

27 September 2016

Pre-close trading update

Highlights

- Summer 2016 closing out as expected, with strong demand for most destinations apart from Turkey
- Winter 2016/17 bookings are in line with last year
- Full year underlying EBIT guidance unchanged
- Focused on continuing to improve the customer experience, and delivering substantial progress in our New Operating Model, including a new hotel sourcing partnership with Webjet and the launch of Thomas Cook China

Peter Fankhauser, Chief Executive of Thomas Cook commented:

“The Summer season has progressed largely as expected. Customers’ desire to go abroad on holiday has remained strong with the exception of Turkey where demand continues to be volatile. To date, sales for the Winter season are in line with last year while sales so far for Summer 2017 suggest that customers are booking early in an effort to secure their first-choice destination and hotel.

“We remain focused on ensuring that we have the right holidays available in the most popular destinations in order to meet changes in customer demand. At the same time, we continue to transform our business for profitable growth. We’ve taken big steps forward in recent months with the agreement of a new hotel sourcing partnership with Webjet and the launch of Thomas Cook China. However, we’re particularly proud of the improvements we’ve delivered in customer satisfaction thanks to the work we’ve done to strengthen the quality of our offering. We know that the increased loyalty we get from happier customers is key to driving the future success of our business.”

Current trading

Summer 2016

Overall Group bookings remain in line with our expectations. Excluding Turkey, bookings are up by 8% across the Group as a whole, while including Turkey, bookings are down by 4%. Sales have been driven by demand for high-volume destinations including the Balearic and Canary Islands and the USA, alongside smaller destinations like Bulgaria and Cuba. Our Summer 2016 programme is 89% sold for the Group, 3% below the same period last year.

Summer 2016	Year-on-Year Variation %			Bookings ex Turkey ⁽ⁱ⁾
	Bookings ⁽ⁱ⁾	ASP ⁽ⁱ⁾	% Sold ⁽ⁱⁱ⁾	
UK	+1%	-5% ⁽ⁱⁱⁱ⁾	92%	+13%
Northern Europe	-6%	+3%	99%	+5%
Continental Europe	-9%	-3%	87%	+7%
Airlines Germany	-3%	-2%	90%	+7%
Total	-4%	-4%	89%^(iv)	+8%

Based on cumulative bookings to 17 September 2016

Notes: (i) Risk and non-risk customers

(ii) Risk customers only

(iii) UK average selling price is up by 2% for charter risk and down by 4% for seat-only, resulting in a 5% decline on a blended basis due to the change in mix

(iv) For the tour operator only, the Summer 2016 season is 89% sold, 2% lower than this time last year

In the UK, bookings are slightly higher than the prior year. Charter risk average selling prices remain strong at 2% above last year, reflecting a focus on better quality product and a shift towards more premium destinations. Overall UK average selling prices are down 5% reflecting the planned growth in our seat-only business, which has lower average selling prices compared with package holidays.

Northern Europe bookings are 6% lower, in line with capacity cuts made as part of our destination strategy, and against a very strong performance in the comparative period last year. Pricing is up 3% compared to last year, reflecting strong demand for our differentiated holidays.

In Continental Europe, bookings are 9% lower than at this time last year reflecting continued weak consumer confidence, including in Belgium where demand is significantly down as a result of the Brussels terror attacks. Overall pricing is 3% below last year's levels. In Germany, bookings are 6% lower than this time last year, but we continue to outperform the wider tour operating industry.

For Airlines Germany (Condor), bookings are 3% lower than last year, and pricing is down by 2%. The business continues to be impacted by lower yields due to overcapacity and increased pricing pressure, amid intense competition particularly in the short and medium haul market. We have taken steps to move capacity away from Turkey and increased the focus on cost efficiencies, in order to improve Condor's performance in FY17.

Winter 2016/17

Our Winter 2016/17 season is 27% sold^(v), consistent with the same period last year. Overall Group bookings are in line with the strong comparative period last year, and pricing is down 1%. In the UK, we are pleased with the early start to the Winter season with bookings up 8% and average selling prices down 3%, which reflects a higher mix of seat-only bookings. In Northern Europe bookings are down 3%, reflecting capacity cuts and a strong comparative period last year, with pricing down 1%. While it is still early in the booking cycle for Continental Europe, trading patterns for Winter are similar to those seen over the Summer, with weak demand, particularly in Germany and Belgium.

Summer 2017

For Summer 2017, we have seen an encouraging start to bookings, which are ahead across all source markets at this early stage, particularly Continental Europe and Northern Europe. Overall, average selling prices are ahead of last year.

Note (v): For the tour operator only, the Winter 2016/17 season is 44% sold, which is 1% lower than this time last year

Outlook

We continue to experience good demand for our holidays in the UK and Northern Europe, offset by weaker demand in Germany, particularly for Turkish destinations. Our expectations for full year underlying operating profit remain in line with previous guidance. The Group is well positioned for future growth – we have a strong balance sheet, a resilient business model and a strategic focus on strengthening our holiday offering for the benefit of our customers.

Forthcoming announcement date

The Group intends to announce its full year results to 30 September 2016 on 23 November 2016.

Enquiries

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