

DELIVERING EXPERIENCES

MAGAZINE



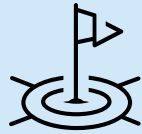
TUI Profile



Aircraft

AROUND

150



Destinations

180

COUNTRIES



Employees

67^K

WORLDWIDE



Group-owned hotels

MORE THAN

300

WORLDWIDE



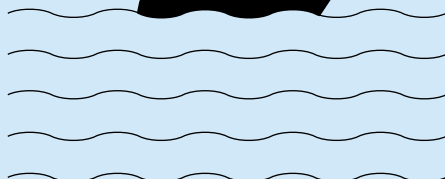
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CRUISE SHIPS



5

TOUR OPERATOR
AIRLINES



OUR VISION

Discovering the world's diversity, exploring new horizons, experiencing foreign countries and cultures: travel broadens peoples' minds. At TUI we create unforgettable moments for our customers across the world and make their dreams come true.

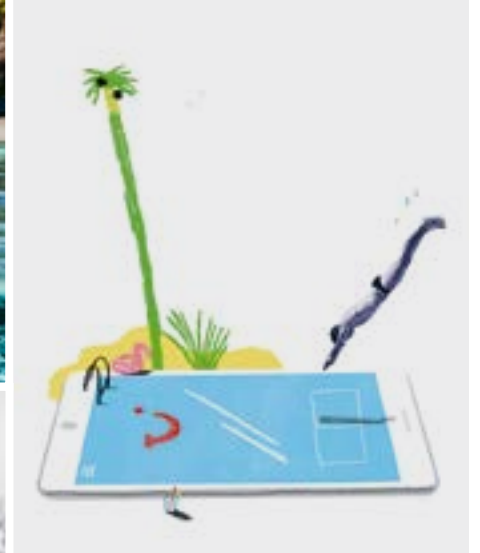
We are mindful of the importance of travel and tourism for many countries in the world and the people living there. We partner with these countries and help shape their future – in a committed and sustainable manner.

We, the 67,000 TUI employees.
Think Travel. Think TUI.



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»As the world's leading tourism group, we grant our customers travel experiences tailored to their individual wishes.«



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The Magazine and the Annual Report are also available online



Online



Mobile

<http://annualreport2015-16.tuigroup.com/>



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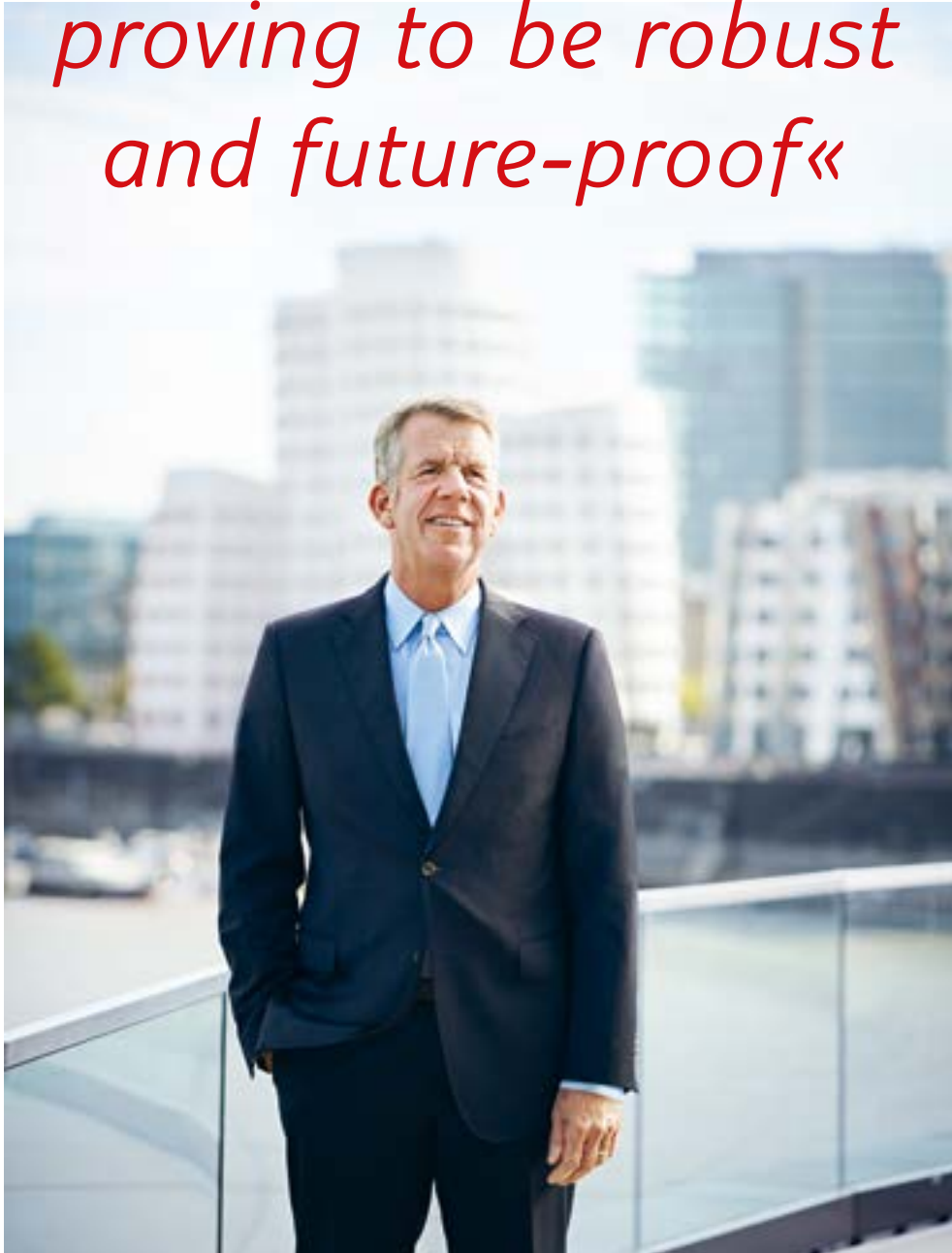


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»Our strategy is proving to be robust and future-proof«



TUI Group is consistently pursuing growth, relying on a balance of centrally managed business segments and strong, locally based national operators and subsidiaries. In our interview, TUI Group CEO Fritz Jousen talks about the advantages of this approach, new fields for growth and the significance of good leadership.

100

OVER 100 DESTINATIONS

Last year TUI Group posted another double-digit increase in its operating result, despite the major geopolitical challenges that persist. How did we do it?

FRITZ JOUSSEN: Our strategic structure as an integrated tourism group has proven to be tremendously robust – last year especially, for all the external shocks. As we own access to every component in the tourism value chain and have a presence in almost every destination around the world, we can respond flexibly to our customers' changing travel wishes. For example, at the end of 2015 when a Kolavia plane crashed in Sharm-el-Sheik, within the space of 24 hours we had purchased additional bed capacity in Spain for 26 million euros, drawn up new flight timetables and geared our distribution channels to those destinations. That flexibility benefits us, because we profit commercially, but also our customers benefit in terms of the extremely diverse options we can offer them.

Even so, destinations like Turkey have witnessed a double-digit decline in visitor numbers.

The first decisive question for me is whether our industry as a whole is growing. And it is. People want to travel, to explore other cultures and countries, except that their preferences shift from one year to the next. TUI has a presence in more than 100 countries around the globe. That gives our business a broad base to build on. When we merged with TUI Travel at the end of 2014, we promised the capital market that in the three-year period up to financial year 2017/18 we would achieve an average growth in adjusted EBITA of at least 10 per cent a year. And we are sticking to that forecast.

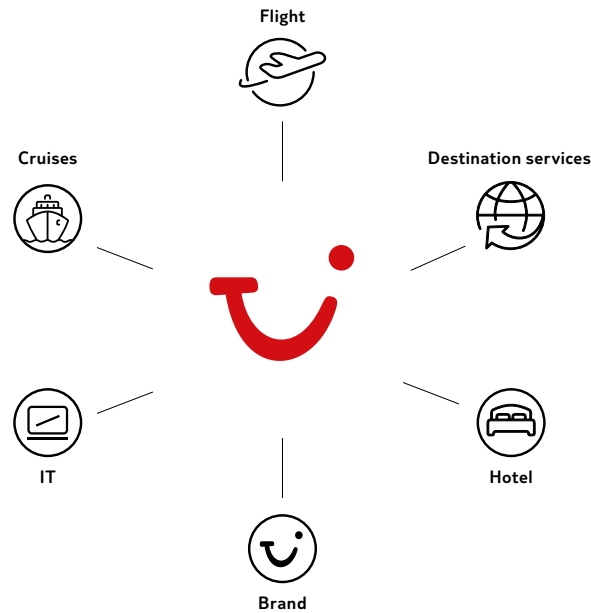
In the last financial year, you defined six areas that you wanted to manage centrally from Group headquarters. What was behind that decision?

We want to tap into the global economies of scale that are available to us because of our size and international make-up, and which give us a competitive edge. With that in mind, we looked at the various activities we cover as a Group and identified six areas where we can draw on our strengths as a global player. Those are brand, IT, flights, investment in hotels and product sourcing, cruises, and destination services. But at the point where the competition is won or lost, being close to customers with their individual wishes, local management in the markets operate with complete autonomy. I call that interplay "freedom within a framework".

Implementing the single TUI brand on a global scale must be especially challenging. How much headway have you made?

The TUI brand is extremely strong in the international arena. We have made some great progress, especially thanks to the huge effort and commitment of the local markets, which have been exemplary in supporting migration to the TUI brand – above all with lots of ideas and activities for local employees. Apart from Germany, Austria, Switzerland and Poland, where we have always marketed our business under the name TUI, we now also operate under the global umbrella brand in the Netherlands, France, Belgium and Scandinavia. The last countries, the United Kingdom and Ireland, will be

» *The tourism industry is growing. People want to travel.*«



Brand

By the end of 2017, the Group will be visible throughout Europe under the single TUI brand.

IT

A central IT infrastructure – making us more individual and personal for the customer.

Cruises

Our growth aspirations in the cruise business call for joint decisions about the investments required.

Flight

Stronger collaboration in flight operations permits substantial cost savings.

Destination services

In the holiday destinations, customers are looked after by an international team.

Hotel

Investment in new hotels. International marketing for core hotel brands boosts occupancy.

TUI GROUP'S 6 GLOBAL PLATFORMS

making the change in 2017. So from next year our customers all over Europe will have a consistent brand experience right along the value chain, from seeking advice in the travel agency, to enjoying the flight, to the services they receive on holiday. In the destinations, we have created a single international team, bringing together all the tour guides who used to work separately along national lines. The TUI brand is already extremely visible in the resorts. Our customers trust TUI, and our employees are proud to be part of this international TUI family.

Why is the development of your hotel and cruise portfolio managed centrally?

We want to achieve major growth in both business areas in the next few years. Given the investments that we will require to do that, we ought to agree together as a Group where we want to target our resources into new facilities, countries and ships. Because ultimately the occupancy of those hotels and ships – secured

thanks to the distribution potential of our local markets – will decide how successful we are. That is why it also makes sense to market our four hotel brands Riu, Robinson, TUI Blue and TUI Magic Life and the three hotel formats Sensimar, Sensatori and Family Life within an international framework.

Will you be focusing on specific destinations as you expand your hotel operations?

The long-haul destinations are becoming hugely more important and the return on capital is especially good in countries with 365 days of sunshine. That's why we will primarily build our own hotels in those regions. One focus for our investments is the Caribbean – an all-year destination which customers from both Europe and the United States always love to visit. With the Dreamliner, we now have an airplane that can fly there from the UK without refuelling on the way, and at relatively low cost. That lets us produce a Caribbean holiday for almost the same outlay as a holiday on the Canaries. Besides, demand in the Caribbean is rising every year by two-digit figures, but there isn't the hotel capacity to match. So now we are building our own hotels there, and we estimate that every asset will generate a return of up to 20 per cent.

What are the motives for centralising flight operations?

In the past we behaved like five separate airlines, and we did not make rigorous use of the cost advantages that could have been had within an alliance. Now we are changing that. We are, for example, one of Boeing's biggest customers, and that ought to be reflected in the terms when we purchase aircraft. In addition to that, we configure the planes in a way that makes it easier to exchange them between different countries in line with demand. We also have a one-stop shop for main-

tenance and ground handling. Flight planning and crew planning remain a local responsibility. All in all, we expect this greater centralisation to generate considerable savings.

Digitisation has radically transformed a number of industries. What steps is TUI Group taking to manage the changes in tourism proactively?

The key for us is to construct a central IT infrastructure. We need a standard customer platform and a central CRM system to have a picture of our customers. That is essential if we want to offer customers personalised services and products tailored to their needs. If we know, for example, that a guest has a preference for Room 624 in Robinson Club Cala Serena

on Majorca, and it is still not occupied as the first week of October approaches, it would be fantastic if we could offer them that room at a special rate. Both sides stand to gain. That is the path we need to go down in future. It makes us more individual and personal from the customer's point-of-view.

» *We will continue to grow our hotel and cruise business.* «



67,000

EMPLOYEES WORLDWIDE

»I need leadership in times of change.«

You are not just highly involved in Group strategy and areas of growth, but also with the whole issue of leadership. What makes a good manager in your view?

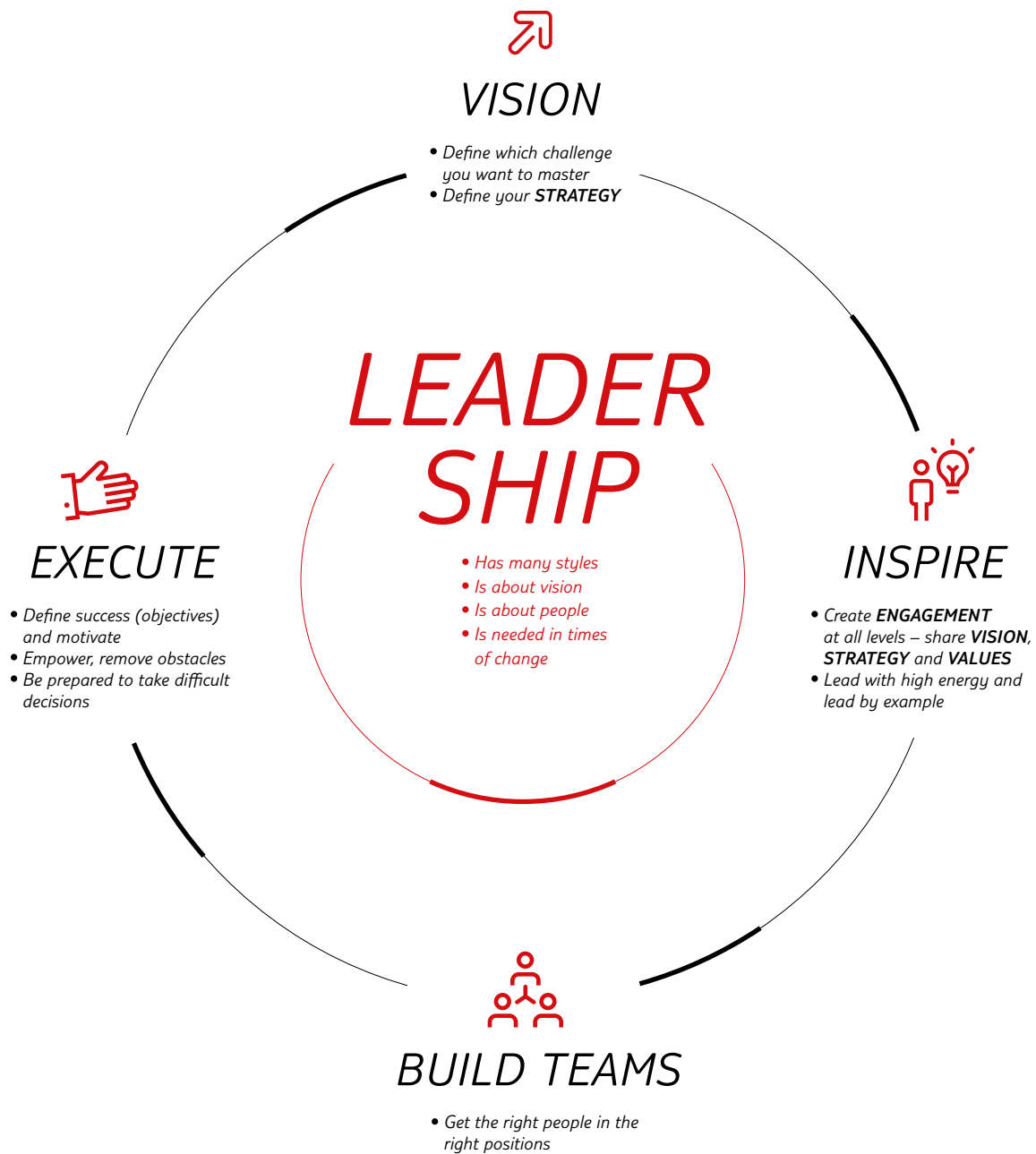
The demands placed on managers are very diverse and complex, especially when they are responsible for an international team or working within a matrix structure. But I think four things are crucial to good leadership. Managers should always have a vision and use it to derive a strategy. They should be able to inspire people and set a good example to trigger engagement among employees. Good managers should build a team with the right people in the right roles. And finally, they should be movers and shakers who define clear objectives, remove obstacles from the path, and are prepared to make tough decisions.

So does that mean communication skills are no longer so decisive, given that digitisation enables people to access a lot of information for themselves?

Anyone who does not want to engage with people in a positive spirit should not be looking for a leadership role. I need leadership most in times of change. And I am only going to get my employees onside as we tackle that change by being open with my team and constantly in dialogue with them. I am sure everyone has their own style, and that is absolutely fine. But there has to be a vision. In our Group, the vision we are pursuing is "Think Travel. Think TUI". We want to be first in people's hearts and minds whenever they think about travel and faraway places. That is a very ambitious goal, and one that managers and employees can bring to life in very individual ways through their ideas and their conduct.

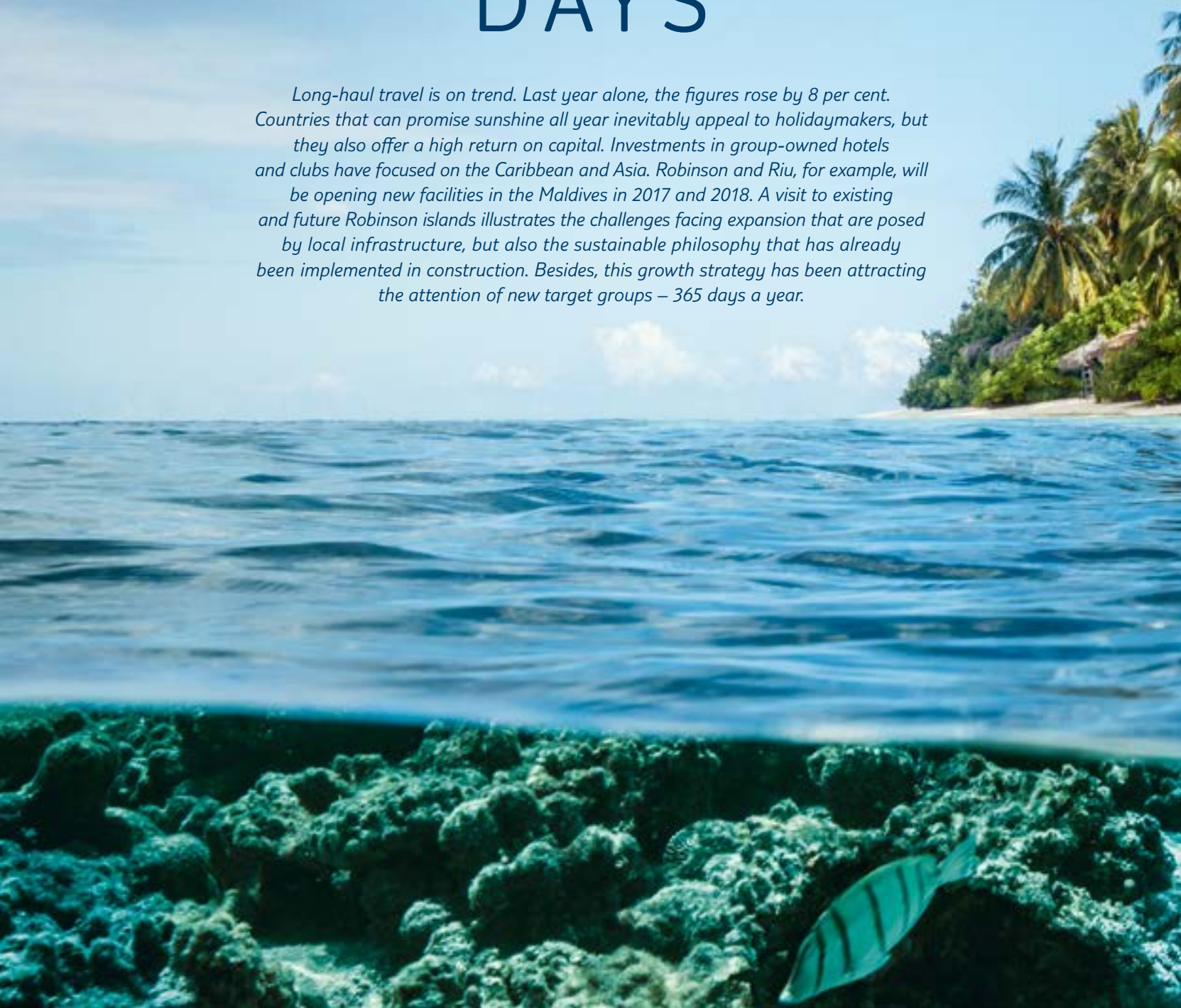
LEADERSHIP MODEL

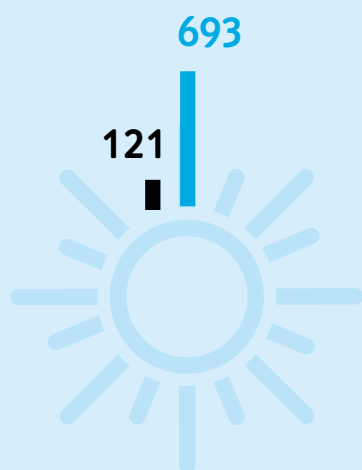
A good model is based on four modules:
Vision, Inspire, Build Teams and Execute.



365 DAYS

Long-haul travel is on trend. Last year alone, the figures rose by 8 per cent. Countries that can promise sunshine all year inevitably appeal to holidaymakers, but they also offer a high return on capital. Investments in group-owned hotels and clubs have focused on the Caribbean and Asia. Robinson and Riu, for example, will be opening new facilities in the Maldives in 2017 and 2018. A visit to existing and future Robinson islands illustrates the challenges facing expansion that are posed by local infrastructure, but also the sustainable philosophy that has already been implemented in construction. Besides, this growth strategy has been attracting the attention of new target groups – 365 days a year.





*rooms in own-brand
hotels in the Maldives
in 2016 and 2018*

A CLIMATE FOR GROWTH



A consistently warm climate provides irresistible holiday landscapes. It also means that hotels can operate commercially all year round. Asia and the Indian Ocean, in particular, offer huge potential. Fascinating cultures in different countries blend with the quality and service of TUI's hotel brands and formats to create new holiday idylls.



365

Long-haul travel is on the rise. Countries that can promise stable weather and high standards in new destinations also offer a high level of service. TUI Hotels & Resorts and clubs have focused on this by opening new facilities and future Robinson islands by local infrastructure, which has been implemented in construction. This has attracted the attention of our customers.



THOMAS PIETZKA, Managing Director TUI Hotels & Resorts

»Good, stable weather is only one ingredient in the recipe for success that makes a holiday resort attractive. With TUI's proven hotel brands, we want to offer our customers the same variety and high standards in new destinations too.«







LOCAL
RESOURCES

100%



*of the demand for watermelons,
bananas and aubergines
is grown on the next island*

Trading with neighbours creates jobs: freshly caught fish and produce from local fruit and vegetable growers not only tickle your taste buds of TUI customers, but also maintain a flow of orders for the island population. In the resort itself, Robinson Club Maldives Huvadhu has 45 per cent Maldivians on its staff and provides on-site training in hotel skills.



»What appeals to me most about running a club in the Maldives are the logistical challenges, but also working together with the incredibly hospitable people here.«



HEINZ TRAUTMANN, General Manager Robinson Club Maldives Huvadhu







INFRASTRUCTURE UPGRADE

seaplanes



propeller planes



speedboats



Robinson Club Maldives Huvadhu in Gaaf Alif Atoll records around 14,000 arrivals and departures a year. Travelling on from the international airport in Malé is all about choosing the right type of vehicle and meeting the logistical challenge. Guests reach the Club by taking propeller planes commonly used on domestic flights, followed by a speedboat. But the infrastructure varies widely within this huge island state. For the expansion into Noonu Atoll, planners need to consider smaller seaplanes that only fly by day.



ALI OSMAN CAKAR, Front Office & Hotel Yield Manager, Robinson Club Maldives Huvadhu

»Our guests from Europe usually take a whole day to reach the island paradise. All the more important that we offer them great service and plenty of comfort. In that respect, a huge amount has been achieved in the Maldives in recent years.«







SUSTAINABLE
ARCHITECTURE

35%

cost savings thanks to the latest climate technologies



750 workers are currently transforming the uninhabited island of Orivaru into the second Robinson Club in the Maldives. Energy efficiency is a pivotal element of the design. The innovative heat recovery system and new air conditioning technology will cut not only consumption, which is good for the climate, but also costs. Operational sustainability is also enhanced by high-standard sewage treatment and an in-house unit to turn sea water into drinking water.





»Our energy-saving measures have been tried and tested in the world's major cities. But for a region like the Maldives they are very new and relatively rare.«



JOHN JARMANN, site manager at the new Robinson Club Noonu









50% 50%



European guests Asian guests

PROMISING
MARKETS

The ideal location in the Indian Ocean is also a key to expansion in the Asia Region. About 50 per cent of Robinson guests already come from China, Japan and Korea. Besides, TUI's new resorts are easily reachable for holiday-seeking ex-pats who work for European companies in Asia and the Middle East. But whether it's Asians wanting to plan their short leave or Europeans with a yen for far-off lands – the island paradise enchants them all.





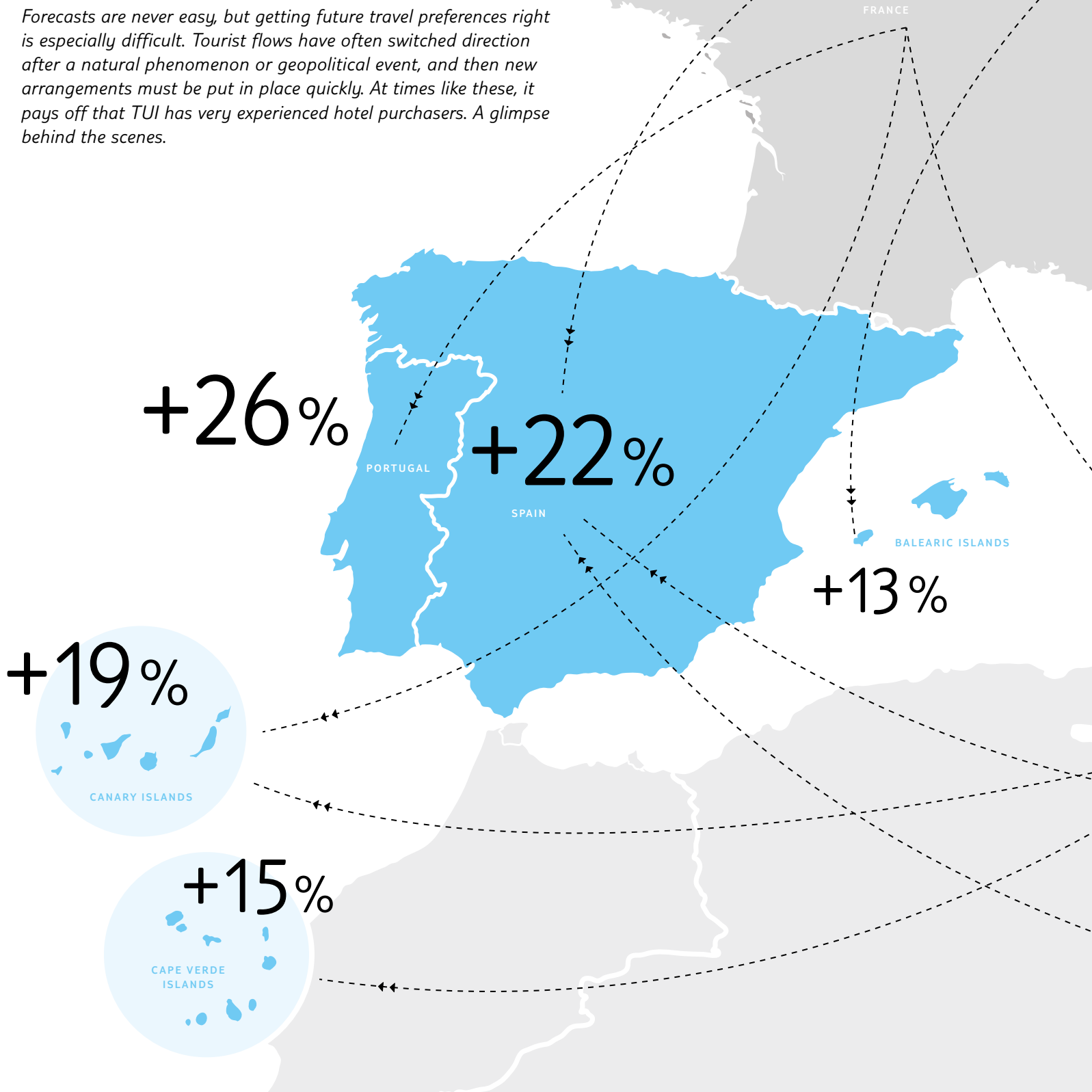
BJÖRN THÜMMEL, Director Finance / Managing Director,
Robinson Club Maldives Pvt. Ltd.

»Most customers are thrilled as soon as they arrive on a Maldivian island, because no one can resist palm trees, white sandy beaches and broad swathes of coral reef. We do everything we can to make that experience all the more unique by providing very special service.«



TRAVEL FLOWS

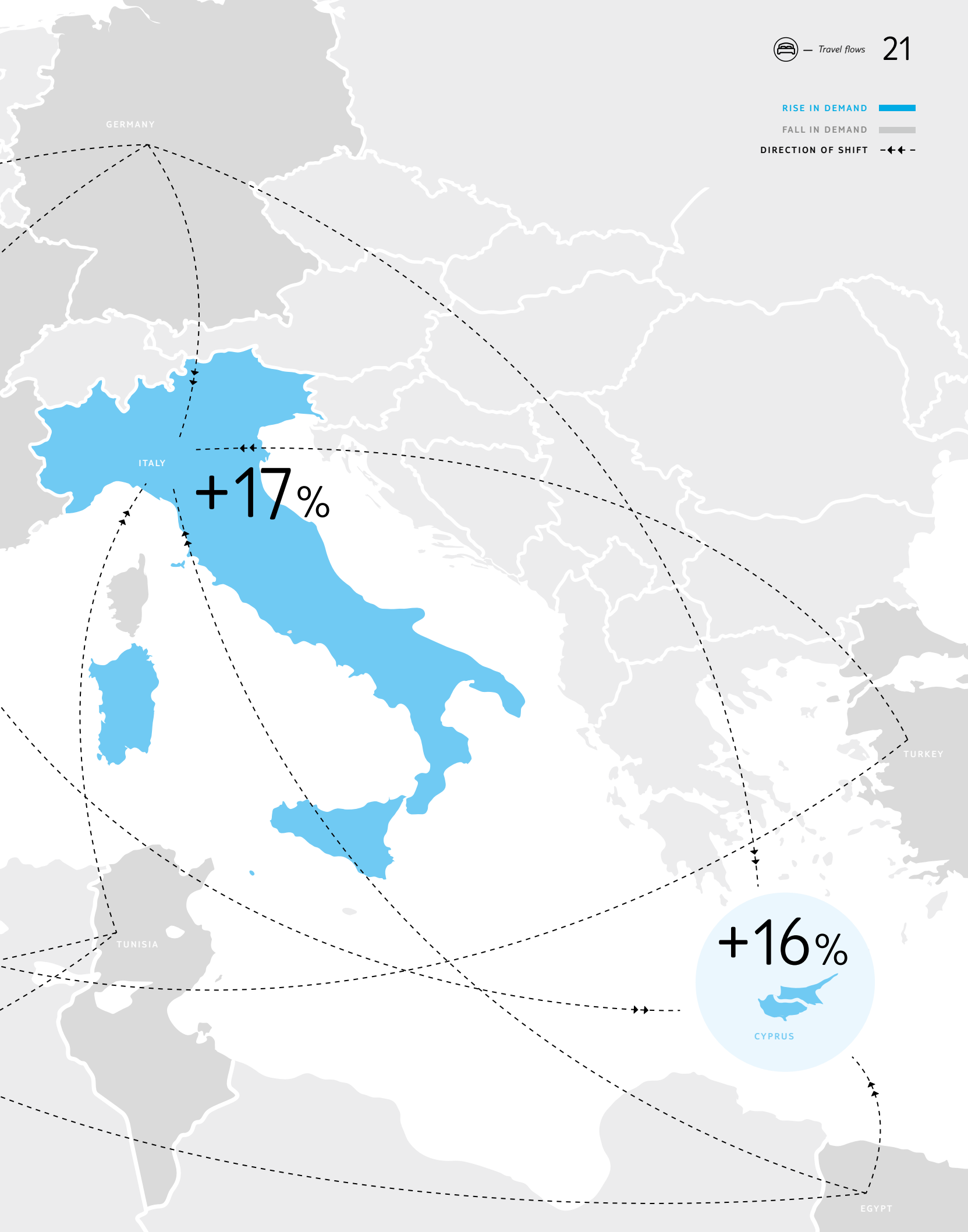
Forecasts are never easy, but getting future travel preferences right is especially difficult. Tourist flows have often switched direction after a natural phenomenon or geopolitical event, and then new arrangements must be put in place quickly. At times like these, it pays off that TUI has very experienced hotel purchasers. A glimpse behind the scenes.



RISE IN DEMAND 

FALL IN DEMAND 

DIRECTION OF SHIFT 



GERMANY

ITALY

+17%

TUNISIA

TURKEY

+16%

CYPRUS

EGYPT



we've added to the portfolio in the region Spain/Portugal/ Cape Verde in 2016.



NAME MARINA COMAS	POSITION Purchasing Director West Med
RESPONSIBLE FOR hotel purchasing in Spain (incl. Balearics and Canaries), Portugal and Cape Verde	

Staccato! Marina Comas' fingers fly across the laptop keyboard in her sun-drenched office in Málaga. The Purchasing Director West Mediterranean types, thinks and speaks fast. When she starts talking about her role, Spanish temperament fuses with a clear, analytical view of the hotel trade. A very compelling blend at the negotiating table. Her speed is hardly surprising. During the last financial year, a gentle trend became a big shift in tourism flows from the Eastern to the Western Mediterranean. Recent geopolitical events caused holiday-makers to adjust their travel preferences, and the pattern of previous years was reversed as they set their sights on Spain and Portugal rather than Turkey or destinations in North Africa. By the time it happened, hotel commitments for the peak summer season had long since been signed off. So apart from preparing for the year after, Marina and her team needed to source additional capacity quickly and offer TUI customers additional choices.

"We wanted to be the first"

A race against time because, obviously, it was not only the purchasers at TUI who saw this trend coming. So did experts working for the competition. "We wanted to be the first," says Marina Comas, pinpointing her ambitious approach. "The key to success in this financial year was no doubt our fast response and also our many years of good relations with hotels." There are about 34 people in her team, spread around the Spanish mainland, the Balearic Islands, the Canaries, Portugal and Cape Verde, where they foster contacts with local business partners. Apart from healthy personal relationships, TUI's strong brand image in these different countries opens the door to renegotiating deals. But even when circumstances are favourable, discussing contracts mid-year is always a challenge, especially if – as in the period in question – approximately 500 additional hotels are added to the portfolio. A feat of strength transformed by TUI's international employees into a genuine success story. Ultimately, their achievements played an important part in finding alternative destinations for around 2 million TUI customers.

Different countries, different tastes

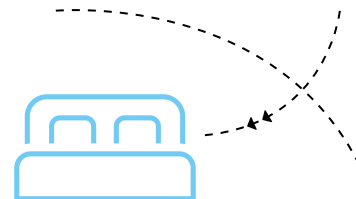
Apart from identifying this additional capacity, the hotel purchasers naturally have their regular schedule for handling seasonal business. Contracts for the following year are signed between March and August. Marina Comas takes her cue from the briefings she receives from all the Source Markets and from analysing current hotel trends and customer interests. The mother of two is frequently on the move during this period, demonstrating her talent for time management not only in her professional appointments, but in her domestic life too. A relaxed weekend with the family will be followed by a business trip to Cape Verde for general talks with Riu or a visit to France to evaluate the past season and explore growth opportunities with her French colleagues. At this stage, every Source Market will express different needs and put in an individual request for volume. The United Kingdom, for example, tends to opt for all-inclusive facilities, whereas holidaymakers from Germany like half board and Nordic travellers are keen to cater for themselves.

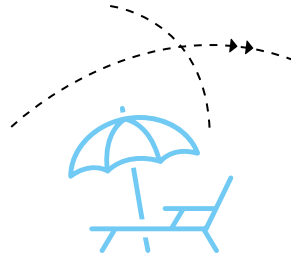
TUI has contracts with altogether 2,200 hotels in the region Spain, Portugal and Cape Verde. They include not only the company's own brands, like Riu, Robinson and Magic Life, but also hotels with other owners or well-known chains like Meliá and Barceló. Marina Comas has been with TUI for 15 years, and over time she has got to know many of them well, so during her site inspections she can focus on finer details which appeal to the market. Does this all-inclusive hotel include a 24-hour snack bar? Does this family hotel offer a splash pool with water play for children? What extra revenue can be generated by swim up rooms with their own direct access to the pool? And quite possibly the hotel needs a spot of decorating. If so, that will end up on her list as well and be a topic for negotiation.

TUI hotel brands are a sales guarantee

With a glance at her figures, Marina Comas confirms that TUI has adopted the right strategy with its hotel brands: "Whenever we open a hotel under one of the four core TUI brands or one of our three hotel concepts, the booking stats look good." Given the large number of established hotel brands, expansion in Spain is not always easy. All the same, it is proceeding slowly but surely. Marina and her team provide whatever help they can as hotel scouts. "My team have the best contacts with hotel owners. If anyone is thinking about changing a format, we can soon tell if the hotel matches our own brand criteria and standards, and we can pass that message on." The fast response reaps rewards, not only in Spain.

»Service makes all the difference. You can find a beautiful hotel in lots of places, but service is the key.«





5 questions for

Garry, what are the main activities of Product and Purchasing?

GARRY WILSON: TUI Group Product and Purchasing was created from the previous source market purchasing teams to leverage the TUI Group scale and expertise for all markets. Our focus is the development of group destination strategies, identifying synergies and opportunities for growth. We contract hotels for fourteen markets – namely, for TUI Central Europe, Northern Europe and Western Europe – and have developed differentiated hotel concepts that appeal internationally. Capacities are planned by each market but our team then take a group view when negotiating with the suppliers. The purchasing team work closely with the Source Market product teams in order to understand their needs and deliver accordingly. The team are based globally, in destinations and Source Market offices. TUI employees are considered within the industry as experts in their fields and we are continually focused on recruiting the best talent to the business.

Turkey, Egypt and Tunisia were hit hard last year. How flexible do you have to be in hotel purchasing in order to be able to respond to changes at short notice?

Our team have embraced the challenges very well indeed. They have done a great job in renegotiating contracts by acting quickly to reduce exposure on guarantees and prepayments, allowing us to take out capacity from some destinations and move it to the ones in demand. This has really brought home the value that Product and Purchasing bring to the organisation and it has highlighted the importance of the flexibility in our contracts. However, the key to this success is our relationship with our suppliers. Some of these relationships go back more than fifty years and as partners we have complete loyalty to each other in good and bad times.

NAME GARRY WILSON	POSITION Managing Director Product & Purchasing
RESPONSIBLE FOR purchasing worldwide and relations with TUI Group's international partners	

What destinations have benefited from the changes in FY 15/16 and what have you done in hotel purchasing in order to respond to the changes in tourism flows?

Spain, Portugal, Italy, Croatia and some Long Haul destinations have all benefited from these changes as the capacities have been shifted from the affected areas. Our team in these areas have had an enormous challenge in increasing our allocations in the existing portfolio and sourcing new product as well as protecting the existing beds along with the support of our hotel partners.

How do you assess the trend towards private accommodation (Airbnb, etc.)?

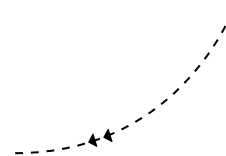
Differentiated product, service and accommodation quality are our key competitive advantages over the private accommodation market. Whilst private accommodation has grown rapidly in the commodity city travel markets, the security and service that come with organised travel continue to be important for the main family holiday.

What trends are you expecting for the next few years?

We will continue to do what we do best – creating innovative differentiated products on an international scale. Growth of our core hotel brands and concepts across the globe and new developments, such as multi-centres, tours etc, should be our key focus.



»Our team have done a great job in renegotiating contracts this year. The key to this success is our relationship with our suppliers.«



A scenic landscape featuring a dirt path leading through green bushes towards a tall, slender pine tree. The sun is setting behind the trees on the left, casting a warm glow over the scene. The ocean is visible in the background under a blue sky with light clouds. The text "one smile" is overlaid in white, with "one" in a simple sans-serif font and "smile" in a large, elegant script font.

one
smile

“One all-inclusive holiday, please!”



The best way to find out whether TUI's oneBrand strategy is effective is to ask the people who have already tried it out: our customers. We accompany Lea and Alex, who have booked their first holiday together through TUI: to Majorca and Robinson Club Cala Serena.

*“We just knew we
wanted to go on holiday.
How and where?
We needed help with that.”*





“That travel agency looks nice,” Lea calls to Alex, walking a little faster. They have spent the whole afternoon searching online for the right holiday – but there was so much on offer they couldn’t decide. This is their first holiday together, and they want it to be perfect. “Who needs a travel agent these days? You can do everything online,” Alex keeps insisting. Lea takes a different view. “We research it online, then book it through a travel agent.” That, she tells him, will give her reassurance. She wants to be certain they will actually get the holiday they are booking.

When the couple enter the TUI Travel Store in Frankfurt, Lea knows her instincts were right. The room is bright and spacious, and the big beach landscapes on the walls make this a relaxing atmosphere. True enough, three quarters of an hour later the holiday has been booked and they can start to think about packing. With sound advice, it was easy to agree on something to suit them both: a holiday in Robinson Club Cala Serena on Majorca. Even looking at photographs of the resort and the surroundings, they can’t wait to be there – and even Alex is glad he went to see the travel agent.



THE FLIGHT

TUI has five airlines of its own with around 150 medium- and long-haul aircraft, including a fleet of the latest Boeing Dreamliner.



RESEARCH AND BOOKING

TUI Group includes many tour operators, all leading players in their home markets. Bookings can be made online through well-known portals, or in TUI travel shops – almost 1,600 across Europe at present.

On the way

8 weeks later. A bewildering buzz of voices, among them a few screaming children. Alex yawns. It may be early in the morning, but things are already bustling at Frankfurt Airport. While Alex watches the board to see if their flight has been called, Lea queues at the TUI desk. Soon it’s their turn. The woman from TUI gives them a friendly welcome. Check-in and bag drop don’t take long, and off they go to the gate. Lea is not that fond of flying, but she is enjoying the airport atmosphere and the cheerful spirit around her.

It’s just as lively on board the TUI fly plane: families with toddlers, elderly couples, but lots of younger people. A cabin attendant helps Lea and Alex find their seats. Lea is starting to feel nervous. The flight to Majorca will take two hours. “You don’t like flying, right?” smiles the lady next to Lea. She nods and leans back. She can see the TUI logo everywhere. Never mind the nerves! She knows she is being well looked after.



“You can tell at once that the guests are the centre of attention. Everyone was amazingly friendly and helpful.”

When our guests land in Majorca, the path from the plane to the exit is easy. The “follow the SMILE” principle works well: just stick with the TUI logo, straight into the arms of the team from destination services. They are ready and waiting for this fresh batch of holidaymakers, and greet them with a cheerful “Guten Morgen – Buenos Dias – Goedemorgen”. A Dutch tour escort shows Lea and Alex to the right shuttle bus, which will take them to their hotel. As Alex takes his seat next to Lea in the blue coach, he nods appreciatively: “No chance of getting lost here.”



THE DESTINATION

Around 6,500 people in over 100 countries work for TUI Destination Services (TUI DS). They look after our customers on the spot, tirelessly devoted to giving them a perfect holiday under the motto “We create smiles”.





Arrived!

As the couple leave the bus and walk down the path into the Robinson Club, any last doubts disappear: they have got this one completely right. Let the holiday begin! The resort, built in the style of a Majorcan finca, stretches away beneath the palm trees. The atmosphere in the Club is relaxed and open. Everyone says hello, and the staff are warm and informal. The upbeat mood is naturally infectious, and the guests soon pick it up.

Lea and Alex enjoy the first day of their stay reclining on a double deckchair with views across the turquoise bay. Alex is using his TUI app to forge plans for their next moves. The travel agent told them about all kinds of excursions: for tomorrow they will probably book the stand-up paddling. A day trip to Palma should obviously be part of their programme. And one of the TUI people recommended that nature conservation area not far from the hotel. "That should be the perfect place for a walk," Alex calls to Lea as he somersaults into the pool. But they have the whole week ahead of them. Today they will just hang around the Club and make the most of its many facilities. What with the home-made tapas, Majorcan wine and all these opportunities to relax, they have everything they could possibly wish for. TUI's all-inclusive no-worries package is taking effect. Holiday mode on!



THE HOTEL

TUI's growth strategy centres on expanding its core brands in Hotels & Resorts: in the next few years, the Group will significantly beef up its own hotel portfolio around the world with its brands Riu, Robinson, TUI Blue and TUI Magic Life and its formats Sensimar, Sensatori and Family Life.

“We wanted to feel we were in good hands. That was important. Looking back on our holiday, we know we made the right choice!”



WE
create
smiles

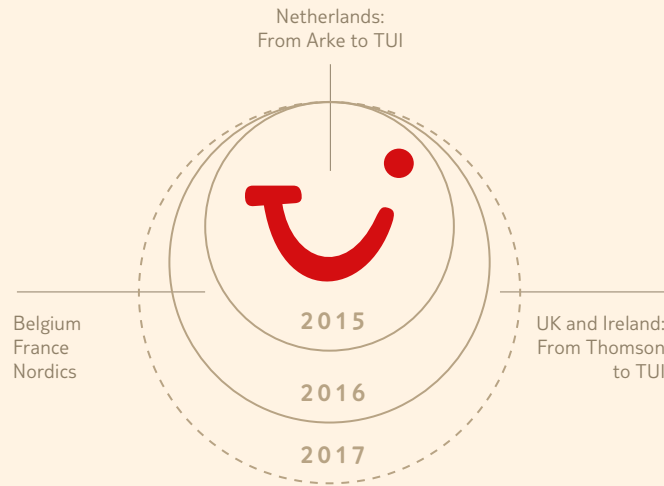
one
Brand

IN ACTION

1st
rebranding in the
Netherlands

THE GLOBAL STRENGTH OF
THE TUI BRAND

In future the Group will operate throughout Europe under the single TUI brand. This One Smile strategy has already been applied in the Netherlands, France, Belgium and the Nordic countries. The United Kingdom will follow suit in 2017. After that, all our customers will benefit from the same brand experience, wherever they are in Europe.



6,500

BRAND
AMBASSADORS

Nobody represents the TUI brand better than the people working for TUI Destination Services in the field. Each year they look after more than 11 million customers in the destinations. True to our principles "service from the heart" and "solve on the spot", our travel reps can respond locally straight away, for example by offering tips, helping out or resolving little problems.

6%

MORE
BOOKINGS

Just one month after the TUI Smile was implemented in the Netherlands, brand awareness was much higher than it had been for Arke. The success paid off in a tangible increase in bookings by 6 per cent.

HAND IN HAND



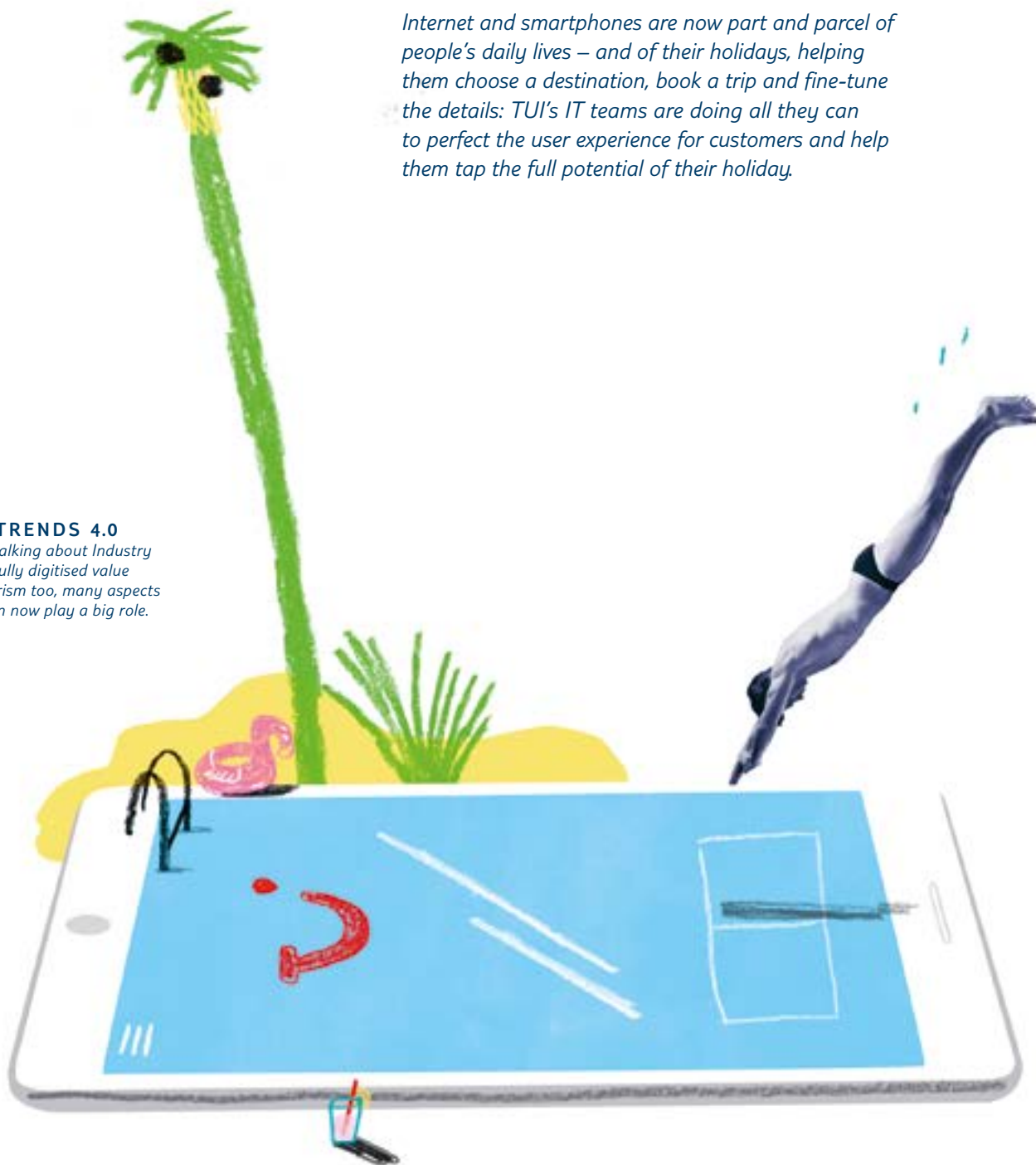
TUI offers consistent high quality all along the tourism value chain. The classical package holiday offers one-stop service, convenience and security from an experienced partner: TUI.

THE DIGITAL EXPERIENCE

Internet and smartphones are now part and parcel of people's daily lives – and of their holidays, helping them choose a destination, book a trip and fine-tune the details: TUI's IT teams are doing all they can to perfect the user experience for customers and help them tap the full potential of their holiday.

TRAVEL TRENDS 4.0

Everyone is talking about Industry 4.0 and the fully digitised value chain. In tourism too, many aspects of digitisation now play a big role.



“We aim not just to meet customer expectations, but to exceed them – at every digital touchpoint.” Sharon Lowrie has set the bar high for herself and her team. As head of TUI’s Mobility Hub in London, which opened in 2014, she’s at the heart of TUI’s innovative customer services. In a brightly lit office in the heart of the city, the 45 creative minds she oversees are developing a range of digital products. The purpose of all this effort, here and in the Group’s other IT workshops, is to ensure customers can access all the information they need on their smartphone or computer whenever they want it, whether they are planning a trip or already enjoying their holiday.

TUI App

One keystone is the TUI App for tablets and smartphones. This free, award-winning digital assistant gives customers all the information they need about their holiday from booking to hotel. As soon as the travel bug bites, the user can come here for inspiration and check out suggestions that reflect earlier booking choices. The app also contains details of leisure activities on offer in hotels and additional excursions that can be booked. To enhance the joys of anticipation, the app includes a countdown to departure and a chance to share data about the trip and destination with friends via social media.

The TUI App comes with data about the local weather and climate, a currency convertor and reminders about when and how to check in for a flight. Soon customers can also use the app to check into a hotel and book a restaurant. There are plans to include videos and interactive maps in the application. Of the 2.5 million active users in the last financial year, 450,000 were based in Germany, but the app is also available in Sweden, Denmark, Finland, Norway, the Netherlands, Belgium, Ireland and the United Kingdom.



MOBILE INTERNET

Smartphones and tablets are replacing desktop computers to access the Internet. Every other page hit already comes from a mobile device, according to global statistics kept by the web traffic analysts at StatCounter.

360-degree videos and virtual reality headsets

Apart from simple photographs and clips, TUI is increasingly placing 360-degree videos of its destinations online. Sitting at their desktop computer, or with the aid of their smartphone, customers can now undertake a virtual tour of hotel rooms and suites, swimming baths, gyms and restaurants, or take a trip to the beach and the pool area.

VIRTUAL REALITY (VR)

By 2025 VR devices and software will probably generate global sales worth 80 billion US dollars, estimates the investment bank Goldman Sachs.



For an even more vivid and detailed impression, they can don a virtual reality headset of the kind now used for computer games and in research. The glasses project a 3-D image of the destination and react to movement: by turning their head, wearers can look around just as if they were already in the hotel or on the beach.

Customers love these VR goggles and, once they've used them, want to set off right away. The headsets are already in use in some travel stores in France and the United Kingdom, but customers in German outlets will soon be able to enjoy this virtual immersion in potential destinations too.

TUI Smartband

The Mobility Hub has trialled another development, this time with a focus on the hardware: the TUI Smartband looks a bit like a fitness bracelet. Hotel guests were able to use it to unlock their room door or make a cashless payment in the hotel bar and restaurant along with other functionalities. Available in a wide range of colours, the wristband can communicate with a smartphone via Bluetooth, letting guests keep an eye on their budget with the help of the TUI App.

Besides, this versatile wristband is waterproof, so the wearer could keep it on while swimming. That made it safer than a key or a credit card. Users were clearly tuned in to the many benefits: during test runs at two resorts in Greece and Turkey, holidaymakers were delighted. 98 per cent of respondents said they would recommend the Smartband to their friends and family. We're now considering other opportunities for this technology elsewhere.



WEARABLES

Technical devices worn on the body are on the rise. In Europe alone, sales are expected to top four billion US dollars by 2020, says business consultancy A.T. Kearney. That is twice the existing volume.

CROSS-CHANNEL

In today's world, most marketing concepts are founded on intelligent cross-channel networking. That includes different media as well as the direct encounter at point of sale.

Cabin Crew App

TUI has likewise developed apps for its employees to support smooth, personalised customer service. The iPad cabin app, for example, simplifies pre- and in-flight procedures and allows cabin crew to get through the day without paperwork. Who is on the crew, how many passengers have booked the flight, are there any people with special requirements among them? Cabin attendants can load the answers to these and other questions onto their iPad in advance and access them later offline.

The app also makes it easier for cabin and ground staff to work together. Admin, for example, can post feedback questionnaires. Every flight attendant can fill these in offline, and as soon as the iPad identifies a new Wi-fi connection, it will send the data back to the right department at TUI. Similarly, the cabin crew can draw up reports about incidents or irregularities during the flight; these will also be synchronised at once when a Wi-fi connection is available again.

Cabin attendants have an in-flight retail app for selling drinks, snacks and duty-free goods during the trip. It records items sold including price, tots up the overall cost of the order and enables cashless payments via a Bluetooth connection to a debit or credit card reader. On many flights, customers will be able next year to select and pay for their in-flight snacks and duty-free goods in advance. The crew can download the details onto their iPads. Based on the seating plan, they can then deliver the items straight to the passenger and address them by name.



PERSONALISATION

The content displayed by a website or app can be programmed to reflect the user. Tailormade content draws on huge quantities of data, but links it to personal features and preferences.

Where next?

These examples illustrate the irresistible advance of digitised customer service. Cloud computing is already yielding concrete benefits for TUI customers at many points on their journey. Nevertheless, the company's IT architects have other ambitious aims in their sights. The TUI App is destined to become TUI's biggest digital sales channel. With this in mind, TUI's IT teams are working away not only at numerous data improvements, but on whole new projects. One of these is 'big data analytics', which will enable us to pool relevant information about customer bookings and travel behaviour so as to generate tailormade personal offerings – yet another step on the road to ever smarter digital services for an optimised customer experience.

ANCHORS AWEIGH

Cruise fever is on the rise. Holidaying at sea now appeals to a broad target group and has become a mainstream activity. Building on that trend, TUI Group is investing in the expansion and modernisation of its fleet with all three shipping lines – TUI Cruises, Thomson Cruises and Hapag-Lloyd Cruises. An overview.



MEIN SCHIFF 4

– discovering Northern Europe from May 2017.



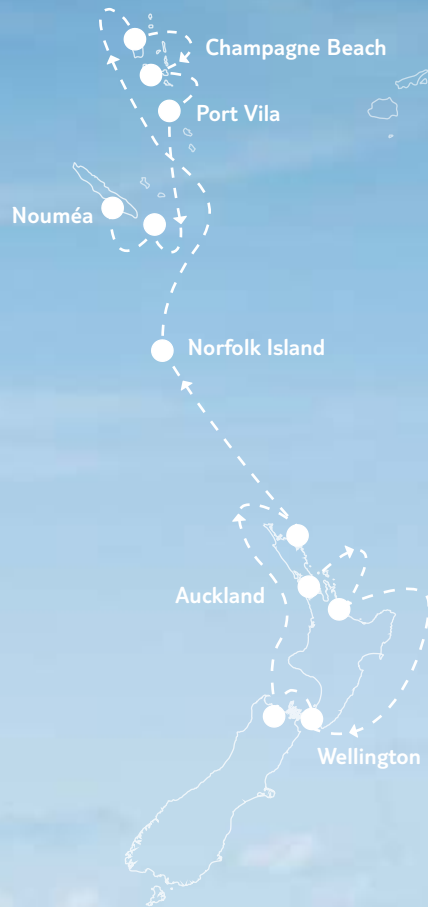
THOMSON DREAM

– cruising the Caribbean from November 2016.

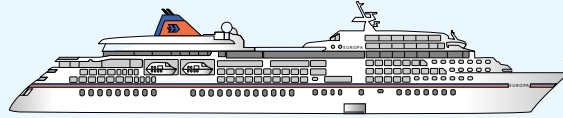


MS EUROPA

– visiting Oceania from February 2017.



HAPAG-LLOYD CRUISES



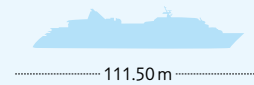
LITTLE GEMS

Exclusivity reigns supreme at Hapag-Lloyd Cruises – in both the segments served by the Hamburg-based cruise line. With a maximum of 400 to 500 passengers, the acclaimed luxury liners MS EUROPA and MS EUROPA 2 are benchmarks in the luxury segment. The expedition routes are exclusive too, and these little ships are ideally equipped for extraordinary locations where ocean giants cannot pass – be it the Amazon or the Arctic. These destinations are in such demand that Hapag-Lloyd Cruises has placed orders for two new expedition vessels.



5 STARS PLUS IN THE
BERLITZ CRUISE GUIDE 2017
(MS EUROPA, MS EUROPA 2)

MS BREMEN



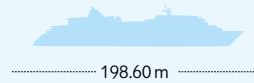
155
PASSENGERS

MS HANSEATIC



175
PASSENGERS

MS EUROPA



400
PASSENGERS

MS EUROPA 2



500
PASSENGERS

NEWBUILD 1

Commissioned 2019



NEWBUILD 2

Commissioned 2019



125

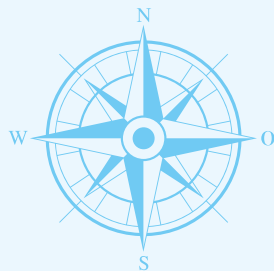
YEARS OF
COMPANY HISTORY



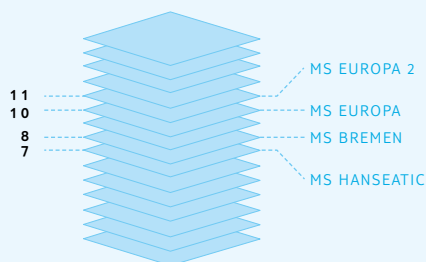
AROUND THE WORLD
IN 337 DAYS
(MS EUROPA)



HIGHEST POLAR CLASS
FOR PASSENGER LINERS
(EXPEDITION VESSELS)

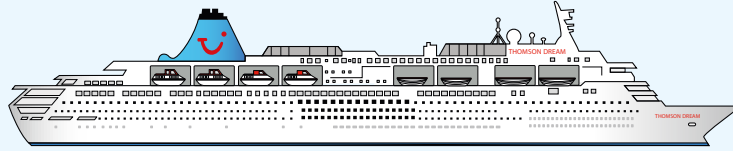


DISCOVERY ROUTES
WITH EXPERT LECTURERS
(EXPEDITION VESSELS)



NUMBER OF DECKS
(COMPARISON)

THOMSON CRUISES



SOMETHING FOR EVERYONE

Thomson Cruises is looking to strengthen its position in the UK cruise market by expanding its fleet over the next few years. By 2019 the British line will have integrated three more vessels. Thomson Cruises appeals to a very wide audience with its philosophy founded on balance and diversity. From carefully composed cuisine to mouth-watering buffets, from the all-day family programme to the night-time bar and casino – a wide range of passengers can design an affordable trip to suit their personal taste.



7 BARS / LOUNGES PER SHIP

THOMSON SPIRIT

until 2017



214.66m

1,254

PASSENGERS

THOMSON MAJESTY

until 2017



207.10m

1,462

PASSENGERS

THOMSON CELEBRATION



214.66m

1,262

PASSENGERS

THOMSON DREAM



243.20m

1,533

PASSENGERS

TUI DISCOVERY



264.26m

1,830

PASSENGERS

TUI DISCOVERY 2

from 2017



ACQUISITION 1

from 2018



ACQUISITION 2

from 2019



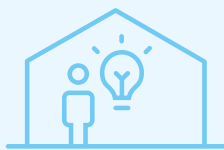
OUTDOOR-CINEMA
(TUI DISCOVERY 1&2)



CASINO
(ALL SHIPS)

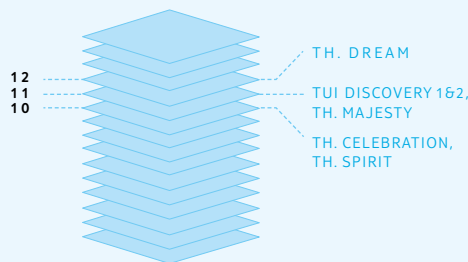


BROADWAY-SHOW-LOUNGE
(THOMSON SPIRIT,
CELEBRATION, DREAM,
TUI DISCOVERY 1&2)



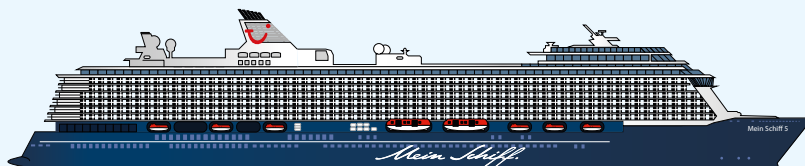
Break Out &
Escape Game

(TUI DISCOVERY)



NUMBER OF DECKS
(COMPARISON)

TUI CRUISES



FULL-SERVICE PACKAGE

In the premium segment, TUI Cruises has the edge on the German market. Generous facilities, quality, individual service – passenger comfort is the guiding spirit aboard the Mein Schiff fleet. Every holidaymaker is offered the premium full-service package, so most food and drinks, along with use of the spa zone, are included in the price of the trip. And TUI Cruises is still growing: Mein Schiff 6 will be commissioned in 2017, with two more newbuilds entering service by 2019 – when Mein Schiff 1 & 2 will switch to Thomson Cruises.



Ø 6% CHILDREN

Passengers on TUI Cruises include lots of families and young couples.

MEIN SCHIFF 1

until 2019



1,924
PASSENGERS

MEIN SCHIFF 2

until 2019



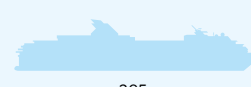
1,912
PASSENGERS

MEIN SCHIFF 3



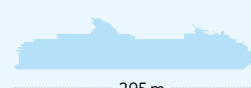
2,506
PASSENGERS

MEIN SCHIFF 4



2,506
PASSENGERS

MEIN SCHIFF 5



2,534
PASSENGERS

MEIN SCHIFF 6

Commissioned 2017



MEIN SCHIFF 1 (new)

Commissioned 2018



MEIN SCHIFF 2 (new)

Commissioned 2019



FULL-SERVICE
(MEIN SCHIFF 1-5)



MARRIAGE AT SEA
(MEIN SCHIFF 1-5)



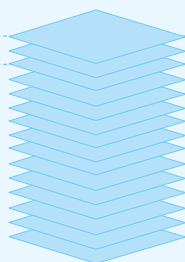
CHILD CARE
(MEIN SCHIFF 1-5)



280 m

JOGGING TRAIL
(MEIN SCHIFF 5)

15 ----- MEIN SCHIFF 3-6
13 ----- MEIN SCHIFF 1&2



NUMBER OF DECKS
(COMPARISON)

3 questions for

NAME THILO NATKE	POSITION Captain
RESPONSIBLE FOR the expedition vessel MS HANSEATIC	

Mr Natke, you have been travelling the world on cruise liners for 27 years. How has the cruise business changed over that period?

THILO NATKE: This sector has witnessed a phenomenal boom. There are well over 300 cruise liners around the world, and the biggest ones carry more than 6,000 passengers. The ships we thought were big twenty years ago now rank in the "small to medium-sized" category. Naturally, the places they can visit have changed too. Apart from the classical destinations in the Mediterranean, the Baltic, the Caribbean and Alaska, today's cruise liners can be found along almost any coast in the world. But my role as captain has also changed. With new technologies like the latest navigation tools, I am more like a modern-day manager than a seaman on the bridge.

Hapag-Lloyd Cruises has ordered two more newbuilds for delivery by 2019. Why is this business so successful?

No two voyages are the same. In extreme waters, the weather and the ice call for flexibility and precision. We don't stick to a predefined route. The point is to offer



»There is a growing interest in exotic destinations offering an intense experience of nature and wild life.«

our passengers a unique experience. And that, of course, stimulates demand. The trend everywhere is towards more individuality and the quest for something special. Most of our passengers have already travelled a great deal and seen a lot, often aboard other cruise liners. So there is a growing interest in leaving the traditional routes behind and heading in small numbers for exotic destinations which offer that intense experience of nature and wild life. One big factor is the ambition to be among the first people to follow the route. There is a bit of the explorer in all of us!

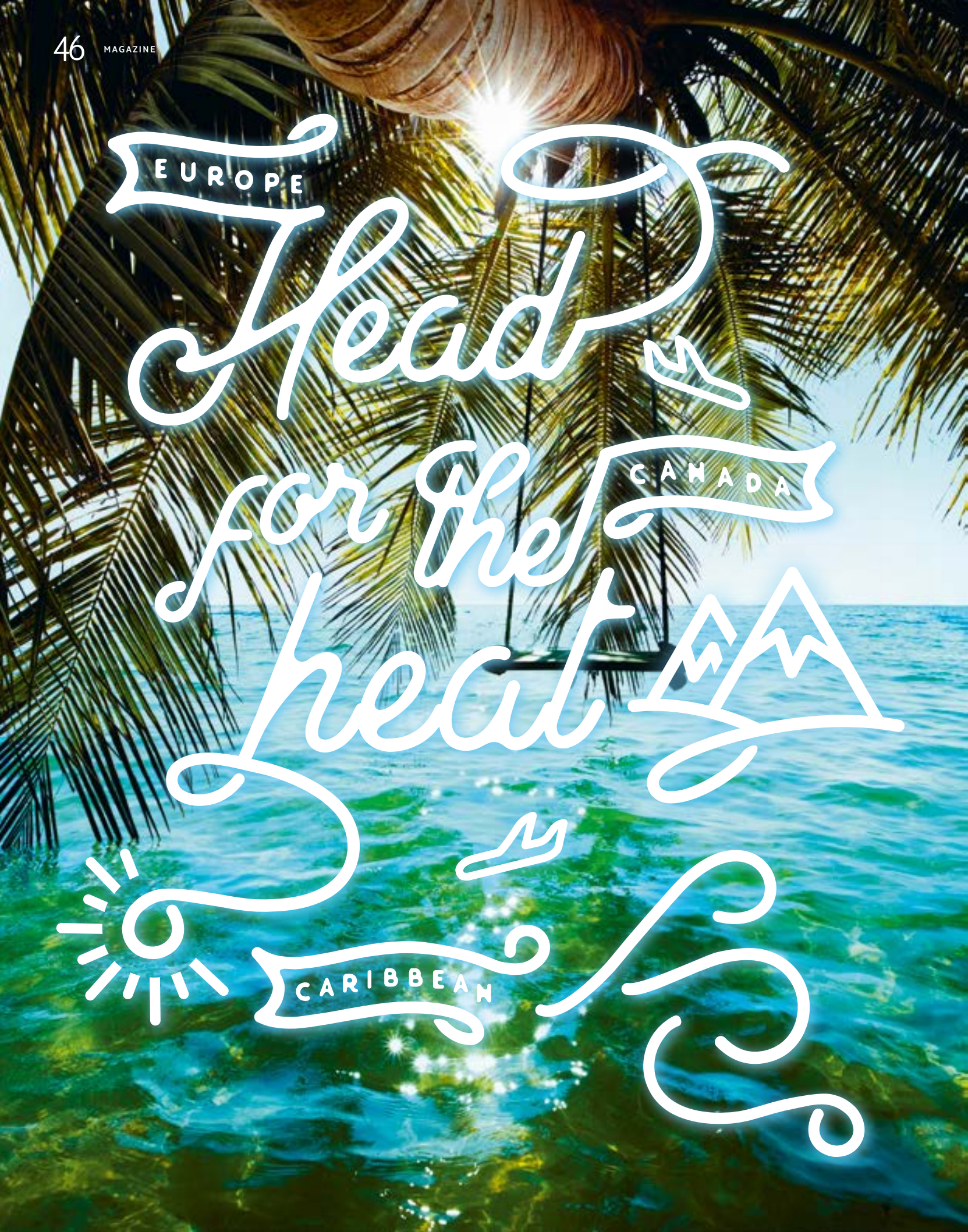
Do you have any thoughts about how cruise tourism might develop in future?

I think the trend towards bigger and bigger vessels is coming to an end. We won't be seeing more ships with over 6,000 passengers. Tomorrow's passengers won't be so interested in the well-set traditions of cruise holidays. They will be looking for the casual, relaxed lifestyle on board, and a chance to experience the natural world close up. I not only expect to see smaller ships with under 1,000 passengers plying the waves too in future, but also sailing boats and expedition craft. And in addition to the standard Mediterranean and Caribbean destinations, the less frequented routes will have their role to play.

EUROPE
Head

for the
heart

CANADA
CARIBBEAN



For the past six years, a number of TUI's Boeing 737s have migrated from the winter in Europe to the sunnier climes across North America for up to five months, before making their journey back home, ready for the summer in Europe. So why is TUI leasing its aircraft to North America and what is the benefit of doing so?

Typically, each winter in Europe, the tourism business recedes for a few months as many of the short-haul destinations in the Mediterranean lose their summer sun and the business operates what's known as its low season. There is of course an impressive programme of winter season flying for people escaping long or medium-haul for some winter sun, or those taking a well-earned skiing holiday. However the number of tourists, and therefore the number of aircraft required, is reduced compared to the peak summer season. In contrast, in North America, there is an increase of holidaymakers flying between November and April. The airlines and tour operators operating here therefore experience a peak winter high season and require an increased number of aircraft.

This cyclical seasonality provides both a challenge and an opportunity. The TUI source markets in Germany, the Netherlands, Belgium and the UK and Ireland all have a peak summer season, so there is an overcapacity to be managed in the winter. If the aircraft fleet is to provide optimal capacity, the challenge is how to maximise the flying time of the fleet, to ensure that if the aircraft is not flying or having any required maintenance, the aircraft isn't costing money. And the opportunity is to find synergies and support any fleet re-sourcing requirements across the Group.

In looking for a solution, a clear synergy was identified with Sunwing Travel Group (SWG). Established in 2002, SWG is a family business, and has grown to become Canada's number one, providing more holiday packages to the Caribbean, Mexico and Central America than any other travel company in Canada. SWG is one of Canada's fastest growing and most successful companies, and is owned and operated by the Hunter family headquartered in Toronto. SWG operates an airline, three



are leased by TUI to Sunwing, ready for the Canadian winter season – three each from TUI fly Belgium, TUI fly Germany, and eight more from Thomson Airways.

tour operators, a retail chain and destination management company. A strategic venture was established in 2009, during which TUI gained a 49 per cent economic ownership and 25 per cent in voting rights of the leading Canadian group.

Tom Chandler, Director of Fleet Management and Fleet Finance at TUI Group explained: "Aircraft are expensive assets. Our goal is to enable to the TUI airlines to maximise the revenue generating use of the aircraft all year around. As a group of companies we achieve very high utilisation, especially during the summer months given the nature of our business in Europe and the breadth of our flying programme for holidaymakers. In the winter we can operate our TUI programmes with fewer aircraft so there are some available to lease out. By leasing aircraft to SWG in the Canadian peak winter season, TUI is able to operate more of its own aircraft in the summer, lowering our aviation costs, compared to leasing in summer-only capacity from the third-party market. There are the same reciprocal benefits for SWG. As well as leasing its Boeing 737s for their winter peak, TUI also receives a number of aircraft from SWG to provide additional capacity for the summer months in Europe."

For the winter 2016/17 season, 14 TUI aircraft will be leased to SWG to be based across airports in Canada flying to winter sun destinations, primarily in the Caribbean and Mexico. For the summer 2017 season, seven SWG aircraft will be leased to TUI, specifically for Thomson Airways and TUI Netherlands.



»Aircraft are expensive assets and our key goal is to maximise the use of the aircraft all year around.«

TOM CHANDLER, Director of Fleet Management and Fleet Finance at TUI Group

A year round operation

Regular leasing to SWG is combined with other season-by-season leasing with other airlines. For the winter 2016/17 season, a total of 18 aircraft will be leased out and of this 14 will be leased to SWG. With a clear strategy, a strong team and a business partner in place, the operation gets underway to lease the aircraft. Despite this being a five to six month flying programme, it is a complex and detailed year round operation. It involves a range of experts, including technical and mechanical engineers from the TUI airlines who work with Sunwing to ensure a comprehensive hand-over of the aircraft leading up to the delivery, along with maintenance teams from both sides working together to deliver the aircraft and the support of spare parts at the base.

Fleet programme managers within the TUI airlines work to ensure that the aircraft are released from their flying programme to be prepared for the lease, and at the same time plan ahead to ensure the aircraft return from the winter lease in time to resume operations for TUI. Work with the organisations and institutions who own the aircraft is also a big focus to ensure that the lease out remains compliant with contractual obligations. They also need to consider how many aircraft need their regular heavy maintenance work.

Chris Broad, a senior manager who is responsible for the leasing of the aircraft within the Fleet Management team at TUI, explains: "The focus is mainly on Thomson aircraft in the UK, TUI fly in Germany, TUI Belgium and TUI Netherlands. Having identified the aircraft that the airlines want to send, we agree the departure and return dates with Sunwing and then engage with the aircraft lessors and banks that need to be involved in any transfer of TUI aircraft. Our aircraft lessors are now quite used to this annual activity but there is still a lot of logistics to be managed to ensure that everything happens at the correct time when an aircraft moves from Europe to Canada. It's a detailed process but one that is tried, tested and successful."

Of the 14 aircraft that will be leased to SWG in 2016/17, three are from TUI fly Belgium, three are from TUI fly Germany and eight are from Thomson Airways.

One advantage is that both businesses operate a fleet of Boeing 737s, both with very similar specifications. Therefore exchanging aircraft means very little needs to change to meet the aircraft specification. There's also no additional pilot training required. The first of the aircraft begins to migrate in November and the last aircraft will land and be delivered just after Christmas.

Aircraft leasing

The industry has two main leasing types: wet- and dry-leasing. A wet lease is a leasing arrangement whereby one airline (the lessor) provides an aircraft, complete crew, maintenance and insurance (ACMI) to another airline or other type of business acting as a broker of air travel (the lessee), which pays by hours operated. A dry lease is a leasing arrangement whereby an aircraft is provided without crew.

For the 2016/17 season, 12 of the aircraft are dry-leased and two of the aircraft are on a wet lease from Thomson Airways, together with eight flight crews per aircraft. On a dry lease, once the airline in Europe hands over the aircraft, it becomes an SWG aircraft.



BIRDS OF MIGRATION

The leased aircraft are based at various Canadian airports, flying for Sunwing to the Caribbean, Cuba and Mexico. The wind changes in summer: TUI needs reinforcements in Europe, so leases additional planes from Sunwing.

Chris explains: “The dry-leased aircraft are fully integrated with SWG’s own aircraft. The wet-leased aircraft remain under the operation and maintenance control of Thomson. There is far more involvement and Thomson is responsible for the aircraft in accordance with the Civil Aviation Authority’s rules, regulations and standards. The dedicated team in Luton in the UK keep a watchful eye on the aircraft and manage all of the maintenance conditions around it.”

Bridging process

As the businesses approach the delivery dates, SWG and the TUI airlines have regular meetings to exchange the necessary technical information on the current status of the aircraft and each engine.

SWG takes this information and builds each dry-leased aircraft into their maintenance and commercial systems so it’s integrated as part of their fleet. Chris explains: “This is a significant and in-depth process to exchange information. SWG then builds the aircraft in their own system so that when they collect it, it is instantly one of their own. This is called a bridging process between

one airline and the other. SWG may have different regulations because they are governed by the Canadian authorities. This bridging process ensures that SWG does everything required under these regulations. The reverse happens before the re-delivery back to Europe.”

In a reciprocal leasing arrangement, seven of SWG’s aircraft will be leased to Thomson and TUI Netherlands for the Summer 17 programme.

Tom Chandler comments: “This method of leasing is truly beneficial for both companies, enabling us to future proof for changing demands. The real beauty of how it works, it’s a counter cyclical arrangement; it deals with our need to decrease in the winter and flex our capacity in the summer months. With a similar specification for the Boeing 737s and the same interior standards, it allows this strategy to be effective and successful with a trusted business partner.”



»Contented employees create unique holidays«

TUI is a colourful mosaic, composed from an array of different countries and cultures. When Dr Elke Eller was appointed to the TUI Group's Executive Board in 2015 to lead Human Resources, her mission was clear: to build a shared Group culture. A conversation about the road to "oneCulture" and the challenges on the way.

Dr Eller, human resources is a business management concept. What is it about?

ELKE ELLER: Actually the concept of human resources is fairly outdated. It dates back to a time when corporate management was all about making optimum use of capital. As if all you have to do in order to get optimum results is make optimum use of your employees. That view completely ignores personal needs. And given the far-reaching processes of change that TUI Group is currently undertaking, it would be foolish not to see our employees as people with their own individual expectations, skills and ideas. Our task in people man-

agement is to strike the balance between the needs of employees on the one hand and commercial requirements on the other.

Why are good people management and employee satisfaction so crucial to TUI?

It is our employees who create the product. They are the ones in direct contact with customers. Customers are happy with their holiday if the people who guide and accompany them are fantastic. So TUI has a vested interest in employees who feel good about the company and engage. But people will only engage if

they know why. They need and want meaningful jobs. But for that they need to be aware of the big picture and sign up to it.

That leads straight to the question about corporate culture. Is it feasible to unite all the many cultures within the TUI Group?

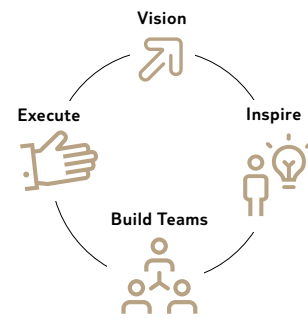
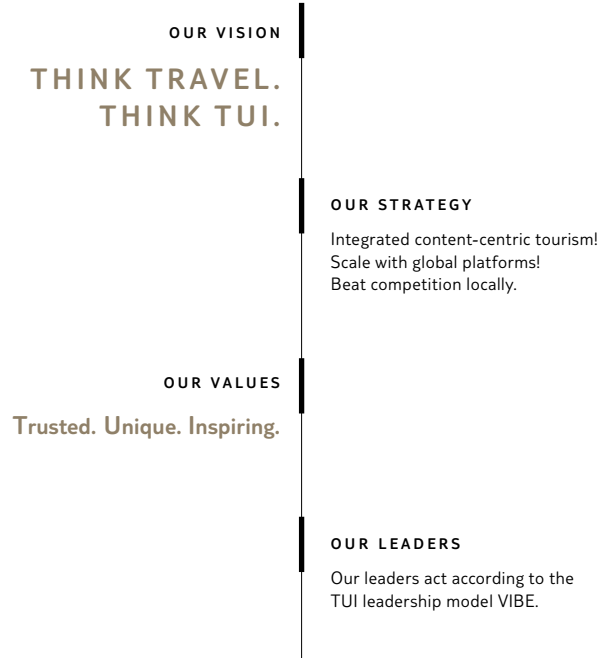
You can't measure everything by the same yardstick. It makes more sense to ask about our common DNA: what is it and what would we like it to be? Our corporate values Trusted, Unique and Inspiring reflect the common ground very nicely. They are so global that they can be understood anywhere, regardless of cultural or regional differences. TUI Group is undergoing a wide-ranging process of transformation. That makes it all the more important to define cultural foundations for our partnerships and convey them to our employees. I see them as an essential springboard for the current challenges – and even more for what we want to achieve together in the future. You only need to look at how differently our online competition operates. That's why we need people whose minds are open to new things, who have the enthusiasm to contribute to TUI's success, and who inspire others on their team. That's the only way we can develop.

How have you translated those challenges into a new HR strategy?

If the aim is to achieve a balance between the commercial requirements and the needs of our employees, naturally you need to analyse both those things very carefully. When I arrived, various countries had already been doing some good and very good HR work in many respects. But a company needs to apply a global framework if it wants to get more than 60,000 people pulling in the same direction. That is why we have begun at Group level to define some cornerstones and fences within which we can move around freely. We call this approach "freedom within a framework". Once a month we meet up with all the regional HR managers. We analysed best practice from the regions together, and then thought about the aspects where we need a Group-wide framework. TUI is an agile company with so many countries, regions and functions. We don't want to micromanage everything in a top-down, centralist manner. If it's a regional matter that we need to negotiate with the regional works council, there's no point in trying to do that from Hanover.



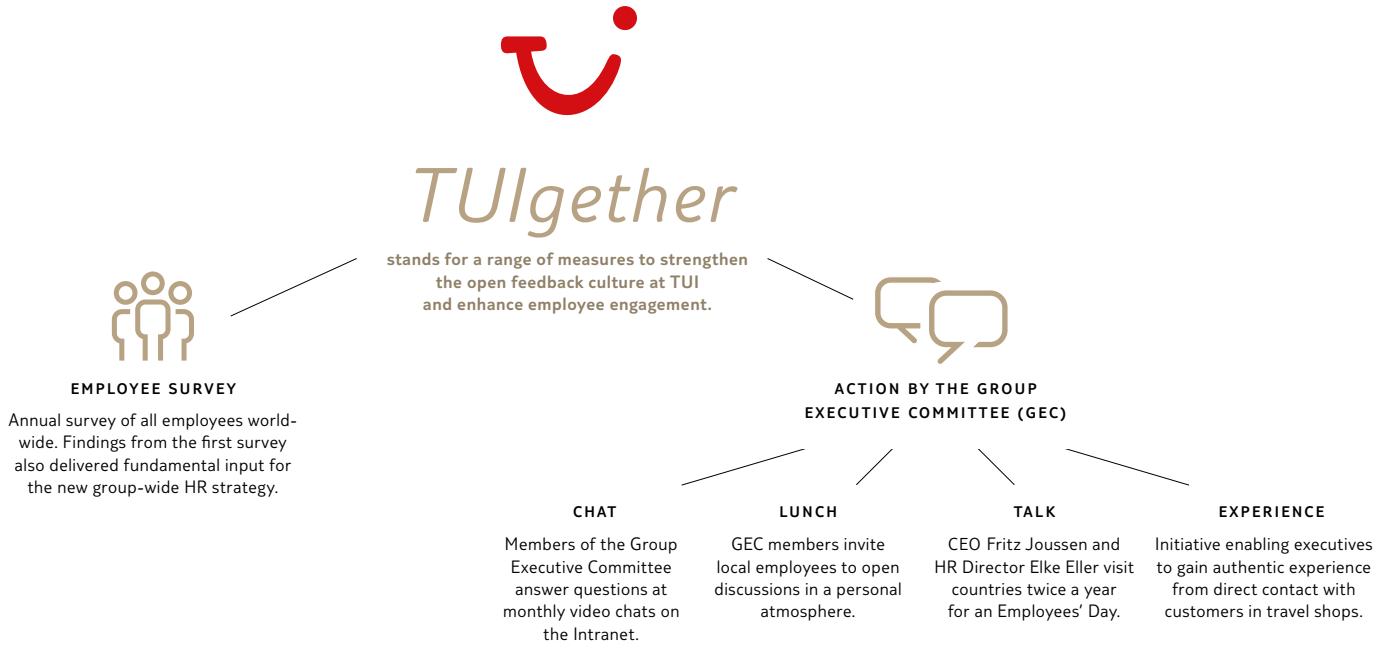
HR strategy is built on our business strategy for the Group and the key driver of employee engagement.



OUR PEOPLE
 The best company to work for!
 Living a high engagement – high performance culture.



More about the strategy in the Annual Report on p. 98



Before you joined, there was a broad-based employee survey.

The first TUIgether survey in 2014/15. When I joined TUI, it had just been evaluated. A fantastic basis for me and my team to work with! All Group employees had a chance to participate. Employees used the survey to provide feedback for their direct line managers, the regional Boards and the Executive Board of the Group. There were some very specific questions about the work environment, right through to the question about whether we Board members had done enough to put across the new corporate strategy.

And what happened to the findings from that questionnaire?

What was important to me was to turn the "employee questionnaire project" into a process that facilitates continuous dialogue between employees and management. In the meantime, we have established suitable formats. The questionnaire showed that the role our executives play in the company and what we do at TUI in terms of people development were important issues for our employees – and so we adopted them as two focal themes for our HR strategy. The survey itself is part of the third focus, engagement. Number four follows from the existing, overarching Group strategy: a single and effective organisational structure.

Another focus we included in the strategy is what we intend to do about developing our own function: what kind of people management do we need in an integrated tourism group?

How are you implementing those five focal themes?

Last year, drawing on the various themes, we defined a total of 15 projects, which we are now successively implementing with priority. I have already mentioned the formats for dialogue. In addition to that, in the next financial year we intend to roll out oneShare, a Group-wide scheme for employee shares. That is a very pragmatic approach: we will be strengthening people's participation and emotional ties with their employer. Employees will be able to share in TUI's success.

Do you have a favourite among those 15 projects?

I think our "Global 60" project is especially interesting: TUI wants to be an international travel group, but at the moment it is more like an aggregation of different countries. To speed up progress, we want to trigger 60 international careers in the space of a year. That means that we will be giving employees the opportunity to make their next career move in another country and gain some experience there. We are targeting people who don't just think in German or English, for example, but are cultivating an international perspective. The spin-

off effect is that this initiative will make things more international for everyone: teams will also have to speak more English and demonstrate how open they are. So with the first 60 careers, we will be triggering a cultural change from which the whole company will benefit. In fact, we began with ourselves: in HR we were recently joined, through oneShare, by a colleague who used to work in TUI Poland.

Have the projects generated any measurable results yet?

Well, for example, we had a substantially higher response rate for our TUIgether survey. Ten per cent more employees participated this year. That is definitely because there was a more dynamic follow-up process. We made a point of chasing things up and presenting initial solutions. I think our employees now feel that they are being taken more seriously. It is clearly reflected in the Employee Engagement Index, which rates job quality in the company. Last year we scored 73, which is not a bad result in itself. But we wanted to see a tangible improvement. Why? TNS, the institute that carries out this survey for over 3,000 companies, worked out that very successful companies have an engagement index of 80 or more. Of course, we won't hit that mark overnight. But this year we have already managed to score 77. Those are the first steps and achievements on the road to our goal, which is to be top employer.

So that was the start. What else do you want to achieve?

We have defined the focal points for our strategy and agreed on common corporate values. Now we have to breathe life into the strategy. To turn theory into practice, we need concrete action. I look forward to it. I want to see the satisfaction level among our employees rise even further as they discover the advantages of working for an integrated tourism group for themselves, recognise the opportunities for their own personal development, and engage. In the final analysis, it is this positive attitude that carries over into customer satisfaction.



International Careers/Global 60

TUI wants to encourage and facilitate more global careers. To accelerate the process, 60 TUI employees will have an opportunity, in the space of one year, to make their next career move in another country and gain experience there.

»Turning theory into practice is the essential process. And I look forward to it.«



oneShare

The next financial year will see the roll-out of a single employee shares scheme for the whole of Europe; in the longer term, every employee in the world will have this opportunity. There used to be two separate success-sharing schemes – but only for the United Kingdom and Germany.





TAKING RESPONSIBILITY

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Why we are committed to cutting pollution from plastic waste.

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What the TUI Care Foundation can achieve and why it is now a Group operation.

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How we can open up new prospects for disadvantaged girls and young women.

The Amazon – for many it is a place of wonder seemingly beyond our reach. Hapag-Lloyd Cruises operates expedition vessels on the river, taking passengers close to the heart of this stunning world of fauna and flora. Cruise routes off the beaten track turn passengers into explorers.



READ MORE ABOUT THE EXPEDITION FLEET IN THE MAGAZINE UNDER "ANCHORS AWEIGH"

TARGETS FOR THE SUSTAINABILITY STRATEGY
2015–2020

10

per cent

*less CO₂ intensity and
the most climate-efficient
airline fleet in Europe*



step lightly

million

*sustainable
holidays*



make a difference

million euros

*in projected annual
funding for
charitable projects*



lead the way



More about sustainability
can be found in our Report:
[http://www.tuigroup.com/en-en/
sustainability/reporting-downloads](http://www.tuigroup.com/en-en/sustainability/reporting-downloads)



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SWEEPING CLEAN

Plastic waste poses a major risk to our environment, especially our oceans. TUI is involved in various projects to prevent pollution or minimize the impact. Here are three of them.

CLEAN BEACHES FOR THE MEDITERRANEAN SEA



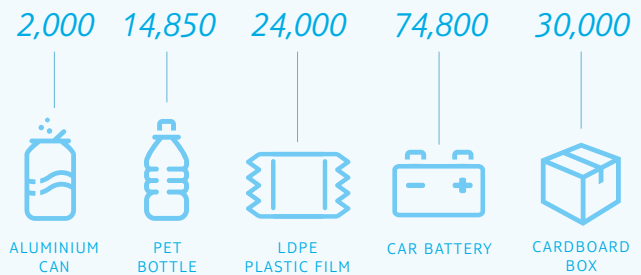
9,843

KILOGRAMS OF RUBBISH HAVE BEEN COLLECTED TO DATE.

Around the Mediterranean Sea, and elsewhere in the world, TUI employees invite local people and guests to join them on beach clean-ups. The purpose of this "Make Holidays Greener" campaign is to show how simple it can be to protect the environment – even on holiday. And it works: the event is a big hit with many tourists.

SPREADING THE ENVIRONMENT MESSAGE ON CURAÇAO

Reusable materials collected so far (status August 2016) in kg:



Most discarded materials and waste on Curaçao are never sorted and end up in landfill. Not many local residents appreciate the importance of looking after their Caribbean island. That is why our TUI Care Foundation has been helping GreenKidz Curaçao to teach children about protecting nature and recycling and has teamed up with the local environment company GreenForce to build waste management on the land.

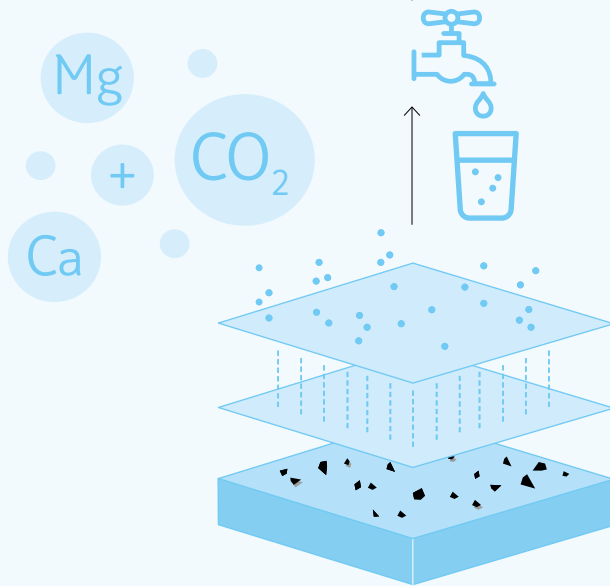


400,000

PLASTIC BOTTLES FEWER EACH YEAR.

PURE DRINKING WATER FOR THE MALDIVES

Robinson Club Maldives is committed to sustainable water processing and waste reduction. In 2013, it began to produce its own sparkling water. That has eliminated the need to manufacture, transport and dispose of 400,000 plastic bottles a year.



3

The sparkling water is decanted into glass bottles. 7,500 of them are in circulation, and they are cleaned on site.

2

The drinking water is turned into sparkling water by adding minerals and carbonic acid.

1

Osmosis is used to desalinate sea water and purify it to make drinking water.



TANZANIA

Defending people and animals: in Tarangire National Park we used chili peppers to take the heat out of a conflict between farmers and elephants. The focus is on environmental and social sustainability and on biodiversity.

COMMITMENT HAS A NAME

Carving out new opportunities for the future, protecting the environment and preserving our natural resources, and sustainably improving the lives of people in destinations all over the world. To make this momentum for change even more productive, in 2016 we clustered our social projects in the charitable TUI Care Foundation. It provides an umbrella for the commitment of all TUI companies in the Group.

Safari fans are fascinated by the elephants that roam Tarangire National Park in the north of Tanzania in herds of up to 300. But for the farmers living in small villages around the edge of the conservation area, these majestic giants mean trouble, or even danger. The hungry animals eat the corn, millet, melons and tomatoes grown by the farmers. If herds invade their crops, people can neither feed their families nor sell the harvest. In the old days, they would try keeping the marauders at bay with expensive electric fences, rocks and sometimes spears, but the impact never lasted very long. Peaceful coexistence between man and beast seemed impossible.

Until two years ago, when animal conservationists from World Animal Protection and the TUI Care Foundation showed farmers a new method for warding off elephants with the aid of chili and bees. The chili method is now a firmly established routine in cultivating arable land. The farmers grow the hot peppers themselves and mix them with oil to make a paste, in which they soak rags the size of plates and string made from sisal. They tie the rags a few metres apart to the fences which enclose their fields, just at the height where an approaching elephant trunk will find them. Any pachyderm that picks up the odour will turn away in disgust.

Bees are the second “natural weapon”. Even a fully-grown bull elephant will take flight at the mere sound of aggressive African bees. So the farmers have learned to hang beehives in the trees around their fields. The honey made by the bees and the surplus chili peppers are sold at nearby markets, generating extra income for

approximately 690 farmers who now apply these methods. The project reflects the philosophy of the TUI Care Foundation because it helps people to help themselves, defending both the people and the animals in the region.

*Everyone in the
destinations
should benefit
from tourism.*

As an independent charitable trust, the TUI Care Foundation pursues the objective of enabling everyone in a holiday destination to profit from tourism. We offer young people new prospects for their future, and we have pledged to protect children and teenagers. We make it our job to conserve the environment and natural resources.

And we support projects that improve living conditions and place tourism on a sustainable footing.

In Costa Rica, we are helping women to start their own business, while in Tunisia we provide grants for girls to train at a college for the hospitality sector. In Nepal, the professional guides we supported through their training are now working as instructors themselves, apart from holding a vocational certificate that is valid anywhere in the world. Children and hotel staff in Curaçao attend courses in nature conservation and waste recycling provided by the TUI Care Foundation. By doing this, we are reinforcing the education system, environment protection and the island itself as a green and healthy destination.



LANZAROTE

Traditions, a clean environment and value creation: the TUI Care Foundation supports the renaturalisation of landscapes in the Canaries.

Preserving local traditions and natural resources, boosting the appeal of a holiday destination and the local economy – the perfect mix for the TUI Care Foundation.

Lanzarote is a good example of how we put that theory into practice. There is a long tradition to wine growing on the island. But for some years now, more and more smallholders have been giving up. The labour is too arduous and the harvest too meagre. Many fields that had been tilled for generations, often no more than a hectare in size, are left to lie fallow, and the wind is levelling out the hollows. Working with local partners, the TUI Care Foundation is not only keeping the traditions alive, but combining them with organic techniques to protect the natural environment. There is a

third aspect to the Foundation's project here: it provides meaningful employment for people in a disadvantaged region. It means that people who would not stand much chance of finding a regular job can earn a decent income on Lanzarote. About 122,000 square metres of vineyards in this unique landscape have so far been restored. Five vintners have converted to organic methods, and have been able to increase their revenues as a result.

Supporting people without encouraging dependence is our key principle. We like building things that will become self-supporting or identify other forms of future support. In holiday destinations all over the world, this is making people and communities stronger.



»We are partners for holiday countries. Social balance and an undamaged environment matter more and more.«



3 questions for

NAME THOMAS ELLERBECK	POSITION Member of TUI Group Executive Committee and Chair of the TUI Care Foundation
RESPONSIBLE FOR Communications, policy, international relations, sustainability and environment, and foundations	

Thomas Ellerbeck, in 2016 TUI turned the existing TUI Care Foundation, with a local base in the Netherlands, into a Group-wide charitable trust. Why?

THOMAS ELLERBECK: Lots of companies in our Group display commitment. We are now pooling our efforts under the umbrella of the TUI Care Foundation and strengthening that commitment across the Group. We want to have a lasting impact and to make a distinctive mark, together with our partners, with impacts that reach beyond tourism. At the Foundation, we bring together experts who understand the challenges and opportunities of working through this kind of structure. That is important for our project partners around the world, but also for holidaymakers who would like to take part.

What priorities will the TUI Care Foundation set now?

We see ourselves as partners for the countries people visit. Wherever holidaymakers enjoy themselves, local people should also reap the benefits. So the pillars to our commitment are children and young people, conserving natural resources and the environment, and sustainable development for destinations. We also provide emergency aid following disasters.

How much money do you want to spend annually, and who decides what to spend it on?

TUI has set a target for the period up until 2020, which is to find ten million euros a year for social commitment – and most of that will come to the TUI Care Foundation. Some of it will be provided by our companies, and some can be donated by our customers. When people travel to far-off places, they often want to give something in return. We support that through the Foundation. We guarantee that the money people give is put to good use in meaningful projects, carefully selected and with local back-up from us. We have an advisory committee to evaluate project proposals, and a board of independent trustees to decide on the allocation of funds.



At the Smile Academy, young Dominicans take their first steps towards an independent career.

DOM. REP.

Pointing the way



Mama Bojang holds one of the grants and is being trained as a chef.

GAMBIA

Helping children and teenagers is a central pillar of our commitment. Through the TUI Care Foundation, we can create new opportunities for young people by tailoring education and training programmes to their needs. That way we sustainably improve their lives and those of future generations.



»I was one of the first female tour guides in Zanzibar!«

RAHMA ABDULLA ALI, 33, completed the first training course supported by the TUI Care Foundation when she passed her exam.

TRAINING WITH THE TUI CARE FOUNDATION



HOTEL TRAINING IN GAMBIA

The hotels and restaurants in this small West African country have an urgent demand for skilled workers. The TUI Care Foundation works with the Oreo Foundation to help talented young women in Gambia train in the tourism sector.



TOUR GUIDES ON ZANZIBAR

30 students have so far qualified as tour guides after we funded their training. That way we can improve their chances of a skilled job and help the country to develop a competitive tourism sector. 80 per cent of the young guides have since found employment – 100 per cent in the case of the women.



SMILE ACADEMY IN THE DOMINICAN REPUBLIC

150 young Dominicans are training at the Academy in occupations for the tourism sector. That enables hotels, resorts and other companies to recruit urgently needed skilled labour in the local market. And the participants learn how to pursue a career of their own.

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FINANCIAL HIGHLIGHTS

€ million	2013/14 ⁵ restated	2014/15 restated	2015/16	Var. %
Turnover	18,536.8	17,515.5	17,184.6	-1.9
Underlying EBITA¹				
Northern Region	404.9	538.4	460.9	-14.4
Central Region	162.8	103.5	88.5	-14.5
Western Region	83.3	68.7	86.1	+25.3
Hotels & Resorts	202.9	234.6	287.3	+22.5
Cruises	9.7	80.5	129.6	+61.0
Other Tourism	29.0	8.4	4.6	-45.2
Tourism	892.6	1,034.1	1,057.0	+2.2
All other segments	-114.1	-80.8	-56.5	+30.1
TUI Group	778.5	953.3	1,000.5	+5.0
Discontinued operations	88.7	107.2	92.9	-13.3
Total	867.2	1,060.5	1,093.4	+3.1
EBITA²	778.5⁴	794.6	898.1	+13.0
Underlying EBITDA	1,068.6⁴	1,344.1	1,379.6	+2.6
EBITDA	1,095.3⁴	1,214.7	1,305.1	+7.4
Net profit for the period (continuing operations)	332.0 ⁴	407.6	464.9	+14.1
Earnings per share (continuing operations)	€ 0.48 ⁴	0.66	0.61	-7.6
Equity ratio	% 18.1	17.2	22.5	+5.3 ³
Net capex and investments	637.1	659.0	691.0	+4.9
Net financial position	-292.4 ⁴	213.7	-31.8	n. a.
Employees	77,028	76,036	66,779	-12.2

Differences may occur due to rounding.

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 EBITA comprises earnings before net interest result, income tax and impairment of goodwill excluding losses on container shipping 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 Excl. LateRooms, Hotelbeds Group and Specialist Group

⁵ Pro forma data, unaudited: Hotelbeds Group and Specialist Group were treated as discontinued operations since 2013/14.



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