

New Horizons

THE TUI GROUP MAGAZINE 2017

TUI Group in numbers 2017



in more than

100
Destinations



380
Hotels



about

20 m
Guests



16
Cruise ships



150
Aircraft



67,000
Employees

€ **65** cents



€ 1,102.1 m

€ **18.5** bn

**Dividend
per share**

+12.0%*
**underlying
EBITA**

year-on-year

+11.7%*
turnover

year-on-year

* At constant currency rates

Discovering the planet's diversity, crossing borders, experiencing new countries and cultures: we create unforgettable moments for our holidaymakers and we will tap the potential of digitalisation to enhance their enjoyment. And we also know what tourism means for many countries in the world and the people who live there. So we are helping to shape the future with commitment and sustainability. We open up

New Horizons.



48

The wise store up choice food and olive oil: Dimitris and his family have been growing olives for generations.



32

Moritz Schaefer has chosen a future at sea. He has been training as an Assistant Deck Officer on board Mein Schiff 6.



04

Fritz Jousen, Chief Executive Officer of TUI Group, is interviewed about future growth and digitalisation.



18

A country on the move: the Chinese have almost quadrupled their foreign holidays in the last ten years.



14

Blockchain can radically transform business models – and make new ones thinkable.



10

20 million people every year spend a holiday with TUI. The key to success is gaining deeper insights into what our customers want.



26

Hotel scout Dieter Kornek trawls the world to identify the destinations of tomorrow.

Contents

DIGITAL FUTURE 04

TUI CEO Fritz Joussem talks about new markets and digitalisation at TUI.



AS YOU LIKE IT 10

A click behind the scenes shows how people might travel in the not too distant future.



HOLIDAY IN REAL TIME 14

Blockchain technology is changing tourism in profound and enduring ways.



NEW DEPARTURES 18

China's growing middle classes are setting out to discover the world.



MARKETS ON THE MOVE 24

The big growth potential does not lie in Central Europe.

PEARL DIVER 26

Dieter Kornek plucks gems from an ocean of new holiday destinations.

SETTING COURSE 32

Moritz Schaefer is starting out on his career as a cruise captain.

CHANGE ANGLE 38

Employees venture into new territory with an unusual career move.

GOOD QUESTION 42

Two studies show how sustainability has reached the mainstream of society.

CRETAN HEROES 48

Dimitris Loumpakis is an olive grower who farms the land sustainably.

TUI CARE FOUNDATION 54

We champion healthy destinations around the globe.



ONLINE REPORT
[http://annualreport
 2017.tuigroup.com](http://annualreport2017.tuigroup.com)



» Digital means better service for the customer and more efficiency for TUI.«

TUI's clear alignment towards tourism is backed by a strong financial position. Since taking over TUI Travel in the UK at the end of 2014, it has posted double-digit increases in its operating result every year. And TUI pays an above-average dividend. TUI is an international leader and sets standards for the industry. This success story is set to continue. The future will bring further growth. In the core European markets, in the flourishing hotel and cruise segments, and by expanding into new markets. The road has been charted in "TUI 2022", the programme for a future era. Digitalisation is a high priority. Standardised IT systems offer an all-round understanding of customers and their travel preferences. Blockchain is already in use, managing global hotel capacities with transparency and efficiency. In this interview, Fritz Jousen, Chief Executive Officer of TUI Group, talks about the prospects for TUI.



Fritz Jousen, how would you define the prospects for tourism?

We work in a growth industry. Tourism globally has great potential. The destination countries and TUI will profit from that. The way our sector has been developing in the last few years clearly shows that people want to discover the world. They will travel more, not less, regardless of the international events that can always affect a particular country. But geopolitical challenges are by no means an elementary risk: we must be ready and able to respond to them. For our customers, there has been a huge increase in the number of countries they can visit in every corner of the world. Back in the 70s, 80s and 90s, there was a big focus on Europe, the Mediterranean and the Canary Islands, but these days people also travel to the Caribbean and South-East Asia. Today we operate in over 100 destinations. That makes us much less vulnerable if there are shifts in demand anywhere around the world. So the prospects are very good. Every year, except for 2009 at the peak of the financial crisis, tourism has grown faster than gross domestic product. I see TUI as well positioned to carry on picking up market share.

For the third year in a row, TUI Group has posted double-digit growth in its operating result. What are the success factors in your view?

A fantastic result! I want to thank the TUI team, all our 67,000 employees around the world. TUI in 2017 is a totally different TUI from five years ago. Basically we used to be a traditional tour operator, a trading company, and as so often in the trading business, that meant our margins were low. Today we develop, finance and operate hotel companies and cruise lines. TUI designs its own products, like our

hotels, clubs and cruise ships. This is where we are growing and investing. These are business areas with strong margins and less seasonal fluctuation. Already these activities contribute more than half our Group earnings. That share is going to carry on increasing in future. In growth regions like China and South-East Asia, we want to reach out to new groups of customers. But not through travel agencies like in Europe. Instead we will adopt a fully digital approach, working with local partners. The middle classes who are now emerging in these places are just beginning to discover travel for themselves. Having a strong, consistent, international TUI brand helps us tremendously. Big brands with international visibility attract confidence and can upscale much faster, and that is invaluable in the Internet age.

Group investments are flowing increasingly into the hotel and cruise operations. Are the days of the tour operator numbered?

The tour operators have a very important role to play, although it has radically changed. Our tour operators all over Europe are the direct gateway to our customers. 20 million people take their holidays with TUI. That is huge potential, a vote of confidence, but also a fantastic basis for future growth. The tour operators are an important strength for TUI, especially as we look to grow with our own hotels, clubs and cruise lines. We don't depend on intermediaries to achieve high occupancy rates. That minimises the risk for our own hotel investments. Last summer we managed to increase turnover and customer numbers in every region. So our markets are extremely strong, be it in Germany, Austria, Switzerland, the United Kingdom, Scandinavia or Benelux. The tour operators are still tremendously important to us. They do the marketing and sales where our customers are. They create the direct link to our holidaymakers, providing advice personally and online.

»We handle everything from A to Z. We are the trend scouts and we design the holidays for millions of people.«

The Group has changed enormously since the merger between TUI AG and TUI Travel. But that traditional image still sticks. In the tourism industry, it's the online providers who are sexy.

What we are all about is service and greater convenience for the customer. Surely that is a contemporary idea. We are the trend scouts, we design the holidays for millions of people, we organise the trip from start to finish, and we are there on the spot with our staff whenever a customer has a question or needs help. We handle everything from A to Z. Is service old-fashioned? Perhaps our industry is a little to blame for that perception. We ought to revisit concepts like 'travel agent' and 'package tour'. Sometimes unnecessary barriers are created between stationary and online sales, rather than combining the strengths and opportunities of both channels. The two go hand in hand. Basically, though, I have noticed a definite shift in that traditional image since we placed all our markets under the shared TUI brand. In countries where the brand has only been introduced recently – the latest were the UK and Ireland in October 2017 – we are perceived as younger and more digital. And now we have the single brand, it's suddenly obvious to people how amazingly international we are as a Group. TUI is active in more than 100 destinations. That makes us all the more attractive to young target groups, both as a provider and as an employer. We are on the right road. Among our own staff, there is certainly a sense that they are proud to be part of a global TUI family. There is suddenly much more recognition, because our employees, and their families and friends, come across TUI all around the globe, and they talk about it.

So the digitalisation that you are vigorously pursuing across the Group isn't just designed to brush up your image?

TUI is becoming more and more digital. I believe we are setting standards in the sector. We want to lead the field as innovation drivers for our industry. We have already made huge progress. To us digital means better service and more service – and tailored to individual travellers, couples or families. As a Group, implementing broader and better IT makes us faster and more efficient. We are looking to recruit the best IT developers and mathematicians for state-of-the-art yield systems. We are already using blockchain, and we have taken a stake in the Düsseldorf software company Peakwork. This digital and CRM focus was completely unknown territory for TUI, but it is paying off – in terms of efficiency, earnings and the willingness of customers to recommend us to their friends.

What specific goals have you set for your digitalisation campaign?

We have identified three areas to focus on as we develop our cutting-edge IT infrastructure. First, we want to make such intelligent use of the data that we can create added value for our customers. Second, we want to manage our global hotel and bed capacities more efficiently across the Group. And third, we want to build new markets. Those goals are the basis for "TUI 2022", our programme for the future.

»With smart IT and central CRM systems, we are creating major added value for our customers.«

Let's take a closer look at all those points. How can data help to reach out more personally to the customer?

First off, there's no contradiction between good, personal service and digital leadership. Quite the reverse. We accompany our customers right along the value chain, from the booking to destination services and their stay at the hotel or on the ship. That gives us broad insights into the plans and preferences our customers have, such as what type of excursions they like or whether they go for a particular room category. If I know a customer likes to use spa and wellness facilities, I can bounce over some offers before their holiday begins and pre-book a few treatments at convenient times. The key to this is offering what is relevant to the customer, before, during and after the holiday. The opposite of relevance is spam. With smart IT and central CRM systems, we are now creating tremendous added value for our guests, because we know their preferences and we can address them as individuals. And for TUI as well, because we want to generate growth partly through add-ons and new services. Here again, we benefit from the strong brand and the trust that people place in it. If our customers book an excursion, a car rental or an insurance policy with us, it comes with a TUI tag on it and with familiar TUI quality. That is hugely valuable.

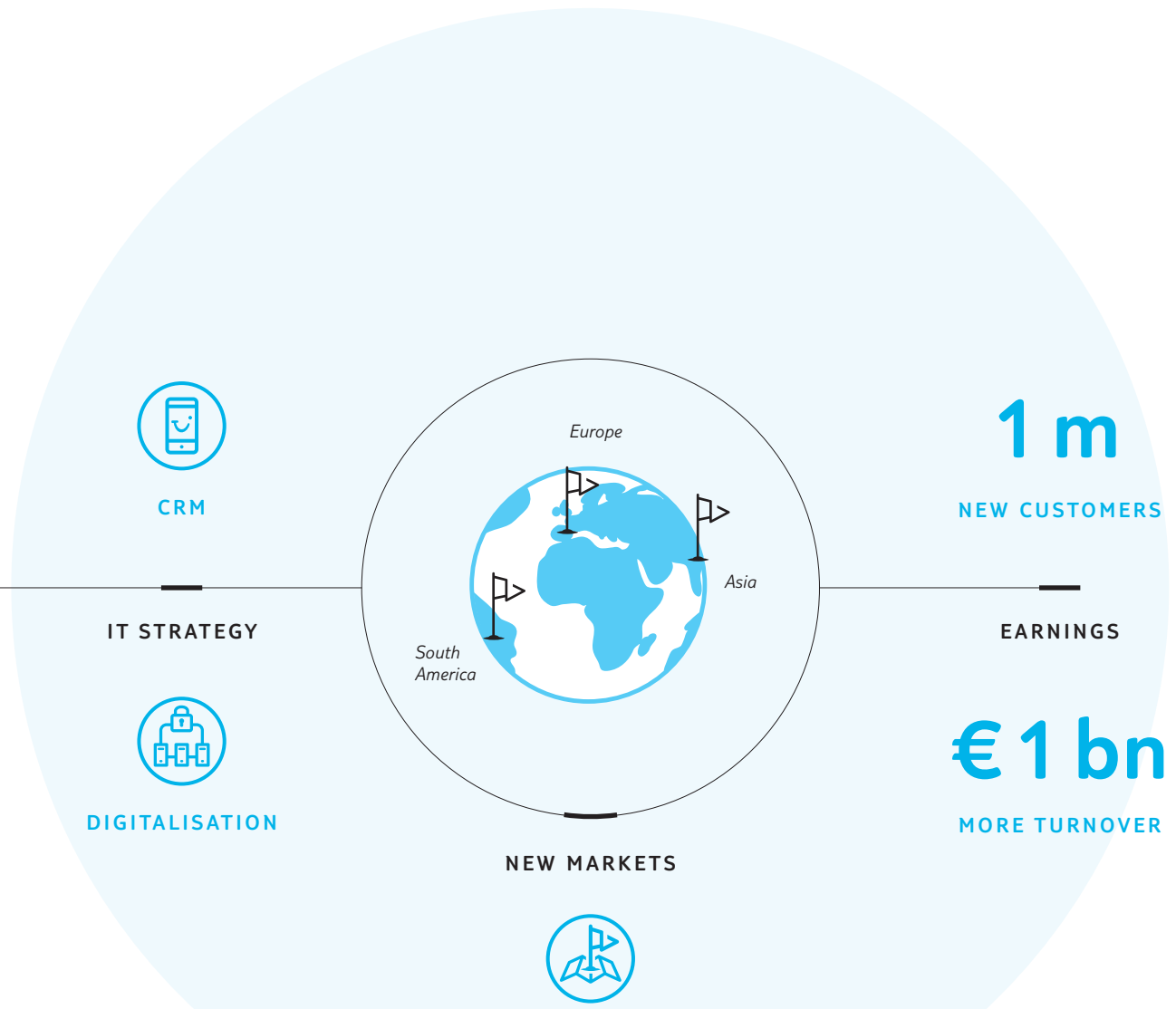
How will digitalisation help you to manage your own capacities?

Sometimes the simplest questions are the hardest to answer. Exactly how many rooms do we still have on Majorca this week? Where can we find the best prices for available beds on Kos? In the past, our cen-

tral hotel procurement function set up separate contracts with individual hotel companies for every source market. Those countless agreements were often updated manually in a host of different systems. That approach was not only very time-consuming, it was also less transparent. So based on innovative blockchain technology we have developed a central platform where we can visualise all our hotel and bed capacities and transfer them between the different markets. If demand in Germany for hotels in the Canary Islands turns out to be greater than planned, our teams can draw on free capacity in other markets. That way we aren't just making the customer happy by finding a room, we are also managing our quotas much more efficiently. That, too, should generate additional earnings in the period up to 2022.

That leaves the expansion into new markets.

We want to keep growing. One aspect of our growth strategy is to expand our business in countries where we don't yet have a presence. That includes Brazil and China, for example, but also European countries like Italy and Portugal. In those markets we won't be building a physical sales structure, which means we won't be opening any travel agencies. Instead, we want to do all our business online. That is why we have been developing our LTE platform, which compiles components like flights and hotels into a package in real time. Moreover, the design uses such standardised procedures that we can scale it however we want. In the next five years we aim to gain one million new customers as a result of the expansion and generate an additional billion in turnover.



TUI 2022

NEW HORIZONS IN SIGHT

With its future-oriented programme "TUI 2022", the Group is driving business digitalisation forward. TUI 2022 embraces three areas where state-of-the-art IT infrastructure will deliver additional growth and generate efficiencies. First, smart use of data will create added value for customers. Second, with innovative blockchain technology the Group can manage its hotel and bed capacities transparently and efficiently. And third, TUI Group is using its LTE platform developed in-house to tap into new markets in growth regions like China with a digital strategy.



CRM

As you
like it



20 million people a year take their holidays with TUI. The key to success is acquiring deeper insights into what these customers like – and encouraging them to make more use of TUI brands and products. That is why the Group has been investing so much hard work in refining its digitally supported Customer Relationship Management (CRM). A click behind the scenes shows how people might book and travel with TUI in the not so distant future.



The sun beckons

11 February, sleet descends on Cologne. Celia thinks it would be nice to spend two weeks basking in the sunshine in Majorca in July. Besides, she looks forward to letting her hair down completely after some challenging projects at work. So the 35-year-old trawls the Internet for a hotel with spa facilities and plenty of opportunities for excursions and shopping. Relaxing is important, but she also wants to explore the island and dine on good food in the evenings. She found tui.com really helpful – and easily found just what she wanted – so without more ado she books the holiday. TUI recommends downloading the TUI app to help make the most of her holiday experience, which she does and she can't wait to go!

Countdown

4 June, nearly five weeks to go. Because she was searching for wellness options when she booked, the app shows her photos of the hotel sauna and sends her an offer for a hot stone massage. Celia fancies spoiling herself, so she books the massage for her first day in Majorca. TUI is also recommending a flight upgrade for a small additional charge. She likes the idea of extra legroom. After all, she wants to feel relaxed when she arrives.

And off we go!

7 July, departure day: Celia gets up early, packs her last bits and pieces, and takes a taxi to the airport. When she gets out, she glances at her mobile phone: "Check-in counter open," reports the TUI app. Celia drops off her suitcase, makes herself comfortable in a café, then browses around the shops for a while. Now and again she consults her TUI app for details about her holiday destination. The app is recommending some sights to see and an offer for hiring a car, so she spontaneously books a car hire for the third day of her holiday. No need to keep watching the airport display: the app tells her with a short push notification that her gate is now open and boarding is about to commence.



More than 250 TUI staff around the world are currently working to standardise, enhance and scale the CRM capabilities, not only front end, but also back end where the systems will become self-learning. The aim: to offer perfect choices to customers all over the world. The philosophy: as consistent as possible to drive global scale, but with the ability to flex where necessary to reflect local customer behaviour and competition.



Holiday ancillaries benefit both customers and TUI. The CRM systems use analytics to ensure what TUI recommends is as relevant as possible. This is great for everyone, not only do customers get the most relevant recommendations to customise their holiday but the add-on price for a better seat can be calculated on the basis of supply and demand. In future, the system will be highly automated in responding to the current take-up rate for a specific flight, destination or service – and will set the price accordingly.



Seamless travel: naturally, any customer appreciates a smooth process. An efficient CRM system keeps them in the picture at all times, helping them to relax. TUI is introducing an increasingly helpful and personalised 'holiday countdown' program to all its customers. This provides customers with really useful tips and information about their holiday that is relevant to them. It is driven by intelligent analytics, and can be delivered through the mobile app, an email or even a personal call from their local store. 4 million customers are already using the TUI app – and that number is growing all the time.



There at last

11 July Majorca: Celia is loving Majorca and TUI has made it so easy to settle in. She had checked in to the hotel online, which meant there was no hanging around when she arrived, and she was able to pre-select the room of her choice. Connecting to the hotel Wi-Fi was a breeze using her TUI account. She fancies trying the seafood restaurant tonight, which she does from the comfort of her sun lounger using the TUI app.



More and more TUI customers will be able to use a single sign-in process in future. They only need to register once and can then access all the information, services and recommendations at every stage of their journey without the bother of identifying themselves each time. Payment data will also be stored in the system to make everything as convenient as possible. And of course, every procedure and transaction is completely protected from unauthorised access.

Great to be here

15 July Majorca: Celia has been on the island for over a week now. She has made several trips to the beach and visited some places nearby. She loves the hotel and spa; after her hot stone massage, she used her TUI app to book a relaxing facial massage as well. Celia had a chat with Sophia, the TUI Holiday Advisor, and she also recommended a beginner's course in diving with a few places left. One tap of the finger on her smart phone, and Celia is signed up.



TUI is rolling out a single customer service platform that is already being used by 3,000 employees in the destinations. This is replacing all the local systems. This is helping to join-up the physical and digital worlds, by providing front-line teams with a view of customer information as well as intelligent sales & service recommendations to help make our customer's holidays even better.

Her next holiday

22 October, the first autumn storm in Cologne. Three months have passed since her holiday in Majorca. Celia receives a communication from TUI: how about a trip to Greece next summer? TUI has its own wellness hotels, there with excellent restaurants, and they also offer beginners' and advanced diving courses. As a little Thank You for booking with TUI again, Celia is offered a complimentary concierge service that will help her find her next holiday and plan her excursions, spa treatments and other activities. Celia glances out of the window at the rain – and clicks "Book". As the system recognises her from last time, she does not have to enter any bank details or personal data.



Seven TUI markets already have a standardised platform for automated, personalised marketing. The system understands each customer's history with TUI and their holiday searches, and uses all this information to automatically trigger marketing at the most appropriate time for them and makes the holiday recommendations as personalised as possible.



»We seize every opportunity to help our customers personalise their holiday experience: by recommending extras that are perfect for them and profitable for us.«

ERIK FRIEMUTH Chief Marketing Officer, TUI Group



DIGITALISATION

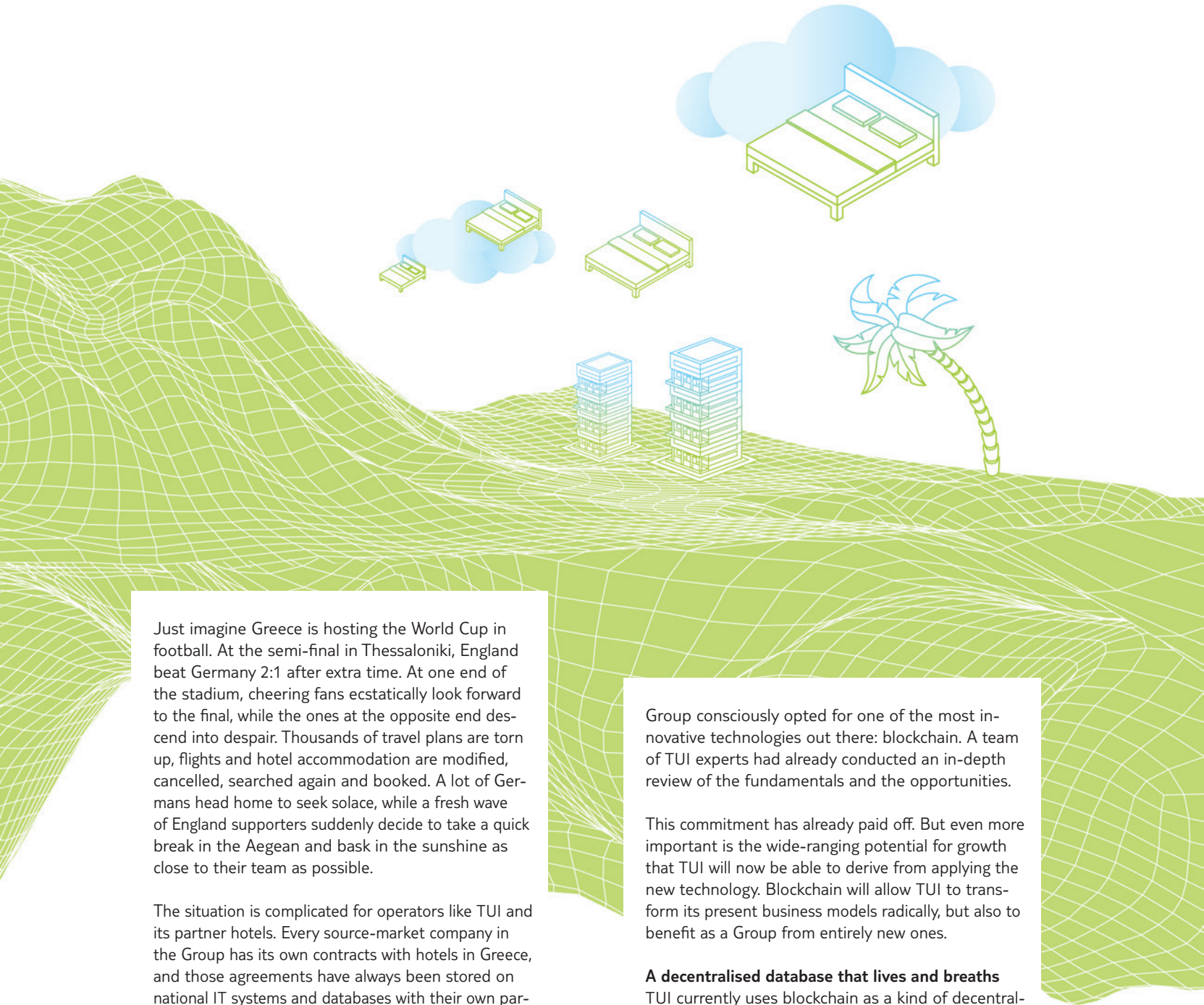
HOLIDAY IN

REAL TIME



Digital technologies are transforming every aspect of life, including tourism. Blockchain in particular is about to revolutionise the Internet. TUI is playing an active, defining role in this change – because the business opportunities are exciting and diverse.





Just imagine Greece is hosting the World Cup in football. At the semi-final in Thessaloniki, England beat Germany 2:1 after extra time. At one end of the stadium, cheering fans ecstatically look forward to the final, while the ones at the opposite end descend into despair. Thousands of travel plans are torn up, flights and hotel accommodation are modified, cancelled, searched again and booked. A lot of Germans head home to seek solace, while a fresh wave of England supporters suddenly decide to take a quick break in the Aegean and bask in the sunshine as close to their team as possible.

The situation is complicated for operators like TUI and its partner hotels. Every source-market company in the Group has its own contracts with hotels in Greece, and those agreements have always been stored on national IT systems and databases with their own parameters. TUI staff in the British Isles would normally have to turn somersaults to find out which beds had been cancelled from Germany and might now be freed up for their own customers. It's a bit like a football match: TUI and the hotels would not be in position for a quick counter-attack.

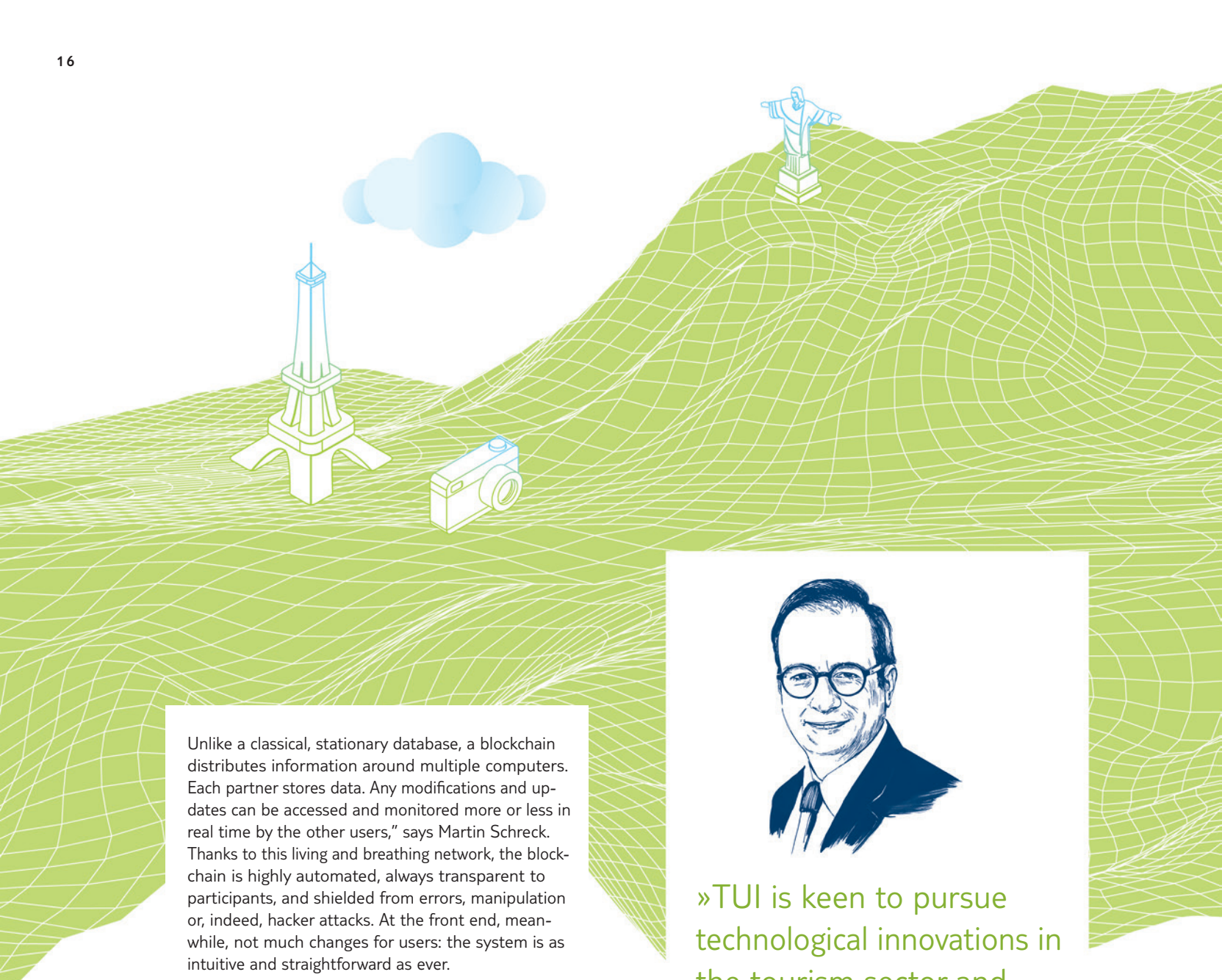
Extreme situations like that do not happen often. But the underlying challenge is nothing new for TUI. In the past, it was not easy to work out which national operator had booked up what hotels or to identify remaining bed capacity. In 2016 the Executive Board of TUI therefore decided to replace an overly complex and opaque system with a new solution. The

Group consciously opted for one of the most innovative technologies out there: blockchain. A team of TUI experts had already conducted an in-depth review of the fundamentals and the opportunities.

This commitment has already paid off. But even more important is the wide-ranging potential for growth that TUI will now be able to derive from applying the new technology. Blockchain will allow TUI to transform its present business models radically, but also to benefit as a Group from entirely new ones.

A decentralised database that lives and breaths

TUI currently uses blockchain as a kind of decentralised, highly secure and reliable database to identify which hotel beds have been allocated to which markets. 650 million beds in the TUI contingent are in hotels with an international sales strategy, so they are advertised in different markets and not taken up by one nation alone. Thanks to blockchain, these bed capacities can be exchanged between markets. "If the UK, for example, experiences greater demand for a particular hotel than contractually agreed, but Germany has not fully utilised its quota, those capacities can simply be transferred," says Martin Schreck, Director of Product & Reservation at TUI Deutschland. The consequence: a higher occupancy rate, improved revenues, satisfied customers and hotels.



Unlike a classical, stationary database, a blockchain distributes information around multiple computers. Each partner stores data. Any modifications and updates can be accessed and monitored more or less in real time by the other users," says Martin Schreck. Thanks to this living and breathing network, the blockchain is highly automated, always transparent to participants, and shielded from errors, manipulation or, indeed, hacker attacks. At the front end, meanwhile, not much changes for users: the system is as intuitive and straightforward as ever.

TUI is working to expand on the bed exchanges in the next few years. The aim is to record key information in the blockchain about agreed and available bed quotas and the contracts they are based on. This will permit direct, automated contact between the hotels and TUI so as to ensure the most intelligent, efficient occupancy possible and achieve optimum pricing. Intermediaries like bed banks are superfluous in a scenario of this kind. Payments could also be transacted in the blockchain with the aid of its integrated digital cryptocurrency.

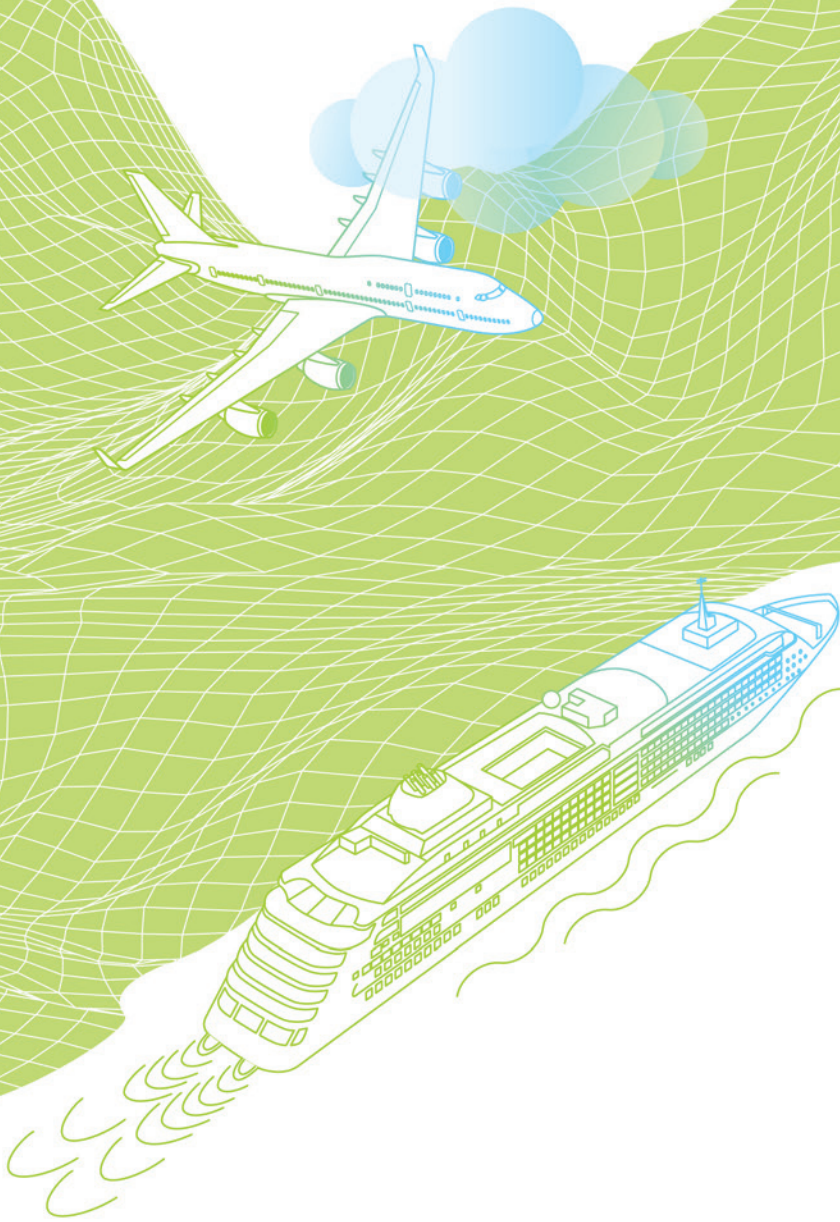
Secure, automated, digital

But this is only the beginning. The technology opens up a whole range of new possibilities that TUI is currently exploring. With blockchain, it would be perfectly feasible, for example, to operate smart contracts – digital contracts that are implemented automatically when certain conditions are fulfilled. "The blockchain would autonomously send a payment to the customer if a flight is delayed," explains Lukas Schack, a data analyst on TUI's strategy team. "Or if



»TUI is keen to pursue technological innovations in the tourism sector and to play a key role in framing that. Blockchain is an example. It will generate more business transparency, security and profitability for ourselves and our partners.«

FRANK ROSENBERGER Member of the Executive Board
IT & New Markets



the flight lands on time, the premium is paid straight to the insurer.” This would make procedures far more efficient for tour operators and TUI.

Moreover, the technology is a powerful tool for mapping complex individual holidays. Imagine a 10day tour around Morocco with stopovers in six different hotels. It requires dozens of contracts with different operators and hotel companies. Thanks to blockchain and its integrated smart contracts, the process could be faster and leaner. Ad hoc changes, additional bookings, even with external providers, and payment transactions can all be recorded digitally at any time with complete transparency for everyone involved. For holidaymakers, this would be the ultimate in freedom and variability – and for TUI it offers a number of promising business prospects.

Destination: Future

Expanding our IT landscape is helping TUI to boost efficiency, tap into new revenues and achieve the targets set out in TUI 2022. Apart from blockchain, other technologies are playing a key role here.

The **CLOUD** makes IT infrastructure, application software and computing power available over the Internet. Services can be called up anytime and anywhere, there is unlimited storage capacity, and use is extremely safe. So TUI can cut the cost of operating its own data centres.

BIG DATA applications permit the fast, cheap collection, storage and analysis of large volumes of data. The data is captured almost in real time: examples are GPS location and updated entries on social media. Big data enables TUI to understand better what customers want, which means we can personalise the products and services we offer them. All customer data is anonymised and handled with strict confidentiality.

LONG TAIL is a theory that emerged from the Internet economy to describe why low-volume products can be successful and profitable when marketed online. TUI uses a dynamic, efficient software called LTE ('E' is for engine) for putting together holiday packages. It functions as a marketing tool in countries where TUI has no tour operator business.





NEW MARKETS

出发

NEW DEPARTURES

Economy, population, itchy feet: in China, a growing middle class is setting out to discover the world. Europe witnessed a similar yearning for distant horizons in the 1960s. But in China the development of tourism has been accelerated by technological change. This is not a repeat performance; it's a digital fast forward.

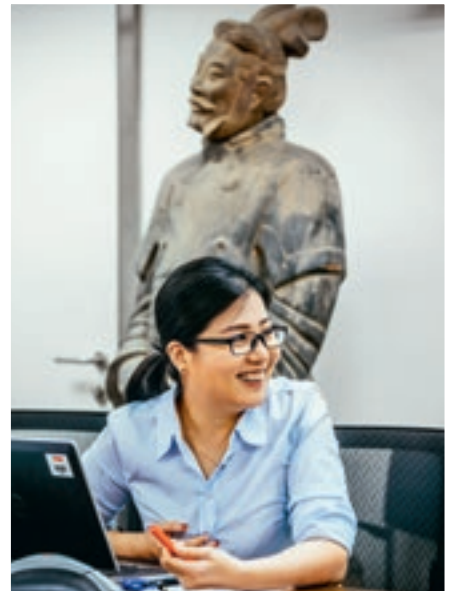
10 am in Beijing: the video conference takes off like a Chinese high-speed train. Nancy Huang’s Chinese commentary races down the line at breakneck speed, as if trying to keep pace with the development gripping the country. “I speak very fast, even for a Chinese native,” laughs the TUI manager afterwards. In the eyes of the terracotta soldier standing guard over the meeting room at TUI China, some of this is surely uncharted territory, because the conversation revolves around the future of the Chinese travel business and its new online distribution channels. The middle classes in the Middle Kingdom are in the mood for something new, and TUI is getting into pole position to take these new target groups on their well-earned holidays.

From incoming to outbound

The TUI China offices are housed in a high-rise building at the heart of Beijing. About 100 people work here. Most of them are looking after the 25,000 or so incoming tourists from Europe, or else organising events and incentives for big companies. Just three colleagues are responsible for the outbound business, offering holidays at home and abroad for Chinese customers. Nancy Huang heads the new team, which was only set up in 2016. Like almost all TUI China employees, she uses a Western forename at work because it is easier for her international business partners to pronounce. The name, like her English skills, facilitates exchange with her contacts all over the world as she puts together travel products for Chinese tourists. But the key to entering a new market is having the right distribution structure. In China, TUI has chosen to work with Fliggy, a travel platform run by the leading online broker Alibaba.

1.38 bn

PEOPLE LIVE IN CHINA





»Annual leave is short in China, and the time must be used well. So group tours are still popular, but tastes are changing.«

NANCY HUANG Department Manager – TUI China
Responsible for development of Outbound Business and Projects

questions to Nancy Huang

The name of your online partner Fliggy stands for Flying Pig. Does that have a special meaning in Chinese?

The title is unusual and striking in our language too. I think that's why the name was changed. In a market as big as China, you have to come up with ways to attract attention. The platform used to be marketed under the name Alitrip. That was a clear sign that it was part of the Alibaba Group with its successful online trading platforms, but the name sounded very like its competitor, the market leader Ctrip. Alibaba uses animal symbolism for other group brands as well, like the ant in financial services. The bottom line is a tangible increase in hits, and we are part of that.

Do the Chinese want different things from their holidays compared with Europeans?

In China, annual leave is much shorter than in Europe – just six days on average. So that time must be put to good use. Classical group tours are still popular, but tastes are changing. Shopping is no longer the top priority. Good food is becoming more important instead, but also seeing the sights, or rest and relaxation. But although a growing number of Chinese now speak English, they prefer to have Chinese-speaking contacts locally, and they are most likely to book extras on Chinese platforms. We can see that on our own online market place as well, from the strong ticket sales for events and exhibitions in Europe.

What holidays would you personally recommend to your family and friends?

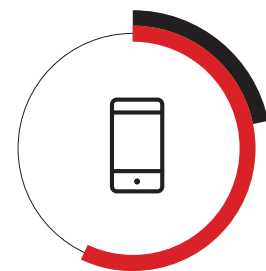
For my friends I recommend our TUI tours. It's a chance to meet people from all over the world and to enjoy an authentic cultural experience. That is so unlike the purely Chinese group tours. Morocco, Israel and Peru are fascinating destinations with simple visa facilities. Perfect for individual travellers like us. As for my parents and parents-in-law, I did book them onto a river cruise provided by our partner Viking. The service on board is excellent, and the food is easy on the Chinese stomach.

Digital market entry

The approach that TUI China is pursuing with its presence on Fliggy does not have much to do with the traditional tour operating business. The travel agency landscape in China is highly fragmented and only generates low margins. The future lies in online distribution, which is growing twice as fast as the offline business. The Chinese market leader Ctrip still sets the tone here, but with an approach that encourages tough price wars. TUI prefers a different product placement strategy and has chosen an experienced market place provider with well-established payment procedures. "Since November 2016, we have been running our own TUI presence on Fliggy.com, where we are selling our holidays and talking about our brand," says Nancy. Customers come here to find a tour or to book a holiday in a TUI resort. Platform-based sales are still at the trial stage, but in spite of that visitor statistics have more than tripled since the roll-out last year. "Lots of customers also come to us via Taobao, which is China's biggest online market place. It likewise belongs to the Alibaba Group and is associated with Fliggy," says Nancy, analysing the flows. "That lets us draw on the distribution strengths of both platforms to attract interest." But the range of products on offer to date is just a warm-up for the next stage in the growth plan that TUI has drawn up for a number of different markets.

New markets, new customers

Tourism isn't only booming in China. Prosperity – and with it the travel sector – is also growing in countries like India and Brazil. This is where TUI has a great advantage as the world's biggest travel group, enabling more and more people to enjoy a memorable holiday. There are plans for a global expansion of the TUI brand, aiming to generate an additional billion euros from sales over the next five years and to reach a million new customers. But this business cannot be compared with other industries that market their products in Asia and South America. Tourism means service, but also tight margins with no wriggle room for high initial outlay. When moving into new markets, it helps to have a consistent, standardised software architecture that substantially lowers the odds for effective market entry. So business flows are largely digitised. TUI China will also be introducing this software. As soon as it has "learned Chinese", an interface to Fliggy will play out the Group's highly diverse range of travel products on the distribution platform.



61%
CHINA

21%
EUROPE

**OF ONLINE TRAVEL BOOKINGS ARE
MADE ON A SMART PHONE**

50 m

CHINESE TRAVELLED
ABROAD IN 2016

2006 13 m
 2011 18 m
 2016 50 m



Chinese dimensions

To tap into China's potential, it is essential to change perspective. "Only 10 per cent of Chinese people have a passport," points out Guido Brettschneider, CEO of TUI China. "Even so, that is a huge target group, given that we find ourselves in the world's most populated country." The dimensions are impressive. There are 1.38 billion people in China, more than twice as many as in the whole of Europe. Last year alone, nearly 50 million Chinese travelled abroad. And the willingness to book online is enormous too. Not only is that percentage increasing all the time, but already more than half of all online travel sales are mobile-based. The trend is being driven by the everyday use of smart phones. "I can use my mobile to hire a bike from one of the many collection points in this city, and with my WeChat app it's easy to settle my restaurant bill," observes Nancy Huang. In Europe that would be an unconventional way to do things: WeChat is, after all, the Chinese equivalent of Whatsapp and Twitter.

Oriental preferences

Many foreign companies find it hard to grasp the needs and behaviour patterns of Asian customers (see interview on p. 20). Most Chinese still tend to travel within their own country: Hong Kong and Macau are their favourite holiday destinations. Next on the popularity chart are places in Asia, like Thailand, South Korea and Japan. Within this radius of a four- to five-hour flight, there is opportunity for TUI-owned hotels. The first Robinson Club in the Maldives is already more or less half booked by Asian guests. Additions of Chinese food to the buffet and staff who speak Mandarin have triggered follow-on recommendations to friends. One positive side-effect for the hotels is that the Chinese travel at different times from the Europeans, ensuring an even take-up of capacity. The peak travel periods are the Chinese New Year in January or February and the autumn break in October. The new generation of Chinese holiday makers also appreciate the prestige of big, superbly furnished rooms, culinary highlights and special events that they can capture in their holiday photos. Nancy is already on the case: "We are just reviewing whether our two new Robinson Clubs in Thailand and the Maldives have been optimally visualised on Fliggy." Mobile phone in hand, she is already on her way to her next appointment. Chinese tourism won't wait.





50%

OF THE GUESTS IN ROBINSON CLUB
MALDIVES ARE ASIAN



NEW MARKETS

Markets on the move

No tourism group knows Europe's outgoing markets so well as TUI. But the big growth in coming decades will happen on other continents. Not only Asia, but also South America.

USA ←



BRAZIL

45% of the holiday trips taken abroad in 2015 were tours

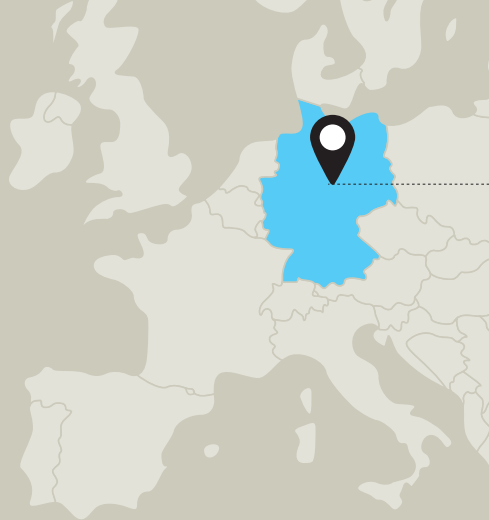
61% of the foreign trips from Brazil in 2015 remained within the American continent

2015 **79.1 m**
2020 **109.4 m**

mobile Internet users (2020: forecast)

FROM THE DIARY OF A

PEARL DIVER



Pearl diver – what a stunning job title! And the work itself is just as stunning: plunging into turquoise waters and, in the true spirit of discovery, plucking out a unique object. That, at least, is the glamorous theory. In practice, the pearl diver relies on one skill more than any other: staying power. Dieter Kornek has it, and he uses it around the world in his quest to discover new pearls for the TUI hotel portfolio.



Hanover

A MEETING AT TUI HEADQUARTERS

The Aligned Scouting Meeting brings together executives from TUI's key hotel brands to review promising site studies and discuss the current state of play on project negotiations.



Vietnam

EMAIL EXCHANGE WITH PARTNERS

This up-and-coming Far East destination boasts long, sandy beaches and cultural highlights. Working with local partners, the scouting team is currently exploring optimum potential locations for hotels.

Hotel operations in TUI Group are on a path towards growth. The current portfolio contains around 300 properties. Combined with the cruise business, they now account for half the EBIT posted by the tourism group. The focus for this expansion is on destinations in Asia and the Caribbean, where the sun shines 365 days of the year, and on new hotels in Europe. The people who go out and search for suitable land or buildings are called hotel scouts. Their task is to trawl the holidaymaking regions and uncover new projects, be they on the Mediterranean Sea or the Indian Ocean.

600 hotel offers each year

Dieter Kornek has been an expert in this field for many years. He previously worked in project development for Accor, Motel One and Falkensteiner Hotels. He laughs when asked if there is any holiday-making region he hasn't been to yet: "In the world, maybe, but I know Europe like the back of my hand." Since June 2017 the business administration graduate has been in charge of Project Scouting for TUI Group. The department is still expanding, but already the team screens about 600 hotel offers a year which land on their desks. They don't always merit further investigation, but thanks to his experience, Dieter Kornek has a well-trained eye for the buildings and land with potential. The supreme factor is location. This is the key consideration when assessing whether a property or resort will turn out to be a genuine pearl.

Alps

PHONE CALL WITH INTERESTED VENDOR

A quick plunge into the snow: mountain hotels also have their place in the TUI portfolio. The location of this prospective project in a French ski resort sounds promising. Time to gather some essential facts.



Evaluating the trends

"Apart from our top-performing joint venture, Riu, a major focus of this expansion is on our own brands, like TUI Blue, Robinson and TUI Magic Life. So we work very closely with their executives," explains Dieter Kornek. The Group's tour operators also help to assess the market potential of a particular hotel and to calculate appropriate rates. "Drawing on all the information we collate, we put together an initial rough analysis of profitability, Kornek continues. Hotel scouts do not simply surf on the crest of a trend. They do their sums. "We estimate the number of rooms, how many days the facility will probably open, capacity and average rates. Fixed operational parameters like staff costs complement the fruits of our own experience and regional know-how. But inflation and price rises are also factored into these figures. Ultimately we are looking at a period of at least 20 years to take account of amortisation and the usual life cycle of a property." If the rate of return looks encouraging after this exercise, it's time for the scout to book the next plane ticket.

A Croatian pearl

While the Croatian coastline reveals spectacular views of Dubrovnik and the landscape around it, Dieter Kornek is eyeing his watch and the milometer in his hired car. He is familiar with this region, but what he doesn't know yet is the precise transfer time from the airport to the potential hotel. As a scout on the road, he never stops analysing. When he inspects a location, he is not guided by gut feeling, but by the checklists that are always on his mind as he evaluates the site and its surroundings. Distance to airport is one criterion. So are beach quality and general infrastructure. In this case, the latter seems to be the critical issue. He collects the landowner, and they drive the last few kilometres together along a bumpy track. There is no official road yet. This unique location needs to be weighed up against a long list of investments. "We'll run through the figures and talk to our colleagues," concludes Dieter Kornek, while the setting sun demonstrates the magical sight awaiting future guests.



»We want to change perceptions in the market. The world of real estate is not so familiar with TUI as a hotel operator.«

Montenegro

A RENDEZVOUS

A visit to an existing hotel and a prospective plot of land. A charming destination awaiting improved flight connections.





There are huge differences between the properties, but also between negotiating partners. To assess a project, instinct and experience are vital.



»The great thing about Montenegro is that so far there's been less development than in Italy or Spain.«



Newcomer Montenegro

The next day sees Dieter Kornek crossing the nearby border to Montenegro. The little Balkan state has evolved in recent years to become one of the fastest growing destination countries, thereby qualifying for TUI's hotel shopping list. The first property to visit is an existing hotel in Herceg Novi. It has a picturesque old town that holidaymakers can easily reach by strolling along the beach promenade. The hotel scout loves the location, but the building itself evidently needs renovation. As Dieter Kornek walks briskly around the winding corridors and steps into the narrow rooms, he soon realises: "This does not come up to our standards. I think it would make more sense in this case to knock it down and build something new." Not good news for the potential vendor, but he says he is still open to further negotiations. Time for the next appointment. Kornek takes the car and then the ferry. In terms of size, the unbuilt land near the port of Tivat would lend itself to one of the Group's club brands. The scout then discovers a little added bonus: the site has its own beach, and it is not separated from the hotel by a promenade. He outlines the next stage of the process: "When I get back to the office, I will write up my reports and discuss any new details with the executives of the brands concerned."

The final polish

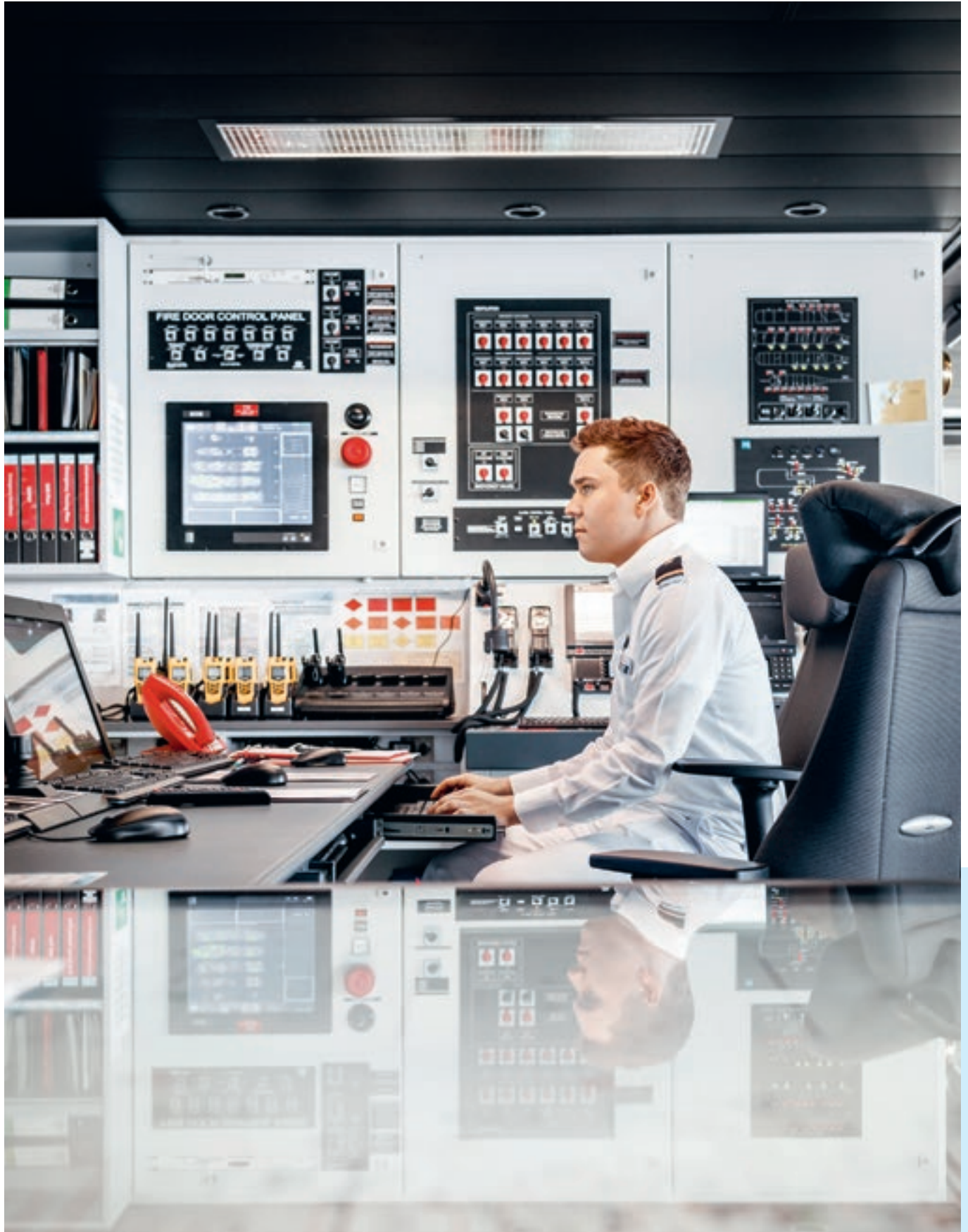
Before a hotel project can be taken forward to the next round of contractual negotiations, it must be meticulously checked out and indicate sound prospects of commercial success. For this pre-selection, Dieter Kornek taps into his knowledge of construction and contract law, real estate management and project development. The gems that emerge are properties ready for the final polish that will make them a TUI hotel.

Caribbean

PLANNING

One field visit merges seamlessly into another. His next fact-finding mission will take Dieter Kornek and a colleague to Mexico and the Dominican Republic.





SETTING COURSE



Moritz Schaefer stands on the bridge observing the Firth of Kiel 30 metres below. Other people are busy enjoying their holiday, but he is here to train as an Assistant Deck Officer. Since joining Mein Schiff 6 in the Finnish port of Turku, he has been riding the waves between the North Cape and St Petersburg.

"I don't come from a typically nautical background," says Moritz, perfectly turned out in a uniform that is radiant white from collar to heel. "But I wanted to see the world, work in an international team and put my technical interests to good use."

Even so, the seeds of this maritime urge were planted young. The 23 year-old grew up in Northern Germany, in the little town of Westerstede near Oldenburg, which is not far from the North Sea. Since September 2014 he has been studying Nautical Science at the Maritime College in Leer, and hopes to obtain his officer's papers after eight semesters. But first he needs to spend 52 weeks at sea. Moritz spent his maiden voyage on a heavy cargo freighter – and now he is getting to know the cruise business.

A sense of duty and an ability to compromise

Mein Schiff 6 is the latest addition to the feel-good fleet operated by TUI Cruises. There are about 1,000 men and women from 59 countries on board looking after more than 2,500 passengers. "We work seven days a week. Up to ten hours, depending on the job," says the aspiring mariner Moritz. It means long periods away from family and friends. And working on such a large vessel calls for particular qualities: discipline, a sense of duty and a willingness to compromise.

"Safety is a huge priority at TUI Cruises," adds Captain Todd Burgman, who is familiar with almost every liner in the Mein Schiff fleet. "Shaking down brand new ships, preparing for **audits** and inspections, calibrating machinery and equipment – all of that is a major responsibility." Unlike Captain Burgman, who has been navigating the oceans for 20 years, Moritz has only just embarked on his future at sea.



AUDIT

The purpose of an audit is to monitor compliance with processes, requirements and policy guidelines. includes environment and safety standards.



ON BOARD

52 WEEKS AT SEA



The handover on the bridge requires scrupulous attention to detail: personnel work in four-hour shifts, standing watch day and night.

Day-to-day challenges on board

Moritz is deployed in many different areas to acquaint him fully with life and work on board: in the engine room, in housekeeping, in maintenance and repairs. He gains insights into the tasks of the Environment and Safety Officer and into duty on the bridge, where he and other members of the crew have already manned the watch a few times. By now he is pretty familiar with the **bridge wings**, to both port and starboard. "The bow and stern thrusters give us extra transversal power, which makes it easier to control berthing and cast-off manoeuvres safely." However, he will not be permitted to take the helm until he has obtained his ship's papers. Then Moritz will be qualified to stand in the middle of the bridge, aided by radar, all kinds of measuring instruments, and a tiny joystick – like the one that is about to steer this ocean giant nearly 300 metres long out of the Firth and onto the high sea.

"The freighter on my maiden voyage was much shorter, only 130 metres, so we managed to enter lots of the smaller ports. I enjoyed that." But spending six months in a confined space with 16 other people was a real challenge. "If anyone is in a bad mood, the whole crew is infected." But on a cruise liner, you can spend your free time in company or on your own, depending how you feel. The accommodation is designed around single share cabins, which means that the cadet has his own inner cabin to himself and shares a bathroom with his neighbour. There are communal leisure facilities for the crew: a fitness studio, a sundeck, the canteen, a café and a bar. But all Moritz orders here is a coke: officers are not allowed to drink alcohol in the eight hours before they come on duty. Safety first.

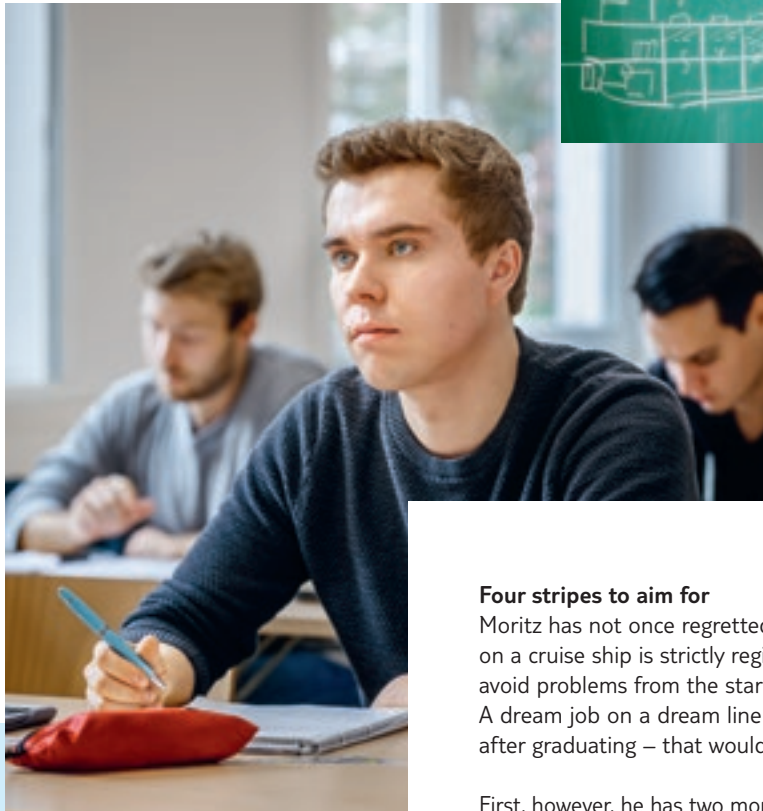
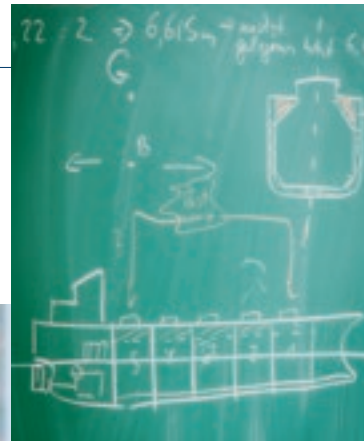


BRIDGE WING

The lateral walkways each side of the pilothouse, often on an open deck. They extend the full width of the ship to allow the best view during manoeuvres, and are equipped with additional navigation and steering apparatus.

ON LAND

8 SEMESTERS AT MARITIME COLLEGE



Moritz isn't the only TUI Cruises cadet studying in Leer: three of his classmates have also signed up with the feel-good fleet. On shore they swot together for subjects like maritime and cargo technology.

Four stripes to aim for

Moritz has not once regretted his career choice. Even if everyday life on a cruise ship is strictly regimented. "But I think it's great that we avoid problems from the start by sticking to the rules," he comments. A dream job on a dream liner, and a commission with TUI Cruises after graduating – that would suit him perfectly.

First, however, he has two more semesters to complete at the Maritime College in Leer. It has about 450 students, making it the smaller site at the University of Emden-Leer. It is housed in a traditional brickwork building with a campus, lawn and benches. In front of the building, in true marine spirit, there is a **port buoy**, displaying the welded GPS coordinates of the college. "There were 64 of us when we started the course. Now, in semester six, the numbers have dwindled," says Moritz. Life at sea is not to everyone's taste. Maths and physics, and especially thermodynamics, do not always come easy. Moritz likes the practical subjects best. "Anything in the simulator. Radar technology, digital charts, radio communications." Hardly surprising – the college is extremely well equipped. "There's a workroom with five bridge systems. You can load whatever you want: docking manoeuvres, tricky traffic situations, even a violent storm."

As from 2018, Moritz could be the proud owner of an Officer of the Watch certificate. Then he will be able to wear one and a half stripes on his shoulders. Four are his declared objective – and a successful career at sea, like Captain Burgman. And what if his family needs him? "After a few years' experience as a captain, I can get myself chartered as a marine pilot. Close to my loved ones." A good plan. Moritz Schaefer has set his own course.



PORT BUOY

Port and starboard buoys are maritime marks used in international shipping. They indicate navigable channels and are distinguished by their shape and colour, so the captain knows which side to pass to stay in the fairway.



»From blockchain experts via digital marketing analysts to risk managers – we are recruiting more skills outside the classical tourism profile.«

ELKE ELLER Member of the Executive Board
TUI Group Human Resources Director

Ms Eller, what career prospects can TUI Group offer potential employees?

The careers are as wide-ranging as TUI itself. We are a strong brand, with close customer ties, very international and very emotional in terms of our product, so there is plenty of scope here for creative marketing professionals to design campaigns or engage with CRM. We are becoming increasingly digital, and we have implemented blockchain technology. IT developers, risk managers, mathematicians and yield managers possibly don't think of TUI at first when planning a career. We simultaneously run airlines and hotels, we have cruise fleets and tour operators under our roof. TUI has a presence in over 100 destinations around the world. We have to respond fast to geopolitical risks – for the sake of our own business and for the sake of our customers. Given the diversity, the strategic challenges and the international dimension, TUI is an extremely attractive employer, both at Group headquarters and in the operating units. These days we are recruiting more skills outside the classical tourism profile. For people in the more traditional tourism professions, including in local destinations, we naturally hope to remain the first-choice employer.

Isn't TUI associated with beaches and cruises as an employer, rather than with programming and apps?

Our vision is: Think Travel, Think TUI. Of course we are on the lookout for people who have

a passion for travel – and who combine that with a passion for digital evolution. As the leading tourism Group, we can offer careers right along the tourism value chain. We are looking for professionals to create holidays – in the tourism professions, but increasingly also data analysts and digital strategists. So as an employer brand we will in future be placing more emphasis on the digital component in our corporate DNA. The new branding is currently being rolled out in 14 European markets. The illustrations are contemporary and surprising, and they will appeal to people who want to help us design the future of travel.

Will the new campaign focus inside the company too?

Highly motivated, skilled employees have made us what we are: number 1 in the travel industry. The new employer branding reflects that shared achievement, but it will also motivate people to tackle the future challenges, especially in the field of digitalisation. If we want to offer our customers a digital TUI experience, we need to become more digital at the workplace too. The way we work together, the way we make decisions, the way we design our offices – we have made some changes already and we will carry on triggering the process so everyone can shape up for the future. Mobile working is part of that, and more ability for people to decide for themselves when and where to work. Our national headquarters in Sweden and the Netherlands have very contemporary office environments with top-

class equipment, and lots of communication goes on there, because people cross paths and no longer have to make formal appointments. That unleashes creativity, fosters motivation. This is the way young people like to work – me too, to be honest. I draw strength from being among employees, right inside the project, joining in their discussions. That is so much easier in open, modern surroundings.

How does TUI ensure that company employees are ready for digital transformation?

Every market is different. Everyday life in the Scandinavian countries is far more digital than in Germany. You can go to the baker there and pay with your mobile phone. You deal with public agencies online. That is inconceivable in many parts of Germany. As a result, our various company operations are at different stages. I was impressed by the Digital Safari for our staff in Sweden, Denmark, Norway and Finland. Everyone could test the digital technology on site or ask experts to explain it to them. Some of those ideas will be implemented and others will not. The important thing is to be aware of them. At the Digital Safari, everyone could set their own learning pace, but by the end of it everyone had a basic understanding of what we can expect as a company and as individual employees. And I think that is a very good approach.

Of course! An international company thrives on people with international experience. That's why TUI invites its employees to spend time abroad during their professional development. Those who are adventurous enough to switch perspective are not the only ones to benefit. They foster understanding in their new teams for international mindsets and different working environments. This is the prelude to more global mobility at TUI. Anyone who chooses this path gets personal support. With finding a home, for example, or removals, or choosing a school for the children. These snapshots introduce you to three TUI employees who turned their world on its head by shifting their home and work base to a foreign country.



CHANGE

ANGLE



 GAMZE, 32, IN PARIS FOR SIX MONTHS.

»I had close contacts up front with my new colleagues. That soothed my nerves and sweetened the anticipation. I think I can make myself really useful here.«

FROM HANOVER
(GERMANY)

TO PARIS
(FRANCE)



We all feel a special affinity for particular countries and languages. For Gamze Kaba it's France and French. What could be nicer than to immerse yourself in the culture of the country and its everyday life? What Gamze Kaba is looking forward to most in her host country, apart from a new professional environment, is the sheer enjoyment factor. In September she took up her role in Paris as TUI GROUP Manager Audit – Content & Central Functions.

TUI Group Manager Audit – Content & Central Functions

GAMZE KABA

ANDRÉ ILLMER

Head of Balearics – TUI Destination Services

André Illmer says he must have travelling in his blood, and admits that he regularly feels the pull of a new country and a change of base. Born in Germany and raised in Hungary, he has already had several postings abroad. Before bringing his family to the holiday island of Majorca as Head of Balearics at TUI Destination Services, he worked in Switzerland for five years. To find happiness in such different places, flexibility must be your main companion: the ability to adapt to local conditions, to accept that things aren't done in familiar ways. And the knowledge that new, versatile experience is always enriching.



🕒 ANDRÉ, 40, IN MAJORCA SINCE 2015.

FROM RICHTERSWIL
(SWITZERLAND)

TO PALMA DE MALLORCA
(SPAIN)



«Becoming Head of Balearics at TUI Destination Services sounded like an interesting and demanding challenge – and that is how it turned out: I have grown a lot, not only in my new leadership role.»



You don't have to be employed by TUI before you can embark on an international career with the Group. More details:

https://www.tui-group.com/en/jobcareer/why_tui



STEPHANIE, 25, IN STOCKHOLM SINCE APRIL 2017.

»It's the seemingly trivial things, like how to construct an e-mail, that make me feel very British. We tend to use more small talk. Those little differences tell me a lot about a country's communication culture.«

FROM LONDON (UK)

TO STOCKHOLM (SWEDEN)



To get to know the Swedes, you need to go outside. The summers are short, and a lot of life's activities take place in the open air. Stephanie Darvill loves running, so she shares this passion for exercise and respects the ability Swedes have to make the best of everything that happens. Like short summers. Since April 2017 the native Brit has been working in Stockholm as a Consumer Research Project Manager for TUI Nordic.

Consumer Research Project Manager – TUI Nordic

STEPHANIE DARVILL



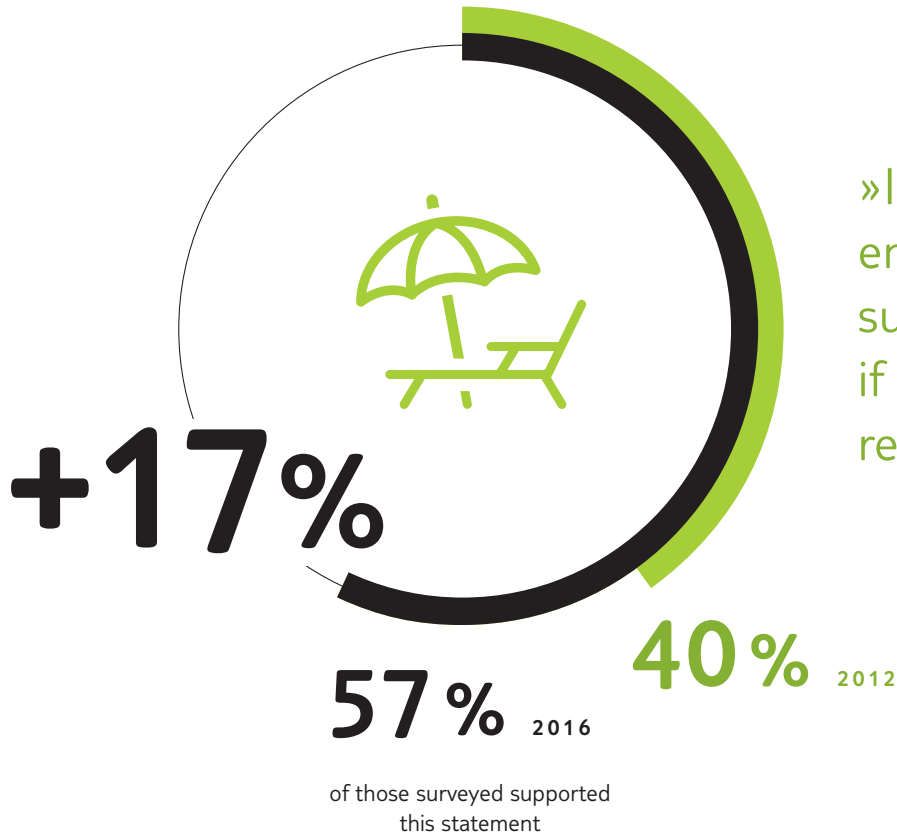
GOOD QUESTION

*Sustainability has been mainstream for a while now.
But how green and social are holidaymakers really? And how can we
encourage green choices more effectively? We did some digging.
Two studies in brief.*

STUDY 1
Customer survey on "Sustainable Tourism"

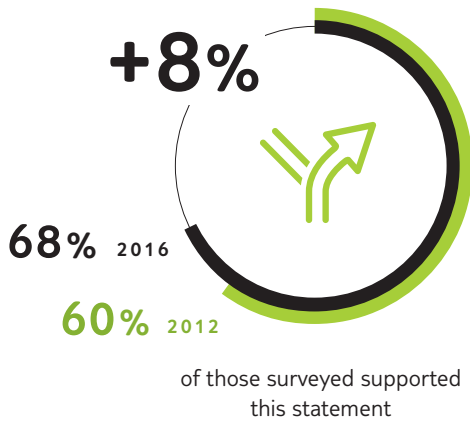
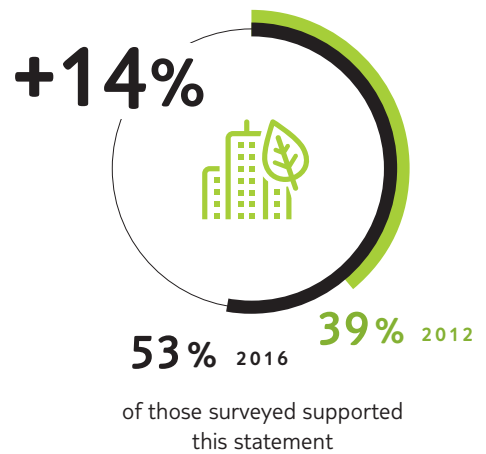
People are increasingly aware of environmental and social responsibility. Many are asking for holidays that reflect those principles and want to know if the supplier is acting responsibly. Here are the findings from two representative surveys of holidaymakers.* For us, this was an endorsement for TUI's Better Holidays, Better World sustainability strategy, which aims to offer 10 million greener and fairer holidays a year from 2020. And it gives us good cause to carry on pressing for the adoption of the GSTC (Global Sustainable Tourism Council) universal sustainability standards throughout the tourism industry.





»I would book more environmentally sustainable holidays if they were more readily available.«

»I have a better image of holiday companies that actively invest in environmental/social initiatives.«



»I am prepared to make lifestyle changes to benefit the environment.«

*The surveys were conducted in 2012 and 2016 in Germany, the UK, France, Sweden, Belgium and the Netherlands. More than 3,000 people who had taken at least one holiday in the last two years were interviewed on each occasion.

STUDY 2

An experiment in the re-use of hotel towels

A new towel every day? Unthinkable at home, but often expected in hotels. Melvin Mak, a Sustainability Manager with TUI, wondered why – and started an experiment. The TUI Magic Life Club on the Canary Island of Fuerteventura displayed different notices over the course of a month – and the results are surprising.

AN OLD FAVOURITE: SAVE THE PLANET

»Every day hotels around the world wash tons of towels and pollute our water by consuming huge quantities of detergent. You decide.«



NEW APPROACH: BUILD ON HABITS

»Use me again tomorrow.
Like at home.«



56%

SMALL TOWELS
USED AGAIN

49%

BIG TOWELS
USED AGAIN



UNUSUAL: TRY HUMOUR

»One more cuddle.
Why not use me
again tomorrow?«



33% | 26%

SMALL | BIG

NOW PROJECT THAT ONTO A YEAR AT TUI MAGIC LIFE CLUB ON FUERTEVENTURA



129,000 litres

LESS
WATER CONSUMED



1.676 kg

LESS
CARBON EMITTED

The TUI Magic Life Club on Fuerteventura has 700 rooms with a total capacity of 1,800 guests. The study was conducted over a period of a little over a month. There are plans to test the notices in other room categories with different groups of customer over a longer period and with additional formulations.

»Even on holiday,
people like to feel
at home in many ways.«



MELVIN MAK
Sustainability Manager – TUI Benelux

How did you hit upon the idea that wording the signs differently might be the key?

From a personal perspective, I simply find the messages like “Use your towel again and save the planet” very annoying and unrealistic. It gives you the assumption that by using your towel another day, you can save the planet. If it were only that easy! So, I thought that we could definitely find a way to make a more inspiring message. A message that’s both honest towards the guest, but also has greater effect. I then started digging into existing literature and found out that there have been quite a few studies about persuasive communication. Both in general as well as in the tourism sector, and even around the use of towels. But it also seemed that there was a gap in literature. No one tested the force of habits, nor the force of humour or fun. I then thought it would be worth to start an experiment and test that.

Were you surprised by the result?

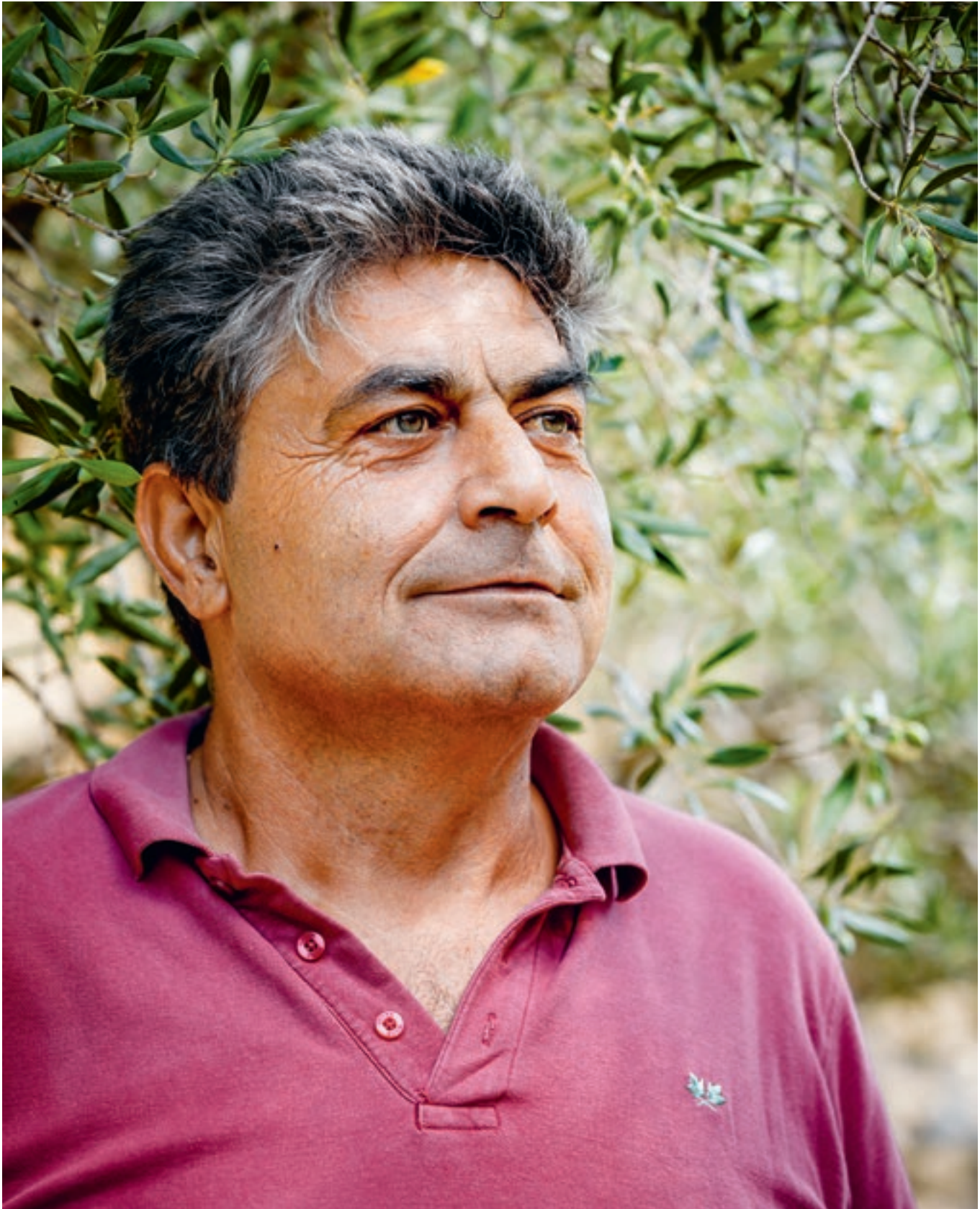
Yes and no. I did expect there would be differences, but I was surprised that the results were so significant. Even though people are on holidays, I think that they also want some aspects to be ‘just like at home’. During interviews with guests I found out that on aver-

age people use their towel 3 to 4 days, so I was hoping to get some good results from the habits message, even before getting the actual data. One explanation that the humorous way didn’t work out might be my that my sense of fun is really bad. But there are better explanations. What is taken in fun by one person isn’t automatically by another. Cultures may also play a role. And if humour doesn’t come off, it won’t be effective. I’m still sure there are ways that humour works, but we just haven’t found the right wording (yet).

What might the next steps in sustainability be – and what would you personally like to achieve?

Where to start?! First of all, we should definitely hit our 2020 goals in the Better Holidays, Better World strategy. We’ll be needing all our colleagues to engage in that in order to reach TUI’s targets. But if I had to pick one topic it would be energy. There are so many initiatives and technologies available already and even more to come in the near future. There are hundreds of next steps we can think of: like biofuel, which is becoming more im-

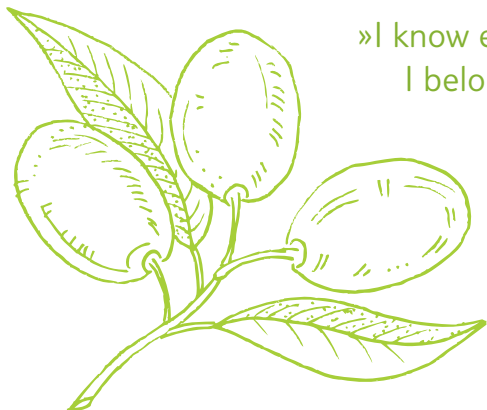
portant in aviation, or solar energy, which is getting cheaper – and the sun shines in our destinations. Together with my colleagues in the business and sustainability teams throughout TUI Group we are working hard to meet the goals set in our sustainability strategy. And I am sure we will keep improving our work in the future.



CRETAN HEROES



Ξέρω ακριβώς ποιος
είναι ο ρόλος μου σ'αυτή
τη γη. Δεν μπορώ
να είμαι κλεισμένος μέσα,
εγώ ανήκω έξω στις
ελιές μου.



»I know exactly what my role in this life is. I can't stay indoors.
I belong outside among my olives.«

DIMITRIS LOUMPAKIS, Olive farmer on the island of Crete, Greece



Λένε ότι ένα ελαιόδεντρο
δεν πεθαίνει ποτέ. Είναι πολύ έξυπνα δέντρα
και έχουν την ιδιαίτερη ικανότητα
να προσαρμόζονται στο περιβάλλον.

*»They say an olive tree never dies. They are intelligent trees
and true artists when it comes to adapting.«*



Often you have to start small if you want to encourage a rethink about sustainable economics. About as small as a Cretan olive – planted and tended by farmers with the courage to strike out along new paths.

Dimitris Loumpakis is a Cretan farmer who manages his land sustainably. He recently joined a pilot project initiated by the TUI Care Foundation. The aim is to place wine and olive growing in Crete on a sustainable footing and to forge enduring links with tourism. We accompanied Dimitris and Sotiris Bampagiouris from Local Food Experts, who are implementing the island project for TUI, into the olive groves. In the Valley of Sarchos, 500 metres above sea level, we visited the Chonos Olive Grove, a chance to experience with all our senses what this cultural and economic asset means to the people who are committed to sustainable olive growing. Because for this mission you do need commitment: sustainable management is particularly labour-intensive. Out of respect for the soil and the surrounding vegetation, it dispenses with heavy machinery of the kind used in conventional agriculture.

Dimitris wouldn't want it any other way. He keeps stopping in his tracks, handing us an organic lemon so we can appreciate the smell, gathering wild oregano and picking up walnuts from the edge of the path so we can crack them together. There is far more to this than the seductive scent of unfamiliar wild herbs and a scenery that strikes the visitor as idyllic: it is evidence of the equilibrium created by healthy local biodiversity. Here, the war against harmful pests is waged by drawing on the natural ability of diverse species to protect themselves. Those same mechanisms shield the parched earth, which struggles increasingly to cope with the long periods of drought that alternate with short, sharp downfalls of rain.

Tradition for the future

Nearly 95 per cent of the olives grown on Crete are processed into oil. Tasting that olive oil is an introduction to the many facets of this Greek island. The olive trees, with their typical gnarled trunks, are everywhere – a distinctive feature of this landscape.

Books will tell you that the oldest remains of cultivated olives were found on Crete. Given so much history and such close ties with this little drupaceous fruit which hangs so unassumingly from the branches, it is easy to understand why the farmers are proud. A lot of cultural heritage and identity comes with the olive groves and the products grown there. Almost 44 per cent of the agricultural surface area of Crete belongs to the olive trees. The island is one of the biggest exporters of olive oil in Europe.

The diversity found in the Chonos Olive Grove is representative of Crete as a whole. The largest of the Greek islands, with its 1,700 different species of flora, is one of Europe's most biodiverse regions. And no less than 10 per cent of this versatile vegetation is endemic, which means that these plants do not grow anywhere other than in Crete.

The facts are impressive, but they come with a caveat: as things stand today, only a small proportion of the olive groves are farmed organically and sustainably. That is something this project backed by the TUI Care Foundation would like to change. Olive, wine and cereal growers can work together under the umbrella of this grass-roots initiative, which aims to put local producers like Dimitris in touch with partners in the processing sector and sustainable tourism. In the longer term, the objective is to develop Crete as a destination that sets a fine example for sustainable food production.

Hidden riches

For Sotiris Bampagiouris from Local Food Experts, how agriculture responds to nature has an important preservation aspect. "Organic farming is not necessarily the same thing as sustainable agriculture. But that is what we are trying to encourage and achieve with our projects: sustainable management based on organic guidelines, using but at the same time protecting what is there," Sotiris explains. He studied organic farming himself and has been campaigning for these principles on Crete for 22 years. "Everything from producing your own fertiliser to enlisting local species of flora and fauna to protect crops from insects and to preserve the soil." That, says Sotiris, means respecting and remembering the traditional methods of olive cultivation.



»Growing tourism endangers the Greek spirit. We make products to reinforce that spirit, so visitors can enjoy the authentic experience.«

SOTIRIS BAMPAGIOURIS chairman and co-founder of the social enterprise Local Food Experts

A day spent in the olive groves is a day full of Cretan history. An unlikely cluster of gnarled trees turns out to be living evidence of the past. These stately specimens are over 2,000 years old. They once witnessed Minoan culture, one of the most ancient civilisations in Europe. The rootstocks of these wild olive trees literally spring from a former era. Grafted onto them, in testimony to a more recent age, are cuttings from more productive strains. This is a propagation technique commonly used for roses and fruit.



Tourism is the biggest factor in many economies. The Greek Prime Minister Alexis Tsipras supports the initiatives taken in his country by TUI and the TUI Care Foundation.



Here on Crete, we might see it as a symbiosis between humans and nature. But that symbiotic relationship has not always been driven by knowledge and respect.

Sotiris and Dimitris tell us that in the 1990s, the government sent advisors who urged the farmers to replace their olive trees, many of them centuries old, with newer varieties that would yield a greater harvest. The philosophy at the time was to adopt intensive methods involving nitrogen fertilisers, milling machines and abundant irrigation. Many farmers now regret following that advice. The sustainable approach to olive cultivation taught by Local Food Experts at its agricultural seminars is designed to prevent such mistakes in the future. The association is treading new ground in Crete, and its work is intended to serve as a model: if the community wants to look ahead and to combine tourism with more sustainable economics, the foundations must be laid among the farmers.

They will spread their insights, becoming the advocates of a conscious rapprochement that values traditional methods and cultivars. And they will create the places where visitors will have an opportunity to encounter authentic local cooking and culture.



Bonding over a good lunch

In the village of Kroussonas, we meet Manolis Kokologiannakis, a friend of Dimitris and Sotiris. He runs a restaurant here that has been in his family for several generations. But Manolis began his career as a chef in the hospitality sector. He was once in charge of producing well in excess of 100,000 meals a year at one of the big hotels on the Cretan coast. Now he manages the traditional family tavern.

The ingredients for the salad are from his own field, which is farmed in the traditional organic way. The pork is from a pig left to grow at its own pace, and the white wine was made from the vines that spring up all over the village. The full-bodied olive oil shimmering gold-yellow-green is the theme that holds the leisurely lunch together. Hot or cold, its effects are different with every dish, but each time it puts a perfect finishing touch to the taste experience.

And so the traditional tasting ritual becomes an olive oil highlight. If only more visitors to Crete found their way to local restaurants like the one Manolis runs. Not just for their own sheer enjoyment, but also so that talented people with good ideas are given a chance to put those ideas into practice. That will create new prospects in a rural region that is suffering from an exodus of young people.

Local initiatives like this one draw strength from Crete's development as a model destination for sustainable holiday eating, which is being driven forward by the TUI Care Foundation in conjunction with Futouris and the social enterprise Local Food Experts. If people living in the destinations are to benefit in the long term from the feedback effects of projects like this one, the links between the local economy and tourism must start with the little things.



THOMAS ELLERBECK

Member of the TUI Group Executive Committee, responsible for Public Policy and International Relations, Group Communications, Environment and Sustainability, and Foundations. He is also Chairman of the Board of Trustees of the TUI Care Foundation.

How important is tourism for politics and governments in destination countries?

TUI operates in more than 100 destinations around the world. We invest in hotel and club facilities, we ensure training and employment. There are so many topics to discuss with governments, especially in relation to our new projects, hotels, arranging more flights, but even general issues like how to further develop or reposition the tourism sector in the country. One thing is certain: in many countries, tourism is the biggest economic factor, and that makes it an engine driving future development. Our growth strategy "TUI 2022" is attracting a lot of attention from governments in the ASEAN region. When Singapore became the registry port for Mein Schiff 1, Singapore's President Toni Tan took time out for a conversation. When you base a ship in a city, it brings in more flights, thousands of new passengers for airlines and airports, but also additional bednights for hotels before and after the cruise. In Greece, we talked to Prime Minister Tsipras about effective ways to extend the season in the country, and about helping more local products find their way into the hotels. So that means local supply chains and more networking between the tourism, farming and wine-growing industries.

»Tourism is the most effective form of international development cooperation.«

Are destinations also shifting more focus towards sustainability?

There are close links between the economic success of the tourism sector on the one hand and social and environmental sustainability on the other. After all, visitors want to find the environment intact. That includes standards of environment and animal protection, and especially fair social standards for the people who live in the destination. We are committed to healthy regions in the social, economic and ecological sense. Access to better education and training plays a key role in this. In 2015 we founded the TUI Care Foundation, and already it is implementing projects in over 25 countries. It works together with NGOs, governments and local companies. At our TUI Academy in the Dominican Republic, young people are training for the classical hospitality occupations. After that they will spend at least a year working in partner hotels to gain some practical experience. And then they will be available for the local employment market. We now have TUI Academies like this in six countries. In fact, we have just decided to take the TUI Care Foundation and the TUI Academy to Vietnam.

How do you achieve your aims in the light of the current geopolitical challenges?

Assessing the political conditions for our operations is a core task for the TUI Group offices in Brussels and Berlin. Much of that concerns national governments, but many aspects also have a European dimension. Not least the consequences of Brexit. In the

case of the destination countries, we concentrate on boosting the positive social impact of tourism. In Spain and Greece, the question of youth unemployment is still high on the agenda. What can we do in the tourism sector to improve the situation sustainably? In many countries of Southern Europe, tourism not only preserved jobs during the recession, it also created many new ones. In emerging economies and developing countries, the sector plays an even more significant role. There is a substantial prosperity transfer at play here – every year holidaymakers bring more than half a trillion dollars into low- and middle-income countries. That trend is growing fast. As a result, the tourism spend outstrips development aid several times over. Tourism is probably the most effective and efficient form of international development cooperation. Of course, we can't change world politics, but as the world's leading tourism Group we can take a stance and act as a reliable, committed partner for our destination countries in matters of education, training, social standards and the environment.

What shape does your commitment take?

Leadership means assuming responsibility, and that is what we are doing. By 2020 we aim to increase the number of sustainable holiday trips to ten million. We will achieve that by consistently implementing our sustainability strategy. We want to reinforce the positive effects while minimising any negative effects. That is also the objective of the work done by the Foundation: by 2020 TUI aims to raise ten million euros a year for our social commitment – most of that money flows into the work done by the TUI Care Foundation, supporting projects that offer new prospects for the future of young people, strengthen value creation locally, and protect the natural environment in our destinations. An expert advisory committee evaluates the project proposals, and an independent board of trustees decides how to allocate the resources. We want transparency, because that is how we build trust.

TUI Care Foundation

— worldwide projects —

The TUI Care Foundation champions social, environmental and economic projects for healthy destinations.

Asia

ASIA

TUI ELEPHANT AID – Building an elephant-friendly future for Asian elephants and supporting path-leading, animal-friendly venues

Vietnam

VIETNAM

TUI ACADEMY – Opening up new life opportunities for young street workers through education and training

Philippines

PHILIPPINES

TUI CARES – Protecting children and their families against natural disasters and empowering them with sustainable farming and fishing

Mexico

DOMINICAN REPUBLIC

TUI ACADEMY – Protecting youngsters from exploitation with life skills training and vocational training in tourism

Jamaica

Dominican Republic

Curaçao

CURAÇAO

TUI CLEAN & GREEN – Supporting sustainable waste management and teaching children to become environmental ambassadors

MEXICO

TUI CHANCES – Sustainable tourism education for local children to safeguard a sustainable future for the next generation

JAMAICA

TUI CARES – Enhancing the livelihoods of local entrepreneurs by improving their crafts and business skills in Montego Bay

SPAIN

TUI CARES – Preserving unique cultural heritage and providing disadvantaged locals with new perspectives in an innovative Lanzarote wine project

CROATIA

TUI CARES – Multi-faceted programme, including education and training on local produce to ensure that local people can benefit from growing tourism

GREECE

TUI CARES – Creating new opportunities for wine and olive farmers on Crete to offer their produce and experiences to visitors

CAPE VERDE

TUI CHANCES – Caring for the local children's schooling and ensuring their basic needs are met

MOROCCO

TUI CARES – Empowering young females and offering employment for young Moroccans in a many-faceted biking project



WORLDWIDE

TUI TURTLE AID – Protecting marine turtles and helping to build turtle-friendly environments in holiday destinations worldwide

NAMIBIA

TUI ACADEMY – Providing professional education and training for disadvantaged young women in the Windhoek Girls Football Center

SOUTH AFRICA

TUI CHANCES – Educating primary school children from disadvantaged communities about the importance of natural resources



To read up on all the things we are doing to promote sustainability, go to:

<https://www.tuigroup.com/en-en/sustainability>

PUBLISHED BY

*TUI Group
Group Corporate & External Affairs
Group Communications
Karl-Wiechert-Allee 4
30625 Hanover, Germany
Phone: + 49 (0)511 566-6021
group.communications@tui.com*

TEXT AND EDITORIAL

*TUI Group, Group Communications
TUI Group, Contact Sustainable Development & Corporate Responsibility
3st kommunikation, Mainz, Germany
Peter Gaide, ag Text
Maie-Brit Koch, Koch & Konsorten
Sarah Paulus, artissage*

CONCEPT AND DESIGN

3st kommunikation, Mainz, Germany

PHOTOGRAPHY

*André Illmer (p. 40 top); Gamze Kaba (p. 39); Getty Images (p. 10–13);
Michael Neuhaus (p. 18–23, 26, 29–33, 35–36, 40 bottom, 48–52);
TUI Group (p. 27); Plainpicture (p. 28); Rüdiger Nehmzow (Titel, p. 4–6);
Stephanie Darvill (p. 41); TUI Cruises (p. 34)*

ILLUSTRATIONS

*Blagovesta Bakardjieva (p. 13, 16, 37, 47, 53)
Christine Rösch (p. 24–25, 54–55)*

PRINTER

Kunst- und Werbedruck, Bad Oeynhausen

Financial highlights

€ million	2017	2016 restated	Var. %	Var. % at constant currency
Turnover	18,535.0	17,153.9	+8.1	+11.7
Underlying EBITA¹				
Hotels & Resorts	356.5	303.8	+17.3	+19.2
Cruises	255.6	190.9	+33.9	+38.0
Source Markets	526.5	554.3	-5.0	-4.0
Northern Region	345.8	383.1	-9.7	-8.4
Central Region	71.5	85.1	-16.0	-15.8
Western Region	109.2	86.1	+26.8	+27.0
Other Tourism	13.4	7.9	+69.6	+124.6
Tourism	1,152.0	1,056.9	+9.0	+11.2
All other segments	-49.9	-56.4	+11.5	+3.4
TUI Group	1,102.1	1,000.5	+10.2	+12.0
Discontinued operations	-1.2	92.9	n.a.	
Total	1,100.9	1,093.4	+0.7	
EBITA^{2,4}	1,026.5	898.1	+14.3	
Underlying EBITDA⁴	1,541.7	1,379.6	+11.7	
EBITDA⁴	1,490.9	1,305.1	+14.2	
Net profit for the period	910.9	464.9	+95.9	
Earnings per share ⁴ €	1.36	0.61	+123.0	
Equity ratio (30 Sept.) ³ %	24.9	22.5	+2.4	
Net capex and investments (30 Sept.)	1,071.9	634.8	+68.9	
Net cash (30 Sept.) ⁴	583.0	31.8	n.a.	
Net cash (30 Sept.) ⁵	-	318.0	n.a.	
Employees (30 Sept.)	66,577	66,779	-0.3	

Differences may occur due to rounding

This Annual Report of the TUI Group was prepared for the financial year from 1 October 2016 to 30 September 2017. The terms for previous years were renamed accordingly.

Due to the following changes to segmental reporting the prior year's reference figures were restated accordingly:

The main part of the Specialist Group (Travelopia), carried under discontinued operations in previous year, was sold June 2017. Prior to that Crystal Ski and Thomson Lakes & Mountains, previously part of the Specialist Group, were transferred to the segment Northern Region. Blue Diamond Hotels & Resorts Inc., former part of Northern Region was reclassified to the Hotels & Resorts segment. Marella Cruises (former Thomson Cruises, Northern Region) was transferred to the Cruises segment.

¹ In order to explain and evaluate the operating performance by the segments, EBITA adjusted for one-off effects (underlying EBITA) is presented. Underlying EBITA has been adjusted for gains/losses on disposal of investments, restructuring costs according to IAS 37, ancillary acquisition costs and conditional purchase price payments under purchase price allocations and other expenses for and income from one-off items.

² Our definition of EBITA is earnings before net interest result, income tax and impairment of goodwill and excluding the result from the measurement of interest hedges.

³ Equity divided by balance sheet total in %, variance is given in percentage points.

⁴ Continuing operations

⁵ Discontinuing operations

