

# POLICY AGENDA

Information from the TUI Group for politicians and the public | February 2015

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THE NEW TUI AT A GLANCE 09



## EDITORIAL



Fritz Jousen, CEO of TUI AG, at the extraordinary general meeting in Hanover on 28 October 2014

### Hanover, February 2015

Dear TUI Policy Agenda readers,

We wish you a great start into the new year and a successful 2015!

TUI is entering into 2015 with a new structure and a clear vision of growth and sustained increase in corporate value. Towards the end of 2014, shareholders of the German TUI AG and the British TUI Travel Plc approved the merger to form TUI AG. The world's largest integrated tourism corporation is headquartered in Hanover: Germany has a new world champion in travel.

Fritz Jousen, CEO of TUI, explains: "We aim to unite what belongs together under the roof of our great brand, TUI." TUI AG will be the first German stock corporation that is listed in the FTSE index on the London Stock Exchange. Today, TUI is a truly European corporation and an international employer of 77,000 staff in over 130 countries. Meet the new TUI Group in our short videos: [www.tuigroup.com/de/medien/videos](http://www.tuigroup.com/de/medien/videos)

The European charter airlines of the TUI Group, which operate more than 130 aircraft in total, will be flying under the same flag from now on. The TUI Group's portfolio comprises not only the tour operators and cruise companies, such as the German Hapag-Lloyd Kreuzfahrten and TUI Cruises, but also more than 300 hotels.

We would like to introduce these significant business divisions in our first 2015 issue of Policy Agenda. We also provide information about consumer protection in the context of package holidays. These have fallen victim to a new taxation system, rendering them less attractive than simple hotel bookings (without any of the otherwise included consumer protection aspects).

We hope you will enjoy this issue and are looking forward to your feedback!

Yours sincerely,  
TUI Team Corporate & External Affairs

# TUI CRUISES: NEW ORDERS SECURING EUROPEAN SHIPYARDS

Fleet set to grow from three to eight ships – Wybcke Meier named as CEO

Cruises are increasingly popular with German holidaymakers – and they are an important driver of growth for the European shipbuilding and tourism industries. Wybcke Meier, new CEO of TUI Cruises as of October 2014, explains: “Even though the Germans travel more than most other nations, our cruise sector still has significant growth opportunities in comparison with that of North America.”

The experienced tourism manager has a clear vision for the German-speaking market. “We want to establish ourselves as the quality leader for our target groups and take advantage of worldwide opportunities. And we want to become a leader in the field of environmental protection,” Meier says.

## Extensive construction programme

TUI has long recognised the cruise sector as a driver for growth. In 2008, the company founded TUI Cruises in cooperation with Royal Caribbean Cruises Ltd. (Miami/Florida, USA). This joint venture has been strategically investing into expanding its capacities ever since:

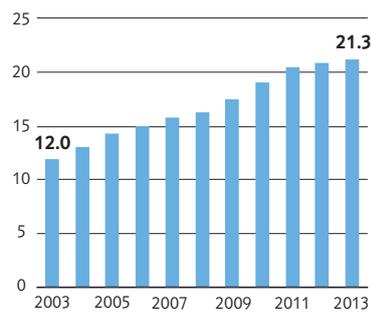
- 2009: Commissioning of *Mein Schiff 1*
- 2011: Commissioning of *Mein Schiff 2*
- 2014: Launching ceremony of *Mein Schiff 3* (the first new ship built by TUI Cruises)

Further planned constructions:

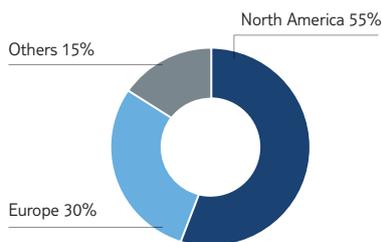
- 2015 (2nd quarter): Launch *Mein Schiff 4*, ceremony in Kiel
- 2016/17: *Mein Schiff 5*, *Mein Schiff 6*
- from 2018: *Mein Schiff 7*, *Mein Schiff 8*

The investment volume for the new ships is substantial: each new ship of this scale costs approximately EUR 450 million.

## Number of cruise passengers worldwide (in millions)



## Passenger origins (2013)



Source: CLIA

## Shipyard mergers secure technological base

TUI is securing Europe's status as a base for shipyards and technology with its extensive construction programme: All new ships will be built on the Finnish Turku shipyard, which will in future belong to the Meyer Werft Group based in Papenburg in the German Emsland district. Jan Meyer, CEO of Meyer Werft, comments: “Joining forces allows us to consolidate separate competencies into one unified offer, which gives us an even stronger position on the market.” TUI Cruises is the Turku shipyard's largest client.

## Harmony with nature

The European ships trigger positive growth impulses and effects on employment – not just nationally, but also in the port regions of the cruise destinations. This means a tangible benefit for developing and newly industrialising countries in particular. TUI Cruises places the greatest emphasis on ensuring that the growth of the cruise sector is achieved in an environmentally-friendly manner. All new TUI Cruises ships are equipped with modern waste gas purification systems. “Our customers want to enjoy their holidays with a clear conscience. That is why we are keeping them up to date with our investments in this field. We take environmental protection seriously,” emphasises Wybcke Meier, CEO of TUI Cruises.



Wybcke Meier (TUI Cruises) and Dr Jan Meyer (Meyer Werft) launch *Mein Schiff 4*.

## A NEW WOMAN IN CHARGE

Wybcke Meier (45) has been the CEO of TUI Cruises since early October 2014. "TUI Cruises is now entering an expansion phase. Wybcke Meier will be able to create and shape this phase, together with her strong TUI Cruises team," explains TUI CEO Fritz Joussem. Before joining TUI, Wybcke Meier was the CEO of Windrose Finest Travel. She will be supported in her new position at TUI Cruises by CFO Frank Kuhlmann.

### A sophisticated environmental strategy

TUI Cruises' environmental strategy is focussed on central concerns such as climate protection and reduction of emissions, energy efficiency and progressive waste and waste water disposal. Impressive results have already been achieved in these areas:

- A seven-percent reduction in CO<sub>2</sub> emissions in 2013 alone compared to the previous year thanks to the optimisation of routes and speeds
- An almost seven-percent reduction of fuel consumption in 2013 compared to the previous year
- Improved atmosphere preservation thanks to the consistent use of radiant heat recovered from engines
- Reduced energy consumption thanks to energy-saving/LED bulbs

TUI Cruises is also leading the way in terms of waste disposal:

- On-board facilities for waste separation (paper, glass, leftover food, packaging), shredding and compacting
- Environmentally friendly waste incineration (of harmless waste)
- Delivery of non-combustible waste to disposal firms based in the nearest port
- Proper on-board disposal of waste accumulated during land excursions

We have also been able to reduce the total amount of waste by 16 per cent in 2013 by systematically avoiding its accumulation.

### Careful use of water

Water is a particularly precious resource: TUI Cruises produces most of the water required on its ships from sea water in its own desalination plants. Waste water is treated in modern plants and then disposed of safely. In order to reduce its water consumption even further, TUI Cruises implemented so-called "towel cards" last year. They are supposed to discourage customers from using multiple towels at the same time. The result: the total laundry volume has decreased by 30 per cent.

#### Significant reductions achieved by the TUI Cruises fleet in 2013 compared to the previous year

|                           |   |       |
|---------------------------|---|-------|
| CO <sub>2</sub> emissions | ↘ | - 7%  |
| Fuel                      | ↘ | - 7%  |
| Waste                     | ↘ | - 16% |
| Laundry                   | ↘ | - 30% |

TUI Cruises' efforts for better environmental protection have been acknowledged by third parties: a recent environmental survey by the German Association for Nature Conservation (NABU) ranks all of the new TUI Cruises ships amongst its top ten. "But our efforts to reduce the environmental impact of our cruise tours to a minimum are not finished yet," explains TUI Cruises' CEO Meier. "For this reason, we will continue investing in new technologies, improving our processes and, by doing so, cutting our fuel consumption. This doesn't just benefit our

environmental balance – it also leads to lower fuel costs, giving us economic advantages."

### Political support needed

TUI expects politicians to provide their substantial support for the development of a cruise tourism industry that is geared towards sustainability. The following measures can contribute to the further growth of the cruise sector:

- Development of the necessary port infrastructure, such as terminal facilities and liquid gas filling stations
- Environmentally friendly shore-side electricity supplies for ships at berth
- Cosmopolitan visa policies to welcome travellers from outside of Europe

Cruise ships trigger growth on the coasts of Europe and in many newly industrialising countries, where tourism creates new employment opportunities and purchasing power. It is now in the hands of Germany and the EU to provide sustainable support for this important driver of growth.

# TUI AIRLINES: INVESTING BILLIONS IN A HIGHLY EFFICIENT FLEET

## Boeing 787-Dreamliner fleet growing further – five airlines under one roof

The leading European holiday airlines of the TUI Group have set themselves an ambitious goal: “We do not simply want to be the best holiday airline; we also aim to run the most modern and fuel-efficient fleet in Europe,” says Henrik Homann, Managing Director Aviation, TUI. The German TUIfly, the British Thomson Airways, Jetairfly from Belgium, Arkefly from the Netherlands and the Scandinavian TUIfly Nordic will be cooperating even more closely under the shared



Henrik Homann,  
Managing Director Aviation, TUI

roof of “TUI Airlines”. They will create new offers for their customers and strive to improve their environmental efficiency more and more.

TUI is currently equipping the wings of all of its existing TUI Airlines Boeing 737 aircraft with such winglets.

### Kerosene consumption reaches record low

- The fuel consumption of TUI's German fleet amounts to only 2.79 litres per 100 passenger kilometres. That is almost one litre below the sector average.
- According to the German Aviation Association (BDL), German airlines use 3.68 litres of fuel per 100 passenger kilometres.
- TUI Airlines' specific CO<sub>2</sub> emission values of only 70 g per passenger kilometre are similarly outstanding.

TUI is currently investing in one of the most ambitious fleet modernisation programmes in the history of the company:

- 15 new Boeing 787-Dreamliner long-haul jets
- List price for 15 aircraft: EUR 2.5 billion
- First deliveries took place in 2013
- Eight Dreamliner aircraft are already in use at TUI Airlines
- Further deliveries planned for 2015

The B 787-Dreamliner aircraft are particularly climate-friendly: Thanks to their use of carbon fibre-reinforced plastic in the aircraft skin, the plane is more lightweight and has better aerodynamics than its predecessors. This reduces kerosene consumption by approximately 20 per cent per passenger compared to similar aircraft. Further advantages: The engines are amongst the quietest in their class. Decreased cabin pressure reduces the strain on the body. Especially elderly people and small children benefit from this.

### Optimised aerodynamics

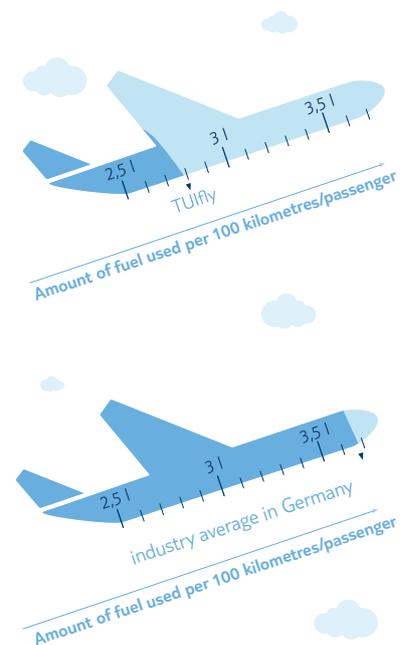
Besides the new B 787 long-haul jets, TUI is anticipating the delivery of new B 737 short and medium-haul aircraft for holiday destinations in Europe and North Africa. These jets, too, will be especially eco-efficient. They are equipped with so-called “Split Scimitar Winglets” which contribute to optimising the aerodynamics of the wings. This allows for a reduction in kerosene consumption by approximately 170,000 litres per year per aircraft.

This places TUI Airlines at the top of European airlines in terms of Dreamliner commissions.

### European stock of Boeing 787-Dreamliner aircraft (up to November 2014):

|                     |   |
|---------------------|---|
| TUI Airlines        | 8 |
| British Airways     | 8 |
| LOT Polish Airlines | 6 |
| Norwegian           | 2 |

### TUIfly: fuel-saving champion



### Research cooperation: Sustainable technologies in action

Besides modernising its own fleet, TUI has entered into a partnership with the “Boeing ecoDemonstrator” programme. This programme aims to research new technologies for the aircraft sector. Intensive and regular communication with political decision-makers will constitute an important aspect of this project. TUI is currently in the process of fitting a TUI B 757 test aircraft with innovative state-of-the-art technologies in order to test the energy-saving potential and suitability for series production of certain components. The aircraft is intended to deliver data and empirical values from passenger flight operations starting in 2015.



A TUIfly aircraft in the “blue wave” design at Hanover airport

### Better regulatory conditions needed

With its large aircraft fleet and its billions worth of investments in Europe, it is fundamentally important for TUI Airlines that politicians improve the basic conditions for air traffic in Germany and avoid a blatant distortion of competition. The air traffic concept announced by the federal government must make the international competitiveness of German air traffic a priority. The air traffic tax in particular is harmful to

Germany (cf. separate text on this page). Fleet modernisation programmes that have a positive impact on the environment, such as those currently being implemented by TUI, are complicated significantly if a part of the required funds has to go toward the air traffic tax. Air traffic is a vital line for globalisation. Especially Germany, in its role as a travel and export champion, cannot afford to miss its flight to the future.

## AIR TRAFFIC TAX: GERMANY'S INCREASING ISOLATION

Germany is increasingly at risk of isolation concerning the air traffic tax: while the Federal Constitutional Court has recently ruled the tax to be constitutional, more and more EU member states are either weakening it or abolishing it entirely. And that is a good thing: the individual taxes of the various member states profoundly contradict the European idea. They also violate well-established principles of international air traffic, such as the self-financing of carriers.

Here is an overview of recent developments:

- The United Kingdom has already weakened the tax: From 1 April 2015, the highest payments for distances

exceeding 4,000 kilometres will be abolished.

- In Belgium, the tax was retracted after only 24 days.
- The Netherlands, Denmark and Ireland have also abolished it entirely.

The more our EU neighbours distance themselves from the tax, the more painful an exception the German contribution will become. Germany's four large airlines alone pay more than EUR 500 million of air traffic tax per year to the Federal Minister of Finance.

For this reason, TUI explicitly welcomes the recent proposals by MPs Arnold Vaatz, Dr Michael Fuchs (both CDU), Sören Bartol and Hubertus

Heil (both SPD) to abolish the tax. “The air traffic tax may seem bearable in and of itself. But on top of other fiscal charges, it adds up to a cumulative burden that has become quite difficult to bear for the German air traffic industry,” states Hubertus Heil.



Hubertus Heil, MP, Deputy Chairman of the SPD parliamentary fraction

## PACKAGE HOLIDAY TAX: A THREAT TO CONSUMER PROTECTION

### Business tax addition for hotel bookings temporarily suspended

**An important step on the way to the abolition of the business tax for hotel rooms booked at third-party providers included in tour packages has been achieved: The tax authorities of the federal states have suspended the controversial assessment until further notice due to major legal and political concerns. Tour operators, however, are left with legal uncertainty and significant financial risks. They have to create provisions for these risks and, on top of that, would have to pay six per cent interest on the potential additional payment.**

The fundamental reason for this problem is an attempt by the German tax authorities to impose additional taxes on providers of package holidays in the context of a sweeping over-interpretation of the 2008 business tax reform. Hotel allocations that were booked with third-party providers since 2008 would be retroactively taxed as business assets under the heading of business tax. This interpretation was not explicitly

provided for by the legislator. The views of the travel industry were therefore not taken into account for the 2008 amendment of the business tax, as the legislator did not identify the travel sector's relevance.

- The approach of the financial authorities gives an advantage to online travel portals. Their offers ("click and mix") are not subject to business tax. Providers located abroad are also exempt from taxation. This creates an intolerable distortion of competition at the expense of German companies, especially medium-sized tour operators and coach companies in Germany.
- Consumer protection also falls victim to this intentional taxation: the planned tax system places qualified tour operators at a disadvantage compared to pure agents. When a customer uses an agency website to book a hotel room (rather than a complete package), a direct agreement between the customer and the hotel is created. The lack of taxation

may mean some savings for the customer. But in return, he has to forfeit certain consumer-friendly aspects of package holidays: if an adverse situation occurs, nobody will be available to look after the customer in the holiday area. In the case of a breach of warranty, foreign laws will apply if the hotel was booked via an agency.

The tax authorities claim that the purchase of hotel allocations involves a rental or lease contract. In reality, however, such an agreement is a mixed contract that predominantly involves non-rental services. It is impossible to split the services combined in the contract, so the separate taxation of individual components is not at all feasible. Not only should the tax authorities suspend the added business tax for hotel purchases, they should abolish it altogether.

### TUI most popular tour operator



TUI is Germany's most popular tour operator. This is the conclusion reached by the German Consumer Research Agency (DtGV) in a survey of 450 people aged between 18 and 65 years. They were questioned about the diversity of packages offered, the quality of the tours, the customer service and transparency of the large operators. The survey also asked about their overall impressions regarding fairness, credibility and reliability.

TUI was ranked first in five of the six categories, achieving an overall victory. This means that TUI is considered particularly reliable, credible and trustworthy: a both fair and modern operator. Most of the respondents would recommend TUI to others, rather than competing operators.

"Market and competition work well in the tourism sector," says Thomas Ellerbeck, member of the TUI Group Executive Committee. The planned amendment to the EU Travel Package Directive may lead to more bureaucracy, but certainly not to higher customer satisfaction. "Our quality standard and the high competitive pressure of this sector are a lot more motivating for us than any government directive could be."

## NEWS

### TUI ships honoured as world-class

The "MS Europa 2" (pictured) of the TUI Group member Hapag-Lloyd Kreuzfahrten was only commissioned in 2013. But it has already been named the best cruise ship in the world for the second time in a row by the renowned ranking in the "Berlitz Cruising & Cruise Ships Guide 2015".

"MS Europa" and "MS Europa 2" were the only cruise ships in the entire ranking that received the five-star-plus top mark. *Mein Schiff 3*, too, has been awarded: it received the German Cruise Prize as the "Ship of the Year 2013".



### Staff management: equal opportunities are a matter of course for TUI

35 per cent of leading positions at TUI are held by women, and this figure is set to increase further. TUI has once again been awarded the "Total Equality" rating for exemplary measures towards achieving equal

opportunities in personnel management. The prize is awarded with the support of the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ). TUI is taking measures for the promo-

tion of women and families in order to distribute responsibilities evenly between women and men. The tourism corporation received the "Total Equality" rating for the first time in 2011.

### TUI ahead of the sector in terms of sustainability

Since September 2014, TUI AG has been listed in the renowned Dow Jones Sustainability Index (DJSI) in the categories "World" and "Europe" – as the only tourism corporation in the world. Especially in the categories of risk and crisis management, corporate citizenship and stakeholder

dialogue, TUI has been able to score very high rankings. The environmental policy and eco-management systems of Europe's leading tourism corporation are also clearly ahead of the competition.

Every year, more than 3,000 listed companies from all sectors

are invited to undergo an evaluation of their sustainability activities. The best-scoring companies of each sector are listed in the index. This year, the DJSI World lists 319 top-rated companies, while the European index features 154.

### TUI's ecologically self-sufficient country estate in Tuscany

TUI is creating a unique tourism project in an unlikely place: a little medieval village in Tuscany, uninhabited and barely managed since the 1960s. The Castelfalfi country estate measures approximately 1,100 hectares and is located in the "golden triangle" between Florence, Siena and Pisa. It has been carefully renovated with an investment of EUR 250 million from TUI and in cooperation with all relevant local parties. The village with its Lombard-era castle is the centrepiece of the Toscana Resort Castelfalfi hotel. Agricultural areas and production plants have been restored and the



growing of grape vines and olives has been developed significantly. Vineyards, olive groves and croplands are still predominantly distributed as intended in the original agricultural composition of the region.

**TUI's Castelfalfi country estate is carrying out a three-year series of experiments concerning the production of biomass in cooperation with the renowned Sant'Anna University in Pisa in order to attain a self-sufficient energy supply system.**

The TUI project has created many new employment opportunities in one of the least economically developed regions of Tuscany, and reinvigorated a cultural and agricultural gem in a most exemplary manner.

## THE NEW TUI AT A GLANCE



Global corporation –  
headquarters in Germany



Approximately 1,800  
travel agencies in Europe



€18.7 billion turnover



77,000 employees in  
130 countries



More than 300 hotels  
with 210,000 beds



Adjusted EBITA margin of  
€869 million



More than 30 million  
customers from 31 source  
markets travel to 180  
countries around the  
world



136 aircraft



Market capitalisation of  
€7 billion



12 cruise ships



A FTSE-100 company

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