



Cyprus Tourism in the New Era

The way forward for steady and sustainable growth



The World's Number One Integrated Tourism Group

Financial Results 2016

- Turnover:
€17.2bn

- Underlying EBITA:
€1,001m

Source Markets

TUI are the market leader in all our major markets

- Germany
- UK
- Netherlands
- Belgium

- France
- Switzerland
- Austria

- Nordics
(Sweden, Norway,
Finland, Denmark)

20m Customers



150 aircraft



14 cruise
ships



300+ hotels



1600+
retail shops



67,000
colleagues

Why rebrand?



1 **Modernise** the brand



Attract affluent and younger audience

2 **Stretch** the brand



Increase product range

3 **Globalise** the brand



Provide consistent branded experience

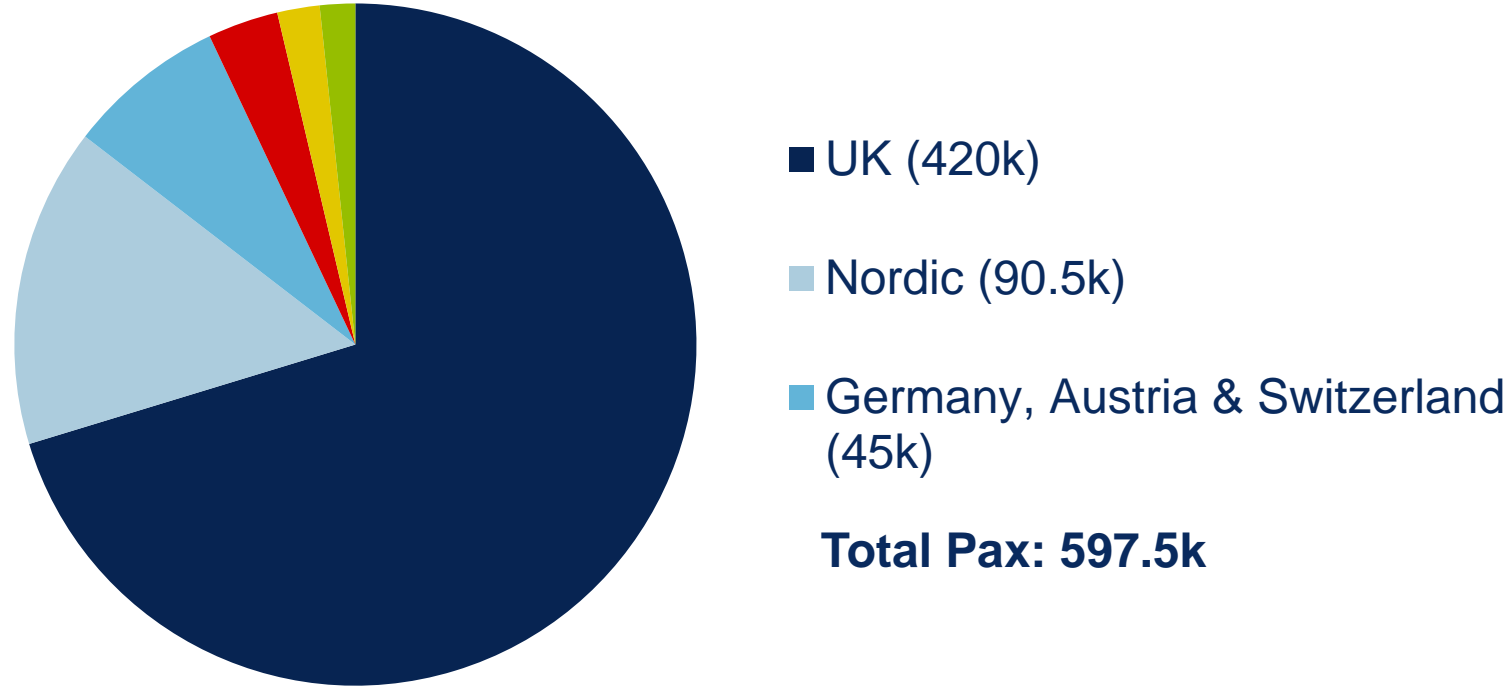


Growth

- To achieve our strategy of becoming a single united global travel brand, we've been transitioning to TUI across all source markets.
- Successful transition in Belgium, Holland and Nordic with the UK following later in 2017
- By the end of 2017 the Group will be visible throughout Europe under the single TUI brand.



TUI Group Arrivals to Cyprus – 2017 Plan



- **TUI** – has been present in Cyprus for more than 30 years and is market leader in the UK, Nordic, Belgium and Netherlands
- Within Cyprus we operate many of our most **important hotel brands and concepts**.
- **Higher customer satisfaction rates** than the global avg. Cyprus achieves a score of 8.69 for accommodation only against the TUI average of 8.46
- **High levels of growth** over the last four years. S14 to S18 up 43% and W14 to W17 up 72%.

TUI's Investment in Cyprus

Flight

- In summer 2016 TUI continued to bring **more than 17k weekly seats** to Cyprus.
- More than **90% of our customers** fly on our own airline.
- Also now buying significant number of seats on 3rd party airlines to maximise hotel occupancy

Hotel

- We have a **joint venture with Atlantica Hotels and Resorts** – the biggest global hotel partner within both TUI UK and TUI Nordic and 2nd biggest partner for TUI Group after RIU. Deliver many of TUI's key hotel concepts.
- Joint venture with Atlantica has led to significant growth in flight capacity to Cyprus, then benefiting the destination overall and allowing significant growth with other strategic hotel partners.
- By constantly evolving and improving our products we have grown our offering to include **more hotel brands and concepts** than any other tour operator to Cyprus

In Resort

- Our own DMC in Cyprus allows us to **deliver first class customer service** and with key focus on ensuring customers can make the most of the destination through highly successful excursion programme
- Our service delivery team within the DMC **work with hoteliers** to ensure they deliver the quality and service demanded by our different customer segments.
- TIMM study piloted in Cyprus with PWC to focus on ensuring tourism sustainable

Future Challenges



Macro Events

- Significant decline in value of Sterling against all major currencies will lead to biggest increase in holiday cost inflation in UK market in recent history
- Economic uncertainty could lead to recession and/or reduced customer spending, particularly on discretionary spend.
- Geopolitical events are shaping the overall demand for travel and altering the destination mix



Cost Comparison

- Cyprus will be disproportionately affected by decline in Sterling – high flight cost, high accommodation cost, high end product
- On average rate of €75pppn, exchange rate alone would increase cost of family holiday by £350
- New source markets need to understand the value of the value proposition within Cyprus



Other

- More important than ever to continue with marketing and promotional support, particularly in winter
- Airport fees and taxes tend to be higher than in other destinations which can limit further growth
- Changing guest mix needs to be managed carefully as can be seen in other destinations



Opportunities for Cyprus

- Starting from a **very strong base** - Cyprus is one of TUI's most important destinations with high levels of customer satisfaction, strong hotel partners, a long history and high levels of repeat customers
- **Product development** – hardware in hotels has not always match the very high levels of software but this has changed significantly in recent years
- **Challenges can bring opportunities** – considerable turbulence means that we need to be flexible in our offering, be prepared to react quickly if need to stimulate demand and think long term
- Ensure have **product, infrastructure and marketing/promotional investment** to support a more consistent year round market – all destinations want winter but must be profitable
- Support the growth and development of **smaller markets** but with growth potential (e.g. Germany, France, Belgium, Netherlands, Poland)
- Ensure the continued growth of **established markets** by remaining competitive (price, quality and offering), particularly given external headwinds
- Continue to invest in **sustainable initiatives and product**. Simplifying and aligning sustainability standards across TUI source markets.
- Work with us to understand **changing demand trends** within the source market but also learning from other destination with regards to product development, marketing and promotional initiatives

