



(from left to right)

Top row: Peter Bremme, Michael Pönipp, Arnd Dunse, Prof. Christian Strenger

Middle row: Maxim G. Shemetov, Vladimir Lukin, Ortwin Strubelt, Carola Schwirn, Prof. Dr Edgar Ernst, Anette Stempel

Bottom row: Andreas Barczewski, Angelika Gifford, Prof. Dr Klaus Mangold (chairman), Carmen Riu Güell, Frank Jakobi (vice chairman)

REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

The Report of the Supervisory Board presented below informs you about our activities in financial year 2013 / 14. As TUI AG's monitoring body, the Supervisory Board continually monitored the Executive Board's management activities, guided by the principles of 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.

At the beginning of the financial year, our activities focused on monitoring the implementation of phase one of our oneTUI strategy programme. In the second half of the financial year, we intensively discussed the planned merger between TUI AG and TUI Travel PLC and provided intensive consultation in the negotiation process. An agreement was reached on 15 September 2014 to recommend the merger in the form of an all-share nil-premium merger to the TUI AG and TUI Travel PLC shareholders. On 28 October 2014, extraordinary General Meetings were held both in Germany and in the UK, with the shareholders adopting the necessary resolutions to implement the transaction.



*Planned merger
see page 59 et seq.*

We also provided advice and resolved a number of technical issues and business transactions requiring approval. Our Supervisory Board activities focused in particular on compliance with the Corporate Governance Code, consultation with regard to the financial statements of TUI AG and the Group and resolutions on personnel issues – in particular the appointment of Executive Board members in connection with the planned merger.

Advising the Executive Board and monitoring management activities

In the completed financial year 2013 / 14, the Supervisory Board monitored and advised the Executive Board on the management of the Company.



*Current composition
of the Supervisory Board:
[www.tui-group.com/en/
company/management](http://www.tui-group.com/en/company/management)*

In written and verbal reports, the Executive Board provided us with regular, timely and comprehensive information. 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. 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. We comprehensively discussed and adopted the resolutions required in accordance with the law, the Articles of Association and our terms of reference. We were fully 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. Naturally, this exchange with the Executive Board was particularly intensive in the course of negotiations around the merger with TUI Travel PLC.

Deliberations in the Supervisory Board

In financial year 2013/14, six ordinary and four extraordinary Supervisory Board meetings were held. Two resolutions were passed by written circulation procedure.

Prior to Supervisory Board meetings, the shareholder representatives on the Supervisory Board and the employees' representatives met in separate meetings. No Supervisory Board member attended fewer than half of the Supervisory Board meetings in financial year 2013/14. Average attendance at plenary meetings was 94.8% (previous year 96.3%), at committee meetings 93.3% (previous year 96.0%).

ATTENDANCE AT MEETINGS OF SUPERVISORY BOARD 2013/14

Name	Supervisory Board meetings	Presiding committee	Audit committee	Nomination committee	Galaxy committee
Prof. Dr Klaus Mangold (Chairman)	10 (10)	9 (9)	3 (4)	7 (7)	2 (2)
Petra Gerstenkorn (until 30 June 2014)					
(Deputy Chairwoman until 15 May 2014)	5 (5)	4 (6)	–	–	–
Frank Jakobi					
(Deputy Chairman since 15 May 2014)	10 (10)	9 (9)	–	–	2 (2)
Anass Hour Alami (until 24 June 2014)	1 (6)	–	–	–	–
Andreas Barczewski	10 (10)	9 (9)	1 (1)	–	–
Peter Bremme (since 2 July 2014)	3 (3)	–	–	–	–
Arnd Dunse	10 (10)	–	4 (4)	–	–
Prof. Dr Edgar Ernst	10 (10)	–	4 (4)	–	2 (2)
Angelika Gifford	9 (10)	–	–	–	–
Ingo Kronsfoth (until 31 July 2014)	8 (8)	–	3 (3)	–	–
Vladimir Lukin (since 12 February 2014)	6 (6)	6 (6)	–	4 (4)	–
Mikhail Noskov (until 12 February 2014)	4 (4)	–	–	–	–
Michael Pönipp	10 (10)	–	–	–	–
Carmen Riu Güell	8 (10)	7 (9)	–	5 (7)	–
Carola Schwirn (since 1 August 2014)	2 (2)	–	–	–	–
Maxim G. Shemetov (since 14 March 2014)	6 (6)	–	–	–	–
Anette Stempel	10 (10)	3 (3)	–	–	–
Prof. Christian Strenger	10 (10)	–	4 (4)	–	2 (2)
Ortwin Strubelt	10 (10)	–	4 (4)	–	–
Vladimir Yakushev (until 7 February 2014)	3 (3)	2 (2)	–	2 (2)	–

(In brackets: number of meetings held)

The Executive Board's reports and discussions at Supervisory Board meetings regularly focused on the latest turnover, earnings and employment in the Group as well as its financial situation and structural development. The work of the Presiding Committee, Audit Committee and Nomination Committee was regularly presented at the Supervisory Board meetings. Our deliberations and reviews also focused on the following topics:

PLENARY MEETINGS

At our meeting on 23 October 2013, we discussed, in particular, the development of the individual Sectors and the corporate budget for financial year 2013 / 14 as well as the forecast accounts for 2014 / 15 and 2015 / 16. We also adopted the declaration of compliance with the German Corporate Governance Code for 2013 in accordance with section 161 of the German Stock Corporation Act.

On 24 November 2013, we held an extraordinary meeting dealing with Supervisory Board matters and notified changes in the shareholder structure of TUI AG and TUI Travel PLC.

The meeting on 17 December 2013 focused on reporting and discussing the annual financial statements as per 30 September 2013, a comparison between target and actual figures for 2012 / 13 and the HR and social report for 2012 / 13. The discussions were also attended by representatives of the auditors, who were available to answer questions. At that meeting, the value of the reference indicator was established for the annual performance bonus for 2012 / 13 for Executive Board members (reported Group EBITA). A further item was the resolution setting an agenda for the 2014 Annual General Meeting.

The meeting on 11 February 2014 served primarily to prepare for the ordinary Annual General Meeting, to be held the next day. In the framework of its regular reporting, the Executive Board also informed us about the first quarter of the financial year 2013 / 14 and the status of the negotiations between Hapag-Lloyd AG and Compañía Sud Americana de Vapores (CSAV), following the signing of a memorandum of understanding regarding the merger of their container shipping liner businesses.

The extraordinary Supervisory Board meeting of 13 April 2014 focused on the forthcoming decision to be taken by Hapag-Lloyd AG regarding the business combination agreement for the merger with the container shipping operations of CSAV.

On 15 May 2014, the Supervisory Board meeting focused on the future strategic alignment of TUI AG. The meeting also focused on a comprehensive discussion on the status of considerations regarding the planned merger with TUI Travel PLC and the relevant options for potential action. Much of the meeting was devoted to the report from the Executive Board on current business performance and the quarterly and half-year financial statements for 2013 / 14. As in prior years, the Supervisory Board also approved the issuance of employee shares.

The Supervisory Board met for an extraordinary meeting on 27 June 2014 for a comprehensive discussion of the contents and communication of plans for a potential merger between TUI AG and TUI Travel PLC. We received, in particular, a report by the Executive Board on potential terms and conditions of the planned merger and discussed the strategic options for the Combined Group.

At a further extraordinary meeting held on 10 July 2014, we again discussed the planned merger between TUI AG and TUI Travel PLC. We decided, in particular, to mandate JP Morgan to prepare a Fairness Opinion. We also decided to set up an Integration Committee.

At our strategy meeting on 3 and 4 September 2014 our discussions again focused on the planned merger between TUI AG and TUI Travel PLC, in particular the status of the negotiations and the planned publication in mid-September of the merger terms and conditions, and the corporate ratings.

In an extraordinary meeting held on 11 September 2014 we discussed open issues with the Executive Board in the run-up to the publication related to the merger between TUI AG and TUI Travel PLC, planned for the subsequent week.

The Executive Board member Peter Long did not take part in Supervisory Board or committee meetings held in connection with the planned merger in order to avoid any potential conflicts of interest.



Composition of
the committees on
pages 20/21

Committee meetings

At the balance sheet date of 30 September 2014, the Supervisory Board had set up four committees to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the so-called Galaxy Committee to deal with issues in connection with the planned merger with TUI Travel PLC. A preliminary decision to set up an Integration Committee for a maximum period of two years upon completion of the planned merger was adopted on 10 July 2014. The committee members are shown in a separate list in the section on the Supervisory Board. The Chairman of the Supervisory Board chairs the Presiding Committee, the Galaxy Committee and the Nomination Committee. He will also chair the Integration Committee, which will meet for the first time upon completion of the merger with TUI Travel PLC.

PRESIDING COMMITTEE

The Presiding Committee is responsible for long-term succession planning for the Executive Board and prepares the appointment of Board members including the terms and conditions of the service contracts and remuneration to be discussed by the Supervisory Board. It also prepares the plenary meetings of the Supervisory Board. In the period under review, the Presiding Committee held six ordinary and three extraordinary meetings.

At its meeting on 23 October 2013, the Presiding Committee prepared recommendations for resolutions on Executive Board matters to be adopted by the Supervisory Board (appropriateness of Executive Board remuneration and pensions, determining the reference indicators for the Executive Board's annual performance bonus for 2013/14, determining the personal performance factor for the Executive Board's annual performance bonus for 2012/13).

At its meeting on 16 December 2013, the Presiding Committee focused on the key findings of an external expert report on the efficiency review of the work performed by the Supervisory Board.

The Presiding Committee met on 11 February 2014 in order to discuss a number of potential new appointments and prepare corresponding recommendations for resolutions to be adopted by the Supervisory Board.

At its extraordinary meeting on 10 April 2014, the Executive Board presented details of the forthcoming conclusion of an agreement to merge the container shipping liner business of Hapag-Lloyd AG and CSAV.

On 15 May 2014, apart from its regular tasks, the Presiding Committee dealt with the planned merger between TUI AG and TUI Travel PLC.

On 27 June 2014, the Presiding Committee held an extraordinary meeting dealing with a number of Executive Board matters and preparing the plenary Supervisory Board meeting including communication of the planned merger between TUI AG and TUI Travel PLC and the contents of the related publication.

An extraordinary Presiding Committee meeting held on 10 July 2014 focused, in particular, on a preliminary discussion and recommendation to the Supervisory Board to set up an Integration Committee. The role of the Integration Committee will be to support and monitor the Executive Board in implementing the tasks required upon the completion of the merger with TUI Travel. The Integration Committee, a committee within the current Supervisory Board, will comprise the members of the Galaxy Committee (see below).

The agenda at the Presiding Committee meeting on 3 September 2014 focused on a number of personnel issues in connection with the planned merger.

On 9 September 2014, the Presiding Committee held an extraordinary meeting in order to discuss the status of the planned merger and prepare the extraordinary plenary meeting on 11 September 2014.

AUDIT COMMITTEE

The Audit Committee supports the Supervisory Board in exercising its monitoring function. It discusses in particular accounting and reporting issues, the effectiveness of the internal control system, the risk management system, internal audit and compliance. The half-year and quarterly financial reports are discussed by the Audit Committee with the Executive Board and the auditors prior to publication.

In the completed financial year, the Audit Committee held four ordinary meetings. One resolution was passed by written circulation procedure. The work of the committee focused on the annual financial statements of TUI AG, the consolidated financial statements, the consolidated management report and the interim reports. All ordinary meetings were attended by auditor representatives, who presented detailed reports on the audits and their reviews of the financial reports. The Audit Committee was, moreover, kept up to date about the planning and reporting systems and the development of compliance activities in the Group. The Audit Committee was likewise informed about the latest ratings for TUI AG and the status of the planned merger between TUI AG and TUI Travel PLC. In this context, it engaged, in particular, in an in-depth evaluation, from the shareholders' perspective, of the interim communication on 30 June 2014 and of the merger.

NOMINATION COMMITTEE

The Nomination Committee proposes suitable candidates to the Supervisory Board for its suggestions for the elections at the Annual General Meeting. In the completed financial year 2013 / 14, it held seven meetings. It primarily focused on the proposals for new Supervisory Board members in connection with the planned merger with TUI Travel PLC.

GALAXY COMMITTEE

At its meeting on 3 September 2014, the Supervisory Board decided that under certain circumstances the final discussion about the planned merger between TUI AG and TUI Travel PLC, as well as any resolutions to be adopted, should be referred to the Galaxy Committee. The main purpose of the decision was to ensure immediate discussion and decision-making in the event of any ad hoc questions that may emerge. The Galaxy Committee held two meetings in the period under review, on 11 and 14 September 2014.

Corporate Governance

The Supervisory Board regularly discusses corporate governance issues and, together with the Executive Board, submits a joint annual declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act. The most recent declaration of compliance for 2014 was published on TUI AG's website in December 2014. This declaration of compliance for 2014 and additional information on corporate governance is provided in the Corporate Governance Report prepared by the Executive Board and Supervisory Board of TUI AG, which will be found in the present Annual Report.

Upon completion of the planned merger of TUI AG and TUI Travel PLC and the associated future quotation on the London Stock Exchange, the (Combined) TUI AG will need to observe the UK Corporate Governance Code in addition to the German Corporate Governance Code. However, TUI AG will continue to make information which must be published in London under the relevant capital market law regulations similarly available in Germany without delay (6.2 DCGK).



See page 23 et seq.

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



Audit opinion see page 285

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hanover, audited the annual financial statements of TUI AG prepared by the Executive Board 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 2013 / 14 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 2014 and the Supervisory Board meeting of 9 December 2014, 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 2013 / 14; 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.

Changes in the composition of Executive Board, Supervisory Board and committees

In financial year 2013 / 14, the following changes occurred:

SUPERVISORY BOARD

Mikhail Noskov stepped down as a member of TUI AG's Supervisory Board with effect from 12 February 2014. For the remaining term of office on the Supervisory Board (i.e. until the close of the 2016 ordinary Annual General Meeting), the ordinary Annual General Meeting 2014 elected Vladimir Lukin upon the proposal of the Supervisory Board.

Vladimir Yakushev stepped down as a member of TUI AG's Supervisory Board with effect from 7 February 2014. The district court of Hanover appointed Maxim G. Shemetov as a new Supervisory Board member from 14 March 2014.

Anass Houir Alami stepped down as a member of TUI AG's Supervisory Board with effect from 24 June 2014. In the light of the planned merger, a new member to replace him has not yet been appointed.

Petra Gerstenkorn stepped down from her function as Vice-Chairperson of TUI AG's Supervisory Board on 15 May 2014. Frank Jakobi, chairman of TUI AG's Group works council, was elected Vice-Chairman of the Group's Supervisory Board as from 15 May 2014. Ms Gerstenkorn also stepped down as a regular member of the Supervisory Board with effect from 30 June 2014. The district court of Hanover appointed Peter Bremme as her successor with effect from 2 July 2014.

Ingo Kronsfoth left the Supervisory Board with effect from 31 July 2014. The district court of Hanover appointed Carola Schwirn as his successor with effect from 1 August 2014.

The Supervisory Board thanks all members who left the Supervisory Board in financial year 2013 / 14 for the excellent cooperation based on trust.

AUDIT COMMITTEE

Ingo Kronsforth, who also left the Audit Committee when he stepped down from the Supervisory Board, has been succeeded by Andreas Barczewski as a new member of the Audit Committee.

NOMINATION COMMITTEE

The vacancy on the Nomination Committee resulting when Vladimir Yakushev left the Supervisory Board was filled by Vladimir Lukin.

AD HOC GALAXY COMMITTEE

The Galaxy Committee comprised the Chairman of the Supervisory Board, Prof. Dr Klaus Mangold, alongside Prof. Dr Edgar Ernst, Frank Jakobi und Prof. Christian Strenger.

On behalf of the Supervisory Board

Prof. Dr Klaus Mangold
Chairman of the Supervisory Board

Hanover, 9 December 2014