All-inclusive holidays benefit everyone

Holidays at all-inclusive resorts are on trend. They offer guests a particularly high-quality, stress-free way to relax. The new policyCLIP shows that local people in destination countries also particularly benefit from tourism.

Find out more about this subject on page 4 and at www.tui-policylounge.com

IN THIS ISSUE

Location

Trend: Holiday in Germany ....................................................... 2
TUI and Etihad: New leisure airline creates prospects .................. 3
All-Inclusive holidays: Sustainable travel .................................. 4
Croatia: Tourism as a pillar of the economy ................................ 6
TUI Care Foundation: New opportunities for local people in destinations 8

Further topics

Growth: A successful end to the financial year for the TUI Group .......... 9
TUI subsidiary Berge & Meer: “An attractive employer” .................. 9
Dietary trends: Something for everyone ................................. 9
One brand: The global strength of TUI .................................... 9
TUI Group: Contact us .......................................................... 10
TREND: HOLIDAY IN GERMANY

TUI offers dream holidays to Spain, the Caribbean and beautiful beaches around the world. What we often forget in all of this is that TUI’s international operators also bring many hundreds of thousands of holidaymakers to Germany every year. The TUI Group operates several hotels here and actively markets German tourist regions both within Germany and abroad.

Holidays in Germany are becoming increasingly attractive

Germany is enjoying growing popularity as a travel destination. After extrapolating the current data of the Federal Statistical Office, around 448 million overnight stays were counted in 2016. A new record for domestic tourism. The whole economy profits from this. Tourism provides jobs for around three million people and rising. Despite city breaks taking the lion’s share, every fourth holiday booked in Germany is taken in rural regions outside of the big cities. In areas where other industry sectors are on the decline, every single euro invested in tourism is extremely significant – for the economy and for the people.

TUI’s offering is increasing

The TUI Group is investing in structurally-weak regions in particular. In December 2016, the first German TUI Blue Hotel opened at the Fleesensee in Mecklenburg-West Pomerania. Tourism is also a driving force for economic expansion in Bremerhaven – at 13 percent, the unemployment rate here lies significantly above the national average. In August 2016, TUI Cruises set up its third German port of departure in this North Sea city, following Hamburg and Kiel.

TUI brings tourists to the country

These investments also contribute to the increase in foreign guests TUI is attracting to Germany. Moreover, the travel group promotes Germany across the globe using digital media and catalogues – meaning it is a key partner for the local tourism industry. In 2016, around 700,000 holidaymakers booked their trip to Germany with TUI. Added to this are tours of Europe, particularly popular in Asia, which stop off at multiple destinations in Germany. The TUI Group has also developed into a successful provider of city breaks. The affiliate company RIU operates the RIU Plaza Hotel in the centre of Berlin – its first hotel in Germany. Not to be overlooked are the around 80,000 guests who set sail on cruises with the Mein Schiff fleet from the three German ports last year. These activities are to be further developed.

The TUI Group markets holiday destinations around the world in nearly 30 key source markets. Germany, home to TUI, the world’s largest tourism company, is itself becoming increasingly attractive as a travel destination.

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Top 10 source markets of incoming tourism, January to October 2016

<table>
<thead>
<tr>
<th>Place</th>
<th>Country</th>
<th>Arrivals in tourist accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Netherlands</td>
<td>3,990,000</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
<td>2,673,000</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
<td>2,214,000</td>
</tr>
<tr>
<td>4</td>
<td>United Kingdom</td>
<td>2,139,000</td>
</tr>
<tr>
<td>5</td>
<td>Austria</td>
<td>1,558,000</td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>1,468,000</td>
</tr>
<tr>
<td>7</td>
<td>Denmark</td>
<td>1,403,000</td>
</tr>
<tr>
<td>8</td>
<td>Italy</td>
<td>1,393,000</td>
</tr>
<tr>
<td>9</td>
<td>Belgium</td>
<td>1,220,000</td>
</tr>
<tr>
<td>10</td>
<td>China – HK</td>
<td>1,189,000</td>
</tr>
</tbody>
</table>

Source: Federal Statistical Office of Germany

Germany profits from the global tourism boom

The successful growth of TUI and the increasing demand for travel worldwide also benefits the German people and their economy. This is because the world’s leading travel group, based in Hanover, has created more than 10,000 jobs in Germany spread across several locations. Furthermore, the TUI Group has given 580 trainees a qualified start to their careers.
The pressure is on the European aviation industry. For years, the landscape has been defined by overcapacity. Taxes and high duties are placing an excessive burden on the carriers. In this context, TUI is helping to push forward the necessary consolidation. This is good both for customers and employees.

Consolidation is unavoidable

Around 240 airlines are competing for passengers in Europe. To ensure that European airlines are also able to offer a permanently wide range of high-quality flights, a consolidation of the airline market is unavoidable. This step is all the more important as German leisure airlines in particular are having to grapple with increasingly difficult conditions. These include restrictions to operating hours at important airports, high costs due to aviation taxes and fees as well as aggressive competition from budget airlines – which sometimes even receive considerable financial aid.

New joint venture offers security

The TUI Group and the Etihad Aviation Group are now founding a joint leisure airline for Germany, Austria and Switzerland. The TUI Group is bringing in its German airline TUIfly, while the Etihad Group is providing its Austrian subsidiary Niki, which takes on significant parts of Airberlin’s tourist flight operations. The employees of the participating companies will also be taken on. The deal includes a provision, agreed upon with employee representatives, made to safeguard existing standards. With around 60 modern Airbus and Boeing medium-haul aircraft, the new airline network will be among the largest European leisure airlines and will ensure that TUI is able to provide travellers with a comprehensive offering of holiday flights in the future as well. The majority of the employees and the aircraft fleet are to be situated in Germany. This new European joint venture will be headquartered in Vienna.

The new cooperation between TUI and Etihad combines the strengths of both partners to ensure the successful operation of the new airline. This will be the preferred carrier for the TUI operator in Germany, Austria and Switzerland. The relationship will use far-reaching economic synergies and strategic opportunities for cooperation. The goal is to achieve profitable flight operations and sustainable prospects for the new company, its customers and its employees.

Austria discusses a reduction of air traffic tax

Following the lead of the Netherlands and Ireland, both of which scrapped their respective air traffic taxes only a few years after they were introduced, Austria is now also planning a considerable reduction in taxes. The Chancellor of Austria Christian Kern (SPÖ) and the Vice Chancellor Reinhold Mitterlehner (ÖVP) have come to “a mutual understanding” on the matter. Media reports predict Austrian taxes to be cut in half. In Germany, airlines have been hit with around one billion euros per year since 2011.
ALL-INCLUSIVE HOLIDAYS: SUSTAINABLE TRAVEL

The role of integrated tourism projects for the sustainable development of holiday regions is often underestimated. A sober analysis has shown that all-inclusive resorts are particularly effective at creating added value for local people.

Prospects for the local community

Tourism is an effective instrument for combating poverty in emerging and developing countries. As true as this may be, this effect is rarely associated with all-inclusive (AI) hotel facilities. The German Society for International Cooperation (GIZ) has examined this issue more closely and analysed the economic effects of eight AI facilities in the Caribbean and Central America. The results were conclusive: The local population benefits in many aspects – and to a significantly greater extent than from other forms of tourism:

- **Jobs:** Due to their comprehensive 24-hour service, AI facilities provide an above-average number of jobs – 30 to 50 percent more than with comparable non-all inclusive hotels.

- **Income:** This work and a permanent position in a resort are often the decisive step that lifts people out of poverty, particularly for employees with a lower level of education. It also provides a decisive opportunity to gain qualifications. According to GIZ calculations, the lowest income group in AI facilities in Jamaica far surpasses the minimum wage in the country.

- **Career opportunities:** The service-intensive hotel industry offers employees comparatively favourable opportunities for advancement. There's a reason why washing dishes is seen as the archetype for successful careers with beginnings in the simple service industry. A key prerequisite for promotion is the training and further education of employees at all levels, such as that offered at TUI with the Robinson Hotel School in Agadir. Just as important is the possibility to receive a qualified training certificate. TUI works together with its education partners, particularly the International Chambers of Commerce.

- **Access to important customer segments:** Many holiday-makers choose an AI resort for other reasons than just the high standards of service. They also feel they are particularly safe and in good hands there. A destination without an AI offering has no access to this important and growing customer segment.

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**AI resorts committed to using local products**

All-inclusive hotels buy food products on a large scale in destination countries – with commensurate positive effects on the local economy.

**Example yearly outgoings of an AI resort in the Dominican Republic**

<table>
<thead>
<tr>
<th>Products</th>
<th>Locally/nationally produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish and seafood</td>
<td>65%</td>
</tr>
<tr>
<td>Meat and sausage</td>
<td>90%</td>
</tr>
<tr>
<td>Rice</td>
<td>80%</td>
</tr>
<tr>
<td>Potatoes</td>
<td>0%</td>
</tr>
<tr>
<td>Fruit and vegetables</td>
<td>100%</td>
</tr>
<tr>
<td>Non-alcoholic drinks</td>
<td>80%</td>
</tr>
<tr>
<td>Alcoholic drinks</td>
<td>80%</td>
</tr>
<tr>
<td>Tinned food</td>
<td>30%</td>
</tr>
<tr>
<td>Coffee</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>79%</strong></td>
</tr>
</tbody>
</table>

How sustainable are all-inclusive holidays?
The policyCLIP on www.tui-policylounge.com

A well-founded analysis provides the expertise of the German Society for International Cooperation (GIZ) from Klaus Lengefeld:
Community-based and small businesses – or huge crowds: What kind of tourism do developing countries need? (German)
bit.ly/GIZ-Allinclusive

Value added remains in the country

The economic effects extend far beyond the sphere of the direct employees of AI hotels. The local value added is multiplied by indirect and induced effects, which is a decisive factor for developing countries in particular. Due to the high demand for high-quality products, AI hotels are big customers for farmers and small businesses in the region. For instance, around 80 percent of the purchasing expenses of the AI Robinson Club Nobilis remains in Turkey. This applies for food products in particular.

Benefits to the environment

A hotel complex with 500 beds is also significantly more efficient and ecological than 25 smaller hotels with 25 beds each. Firstly, it uses significantly less land. Secondly, it offers greater opportunities for exerting influence on the technical facilities in areas relevant to the environment. This means less burning for land clearing and access routes as well as a central wastewater and waste disposal. And lastly, local authorities can better enforce and monitor restrictions.

Guests benefit from all-inclusive travel in the form of comprehensive service and calculable costs. But they aren’t the only ones. The local population of the holiday destinations also profit.

Cyprus: Holistic proof of the positive effects of tourism

In co-operation with the consultancy firm PwC and the Travel Foundation, the TUI GROUP measured the impact of 60,000 TUI guests visiting Cyprus and staying in eight hotels. The pilot study first considered a range of economic, social, ecological and fiscal aspects. The study concluded that the positive effects of the TUI guests amounted to a total of 46 million euros for Cyprus. This value exceeds the negative consequences, such as the environmental costs to the value of 2.3 million euros, many times over. As a result, over 80 euros remains in the country per guest per night.

The Travel Foundation study
bit.ly/TIMM-Studie

TUI study clip
bit.ly/Cyprus-Clip

POSITIVE  NEGATIVE

Total impact of TUI activities (in euros per customer night)

<table>
<thead>
<tr>
<th>Economic</th>
<th>POSITIVE</th>
<th>NEGATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit, intangibles and investments</td>
<td>+28.22 €</td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>+30.49 €</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>+4.18 €</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>+11.89 €</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td>-2.54 €</td>
</tr>
<tr>
<td>People</td>
<td>+7.73 €</td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>+1.14 €</td>
<td>-1.10 €</td>
</tr>
<tr>
<td>Social*</td>
<td></td>
<td>-0.08 €</td>
</tr>
<tr>
<td>Human capital</td>
<td>+1.25 €</td>
<td>-0.31 €</td>
</tr>
<tr>
<td>Livehoods</td>
<td>+1.77 €</td>
<td>-0.01 €</td>
</tr>
<tr>
<td>Total</td>
<td>+86.67 €</td>
<td>-4.36 €</td>
</tr>
</tbody>
</table>

Total +82.31 €

* The study shows social values as estimated ranges. This table presents the lowest figures in each case.

Source: The Travel Foundation
CROATIA: TOURISM AS A PILLAR OF THE ECONOMY

Currently the newest member of the EU, Croatia is an anchor of stability between Central and South-East Europe. A high youth unemployment rate and the necessary reforms still pose big challenges for the country. However, tourism is a beacon of hope which successfully cushioned the blow of the recession following the financial crisis.

Zadar – A symbol for growth

The city of Zadar, which has 75,000 inhabitants, is a good example of Croatia’s development. During the Croatian War of Independence, this port city on the Adriatic was under siege for almost four years. In 2016, Zadar was voted Europe’s most popular travel destination in an online poll and welcomes around half a million guests every year. This 3,000-year old city sets an example for how reconstruction and tourism development can mutually reinforce one another.

Tourism as an economic driver in the recession

The effects of the financial crisis in 2008/9 didn’t spare Croatia. They drove the country into a recession that lasted for six years. The gross domestic product (GDP) only began to grow again in 2015. But Croatia’s economy could count on its continuously growing tourism sector during this difficult phase. The number of overnight stays in Croatia increased by over 30 percent over this period. 12.7 million tourists visited the country in 2015, which amounts to three tourists for every resident. Among them were over two million holidaymakers from Germany – a rise of 6.8 percent. This makes them the numerically largest contingent.

Prospects for the people

This growth is good. The travel industry alone generated around 18 percent of the GDP. Tourism also creates jobs in the process. 130,000, or ten percent of all jobs in Croatia, stemmed directly from the tourism sector.

Tourism defies the recession

The number of visitors has risen continuously for a decade. This means that tourism remained a growth sector – and an important pillar of support – despite the recession.

“Tourism in Croatia has a 170 year-old tradition. This is one of the reasons why Croatia is so hospitable and cosmopolitan. It is certainly also because my country was a melting pot of different cultural circles over the course of its history and because our roots are just as diverse as those of our guests. Most holidaymakers come to the coast in the summer to enjoy the sun, sea and beach. However, visitors to Croatia will also be won over by its rich cultural heritage, mountains and national parks. Tourists can visit prehistoric sites as well as ancient and medieval cities, and enjoy the varied nature and gastronomy.

Tourism is one of the most important industries in Croatia – not least thanks to its positive effects on other branches of the economy. Because the transport, building and communication sectors profit just as much from tourism as agriculture. As one of the largest tourism companies, TUI has long been active in Croatia and is a welcome employer and partner. We look forward to expanding our cooperation with TUI.”

Ranko Vilović, Ambassador for the Republic of Croatia in Germany

Sources: Croatian Bureau of Statistics, IWF, own calculation
If we take into account the positive effects on other sectors, such as agriculture, tourism provides an income for 300,000 people – which equates to every fourth job. The forecast looks bright thanks to further investment. Around 800 million euros should flow into the tourism sector in 2017.

**TUI expands its commitment**

The TUI Group is a key partner in tourism development. The TUI Blue Jadran, a four-star hotel on the Makarska Riviera, will open this summer. Moreover, hundreds of thousands of tourists will use the comprehensive travel options offered by TUI in Croatia in 2017:

- **TUI Airlines:** The airlines offer 44 weekly flight connections across Europe to Dubrovnik, Pula and Split.

- **Cruises:** TUI Cruises and Hapag-Lloyd Cruises dock at Dubrovnik, Hvar and Rovinj. Thomson Cruises also stops in Zadar, Rijeka and Split. TUI Cruises is planning to further expand the Croatia programme of the Mein Schiff fleet in 2018.

- **Individual travel:** Those travelling individually to the country will also find a comprehensive choice from TUI. The travel group currently has over 62,000 holiday homes and around 450 hotels in its programme in Croatia.

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**Germans are the largest group of holidaymakers in Croatia**

Countries of origin for Croatian tourists in 2015

- **16.75%** Germany
- **9.40%** Slovenia
- **8.83%** Austria
- **8.76%** Italy
- **5.49%** Czech Republic
- **50.78%** Other

*Source: Croatian Bureau of Statistics*
TUI CARE FOUNDATION: NEW OPPORTUNITIES FOR LOCAL PEOPLE IN DESTINATIONS

Tourism is the most important driver of development in many countries around the world. However, this can only be successfully sustained if the guests and hosts profit equally. The aim of the TUI Group is to maintain sustainably developed destinations that attract holidaymakers and increase the prosperity of the local community. With the international TUI Care Foundation, the travel group is expanding its social engagement worldwide alongside the German TUI Foundation.

Reorganising the foundation

The TUI Group is represented in over 100 countries, while tens of thousands of employees live and are active in the destinations. Therefore, TUI has a close relationship with the people in the holiday destination and knows the challenges faced there. Against this background, TUI has developed projects worldwide aimed at opening up new future prospects specifically for young people, protecting nature and wildlife and strengthening value added for local people. These international activities are now combined under the umbrella of the TUI Care Foundation. This reorganisation will facilitate exchange – meaning that successful approaches can be applied in other destinations more effectively.

Ten million euros per year until 2020

The TUI Group wants to expand its engagement. The levels of funding for charitable projects should be expanded by ten million euros per year until 2020. 100 percent of the donations will be fed into the projects and partnerships, while the overhead expenses of the foundation will be covered by TUI. Here are three examples of how the TUI Care Foundation is actively engaged around the world:

- **Professional qualifications in the Dominican Republic**: The community in this Caribbean country benefits from increasing tourism. However, only few Dominicans have access to a good school education. That’s why the TUI Care Foundation, together with the organisation Plan, founded the SMILE Academy – an education project for 150 young people from the age of 17. The syllabus of this three-year programme includes health education as well as financial and time management, alongside practical experience in TUI partner hotels.

- **Traditional, ecological wine making**: More and more winemakers in Lanzarote are abandoning their land. This is because of the laborious and uneconomical cultivation methods involved: Every single vine is protected from the wind by a hand-built wall. The TUI Care Foundation supports a project run by local organisations aimed at conserving this worldwide unique cultural heritage. It also promotes organic wine production and maximises local added value.

- **Conservation in Tanzania**: Wild animals in need of protection sometimes come into conflict with the interests of local farmers. For example, fruit and vegetable fields are destroyed by elephants in Tanzania. It is not uncommon for them to be driven away with violence and sometimes even killed. The TUI Care Foundation works together with the NGO World Animal Protection. They teach farmers to fence off their fields with chilli plants and beehives – these scare the elephants away. The local community also benefits from the sale of chilli and honey.
NOTIFICATIONS:

GROWTH: A SUCCESSFUL END TO THE FINANCIAL YEAR FOR THE TUI GROUP

Never before have so many people embraced their freedom to travel worldwide. In 2016, the number of people travelling abroad exceeded 1.2 billion for the first time. The TUI Group is both a driver and a beneficiary of this development. The world's leading travel group, based in Hanover, defies geopolitical challenges and crises and invests primarily in the fast-growing, high-margin business areas of hotels and cruise ships. With this strategy, the TUI Group was able to exceed the goals it set for itself and to achieve a result of over one million euros in the 2015/16 business year.

TUI SUBSIDIARY BERGE & MEER: “ATTRACTIVE EMPLOYER”

The TUI Group currently employs around 10,200 staff in Germany – 120 more than last year. The group places great importance on employee development. The latest proof of this: The TUI subsidiary Berge & Meer has been named as an “Attractive employer for Rhineland-Palatinate” by the Rhineland-Palatinate Ministry for Economic Affairs and the Investment and Economic Development Bank. The jury praised the tour operator’s exemplary HR management and dialogue-oriented leadership style above all.

DIETARY TRENDS: SOMETHING FOR EVERYONE

Whether for health, ethical or environmental reasons, nutritional awareness is constantly on the rise. Of course, this also applies when on holiday. That’s why the TUI Group offers its guests a large selection from vegetarian to vegan to lactose-free food and meals in more and more of its hotels. For example, guests with an intolerance to gluten are able to enjoy carefree indulgence in over 1,200 TUI hotels. The TUI Group places great importance on sourcing this food from regional providers.

ONE BRAND: THE GLOBAL STRENGTH OF TUI

From now on, the travel group will operate under the universal umbrella brand TUI. The one-brand strategy has already been implemented in the Netherlands, France, Belgium and the Scandinavian countries. Great Britain and Ireland will follow in 2017. At this point, all customers in Europe will have a consistent brand experience. The successes of this are already apparent. One month after the introduction of the TUI brand in the Netherlands, its familiarity significantly exceeded that of the original brand. This is also reflected in a six percent increase in bookings.

Eating habits in Germany

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.8 mill.</td>
<td>vegetarians</td>
</tr>
<tr>
<td>900,000</td>
<td>vegans</td>
</tr>
<tr>
<td>7%</td>
<td>of consumers buy gluten-free products</td>
</tr>
<tr>
<td>9.4 mill.</td>
<td>households buy lactose-free products</td>
</tr>
</tbody>
</table>

Sources: Nielsen, Mintel Group, GfK SE

6% increase in bookings with the introduction of the TUI brand in the Netherlands
Overview of the TUI Group

Global Company – headquartered in Germany

Turnover 17.2 billion euros*

Adjusted EBITA 1 billion euros*

A FTSE-100 company

Market capitalisation 7.4 billion euros**

67,000 employees in 130 countries

More than 20 million customers travel in 180 regions around the world

Over 300 hotels with 214,000 beds

5 leisure airlines with around 150 aircraft

14 cruise ships

1,600 travel agencies and leading online portals

* Numbers based on financial year 2015/16
** As of 30th September 2016

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www.twitter.com/politiklounge

Editorial staff:
TUI Group
Group Corporate & External Affairs
Public Policy

Editorial deadline:
10th January 2017

Agencies:
Köster Kommunikation
GDE Kommunikation gestalten