27 July 2017

Third Quarter Results for the three months ended 30 June 2017

Customer focus driving strong top-line growth

£m (unless otherwise stated)	3 months ended		Change	Like-for-like change[ii]
	30 June 2017	30 June 2016		
Revenue	2,272	1,850	+422	+287
Gross Profit	468	394	+74	+47
Gross Margin %	20.6%	21.3%	-70bps	-60bps
Underlying[i] Profit from Operations (Underlying EBIT)	19	2	+17	+10
Separately Disclosed EBIT Items	(13)	(27)	+14	+14
Profit/(Loss) from Operations (EBIT)	6	(25)	+31	+24
Net Debt[iii]	(404)	(500)	+96	+115

Notes (i) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the on-going results of the Group

(ii) 'Like-for-like' changes adjust for the impact of foreign exchange translation, fuel, the timing of Easter and other. The detailed like-for-like adjustments are shown on page 7

(iii) '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 6 for reconciliation

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

Good performance in Q3, despite the competitive environment

- Group revenue up 14% with strong growth across all segments of the business
- Higher customer satisfaction with NPS up 7 points year-on-year
- Gross profit up £47 million, though margin down due to stronger competition to Spain
- Underlying EBIT up £10 million, supported by Condor recovery
- Net debt improved by £115 million, reflecting timing benefit from strong Summer bookings

Strong demand for Summer 2017; positive momentum continues into Winter

- Overall Group bookings for Summer 2017 up 11% with pricing up 1%
- Significant growth to Greece (up 22%), Bulgaria (up 19%), Cyprus (up 14%) and long-haul destinations
- Turkey recovering well, as customers seek high-quality and value destinations
- Winter 2017/18 around 30% sold, with bookings ahead in all markets

Full year underlying operating profit expected to be in line with market forecasts

Peter Fankhauser, Chief Executive of Thomas Cook commented:

"Our increased focus on the customer is reflected in a good performance for the third quarter. Strong demand for our holidays across the Group combined with an improved performance in our German airline to deliver a £10-million increase in profit versus the same period last year. This improved performance means Condor remains on track to return to profitability for the full year.

"So far, we are taking one and a half million more customers on holiday this summer than we did three years ago, showing the growth in demand for our modern package and flight offer. We continue to innovate to broaden our appeal with the launch of a 'Choose Your Room' option in 300 of our core hotels for Summer 2018.

"An 11-per-cent increase in bookings for this summer reflects good demand across all destinations. The pick-up in demand for Turkey we reported earlier in the year has continued, as customers are attracted to the quality and value on offer.

"As we go into the peak summer season, our holiday offering is in great shape. We have opened 11 new own-brand hotels for this summer, including a second Casa Cook, in Kos, offering affordable chic on the beach. We have also rolled out our 24-hour Satisfaction Promise to 2,000 hotels, giving 80 per cent of customers in our core sun & beach hotels an added level of reassurance. These initiatives have helped to deliver a seven-point increase in customer satisfaction year-on-year.

"As we said in May, we are experiencing pressure on margins to Spain in what is a competitive environment, though this is being mitigated by our focus on our own-brand and core hotel offering and supported by strong overall demand for our summer holidays. As a result, we continue to expect our full year underlying operating result to be in line with current market expectations."

Presentation to equity analysts

A conference call and webcast for investors and analysts will be held today at 08.30 (BST). The access details are as follows:

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

http://view-w.tv/819-1354-18535/en

Forthcoming announcement dates

The Group intends to issue a pre-close update on 26 September 2017.

Enquiries

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CURRENT TRADING AND OUTLOOK

Summer 2017

Our Summer 2017 programme is 82% sold for the Group, 2% ahead of the same period last year. We continue to see strong demand for our holidays, with Group bookings up 11% and average selling prices up 1%. Our early actions to expand our holiday offering to a wider range of destinations this summer is paying off, with good volume growth across most destinations, in particular to Greece, Cyprus and Bulgaria.

We have also seen significant growth to Turkey since our last update, as customers are attracted by the quality and value of the destination.

Bookings to Spain are broadly in line with last year, reflecting a very competitive market and a strong comparative period, as highlighted previously.

In our UK business, overall bookings including seat-only and package holidays, are up 6% with average selling prices in line with last year. We continue to manage through a more competitive market to Spain, as a result of higher hotel price inflation and increased air capacity to the region. Our focus, therefore, has been on selling higher margin, quality holidays rather than pursuing volume growth, and as a result, charter risk package pricing is up by 7% while bookings are up by 1%.

In Continental Europe, bookings are well ahead in all markets. Overall, volumes are up 13%, driven in particular by strong growth in Germany and in Russia. Average selling prices are up 2%.

Northern Europe has maintained its strong summer trading position with volumes up 8%. Pricing is up 3% compared to last year, reflecting good demand for our own-brand hotel offering in Greece, Cyprus and Spain.

Condor's bookings are up 14% with average selling prices in line with last year, as it continues to attract customers looking for a high-quality and reliable service. Condor's volume growth has been driven by significant demand for Greece, as well as an expansion of our long-haul programme into North America. Our plan to return Condor to profitability for the full year remains on track.

Summer 2017	Year-on-Year Variation %		
	Bookings(i)	ASP(i)	% Sold(ii)
UK	+6%	Same(iii)	77%
Continental Europe	+13%	+2%	90%
Northern Europe	+8%	+3%	94%
Airlines Germany (Condor)	+14%	Same	79%
Total	**+11%**	**+1%**	**82%**

Based on cumulative bookings to 22 July 2017

Notes:
(i) Risk and non-risk customers
(ii) Risk customers only
(iii) UK average selling price is up 7% for charter risk and down 3% for seat only, resulting in overall ASP being the same as last year on a blended basis

Winter 2017/18

Our Winter 2017/18 programme is currently around 30% sold, in line with last year. In the UK, bookings are up 5%, against a strong comparative period, with pricing up 4%, reflecting good demand for our own-brand hotels. Northern Europe has also had an encouraging start to the season, with bookings up 7% and pricing up 4% driven by growth to long-haul winter sun destinations. In Continental Europe, bookings are 8% ahead with pricing broadly in line with last year, reflecting growth from Germany and Russia in particular.

Outlook

Our current trading position is consistent with the last update. Volume growth remains significantly ahead of last year, supported by our strategy, in particular our focus on the customer and improvement in our own-brand and differentiated hotel offering. This is helping to mitigate margin pressure to Spain in what is a more competitive environment, as previously highlighted. As a result, we continue to expect our full year underlying operating profit to be in line with market expectations.

Thomas Cook Group

OPERATING AND FINANCIAL REVIEW

£m	3 months ended 30 June 2017	3 months ended 30 June 2016	Change	Like-for-like change[ii]
Revenue	2,272	1,850	+422	+287
Gross Profit	468	394	+74	+47
Gross Margin %	20.6%	21.3%	-70bps	-60bps
Underlying[i] Operating Expenses	(449)	(392)	-57	-37
Underlying[i] Profit from Operations (Underlying EBIT)	**19**	**2**	**+17**	**+10**
Separately Disclosed EBIT Items	(13)	(27)	+14	+14
Profit/(Loss) from Operations (EBIT)	**6**	**(25)**	**+31**	**+24**
Underlying[i] Net Finance Charges	(35)	(35)	-	-
Separately Disclosed Finance Charges	(2)	(4)	+2	+2
Loss Before Tax	**(31)**	**(64)**	+33	+26

Notes (i) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the on-going results of the Group

(ii) 'Like-for-like' changes adjust for the impact of foreign exchange translation, fuel, the timing of Easter and other. The detailed like-for-like adjustments are shown on page 7

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

Group revenue increased by 14% to £2,272 million, driven by growth across all segments of our business. In particular, we saw strong growth to Greece and long-haul destinations, while Spain continued to build on the high levels of growth experienced last year.

Gross profit increased by 11% to £468 million, as a result of the strong revenue growth. However, gross margin declined by 60 basis points to 20.6%, as we experienced stronger competition to Spain, as previously highlighted.

Underlying EBIT increased by £10 million to £19 million, supported by a recovery in the profitability of Condor as a result of the actions we have taken to turn around the business following market disruption last year, and an improved trading performance in Continental Europe.

Profit from operations improved by £24 million to £6 million, reflecting the higher underlying EBIT and a reduction in separately disclosed EBIT items.

Segmental EBIT Performance

Underlying EBIT by segment	UK	Continental Europe	Northern Europe	Condor	Corporate	Group
	£m	£m	£m	£m	£m	£m
3 months ended 30 June 2016 LFL	37	0	15	(29)	(14)	9
3 months ended 30 June 2017	36	5	10	(13)	(19)	19
3 months LFL change (£m)	**-1**	**+5**	**-5**	**+16**	**-5**	**+10**

Our UK business generated underlying EBIT of £36 million, broadly in line with last year, as a stronger performance to Greece was offset by greater competition to Spain.

Continental Europe grew EBIT by £5 million, reflecting a weaker comparative period, particularly in Belgium which suffered a sharp decline in profits last year due to the Brussels airport attack.

Northern Europe saw underlying EBIT decline by £5 million, compared to a strong comparative period last year.

Our actions to improve the performance of Condor started to bear fruit during the period, with Condor's underlying EBIT loss improving by £16 million. We remain confident that Condor will return to profit for the full year, in line with expectations.

Net debt

The components of the movement in net debt over the last 12 months are as follows:

£m	
30 June 2016 closing net debt position	**(500)**[(i)]
Exchange rate and other non-cash movements	6
Impact of Bond refinancing	(25)
Like-for-like 30 June 2016 closing net debt position	**(519)**
Operating cashflow	574
Exceptionals	(96)
Capex	(197)
Net Interest paid	(127)
JV Dividend and Other	(39)
30 June 2017 closing net debt position	**(404)**

Note (i) June 2016 net debt has been redefined to include net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings which totalled £15m

Net debt at 30 June 2017 was £404 million, a reduction of £96 million compared to the same time last year, largely reflecting the timing benefits of stronger summer bookings. On a like-for-like basis, excluding the impact of exchange rates, other non-cash movements and bond refinancing costs, net debt decreased by £115 million compared to the same time last year.

Hedging of Fuel and Foreign Exchange

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

	Summer 2017	Winter 2017/18	Summer 2018
Euro	97%	88%	56%
US Dollar	98%	89%	64%
Jet Fuel	90%	98%	68%

As at 30 June 2017

As Jet Fuel is priced in US Dollars, we buy forward the requisite amount of US Dollars from a mix of base currencies. For the full year FY17, we estimate that our net fuel costs will fall by around £25 million compared to FY16, although our prudent assumption is that we do not expect to retain these benefits.

The Group's policy is not to hedge the translation impact of profits generated outside the UK. If Q3 period end rates were applied for the remainder of FY17, there would be a negative year-on-year translation impact for the full year of approximately £3 million.

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

	Average Rate		Period End Rate	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016
GBP/Euro	1.16	1.31	1.14	1.21
GBP/US Dollar	1.25	1.44	1.30	1.34
GBP/SEK	11.18	12.15	10.98	11.40

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APPENDIX

Like-for-like analysis

'Like-for-like' (LFL) changes adjust for the impact of foreign exchange translation, fuel, the timing of Easter and other.

To assist in understanding the impact of these factors and their influence on year on year progression, we consider 'like-for-like' adjusted changes from the 3 month period to 30 June 2016 to the 3 month period to 30 June 2017 in the analysis below.

Group	Revenue	Gross margin	Operating expenses	Underlying EBIT
	£m	%	£m	£m
3 months ended 30 June 2016	**1,850**	**21.3%**	**(392)**	**2**
Easter Timing	55	(0.1)%	-	10
Fuel	(40)	0.4%	-	-
Currency Movements & Other(i)	120	(0.4)%	(20)	(3)
3 months ended 30 June 2016 LFL	**1,985**	**21.2%**	**(412)**	**9**
3 months ended 30 June 2017	**2,272**	**20.6%**	**(449)**	**19**
3 month LFL change (£m)	**+287**	**-60bps**	**-37**	**+10**

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

Underlying Revenue by segment (£m)	UK	Continental Europe	Northern Europe	Condor	Corporate	Group
3 months ended 30 June 2016	**618**	**822**	**233**	**280**	**(103)**	**1,850**
Easter Timing	24	10	5	16	-	55
Fuel	(15)	(3)	(5)	(17)	-	(40)
Currency Movements & Other(i)	-	80	15	25	-	120
Internal business unit transfer(ii)	(2)	2	-	-	-	-
3 months ended 30 June 2016 LFL	**625**	**911**	**248**	**304**	**(103)**	**1,985**
3 months ended 30 June 2017	**690**	**1,066**	**273**	**344**	**(101)**	**2,272**
3 month LFL change (£m)	**+65**	**+155**	**+25**	**+40**	**+2**	**+287**

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

(ii) 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

Underlying EBIT by segment (£m)	UK	Continental Europe	Northern Europe	Condor	Corporate	Group
3 months ended 30 June 2016	**34**	**(3)**	**15**	**(30)**	**(14)**	**2**
Easter Timing	5	1	1	3	-	10
Currency Movements & Other(i)	-	-	(1)	(2)	-	(3)
Internal business unit transfer(ii)	(2)	2	-	-	-	-
3 months ended 30 June 2016 LFL	37	0	15	(29)	(14)	9
3 months ended 30 June 2017	**36**	**5**	**10**	**(13)**	**(19)**	**19**
3 month LFL change (£m)	**-1**	**+5**	**-5**	**+16**	**-5**	**+10**

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

(ii) 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