

Thomas Cook Group

Pre Close Trading Update - 29 September 2008

- Current trading continues to be strong in the Summer 08 season and we are on track to meet our expectations for the current financial year ending 30 September 2008.
- Winter 08/09 is in line with our expectations across our markets and particularly strong in the UK.
- For the Summer 09 season we have flexibility in capacity, cost base and fuel hedging to enable us to adapt for changes in demand.
- 92% of fuel requirements are hedged for the combined Winter 08/09 and Summer 09 seasons which provides protection against increasing prices and also potential benefits at lower price levels.
- We are benefiting from significant capacity reductions in the UK and Germany, now also including the capacity from XL and others who have ceased trading recently.
- We are confirming merger synergies in excess of £155 million by 2008/09.
- We have withdrawn from discussions about a potential merger of Condor, Germanwings and TUIfly Germany.

Manny Fontenla-Novoa, Group CEO, said:

“Trading in the Summer 08 season has been strong and we are confident that we are on track to meet our expectations for the year end.

“Winter 08/09 is also in line with our expectations and has started well, particularly in the UK. In our Northern and Continental European businesses higher prices are offsetting the planned reduction in bookings. While early indicators for Summer 09 are encouraging, we continue to maximise our resilience for factors outside our control by flexing capacity in response to demand, managing our costs aggressively and hedging fuel and currency. In addition, the reduction in capacity as a result of the recent airline failures, including XL, has improved our outlook.

“We were quick to react when XL’s customers were stranded, not only by assisting with the repatriation, but also by urging the UK Government to undertake an

immediate review of consumer travel protection, update it and address the anomaly that seat-only customers are unprotected in the event an airline ceases trading.

“Package holidays have always been, and continue to be, a core part of the Group’s strategy and for the last 18 months we have focused on building a strong position in medium haul. This strategy is proving beneficial as the market for package holidays remains resilient and we build a strong share of the medium haul segment.

“The flexibility in our business model combined with our portfolio of trusted brands and robust financial structure ensure that we are well positioned to take advantage of the reductions in capacity in our markets; align our products to customer needs; optimise merger synergies; and benefit from the strong performance of our recent acquisitions. This should drive further growth in margins and stand us in good stead for the future.”

Current trading

Summer 08

	Sold to date %	Year on year pro forma variation %		
		Average selling price	Bookings	Capacity
UK	94	+7	-9	-10
Northern Europe	96	+10	+1	+2
Continental Europe	n/a	+4	-1	n/a
North America	90	-2	flat	-2

Note: Figures above are as at 21 September 2008. The figures above for UK, Northern Europe and North America represent Risk bookings only. In Continental Europe, all bookings are included and as capacity is flexible, it is not a relevant measure.

We have performed well and are on track to meet our expectations for the current financial year. As at 21 September (our latest available key performance indicators) there was very little left to sell for the Summer 08 period. Trading was strong with average selling prices up in our three largest markets. Our planned reduction in capacity has proven to be highly effective and, as we anticipated, bookings are in line with capacity reductions in each of our markets.

UK

UK haul mix	Year on year pro forma variation %	
	Left to sell	Capacity
Short haul	- 45	-22
Medium haul	- 7	-2
Long haul	- 81	- 14
UK total	- 24	-10

Note: Figures above are as at 21 September 2008.

The UK has performed strongly and the collapse of XL has had a positive effect on this year's margin.

- In line with our capacity reduction programme, there are 24% fewer holidays to sell than this time last year. We have much lower levels of short haul and long haul stock left to sell compared with last year;
- Average selling prices are cumulatively 7% ahead and 15% ahead over the last four weeks compared with the prior year period;
- Bookings are down 9% compared with the prior year, in line with capacity, which is down 10%. Bookings over the last four weeks are down 6% compared with the corresponding period last year;
- Margins are, as expected, significantly ahead of the prior year.

Northern Europe

Northern Europe's performance has again been strong.

- Average selling prices remain 10% ahead;
- We have increased capacity by 2% and bookings are 1% up against last year;
- Margins are well ahead of last year.

Continental Europe

Overall Continental Europe has performed well, in line with our expectations.

- Average selling prices are up 4%;
- Bookings are down 1%, as planned.

North America

Trading in North America has been in line with expectations. This is the low season for the Canadian package market and capacity is therefore limited.

Airlines Germany

Condor has delivered a strong performance in a challenging environment for airlines. We have benefited from our decision to eliminate unprofitable city routes, resulting in a decline in overall capacity of 9%. The booked load factor is in line with last year at 87%.

Winter 08/09

	Sold to date %	Year on year variation %		
		Average selling price	Bookings	Capacity
UK	34	+3	+2	-8
Northern Europe	41	+11	-7	flat
Continental Europe	n/a	+6	-5	n/a
North America	19	flat	-7	+1

Note: Figures above are as at 21 September 2008. The figures above for UK, Northern Europe and North America represent Risk bookings only. In Continental Europe, all bookings are included and as capacity is flexible, it is not a relevant measure.

Selling for Winter 08/09 is underway in all divisions. The season started well in the UK and trading in our other markets is in line with our expectations.

UK

UK haul mix	Year on year pro forma variation %	
	Left to sell	Capacity
Short haul	-43	-33
Medium haul	-5	-1
Long haul	-39	-23
UK total	-13	-8

Note: Figures above are as at 21 September 2008.

The UK is performing in line with our expectations despite the uncertain economic climate.

- Average selling prices are up 3% in the season to date, up from the 1% increase reported in August. Over the last four weeks, prices have been 7% ahead of the corresponding period last year;
- Bookings are currently 2% ahead of the prior year on 8% less capacity and, over the last four weeks, bookings have been 3% ahead of the corresponding period last year;

- In line with the strategy we laid out in November last year, our focus on medium haul and our reduction in short haul and long haul capacity has been highly effective and we now have significantly fewer of these holidays to sell than at the same time last year.

Northern Europe

In Northern Europe, we have significantly increased prices and, although bookings are down compared with last year's exceptionally strong performance, we are on track to meet our expectations.

- Our average selling prices are 11% ahead of last year's record level;
- Bookings are down 7% compared with last year, reflecting slower demand for long haul holidays. However, we have increased our medium haul programmes in Egypt and the Canaries where we have strong market positions. We have the flexibility to reduce capacity as appropriate.

Continental Europe

In Continental Europe, both bookings and average selling prices are in line with our expectations.

- Average selling prices are up 6% compared with last year;
- Overall Continental Europe bookings are down 5%, reflecting slower demand for car holidays where our capacity is non-risk and for long haul where we can flex our capacity to match demand.

North America

As a result of aggressive competition due to over-capacity, the Canadian package market is under some pressure. At this early stage in the season, 19% of our capacity is sold.

- Average selling prices are in line with last year;
- Bookings are down 7%.

The acquisition of TriWest has strengthened our North American business, increasing our presence in the independent market. Our independent travel business has performed well since the acquisition with booked revenue up 3% year on year.

Airlines Germany

Condor's performance has been robust in light of the challenging market conditions, particularly compared with last year's strong performance. Nevertheless, we are reducing the size of our fleet to reinforce our position in both the tour operator and seat-only markets.

Summer 09 – UK only

	Sold to date %	Year on year variation %		
		Average selling price	Bookings	Capacity
UK	15	+8	-4	-6

Note: Figures above are as at 21 September 2008.

We are, as yet, only selling for Summer 09 in the UK market where we have sold 15% of our available capacity, in line with expectations.

- Average selling prices are up 8% compared with last year;
- Bookings are down 4% compared with last year.

These early trends in the UK are encouraging, but should customer behaviour change, our flexibility allows us to adjust our products to match demand levels. This flexibility includes:

- Optimising our destination mix, prioritising medium haul destinations over short and long haul;
- The ability to reduce capacity by up to 15% without an impact on our own fleet; and
- Targeting cost reductions in line with lower capacity.

Other developments

Condor

We have withdrawn from discussions with Lufthansa and TUI Travel in relation to a potential merger of Condor, Germanwings and TUIfly Germany. It became clear that the opportunity was not attractive. Condor is a strong and profitable business with significant potential on a standalone basis.

E-Commerce

As reported for the first time in August, we continue to see rapid growth in our two largest e-commerce businesses with a significant increase in bookings on the web.

- Northern Europe leads the way, with 48% of total bookings year to date made on the web and 51% in August;
- In the UK, 28% of bookings year to date have been online, with total tour operator bookings to date through our main website, www.ThomasCook.com, up year-on-year by 56%.

Share buy-back programme

We recommenced the share buy-back programme on 28 August 2008, following its suspension on 11 July as a result of regulatory requirements relating to the discussions concerning potential options for Condor. The Board remains committed to the share buy-back programme amounting to £290 million.

At the close of business on 25 September 2008, the Group had purchased a total of 100,425,295 shares for cancellation, at a total cost of £249.5 million, excluding commission. Of these shares, 45,056,958 were purchased from Arcandor AG, as a result of which Arcandor owns 52.8% of the Group.

Outlook

Package holidays are proving resilient and the strong position we have built in medium haul is proving particularly beneficial in this economic environment.

The Board remains confident that the business will meet its expectations for the current financial year.

Looking beyond the current year, we have flexibility Group-wide to allow us to manage and improve the balance between supply and demand, with a focus on capacity planning for future seasons. Specifically, the following measures put us in a strong position for Summer 09 and beyond:

- Less than 10% of our hotel capacity is committed;
- Our use of third-party flying allows us to accommodate changes in demand until late in the season;

- We have limited our exposure to variability in commodity costs for the combined Winter 08/09 and Summer 09 seasons:
 - Hedging 92% of our crude oil requirements with instruments which provide protection against increasing prices and also potential benefits at lower price levels;
 - Hedging 91% of our Dollar and 94% of our Euro requirements.

In addition, we have put in place a procurement review to manage our accommodation costs effectively; implemented a cost cutting programme throughout the Group; and confirmed merger synergies in excess of £155 million by 2008/09.

Therefore, the Board believes that Thomas Cook's adaptability and resilience will underpin its future performance.

Enquiries

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Conference call for investors and analysts

A conference call will take place today at 9.00am (UK time).

Dial in number +44 1452 541 077
Conference ID 66834114

Replay for the week following.

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UK free call dial in 0800 953 1533
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