

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below tells you about our activities in financial year 2014/15.

A successful business year marked by ground-breaking change

TUI AG is looking back upon a financial year marked by charting a new course. On 28 October 2014, the Extraordinary General Meetings of TUI Travel PLC ("TUI Travel") and TUI AG resolved the merger of the two companies in the form of an all-share nil-premium merger. This means that you, our shareholders, gave the final go-ahead to fully merge two companies which had been largely independent beforehand. Both the Executive Board and Supervisory Board promised you that they would tap into substantial synergies, not least by removing overlapping functions at the two holdings but also through a deeper integration of the two business models. We have worked hard to deliver these goals ever since.

The first quarter of the completed financial year was, of course, marked by preparing for the merger and its completion according to the German Stock Corporation Act, which was effected in mid-December 2014. Only a few days later, the Integration Committee, newly established by the Supervisory Board, came together for its first meeting (goals, tasks and priorities see page 29 of the present report). In Q2 to Q4 of the financial year under review, the Group's Supervisory Board, Executive Board and employees worked towards numerous goals, creating processes and structures but also a joint corporate culture for the new company, and filling it with life.

The Supervisory Board itself also underwent a successful integration process in the period under review. In accordance with the merger agreement, the Supervisory Board now includes five members of the Board of Directors of the former TUI Travel as shareholder representatives. Against this background, we were deeply involved in forging a joint understanding of corporate governance in a German stock corporation with a primary quotation on the London Stock Exchange. This constellation is currently unique and entails a number of challenges, not least in terms of understanding one another. I am therefore delighted to be able to inform you on the next few pages about the progress we have achieved. In the present Annual Report you

will find some additional explanatory comments, in particular for our new shareholders from the Anglo-Saxon environment who may be less familiar with the management system in a German stock corporation.

Apart from the merger and integration, we maintained our focus on our day-to-day business. Acting in concert with the Executive Board, the Supervisory Board held in-depth discussions about our future organisational structure and the strategic development of the TUI Group's business model. We also dealt with the appalling attack in Tunisia at the end of June 2015. In several extraordinary meetings we dealt with the situation in Tunisia and the measures implemented by the Executive Board. We were greatly distressed and saddened by the killings and severe injuries suffered by defenceless TUI customers on the beach. At the same time, we were deeply concerned about the traumatising of our employees on the ground and in the crisis teams. The Executive Board and all our employees did an outstanding job in managing the crisis, for which they won widespread recognition in Germany and elsewhere. In this context, the Supervisory Board once again turned its attention to our security and crisis management.

We also gave our opinion and voted on a number of technical issues and business transactions requiring approval. As a Supervisory Board, we focused in particular on overseeing compliance with the German Corporate Governance Code ("DCGK"), clarifying questions about the UK Corporate Governance Code ("UK Code"), offering review and consultation around the financial statements of TUI AG and the Group and adopting resolutions on personnel issues relating to the Supervisory and Executive Board. In this context we also gave much thought to the future composition of the Supervisory Board following the close of the Annual General Meeting in 2016. We issued public information on this matter and placed it on our Company's website. With the letter of invitation to the AGM 2016, you will receive the outcome of our deliberations and our proposals for candidates to stand for election as shareholder representatives on the Supervisory Board.

In summary, we can observe that your Company took a major step ahead in the financial year under review. The Company has managed to set the course for a successful future and significantly exceed the budgeted targets. Let me thank the employees and the Executive Board of the TUI Group on behalf of the Supervisory Board, for shouldering the resulting extraordinary workload.

Cooperation between the Executive Board and the Supervisory Board

As TUI AG's oversight body, the Supervisory Board provided ongoing advice and supervision for the Executive Board in managing the Company in accordance with the law, the Articles of Association and our terms of reference in financial year 2014/15, as it has always done. Its actions were guided by the principles of good and responsible corporate governance. Our monitoring activities essentially served to ensure that the management of business operations and the management of the Group were lawful, orderly, fit for purpose and commercially robust.



Current composition of the Supervisory Board:
www.tuigroup.com/en-en/about-us/management

INFORMATION ON THE TWO-TIER SYSTEM (TWO-TIER BOARD)

In a stock corporation according to German law, there is a mandatory strict separation of the executive board and the supervisory board. While the management of the company is the exclusive task of the executive board, the supervisory board is in charge of advising and overseeing the executive board.

The individual advisory and oversight tasks of the supervisory board are set out in accordance with the law, the Articles of Association and our terms of reference. Accordingly, the supervisory board is, for instance, closely involved in entrepreneurial planning processes and the discussion of strategic issues. Moreover, there is a defined list of specific executive board decisions requiring the consent of the supervisory board, some of which have to be fully examined in advance and require the analysis of complex facts and circumstances.

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information at our meetings and outside our meetings. The reports encompassed all relevant facts

about strategic development, planning, business performance and the position of the Group in the course of the year, the risk situation, risk management and compliance, but also reports from the capital markets (e.g. from analysts). The Executive Board discussed with us all key transactions of relevance to the Company and the further development of the Group. Any deviations in business performance from the approved plans were explained in detail. The Supervisory Board was involved in all decisions of fundamental relevance to the Company in good time. We fully discussed and adopted all resolutions in accordance with the law, the Articles of Association and our terms of reference. We were completely and speedily informed about specific and particularly urgent plans and projects, including those arising between the regular meetings. As Chairman of the Supervisory Board, I was regularly informed about current business developments and key transactions in the Company between Supervisory Board meetings.

Deliberations in the Supervisory Board and its Committees

Financial year 2014/15 was again characterised by a busy meeting schedule for the Supervisory Board and its Committees.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board and the employees' representatives met in separate meetings, which were regularly also attended by Executive Board members. Meeting attendance was again gratifyingly high. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2014/15. Average attendance was 95.1 % (previous year 94.8 %) at plenary meetings and 96.9 % (previous year 93.3 %) at Committee meetings. Members unable to attend a meeting usually participated in the voting through proxies. Preparation of all Supervisory Board members was greatly facilitated by the practice of distributing documents in advance in the run-up to the meetings and largely dispensing with handouts at meetings.

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD 2014/15

ATTENDANCE AT MEETINGS OF THE SUPERVISORY BOARD 2014/15

Name	Supervisory Board	Presiding Committee	Audit Committee	Nomination Committee	Integration Committee	Galaxy Committee
Prof. Dr Klaus Mangold (Chairman)	9 (9)	9 (9)*	6 (6)	7 (7)*	4 (4)*	1 (1)*
Frank Jakobi (Deputy Chairman)	9 (9)	9 (9)			4 (4)	1 (1)
Sir Michael Hodgkinson (since 12 December 2014, Deputy Chairman since 9 February 2015)	6 (7)	7 (7)		5 (5)	4 (4)	
Andreas Barczewski	9 (9)	9 (9)	6 (6)			
Peter Bremme	8 (9)					
Arnd Dunse (until 30 November 2014)	1 (1)					
Prof. Dr Edgar Ernst	7 (9)		6 (6)*		3 (4)	1 (1)
Angelika Gifford (until 11 December 2014)	2 (2)					
Valerie Frances Gooding (since 12 December 2014)	6 (7)					
Dr Dierk Hirschel (since 16 January 2015)	7 (7)					
Janis Carol Kong (since 12 December 2014)	6 (7)					
Vladimir Lukin (until 11 December 2014)	2 (2)	2 (2)		2 (2)		
Coline Lucille McConville (since 12 December 2014)	7 (7)					
Michael Pönipp	9 (9)		5 (5)			
Timothy Martin Powell (since 12 December 2014)	6 (7)		5 (5)		3 (4)	
Wilfried H. Rau (since 3 December 2014)	8 (8)					
Carmen Riu Güell	8 (9)	7 (9)		6 (7)		
Carola Schwirn	9 (9)					
Maxim G. Shemetov	9 (9)	7 (7)		5 (5)		
Anette Stempel	8 (9)	8 (9)				
Prof. Christian Strenger	9 (9)		6 (6)		4 (4)	1 (1)
Ortwin Strubelt	9 (9)		6 (6)			
Marcell Witt (since 16 January 2015)	7 (7)					

(In brackets: number of meetings held)

* Chairman of Committee

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

ABOUT THE CO-DETERMINED SUPERVISORY BOARD

TUI AG falls within the scope of the German Industrial Co-Determination Act (MitbestG). Its Supervisory Board is therefore composed of an equal number of shareholder representatives and employee representatives. Employee representatives within the meaning of the Act include an executive (section 5 (3) of the German Works Council Constitution Act) and three trade union representatives. All Supervisory Board members have the same rights and obligations and they all have one vote in voting processes. In the event of a tie, a second round of voting can take place according to the terms of reference for the Supervisory Board, in which case the Chairman of the Supervisory Board has the casting vote.

The meetings in detail:

1. At its meeting on 27 October 2014, the Supervisory Board discussed the status of the merger ("Project Galaxy"). It also comprehensively prepared the Extraordinary General Meeting to be

held on 28 October 2014 in that context. Following preliminary discussion in the Presiding Committee, it furthermore discussed the personal performance factor for the annual performance bonus for Mr Joussen and Mr Baier for financial year 2013 / 14 and the reference indicators for the annual performance bonus for financial year 2014 / 15. The Executive Board presented its preliminary report on the completed financial year 2013 / 14 and submitted the budget for financial year 2014 / 15 and the planning for the two subsequent financial years, adopted by the Supervisory Board after deliberation. The Supervisory Board then discussed the acquisition of Europa 2 and the sale of the shareholding in Grecotel, and approved the declaration of compliance for 2014 pursuant to section 161 of the German Stock Corporation Act.

2. By written circulation on 14 November 2014, the Supervisory Board resolved to sell the stake in Grecotel.
3. On 21 November 2014, after reviewing the various options in detail and weighing up the advantages and disadvantages of

entering into a settlement in order to resist actions for annulment of AGM resolutions, the Supervisory Board resolved by written circulation to authorise the Chairman of the Supervisory Board to grant a power of attorney to external lawyers to negotiate and conclude the settlement.

4. At its meeting on 9 December 2014, the Supervisory Board extensively discussed the annual financial statements of TUI AG, the consolidated financial statements, the combined management report for TUI AG and the Group and the Report by the Supervisory Board, each having received an unqualified audit opinion from the auditors, as well as the Corporate Governance Report and the Remuneration Report. The discussions were also attended by representatives of the auditors. Following comprehensive debate of these reports and its own review carried out on the previous day by the Audit Committee, the Supervisory Board endorsed the audit result of the auditors and approved the financial statements prepared by the Executive Board and the combined management report for TUI AG and the Group prepared by the Executive Board. The annual financial statements for 2013/14 were thereby adopted. Moreover, the Supervisory Board approved the Report by the Supervisory Board, the Corporate Governance Report and the Remuneration Report. It also adopted the invitation to the ordinary AGM 2015.

The Supervisory Board likewise discussed the status of the merger and the rules of a listing on the London Stock Exchange and the preparatory activities of the Executive Board for "Day One" after completion of the merger. After preliminary discussions by the Presiding Committee followed by deliberations within the Supervisory Board, the Supervisory Board adopted resolutions, applicable in the event of completion of the merger, regarding the extension of the service contracts for Executive Board members Mr Joussen and Mr Baier and the conclusion of Executive Board service contracts with Messrs Ebel, Lundgren and Waggott. The Supervisory Board furthermore adopted resolutions regarding capital increases, amendments to the Articles of Association upon completion of the merger, and the listing of the TUI AG share. It also approved resolutions by the Executive Board on the acquisition of Europa 2 and the provision of guarantees for aircraft lessors. Moreover, the Executive Board presented a report on the participation in Hapag-Lloyd AG.

5. On 9 February 2015, at the first Supervisory Board meeting following the merger, the Supervisory Board elected Sir Michael Hodgkinson as an additional Deputy Chairman and elected new Supervisory Board members to the Committees. The meeting went on to prepare the ordinary AGM in 2015 and to discuss the CEO's report on the first quarter of financial year 2014/15. In addition to the reports from other committees, the Integration Committee in particular reported back from its meetings. The discussions also focused on the HR and Social Report and the status of the planned global employee survey. Moreover, the Supervisory Board approved the acquisition of the cruise ship Splendour for the UK market.

6. On 12 May 2015, the Supervisory Board discussed changes in the composition of the Executive Board (for more detailed information, see page 36, Supervisory Board and Executive Board) and discussed the plans to adjust the leadership structure with the Executive Board. It also comprehensively debated the reports by the Executive Board on Q2 and H1 of financial year 2014/15, with the auditors also in attendance for this agenda item. The Executive Board provided information on the structure and contents of the Capital Markets Day to be held the following day, and presented a new draft format for a monthly reporting to the Supervisory Board about operating performance, which was subsequently adopted. Moreover, the Supervisory Board approved a number of transactions (e.g. the construction of cruise ships Mein Schiff 7 and Mein Schiff 8 and the sale of cruise ships Mein Schiff 1 and Mein Schiff 2 to Thomson) and adopted a resolution on the transfer of TUI Travel share options to TUI AG. It also discussed a report on the interpretation of related party transactions and the draft agenda for the Supervisory Board's strategy meeting to be held in September.
7. The terms and conditions of the termination agreement with Mr Lundgren was put to a vote by written circulation on 22 May 2015.
8. At the meeting on 30 June 2015, convened at short notice due to the urgency of the issue, the Supervisory Board was informed about the situation following the terrorist attack in Tunisia on 26 June 2015 and the crisis management by the Executive Board. The members were informed in detail about the processes, the measures implemented and the situation of customers and employees.
9. On 9 July 2015, the Supervisory Board held a further extraordinary meeting to learn about the impact of the attacks in Tunisia. It agreed a time schedule for an overall presentation and discussion with the Executive Board of established procedures and measures for crisis prevention and management in the Group.
10. At a further extraordinary meeting on 31 July 2015, the Supervisory Board resolved to appoint Dr Elke Eller as an Executive Board member and Labour Director with effect from 15 October 2015 after she had personally introduced herself and after comprehensive discussion of the matter in the Presiding Committee. The Supervisory Board furthermore defined the key terms and conditions of her service contract as well as the schedule of responsibilities. The Executive Board informed the Supervisory Board about the recent developments following the terrorist attack in Tunisia and about the planned IPO of Hapag-Lloyd AG. An outline was also provided of the state of play and thinking on changes to the remuneration for the Supervisory Board.
11. At the two-day strategy meeting on 2 and 3 September 2015, the Supervisory Board discussed the strategic goals of TUI AG and held in-depth debates on various issues. On the first day, our exchange focused, inter alia, on the challenges in source

market Germany and the approaches developed by the Executive Board. Discussions also dealt with the characteristics of the Chinese market and various options for a potential engagement of TUI AG. The Executive Board presented the underlying thinking, goals and implementation schedule for the Group's global brand strategy to the Supervisory Board for discussion. After considering further topics, the Supervisory Board adopted the 5-year plan for TUI AG submitted by the Executive Board. On the second day, discussions focused, inter alia, on the prevention and crisis management system for Tourism, based on proposals submitted by the Executive Board. Debates also dealt with various corporate governance issues, based on a joint belief in the importance of good corporate governance that is reflected on the Supervisory Board and Executive Board; issues included the regular limit on length of service on the Supervisory Board, the implementation of an efficiency review for the work performed by the Supervisory Board, and a female quota for the Executive Board. The Supervisory Board also approved an extension to a revolving credit facility and the sale of the LateRooms Group, and reviewed the status of the planned IPO of Hapag-Lloyd AG.

12. At its extraordinary meeting on 23 September 2015, the Supervisory Board debated and resolved a number of issues to be proposed to the AGM 2016 with regard to the future composition of the Supervisory Board, the remuneration system for the Supervisory Board, the establishment and composition of committees and a regular limit on length of service on the Supervisory Board. It also adopted a resolution regarding the payment of an additional cash compensation (discretionary bonus) to the Executive Board members for their excellent and extremely time-intensive work in the implementation of the merger and the integration process as well as the delivery of synergies.

Furthermore, in addition to Supervisory Board meetings, the following workshops were held in the framework of the merger and integration process:

- a one-day induction workshop for new Supervisory Board members on 2 December 2014, and
- a joint workshop on selected items of German and British corporate governance with internal and external experts on 23 April 2015.

A further workshop was held after the period under review on 6 November 2015.

Committee meetings

In the period under review, the Supervisory Board had set up five committees to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee, the so-called Galaxy Commit-

tee, and the Integration Committee. The committee members and chairpersons are shown in the above table on attendance at meetings.



See page 25

Moreover, it established a committee pursuant to section 27 (3) of the German Industrial Co-Determination Act ("Mediation Committee"). This did not meet during the period under review. The members of the Mediation Committee are Prof. Dr Mangold, his deputy Frank Jakobi, Carmen Riu and Carola Schwirn.

PRESIDING COMMITTEE

Members of the Presiding Committee:

- Prof. Dr Klaus Mangold
- Frank Jakobi
- Sir Michael Hodginson
- Andreas Barczewski
- Carmen Riu Güell
- Maxim G. Shemetov
- Anette Stempel

At its meeting on 27 October 2014, the Presiding Committee discussed the progress of the Galaxy Project with the Executive Board. It continued the meeting without the Executive Board to determine the reference indicators for the Executive Board's annual performance bonus for 2014/15 and the personal performance factor for the Executive Board's annual performance bonus for 2014/15. It also discussed the status of negotiations on service contracts for Executive Board members in the event of a merger.

At its meeting on 9 December 2014, the Presiding Committee focused on an in-depth discussion of the imminent completion of the merger. It also prepared the extension of the Executive Board service contracts for Messrs Jousen and Baier, and the conclusion of new Executive Board service contracts for Messrs Ebel, Lundgren and Waggott in the event of completion of the merger.

The Presiding Committee met on 9 February 2015 to discuss a number of matters relating to the Executive Board and its composition. The focus was on launching an advertisement and recruitment process to appoint an Executive Board member in charge of HR. Other issues discussed were a female and gender quota, challenges regarding the variable compensation of the Supervisory Board in the light of UK Code and pay structures in the merged Company.

On 12 May 2015 the focus was on an imminent reshuffling of the Executive Board (details see page 36, Supervisory Board and Executive Board). The Presiding Committee also discussed ideas for meeting a female quota on the Executive Board, which had in the meantime progressed further, the planned transfer of TUI Travel stock options to TUI AG and the tax proceedings regarding Castelfalfi/Italy.

On 30 May 2015, using the written circulation method, the Presiding Committee approved the role of Non-Executive Director and subsequently Chairman of the Board of Directors at Royal Mail PLC in the UK, for which Mr Long had applied.

On 3 July 2015, the Presiding Committee focused on the appointment of Dr Eller as a member of the Executive Board and Labour Director, reflecting the process that had taken place. When Dr Eller had personally introduced herself and answered questions raised by the members of the Presiding Committee, the Presiding Committee felt persuaded that it should propose appointment of Dr Eller to the Supervisory Board and authorise the Chairman to engage in further contract negotiations. Moreover, Dr Joussem informed the Presiding Committee about crisis management after the terrorist attack in Tunisia.

On 31 July 2015, the Presiding Committee met for a further extraordinary meeting. Following discussion of the final terms and conditions of the service contract for Dr Eller, the Presiding Committee adopted recommendations for resolutions by the Supervisory Board. It also started to discuss the latest information regarding a change in the remuneration system for the fixed remuneration for the Supervisory Board and initial ideas for granting an additional cash remuneration (so-called discretionary bonus) to Executive Board members.

At a joint extraordinary meeting of the Presiding Committee and the Nomination Committee held on 25 August 2015, there were in-depth deliberations about the future composition of the Supervisory Board after the close of the Annual General Meeting in 2016. The agenda included the election of shareholder representatives to the Supervisory Board, the future remuneration system for the Supervisory Board and the structure and potential composition of the Committees.

The agenda for the Presiding Committee meeting on 1 September 2015 included preparatory discussions about setting a female quota for the Executive Board, the definition of a regular limit on length of service on the Supervisory Board and its future remuneration system, as well as the granting of an additional cash payment to Executive Board members (so-called discretionary bonus).

On 23 September 2015, the Presiding and Nomination Committee again met for a joint extraordinary meeting. They discussed and prepared resolutions to be adopted by the Supervisory Board on various matters related to the Executive and Supervisory Boards, e.g. fixing a regular limit on length of service on the Supervisory Board, the future remuneration system for the Supervisory Board and an examination of the legal modalities for transitioning to a new system, the structure and composition of the Committees and extending the option to elect an additional deputy chairman beyond the AGM 2016. Moreover, the final resolution regarding the granting of an additional cash payment (discretionary bonus) for Executive Board members was discussed.

AUDIT COMMITTEE

Members:

- Prof. Dr Edgar Ernst
- Andreas Barczewski
- Prof. Dr Klaus Mangold
- Michael Pönipp
- Timothy Martin Powell
- Prof. Christian Strenger
- Ortwin Strubelt

In the completed financial year, the Audit Committee held six ordinary and one extraordinary meetings. For the tasks and the advisory and resolution-related issues discussed by the Audit Committee, we refer to the comprehensive report on page 32.

NOMINATION COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Sir Michael Hodgkinson
- Carmen Riu Güell
- Maxim G. Shemetov

At its meeting on 27 October 2014, the Nomination Committee focused in particular on the composition of the shareholder representatives on the Supervisory Board after the planned merger and discussed alternative scenarios in case the merger should fail.

On 9 December 2014 the agenda of the Nomination Committee included discussions of the forthcoming changes in the composition of the shareholder representatives in the event of the merger. The Committee resolved to propose Maxim G. Shemetov, previously only appointed by court order, for election by the ordinary AGM 2015.

At its meeting on 9 February 2015, the Nomination Committee agreed the process to be pursued in selecting and choosing appropriate candidates to be proposed for election by the AGM 2016.

At its meeting on 11 May 2015, the Nomination Committee discussed its initial ideas regarding the future composition of the shareholder representatives on the Supervisory Board after the AGM 2016. It also debated various facets of fixed and performance-related remuneration for the Supervisory Board members in the historical and cultural context in Germany and the UK.

Regarding the extraordinary joint meeting of the Nomination Committee and the Presiding Committee on 25 August 2015, we refer to the information presented above in the section on the Presiding Committee.

On 1 September 2015, the Nomination Committee discussed the impact of fixing a regular limit on length of service on the Supervisory Board for the shareholder representatives. It also debated evolving ideas about the composition of shareholder representatives on the Supervisory Board after the AGM 2016.

Regarding the extraordinary joint meeting of the Nomination Committee and the Presiding Committee on 23 September 2015, we refer to the information presented above in the section on the Presiding Committee.

GALAXY COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Frank Jakobi
- Prof. Dr Edgar Ernst
- Prof. Christian Strenger

The Galaxy Committee was established by a resolution adopted by the Supervisory Board on 3 September 2014. Its task was the final deliberation and adoption of resolutions, where necessary, regarding ad hoc issues in connection with the planned merger between TUI AG and TUI Travel.

At its meeting on 24 October 2014, the Galaxy Committee focused on preparing the EGM on 28 October 2014.

Following completion of the merger, the Galaxy Committee was merged with the newly established Integration Committee.

INTEGRATION COMMITTEE

Members:

- Prof. Dr Klaus Mangold
- Frank Jakobi
- Sir Michael Hodgkinson
- Prof. Dr Edgar Ernst
- Timothy Martin Powell
- Prof. Christian Strenger

At its meeting on 15 December 2014, the Integration Committee discussed the deliberations of an external expert on the successful management and completion of integration processes. The Integration Committee also reviewed the integration reporting planned by the Executive Board and synergy management for the various work packages to be performed.

On 9 February 2015, the Integration Committee dealt with various agenda items including a comparison of the levels of remuneration of the executive staff of the merged company. It also held an in-depth discussion of the report presented by the Executive Board on the status of integration and the synergies delivered. It furthermore adopted a resolution to commission the Deloitte company with providing external consultancy to the Integration Committee and Super-

visory Board based on its proven expertise and experience in similar integration projects.

On 11 May 2015, the Integration Committee discussed the report presented by Deloitte, providing observations and recommendations regarding the integration process. It went on to discuss the report presented by the Executive Board on the status of integration and synergies delivered. The Integration Committee then focused on the Executive Board's planned project to launch a brand strategy featuring one common global brand for the entire Group (oneBrand project).

At its meeting on 1 September 2015, the agenda focused on the report on the status of integration and synergies as well as cultural issues related to integration. The Integration Committee also discussed a report presented by the Executive Board on post-merger organisational balance at top management level.

Corporate Governance

The Supervisory Board regularly discusses corporate governance issues at great length.

In the so-called 2.7 Announcement and the ad-hoc announcement published on 15 September 2014, TUI AG had stated that the Company was going to remain a German stock corporation with the two-tier system established by the German Stock Corporation Act, i.e. both an Executive Board and a Supervisory Board. However, due to the primary quotation of the share on the London Stock Exchange, various provisions of the Listing Rules, Disclosure and Transparency Rules and the UK Code also have to be directly applied. Regarding application of the German Corporate Governance Code (DCGK) and the UK Code, TUI AG and TUI Travel also announced on 15 September 2014 that they were going to comply to the extend practicable with both codes mentioned above.

For the DCGK, conceptually founded, inter alia, on the German Stock Corporation Act, we issued an unqualified declaration of compliance for 2015 pursuant to section 161 of the German Stock Corporation Act. By contrast, there are some deviations from the UK Code driven for the most part by the different concepts underlying a one-tier management system for a public listed company in the UK (one-tier board) and the two-tier management system comprised of Executive Board and Supervisory Board in a stock corporation based on German law.

More detailed information on corporate governance, the declaration of compliance for 2015 pursuant to section 161 of the German Stock Corporation Act and the declaration on deviations from the UK Code is provided in the Corporate Governance Report in the present Annual Report, prepared by the Executive Board and the Supervisory Board, as well as on TUI AG's website.

Audit of the annual and consolidated financial statements of TUI AG and the Group

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared in accordance with the provisions of the German Commercial Code (HGB), as well as the joint management report of TUI AG and the TUI Group, and the consolidated financial statements for the 2014/15 financial year prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS), and issued their unqualified audit certificate. The above documents, the Executive Board's proposal for the use of the net profit available for distribution and the audit reports by the auditors had been submitted in good time to all members of the Supervisory Board. They were discussed in detail at the Audit Committee meeting of 8 December 2015 and the Supervisory Board meeting of 9 December 2015, convened to discuss the annual financial statements, where the Executive Board provided comprehensive explanations of these statements. At those meetings, the Chairman of the Audit Committee and the auditors reported on the audit findings, having determined the key audit areas for the financial year under review beforehand with the Audit Committee. Neither the auditors nor the Audit Committee identified any weaknesses in the early risk detection and internal control system. On the basis of our own review of the annual financial statements of TUI AG and the Group and the joint management report, we did not have any grounds for objections and therefore concur with the Executive Board's evaluation of the situation of TUI AG and the TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2014/15; the annual financial statements of TUI AG are thereby adopted. We comprehensively discussed the proposal for the appropriation of profits with the Executive Board and approved the proposal in the light of the current and expected future financial position of the Group.



Audit opinion see page 304 et seqq.

Executive Board, Supervisory Board and committee membership

The composition of the Executive Board and Supervisory Board as at 30 September 2015 is presented in the annex to the Notes. In financial year 2014/15, the composition of the boards changed as follows:

SUPERVISORY BOARD

Since the completion of the merger, the Supervisory Board has comprised 20 members in accordance with the law and the Articles of Association. For the timing of the completion of the merger, Angelika Gifford and Vladimir Lukin had declared their intention to step down early from their Supervisory Board functions. In this context, Sir Michael Hodgkinson and Timothy Martin ("Minnow"), elected by the AGM on 28 October 2014, succeeded them as members of the Supervisory Board for the remaining term of office. The term

of office of Sir Michael Hodgkinson and Timothy Martin ("Minnow") Powell therefore expires at the close of the AGM where their acts of management for the financial year ended on 30 September 2015 are ratified. Sir Michael Hodgkinson was elected as additional Deputy Chairman by the Supervisory Board at its meeting on 9 February 2015.

Upon completion of the merger, Valerie Frances Gooding, Janis Carol Kong and Coline Lucille McConville, elected by the AGM on 28 October 2014, became members of the Supervisory Board. Their term of office will expire at the close of the AGM where their acts of management for the financial year ended on 30 September 2019 are ratified.

Maxim G. Shemetov, only appointed by court in March 2014, was elected for a full term of office of around five years at the AGM on 10 February 2015. His term of office will expire at the close of the AGM where his acts of management for the financial year ended on 30 September 2019 are ratified.

Arnd Dunse was appointed managing director of TUI Deutschland GmbH with effect from 1 December 2014. Against this background, he stepped down before the end of his mandate from his Supervisory Board function with effect from 30 November 2014. With effect from 3 December 2014, Wilfried H. Rau was appointed as employee representative by the register court.

Moreover, Dr Dierk Hirschel and Marcell Witt were appointed as employee representatives on the Supervisory Board by the register court with effect from 16 January 2015.

The terms of office of Wilfried H. Rau, Dr Dierk Hirschel and Marcell Witt will expire upon the close of the AGM where their acts of management for the financial year ended 30 September 2015 are ratified.

PRESIDING COMMITTEE

Vladimir Lukin, who also left the Presiding Committee when he stepped down from the Supervisory Board, has been succeeded by Maxim G. Shemetov, elected as a Presiding Committee member by the Supervisory Board on 9 February 2015. Following completion of the merger, Sir Michael Hodgkinson was additionally elected as a Presiding Committee member on 9 February 2015.

AUDIT COMMITTEE

Arnd Dunse, who also left the Audit Committee when he stepped down from the Supervisory Board, has been succeeded by Michael Pönipp, elected as an Audit Committee member by the Supervisory Board on 9 December 2014. Upon completion of the merger, Timothy Martin ("Minnow") Powell was additionally elected as an Audit Committee member on 9 February 2015.

NOMINATION COMMITTEE

Vladimir Lukin, who also left the Nomination Committee when he stepped down from the Supervisory Board, has been succeeded by Maxim G. Shemetov, elected as a Nomination Committee member by the shareholder representatives on the Supervisory Board on 9 February 2015. Following completion of the merger, Sir Michael

Hodgkinson was additionally elected as a Nomination Committee member by the shareholder representatives on 9 February 2015.

The Supervisory Board thanks all members who left in financial year 2014/15 for their cooperation in a spirit of constructive confidence.

EXECUTIVE BOARD

Upon completion of the merger, the appointments of Messrs Ebel, Lundgren and Waggott as Executive Board members took effect. At the same time, the appointment of Mr Jousen was extended before the expiry of his service contract by five years, the appointment of Mr Baier by three years and the appointment of Mr Long until the end of the AGM 2016. None of the reappointments related to a contract not yet having reached the last year of the ongoing appointment period.

Mr Lundgren stepped down with effect from 30 May 2015. Mr Burling was appointed as an Executive Board member with effect from

1 June 2015. On 31 July 2015, Dr Elke Eller was appointed as an Executive Board member with effect from 15 October 2015. During the process of searching for and selecting candidates, the Presiding Committee and the Supervisory Board were consulted by the specialist company Stuart Spencer and Heiner Thorborg.

Until the completion of the merger on 11 December 2014, to avoid any conflict of interest, Mr Long did not take part in any Executive Board meetings nor in any Supervisory Board meetings to the extent that they entailed discussions or resolutions of issues concerning Project Galaxy.

On behalf of the Supervisory Board

Hanover, 9 December 2015

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board