes

Income tax is recognised based on our best estimate of the average annual effective income tax rate for each material tax jurisdiction and applied individually to the interim period pre-tax income of that jurisdiction. The effect of adjustments to tax provisions made in respect of separately disclosed items is excluded from the estimate of the average annual effective income tax rate.

The tax rate on our overall IFRS results for the six months to 31 March 2017 is 13.41% (31 March 2016: 0.41%). The tax rate on pre-exceptional continuing operations for the six months to 31 March 2017 is 22.12% (tax rate for the six months to 31 March 2016 was -1.81%).

7. Loss per share

The calculations for loss per share, based on the weighted average number of shares, are shown in the table below.

	Unaudited Six months ended 31 March 2017	Re-presented Unaudited Six months ended 31 March 2016
Basic and diluted loss per share	**£m**	£m
Net loss attributable to owners of the parent	**(267)**	(265)
	Millions	Millions
Weighted average number of shares for basic loss per share	**1,532**	1,529
Effect of dilutive potential ordinary shares	**-**	-
Weighted average number of shares for diluted loss per share	**1,532**	1,529
	Pence	Pence
Basic and diluted loss per share	**(17.4)**	(17.3)
Underlying basic and diluted loss per share		
Underlying net loss attributable to owners of the parent *	**(202)**	(221)
	Pence	Pence
Underlying basic and diluted loss per share	**(13.2)**	(14.5)

* Underlying net loss attributable to owners of the parent is derived from the Group's continuing pre-exceptional loss before tax for the six month period ended 31 March 2017 of £251m (2016: £236m) and then adding a notional tax credit of £44m (2016: deducting a notional tax charge of £3m), and taking into account losses attributable to non-controlling interest of £5m (2016: £18m).

In accordance with IAS 33 'Earnings per share', the calculation of basic and diluted loss per share has not included items that are anti-dilutive.

8. Provisions

	Aircraft maintenance provisions	Off-market leases	Onerous leases and store closures*	Insurance and litigation	Reorganisation and restructuring plans*	Other provisions*	Total
	£m	£m	£m	£m	£m	£m	**£m**
At 1 October 2016	**284**	**5**	**10**	**71**	**-**	**23**	**393**
Additional provisions	34	-	16	24	4	12	**90**
Unused amounts released	(17)	-	-	(2)	(1)	-	**(20)**
Unwinding of discount	6	-	-	-	-	-	**6**
Utilisation of provisions	(2)	(1)	(6)	(45)	(3)	(9)	**(66)**
Exchange differences	6	-	-	-	-	-	**6**
At 31 March 2017	**311**	**4**	**20**	**48**	**-**	**26**	**409**

	Unaudited as at 31 March 2017 £m
Included in current liabilities	112
Included in non-current liabilities	237
	409

* To aid user understanding, presentation of provisions has been changed to show a new provision class of onerous leases and store closures, which were previously presented within reorganisation and restructuring plans and other provisions. The opening provision amount of £10m at 1 October 2016 was previously disclosed in other provisions of £7m and reorganisation and restructuring plans of £3m.

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 re-assessed 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 through the Resorts Mallorca Hotels International S.L.U. (Hi!Hotels) acquisition in the past and certain office locations which have commitments in excess of the market rate at the time of transaction.

Onerous lease and store closure provisions relate to leases on loss making stores and stores which have closed during the period in the UK. The £16m charge for the period has been classified as a Separately Disclosed Item within Note 4.

Insurance and litigation represents costs related to legal disputes, customer compensation claims (including EU261) and estimated costs arising through insurance contracts in the Groups subsidiary, White Horse Insurance Ireland DAC.

Reorganisation and restructuring plans represent committed restructuring costs in the UK and Continental Europe segments.

Other provisions included items such as dilapidations and emission trading liabilities.

9. Financial risk management and financial instruments

i) Financial risk factors

The Group is subject to risks related to changes in interest rate, exchange rates, fuel prices, counterparty credit and liquidity within the framework of its business operations.

A full description of the Group's exposure to the above risks and the Group's policies and processes that are in place to manage the risks arising, is included in financial risks note (note 22) in the 2016 Annual Report & Accounts financial statements. There has been no significant changes in the nature of the financial risks to which the Group is exposed, or the Group's policies and processes to manage these risks, since 1 October 2016.

ii) Fair value estimation

Fair value hierarchy
The fair value of the Group's financial instruments are disclosed in hierarchy levels depending on the valuation method applied.

The different methods are defined as follows:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments

Level 2: derived using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments is determined by discounting expected cash flows at prevailing interest rates.

Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data

9. Financial risk management and financial instruments (continued)

The fair value of the Group's financial assets and liabilities at 31 March 2017 are set out below:

	Unaudited as at 31 March 2017 £m	Audited as at 30 September 2016 £m
Level 2 valuations		
Derivative financial instruments - assets		
Currency contracts	**99**	131
Fuel contracts	**27**	24
Interest rate swaps	**-**	16
	126	171
Derivative financial instruments - liabilities		
Currency contracts	**(38)**	(35)
Fuel contracts	**(18)**	(51)
Interest rate swaps	**(1)**	-
	(57)	(86)
Level 3 valuations		
Derivative financial instruments - liabilities		
Contingent consideration	**-**	(79)
	69	6

The Group uses derivative financial instruments to hedge significant future transactions and cash flows denominated in foreign currencies. The Group enters into foreign currency forward contracts, swaps and options in the management of its exchange rate exposures.

The Group also uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) and net purchased options in the management of its fuel price exposures. All fuel hedges are designated as cashflow hedges.

In addition, the Group uses derivative financial instruments to manage its interest rate exposures. The Group enters into interest rate swaps to hedge against interest rate movements in connection with the financing of aircraft and other assets and to hedge against interest rate exposures on fixed rate debt. The Group also enters into cross currency interest rate swaps to hedge the interest rate and the currency exposure on foreign currency external borrowings.

There were no transfers between Levels 1 and 2 during the period.

In December 2016, the Group announced its intention to acquire full control of its UK retail store network, following notification by The Co-operative Group of the decision to exercise its option over its stake in their UK retail joint venture. The Group's contingent consideration is now fixed, therefore is no longer classified as a Level 3 financial liability.

There were no other Level 3 financial assets or liabilities as at 31 March 2017.

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures, associates and participations are disclosed below.

Trading transactions
During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Joint ventures, associates and participations*		
	Unaudited 31 March 2017 £m	Unaudited 31 March 2016 £m	Audited 30 September 2016 £m
Sale of goods and services	**2**	2	5
Purchases of goods and services	**(1)**	(1)	(3)
Other income	**-**	-	1
Amounts owed by related parties	**2**	1	1
Amounts owed to related parties	**(1)**	(1)	(1)

*Participations are equity investments where the Group has significant equity participation but which are not considered to be associates.

Outstanding amounts will normally be settled by cash payment.

11. Seasonality and Foreign Exchange

Revenue is subject to significant seasonal fluctuations between Winter and Summer seasons, with peak demand in the Summer season. The Group partially mitigates this seasonal impact through operating in different global holiday markets which have different annual cycles and offering a broad range of holiday products in both the Winter and Summer seasons.

The following exchange rates against Sterling for our major functional currencies are the average of those used to translate the results of the current and prior year periods.

Income Statement	**31 March 2017**	**31 March 2016**
Euro	**1.16**	1.34
SEK	**11.14**	12.49
USD	**1.24**	1.47

As profits and losses in foreign currency denominated segments build up differently over the period, the average income statement translation rates may vary.

The following exchange rates against Sterling for our major functional currencies are the average of those used to translate the balance sheet at the current and prior period end.

Balance Sheet	**31 March 2017**	**30 September 2016**	**31 March 2016**
Euro	**1.17**	1.16	1.26
SEK	**11.14**	11.17	11.67
USD	**1.25**	1.30	1.44

12. Contingent liabilities

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, all of which arise in the ordinary course of business.

In the ordinary course of its business, the Group is subject to commercial disputes and litigation including customer claims, employee disputes, taxes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. These are not expected to have a material impact on the financial position of the Group.

Responsibility Statements

The directors confirm, to the best of their knowledge, that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

A list of current directors is maintained on the Thomas Cook Group plc. website: www.thomascookgroup.com.

By order of the Board

Michael Healy
Group Chief Financial Officer

17 May 2017

INDEPENDENT REVIEW REPORT TO THOMAS COOK GROUP PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 which comprises a Condensed Consolidated Interim Income Statement, a Condensed Consolidated Interim Statement of Other Comprehensive Income, a Condensed Consolidated Interim Balance Sheet, a Condensed Consolidated Interim Statement of Changes in Equity, a Condensed Consolidated Interim Statement of Cash Flows and the related explanatory notes 1 to 12. 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 set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

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 set of financial statements 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 set of financial statements in the half-yearly financial report based on our review.

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 set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 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.

Ernst & Young LLP
London
17 May 2017