

TUI Care Foundation

Rijswijk (Z-H), The Netherlands

Financial Report 2018 – Adapted Version –

[...]

Report of the Board of Trustees

Management report

Tourism is much more than simply sun, sea and sand. For many people in the world it is the key to a more secure and prosperous life. At TUI Care Foundation we are well aware of the travel industry's power to create change. We are also aware, however, that tourism can bring challenges for both man and nature. With our work we want to strengthen the positives that global tourism brings for people and the environment in destinations worldwide and we want to work on solutions to the challenges.

In the year 2018 TUI Care Foundation has taken further steps to grow its activities on an international scale. The foundation managed to attract new programme managers who took over the lead for two of the three fields of engagement of the foundation and brought in significant new expertise and fresh ideas. Along with the start of a number of new projects the foundation also strengthened its links to key stakeholders, especially within the media and the political landscape, while aiming to further broaden the foundation's donation income. This report gives an overview on the current state of the foundation and major developments in 2018 – a year of continued growth for the foundation.

Our Mission and Values

TUI Care Foundation builds on the potential of tourism as a force for good by supporting and initiating partnerships and projects that create new opportunities for the young generation and contribute to thriving destinations all over the world.

By connecting holidaymakers to good causes, we foster education and the wellbeing of children and youth, the protection of nature and the environment, and the positive impacts of tourism on people and places in destinations worldwide.

TUI Care Foundation 'works global and acts local'. Through strong partnerships with local and international organisations and by making it easy for holidaymakers to make a difference by contributing to good causes in their holiday destinations, we aim to create meaningful and long-lasting impact. Involving holidaymakers in our work we are encouraging them to make a positive difference in the destinations they travel to.

We focus on solutions rather than problems and strongly believe that tourism can have beneficial effects on social and economic development especially in developing regions of the world: it brings people together and fosters cultural understanding and solidarity; it transfers knowledge and prosperity; and it is an important driver for social development.

Ways of Working

TUI Care Foundation's approach is developed to deliver impact on the UN Sustainable Development Goals (SDGs). Our focus is on contributing to the empowerment of young people, the protection of the natural environment and the development of thriving destinations. The way we do that is through our programmes and partners whilst involving holidaymakers. Furthermore, as the corporate foundation of TUI Group, we aim to make use of the expertise, knowledge and infrastructure of the world's leading tourism business.

TUI Care Foundation supports and initiates partnerships and projects that fit the strategic framework and fulfill the project and partner criteria. We build on strong partnerships with local and international organisations to create meaningful and long lasting impact. Therefore, we support different kinds of organisations; from large, well established, global organisations to small nonprofits, small entrepreneurs and start-ups.

TUI Care Foundation focuses on defined priority destinations. The selection of fields of engagement and programmes is based on the socio-economic development stage of countries worldwide in combination with the potential of cooperation with partners on the ground in order to maximize the impact of our projects.

TUI Care Foundation uses the SDGs to assess the relevance of our programmes, projects and partners. The strategic plan of the foundation has a direct or indirect link to all 17 global goals. Our strategic plan contributes directly to: SDG 1 No poverty, SDG 2 Zero hunger, SDG 4 Quality education, SDG 5 Gender equality, SDG 8 Decent work and economic growth, SDG 9 Industry, innovation and infrastructure, SDG 11 Sustainable cities and communities, SDG 12 Responsible consumption and production, SDG 13 Climate action, SDG 14 Life below water, SDG 15 Life on land and SDG 17 Partnerships for the goals

Redefined ambitions for 2020

In 2017 building on the foundation's fields of engagement TUI Care Foundation defined ambitions in the Strategic plan 2017-2020 'Caring for a Better World' to be reached until the end of 2020:

Improving the life chances of over 100,000 children and youth

In order to enable children and youth to reach their full potential, we will invest in education and life skills for young people, boys and girls. It is important for us that disadvantaged children and youth living in or around our holiday destinations and in countries where TUI operates, live in a safe environment and have access to inclusive and equitable education, job opportunities and activities, which empower them to have better life chances. Feeding into this overarching objective are three of the foundation's programmes: The TUI ACADEMY programme focuses on professional education and training which creates new opportunities for disadvantaged, young people living in and around holiday destinations. The TUI CHANCES programme enriches children's lives around the world. The TUI JUNIOR ACADEMY programme gives young children better opportunities in life and the chance to get involved in important sustainability issues like biodiversity, climate change, animal welfare, waste management and human rights. The TUI FUTURE FUND focuses on emergency relief for children and youth in need when a disaster strikes.

With TUI Junior Academy projects in Cape Verde (on Sal and Boa Vista), Mexico (Riviera Maya and Cancun), Curacao, Mallorca/Spain, UK, Thailand and South Africa the foundation reached out to children in schools in 2018. Young, disadvantaged women and men are benefitted from TUI Academies in the Dominican Republic, Zanzibar, Namibia and Vietnam. Furthermore a number of TUI Academies are being developed and are scheduled to be launched in 2019/20. In collaboration with UNICEF the TUI Future Fund was brought to live. In the framework of the multiyear partnership with UNICEF the foundation will bundle all activities in case a disaster strikes.

Protecting the welfare of over 1 million animals

Many endangered species play a vital role for their ecosystems and for people as cultural icons and livelihoods for communities. Unfortunately, marine species and elephants are threatened by unsustainable development and impacted by climate change. TUI TURTLE AID supports turtle protection projects and awareness raising activities in holiday destinations. TUI ELEPHANT AID focuses on building an elephant friendly future and safeguarding elephant populations in Africa and Asia.

In 2018 the TUI Elephant Aid programme continued to focus on the improvement of the welfare of elephants in captivity in Asia. End of 2017 saw the start of a new project in Africa focused on the protection of wild elephants in Kenya. As part of the TUI Turtle Aid programme partnerships in Turkey and in Greece were launched, adding to the already existing projects on the Cape Verdean islands of Sal and Boa. The initial idea to collaborate with an overarching NGO to coordinate the project was abandoned in the course of the year, the new approach foresees the programme being managed by an expert based within the foundation's team.

Participating in 10 innovative destination projects to save resources

To safeguard destinations, natural resources have to be used efficiently. Therefore with the TUI CLEAN & GREEN programme we will support the sustainable management of waste, water and energy by participating in innovative destination projects that save resources. We will lead the way in participating in different environmental initiatives from food waste and plastic recycling to circular economy and awareness creation on saving resources in destinations. End of 2017 a project was started in the Philippines to support communities against natural disaster

via sustainable farming and fishing. Two projects related to food waste, also related to the cruise industry, were extended. In 2018 a project in Curacao was added to the portfolio with further projects being in the development stage in order to launch in 2019.

Enhancing 10,000 local livelihoods in destinations through tourism

To enhance the livelihoods in destinations maximizing the economic benefits of tourism for local people is of essential importance. Local men and women with local, responsible products and services should have improved access to the tourism industry and holidaymakers. The TUI CARES programme focuses on professional education, business skills training, financial support for enterprise development and employment creation for people living in and around communities in holiday destinations while linking local people and local produce to the tourism sector.

In 2018 the local sourcing project on Crete was successfully expanded. The project links local wine farmers and olive growers to the tourism sector on the island. On the Spanish island of Lanzarote the project set up for wine farmers entered a new stage of activity. In the Moroccan city of Marrakech TUI Care Foundation continued to support the Pikala which offers employment and training to young men and women and gives holidaymakers the opportunity to experience the city by bike. TUI CARES projects were launched in Malaga/Spain, Andalucia/Spain and in the Mugla region of Turkey. A number of additional projects were developed in 2018 and are scheduled to launch in 2019.

Governance

TUI Care Foundation is the international corporate foundation of TUI Group, the world's leading tourism company. The foundation is independent under Dutch law and has been indicated as a Public Benefit Organisation (PBO, in Dutch ANBI) by the Dutch Tax and Customs Administration, which is part of the Ministry of Finance. The foundation puts great value in transparency and the efficient use of funds, therefore all operating costs of the foundation, which include personnel, marketing and communication costs, are covered by TUI Group (either via direct financial contributions or in kind donations).

The governance structure of TUI Care Foundation consists of the Board of Trustees, the Management team and the Advisory Committee. The foundation has an independent Board of Trustees consisting out of five members. The board oversees all activities of the foundation and sets the strategic framework for the foundation's development. The majority of Board of Trustees is not affiliated with TUI or its entities. The members are appointed for a period of three years and are re-electable. The members of the Board do not receive remuneration, either direct or indirect, for the activities they carry out for the foundation. Expenses are covered by TUI Group. The board members are:

- Mr Thomas Ellerbeck, Chair
- Mr Nico Visser, Secretary
- Mr Frank Oostdam, Treasurer
- Mrs Dagmar Wöhrl
- Mrs Helen Caron (as of July 1, 2018)
- Mr Jeremy Ellis (until May 18, 2018)

Positions Board of Trustees members in 2018

Mr T. Ellerbeck, Chair

Appointed on October 1, 2015 (1st term)

Re-elected in 2018 (2nd term)

Eligible for re-election: yes

Main function: Member Group Executive Committee TUI Group

Additional functions:

- Member of the Supervisory Board of Messe Berlin
- Member of the Supervisory Board of TUI fly GmbH

Voluntary functions:

- Member of the Board of DRV – Deutscher Reise Verband
- Member of the Board of BDL – Bundesverband der Deutschen Luftverkehrswirtschaft
- Chairman of the Executive Board of TUI Stiftung
- Member of the Advisory Council of Plan Germany
- Member of the Board of Trustees of Stiftung Hilfe mit Plan
- Member of the Council of the Lindau Nobel Laureate Meetings
- Member of the Board of the Lindau Nobel Laureate Meetings Foundation

Prof. N.W. Visser, Secretary

Appointed on September 21, 2011 (1st term)

Re-elected in 2014 (2nd term) and in 2018 (3rd term)

Eligible for re-election: yes

Main function:

- Agricultural Counsellor for North Africa, attached to the Embassy of the Kingdom of the Netherlands in Rabat, Morocco
- Member of the Netherlands Foreign Service Inspection Team (ISB), Inspector for Economic and Agricultural Affairs (since 10/08/2018)

Mr F.J.P. Oostdam, Treasurer

Appointed on September 21, 2011 (1st term)

Re-elected in 2014 (2nd term) and in 2015 (3rd term) and in 2018 (4th term)

Eligible for re-election: yes

Main function: Director and chairman, ANVR

Voluntary functions:

- Member of the Supervisory Board of the Calamiteitenfonds Reizen (CFC) Foundation
- Member of the Supervisory Board of the Stichting Garantiefonds Reisgelden (SGR)
- Member of advisory board of B-Lay bv

Mrs D.G. Wöhr, member

Appointed on February 23, 2017 (1st term)

Eligible for re-election: yes

Main functions:

- Member of the Supervisory Board of Nürnberger Beteiligungsgesellschaft AG
- Member of the Supervisory Board of Nürnberger Lebensversicherung AG
- Managing Partner of DGWöhr Consulting GmbH
- Managing Partner of MIDA Parkverwaltung GmbH

Additional functions:

- Honorable Member of Deutschen Parlamentarischen Gesellschaft
- Member of the General Assembly of Industrie- und Handelskammer Nürnberg
- Member of the Presidium of Wirtschaftsbeirat Bayern

Voluntary functions:

- President of Tierschutzverein Nürnberg-Fürth und Umgebung e.V.
- Honorary President of Verband der Mittel- und Großbetriebe Bayerns
- Foundation Council of Emanuel Wöhr Stiftung
- Member of the Committee of UNICEF Deutschland
- Member of the Board of Help e.V. – Hilfe zur Selbsthilfe
- Member of the Board of Trustees of Bayerische AIDS-Stiftung
- Member of the Board of Aktion Deutschland Hilft
- Founding Member of the Board of cnetz – Verein für Netzpolitik
- Member of CSUnetz

Mrs H. Caron, member

Appointed on July 1, 2018 (1st term)

Eligible for re-election: yes

Main function:

- Group Purchasing Director at TUI Group

Mr J.M. Ellis, member

Appointed on February 23, 2017 (1st term)

Resignation on May 18, 2018

Eligible for re-election: no

Main function:

- Marketing and Customer Experience Director, TUI UK&I

The Management team executes the strategy and projects in accordance with the framework set by the Board of Trustees. The management members receive remuneration for the work performed by them for the foundation; the directors are paid by TUI Group and the General Manager by the foundation. The management team consists of:

- Mrs Elise Allart, Executive Director Programmes and Operations
- Mr Alexander Panczuk, Executive Director External Affairs and Development
- Mr Reinhard Will, Finance Director

Positions executive board in 2018**Mrs E. Allart**, Executive Director Programmes and Operations (as of January 2016)

Voluntary functions:

- Chair of the Board of Directors of The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism
- Member of the Executive Committee of UNWTO World Tourism Network on Child Protection

Mr A. Panczuk, Executive Director External Affairs and Development (as of January 2016)

Main function:

- Head of Reputation Management and Public Affairs, TUI Group

Mr R.A. Will, Director Finance (as of March 2017)

Main function:

- Managing Director of TUI Business Services GmbH, Hannover, Germany

Additional functions:

- Managing Director of TUI Leisure Travel Service GmbH, Neuss, Germany

The Board of Trustees and the Management team are supported by an Advisory Committee. The Committee consists of TUI experts on sustainable development, communications, hotel development, cruise business and tour operating, who give advice on project proposals and actively research new projects and partners. The Advisory Committee which has a purely advisory role is headed by Mrs Jane Ashton, Director Sustainability of TUI Group. The members of the Advisory Board do not receive remuneration. Expenses are covered by TUI Group.

Fundraising

Various TUI entities worldwide contribute to TUI Care Foundation and have also implemented channels to collect customer donations for TUI Care Foundation. The company's ambition is to invest EUR 10 million per year by 2020 to enhance the positive impacts of tourism with the big majority of that volume going to TUI Care Foundation.

In 2018 many entities worldwide have introduced or continued to grow their respective fundraising channels for TUI Care Foundation, UK based entities of TUI Group continued to be the major source of income for the foundation. Broadening the donation income and thus increasing available funds remains a major overall goal of the foundation.

All costs related to the development and implementation of new fundraising channels are borne by TUI Group or the respective entity.

The foundation is very thankful for members of the TUI team all over the world who continue to support the foundation with enormous effort. An exceptional example of the TUI teams engagement is the fact that internal fundraising campaigns within the international TUI workforce managed to raise more than EUR 80.000 in the course of 2018 alone.

Stakeholder Engagement

2018 saw increased media activities which were also supported by various TUI entities worldwide. Activities included numerous press releases, background talks with journalists, interviews and press trips among others to Thailand, Vietnam, Lanzarote, Cape Verde, Andalucia/Spain and Morocco. Also the links with political stakeholders were strengthened discussing TUI Care Foundation's activities with a significant number of political decision makers, from Presidents, Prime Ministers and Ministers to Members of Parliament and Ambassadors of the respective destinations.

Project Monitoring and Evaluation

All project partners follow the same procedures for the donation application and receive when approved a Partnership Agreement and TUI Care Foundation's Terms & Conditions based on the Project Plan and Financial plan submitted. For some partners and projects a Memorandum of Understanding is in place.

All projects that TUI Care Foundation supports, feed into the Strategic plan 2017-2020. In 2017 we started to measure and monitor our ambitions and objectives by analyzing the performance of our partners. Project partners are requested to submit a number of reports in the different phases of the project partnership period, unless stated differently in the partnership agreement: Progress Reports as mid-year reviews, Annual Reports as end-of-year review and a Final Report as end of partnership review.

The reports consist of four parts: 1. Progress monitoring and evaluation: the monitoring consists of questions to inform the TUI Care Foundation Management about the project's highlights, challenges, lessons learnt, milestones, communication efforts, link to the UN Sustainable Development Goals and next steps. 2. Logframe: The logframe informs about the progress made based on the outputs and activities undertaken to achieve the expected outcomes and ultimately the overall aim, as stated in the project application. 3. Indicator overview: The indicator overview states all the variables TUI Care Foundation uses to analyze the performance of all partners against its own strategic ambitions and objectives. 4. Financial update: The financial update provides and overview on actual spending versus the detailed budget as stated in the project application.

Reports are being processed by the TUI Care Foundation Management and are mandatory for disbursements.

Risks and uncertainties

The foundation has set up clear funding principles to ensure the efficient use of funds. Organisations eligible for funding from the TUI Care Foundation have to fulfill set criteria, particularly they have to demonstrate adequate financial controls and processes to ensure the transparent use of funds. The foundation has also clearly defined priority destinations as well as designated fields of engagement which specify the foundations areas of activity to ensure that funds are being spend efficiently.

The foundation's Board and Management follow clearly defined processes in the selection of projects and the disbursement of funds.

The major risk to the foundation's operations is the donation income. So far the majority of funds stems from TUI entities based in the UK. One of the strategic priorities of the foundation in this regard remains to broaden the donation base in the future. TUI Group, as the TUI Care Foundation's founder, is supporting this strategic objective. Uncertainties around the Exit of the United Kingdom from the European Union and the potentially

negative effects of the ongoing process on consumer and business sentiment remain an underlying risk for TUI Care Foundation.

In case of unexpected changes in the donation income all project agreements enable the foundation to terminate project agreements towards the end of the respective project year in order to reduce the financial risk for the foundation.

At this moment the foundation faces an imbalance in expenditure and income in the currencies GBP and EUR. As a result we face currency rate risks. This risk will be managed by selling a surplus in a currency. Furthermore we look at the possibility to pay contract partners in the currency most available.

The financial year 2018

The year 2018 was a transition year, in which the negative Unallocated projects reserve was turned into a positive reserve. For a better insight in the commitments made, a change in presentation of these commitments has taken place. As in previous year the commitments were part of the Allocated projects reserve and the Allocated projects funds, these are now presented as Project commitments.

The donations received for projects increased to EUR 4,048,211 (2017: EUR 3,259,390), an increase of 24.2%. The received donations for operating costs increased to EUR 234,474 (2017: EUR 188,412). This increase is mainly due to higher in kind cash donation in 2018 for personnel costs from TUI AG.

The grants to projects decreased to EUR 1,076,030 (2017: EUR 6,126,673). These grants include committed payments for coming years. Due to the low expenditure on projects, the negative Unallocated projects reserve at the beginning of the year (EUR 2,076,780 negative) has changed into a positive amount of EUR 952,194 as at the end of the year.

The operating costs increased to EUR 321,831 (2017: EUR 275,056). The increase is mainly due to higher personnel costs, which was also budgeted. Part of the increase reflected personnel costs in kind.

In respect of banking, all necessary changes and transactions regarding TUI Care Foundation's bank accounts are carried out by TUI Nederland N.V. on behalf of TUI Care Foundation. Due to the interest development, no interest income was realized. Due to the objective of the foundation, ING bank decided to charge no longer interest during the year and paid back the interest charged in 2017.

Prospects

For 2019 it is expected that the income will further grow by higher income from various TUI entities. Due to the exercised restraint in 2018 to grant new (long term) commitments, it is expected that the commitments to projects in the coming year will be higher.

TUI Care Foundation will focus on further strengthening and professionalization of the organization, amongst others based on advice given by the external auditor.

The Foundation has no need for investments and therefore also no need for external financing. It is expected that the staff deployment will grow to 4 FTE. As from 2019 on, the costs of personnel monitoring and working on projects, will be accounted for as project costs. Therefore the Management and Administration costs will account only for the overhead personnel costs.

[...]

Financial statements

Balance sheet as at 31 December 2018

(after appropriation of the balance of income and expenditure)

| | note | <u>31 December 2018</u> | | <u>31 December 2017</u> | |
|--|------|-------------------------|------------------|-------------------------|------------------|
| | | € | € | € | € |
| Assets | | | | | |
| Receivables | | | | | |
| Prepayments and receivables | 5.1 | | 796,449 | | 1,224,934 |
| Cash at bank and in hand | | | | | |
| | 5.2 | | <u>4,507,485</u> | | <u>2,850,945</u> |
| | | | <u>5,303,934</u> | | <u>4,075,879</u> |
| Reserves, funds and liabilities | | | | | |
| Reserves | | | | | |
| Continuity reserve | 5.3 | 139,895 | | 225,611 | |
| Allocated projects reserve | 5.4 | - | | - | |
| Unallocated projects reserve | 5.5 | <u>952,194</u> | | <u>- 2,076,780</u> | |
| | | | 1,092,089 | | - 1,851,169 |
| Funds | | | | | |
| Allocated projects fund | 5.6 | | <u>4,939</u> | | <u>68,525</u> |
| Total Reserves and Funds | | | 1,097,028 | | - 1,782,644 |
| Project liabilities | | | | | |
| Project commitments | 5.7 | | 4,119,091 | | 5,819,006 |
| Current liabilities | | | | | |
| Liabilities and accruals | 5.8 | | <u>87,815</u> | | <u>39,517</u> |
| | | | <u>5,303,934</u> | | <u>4,075,879</u> |

Statement of income and expenditure 2018

| | note | Actual 2018 | Budget 2018 | Actual 2017 |
|---|------|------------------------|------------------------|------------------------|
| | | € | € | € |
| Income | | | | |
| Income from companies | 7.1 | 4,279,385 | 3,907,600 | 3,438,137 |
| Income from private persons fund raising | 7.2 | 3,300 | 8,000 | 9,665 |
| Sum of income own fund raising | 7.3 | 4,282,685 | 3,915,600 | 3,447,802 |
| Expenditure | | | | |
| Expenditure on objectives | 7.4 | 1,076,030 | 3,587,400 | 6,126,673 |
| Costs of generating funds | 7.5 | 76,575 | 93,500 | 76,603 |
| Management and administration costs | 7.6 | 245,256 | 264,100 | 198,453 |
| Sum of expenditure | | 1,397,861 | 3,945,000 | 6,401,729 |
| Financial income and expense | 7.7 | - 5,152 | 2,500 | - 30,590 |
| Balance of income and expenditure | | 2,879,672 | - 31,900 | - 2,984,517 |
| Appropriation balance of income and expenditure: | | | | |
| Addition to / withdraw from: | | | | |
| Unallocated projects reserve | 5.5 | 3,028,974 | 121,600 | - 2,958,081 |
| Allocated projects fund | 5.6 | - 63,586 | - | 62,561 |
| Continuity reserve | 5.3 | - 85,716 | - 153,500 | - 88,997 |
| Balance | | 2,879,672 | - 31,900 | - 2,984,517 |

Cash flow statement 2018

| | <u>2018</u> | | <u>2017</u> | |
|--|-------------|--------------------|-------------|--------------------|
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Received donations from third parties | | 4,471,335 | | 2,105,256 |
| Payments to project partners and suppliers | | <u>- 2,802,032</u> | | <u>- 2,347,403</u> |
| Cash generated from / (used in) operations | | 1,669,303 | | - 242,147 |
| Received financial income | | 1,797 | | 515 |
| Paid financial expense | | <u>- 583</u> | | <u>- 2,694</u> |
| | | 1,214 | | - 2,179 |
| Net increase/(decrease) in cash from operating activities | | <u>1,670,517</u> | | <u>- 244,326</u> |

Movements in cash and cash equivalents can be broken down as follows:

| | <u>2018</u> | | <u>2017</u> | |
|----------------------------------|-------------|------------------|-------------|------------------|
| | € | € | € | € |
| Balance as at 1 January | | 2,850,945 | | 3,154,589 |
| Movements during the year | | <u>1,670,517</u> | | <u>- 244,326</u> |
| | | 4,521,462 | | 2,910,263 |
| Differences on exchange rate | | <u>- 13,977</u> | | <u>- 59,318</u> |
| Balance as at 31 December | | <u>4,507,485</u> | | <u>2,850,945</u> |

Notes to the financial statements 2018

1. General notes

1.1. Foundation

TUI Care Foundation was founded at 21 September 2011 in the Netherlands. The statutory name is Stichting TUI Care, but the foundation also acts under the name TUI Care Foundation. TUI Care Foundation is the corporate foundation of the TUI Group. It has its seat in Rijswijk, South-Holland.

1.2. Objective

The (statutory) objective of TUI Care Foundation is to contribute to a sustainable development of tourism and supporting children and youth for example by:

- a. improving the welfare of local populations;
- b. promoting and maintaining local culture and traditions;
- c. protecting nature and the environment;
- d. promoting animal welfare;
- e. promoting sustainable energy;
- f. supporting local economies in relation to the tourist activities in holiday destinations; and
- g. offering relief in crisis and emergency situations.

1.3. Policies

The financial statements are conducted taking into account the Dutch law and guidelines regarding financial statements, with specific guidance of the Dutch guideline which refers to fund raising organizations (Richtlijn 650 Fondswervende organisaties).

1.4. Financial year

The financial year is equal to the calendar year (1 January – 31 December).

1.5. Cash flow statement

The cash flow statement is prepared according to the direct method. The cash and cash equivalents in the cash flow statement consist of cash. Interest paid and received are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash are not recognized in the cash flow statement.

1.6. Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. If necessary for the purposes of providing the view required under Section 362, subsection 1, Book 2 of the Dutch Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

1.7. Non-monetary income

Besides monetary income, the foundation also receives services in kind from several TUI entities. Those receivables are valued at fair value and the accomplishing costs are accounted for under the applicable services. Staff costs of TUI employees are only accounted for if they dedicate more than 50 percent of their time to the foundation.

As some in kind income is part of total contracts of a TUI member, the exact value of the in kind income cannot be determined. In those case a best estimate of the donating company is used.

1.8. Changes in accounting policies

As from 2018 on, the projects committed are no longer accounted as Allocated projects reserve or Allocated projects fund, but under the liabilities as Project commitments. As a result these commitments are no longer part of the (free) available Reserves. For a better insight, the comparative balance sheet figures have been adjusted to these new grouping.

The reconciliation of the correction in reserves and funds can be made as follows:

| | Closing balance 2017 | Corrections | Opening balance 2018 |
|-------------------------------------|-------------------------|-------------|-------------------------|
| | € | € | € |
| Allocated projects reserve | 4,288,826 | - 4,288,826 | - |
| Allocated projects fund | 1,598,705 | - 1,530,180 | 68,525 |
| Total correction Reserves and Funds | 5,887,531 | - 5,819,006 | 68,525 |
| Project commitments | - | 5,819,006 | 5,819,006 |
| Total | 5,887,531 | - | 5,887,531 |

2. General policies

2.1. General

If not specifically stated otherwise, assets and liabilities are recognized at the amounts at which they were acquired or incurred. The balance sheet, the statement of income and expenditure and the cash flow statement include references to the notes.

2.2. Foreign currency translation

The financial statements are presented in Euro, which is the functional and presentation currency of the foundation. Transactions in foreign currencies are translated at the rates of exchange ruling at the time of the transaction. Monetary assets and liabilities in foreign currencies are translated into euros at the rates of exchange at balance sheet date. Exchange differences are taken to the statement of income and expenditure under financial income and expense. Exchange rate results are appropriated to the unallocated projects reserve.

3. Accounting policies for the balance sheet

3.1. Cash at bank and in hand

The cash at bank and in hand consist of bank balances. Cash at bank and in hand are valued at face value.

3.2. Reserves - Continuity Reserve

The continuity reserve relates to funds which are needed for the execution of operating activities of the foundation. Costs of the foundation are appropriated to this fund as well as specific donations for this reserve. The balance of the financial income and expense (except exchange rate results) is also added to this fund. The policy for this reserve is that it should at least cover the cash outflow for the Management and administration costs for one year.

3.3. Reserves - Allocated projects reserve

The allocated projects reserve relates to amounts allocated by the Board for specific goals for which no commitment has been signed yet.

3.4. Reserves - Unallocated projects reserve

The unallocated projects reserve relates to received funds which are not committed to projects yet. This is the free available amounts for projects.

3.5. Funds – Allocated projects fund

The allocated projects fund relates to received funds which are specifically appropriated to projects by the donator and for which project this amount is not communicated yet.

3.6. Project commitments

The project commitments relate to contractual commitments made to projects. This is the amount which has to be paid to the project according to the contracts.

4. Accounting policies for the statement of income and expenditure

4.1. Income from companies

Income from companies are recognized in the year to which they can be allocated, generally the year in which they are received.

4.2. Income from private persons fund raising

Income from private persons fund raising are recognized in the year in which they are received.

4.3. Expenditure on objectives

Expenditure on objectives are recognized in the year to which they can be allocated, generally the year in which the commitment to the project partners is made.

4.4. Other expenditure

Other expenditure is accounted for on an accrual basis.

5. Notes to the balance sheet

5.1. Prepayments and receivables

| | <u>31 December 2018</u> | <u>31 December 2017</u> |
|---------------------------------|-------------------------|-------------------------|
| | € | € |
| Donations from/via TUI entities | 659,106 | 1,224,191 |
| Other receivables | <u>137,343</u> | <u>743</u> |
| Total | <u><u>796,449</u></u> | <u><u>1,224,934</u></u> |

All receivables have a term of less than one year.

5.2. Cash at bank and in hand

The cash at bank and in hand is at the foundations free disposal.

5.3. Continuity reserve

The movements in the continuity reserve can be specified as follows:

| | <u>2018</u> | | <u>2017</u> | |
|---|-----------------|-----------------------|------------------|-----------------------|
| | € | € | € | € |
| Balance as at 1 January | | 225,611 | | 314,608 |
| Contributions in the operating costs | 234,474 | | 188,412 | |
| Expenditures regarding operating costs | <u>-320,190</u> | | <u>- 277,409</u> | |
| Appropriation of income and expenditure | | <u>-85,716</u> | | <u>- 88,997</u> |
| Balance as at 31 December | | <u><u>139,895</u></u> | | <u><u>225,611</u></u> |

5.4. Allocated projects reserve

The movements in the appropriated funds for projects was as follows:

| | <u>2018</u> | | <u>2017</u> | |
|---------------------------|-------------|-----------------|-------------|------------------|
| | € | € | € | € |
| Balance as at 1 January | | - | | 767,637 |
| Accounting policy change | | <u>-</u> | | <u>- 767,637</u> |
| Balance as at 31 December | | <u><u>-</u></u> | | <u><u>-</u></u> |

5.5. *Unallocated projects reserve*

The movements in the unallocated projects reserve can be specified as follows:

| | 2018 | 2017 |
|--|--------------------|--------------------|
| | € | € |
| Balance as at 1 January | - 2,076,780 | 1,595,488 |
| Accounting policy change | - | - 714,187 |
| | <u>- 2,076,780</u> | <u>881,301</u> |
| Appropriation of revenue and expenditure | 3,028,974 | - 2,958,081 |
| Balance as at 31 December | <u>952,194</u> | <u>- 2,076,780</u> |

This reserve represents the free amount available for the board to assign to projects.

5.6. *Allocated projects fund*

The movements in the allocated projects fund was as follows:

| | 2018 | 2017 |
|--|-----------------|---------------|
| | € | € |
| Balance as at 1 January | 68,525 | 582,795 |
| Accounting policy change | - | - 576,831 |
| Corrected balance | 68,525 | 5,964 |
| Appropriation of revenue and expenditure | <u>- 63,586</u> | <u>62,561</u> |
| Balance as at 31 December | <u>4,939</u> | <u>68,525</u> |

Duration

All amounts are expected to be paid within one year.

5.7. *Projects committed*

The movements in the projects committed was as follows:

| | 2018 | | 2017 | |
|-------------------------------|-------------|--------------------|-------------|------------------|
| | € | € | € | € |
| Balance as at 1 January | | 5,819,006 | | - |
| Accounting policy change | | - | | 2,058,655 |
| | | <u>5,819,006</u> | | <u>2,058,655</u> |
| Committed projects | 1,076,030 | | 6,116,295 | |
| Payments to projects | - 2,759,884 | | - 2,324,296 | |
| Foreign exchange (FX) results | - 16,061 | | - 31,648 | |
| | | <u>- 1,699,915</u> | | <u>3,760,351</u> |
| Balance as at 31 December | | <u>4,119,091</u> | | <u>5,819,006</u> |

Specification of the movements in projects committed

| | 1 January | Additional commitments | Payments / releases | 31 December |
|------------------------------------|------------------|---------------------------|------------------------|------------------|
| | € | € | € | € |
| Empowering young people | 3,270,406 | - 43,494 | 1,390,158 | 1,836,754 |
| Thriving destinations | 925,684 | 809,688 | 825,845 | 909,527 |
| Protecting the natural environment | 721,961 | 262,545 | 543,881 | 440,625 |
| Other / several | 900,955 | 31,230 | - | 932,185 |
| Total | 5,819,006 | 1,059,969 | 2,759,884 | 4,119,091 |

The foreign exchange results have been accounted for under the additional commitments as these are seen as corrections on the commitments made.

Duration

An amount of approximately EUR 2,544 thousand is expected to be paid within one year, while the remaining amount of EUR 1,575 thousand is expected to be paid between two and five years.

5.8. Liabilities and accruals

| | 31 December 2018 | 31 December 2017 |
|--------------------------------|-------------------------|-------------------------|
| | € | € |
| Staff expenses | 71,099 | 23,083 |
| Audit costs | 16,000 | 16,000 |
| Other liabilities and accruals | 716 | 434 |
| Total | 87,815 | 39,517 |

6. Commitments not included in the balance sheet

TCF has committed herself until 31 December 2021 to support an agreed partnership programme with UNICEF which consists of a yearly minimum and maximum contribution to the programme. If the maximum contributions will be claimed, an additional amount of EUR 450,000 has to be accounted for as committed in future years.

7. Notes to the statement of income and expenditure

7.1. Income from companies

| | Actual 2018 | Budget 2018 | Actual 2017 |
|---|------------------------|------------------------|------------------------|
| | € | € | € |
| Donations from/via TUI Group entities in cash | 4,044,430 | 3,686,000 | 3,243,407 |
| Donations from/via TUI Group entities in kind | 234,955 | 221,600 | 194,730 |

| | Actual 2018 | Budget 2018 | Actual 2017 |
|---|------------------------|------------------------|------------------------|
| | € | € | € |
| Donations from/via TUI Group entities in cash | 4,044,430 | 3,686,000 | 3,243,407 |
| Donations from/via TUI Group entities in kind | 234,955 | 221,600 | 194,730 |
| Total | 4,279,385 | 3,907,600 | 3,438,137 |

Donations in cash means that the donations are or will be received in cash.

7.2. *Income from private persons fund raising*

The income from private persons represent the donations from private persons received direct on the bank account of the foundation. Donations collected by group companies are accounted for under Income from companies. The income from private persons is mainly the result of the possibility to donate during the booking process of TUI Group entities.

7.3. *Specification of the income own fund raising to fields of engagement*

| | Actual 2018 | Budget 2018 | Actual 2017 |
|--|------------------------|------------------------|------------------------|
| | € | € | € |
| Empowering young people | 578,865 | | 464,491 |
| Protecting natural environment | 182,064 | | 210,605 |
| Supporting thriving destinations | 21,214 | | 62,324 |
| Other / several | - | | 900,956 |
| Total Project income <i>earmarked</i> | 782,143 | | 1,638,376 |
| Project income <i>not earmarked</i> | 3,266,068 | | 1,621,014 |
| Total project income | 4,048,211 | 3,709,000 | 3,259,390 |
| For the benefit of organization costs | 234,474 | 206,600 | 188,412 |
| Total | 4,282,685 | 3,915,600 | 3,447,802 |

From some TUI entities donations are received for which explicitly is indicated that these are meant as contribution to the continuity reserve.

7.4. *Expenditure to objectives and purposes*

| | Actual 2018 | Budget 2018 | Actual 2017 |
|--------------------------------|------------------------|------------------------|------------------------|
| | € | € | € |
| Empowering young people | - 37,798 | 917,916 | 3,145,329 |
| Protecting natural environment | 262,054 | 1,058,500 | 1,600,778 |

| | Actual 2018 | Budget 2018 | Actual 2017 |
|----------------------------------|------------------------|------------------------|------------------------|
| | € | € | € |
| Supporting thriving destinations | 814,367 | 1,610,984 | 1,352,066 |
| Other | 37,407 | - | 28,500 |
| Total | 1,076,030 | 3,587,400 | 6,126,673 |

The negative amount of Empowering young people is due to release of commitments as the revenues for those projects were lower than expected.

7.5. *Costs of generating funds*

The costs of generating funds are fully borne by TUI AG and consist among others of website hosting, TUI Care Magazine and press trips.

7.6. *Management and administration costs*

| | Actual 2018 | Budget 2018 | Actual 2017 |
|---------------------------|------------------------|------------------------|------------------------|
| | € | € | € |
| Staff costs | 195,205 | 227,200 | 164,100 |
| Audit costs | 16,000 | 16,000 | 16,000 |
| Other costs | 34,051 | 20,900 | 18,353 |
| Total | 245,256 | 264,100 | 198,453 |
| <i>Of which "in kind"</i> | <i>157,899</i> | <i>123,100</i> | <i>111,809</i> |

From TUI entities "in kind" services were received. All these received services are estimated at fair value and accounted for as Management and administration costs. Staff costs of TUI Group employees is only accounted for as income in kind if staff dedicates more than 50 percent of their time to the foundation.

7.7. *Financial income and expense*

| | Actual 2018 | Budget 2018 | Actual 2017 |
|------------------|------------------------|------------------------|------------------------|
| | € | € | € |
| Exchange result | - 6,793 | - | - 28,237 |
| Interest income | 2,227 | 500 | - |
| Interest expense | - | - 1,500 | - 1,008 |
| Bank charges | - 586 | - 1,500 | - 1,345 |
| Total | - 5,152 | - 2,500 | - 30,590 |

With exception of the exchange result, the result of the financial income and expense is appointed to the continuity reserve. The exchange result is appointed to the unallocated project reserves. The interest income 2018 is mainly due to a restitution from the ING bank of interest paid in 2017.

7.8. *Remuneration board members*

During 2018 there was no remuneration to board members (2017: also no remuneration).

8. Average number of employees

During the financial year 3 FTE worked for the foundation, of which 1 FTE was charged to the fund. The other 2 FTE were donated in kind by TUI Group companies. Besides this, the foundation received services "in kind" from TUI staff who work less than 50% for the fund, which is not accounted for.

9. Format explanation expenditure

| | Spent on objectives | Recruitment costs | Costs management and administration | Actuals 2018 | Budget 2018 | Actuals 2017 |
|---------------------------------|---------------------|-------------------|-------------------------------------|------------------|------------------|------------------|
| | € | € | € | € | € | € |
| Expenditure to project partners | 1,076,030 | - | - | 1,076,030 | 3,587,400 | 6,126,673 |
| Communication costs | - | 76,575 | - | 76,575 | 93,500 | 76,603 |
| Personnel costs | - | - | 195,205 | 195,205 | 227,200 | 164,100 |
| Housing costs | - | - | 10,156 | 10,156 | 10,300 | 10,156 |
| Office and general costs | - | - | 39,895 | 39,895 | 26,600 | 24,197 |
| Total | 1,076,030 | 76,575 | 245,256 | 1,397,861 | 3,945,000 | 6,401,729 |

The amount in the column Spent on objectives represents the amount spent in accordance with the statutory objects: supplying a contribution to the sustainable development of tourism and supporting children and youth for example by:

- improving the welfare of local populations;
- promoting and maintaining local culture and traditions;
- protecting nature and the environment;
- promoting animal welfare;
- promoting sustainable energy;
- supporting local economies in relation to the tourist activities in holiday destinations; and
- offering relief in crisis and emergency situations.

Marketing and communications costs are seen as recruitment costs. Those costs are donated in kind by TUI group companies.

The costs of management and administration are operational costs for the foundation and therefore not allocated to spent on objectives and recruitment costs.

10. Post balance sheet events

There are no significant events to mention which could influence the financial statements as per December 31, 2018.

Undersigning board

Brussels, May 20, 2019

w.s. T. Ellerbeck

w.s. F.J.P. Oostdam

w.s. N.W. Visser

w.s. D.G. Wöhrl

w.s. H. Caron

[...]