Thomas Cook Group

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

16 May 2019

Results for the six months ended 31 March 2019

£m (unless otherwise stated)	6 months ended		Change	Like-for-like change[iii]
	31 Mar 2019	31 Mar 2018		
Revenue	3,019	3,227	-208	+4
Underlying[i, ii] Gross Profit	599	672	-72	-54
Underlying[i, ii] Gross Margin %	19.8%	20.8%	-100bps	-180bps
Underlying[i, ii] Loss from Operations (Underlying EBIT)	(245)	(170)	-76	-65
Loss from Operations (EBIT) exc. goodwill impairment	(282)	(215)	-68	-55
Goodwill impairment[iv]	(1,104)	-	-1,104	-1,104
Loss from Operations (EBIT)	(1,386)	(215)	-1,172	-1,159
Loss before tax	(1,456)	(303)	-1,153	-1,140
Net Debt[v]	(1,247)	(886)	-361	-275

Due to rounding in both the current and prior year, some totals or variances may not agree exactly

Notes (i) This table includes non-statutory alternative performance measures – see page 34 for explanation, associated definitions and reconciliations to statutory numbers

(ii) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the on-going results of the Group. Separately disclosed items are detailed on page 27

(iii) 'Like-for-like' adjustments include the impact of foreign exchange translation, IFRS 15 and the timing of Easter. The detailed like-for-like adjustments are shown on pages 7 and 8

(iv) Goodwill impairment includes £1,038 million of goodwill and £66m of brand name intangible asset impairments

(v) See page 14 for definition and breakdown of net debt. 'Like-for-like' net debt adjusts the prior year comparative for finance lease extensions which are non-cash and foreign exchange translation

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

H1 performance against strong prior-year period

- Revenue of £3,019 million, in line with last year
- Underlying EBIT loss increased by £65 million to £245 million reflecting margin pressure in Tour Operator
- Goodwill impairment of £1,104 million in UK business, relating to 2007 merger with MyTravel
- Loss before tax of £1,456 million after goodwill impairment
- Net debt of £1,247 million; increase due to a lower working capital position and higher non-cash items

Good progress on executing strategy of differentiation

- Group NPS improvement led by Hotels (+6 points), Tour Operator (+2 points) and Airlines (+2 points)
- Opened 12 own-brand hotels, including four Cook's Clubs and one Casa Cook
- Expanded presence outside Europe: agreed joint venture in Russia and pipeline of new hotels in China

Strategic review of airline progressing; agreed term sheet for new facility

- Multiple bids received for all and part of Group Airline
- £300 million bank facility to provide additional liquidity for Winter 2019/20 season

Challenging trading for Summer 2019

- Recent economic and political uncertainty has led to high levels of promotional activity
- This activity, along with higher fuel and hotel costs, will impact progress on FY19 EBIT

Peter Fankhauser, Chief Executive of Thomas Cook, commented:

"The first six months of this year have been characterised by an uncertain consumer environment across all our markets. The prolonged heatwave last summer and high prices in the Canaries reduced customer demand for winter sun, particularly in the Nordic region, while there is now little doubt that the Brexit process has led many UK customers to delay their holiday plans for this summer.

"Our loss from operations for the period was £1.4 billion, which reflects a non-cash impairment of historic goodwill, largely related to the merger with MyTravel in 2007 which we have re-valued in light of the weak trading environment.

"Our current trading position reflects a slower pace of bookings, against a strong first half in 2018, and our decision to reduce capacity in order to mitigate risk in the tour operator and allow our airline to consolidate the strong growth it achieved last year.

"Despite this more challenging environment, we have made good progress on our strategy of differentiation. Following the announcement of the strategic review of our Group Airline in February, we have received multiple bids, including for the whole, or parts, of the airline business. As we assess these bids, we will consider all options to enhance value to shareholders and intensify our strategic focus.

"We are well advanced in our aim to build our position as one of the leading sun and beach hotel companies in Europe. In the last two months alone, we've opened 12 new own-brand hotels out of a pipeline of 20 for 2019, reinvigorating key destinations across the Med with four new Cook's Clubs, and launching our first family Casa Cook in Crete.

"Outside of Europe, we have taken an important next step in the development of our China joint venture with the announcement of two new hotel projects in partnership with Fosun, including our first Casa Cook in Asia. We have also secured a leading position in the Russian market with the development of a new joint venture to buy the number one tour operator Biblio Globus.

"Taking lessons from 2018, we have put a keen focus on cash and cost discipline across the group in the first half. We have also accelerated the transformation of our UK business, including the closure of 21 UK retail stores and a review of Thomas Cook Money. A range of further cost efficiencies are planned for the second half, allowing further investment in our growth strategy.

"As we look ahead to the remainder of the year, it's clear that, notwithstanding our early decision to mitigate our exposure in the 'lates' market by reducing capacity, the continued competitive pressure resulting from consumer uncertainty is putting further pressure on margins. This, combined with higher fuel and hotel costs, is creating further headwinds to our progress over the remainder of the year."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 09.00 (BST). A live webcast of the presentation will be available via the following link and dial-in:

http://view-w.tv/798-1035-21516/en

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CURRENT TRADING AND OUTLOOK

Winter 2018/19

Our Winter 2018/19 programme closed out in line with our expectations. Overall Group bookings increased by 7%, with strong demand for Egypt and Turkey. Average selling prices were down by 9%, reflecting a shift in the mix from long-haul to short/medium-haul destinations.

Summer 2019

Our Summer 2019 programme is 57% sold, in line with the prior year. Group Tour Operator bookings are broadly consistent with the capacity reductions we have made across our markets to better manage our operational risk throughout the year. As a result, while tour operator bookings are down 12%, pricing is up in all key segments, and 2% higher overall.

We continue to see strong demand for Turkey, Egypt and Tunisia as customers are attracted by our great value offer of high-quality hotels and increased flight capacity. Bookings to the Spanish Islands are lower than last year following our decision to significantly reduce tour operator capacity for the summer.

In the UK, the political uncertainty related to Brexit over recent months has led to softer demand for summer holidays across the industry. While our booking position remains ahead of the capacity reductions in the tour operator, the trading backdrop remains highly competitive, leading to increased levels of promotional activity. We have seen no tangible change to booking patterns in recent weeks since the announcement of a delay to Brexit, although we will shortly start to lap a weaker comparative period.

In Continental Europe, bookings are lower than last year across all markets, and below our capacity reductions, primarily reflecting a weaker consumer environment in Germany, in particular. The decline is being driven by reduced demand for the Spanish Islands and Greece, partially offset by growth to Turkey and Tunisia.

In Northern Europe, bookings are also running behind our capacity cuts. The knock-on effect from the heatwave last summer led to a slower start to the season. Consumers' appetite for a summer holiday abroad has also been impacted by a weaker macroeconomic environment, particularly in Sweden, combined with a growing environmental movement against air travel.

Group Airline bookings are 6% lower than last year, in line with our expectations, reflecting a strong comparative period and capacity reductions to our in-house tour operator. Excluding our in-house tour operator, bookings are up 9%. UK long-haul sales are robust with good pricing while in Germany, Condor's sales to third-party tour operators are ahead of last year. Average selling prices are up 2% overall, with short/medium haul yields slightly behind prior year, while the long haul business, especially in the UK, is achieving good yields and improved load factors.

Outlook

Trading for the Group has been challenging to date, reflecting an uncertain consumer environment which has led to a slower pace of bookings across all markets. We have partially mitigated this risk by reducing the amount of capacity across all of our tour operator businesses. However, we continue to face intense competition, particularly in our UK business.

As we look ahead to the remainder of the year it's clear that, notwithstanding our early decision to mitigate our exposure in the 'lates' market by reducing capacity, the continued competitive pressure resulting from consumer uncertainty is putting further pressure on margins. This, combined with higher fuel and hotel costs, is creating further headwinds to our progress over the remainder of the year. As a result, we now expect underlying EBIT in the second half to be behind the same period last year although, as previously advised, operating profit will reflect significant reductions in separately disclosed items.

In response to these challenges we have taken proactive steps to ensure we can maintain an appropriate level of liquidity and facilitate sustained long-term investment in our strategy.

INTENSIFYING OUR STRATEGIC FOCUS

Strategic review well underway

Following the announcement of the strategic review of our Group Airline in February, we have received multiple bids. We are currently assessing the bids received, including for the whole, and parts, of the Group Airline. We will consider all options to enhance value to shareholders and intensify our strategic focus and we will provide an update on this process in due course.

Delivering our strategy for profitable growth

We are making good progress in executing our strategy for sustainable profitable growth, through which we aim to generate higher quality revenues, improve profitability and increase cash flows.

Customer Care

A key focus of the business remains improving customer satisfaction, measured by the Net Promoter Score (NPS), knowing that higher NPS directly correlates to higher margin and higher rebookings. We increased Group NPS by two points in the first half compared with last year, led by a six-point increase in hotel NPS, with NPS in the Group Tour Operator and Group Airline also up, by two points respectively.

Customer Contact

We continue to shift more customer bookings online, increasing the share of sales made online by four percentage points to 50% in the first half. At the same time, we increased direct sales to customers by three percentage points to 72%, despite continuing to reduce the size of our retail network in the UK as part of our efficiency program.

Own-brand hotels

We now operate one of the largest sun and beach hotel groups in Europe, with market-leading positions in Greece and Turkey, and a top 5 position in Spain. With a portfolio of 200 hotels this summer, we have around 40,000 rooms on offer across the Mediterranean, North Africa, the Middle East and Asia.

In the last two months, we have opened 12 of the 20 new own-brand hotels scheduled for this year. These include four new Cook's Clubs, including a major refurbishment of a former Smartline in Playa de Palma, and the first Casa Cook for families in Crete. We are on track to launch a further two Casa Cooks by the end of the year.

At the same time, we have continued to make progress in our aim to improve the financial returns from our hotels business by signing four new management contracts, taking the total to 24. Fees earned through management contracts are, on average, double those earned through franchise contracts.

We have established good momentum in our hotel fund joint venture. One year on from launch, the fund has almost doubled in size to number nine properties, including one of our most successful Greek hotels, Casa Cook Kos. This growth has been fuelled by the successful addition of a further €91 million of funding from third-party finance partners. The fund is in advanced discussion about a number of further opportunities while the first new-build hotel in the joint venture will open this summer as a flagship Casa Cook in Ibiza, managed by Thomas Cook Hotels and Resorts.

Airline

Our Group Airline will operate 105 aircraft this summer, excluding wet leases, as it consolidates its growth of 2018 and strengthens its position as one of the leading leisure airlines in Europe, both by leveraging its close relationship with the Tour Operator and increasing seat-only and third party tour operator sales through its own channels.

As part of a continued series of operational improvements across the Group Airline, our UK airline now operates an all-Airbus fleet, reducing cost and complexity. Condor, the German airline has driven particularly strong growth in third-party sales in short/medium-haul of 27% in the first half as it benefits from providing a reliable service in a disrupted market. Meanwhile, the ongoing efficiency programme is on track to deliver further cost reduction across the Group Airline. In recognition of the Group's focus on customer service, Thomas Cook Airlines Scandinavia was awarded the TripAdvisor Travellers' Choice award in April 2019.

Thomas Cook China

Two and a half years from launch, our Chinese joint venture with Fosun continues to grow strongly by expanding its product portfolio and distribution channels. The business further strengthened its offer for Chinese customers with the agreement in January of a memorandum of understanding with Fosun for two own-brand hotel projects - the first Casa Cook in China in Lijiang in the South West, and a Sunwing resort in the Fosun development in Taicang near Shanghai. These follow last year's announcement of our first own-brand hotels in China, in partnership with DreamEast Group.

At the same time, the business has strengthened its presence in key strategic destinations for Chinese travellers, opening offices in Sanya, Thailand and Japan. Building on the success of its multi-channel strategy, the Chinese joint venture has launched a new digital sales channel integrated within WeChat, China's number one social media platform. This has helped grow own-digital sales to almost 20% of all outbound sales.

Russia

In March, Thomas Cook announced a joint venture with Ionic Invest to buy Biblio Globus, one of the leading tour operators in Russia. The acquisition diversifies the Group's customer base by giving it a leading position in a growing market and access to additional flight capacity for its existing Russian business, Intourist. With its strong brand and diversified destination mix, Biblio Globus will help strengthen our operations in Russia while expanding the customer base for our own-brand hotels in the Eastern Mediterranean.

Operational Efficiencies

Taking lessons from 2018, we have put a keen focus on cash and cost discipline across the group in the first half. At the same time, we have continued to drive further cost efficiencies by removing complexity and streamlining the business.

We have also accelerated the transformation of our UK business. As an increasing number of customers switch online to book their holidays, we announced in March the closure of 21 stores and a reduction of more than 300 store-based roles across the retail network. We also announced a review of Thomas Cook Money.

A range of further cost efficiencies are planned for the second half, allowing further investment in our growth strategy.

Financing progress

Consistent with our focus to increase liquidity and introduce greater flexibility into the capital structure, we have agreed a mandate letter and a term sheet for a new £300 million secured bank financing facility with our lending banks. This new facility will sit alongside the existing revolving credit facility and bonding facility totalling £875 million, which matures in November 2022. The new financing arrangement features a leverage covenant and a fixed-charge covenant in line with the existing facility. As part of the discussions with lenders, we received a waiver in respect of the March 2019 covenant tests. The new term sheet resets the levels of both covenants for the remaining duration of the borrowing facilities.

The new facility will be available from 1 October 2019 and matures on 30 June 2020. Its availability is principally dependent on progress in executing the strategic review of the Group Airline. Security in the amount of £300 million (in aggregate) granted over certain assets, will apply on a first ranking basis to the new facility and on a second ranking basis to the existing facility until their respective maturity dates. The new facility will be subject to customary conditions, as well as consent from certain other finance providers. The terms of the new facility are not subject to the consent or approval of the noteholders under the Group's 2022 notes and 2023 notes.

OPERATING AND FINANCIAL REVIEW

£m	H1 2019	H1 2018	Change	Like-for-like Change[(ii)]
Revenue	3,019	3,227	-208	+4
Underlying[(i)] Gross profit	599	672	-72	-54
Underlying[(i)] Gross Margin (%)	19.8%	20.8%	-100bps	-180bps
Underlying[(i)] Operating expenses	(839)	(841)	+1	-6
Share of JV & Associates	(5)	(1)	-5	-5
Underlying[(i)] loss from operations (Underlying EBIT)	**(245)**	**(170)**	**-76**	**-65**
Loss from operations (EBIT) excluding Goodwill impairment	(281)	(215)	-67	-55
Goodwill impairment	(1,104)	-	-1,104	-1,104
Loss from operations (EBIT)	**(1,386)**	**(215)**	**-1,172**	**-1,159**
Underlying[(i)] Net finance charges	(70)	(66)	-4	-4
Separately disclosed finance charges	-	(22)	+22	+22
Loss before tax	**(1,456)**	**(303)**	**-1,153**	**-1,140**
Tax	(18)	48	-66	-67
Loss for the period	**(1,474)**	**(255)**	**-1,219**	**-1,207**
Free cash flow[(iii)]	(839)	(718)	-134	-121
Net debt[(iv)]	(1,247)	(886)	-361	-275[(iv)]

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. Separately disclosed items are detailed on page 12
(ii) 'Like-for-like' adjustments include the impact of foreign exchange translation, IFRS 15 and the timing of Easter. The detailed like-for-like adjustments are shown on pages 7 and 8
(iii) Free cash flow is cash from operating activities less exceptional items, capital expenditure and net interest paid, before proceeds on disposal. A summary cash flow statement is presented on page 13, and a reconciliation of free cash flow is shown on page 34
(iv) Like-for-like net debt adjusts the prior year comparative for foreign exchange translation, the impact in change in finance lease extensions and other non-cash items, which totalled £86 million, resulting in H1 2018 like-for-like net debt of £972 million. The detailed like-for-like adjustments are shown on page 14

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 had a challenging first half, with lower demand across our tour operator businesses. Revenue was in line with the prior year on a like-for-like basis and, despite robust pricing, margins were lower due to higher fuel costs and hotel cost inflation.

Gross profit reduced by £54 million with gross margin down 180 basis points due to lower margins in the Group Tour Operator, with Group Airline gross margin flat on a like-for-like basis. The Group's seasonal underlying EBIT loss increased by £65 million to £245 million.

As a result of the weak current trading environment, we also made an impairment to goodwill and brand name intangibles carried forward largely from the merger with MyTravel in 2007. As a result, the Group's loss from operations of £1,386 million includes a goodwill and brand name impairment of £1,104 million.

Underlying net finance charges increased by £4 million to £70 million, whilst separately disclosed finance charges decreased by £22 million to nil. Prior year separately disclosed finance charges related to costs associated with our bond refinancing in December 2017.

The Group's loss before tax increased by £1,140 million to £1,456 million.

Tax for the first half was £18 million, an increase of £67 million year on year due to the tax credit in the prior period. As a result, the Group's loss after tax was £1,474 million.

Free cash flow for the period was a seasonal outflow of £839 million, £121 million higher than last year, primarily reflecting our weaker trading performance and higher working capital outflows, as a result of lower winter activity and fewer summer bookings.

Group net debt at the end of the period was £1,247 million, £361 million higher than a year ago. Adjusting for non-cash and non-recurring items, net debt worsened by £275 million on a like-for-like basis. Compared to the September 2018 year-end position, net debt has increased by £858 million (compared to the equivalent increase of £846 million in the first half of 2017/18).

Like-for-like Analysis

Certain items, such as the 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 H1 2018 are presented in addition to the change in reported numbers.

The 'like-for-like' adjustments to the Group's H1 2018 results and the resulting year-on-year movements are as follows:

Group £m	Revenue	Gross Margin %	Operating Expenses	Underlying EBIT	Operating SDIs	Goodwill Impairment	Operating Profit
H1'18 Reported	**3,227**	**20.8%**	**(841)**	**(170)**	**(45)**	-	**(215)**
Impact of Currency Movements	(53)	-0.0%	7	(5)	(1)	-	(6)
Impact of changes to IFRS15	(124)	+1.1%	-	+9	-	-	+9
Easter adjustment	(36)	-0.2%	-	(15)	-	-	(15)
H1'18 like-for-like	**3,016**	**21.6%**	**(833)**	**(181)**	**(46)**	-	**(227)**
H1'19 Reported	**3,019**	**19.8%**	**(839)**	**(245)**	**(37)**	**(1,104)**	**(1,386)**
Like-for-like change (£m)	+4	n/a	-6	-65	+9	n/a	-1,159
Like-for-like change (%)	Same	-180bps	-1%	-36%	+20%	-	-511%

(£m)	Group Tour Operator			Group Airline		
	Revenue	Underlying EBIT	Operating Profit/Loss	Revenue	Underlying EBIT	Operating Profit/Loss
H1'18 Reported	**2,386**	**(86)**	**(124)**	**1,313**	**(59)**	**(63)**
Impact of Currency Movements	(43)	(2)	(4)	(10)	(3)	(3)
Impact of other LfL changes (i)	32	2	2	(196)	(8)	(8)
H1'18 like-for-like	**2,374**	**(86)**	**(125)**	**1,109**	**(69)**	**(73)**
H1'19 Reported (ii)	**2,283**	**(157)**	**(1,282)**	**1,207**	**(71)**	**(81)**
Like-for-like change (£m)	-91	-70	-1,157	+98	-2	-8
Like-for-like change (%)	-4%	-82%	-925%	+9%	-3%	-11%

Notes (i) Includes Impact of changes to IFRS 15 adjustment, Easter timing and the Business transfers represent the impact of the transfer of our Belgian Airlines business to SN Brussels

(ii) Intercompany revenue eliminations in the first half were £471 million and underlying EBIT for Corporate/other was £(17) million, leading to Group Revenue of £3,019 million and Group underlying EBIT of £(245) million

Underlying EBIT loss by business line £m	Group Tour Operator	Group Airline	Corporate	Group
H1'18 Reported	**(86)**	**(59)**	**(25)**	**(170)**
Impact of currency movements	(2)	(3)	-	(5)
Impact of changes to IFRS15	9	-	-	+9
Easter adjustment	(6)	(9)	-	(15)
Business transfers [(i)]	(1)	1	-	-
H1'18 like-for-like	**(86)**	**(69)**	**(25)**	**(181)**
H1'19 Reported	**(157)**	**(71)**	**(17)**	**(245)**
Like-for-like change (£m)	-70	-2	+8	-65
Like-for-like change (%)	-82%	-3%	+31%	-36%

Note (i) Business transfers represent the impact of the transfer of our Belgian Airlines business to SN Brussels

Revenue

Group revenue is in line with prior year at £3,019 million, as increased winter demand for holidays and flights to Turkey, Egypt and Tunisia was partially offset by reduced demand to the Canaries, particularly evident in the Nordics. The main components of the changes by destination are as follows:

	£m
H1 2018 Like-for-like Revenue	**3,016**
North Africa	39
Turkey	55
Greece	1
Spain	(108)
Other Short/Medium-Haul	52
Long-Haul	(34)
H1 2019 Revenue	**3,019**

Underlying Gross Profit and Margin

Gross profit decreased by £54 million to £599 million. Gross margin was 19.8%, down 180 basis points compared to last year, as reduced demand in the Group Tour Operator impacted its ability to pass on cost increases to customers. Our Group Airline gross margin was in line with prior year. The impact on the Group's gross margin performance by segment is set out below.

	£m
H1 2018 Like-for-like Gross Margin	**21.6%**
UK Tour Operator	-0.7%
Continental Europe Tour Operator	-0.4%
Northern Europe Tour Operator	-0.8%
Group Airline	0.1%
H1 2019 Gross Margin	**19.8%**

Underlying Operating Expenses / Overheads

Group operating expenses before depreciation were broadly in line with prior year. The Tour Operator delivered significant cost reductions, including lower marketing spend and the annualised impact of UK store closures. This was offset by volume-related cost increases in the Group Airline and inflation in our personnel cost base. Depreciation reduced by £3 million to £110 million.

£m	H1 2019	H1 2018 Like-for-Like	Like-for-Like Change
Personnel Costs	(501)	(476)	-25
Net Operating Expenses	(228)	(245)	+16
Sub Total	**(729)**	**(720)**	**-9**
Depreciation	(110)	(113)	+3
Total	**(839)**	**(833)**	**-6**

Underlying EBIT

The Group reported a seasonal underlying EBIT loss of £245 million for the period, a £65 million increase compared to last year on a like-for-like basis. The principal components of the Group's EBIT performance for the year are summarised below under "Segmental review".

EBIT

EBIT loss for the period, before adjusting for Goodwill, was £282 million, £55 million lower than last year on a like-for-like basis.

Goodwill and brand name impairment

The challenging trading conditions in the UK have been reflected in our result for the six months ended 31 March 2019, and continued Brexit uncertainty has led to a highly promotional trading environment in the UK. As a consequence, we have prepared revised forecasts reflecting this and further sensitivities.

These factors have led to a re-assessment of the carrying value of goodwill and brand name intangibles. This has resulted in a non-cash goodwill and brand name impairment charge of £1,104 million, and an overall loss before tax of £1,456 million for the six months to 31 March 2019. This goodwill and brand name intangibles write down largely relates to amounts recognised in the 2007 merger between Thomas Cook and MyTravel, and impacts brands related to the former MyTravel business.

SEGMENTAL REVIEW

Performance by business line

During the period Group underlying EBIT reduced by £65 million on a like-for-like basis, analysed as follows:

£m	Group Tour Operator	Group Airline	Corporate (i)	Group
Revenue	2,283	1,207	(471)	3,019
Gross Margin (%)	11.2%	28.5%	n/m	19.8%
Underlying EBIT	**(157)**	**(71)**	**(17)**	**(245)**
Like-for-Like Underlying EBIT change	**-70**	**-2**	**+8**	**-65**
Customers (000's)	2,887	7,176	(2,870)	7,193

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

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

Group Tour Operator

£m	H1 2019	H1 2018	Change	H1 2018 Like-for-Like	Like-for-Like Change
Revenue	2,283	2,386	-103	2,374	-91
Gross Margin (%)	11.2%	14.2%	-310bps	14.2%	-300bps
Underlying EBIT	**(157)**	**(86)**	**-71**	**(86)**	**-70**
Customers (000's)	2,887	3,182	-295	3,197	-310
ASP (£)	791	750	+41	742	+48

Revenue reduced by £91 million in the first half to £2,283 million, with revenue growth in the UK being offset by lower revenue in Continental Europe and Northern Europe. Demand for our holidays has been weaker due to economic and political uncertainty, the impact of hot domestic weather last Summer and environmental concerns in the Nordics.

This has impacted the ability of the Group Tour Operator to pass on cost increases to customers and, as a result, despite a reduction in operating expenses, the seasonal underlying EBIT loss increased by £70 million to £157 million.

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

£m	H1 2019	H1 2018	Change	H1 2018 Like-for-Like	Like-for-Like Change
Revenue					
- Northern Europe	547	614	-67	577	-30
- Continental Europe	1,202	1,244	-42	1,278	-76
- UK	534	528	+6	520	+15
Total	**2,283**	**2,386**	**-103**	**2,374**	**-91**
Underlying EBIT					
- Northern Europe	10	41	-31	38	-28
- Continental Europe	(64)	(49)	-14	(44)	-19
- UK	(103)	(77)	-25	(80)	-23
Total	**(157)**	**(86)**	**-71**	**(86)**	**-70**
EBIT					
- Northern Europe	9	65	-56	62	-53
- Continental Europe	(74)	(79)	+5	(74)	+0
- UK	(1,218)	(109)	-1,109	(112)	-1,106
Total	**(1,282)**	**(123)**	**-1,159**	**(124)**	**-1,159**

Northern Europe

Our Northern Europe Tour Operator had a challenging first half, with revenue down £30 million to £547 million. Demand has been impacted by the knock-on effect of the hot domestic Summer last year, economic factors and environmental concerns. Revenues in the Canaries, the largest market for winter, were down 9% in the first half. Capacity has been reduced to compensate for the market situation and help protect margins.

Despite lower volumes, exchange rate impacts on input costs, and other factors such as environmental concerns over air travel, Northern Europe still delivered positive Underlying EBIT of £10m in the first half. Our Scandinavian airline has also become the first airline in Scandinavia to offer a carbon offset scheme for flights.

Continental Europe

The seasonal underlying EBIT loss in our Continental Europe Tour Operator business increased by £19 million to £64 million in the first half due to lower margins to long-haul destinations (partly caused by an unfavourable hedging position for the US Dollar) and strong market competition, particularly in Central Europe and Netherlands, whilst France and Russia have seen revenue grow year-on-year by 7% and 28% respectively.

UK

While our UK Tour Operator grew sales in the first half of the year, with good demand for Turkish and Egyptian destinations, margins remained under pressure given the level of competition in the market and the uncertainty surrounding Brexit. This resulted in a seasonal underlying EBIT loss of £103 million, £23 million higher than last year.

Group Airline

£m	H1 2019	H1 2018	Change	H1 2018 Like-for-Like(i)	Like-for-Like Change
Flight Revenue	1,018	1078	-60	960	+58
Ancillary Revenue	142	129	+13	127	+16
Other Revenue	47	106	-60	22	+24
Total Revenue	**1,207**	**1,313**	**-106**	**1,109**	**+98**
Total Operating Costs	(1,109)	(1,217)	+108	(1,018)	-91
Underlying EBITDAR	**98**	**96**	**+2**	**91**	**+7**
Underlying EBIT	**(71)**	**(59)**	**-12**	**(69)**	**-2**
Customers / Sold seats (000's)	7,176	6,594	+582	6,594	+582
Available Seat Kilometres (ASK) (m)	31,555	30,022	+1,533	30,022	+1,533
Seat Load Factor (SLF) (%)	88.9%	89.4%	-50bps	89.4%	-50bps
Short/Medium-Haul Yields per seat (£)	103	120	-17	105	-2
Long-Haul Yields per seat (£)	281	317	-36	288	-7
Unit Cost (p./ASK)	(4.05)	(4.57)	-0.52	(3.94)	+0.11

Note (i) 'Like-for-like' change adjusts for the impact of foreign exchange, Easter and the transfer of the Belgium Airline to SN Brussels. FY18 revenue and cost have been adjusted for the new IFRS 15 accounting rules; as a consequence flight revenue and operating cost (as well as yields and unit cost) are now shown excluding ticket taxes and air passenger duties

Our Group Airline grew during the winter season, with a year-on-year capacity increase of 9% reflecting the additional aircraft added during 2018/19. Passenger growth was 8% against a strong prior year comparator. Our Group Airline substantially improved its operational performance with the number of passengers affected by 3-hour delays reduced by 19%.

Sold seats in the short/medium haul business were up 12% with yields slightly behind a strong prior year driven at the time by the failures of Monarch in UK and AirBerlin/ Niki in Germany. Long-haul offered seats reduced by 2.5% compared to prior year with load factors slightly ahead and yields slightly behind prior year.

During the reporting period, the Group has extended various aircraft leases which has resulted in a release of £18 million in associated aircraft maintenance provisions (compared to £7m benefit in the first half of FY18).

Corporate

Corporate costs reduced by £8 million to £17 million (H1 2018: £25 million), as a result of reduced professional services costs and lower IT spend.

OTHER FINANCIAL ITEMS

Net Finance Charges

Group net finance costs for the period of £70 million were £4 million higher than last year (H1 2018: £66 million).

£m	H1 2019	H1 2018
Bank and Bond interest and related charges	(37)	(38)
Fee amortisation	(4)	(4)
Letters of credit	(8)	(9)
Other interest payable	(15)	(8)
Interest income	3	2
Net interest & finance costs before aircraft financing	**(61)**	**(57)**
Aircraft financing	(9)	(9)
Net Finance Costs	**(70)**	**(66)**

Further information on Finance costs is set out in Note 5 on page 28

Separately Disclosed Items

Separately Disclosed Items before goodwill impairment in H1 2019 comprised a charge of £37 million, which is £30 million lower than the prior year (H1 2018: £67 million) as analysed below:

£m	H1 2019	H1 2018
Restructuring and transformation costs	(23)	(33)
Onerous leases and store closures	-	(14)
Costs of transformation	**(23)**	**(47)**
Guaranteed Minimum Pension equalisation	(6)	-
Investment in business development and start-up costs	(3)	(10)
Litigation and legal disputes	(2)	(5)
Amortisation of BCI	(1)	(4)
Brexit preparation costs	(1)	-
Loss on disposal of PPE	-	(3)
Other	(1)	(5)
Total charges impacting EBIT before goodwill impairment	**(37)**	**(74)**
Profit on disposal of subsidiaries	-	29
Total net EBIT impact before goodwill impairment	**(37)**	**(45)**
Finance related charges	-	(22)
Total separately disclosed items before goodwill impairment	**(37)**	**(67)**
Impairment of goodwill and brand names	(1,104)	-
Total separately disclosed items	**(1,141)**	**(67)**
Of which:		
- Cash[(i)]	(29)	(85)
- Non-Cash	(1,112)	18

Note (i) Items classified as "cash" represent both current year cash flows and expected future cash flows

Further information on Separately Disclosed Items is set out in Note 4 on page 27.

Summary Cash Flow Statement[i]

£m	H1 2019	H1 2018
Underlying EBIT	(245)	(170)
Depreciation	110	114
Underlying EBITDA	**(136)**	**(55)**
Working capital	(529)	(392)
Tax	(16)	(26)
Pensions	(12)	(12)
Operating Cash flow[i]	**(693)**	**(486)**
Exceptional bond refinancing costs	-	(17)
Exceptional items	(21)	(60)
Capital expenditure	(72)	(104)
Net interest paid	(53)	(51)
Free Cash flow[i]	**(839)**	**(718)**
Proceeds on disposal	1	7
Dividend and Co-op payment	1	(58)
Net Cash flow[i]	**(837)**	**(769)**

Opening Net Debt	**(389)**	**(40)**
Net Cash Flow	(837)	(769)
Other Movements in Net Debt[ii]	(21)	(77)
Closing Net Debt	**(1,247)**	**(886)**

Notes (i) The Group uses three non-statutory cash flow measures to manage the business
Operating Cash flow 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 exceptional items, capital expenditure and net interest paid, before proceeds on disposal
Net Cash flow 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) Other movements in net debt include currency translation and the extension of operating leases resulting in them being reclassified as finance leases

The seasonal net cash outflow of £837 million was £68 million higher than last year (H1 2018: £769 million), reflecting a £137 million increase in our seasonal working capital outflow which primarily relates to lower bookings for Summer 2019.

Capital expenditure was £32 million lower than last year due to lower IT capex and one-off expenditure in FY18 in the Group Airline.

Current year cash exceptional charges totalling £21 million are analysed as follows:

Exceptional items (£m)	**H1 2019**	**H1 2018**
Current year cash related exceptionals	(29)	(85)
Of which will be paid in future years	15	16
Prior year cash exceptionals paid in current year	(7)	(8)
Total cash exceptional items[i]	**(21)**	**(77)**

Note (i) Total cash exceptional items were £(77)m in H1 2018 and consist of £(60)m reported in the cash flow as "Exceptional items" and £(17)m reported in Net Interest costs

Net Debt

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During the first half of FY19, on a like-for-like basis, the Group's net debt increased from £972 million to £1,247 million, an increase of £275 million. The increase in net debt is as a result of lower EBIT, negative working capital position due to lower bookings profile and an increase in cash exceptionals over the last twelve months.

	£m
H1 2018 Reported	**(886)**
Finance lease extensions	(50)
FX and other non-cash items	(37)
H1 2018 Like-for-like	**(972)**
H1 2019 Reported	**(1,247)**
Like-for-like change	-275

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

£m	31 March 2019	31 March 2018	Movement	Maturity
2022 Euro Bond	(643)	(657)	+14	June 2022
2023 Euro Bond	(343)	(350)	+7	June 2023
Commercial Paper	(94)	(218)	+124	Various
Revolving Credit Facility	(609)	(50)	-559	Nov 2022
Finance Leases	(223)	(198)	-25	Various
Aircraft related borrowings	(13)	(20)	+7	Various
Other external debt	(32)	(43)	+11	Various
Arrangement fees	24	31	-7	n/a
Total Debt	**(1,933)**	**(1,505)**	**-428**	
Cash (net of overdraft)	686	619	+67	
Net Debt	**(1,247)**	**(886)**	**-361**	

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.

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 any 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.

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.

	Summer 2019	Winter 2019/20	Summer 2020
Euro	Fully Hedged	78%	42%
US Dollar	Fully Hedged	67%	31%
Jet Fuel	Fully Hedged	90%	34%

As at 31 March 2019

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 remainder of FY19 we are hedged significantly below the current forward rate. However, our FY19 rates are higher than those achieved for FY18, so we estimate that as a result of our hedge position our fuel costs will increase by £35 million compared with prior year, on a LFL basis.

The Group's policy is not to hedge the translation impact of profits generated outside the UK. As a result of currency movements during the period, underlying EBIT in H1 2018 was lower by £5 million. If March month-end closing rates for the Euro and Swedish Krona were maintained throughout the remainder of FY19, there would be a negative year-on-year translation impact on EBIT of approximately £15 million.

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

	Average Rate		Period End Rate	
	H1 2019	H1 2018	H1 2019	H1 2018
GBP/Euro	1.14	1.13	1.17	1.14
GBP/US Dollar	1.29	1.36	1.31	1.41
GBP/SEK	11.79	11.17	12.12	11.74

Credit Rating

During the first six months of the current financial year the Group was downgraded by Standard and Poor's to B- and Fitch to B. The outlook from these agencies has changed to negative. Moody's B3 credit rating is under review.

Corporate Ratings	H1 2019		H1 2018	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B-	Credit watch	B+	Stable
Fitch	B	Negative	B+	Stable
Moody's	B3	Under review	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.

PRINCIPAL RISKS & UNCERTAINTIES

Management have undertaken a broad review of the principal risks and uncertainties that might affect the business activities of the Group.

The assessment indicated that the following risks are relevant to the likely outturn for September 2019:

- A disorderly exit from the EU by the UK may result in a loss of access to the European Single Aviation Market by our Group Airlines and a loss of access to EU employment markets, including the ability to place temporary workers in EU Member States without additional barriers.
- The occurrence of a health and safety related incident that impacts our customers may have a negative impact on our reputation and financial performance.
- The occurrence of a terrorism related incident in a key destination may reduce demand for that destination and lead to a decrease in revenue and the need to accommodate customers in other destinations.
- Sufficient cash generation from operations caused by a range of economic, financial, regulatory, and market factors, of which many are outside our control.

The following principal risks were identified, which could impact the Group beyond September 2019:

- Ability to fully achieve the change required to implement our strategy for profitable growth, due to the scale of change to our business and operations and the complexity of our underlying processes and systems.
- Ability to meet the service expectations of our customers and thus attract new or retain existing customers.
- Ability to develop and deliver products and services that meet the expectations or demands of new or existing customers.
- Speed of development of our digital distribution channels to meet changes in consumer behaviour.
- Ability to attract and retain talent at all levels of the organisation may lead to a lack of capability or capacity to enable us to deliver the change required by our business strategy.
- Operations may be adversely affected if our IT infrastructure is unable to support the needs of the business.
- Brand and reputation damage and financial loss should information security be compromised.
- Ability to deliver a high-quality, on-time and cost-efficient service for our customers in our Group Airlines. Our ability to operate the fleet of aircraft effectively may lead to customer dissatisfaction, cost increases and reduced profitability.
- Compliance with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates.

In addition, Management recognises that there is uncertainty surrounding the timing and terms of the strategic review and associated conditions relating to the new financing arrangement. This is further discussed in Note 1 of Appendix 1.

The potential likelihood and impact of these risks remain broadly unchanged since the September 2018 year end evaluation was performed.

In addition, we continue to cooperate fully with the European Union Competition Commission's ongoing investigation into the travel industry regarding hotel accommodation agreements. Across the Group's 15 European source markets, Thomas Cook remains committed to fair and open competition.

The outcome of this review of principal risks and uncertainties has not identified new risks for the Group or the need for changes to the Group's control environment, which is more fully described throughout the Directors' Report of the Annual Report & Accounts for the year ended 30 September 2018, a copy of which is available on the Group's corporate website, www.thomascookgroup.com.

Appendix 1 – Condensed consolidated interim financial statements

Group Income Statement

				Unaudited			Unaudited
				Six months ended 31 March 2019			Six months ended 31 March 2018
		Underlying results	**Separately disclosed items (note 4)**	**Total**	Underlying results	Separately disclosed items (note 4)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	3	3,019	-	3,019	3,227	-	3,227
Cost of providing tourism services		(2,420)	-	(2,420)	(2,555)	(5)	(2,560)
Gross profit		**599**	**-**	**599**	672	(5)	667
Personnel expenses		(501)	(24)	(525)	(480)	(19)	(499)
Depreciation and amortisation		(110)	-	(110)	(114)	-	(114)
Net operating expenses		(228)	(12)	(240)	(247)	(45)	(292)
Amortisation of business combination intangibles	4	-	(1)	(1)	-	(4)	(4)
Impairment of goodwill and brand names		-	(1,104)	(1,104)	-	-	-
Profit on disposal of subsidiaries and fixed assets		-	-	-	-	28	28
Share of results of associates and joint ventures		(5)	-	(5)	(1)	-	(1)
Loss from operations	**3**	**(245)**	**(1,141)**	**(1,386)**	(170)	(45)	(215)
Finance income	5	3	-	3	2	-	2
Finance costs	4/5	(73)	-	(73)	(68)	(22)	(90)
Loss before tax		**(315)**	**(1,141)**	**(1,456)**	(236)	(67)	(303)
Tax	6			(18)			48
Loss for the period				**(1,474)**			(255)
Attributable to:							
Equity holders of the parent				(1,474)			(254)
Non-controlling interests				-			(1)
				(1,474)			(255)
Basic and diluted loss per share (pence)	7			(96.1)			(16.6)

The notes on pages 23 to 31 form an integral part of the condensed consolidated interim financial information.

Group Statement of Other Comprehensive Income

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m
Loss for the period	**(1,474)**	(255)
Other comprehensive income/(loss)		
Items that will not be reclassified to the Income Statement		
Actuarial (losses)/gains on defined benefit pension schemes	**(50)**	23
Tax on actuarial (losses)/gains	**9**	-
Items that may be reclassified subsequently to the Income Statement		
Foreign exchange translation gains/(losses)	30	(84)
Fair value gains and losses		
(Losses)/gains deferred for the period	(96)	85
Tax on (losses)/gains deferred for the period	12	(7)
Gains transferred to the income statement	(95)	(9)
Tax on gains transferred to the income statement	19	(1)
Total net other comprehensive income/(loss) for the period	**(171)**	7
Total comprehensive loss for the period	**(1,645)**	(248)
Attributable to:		
Equity holders of the parent	(1,645)	(247)
Non-controlling interests	-	(1)
Total comprehensive loss for the period	**(1,645)**	(248)

The notes on pages 23 to 31 form an integral part of the condensed consolidated interim financial information.

Group Cash Flow Statement

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m
Loss before tax	(1,456)	(303)
Adjustments for:		
Net finance costs	70	88
Share of results of joint ventures and associates	5	1
Depreciation, amortisation and impairment	1,215	119
Increase/(decrease) in provisions	(26)	(37)
Profit on disposal of subsidiaries and fixed assets	-	(28)
Share-based payments	2	3
Additional pension contributions	(12)	(12)
Interest received	3	2
Increase in working capital:		
Inventories	(4)	(2)
Receivables	(135)	(283)
Payables	(357)	(124)
Cash used in operations	(695)	(576)
Income taxes paid	(16)	(26)
Net cash used in operating activities	(711)	(602)
Proceeds on disposal of property, plant and equipment	1	14
Investment in joint ventures and associates	-	(7)
Dividends received from associates	1	-
Purchase of tangible assets	(46)	(69)
Purchase of intangible assets	(25)	(35)
Net cash used in investing activities	(69)	(97)
Interest paid	(57)	(70)
Draw down of borrowings	688	671
Repayment of borrowings	(161)	(630)
Payment of facility set-up fees	-	(25)
Repayment of finance lease obligation	(22)	(21)
Net cash used in financing activities	448	(75)
Net decrease in cash and cash equivalents	(332)	(774)
Cash and cash equivalents net of overdrafts at beginning of year	1,038	1,399
Effect of foreign exchange rate changes	(20)	(6)
Cash and cash equivalents net of overdrafts at end of the period	686	619

The notes on pages 23 to 31 form an integral part of the condensed consolidated interim financial information.

Group Balance Sheet

	Notes	**Unaudited as at 31 March 2019 £m**	Restated Unaudited as at 31 March 2018 £m	Restated Unaudited as at 30 September 2018 £m
Non-current assets				
Intangible assets		**1,955**	3,063	3,104
Property, plant and equipment				
Aircraft and aircraft spares		**553**	577	568
Other		**152**	156	150
Investment in joint ventures and associates		**78**	75	85
Other investments		**1**	1	1
Deferred tax assets		**96**	263	117
Pension asset		**261**	178	279
Trade and other receivables		**75**	84	83
Derivative financial instruments	10	**10**	12	14
		3,181	4,409	4,401
Current assets				
Inventories		**47**	44	44
Tax assets		**1**	1	-
Trade and other receivables		**956**	922	811
Derivative financial instruments	10	**100**	139	219
Cash and cash equivalents		**688**	624	1,039
		1,792	1,730	2,113
Non-current assets held for sale		**53**	52	55
Total assets		**5,026**	6,191	6,569
Current liabilities				
Retirement benefit obligations		**(9)**	(9)	(9)
Trade and other payables		**(1,293)**	(1,425)	(2,314)
Borrowings		**(102)**	(233)	(184)
Obligations under finance leases		**(40)**	(32)	(34)
Tax liabilities		**(46)**	(41)	(57)
Revenue received in advance		**(2,003)**	(2,083)	(1,390)
Short-term provisions	9	**(176)**	(155)	(214)
Derivative financial instruments	10	**(70)**	(129)	(20)
		(3,739)	(4,107)	(4,222)
Non-current liabilities				
Retirement benefit obligations		**(446)**	(466)	(435)
Trade and other payables		**(22)**	(21)	(24)
Long-term borrowings		**(1,606)**	(1,070)	(1,028)
Obligations under finance leases		**(183)**	(167)	(182)
Non-current tax liabilities		**(11)**	(5)	(11)
Deferred tax liabilities		**(40)**	(52)	(88)
Long-term provisions	9	**(305)**	(274)	(282)
Derivative financial instruments	10	**(19)**	(18)	(6)
		(2,632)	(2,073)	(2,056)
Total liabilities		**(6,371)**	(6,180)	(6,278)
Net (liabilities) / assets		**(1,345)**	11	291
Equity				
Called-up share capital		**69**	69	69
Share premium account		**524**	524	524
Merger reserve		**443**	1,547	1,547
Hedging and translation reserves		**(8)**	(6)	122
Capital redemption reserve		**8**	8	8
Accumulated losses		**(2,373)**	(2,121)	(1,971)
Investment in own shares		**(8)**	(8)	(8)
Equity attributable to equity owners of the parent		**(1,345)**	13	291
Non-controlling interests		**-**	(2)	-
Total equity		**(1,345)**	11	291

The notes on pages 23 to 31 form an integral part of the condensed consolidated interim financial information.

The balance sheets as at 31 March 2018 and 30 September 2018 has been restated as a result of the adoption of IFRS 9. Refer to note 1 for further details.

Group Statement of Changes in Equity

The unaudited movements in equity for the six months ended 31 March 2019 were as follows:

	Share capital & share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2018	**593**	**1,547**	**158**	**(42)**	**(1,965)**	**291**	**-**	**291**
Restatement for adoption of IFRS 15 (net of tax)	-	-	-	-	11	11	-	11
Restatement for adoption of IFRS 9 (net of tax)	-	-	6	-	(10)	(4)	-	(4)
At 1 October 2018 restated	**593**	**1,547**	**164**	**(42)**	**(1,964)**	**298**	**-**	**298**
Loss for the period	-	-	-	-	(1,474)	(1,474)	-	(1,474)
Other comprehensive income/(loss) for the period	-	-	(160)	30	(41)	(171)	-	(171)
Total comprehensive income/(loss) for the period	**-**	**-**	**(160)**	**30**	**(1,515)**	**(1,645)**	**-**	**(1,645)**
Release of merger-reserve	-	(1,104)	-	-	1,104	-	-	-
Equity credit in respect of share-based payments	-	-	-	-	2	2	-	2
At 31 March 2019	**593**	**443**	**4**	**(12)**	**(2,373)**	**(1,345)**	**-**	**(1,345)**

The restated unaudited movements in equity for the six months ended 31 March 2018 were as follows:

	Share capital & share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2017	593	1,547	(40)	48	(1,867)	281	(1)	280
Adjustment on correction of error	-	-	-	-	(24)	(24)	-	(24)
Restatement for adoption of cost of hedging within IFRS 9 (net of tax)	-	-	2	-	(2)	-	-	-
At 1 October 2017 restated	593	1,547	(38)	48	(1,893)	257	(1)	256
Loss for the period	-	-	-	-	(254)	(254)	(1)	(255)
Other comprehensive income/(loss) for the period			68	(84)	23	7	-	7
Total comprehensive income/(loss) for the period	-	-	68	(84)	(231)	(247)	(1)	(248)
Equity credit in respect of share- based payments	-	-	-	-	3	3	-	3
At 31 March 2018 restated	593	1,547	30	(36)	(2,121)	13	(2)	11

Other reserves consist of the merger reserve, the capital redemption reserve and own shares held. The capital redemption reserve was created as a consequence of the share buyback programme during the year ended 30 September 2009.

The merger reserve arose on the reverse acquisition of Thomas Cook Group plc and MyTravel Group plc (currently known as MyTravel Group Limited) by Thomas Cook AG (currently known as Thomas Cook GmbH). In the case of Thomas Cook Group plc, the merger reserve represents the difference between the existing share capital and share premium of Thomas Cook AG and the share capital of Thomas Cook Group plc issued in exchange, and in the case of MyTravel Group plc, the merger reserve represents the difference between the fair value and the nominal value of the share capital issued by Thomas Cook Group plc.

1 Basis of Preparation

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

The consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, the Listing Rules and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This condensed consolidated interim financial information does not comprise statutory accounts of the Group within the meaning of Section 434(3) and 435(3) of the Companies Act 2006. They should be read in conjunction with the Annual Report for the year ended 30 September 2018 (the 'Annual Report'), which has been prepared in accordance with IFRSs as adopted by the European Union, approved by the Board of Directors on 28 November 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Aside for changes to accounting policies as outlined below, the accounting policies and methods of computation used and presentation of these consolidated interim financial statements are the same as those in the Annual Report.

The consolidated half-yearly financial information has been prepared on a going concern basis. When considering the going concern assumption, the Directors of the Group have reviewed a number of factors, including the Group's trading results, its continued access to sufficient borrowing facilities and its ability to continue to operate within its financial covenants.

To assess the impact of the challenging trading in the six months ended 31 March 2019 as set out in the Group's financial results and given the strategic review of the Group Airline announced on 7 February 2019, the Group prepared revised forecasts for the period to September 2021. These forecasts included a revised base case which took account of the challenging trading in the six months ended 31 March 2019 and further sensitivities to those considered in the Group's year end assessment relating to a variety of downside trading outcomes. These recognised the continuing uncertain trading environment across the Group, and allowed the Directors to assess the level of liquidity and covenant headroom in such scenarios. In addition to these trading scenarios, the forecasts were further sensitised for a number of working capital scenarios in order to reflect the impact on liquidity, should the Group experience a sustained deterioration in trade-associated working capital. This demonstrated a possible requirement for additional liquidity. These scenarios also assume that shareholders will approve, at or before the next AGM, the removal of Article 122(B) restricting the Group's borrowing limits.

With this in mind, and consistent with the Group's focus to increase its liquidity and introduce greater flexibility into its capital structure, the Group has agreed a mandate letter and a term sheet for a new £300 million secured bank financing facility with its lending banks. This new facility will sit alongside the existing revolving credit facility and bonding facility totalling £875 million, which matures in November 2022 (as further set out on page 14). The new financing arrangement features a leverage covenant and a fixed-charge covenant in line with the existing facility. As part of the discussions with lenders, the Group received a waiver in respect of the March 2019 covenant tests. The new term sheet resets the levels of both covenants for the remaining duration of the borrowing facilities.

The new facility will be available from 1 October 2019 and matures on 30 June 2020. Its availability is principally dependent on progress in executing the strategic review of the Group Airline (which is further described on page 4. Security in the amount of £300 million (in aggregate) granted over certain assets, will apply on a first ranking basis to the new facility and on a second ranking basis to the existing facility until their respective maturity dates. The new facility will be subject to customary conditions, as well as consent from certain other finance providers. The terms of the new facility are not subject to the consent or approval of the noteholders under the Group's 2022 notes and 2023 notes.

The strategic review of the Airline is progressing well, with a number of expressions of interest. The Directors recognise that there is uncertainty surrounding its timing and terms and the associated conditions in the new financing arrangement, which could impact the ability of the Group to access the required liquidity, and they have concluded that this matter represents a material uncertainty. This could cast significant doubt on the ability of the Group to continue as a going concern. Nevertheless, having considered the uncertainties described above and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

The half year report for the six months ended 31 March 2019 was approved by the Directors on 15 May 2019. The half year report has been reviewed, not audited. The auditor's review report is on page 33.

In 2018, management identified several adjustments that, in their opinion should be applied to the Group's financial statements for the year ended 30 September 2017. As a result, the Balance Sheet as at 31 March 2018 has been restated. Refer to Note 33 of the 2018 Annual Report for further details of the restatement.

2 Changes in accounting policy and disclosures

New or amended standards adopted by the Group

IFRS 9 The Group has adopted IFRS 9 'Financial instruments' from 1 October 2018 prospectively, where comparatives have not been restated, for all aspects of the new standard except for the change to the accounting for cost of hedging. The changes to cost of hedging have been applied retrospectively with the restatement of comparatives, in line with the requirements of IFRS 9. 'Financial instruments' contains new requirements on the classification and measurement of financial assets and new requirements to address the impairment of financial assets. The new standard also introduces a new hedge accounting model to further align hedge accounting with risk management strategy and objectives.

2 Changes in accounting policy and disclosures (continued)

The Group continues to recognise financial assets at amortised cost as they are held solely for the payment of principal and interest. Most of the Group's trade and other receivables relate to deposits and prepayments paid in advance to hotel and other suppliers in order to guarantee the provision of those supplies. The vast majority are not settled in cash and are not financial assets, and therefore outside the scope of IFRS 9. In relation to the Group's financial assets, the change in impairment methodology to recognise Expected Credit Loss (ECL), as a result of the adoption IFRS 9, has reduced the Group's opening retained earnings by £4m. The ECL have been measured under the simplified approach for trade and other receivables.

The Group continues to undertake hedging activity in line with its financial risk management strategy and policies. The Group's current hedge relationships continue to qualify as hedges following the adoption of IFRS 9, however the following changes to hedge accounting have been implemented upon the adoption of the new standard:

- movements in the forward points related to foreign exchange forward contracts are classified as a cost of hedging and are included within Other Comprehensive Income; and
- similarly, the movements in the time value of options are classified as a cost of hedging and included within Other Comprehensive Income.

At 1 October 2018 there was a reclassification of £6m from post-tax gains from Accumulated Losses to the Hedge Reserve, reflecting the forward points and time value of options on open derivative contracts as at 30 September 2018.

IFRS 15 The Group has adopted IFRS 15 'Revenues from contracts with customers' from 1 October 2018, using the modified retrospective method and have elected to apply it to only those contracts which are not completed at the date of initial application. 'Revenues from Contracts with Customers' introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group has applied the following changes to revenue recognition on adoption of the standard:

- IFRS 15 considers whether a contract contains more than one distinct good or service. This is particularly relevant in the context of the Group's package holiday offerings. The Group has concluded that under IFRS 15, a package holiday constitutes the delivery of one distinct performance obligation which includes flights, accommodation, transfers and other holiday-related services. In formulating this conclusion, the Group has assessed that it provides a significant integration service within a package holiday which produces a combined output to the customer. Individual revenue streams, which currently are predominantly recognised at the start of a customer's holiday, are now recognised when services of the single performance obligation are transferred to the customer. This means, under IFRS 15, revenue and corresponding cost of sales are recognised over the period a customer is on holiday.
- As a consequence, £8m of revenues net of corresponding cost of sales, previously recognised in FY18, were subsequently deferred to FY19. This has resulted in a £8m charge to Accumulated Losses as at 1 October 2018, which have been restated accordingly under the modified retrospective approach. This is largely offset by the impact of deferrals at the end of the period into H2 2019.
- Additionally, the Group considers itself an agent where it sells third party holidays and other products and generates commission income. This is largely within the Group's retail network in the UK and Continental Europe. The principal/agent classification remains unchanged from previous classifications under IAS 18. However, under the 'transfer of control' principles of the agent classification, under IFRS 15, the Group now recognises this commission income at the point of the holiday booking with a small cancellation provision also recognised. As a consequence, had IFRS 15 been implemented in FY18, there would have been an acceleration of £19m of revenue, gross margin and EBIT which is largely from the sale of third party Winter 2018/19 holiday programmes within the Group's retail networks prior to 30 September 2018. This has resulted in a £19m credit to Accumulated Losses as at 1 October 2018, which have been restated accordingly under the modified retrospective approach. Within H1 2019's results, there has been an acceleration of agent commission from the Group selling third party Summer 2019 holiday programmes which is largely phasing and unwinds in H2 2019.
- Finally, under IFRS 15 the Group now reports airport and passenger related taxes net within revenue. This has no impact to gross margin or any other profit metric.

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

IFRS 16 "Leases" provides a single lessee accounting model, requiring lessees to recognize right of use assets and lease liabilities for all applicable leases. The leasing standard is expected to have a material impact on net debt, gross assets, profit from operations and interest. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and therefore will be applied by the Group in fiscal year 2020. Refer to Note 3 of the 2018 Annual Report for further details.

IFRS 17 "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2021 subject to endorsement by the EU. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Group plans to assess the impact of IFRS 17 closer to implementation date.

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurements requirements in IAS12 'Income Taxes' when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019 and therefore will be applied by the Group in fiscal year 2020. The Group is currently assessing the impact of IFRIC 23.

There are no further IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 Segmental information

For management purposes, the Group is organised into three operating divisions: Group Tour Operator, Group Airline and Corporate.

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

These reportable segments are consistent with how information is presented to the Group Chief Executive Officer (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

Segmental information for these activities is presented below:

	Tour Operator £m	Airline £m	Corporate £m	Total £m
Unaudited six months ended 31 March 2019				
Revenue				
Segment sales	2,283	1,207	-	3,490
Inter-segment sales	(4)	(467)	-	(471)
Total Revenue	2,279	740	-	3,019
Result				
Underlying (loss) from operations	(157)	(71)	(17)	(245)
Separately disclosed items	(1,125)	(10)	(6)	(1,141)
Segment result	**(1,282)**	**(81)**	**(23)**	**(1,386)**
Finance income				3
Finance costs				(73)
Loss before tax				(1,456)
Tax				(18)
Loss for the period				(1,474)
Balance sheet				
Assets				
Segment assets	6,645	3,235	10,939	20,819
Inter-segment eliminations				(15,968)
				4,851
Investments in joint ventures and associates				78
Tax and deferred tax assets				97
Total assets				**5,026**
Liabilities				
Segment liabilities	(6,962)	(2,720)	(10,631)	(20,313)
Inter-segment eliminations				15,970
				(4,343)
Borrowings and obligations under finance leases				(1,931)
Tax and deferred tax liabilities				(97)
Total liabilities				**(6,371)**

	UK	Continental Europe	Northern Europe	Total Tour Operator
Tour Operator Revenue	**534**	**1,202**	**547**	**2,283**

	Flight Revenue	Ancillary Revenue	Other Revenue	Total Airline
Airline Revenue	**1,018**	**142**	**47**	**1,207**

3 Segmental information (continued)

	Tour Operator £m	Airline £m	Corporate £m	Total £m
Unaudited six months ended 31 March 2018				
Revenue				
Segment sales	2,386	1,313	-	3,699
Inter-segment sales	(15)	(457)	-	(472)
Total Revenue	2,371	856	-	3,227
Result				
Underlying (loss) from operations	(86)	(59)	(25)	(170)
Separately disclosed items	(38)	(4)	(3)	(45)
Segment result	(124)	(63)	(28)	(215)
Finance income				2
Finance costs				(90)
Loss before tax				(303)
Tax				48
Loss for the period				(255)
Balance sheet				
Assets				
Segment assets	7,470	3,690	8,577	19,737
Inter-segment eliminations				(13,885)
				5,852
Investments in joint ventures and associates				75
Tax and deferred tax assets				264
Total assets				6,191
Liabilities				
Segment liabilities	(6,278)	(1,955)	(9,368)	(17,601)
Inter-segment eliminations				13,021
				(4,580)
Borrowings and obligations under finance leases				(1,502)
Tax and deferred tax liabilities				(98)
Total liabilities				(6,180)

	UK	Continental Europe	Northern Europe	Total Tour Operator
Total Tour Operator Revenue	528	1,244	614	2,386

	Flight Revenue	Ancillary Revenue	Other Revenue	Total Airline Revenue
Airline Revenue	1,078	129	106	1,313

4 Separately disclosed items

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m
Affecting profit from operations:		
Restructuring and transformation costs	(23)	(33)
Onerous leases and store closures	-	(14)
Costs of transformation	(23)	(47)
Guaranteed Minimum Pension equalisation	(6)	-
Investment in business development and start-up costs	(3)	(10)
Litigation and legal disputes	(2)	(5)
Amortisation of BCI	(1)	(4)
Brexit preparation costs	(1)	-
Loss on disposal of PPE	-	(3)
Other	(1)	(5)
Total charges affecting profit from operations before goodwill impairment	(37)	(74)
Profit on disposal of subsidiaries	-	29
Net items affecting profit from operations before goodwill impairment	**(37)**	(45)
Affecting finance income and costs:		
Net interest cost on defined benefit obligation	-	(3)
Net interest cost on bond refinancing	-	(19)
Total	**-**	(22)
Total separately disclosed items before goodwill impairment	**(37)**	(67)
Impairment of goodwill and brand names	(1,104)	-
Total separately disclosed items	**(1,141)**	(67)

Restructuring and transformation costs

Restructuring costs total £23m (H1 2018: £33m) and primarily relate to on-going transformation and efficiency programmes across the Group Tour Operator and Group Airline. The costs that we have separately disclosed in relation to these programmes include £11m (H1 2018: £9m) of redundancy costs, and £6m (H1 2018: £9m) of internal personnel costs in respect of employees who are dedicated to transformation projects and activities, including those in operational and back-office roles who are designing and implementing change as well as those in project management and project support roles. The redundancy costs include FTE reductions in various support functions including finance, contact centre and digital, and the closure of various decentralised airport bases in Germany and the UK.

Guaranteed Minimum Pension equalisation

On 26 October 2018 the High Court ruled that Guaranteed Minimum Pension ('GMP') equalisation in the UK is required. This ruling impacts any UK employer sponsored pension plan that was contracted out of the UK state earnings related pension between 1990 and 1997, including the Group's UK Defined Benefit ('DB') plans. In line with most other UK companies, the Group had not previously included any allowance for GMP equalisation and as a result has had to record a one-off plan amendment during the period, increasing the liabilities of the UK DB plans by £6m.

Investment in Business Development and start-up costs

£3m (H1 2018 £10m) has been incurred in relation to investment in the set-up of partnerships and new business developments. This is comprised of £2m relating to start-up costs of Thomas Cook Money, and £1m for the Expedia partnership. This includes £1m (H1 2018: £6m) of personnel costs, with the remaining costs being operating expenses of external consultants.

Litigation and legal disputes

£2m (H1 2018: £5m) of one-off litigation costs were incurred in the period in respect of costs incurred in connection with defending fraudulent illness claims.

Amortisation of BCI

Material Business Combination Intangible ('BCI') assets were acquired as a result of various business combinations in the past. The presentation of amortisation of BCI separately is made to enable a full understanding of the Group's results.

Brexit preparation costs

£1m (H1 2018: £nil) of external advisor costs were incurred in relation to 'Hard' Brexit preparations for the Group Airline.

Other

Other separately disclosed items total £1m (H1 2018: £5m). These include £1m in respect of external advisor costs incurred relating to the planned merger of the 3 smaller UK DB schemes into the main UK DB scheme; the Thomas Cook Pension Plan.

Impairment of goodwill and brand names

Management has determined that it is necessary to recognise an impairment charge of £1,104m in respect of goodwill and brand names associated with the UK Tour Operator cash-generating unit ('CGU') as at 31 March 2019. For further details refer to note 8.

5 Finance income and costs

	Unaudited Six months ended 31 March 2019 £m	Unaudited Six months ended 31 March 2018 £m
Underlying finance income		
Other interest and similar income	3	2
	3	2
Underlying finance costs		
Bank and bond interest	(37)	(38)
Fee amortisation	(4)	(4)
Letter of credit	(8)	(9)
Other interest payable	(15)	(8)
	(64)	(59)
Underlying aircraft related finance costs		
Interest payable	-	(1)
Finance costs in respect of finance leases	(9)	(8)
	(9)	(9)
Net underlying interest	**(70)**	(66)
Separately disclosed finance costs (note 4)		
Bond refinancing costs	-	(19)
Net interest cost on defined benefit obligation	-	(3)
	-	(22)
Total net finance costs	**(70)**	(88)

6 Income taxes

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

The tax rate on our overall IFRS results for the six months to 31 March 2019 is (1.25)% (31 March 2018: 15.87%). The tax rate on pre-exceptional continuing operations for the six months to 31 March 2019 is 6.97% (31 March 2018: 16.17%).

Previously recognised deferred tax assets on tax losses have been partially de-recognised as a result of the forecast performance of the business for the period. The remaining deferred tax assets continue to be recognised to the extent that the business has forecast taxable profits against which the assets may be recovered.

7 Loss per share

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

	Unaudited Six months ended 31 March 2019	Unaudited Six months ended 31 March 2018
	£m	£m
Net loss attributable to owners of the parent	**(1,474)**	(254)
	Millions	Millions
Weighted average number of shares for basic and diluted loss per share	**1,534**	1,533
	Pence	Pence
Basic and diluted loss per share	**(96.1)**	(16.6)
	£m	£m
Underlying net loss attributable to owners of the parent*	**(293)**	(193)
	Pence	Pence
Underlying basic and diluted loss per share	**(19.1)**	(12.6)

* Underlying net loss attributable to owners of the parent is derived from the Group's pre-exceptional loss before tax for the six month period ended 31 March 2019 of £315m (H1 2018: £236m) and adding a notional tax credit of £22m (H1 2018: tax credit £42m), and taking into account losses attributable to non-controlling interest of £nil (H1 2018: £1m).

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

8 Goodwill and brand names

Brand names with indefinite lives acquired through business combination intangibles are allocated by cash-generating unit. The carrying value of brand names and goodwill is analysed by business segment as follows:

	Goodwill Unaudited as at 31 March 2019 £m	Goodwill Audited as at 30 September 2018 £m	**Brand names Unaudited as at 31 March 2019 £m**	Brand names Audited as at 30 September 2018 £m
UK Tour Operator	**-**	1,038	**-**	67
Northern Europe Tour Operator	**458**	476	**117**	123
Continental Europe Tour Operator	**176**	181	**54**	56
Group Airline	**881**	890	**-**	-
	1,515	2,585	**171**	246

Impairment Testing
In accordance with IFRS, the Group tests the carrying value of goodwill and brand names with indefinite lives for impairment annually and whenever events or circumstances change which give rise to an indicator of impairment. Management has determined that it is necessary to recognise an impairment charge of £1,104m in respect of goodwill and brand names associated with the UK Tour Operator cash-generating unit ('CGU') as at 31 March 2019. This has arisen due to the impact of the challenging trading in the first half of the year in the UK and the resulting sensitivities that have been applied to the business plan for this CGU taking into account severe but plausible scenarios. We have applied a pre-tax discount rate of 9.61% which takes into account the sensitivities applied to the cash flows.

Impairment testing is performed by comparing the carrying value of each CGU to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each CGU.

The Group's CGUs for the purposes of impairment testing, consist of UK Tour Operator, Northern Europe Tour Operator, Continental Europe Tour Operator and Group Airline.

The future cash flow projections used to determine the value in use are based on the most recent three-year Business Plan and an additional year based on management forecasts (collectively 'the cash flow budget') for each of the CGUs. The key assumptions used to determine the business' cash flow budgets relate to capacity and the pricing of accommodation and fuel inputs. Capacity is based on Management's view of market demand and the constraints to managing capacity such as aircraft lease commitments. The accommodation pricing is primarily driven by the underlying bed rate and the foreign exchange hedges in place. The former is based on the businesses' ongoing dialogue with hotel suppliers and local cost inflation. The fuel pricing assumption is primarily driven by the fuel hedges in place and the forward fuel curve at the time that the budget is set. The key assumptions used to determine the independent business' cash flow budget relate to passenger volumes and commission rates, and are based on the individual businesses' view of the market conditions.

Cash flow forecasts for years beyond the period of the cash flow budget are extrapolated at an estimated average long-term nominal growth rate of 2%.

Following impairment testing Management has concluded that it is not necessary to recognize any impairment charges in the remaining CGU's.

9 Provisions

	Aircraft maintenance provisions £m	**Insurance and litigation £m**	**Reorganisation and restructuring plan £m**	**Other provisions £m**	**Total £m**
At 1 October 2018	**378**		**4**	**38**	**496**
		76			
Additional provisions	67	25	9	8	109
Unused amounts released	(31)	-	-	(1)	(32)
Unwinding of discount	3	-	-	-	3
Utilization of provisions	(21)	(53)	(5)	(11)	(90)
Exchange differences	(5)	-	-	-	(5)
At 31 March 2019	**391**	**48**	**8**	**34**	**481**

	Unaudited As at 31 March 2019 £m
Included in current liabilities	176
Included in non-current liabilities	305
	481

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.

9 Provisions (continued)

During the reporting period the Group has extended various aircraft leases, which has resulted in the release of £18m of associated aircraft maintenance provisions.

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

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

Other provisions include items such as onerous contracts, dilapidations and emission trading liabilities. Of the £8m charge recognised in the period, £nil has been classified as Separately Disclosed Items. Onerous lease provisions will be utilised over the lease terms.

10 Financial risk management and financial instruments

i) Financial risk factors

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

A full description of the Group's exposure to the above risks and the Group's policies and processes that are in place to manage the risks arising, is included in financial risks note (Note 22) in the 2018 Annual Report & Accounts financial statements. There has been no significant changes in the nature of the financial risks to which the Group is exposed, or the Group's policies and processes to manage these risks, since 1 October 2018.

ii) **Fair value estimation**

Fair value hierarchy

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

The different methods are defined as follows:

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

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

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

The fair value of the Group's financial assets and liabilities at 31 March 2019 are set out below:

	Unaudited as at 31 March 2019	Unaudited as at 31 March 2018
Level 2 valuations		
Derivative financial instruments – assets		
Currency contracts	**77**	45
Fuel contracts	**33**	106
	110	151
Derivative financial instruments – liabilities		
Currency contracts	**(47)**	(137)
Fuel contracts	**(38)**	(2)
Interest rate swaps	**(4)**	(8)
	(89)	(147)
	21	4

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

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

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

There were no transfers between Levels 1 and 2 during the period. There were no Level 3 financial assets or liabilities as at 31 March 2019.

11 Related party transactions

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

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

	Associates and joint ventures		
	Unaudited 31 March 2019 £m	Unaudited 31 March 2018 £m	Audited 30 September 2018 £m
Sale of goods and services	**4**	2	10
Purchases of goods and services	**(1)**	(2)	5
Finance income	**-**	-	1
Amounts owed by related parties	**26**	14	19
Amounts owed to related parties	**(1)**	(1)	(2)

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

12 Seasonality and Foreign Exchange

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

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

Income statement	**31 March 2019**	31 March 2018
Euro	**1.14**	1.13
Swedish Krona	**11.80**	11.17
US Dollar	**1.29**	1.36

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

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

Balance sheet	**31 March 2019**	31 March 2018	30 September 2018
Euro	**1.17**	1.14	1.13
Swedish Krona	**12.12**	11.74	11.60
US Dollar	**1.31**	1.41	1.30

13 Contingent liabilities

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

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

14 Subsequent Events

In April 2019, the Group sold 100% of its shares in Hoteles Sunwing S.A., the owner of the Sunwing Arguineguin hotel in Spain, to Thomas Cook Hotel Investments (TCHI), the Group's hotel fund joint venture with LMEY Investments. The hotel was sold for an amount greater than book value and management will finalise the gain on sale calculations as part of the 2019 Annual Report & Accounts.

Responsibility Statements

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

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

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

By order of the Board

Sten Daugaard
Group Chief Financial Officer

16 May 2019

INDEPENDENT REVIEW REPORT TO THOMAS COOK GROUP PLC

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements in the interim financial report for the six months ended 31 March 2019 which comprises a Group Income Statement, a Group Statement of Other Comprehensive Income, a Group Cash Flow Statement, a Group Balance Sheet, a Group Statement of Changes in Equity and the related explanatory notes 1 to 14. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty related to going concern

We draw attention to note 1 (page 23) in the financial statements, which indicates that the outcome of the strategic review and the associated conditions in the new financing arrangement is uncertain. As stated in note 1, these events or conditions indicate that a material uncertainty exists. This may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the interim financial report for the six months ended 31 March 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
16 May 2019

Appendix 2 – Use of alternative performance measures

The Directors have adopted a number of alternative performance measures (APM), namely underlying EBIT, net debt, operating cash flow, free cash flow and net cash flow. The Group's results are presented both before and after separately disclosed items, and on a like for like basis. Separately disclosed items are disclosed in note 4 of the consolidated financial statements. A reconciliation of like for like comparatives is provided on pages 7 and 8.

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	HY19	HY18
Loss from operations	(1,386)	(215)
Add: Separately disclosed items affecting loss from operations (Note 4)	37	45
Add: Goodwill impairment (Note 4)	1,104	-
Underlying EBIT	**(245)**	(170)

Management cash flow statement

The Group uses three non-statutory cash flow measures to manage the business. Operating Cash Flow is net cash used in operating activities excluding th382e cash effect of separately disclosed items. Free Cash Flow is cash from operating activities less exceptional items, capital expenditure and net interest paid, before proceeds on disposal. Net Cash Flow 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	HY19	HY18
Underlying EBIT	**(245)**	(170)
IFRS depreciation and amortisation	110	114
IFRS share based payments	2	3
IFRS share of results of joint ventures and associates	5	1
IFRS movement in working capital and provisions	(522)	(446)
Payment to the Co-operative	-	58
Add back cash impact of separately disclosed items on working capital	(14)	(9)
IFRS income taxes paid	(16)	(26)
IFRS additional pension contributions	(12)	(12)
Add back other non-cash items	(1)	1
Operating Cash Flow	**(693)**	(486)
Payment to The Co-operative	-	(58)
Cash impact of separately disclosed items	**(21)**	(60)
Interest Income	**3**	2
IFRS net cash used in operating activities	**(711)**	(602)
IFRS purchase of tangible assets	**(46)**	(69)
IFRS purchase of intangible assets	**(25)**	(35)
IFRS interest paid	**(57)**	(70)
Payment to the Co-operative	-	58
Free Cash Flow[i]	**(839)**	(718)
IFRS proceeds on disposal of property, plant and equipment	**1**	14
IFRS Investments in joint ventures & associates	-	(7)
Dividends and payments to The Co-operative	**1**	(58)
Net Cash Flow	**(837)**	(769)

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	HY19	HY18
Borrowings	(1,708)	(1,303)
Obligations under finance leases	(223)	(199)
Net derivative financial instruments – interest rate swaps (Note 10)	(4)	(8)
Cash and cash equivalents	688	624
Net Debt	**(1,247)**	(886)