

# REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

We have successfully completed financial year 2015/16. Our employees, Executive Board and Supervisory Board have jointly achieved many objectives and exceeded some targets. Key projects for the future of the Company have been completed or are well on track. In the Report of the Supervisory Board presented below, I would like, on behalf of the entire Supervisory Board, to tell you about the key activities of our various committees in financial year 2015 / 16.

Two years after the merger between TUI AG and TUI Travel PLC, the integration of the two companies is almost complete. The synergies we had promised were delivered. The merger and the integration have created the conditions for the future growth of the Company that had been sought by the Executive Board and Supervisory Board. Apart from close monitoring of the synergies, the focus of the work by the Supervisory Board and Integration Committee in the financial year under review was on cultural integration. Our declared goal is and remains not to be a German or British but an international company. The Supervisory Board itself is a good example: only three of the ten shareholder representatives elected by you have a German passport. The successful work performed by the Executive Board in the integration process is also demonstrated by the results of our TUIgether employee survey, performed for the second time in the past financial year. Due to the clear corporate strategy defined by the Executive Board and supported by the Supervisory Board, but also the expansion of career and development opportunities, the identification and satisfaction of the employees of your Company have improved substantially.

Overall, the completed financial year was characterised by the continued volatility of the external framework. With the attack on Brussels Airport in March 2016, terrorism reached a key source market. Our employees and management have delivered an impressive performance in the interests of our customers: they have given a face to customers' trust in the TUI Smile. We were also challenged by changes in customer demand for travel to Turkey and North Africa: our debates focused on shifting capacity to alternative destinations, initiated and successfully implemented by the Executive Board, and the organisation of Group-wide crisis management. We likewise addressed the decision taken in the UK in June 2016 to be the first country to leave the European Union since its inception. Long before and directly after the Brexit vote, the Executive Board and Supervisory Board discussed potential consequences and an action plan, and this remains a matter of attention.

Thanks to its flexible business model, TUI AG managed to increase its earnings year-on-year in financial year 2015 / 16, despite the challenging geopolitical framework. That is a remarkable achievement, as numerous competitors and peers had to correct their earnings guidance downward, in some cases quite substantially.

The Supervisory Board and its Committees discussed many technical issues and business transactions requiring its approval. Apart from monitoring compliance with the German Corporate Governance Code (DCGK) and regularly discussing questions related to the UK Corporate Governance Code (UK CGC), our work focused on reviewing and debating the financial statements of TUI AG and the Group. We also closely monitored the focussing of the business model and the associated divestments. Both the completed divestment of Hotelbeds Group and the planned sale of Specialist Group are prerequisites for investments in growth during the next few years. The Strategy Committee formed after the 2016 Annual General Meeting provides a key platform for engaging in an even more intensive exchange with the Executive Board about strategically relevant decisions and preparing the debates of the Supervisory Board.

Although the forthcoming financial year 2016 / 17 entails uncertainty regarding the geopolitical situation and the further Brexit process, we have every reason to look ahead with confidence. TUI AG is on a growth path. Our business model continues to progress consistently and systematically from distribution towards production with integrated control of value creation. Our clear strategic direction makes TUI AG an attractive and promising investment.

On behalf of the entire Supervisory Board, let me express warm gratitude to our employees and the Executive Board for an excellent job done in financial year 2015 / 16.

### Cooperation between the Executive Board and the Supervisory Board

In a stock corporation under German law, there is a mandatory strict separation of management of a company and oversight over management. 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. As the oversight body, the Supervisory Board provided ongoing advice and supervision for the Executive Board in managing the Company in financial year 2015 / 16, as required by the law, the articles of association and our own terms of reference. 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. The individual advisory and oversight tasks of the Supervisory Board are set out in 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 call for detailed review in advance and require the analysis of complex facts and circumstances from a supervisory and consultant perspective.

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 a senior manager (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.

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 comprehensively 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

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.

In financial year 2015 /16, we again recorded a gratifyingly high meeting attendance, as we have done for several years. Average attendance was 96.6% (previous year 95.1%) at plenary meetings and 90.7% (previous year 96.9%) at Committee meetings. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2015 /16. 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 2015/16

Name	Supervisory Board	Presiding Committee	Audit Committee	Nomination Committee	Integration Committee	Galaxy Committee
Prof. Dr Klaus Mangold (Chairman) <sup>1</sup>	8 (8) <sup>1</sup>	7 (7) <sup>1</sup>	6 (6)	3 (3) <sup>1</sup>	3 (3) <sup>1</sup>	2 (2)
Frank Jakobi (Deputy Chairman) <sup>2</sup>	8 (8) <sup>2</sup>	6 (7) <sup>2</sup>			3 (3)	2 (2)
Sir Michael Hodgkinson (Deputy Chairman) <sup>2</sup>	8 (8) <sup>2</sup>	7 (7) <sup>2</sup>		3 (3)	3 (3) <sup>2</sup>	
Andreas Barczewski	8 (8)	4 (4)	6 (6)			
Peter Bremme	8 (8)	3 (3)				
Prof. Dr Edgar Ernst	8 (8)		6 (6) <sup>1</sup>		3 (3)	
Wolfgang Flintermann (since 13 June 2016)	2 (2)					
Angelika Gifford (since 9 February 2016)	4 (5)					1 (2)
Valerie Gooding	7 (8)				1 (2)	1 (2)
Dr Dierk Hirschel	8 (8)		3 (3)			
Janis Kong	8 (8)		2 (3)			
Peter Long (since 9 February 2016)	4 (5)					2 (2) <sup>1</sup>
Coline McConville	8 (8)		3 (3)		2 (2)	
Alexey Mordashov (since 9 February 2016)	4 (5)	2 (3)		0 (0)		2 (2)
Michael Pönipp	8 (8)		6 (6)			
Timothy Powell (until 9 February 2016)	3 (3)		3 (3)		1 (1)	
Wilfried Rau (deceased on 30 March 2016)	4 (4)					
Carmen Riu Güell	7 (8)	5 (7)		3 (3)		
Carola Schwirn	8 (8)					
Maxim Shemetov (until 9 February 2016)	3 (3)	4 (4)		3 (3)		
Anette Stempel	8 (8)	7 (7)				
Prof. Christian Strenger (until 9 February 2016)	3 (3)		3 (3)		0 (1)	
Ortwin Strubelt	8 (8)	3 (3)	6 (6)			
Stefan Weinhofer (since 9 February 2016)	5 (5)					
Marcel Witt (until 9 February 2016)	3 (3)					

<sup>1</sup> Chairman of Committee

<sup>2</sup> Deputy Chairman of Committee

(In brackets: number of meetings held)

### Key topics discussed by the Supervisory Board

1. At our meeting on 21 October 2015, we discussed the replacement of variable pay for the Supervisory Board members. In line with the recommendations of the Corporate Governance Codes in Germany and the UK, a proposal for a resolution to be submitted to the Annual General Meeting 2016 was adopted setting out a transformation to purely fixed compensation. We also defined the personal performance factors for the annual performance bonuses for members of the Executive Board in financial year 2014/15 and the relevant reference indicators for financial year 2015/16. Following due deliberation, we established the appropriateness of the remuneration and pensions for Executive Board members. The Supervisory Board also approved the budget for financial year 2015/16 and took note of the planning for the two subsequent years. We resolved the annual capital increase in conjunction with the issue of employee shares in 2015 and obtained information about the status of the IPO of Hapag-Lloyd AG.
2. At its meeting on 9 December 2015, the Supervisory Board discussed in detail the annual financial statements of TUI Group and TUI AG, each having received an unqualified audit opinion from the auditors, the combined management report for TUI Group and TUI AG and the Report by the Supervisory Board, 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 findings of the auditors and approved the financial statements prepared by the Executive Board and the combined management report for TUI AG and the Group. The annual financial statements for 2014/15 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 2016 and the proposals for resolutions to be submitted to the AGM.

We also decided to adjust our targets for the composition of the Supervisory Board (see Corporate Governance Report) and considered the HR and Social Reports, our TUIgether employee survey, the implementation of the female and gender quotas in Germany, the IT strategy and safety. We took a careful look at the results of the efficiency review of the Supervisory Board conducted at the end of financial year 2014/15 and decided on the next steps. We also resolved the 2015 declaration of compliance with the German Corporate Governance Code and the Corporate Governance Declaration required by UK CGC. After intensive deliberations, we also approved the launch of the divestment process for Hotelbeds Group.

3. On 8 February, the Supervisory Board mainly discussed TUI AG's interim statement and report for the quarter ended 31 December 2015 and prepared the 2016 Annual General Meeting. Our deliberations also focused on the disposal process for Hotelbeds Group and the turnaround in Germany. The Supervisory Board approved the construction of two expedition newbuilds for Hapag-Lloyd Cruises. We also agreed measures resulting from the Supervisory Board's efficiency review, developed in the framework of a workshop on 21 January 2016.
4. On 9 February 2016, the Supervisory Board met for its first meeting in its new composition directly after the 2016 AGM. Following the election of the Supervisory Board chairman and two deputy chairmen, we elected the members of the Presiding Committee, Audit Committee, Nomination Committee, Integration Committee, Strategy Committee and Mediation Committee.
5. At its extraordinary meeting on 27 April 2016, convened at short notice due to its urgency, the Supervisory Board approved the sale of Hotelbeds Group following comprehensive information from the Executive Board and external advisors and intensive reviews carried out by the Supervisory Board itself. Our deliberations focused on the appropriateness of the sale price, the key terms and conditions of the transaction, transaction security, financing and safeguarding of employee interests.
6. On 10 May 2016, we debated TUI AG's interim report for the second quarter ended on 31 March 2016 and the half-year financial report. The Supervisory Board also discussed the organisational Health & Safety structure, the measures launched by the Executive Board as a result of the TUIgether employee survey, the OneShare employee share programme and the impact of a potential Brexit. The Supervisory Board also approved a large number of transactions (e.g. acquisition of all shares in atraveo GmbH, acquisition of the cruise ship Legend of the Seas and Transat France SA, launch of a divestment process for Specialist Group). The Supervisory Board furthermore had to again adopt a resolution regarding the newbuild of two expedition ships for Hapag-Lloyd Cruises, as the shipyard

envisaged at the meeting in February was no longer available due to a change in ownership. We also approved the issue of employee shares in financial year 2015 / 16.

7. By written circulation on 30 June 2016, the termination agreement with Mr William Waggott was adopted with effect from 30 June 2016.
8. At an extraordinary meeting on 4 July 2016, convened at short notice due to its urgency (conference call), the Supervisory Board intensively discussed the outcome of the Brexit referendum and its potential impacts on TUI AG.
9. By written circulation on 17 August 2016, we approved the increase in TUI AG's capital stock for the issue of employee shares in 2016. Following the completion of a tender process for a change in auditors and based on the recommendation of its Audit Committee, the Supervisory Board also resolved to propose the appointment of Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditors for TUI AG's consolidated and individual financial statements and all relevant interim reports for financial year 2016 / 17.
10. Supplementing the resolution adopted on 30 June 2016, we resolved by written circulation on 19 August 2016 the cash settlement of entitlements still held by Mr Waggott from the Share Awards taken over from TUI Travel PLC as at 31 August 2016. (for further details: see Remuneration Report page 127).
11. During a strategy offsite meeting on 14 and 15 September 2016, we intensively debated various key topics: apart from IT-supported customer relationship management, TUI's business model, and growth strategies for Hotels & Resorts and Cruises, we addressed challenges in source market Germany and approaches for solutions. Further topics included the sale of Specialist Group, potential business in China, the airline platform OneAviation and the impact of Brexit. On the second day, we comprehensively debated the five-year plan submitted by the Executive Board. We also discussed crisis management, the Security, Health & Safety structure, and were given a report on the potential impact of the revision of the European Package Tour Directive. The Supervisory Board then approved the acquisition of three Boeing 787-9s for Northern Region and the refinancing of the existing 2014 / 19 high-yield bond worth €300.0 m. The Supervisory Board moreover debated Executive Board matters and D&O insurance.

In addition to the Supervisory Board meetings, a further workshop with internal and external experts on 6 November 2015 was devoted to selected issues of German and British corporate governance.

## Meetings of the Presiding Committee

The Presiding Committee is in charge of various Executive Board issues (including succession planning, new appointments, terms and conditions of service contracts, proposals regarding the remuneration system). It also prepares the meetings of the Supervisory Board.

Members of the Presiding Committee:

Until 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Andreas Barczewski
- Carmen Riu Güell
- Sir Michael Hodgkinson
- Frank Jakobi
- Maxim Shemetov
- Anette Stempel

From 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Peter Bremme
- Carmen Riu Güell
- Sir Michael Hodgkinson
- Frank Jakobi
- Alexey Mordashov
- Anette Strempel
- Ortwin Strubelt

1. At a joint meeting of the Presiding Committee and Nomination Committee on 20 October 2015, we discussed the determination of the personal performance factors for the annual performance bonus for financial year 2014/15 and the reference indicators for the Executive Board's annual performance bonus for financial year 2015/16. The Presiding Committee also discussed the appropriateness of Executive Board remuneration and pensions. The Committee furthermore prepared the Supervisory Board's proposal to the AGM for a new system of Supervisory Board remuneration.
2. At a meeting on 27 October 2015, convened at short notice due to the urgency of the issue (conference call), the Presiding Committee intensively debated the status of preparations and the latest developments regarding the IPO of Hapag-Lloyd AG in the light of the current situation in container shipping.
3. At its meeting on 9 December 2015, the Presiding Committee discussed target achievement for the Executive Board's annual performance bonus for financial year 2014/15 and the appropriateness of Executive Board remuneration and pensions. It also debated adjustment of the targets for the composition of the Supervisory Board.
4. At its meeting on 8 February 2016, the Presiding Committee discussed in particular Executive Board matters, the activities of the Supervisory Board and its committees after the 2016 AGM and the status proceedings Erzberger versus TUI AG on EU conformity of the German Industrial Co-Determination Act.
5. At its meetings on 9 May 2016, the Presiding Committee debated business allocation for the Executive Board following the sale of Hotelbeds Group and the potential early redemption of the share awards rolled over from TUI Travel PLC to TUI AG.
6. At an extraordinary meeting on 29 June 2016, convened at short notice due to the urgency of the issue, the Presiding Committee discussed the impact of the Brexit vote of 23 June 2016. It also prepared the extraordinary Supervisory Board meeting on 4 July 2016, dealing with the same issue, and discussed Executive Board matters.
7. On 16 August 2016, using the written circulation process and based on relevant documents, the Presiding Committee adopted a recommendation for a resolution to be adopted by the Supervisory Board about the early cash settlement of Mr Waggott's entitlements from the share awards rolled over from TUI Travel PLC as at 31 August 2016.
8. On 14 September 2016, we prepared, inter alia, the resolution to be adopted by the Supervisory Board on the cash settlement of the entitlements still held by Mr Long and Mr Burling from the share awards rolled over from TUI Travel PLC as at 30 September 2016.

## AUDIT COMMITTEE

Members of the Audit Committee:

Until 9 February 2016:

- Prof. Edgar Ernst (Chairman)
- Andreas Barczewski
- Prof. Klaus Mangold
- Michael Pönipp
- Minnow Powell
- Prof. Christian Strenger
- Ortwin Strubelt

From 9 February 2016:

- Prof. Edgar Ernst (Chairman)
- Andreas Barczewski
- Dr Dierk Hirschel
- Janis Kong
- Prof. Klaus Mangold
- Coline McConville
- Michael Pönipp
- Ortwin Strubelt

The Audit Committee held six ordinary meetings in the financial year under review. It elected Prof. Edgar Ernst as Chairman of the Audit Committee on 19 February 2016 using the written circulation procedure. For the tasks and the advisory and resolution-related issues discussed by the Audit Committee, we refer to the comprehensive report on page 20.

## NOMINATION COMMITTEE

The Nomination Committee proposes suitable shareholder candidates to the Supervisory Board for its election proposals to the Annual General Meeting or appointment by the district court.

Members of the Nomination Committee:

Until 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Carmen Riu Güell
- Sir Michael Hodgkinson
- Maxim Shemetov

From 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Carmen Riu Güell
- Sir Michael Hodgkinson
- Alexey Mordashov

1. Regarding the joint meeting of the Nomination Committee and Presiding Committee on 20 October 2015, we refer to the above notes in the section on the Presiding Committee.
2. At its meeting on 8 December 2015, the Nomination Committee discussed the future composition of the Supervisory Board and the composition of the shareholder side.
3. At its meeting on 8 February 2016, the Nomination Committee reflected on the work of the Supervisory Board and its committees after the AGM 2016.

### STRATEGY COMMITTEE

The Strategy Committee was established on 9 February 2016 by resolution of the Supervisory Board. Its task is to advise the Executive Board in developing and implementing the corporate strategy. Apart from the Committee members, the meetings of the Strategy Committee are regularly attended by Sir Michael Hodgkinson, and by Ms Riu Güell on hotel issues.

The members of the Strategy Committee are:

- Peter Long (Chairman)
- Angelika Gifford
- Valerie Gooding
- Frank Jakobi
- Prof. Klaus Mangold
- Alexey Mordashov

1. At its first meeting on 6 May 2016, the Strategy Committee planned its mode of operation and defined the scope and topics for further meetings. It also discussed potential focus areas for the Supervisory Board's strategy offsite meeting in September. Detailed consideration included a strategy for customer growth and options for Specialist Group.
2. At its meeting on 30 June 2016, the Strategy Committee devoted full attention to the possible repercussions of the Brexit vote and its potential impacts on TUI AG and its competitors. In a joint discussion with the Executive Board, the Strategy Committee furthermore discussed the proposed topics for the Supervisory Board's strategy offsite meeting in September 2016 and opportunities to re-invest the proceeds from the sale of Hotelbeds Group. Apart from the strategic measures relating to the turnarounds in Germany and France, the debate also focused on TUI AG's customer relationship management.

### INTEGRATION COMMITTEE

The Integration Committee was established by the Supervisory Board for a period of two years after the completion of the merger (until December 2016). Its task is to advise and oversee the Executive Board during the integration process required after the merger. In this regard, the Supervisory Board had resolved to additionally seek external advice, above all in monitoring the synergies, from Deloitte auditors whose experts also regularly attended the meetings of the Integration Committee.

Members of the Integration Committee:

Until 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Sir Michael Hodgkinson (Deputy Chairman)
- Prof. Edgar Ernst
- Frank Jakobi
- Minnow Powell
- Prof. Christian Strenger

From 9 February 2016:

- Prof. Klaus Mangold (Chairman)
- Sir Michael Hodgkinson (Deputy Chairman)
- Prof. Edgar Ernst
- Valerie Gooding
- Frank Jakobi
- Coline McConville

1. At its meeting on 8 December 2015, the Integration Committee initially discussed a sharpening of its focus on aspects of cultural integration. It also reviewed the status of synergy effects and the progress of implementation of the global brand strategy oneBrand towards unified branding. The debate also focused on the results of the TUIgether employee survey and measures to be derived from the survey.



2. On 10 May 2016, the Integration Committee discussed a report on integration progress and the status of the synergy effects. It also intensively debated a presentation by Deloitte on best practices in following up on merger synergies. Following a continuation of the debate about ways to culturally embed the measures derived from the TUIgether employee survey, the Committee's deliberations focused on the remuneration structure for the Group's top management level. The Committee also obtained information about the successful brand migration in the Netherlands.
3. At its meeting on 13 September 2016, the Integration Committee discussed the report on integration progress and the status of synergy effects as well as TUI Group's new unified HR strategy. It also received reports about the status of numerous HR activities that had been initiated or planned.

## Corporate Governance

Due to the primary quotation of the TUI AG share on the London Stock Exchange and the constitution of the Company as a German stock corporation, the Supervisory Board naturally also regularly and comprehensively deals with German and British corporate governance. Apart from the mandatory observance of the rules of the German Stock Corporation Act (AktG), MitbestG, the Listing Rules and the Disclosure and Transparency Rules, TUI AG had announced in the framework of the merger that the Company was going to make every practicable effort to observe both the German Corporate Governance Code (DCGK) and – as far as practicable – the UK GCG.

For the DCGK – conceptually founded, inter alia, on the German Stock Corporation Act – we issued an unqualified declaration of compliance for 2016 pursuant to section 161 of the German Stock Corporation Act, together with the Executive Board. By contrast, there are some deviations from the UK CGC due for the most part to 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 2016 pursuant to section 161 of the German Stock Corporation Act and the declaration on deviations from the UK CGC is provided in the Corporate Governance Report in the present Annual Report, prepared by the Executive Board and the Supervisory Board (page 117), 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 TUI Group, and the consolidated financial statements for the 2015/16 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 6 December 2016 and the Supervisory Board meeting of 7 December 2016, 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 TUI 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 TUI Group. Upon the recommendation of the Audit Committee, we approve the annual financial statements for financial year 2015/16; 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.

## Executive Board, Supervisory Board and committee membership

The composition of the Executive Board and Supervisory Board as at 30 September 2016 is presented in the tables on pages 114 for the Supervisory Board and 116 for the Executive Board.

In financial year 2015 / 16, the composition of the boards changed as follows:

### SUPERVISORY BOARD

Upon the close of the 2016 Annual General Meeting, Prof. Christian Strenger, Maxim Shemetov and Minnow Powell stepped down from the Supervisory Board. At the same Annual General Meeting, Angelika Gifford, Peter Long and Alexey Mordashov were elected for a term of five years. Members re-elected for a term of five years were Carmen Riu Güell, Prof. Edgar Ernst, Sir Michael Hodgkinson and Prof. Klaus Mangold.

The term of all employee representatives on the Supervisory Board also ended at the close of the 2016 Annual General Meeting. Rüdiger Witt stepped down from the Supervisory Board at that date. Apart from Mag. Stephan Weinhofer, replacing Rüdiger Witt on the Supervisory Board in his first term of office, all previous employee representatives were re-elected for a five-year term on 10 February 2016.

We were shocked and saddened by the sudden passing of Wilfried Rau on 30 March 2016. Wilfried Rau had been an employee representative on our Supervisory Board, representing senior managers, since December 2014. With Mr Rau, we have lost a highly esteemed, circumspect colleague who knew the Company in many different facets. Mr Rau had earned great merit in many different managerial positions at TUI AG and in the Group. We miss his experience, his advice and his sense of humour even in turbulent times. The Supervisory Board, the Executive Board and the employees of TUI AG will honour his memory.

With effect from 13 June 2016, Wolfgang Flintermann was appointed as a member of the Supervisory Board by the court of registration to represent employees in senior management.

### PRESIDING COMMITTEE

Mr Shemetov stepped down from the Supervisory Board and therefore also the Presiding Committee at the close of the Annual General Meeting 2016. In addition to re-electing the remaining previous shareholder representatives, the Supervisory Board elected Mr Mordashov as the fourth shareholder representative on the Presiding Committee. The new employee representatives on the Presiding Committee are Mr Strubelt and Mr Bremme, alongside the re-elected employee representatives Ms Stempel and Mr Jakobi. Mr Barczewski has no longer been a member of the Presiding Committee since it was newly formed on 9 February 2016.

### AUDIT COMMITTEE

At the close of the Annual General Meeting 2016, Prof. Strenger and Mr Powell also stepped down from the Audit Committee. Apart from re-electing the previous Audit Committee members, the Supervisory Board elected Ms McConville, Ms Kong and Dr Hirschel as new members after the close of the AGM 2016.

### INTEGRATION COMMITTEE

After the close of the 2016 AGM, the Supervisory Board re-elected the existing Integration Committee members and elected Ms Gooding and Ms McConville to replace Prof. Strenger and Mr Powell, who stepped down from the Integration Committee at the close of the 2016 AGM.

#### NOMINATION COMMITTEE

Apart from re-electing the previous members of the Nomination Committee, the shareholder representatives on the Supervisory Board elected Mr Mordashov as a new Nomination Committee member after the close of the 2016 AGM.

#### EXECUTIVE BOARD

With effect from 15 October 2015, Dr Elke Eller was appointed as a member of the Executive Board and Labour Director. The term of office of Peter Long, Joint-CEO on the Executive Board, ended at the close of the 2016 AGM. Since that date, Friedrich Joussen has been sole Chairman of the Executive Board. With effect from 30 June 2016, William Waggott also stepped down from the Executive Board.

The Supervisory Board thanks all Executive Board and Supervisory Board members who left in financial year 2015 / 16 for their cooperation in a spirit of constructive confidence.

Hanover, 7 December 2016

On behalf of the Supervisory Board:

Prof. Klaus Mangold  
Chairman of the Supervisory Board