

moments

TUI GROUP MAGAZINE



Emotional

Desert deep dive. An accelerator in Egypt supports start-ups with sustainable business models.

Digital

Technology, portfolio, culture: the Italian activities start-up Musement enriches the TUI family.

Individual

Hotel holiday meets individual journey: international roll-out for the winning TUI Blue concept. An excursion to the roots.

TUI GROUP IN FIGURES

December 2019



28 million customers
a year. And we offer
individual holiday
moments to every
one of them.
How do we do it?

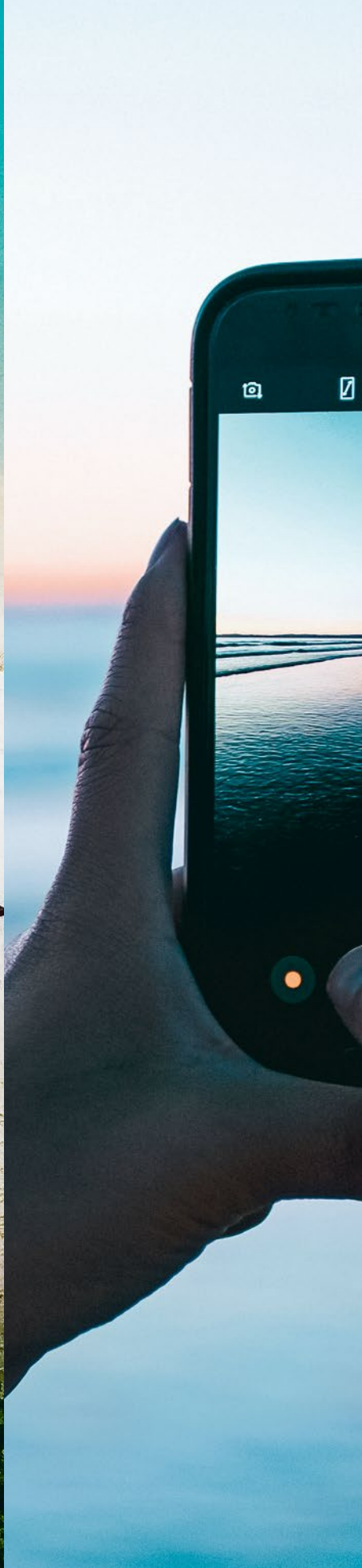


With the latest technology we work ceaselessly on becoming better and more interesting for our customers, and at the same time more efficient. For our guests, the journey is even more relaxed and enjoyable.



Online and offline blend seamlessly – and the most precious time of the year becomes an unforgettable experience. Our perfect customer journey.






We take the responsibility
and weigh up decisions carefully
in advance. Making travel as
sustainable as can be.



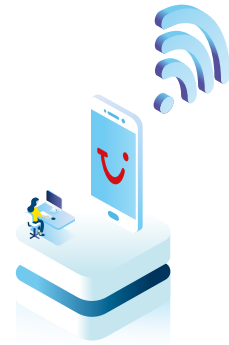






We are merging the digital and analogue worlds into one experience. Front of stage and behind the scenes. This way we tap into new markets and personalise travel in new ways to fulfil even more dreams. Because a holiday from TUI is a pledge to give great quality and outstanding service. Every unique moment.

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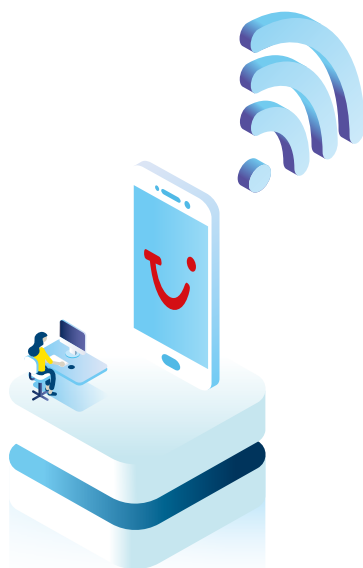
Digital is key: how to enter markets
without an operator base.





» THE FUTURE NEVER
LIES IN A HISTORICAL
BUSINESS MODEL «

Digitalisation, climate change, Thomas Cook insolvency: 2019 was in many respects a turbulent year. We talked to TUI CEO Fritz Jousen about challenges and opportunities in a changing world and how TUI – as a platform company and as a brand – intends to maintain a stable market position in the future.



The activities platform Musement has been an integral part of the TUI app since autumn 2019.

Mr Jousen, the last business year again had a number of special moments up its sleeve for you and your colleagues ...

2019 had a distinctive flavour in every respect. We pursued our hotel strategy systematically with a record number of openings. We have expanded our offering with 25 new hotels in nine countries, so we now have over 400 properties in the portfolio. We have two new luxury expedition vessels at Hapag-Lloyd Cruises and the new Mein Schiff 2 has joined our fleet of cruise liners. Our excursion and activity platform Musement has been available to 200 million Asian customers since March in cooperation with Ctrip, and it has of course already been integrated into the TUI app for our guests in Europe. Parallel to that, we sold the French airline Corsair in spring and the specialist tour operators Berge & Meer and Boomerang in summer. They were not part of our core business, so they didn't generate any synergies. This enabled us to sharpen our profile even more. Taken together, all these factors are concrete steps towards implementing our strategy. We are consistently restructuring and placing a clear focus on strategy, business and investment.

But there were some difficult moments in the past year, weren't there?

The grounding of the Boeing 737 Max confronted our industry with major challenges. The Group Executive Committee quickly agreed: our customers' holidays are our top priority and must not suffer. It was, after all, just before the Easter holidays and the launch of the summer season. We rapidly sourced replacements and were able to ensure every trip, just as our customers rightly expect from TUI. However, the follow-on costs of the grounding are enormous and weigh on our annual result to the tune of 300 million euros. TUI is as fit as a fiddle and was very successful again in 2019, but naturally the 737 Max will show up in this year's balance sheet. Of course, we were affected by Thomas Cook exiting the market and that stretched many of our colleagues, especially in the first few weeks – for example, when they were helping our former competitor's customers who had been stranded on holiday. We did a lot to offer new prospects to hard-working Thomas Cook staff. In the UK and destination countries in particular, we organised job fairs and also began recruiting very quickly.

TUI shareholders have been accustomed to a double-digit rise in earnings over the last four years. In 2019 investors were treated to two profit warnings. What's going on?

2019 was an unusual year. What's clear is that TUI is still a growing company. And the growth in tourism is intact. It is still the case that more people are travelling every year. That isn't going to change. Quite the reverse: in many countries around the world, there are new middle classes emerging who are discovering the joys of travel for themselves. From the start of 2019 there were signs that the weakness of sterling in the wake of the Brexit announcement, but also the aftermath of the phenomenally hot summer of 2018 with shifts in destination demand, would have a massive impact on the

already low margins of our traditional tour operators. Shortly afterwards came the grounding of the 737 Max, with the earning effects I have just mentioned. This underlines the fact that the first step in our strategic development, the move from tour operator to investor, developer and operator of hotels, cruises and holiday experiences, is turning out to be absolutely correct. In this tough environment we have once again achieved earnings at the same level as our record year 2018 – once we factor out the one-off impact of grounding of the Boeings. The transformation since 2014 is a strong foundation and the basis for our success. Now we are about to enter the second stage. This will be a bigger step and will change TUI even more deeply.

Why have you initiated the second stage in the transformation? Wouldn't this be a good time to restore some calm in the organisation?

If you want to maintain your lead, standing still is not an option. The future never lies in a historical business model. Our customers' needs are changing, and so are their lifestyle and their holidays. Thanks to our successful transformation into a hotel and cruise group, we have established a strong springboard for the consolidation that is now taking place in the market. We began more than two years ago to place our business on a more digital footing – by investing in IT and digital platforms, artificial intelligence and the digital development of new markets in the world's growth regions. Much of what we had begun doing was not immediately apparent in its strategic and commercial significance to TUI. That has changed. It is paying off: for customers because of a more personalised offering, and for the Group because of access to new markets. And of course in our earnings.

Where is the Group heading?

Hotels and cruises will remain strong pillars, but we are becoming a true digital and platform company. It's less capital-intensive and more scalable. That is where we are heading. The restructuring has begun. Purchasing the Milan-based technology company Musement to market activities and events globally was an important piece of that.

"Platform" sounds intriguing. What exactly should we understand by that? Will we soon stop travelling with TUI?

On the contrary, customers will be getting far more services from TUI. We will also be offering integrated travel in future. But with algorithms and artificial intelligence we can already do things that were impossible in the past. We can offer much more personalised services, and on a big scale, so for a large number of customers. In the old days, if you customised production, your costs immediately spiralled. Today, with the right infrastructure, it's no problem to combine personalised offerings with attractive pricing. We are doing that, for example, by linking Musement, our new activities portal, into our smart CRM system. On one side around 150,000 products, on the other 28 million customers. The result is a kind of Amazon for holiday experiences. The advantage of a platform company as against a product company is that yields are much higher and require less capital input. For hotels I need land. Ships

are also capital-intensive, and due to the shortage of shipyard capacity in Europe there is a long lead time between placing the order and taking delivery. That is why for the last two years we have been investing selectively in platforms for digital business models.

There are already quite a few platform providers for activities, and they have been attracting millions from investors. What can you do better than the others?

TUI's platform is the technological leader in the field. We are investing in the technology and we don't need to invest in reach like other providers. We already have that with our 28 million customers. We are much closer to our customers. We know months in advance where they plan to spend their holidays and what their preferences are. This means that – as long as they consent, obviously – we can tailor offers to suit them. Very individually. We gauge our success in "conversion", or how many offers result in a customer's decision to buy. The statistics are gratifyingly high. Besides, unlike everyone else, we have 9,000 TUI employees out there in the destinations. That conveys a sense of security, guarantees quality. If someone is buying a ticket for the Louvre, that doesn't matter, but it does if they want to take a trip in a hot-air balloon in Morocco. The TUI brand is extremely robust, firstly in the destination countries, which enables us to offer particular experiences there that we design ourselves. And also among the customers who know us and realise that TUI stands for quality and good service.

Many investors are losing money on digital business models. Are you?

No, it's already reaping rewards. Our earnings from these areas are growing every year by at least 20 per cent. 50 million euros, or about five per cent of the Group's total earnings, are already coming from that segment after such a short time. Half our earnings growth is expected to come from the platform business in future years.

A second theme for the future goes by the unwieldy name of GDN-OTA. What's behind that?

Admittedly quite unwieldy, like so many names in the digital world. We have developed a completely innovative global distribution network for our own hotels. Now we will open it up to third-party hotels. 200,000 customers a year are already using it to make bookings. This offers great potential to hotel-owners. You might say we are showing them the ropes. We give them the technical wherewithal to essentially market every room separately. Whether customers are willing to pay extra for certain services is a personal decision and takes different forms, and the offering should be just as individual. Today, via the usual portals, I can only market a handful of room categories; through us a hotel can market every room separately, like the room that gets the morning sun or a room near the Kids' Club. And all this for a chance of enhanced earnings and at an absolutely competitive cost. The hotels benefit and so do we at TUI. We need these platforms and services anyway for our own hotel companies and brands. That's why we developed the IT. Opening it up to others brings us efficiency gains and additional revenues.

»We have a strong springboard for the consolidation in the market and are evolving into a digital and platform company. Standing still is not an option if you want to maintain your lead.«



TUI has 9,000 of its own employees out in the destinations – a decisive advantage over other providers.



What role will the national markets still play?

Confining yourself to trading in travel modules, which is the classical tour operator business, has become harder for the whole sector – and it won't get any easier in the future. That's why the market-based companies are closing ranks, and hence becoming more efficient. There is no way around that. Nonetheless, the markets still have an important role to play. They cater for a huge outreach, already 21 million customers, and ensure high capacity rates for our hotels. That is why our own hotels are far more profitable than other hotel companies. Despite that, the markets must tackle constant change. We are currently harmonising our IT across all markets. That applies to almost every department from sourcing to flights, from distribution platforms to customer relations. In the future this will all be founded on a common standard. We could translate that by saying we build one car, then we sell and run it in all the markets. In two years that harmonisation should be complete. So within a short space of time we will have created a simple, flexible organisation across all market organisations while at the same time securing TUI's strengths in all European markets. This is above all our extremely efficient distribution, close to the customer and to the market with all its distinctive characteristics.

The TUI brand is well established. People trust it. Will that still matter in five years?

TUI stands for unique experiences, quality, security and innovation in holiday activities. Brands are actually crucial in the digital world. If I book a service online in a country that may be 4,000 kilometres away, I want to know who is behind it. TUI's customers know that very well. Our strong, distinctive brand is and remains a

key competitive advantage. A holidaymaker in a hotel recently told me "once TUI, always TUI". Our 70,000 employees take pleasure in that recognition and trust. It is above all to their credit.

Change of subject: Greta Thunberg and Fridays for Future were often in the headlines last summer and they unleashed a debate about climate change. What do you say about that?

It's understandable and I think about these things too. I also believe that the Greta movement has unleashed something fundamentally positive. But the idea that we can save the planet by refusing to fly is too easy. There's too much politics, ideology and symbolism there, but we won't solve the global carbon challenge that way. Ever since industrialisation carbon emissions have risen in proportion to prosperity. The better off we are as a human race, the higher the carbon emissions. The biggest factors are – in this order – heating, individual transport, construction. Flying accounts for about two per cent of global carbon emissions, similar to total commercial shipping, which means 50,000 merchant ships and only 400 cruise liners. In other words, less than one per cent of ocean-going vessels are for cruising. Wherever there are holidaymakers on board, the standards are much higher. All environment-friendly innovations therefore come from the cruise business. In the meantime, the entire shipping sector is mobilising, and quite right too. Besides, we shouldn't be telling people that if we stop flying we will save the climate. Unfortunately the global economy doesn't work like that. And people will be disappointed because even though they have made the effort it won't affect the overall volume of CO₂. Not flying here won't really help the climate if we bear in mind that China is currently building or planning 165 new airports. As long as we go on digging oil and gas out of the ground, it will carry on being burned somewhere in the world. We can only reverse the trend by uncoupling prosperity from carbon emissions.

And? Will that work?

Why not? We have hydrogen, which is a carbon-neutral source of energy. Although at the moment producing it is still too expensive. For hydrogen to replace oil and gas, producing one kilowatt-hour will have to cost about two cents. The only way to do that is with solar energy in the desert. Anything we do locally will have largely no effect on the climate target. This is a global challenge and we have to involve the oil producing countries. Otherwise the oil will be supplied to countries that don't want to accept our standards.

Another buzzword this year has been "overtourism". That must worry you, given that TUI relies on places where lots of people like to be.

The biggest problem is not overtourism, which only happens in a few places and for a few weeks of the year, but undertourism. In the Caribbean we can observe this very well if we take the example of two countries on the same island. In Haiti there are hardly any tourists, in the Dominican Republic right next-door there are very many of them. Where there is tourism, child mortality is lower, life



»When you travel you learn about other cultures and broaden your own horizons. That can't be wrong.«

expectancy is longer, training is better, average income is higher, health care is better, and water purification and waste disposal work. Everything is better where there are tourists. It stabilises the whole society. For many countries, tourism is currently the only opportunity to develop. Our task as a tourism group is to enable the destination countries to profit from the positive effects of tourism, so that value is created locally and people benefit from training and jobs. TUI Care Foundation, which was set up by TUI, is working in 25 countries around the globe at present to tap fully into the positive impact of tourism for the benefit of local people.

Even so, in many places travelling is almost considered distasteful ...

Travel used to be for elites. Now everyone has a chance to discover the world. The demand to stop travelling is not a good idea – especially at a time of major global challenges. We can't resolve the carbon issue we were just discussing without a global effort. So people should be meeting each other more, not less. When you travel you learn about other cultures and broaden your own horizons. That is the future.

The perfect cue. Let's hazard a glimpse of the future. Where will TUI be in five years?

In the last five years we have evolved from a tour operator to a hotel and cruise operator. In the next five years we will evolve into a digital and platform company. There are exciting times ahead for TUI. I can rely on a fantastic global team who are driving the change, well aware of the tremendous opportunities for TUI. Our vision "Think Travel. Think TUI." is extremely powerful and is unfolding enormous energy.

TUI is driving innovation – in both its airline business and in the cruise segment. Many TUI hotels use solar energy or treat seawater, single-use plastic is being systematically eliminated.



BLUE PRINT





The world's first TUI Blue hotel opened in 2016 at Sarigerme in Turkey. The lifestyle brand will now grow to about 100 hotels with roughly a million guests. TUI Blue Sarigerme Park still has a special role to play, whether as a pilot for technical innovations or as an inspiration for new long-haul destinations. An excursion to the roots of the brand.

“Those ones are the most popular.” General manager Yavuz Zeyrek waves towards some garden bungalows. “They have the best sea view. But the rooms in Demre Villa over there are a frequent choice too. The location is so central.” As we walk around the hotel, Yavuz points out the top choices among the ‘room preferences’. TUI Blue Sarigerme Park was one of the first facilities to trial the new function. A few days after booking their hotel, holidaymakers can select the rooms of their choice from the comfort of their own home or through their travel agent. On the digital plan, it’s easy to find the best rooms in their category. Guests pay ten euros per room and per night for this additional option – just one way to customise their stay to match their personal preferences. In turn, Yavuz Zeyrek and his team find out in good time what their guests want while earning some extra revenue. After a successful pilot, the option has now been rolled out to all TUI Blue hotels. The idea is also to implement it in as many new facilities as possible.

01



02



01–02, 04

Blue Experiences:
Regional excursions, like to the market in Fethiye, are part of the TUI Blue hotel programme.

03

The Blue App gives every guest a digital service assistant to plan their individual holiday experience. Anyone who doesn't have a smartphone with them can always contact the Blue Guides or use a display screen in the hotel.

03



More than **1/3**
of TUI Blue guests
use the app before
leaving home.



Digital assistant and personal adviser

Digital services like this are increasingly popular with travellers, but there is no shortage of personal contact with holidaymakers. "We have about 14 Blue Guides working here in different departments from reception to sports and the bar," reports Yavuz. "They are always here to advise and assist our guests if wanted. Many guests prefer the app, while others like to have a personal conversation. It depends on the individual." Over a third of the TUI Blue guests have already used the app before they leave home, exploring the daily programme of events or the add-on services well in advance. The booking options give customers a chance to plan and personalise their holiday before they travel. They might want to book sporting activities or reserve a table. "Our sunrise yoga courses are always well booked, and so are the daybeds on the beach," says Yavuz, consulting the back-end programme for the Blue App. Be it housekeeping, Blue!t Guides or the restaurant staff, for all of them this is an important source of information so that they can fulfil the wishes of their guests.

Multi-channel hospitality

At the hotel reception Yavuz comes across the Blue Guides Cosmina and Zeynep. They have both just returned from a tour of the resort. They regularly check the information display by the Pool Bar as well as the tablets in the Welcome Lounge. Holidaymakers who have not brought a mobile phone can use these to find out about the day's activities. "These two colleagues are in contact with our guests through various channels," explains Yavuz.

04



"Apart from the bulletin board in the app, we receive questions on social media, and we respond to reviews on well-known evaluation platforms like HolidayCheck or TripAdvisor." Today's hotel guests are not only a presence while they are actually staying; the periods before and after the trip also influence their holiday experience and consequently customer satisfaction.

A new kind of hotel

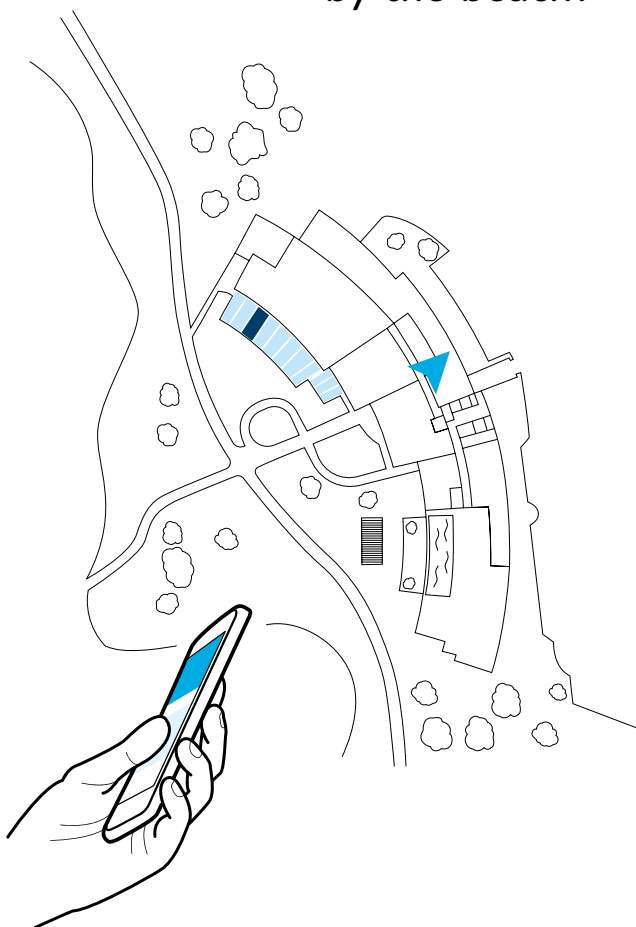
Before general manager Yavuz Zeyrek was able to cut the inaugural blue ribbon at TUI Blue Sarigerme Park, several months had already been devoted to intensive planning. What do lifestyle-aware customers expect from their hotel stay these days? What opportunities do they have to personalise their holiday even more? Requests by holidaymakers were collected, trends analysed and ideas tested. "It was soon clear that we wanted to implement the new brand in our own hotel here in Sarigerme. An exciting time that enabled us to feed many of our own practical experiences into the process," recalls Yavuz. On this basis a brand has taken shape over the last three years that achieves high scores for guest satisfaction and above-average recommendation rates. In the next few years TUI Blue will be developed into the biggest leisure hotel brand in the world, appealing to modern-day customers from different target groups and life phases.

The blue-tinted export hit

The team at the first TUI Blue hotel is backing this growth strategy to the hilt. "Defining standards is one thing, implementing them in your operations is another. We are happy to pass on our experience in the field. Next week, for example, our colleagues from Vietnam will be visiting," Yavuz relates. In spring 2020 the first TUI Blue hotel in Asia will open near by Hoi An in the Central Coast region of Vietnam. By that time the tried-and-tested hotel management system will have been installed in the Far East and the specific features of the site will have been captured. So guests can sit on the sofa at home and choose their rooms at Tam Tien Beach many miles away. A holiday kick with a click.



A room near the pool or directly by the beach?





05
Yavuz Zeyrek and his team opened the first
TUI Blue hotel in 2016; in summer 2020
the brand will welcome over a million guests
in 18 countries.





06



»TUI Blue will have over a million guests a year in the future, contributing to the global visibility of the brand.«

Sebastian Ebel, Member of the Executive Board, CEO
Hotels & Resorts, Cruises, Destination Experiences



»We plan to grow the TUI Blue brand from 10 hotels now to 100 by summer 2020. This will reinforce our leadership in the international leisure hotel business.«

Erik Friemuth, Member of the Group Executive Committee, Group Chief Marketing Officer & Managing Director TUI Hotels & Resorts



06
Blue Taste: The “Levante”, the speciality restaurant at TUI Blue Sarigerme Park (on the left of the picture), highlights local cooking. The high-quality culinary delights provided by TUI Blue hotels cater for all diets.

Mr Friemuth, how is it possible to expand so quickly?

TUI Blue has the potential to become the world’s biggest holiday hotel brand over the next few years. To this end, from summer 2020 we will merge the specially tailored profiles of the hotel brands TUI Blue, TUI Sensimar and TUI Family Life under the TUI Blue umbrella. Our guests will then benefit from a greater choice of TUI Blue hotels worldwide. Simply pooling the three brands will take us very close to our targets. In addition to this, we already have new hotel projects in the pipeline. In future years we will welcome around a million customers to our TUI Blue hotels.

What is the advantage of merging the hotel brands?

The keyword here is visibility. Although our brands are all successfully positioned, the number of hotels was quite small by international standards. By pooling our hotel offering under the roof of TUI Blue, we expect to enhance brand recognition, which in turn will generate more tailwind for our growth strategy. The new TUI Blue will still be geared to the contemporary, experience-oriented lifestyle traveller. But after the merger we can broaden our offering of personalised hotel experiences. The focus will be on the individual wishes of adults or families or people who want local culture and authentic discoveries. Within the TUI Blue portfolio, each hotel will be designed to cater for these different target groups and their needs.

What will make up the future TUI Blue brand portfolio?

TUI Group will continue to strike a balance within the hotel portfolio. Apart from the high-yield hotels we own ourselves, we will pursue an asset-light strategy with managed hotels. In addition, the TUI Blue portfolio will integrate some assets operated by external hotel partners in line with our quality standards. This will generate rapid growth and a bigger role in the international holiday hotel business.



A MARKETPLACE OF OPPORTUNITIES

Individual activities at the destination are increasingly the hallmark of a good holiday. TUI is a leading global provider of such experiences and expanded this business in 2018 by acquiring the Italian start-up Musement. Here Musement's co-founder Alessandro Petazzi and David Schelp, Managing Director of TUI Destination Experiences, shed light on a successful partnership.

A tour of the Statue of Liberty in New York with priority boarding for the ferry. Seats to watch FC Barcelona play at their stadium Camp Nou. Tickets for the water taxi from the airport to the centre of Venice. Or an island tour of Mallorca. Just four out of around 150,000 activities that TUI currently offers and that mark one of the key trends in the tourism industry today. "After the hotel and flight business, in-destination experiences are one of the biggest selling points in tourism," says David Schelp, Managing Director of TUI Destination Experiences. In 2018 global annual sales in tours and activities market approached 160 billion euros. The market is growing at a rate of seven per cent a year.

Now holidaymakers can book all these activities through any of TUI's distribution channels: from the rep, at the travel agency, on the website and in the app. The acquisition of Musement, a digital platform for destination experiences, has contributed significantly. TUI took over the Milan-based start-up in October 2018. Even before the acquisition, TUI already sold around five million tours per year. "This acquisition speeds up our transformation into a leading digital provider of excursions and activities and will enable our customers to enjoy even more personalised experiences," says Schelp.

Morocco, Spain,
Baltic Sea: Learn to
surf on your next
holiday? No problem.

Strong strategic partners

Alessandro Petazzi agrees that Musement and TUI are a perfect fit: "Initially we financed our growth with venture capital, and we were looking for a strategic partner," says the manager, who founded Musement in 2013 together with his three co-founders and a team that had grown to 150 people by the time of the takeover. The Italian online platform channelled its investment into building a cut-



»We also appeal to people who aren't travelling with TUI but are looking for things to do in the destinations. That's why we are opening the platform to distribution partners and other tourism companies.«

David Schelp, Managing Director,
TUI Destination Experiences

ting-edge IT infrastructure, and less into customer acquisition. That customer base has now been brought to the partnership by TUI. 28 million customers travel with the Group every year, and now they can benefit from the entire universe of experience from both companies. A win-win situation.

In addition, the two companies complement each other with their content. TUI is a leading provider of excursions in classical holiday destinations, while the Musement portfolio includes activities and tickets for all the world's major cities. "We have strengthened our product offering significantly through this acquisition," says Schelp. "Our portfolio now ranges from excursions in sun & beach destinations, wellness packs and adventures, to tickets for sporting events and museums, guided city tours and individual visits to sights." Tickets for theme parks like Disneyland and Universal Studios, which are popular with holidaymakers, can now be bought from TUI.

Easy to book

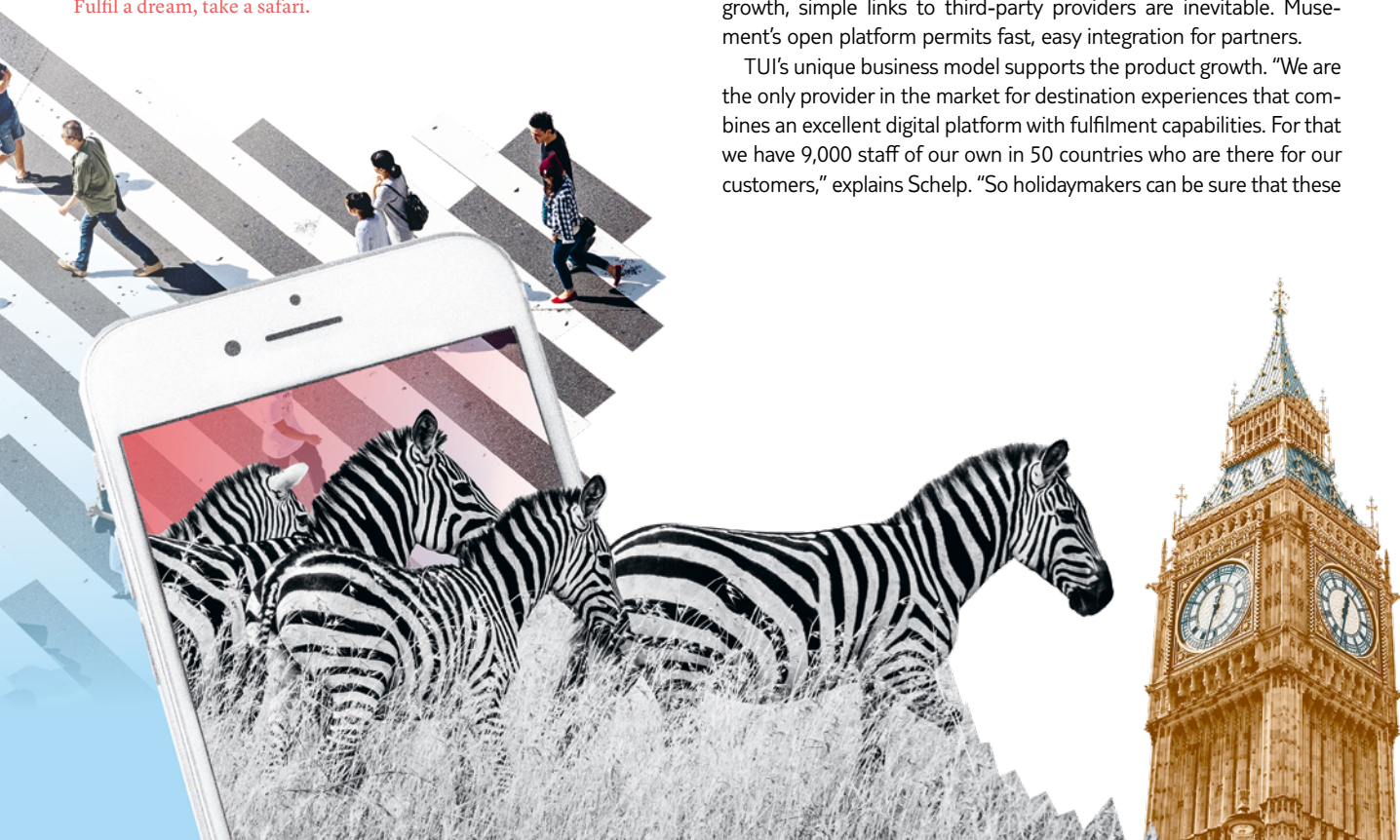
Twelve months after the takeover, the products from TUI and Musement are available on a common platform. This creates a number of benefits for all concerned. Now holidaymakers can browse the range of excursions and activities from home and book them on the TUI and Musement websites and apps. Moreover, all TUI travel stores and many partner agencies can access the offering. And of course the products can also be bought from the rep at the destination: "Our customers can book our experiences anytime and anywhere," says Petazzi.

Product diversity plus TUI quality

But not only are there more ways to book; the activities are more and more diverse as well. There are already around 150,000 products on offer and the number is rising rapidly. To facilitate this product growth, simple links to third-party providers are inevitable. Musement's open platform permits fast, easy integration for partners.

TUI's unique business model supports the product growth. "We are the only provider in the market for destination experiences that combines an excellent digital platform with fulfilment capabilities. For that we have 9,000 staff of our own in 50 countries who are there for our customers," explains Schelp. "So holidaymakers can be sure that these

National park in Nairobi or
urban jungle in Europe?
Fulfil a dream, take a safari.



Fly high in a hot air balloon,
and experience Barcelona from
a totally different perspective.



excursions and activities will meet TUI's quality standards." That quality claim is reflected in the fact that the Group curates many of the experiences itself, applying safety and health standards that are a benchmark for the sector. And the partners working with TUI are audited regularly.

Growing personalisation

As the offering grows, so too does the challenge of reaching out to customers in the right way. "We only want to offer our customers products that perfectly suit their needs," says Petazzi. The latest technology will ensure that out of the huge portfolio only the products with the best match will be offered to each customer. Initial tests in Scandinavia show that the conversion rates for these personalised product offerings are much higher than with classical marketing.

Mutual learning

Both managers agree that the business side is running smoothly. "But we are also a good match culturally," comments Petazzi, summing up his own experience and that of his co-founders, who have all stayed in the company's management. "That isn't always the case when a big player buys a start-up." Musement employs people from 23 countries, and since the merger with TUI the company has been growing fast. The headcount is already 250, and by the end of 2020 the figure is expected to hit 400.

David Schelp thinks that the secret to this effective cooperation lies partly in the decision not to integrate Musement into the Group after the takeover. "We work together in areas where there are synergies, but we have left Musement their start-up mentality. That also helps us within the entire TUI Destination Experiences business." Being fast and agile, establishing a new culture of error management, performing tests and learning from them to continually improve products – on all these fronts he sees much to learn from Musement.

The partnership between Musement and TUI has started successfully. Petazzi and Schelp have ambitious plans for the future: "We want to achieve above-average growth in one of the most exciting segments in tourism and become the world's leading provider in the market for tours and activities."



»Musement was a strategic acquisition on our road to becoming a digital company. The TUI brand, the Musement technology and our 28 million customers are the building bricks for the biggest digital marketplace for activities.«

Peter Krueger, Member of the Group Executive Committee,
Group Director Strategy and Merger & Acquisitions



Before the trip



During the trip

ONE APP

The TUI app maps the Group's entire value chain. As a platform, it helps customers to enjoy a seamless travel experience from booking the holiday until returning home. This gives it a pivotal role to play in the digital transformation of TUI.



On the first floor of Minerva House, a yellow brick building with tall, narrow tinted windows on the bank of the Thames west of London Bridge, just a stone's throw from bustling Borough Market, work is proceeding on TUI's digital future. At the TUI Mobility Hub, a team of specialists is further developing the TUI app, the future linchpin of a digital TUI. Within the next few years, this app is expected to be the most important tool for customers to plan and design their holiday experience, and simultaneously the principal service and sales platform for the Group.

The TUI Mobility Hub in its simple, open-plan office is a bit like a classroom or university reading room with its long rows of white tables. The atmosphere among the 40 or so young people in printed T-shirts, polo necks and jeans is relaxed but busy. Many are sitting at their desks, some wearing big earphones, while they are focussed keying in programming code, which pops up in bright colours on the computer screens. A few are standing clustered around a monitor looking at different user interfaces from a smartphone app. They click through the functions one by one, discuss, nod, laugh. One of them takes analogue notes with a felt pen on a neon green post-it sticker and attaches it to the edge of the screen. The young folk are all software engineers with job descriptions like UX/UI designer, scrum master, data analyst and tech lead – they are programming, developing and testing new functions for the app. The TUI app already has many functionalities to map the entire holiday experience – it is turning into an all-round holiday planner. From the search for thrilling destinations, then the booking, via the flight and hotel check-in, all

kinds of additional benefits and services to the inspiration for the next trip after returning home: the app can show you when and where your transfer will pick you up, use a chat function to ask the rep for excursion suggestions, reserve a table in a speciality restaurant, or book a diving lesson.

»We have a clear goal: We want to make the best of TUI available in a single integrated app.«

Amit Karia, Director of Mobile Technology

Continual updates

Amit Karia is also sitting at one of those long white tables. Today the Brit doesn't have much time to focus on his laptop – the phone rings constantly, and often colleagues come up to him to talk something through. Amit belongs to the management team at the Mobility Hub, and as Director of Mobile Technology he is in charge of the app's technical design and development: "The app supports our vision Think Travel Think TUI. We have a clear goal: We want to make the best of TUI available in a single integrated app. Very easy to use and with genuine added value for our customers. From the company perspective, the app combines three key elements: customer engagement, customer service and digital sales." To speed up the app's development, his colleagues are working in four Feature Teams, two in London and two 1,320 kilometers further south in Porto, Portugal, where another 40 or so colleagues are based. The structure and agile workflow resemble those of a successful start-up, and the underlying model origi-



nated with the music streaming service Spotify. Each team has members from different functions in marketing and technology or IT and is devoted to its own problem-solving or to a specific challenge. "As our Feature Teams operate like little start-ups, we can release an updated version of the app with new functions every month," explains Amit.

More and more users

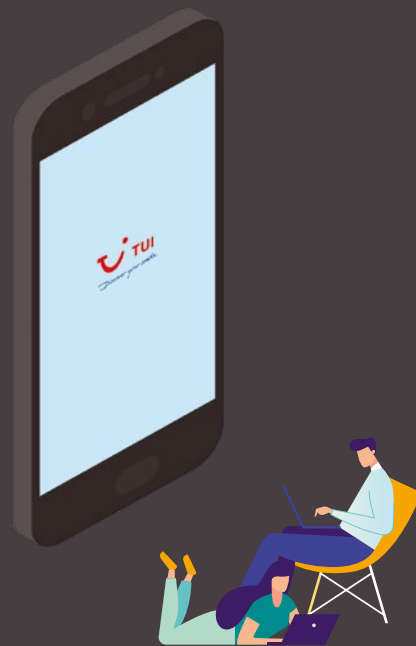
Two rows further down sits Carla Manent. The native Catalan is the Senior Marketing & Commercial Manager, so her job is to build awareness of the app and make sure that as many TUI customers as possible use it before, after and above all during their holiday. The user statistics are growing fast: in the financial year 2019, one TUI customer in three logged into the app – perhaps to call up information about their booking – and that number is on the rise. "We have 7.8 million active users, almost half of them in the UK, followed by Germany with about two million users," says Manent. "But our highest penetration rate is in the Nordics. Two out of three travellers there log in to see details of their booking or to use the services. Nearly every TUI holidaymaker has a smartphone with them, and there is strong interest in services that they can call up and book quickly, easily and at any time. We are bringing those services to the customer's mobile phone." Apart from offering more and more options, the app is being developed as an important distribution channel. Carla Manent points out that the highest growth rates are generated by the sale of excursions and activities. Compared with last year, bookings for excursions have increased almost fivefold.

After hotels and cruises, excursions and activities are the third major pillar in strategic growth for the TUI Group. In autumn 2018

TUI took over the Italian company Musement, a technical platform that acts as a marketplace for providers of activities and excursions in cities and holiday destinations. With the help of the platform, users can book around 150,000 activities and experiences directly, most of them curated and certified by TUI. Since autumn 2019 Musement's content has been integrated into the TUI app as well to provide additional value.

Simple bookings

Amit Karia takes his smartphone from his trouser pocket and opens the pale blue tile with the red smile logo. He taps the app once and enters Mallorca in a little search window. An illustrated list appears with a multitude of island excursions – from the classical sightseeing tour by open-top bus in the capital Palma to the trend sport coast-eering (a kind of coastal theme tour that combines swimming, climbing, abseiling and cliff-jumping). It only takes a few clicks to check availability and book the activity right there in the app. Anyone who can remember how this used to be done in the old days will not resist a chuckle: right after breakfast guests would look at laminated brochures on a table or at the black board in the hotel foyer with pictures of a few excursions. If you fancied a trip to see the stalagmites in a cave 80 kilometers away or an accompanied tour of the dunes in an old jeep, you could tell the rep, who would book it for you. The app now provides a huge variety and to-



As Feature Teams operate like little start-ups, an updated version of the app with new functions is issued every month.



gether with advice from the TUI rep who often has also helped in curating many of the offers, the excursions and activities become unrivalled in the destinations.

Amit's team have already updated the app functions. Now users will be able to search for excursions that match their interests. The app can even make suggestions before the holiday begins based on personal details and customer behaviour – or if the app recognises that the user will be visiting a particular city, it can propose activities that are likely to interest them. One of the latest features allows to search for and book activities even if you are not a TUI customer booked on a holiday – it can be accessed by everyone.

Richard Levin, Director of Mobile of TUI Group with overall commercial responsibility for the app, firmly believes in the TUI app as a one-stop shop for everything a customer needs to make his or her holiday experience unique. "The app helps out at every stage of the journey. Building and developing digital services to support and complement our local tour reps is a significant milestone for the Group and its digital transformation. For customers this will substantially enhance the travel experience at the destination. The teams in London and Porto are working assiduously to develop and improve the app, new functions are added every month – and yet the function most popular with holidaymakers is the simplest one of all: a clock that tells them how long they still have to wait until they can set off – the holiday countdown."



»The TUI app is increasingly key to the customer experience. That's why we invest continually in its development.«

Frank Rosenberger, Member of the Executive Board, CIO & Future Markets

It all
adds up



The world produces about 300 million tonnes of plastic a year. Sometimes the benefits of this material can help to reduce our carbon footprint: it is durable, light and flexible. But all too quickly those good properties can have the opposite effect: plastic does not decompose – and if the waste is carelessly discarded it can end up in our rivers and oceans.

People are protesting in the streets, politicians are hastily enacting new laws, the world is talking about climate change. In the tourism sector too, the commitment to greater sustainability is not an optional extra, we see it as our responsibility: when holidaymakers travel huge distances by plane or ship, are supplied with food and drink, have their laundry done or go on excursions, they consume a lot of energy and other resources. Still, the positive effects of tourism in many holiday destinations are often underestimated.





Nearly 300,000 tonnes of waste are estimated to be swimming in our oceans. Inadequate structures for waste disposal and recycling in many places are one reason.

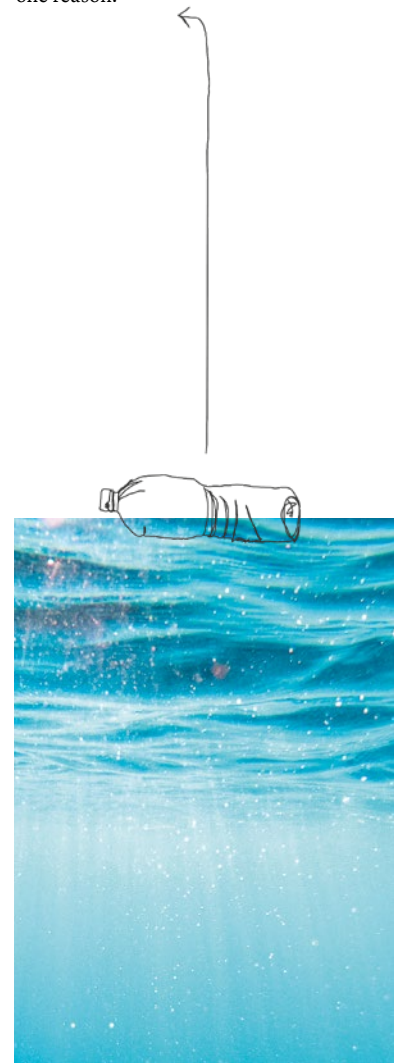
One major theme in public debate is the plastic waste that is swept down rivers into oceans – and reappears right along our food chain in the form of microparticles. That is partly because recycling and waste disposal are still inefficient in many countries, and many people are careless about throwing away their rubbish. But international tourism is not simply part of the problem; it can also be damaged by the impact – for example, when polluted beaches spoil the holiday experience. Besides, more and more travellers want sustainability, and that steps up the pressure on tour operators. That is why TUI decided years ago to cut back the use of many items, especially disposable plastic, throughout the Group. Melvin Mak, Manager Sustainability TUI Benelux, explains how it works and reports on the first success stories.

Mr. Mak, when did the topic of plastic waste for TUI take off?

For years, we have been reducing the amount of waste that our businesses and holidaymakers are causing. That obviously includes plastics. Over the last couple of years, however, the worldwide challenge of plastic pollution has become a top of mind thing. The world realizes much more that the quality of our oceans is crucial for the quality of our planet, and our own health, too. We see brilliant initiatives around the world, but today still only 15 per cent of the plastics are recycled, and around eight million tonnes are released into the oceans each year.

How are you responding?

In the Cruise, Hotels and Airlines business, we began either doing away entirely with plastic products, replacing them with other materials, or at least cutting them right back. In Europe we are a step ahead of the legislation. A new EU directive, due to take effect in 2021, bans the use of many disposable items. But we launched Group-wide programmes designed to achieve this back in 2018, and at the end of September 2019 we signed the International Tourism Plastic Pledge, a voluntary initiative that a number of companies in the sector are already backing.



Let's talk facts. Your customers spend most of their holidays in hotels or on cruise liners.

In 2019 alone, 10.3 million TUI customers stayed in hotels certified as sustainable according to recognised external standards. 80 per cent of the TUI hotels we own have sustainability certificates. This effort includes how we manage plastic. The guidelines we have drawn up for our hotels are unique in the sector in that they give recommendations for single-use plastic alternatives for every area of a hotel – from the guest room via the kitchen to the restaurants. Now the UN Environment Programme is using our guidelines for training purposes.

Our fleet at TUI Cruises is now the most up-to-date and environmentally-efficient fleet in the world. To handle plastic on our ships we have "Wasteless", a rigorous reduction scheme. By 2020 we intend to do away with most single-use plastic items or to replace them with environment-friendly alternatives. To this end we considered which products can be used both on land and on board, especially in the cabins and in catering, but also in logistics.

Can you give us some examples?

In 2016 our bars and restaurants started only handing out straws on request. Now we've replaced them with straws made of natural materials. Across the fleet we cut out 1.5 million stirrers a year by using wooden ones instead, about 5 million cocktail sticks, 380,000 mini-bottles for toiletries and 51,100 bags to hang newspapers requested by our customers on their cabin doors. TUI Cruises is also supporting an innovative project in Indonesia. People there are being swamped – there's no better word for it – by plastic waste from the sea. The project is designed not only to encourage people to think about their own use of plastic but also to develop local waste reduction and recycling schemes.

»We've been reducing the waste we and our customers produce for years. But in the last two years the issue has really gathered momentum.«

Melvin Mak, Manager Sustainability, TUI Benelux

Are there any reasons for not cutting back on plastic?

In lots of places it's really difficult to do on grounds of hygiene or safety. In the kitchen, for example, food often stays fresh much longer when we cover it in cling film. We shouldn't forget, after all, that we don't want to waste food – that is another of our sustainability goals. So we need to come up with better alternatives like bioplastics, reusable systems, more efficient packaging, or dispensers and refillable containers. On our aircraft too we have to think carefully: plastic is often lighter than the alternatives – and weight is a big issue, because every additional kilogram increases the fuel burn. But that has not stopped us from working on better solutions. Here again, we did away with straws and plastic stirrers, and when we hand out blankets we don't wrap them in plastic any more but in a paper sleeve.

TUI operates in 115 destinations. Are there differences?

In the UK, Germany and the Nordic countries, there is a high awareness. Recycling has been standard practice there for decades. In many destinations, on the other hand, there is no functioning system for separating and recycling waste. But increasingly our customers expect a reasonable approach to the environment there too. Over half our holiday-makers want us to invest in environmental or social initiatives.

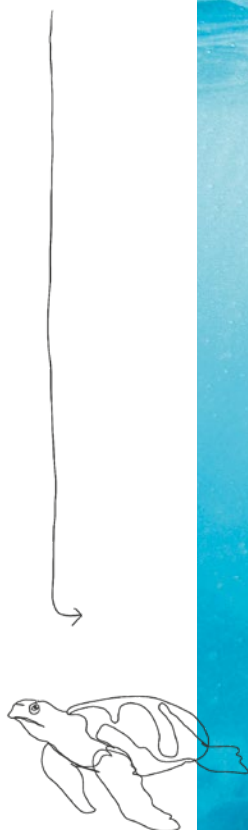
Are you trying to change the situation in these countries for the better?

Tourism is often a key source of revenue, so it brings greater prosperity and further development. Holidaymakers also have an influence, simply because they demand certain things – from not using plastic and wanting to eat local products to separating and recycling waste. That is why TUI often works with the communities where our hotels are located. We organise workshops about recycling, set a good example – and in this way we help to improve the infrastructure and, as a result, to make holidays increasingly more sustainable. In Curaçao, for instance, the TUI Care Foundation has set up an environment education programme for 120 trainee teachers. It will be their job to show primary school children how to improve waste reduction and recycling.

Finally, Mr Mak: What does that mean in numbers?

To date, we have already waived 140 million pieces of plastic from our operations and we want this number to be at least 250 million by the end of 2020. We constantly search for opportunities to eliminate plastics throughout our customer journey and in our business operations. Our own offices are taking up initiatives as well. Even though these are often smaller scale than in hotels or airlines, in our Dutch and Belgian office for example we were able to eliminate over 800,000 pieces over the last year. I'm confident that we will see many plastic reduction initiatives over the years to come and become plastic-free step by step.

The tourism sector must exercise responsibility – and take preventive action: most mass-produced items can be replaced by biodegradable alternatives or cut right out.



»In our markets, cutting back plastic and avoiding waste play a firm part in our business decisions.«

Elie Bruyninckx, Member of the Group Executive Committee, CEO Western Region

DID YOU KNOW...



... that in the last two years over 600 TUI employees have adopted more than 800 sea turtles?

Every donation to an adopted baby turtle supports local organisations in the Cape Verde Islands, Turkey and Greece who make sure that the hatchlings find their way from the beach to the sea. A million turtles are to be protected in this way by 2020. That is the target set by TUI Turtle Aid, one of the biggest environment programmes initiated by TUI Care Foundation. One turtle is even being monitored by satellite as it swims the oceans to help researchers understand where these threatened sea creatures gather and what paths they follow.

<https://www.tuicarefoundation.com/en/turtle-track>

... that a special thermal ceiling keeps the bedrooms cool in Robinson Club Jandia Playa on Fuerteventura?

It works a bit like underfloor heating but instead of warming the air it cools the ceiling and walls – without making any noise or causing extra currents of air. The effects are more enduring than with conventional air conditioning.

... that TUI Nordics have not printed a single tour catalogue since 2010? Catalogues are only available online. It saves paper and printing costs – and reduces the strain on the environment.

270,000 bees

... that 200,000 bees have been living outdoors at TUI Germany's site in Hanover since summer 2019?

They produce an impressive 130 kilograms of honey a year. TUI Germany is following the good example set by Belgium. For some years now, the 70,000 TUI bees there have been making a valuable contribution to preserving biodiversity.





... that over the last six years TUI together with customers and employees has removed rubbish from on average 300 kilometres of beach coastline?

... that with the right flying technique pilots can save up to 50 kilograms of fuel per landing?

The TUI airlines put their pilots through a special course where they learn about climate-efficient flying techniques and qualify in turn as fuel coaches. There are many ways to cut kerosene consumption: like using ground electricity rather than the auxiliary engine to power functions prior to take-off. Or adopting the continuous descent approach for an optimal landing. And after that a single-engine taxi is quite enough to get the plane into park position.




»... that in 2019 we rolled out a new TUI Code of Conduct, our Integrity Passport, for all our employees? It highlights our commitment to integrity and offers guidance if any doubts ever arise. It also helps us to protect TUI's excellent reputation.«

Dr. Hilka Schneider, Member of the Group Executive Committee,
Group Director Legal, Compliance & Board Office

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Hanover Airport, 7:25 pm. TUI fly X3 2375 from Malta touches down punctually. While the passengers and crew set off home, overnight maintenance awaits the Boeing 737. Another hive of activity after sunset is the Operations Centre, where flights are charted for all TUI airlines and contact with German crews is managed. We visit the night shift at the airport that is also home base for Germany's TUI fly.



10:00 pm

The hangar where the nocturnal technical check takes place is 25 metres high with a surface area of 8,500 square metres. Enough room for a football arena - or up to three Boeing 737-800s. But tonight the plane from Malta will be on its own. It is already in its dock and ready for action.

The flexible rig makes it easier for the TUI fly mechanics to perform maintenance work on the back and tail. At twelve metres up they need a head for heights.

11:40 pm

Hanover Airport is busy all around the clock.

While the paperwork proceeds in an office container inside the maintenance hangar, aircraft mechanic Lukas Bohnhorst devotes his attention to the Boeing's winglets. The upward cant at the tip of the wing is designed to cut fuel consumption. Thanks to his torch, he doesn't miss the tiniest scratch.



TUI fly Maintenance Hangar

10:00 pm The night shift assembles to discuss the P Check scheduled for tonight. This major inspection is due every 600 flight hours and is much more comprehensive than the daily and weekly checks performed out on the apron while the aircraft is operating. Marcus Oberheide, one of two shift supervisors, divides the men into teams. Engines, cabin, cargo hold, wings, fuselage: clearly defined tasks are allocated to each, old hands and trainees work side by side. Within minutes the teams are fitted out with the tools they need and have taken up their positions along the plane. The cleaners have arrived too and set about getting the cabin shipshape.

TUI fly HQ, Operations Centre

11:40 pm A few metres away up on the 4th floor of TUI fly headquarters. The lights are dimmed, the sprawling office is mainly lit by the glow from many computer screens. Scattered across work islands, the flight dispatchers at TUI Group Operations Centre (GOC) sit alongside their colleagues from Crew Contact. Both teams work in three shifts, 24 hours a day, seven days a week. Tonight Peter Machts is in charge of the GOC. With the aid of four screens, he not only has an overview of TUI's entire airline fleet but can simultaneously check on anything that might potentially hamper flight operations. At the moment, everything is going to plan, but things can change at any moment. Crisis management is part of the job profile: "In bad weather, strikes or when planes are grounded for repairs, a relaxed shift can turn stressful within seconds," he knows from experience. Then a Plan B must kick in straight away. Usually it means making a lot of little cogs turn in sync, and so the GOC team spend many an hour in nocturnal video conferences with other units. The overriding aim is to minimise the impact on passengers – while also keeping an eye on environmental impacts and costs.

00:56 am Tonight, for short hauls to the Mediterranean and the Canaries alone, the GOC team will plot around 250 flights. While the Boeing from Malta in the hangar gets a new oil filter, Christopher Nagel calculates its next flight path to Ibiza. The dispatcher studies the data: where is the cloud ceiling, how strong are the winds, what approach procedures does the manufacturer specify?



»TUI Aviation is a value driver, guarantees independence and provides flexibility for our tour operators and delivers an outstanding customer experience.«

Kenton Jarvis, Member of the Group Executive Committee, CEO Aviation

Are there any bans on night flying, restrictions on air space, stipulations about take-off and landing runways? "It all looks good for Hanover – Ibiza right now," he concludes. Based on his input, a computer then charts the route with the lowest fuel consumption for the pilots, including alternative airports should the need arise.

02:50 am One office further on sit Claudia Wachsmann and Torsten Bayer from the Crew Contact team, the extended arm of mobile staff at the German company TUI fly. Tonight they are making sure the crew will have their prescribed rest periods, locating replacements for staff who have reported in sick at short notice and passing on any roster changes to the cockpit and cabin crew. Part of their job is to organise rail and air tickets, taxis and hotel rooms. They often have to drag people out of bed with a phone call. "We sometimes run roughshod over the private life of our





crew members," admits Claudia Wachsmann, reaching stoutly for the phone to summon a co-pilot on standby at her home in Düsseldorf.

TUI fly Maintenance Hangar

04:05 am The P Check is entering the home straight. A few mechanics are replacing a cabin window where condensation has built up. It needs a new seal. Not a safety issue, but important for passenger comfort. The paperwork is part and parcel of the procedure. Even minor things like changing a faulty light bulb in the cargo hold are recorded, every scratch mapped. TUI fly pursues a preventive maintenance policy, especially for parts exposed to a lot of stress like brakes and tyres. In other words, the airline often applies more stringent thresholds for replacing significant parts than those specified by the manufacturer. "Safety first. Besides, scheduled replacement here in the hangar is better than out of doors during operations," observes aircraft mechanic Lukas Bohnhorst.

05:15 am Outside the rising sun heralds the approaching end of the shift. Inside Marcus Oberheide signs off the P Check documents. As duty supervisor he is accountable for the proper completion of all the work and for the flightworthiness of the aircraft. When he gives the green light, his team tow the 40-tonne plane out onto the apron.

Airport Terminal B, Gate 6

06:00 am The catering service begin loading up the plane. Five whole trolleys with 60 different items of food and drink are brought on board. Of course the full range from the

on-board shop and café menu must be available on every flight. The details are always geared to the flight time: early in the morning most passengers ask for bread rolls.

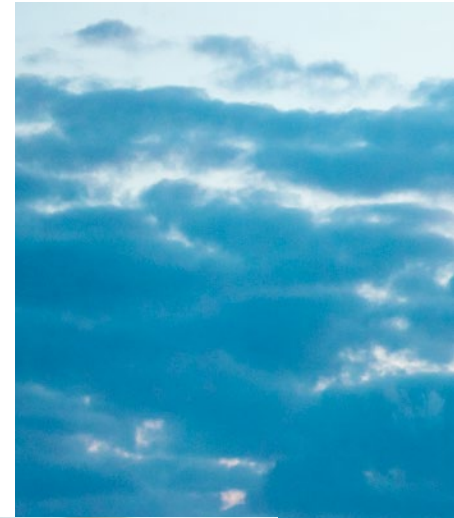
Airport Terminal C, Crew Room

06:30 am Crew briefing for Flight X3 2944 to Ibiza. Friendly greetings all round, people know each other in Hanover. The purser allocates positions and briefs her team on the upcoming flight. 147 passengers will be on board, including children and wheelchair users. These and other data are digitally stored on her tablet – as they are for Captain Miguel Cervantes. He provides a quick forecast: "Flight time will be 2 hours 20 minutes; we may meet some minor storms over the Alps." There are still a few minutes for questions, then everyone heads for staff security.

Terminal B, Gate 6

07:00 am On board X3 2944 the cabin crew run through the routine check lists: life jackets, fire extinguishers, microphone, kitchen, toilets – all in order. In the cockpit the Captain and First Officer are studying their electronic flight bag. TUI fly has gone paperless, all relevant data are saved on the tablet, including navigation charts, manuals and the flight plan compiled a few hours ago. After final calculations Captain Miguel Cervantes carries out a last external check, then they are ready to go.

07:22 am The last passenger enters the cabin: Boarding completed. For the holiday-makers, the best time of the year has just begun; for Hanover Airport it has been a perfectly normal night.

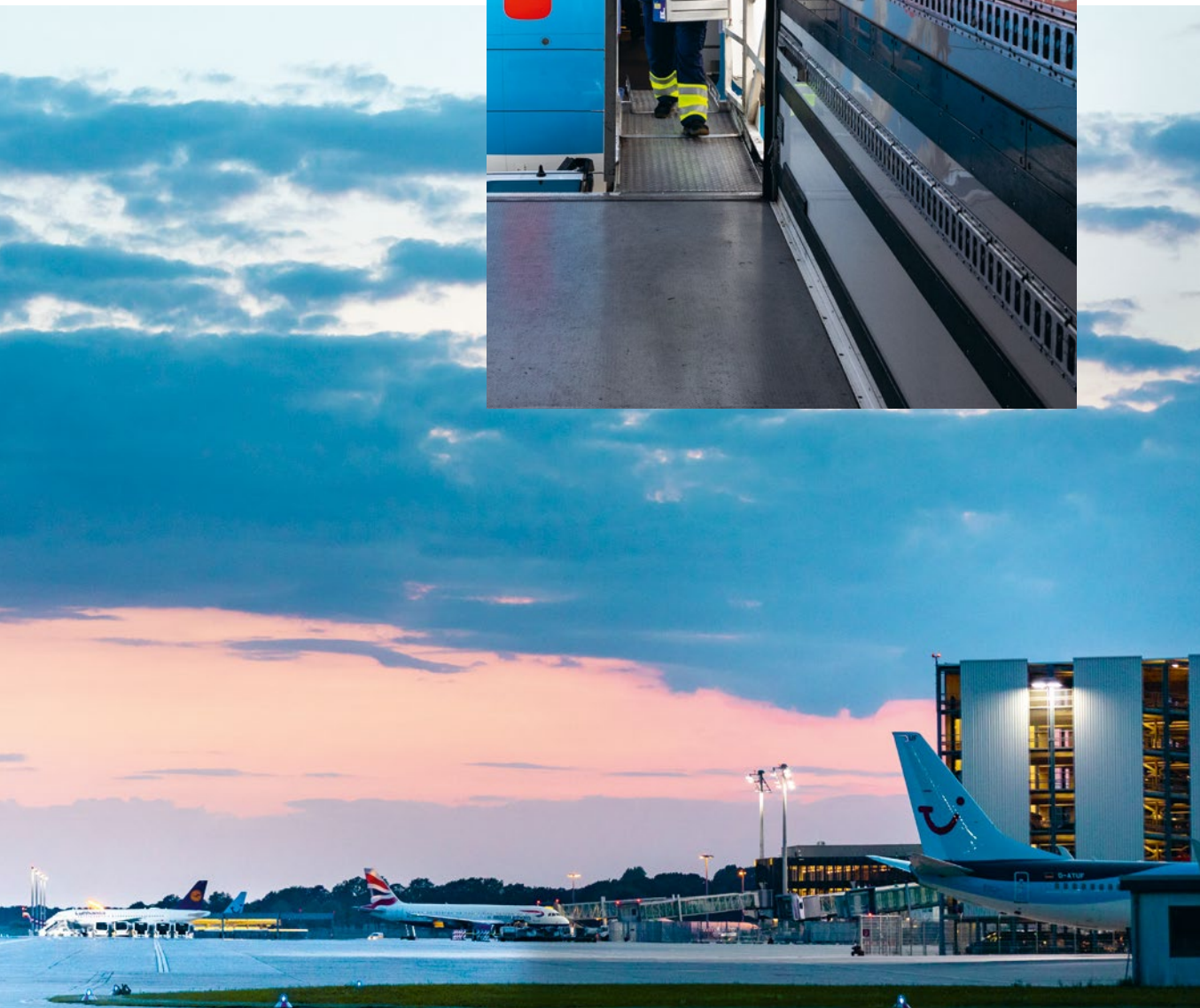


»We want to meet the growing desire for mobility of our guests and, at the same time, set the standards in climate protection.«

David Burling, Member of the Executive Board,
CEO Markets & Airlines

06:10 am

The caterer brings food and drink on board – always tailored to the specific flight.

**06:45 am**

Preparations for boarding are still underway at Hanover Airport. The aircraft will next touch down on the Spanish holiday island of Ibiza.

digital step



01

02





Technical innovations alone do not make a company a digital pioneer. Management has a particular role to play in the digital transformation. With the global training programme Digital Step, TUI is providing mid-tier managers with the tools they need for the working world of tomorrow and setting guidelines for strategy implementation.

The paper poster spread out across the floor of the meeting room at TUI's Dutch headquarters in Rijswijk near The Hague is six metres long. The timeline for the learning programme is marked in black felt pen. It begins with the kick-off in Mallorca, takes in online modules, virtual coaching and interactive sessions in small groups and culminates in a final event. TUI managers from all over Europe cluster around the chart, each of them holding a lit candle. In their mind's eye they are all visualising the point on this learning journey which meant the most to them personally. One by one they place their tea lights on that spot. The silent concentration in the room and the soft music in the background add an emotional finishing touch as they look back on the management programme.

Agility, globality and flexibility are our second nature

The Digital Strategy Execution Programme, a pilot project attended by 79 managers from right across the Group, had been launched four months earlier in the summer of 2019. Now it is being rolled out to a wider circle. The catalyst was a "blended learning" approach, which combines different training formats but with an emphasis on digital knowledge transfer. The process begins and ends with a live event to build the essential team spirit. Between these, participants progress on the basis of self-study, virtual coaching and discussion in pod groups of six to ten colleagues.

Embedded within the newWork@TUI philosophy, Digital Step does more than explain how to handle digital tools and processes with confidence; it cultivates an underlying attitude: agility, globality and flexibility are to be second nature in TUI's corporate culture. "In the ever-faster changing world of employment, there is more demand than ever for strong managerial personalities," observes Beat Calabretti, Director Global Talent, Resourcing and Leadership Development at TUI and one of the authors of Digital Step. "With the aid of global HR learning platforms we are empowering our management to break free from old methods. We are equipping them with guidelines to help them cast the Group strategy into clearly defined goals and breathe life and meaning into them for their teams." The motivation to change and a sense of community are further fostered by the multinational, cross-departmental setting.

03



»We completely revamped the way we work together as a team.«

Arjan Kers, Managing Director,
TUI Netherlands

01-03

Which moments on this learning journey meant the most to me personally? Participants used the live wrap-up event to swap impressions and reflect on what they had learned.

Breaking out of the comfort zone

TUI sought support in designing this programme from the Swedish business school Hyper Island. These professional creatives combine digital know-how with ample experience of customised learning strategies. "We translate TUI's requirements into a holistic learning experience, enabling the participants to break out of their comfort zone in a protected space," explains Chief Learning Designer Hazel Swayne. In her experience, it is often the apparently small steps that have an enduring impact: "Nobody suddenly wakes up one morning as a better manager. The key to any learning success is whether people open up to the process and are willing to question themselves and their objectives and to reflect on these. It is an effort, especially to begin with, and that makes it all the more important to offer the right encouragement."

To anchor a culture of lifelong learning, a company needs role models. At TUI, management programmes are accompanied by members of the senior leadership team – two of them are here in Rijswijk to talk first-hand about their experience. Alexander Huber, Managing Director of TUI in the Nordics, has travelled here from Sweden: "Customer expectations and behaviours are changing. Leaders often find themselves in the role of change-makers who need to be willing to test new ways of working. Without any question the readiness to adopt and change is a key to individual as well as the whole team's success." He is optimistic that the participants will find a way to impart the energy, interdisciplinary collaboration and speed of implementation from the programme to their working environments. Arjan Kers has set an example in his role as Managing Director of TUI Netherlands: "A while back we completely revamped the way we work together as a team: open offices, cross-departmental project teams. I emptied my appointments diary so that I could be available for my staff. It took some getting used to on both sides at first, but it quickly had an extremely positive impact on our corporate culture."

Away from the well-beaten track

As the day draws to an end in Rijswijk, there is a discernible willingness among the participants to depart from the well-beaten track. "Digital Step may be about to end, but my personal learning process is not," says Charlotte Decaesstecker, Head of Finance at TUI in Belgium. Andreas Markerud, who heads up Data, Analytics and Machine Learning for TUI in the Nordics, adds: "The programme has shown me yet again how enriching it is to look inwards a bit more often and take the time to think about my goals. And especially the value of different departments talking to each other." Fabian Pulido, Head of Integration at TUI Destination Experiences, believes there is huge potential for virtual teams: "Our pod group of six people developed a real sense of belonging, even though we communicated almost entirely through digital media. Nowadays it doesn't matter so much if a colleague is in Hannover, Luton or Palma like me."

»For the pilots
we selected
79 participants
from all the
departments
that have a major
influence on
implementing
strategy.«

Louise Howells, Global Head of
Leadership Development, TUI Group

04



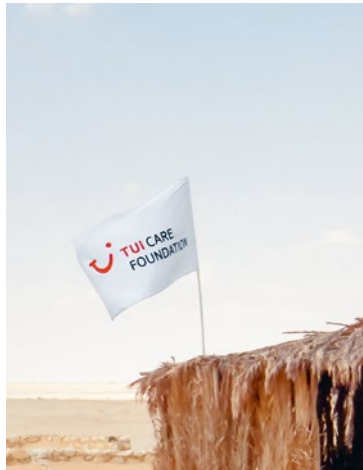
»With Digital Step we are supporting managers at TUI in leading the digital transformation and communicating the TUI strategy to their teams.«

Dr. Elke Eller, Member of the Executive Board, CHRO / Personnel Director

04

TUI approached the creative professionals at the business school Hyper Island for support in designing the learning programmes. They contribute digital knowhow to the design and help TUI's lead team to anchor the concept of lifelong learning more deeply in the company.

little giants



Five ambitious budding entrepreneurs, many enthusiastic mentors, one accelerator. Together with the United Nations and the NGO enpact, TUI Care Foundation is supporting Egyptian start-ups with a focus on digital technologies and sustainable business models. The ideas behind them are often small and very personal – but the potential can be enormous.

What is your dream? That question marked the start of the accelerator programme Travel Tech 4 Good. Ahmed Hamed El Helw, for example, wants to connect tourists with local guides on his digital platform Tobadaa, thereby promoting new sources of income. Ahmed Soliman and Raghda Ezzeldin hope to develop meditative free diving with Blue Odyssey. Amir Abdallah is working to bring tour operators and domestic holidaymakers together. Reham Abobakr would like tourists to draw inspiration from Egypt's distinctive geography and her portal will identify local tour guides with specialist insights into the secrets of their landscape. These young entrepreneurs don't just want to advance their own careers, but to drive sustainable progress in their country. They have the ideas. What they need is the expertise to bring them to life.

Desert deep dive

In September 2019, before anything else, the entrepreneurs were literally sent into the desert. Their first meeting with their mentors took place in a simple camp outside Cairo. A surprising start to the week-long workshop that introduced the three-month programme. Amir Gerges, who is developing Conictus as a platform for diving tourists, experienced this excursion to the sand dunes as a form of diving. "Deep into my soul." At this stage they were not talking about business ideas yet. First, the participants had a chance to get to know each other and themselves better. One task firmly engrained in Gerges's memory was the speech they were all asked to give: "What would we say to the group if we knew our lives were going to end the next day? In my mind's eye I pictured a sandglass where the hours of my life were relentlessly trickling away. And it was clear to me that I really wanted to make use of my time to do what I love doing."

Amir Gerges wants to draw on artificial intelligence to link tourists with diving schools: "My platform Conictus will be used to book

trips, but also to archive and share photographs and dive data. This will then help the instructor to assess the holidaymaker's abilities more accurately and offer the right activities." Boats can also be shared through the app. Diving schools still ride out to sea separately and the boats are often only half full, but sharing boats would greatly minimise the consumption of resources. In addition, Gerges envisages a kind of citizen science service: "Every day thousands of divers around the world observe marine ecosystems and take pictures. Why shouldn't scientists make use of that data for their research?" Gerges also wants to make data and knowledge available to staff at national parks and environment organisations in developing countries for their day-to-day work: "We are working on AI solutions that can be applied locally."

Like the other budding entrepreneurs, Gerges is committed to the future of the tourism industry in Egypt. After years of decline, more people are coming to the country again for their holidays. Young people look to the sector for opportunities. Cairo has a very vibrant start-up scene. "The Arab Spring showed us how powerful social media and digital tools can be. Now lots of people are also trying to use them for business," says Gerges.

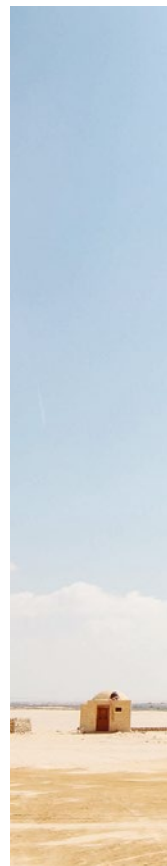
A close-knit community

After two days at the camp, the participants and their mentors transferred to the Startup Haus Cairo. It is in one of those countless streets in the city centre where the traffic is crazily heavy. But the location was not the



"My dream is to turn my passion for diving into a successful business that can also benefit other people and the environment."

**Amir Gerges,
Conictus**





“My dream is to make every desert in Egypt a sustainable destination for tourism.”

**Reham Abobakr,
Geo Travel**

only thing blatantly different from the prelude in the desert: a group of strangers had now been forged into a close-knit community, and together they threw themselves into designing sustainable business models.

There is a lively discussion underway in the seminar room, where a wall is plastered with colourful sticky notes. Upstairs a dozen new entrepreneurs have gathered in a co-working space. The Startup Haus Cairo is run by the Berlin-based NGO enact, which implements projects to support local small businesses in developing countries.

Working with TUI Care Foundation, the experts from enact compiled this accelerator programme for start-ups in tourism. “The programme fits very well into our strategy,” says Jost Neumann, who is responsible for this project at the Foundation. “We want to open up opportunities for young people to play an active role in building tourism in their country.” The support from the TUI family has been overwhelming, he adds: “When we advertised online for mentors, we received over 50 applications in no time from different countries and departments, including many senior managers.”

Learning from each other

The mentors support the participants face-to-face at the workshop, and later at regular video conferences. Among them are the communications expert Nora Aspengren from Norway and Lonneke de Kort, a marketing specialist from the Netherlands. Christoffer Wickberg heads strategy development in Sweden. The business architect knows how companies formulate their business models and roll them out strategically. He has been helping the young entrepreneurs to draw up a road map for their next strategic moves, but he insists that the knowledge transfer works both ways: “I am learning an amazing amount from the start-ups.”





Amir Gerges's conclusion from his first chats with Wickberg is that he needs to hone his business model. "I have so many ideas in my head. I can't explain Conictus in one sentence."

A driving force for change

Tourism is one of the leading drivers behind development, especially in developing countries like Egypt. So says Addaia Arizmendi, who is supporting the accelerator on behalf of the United Nations World Tourism Organisation (UNWTO). According to UNWTO, daily turnover in international tourism in 2018 was more than five billion US dollars. "After chemicals and oil, it's the third largest export industry, one in ten jobs globally is in this sector, and in many communities it is actually the principal source of income," explains the Spaniard. What she likes best about this initiative by TUI Care Foundation is its local approach: "Mentors from all over the world are helping domestic start-ups to build a sustainable business. This is the proverbial investment in the future, with money too, but most of all with knowhow."

Ground-breaking business models that encompass more than strictly commercial factors and enhance sustainable development – those objectives are common to all the start-ups selected here. They take account of environmental and social goals, but they are also personal, as the story of Ahmed Hamed El Helw illustrates. The software engineer used to work for big companies – but he was never entirely satisfied. He has worked as a tour guide as well. "I know the sector, the dependence on agencies, often poor pay – I wanted to help. People should be able to live off the work they love."

The software specialist did not take long to create a suitable app, Tobadaa. Now guides can offer their services to holidaymakers directly. They collect tourists in their own car. "It creates very direct, authentic contacts with local people," says El Helw.

The fact that at the end of the accelerator programme only one participant will be given a little funding and access to a big network of investors and potential clients means that someone has to be singled out as a winner, but they all agree that this has not affected the positive team spirit. "I don't feel I'm in a competition here," says Ahmed Hamed El Helw. "It's more like I've acquired a new family."



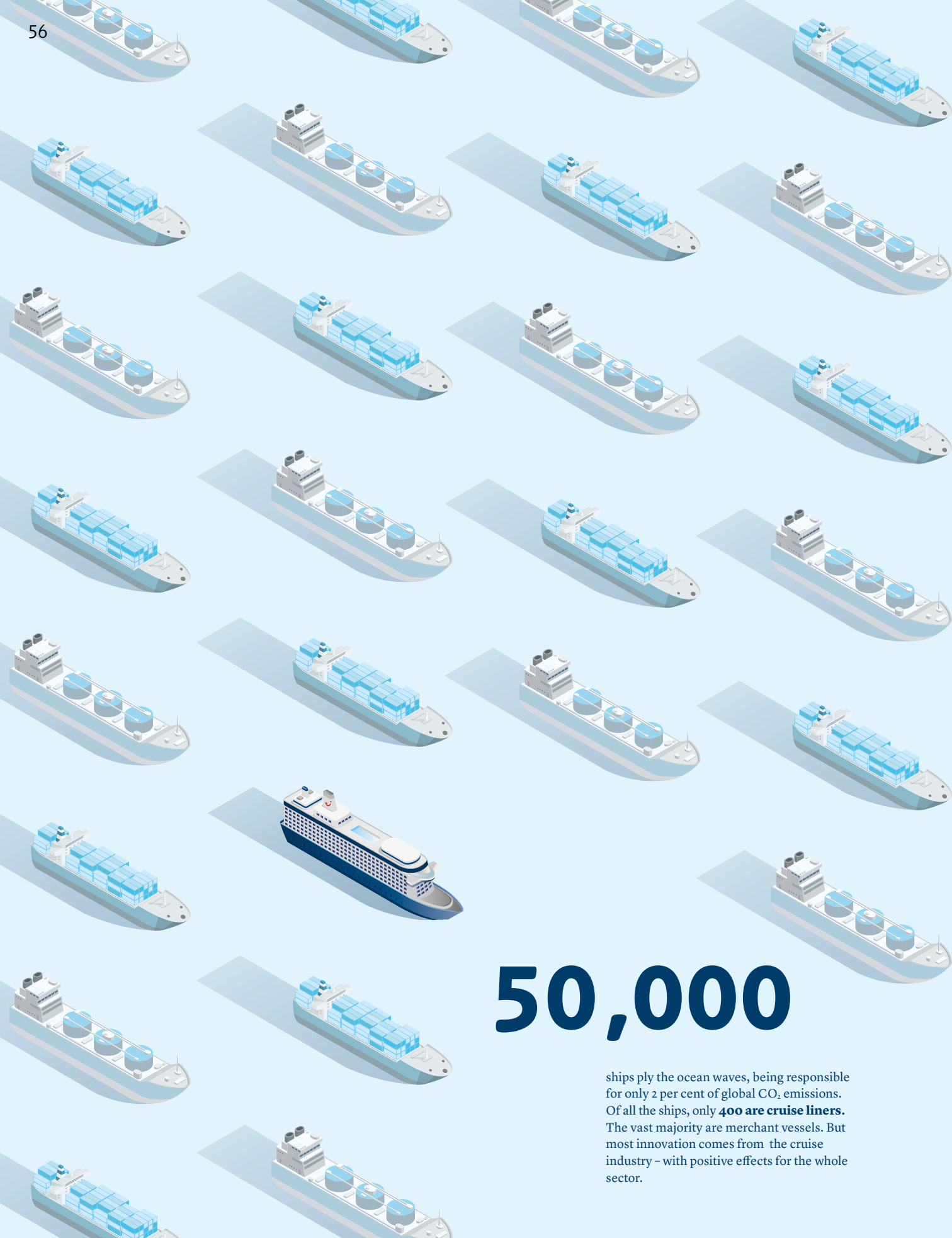
"The accelerator programme run by TUI Care Foundation is marvellous. I learned, for example, what the true value of our business idea is and what we should focus on."

**Amir Abdallah,
Halla Travel**



»People in the destinations should benefit sustainably from tourism. TUI Care Foundation works with local partners in 25 countries and supports 30 projects. These focus on education and training in our TUI academies and on conserving nature and biodiversity.«

Thomas Ellerbeck, Member of Group Executive Committee,
Chairman of the TUI Care Foundation



50,000

ships ply the ocean waves, being responsible for only 2 per cent of global CO₂ emissions. Of all the ships, only **400 are cruise liners**. The vast majority are merchant vessels. But most innovation comes from the cruise industry - with positive effects for the whole sector.

Ship- shape

For almost a decade now, TUI Cruises has been applying innovation and strict specifications to make its liners more sustainable. Lucienne Damm, Senior Environmental Manager, is working with her team on a wide variety of measures to help TUI Cruises set ever higher benchmarks in environment and climate protection. These measures range from new types of waste gas filtration via efficient energy and climate systems to projects for cutting waste and handling leftover food.

When people take a cruise, they enjoy being pampered in many ways, not least by culinary delights. Thousands of tasty dishes are placed before them every day. Today Lucienne Damm is studying the buffet in the Anckelmannsplatz Restaurant – from the plentiful starters to the multiple main courses and on to the sweet desserts. Unlike the holidaymakers around her, however, she is not relaxing. The TUI Cruises Environmental Manager is on board for professional reasons. Together with one of the chefs, the 37-year-old walks down the tables metre by metre, taking note of the quantities on the platters and the uneaten leftovers being sent back to the kitchen. Afterwards the staff weigh the food waste and talk to Lucienne Damm about even better ways to tackle the problem.

The hard work that she and her team have invested in on-board catering has paid off. “Our goal was to reduce the amount of food being wasted, and to do that we had monitor the flows carefully.” TUI Cruises carried out this project along with the association United

Against Waste and the TUI Care Foundation, and the outcome was a 17-per-cent reduction across the fleet. Most leftovers are due to overproduction, which is typical in the catering trade. As a graduate in political science who specialised in environment issues when studying at the Freie Universität in Berlin, Lucienne Damm is about to publish the findings together with Futouris, an alliance of tourism companies campaigning for sustainability. “We have compiled our methods and insights into a kind of guideline for the sector,” says the Senior Environmental Manager, who works closely with the environment officers on the ships and with other units on shore and at sea.

Passionate about her job, she uses food to illustrate how the company is becoming more sustainable in every field. “Cruise liners are in the public eye, obviously. That’s another reason why it’s important to show how much we are doing.” The feedback from passengers has so far been positive, she says. Even so, the idea of optimising food is a balancing act. “Our passengers want variety in the buffet, and we want



Lucienne Damm, Senior Environmental Manager, TUI Cruises

»Our most important critics are among us all the time: our holiday-makers.«

Lucienne Damm,
Senior Environmental Manager,
TUI Cruises

them to enjoy a carefree voyage with a good conscience,” insists Lucienne Damm, who has been working for TUI Cruises since 2011 after helping to define shipping policies at the environment organisation NABU. “Besides, our hygiene regulations are stricter than on shore. We have to throw everything away afterwards, even if it never got beyond the buffet display.”

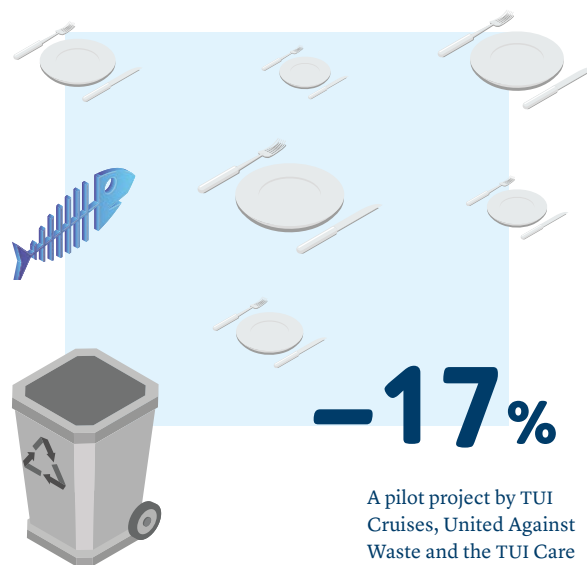
Waste is a constant theme for Lucienne Damm in all its forms. Apart from a broad list of measures to cut out plastics (see interview on page 37), she tries to define the ideal response to every type of waste. “It is always about how we can avoid generating waste, and if there is no other option, how to reduce and re-use it as efficiently as possible.” Sometimes, for example, it can be done by purchasing food in bigger packaging or in re-usable containers, and in some cases with no packaging at all. Valuable materials such as aluminium and glass are collected. Many types of waste are incinerated on board as there is so little storage space. “Now we are working on using the thermal energy from incineration like the waste heat from the engines – although of course on board it’s a little trickier for safety reasons.”

Energy in general is a major issue for the TUI Cruises manager. Cruise vessels must have a constant supply of power. Downtime is out of the question, be it for the hotel operations, safety systems or refrigerating food. Usually, when out at sea, the ship’s engines provide the energy. In port the auxiliary engines are run. For some years there has been talk of an onshore power supply, which would be much more sustainable in the long term. “In public debate we are often asked why we didn’t introduce it long ago. Plug in and bingo!” It’s a striking image, but there is a caveat: “It isn’t that simple. You can’t just flick a switch. The procedure takes some time until the huge connection from shore to ship delivers a reliable supply of energy.” Another challenge: Most ports don’t even have an onshore power supply. The expansion is only just getting underway. Nevertheless, TUI Cruises will be retrofitting its cruise liners Mein Schiff 4 and 5 in 2020. This will enable the two vessels to make use of onshore power at a number of ports in Northern Europe. By 2023 the entire Mein Schiff fleet will be equipped with an OPS connection.

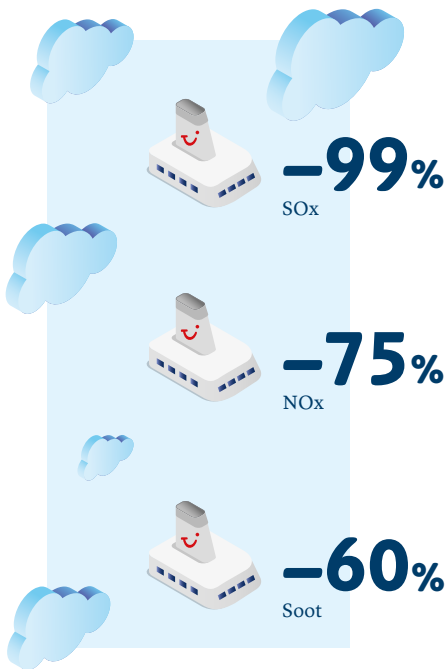
To maximise energy efficiency at sea, TUI Cruises has fitted the new liners with smart technology. “We have software to monitor all the on-board systems round the clock and while we are about it we check where we can reduce power consumption even more.” Over the last few years TUI Cruises has recorded hundreds of thousands of data at 19,000 different test points, from individual lamps and air conditioners in the cabins to the central kitchen and the spa and sports facilities. “We identify peak consumption and can trigger countermeasures,” explains Lucienne Damm.

Apart from installing efficient lighting and ventilation equipment, small things often help. “Sometimes it’s a simple change in behaviour: Can a kitchen oven be switched off for a while if it isn’t needed right now?” Another promising area is navigation. “Rather like driving a car, we can steer a ship in ways that reduce fuel consumption by responding to wind and weather conditions or adjusting course,” says the environment manager. “At this point I can only stand by and watch, of course. Our captains and nautical engineers have the best knowhow, and in any case they operate as sustainably as they can.”

These are very wide-ranging measures, and sometimes they are expensive. For Lucienne Damm it is money well spent. The cruise business is growing, and this way it can – or rather should – set an example to the shipping sector as a whole. There are 50,000 ships plying the waves globally, and only about 400 of them are cruise vessels. The lion’s share is down to maritime trading. TUI Cruises had the first fleet, for example, where catalytic converters were fitted to treat waste gas. When Mein Schiff 2 entered service in 2019, the



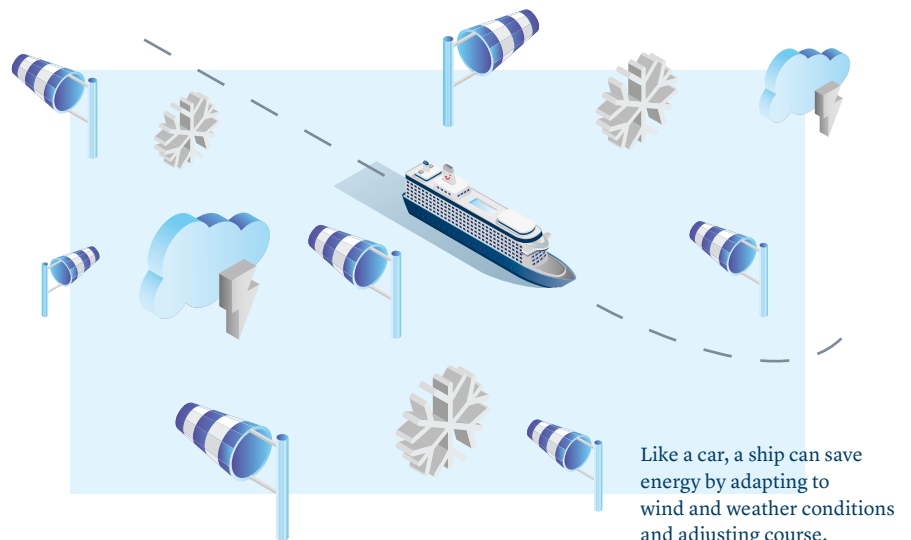
A pilot project by TUI Cruises, United Against Waste and the TUI Care Foundation cut food waste across the fleet by 17 per cent.



Waste gas treatment can cut emissions considerably on all newbuilds.

company was able to boast the youngest and most environment-friendly cruise fleet in the world. All the newbuilds have systems to treat waste gas that can cut sulphur emissions by up to 99 per cent, nitrous emissions by up to 75 per cent and soot particles by up to 60 per cent. "Besides, in 2015 we started looking at using liquid natural gas for propulsion, although for Mein Schiff 1 and 2 it was no longer feasible." That has changed: the technology is being installed in the two newbuilds due for their maiden voyages in 2024 and 2026. Unlike marine diesel oil, liquid gas fuel generates no sulphurous emissions. "Carbon emissions are lower too, but not enough to eliminate the climate impact in shipping in the long term. So now we are looking at the potential for innovative carbon-neutral fuels."

Lucienne Damm believes that TUI Cruises is well equipped for this future. "With our fleet of currently seven vessels we can generate huge economies of scale whenever we initiate sustainable projects." She can observe progress by the day. Because she exercises a cross-cutting function, she has dealings with colleagues all over the company who are addressing sustainability. But she singles out one target group in particular: "Our most important critics are among us all the time: our holidaymakers. That is why we so often seek their views." This includes on-board events such as Questions to the Captain and Chats with the Environment Officer. "It's really fascinating to hear what our customers want to know and what strikes them as important," says Lucienne Damm. "We learn an enormous amount from that and frequently note more little adjustments we can make."



Like a car, a ship can save energy by adapting to wind and weather conditions and adjusting course.

Growing globally

Tarik Evers and his team are laying foundations for TUI in new source markets like Spain, Portugal, Brazil, India and Malaysia. In this interview, the Head of Finance at Future Markets explains how the company is applying purely digital methods and innovative technology to win customers in countries where TUI has had little presence, if any, in the past.

Mr Evers, you are developing future markets for TUI. What is so special about those markets?

We have evolved from being a classical tour operator into a product provider with our own hotels and cruise companies. As we expand our hotel and cruise portfolio, we are also exposed to a greater capacity risk – we can currently provide around 100 million bed nights a year, and those beds need filling. To do this, we need to generate growth at our tour operators. In our main markets – Germany, United Kingdom, Benelux, France and the Nordics – we have about 21 million customers and we are already almost always the leading provider. That's why we are looking one by one at new source markets of particular interest to us so that we can recruit new customers for our products. We start by offering hotels.

What are your criteria for selecting these markets?

The reasons for choosing a country are very complex. For one thing, we naturally look at how it is growing in general. That's where the BRIC countries – Brazil, Russia, India and China – enter the picture as the fastest-growing emerging economies. At the same time, it has to fit with our strategy. That's why we have selected five countries initially: Spain,

Portugal, Brazil, India and Malaysia. The conditions in each are very different, but they are all a good match for us.

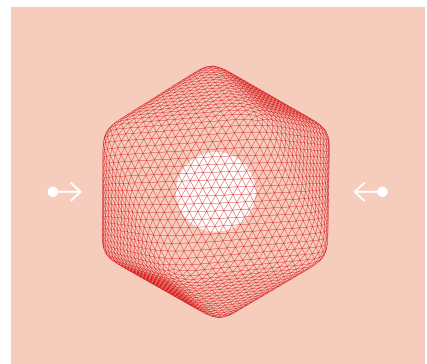
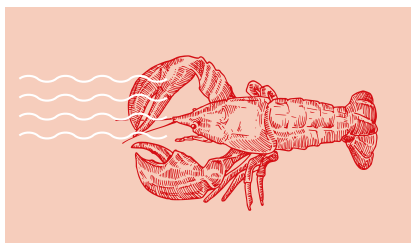
Take Spain. It has big potential because 80 per cent of the population spend their holidays within the country. They take their own car to a natural environment – the Pyrenees or Galicia, for example – or to the coast, maybe the Costa del Sol. They want beaches, good food and an element of luxury. And we can deliver exactly that in Spain with our own strong hotel brands. The same goes for Portugal.

Let's stick with the example of Spain and Portugal: How did you go about it?

In Spain and Portugal, just like in the other future markets, we are relying solely on online solutions. That is why we have deployed high-quality technology that we can scale however we want on our online platforms and apps. In other words, where-

as Germany and the UK each have their own tour operator system, for the future markets we have built a website that works in lots of languages. We simply switch over. And because we are already using the language in Portugal, Brazil makes a lot of sense.

Apart from the platform capabilities I just mentioned – the scalability and the language options – the technology must of course be extremely fast and reliable. For example, it needs to process tens of thousands of enquiries intelligently at the same time. We don't want customers to search and find what they want, and then try to book it only to realise that the capacity is no longer available. We asked various external providers to develop a platform that will display enquiries, prices and availabilities within milliseconds.





»A million additional customers from the future markets allow us to build scale and to enlarge TUI’s ecosystem.«

Birgit Conix, Member of the Executive Board, CFO

How do you publicise all these country platforms?

To be perceived globally, we must be closely linked to tourism’s meta-search engines Google, Trip Advisor and Trivago. We always launch our commitment on a back burner and expand as we gain experience. We have call centres – in Spain, for instance – so that people can get in touch and we can answer their questions.

We’ve talked about Spain, Portugal and Brazil. What about the Asian countries?

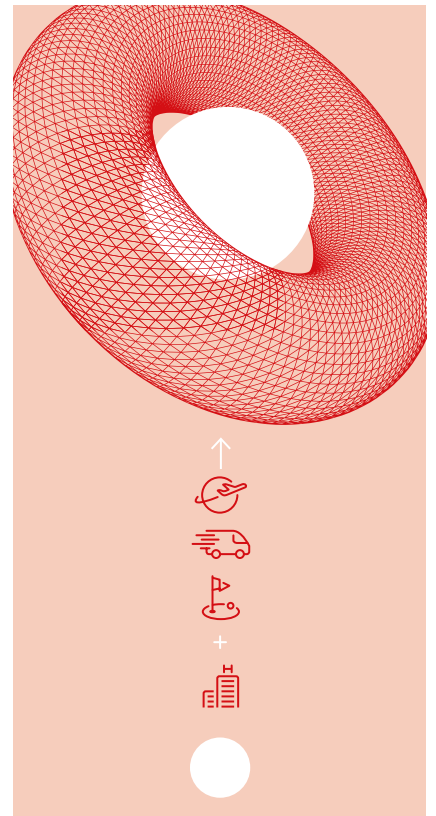
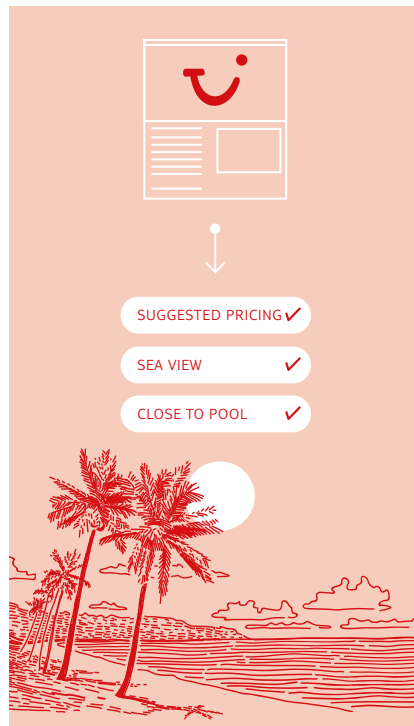
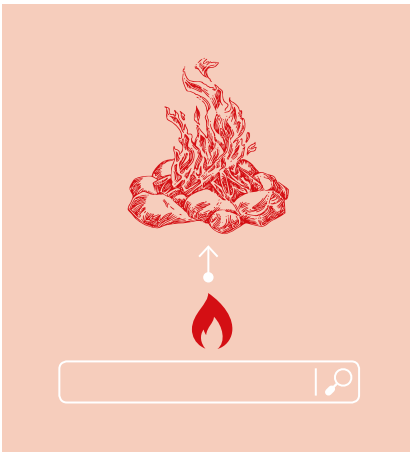
We see tremendous potential in India, if only because of the size of the population. Out of 1.4 billion inhabitants, 120 million are able and keen to travel. Nearly eight million also take holidays in South-East Asia, where we have hotels and resorts in Vietnam, Thailand and the Maldives. Malaysia is an unusual case, because there we don’t operate under our own brand. Instead we run a joint website with Malaysia Airlines. But that is working well too.

What hotels do you offer on these platforms?

Above all our own offerings from TUI Blue, TUI Magic Life, RIU and Robinson. They play a significant role because naturally they generate better margins. But we also have third-party facilities that are likewise very important. We use them to build our brand – and in return we offer those hotels great added value for using our platform. In future we will organise services for them, such as suggested pricing or the option to book a specific room, like one with a sea view or near the pool. This helps our partners to market their products more effectively.

Have the future markets met your initial expectations? And what happens next?

In those five countries we had about 250,000 customers in the tourism year that just ended. The aim is to notch up a million guests by 2022 – and we are actually going to meet that target earlier. We want to continue that strong growth, and we will do so. Besides, in future we will not only be providing hotels, but also flights, transfers and excursions. This way we will enable tourists from more and more source markets to book their entire holiday with us.



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FINANCIAL HIGHLIGHTS

€ million	2019	2018 adjusted	Var. %	Var. % at constant currency
Turnover	18,928.1	18,468.7	+2.5	+2.7
Underlying EBITA¹				
Hotels & Resorts	451.5	420.0	+7.5	-4.9
Cruises	366.0	323.9	+13.0	+13.2
Destination Experiences	55.7	45.6	+22.1	+20.4
Holiday Experiences	873.2	789.5	+10.6	+3.6
Northern Region	56.8	278.2	-79.6	-77.1
Central Region	102.0	94.9	+7.5	+7.0
Western Region	-27.0	124.2	n. a.	n. a.
Markets & Airlines	131.8	497.3	-73.5	-72.2
All other segments	-111.7	-144.0	+22.4	+18.5
TUI Group	893.3	1,142.8	-21.8	-25.6
EBITA^{2,3}	768.4	1,054.5	-27.1	
Underlying EBITDA^{3,4}	1,359.5	1,554.8	-12.6	
EBITDA^{3,4}	1,277.4	1,494.3	-14.5	
EBITDAR^{3,4,5}	1,990.4	2,215.8	-10.2	
Net profit for the period	531.9	774.9	-31.4	
Earnings per share ³ in €	0.71	1.17	-39.3	
Equity ratio (30 Sept.) ⁶ %	25.6	27.4	-1.8	
Net capex and investments (30 Sept.)	1,118.5	827.0	+35.2	
Net debt/net cash (30 Sept.)	-909.6	123.6	n. a.	
Employees (30 Sept.)	71,473	69,546	+2.8	

Differences may occur due to rounding.

This Annual Report 2019 of the TUI Group was prepared for the reporting period from 1 October 2018 to 30 September 2019. The TUI Group applied IFRS 15 and IFRS 9 retrospectively from 1 October 2018. In contrast to IFRS 15, IFRS 9 was introduced without restating the previous year's figures.

For details on reclassifications please refer to page 32.

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. Please also refer from page 67 for further details.

² EBITA comprises earnings before interest, income taxes and goodwill impairment. EBITA includes amortisation of other intangible assets. EBITA does not include measurement effects from interest hedges.

³ Continuing operations.

⁴ EBITDA is defined as earnings before interest, income taxes, goodwill impairment and amortisation and write-ups of other intangible assets, depreciation and write-ups of property, plant and equipment, investments and current assets. The amounts of amortisation and depreciation represent the net balance including write-backs. Underlying EBITDA 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.

⁵ For the reconciliation from EBITDA to the indicator EBITDAR, long-term leasing and rental expenses are eliminated.

⁶ Equity divided by balance sheet total in %, variance is given in percentage points.



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AND THE HISTORY