

CENTRAL EUROPEAN OFFICE

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MARKET INTELLIGENCE / TRENDS

FTI GROUP: FOUNDER DIETMAR GUNZ PUTS NEW MANAGEMENT TEAM IN CHARGE

05 JAN: After the Corona-related streamlining of the company portfolio and the structural measures last summer, FTI Group has announced a final step in restructuring the third-largest German tour operator group at the end of 2020. The company's founder Dietmar Gunz has handed over the baton to co-managing director Ralph Schiller withdrawing from operational business with effect from January 1, 2021.

With its new management structure and the measures already taken to overcome the Corona crisis, the FTI Group is looking ahead to 2021 with strength and confidence. "The prospect of an imminent vaccine is a ray of hope for the entire industry," says Schiller. "And the desire for vacation in the country is unbroken, after many had to spend their 2020 vacations within their own four walls".

Thus FTI Group is "entering the next season with great expectations" and has positioned itself "optimally for the increase in bookings", adds Schiller. "Because 2021 could become a real boom year."

DER TOURISTIK: STREAMLINING

05 JAN: After the dramatic impact of the Covid-19 pandemic on business in 2020, Ingo Burmester, head of DER Touristik's Central Europe region, is moving to streamline the German tour operator business with a single management team for all travel products.

Germany's second-largest tourism group still has two main offices – and resulting parallel structures – several years after the merger of the Cologne-based package tour operators (ITS, Jahn Reisen) and the Frankfurt-based specialist brands (Dertour, Meier's Weltreisen) into DER Touristik Germany.

The DER Touristik Central Europe chief said the main aims of the restructuring are to eliminate the historical parallel structures, to improve processes and speed up digitalization. Looking ahead, Burmester was optimistic about better business this year. But he stressed: "Despite this we don't expect a complete recovery of the travel market in 2021."

TUI: SHAREHOLDERS APPROVE OF STATE PARTICIPATION

06 JAN: At the extraordinary general meeting of TUI AG held virtually, shareholders approved the third financing package for the tourism group with a total volume of around €1.8 billion. This clears the way to a silent state participation conversion into shares.

The reduction of share capital from €2.56 per share to €1.00 per share was approved by 99.6%, the subsequent capital increase of approximately €509 million by 98% of the shareholders. The conversion right of the Economic Stabilization Fund (WSF) into shares of TUI AG was also approved also by 98% of shareholders.

The implementation of the components of the third financing package will also grant a prolongation of a portion of the existing KfW credit line in the amount of €500 million. This would otherwise have ceased to be available on April 1, 2021. The partial amount now also has a maturity like the rest of the existing KfW credit line (July 2022), once the outstanding senior bond is redeemed with the funds from the capital increase. Under the third financing package, KfW is also participating in an additional loan facility together with private banks in the amount of €200 million.

TOUR OPERATORS OFFER MORE FLEXIBLE CANCELLATIONS

14 JAN: Due to the current lockdown in Germany and travel restrictions worldwide, German customers are hesitant to book their holidays at the start of 2021. In moves to stimulate bookings, leading tour operators are now aiming to boost sales of their summer 2021 programs through a range of sales incentives focused on reassuring customers.

- Market leader **TUI**, for example, unveiled details of its new Flex-Tarif pricing option. This gives customers the right to switch or cancel a package holiday booking free of charge up to 14 days before departure. In addition, Covid protection insurance for TUI and Airtours holidays until the end of October 2021 will be inclusive in all bookings made by the end of February. This scheme covers the costs of tests, treatment and hotel accommodation as well as a return flight guarantee.
- **DER Touristik** has extended its free cancellation offer for Dertour, ITS, Jahn Reisen and Meier's Weltreisen holidays up to 14 days before departure (for trips up to October 31) to cover all new bookings made by January 31.
- **FTI** has a similar offer for the same dates.

RETURNEES FROM RISK AREAS MUST PRESENT NEGATIVE COVID TEST

14 JAN: Germany has again tightened its travel restrictions: As of Januar 11, travelers arriving from a risk area have to present a negative COVID-19 test result prior to or directly after entry. This is an additional restriction to the existing 10-day quarantine regulation which can be reduced to five days, if a negative COVID-19 test is presented.

To ensure returnees from high-risk areas comply with the quarantine regulations, they must register online at [Einreiseanmeldung.de](https://www.einreiseanmeldung.de). Information about risk areas can be found in the list of risk areas compiled by the [Robert Koch Institute](https://www.rki.de). This list shows not only countries for which the German government has issued a general travel warning, but also individual regions with more than 50 new infections per 100,000 inhabitants in the last seven days.

Tightened regulations apply to persons entering from regions with a particularly high risk of infection. These include regions with particularly high numbers of cases (high-incidence areas) and regions in which virus variants of concern have spread. Only three countries are classified as areas of variant of concern as of January 15: United Kingdom (already a risk area since November 15, 2020), Ireland (risk area since January 9, 2021) and South Africa (risk area since June 15, 2020).

Furthermore, domestic travel is hardly possible during the current lockdown: Tourism-related travel is prohibited throughout the country, with exceptions only for necessary purposes such as mandatory business travel. Nationwide, tourist overnight stays are prohibited until at least January 31.

TRAFFIC AT MUNICH AIRPORT FALLS BACK TO 1992 LEVELS

17 JAN: The effects of the COVID-19 pandemic have seen Munich Airport record its lowest traffic figures since it opened in 1992. Due to global travel restrictions, the passenger volume in 2020 was nearly 77% lower than previous year's figure.

Passenger numbers at Germany's second-largest airport declined from almost 48 million to around 11.1 million in 2020 due to Corona pandemic. In the same period, the number of take-offs and landings dropped by more than 270,000 to around 147,000 – a fall of nearly 65%. The cargo volume – including air freight and air mail handled – in Munich came to around 151,000 metric tons in 2020, more than halving compared with the previous year (almost 332,000 metric tons).

FRANKFURT PASSENGER NUMBERS FALL TO HISTORIC LOW

18 JAN: Frankfurt Airport (FRA) welcomed some 18.8 million passengers in 2020 – a decrease of 73.4% compared to 2019. Aircraft movements contracted by 58.7% year-on-year to 212,235 takeoffs and landings in 2020. "The year 2020 brought extreme challenges to the entire aviation industry. In Frankfurt, passenger volumes dropped to a level last seen in 1984," commented Fraport's executive board chairman, Stefan Schulte.

Despite the dramatic decreases, Schulte stays confident for the future: "Because of the recent launch of vaccination programs throughout many countries, we are optimistic that travel restrictions will be gradually lifted beginning in the spring". Therefore, Schulte expects the largest German airport's passenger traffic to rebound noticeably in the second half of 2021.

TRAVEL AGENTS START WITH MORE CONFIDENCE INTO 2021

19 JAN: New year, new optimism: At the beginning of 2021, the tourism sales climate index continued its slight upward trend which started in December 2020. After a disastrous business year 2020, the advancing vaccinations are fueling hopes of a strong recovery.

Travel agent's assessment of their future earnings situation has slightly improved: Now 10.7% expect an improvement within the next 6 months – almost twice of the share in December (5.5%). 12.3% of the respondents anticipate a stable earnings situation – less than in the previous month (14.5%).

TOURISM HEADS FOR MODERATE COMEBACK IN 2021

21 JAN: The German travel and tourism market is set to make a moderate comeback this year, a further revival in 2022 and then a full-scale recovery in two years' time, according to a newly released survey. An upbeat outlook from Statista predicted that after a massive decline in travel last year due to pandemic-related restrictions a resurgence could come this year, driven by factors such as technological innovations and personalized travel services as well as the current low levels of travel.

Pent-up Demand

Statista's survey pointed out that industry experts and large travel companies such as TUI expect the market to recover rapidly, although they cautioned that forecasts could be impacted by constantly changing circumstances (e.g. vaccination trends, lockdown periods). "Nevertheless, it is expected that people will have a desire to catch up on the last few months of missed travel experiences as soon as possible," they commented.

Global Comeback in 2021

According to Statista's Mobility Market Outlook, global travel and tourism revenue for 2021 is forecasted to increase by over 50% compared to 2020. The German research company projects a 55% loss of turnover in the tourism industry for 2020 compared to 2019. New revenue records can be expected from 2023 onwards; for 2025 the MMO experts even predict a revenue growth of almost 23% versus the success year 2019. "The global travel and tourism market is set to recover fully from the coronavirus pandemic by 2023 and achieve record turnover figures," the two companies predicted.

Acceptance of Corona Protection Measures

More than half of German consumers would be prepared to accept corona-related restrictions at their holiday destination, according to a representative survey by researchers Insa-Consulere for Dertour conducted in mid-December. For every second person, the corona protection measures in destinations as well as tour operator offers for favorable cancellation and booking changes play a decisive role when planning a holiday trip. For more than 40%, the ability to return rapidly in case of another lockdown are key decision factors.

TOURISM INDUSTRY DEMANDS POST-LOCKDOWN STRATEGY

21 JAN: Travel agents, tour operators and tourism companies in Germany are calling for a 'task force' to develop a recovery strategy for the sector after the current nationwide lockdown was extended into mid-February. The German government and regional premiers agreed that the COVID-19 lockdown restrictions should continue until at least February 14 due to the continued high levels of infections across the country. The key measures include strict limits on personal contacts, obligatory medical standard facemasks on public transport, and the continuing closure of most shops, schools, restaurants and cafes, as well as putting employees in 'home offices' wherever possible.

In response to the lockdown extension, four German travel and tourism associations welcomed the government's initial plans to re-open the economy and called for a special working group to be set up to develop a strategy for the tourism sector, including domestic and international travel. "It's good that the federal government and the regional states are finally moving towards an opening strategy. The tourism industry has demanded a clear concept for a long time and offers its assistance," declared the German Tourism Association

(DTV) on behalf of the domestic tourism sector, the German Travel Industry Association (DRV), the coach operator's association RDA and the online travel retail association VIR. At the same time, they criticized: "Despite all calls and offers for talks from the tourism industry, the government does not yet have anything to show in terms of restarting tourism. Since the first lockdown (in spring 2020) we have been demanding a task force comprising politicians and industry experts as well as a tourism summit."

The associations stressed: "We are convinced that safe travel will be possible again after the second coronavirus wave with an agreed concept that includes sensible quarantine and test strategies, clear hygiene and protective rules and a differentiated view of the individual tourism segments." Leisure travel within Germany is effectively impossible at present due to the lockdown restrictions, which include the closure of hotels and other accommodations. International travel remains curtailed by entry restrictions, quarantine and COVID-19 testing regulations, and other measures.

LUFTHANSA REVEALS NAME OF ITS NEW LONG-HAUL LEISURE BRAND

25 JAN: 'Ocean' becomes 'Eurowings Discover': This is the name Lufthansa has chosen for its long-haul leisure brand which is expected to start operations in summer 2021. Eurowings Discover will unite Lufthansa's long-haul leisure business which so far has been handled by Lufthansa itself, Lufthansa City Line, Brussels Airlines and Sun Express Deutschland. Managing director Wolfgang Raebiger has already recruited 300 employees, pilots and flight attendants.

Starting in June, three Airbus 330 shall carry tourists to long-haul destinations such as Punta Cana (Dominican Republic) and Zanzibar. Originally the new subsidiary was expected to comprise seven jets also serving European destinations, but these plans have been abandoned.

The new subsidiary is competing against German leisure carrier Condor. With the start of Eurowings Discover, Lufthansa has terminated its Special Prorate Agreement (SPA) with the former Thomas Cook airline as of May 31, 2021. The SPA makes sure that Condor passengers are secured in case of a delay of their Lufthansa feeder flights. Condor has lodged a complaint against the SPA termination at the Federal Cartel Office.

GERMANY DECLARES 25 COUNTRIES AS HIGH-RISK AREAS

25 JAN: Germany again differentiates its Covid-19 policy of travel warnings and risk areas: For the first time, the Federal Foreign Office and the Robert Koch Institute (RKI) declared more than 20 countries as "high risk" regions due to their high Corona infection rates.

The German authorities have continuously updated a list of countries at risk. Due to "high infection" rates (exceeding 200 new cases per 100,000 inhabitants within a week), the Robert Koch Institute (RKI) has identified 25 countries as particularly high-risk areas:

Albania, Andorra, Bolivia, Bosnia and Herzegovina, Colombia, Czech Republic, Egypt, Estonia, Iran, Israel, Kosovo, Latvia, Lebanon, Lithuania, Mexico, Montenegro, North Macedonia, the Palestinian territories, Panama, Portugal, Serbia, Slovenia, Spain, the United Arab Emirates (UAE) and the USA.

CONSUMER SENTIMENT

27 JAN: As 2021 begins, consumer confidence in Germany is suffering under the strict lockdown. Propensity to buy is in freefall, while both economic and income expectations have registered moderate declines. As a result, GfK is forecasting a decrease of 15.6 points in consumer sentiment for February 2021, down 8.1 points from January this year (revised to 7.5 points). In addition to the moderate decrease in income expectations, the renewed slump in consumer sentiment in Germany is due largely to the collapse of propensity to buy. These are findings of the GfK Consumer Climate Study Germany for January 2021.

The results of a recent GfK eBUS® survey reveal that four out of five German citizens (81 percent) view COVID 19 as a significant or very significant threat to Germany. This is the highest figure recorded since the surveys began (mid-April 2020). Just 15 percent feel that the pandemic is not a significant threat or do not view it as a threat at all. The most recent survey also saw the highest-ever number of respondents state that they were concerned about the economic impact of the coronavirus crisis on their own futures: 54 percent are very or quite concerned about the economic impact of the crisis on their futures, while 43 percent are either not particularly concerned or not concerned at all.

Income Expectations

The strict lockdown has impacted consumer income expectations, with the indicator dropping 6.5 points to 2.9. The fourth such consecutive decrease, it marks a decline of 47.5 points compared to the same period for the previous year. The extension of the lockdown to mid-February has also made it more likely that the industries affected will be hit by a wave of bankruptcies. This is fueling fears of job losses among employees, which in turn is affecting income expectations. Furthermore, the number of short-time workers will likely rise because of the strict lockdown, which will affect household incomes.

Propensity to Buy

"The closure of the restaurant trade and large portions of the retail sector in mid-December 2020 has had a similarly damaging effect on consumer spending as that of the first lockdown last spring. At present, propensity to buy is at zero points. This is a decrease of 36.6 points on the previous month, which is comparable to the drop of 36 points recorded during the first lockdown in April 2020," says Rolf Bürkl, consumer expert at GfK.

Economic Expectations

In contrast to propensity to buy and income expectations, economic expectations have only suffered slight decreases this month, with the indicator dropping 3.1 points to its current score of 1.3. This represents an increase of five points on the same period for the previous year. The stable trend in the economic indicator is due in part to the stability of the labor market in the light of the deep recession, and also to the fact that the manufacturing sector, a substantial part of the German economy, has remained unaffected by closures, allowing the order situation within that sector to stabilize.

SALES ACTIVITIES

Del-Tour Travel Advisor Training, Belgium (January 14th, 2021):

We secured yet another an eTraining opportunity with our tour operator partner Del-Tour in Belgium. Del-Tour's dedicated agencies were invited to attend an intensive one-hour 'Florida' session to kick off the new year. In partnership with The Florida Keys and Greater Miami, we portrayed new developments in our destinations and integrated information on recommendations related to visiting our area safely and responsibly during the pandemic.

This month we finalized our destination presentation and – by popular demand – included our innovative 'treasure hunt' element focused on generating additional interaction. Inasmuch, Del-Tour promoted our destination as the highlight of the training for which we again received excellent feedback from travel advisors he agents. 36 agents participated in the training and received our usual post-training follow-up email containing comprehensive destination information as well as relevant VSPC website links.

Del-Tour Incentive: The Belgian tour operator's brand-new Florida fly/drive program (including our area) was also promoted during the travel advisor training this month. We supported Del-Tour's incentive effort by sponsoring VSPC goodie bags for the first 10 bookings made to our area by participating travel advisors between now and November 30th.

Florida Huddle (February 9th - 11th, 2021)

Florida Huddle is the official travel trade show for Florida and is the premier appointment tradeshow showcasing what the Sunshine State offers to international and domestic tour operators as well as wholesalers. Held virtually this year, appointments will be scheduled on three days: Tuesday, February 9 for the UK and Europe / Wednesday, February 10 for Latin America / Thursday, February 11 for the USA and Canada. This year's virtual edition will include educational sessions, destination master classes and virtual mini-FAMs.

We liaised with the Leisure Sales Department this month on coordinating appointment selections as well as pertinent talking points. In addition, we deployed invitations to our Central European clients to attend our VSPC Virtual Golf Demonstration to be showcased on February 11th.

FVW Virtual Counter Days (February 11th - 12th, 2021):

FVW is the leading travel trade pub and online business portal for tourism providing up-to-date information on current news, industry relevant topics, analyses, backgrounds and practical tips. The online portal boasts more than 380,000 unique users per month trust the competence of FVW Medien.

Traditionally an in-person trade fair, this year's FVW Counter Days will be launched virtually to include discussion panels, destination talks and webinars. Over the course of 2 days, more than 1,000 tourism experts will engage with 100+ exhibitors to acquire knowledge, receive updates and news on relevant topics.

This month we registered for in this important virtual trade fair including the destination webinar option, created our virtual platform (with logo, imagery, content, video and contact information) and provided the publisher with our VSPC details for upload to their website's industry sector listing.

CRD Touristik In-House Travel Advisor Training (March 4th, 2021):

We will again join forces with VISIT FLORIDA to conduct a virtual in-house travel advisor training with one of the top German tour operators for the U.S., i.e. CRD Touristik. In-house reservation agents are invited to attend a 45-minute presentation comprised of comprehensive

destination information, hot news and insider tips along with pointers on recommendations related to measures in place for visiting our area safely and responsibly.

Brand USA One-to-One Business Meetings Event (March 15th - 18th, 2021):

Brand USA has introduced its new “Global Marketplace” – an always-on, interactive, one-stop-shop digital platform for B2B engagement between U.S. partners and the global travel industry. The convention-style platform includes a main stage, buyer pavilion, USA partner pavilions, networking lounge and on-demand ‘featured’ and ‘enrichment’ video content. Several events are planned through mid-2021, the first of which was the virtual version of *Travel Week Europe* held in October 2020. VSPC registered for participation in the Global Marketplace in September 2020, thereby reinforcing its global footprint and commitment to these important international markets.

In March we will participate in a similar virtual trade fair entitled *One-to-One Business Meetings*. This event provides invited European, UK, Canadian, and Mexican travel trade and U.S. partners who exhibit on Brand USA Global Marketplace the opportunity to meet in a series of one-to-one prescheduled appointments. Appointment scheduling is expected to open on March 1st.

Additional Activity:

- Continued to participate in innumerable conference calls, tourism organization webinars, virtual sales calls, ongoing communiqués with our partners regarding situation status.
- Continued deployment of updates to travel trade partners promoting VSPC developments, website resources and VSPC campaigns while offering our ongoing assistance and support.
- Generated updates to HQ on developments around the CV-19 pandemic in Europe and elsewhere.
- Assisted HQ with German-language translation “Visit Responsibly” platform of our website.

MARKETING INITIATIVES

We continue to proactively engage with clients regarding development of potential initiatives in preparation for re-entry and recovery. We are in ongoing communiqués with industry organizations such as Visit Florida and Brand USA as well as tour operator partners and Florida destination partners to explore future co-ops.

VSPC headquarters has advised that international budgets will be discussed with a view toward determining needs during Q1 of 2021.

Travel Trade/Consumer Publications & Portals:

- **UPDATE: TRAVELUTION – The eTraining Company** (Netherlands) *Trade*
 - Travelution exclusive VSCP eLearning – February-December + January-June
The eTraining Company, owned by Travelution, created an eLearning program dedicated exclusively to St Pete/Clearwater for placement on their Dutch travel advisor training platform www.etraveltraining.eu. This online eLearning platform targets independent travel professionals who advise clients and build tailor-made itineraries by utilizing their networks in sharing destination knowledge and experience. This group of travel advisors are particularly motivated since they are all

independent entrepreneurs. Comprised of 30 comprehensive destination training modules, we seized the opportunity to update, educate and inform these advisors in a very targeted and efficient way.

Reach: The Travel Club (approx. 275 agents in the system)

Travel Counsellors (approx. 230 agents in the system)

Personal Touch Travel (approx. 165 agents in the system)

TravelXL (approx. 215 agents in the system)

With travel advisors eager to educate themselves during the CV-19 pandemic, we agreed to keep the eLearning (which was launched in February 2020) live. By December 2020, 230 travel advisors had completed our eLearning.

This month, Travelution informed us that engagement activity had tapered off periodically during Q3 and Q4 2020 due to various announcements of travel restrictions, border closings and new lockdown regulations in the Netherlands, which resulted in reduced working hours for these travel advisors.

Inasmuch, we received word from Travelution that the run-time for this program will be extended to June 2021 **at no additional charge to us!**

Public Relations Support:

Kaus Media Services - VSPC's German PR Agency

This month saw us assisting the agency with the following:

➤ **Press Releases January (2x):** Proofread and corrected

All initiatives, activities and programs described herein have been duly completed as described.