

policyAGENDA

May 2017 issue



Mexico's new high

More and more TUI guests are choosing Mexico for their holidays. How the local communities benefit from the growth of tourism and how TUI is providing support for the development of the destination, is shown in our new policyCLIP.

Read more at www.tui-policylounge.com

IN THIS ISSUE

Economy and Labour

EU

Commentary Dr. Rolf Mützenich MP

Notifications

Cruise ships: Flagships of the European shipbuilding industry	2
Greece: Tourism is a permanent job-motor	4
Young Europe 2017: Study reveals extremely fragile support	7
EU Border Controls: Commission's proposal is not practical	8
Foreign Policy: Tourism an important instrument for more stability	9
China: TUI grows in the digital travel market	10
Long distance travel: Important boom for emerging and developing countries	10
Tuscany: TUI Blue opens a hotel – and revives an almost forgotten town	10
Booking page TUI.com: Winner with Stiftung Warentest	10
TUI Group: Your contacts with us	11

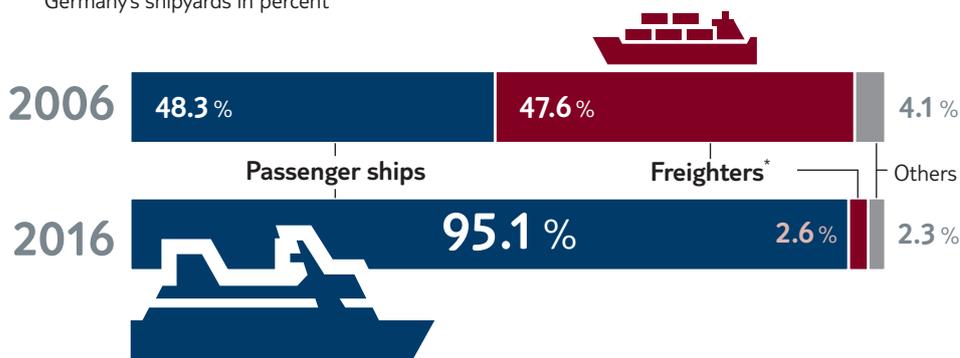
CRUISE SHIPS: FLAGSHIPS OF EUROPEAN SHIPBUILDING INDUSTRY

Tankers or container ships “made in Germany”? That was long ago. The production of these types of ships has collapsed. Most of the remaining orders go to Asia. The fact that Germany still has an efficient shipbuilding industry is thanks to the orders for passenger ships. Cruise ships, each an

investment of several hundred million euros, are the pearls of German and European engineering – also thanks to the three successfully growing cruise lines in the TUI Group: Hapag-Lloyd Cruises, Thomson Cruises and TUI Cruises.

Trend in orders from Germany’s shipyards

Order backlog from Germany’s shipyards in percent



Source: VSM (Association for Shipbuilding and Marine Technology)

* Tankers, Bulkers, Containers/Dry Cargo, RoRo-Cargo

Shipyards undergoing structural changes

As recently as ten years ago, German shipyards produced tankers, container ships and freighters with a contract value of around six billion euros. This corresponded to a share of just under 50 percent. In the meantime, this segment has fallen to almost 0. The value of orders for passenger ships, however, has increased from a good 6 to over 14 billion euros since then. The boom in tourism investments has boosted the specialized shipbuilding industry and its suppliers. For the second year in succession, the number of employees in German shipyards rose in 2016 by 1.9 percent to 15,900 direct employees. Overall, the shipbuilding industry provides around 92,000 people throughout Germany with qualified jobs.

Hapag-Lloyd Cruises: Cruise tradition from Germany

In addition to TUI Cruises, the TUI Group also owns the British Thomson Cruises, currently with five ships, as well as the oldest cruise company in the world: Hapag-Lloyd Cruises. The four Hapag-Lloyd ships are successful in the luxury segment. Expedition trips to the Arctic or the Amazon – inaccessible to ocean giants – are just as much a part of it as exclusive performances by outstanding artists. For example, Circus Roncalli was the first European circus on two summer trips aboard MS Europa 2. In 2019, Hapag-Lloyd Cruises will put two new expedition vessels into service – built and equipped in Europe.

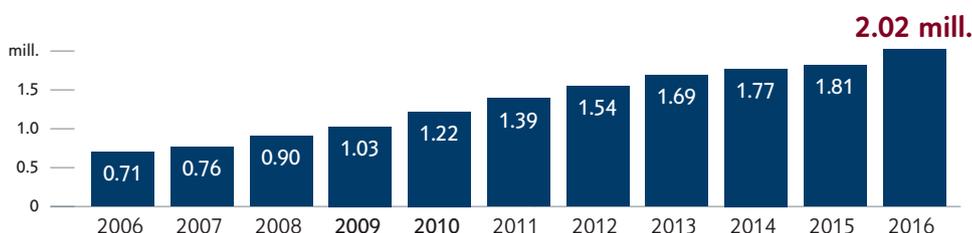
TUI: Important partner of Meyer Werft

This successful structural change would be unthinkable without the awarding of orders by German cruise operators. See the long-standing partnership between TUI Cruises and Meyer: since 2014 Meyer has been involved in Turku, Finland. At the same time, TUI Cruises placed construction contracts for a total of four cruise ships worth billions of euros with Meyer’s Turku shipyard. The construction will run over a period of five years. This planning security was critical for the investment and the growth of the company from Papenburg.

Demand creates jobs

Passenger volumes of ocean cruises sold in Germany in millions of persons

Source: CLIA Germany





Meinhard Geiken,
Regional Director of IG Metall Küste
(Metal-workers Trade Union –
Coastal Section)

Cruise ships secure thousands of jobs

»The construction of cruise ships is an important factor for German shipyards. About half the total order volume is handled by Meyer Werft and MV Werften. They thereby secure more than 5,500 jobs. In addition, their suppliers provide jobs for several thousand employees. The shipyards are important industrial cores in Northern Germany. We expect support from politics: in the age of digitization the focus must be on the employees. Securing financing and promoting innovation and green technologies are further tasks.«



Jan Meyer,
CEO of Meyer Turku

Key customers like TUI Cruises generate growth

»The orders from TUI Cruises were the key to the successful re-launch of the shipyard in Turku. The close cooperation between the Meyer Werft shipyard, Meyer Turku and the Neptun shipyard strengthens all the shipyards technologically and allows us to take an important growth step. The size and flexibility for our customers is now a key factor in the global competition. We offer TUI Cruises the latest technology – at the same time, we benefit from the expertise of the shipping company.«

On course: Launch date: 1st June

The partnership between Meyer and TUI Cruises is a success story in German cruise shipbuilding. The most visible sign: on 1st June the new Mein Schiff 6 will be officially launched in Hamburg. It will have accommodation on board for around 2,500 passengers. Key highlights of the fourth new vessel of TUI Cruises:

- **Innovations:** Like its sister ship „Mein Schiff 5“, „Mein Schiff 6“ will offer a concert hall for almost 200 guests. State-of-the-art technology will make a sound experience possible which will be comparable to that in a large concert hall. And thanks to the so-called hologram stage, artists like Ute Lemper and Dieter Hallervorden can perform live in a 3-D illusion on the high seas. The shows were exclusively recorded in Berlin. The company „TUI Cruises Program“, based in the capital, is one of the largest employers on the free cultural scene.
- **Emission controls:** the latest ships in the fleet consume 30 percent less energy compared to other cruise ships of comparable size. The proven exhaust gas purification system also helps to significantly reduce ship emissions. The sulphur emissions are reduced by up to 99 percent and nitrogen oxide emissions by about 75 percent – the main beneficiaries of this are the ports being visited.
- **Ressource protection:** The “Mein Schiff” fleet is equipped with the innovative wastewater treatment system AWP (Advanced Water Purification), with which all wastewater is purified far beyond legal requirements. In addition, TUI Cruises is breaking new ground in reducing waste. Latest example: together with the project partner “United Against Waste”, TUI Cruises recently analyzed the incidence of food waste on board Mein Schiff 4 in order to assess potential savings. The findings will be implemented from summer this year in the form of concrete measures aboard “Mein Schiff 4” and then extended to the entire fleet.

TUI Cruises emphasizes: in the cruise segment, sustainable growth is possible from an economic and ecological perspective. In addition, the regions surrounding the ports that are visited enjoy significant benefits. This applies in particular to emerging and developing countries.

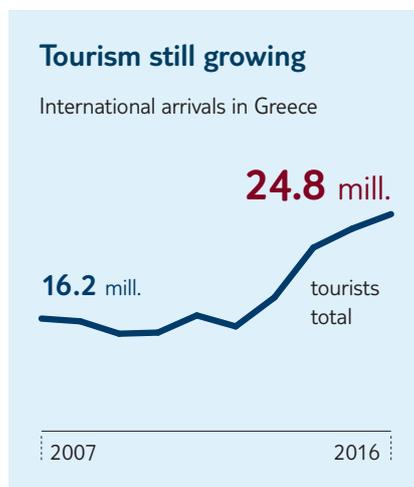


Hand-over of “Mein Schiff 6” with political support

On 6th May, the Turku shipyard handed over “Mein Schiff 6” to TUI Cruises in the presence of several members of the Tourism Parliamentary Committee of the German Bundestag.

Markus Tressel MP, Wybcke Meier (CEO TUI Cruises), Matthias Lietz MP, Patrick Schachtebeck (German Embassy Helsinki), Barbara Lanzinger MP, Heike Brehmer MP, Marc Drögemöller (Senior Manager Public Policy, TUI), Sabine Dittmar MP, Tanja Knittler (German Embassy Helsinki), Stephan Dehé (Director of the Committee Secretariat) (l. to r.)

GREECE: TOURISM IS A PERMANENT JOB-MOTOR



Source: Greek Tourist Board

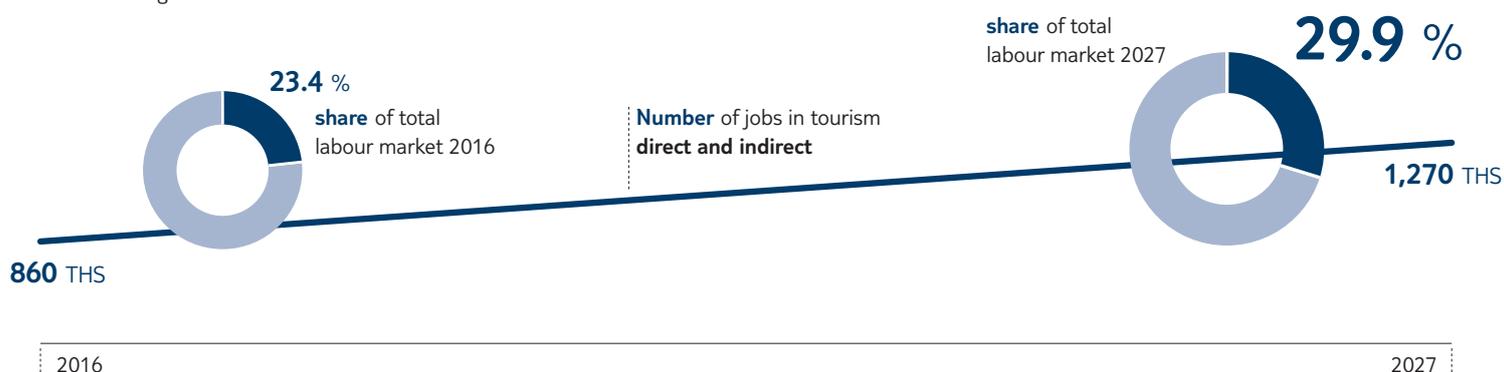
Greece is the tourist winner in 2017. This benefits the economy and, above all, the labour market. In the current year alone, tourism will provide an income for 54,000 additional employees. The TUI Group supports this trend with new travel packages, especially outside the peak season in the months of March/April and October/November. This perfectly matches the objective of the Greek tourism promotion policy, to welcome more tourists in the spring and autumn and thus to extend the tourist season.

Economic crisis continues to be dramatic

Even though the topic has been largely pushed out of the headlines, Greece's economy is still continuing to suffer from the debt crisis. In the period from 2009 to 2016, the gross domestic product (GDP) has declined by about 25 percent. Despite austerity measures, tax increases and privatizations, the budgetary situation continues to be tense. Although Greece – when the expenditure on interest is eliminated – managed to achieve a budget surplus of 4.2 percent as a percentage of GDP. But the EU Commission, the IMF, the ECB and the ESM (European Stability Mechanism) are pressing for further rounds of savings. It is unclear how the high unemployment rate of about 25 percent can be tackled under these conditions. The situation is particularly difficult for the younger generation: at the present time, almost one out of every two young people aged between 15 and 24 is unemployed.

2017 forecast: Importance of the travel business for jobs continues to grow

In 2016, tourism provided a total of 860,000 jobs in Greece. That corresponded to 23.4 percent of all jobs. According to forecasts of the World Travel & Tourism Council (WTTC), the share will increase until 2017 almost 30 percent. Currently, the tourism is even experiencing an above-average growth in jobs. For 2017, the WTTC expects a plus of 54,000 compared to the previous year – no other sector of the economy can report anything approaching these successful figures.



Source: WTTC

Tourism at record high

As a result, tourism is becoming increasingly important. Approximately one-fifth of GDP is generated in the travel industry – much more than, for example, the sum with which the industry contributes to economic performance. Altogether, tourism accounts for almost one million jobs with an increasing trend. Holidaymakers find Greece to be an attractive holiday destination: the mild climate, thousands of islands, the Greek hospitality and a unique cultural heritage make it a great attraction. In 2016, 25 million international guests visited the Hellenic Republic, an increase of 5 percent compared with the previous year. About every eighth visitor came from Germany.

Discover Greece

The destinations of the TUI Group

- by plane ●
- by cruise ship ●



Tourism promotes understanding and development

»German-Greek relations have a long and eventful history with many good aspects. Currently, the image of Greece in the German media is unfortunately very poor – marked by the consequences of the financial crisis. Therefore, I would like to invite the Germans to visit my country. Because travel offers the opportunity to gather your own experiences and to gain a more authentic impression of the country. Hospitality is a core feature of the Greek identity. Tourism is an important pillar of the economy – also providing positive impulses for other sectors. The TUI Group is an important partner thereby.

I know based on my own experience, how tourism can promote development. As a child, I regularly took a vacation in Iriya on the Argolic Gulf, a place that was destroyed in the Second World War. In the 1960s life there



Theodoros Daskarolis, Ambassador of the Hellenic Republic to Germany

was very simple. The inhabitants were poor and had no electricity. Today there are many tourists there. With them have come doctors, hospitals and electricity. Although some of the romantic flair has been lost, all-in-all the people of the village benefit from this: they can offer local products on the popular markets and develop prosperity«

TUI expanding its Greece offer

Greece is also a popular destination among TUI guests. As of March, bookings were up 30 percent compared to the previous year. As a result, the country continued the trend which was already good in the pre-summer season without a break. Behind Spain, Greece thus took the second place in the popularity rankings of German TUI holiday-makers. The TUI Group has responded to the growing demand:

- **Extended offer:** TUI is offering a much wider choice for the summer season for holidaymakers in Greece. On the popular islands of Crete, Rhodes and Kos, the offer has been expanded by about 40 percent.
- **New flight connections:** The 2017 summer schedule includes additional flights from Hanover, Nuremberg, Stuttgart and Basle to Kos, as well as from Berlin-Schönefeld to Crete and Rhodes. In the coming months, over 600 TUI flights will travel to Greece each week from all over Europe.

- **TUI hotel brand:** The TUI Group operates 31 of its own hotels in Greece and cooperates with several thousand additional hotels.
- **Cruises:** The three TUI cruise lines visit 26 Greek ports. Among others, TUI Cruises has added Katakolon before the gates of Olympia and Chania on Crete as new destinations in its programme.

Following difficult years, Greece has managed to regain stability. Tourism plays a central role in this connection. Every holiday guest contributes to the positive development of the country. The TUI Group is an important partner.



Crete on the way to becoming a more sustainable vacation destination

Greece also has culinary delights to offer: wine and olive oil have a history that extends over a thousand years. Traditional wine and olive-growers on Crete, however, are facing increasing difficulties in generating sufficient income. More and more winegrowers and farmers are facing the prospect of losing their livelihood.

This is where a new project of the TUI Care Foundation "TUI Cares for Crete", together with the Futouris Sustainability Initiative and local food experts, comes into play: they want to retain olive oil and wine as an integral part of the Cretan culture and, at the same time, create new perspectives for local farmers. To this end, farmers are being trained in organic farming and regional networks established with wineries and olive mills. At the same time, innovative interactive excursions and events in hotels are being developed for the tourists.



»We are delighted that, thanks to a joint vision with the TUI Care Foundation and Futouris on Crete, we are able to explore new directions and contribute to further strengthening Greece as a sustainable all-season destination.«

Elena Kountoura

The Greek Tourism Minister Elena Kountoura and Thomas Ellerbeck, Chairman of the Board of Trustees of the TUI Care Foundation, presented the Crete Project in March.



Sigmar Gabriel,
German Federal Foreign Minister

Europe must be fought for anew in each generation

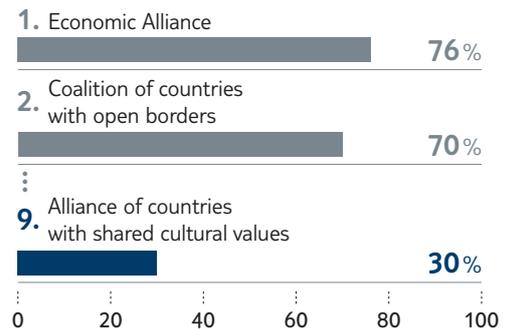
»The TUI Foundation has presented a youth study on Europe, which is frightening and must stir us to action (...) We therefore need a new start and concrete projects that create new confidence in Europe and offer concrete added value for the future prospects of young people all over Europe. (...) Europe may not be an elite project. We do not want an ›academic Europe‹ but a ›Europe for all‹.

YOUNG EUROPE 2017: STUDY SHOWS VERY WEAK APPROVAL

What do the young generation of 16 to 26-years-old think about Europe? The study "Young Europe 2017" offers different answers, for which the opinion research institute YouGov has asked 6,000 young people in seven EU countries on behalf of the TUI Foundation. Core results in the overview:

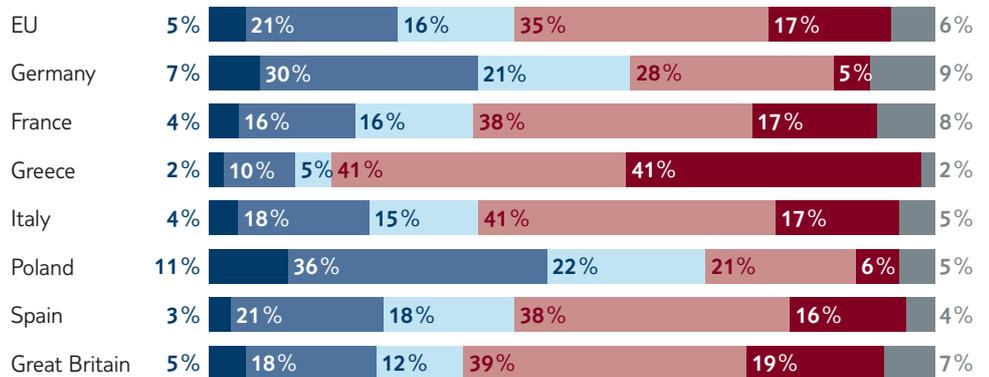
The EU is perceived primarily as an economic alliance, less as a community of values.

"In your opinion, which of the following tasks and meanings best describe the EU?"



Eight out of ten young Greeks think that they will be worse off than their parents.

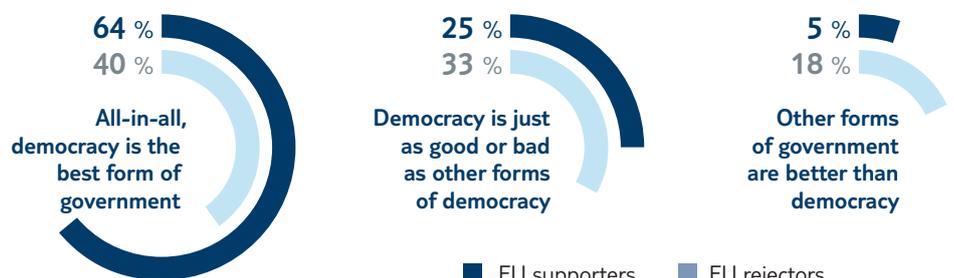
"When you think about your parents' generation: Do you think your own generation will be better or worse off in terms of income and quality of life?"



■ Much better ■ Rather better ■ it will remain the same ■ Rather worse ■ Much worse ■ n/a

EU rejectors have much greater doubts about democracy.

"If you think about democracy as a form of government: Which of the following statements do you agree with?"



■ EU supporters ■ EU rejectors



Thomas Ellerbeck,
Chairman of the Board of Trustees of the TUI Foundation

Put the emphasis back on joint values

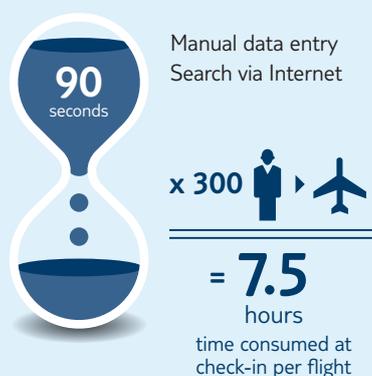
»The value-based binding forces of Europe have long been taken for granted. But this self-evident fact no longer holds true. A Europe whose value is seen above all in the advantages of the internal market threatens to become interchangeable and arbitrary. It is therefore important to discuss the shared values of Europe. Here all social actors are required, not just politics«.

EU-BORDER CONTROLS: COMMISSION'S PROPOSAL IMPRACTICABLE

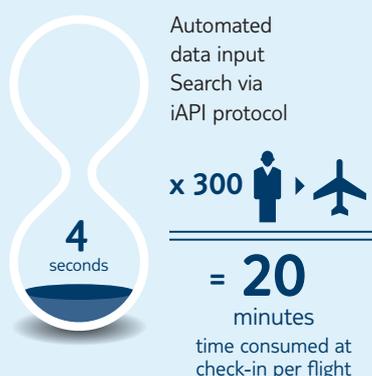
Avoiding unnecessary expenditure

Instead of adopting a passenger data system which is already established in international air transport, the EU is planning a complicated and not practicable special solution for the Schengen region.

ETIAS Commission Proposal



ICAO Standard



The proposal of the European Commission:
bit.ly/ETIAS_proposal

Safety in the air takes a top priority for TUI. This also applies to the fight against crime. The EU Commission would like to impose more stringent border controls on passengers who do not require a visa. This should be implemented by the airlines carrying the passengers. This is not only highly controversial for consumers and data protection supporters, but also represents considerable problems for the affected airlines and tour operators.

Registration system: Proposal not workable

Freedom to travel is a great asset. In order to preserve it without any restrictions within the Schengen area and to guarantee safety, effective controls at the EU's external borders are necessary, according to the Commission. For this reason, in November 2016, it presented a proposal for the so-called European Travel Information and Authorization System (ETIAS). The aim is to check the security and entry status of non-visa-bound travellers in the Schengen area before their arrival. On arrival by air, this would mean a comparison, among other things, with Europol-data, the fingerprint file EURODAC or Visa Information Systems. However, the draft Commission to be welcomed in its objectives is set out in Article 39. A requirement not practicable for the passengers and the airlines. Airlines should be obliged to collect and check passenger data online before boarding, either at the check-in or directly at the boarding gate. This is far removed from travel practice at the airports:

- **Online check:** The check-in computers of the airlines have no access to the Internet. For a good reason: the airline computers at the check-in or boarding gate are part of a strictly protected internal network.
- **Mobile Check-in:** Many passengers already check-in for a flight using their own computer or mobile phone.
- **Check-in time:** Companies do everything to make the check-in or the boarding process as fast and customer-friendly as possible. The checking of an individual passenger in the way via the Internet sought by the Commission would, however, probably take 90 seconds. For a Boeing 787 Dreamliner with 300 passengers that would mean about 7.5 hours – not acceptable to either the passengers or the airlines.

Making use of existing data standards

The solution to the problem is very close: in international air transport passenger data is already transferred with the ICAO and IATA-accepted encrypted protocol iAPI. The advantage: there are secure interfaces to the databases of the public authorities. The USA and Australia already use this for ETIAS-compliant systems: Passing through the passport provides the desired information within four seconds. Airlines like those in the TUI Group are successfully using this method. And travellers retain their comfort and data sovereignty.

FOREIGN POLICY: TOURISM IS AN IMPORTANT INSTRUMENT FOR GREATER STABILITY

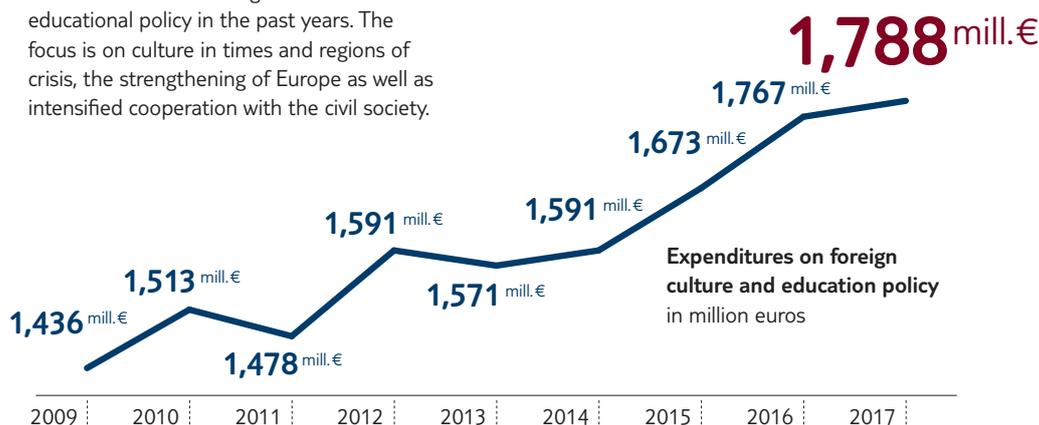
GUEST AUTHOR



Dr. Rolf Mützenich MP,
Deputy Chairman of the SPD Parliamentary Group for the areas of Foreign Policy, Defence and Human Rights

Foreign cultural policy strengthened

The German government has significantly increased funds for foreign cultural and educational policy in the past years. The focus is on culture in times and regions of crisis, the strengthening of Europe as well as intensified cooperation with the civil society.



Source: German Federal Government

» The importance of tourism is usually underestimated in international politics. Even though tourism policy is the responsibility of the Federal Ministry of Economics, as a cross-sectional task it does have points of contact with the areas of responsibility of the Foreign Ministry, in particular in the area of foreign cultural and educational policy. Through it, the federal government projects a positive image of Germany abroad and promotes the location of Germany. The German Foreign Office and the total of more than 200 German diplomatic missions abroad, support German tourists with all the latest travel and safety information and as a contact for consular assistance in an emergency.

Tourism as means of exerting pressure

Tourism is also an indicator of a country's political stability. What is often the most effective means of exerting pressure on states which do not comply with rules, is exerted by the travellers themselves. Their absence in the affected countries is usually much more effective than any sanction. Peace and political stability are indispensable factors for prospering tourism. This is an experience which is currently being painfully experienced by Turkey.

On my travels abroad I am repeatedly reminded of the concrete importance of tourism for international politics and cooperation. As the spokesman on Middle East Affairs for my party, I have directly experienced in Israel, Tunisia, Morocco, Lebanon, Iran and in Egypt, just how important personal exchanges, the knowledge of the respective other countries and, last but not least, tourism are as economic factors. The consequences of the revolutionary upheavals in the Arab region since 2011 have led to significant losses in the

tourism sector. Germany has been working hard since then, within the scope of its development partnerships, to support these countries.

Tourism as a door-opener

Federal Foreign Minister Sigmar Gabriel has recently announced a new direction in German foreign policy, which aims to involve Asia more strongly. Also in this process, tourism can be a door-opener and

further promote the exchange between people and cultures. Tourism can also, however, create problems if the local population does not receive an adequate share of the income or local ecosystems are destroyed. In the final analysis, the responsible behaviour of the holidaymakers and respect for the cultures and traditions of the countries visited is and will remain particularly important.

Undoubtedly, violent attacks all over the world have unsettled many holidaymakers. This makes me have all the more respect for the continuing openness and curiosity of many Germans to learn about other countries and peoples. This, too, characterizes the image of Germany. «

NOTIFICATIONS:



Opening address by Fritz Jousen, CEO TUI, at the ITB China, 10th May 2017

CHINA: TUI GROWS IN THE DIGITAL TRAVEL MARKET

According to official forecasts, in the coming five years, Chinese tourists will undertake 700 million trips abroad. TUI is the market leader in Europe – and would now like to grow more strongly in Asia. In technology-loving China, TUI China which was already founded in 2003 with 120 employees with partners such as the Alibaba subsidiary Fliggy, is developing new digital booking offers and innovative travel products. At the same time, TUI is investing in new hotels and cruise packages in South East Asia. China is not only the largest, but also the most dynamic and innovation-driven travel market in the world.

LONG-DISTANCE TRAVEL: BOOM IMPORTANT FOR EMERGING AND DEVELOPING COUNTRIES

Long-distance travel is extremely popular. For example, at TUI in the 2017 summer season it is registering a booking plus of 16 percent. This makes a significant contribution to development policy objectives, as on average 15 German holidaymakers secure one job in emerging and developing countries. One of the countries particularly benefiting from long-distance travel is Mexico. Already today, tourists secure eight million jobs there, with an increasing trend. The TUI Group is also focusing on the land of the Aztecs: by 2020 the number of the group's owned hotels will grow to more than 20. That will involve 3,000 new jobs. More about it in our [policyCLIP](#).



TUSCANY: TUI BLUE OPENS A HOTEL – AND REVIVES AN ALMOST FORGOTTEN TOWN

At the end of March TUI Blue – TUI Group's new hotel brand – opened its first five-star hotel in Italy. The project is part of the Tuscany resort Castelfalfi and, therefore, from a structural point of view extremely significant: the town of Castelfalfi was marked for decades by rural depopulation and economic decline. Just a few years ago only a handful of inhabitants lived in the medieval town. In the meantime, the 2,700-acre estate belongs to the TUI Group. Since 2012 the travel company – in close consultation with the local authorities – has rebuilt Castelfalfi. For the under-developed piece of land, the commitment is a stroke of luck: with around 240 locally-based employees, the TUI Group is the largest employer in the region.

BOOKING TUI.COM: WINNER AT STIFTUNG WARENTEST

Stiftung Warentest has compared 14 booking portals. TUI.com, thereby, took first place. It got best marks for search function, price stability, availability and cancellation. Categories which, with respect to consumer protection, play an essential role. TUI.com shared the win in the test with Schauinsland-Reisen: both received a total score of 2.3.

Booking portals tested



14 portals were tested.
Average Score: 2.7

Source: Stiftung Warentest

TUI GROUP – An overview



Global Group – Company headquarters in **Germany**



Turnover: **17.2 billion euros***



Adjusted EBITA **1 billion euros***



An **FTSE-100** company



Market capitalisation **7.4 billion euros****



67,000 employees in **130** countries



20 million customer travel worldwide to **180** destination regions



Over **300** company-owned hotels with **214,000** beds



5 tour operator airlines with around **150** aircraft



14 cruise ships



1,600 travel agencies and leading Online portals

*Numbers based on the 2015/16 business year ** Status 30th September 2016

TUI GROUP YOUR CONTACTS WITH US



Thomas Ellerbeck

Member of the Group Executive Committee of the TUI GROUP

E-mail: thomas.ellerbeck@tui.com

Phone: +49 (0)511 566 6000 | +49 (0)30 6090 2060-60



Frank Püttmann

Head of Public Policy

E-mail: frank.puettmann@tui.com

Phone: +49 (0)30 6090 2060-30



Dr. Ralf Pastleitner

Director International Public Policy & EU Affairs

E-mail: ralf.pastleitner@tui.com

Phone: +49 (0)30 6090 2060-61



Dr. Marc Drögemöller

Senior Manager Public Policy

E-mail: marc.droegemoeller@tui.com

Phone: +49 (0)30 6090 2060-31



Jane Ashton

Director of Sustainable Development

E-mail: jane.ashton@tuitravel.com

Phone: +44 (0)129 3645700



Birgitt Hillerich

Political Consultant

E-mail: birgitt.hillerich@tui.com

Phone: +49 (0)30 6090 2060-61

Publisher:

TUI Group
Head Office Berlin

Pariser Platz 6a
10117 Berlin, Germany

www.tuigroup.com
www.tui-policylounge.com
www.twitter.com/politiklounge

Editorial staff:

TUI Group
Group Corporate & External Affairs
Public Policy

Editorial deadline:

16th May 2017

Agencies:
Köster Kommunikation
GDE Kommunikation gestalten