

8 February 2011

**Thomas Cook Group plc
Interim Management Statement**

Highlights

- Revenue up 7% to £1,810.4m in the first quarter, reflecting increased volumes and improved product mix.
- Seasonal underlying loss from operations¹ reduced 10% to £37.3m.
- Positive start to Summer trading with Continental and Northern Europe markets particularly strong.
- UK restructuring has now been implemented with benefits flowing through in the second quarter.
- Tunisia and Egypt political unrest estimated to have around a £20m impact on second quarter profits.

Manny Fontenla-Novoa, Group CEO said:

“I am pleased to report that we made a good start to the financial year, achieving a 7% increase in first quarter revenues and a 10% reduction in the underlying loss from operations.

“Throughout Continental Europe, the economic environment continues to support demand, which is reflected in our bookings and capacity plans. In the UK, whilst the consumer outlook remains uncertain, we have seen an increase in summer bookings and the actions taken on costs will further strengthen the business.

“The situation in Tunisia and Egypt is fast moving and our principal concern is for the wellbeing and safety of our customers. We continue to monitor the situation closely and contingency plans have been implemented to redirect our holiday programme to other destinations and help mitigate the financial impact.”

Group financial performance

In the three months ended 31 December 2010, revenue was up 7% (9% at constant currency) to £1,810.4m, reflecting marginal capacity increases and increased pricing. The seasonal underlying loss from operations fell to £37.3m (2010 restated: £41.6m loss), largely as a result of good performances by Airlines Germany and Northern Europe and overhead reductions.

Net finance charges were higher, as expected, at £32.8m, £5.5m up on the prior year (2010 restated: £27.3m). The increase year on year reflects the higher effective interest rates following the Group refinancing in May 2010 and higher borrowings. Finance charges in the first quarter are typically at the highest for the year given the Group's seasonal cashflow profile.

The Group incurred £16.9m exceptional operating items in the three month period (2010: £14.2m). These related to the previously announced UK and North America restructuring and the integration of Oeger Tours in Germany. Losses on IAS 39 hedging re-measurement in the period amounted to £4.3m (2010: gains of £9.4m) and amortisation of business combination intangibles was £7.9m (2010: £7.6m).

In the three months to 31 December 2010, the seasonal operating cash outflow was £594.0m (2010: £541.6m), which is broadly similar to the comparable prior year period if we exclude the cash outflow relating to the Oeger Tours acquisition of £38m. As at 4 February 2011, headroom on banking facilities was £350m.

¹ Underlying loss from operations is defined as loss before interest and tax excluding all separately disclosed items. It also excludes our share of the results of associates and joint ventures.

Political unrest in Tunisia and Egypt

The political unrest in Tunisia and Egypt will have an impact on the Group results. All travel to these markets is currently restricted with the exception, in line with UK Government advice, of travel from the UK to Red Sea resorts. We are pleased to note that the UK Government travel advice to Tunisia has now improved. We estimate the unrest will have an impact on our second quarter profits of around £20m. Looking forward, we have implemented contingency plans to help mitigate the financial impact by rebalancing the programme to other destinations.

Current trading

The trading statistics below are for the weeks up to and ending 29 / 30 January and include the effect of cancellations and the drop off in bookings to Tunisia and Egypt recorded up until that point. Prior to the disruption, bookings to Egypt from the UK for winter were down 4% mainly as a result of the disproportionate increase in air passenger duty to this destination.

Winter 10/11

Winter trading has progressed in line with our expectations in the majority of our markets, with Continental European markets, in the main, benefiting from improved market conditions.

	Year on year variation %		
	Average selling price	Cumulative bookings	Planned capacity
UK	+2	flat	+4
Central Europe	+5	+2	+3
West / East Europe	+7	+4	+11
Northern Europe	+3	+2	+1

Note: Figures as at 29 / 30 January. In Central Europe and West/East Europe, bookings represent all bookings including cars/overland, however capacity represents airline seat capacity only. Northern Europe winter season is October-March.

UK: In the face of an uncertain economic environment in the UK, winter holiday bookings have been relatively steady. Average selling price increases of +2% are expected to trend upwards as the season progresses and mainly reflect a change in mix. Bookings over the Easter and Royal Wedding period are up on prior year, as consumers make the most of the extended holiday period (both will fall into the second half of the financial year as Easter falls later this year). Capacity has been increased since our last update in December to meet this additional demand.

Central Europe (Germany, Austria and Switzerland): Cumulative bookings are up 2% and margins are stable. Prices, up 5%, reflect higher sales of the premium Thomas Cook branded product and the pass through of higher flying and accommodation costs.

West/East Europe (France, Belgium, the Netherlands, Eastern Europe): Overall bookings, which include self-drive holidays, are up 4%. Within this, flight bookings are +13%, ahead of a planned capacity increase of 11% and reflected in a 5% increase in the load factor. The price increase partly reflects a shift in mix towards more long haul, particularly in France.

Northern Europe: We are enjoying a better winter season than last year with bookings running ahead of capacity and increased selling prices. There is 2% less left to sell and the load factor is slightly ahead of prior year.

North America: Overcapacity in the mainstream market continues to put pressure on margins. Independent is trading in line with prior year. The business remains focused on reducing its cost base and we have implemented a cost reduction programme which will result in a c.10% cut in overhead costs. In line with our plans to grow our distribution business, we have signed a licensing deal with Sears in Canada which will provide synergies and upstream benefits to our tour operator and financial services divisions.

Airlines Germany: Bookings, up 7%, are broadly in line with an 8% planned capacity increase, with yields up 6% reflecting a shift in mix towards more intercontinental bookings. The business to date has benefited from lower hedged fuel prices versus the same period last year.

Summer 11

Bookings are encouraging and have picked up in all markets since the New Year, underpinning our confidence to add capacity. The economic environment in Continental Europe remains supportive, whilst in the UK, we continue to remain cautious.

	Year on year variation %		
	Average selling price	Cumulative bookings	Planned capacity
UK	+5	+6	+3
Central Europe	+2	+8	+2
West / East Europe	+1	+6	+7
Northern Europe	-2	+13	+13

Note: Figures as at 29 / 30 January. In Central Europe and West/East Europe, bookings represent all bookings including cars/overland, however capacity represents airline seat capacity only. Northern Europe summer season is April-September.

UK: Bookings are strong and are ahead of planned capacity increases of +3%. Average selling prices are up 5%, but mainly reflect a further shift in mix towards all inclusive product. Bookings intake has been consistently good and in the last four weeks bookings were up 7% and average selling prices up 5%.

Central Europe (Germany, Austria and Switzerland): Central Europe has had a good start to summer bookings, currently up 8% with prices up 2%. Dynamic packages are proving very popular and this reduces the need to contract ahead for flight capacity. Turkey continues to sell well with recently acquired Oeger Tours performing strongly.

West/East Europe (France, Belgium, the Netherlands, Eastern Europe): We are pleased with trading progress. Pricing is in line with our expectations and both car and flight bookings are ahead of last year, with flight bookings at +6%, broadly in line with planned capacity. Eastern Europe has had a particularly strong start to the summer season.

Northern Europe: Trading is good and bookings are up 13% in line with capacity. The segment is benefitting from lower accommodation costs which it has passed on to customers.

North America: The summer season has only recently gone on sale. Mainstream represents a small part of the summer business. Independent is currently trading ahead of last year.

Airlines Germany: Bookings are 8% ahead of prior year and ahead of capacity increases of 4%. Yields are up 1%, with continental yields down 1% and intercontinental yields up 4%.

Hedging

Whilst rising fuel prices are of concern, we are well hedged for the current financial year as outlined below and we continue to hedge for future seasons in line with our previously stated hedging policy.

	Winter 2010/11	Summer 11
Euro	95%	87%
US Dollar	91%	87%
Fuel	88%	83%

As at 4 February 2011

Strategic initiatives & regulatory update

In the period since we last reported, we have made the following significant developments:

- We have signed a contractual agreement with Airbus and the engine manufacturers, CFM, for 12 new Airbus A321s and related options and purchase rights following the memorandum of understanding that the Group announced in December as part of the narrow body fleet renewal.
- In Canada, we have signed a licensing agreement with Sears to manage their 108 in-store travel concessions, increasing our controlled distribution to 156 outlets.
- Our OTA business continues to perform well with the gross value of bookings taken in Q1 up 21% compared with the same period last year.

Update on UK high street travel merger with the Co-op and Russian JV:

- Following the referral of the UK high street travel merger with the Co-operatives to the Office of Fair Trading, we continue to work closely with the OFT to obtain clearance.
- We anticipate receiving competition clearance and completing our joint venture with Intourist in Russia in April.

Board Changes

On 22 December 2010, Sam Weihagen was appointed Chairman Northern Europe and is succeeded in the role of CEO, Northern Europe by Lars Lofgren. Sam remains in his role as Deputy to the Group CEO and continues to be a member of both the plc Board and Group Executive Board. Sam will retire from the Group at the end of 2011.

On 13 January 2011, it was announced that Michael Beckett, Chairman, has agreed to serve for a further year, subject to his re-election by shareholders at the AGM, and will retire from office at the AGM to be held in February 2012. The Nominations Committee have commenced a process to identify and appoint a new Chairman.

Enquiries

Thomas Cook Group plc

Investor Relations

+44 (0)20 7557 6413

Finsbury

Faeth Birch

+44 (0)20 7251 3801

Conference call for investors and analysts

A conference call for investors and analysts will take place today at 8.30am (GMT). Dial-in details for the call are as follows:

Dial-in number: +44 (0) 20 3003 2666
Password: Thomas Cook

Group Income Statement

	Unaudited 3 months to 31/12/10 £m	Restated Unaudited 3 months to 31/12/09 £m
Revenue	1,810.4	1,698.0
Cost of providing tourism services	(1,409.4)	(1,291.1)
Gross profit	401.0	406.9
Operating expenses	(438.3)	(448.5)
Underlying loss from operations before separately disclosed items	(37.3)	(41.6)
Exceptional operating items	(16.9)	(14.2)
IAS 39 fair value re-measurement	(0.3)	2.6
Amortisation of business combination intangibles	(7.9)	(7.6)
Loss from operations	(62.4)	(60.8)
Share of results of associates and joint ventures	(0.1)	0.7
Net finance costs	(32.8)	(27.3)
IAS 39 fair value re-measurement	(4.0)	6.8
Loss before tax	(99.3)	(80.6)

All revenue and results arose from continuing operations.

Notes to financial information

1. Basis of preparation

The information has been prepared using the accounting policies stated in the Company's report and accounts for the year ended 30 September 2010.

A copy of the statutory accounts for the year ended 30 September 2010 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. Impact of exchange

At constant exchange rates, revenue increased by 9%, gross profit was broadly flat and the underlying loss from operations reduced by 9%. Overall the impact of exchange translation on the loss before exceptional items was minimal.

3. Exceptional operating items

Included within exceptional operating items is £11.9m of largely people-related costs associated with the UK restructuring programme. Total restructuring costs in the year relating to this programme are expected to be in the region of £20m and we expect to generate annualised overhead savings of £40m to £50m, to be achieved in full in the financial year 2012 with at least £30m achieved in the current financial year.

Also included within the exceptional operating items is £2.6m of cost related to the cost reduction programme in North America. The annualised benefits from reduced overheads are expected to be in the region of £4m, a large portion of which should be realised in the current financial year.

In both cases, the annualised benefits will help to mitigate input cost pressures and any further deterioration in the trading environment.

The remaining exceptional operating items of £2.4m largely relate to business and acquisition-related costs, including the integration costs associated with the acquisition of Oeger Tours.