Thomas Cook Group

22 November 2017

Audited results for the year ended 30 September 2017

Customer-focused strategy delivers profitable growth

£m (unless otherwise stated)[i]	12 months ended		Change	Like-for-like change[iii]
	30 Sept 2017	**30 Sept 2016 (restated)**[ii]		
Revenue	9,007	7,810	+1,197	+722
Underlying[iv] Gross Profit	1,995	1,829	+166	+56
Underlying[iv] Gross Margin %	22.1%	23.4%	-130bps	-130bps
Underlying[iv] Profit from Operations (Underlying EBIT)	330	302	+28	+24
Profit from operations (EBIT)	231	197	+34	+30
Profit after tax	12	1	+11	+7
Basic EPS	0.8p	0.3p	+0.5p	
Underlying[iv] EPS	9.3p	8.1p	+1.2p	
DPS	0.6p	0.5p	+0.1p	
Net Debt [v]	(40)	(129)	+89	+122

Notes (i) This table includes non-statutory alternative performance measures – see page 23 for explanation, associated definitions and reconciliations to statutory numbers

(ii) As part of the preparation of the FY17 Group financial statements, management identified several non-cash adjustments which have been applied to the Group's financial statements for FY16. Further details of the restatement can be found on page 36

(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 12

(iv) '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 17 and 32

(v) See page 24 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 20 for reconciliation

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

Good financial progress

- Group revenue of £9,007 million, up 9% on a like-for-like basis (adjusted for foreign exchange)
- Underlying EBIT up £24 million to £330 million
- Strong recovery at Condor; increased profits in Continental Europe and Northern Europe
- UK margins lower after four consecutive years of profit growth
- Profit after tax of £12 million; recommended dividend of 0.6 pence per share
- Net debt reduced by £122 million to £40 million, reflecting higher free cash flow generation
- New financing arrangements to 2022, providing greater liquidity and flexibility to invest in growth

Customer focus leading to more satisfied customers and higher loyalty

- Net Promoter Score up 4 points year-on-year, and 9 points since customer initiative launched in 2015
- Growth in repeat bookings since 2015 of 51% to own-brand hotels and 15% to differentiated hotels

Creating further opportunities for profitable growth

- Accelerating growth of own-brand hotel portfolio through LMEY partnership
- Cutting complexity and expanding customer choice through strategic alliance with Expedia
- Reinvigorating financial services offer with launch of Thomas Cook Money
- Growing Thomas Cook China – tenfold growth in customers targeted in 2018
- Improving digital customer proposition with web bookings up 18%
- New Operating Model delivering financial benefits as planned; target increased by £30 million to FY20

Peter Fankhauser, Chief Executive of Thomas Cook said:

"2017 was a milestone year in the strategic development of Thomas Cook. By delivering what we promised on strategy, we've inspired more customers to choose our holidays for their hard-earned weeks in the sun, while at the same time transforming the scale of the opportunity ahead for the Group.

"We now see that the deliberate decision we made to put the customer back at the heart of our business is bearing fruit. Customers' satisfaction with our holidays has increased strongly for a second consecutive year, growing in all of our main markets. I'm particularly pleased by the number of new customers we've won this year, showing us that we're getting more people to look again at what we offer – and that more of our existing customers are recommending our holidays to family and friends.

"Increased customer demand delivered a 9 per cent growth in revenues in the year. Combined with the successful turnaround of our German airline division, Condor, this led to an underlying operating profit of £330 million, an 8 per cent increase year on year. The strong performance of our Group Airline in what has been a difficult year for European aviation is a particularly encouraging sign of our progress. In our tour operating business, Continental Europe grew strongly while our Nordic division enjoyed another excellent year. After four consecutive years of profit growth, margins in our UK business declined due to a more competitive market environment, especially for holidays to Spain.

"The actions we have taken in the last 12 months take us significantly further forward in our strategy for profitable growth. The strategic alliance we signed with Expedia will transform the way we work, enabling us to offer a much greater choice of hotels to Thomas Cook customers at lower cost and complexity to us. Meanwhile, the partnership with LMEY strengthens our own-brand hotel portfolio and reinforces our focus on a more streamlined portfolio of hotels where we can give customers the very best experience.

"I am also excited by the growth opportunities we have in our fledgling business in China, as well as in financial services with the launch of Thomas Cook Money. In a very short space of time, Anth Mooney and his team have developed a really innovative set of financial products that I believe will make customers think again about what we can offer – and help us reclaim our position as number 1 for holiday money.

"Looking to the year ahead, we can see real momentum in our Group Airline, and expect our Continental Europe and Northern Europe tour operator businesses to continue their good performance. While conditions are challenging in the UK, we have implemented a set of actions to improve performance. Overall, based on current trading, I believe that we are well-positioned to achieve a full year operating result in line with market expectations."

Presentation to equity analysts

A presentation will be held for equity analysts and investors today at 0900 GMT 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/798-1035-18667/en

United Kingdom: 0808 109 0700
All other locations: +44 (0) 20 3003 2666
Call Password: Thomas Cook

Forthcoming announcement dates

The Group intends to announce a first quarter trading update on 8 February 2018.

Enquiries

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Thomas Cook Group

NEW SEGMENTAL REPORTING

We have previously presented our results split by geographical market, reflecting the vertically integrated nature of our tour operator and airline businesses in each market, with the exception of Germany where we have reported Condor separately to reflect its status as a standalone airline. However, over recent years our airlines have been brought together under common leadership and our tour operating businesses have increasingly been managed as a single business unit. We have therefore changed the way we report to represent better the Group's present structure and activities: i) tour operations and associated activities, ii) airline-related services, and iii) corporate functions.

The Group's performance for FY17 is described below with reference to the new structure. For comparative purposes, we also provide selected information based on our previous reporting structure – see "Winter trading based on previous reporting structure" on page 5, and "Performance by geographical market" on page 12, below.

FINANCIAL HIGHLIGHTS

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

- Group revenue increased by 9% to £9,007 million (FY16: £8,285 million), reflecting strong customer demand for our holiday and flight offering
- Gross profit grew by £56 million to £1,995 million (FY16: £1,939 million), with gross margin lower by 130 basis points reflecting a more competitive market in holidays to Spain, and a mix effect from higher sales in our Russian business which has a structurally lower gross margin than our other businesses
- Underlying EBIT improved by £24 million to £330 million (FY16: £306 million), resulting in an underlying EBIT margin for the Group of 3.7% (FY16: 3.7%)
  - Group Tour Operator underlying EBIT decreased by 2% (£5 million) to £250 million, with a strong performance in Continental Europe and Northern Europe offset by lower margins in the UK
  - Group Airline underlying EBIT increased by 42% (£34 million) to £115 million, due mainly to the successful turnaround of Condor which improved profits by £24 million during the year
  - Corporate costs grew by £5 million to £35 million, reflecting a higher level of corporate activity
- EBIT Separately Disclosed Items decreased to £99 million (FY16: £105 million)
- Profit after tax improved to £12 million (FY16: £5 million), including higher separately disclosed finance charges of £41 million (FY16: £23 million) as a result of our bond refinancing in December 2016
- Net debt of £40 million (FY16: £162 million on a like-for-like basis), representing an improvement of £122 million as a result of higher cash flows
- We have entered into new financing arrangements totalling £975 million, providing us with better terms and increased liquidity to finance the Group's working capital requirements more efficiently, and giving us greater flexibility to deliver our strategy for profitable growth
- Reflecting our progress in FY17 and confidence in the future as we deliver our strategy, the Board is recommending a dividend of 0.6 pence per share, a 20% increase on the dividend paid last year

CURRENT TRADING AND OUTLOOK

Summer 2017

Our summer programme ended in October with no significant changes to the trading environment since our pre-close announcement on 26 September 2017.

Winter 2017/18 based on new reporting structure

Winter trading for the Group is in line with our expectations, with 58% of the programme sold, in line with last year. Total bookings are up 5%, supported by continuing demand for the Canaries and a strong recovery in demand for Egypt. Average selling prices are up by 2%.

For the Group Tour Operator as a whole, bookings and average selling prices are both up by 3%. The programme is 69% sold which is 2% ahead of last year.

In the UK, bookings are up 1% against a strong comparator, with good growth to Turkey and Egypt. Pricing is up 4%, largely reflecting bed cost inflation in our biggest winter destination, the Canaries.

In Continental Europe, bookings are 3% ahead with pricing 1% up on last year. Volume growth has been supported by a strong start to the winter season in Russia and France, while in Germany bookings are up 2% despite continued soft demand for Turkey due to political tensions.

Northern Europe has started the winter season strongly, with bookings up 7% and average selling prices up 6%. We continue to see strong demand for the Canaries, Cyprus and Cape Verde.

For the Group Airline, bookings to short and medium haul destinations are up by 9%, largely due to growth in demand for Egypt. Long-haul bookings are unchanged from last year, with growth to North America offset by the impact of Hurricane Irma in the Caribbean. Pricing to most destinations is strong; however, average selling prices are down 1% due to the change in mix from long to short and medium-haul flying.

Winter 2017/18	Year-on-Year Variation %		
	Bookings(i)	ASP(i)	% Sold(ii)
UK	+1%	+4%	60%
Continental Europe	+3%	+1%	70%
Northern Europe	+7%	+6%	75%
Group Tour Operator	**+3%**	**+3%**	**69%**
Short & Medium Haul	+9%	+5%	55%
Long Haul	Same	+1%	62%
Group Airline(iii)	**+6%**	**-1%**	**57%**
Total Group	**+5%**	**+2%**	**58%**

Based on cumulative bookings to 11 November 2017

Notes
(i) Risk and non-risk customers
(ii) Risk customers only
(iii) Group Airline figures include intercompany sales to the Group Tour operator

Winter 2017/18 based on previous reporting structure

Winter 2017/18	Year-on-Year Variation %		
	Bookings[i]	ASP[i]	% Sold[ii]
UK	+7%	Same[iii]	59%
Continental Europe	+3%	+1%	70%
Northern Europe	+7%	+6%	75%
Airlines Germany (Condor)	+2%	Same	50%
Total	**+5%**	**+2%**	**58%**[iv]

Based on cumulative bookings to 11 November 2017

Notes
(i) Risk and non-risk customers
(ii) Risk customers only
(iii) UK average selling price is up by 4% for charter risk and up 3% for seat only, resulting in an overall ASP the same as last year on a blended basis
(iv) For the tour operator only, the Winter 2016/17 season is 69% sold, 2% ahead of last year

Summer 2018

Although it is still early in our Group Tour Operator sales cycle for summer 2018, we have seen a good start to trading, with overall holiday bookings and pricing ahead of last year. Demand for our holidays to Turkey and Egypt is very strong, which we expect will start to alleviate the margin pressures caused by the high concentration of holidays to Spain in 2016 and 2017. Bookings to Greece and Cyprus are also up significantly, following a strong summer in FY17.

Our UK tour operator business, which tends to have an earlier booking pattern compared to other markets, is currently 27% sold, broadly in line with last year. UK bookings for summer have grown by 2%, while average selling prices are up by 6%, driven mainly by input cost inflation.

Our Airline typically has a later booking profile compared to the Tour Operator, and it is therefore too early to comment on the Airline's current trading for summer 2018.

Outlook

Based on current trading, we are well-positioned to achieve current market expectations for FY18. We expect to deliver further improvements in the performance of our Group Airline in FY18, supported by the continuing recovery of Condor. We also expect our Continental Europe and Northern Europe tour operating businesses to continue their good performance, while we have implemented a set of actions to return our UK tour operator business to its former profitable growth trajectory.

Customer demand for non-Euro destinations such as Turkey and Egypt, where we have long been market leader, is picking up well, helping us to mitigate the margin pressure we've experienced this year in Spain. We are also making good progress in implementing our strategy for profitable growth, with more satisfied customers, a stronger holiday offering and more efficient operations, underpinned by market-leading innovation.

PROGRESS ON DELIVERING OUR STRATEGY

2017 has been a year of considerable strategic progress, as we transform Thomas Cook into a modern, streamlined travel company. Customer satisfaction levels have further improved following the actions we have taken to improve quality and service. We have grown bookings across our business, especially to higher-margin own-brand hotels, where we have strengthened our offering with several new openings in key destinations. We have also agreed several new partnerships which expand our opportunity for future growth, while at the same time improving operational efficiency through the business.

Customer At Our Heart

Our aim is to always give customers the best possible holiday experience. We track our progress at every step of the customer journey by measuring Net Promoter Score (NPS), our primary indicator of customer satisfaction. In 2017, we increased NPS by 4 points, growing in almost every source market. In total, since introducing the measure two years ago, we have delivered an NPS improvement of 9 percentage points.

This increase is leading to tangible improvements in loyalty, with those hotels that score the highest NPS achieving a higher repeat booking rate, and attracting more new customers to Thomas Cook. In the last two years, repeat bookings to our own-brand hotels grew by 51%, while repeat bookings to our core hotel portfolio including both of own-brand and selected partner hotels grew by 15%, compared to growth across our entire hotel portfolio of 2%.

Customer Care

Our biggest opportunity to differentiate a Thomas Cook holiday is through the level of care and reassurance we provide to our customers. For Summer 17, we extended our 24-hour hotel satisfaction promise to more than 2,000 hotels, an increase of 400 from Summer 2016, giving around 80% of our core sun and beach customers an additional reassurance of quality and service. We plan to extend the programme across all of the 3,200 hotels in our core portfolio by summer 2018.

Our Academy of Excellence was set up two years ago to provide training, consulting and reputation management services to our hotel partners. This year, it implemented over 650 quality improvement plans, helping them consistently to maintain the highest standards of customer service and quality.

Customer Contact

Our customer focus also includes carefully managing the way we contact and interact with our customers, in order to build strong relationships, increase loyalty and offer value-added services for a personalised holiday experience.

We continued to enrich customers' online experience during the year by adding over 110,000 images, 1,200 room plans and 520 hotel videos to our websites. This helped to grow web bookings across the Group by 18%, including growth in the UK of 27% and in Germany of 22%. Overall, web bookings now account for 46% of Group bookings, up three percentage points on last year.

At the same time we have continued to reshape our retail store network in order to meet the changing needs of our customers. In the UK, we closed 101 smaller stores in FY17 and launched nine larger stores in high-volume retail areas. In total, we've rationalised the size of our retail network in the UK by 45% in the last five years, ending September with 692 stores.

Holidays

Our holiday offering is focused on a streamlined core portfolio of own-brand and selected partner hotels. By featuring fewer properties, we can better leverage our scale and develop deeper relationships with hoteliers, giving us greater influence on quality and the customer experience. As a result, these core hotels have higher average selling prices and margins, and achieve higher customer loyalty.

Own-brand hotels

At the heart of our holiday offering are our own-brand hotels, with a higher NPS, higher loyalty and higher returns than the portfolio average. We opened 11 new own-brand hotels for Summer 17, including our second Casa Cook in Kos and a new Sunwing in Crete, ending the year with 190 own-brand hotels. These are located across 16 destination countries and operate under seven brands – Casa Cook, Sunwing, Sunprime, Sunconnect, Sentido, Smartline and Aldiana, the popular premium club-based activity brand in which we have acquired a strategic equity stake. Following improvements in the quality of the portfolio, demand for holidays to own-brand hotels has continued to grow, with sales up by 10 per cent in Summer 2017 compared with last year.

Looking ahead, we have a further 20 own-brand hotel openings in the pipeline for the next 18 months, while at the same time we will continue to manage for quality, removing properties from the portfolio which fall short of the standards we set. During the year we also entered into a strategic partnership with Swiss hotel investor and developer LMEY which promises to accelerate the future growth of our own-brand portfolio, by working together to create and develop a joint hotel investment platform to acquire hotel and resort assets across Thomas Cook's destination markets.

Selected high quality partner hotels

We have made further progress towards our target to reduce our core portfolio to around 3,000 differentiated hotels by 2019 (including our own-brand hotels), with the number of directly-contracted core hotels falling by 150 hotels to 3,480 in Summer 2017. At the same time as decreasing the size of this core hotel portfolio by 4%, we increased sales to these hotels by 5%, building further scale in our streamlined core hotel portfolio.

Our airlines

In a year which has seen several high-profile airline failures, our Group Airline carried approximately 17.5 million passengers in 93 own aircraft and an additional 17 summer-only leased aircraft, out of four regions.

Our Group Airline strategy is to profitably grow our position in the European leisure flights market in four ways: by investing in the customer proposition; by opening new routes particularly to long haul destinations; by leveraging the support our in-house tour operator provides, while actively developing new distribution channels; all underpinned by a continual review of operational efficiency and safety.

In 2017, we made good progress across all four areas. We improved the customer experience with the introduction of a new in-flight entertainment system that allows customers to stream movies and music directly to their personal smartphones and tablets.

We added 15 new destinations, including San Francisco, New Orleans and San Diego, helping increase long-haul bookings by 12%. In total, we now offer 109 destinations from 48 departure airports. The expansion of our route capacity, combined with improvements to our own distribution channels, increased seat-only customers across the Group Airline by 11% over the year.

To achieve further operating efficiencies, we agreed to transfer the operations of Thomas Cook Airlines Belgium to Brussels Airlines. This has given customers an expanded choice of flights and enabled us to manage our aircraft and personnel more effectively. We followed this partnership with a new seven-year agreement with Canadian tour operator Air Transat to exchange aircraft on a seasonal basis, again helping us achieve more efficient fleet operations throughout the year.

We also launched a new airline based in Majorca, Spain. Thomas Cook Airlines Balearics will deploy aircraft to our other airlines with more flexibility and at a lower cost than currently achieved, while maintaining closer control over the quality and customer experience than through third-party lease arrangements.

Services

Our wide range of ancillary products makes it easier for customers to personalise their travel experiences, while providing Thomas Cook with a valuable incremental source of revenue and margin. Overall, we grew revenues from additional services like extra luggage, seat reservations, in-resort transfers and room upgrades, with sales from ancillaries up by 10% in the tour operator, reflecting growth across all markets. This performance was driven by the introduction of services including a new aircraft seat map in our UK and Nordic businesses and the ability to offer excursions through our companion app.

We have a number of exciting new innovations in the pipeline for 2018. These include a 'Choose Your Room' option which will be offered in 300 of our core hotels for summer 2018, an industry first. These same hotels will also offer the option for guests to have a guaranteed early check-in for a small fee.

Thomas Cook Money

Thomas Cook Money is our new financial services division, headed by Anth Mooney, former Director of Financial Services at Virgin Money. Bringing all of Thomas Cook's financial services under one roof, Thomas Cook Money is focused on launching a range of innovative new products over the next year, using the best of new technology, to help customers to plan, save, borrow, spend and protect their holiday money, both at home and abroad.

Thomas Cook Money builds on our long heritage in financial services and the trust consumers have in our brand, with the aim of re-invigorating the financial products we offer existing customers by adding rich mobile and online functionality, and attracting a new generation of customers with an innovative new approach to holiday money. The team is developing new products in house as well as working with a range of new partners such as Seedcamp to enable it to tap into the latest new technology.

Thomas Cook Money has launched with two new products, unveiled to consumers this week: Lyk, a revamp of the existing prepaid travel card, and Roam, a brand new pay-as-you-go app-based holiday insurance product. Launching first in the UK, Thomas Cook Money will roll its products out across other key existing source markets while also expanding into brand new markets.

Partnerships

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

City hotel alliance with Expedia

Our new alliance with Expedia enables us to offer customers a much greater choice of hotels in city and domestic locations, 60,000 more than currently, at lower cost and complexity to us – and with the support of market-leading booking technology. The partnership marks the second step in the transformation of our complementary hotels business, following the agreement last year with Webjet to take over contracting of our complementary Sun & Beach hotels. The combination of these two partnerships frees us up to focus on holidays to our own-brand and selected partner hotels in sun & beach destinations where we can really make a difference.

We expect these partnerships to act as a catalyst for the next stage of transformation of the business. By outsourcing the majority of our complementary hotel business to these two key partners, we will be able to remove additional layers of complexity in our systems and processes, and further streamline our organisation, leading to a more comprehensive restructuring than previously envisaged. We expect this to result in further financial benefits – see below under "Annual EBIT benefits".

Thomas Cook China

Thomas Cook China has made good progress in its first full year of operation, sending 20,000 customers on holiday since launch in September 2016. The ambition is to grow the number of customers tenfold in 2018.

As a full service travel company, the joint venture with Fosun provides high-quality holidays for both outbound and inbound customers, using multiple channels to market including China's largest online retail platforms. For inbound customers, we offer personalised hotel packages and travel within China. Outbound customers can choose from a range of tailored holiday packages to 60 destinations around the world, targeting the more affluent, independent travellers.

Our development in China is supported by strong partnerships including Fliggy, the travel website owned by Alibaba, and Spring Travel. While we remain at an early stage, we expect the business to continue to grow rapidly over the next few years and over time, to become a significant contributor to the Group.

Operational efficiencies and streamlined organisational structure

Simplifying our organisational structure and finding more efficient ways of working are key elements of our strategy, enabling us to offer better value holidays to our customers and improve our financial returns.

We have a number of cost actions underway across our Group Tour Operator and our Group Airline. These include consolidating our finance support functions through the creation of a shared service centre in

Palma, Majorca, and centralising our content production, with a single team responsible for creating and managing the content needed to sell and support our streamlined portfolio of own-brand and select partner hotels. Across Continental Europe, we are also consolidating our tour operating activities, integrating our marketing and finance functions, and standardising IT work across all our source markets.

Benefits from the New Operating Model and progress towards targets

Our strategic progress has been implemented through the New Operating Model, our business transformation programme. At our full year results in November 2015 we set out our financial targets relating to the New Operating Model. Progress against these targets is discussed below.

Revenue growth

Our revenue target is to achieve growth at least in line with the European leisure travel market, which we estimate will grow, on average, between 2% and 3% per year. In FY17, we achieved like-for-like sales growth of 9%, significantly exceeding this target, as we benefited from our decision to significantly increase sales of holidays to Greece, and to long-haul destinations, such as the USA.

Annual EBIT benefits

In FY17, the New Operating Model generated net EBIT benefits of £44 million, in line with our expectations. Including the £26 million of net EBIT benefits generated in FY16, this takes the cumulative net EBIT benefits achieved so far to £70 million. Our target is to achieve total cumulative net EBIT benefits of between £130 million and £150 million by FY19.

Benefits in FY17 were delivered through measures including profit improvement in our own-brand hotels business, more effective fleet management in our Group Airline, growing sales of holidays to higher-margin differentiated hotels, retail efficiencies and growing our web channel, increasing ancillary sales, and simplifying IT systems and eliminating duplicated activities. These benefits have been achieved having incurred one-off implementation costs so far of £25 million in FY15, £50 million in FY16 and £42 million in FY17.

As discussed above under "Partnerships", our recent alliances with Expedia and WebJet enable us to undertake a more comprehensive restructuring of the business than previously envisaged. We expect this to deliver an additional EBIT benefit beyond those already announced of a further £30 million by FY20, taking our target annual net benefits from the New Operating Model to between £160 million and £180 million by FY20. In order to deliver this additional benefit, we expect total New Operating Model implementation costs to increase by £50 million.

Cash conversion

Our cash conversion measure represents the proportion of underlying profit before tax that is converted into free cash flow. In FY17 we achieved cash conversion of 82%, exceeding our annual target of 70%. Further detail on cash conversion can be found on page 19.

Fixed-term debt reduction

While we have a target to reduce fixed-term debt by £300 million between 2015 and 2018, our primary near-term focus is the reduction of associated interest costs as we progressively improve the credit profile of the Group. Through the repayment of £100 million of bonds in May 2016, and the refinancing of our 2017 and 2020 bonds in December 2016, we have reduced the annualised interest payable on our outstanding fixed-term debt by £18 million since the debt reduction target was set. We intend to continue to take advantage of lower bond pricing whenever possible.

Our target remains to reduce fixed-term debt, but always taking a prudent view of our potential future liquidity needs in the light of economic, political and geopolitical risks.

Financing progress

Consistent with our focus to make our capital structure more efficient and flexible, we have entered into new financing arrangements amounting to £975 million. These include an enlarged, £875 million revolving credit facility and bonding and guarantee facility, maturing in November 2022. In addition we have secured

£100 million of annual rolling bilateral funding from one of our insurance providers. These new arrangements replace our existing facility, which provided £800 million of facilities until May 2019.

Our new facilities enjoyed good levels of support from our existing banking group and also attracted new members. The enlarged financing arrangements allow us to better manage our seasonal working capital, and help create a more efficient capital structure. They also feature improved terms over our existing facility and extend our debt maturity profile, giving us significantly improved liquidity and more flexibility as we implement our strategy for profitable growth.

In December 2016 we issued a new €750 million bond, enabling us to refinance a significant proportion of the Group's debt at a lower interest rate, further strengthening our balance sheet and extending our debt maturity profile. The new 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.

As a result of our improved business risk profile and steps to reduce leverage, Standard & Poor's revised our credit rating outlook from 'Stable' to 'Positive'. In addition, Fitch upgraded our credit rating from B to B+, reflecting our progress in delivering our strategy and improving the resilience of our business.

Distribution to shareholders

The Board has proposed a final dividend of 0.6 pence per share, representing a distribution to shareholders of £9 million. This represents an increase of 20% compared to the dividend paid in respect of the previous year, reflecting the underlying progress made in FY17 and the confidence of the Board in the Group's future.

The Board has a policy to target dividend growth that reflects the Group's progress in underlying earnings per share. As previously stated, in view of the seasonality of the Group's profit profile, it is not our intention to pay interim dividends for the foreseeable future.

The ex-dividend date will be 8 March 2018 and, subject to shareholder approval at the 2018 Annual General Meeting, the final dividend of 0.6 pence per share will be paid on 5 April 2018 to shareholders on the register at the close of business on 9 March 2018.

Thomas Cook Group

OPERATING AND FINANCIAL REVIEW

£m	12 months ended 30 Sep 2017	12 months ended 30 Sep 2016 (restated)(i)	Change	Like-for-like Change(iii)
Revenue	9,007	7,810	+1,197	+722
Underlying(ii) Gross profit	1,995	1,829	+166	+56
Underlying(ii) Gross Margin (%)	22.1%	23.4%	-130bps	-130bps
Underlying(ii) Operating expenses	(1,665)	(1,527)	-138	-32
Underlying(ii) profit from operations (Underlying EBIT)	**330**	**302**	**+28**	**+24**
EBIT Separately Disclosed Items	(99)	(105)	+6	+6
Profit from operations (EBIT)	**231**	**197**	**+34**	**+30**
Associated Undertakings	(1)	(1)	Same	Same
Net investment income	-	1	-1	-1
Underlying(ii) Net finance charges	(143)	(140)	-3	-3
Separately disclosed finance charges	(41)	(23)	-18	-18
Profit before tax	**46**	**34**	**+12**	**+8**
Tax	(34)	(33)	-1	-1
Profit after tax	**12**	**1**	**+11**	**+7**
Basic EPS	0.8p	0.3p	+0.5p	-
Underlying(ii) EPS	9.3p	8.1p	+1.2p	-
DPS(iv)	0.6p	0.5p	+0.1p	-
Free cash flow(v)	153	60	+93	-
Net debt	(40)	(129)	+89	+122(vi)

Notes
(i) As part of the preparation of the FY17 Group financial statements, management identified several non-cash adjustments which have been applied to the Group's financial statements for FY16. Further details of the restatement can be found on page 36
(ii) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are detailed on page 17
(iii) 'Like-for-like' change adjusts for the impact of foreign exchange translation and fuel. The detailed like-for-like adjustments are shown on page 12
(iv) Dividend per share of 0.6 pence is equivalent to a cash cost of £9million
(v) 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 19, and a reconciliation of free cash flow is shown on page 23
(vi) Like-for-like net debt adjusts the prior year comparative for foreign exchange translation, the impact in change in finance lease arrangements and associated costs of the bond refinancing, which totalled £33 million, resulting in FY16 like-for-like net debt of £162 million

Overview

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

The Group made good financial progress in FY17, reporting higher revenues, higher underlying EBIT and lower net debt, compared to last year. Group revenue increased by 15% (£1,197 million) on a headline basis (before adjusting for the positive benefits of foreign exchange translation differences), and by 9% (£722 million) on a like-for-like basis, as demand grew for our holidays, particularly to Greece and Long-Haul destinations, as well as Turkey and Egypt.

Supported by our strong revenue growth, gross profit increased by £56 million, although gross margin decreased by 130 basis points to 22.1%, mainly reflecting a more competitive market in holidays to Spain, and a mix effect from higher sales in our Russian business which has a structurally lower gross margin than our other businesses.

The Group's underlying EBIT improved by £24 million to £330 million, while the Group's profit from operations improved by £30 million to £231 million, due to lower EBIT Separately Disclosed Items.

Separately disclosed finance charges increased by £18 million to £41 million due to costs associated with our bond refinancing in December 2016. As a result, Group profit before tax increased by £8 million to £46 million. The tax charge for the year was £34 million, £1 million higher than last year, resulting in Group profit after tax of £12 million.

Free cash flow for the year was £153 million, £93 million higher than last year, underpinned by growth in EBITDA of £46 million to £552 million, and improvements in working capital as a result of stronger trading. The Group's improved cash flow position, together with non-cash changes such as foreign currency translation, resulted in net debt of £40 million, £122 million lower on a like-for-like basis than the position as at 30 September 2016.

Like-for-like Analysis

Certain items, such as the normal translational effect of foreign exchange movements, affect the comparability of the underlying performance between financial years. To assist in understanding the impact of those factors, and to better present underlying year-on-year changes, 'like-for-like' comparisons with FY16 are presented in addition to the change in reported numbers.

The 'like-for-like' adjustments to the Group's FY16 results and the resulting year-on-year movements are as follows:

Group	Revenue £m	Gross Margin %	Operating Expenses £m	Underlying EBIT £m
Restated FY16(i)	**7,810**	**23.4%**	**(1,527)**	**302**
Impact of Currency Movements	575	(0.3)%	(106)	4
Reduced fuel cost	(100)	0.3%	n/a	n/a
Restated FY16 Like-for-like	**8,285**	**23.4%**	**(1,633)**	**306**
FY17 Reported	**9,007**	**22.1%**	**(1,665)**	**330**
Like-for-like change (£m)	+722	n/a	-32	+24
Like-for-like change (%)	+9%	-130bps	-2%	+8%

Note (i) See note 10 on page 36 for details of the prior year restatement

Performance by business line

The Group now reports the operations of its Group Tour Operator and Group Airline businesses as its primary reporting segmentation, as this split better reflects how the business is managed and reported internally. This segmentation was previously given as supplementary information. Further description of this change in segmental reporting can be found under "New Segmental Reporting" on page 3.

Underlying EBIT by business line	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Restated FY16(i)	**249**	**83**	**(30)**	**302**
Impact of Currency Movements	6	(2)	-	4
Restated FY16 Like-for-like	**255**	**81**	**(30)**	**306**
FY17 Reported	**250**	**115**	**(35)**	**330**
Like-for-like change (£m)	-5	+34	-5	+24
Like-for-like change (%)	-2%	+42%	-17%	+8%

Note (i) See note 10 on page 36 for details of the prior year restatement

Performance by geographical market

As the Group's Tour Operator and Airline activities are integrated to varying degrees in each of our source markets, we believe that it is helpful to provide supplementary information by geographic source market, consistent with how the Group has reported in previous years.

Underlying EBIT by source market	UK £m	Continental Europe £m	Northern Europe £m	Condor £m	Corporate £m	Group £m
FY16 Restated	**146**	**72**	**124**	**(10)**	**(30)**	**302**
Internal business unit transfer(i)	(2)	2	-	-	-	-
Impact of Currency Movements	-	1	5	(2)	-	4
FY16 Like-for-like	**144**	**75**	**129**	**(12)**	**(30)**	**306**
FY17 Reported	**111**	**108**	**134**	**12**	**(35)**	**330**
Like-for-like change (£m)	-33	+33	+5	+24	-5	+24
Like-for-like change (%)	-23%	+44%	+4%	+200%	-17%	+8%

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

Revenue

Group revenue increased by £722 million (9%) to £9,007 million, as we expanded our winter and summer programmes to meet growing customer demand. This resulted in higher revenue from holidays and flights to Greece, Spain, and Long Haul destinations, as well other Short and Medium haul destinations including Turkey and Egypt. The main components of the changes by destination are as follows:

	£m
FY16 Like-for-like Revenue	**8,285**
Greece	224
Spain	105
Turkey	103
Other Short/Medium Haul	163
Long Haul	101
Other revenue	26
FY17 Revenue	**9,007**

Gross Profit and Margin

Gross profit increased by £56 million to £1,995 million, supported by strong revenue growth. Gross margin of 22.1% is 130 basis points lower than last year, mainly reflecting the impact of bed cost inflation on holidays to Spain, particularly in our UK business, and the mix effect in Continental Europe of strong growth in our Russian business, which has a lower relative gross margin. Our Airline gross margin was broadly in line with last year, with short-haul yield pressure during winter offset by the Condor turnaround during summer. The impact on the Group's gross margin performance by segment is set out below.

	£m
FY16 Like-for-like Gross Margin	**23.4%**
UK Tour Operator	-0.7%
Continental Europe Tour Operator	-0.5%
Northern Europe Tour Operator	Same
Airline	-0.1%
FY17 Gross Margin	**22.1%**

Operating Expenses / Overheads

Operating expenses before depreciation increased by 2% (£28 million) to £1,443 million as the benefits of efficiency initiatives were offset by inflation and volume-related increases to the operating cost base. Depreciation increased by £4 million to £222 million reflecting investment in our aircraft fleet and IT enhancements.

£m	Year ended 30 Sep 2017	Year ended 30 Sep 2016 LfL	Like-for-Like Change
Personnel Costs	(975)	(946)	-29
Net Operating Expenses	(468)	(469)	+1
Sub Total	**(1,443)**	**(1,415)**	**-28**
Depreciation	(222)	(218)	-4
Total	**(1,665)**	**(1,633)**	**-32**

Underlying EBIT

The Group generated underlying EBIT of £330 million during the year, £24 million (8%) higher than last year on a like-for-like basis. The principal components of the Group's EBIT performance for the year are summarised below.

EBIT

Statutory EBIT of £231 million represents an increase of 15% (£30 million), due to lower underlying EBIT, together with a reduction in separately disclosed items to £99 million (FY16: £105 million).

SEGMENTAL REVIEW

Performance by business line

During the year underlying EBIT increased by £24 million on a like-for-like basis, analysed as follows:

£m	Tour Operator	Airline	Corporate	Group
Revenue	7,122	3,185	(1,300)	9,007
Gross Margin (%)	15.5%	27.8%	n/m	22.1%
Underlying EBIT	**250**	**115**	**(35)**	**330**
Underlying EBIT margin (%)	3.5%	3.6%	n/m	3.7%
Like-for-Like Underlying EBIT change	**-5**	**+34**	**-5**	**+24**
Customers ('000)	11,032	18,528	(9,359)	20,201

A review of the performance of each of our business units is set out below:

Group Tour Operator

£m	FY17	FY16	Change	FY16 Like-for-Like	Like-for-Like Change
Revenue	7,122	6,223	+899	6,646	+476
Gross Margin (%)	15.5%	17.0%	-160bps	16.9%	-140bps
Underlying EBIT	**250**	**249**	**+1**	**255**	**-5**
Underlying EBIT margin (%)	3.5%	4.0%	-50bps	3.8%	-30bps
Customers (000's)	11,032	10,867	+165	10,867	+165
ASP (£)	646	572	+74	612	+34

The market for overseas holidays experienced a resurgence in demand in FY17, following a more muted demand environment in FY16 due to geopolitical disruption. Against this backdrop, our Group Tour Operator business increased revenues by £476 million (7%) to £7,122 million, reflecting growth in both customer numbers and average selling prices across most of our source markets, particularly in Continental Europe. Supported by both strong demand and a continued focus on efficiencies, Continental Europe grew underlying EBIT significantly, while Northern Europe further increased profits on top of a strong performance last year. This was offset by lower margins in our UK business, and as a result Group Tour Operator underlying EBIT declined by £5 million to £250 million.

The underlying EBIT for our Group Tour Operator, split by source market, is set out below.

£m	FY17	FY16	Change	FY16 Like-for-Like	Like-for-Like Change
Underlying EBIT					
- UK	52	87	-35	86	-34
- Continental Europe	96	70	+26	71	+25
- Northern Europe	102	92	+10	98	+4
Total	**250**	**249**	**+1**	**255**	**-5**

UK

Having traded strongly in the first half, our UK tour operating business experienced challenging conditions in the second half of the year, as highlighted in previous announcements. A combination of hotel price inflation, weaker Sterling and increased air capacity made the market for holidays to Spain more competitive than in previous years, putting pressure on input costs and selling prices. The business also absorbed the costs of rising fraudulent illness claims during the year, and of supporting 10,000 customers caught up in Hurricane Irma. As a result, while revenue grew by 3%, underlying EBIT declined by £34 million compared to the strong result reported last year.

In response, our UK tour operator has implemented a set of actions to improve profitability. We have taken a robust approach towards illness claims including improving our handling and assessment processes, and taking legal action against fraudsters – as a result, the claim rate has declined dramatically. We are also rebalancing our destination mix towards more profitable, fast-growing destinations such as Turkey and Egypt, and we are continuing to drive operating efficiencies.

In addition, we are continuing to reposition the business. In FY17 web bookings grew by more than 25% and we closed over 100 stores, in order to accelerate the shift towards online distribution. We also grew sales of differentiated holidays, by 16% for holidays to own-brand hotels, and by 8% for sales to selected partner hotels, in order to improve our competitive positioning. Together, we expect that these actions will help to return the business to its former profitable growth trajectory.

Continental Europe

Our Continental Europe tour operating business achieved a significantly improved performance in FY17, with revenues up 9%. Stronger demand for our holidays, coupled with a continuing efficiencies programme, helped to increase EBIT by £25 million (35%) to £96 million.

In Germany, we maintained our market share in a highly competitive marketplace, growing revenues by 7%. Underlying EBIT increased by £13 million (29%) to £58 million, helped by business improvement initiatives, including expanding our online bookings by 22%, growing sales of holidays to own-brand hotels by 9%, expanding our relationships with distribution partners, and restructuring our back office functions.

Most of our other businesses in Continental Europe also experienced good demand growth and achieved higher EBIT. Sales in our Russian business more than doubled, amid a resurgence in demand for outbound holidays as Russian tourists returned to Turkey following a travel ban in the previous year. Our businesses in Eastern Europe also performed strongly during the year.

Northern Europe

Our Northern Europe business reported revenue growth of 7%, reflecting further expansion in our own-brand hotel range. Trading over the summer period was notably stronger, after a winter performance that was in line with the previous year, as we expanded sales of both classic package holidays and dynamic packages. As a result, underlying EBIT grew by a further £4 million to £102 million, further building on a very strong year last year.

During the year, the business further strengthened its customer proposition, achieving the highest net promoter score in the Group of 51, up 7 points compared to FY16. We continue to refine and streamline the cost structures within the four Nordic source markets and to leverage the competitive strengths of our integrated business model.

Group Airline

£m	FY17	FY16	Change	FY16 Like-for-Like	Like-for-Like Change
Flight Revenue	2,847	2,530	+317	2,598	+249
Ancillary Revenue	310	265	+45	283	+27
Other Revenue	28	30	-2	32	-4
Total Revenue	**3,185**	**2,825**	**+360**	**2,913**	**+272**
Total Operating Costs	(2,760)	(2,465)	-295	(2,536)	-224
Underlying EBITDAR	**425**	**360**	**+65**	**377**	**+48**
Underlying EBITDAR margin (%)	13.3%	12.7%	+60bps	12.9%	+40bps
Underlying EBIT	**115**	**83**	**+32**	**81**	**+34**
Underlying EBIT margin (%)	3.6%	2.9%	+70bps	2.8%	+80bps
Customers (000's)	18,528	17,580	+948	17,580	+948
Proportion of internal sales (%)	42%	45%	-30bps	-	-
Available Seat Kilometres (ASK) (m)	70,171	66,776	+3,395	66,776	+3,395
Seat Load Factor (SLF) (%)	89.7%	89.3%	+40bps	89.3%	+40bps
Short/Medium Haul Yields per seat (£)	110	104	+6	112	-2
Long Haul Yields per seat (£)	306	299	+7	321	-15
Unit cost (p./ASK)	(4.37)	(4.11)	-0.26	(4.40)	+0.03

Our Group Airline revenue increased by £272 million (9%) to £3,185 million on a like-for-like basis, driven by further expansion of our long-haul business from UK and Germany. In particular, our long-haul performance was driven by seat-only growth to new destinations including New Orleans, San Diego and San Francisco, together with growing third-party tour operator sales in Germany.

In short and medium haul, a number of actions to turn around our Condor business resulted in an overall improvement in yields, while load factors increased by 110 basis points to 91.1%. In the UK, we also selectively added capacity to Turkey, in response to strong demand.

Ancillary revenues grew by 10%, partly as a result of the increase in long haul flying, which attracts higher ancillary sales than short and medium haul flights. In addition, we experienced growing demand for seat reservations, as well as for our pre-packaged duty free products sold under the “Airshoppen” brand. As a result, ancillary revenue per passenger increased by 4% over the year to £16.63 (FY16: £16.10).

Operating cost increases due to volume-related growth and less favourable exchange rates were mitigated by cost efficiencies as part of our profit improvement programme, such that the total cost per ASK reduced by 0.03 pence to 4.37 pence per ASK.

Underlying EBIT for our Group Airline grew by 42% (£34 million) to £115 million. The improvement was largely driven by the turnaround in Condor, which made good progress implementing the profit improvement measures that we set out in our FY16 results announcement in November 2016. These included re-routing capacity from the Spanish Islands to alternative destinations such as Italy, Bulgaria and Greece, and improving the flexibility of our flight planning, helping to optimise yields and to mitigate competitive pricing pressures in the market. As a result, Condor reported 9% higher revenue than last year, and improved Underlying EBIT by £24 million, to achieve a positive EBIT result of £12 million.

Our UK Airline reported revenue of 13% higher than last year, reflecting increases to the long haul and short/medium haul flight programme to take advantage of a recovery in demand to Turkey and growth in new and existing long haul destinations. As a consequence of further cost-out initiatives and a further strengthening of our seat-only offering, our UK airline delivered underlying EBIT in line with last year.

In Belgium, our airline recovered from the terror attacks at Brussels airport in March 2016 to deliver an Underlying EBIT improvement of £10 million compared to last year and broadly in line with FY15 levels. As previously announced, from November 2017, our Belgian airline business transferred to Brussels Airlines such that it is no longer part of the Group.

OTHER FINANCIAL ITEMS

Net Finance Charges

Group net finance costs for the year of £143 million were broadly in line with last year (FY16: £140 million). Bank and bond interest charges reduced by £6 million following the replacement of our 2017 and 2020 bonds with a new lower-coupon €750 million bond issued in December 2016. This was offset by a £6 million increase in non-cash interest charges relating to the discounting of long term provisions, within other interest costs.

£m	FY17	FY16
RCF and Bond interest	(68)	(72)
Commitment fees and other bank related charges	(10)	(12)
Letters of credit and other interest payable	(44)	(36)
Fee amortisation	(7)	(7)
Interest income	4	6
Net interest & finance costs before aircraft financing	**(125)**	**(121)**
Aircraft financing	(18)	(19)
Net Finance Costs	**(143)**	**(140)**

Further information on Finance costs are set out in Note 5 on page 33.

Separately Disclosed Items

Net Separately Disclosed Items in FY17 comprised a charge of £140 million, which is £12 million higher than the prior year (FY16: £128 million) as analysed below:

£m	FY17	FY16
New Operating Model implementation costs	(42)	(50)
Restructuring costs	(12)	(20)
Onerous leases and store closures	(30)	(21)
Costs of transformation	**(84)**	**(91)**
Reassessment of contingent consideration	32	4
Write offs, revaluations and other non-cash	(23)	(15)
Other	(24)	(3)
EBIT related items	**(99)**	**(105)**
Finance related charges	(41)	(23)
Total	**(140)**	**(128)**
Of which:		
- Cash[(i)]	(125)	(93)
- Non-Cash	(15)	(35)

Notes (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 32.

Taxation

The tax charge for the year increased to £34 million (FY16: £33 million). Current tax of £42 million is £3 million higher than last year due to increased tax payable in respect of our profitable business in Northern Europe. A net credit of £8 million was recognised during the year for deferred tax which reflects the increased recognition of deferred tax assets in respect of carried forward tax losses in our Spanish entities.

UK tax legislation was enacted after the balance sheet date which will restrict the permitted level of utilisation of brought forward tax losses. The associated UK deferred tax asset will subsequently be recovered over an extended period of time. Although we expect this to impact the recognition of deferred tax assets in FY18 in respect of our sizeable UK tax losses, we do not expect there to be a significant impact on cash tax.

£m	FY17	FY16
Current Tax	(42)	(39)
Deferred Tax	8	6
Total Tax Charge	**(34)**	**(33)**
Total Cash Tax	**(37)**	**(15)**

Operating lease charges

Operating lease charges in the year increased by £23 million compared to last year to £236 million. Aircraft operating lease charges increased by £24 million to £144 million primarily due to the weakening of the pound against the US Dollar and changes to our narrow-body fleet.

£m	FY17	FY16
Included within EBIT:		
Aircraft operating lease charges(i)	144	120
Retail operating lease charges	41	40
Hotel operating lease charges	19	21
Other operating lease charges	32	32
Total	**236**	**213**

Notes (i) In addition the Group incurred seasonal wet lease costs of £75m (2016: £60m) during the year. The year-on-year increase was due in part to unplanned requirements as a result of grounded aircraft in Condor, as well as the expansion of our long-haul programme, increased summer demand in the UK and a fleet rollover on four aircraft, thus resulting in higher operating lease charges.

Earnings per share

Underlying earnings per share, before separately disclosed items, was 9.3 pence, a year-on-year increase of 1.2 pence (FY16: 8.1 pence). Basic earnings per share for the year was 0.8 pence, a year-on-year increase of 0.5 pence (FY16 restated: 0.3 pence). Further information is included in Note 8 on page 34.

£m	FY17	FY16
Profit After Tax	12	1
Separately Disclosed Items	140	128
Attributable to Non-controlling Interests	1	3
Exceptional Tax(i)	(10)	(8)
Adjusted Profit After Tax	143	124
Weighted Ave. # of shares (m)	1,536	1,531
Underlying Earnings Per Share (Pence)	9.3p	8.1p

Notes (i) This represents the tax impact of separately disclosed items.

Summary Cash Flow Statement[i]

£m	FY17	FY16
Underlying EBIT	330	302
Depreciation	222	204
Underlying EBITDA	**552**	**506**
Working capital	105	18
Tax	(37)	(15)
Pensions & other operating	(24)	(25)
Operating Cash flow	**596**	**484**
Exceptional items	(105)	(95)
Bond Refinancing	(10)	-
Capital expenditure	(199)	(200)
Net interest paid	(129)	(129)
Free Cash flow[ii]	**153**	**60**
Dividend and Co-op payment	(40)	(4)
Net Cash flow	**113**	**56**
Opening Net Debt	**(129)**	**(128)**
Net Cash Flow	113	56
Other Movements in Net Debt[iii]	(24)	(57)
Closing Net Debt	**(40)**	**(129)**

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

(iii) Other movements in net debt include currency translation and the reclassification of operating leases to finance leases

Free cash flow of £153 million was £93 million higher than last year (2016: £60 million), reflecting growth in EBITDA of £46 million to £552 million and an improvement in working capital as a result of stronger trading. These improvements were partially offset by increased outflows in relation to the timing of tax payments and additional one-off financing costs associated with the bond refinancing in December 2016.

Net cash interest paid was unchanged at £129 million. Bond and bank interest costs reduced by £9 million, whereas volume-related costs such as letters of credit increased by a similar amount. Current year cash exceptional items are analysed as follows:

Exceptional items (£m)	**FY17**	**FY16**
Current year cash related exceptionals	(125)	(93)
Of which will be paid in future years	26	20
Prior year cash exceptionals paid in current year	(16)	(13)
Prior year EU261 (paid in Financial Year)	-	(9)
Total cash exceptional items[i]	**(115)**	**(95)**

Notes (i) Total cash exceptionals in FY17 are the sum of exceptional items £(105)m and Bond Refinancing costs of £(10)m as presented in the cash flow.

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 has increased in FY17 to 82% (FY16: 37%) due to the working capital benefits from the volume related increases experienced in FY17.

Cash conversion (£m)	**FY17**	**FY16**
Underlying EBIT	330	302
Net interest	(143)	(140)
Underlying Profit before tax	**187**	**162**
Free Cash flow[i]	153	60
Cash conversion	82%	37%

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

Thomas Cook Group

Net Assets

Net Assets decreased by £46 million from £326 million at September 2016 to £280 million at September 2017. This includes a negative revaluation of £83 million for the Group's derivatives in respect of fuel and currency hedging, due mainly to an increase in the differential between our hedged fuel prices and spot prices, together with a positive revaluation of our pension liability of £88 million due to an improvement in bond yields used to calculate the present value of the Group's pension obligations.

£m	FY17
Opening Net assets[(i) restated]	**326**
Underlying PBT	186
Tax charge	(34)
Separately disclosed items	(140)
Revaluation of derivatives	(83)
Revaluation of pension liability	88
Currency losses	(26)
Dividends paid to Co-op	(32)
Other	(5)
Closing net assets	**280**

Notes (i) Further information on prior year restatement is set out in Note 10 on page 36.

Net Debt

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During FY17, the Group's net debt has fallen from £129m to £40m, equivalent to an improvement of £122m on a like-for-like basis.

	£m
FY16 Reported	**(129)**
Impact of currency and other non-cash movements	10
Aircraft lease extensions	(18)
Bond refinancing	(25)
FY16 Like-for-like	**(162)**
FY17 Reported	**(40)**
Like-for-like change	+122

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

£m	30 Sept. 2017	30 Sept. 2016	Movement	Maturity
2017 GBP Bond	-	(200)	200	June 2017
2020 Euro Bond	-	(451)	451	June 2020
2021 Euro Bond	(353)	(345)	(8)	June 2021
2022 Euro Bond	(662)	-	(662)	June 2022
Commercial Paper	(218)	(117)	(101)	Various
Revolving Credit Facility[(i)]	-	-	-	May 2019
Finance Leases	(154)	(183)	29	Various
Aircraft related borrowings	(32)	(64)	32	Various
Other external debt	(37)	(26)	(11)	Various
Arrangement fees	17	23	(6)	n/a
Total Debt	**(1,439)**	**(1,363)**	**(76)**	
Cash (net of overdraft)	1,399	1,234	165	
Net Debt	**(40)**	**(129)**	**89**	

Notes (i) The Revolving Credit Facility (RCF) is shown as nil in FY17 and FY16, however in FY17 the Group had utilised £28 million (FY16: £20 million) which related to the ancillary facilities of the RCF, which was used solely for bonding and is thus net debt neutral.

As at 30 September 2017 the Group had £800 million of Committed Facilities, which comprised a Revolving Credit Facility of £500 million, of which £28 million was utilised at 30 September 2017 (£20 million in September 2016), and a £300 million bonding and guarantee facility of which £267 million was drawn at 30 September 2017 (30 September 2016: £275 million). All of the combined £295 million of drawn balances have been used solely for bonding, and therefore is not reflected in our gross debt. These facilities were due to expire in May 2019.

In November 2017 the Group entered into new financing arrangements amounting to £975 million, replacing our existing facilities. This is further discussed under "Financing progress" on page 9, above.

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

	Winter 2017/18	Summer 18	Winter 2018/19
Euro	Fully Hedged	76%	39%
US Dollar	Fully Hedged	83%	33%
Jet Fuel	Fully Hedged	90%	51%

As at 31 October 2017

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

While net fuel costs reduced by around £15 million in FY17 compared to the previous year, these benefits were partially offset by higher dollar-denominated non-fuel flying costs. For FY18, we are hedged at significantly below the current forward rate, and estimate that, as a result of our hedge position, our fuel costs will fall by a further £10 million.

The Group does not hedge the translation of overseas profits into Sterling, and as a result of currency movements during the year, underlying EBIT in FY16 was higher by £4 million.

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

	Average Rate		Period End Rate	
	FY17	FY16	FY17	FY16
GBP/Euro	1.15	1.28	1.13	1.16
GBP/US Dollar	1.27	1.42	1.34	1.30
GBP/SEK	11.05	11.99	10.93	11.17

Credit Rating

The Group has received an upgrade from Fitch to B+ whilst Standard & Poor's issued a positive outlook and Moody's maintained their B1 rating, recognising the continuing progress in Thomas Cook's transformation.

Corporate Ratings	2017		2016	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B	Positive	B	Stable
Fitch	B+	Stable	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 as to 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.

APPENDIX 1 – USE OF ALTERNATIVE PERFORMANCE MEASURES

The Directors have adopted a number of alternative performance measures (APM), namely underlying EBIT, net debt, underlying EPS, 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	**FY17**	**FY16**
Profit from operations	231	197
Less: Separately disclosed items affecting loss from operations (Note 4)	(99)	(105)
Underlying EBIT	330	302

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	**FY17**	**FY16**
Underlying EBIT	330	302
IFRS depreciation and amortisation	222	204
IFRS share based payments	3	1
IFRS movement in working capital and provisions	73	8
Add back cash impact of separately disclosed items on working capital	29	(6)
IFRS Income taxes paid	(37)	(15)
IFRS additional pension contributions	(28)	(29)
Add back non cash impact of separately disclosed items	4	19
Operating Cash Flow	**596**	**484**

£m	**FY17**	**FY16**
IFRS net cash generated from operating activities	496	395
IFRS proceeds on disposal of property, plant and equipment	7	9
IFRS Investments in joint ventures & associates	-	(3)
IFRS purchase of tangible assets	(132)	(117)
IFRS purchase of intangible assets	(74)	(89)
IFRS interest paid	(144)	(135)
Free Cash Flow	**153**	**60**
IFRS dividends paid	(8)	-
IFRS dividends paid to non-controlling interests	(32)	(4)
Net Cash Flow	**113**	**56**

Underlying EPS

Earnings are based on results before separately disclosed items after a notional tax charge divided by the weighted average number of ordinary shares, adjusted for any potential dilutive impact of the assumed conversion of the employee equity-settled share- based payment schemes outstanding.

Reconciliation to IFRS measures:

£m	FY17	FY16
Profit before tax	46	34
Separately disclosed items (Note 4)	(140)	(128)
Underlying profit before tax	**186**	**162**
Underlying tax charge[1]	(44)	(41)
Loss attributable to non-controlling interests	1	3
Underlying profit attributable to equity holders of the parent	**143**	**124**
Weighted average number of shares used for basic and diluted earnings per share (Note 8)	1,536	1,531
Underlying EPS (pence)	**9.3p**	**8.1p**

[1] The underlying tax charge £44m (2016: £41m) includes IFRS tax charge of £34m (2016: £33m) and a notional tax charge on separately disclosed items of £10m (2016: £8m).

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	FY17	FY16
Borrowings	(1,292)	(1,738)
Obligations under finance leases	(154)	(183)
Net derivative financial instruments – interest rate swaps	(1)	16
Cash and cash equivalents	1,407	1,776
Net Debt	**(40)**	**(129)**

Thomas Cook Group

APPENDIX 2- AUDITED STATUTORY INFORMATION WITH COMPARATIVES

Group Income Statement

		Audited Year ended 30 September 2017			Audited Year ended 30 September 2016 Restated		
Continuing operations	**Notes**	**Underlying results £m**	**Separately disclosed items (note 4) £m**	**Total £m**	Underlying results £m	Separately disclosed items (note 4) £m	Total £m
Revenue	**3**	**9,007**	**-**	**9,007**	7,810	-	7,810
Cost of providing tourism services		**(7,012)**	**(2)**	**(7,014)**	(5,981)	(9)	(5,990)
Gross profit		**1,995**	**(2)**	**1,993**	1,829	(9)	1,820
Personnel expenses		**(975)**	**(28)**	**(1,003)**	(882)	(39)	(921)
Depreciation and amortisation		**(222)**	**-**	**(222)**	(204)	-	(204)
Net operating expenses		**(468)**	**(52)**	**(520)**	(441)	(41)	(482)
Loss on disposal of assets		**-**	**(9)**	**(9)**	-	(10)	(10)
Amortisation of business combination intangibles		**-**	**(8)**	**(8)**	-	(6)	(6)
Profit from operations		**330**	**(99)**	**231**	302	(105)	197
Share of results of joint venture and associates		**(1)**	**-**	**(1)**	(1)	-	(1)
Net investment income		**-**	**-**	**-**	1	-	1
Finance income	**5**	**4**	**-**	**4**	6	-	6
Finance costs	**5**	**(147)**	**(41)**	**(188)**	(146)	(23)	(169)
Profit before tax		**186**	**(140)**	**46**	162	(128)	34
Tax	**6**			**(34)**			(33)
Profit for the year				**12**			1
Attributable to:							
Equity holders of the parent				**13**			4
Non-controlling interests				**(1)**			(3)
				12			1
Basic and diluted earnings per share (pence)	**8**			**0.8**			0.3

See note 10 for details on restatement.

Group Statement of Comprehensive Income

	Audited Year ended 30 September 2017	Audited Year ended 30 September 2016 Restated
	£m	£m
Profit for the year	**12**	1
Other comprehensive income and expense		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit pension schemes	**114**	(144)
Tax on actuarial gains and losses	**(28)**	30
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation losses	**(27)**	(15)
Fair value gains and losses		
(Losses)/gains deferred for the year	**(20)**	53
Tax on (losses)/gains deferred for the year	**5**	5
(Gains)/losses transferred to the income statement	**(60)**	105
Tax on (gains)/losses transferred to the income statement	**(5)**	(21)
Total net other comprehensive income/(loss) for the year	**(21)**	13
Total comprehensive income/(loss) for the year	**(9)**	14
Attributable to:		
Owners of the parent	**(8)**	17
Non-controlling interests	**(1)**	(3)
Total comprehensive income/(loss) for the year	**(9)**	14

See note 10 for details on restatement.

Group Cash Flow Statement	**Audited Year ended 30 September 2017**	Audited Year ended 30 September 2016 Restated
	£m	£m
Profit before tax	**46**	34
Adjustments for:		
Net finance costs	**184**	163
Net investment income and share of results of joint ventures and associates	**1**	-
Increase in provisions	**20**	1
Depreciation, amortisation and impairment	**238**	216
Loss on disposal of assets	**9**	10
Share-based payments	**3**	1
Additional pension contributions	**(28)**	(29)
Interest received	**4**	6
Decrease/ (increase) in working capital:		
Inventories	**2**	(7)
Receivables	**(110)**	(88)
Payables	**164**	103
Cash generated from operations	**533**	**410**
Income taxes paid	**(37)**	(15)
Net cash from operating activities	**496**	**395**
Proceeds on disposal of property, plant and equipment	**7**	9
Investment in joint ventures and associates	**-**	(3)
Purchase of tangible assets	**(132)**	(117)
Purchase of intangible assets	**(74)**	(89)
Net cash used in investing activities	**(199)**	**(200)**
Dividends paid to non-controlling interests	**(32)**	(4)
Dividends paid	**(8)**	-
Interest paid	**(144)**	(135)
Draw down of borrowings	**1,011**	157
Repayment of borrowings	**(948)**	(340)
Payment of facility set-up fees	**(10)**	-
Repayment of finance lease obligations	**(44)**	(38)
Net cash used in financing activities	**(175)**	**(360)**
Net (decrease)/increase in cash and cash equivalents	**122**	(165)
Cash and cash equivalents at beginning of year	**1,234**	1,286
Effect of foreign exchange rate changes	**43**	113
Cash, cash equivalents and overdrafts at end of year	**1,399**	**1,234**

See note 10 for details on restatement.

Thomas Cook Group

Group Balance Sheet	Notes	Audited 30 September 2017 £m	Audited 30 September 2016 Restated £m
Non-current assets			
Intangible assets		**3,136**	3,077
Property, plant and equipment			
- aircraft and aircraft spares		**581**	627
- other		**139**	221
Investments in joint ventures and associates		**6**	8
Other investments		**1**	1
Deferred tax assets		**216**	228
Pension asset		**123**	52
Trade and other receivables		**65**	58
Derivative financial instruments		**6**	26
		4,273	4,298
Current assets			
Inventories		**42**	43
Tax assets		**1**	4
Trade and other receivables		**735**	677
Derivative financial instruments		**56**	145
Cash and cash equivalents		**1,407**	1,776
		2,241	2,645
Non-current assets held for sale		**101**	-
Total assets		**6,615**	6,943
Current liabilities			
Retirement benefit obligations		**(9)**	(8)
Trade and other payables		**(2,343)**	(2,179)
Borrowings		**(245)**	(891)
Obligations under finance leases		**(39)**	(42)
Tax liabilities		**(57)**	(40)
Revenue received in advance		**(1,355)**	(1,251)
Short-term provisions	9	**(168)**	(139)
Derivative financial instruments		**(109)**	(83)
		(4,325)	(4,633)
Non-current liabilities			
Retirement benefit obligations		**(439)**	(501)
Trade and other payables		**(25)**	(109)
Long-term borrowings		**(1,047)**	(847)
Obligations under finance leases		**(115)**	(141)
Non-current tax liabilities		**(7)**	(31)
Deferred tax liabilities		**(61)**	(51)
Long-term provisions	9	**(307)**	(301)
Derivative financial instruments		**(9)**	(3)
		(2,010)	(1,984)
Total liabilities		**(6,335)**	(6,617)
Net assets		**280**	326

Group Balance Sheet Continued

	Notes	Audited 30 September 2017 £m	Audited 30 September 2016 Restated £m
Equity			
Called-up share capital		**69**	69
Share premium account		**524**	524
Merger reserve		**1,547**	1,547
Hedging and translation reserves		**8**	115
Capital redemption reserve		**8**	8
Accumulated losses		**(1,867)**	(1,950)
Investment in own shares		**(8)**	(8)
Equity attributable to equity owners of the parent		**281**	305
Non-controlling interests		**(1)**	21
Total equity		**280**	326

See note 10 for details on restatement.

Group Statement of Changes in Equity

	Share capital & share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of parent £m	Non-controlling interests £m	**Total £m**
At 30 September 2015	593	1,537	(102)	90	(1,778)	340	28	**368**
Adjustment on correction of error	-	-	-	-	(53)	(53)	-	**(53)**
At 30 September 2015 (restated)	593	1,537	(102)	90	(1,831)	287	28	**315**
Profit for the year as reported	-	-	-	-	12	12	(3)	**9**
Adjustment on correction of error	-	-	-	-	(8)	(8)	-	**(8)**
Restated profit for the period	-	-	-	-	4	4	(3)	**1**
Other comprehensive income/ (loss)								
Foreign exchange translation losses	-	-	-	(15)	-	(15)	-	**(15)**
Actuarial losses on defined benefit pension schemes (net of tax)	-	-	-	-	(114)	(114)	-	**(114)**
Gains deferred for the year (net of tax)	-	-	58	-	-	58	-	**58**
Losses transferred to the income statement (net of tax)	-	-	84	-	-	84	-	**84**
Total comprehensive income for the year	**-**	**-**	**142**	**(15)**	**(110)**	**17**	**(3)**	**14**
Dividends paid to non-controlling interest	-	-	-	-	-	-	(4)	**(4)**
Exercise of shares - Employee Benefit Trust	-	10	-	-	(10)	-	-	**-**
Equity credit in respect of share-based payments	-	-	-	-	1	1	-	**1**
At 30 September 2016 (restated)	**593**	**1,547**	**40**	**75**	**(1,950)**	**305**	**21**	**326**
Profit for the year	**-**	**-**	**-**	**-**	**13**	**13**	**(1)**	**12**
Other comprehensive income/ (loss)								
Foreign exchange translation losses	**-**	**-**	**-**	**(27)**	**-**	**(27)**	**-**	**(27)**
Actuarial gains on defined benefit pension schemes (net of tax)	**-**	**-**	**-**	**-**	**86**	**86**	**-**	**86**
Losses deferred for the year (net of tax)	**-**	**-**	**(15)**	**-**	**-**	**(15)**	**-**	**(15)**
Gains transferred to the income statement (net of tax)	**-**	**-**	**(65)**	**-**	**-**	**(65)**	**-**	**(65)**
Total comprehensive income for the year	**-**	**-**	**(80)**	**(27)**	**99**	**(8)**	**(1)**	**(9)**
Equity credit in respect of share-based payments	**-**	**-**	**-**	**-**	**3**	**3**	**-**	**3**
Dividends paid	**-**	**-**	**-**	**-**	**(8)**	**(8)**	**-**	**(8)**
Dividends paid to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(32)**	**(32)**
Settlements of non-controlling interest	**-**	**-**	**-**	**-**	**(11)**	**(11)**	**11**	**-**
At 30 September 2017	**593**	**1,547**	**(40)**	**48**	**(1,867)**	**281**	**(1)**	**280**

See note 10 for details on restatement.

Notes to the Financial Information

1. General information and basis of preparation

The financial information contained in this preliminary announcement, which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement, Group Balance Sheet, Group Statement of Changes In Equity and related notes, has been prepared on a going concern basis under the historical cost convention using the accounting policies set out in the 2017 Annual Report unless otherwise stated.

The financial information contained herein does not constitute the IFRS accounts of the Group within the meaning of section 435 of the Companies Act 2006. The IFRS accounts for the year ended 30 September 2017, on which the auditors have given an unqualified opinion, are expected to be available for members of the public on our website at www.thomascookgroup.com on 23rd November 2017.

Management identified several adjustments that, in their opinion, should be applied to Thomas Cook's financial statements for the year ended 30 September 2016. As a result these have been restated. Refer to Note 10 for further details of the restatement.

2. Accounting policies

The accounting policies adopted, are consistent with those of the annual financial statements for the year ended 30 September 2017, as described in those annual financial statements. No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2016 have had a material impact on the Group.

3. Segmental information

During the year, the Group refined its organisational structure resulting in a reassessment of its reportable segments. In line with this change the Group reassessed its reporting segments. The principal activities of the Group are therefore presented in the following segments:

- Tour operations and associated activities ('Tour Operator') within the Group's 17 source markets;
- Airline-related services, including both scheduled and charter services, and associated activities ('Airline') within the Group's four airlines; and
- Certain residual businesses and corporate functions that 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. Segment information for the year ended 30 September 2016 has been restated accordingly.

Segmental information for these activities is presented below:

Year ended 30 September 2017	**Tour Operator**	**Airline**	**Corporate**	**Group**
Revenue	**£m**	**£m**	**£m**	**£m**
Segment sales	7,122	3,185	-	10,307
Inter-segment sales	(43)	(1,257)	-	(1,300)
Total revenue	**7,079**	**1,928**	**-**	**9,007**
Result				
Underlying operating profit/(loss) from operations	250	115	(35)	330
Separately disclosed items	(74)	1	(18)	(91)
Amortisation of business combination intangibles	(8)	-	-	(8)
Segment result	**168**	**116**	**(53)**	**231**
Share of results of associates and joint venture				(1)
Finance income				4
Finance costs				(188)
Profit before tax				**46**
Tax				(34)
Profit for the year				**12**

Year ended 30 September 2016 restated	Tour Operator	Airline	Corporate	Group
Revenue	£m	£m	£m	£m
Segment sales	6,223	2,825	-	9,048
Inter-segment sales	(43)	(1,195)	-	(1,238)
Total revenue	6,180	1,630	-	7,810
Result				
Underlying operating profit/(loss) from operations	249	83	(30)	302
Separately disclosed items	(82)	(7)	(10)	(99)
Amortisation of business combination intangibles	(6)	-	-	(6)
Segment result	161	76	(40)	197
Share of results of associates and joint venture				(1)
Net investment income				1
Finance income				6
Finance costs				(169)
Profit before tax				34
Tax				(33)
Profit for the year				1

4. Separately Disclosed Items	2017	2016 Restated
	£m	£m
Affecting profit from operations		
New Operating Model implementation costs	**(42)**	(50)
Restructuring costs	**(12)**	(20)
Onerous leases and store closures	**(30)**	(21)
Costs of transformation	**(84)**	(91)
Reassessment of contingent consideration	**32**	4
Asset valuation reviews	**(15)**	(9)
Amortisation of business combination intangibles	**(8)**	(6)
Other	**(24)**	(3)
	(99)	(105)
Affecting finance income and costs		
Net interest cost on bond refinancing	**(23)**	-
Bond open market repurchase premium	**-**	(6)
Net interest cost on defined benefit obligation	**(7)**	(7)
Unwind of discount on provisions and other non-current liabilities	**(11)**	(10)
	(41)	(23)
Total separately disclosed items	**(140)**	(128)

New Operating Model implementation and restructuring costs

Implementation costs relating to the New Operating Model total £42m (2016: £50m) and primarily relate to efficiency programmes in Continental Europe and the UK. These programmes commenced in 2015 and were planned over a 3 year period, with a focus on generating efficiencies within the Group by co-operating more closely across all source markets; rather than duplicating activity in each individual market. The costs that we have separately disclosed in relation to these programmes include the cost of external professional advice and redundancies, as well as the cost of dedicated personnel (both external consultants and internal employees) assigned to New Operating Model projects. The work of these teams focuses on aligning and driving harmonised activities across the Group in each business area, including finance, digital, marketing, product and yield management. This work represents an investment in our transformation, resulting in a temporary increase in costs by doubling up resource in some business areas, as we transform our business model into one that is horizontally aligned across the Group under a matrix structure. Once processes are fully co-ordinated and harmonised in these areas, these additional costs will fall away. Accordingly we believe that it is appropriate to separately disclose these costs. The New Operating Model was initially established as a three year transformation project and these costs are expected to continue to be incurred until implementation is complete.

Restructuring costs of £12m (2016: £20m) largely relate to legacy rationalisation in Continental Europe, namely France and Russia.

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 Cooperative 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 10).

Onerous leases and store closures

Onerous leases and store closures of £30m (2016:£21m) relates to a provision associated with loss-making UK stores. The provision follows the results of a strategic review of the UK store network as part of the New Operating Model.

Asset revaluation reviews

Asset valuation reviews of £15m primarily relate to write offs 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.

Amortisation of business combination intangibles

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

Other

Other separately disclosed items of £24m includes £15m in relation to investment in the set-up of partnerships and business developments, £6m of costs incurred relating to repatriation of guests net of insurance received for Hurricane Irma and £6m of costs incurred for fraudulent illness claims. In addition there is a £6m gain from the movement in forward points related to foreign exchange forward contracts and the time value of options in cash flow hedge relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance.

Finance related charges

The Group has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £11m 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 £7m.

5. Finance Income and Costs

	2017 £m	2016 £m
Underlying finance income		
Other interest and similar income	**4**	6
	4	6
Underlying finance costs		
Bank and Bond interest and other related charges	**(78)**	(84)
Fee amortisation	**(7)**	(7)
Letters of credit	**(20)**	(18)
Other interest payable	**(24)**	(18)
	(129)	(127)
Underlying aircraft related finance costs		
Interest payable	**(2)**	(3)
Finance costs in respect of finance leases	**(16)**	(16)
	(18)	(19)
Underlying finance cost	**(147)**	(146)
Net underlying Interest	**(143)**	(140)
Separately disclosed finance costs		
Bond open market repurchased premium	**-**	(6)
Bond refinancing costs	**(23)**	-
Net interest cost on defined benefit obligation	**(7)**	(7)
Unwind of discount on provisions and other non-current liabilities	**(11)**	(10)
	(41)	(23)
TOTAL NET INTEREST	**(184)**	(163)

Bank and bond interest includes fair value gain of nil (2016: £2m gain) on hedging instruments and fair value loss of nil (2016: £2m loss) on hedged items in fair value hedges.

6. Tax

Analysis of tax charge		2017 £m	2016 £m
Current tax			
UK	Corporation tax charge for the year	-	6
	Adjustments in respect of prior periods	(4)	2
		(4)	**8**
Overseas	Corporation tax charge for the year	45	27
	Adjustments in respect of prior periods	1	4
		46	**31**
Total current tax		**42**	**39**
Deferred tax			
	Tax credit	(8)	(6)
Total deferred tax		**(8)**	**(6)**
Total tax charge		**34**	**33**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK standard corporation tax rate applicable to profits of the company as follows:

Tax reconciliation	2017 £m	2016 £m
Profit before tax	**46**	34
Expected tax charge at the UK corporation tax rate of 19.5% (2016: 20%)	**9**	7
Income not liable for tax	**(23)**	(11)
Expenses not deductible for tax purposes	**16**	11
Losses and other temporary differences for which tax relief is not available	**41**	34
Utilisation of tax losses and other temporary differences not previously recognised	**(4)**	(2)
Recognition of losses and other temporary differences not previously recognised	**(58)**	(60)
Derecognition of deferred tax previously recognised	**44**	36
Difference in rates of tax suffered on overseas earnings	**7**	9
Impact of changes in tax rates	**5**	6
Other	**(2)**	2
Income tax charge in respect of prior periods	**(1)**	1
Tax charge	**34**	33

7. Dividends

The Board recommends a dividend of 0.6p per share (2016: 0.5p). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend will be paid to Shareholders on the register at the close of business on 5 April 2018. The payment of this dividend will not have any tax consequences for the Group.

8. Earnings per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 3m shares held by the employee share ownership trusts (2016: 4m).

Basic and diluted earnings per share	2017 £m	Restated 2016 £m
Net profit attributable to the owners of the parent	**13**	4
	millions	millions
Weighted average number of shares for basic earnings per share	**1,532**	1,530
Weighted average number of shares for diluted earnings per share	**1,536**	1,531
	pence	pence
Basic and diluted earnings per share	**0.8**	0.3

Thomas Cook Group

9. Provisions

	Aircraft maintenance provisions £m	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Other provisions £m	Total £m
At 1 October 2015 (restated)	287	11	75	6	24	403
Additional provisions in the year	51	-	86	8	24	169
Unused amounts released in the year	(19)	-	(2)	(2)	(4)	(27)
Unwinding of discount	4	-	-	-	1	5
Utilisation of provisions	(34)	(7)	(90)	(10)	(16)	(157)
Exchange differences	41	1	2	1	2	47
At 30 September 2016 (restated)	330	5	71	3	31	440
Additional provisions in the year	**73**	**-**	**109**	**12**	**31**	**225**
Unused amounts released in the year	**(37)**	**(2)**	**(3)**	**(2)**	**(4)**	**(48)**
Unwinding of discount	**11**	**-**	**-**	**-**	**1**	**12**
Utilisation of provisions	**(8)**	**(3)**	**(102)**	**(12)**	**(28)**	**(153)**
Exchange differences	**(3)**	**-**	**-**	**-**	**2**	**(1)**
At 30 September 2017	**366**	**-**	**75**	**1**	**33**	**475**

Included in current liabilities	**168**
Included in non-current liabilities	**307**
At 30 September 2017	**475**

Included in current liabilities	139
Included in non-current liabilities	301
At 30 September 2016 (restated)	440

See note 10 for details on restatement.

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.

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

Reorganisation and restructuring plans predominantly represent committed restructuring costs in the Tour Operator segment.

Other provisions includes items such as onerous contracts, dilapidations and emissions trading liabilities. Of the £31m charge recognised in the year, £13m has been classified as a Separately Disclosed Item within 'Onerous leases and store closures'. For further details refer to Note 4. Onerous lease provisions will be utilised over the lease terms.

10. Prior Year Restatement

During the year management identified that long term aircraft maintenance provisions had been measured using an incorrect discount rate. An adjustment has been calculated to restate the carrying value of these provisions using a risk free rate based on government bond rates of similar currency and term to the related obligations. The impact of this restatement principally affects the opening balance at 1 October 2015 and prior periods and has resulted in a £46m increase in aircraft maintenance provisions recorded within opening reserves as at 1 October 2015. The effect of applying these revised discount rates would not be material to the results of 2016.

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.

Following the cessation of the Hotels 4U business in the UK at the end of 2016 it was identified during the year there were a number of balances that were assessed as no longer recoverable. This resulted in a reduction in prior year profit of £6m of which £2m was in respect of the impairment of property and recognition of onerous leases recorded in separately disclosed items. A further £4m was recognised in underlying profit in respect of a reduction in trade and other receivables.

During FY16 an estimate of the TOMS liability was recognised however it was subsequently identified that the final liability was understated by £2m. This has been recorded as an adjustment to underlying profit with a corresponding decrease in trade and other payables.

Management identified a deferral of a profit on a historic sale and leaseback transaction had not been recognised over the life of the lease. This resulted in an adjustment of £4m being recorded in deferred income within trade and other payables and opening reserves in the prior year.

Amounts of £7m previously recognised receivables have subsequently been re-assessed as irrecoverable, this included £3m that related to pre-FY16 and therefore has been taken through the opening reserves. The remaining £4m related to FY16 and resulted in an adjustment to separately disclosed items in 2016.

Impact on equity - increase/(decrease) in equity – 30 September 2016	**£m**
Trade and other receivables	(11)
Plant, property and equipment	(1)
Short term provision	(1)
Current Trade and other payables	(2)
Non-current trade and other payables	(4)
Long-term provisions	(46)
Net assets	(65)
Opening reserves(i)	(53)
Retained earnings	(8)
Equity attributable to equity owners of the parent	(61)
Non-controlling interest	(4)
Total equity	(65)

(i) The impact on opening reserves comprises long term provisions (£46m), deferred income in long term trade and other payables (£4m) and trade and other receivables (£3m).

Impact on statement of profit or loss - increase/(decrease) in profit for 30 September 2016

	Underlying EBIT £m	**Separately disclosed Items £m**	**Statutory profit £m**
Sale of goods	(2)	-	(2)
Operating expenses	(4)	(2)	(6)
Net impact on profit for the year	(6)	(2)	(8)
Attributable to:			
Equity holders of the parent			(8)
Non-controlling interests			-
			(8)

Impact on basic and diluted earnings per share (EPS) - increase/(decrease) in EPS **(0.5)p**

11. Subsequent events

As previously announced, from November 2017, our Belgian airline business transferred to Brussels Airlines such that it is no longer part of the Group.

In November 2017 the Group entered into new financing arrangements being an enlarged, £875 million revolving credit facility and bonding and guarantee facility, maturing in November 2022. In addition the Group has secured £100 million of annual rolling bilateral funding from one of their insurance providers. These new arrangements replace the Group's existing facility, which provided £800 million of facilities until May 2019.