Air Berlin Plc

Directors' report and financial statements

Registered number 05643814

31 December 2011

FINANCIAL FIGURES

2011

KEY FINANCIAL FIGURES

	2011	2010
Revenue (in million euros)	**4,227 3**	3,850 2
including ticket sales (in million euros)	**3,857 0**	3,531 7
EBITDAR (in million euros)	**425 9**	619 9
EBIT (in million euros)	**−247 0**	−16 7
Consolidated loss for the year (in million euros)	**−271 8**	−106 3
Earnings per share (in euros)	**−3 20**	−1 14
Total assets (in million euros)	**2,264 0**	2,370 1
Employees (31 12)	**9,113**	8,900

(2010 pro forma airberlin group including NIKI Luftfahrt GmbH for the full year NIKI was consolidated from 1 July 2010 Earnings per share and total assets as reported)

OPERATING FIGURES

	%	2011	2010
Passengers ("pax")	+1 18	**35,300,209**	34,889,564
Destinations (31 12)	−0 6	**162**	163
Aircraft at year end	+0 6	**170**	169
Available seat kilometres (in billion, ASK)	+1 84	**62 16**	61 04
Load factor (%, pax/capacity)	+1 76*)	**78 21**	76 45

(2010 pro forma airberlin group including NIKI Luftfahrt GmbH for the full year NIKI was consolidated from 1 July 2010)

) percentage points

MESSAGE OF THE CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

Looking back at the 2011 financial year, it was a turbulent and unsatisfactory year Despite the obstacles encountered, we were still able to keep an eye on the future In this context, we took action and have implemented numerous measures in order for airberlin to master the turnaround

Allow me to give you an overview of the strategically most important measures

- We have clearly strengthened airberlin's management team with the following appointments Paul Gregorowitsch as Chief Commercial Officer, Helmut Himmelreich as new Chief Operating Officer, and Dr Martina Niemann as Chief Human Resources Officer The new appointments have led to a leaner and partially restructured organization In a combined effort, all operational processes are now being put to the test and optimized if necessary

- In the second half of 2011, we started the programme the Shape & Size, which will be consistently applied in 2012 With this programme, we will improve the performance of the airberlin group overall, and significantly strengthen our cost competitiveness

- At the end of 2011, airberlin and Etihad Airways entered into a far-reaching strategic partnership The close cooperation with the national airline of the United Arab Emirates provides both companies with attractive new growth opportunities since their route networks complement each other perfectly The addition of flights to Abu Dhabi, the international hub of Etihad Airways, gives Etihad's passengers access to our extensive European network and thus almost all of Europe's urban centres In turn, our passengers benefit from Abu Dhabi, airberlin's new gateway to Asia and Australia

- In addition, Etihad Airways took a substantial stake in airberlin by way of a capital increase Here, airberlin received around EUR 73 million in funds Furthermore, our largest single shareholder provided us with a long-term financing line of up to USD 255 million This gives us significant room to manoeuvre financially and consequently it will be used for airberlin's future

- In the reporting year, we have prepared ourselves extensively for the membership in the global airline alliance **oneworld®** Now airberlin will have a perfect connection to a global network The alliance offers its passengers some 800 destinations in 150 countries and the partners operate more than 550 airport lounges The cooperation with several leading international airlines offers us ample strategic growth opportunities that will extend far into the future Here again we will benefit from our European network as it offers considerable potential for feeder services to the intercontinental connections of the **one**world partners In addition, the membership opens up further growth opportunities for our own long-haul portfolio as well as for our hubs in Berlin, Dusseldorf, and Vienna

We are convinced that these measures will take effect and will help us to improve profitability in due course

Losses in the 2011 financial year could not be prevented for several reasons as we were strongly impacted by a number of external factors which were not under our influence As the largest German operator of connections to North Africa, the slump in tourism resulting from the political unrest in Egypt and Tunisia hit us particularly hard The same applies to the introduction of the aviation tax in Germany which was introduced at the beginning of 2011 This surcharge led to grave losses in income because it was not possible to pass the additional EUR 165 6 million in charges on to the ticket prices The tax also has a competition-distorting impact at the expense of airberlin since it does not apply to transferring passengers who did not originate at an German airport and also not to cargo services starting at a German airport Since we are a German airline with a dense medium-haul and short-haul network, we were considerably more affected by this tax than the competition

Last but not least, the aviation tax makes no ecological sense because the CO_2 emissions are not taken into account Particularly in this area, airberlin has shown enormous progress over the last several years Since we operate one of the newest and most modern fleets in Europe, we are one of the leaders in terms of efficiency and emission reductions in Europe as well as within IATA As a result, we are well prepared for the impending integration of the aviation industry in the European CO_2 emissions trading scheme (ETS)

For our passengers, probably the most important result of airberlin's investment in its fleet is the fact that globally airberlin is one of the safest airlines. We were the only German airline to achieve a place in the global top ten.

Dear Shareholders, in the course of 2012, we want to improve profitability of the airberlin group with the consistent enforcement of the Shape & Size programme. Together with our new strategic partnership with Etihad Airways and the new membership in the **one**world alliance, which is starting in 2012, we are laying the foundation for sustainable and profitable development in the future. airberlin is well on track!

Customer focus remains at the centre of our attention. Even with all of the necessary cost optimisation programmes, we will never compromise on either safety or service. On the contrary, we will make even more of an effort to meet the ever rising quality demands of our passengers.

BERLIN, MARCH 2012

HARTMUT MEHDORN

CHIEF EXECUTIVE OFFICER

DR -ING E H HARTMUT MEHDORN
CHIEF EXECUTIVE OFFICER

Born 31 July 1942 in Warsaw, married, three children Degree in mechanical engineering, Technical University, Berlin Career start 1965 in the development department of Focke Wulf, 1966 to 1978 with VFW, last position Head of Production at MBB, 1979 to 1984, member of the Management Board of Airbus Industrie S A , Toulouse 1984 to 1989, Head of MBB Transport- und Verkehrsflugzeuge Group, from 1985, also a member of MBB Management Board, 1989 to 1992, Chairman of the Management Board of Deutsche Airbus GmbH, 1992 to 1995, member of the Management Board of Deutsche Aerospace AG, 1995 to 1999, Chief Executive Officer of Heidelberger Druckmaschinen AG, and simultaneously from 1997 to 1999, member of the Management Board of RWE AG, late 1999 to April 2009, Chief Executive Officer of Deutsche Bahn AG

Dr -Ing E h Hartmut Mehdorn has been CEO since 1 September 2011 and was a Non-Executive Director of Air Berlin PLC from 1 July 2009 to 31 August 2011

ULF HUTTMEYER
CHIEF FINANCIAL OFFICER

Born 9 July 1973 in Wildeshausen, married, two children Degree in business administration, from 1996 analyst in the area of credit and finance at Commerzbank, thereafter, various duties performed in Germany and abroad (Singapore), subsequently served as Group Manager Corporate Clients Services, Berlin, became Director in 2005, from February 2006 CFO of Air Berlin PLC

PAUL GREGOROWITSCH
CHIEF COMMERCIAL OFFICER

Born 24 May 1956 in Gravenhage Married, three children Degree in business administration, Institut for tourism, Breda From 1980 at KLM, numerous international functions and management duties primarily in the areas of sales and marketing Since 1995, Senior VP of KLM and, from 2000, Senior VP Passenger Division From 2005, Executive VP Commercial President and CEO of Martinair, Holland NV, from August 2007 CCO of Air Berlin PLC from 1 September 2011

HELMUT HIMMELREICH
CHIEF OPERATING OFFICER

Born on 15 July 1952 in Wallendorf Married, one child Around 25 years at LTU Lufttransport-Unternehmen GmbH, last position Managing Director Operations, Air Traffic and Maintenance From 2003 until 2007 Technical Director at Swiss International Air Lines Later, Senior Executive VP responsible for aircraft services and for the restructuring of technical subsidiaries at SR Technics From March 2010, CMO of Air Berlin PLC & Co Luftverkehrs KG Appointed COO of Air Berlin PLC 4 November 2011

CHAIRMAN'S STATEMENT

FINANCIAL POSITION

In 2011, business development, as in the year before, was mainly influenced by factors which were beyond the control of the airberlin group As with the effects of the poor weather and the volcano eruption in Iceland on European air traffic in 2010, this was also the case in the past financial year with mainly politics affecting the industry airberlin's strong base in Germany and its primary focus on European airspace and tourist destinations in the regions bordering Europe caused the group to be strongly impacted by the German aviation tax and the political unrest in North Africa The competition-distorting German surcharge presented a heavy burden on costs The so-called Arabellion led to numerous flight cancellations and with that a massive loss of revenue

Therefore, the development of sales und earnings was unsatisfactory Despite substantial efforts towards costs savings, profitability was adversely impacted by these additional burdens Another factor in 2011 was once again the sharp rise in fuel prices The aviation tax and the increased cost of fuel alone burdened the income statement by EUR 394 8 million This is 9 3 per cent of sales, which could not be passed on to the ticket price Excluding these additional charges, the operating income would have amounted to a positive EUR 148 million in purely arithmetical terms Instead, we had to cope with a loss before interest and taxes (EBIT) of EUR 247 million

The strategic partnership with our new major shareholder, Etihad Airways, provides an array of opportunities Beyond the attractive prospects that arise from the combination of the fully compatible route networks is the cash inflow the partnership brings and the financial flexibility for the airberlin group at a time which is undoubtedly difficult for the Company Air Berlin PLC received EUR 73 million as a result of Etihad Airways increasing its stake from 2 99 to 29 21 per cent This was done via a capital increase on 24 January 2012

airberlin's entry into the international airline alliance **oneworld** is another outstanding step in the Company's history In the reporting period, all of the necessary preparations have been made As of spring 2012, we will be in a position to realize the full potential of this membership Essentially, by leveraging our extensive European network of feeder services to the long-haul connections of our partners, we can provide our passengers with a global network of some 800 destinations in 150 countries

A major step forward on airberlin's way to gain profitability was the consistent implementation of the group-wide performance programme Shape & Size

THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors leads the committee and ensures its effectiveness and efficiency in all of its tasks Among other things, this includes the communication with shareholders and the assurance that all directors participate fully in the activities and meetings of the Board I express my many thanks to the members of the Board for their commitment

The Board of Directors had five physical meetings in the 2011 financial year In its meetings, the Board had discussed, in-depth, all key issues regarding the development of airberlin's relevant markets, the current state of business, airberlin group's position as well as its financial, liquidity and risk situation The appropriate decisions were taken where necessary

In the year under review, the Board of Directors has thoroughly examined and discussed the financial situation of the Company In this context, several measures have been adopted and implemented regarding outstanding bonds and convertible bonds In April 2011, airberlin issued debentures maturing in 2018 totalling EUR 150 million and yielding 8 25 per cent per annum The proceeds, after transaction costs, amounted to EUR 144 8 million On 1 November 2011, airberlin issued debentures with a total value of EUR 100 million and an annual yield of 11 5 per cent due in 2014 The proceeds, net of transaction costs, were EUR 94 4 million

In the fourth quarter of 2011, airberlin redeemed 1,252 convertible bonds of a total of 1,360 outstanding convertible bonds from 11 April 2007 with a principal amount of EUR 125 2 million As at 31 December 2011, 108 convertible bonds with a principal amount of EUR 10 8 million in total were still outstanding Also in the fourth quarter of 2011, airberlin redeemed all remaining 311 outstanding convertible bonds issued on 20 August 2009 with a nominal value of EUR 15 6 million As at 31 December 2011, this convertible bond was fully redeemed

Additionally, the Board had thoroughly discussed the strategic implications of a close partnership with Etihad Airways An essential part of the deliberations was the discussion of the consequences that would result from Etihad Airways owning a higher stake in Air Berlin PLC Here, the benefit that a strong partner could add by means of a capital increase was contrasted with the subsequent dilution in the share of ownership for the current shareholders After extensive consultation, the Board of Directors came to the conclusion that the proceeds from the capital increase would grant airberlin the necessary degree of latitude to secure the Company's future development What is more, by granting additional long-term funding, Etihad Airways expressed a very strong commitment to airberlin For this reason, the Board of Directors welcomed Etihad Airways' offer and the implications of substantially expanding its involvement in the airberlin group The Board is confident that all shareholders will benefit

Another topic at the Board meetings was the planning for the 2012 financial year and the strategic positioning of the Company in the coming years The key points here were the further consistent implementation of the Shape & Size programme in order to regain sustainable profitability, the acceptance into the global airline alliance **oneworld**, which is scheduled immediately following the publication of this annual report, and the continuation and expansion of our partnership with Etihad Airways

PERSONNEL

Johannes Zurnieden, Chairman of the Board of Directors until 31 December 2010, became a Non-Executive Director on 1 January 2011 The Board appointed me as his successor effective 1 January 2011 Barbara Cassani and Saad Hammad were appointed Non-Executive Directors effective 1 May 2011 Joachim Hunold resigned from his position as Chief Executive Officer of Air Berlin PLC on 31 August 2011 He is a member of the Board as a Non-Executive Director since 1 September 2011 Hartmut Mehdorn, a Non-Executive Director since 1 July 2009, assumed the position of Chief Executive Officer on 1 September 2011 Paul Gregorowitsch was appointed Executive Director effective 1 September 2011 He assumed the responsibilities of Chief Commercial Officer (CCO) Andreas Nikolaus (Niki) Lauda was appointed Non-Executive Director effective 1 December 2011 Helmut Himmelreich was appointed Executive Director effective 4 November 2011 He has assumed the role of Chief Operating Officer (COO) Christoph Debus resigned from the Board of Directors of Air Berlin PLC on 2 November 2011 On 24 January 2012, James Hogan, Chief Executive Officer of Etihad Airways, and James Rigney, Chief Financial Officer of Etihad Airways, were appointed as Non-Executive Directors In addition, Mr Hogan took on the position of Vice Chairman of the Board of Directors

A WORD OF THANKS

The year 2011 proved to be a challenging one for the aviation industry as well as for airberlin Once again, the airberlin group was confronted with a number of adversities including the competition-distorting fiscal policies in Germany as well as the political unrest in North Africa, which hit us particularly hard due to our dominant market position in that region The management and the employees of airberlin were able to offset a large portion of these burdens with their dedication and service We thank them for their commitment

In 2011, airberlin was again able to convince experts and travellers of the quality of their service and was honoured with the appropriate awards Again in 2011, airberlin was one of the most popular airlines Among the most important signals was that it was the only German airline included as one of the ten safest in the world We see this as an obligation for the future!

DR HANS-JOACHIM KORBER
CHAIRMAN OF THE BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

DR HANS-JOACHIM KORBER
CHAIRMAN OF THE BOARD OF DIRECTORS

Born on 9 July 1946 in Braunschweig Married, one child Brewmaster's degree and degree in business administration After several years of holding executive positions within the R A Oetker Group, Dr Korber joined Metro SB Großmarkte in 1985, a legal predecessor of Metro AG, holding executive positions until 1996 With the founding of Metro in 1996, he became a member of the Board of Directors and was CEO from 1999 to 2007 Dr Korber has been a Non-Executive Director since 10 May 2006, and Chairman since 1 January 2011

BARBARA CASSANI
FORMER EXECUTIVE CHAIRPERSON, JURYS INN

Born 22 July 1960 in Boston Married, two children Master's degree in international relations, Princeton University Founder and CEO of the no-frills airline Go Fly, Chairperson of the Committee for London's application for the Summer Olympics 2012, Executive Chairperson of the British-Irish hotel group, Jurys Inn Ms Cassani was a Non-Executive Director since 1 May 2011 and has resigned from the Board of Directors on 6 March 2012

SAAD HAMMAD
MANAGING DIRECTOR GORES GROUP LLC

Born on 16 October 1962 in Safar, Lebanon Married, two children British and Lebanese citizenship Graduate of Oxford and INSEAD (MBA) Various management positions in several leading international companies As of November 2005, Chief Commercial Officer of the no-frills airline, easyJet and since 2009, Managing Director of Gores Group LLC Mr Hammad has been a Non-Executive Director since 1 May 2011

JOACHIM HUNOLD
FOUNDER OF AIR BERLIN PLC

Born on 5 September 1949 in Dusseldorf Married, four children Law graduate In the airline industry since 1978 Founder of Air Berlin GmbH & Co Luftverkehrs KG in April 1991 and acquisition of Air Berlin, Inc Since that time and, until 31 August 2011, Head of the airberlin group as Managing Partner and as CEO from 1 January 2006 Mr Hunold has been a member of the Board since 1 September 2011 and was the Chief Executive Officer of Air Berlin PLC until 31 August 2011

ANDREAS NIKOLAUS (NIKI) LAUDA
FOUNDER AND PRESIDENT OF NIKI LUFTFAHRT GMBH

Born on 22 February 1949, in Vienna Married, four children Niki Lauda is a legend in automobile racing He competed in the Formula 1 races between 1971 and 1985 and became a three-time world champion In 1979, he founded his first airline, Lauda Air Following the acquisition of a majority holding in Aero Lloyd Austria GmbH, in 2003, he founded what is presently NIKI Luftfahrt GmbH Mr Lauda has been a Non-Executive Director since 1 December 2011

PETER R OBEREGGER
FORMER PERSONALLY LIABLE PARTNER OF VORWERK & CO KG

Born on 21 January 1966, in Munich Married, two children Degree in business administration From 1989, Sales Manager at Hitachi Europe, 1990 to 1993 with Fujitsu, Germany 1993 to 2000, with Nokia and in the end, MD of Nokia Germany and General Manager of Nokia Display Europe From 2001 to 2006, President and CEO of Vorwerk Thermomix and from 2006, Executive VP of Vorwerk & Co KG Personally liable partner from 2007 until 2010 Mr Oberegger has been a Non-Executive Director since 2 March 2010

ALI SABANCI

MEMBER OF THE BOARD OF ESAS HOLDING AND CHAIRMAN OF PEGASUS AIRLINES

Born on 5 May 1969 in Adana, Turkey Married, two children Graduated with a MBA in political science and economics In Turkey he held various positions with Akbank From 1997, he was a Projects Director for Sabanci Holding and since 2001 its Executive Vice President for Strategy and Business Development In March 2004, he resigned his position at Sabanci Holding and joined ESAS Holding Ali Sabanci has been a Non-Executive Director since 8 May 2009

HEINZ-PETER SCHLUTER

CHAIRMAN OF THE SUPERVISORY BOARD OF TRIMET ALUMINIUM AG, ESSEN

Born 16 October 1949 in Rubehorst/Ruppin Married, three children Merchant in wholesale and foreign trade Career start in 1971 as a metal trader at W&O Bergmann From 1979, overall responsibility for its trading division, from 1982 member of the Management Board In 1985, he founded and was sole proprietor of TRIMET Metallhandelsgesellschaft, now known as TRIMET ALUMINIUM AG, Germany's largest producer of aluminium Heinz-Peter Schluter has been a Non-Executive Director since 1 April 2008

NICHOLAS TELLER

CHIEF EXECUTIVE OFFICER OF E R CAPITAL HOLDING GMBH & CIE KG, HAMBURG

Born 16 June 1959 in London Married, two children Bachelor of commerce From 1982, held various management positions at Commerzbank 2002 until 2003, Regional Board Member, 2003 until 2008 member of the Management Board of Commerzbank AG Thereafter, CEO of E R Capital Holding Member of Commerzbank's Central Advisory Board, of the Management Board of Eurex Zurich AG and of the Board of Directors of the American Chamber of Commerce in Germany Mr Nicholas Teller has been a Non-Executive Director since 10 May 2006

JOHANNES ZURNIEDEN

MANAGING DIRECTOR AT PHOENIX REISEN GMBH, BONN

Born 28 June 1950 in Bergisch-Gladbach Married Studied law and psychology Managing Director at Phoenix Reisen since 1973 From 1994, Deputy Chairman of the Supervisory Board of Deutscher Reisepreis-Sicherungsverein, from 1998 Vice President of DRV (Deutsche ReiseVerband) Member of the Advisory Boards of Europaische Reiseversicherung, Commerzbank and Sparkasse Koln-Bonn Johannes Zurnieden has been a Non-Executive Director since 10 May 2006 and was its Chairman until 31 December 2010

THE AIRBERLIN SHARE

Several negative factors have affected airberlin to a large extent in 2011 the competition-distorting aviation tax in Germany was just as critical as the political unrest in North Africa airberlin's shares suffered severely

The airberlin share and the stock market in 2011

In 2011, the stock market was dominated by the European sovereign debt crisis which resulted in a significant fall in the stock markets compared to the previous year The earthquake in Japan, the about-face in ECB policy, the unrest in the Middle East, and in particular the war in Libya, all provided for a further *correction in the market* An emerging global and especially European growth slowdown led to uncertainty among market participants These exogenous factors had impacted the entire European airline industry and against this background, the performance of the airberlin share in financial year 2011 was *disappointing*

CIVIL AVIATION TAX LED TO SIGNIFICANT EARNINGS SHORTFALLS

Another factor also occurred which had its origins in the home market, Germany, and which stemmed from regulatory decisions made by politicians The *civil aviation tax*, which was introduced in early 2011, led to significant earnings shortfalls due to the inability to pass the taxes on to passengers as intended The tax also *distorts competition* since it only applies to flights originating from German airports

airberlin was *disproportionately affected* by these negative influences Due to its dense network of domestic and European short-haul and medium-haul routes, the aviation tax had an especially negative impact on revenues As the market leader in destinations to North Africa, the collapse of tourism in this region following the political unrest has hit airberlin particularly strongly

With a closing price of EUR 2 50 (XETRA), the airberlin share showed a decline of 32 6 per cent compared with the closing price of the prior year, when it stood at EUR 3 71 Nevertheless, 2011 proved to be a bear year for the German market as a whole The SDAX price index, which includes the airberlin share, fell 14 5 per cent and the DAX price index fell 14 7 per cent

2011 WAS ANOTHER DOWN YEAR FOR AIRLINE STOCKS

The Dow Jones STOXX sector index for European airlines reflects the *even poorer performance of the airline sector* compared to that of the total market and dropped by more than 30 per cent Thus 2011, as in the previous year, was not a good year for airline stocks

Capital measures

airberlin strives for a *balanced ratio of equity and debt* Its main source of financing is cash flow from operating activities while the key target is maintaining a strong capital base The Board of Directors is convinced that this ensures the highest confidence in the group's future development on the part of investors, creditors, and other market participants The Board of Directors monitors the return on equity, which is defined as the net operating income to total equity The Board of Directors strives for a balance between increasing the return on equity, which may mean higher indebtedness, and the advantages and safety of a higher equity basis

CAPITAL TRANSACTIONS IN THE FINANCIAL YEAR 2011

On 19 April 2011, Air Berlin PLC issued debentures with a nominal value of EUR 1,000 and of a total amount of EUR 150 million The debentures were issued and will be repaid at nominal value They will mature on 19 April 2018 The debentures bear an interest coupon of 8 25 per cent per annum, and the interest is paid on a quarterly basis retroactively

On 1 November 2011, Air Berlin PLC issued debentures with a nominal value of EUR 1,000 and of a total amount of EUR 100 million The debentures were issued and will be repaid at nominal value They will mature on 1 November 2014 The debentures bear an interest coupon of 11 5 per cent per annum, and the interest is paid on a quarterly basis retroactively

CAPITAL TRANSACTIONS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR 2011

In accordance with the investment agreement of 19 December 2011 between Etihad Airways and airberlin, and following the fulfilment of all closing conditions, Air Berlin PLC announced on 24 January 2012, that it has issued 31,574,312 new shares by way of a capital increase Under exclusion of the pre-emptive rights of Air Berlin PLC's existing shareholders, the issue was fully subscribed by Etihad Airways On the basis of a set price of EUR 2 31 per share, airberlin has in return received an amount of EUR 72,936,660 72 The new shares will rank equally with the outstanding ordinary shares of Air Berlin PLC

For the duration of two years, Etihad Airways has in principle committed itself to retain the shares acquired in the transaction, and to not acquiring a shareholding in Air Berlin PLC exceeding 29 21 per cent, and to refrain from making a public takeover offer for Air Berlin PLC Etihad Airways has further committed to provide a debt financing in favour of the airberlin group for a total amount of up to USD 255 million (EUR 195 97 million as at 24 January 2012) with a term until 31 December 2016

ETIHAD AIRWAYS WITH A 29 21 PER CENT STAKE LARGEST SINGLE SHAREHOLDER OF AIR BERLIN PLC

The Air Berlin PLC Share in the 2011 financial year

As of 31 December 2011.	
Share capital	EUR 21,306,549 and GBP 50,000
Total number of issued and registered shares	85,226,196 shares

As of 31 January 2012•	
Share capital	EUR 29,200,127 and GBP 50,000
Total number of issued and registered shares	116,800,508 shares

Market data•	
Class	Registered shares
Nominal value	EUR 0 25
Bloomberg symbol	AB1 GY
Reuters symbol	AB1 DE
ISIN	GB00B128C026
WKN	AB1000
Accounting standard	IAS/IFRS
Trading segment	Regulated Market (Prime Standard)
Primary industry	Transport and Logistics
Industry group	Airlines
Indices	SDAX, Prime All Share, Classic All Share
Designated Sponsors	Commerzbank AG, Morgan Stanley Bank AG
Market capitalisation on 31 December 2011	EUR 213 07 million
Free float (Deutsche Borse AG) on 31 December 2011	63 42 %
Capitalisation of free float on 31 December 2011	EUR 135 13 million
Average daily trading volume 2011	XETRA 134,521, regional stock exchanges 26,554 Total 161,075

- The shares are officially traded on Xetra and on the Frankfurt Stock Exchange Trading is carried out on the regulated official markets at the exchanges in Berlin Bremen Dusseldorf Hamburg Munich and Stuttgart
- airberlin shares are registered common stock In accordance with various Air Transport Agreements and EU Directives entry in an appropriate schedule of names giving information on the distribution of the shares by nationality ensures that a majority of the shares are held by German and European investors The registrar for the shares is Registrar Services GmbH Eschborn
- Additionally "A shares" have been distributed For further information refer to page 132

Major shareholders in Air Berlin PLC on 31 December 2011

Shareholders	Holdings in %
ESAS Holding A.S.	16.48
Hans-Joachim Knieps	7.51
Leibniz-Service GmbH/TUI Travel PLC	6.85
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	5.74
Werner Huehn	3.82
JP Morgan Chase & Co.	3.70
Etihad Airways	2.99
Rudolf Schulte	2.93
Severin Schulte	2.93
Joachim Hunold	2.67
Moab Investments Ltd.	2.39
Johannes Zurnieden	1.58
Heinz-Peter Schlüter	1.41
Dr. Hans-Joachim Körber (Chairman Air Berlin PLC)	0.24
Hartmut Mehdorn (CEO Air Berlin PLC)	0.15

Information to the best of the Company's knowledge.
Holdings below 5 per cent belong to the free float.

Major shareholders in Air Berlin PLC on 31 January 2012 (after capital increase on 24 January 2012)

Shareholders	Holdings in %
Etihad Airways	29 21
ESAS Holding A S	12 02
Hans-Joachim Knieps	5 48
Leibniz-Service GmbH/TUI Travel PLC	4 40
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co Luftfahrtbeteiligungs KG)	3 89
Werner Huehn	2 79
JP Morgan Chase & Co	2 70
Rudolf Schulte	2 14
Severin Schulte	2 14
Joachim Hunold	1 95
Moab Investments Ltd	1 74
Johannes Zurnieden	1 16
Heinz-Peter Schluter	1 03
Dr Hans-Joachim Korber (Chairman Air Berlin PLC)	0 17
Hartmut Mehdorn (CEO Air Berlin PLC)	0 11

Information to the best of the Company s knowledge
Holdings below 5 per cent belong to the free float

TURNAROUND

Turnaround. A unique term in the world of finance and in aviation. Getting a company back into shape for competitive success and the pursuit of profit. Getting an aircraft back into shape for the next flight.
In both worlds, time is a decisive factor with a turnaround. Bringing a company back to profitability must not take too long. The competition does not sleep and the public's faith in success can be lost. With the turnaround of an aircraft, meaning the necessary work to prepare it for the next take-off, the time frame must be adhered to. Otherwise it will be necessary to use a spare aircraft. The phrase "a long turnaround is an expensive turnaround" is therefore true for both worlds. airberlin is fully focused on its turnarounds – bringing both the aircraft and the profitability back into shape. The four key elements and why we are confident of being successful, are presented on the following pages.

SHAPE &SIZE

OUR FITNESS PROGRAMME –
is Shape & Size, the group-wide comprehensive programme to improve the efficiency of all operating processes, reduce operational complexity and optimally utilize capacity and organisational structure Other goals include a refocusing of our sales activities to limit the seasonality of the tourism business and increase profitability through selective growth Also, by expanding our hubs, we can improve the commitment of our cooperation agreements. Shape & Size stands for higher revenues The key concepts are maximising the positive effects of a network through cooperation agreements and membership of **one**world Implementing a state-of-the-art sales platform in order to improve the availability of capacity and attain a higher average seat-load factor. Shape & Size stands for lower costs The key terms are optimisation of the network, the fleet, processes and use of personnel, savings in administration and procurement. The goal is the sustainable reduction of total operating costs In summary. an improvement of EUR 200 million in the group's operating results

BUSINESS OR TOURISM BOTH!

AIRBERLIN SHARPENS ITS BUSINESS MODEL –
and provides a combination of an extensive range of services for the discerning business traveller and the amenities of relaxing holiday and shopping flights. This is an ideal combination since the tourism business has stable income and above-average profitability and the corporate business brings additional growth potential. For tour operators, airberlin has proven to be a reliable partner for many years when it comes to a convenient and tightly knit route network, for example around the Mediterranean, which is a key differentiator for airberlin. airberlin's approximately 40 per cent domestic market share and its strategically positioned hubs in the highly populated regions of Germany, Switzerland, and Austria provide for a very high level of brand awareness in this competitive business. airberlin secures its market position by having one of the most dense European flight networks. The airberlin City Shuttle connects nearly all of the European urban centres together. In addition, it is the ideal basis for feeder services to our own intercontinental service and that of our partners. Here, we set standards in international competition.

A WHOLE NEW WORLD OF CHOICE

A COMBINATION OF TWO COMPLEMENTARY ROUTE NETWORKS –
with the all-encompassing strategic partnership between Etihad Airways and airberlin, the world becomes a smaller and more exciting place together they offer a total of 239 destinations in 77 countries! The two route networks ideally complement each other by four German-speaking airberlin hubs to and from the Etihad hub at Abu Dhabi International Airport. From this location, one could fly with Etihad to 82 cities in the Middle East, Africa, Europe, Asia, Australia and North America. Alternatively, one could fly from Abu Dhabi to almost anywhere in Europe using the German hubs and airberlin's dense network. Additional benefits include an all-encompassing code-sharing agreement and mutual recognition of the respective frequent flyer programmes – Etihad Guest and airberlin topbonus, the possibility to collect and redeem miles with both programmes, and other various offers. And using codeshare agreements to numerous additional destinations worldwide, with the ever growing number of airberlin's and Etihad Airways' well-established partner airlines.

AIRBERLIN FOR ONEWORLD

THE PERFECT COMPLEMENT FOR: EUROPE

IN ADDITION TO OUR ALL-ENCOMPASSING COOPERATION WITH ETIHAD –
airberlin's membership of the global **one**world alliance is another major step in the realisation of our growth strategy **one**world has already been voted the leading global alliance seven times in a row Within **one**world are a group of well-known international airlines such as American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, S7, Qantas and Royal Jordanian as well as roughly 20 other affiliated members Through our recent membership, we have dramatically expanded the offers for our passengers 75 gateways, some 800 destinations, 150 countries! Our topbonus members can collect and redeem their premium points at 11 **one**world carriers, and also enjoy worldwide access to more than 550 airport lounges Bon voyage, bon séjour!

DIRECTORS' REPORT AND BUSINESS REVIEW

On the one hand, there were numerous expensive challenges caused by external influences On the other, there were ground-breaking changes for a sharper profile in the market and a sustainable profit in the future 2011 was a year with two sides

COMPANY PROFILE

Company structure and operating activities

AIR BERLIN PLC IS AN ENGLISH COMPANY AND IS MANAGED BY AN UNITARY BOARD

Air Berlin PLC, the legal parent of the airberlin group, was founded in England and Wales with its registered office in Rickmansworth The Company has the legal form of a PLC (*public limited company*) and as such, the company is managed by a *Unitary Board*, which comprises Executive Directors and Non-Executive Directors The Directors during the financial year are listed on page 7 and changes to the Board during the financial year are listed on page 86 The management is based in Berlin

AIRBERLIN IS THE SECOND LARGEST GERMAN AIRLINE

airberlin is a scheduled airline operator and has been a member of the International Air Transport Association (IATA) since 1997 At the beginning of 2011, airberlin became the thirty-seventh member of the Association of European Airlines (AEA) With 9,113 employees, a fleet of 170 aircraft and 35 3 million passengers, the airberlin group is the second largest airline in Germany (as at 31 December 2011) Measured by the number of passengers, airberlin ranks sixth in Europe

CORPORATE STRATEGY

The focus of airberlin's corporate strategy is on *increasing the Company's shareholder value* Thus, the key elements of the corporate strategy are a clear focus on growth and continuous improvements in operating efficiency and strict cost containment in the entire airberlin group This is currently expedited with the highest priority by way of the Shape & Size programme (see page 50 ff)

Flexible business model – clear brand strategy

BUSINESS OR TOURISM EVERYBODY CAN ENJOY AIRBERLIN'S NETWORK

With airberlin, the *customer and his needs are the focus* of attention Therefore, development and optimisation of the airberlin network are geared to their needs In addition, we strive to have *as close contact with the customer as possible*, which embraces all sales and distribution options

airberlin offers maximum flexibility and a great deal of independence for the customer Whether for business or pleasure, airberlin offers its customers all of the *relevant distribution channels* and contacts the classical such as the ticket counter, travel agent or holiday operators, as well as a personal conversation with a call to the airberlin call center, the airberlin service optimized website, or the new possibilities offered by the Web 2 0 for smartphones or tablets

The simple access to the world of airberlin is followed by *superior service on the ground and in the air* It already begins on the shortest domestic routes in Germany a free daily newspaper, a warm snack and a cold or hot drink are naturally included At airberlin, the short-haul and medium-haul passengers can pre-order a variety of hot dishes Long-haul guests can enjoy the extensive airberlin service with up to four different gourmet menus and a variety of beverages On each flight, "baby kits" and "children's toy packages" show our family friendliness Boarding and disembarking are sweetened by candy as well as the legendary airberlin Chocolate Heart

With around *40 per cent market share* and a competitive costs structure in the domestic market, airberlin offers numerous, closely situated, and thus attractive departure and target destinations for both busy business travellers and relaxing family holidays

airberlin's strong brand recognition is due to the strategic positioning of airberlin's hubs in the densely populated region of Germany, Switzerland and Austria ("D-A-CH") airberlin secures its market position through a network of routes, which comprehensively cover this region airberlin's City Shuttles with slots in almost all important European metropolitan areas are firmly established The highly populated D-A-CH catchment area is an ideal basis for *feeder services for intercontinental air travel* airberlin serves its own intercontinental routes and offers feeder services for its strategic partners

AIRBERLIN AIMS AT PROVIDING ITS CUSTOMERS WITH THE BEST VALUE FOR MONEY IN THE MARKET

airberlin follows a *clear brand strategy* which aims at maximizing brand recognition The brand positioning focuses on both the tourism business, as well as the full-service business, and thus positions airberlin's brand with vacation travellers, business passengers, families and private individuals The key to airberlin's brand image is the aim of providing customers with the best value for money in the market Since airberlin's core business is within Europe, i e short-haul and medium-haul routes, the Company focuses on short distances and comfort and service on the ground as well as in the air As such, airberlin is setting *standards in international competition*

The slogan "airberlin Your airline " emphasises the core elements of airberlin's market presence, *customer focus and convenience* Therefore, the Company utilises all distribution channels, from traditional booking via a travel agent or telephone to the different opportunities for online booking airberlin customers can even check in using the clearly structured and user-friendly airberlin website or by mobile phone The numerous convenience solutions also include a dedicated 24/7 service centre staffed with competent personnel The services offered go far beyond just travel-related inquiries For example, airberlin works closely with several partners ranging from travel services to financial services as well as with the press Premium partners provide their services directly via the airberlin website

CUSTOMER FOCUS AND A FAMILY-FRIENDLY ATTITUDE TAKE CENTRE STAGE

airberlin places considerable importance on being a family-friendly airline For example, children between the ages of two and eleven are charged only two-thirds of the regular price

airberlin offers comprehensive services at very attractive prices These services comprise airberlin's distinct frequent flyer plan "topbonus", free baggage allowance, free seat reservations, priority check-in for premium travellers as well as several free e-services such as web check-in, MMS check-in and SMS seat reservation As a matter of course, airberlin offers lounges at selected German airports, business class on long-haul flights, and complimentary on-board service in the form of snacks, drinks and magazines Gourmet menus can also be booked on board

EXTENSIVE SERVICES THROUGH THE "TOPBONUS" FREQUENT FLYER PLAN

"topbonus", airberlin's *multi-award-winning frequent flyer plan*, provides strong incentives for customer loyalty Addressing the 2 8 million topbonus participants in a selected and customized manner, travel behaviour is directly stimulated Topbonus members accumulate status miles on flights with airberlin, NIKI, Etihad Airways and with the **oneworld** partners following airberlin's entry into **oneworld** These status miles provide exclusive benefits such as priority check-in, free seat reservation, additional luggage allowances, and much more Moreover, participants can accumulate premium miles with flying as well as with numerous first-class partner companies which can be redeemed for free flights worldwide and upgrades for business class

Systematic optimisation of the route network

AIRBERLIN FLEW TO 231 DESTINATIONS IN 2011

airberlin's route network has been systematically enlarged through partnerships Over the last few years, airberlin has added several codeshare agreements Codesharing agreements offer airberlin passengers significant convenience and great comfort luggage is checked in at the departure airport and received again at the destination, regardless of stopovers and transfers At the end of 2011, the Company had the following partnerships

- with the strategic partner Etihad Airways,
- with the fourth-largest airline in China, Hainan Airlines,
- with Russia's S7 Airlines
- with Pegasus Airlines, Turkey's largest private airline,
- with Thailand's Bangkok Airways,
- with the US carrier American Airlines,
- with British Airways,
- with Finland's Finnair,
- with the Spanish airline Iberia,
- with Royal Jordanian,
- with the Italian Meridiana

Diverse growth drivers

Among airberlin's three major customer groups, business passengers, private individuals and operators of package holidays, target growth of customers in the business passengers group, in particular the corporate customers, outperformed Following an increase in the number of contracts with corporate customers of almost 40 per cent to 1,155 in the 2009 financial year, the segment grew by an additional 24 8 per cent to 1,441 in 2010 In the reporting year, the number of contracts rose by another five per cent to 1,506

THREE GROWTH DRIVERS

In the future, airberlin plans to continue to grow by leveraging the potential offered by all three customer groups. To this end, a targeted group-specific incentive programme will be offered and the route network will be optimised systematically and continuously to meet the demands of the respective customer group. This optimisation will be implemented primarily by way of *three strategic means*:

- further expansion within airberlin's traditionally strong coverage of European holiday and city destinations
- targeted expansion of intercontinental routes
- a growing number of strategic partnerships and code-sharing agreements

WIDESPREAD STRATEGIC COLLABORATION WITH ETIHAD AIRWAYS

COLLABORATION WITH THE WORLD'S FASTEST GROWING AIRLINE

airberlin expects an additional major growth impetus from the widespread collaboration agreement with Etihad Airways, the national airline of the United Arab Emirates, which was signed in December 2011. Based on this extensive collaboration agreement, both companies intend to closely cooperate in the operating business. Etihad started operations in 2003. The airline serves 82 destinations in the Middle East, Africa, Europe, Asia, Australia and North America from its hub at Abu Dhabi International Airport. By the end of 2011, Etihad had partnerships with 34 well-known airlines. The fleet consists of a total of 64 aircraft from Airbus and Boeing of average age of 4.5 years. In addition, since 2008, Etihad Airways has 205 aircraft on order, among which are ten of the largest passenger aircraft in the world, the Airbus A380.

The strategic alliance combines the route networks and the frequent flyer programmes of both airlines. Together, both companies serve 239 destinations in 77 countries. The route networks complement each other ideally since there are hardly any overlaps. airberlin benefits from the connection possibilities of Etihad's hub at Abu Dhabi for flights to Asia and Australia. In return, Etihad Airways gains access to airberlin's dense network in Europe.

Both airlines have agreed on a widespread codesharing agreement. In the first step, the agreement covers 36 of airberlin's total of 171 destinations and 24 of Etihad Airways' total of 82 destinations. The intention is to broaden the agreement in coming years. Likewise, both airlines agreed to mutually acknowledge the respective frequent flyer programmes, Etihad Guest and topbonus. This will allow passengers of both airlines to collect and redeem miles for flights with the respective partner airline and to take advantage of special offers for frequent travellers, such as earning status miles.

DIRECT CONNECTION TO ETIHAD'S HUB AT ABU DHABI

The launch of airberlin's service to Etihad's hub Abu Dhabi marks a key element of the partnership As a consequence, airberlin moved its activities in the Middle East from Dubai to Abu Dhabi at the beginning of 2012 Since mid-January 2012, airberlin serves Abu Dhabi from Berlin with an Airbus A330-200 four times a week With the start of its summer timetable 2012, airberlin will serve Abu Dhabi once a day from Berlin and Dusseldorf Via its four German hubs, European passengers now have the choice of 29 weekly flights to and from Abu Dhabi An increase in frequency to 42 flights per week is planned as of mid-April 2012

Both companies have also agreed to cooperate closely on the procurement side It is planned to jointly increase the cost efficiency in both airlines, specifically in the fields of fleet procurement and utilization, maintenance, repair and overhaul (MRO) and general purchasing Better coordination of the joint route network and the sales and marketing activities is also intended

GLOBAL NETWORK ONEWORLD

Another major strategic step in airberlin's growth strategy is the imminent membership of the international air travel alliance **oneworld**, which is independent of the extensive cooperation with Etihad All of the necessary requirements to join the alliance will be met by 20 March 2012 Thus, our membership will come into effect on this day Numerous reputable international airlines have joined together to form **oneworld** American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, Qantas, Royal Jordanian and S7 as well as roughly 20 other affiliates such as American Eagle, Dragonair, LAN Argentina, LAN Ecuador and LAN Peru Malev Hungarian Airlines and Mexicana are passive members

As a result of alliance membership, airberlin's passengers will benefit from a broader range of services The number of gateways will increase to 75 and the number of destinations will rise to some 800 in 150 countries The alliance's fleet is comprised of 2,500 aircraft offering some 9,000 flights per day and transporting 300 million passengers a year Members of airberlin's frequent flyer plan, topbonus, will be able to collect and redeem miles for flights at 11 carriers in the **oneworld** alliance In addition, frequent flyers will have full access to more than 550 airport lounges worldwide At the same time, airberlin group's Austrian member NIKI will enter the alliance as an "affiliate member"

At the 2011 World Travel Awards, **oneworld** was voted the world's leading airline alliance for the ninth consecutive year

COMPANY MANAGEMENT

SAFETY AND EFFICIENCY GO HAND IN HAND

Safety in the air and on the ground have the utmost priority For this reason, all relevant policies are first applied by the *Company management* The operational and strategic management of the group is equally based upon strict cost and process efficiency Ensuring the appropriate use of internal resources throughout all areas and levels of the Company is the responsibility of every employee This ensures the group organization is as flat and transparent as possible Cross-divisional tasks are performed centrally by the relevant departments, such as flight operations, on-board service, and technical service divisions, with the latter operating through a dedicated subsidiary

EBITDAR MEASURES FINANCIAL AND OPERATIONAL SUCCESS

The *earnings classification EBITDAR* is the central earnings-oriented governing factor of the group EBITDAR is broadly used in the airline industry, as well as by investors and analysts as a generally comparable reflection of *operating performance* EBITDAR is the abbreviation for "Earnings Before Interest, Tax, Depreciation, Amortisation and Rent", or leasing costs as in the case of aircraft

Airlines which finance and purchase a larger share of their aircraft, generally incur higher depreciation, and possibly higher interest costs By contrast, companies that lease more aircraft have comparatively higher expenses for materials and services, where leasing costs are booked The *optimum balance* of the proportion of owned aircraft compared with leased aircraft, and the maximisation of the results from operating activities after financing, can only feasibly occur on the basis of EBITDAR, as it adjusts the operating result EBIT by both expense types, depreciation and leasing costs

An additional important operating indicator in aviation, and hence for airberlin, is the *seat-load factor* as the benchmark for fleet and aircraft utilisation It is the ratio of revenue passenger kilometres (RPK) and available seat kilometres (ASK) In addition, the *average yield per passenger*, kilometres flown or passenger kilometres measure the specific sales power airberlin operates a fully developed yield management system, which is optimised on a continuous basis to systematically increase average yields

Non-financial performance and management indicators

In addition to financial and organisational management, the airberlin group to a large extent uses the non-financial performance indicators described below

- Human Resources Management

  When it comes to flying, airberlin strives to provide the *best service* in the industry worldwide All of our employees contribute toward the achievement of this ambitious goal To ensure such achievement, airberlin draws on its state-of-the-art, ethically sound, and forward-looking *human resources management*, which is dedicated to the long-term success of the Company

  Esteem, fairness and respect in interacting with one another, personal responsibility and equal opportunity, as well as attention to the promotion of individual strengths by means of basic and advanced training, are the major cornerstones The employees are not only expected to merely fulfil requirements, they are also provided with opportunities to further advance themselves personally and professionally This includes the compatibility of family and career, which is part of airberlin's value system

- Integrity in relationships with all business partners

  Integrity is one of the key basic requirements for the long-term success of the airberlin group *Reliability and trustworthiness* comprise the core of airberlin's values airberlin's binding code of conduct sets forth the ethical framework for all actions and decisions Through this code of conduct, cross-border compliance with the values of the internationally organised airberlin group, despite differences among the countries, is to be ensured

- Further criteria

  airberlin's reputation in the equity and debt markets plays a key role in determining the airberlin *group's access to financial resources*, and therefore in determining its competitive strength and its ability to exploit its growth potential airberlin's presence on the capital market is characterised by timely, transparent and regular reporting, frequent and in-depth discussions, presentations with capital market participants, as well as a strong IR presence on a special bilingual investor relations website

ECONOMIC CONDITIONS

Economy as a whole

WEAKER GLOBAL GROWTH

GROWTH RATES HALVED NEARLY ALL OVER THE WORLD

The growth in the global economy has shown a noticeable slowdown in 2011 The International Monetary Fund (IMF) had calculated a real increase in global output of 3 8 per cent for 2011 following an increase of 5 2 per cent in the previous year Nearly all over the world, the growth rates had halved both in industrialized countries (3 2 per cent to 1 6 per cent) and in the emerging Asian countries (8 4 per cent to 4 2 per cent) The U S also experienced a significantly weaker growth rate of 1 8 per cent in its gross domestic product (GDP) following 3 0 per cent Japan even fell into recession following the natural catastrophe Due to the continued growth in Germany and a slight upturn in France and Spain, the already below-average economic growth in 2010 in the eurozone saw a less pronounced decrease from 1 9 per cent to 1 6 per cent in 2011

In 2011, the German price-adjusted GDP rose 3 0 per cent In the previous year, 3 6 per cent had been achieved With this, the German economy's catch-up process from the financial crisis has continued in the second year, but at a slightly less dynamic pace In fact, the pre-crisis level of real GDP was exceeded in 2011 However, the recovery took place primarily in the first half of the year whereas the second half showed clear signs of weakening in Germany similar to those seen in the rest of Europe

The German economy's momentum came mainly from the domestic market Consumer spending proved to be a particularly supportive factor adding 1 5 per cent in real terms which was the strongest increase seen in over five years In addition, at 8 3 per cent, investment also saw noticeable growth

THE OIL PRICE

The price of oil proved once again to be the more volatile of the raw materials prices What began in the last weeks of 2010 continued throughout the entire year of 2011 In sharp contrast to historic trends, the prices of the two most traded grades of oil, West Texas Intermediate (WTI) and Brent, which typically move in tandem, took on a life of their own in 2011 The price of Brent oil, which is important for the fuel needs of airberlin, started the year at USD 94 23 per barrel and rose quickly by 35 5 per cent to USD 127 69 on 28 April Amid high volatility, there was a correction in the price of Brent to USD 104 14 on 4 October By the end of the year, the price returned to USD 109 19 resulting in a net rise of 15 9 per cent in the US dollar price for Brent oil in 2011 In euro terms, the price saw an even stronger increase of 19 4 per cent

THE OIL PRICE INCREASED BY ALMOST 20 PER CENT IN 2011

THE INTEREST RATE MARKET

REGIONALLY, STRONGLY DIVERGING DEVELOPMENT OF YIELDS

The strong diversity in the development of the bond markets was due to the increase in risk aversion on the part of investors This saw yields on German 10-year bunds fall from 2 98 per cent at the end of 2010 to 1 83 per cent or 115 basis points This was despite an intermediate increase to 3 49 per cent in April In the meantime, and in sharp contrast to this, yields for the government bonds of southern European countries have risen sharply and temporarily exceeded 6 per cent

THE FOREIGN EXCHANGE MARKET

At first glance, the net depreciation of the euro vs the US dollar from 1 3362 at the start of the year versus 1 2939 at year end could be construed as a quiet year on the foreign exchange markets However, in the course of the year, the euro showed strong fluctuations By 4 May 2011, the euro had risen 11 per cent to a year high of 1 4882, it then trended sideways until September before depreciating sharply in value The year-end quoted rate was only slightly above its 2011 low of 1 2889 on the previous trading day

The air travel sector in 2011

GROWTH IN DEMAND MATCHES LONG-TERM TREND

For the full year 2011, IATA, the International Air Transport Association, reported an increase in air traffic of 5 9 per cent over the previous year, measured in terms of revenue passenger kilometres (RPK the number of passengers multiplied by flown kilometres) This meant the total year was at the level of the long-term growth trend in the industry However, the momentum had slowed in the second half at the half-year growth was at 6 5 per cent, after nine months, 6 1 per cent and in December it was 5 4 per cent as compared to the respective periods in the previous year What is more, the growth rate for December 2011 was artificially increased due to a comparsion effect, since the previous year's month had been adversely impacted by numerous flight cancellations in North America and Europe due to poor weather, and Europe was also affected by strikes

The increase in demand was slightly below the 6 3 per cent increase in capacity Consequently, capacity utilization (seat-load factor) fell slightly by 0 2 percentage points to 78 1 per cent

A closer look reveals significant regional and route-specific differences the RPK for international traffic rose 6 9 per cent in 2011 which was considerably stronger than the rise seen in domestic traffic (+4 2 per cent) The weaker growth in domestic traffic was largely due to the regulatory and economic influences in the key countries Whereas India and China experienced strong double-digit growth rates, the weak domestic economy in the U S meant that only a RPK growth of 1 3 per cent could be achieved A similar trend, which was exacerbated by the introduction of the aviation tax in Germany, could be observed in Europe

Moreover, 2011 witnessed a steady decline in the growth rates in Germany This represents the development in passenger volumes at domestic commercial airports Here, 198 2 million arriving and departing passengers were registered This represents an increase of 5 per cent over the previous year The German Airport Association had originally expected that in 2011, the level of 200 million passengers would be greatly surpassed According to the airport association, the main reason for falling short of the growth target was the introduction of the aviation tax at the start of 2011

SUBDUED MARKET GROWTH IN GERMANY

Excluding statistical comparison effects, the German domestic growth in passenger traffic would have increased by only 3 per cent In April 2011, growth in passenger traffic was reported at 30 per cent However, this figure was largely overstated due to the weak comparison basis from the previous year which had been impacted by the volcanic eruption in Iceland The comparisons of the winter months also artificially increased due to poor weather conditions in November and December 2010, which had caused a number of flight cancellations

The growth in passenger traffic at German airports was primarily driven by European traffic which had grown 8 3 per cent Due to the introduction of the aviation tax, German domestic traffic was noticeably weaker showing growth of just 1 6 per cent This tax had a particularly strong impact on small and medium-sized airports since they serve mainly domestic flights Therefore, the growth in passenger traffic in Germany was concentrated mainly on the major airports and those with hub functions According to the airport association, there has seldom been such a distortion in competition due to government intervention

OPERATING DEVELOPMENT

The operating performance of the airberlin group is presented below on the basis of comparable figures (a pro forma view) The operating figures for NIKI Luftfahrt GmbH, airberlin's subsidiary in Austria, which was consolidated as of 1 July 2010, are included in this pro forma view for the entire twelve months period of the previous year

Passenger travel and the fleet

The airberlin group transported *35,300,209 passengers* This was a 1 2 per cent increase over the previous year airberlin is the market leader on routes between Germany and North Africa For this reason, the decline in passenger numbers for North African tourist destinations, particularly to Egypt and Tunisia, had a negative impact on airberlin which was higher-than-average throughout the entire year

35.3 MILLION PASSENGERS

In this period, the launch of the Shape & Size efficiency programme led to a number of measures as well as the early closing of unprofitable destinations and with that a reduction in capacity This is also reflected in the development of available seat kilometres (ASK) as well as in the number of flights In the first half, ASK rose 4 3 per cent, but in the second half declined by 0 2 per cent For the financial year 2011 overall, ASK grew 1 8 per cent to 62 16 billion after 61 04 billion the year before Following a slight increase of 1 7 per cent in the number of flights in the first half of the year, the second half of the year brought a reduction of 4 1 per cent In the financial year, airberlin carried out a total of 270,498 flights compared to 274,227 in 2010

An entirely different development can be seen in *revenue passenger kilometres* (RPK) After a 17 6 per cent increase in the first half of 2011, a further noticeable increase of 6 0 per cent could be seen in the second half On balance, RPK rose 11 1 per cent in the financial year, from 46 96 billion to 52 14 billion This increase is above the European sector average of 9 5 per cent, which was primarily due to the strong increase in long-haul traffic In contrast, in accordance with the structure of its route network, the increase in RPK at airberlin can be mainly attributed to the short-haul and medium-haul routes By the end of 2011, the ratio of RPK to ASK – which is yet another important measurement of capacity utilisation aside from the seatload factor – had increased 9 1 per cent over the previous year

DOUBLE-DIGIT INCREASE IN RPK

The *capacity* (number of available seats) fell 1 1 per cent in 2011 compared with last year as a result of capacity adjustments made under the Shape & Size programme In the financial year, there were 45,136,999 seats as compared with the previous year's 45,635,667 Consequently, the seat load factor rose 1 76 per cent to 78 21 per cent

Flight revenue per passenger climbed 7 9 per cent from EUR 101 22 in the previous year to EUR 109 26 in the period under review Flight revenue per ASK also increased 7 2 per cent to 6 20 eurocent from 5 79 eurocent However, flight revenue per RPK declined 1 7 per cent to 7 40 eurocent from 7 52 eurocent

THE GERMAN AVIATION TAX HAD MULTIPLE NEGATIVE IMPACTS

The significant rise in fuel expenses and the competition-distorting effects of the *German aviation tax* adversely impacted the costs However, the aviation tax, which is only applied to flights originating from German airports, also had a negative impact on prices It was not possible to pass it on to all customers on relevant destinations In addition, since foreign airports near the German border are not affected by the tax, non-German competitors can offer flight connections to these airports, particularly on short-haul and medium-haul routes, without this surcharge This had caused many price-conscious customers to use such nearby airports Consequently, the *competitive pressure* on these routes, which are especially important for airberlin, had intensified and weighed on yields This is particularly apparent when looking at flight revenue per RPK

Specific *fuel costs* rose sharply due to a 28 0 per cent increase in fuel expenses and a 1 1 per cent increase in capacity measured by the number of seats (per ASK +1 8 per cent) In prior years, specific fuel costs could be reduced significantly They rose 26 5 per cent (EUR 29 69 from EUR 23 47) per seat and 25 7 per cent (1 69 eurocent from 1 34 eurocent) per ASK Fuel expenses per RPK increased by 15 3 per cent (2 01 eurocent from 1 74 eurocent)

In 2011, the operating profit margin, EBITDAR per passenger, fell by 32 1 per cent to EUR 12 07 following EUR 17 77 in the prior year Measured per ASK and per RPK, the margin dropped by 32 5 per cent and 38 1 per cent respectively Hence, it was not possible to continue the improvements of the prior years

Material flight-related figures (as of 31 December)

	+/-	2011	2010
Aircraft	+0 6	**170**	169
Flights	-1 4	**270,498**	274,227
Destinations	-0 6	**162**	163
Capacity (thousands)	-1 1	**45,137**	45,636
Passengers (thousands, "Pax")	+1 2	**35,300**	34,890
Passenger load factor (per cent, Pax/capacity)	+1 76*)	**78,21**	76,45
Available seat kilometres (bn, ASK)	+1 8	**62,16**	61,04
Revenue passenger kilometres (bn, RPK)	+11 0	**52,14**	46,96
Number of block hours	+0 2	**543,660**	542,720
Average length per destination (km)	+2 9	**1,377**	1,338

*) percentage points 2010 pro forma

The *total number of aircraft* rose from 169 in 2010 to 170 With an average age of 5 3 years, the fleet of the airberlin group continues to belong to the youngest and therefore most fuel efficient fleets worldwide The aircraft belonging to IATA member airlines have an average age of 13 8 years When measured on specific fuel consumption per passenger kilometre, IATA aircraft use an average of 35 per cent more fuel than those of airberlin The Shape & Size programme is aiming for an even further marked saving in specific fuel consumption

AIRBERLIN HAS ONE OF THE YOUNGEST AND MOST FUEL EFFICIENT FLEETS

Fleet airberlin group

	Number end of 2011	Number end of 2010
A319	**11**	19
A320	**46**	46
A321	**14**	11
A330-200	**12**	10
A330-300	**2**	3
B737-700	**26**	27
B737-800	**42**	38
Q400	**10**	10
Embraer E 190	**7**	5
Total	**170**	169

2010 pro forma

Seasonal effects in utilisation (Pax/capacity)

		2011	2010
Q1	Pax	**6,871,801**	6,742,088
	Capacity	**9,472,578**	9,578,873
	Utilisation in %	**72 54**	70 32
Q2	Pax	**9,551,365**	8,782,450
	Capacity	**12,346,583**	11,904,246
	Utilisation in %	**77.36**	73 78
Q3	Pax	**11,252,352**	11,079,972
	Capacity	**13,372,703**	13,441,988
	Utilisation in %	**84 14**	82 43
Q4	Pax	**7,624,718**	8,285,054
	Capacity	**9,945,135**	10,701,560
	Utilisation in %	**76 67**	77 42
Year	Pax	**35,300,236**	34,889,564
	Capacity	**45,136,999**	45,635,667
	Utilisation in %	**78.21**	76 45

2010 pro forma

DEVELOPMENT IN FINANCIAL FIGURES

The following report on the results of operations is discussed on the basis of comparable figures, i e the previous year's figures have been adjusted for the full year activity of NIKI Luftfahrt GmbH, which was consolidated as of 1 July 2010 The table on page 61 shows the figures of the 2011 financial year, the previous year's figures on a pro forma basis, as well as the originally reported figures for the 2010 financial year The presentation of net assets and financial position refers to the respective reported figures

Results

In the 2011 financial year, revenues increased 9 8 per cent to EUR 4,227 3 million from EUR 3,850 2 million in the previous year Revenues from *single-seat ticket* sales rose 13 2 per cent to EUR 2,623 1 following EUR 2,316 3 million Revenues from the tourism business were virtually unchanged (EUR 1,233 9 million as against EUR 1,215 4 million) The total flight revenue increased by 9 2 per cent to EUR 3,857 0 million after EUR 3,531 7 million in the previous year

Revenues from inflight sales fell slightly by 1 5 per cent to EUR 38 6 million following EUR 39 2 million in the previous year However, *revenues from ground services and other services* grew clearly above average to EUR 331 7 million or 18 8 per cent as against EUR 279 3 million in the previous year Included in this amount are revenues from technical services, which declined slightly compared to the previous year (EUR 28 9 million after EUR 31 7 million) As in the previous year, the group's own technical capacity was utilised to a greater extent internally, and as a result, it had less capacity available for providing services to third parties On the other hand, the positive trend seen in revenues from *freight services* in the previous year continued and revenue rose 25 2 per cent to EUR 111 9 million compared to EUR 89 4 million in the prior year

Other operating income declined in the 2011 financial year to EUR 10 1 million following 53 6 million The previous year had included profits from asset disposals Total operating income in 2011 financial year amounted to EUR 4,237 4 million after EUR 3,903 8 million in the previous year

THE RISE IN FUEL PRICES AND THE AVIATION TAX RESULTED IN EUR 395 MILLION IN ADDITIONAL EXPENSES

In the financial year, *expenses for materials and services* as a proportion of revenue has increased to 78 2 per cent Last year, it amounted to 72 3 per cent In absolute terms, it had increased by EUR 519 7 million or 18 7 per cent to EUR 3,304 5 million from EUR 2,784 8 million in the prior year Nearly half of this increase is due to the *rise in fuel prices* The cost of fuel rose well above average by EUR 229 2 million or 28 0 per cent to EUR 1,048 1 million following EUR 818 9 million in the prior year The second major cost driver was the *aviation tax* introduced in Germany at the beginning of the financial year which has meant an additional EUR 165 6 million in expenses This competition-distorting surcharge combined with the strong rise in oil prices led to additional exogenous expenses totalling EUR 394 8 million, or 9 3 per cent of revenue These burdens could be only partially counteracted by internal measures

Nevertheless, there was again considerable success in reducing *fuel consumption* in the 2011 financial year With the help of these measures and under identical conditions, fuel consumption was reduced by 19,800 tonnes or 1 5 per cent (–14,500 tonnes and –1 1 per cent in the previous year)

DEPRECIATION CONTINUED TO DECLINE IN 2011

Operating lease expenses grew 9 3 per cent in the reporting year to EUR 587 0 million after EUR 537 0 in the previous year A part of the increase is a result of the devaluation of the euro against the US dollar as lease charges are paid in USD At year-end 2011, airberlin's fleet comprised of 137 leased aircraft (135 prior year) and 33 of airberlin's own aircraft (34 prior year) In total, the fleet had a net increase of one aircraft To a large extent, the *depreciation of fixed assets* is comprised of depreciation of aircraft This decreased further to EUR 62 9 million (previous year EUR 67 7 million) as a result of the investment policy focus on the use of leases in the prior year Total depreciation on property, plant and equipment dropped 13 8 per cent to EUR 85 9 million after EUR 99 6 million Consequently, total depreciation and leasing expenses for aircraft ("cost of aircraft ownership") rose 7 5 per cent to EUR 649 9 million as against EUR 604 7 million

NEARLY CONSTANT PERSONNEL EXPENSES

The slightly lower number of flights led to a corresponding decrease to EUR 285 6 million in the expenses for *navigation services* following EUR 286 7 million in the previous year The *airport fees* increased by 4 5 per cent to EUR 916 6 million after EUR 877 5 million At EUR 475 4 million, *personnel expenses* remained at the prior year's level of EUR 473 9 million

Other operating expenses increased 10 0 per cent in the reporting year to EUR 618 5 million after EUR 562 1 million This is mainly due to the increase in technical expenses as well as higher IT expenses

Operating expenses at the EBITDAR level, i e excluding leasing expenses, depreciation and amortization, increased 16 1 per cent to EUR 3,811 5 million after EUR 3,283 9 million in the previous year Excluding the additional expenses from the rise in oil prices and the aviation tax, there would have been an increase of only 4 0 per cent when taking into account the same USD rate

Accordingly, the profit figure *EBITDAR* (earnings before interest, taxes, depreciation, amortization and leasing expenses) declined in 2011 financial year by 31 3 per cent to EUR 425 9 million from EUR 619 9 million The *operating profit EBIT* (earnings before interest and taxes) was EUR –247 0 million after EUR –16 7 million in 2010 financial year

The *financial result* improved from EUR –135 1million in the prior year to EUR –111 9 million in 2011 Financial expenses declined significantly from EUR 118 0 million to EUR 82 7 million Interest income rose from EUR 7 0 million to EUR 9 8 million One – non-cash – burden was the noticeable increase in losses on foreign exchange and the accounting for the fair value of derivative financial instruments (EUR 39 0 million after EUR 24 0 million) The prior year financial result contained an expense of EUR 42 2 million from a partial redemption of a convertible bond from 2009 – the significant reason for the improvement of the financial result in the year under review

The *loss before tax* amounted to EUR –358 8 million in the 2011 financial year after EUR –150 7 million in the prior year After an income tax benefit of EUR 87 0 million (EUR 44 4 million reported in the previous year), the net result for the year was EUR –271 8 million after a reported loss of EUR –97 2 million in the previous year

Earnings per share were EUR -3.20 after EUR -1.14 in the prior year (based on the number of 85.048 million average shares outstanding for 2011 and 2010, basic and diluted respectively).

Pro forma consolidated income statement 2011/2010

In EUR million	reported 2011	pro forma 2010	reported 2010
Single-seat ticket sales	**2,623.1**	2,316.3	2,245.9
Charter sales	**1,233.9**	1,215.4	1,161.6
Onboard sales	**38.6**	39.2	38.2
Ground services/others	**331.7**	279.3	277.9
Total revenue	**4,227.3**	3,850.2	3,723.6
Other operating income	**10.1**	53.6	53.8
Expenses for materials and services*)	**(3,304.5)**	(2,784.8)	(2,677.5)
thereof leasing expenses	**(587.0)**	(537.0)	(535.0)
Expenses for materials and services before leasing	**(2,717.5)**	(2,247.8)	(2,142.5)
Personnel expenses	**(475.4)**	(473.9)	(471.8)
Depreciation	**(85.9)**	(99.6)	(92.8)
Other operating expenses	**(618.5)**	(562.1)	(544.6)
Operating expenses before leasing and depreciation	**(3,811.5)**	(3,283.9)	(3,158.9)
Total operating expenses	**(4,484.5)**	(3,920.5)	(3,786.7)
EBITDAR	**425.9**	619.9	618.5
EBITDA	**(161.1)**	82.9	83.5
EBIT	**(247.0)**	(16.7)	(9.3)
Net financing costs	**(111.9)**	(135.1)	(133.3)
Share of profit of associates	**0.1**	1.1	1.1
Loss before tax	**(358.8)**	(150.7)	(141.6)
Income tax benefit	**87.0**	44.5	44.4
Loss for the period	**(271.8)**	(106.3)	(97.2)

*) 2011 incl. aviation tax EUR 165.6 million

Net asset position

In 2011, airberlin group's *total assets* declined 4 5 per cent to EUR 2,264 0 million from EUR 2,370 1 million in the previous year Non-current assets receded by 2 4 per cent This was mainly the result of a *decrease in property, plant, and equipment* of 7 7 per cent to EUR 818 9 million Here can be seen the disposals from the sale of aircraft and engines at residual book value of EUR 130 3 million and of technical equipment and machinery in the amount of EUR 12 1 million Intangible assets slightly increased by 2 2 per cent to EUR 396 0 million Long-term receivables decreased by EUR 78 5 million or 49 8 per cent to EUR 79 2 million after EUR 157 7 million

At the closing date in 2011, non-current assets amounted to EUR 1,487 9 million compared with EUR 1,524 9 million in the previous year There was therefore little change in capital intensity Non-current assets represented 65 7 per cent of total assets as against 64 3 per cent in the prior year

Current assets decreased by 8 2 per cent to EUR 776 0 million (previous year EUR 845 2 million) primarily due to lower cash and cash equivalents (EUR 239 6 million as against EUR 411 1 million) Current receivables increased from EUR 298 6 million to EUR 375 1 million Current assets as a proportion of total assets slightly declined to 34 3 per cent following 35 7 per cent in the prior year

DISAPPOINTING TREND IN EARNINGS REDUCES SHAREHOLDERS' EQUITY

In 2011, the structure of the liabilities side of the balance sheet changed as a result of the disappointing trend in earnings Shareholders' equity declined from EUR 505 3 million in the prior year to EUR 253 7 million in the reporting year Whereas changes in the valuation of hedging instruments had a positive impact of EUR 19 6 million on shareholders' equity, retained earnings decreased from EUR –153 2 million to EUR –405 7 million In addition, the equity component of the convertible bond decreased from EUR 21 2 million in the prior year to EUR 1 3 million In the fourth quarter of the 2011 financial year, airberlin redeemed 1,252 convertible bonds issued in 2007 with a principal amount of EUR 125 2 million in total The equity component of the redeemed convertible bond less transaction costs was transferred to the retained earnings within equity As at 31 December 2011, 108 convertible bonds issued in 2007 with a principal amount of EUR 10 8 million in total were still outstanding (see Note 16) The convertible bond issued in 2009 was fully redeemed in 2011 *The proportion of shareholders' equity compared to total assets* was 11 2 per cent as at the end of the 2011 financial year as against 21 3 per cent in the previous year

Non-current liabilities increased by 10 7 per cent from EUR 944 7 million to EUR 1,045 5 million Interest-bearing liabilities from aircraft financing climbed by 7 3 per cent (EUR 471 8 million as against EUR 439 8 million), of which half has a maturity of more than five years Interest-bearing liabilities in total amounted to EUR 470 2 million following EUR 370 9 million in the previous year, of which 35 per cent have a maturity of more than five years Both the negative market values of non-current derivatives (EUR 11 0 million after EUR 25 9 million) and non-current trade and other payables (EUR 55 9 million after EUR 73 3 million) declined noticeably

Current liabilities increased by 4 8 per cent to EUR 964 7 million as against EUR 920 1 million in the prior year as current interest-bearing liabilities climbed to EUR 57 5 million (previous year EUR 10 1 million) In addition, trade and other payables also increased to EUR 423 4 million from EUR 394 6 million

NET DEBT INCREASED DUE TO THE INCURRED LOSS

Following considerable declines in both prior years, *net debt* increased due to the loss incurred in the reporting period As at 31 December 2011, net debt amounted to EUR 813 0 million compared to EUR 489 3 million in the previous year and EUR 574 1 million in 2009 *Gearing* (net debt as a percentage of equity) was 320 4 per cent at the end of 2011 compared with 96 9 per cent at the end of 2010

Financial position

NET CASH FLOW FROM OPERATING ACTIVITIES DROPPED TO EUR -195 9 MILLION DUE TO THE LOSS IN THE FISCAL YEAR

In 2011, *cash generated from operations* amounted to EUR −137 4 million (compared with EUR 42 9 million in the previous year) with depreciation of EUR 85 9 million (previous year EUR 92 8 million) and EBIT of EUR −247 0 million (previous year EUR −9 3 million) Trade and other receivables/payables had an impact on the cash generated from operations due to a EUR 28 7 million increase in trade receivables as compared to a decrease of EUR 5 3 million in the prior year Trade and other payables increased by EUR 31 4 million (prior year EUR 5 6 million) In addition, other current liabilities increased by EUR 33 6 million as compared to EUR 4 4 million in the prior year Net cash flow from changes in net working capital (inventories plus the net amount of trade receivables / payables) was zero at the end of the reporting year (2010 EUR +8 4 million) After taking income taxes paid and net interest paid into account, which amounted to a total of EUR 58 5 million (previous year EUR 57 1 million), the net cash flow from operating activities came to EUR −195 9 million, compared to EUR −14 1 million in the previous year

PROCEEDS FROM THE SALE OF ASSETS DO NOT FULLY COVER THE INVESTMENTS

Cash flow from investing activities amounted to EUR −62 5 million in the reporting year, compared to EUR 449 9 million in the previous year Payments for investments in non-current assets and advance payments totalled EUR 175 8 million in the reporting year, compared to EUR 77 1 million in the prior year This was partially offset by proceeds from the sale of non-current assets, in particular aircraft, which amounted to EUR 114 2 million (previous year EUR 563 2 million) In the prior year, the provision of a loan to the private Lauda foundation in connection with the increased participation in NIKI Luftfahrt GmbH resulted in outgoing payments totalling EUR 40 5 million, with a net incoming amount of EUR 4 3 million resulting from the acquisition of NIKI

In the reporting year, *cash flow from financing activities* was influenced considerably by proceeds from the issuance of interest-bearing liabilities in a net amount of EUR 239 2 million In the prior year, a net amount of EUR 257 4 million was redeemed The redemption on convertible bonds resulted in an outflow of EUR 140 9 million (previous year EUR 136 9 million) In the 2011 financial year, the total *cash flow from financing activities* amounted to EUR 87 6 million including transaction costs for the issuance of new bonds In the previous year, cash flow from financing activities had shown an outflow of EUR 402 3 million, mainly following redemption payments of loans for aircraft purchases

Foreign exchange effects on cash equivalents were immaterial The net change in cash and cash equivalents was EUR −170 8 million in the 2011 financial year (prior year cash inflow of EUR 33 4 million) At the end of the reporting period, cash and cash equivalents amounted to EUR 238 4 million following EUR 409 7 million at the beginning of the period

RESPONSIBILITY

At airberlin, responsibility is not only on paper, it is practiced – and it is indeed at the forefront. Examples are efforts toward low fuel consumption and providing the highest safety. Naturally, all this applies to customers and employees alike.

SUSTAINABILITY

In 2011, airberlin set a *new record*. With usage of 3.5 litres per one hundred passenger kilometres flown, airberlin uses *less fuel than any other European scheduled airline*. This record is a result of our ongoing efforts to sparingly and responsibly use resources. In doing so, airberlin reached its targets and continued its success of preserving the environment and sustainability in 2011.

AIRBERLIN IS HIGHLY MOTIVATED WHEN IT COMES TO IMPROVING SUSTAINABILITY

Nevertheless, at the same time we keep our own economic interests in mind. On the one hand, our efficient use of resources allows us to maintain lower costs. On the other hand, the environmentally-aware and sustainability-conscious customer segment is growing strongly. Meeting the needs of these discerning customers, particularly families and business travellers, brings with it *high growth potential* because preserving the environment is a value added to which our customers attach great importance.

Improving production, maintaining customer relationships, and employee well-being, as well as taking actions into our own hands to respond appropriately to environmental influences are all part of a *fundamental understanding* at Germany's second-largest airline. Cost consciousness and social responsibility combined are strongly compelling and together with the employees' efforts in the area of fuel efficiency, we effectively use our most modern technology to save both costs as well as resources.

We have three fundamental goals with regard to sustainability. We want to be the experts when it comes to consumer protection and customer service, be pioneers in climate and environmental preservation and we want to strengthen and promote social cohesion.

Experts in consumer protection and customer service

airberlin has clearly positioned itself as a full-service carrier which also provides touristic services. As an airline with heart, we offer our passengers customer-oriented value characterised by our fair prices and flights to attractive destinations as well as our inflight service. For our passengers, this value added represents an important criterion when it comes to their travel planning.

For years, airberlin has been repeatedly recognized by business travellers for outstanding service, frequent travellers for the topbonus frequent traveller programme, market researchers for the complimentary in-flight service in the form of snacks, drinks and magazines, seat reservations and entertainment system, and for its friendly cabin crew and service personnel airberlin is particularly proud of the acknowledgement it has received as a child-friendly airline which demonstrates that airberlin appeals to business passengers as well as families

YEAR OVER YEAR NUMEROUS AWARDS FOR QUALITY AND SERVICE

Pioneer in the field of environmental and climate protection

Air transportation comprises two per cent of the CO_2 emissions worldwide and fourteen per cent of the CO_2 emissions of the global traffic system As an energy-intensive industry, air transportation has a special responsibility Therefore, airberlin considers environmental protection to be a top priority All-encompassing environmental commitment is an integral part of our corporate philosophy while at the same time a prominent characteristic of quality that is gaining importance with not only passengers but also investors Consequently, improvement in our environmental performance is a continuing objective to be pursued by all employees Even the smallest contribution can make a big difference overall

Recognition for our efforts have not been absent as evidenced by airberlin being the first airline to receive the OkoGlobe award in 2011 We received this environmental award for groundbreaking innovations in sustainable mobility for our company programme "Eco-efficient Flying" This programme included a comprehensive catalogue of measures in the areas of technology, air traffic, operations and controlling, with which fuel can be saved and environmental damaging emissions can be avoided This catalogue of measures is the result of a comprehensive coordination initiative implemented in 2008 by airberlin which has been running ever since A reduction in weight on board airberlin's airplanes is one of the prominent examples of how emissions are being minimized

AIRBERLIN THE FIRST AIRLINE TO RECEIVE THE OKOGLOBE AWARD IN 2011

Numerous technical innovations in order to improve environmental performance in airplane manufacturing and operation are also areas in which airberlin demonstrated a pioneering role In 2001, the Company was the first European airline to employ winglets and set a standard in the air transportation industry Winglets are vertically bent fins which improve aerodynamics and reduce fuel consumption by around three per cent airberlin was also a forerunner in Europe in technical innovations such as the "SafeRoute™" software system and the GBAS satellite-supported navigation landing system Back in 2005, airberlin was the first airline worldwide to convert to digital flight maps Since 2011, airberlin has entirely abandoned the use of paper in flight operations

The first three-and-a-half-litres network carrier in Europe

AIRBERLIN IS BEST IN CLASS IN FUEL CONSUMPTION!

In 1994, one airberlin aircraft consumed 4 4 litres of fuel to transport one passenger a distance of one hundred kilometres (100 PKM) In 2011, airberlin needed only 3 5 litres of fuel for one passenger to fly the same distance airberlin achieved this through a combination of a very young fleet and *innovative operating procedures,* for example a very modern flight guidance system In 2011 alone, airberlin was also able to achieve a 2 5 per cent reduction in specific CO_2 emissions, which was a 20 per cent improvement over the year 1994

We can be proud that in 2011 we not only reached our lowest fuel consumption in the history of the Company, but airberlin is also significantly more environmentally friendly than its competitors and can travel with even more fuel efficiency than automobiles The IATA scheduled airlines have an average of 35 per cent higher specific fuel consumption amounting to approximately 4 7 litres per 100 PKM An automobile, adjusted for capacity, at over 5 litres, is even higher

With a fleet having an average age of only 5 3 years, airberlin is a leader in modernity and security

One reason for airberlin's outstanding sustainability record in a competitive environment is the fact that its fleet has an *average age of just 5 3 years* and has therefore one of the youngest, most efficient, and quietest fleets operating in Europe The global average for the IATA stands at almost fourteen years, the European average stands at 12 years Younger aircraft are not only aesthetically more appealing but are safer and more punctual due to their modern technology

AIRBERLIN IS THE SAFEST GERMAN AIRLINE

In fact, in 2012, airberlin was the sole German airline, and one of only two European airlines together with Finnair, to make the leap to the top 10 out of 60 of the largest airlines worldwide in terms of the latest safety check by the accident investigation agency JACDEC (Jet Airliner Crash Data Evaluation Centre) With a safety rate of 0 007, airberlin ranks in ninth place Our new strategic partner Etihad Airways, ranks fourth with a rate of 0 006 The leader is All Nippon Airways with a rate of 0 005

CONTINUOUS REPLACEMENT OF AGED AIRCRAFT

In 2008, we began to *modernize our fleet* in our endeavour to operate a uniquely young and safe fleet At that time, the outdated Fokker 100 aircraft were replaced by the more fuel-efficient Bombardier Q400 turboprop plane The Q400 operates with a modern, low noise, six-blade propeller turbine and has a fuel saving of 30 per cent to 40 per cent in comparison with jets of similar size This means operating the Q400 is significantly more economical while having almost similar flight times In 2009, the Boeing 757 and 767 were also retired and replaced with more modern jets airberlin uses the more fuel-efficient Boeing 737 Next Generation and the new machines from the Airbus A320 family rather than the older Boeing 737 classic aircraft In 2010, the renewal of the fleet structure continued when the last of the old Boeing 737-300 models were replaced with the modern Boeing 737-700 version in spring

With airberlin's young fleet there is *less noise in the air and on the ground* As a matter of course, all newly delivered aircraft fulfil the highest standards in noise control

Fuel Efficiency Excellence – A visibly fuel efficient programme

airberlin has undertaken a very intense fuel efficiency programme which penetrates all areas of operation and has shown enormous success over the years The results of these efforts have *saved emissions* of 62,400 tonnes of CO_2 in 2011 alone, following 45,700 tonnes in the previous year This corresponds to emissions amounting to those of an Airbus A330 travelling 415 flights from Dusseldorf to New York

Fuel savings in financial years 2008 to 2012

	2008	2009	2010	2011	2012e
Fuel in 000 tonnes	7 9	10 9	14 5	**19 8**	31 7
As a percentage of total consumption	0 6	0 9	1 1	**1 5**	2 2
CO_2 in '000 tonnes	24 9	34 3	45 7	**62.4**	100 0
Consumption per 100 RPK in litres	3 70	3 64	3 60	**3 50**	3 42

Noise protection at airports

AIRBERLIN IS COMMITTED TO NOISE CONTROL AT AIRPORTS

airberlin operates one of the most modern and quietest fleets in Europe All aircraft, except for four Airbus A321, meet the most stringent noise standards currently set out by ICAO Annex III Chapter 4 In addition, airberlin is engaged in several noise abatement commissions at local airports to work together with air traffic control and residents of nearby cities in order to find air routes with the lowest noise levels airberlin is a pioneer in the development of new approach procedures, which in the future will allow curved approaches and avoid flying over cities and towns All this, while at the same time reducing CO_2 emissions

Sustainability on the capital market

THE CAPITAL MARKET REWARDS SUSTAINABILITY

Convincing sustainability concepts is also valued by the capital markets Many institutional investors regard the absence of environmental and social considerations as a criterion for deciding to not invest in a company The renowned sustainability agency, oekom research AG, named airberlin as an *attractive investment* for the second time In 2011, oekom research anewly awarded airberlin the *status of "Prime" investment* The "Prime" rating is only awarded to companies who are leading companies in their respective industries and, in the framework of oekom's Corporate Responsibility Ratings, meet the minimum requirements in the social and ecologic areas Oekom had a particularly favourable opinion of the progressive policies relating to the fleet, the focus on operation's efficiency, and airberlin's customer management

EMPLOYEES

NUMBER OF EMPLOYEES IN 2011·

9,113

At 31 December 2011, airberlin had 9,113 employees, following 8,900 in the previous year At 4,729, women outnumbered 4,384 men and represented 51 9 per cent of the total workforce On average, employees have been employed with the airberlin group for 8 2 years and the average age of our workforce is 36 3 Internationally, airberlin employs 715 people with 185 in Spain, 350 in Switzerland and 103 in Austria

At the end of the financial year, there were 2,245 part-time employees with the airberlin group 595 of these employees are from the area cockpit/cabin and use a *working-hour model* with a corresponding adjustment for salary called "free month" (Freimonat) In 2011, depending on the current situation at the time at airberlin's different locations, there were a certain number of pilots, co-pilots or flight attendants who were allowed to take up to a maximum of six months "free". The *quotient of part-time employees* was 24.6 per cent (23.2 per cent in the previous year).

Employee structure of airberlin

	31 Dec 2011	31 Dec 2010
Pilots	**1,385**	1,370
Cabin crew	**3,412**	3,361
Technical staff	**1,521**	1,359
Administration/services/others	**2,795**	2,810
Total	**9,113**	8,900

2010 pro forma

An array of training opportunities

NUMEROUS BUSINESS AND TECHNICAL TRAINING PATHS

We place great importance on professional development opportunities for every single employee and we provide an array of offers in *training and further education*. We also believe it is important to enable young people to have a promising start in their professional careers and to provide them with an optimum environment to do so. A wide range of traditional and technically orientated occupations requiring professional training is made available to these young people at airberlin. There are training programmes to qualify as office, air travel and air traffic clerks, as well as office communication clerks. For young people interested in technology, there is also the opportunity to receive training as an aircraft mechanic (maintenance) for aviation systems. In collaboration with the International University of Cooperative Education Berlin (IBA), airberlin also offers a dual degree in business administration with an emphasis on hotel and tourism management.

AIRBERLIN TRAINS ITS OWN FLIGHT ATTENDANTS

In 2011, 42 young men and women began their careers in the commercial and technical areas with airberlin. Distributed across all apprentice year groups, airberlin had 135 apprentices at the end of this reporting year. In calendar year 2011, 33 apprentices had successfully completed their apprenticeships and had accepted permanent positions with airberlin. In addition, airberlin offers a wide range of internships. At 31 December 2011 there were 76 interns appointed to various specialized areas within the Company.

In financial year 2011, airberlin *trained 402 flight attendants* as compared to the previous year with 665, and 469 in the year prior to that. In the specialized training courses, security and emergency training will be offered as well as on-board service, first aid, communication and announcement training, and training flights in order to carry out various practical exercises. The training period lasts six weeks.

MULTI-CREW PILOT LICENSE WITH AIRBERLIN FLIGHT SCHOOL

Since 2007, *airberlin's flight school*, in cooperation with the TFC (Technic Flight Consulting), has trained commercial pilots Those who decide for a cockpit position at airberlin, receive a theoretical and practical two-year training fulfilling the highest international standards In February 2009, airberlin was the first flight school in Germany to receive training permission from the German Federal Office of Civil Aviation for the *Multi-Crew Pilot License (MPL)* The contemporary MPL pilot's license is tailored to the demands of modern airlines today and makes the training at airberlin even more attractive In 2009, we began with the first four student pilots and in 2010 a further 48 joined followed by a further 30 in 2011 By the end of the financial year, there were a total of 63 students in our pilot training programme In 2012, airberlin will continue to offer pilot training

SOCIAL ENGAGEMENT

The well-being, security, and health of our employees, customers, and all those that come into direct or indirect contact with our group are valuable commodities that deserve protection This is why airberlin sees itself as a *socially responsible corporation*, dedicated to accompanying and advancing community in a positive sense In the end, it serves our interests to have employees who are satisfied with their work environment Only content employees will be motivated and contribute to the success of airberlin's business

EQUAL OPPORTUNITY OUT OF PRINCIPLE

An integral part of our *corporate culture* is to respect the employee's personal dignity, privacy, and their right to individuality As an employer, airberlin promotes equal opportunity and strives to avoid any discrimination with respect to ethnic background, gender, religion, political views, disabilities, age, or sexual orientation In accordance with the European Union's general *non-discrimination precept*, all collective policies and core HR processes are continuously reviewed for any signs of discrimination and the management is kept informed of any legal requirements

BUILDING BRIDGES AIRBERLIN EMPLOYS PEOPLE OF 68 DIFFERENT NATIONS

Mutual respect and cultural diversity go hand in hand at airberlin As an internationally operating company, airberlin accomplishes more across borders than just mobility On the contrary, the group brings together *people and cultures* from all over the world Internally, we also experience this diversity In financial year 2011, airberlin had recruited employees of 68 different nationalities

Work-life balance and the combination of work and family

Family-friendly labour policies are common practice at airberlin Therefore, supporting our employees in keeping the balance in their personal and professional lives is an important part of our *personnel strategy* One aspect of this is the flexible work model

AIRBERLIN OFFERS EMPLOYEES RETIREMENT PLANS

airberlin supports their employees in planning for retirement by offering various retirement plans These plans address and take into account the demands due to *demographic developments* and due to the changes in the legal environment

OPPORTUNITIES AND RISKS

Good risk management deals with chances and risks in a responsible manner. Only in this way can sustainable corporate benefit be successfully created.

RISK MANAGEMENT SYSTEM

THE MOST IMPORTANT DICTUM EARLY IDENTIFICATION AND CONTROL OF RISKS

As an *international aviation company*, airberlin operates in an environment characterised by a variety of opportunities and risks. The early identification and control of these risks, and the utilisation of opportunities, represent key components in the Company's management approach. Here, management is supported by a *comprehensive risk management system*. As an integral part of the operating and reporting system, opportunities and risks are systematically recorded and assessed.

Regular reviews in collaboration with risk owners ensure the early identification of opportunities and risks and enable effective control. Discussions of opportunities and risks are a key component of the *monthly executive meetings*. Should the executive directors deem specific measures necessary, these can be promptly initiated.

The existing risk management system is an integral part of the overall operating and reporting process. The identified risks are regularly updated utilizing a software IT-supported process. *Risk reporting* covers the review and assessment of all risks in each separate area and in each subsidiary. If necessary, this is then followed by the identification of new risks. Existing risks are reassessed with regard to the probability of occurrence, the potential extent of damage, and ultimately the recognition when they no longer exist. A qualitative assessment should only be carried out in exceptional cases.

A COMPANY-WIDE COMPLIANCE PROGRAM

The implementation of *regulations issued by national and international authorities and institutions*, particularly with reference to safety, are of major importance to the Company's operations. A group-wide compliance programme ensures the recognition of amendments, the Company's compliance with the current regulations, and the adaptation of all processes to these regulations.

INDUSTRY RISKS

After the global recession, triggered by the financial markets crisis, was temporarily overcome, the risk of backsliding into recession has significantly increased for a number of industrialised countries. Thus, risk to both the global economy and to profitability and the financial situation should be considered as above average. This is the case especially with respect to *movements in the price of crude oil* which depends on the USD. It applies particularly to the industry-specific uncertainties of the aviation industry. These are a result of escalating government debt and the unbalanced economic recovery in key industrial countries and emerging economies.

THE DIVERSIFIED CUSTOMER STRUCTURE LIMITS MARKET RISKS

The aviation industry is characterised by *fierce competition* airberlin is not only in competition with other airlines but with ground transportation options as well, particularly on short-haul routes airberlin rises to the competition with an innovative sales and distribution concept that offers customers maximum flexibility and thus independence It includes both the traditional sales channels such as the ticket counter, travel agent, or holiday operator, as well as the airberlin call center, the airberlin website or applications for smartphones or tablets An attractive range of additional services and the topbonus customer loyalty programme completes the services on offer

The restrictions caused by *non-uniform air traffic control across Europe* can be viewed as a problem for the aviation industry These bottlenecks continue to result in detours, delays, increased jet fuel emissions and substantial waiting times Not only does this adversely impact the results of airlines operating in Europe, but it also causes environmental pollution This could in turn jeopardise the overall growth in European air traffic Therefore, the goal should be the creation of uniform air traffic control across Europe

AIRBERLIN IS PARTICULARLY AFFECTED BY THE AVIATION TAX

Another serious problem is the aviation tax which was introduced on 1 January 2011 and levied for departures from German airports This tax is not levied for cargo and transfer business and since airberlin's business is predominantly German passenger business, the Company is affected more severely by the tax than its competitors

The introduction of emissions trading, which started at the EU level on 1 January 2012, will have an impact on the aviation market and its competitive situation airberlin has prepared extensively for this new development by the way of appropriate projects

FINANCIAL RISKS

As an internationally operating aviation company, airberlin is exposed to *fluctuations in fuel prices, interest rates and exchange rates*, primarily of the US dollar Possible rises in the price of fuel can particularly lead to higher expenses Therefore, such fluctuations are managed thorough hedging Possible risks are reduced in advance on the basis of rolling hedges for the relevant defined periods of time This is concluded by working with renowned financial institutions using financial futures contracts which are customary on international markets

We also began with the first hedging transactions in anticipation of the introduction of emissions trading at the EU level, which is planned to begin in 2012 In compliance with EU regulations, all information regarding emissions trading for the reporting period 2010 that was required from all airlines, was reported to the German emissions trading agency (Deutsche Emissionshandelsstelle DEHSt) in March 2011 As for 2010, the emissions data for the reporting period 2011 will be verified by an independent third party and reported to DEHSt in compliance with EU regulations by March 2012

A group-wide treasury management system is used within the existing risk management system for systematic management of interest rate and currency risks Next to the portrayal of all underlying transactions and the hedging transactions concluded on a suitably revolving basis, there is a *thorough calculation of the market-driven valuation* and the effectiveness of the hedging arrangements entered into

Internal guidelines are used for the management of financial risks The core element is sound liquidity management, which is ensured by comprehensive financial and liquidity planning

OPERATING RISKS

As part of the risk management system, airberlin, as all other airlines, covers existing operating and technical risks of flight operations These are systematically identified, assessed and managed using appropriate measures

PURCHASING RISKS

The important factors in *maintaining competitiveness* and safeguarding the reliability of flight operations are a reliable supply of fuel and other raw materials and supplies, access to attractive destination airports, and a modern, high-performance and fuel-efficient fleet of aircraft

In order to minimise its long-term dependence on individual suppliers, airberlin aims at further diversifying its supplier base

THE MOST MODERN AIRCRAFT MINIMISES THE RISKS OF FLIGHT

A modern fleet radically reduces the costs for maintenance and repairs Therefore, airberlin maintains *long-term relationships* with the major aircraft manufacturers Airbus, Boeing, Bombardier and Embraer to ensure access to the most modern aircraft In addition to existing purchasing agreements with manufacturers, airberlin has the option to acquire additional aircraft at predetermined prices Alongside its own aircraft, airberlin operates a fleet of leased aircraft

airberlin maintains long-term relationships with providers of necessary raw materials and supplies in order to ensure security of supply at any given time The most important raw material for airberlin is undoubtedly fuel In addition to the commercial criteria used in the purchase of jet fuel, airberlin assesses the ability of all fuel suppliers at a given airport to provide airberlin with a stable supply of fuel Moreover, airberlin monitors the *compliance with quality standards* pertaining to jet fuel storage and into-aircraft fuelling as per the

IATA Fuel Quality Pool guidelines Securing the provision of on-board catering also plays a major role in offering customers high-quality service This area in particular is one in which airberlin works with firm delivery contracts

IT RISKS

airberlin's central business processes would not be possible without appropriate IT support Identifying and controlling IT risks is a particular focus of airberlin's risk management system Both external and internal risks are taken into consideration The basis for dealing with IT risks is laid out in the *group-wide internal security guidelines*

REPORT ON FORECASTS AND THE OUTLOOK OF THE GROUP

airberlin enters the new financial year with a strong partner and as a member of a strong alliance With Etihad Airways and the global **oneworld** alliance, we are breaking new ground Shape & Size will make us fit for the future

DEVELOPMENT OF THE OVERALL ECONOMY AND THE AVIATION INDUSTRY

The outlook for the world economy remains uncertain

In early 2012, there were again growing concerns regarding the global economy However, economic indicators, particularly in Germany and the USA, are showing a certain tendency towards improvement The *IMF's most recent outlook* presumes a marked slowdown in global growth In 2012, real growth of only 3 3 per cent is expected following 3 8 per cent last year The IMF expects declining growth rates in almost all regions Europe is assumed to be the main cause of the general economic slowdown due to its reduced contribution to world trade which in turn has an effect on growth elsewhere

RECESSION IN EUROPE EXPECTED

The economic output in the eurozone is expected to decline by 0 5 per cent in 2012 The reasons stated are the need to consolidate the member states' budgets, the simultaneous increase of many countries' refinancing costs, and the impact of the banks' reluctance to offer credit The recession is expected to be more pronounced in important countries such as *Italy and Spain* According to the IMF, both countries may decline by 2 2 per cent and 1 7 per cent respectively *Germany and France* are expected to see almost stagnation in GDP with an increase of just 0 3 per cent and 0 2 per cent respectively The German federal government's forecast for Germany is only slightly higher at 0 7 per cent The IMF expects *Great Britain* to show economic growth of 0 6 per cent in 2012, after 0 9 per cent in the previous year For the EU, these expectations are underpinned by the weak fourth quarter experienced in 2011 (in total –0 3 per cent quarter-on-quarter –0 2 per cent for Germany, +0 2 per cent for France, –0 2 per cent for Great Britain, –0 7 per cent for Italy, –0 3 per cent for Spain)

In 2012, the *Japanese economy* is expected to show GDP growth of 1 7 per cent, following the setback caused by the natural disaster last year, and therefore a broad recovery in Japan is not expected In the *USA*, the below-average growth of 1 8 per cent last year is expected to continue in 2012

The air travel industry in 2012

2012 TO REMAIN A CHALLENGING YEAR FOR AIRLINES

IATA remained fairly cautious in its outlook for the aviation industry in 2012 According to IATA, encouraging signs from the US economy are offset by the persisting crisis in the eurozone It is expected that 2012 will remain a challenging year IATA is forecasting a *net profit for the industry of USD 3 5 billion* for 2012 Assuming revenues of around

USD 600 billion, this would translate into a *net margin of just 0 6 per cent* However, if the crisis in the eurozone cannot be solved permanently, IATA expects the international aviation industry to incur a loss

IATA expects most of the growth to stem from the Asia Pacific region, even beyond 2012 Accordingly, it is expected that this region's share of global passenger traffic will grow from 33 per cent in 2010 to 37 per cent by 2015 On the other hand, the share of the USA and Europe is forecasted to decrease from 31 per cent to 29 per cent

For 2012, the European Airport International Council (ACI Europe) sees the risks for European air travel coming mainly from the region's economic difficulties Furthermore, it is expected that the aviation industry will be facing additional costs from *national air travel surcharges* and the introduction of *emissions trading*

REPORT ON EXPECTED DEVELOPMENTS

Direction of the airberlin group for the next two financial years

For the financial years 2012 and 2013, no significant changes in airberlin's business policy nor its market positioning are planned Therefore, the issues outlined in the "Company Profile", "Corporate Strategy" and "Company Management" sections on pages 40 to 49 will largely apply to this period as well

Germany and the catchment areas of its major foreign hubs, particularly Palma de Mallorca and Vienna, are expected to remain airberlin group's key sales markets for the next two financial years Business in Eastern Europe and the Middle East will be strategically expanded by, among other things, entering into *new partnerships*

KEY OBJECTIVE. RESTORATION OF SUSTAINABLE PROFITABILITY

The key objective in the current and coming financial year is to restore sustainable profitability

In this context, the Board of Directors has implemented a number of measures The continuation and further realignment of the business model are considered to be essential The strategy is based on four cornerstones

- The successful completion of airberlin's membership in the international air travel alliance **oneworld**, which is of *strategic importance*
- The expansion of the strategic partnership with the *new major shareholder*, Etihad Airways This includes not only close collaboration in all aspects of a joint market presence, but also improved funding of the airberlin group by Etihad, which enables strategic options

- The *optimization of airberlin's route network* in order to fully utilize the benefits of the collaboration within the **one**world alliance, as well as with Etihad Airways
- The consistent continuation of all measures to *improve the operating efficiency* of the airberlin group For this reason, the comprehensive Shape & Size programme was implemented in the fall of 2011

Following the successful implementation of the Jump programme in previous years, aimed at improving the group's operating performance, the Board of Directors decided in 2010 to launch the performance program Accelerate In the second half of 2011, the Shape & Size programme was launched which integrated Accelerate Shape & Size combines and concentrates the efforts of the previous programmes and pushes ahead the further *development and realignment* of the business model

FURTHER DEVELOPMENT AND REALIGNMENT OF THE BUSINESS MODEL WITH SHAPE & SIZE

Shape & Size A comprehensive Programme to Improve Efficiency

airberlin is currently carrying out an extensive group-wide programme in order to improve the efficiency of all operating processes, to reduce the complexity, to improve the structure of the organization, and to *optimize capacity utilization* In order to adapt the Company's structure to the highly competitive market situation and the overall unsatisfying economic situation, airberlin aims to

- optimize its group's corporate structure
- limit the seasonality of the tourism business by means of a realignment of the sales department
- improve the profitability of the full-service business by pursuing a selective growth strategy and by better integrating the existing hubs into the collaboration agreements

These measures will not impact *safety*, customer *service*, nor the *quality* of airberlin's offering, especially not in the full-service business airberlin's proven business model with its mix of scheduled and touristic routes will remain

BETTER YIELDS

The Shape & Size programme has defined several precise milestones in improving profitability For some routes, the Company will seek *considerable increases in yields* per ticket This should be possible due to the positive effects of the various codesharing agreements and from joining **one**world In addition, airberlin will aim to increase ancillary revenues, i e supplementary revenues beyond ticket sales airberlin will also expand its international sales activities

Shape & Size is also targeting an improvement in the average seat load factor on specific routes As well as improvements at the point of sale, airberlin expects positive effects from the **oneworld** membership Access to the global alliance's network increases airberlin's attractiveness, particularly for *business passengers* Furthermore, the implementation of a new passenger-service-system (PSS) is expected to result in better capacity management and ultimately a higher load factor

In addition, and as a requirement to join **oneworld**, airberlin will implement a state-of-the-art sales platform in order to fully leverage the existing sales and distribution channels The execution of a new revenue-management-system (RMS) and a significant upgrade of the overall IT infrastructure are also a part of improving the operating "toolbox"

LOWER COSTS

KEY FOCUS IS ECONOMIES OF SCALE

A key focus of the Shape & Size programme is *economies of scale* The programme targets improvements involving the network and fleet, cost savings in administration and procurement, and an optimisation of processes as well as the employment of staff, in particular the crews

These far-reaching improvements in the structure of the network and the fleet are expected to result in a sustainable *reduction in operating costs* and a significant increase in the fleet's productivity The integrated assessment of the network and its structure will be based on an internal ranking, which will consist of several financial and operational key performance indicators

In particular, these measures aim at bringing more stability to the network structure and at reducing its complexity For example, it is intended to reduce the seasonal fluctuations between the summer and the winter timetables In addition, those parts of the network showing weak profitability or having low strategic importance will be eliminated

airberlin also intends to improve the *harmonisation of the flight schedules* of the different carriers within the group This will take place primarily in the seasonal peak in summer and will optimise the route network and improve efficiency In this context, the resource planning for fleet and crews will be adapted to achieve a greater utilisation of the resources Altogether, these measures should result in a smaller fleet and a reduced frequency

airberlin will also invest where attractive market opportunities arise This is particularly true for the expansion of its hub in Vienna for connecting flights to Southern and Eastern Europe, and an improvement in *utilisation for holiday destinations* in the summer season Self-check-in and e-check-in facilities will also be expanded and the online check-in will be further optimised Incentives and upgrades will be introduced in order to gain a sustainable increase in the proportion of self-check-in to above 60 per cent Furthermore, expansion and improvements in terminal usage at selected airports is also planned

There will be a systematic review of all *operational processes* in order to uncover any rationalisation potential which will not be, by any means, at the expense of flexibility and motivation Furthermore, IT processes will be updated and comprehensive rationalisation and simplification measures are to be implemented group-wide in procurement Last but not least, process optimisation should lead to an improvement in on-time arrivals and departures

The Shape & Size programme also aims at achieving *sustainable cost reductions* in maintenance and technical services In particular, cost savings in the maintenance net unit costs are to be achieved through general productivity improvements, a reduction of queue times, faster turnarounds in the maintenance, an improved supply chain, better supplier management to reduce material and repair expenses, and a leaner organization The technical services unit is aiming to achieve higher efficiency through optimising maintenance programmes, a more efficient work share, and strict compliance with process protocols In addition, we intend to expand our business with third parties

Next Growth Driver: oneworld

PERFECTLY CONNECTED TO A GLOBAL NETWORK

Our membership in **one**world will *perfectly connect airberlin* to a global network The alliance offers its passengers around 800 destinations in 150 countries and its members operate 550 airport lounges The close cooperation with numerous leading international airlines will provide the airberlin group with strategic prospects well into the future

airberlin's dense route network within the alliance offers significant potential for providing feeder services for the long-haul flights of the partner airlines This will improve the group's efficiency considerably However, the partnership with **one**world also offers growth potential for *airberlin's own long-haul network*, in particular for flights to the Middle East and for the hubs in Berlin, Dusseldorf and Vienna

Opportunities and risks in the forecast

THE OIL PRICE CONTINUES TO BE A FACTOR OF GREAT UNCERTAINTY

Generally, the risks and opportunities described in the Risk Report are also true for the 2012 financial year This applies especially to the further development of commodity prices, particularly the oil price The recent strong divergence in the prices of the two main crude oil benchmark qualities, Brent and West Texas Intermediate (WTI, see chart on page 51) shows that the prices are not solely influenced by pure economic fundamentals On the contrary, it appears that the divergence and the trend in both prices is largely due to *influences from the financial markets*, which are hard to predict and which cannot be ruled out in the future The ongoing political unrest in several Arab countries, which is also difficult to forecast, adds to this uncertainty

The ongoing sovereign debt crisis and the corresponding fears of a recession in Europe, means that any forecast regarding the future trend of the euro against the US dollar will involve a *great deal of uncertainty* On the other hand, the weakness of the general economic environment and the *cautious outlook* for global growth, especially for Europe, make a strong and sustainable increase in interest rates in the near future rather unlikely

ETIHAD AIRWAYS PROVIDES NEW ROOM TO MANOEUVRE

Against this background, airberlin's refinancing costs are expected to have little change in the medium term Furthermore, with the addition of its *strategic partner Etihad Airways* as a major shareholder of Air Berlin PLC, and the granting of additional funding of USD 255 million, the airberlin group has regained significantly greater flexibility This will enable the Company to further optimise its fleet of aircraft and to manage the future growth of its network without necessarily having to tap the capital markets

Price competition in European air space continues to be a significant risk for business development The introduction of the aviation tax in Germany has increased this risk Financial year 2011 has proven that airlines are not able to fully pass on this surcharge by means of higher prices unless they are willing to accept losing market share Therefore, airberlin will continue to *very carefully observe the market* in order to respond flexibly to general market trends and/or the development of prices for individual destinations

2012 financial year

The beginning of the 2012 financial year has yielded clear results from the efficiency improvement *programme Shape & Size* In January, the seat load factor reached 74 96 per cent, and, for the first time since the Company has started reporting monthly traffic numbers, it has increased to almost 75 per cent In the same month of the previous year, the seat load factor was 72 35 per cent Along with the objectives laid out in the Shape & Size programme, capacity was cut back by 14 4 per cent as compared to the same month in the previous year on strategically less important and financially less attractive routes The number of passengers declined only 11 3 per cent from 2,145,188 in January 2011 to 1,901,779 in January 2012 The general trend in January continued in February

FORCEFUL EXECUTION OF THE SHAPE & SIZE PROGRAMME

The further execution of the Shape & Size programme defines the key operational and strategic measures which need to be implemented in the current financial year The highest priority is given to the *further optimisation* of the capacity and the route network over the course of the year

Regarding airberlin's fleet, it is planned to retire eight aircraft and to enter three aircraft into service The *efficiency improvement programmes* are expected to result in savings that will make an additional eleven aircraft obsolete Thus, it is planned that as of the summer of 2012, the total fleet should consist of 154 aircraft In the summer of 2011, it had consisted of 170 aircraft

A further optimization and better alignment of flight plans and a new concept for stationing the crews are expected to yield *productivity improvements* with regard to cabin personnel This will allow the elimination of two stations

The efforts to *reduce fuel consumption,* which airberlin has consistently practiced for many years, will be further intensified A number of measures will be implemented and will range from the increased use of lightweight trolleys, improved aircraft aerodynamics, intensified pilot training to optimise in-flight speed, to the point of lower turnaround times and optimal taxiways on the ground

PERFORMANCE IMPROVEMENT IN PROCUREMENT

Other measures to reduce costs include the intention to noticeably reduce the number of personnel, amongst others, in staff functions Cost reductions and performance improvements are also targeted on the procurement side, where economies of scale should be achieved – among other things – by the merging of all *purchasing processes* and the optimisation of all contracts with suppliers Similar actions will be taken in the areas of material costs and repair costs

A comprehensive programme to optimise procedures and processes is aimed at improving the performance of the fleet maintenance, i e maintenance, repair, overhaul, and cleaning of the aircraft The key focus is on *faster c-check turnaround times,* the complete inspection of the aircraft's structure, and an all-embracing test of all systems, which is very time-consuming and which needs to be performed every 15 to 18 months In general, the group aims for a much faster turnaround time in repair work At the same time, it is planned to expand maintenance services for third parties Nevertheless, by no means do these measures mean making any compromises with regard to safety

CONSIDERABLE EFFORTS TO FURTHER IMPROVE THE BRAND'S ATTRACTIVENESS

In addition to these cost-cutting and performance-improvement measures, airberlin will also make a considerable effort to further improve the brand's attractiveness Here, the main focus is clearly on becoming a member of the global **oneworld** alliance, which brings with it several new codeshare agreements and frequent flyer agreements, as well as the intensive strategic collaboration with Etihad Airways Furthermore, airberlin will enter into new codeshare agreements The introduction of the *"piece-concept"* is planned in order to increase the flexibility with regard to baggage rules and the newly introduced revenue management and passenger service systems aim at more flexible ticket offerings

Another important part of the attractiveness programme 2012 is the expansion of airberlin's *hub in the Austrian capital Vienna* for connecting flights to Southern and Eastern Europe

All of these efforts are striving for a sustainable improvement in yields while at the same time significantly reducing the cost basis

Process optimisation and improvements in the resource planning of crews are expected to reduce the cost basis and result in targeted savings in administrative functions in the financial year 2012 by a double-digit EUR million amount as compared to the previous year Nevertheless, this reduction should by no means jeopardize customer service

Overall statement on the economic development of the group

In the opinion of the Board of Directors, the airberlin group has gained the strength necessary to overcome the present challenges The Company's financial resources were largely improved by the support of our new major shareholder and strategic partner, Etihad Airways This provides the Company with new flexibility allowing it to secure its position in a still highly competitive market The successful implementation of the comprehensive efficiency improvement programme Shape & Size will result in a considerable and sustainable enhancement of the operating profitability On the basis of this efficiency improvement throughout the entire group, the strategic collaboration with Etihad Airways, and the membership in the internationally leading air travel alliance **oneworld**, the Board sees the airberlin group as well-positioned to face international competition

CHANGES IN THE BOARD OF DIRECTORS

Dr Hans-Joachim Korber, Non-Executive Director of the Board until 31 December 2010, assumed the office of Chairman of the Board of Directors on 1 January 2011

Johannes Zurnieden, Chairman of the Board of Directors until 31 December 2010, became a Non-Executive Director on 1 January 2011

Barbara Cassani and Saad Hammad were appointed Non-Executive Directors effective 1 May 2011

Joachim Hunold stepped down from his position as Chief Executive Officer of Air Berlin PLC on 31 August 2011 He has been a member of the Board as a Non-Executive Director since 1 September 2011

Hartmut Mehdorn has been a Non-Executive Director since 1 July 2009, and assumed the position as Chief Executive Officer on 1 September 2011

Paul Gregorowitsch was appointed as an Executive Director effective on 1 September 2011 He has assumed the responsibilities of Chief Commercial Officer (CCO)

Andreas Nikolaus (Niki) Lauda was appointed as a Non-Executive Director effective 8 November 2011

Christoph Debus stepped down from his position as Chief Operating Officer (COO) on 2 November 2011

Helmut Himmelreich was appointed Executive Director on 4 November 2011 He has assumed the responsibilities of Chief Operating Officer (COO)

SUPPLEMENTARY REPORT

24 January 2012 Following regulatory clearances by the German and Austrian authorities, airberlin, Germany's second largest airline, and Etihad Airways, the national airline of the United Arab Emirates, have today closed the investment agreement entered into on 19 December 2011 by means of a capital increase in Air Berlin PLC On the same date, Air Berlin PLC received around EUR 73 million for the 31,574,312 shares issued for the capital increase, based on a fixed rate of EUR 2 31 per share Hence, Etihad Airways has become the largest single shareholder of Air Berlin PLC Etihad Airways' minority share is composed of the newly acquired shares (27 03 per cent) and existing shares of 2 99 per cent (before dilution), which provides Etihad with a voting interest of 29 21 per cent

24 January 2012 James Hogan, Chief Executive Officer of Etihad Airways, and James Rigney, Chief Financial Officer of Etihad Airways, were appointed as Non-Executive Directors of the Board of Air Berlin PLC In addition, Mr Hogan assumed the position of Vice Chairman of the Board of Directors

2 February 2012 airberlin announces 20 March 2012 as the official date of their admission to full membership of the leading global airline alliance **one**world

6 March 2012 Barbara Cassani resigned from the Board of Directors, effective 06 March 2012

AUDITORS

The Directors have considered the appointment of auditors for the following financial year At the General Meeting, the Board will propose the reappointment of KPMG Audit Plc as auditors of the Group

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who are members of the Board at the time of approving the Directors' Report are listed on pages 7 and 12/13 Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware, and
- Each director has taken all the steps a director could be reasonably expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information

Approved by the Board and signed on its behalf by
Berlin, 15 March 2012

HARTMUT MEHDORN
CHIEF EXECUTIVE OFFICER

ULF HUTTMEYER
CHIEF FINANCIAL OFFICER

CORPORATE GOVERNANCE REPORT

The Company is committed to good corporate governance, business integrity and ethical values The Company conducts its affairs in the manner set forth herein

As at 31 December 2011, the Board comprised ten Non-Executive Directors (including the Chairman) and four Executive Directors The Chairman is responsible for leading the Board, ensuring the effectiveness of the Board in all of its tasks, including communication with shareholders, setting the Board's agenda and encouraging all Board members to participate fully in its activities and decision-making

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2011 to fulfilling their duties as members of the Board The main external commitments of the Chairman of the Board, Dr Hans-Joachim Korber, did not change during the year

The Company has established the Audit, Nominations, Remuneration, and Finance Committees, each of them meeting regularly under their own terms of reference

AUDIT COMMITTEE

As at 31 December 2011, the Audit Committee comprised Heinz-Peter Schluter (as Chairman of the Committee), Peter Oberegger and Nicholas Teller A representative of the Company's external auditors and the Chief Financial Officer attend the meetings of the Committee

The Audit Committee met five times during 2011 The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls The Committee's tasks include reviewing the Company's annual financial statements and other financial information before their publication, determining the scope of the annual audit, and advising on the appointment of external auditors Additionally, the Committee is responsible for monitoring the effectiveness of the Company's risk management and internal control systems, including the work of internal audit The Committee reviews the scope of the non-audit work undertaken by the auditors and the fees related to such work to ensure that the auditors' impartiality is not or may not become impaired The auditors also are asked to articulate the steps they have taken to ensure independence and objectivity The Committee also makes recommendations to the Board regarding the reappointment or the removal of external auditors, their terms of engagement and the level of their remuneration

NOMINATIONS COMMITTEE

As at 31 December 2011, the Nominations Committee comprised Hans-Joachim Korber (as Chairman of the Committee), Peter Oberegger and Heinz-Peter Schluter The Committee is primarily responsible for assisting the Board in determining its composition, make-up and balance It also is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise Further, the Committee determines the succession plans for the Chairman of the Board and the Chief Executive Officer The Committee meets as required, but no less than once per year Non-Executive and Executive Director appointments in 2011 were the result of a search process carried out by the Board and a professional consulting agency

REMUNERATION COMMITTEE

As at 31 December 2011, the Remuneration Committee comprised Peter Oberegger (as Chairman of the Committee), Hans-Joachim Korber, Heinz-Peter Schluter, Barbara Cassani, Johannes Zurnieden, Ali Sabanci and Joachim Hunold The Remuneration Committee has responsibility for making recommendations to the Board on the Executive Directors' and the senior management's compensation, including any bonuses, pension rights (where appropriate) and share-based compensation payments The Committee meets as required, but no less than once per year The remuneration report on pages 96 ff provides further details of the remuneration policies of the Company

FINANCE COMMITTEE

As at 31 December 2011, the Finance Committee comprised Nicholas Teller (as Chairman of the Committee), Hans-Joachim Korber, Ali Sabanci and Saad Hammad The Finance Committee has responsibility for supporting the Board in various activities which may have a material financial impact It is also responsible for monitoring the financing budget and providing advice with respect to financing opportunities The Committee meets as required, but no less than twice per year

Directors are expected, wherever possible, to attend all Board meetings, relevant committee meetings and the Annual General Meeting (the "AGM") All Board members are provided in advance with appropriate information covering matters which are to be considered A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2011 is set out below

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Finance Committee
Meetings held	10	5	3	3	4
Meetings attended					
Dr Hans-Joachim Korber CHAIRMAN	10	x	3	2	4
Hartmut Mehdorn CHIEF EXECUTIVE OFFICER	10	3	X	X	3
Ulf Huttmeyer CHIEF FINANCIAL OFFICER	10	X	X	X	X
Christoph Debus CHIEF COMMERCIAL OFFICER	6	X	X	X	X
Paul Gregorowitsch' CHIEF COMMERCIAL OFFICER	4	X	X	X	X
Helmut Himmelreich CHIEF OPERATING OFFICER	4	X	X	X	X
Barbara Cassani INDEPENDENT NON-EXECUTIVE DIRECTOR	9	X	X	2	X
Saad Hammad INDEPENDENT NON-EXECUTIVE DIRECTOR	9	X	X	X	1
Joachim Hunold NON-EXECUTIVE DIRECTOR	9	X	3	1	X
Andreas Nikolaus Lauda INDEPENDENT NON-EXECUTIVE DIRECTOR	1	X	X	X	X
Peter Oberegger INDEPENDENT NON-EXECUTIVE DIRECTOR	10	5	X	2	X
Ali Sabanci NON-EXECUTIVE DIRECTOR	10	X	3	2	4
Heinz-Peter Schluter INDEPENDENT NON-EXECUTIVE DIRECTOR	10	2	3	3	2
Nicholas Teller INDEPENDENT NON-EXECUTIVE DIRECTOR	8	2	X	1	4
Johannes Zurnieden INDEPENDENT NON-EXECUTIVE DIRECTOR	9	X	X	3	X

The above table does not reflect guest participation
served only for part of the year
served for part of the year as Non Executive Director and part of the year as Chief Executive Officer
served for part of the year as Chief Executive Officer and part of the year as Non Executive Director
Christoph Debus stepped down on 2 November with his contract with the Company terminating on 31 December

The Board has delegated to the Executive Directors responsibility for the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities already established by the Board, the development and implementation of the strategies and policies of the Company as determined by the Board, the monitoring of operational and financial results against plan, the prioritization, optimisation and allocation of resources and developing and ensuring compliance with relevant legislation and regulation

All Directors may benefit from the advice and assistance of the Company Secretary, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters and new developments in legislation and new regulations The Company Secretary ensures that new Board members receive an appropriate introduction into all relevant business aspects of the Company The Company Secretary is Michelle Johnson, who was appointed to that position on 21 February 2007 Furthermore, the Directors have access to appropriate independent professional advice if necessary to perform their duties, at the expense of the Company The Company maintains directors' and officers' liability insurance at an appropriate level

SHAREHOLDER RELATIONS

The AGM provides all shareholders with the opportunity to communicate directly with the Board, including the chairmen of the Committees At the AGM the number of proxy votes cast on each resolution is made available, both at the meeting and, subsequently, on the Company's website Each substantially separate issue is presented as a separate resolution

Heinz-Peter Schluter serves as the Senior Independent Non-Executive Director and is available to shareholders if contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer may be inappropriate or unsuccessful

The Company also maintains regular contact with its major institutional shareholders through its investor relations department and through meetings with the Chief Executive Officer, the Chief Financial Officer and the Chairman, as well as through its special institutional investor events

Moreover, the Company ensures that all Directors have an understanding of the views and concerns of major shareholders A separate investor relations department facilitates engagement

INTERNAL CONTROLS AND BOARD PERFORMANCE

The Directors are responsible for establishing and reviewing the effectiveness of the Company's internal control systems Internal control procedures are only designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against misuse or unauthorised disposition and the risk of material misstatement or loss, or failure to achieve business objectives

Whereas the overall responsibility for establishing such control procedures and the day to day management is delegated to the Chief Executive Officer, certain powers have been delegated to the responsible department heads The authority granted is subject to defined limitations and reporting requirements

The Company has developed an ongoing process for the effective identification and management of risks, whereby potential risks are identified, monitored and reported by key areas of the Company Detailed risk management reports are provided to management, which reflects risks identified within the Company Significant risks are addressed by the Board as a whole

Policies and procedures are subject to ongoing review and updated as required to ensure that they are properly and consistently applied with respect to significant risks, investment decisions and management issues

The internal control system is enhanced by the internal audit department which is charged with the review of such systems in particular those areas of greatest risk to the Company as determined by management Internal audit review is undertaken in accordance with an approved annual audit plan which is amended periodically during the year as required

The Chairman regularly meets with the members of the Board to discuss their performance, the performance of the Board as a whole and of the board committees of which the Directors are members and any other matters that the Directors may wish to discuss

COMPLIANCE WITH THE UNITED KINGDOM CORPORATE GOVERNANCE CODE

As the Company is not listed in the United Kingdom, it is not required to comply with the obligation under the UK Listing Rules to disclose in its annual audited financial statements the extent of its compliance with corporate governance standards set forth in the UK Corporate Governance Code, nor is it required to comply with German corporate governance standards The Company complies voluntarily with the provisions of the UK Corporate Governance Code, a copy of which can be obtained from the website of the UK Financial Reporting Council (www frc org uk) However, the Company has not complied with certain provisions of the UK Corporate Governance that are not required by German corporate governance standards and are not customary in the German market Specifically, the Executive Directors' service contracts have terms in excess of one year and, aside for cause or agreement, can be terminated only upon twenty four months notice given The Directors are subject to re-election at periods which are customary in the German market The Company continues to believe that more stringent requirements would place the Company at a disadvantage in the recruitment and retention of senior executives

GOING CONCERN

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as disclosed in Note 2 to the financial statements For this reason, they continue to adopt the going concern basis in preparing the accounts

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Membership and Responsibilities of the Remuneration Committee

The Remuneration Committee comprises of three (3) Non-Executive Directors and determines on behalf of the Board the overall remuneration packages for the Executive Directors, the Company's Chairman and the Company Secretary in accordance with the remuneration policy, including any bonuses, pension rights (where appropriate) and share-based compensation payments as described below

The Committee remains responsible for

- determining and reviewing the ongoing appropriateness and relevance of the Company's remuneration policy,
- setting and monitoring performance criteria for any bonus arrangements provided by the Company,
- approving the length and term of the service contracts for the Chairman, the Executive Directors, the Company Secretary and the senior executives, and
- ensuring that the Board maintains contact with its principal shareholders with respect to its remuneration policy

The Remuneration Committee has obtained independent advice with respect to the establishment of appropriate executive compensation

Remuneration Policy

EXECUTIVE DIRECTORS

The Company's remuneration policy provides compensation packages at market rates which reward and encourage successful performance Accordingly, the Company's policy is to provide a compensation package which reflects each Executive Director's level of responsibility and contribution to the Company, and the competitive environment The compensation package for the Executive Directors in 2011 comprises a combination of a basic salary, a variable bonus scheme and benefits in kind

The basic salaries of the Executive Directors for 2011 are

	Fixed remuneration per annum (EUR)
Hartmut Mehdorn*	1,000,000
Joachim Hunold	1,000,000
Ulf Huttmeyer	500,000
Christoph Debus	500,000
Paul Gregorowitsch	500,000
Helmut Himmelreich*	500,000

* Served only part of the year
Christoph Debus stepped down on 2 November with his contract with the Company terminating on 31 December

Subject to the meeting of pre-defined benchmarks, the Executive Directors may receive an annual bonus as determined by the Remuneration Committee The Remuneration Committee determines, on an annual basis, the payment of any bonus compensation and, in deciding to award any such bonus, has in the past taken into consideration a weighted combination of EBIT, net profit, dynamic indebtedness and punctuality Variable compensation paid will be divided equally into cash and shares, the latter of which are subject to a holding period of three years As Hartmut Mehdorn is serving as Chief Executive Officer on an interim basis, his variable compensation will be determined by the Remuneration Committee on the basis of the realized profitability of the Company for the given year

SERVICE CONTRACTS

With the exception of the Chief Executive Officer, each of the Executive Directors have entered into a service contract unlimited in term, but which is terminable with a notice period of twenty four months As the service agreement with the Chief Executive Officer is intended to be an interim arrangement, the agreement may be terminated with a notice period of three months

The service agreements of the Executive Directors also may be terminated by the Company for cause or upon mutual agreement between the parties The service contracts for the Executive Directors, other than the Chief Executive Officer, contain an obligation not to compete with the Company's business for one year following termination or expiry of their respective service agreements In consideration for such undertaking, the relevant director is entitled to receive 50 per cent of his fixed remuneration for that year

ADDITIONAL BENEFITS

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors Upon reaching age 65 or in case of permanent inability to work, Executive Directors are entitled to pension benefits amounting to at least 4 per cent for each year of service based on their respective 2011 base compensation with respect to Mr Gregorowitsch and Mr Himmelreich and 4 per cent of his 2009 base compensation for Mr Huttmeyer An Executive Director's entitlement cannot exceed 50 per cent of such amount The accumulated pension rights as of 31 December 2011 are set forth on page 101

Each Executive Director is provided with a company telephone, car and telecommunications equipment In addition, each Executive Director is entitled to reduced or free air transportation on flights operated by the Company Each Executive Director has the benefit of directors' and officers' insurance and accident insurance, at appropriate levels

REMUNERATION POLICY FOR 2012

It is anticipated that the policy described above will continue to be applied in determining each Executive Director's basic salary It is expected that the Remuneration Committee, using its discretion, will determine the level of any annual bonus award made to the Executive Directors taking into consideration Air Berlin's financial and operational performance assessed on the basis of factors such as airberlin's consolidated EBIT, net profit and dynamic indebtedness (a measure of net debt against EBITDAR) and the airline's punctuality

NON-EXECUTIVE DIRECTORS

The Chairman and the Executive Directors determine the Non-Executive Director remuneration No Director is involved in determining his own level of compensation In accordance with the Articles of Association, the compensation afforded the Non-Executive Directors cannot, in aggregate, exceed EUR 750,000

Performance graph

The following graph shows the Company's share performance against the SDAX and DJ STOXX Airlines Index The SDAX was selected for comparative purposes because it is a broad equity index of which the Company is a constituent The DJ STOXX Airlines index was chosen inasmuch as it comprises companies operating in a comparable sector as the Company

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The directors' remuneration during the period was

	Basic salary and fees	Taxable benefits	Redundancy payments	Total 2011	Total 2010
Executive Directors·					
Joachim Hunold	671	36	4,098	**4,805**	1,205
Ulf Huttmeyer	507	27	0	**534**	648
Christoph Debus	421	15	84	**520**	643
Hartmut Mehdorn	333	2	0	**335**	0
Paul Gregorowitsch	168	2	0	**170**	0
Helmut Himmelreich	82	39	0	**121**	0
Non-executive Directors.					
Dr Hans-Joachim Korber	178	2	0	**180**	89
Hartmut Mehdorn	60	0	0	**60**	60
Peter R Oberegger	65	4	0	**69**	50
Ali Sabanci	50	0	0	**50**	50
Heinz-Peter Schluter	89	1	0	**90**	60
Nicholas Teller	89	2	0	**91**	60
Johannes Zurnieden	60	0	0	**60**	179
Dieter Pfundt	0	0	0	**0**	10
Barbara Cassani	33	0	0	**33**	0
Saad H Hammad	33	0	0	**33**	0
Niki Lauda	4	0	0	**4**	0
Aggregate emoluments	2,843	130	4,182	**7,155**	3,054

Christoph Debus stepped down on 2 November with his contract with the Company terminating on 31 December

Joachim Hunold served as an Executive Director and CEO through 31 August 2011 Upon being released from his duties to perform work as an Executive Director and CEO he was, effective 1 September 2011, appointed as a Non-Executive Director On 1 October 2011 he was awarded a minimum of EUR 4 098 k as compensation for the loss of his executive position (shown as redundancy payments in the table above) The compensation consists of salary, bonus and multiple non-cash benefits The amount awarded will be settled up to 30 September 2014 Furthermore, he was awarded additional pension entitlements that are completely accounted for as of 31 December 2011 His pension entitlements are shown in the table below

In 2007 the Company entered into a defined benefit pension plan for its Executive Directors The pension entitlements of the directors are

In thousands of euros	Accumulated annual accrued benefits at 31 December 2011	Accumulated annual accrued benefits at 31 December 2010	Increase in accumulated annual accrued benefits during the year 2011
Joachim Hunold	438	234	204
Ulf Huttmeyer	86	68	18
Christoph Debus	36	22	14
Paul Gregorowitsch	7	0	7

Christoph Debus stepped down on 2 November with his contract with the Company terminating on 31 December

The transfer value of directors' accrued benefits, which represents a liability to the Company rather than an amount paid or due to the individual, is as follows

In thousands of euros	Transfer value at 31 Dec 2011	Transfer value at 31 Dec 2010	Directors contribution during the year	Movements less directors contributions
Joachim Hunold	5,754	4,061	0	1,693
Ulf Huttmeyer	334	262	0	72
Christoph Debus*	229	159	0	70
Paul Gregorowitsch	115	0	0	115
	6,432	**4,482**	**0**	**1,950**

Christoph Debus stepped down on 2 November with his contract with the Company terminating on 31 December

DECLARATION BY THE LEGAL REPRESENTATIVES

We confirm that to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and that the group management report includes a fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that the group faces

Berlin, 15 March 2012

HARTMUT MEHDORN
CHIEF EXECUTIVE OFFICER

ULF HUTTMEYER
CHIEF FINANCIAL OFFICER

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations Company law requires the directors to prepare group and parent company financial statements for each financial year

Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR BERLIN PLC

We have audited the financial statements of Air Berlin PLC for the year ended 31 December 2011 set out on pages 107 to 169 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 103, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Wayne Cox (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Wayne Cox

Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG 1 6FQ
Great Britain

Berlin, 15 March 2012

Air Berlin PLC
CONSOLIDATED INCOME STATEMENT
for the period ended 31 December 2011

	Note	31/12/2011	31/12/2010
		€ 000	€ 000
Revenue	20	**4,227,318**	3,723,578
Other operating income	21	**10,113**	53,775
Expenses for materials and services	22	**(3,304,535)**	(2,677,515)
Personnel expenses	23	**(475,444)**	(471,771)
Depreciation and amortisation	6, 7	**(85,943)**	(92,761)
Other operating expenses	24	**(618,534)**	(544,647)
Operating expenses		**(4,484,456)**	(3,786,694)
Result from operating activities		**(247,025)**	(9,341)
Financial expenses	25	**(82,715)**	(115,425)
Financial income	25	**9,804**	6,806
Losses on foreign exchange and derivatives, net	25	**(39,007)**	(24,720)
Net financing costs		**(111,918)**	(133,339)
Share of profit of associates, net of tax	26	**97**	1,057
Loss before tax		**(358,846)**	(141,623)
Income tax benefit	27	**87,008**	44,464
Loss for the period – all attributable to the shareholders of the Company		**(271,838)**	(97,159)
Basic earnings per share in €	13	**(3 20)**	(1 14)
Diluted earnings per share in €	13	**(3 20)**	(1 14)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	31/12/2011	31/12/2010
		€ 000	€ 000
Loss for the period		**(271,838)**	(97,159)
Foreign currency translation reserve		**1,102**	1,070
Effective portion of changes in fair value of hedging instruments	30g	**64,596**	79,645
Net change in fair value of hedging instruments transferred from equity to profit or loss	30g	**(36,453)**	(56,970)
Income tax on other comprehensive income	27	**(8,544)**	(6,730)
Other comprehensive income for the period, net of tax		**20,701**	17,015
Total comprehensive income – all attributable to the shareholders of the Company		**(251,137)**	(80,144)

Air Berlin PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2011

	Note	31/12/2011 € 000	31/12/2010 € 000
Assets			
Non-current assets			
Intangible assets	6	**396,008**	387,420
Property, plant and equipment	7	**818,915**	887,664
Trade and other receivables	10	**79,188**	157,657
Deferred tax asset	27	**138,306**	51,283
Positive market value of derivatives	29	**0**	6,448
Net defined benefit asset	14	**2,206**	0
Deferred expenses	11	**53,112**	33,997
Investments in associates	8	**184**	405
Non-current assets		**1,487,919**	1,524,874
Current assets			
Inventories	9	**45,524**	42,890
Trade and other receivables	10	**375,122**	298,570
Positive market value of derivatives	29	**73,187**	53,662
Deferred expenses	11	**42,598**	39,030
Cash and cash equivalents	28	**239,607**	411,093
Current assets		**776,038**	845,245
Total assets		**2,263,957**	2,370,119

Air Berlin PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2011

	Note	31/12/2011	31/12/2010
		€ 000	€ 000
Equity and liabilities			
Shareholders' equity			
Share capital	12	**21,379**	21,379
Share premium	12	**373,923**	373,923
Equity component of convertible bond	16	**1,343**	21,220
Other capital reserves	12	**217,056**	217,056
Retained earnings		**(405,663)**	(153,242)
Hedge accounting reserve, net of tax		**42,762**	23,163
Foreign currency translation reserve	12	**2,939**	1,837
Total equity – all attributable to the shareholders of the Company		**253,739**	505,336
Non-current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**471,775**	439,782
Interest-bearing liabilities	16	**470,193**	370,886
Provisions	15	**7,161**	8,090
Trade and other payables	18	**55,922**	73,261
Deferred tax liabilities	27	**29,448**	26,733
Negative market value of derivatives	29	**11,021**	25,913
Non-current liabilities		**1,045,520**	944,665
Current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**53,123**	79,617
Interest-bearing liabilities	16	**57,504**	10,056
Tax liabilities		**2,726**	10,616
Provisions	15	**2,525**	3,282
Trade and other payables	18	**423,421**	394,635
Negative market value of derivatives	29	**17,521**	25,166
Deferred income		**72,619**	75,223
Advanced payments received	19	**335,259**	321,523
Current liabilities		**964,698**	920,118
Total equity and liabilities		**2,263,957**	2,370,119

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2012 and signed on behalf of the Board

HARTMUT MEHDORN
CHIEF EXECUTIVE OFFICER

ULF HÜTTMEYER
CHIEF FINANCIAL OFFICER

Air Berlin PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2011

	Share capital	Share premium	Equity component of convertible bonds	Other capital reserves	Retained earnings	Hedge accounting reserve net of tax	Foreign currency translation reserve	Equity attributable to the shareholders of the Company
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2009	**21,379**	**374,319**	**51,598**	**217,056**	**(62,323)**	**7,218**	**767**	**610,014**
Share based payment					32			32
Transaction costs on issue of shares, net of tax		(396)						(396)
Redemption of convertible bonds			(30,378)		6,208			(24,170)
Total transactions with shareholders	**0**	**(396)**	**(30,378)**	**0**	**6,240**	**0**	**0**	**(24,534)**
Loss for the period					(97,159)			(97,159)
Other comprehensive income						15,945	1,070	17,015
Total comprehensive income	**0**	**0**	**0**	**0**	**(97,159)**	**15,945**	**1,070**	**(80,144)**
Balances at 31 December 2010	**21,379**	**373,923**	**21,220**	**217,056**	**(153,242)**	**23,163**	**1,837**	**505,336**
Redemption of convertible bonds			(19,877)		19,417			(460)
Total transactions with shareholders	**0**	**0**	**(19,877)**	**0**	**19,417**	**0**	**0**	**(460)**
Loss for the period					(271,838)			(271,838)
Other comprehensive income						19,599	1,102	20,701
Total comprehensive income	**0**	**0**	**0**	**0**	**(271,838)**	**19,599**	**1,102**	**(251,137)**
Balances at 31 December 2011	**21,379**	**373,923**	**1,343**	**217,056**	**(405,663)**	**42,762**	**2,939**	**253,739**

Air Berlin PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 31 December 2011

	Note	31/12/2011 € 000	31/12/2010 € 000
Loss for the period		**(271,838)**	(97,159)
Adjustments to reconcile profit or loss to cash flows from operating activities			
Depreciation and amortisation of non-current assets	6, 7	**85,943**	92,761
Loss (gain) on disposal of non-current assets	21, 24	**6,793**	(25,035)
Write-off of loans		**0**	1,500
Share based payments		**0**	32
Gain from step-up to fair value of previous interest in the acquiree	5	**0**	(17,002)
Increase in inventories		**(2,634)**	(2,431)
(Increase) decrease in trade accounts receivables		**(28,684)**	5,270
Increase in other assets and prepaid expenses		**(7,491)**	(2,046)
Deferred tax benefit	27	**(92,852)**	(55,513)
Decrease in provisions		**(3,892)**	(10,103)
Increase in trade accounts payable		**31,406**	5,588
Increase in other current liabilities		**33,606**	4,443
Losses on foreign exchange and derivatives, net	25	**39,007**	24,720
Interest expense	25	**70,760**	70,429
Interest income	25	**(9,804)**	(5,797)
Loss from redemption of convertible bonds	25	**5,440**	42,193
Income tax expense	27	**5,844**	11,049
Share of profit of associates	26	**(97)**	(1,057)
Other non-cash changes		**1,102**	1,070
Cash generated from operations		**(137,391)**	42,912
Interest paid		**(51,073)**	(51,216)
Interest received		**3,678**	2,108
Income taxes paid		**(11,130)**	(7,945)
Net cash flows from operating activities		**(195,916)**	(14,141)
Purchases of non-current assets		**(142,933)**	(58,605)
Net advanced payments for non-current items	10	**(32,871)**	(18,542)
Proceeds from sale of tangible and intangible assets		**114,262**	563,182
Loans given to third parties		**0**	(40,500)
Addition of subsidiaries, net of cash		**(969)**	4,328
Cash flow from investing activities		**(62,511)**	449,863
Principal payments on interest-bearing liabilities		**(234,124)**	(480,349)
Proceeds from long-term borrowings		**473,347**	222,996
Payment of transaction costs related to issue of long-term borrowings		**(10,740)**	(7,534)
Transaction costs related to issue of ordinary shares	12	**0**	(565)
Redemption of convertible bonds	16	**(140,899)**	(136,872)
Cash flow from financing activities		**87,584**	(402,324)
Change in cash and cash equivalents		**(170,843)**	33,398
Cash and cash equivalents at beginning of period		**409,673**	372,010
Foreign exchange (losses) gains on cash balances		**(446)**	4,265
Cash and cash equivalents at end of period	28	**238,384**	409,673
thereof bank overdrafts used for cash management purposes		**(1,223)**	(1,420)
thereof cash and cash equivalents in the statement of financial position		**239,607**	411,093

Air Berlin PLC
COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	31/12/2011	31/12/2010
		€ 000	€ 000
Assets			
Non-current assets			
Investments in subsidiaries	34b	**720,946**	470,964
Investments in associates	34c	**184**	13
Deferred tax asset	34d	**51,786**	41,707
Positive market value of derivatives		**0**	196
Loans to subsidiaries	34e	**140,000**	0
Loans to associates	34f	**0**	143
Net defined benefit asset	34j	**723**	0
Non-current assets		**913,639**	513,023
Current assets			
Loans to subsidiaries	34e	**59,234**	199,802
Loans to associates	34f	**25**	0
Receivables from subsidiaries	34g	**148,714**	139,850
Receivables from associates	34h	**149**	149
Positive market value of derivatives		**2,497**	7,877
Other receivables		**493**	1,989
Deferred expenses		**1,077**	629
Cash and cash equivalents		**61,798**	138,956
Current assets		**273,987**	489,252
Total assets		**1,187,626**	1,002,275

Air Berlin PLC
COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	31/12/2011 € 000	31/12/2010 € 000
Equity and liabilities			
Shareholders' equity			
Share capital	34i	**21,379**	21,379
Share premium	34i	**373,923**	373,923
Equity component of convertible bond		**1,343**	21,220
Retained earnings		**6,479**	48,228
Total equity – all attributable to the shareholders of the Company		**403,124**	464,750
Non-current liabilities			
Interest-bearing liabilities		**434,226**	192,672
Other liabilities to subsidiaries	34k	**2,000**	141,476
Negative market value of derivatives		**0**	67
Non-current liabilities		**436,226**	334,215
Current liabilities			
Interest-bearing liabilities		**6,702**	2,361
Tax liabilities		**375**	0
Trade and other payables		**12,434**	2,054
Payables to subsidiaries	34k, m	**328,114**	198,895
Negative market value of derivatives		**651**	0
Current liabilities		**348,276**	203,310
Total equity and liabilities		**1,187,626**	1,002,275

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2012 and signed on behalf of the Board

HARTMUT MEHDORN
CHIEF EXECUTIVE OFFICER

ULF HÜTTMEYER
CHIEF FINANCIAL OFFICER

Company registered number · 05643814

Air Berlin PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2009	**21,379**	**374,319**	**51,598**	**34,775**	**482,071**
Share based payment				32	32
Transaction costs on issue of shares, net of tax		(396)			(396)
Redemption of convertible bonds			(30,378)	6,208	(24,170)
Total transactions with shareholders	**0**	**(396)**	**(30,378)**	**6,240**	**(24,534)**
Profit for the period				7,213	7,213
Total comprehensive income	**0**	**0**	**0**	**7,213**	**7,213**
Balances at 31 December 2010	**21,379**	**373,923**	**21,220**	**48,228**	**464,750**
Redemption of convertible bonds			(19,877)	19,417	(460)
Total transactions with shareholders	**0**	**0**	**(19,877)**	**19,417**	**(460)**
Loss for the period				(61,166)	(61,166)
Total comprehensive income	**0**	**0**	**0**	**(61,166)**	**(61,166)**
Balances at 31 December 2011	**21,379**	**373,923**	**1,343**	**6,479**	**403,124**

Air Berlin PLC
COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Note	31/12/2011 € 000	31/12/2010 € 000
(Loss) Profit for the period		(61,166)	7,213
Adjustments to reconcile profit or loss to cash flows from operating activities			
Write-off of loans		0	1,500
Share based payments		0	32
Increase in receivables from subsidiaries		(8,510)	(48,650)
Decrease in other assets and prepaid expenses		4,498	4,270
Deferred tax benefit	34d	(10,079)	(36,696)
Increase (decrease) in trade accounts payable and other liabilities		10,222	(326)
Increase in net defined benefit asset		(723)	0
Increase in payables to subsidiaries	34g	118,440	16,174
Losses (gains) on foreign exchange and derivatives, net		6,116	(16,496)
Interest expense		39,522	27,456
Interest income		(4,315)	(3,377)
Loss from redemption of convertible bonds		5,440	42,193
Income tax expense (benefit)		534	(420)
Share of profit of associates		(553)	(54)
Cash generated from operations		99,426	(7,181)
Interest paid		(26,585)	(10,991)
Interest received		511	1,620
Income taxes paid		0	(4,394)
Net cash flows from operating activities		73,352	(20,946)
Acquisition of investments in subsidiaries		0	(13)
Disposal of investments in subsidiaries		0	45
Increase in share capital of subsidiaries	34b	(249,982)	(5)
Acquisition of investments in associates		0	(13)
Loans given to subsidiaries	34e	568	580
Loans received from (given to) associates	34f	500	(50)
Cash flow from investing activities		(248,914)	544
Transaction costs related to issue of ordinary shares	12	0	(565)
Redemption of convertible bonds	16	(140,899)	(136,872)
Proceeds from issue of corporate bonds	16	250,000	200,000
Payment of transaction costs related to issue of corporate bonds	16	(10,740)	(7,534)
Cash flow from financing activities		98,361	55,029
Change in cash and cash equivalents		(77,201)	34,627
Cash and cash equivalents at beginning of period		138,956	104,295
Foreign exchange gains on cash balances		43	34
Cash and cash equivalents at end of period		61,798	138,956
thereof cash and cash equivalents in the statement of financial position		61,798	138,956

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

1 INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2011 comprise Air Berlin PLC and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in associates Air Berlin PLC is a public limited company incorporated in England and Wales with its registered office in London The corporate headquarters of airberlin are located in Berlin The Company's ordinary shares are traded on the Frankfurt Stock Exchange

2 BASIC PRINCIPLES AND PREPARATION OF FINANCIAL STATEMENTS

Both the parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS") On publishing the parent Company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements The Company financial statements are presented on pages 112 to 115

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements The accounting policies have been applied consistently by all Group entities The financial statements have been prepared on the historical cost basis except that derivative financial instruments and the put-option liability are stated at their fair value

The consolidated financial statements have been prepared in Euro The European Central Bank year end exchange rate was GBP 0 8353 to the Euro All financial figures presented have been rounded to the nearest thousand currency units, except for share data The financial statements were authorised and approved for issue by the Board of Directors on 15 March 2012

Going concern

The Groups' business activities, together with the factors likely to affect its future development, performance and position are set out in the Report on Forecasts and the Outlook of the Group on pages 78 to 85

The financial position of the Group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 58 to 64 Details for the Group's borrowings are set out in note 16 and 30 of the financial statements In addition, notes 4t and 30 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk The Group meets its day to day working capital requirements through its cash holdings As discussed in the Report on Forecasts and the Outlook of the Group on pages 78 to 85, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices, passenger demand and yield Financing is in place for our committed plane deliveries for the next twelve months The Group's forecasts and projections sensitised for significant deviations from the forecast currency rate, jet fuel price, passenger demand and yield, show that the Group will generate sufficient cash through funding and operating cash flows to meet its liabilities in the foreseeable future The expected cash holdings position has further improved since the year end following the additional funding provided by Etihad in the form of share capital of € 72 9 million and the provision of a loan facility of up to USD 255 million as disclosed in note 33 to the financial statements and on pages 78 to 85 in the Report on Forecasts and the Outlook of the Group

Taking into account the above factors, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future The going concern basis is used in preparing the accounts

Use of estimates

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected

Judgements made by management in the application of Adopted IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate primarily to the estimate of residual values of fixed assets, the impairment test for goodwill and other intangible assets with indefinite lives and the expected utilisation of deferred tax assets and are discussed in note 4b, 4d and 4j below

3 BASIS OF CONSOLIDATION

a) Subsidiaries

All subsidiaries under control of airberlin are included in the consolidated financial statements Control exists when airberlin has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities In assessing control, the Group takes into consideration potential voting rights that currently are exercisable The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

The subsidiaries listed in note 35 are included in the consolidated financial statements

Several of the Company's subsidiaries prepare their financial statements in a currency other than Euro (Swiss francs) The assets and liabilities of these subsidiaries are translated to Euro at the exchange rates of the reporting date The income and expenses of foreign operations are translated to Euro at the average exchange rate for the period Foreign currency differences resulting are recognised directly in equity Since 1 January 2003, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve

All of the German subsidiaries identified in note 35 are required to present financial statements under German statutory law except for the following companies, as they are exempt due to Article 264b German Commercial Code

- Air Berlin PLC & Co Luftverkehrs KG
- Air Berlin PLC & Co Airport Service KG
- Air Berlin PLC & Co Verwaltungs KG
- Air Berlin PLC & Co Service Center KG

b) Special purpose entity

In 2006 the Group established a special purpose entity (SPE) in connection with the repurchase and administration of shares relating to its Employee Share Plan, which is included in the consolidated financial statements A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE SPEs are considered to be controlled by the Group if they were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of all the risks and benefits related to the SPE's operations and net assets

c) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate

d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

4 SIGNIFICANT ACCOUNTING POLICIES

a) Intangible assets

Goodwill is recognised where the cost of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree Other identifiable intangible assets acquired through a business combination are capitalised at fair value and subsequently measured at cost less accumulated amortisation charges and impairment losses Goodwill and other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if there is an indication that the asset may be impaired

Acquired intangible assets are recognised at cost less accumulated amortisation charges and impairment losses Amortisation of intangible assets is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives (if applicable)

The estimated useful lives of intangible assets are as follows

Software, licenses	3–5 years
Trademarks	indefinite
Customer relationships	4 years
Landing rights (slots)	indefinite

Landing rights are determined to have indefinite lives, as they do not expire and are not subject to a regular loss in value over time airberlin intends to use the trademark NIKI for the foreseeable future and therefore the trademark is determined to have an indefinite life

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition or production costs less accumulated depreciation and accumulated impairment losses Depreciation is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives Judgement is required in estimating the residual values and useful lives of property, plant and equipment Uncertainty exists in the useful life of aircraft and in the amounts which can be realised through future disposals

— AIRCRAFT

The Group owns aircraft of the type Boeing 737-700 and 800, Airbus A319, A320 and A321, Bombardier Q400 as well as Embraer E190 The depreciation period is ten years taking into account estimated residual values The residual values and useful lives are reviewed at the end of each period

Portions of the cost of an aircraft is attributed on acquisition to major inspection and overhaul costs of its engines and airframe and is depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life

Aircraft are purchased in stages with the payment of initial and subsequent prepayments

— LAND AND BUILDINGS

Land and buildings relate to one airport building (prior year two) leased under finance leases as further discussed in note 17 The building is depreciated over the shorter of its remaining useful lives or the lease term

— OTHER TANGIBLE ASSETS

The estimated useful lives of other tangible assets are as follows

Technical equipment and machinery	8–15 years
Office equipment	3–13 years

c) Subsequent expenditure

Expenditure incurred to replace a component of an item of aircraft, engines and other equipment, including major inspection and overhaul expenditure, is capitalised as a separate item Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the items of property, plant and equipment All other expenditures are recognised in the statement of comprehensive income as an expense when incurred

d) Impairment

— NON-FINANCIAL ASSETS

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at the end of each period to determine whether there is any indication of impairment If any such indication exists, the assets' recoverable amount is estimated For goodwill and intangible assets with indefinite lives, the recoverable amount is estimated at each period end An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses, if any, are recorded in the statement of comprehensive income

The recoverable amount is the greater of the assets' fair value less costs to sell and value in use In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs Impairment losses, if any, are allocated first to goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata based on their carrying amounts In respect of tangible assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Judgement is required in determining the cash-generating unit, as well as in calculating value in use The operating margins used in determining value in use are based on planned business and operational growth The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash-generating unit

— FINANCIAL ASSETS

Financial assets are assessed at each reporting date to determine whether objective evidence of impairment exists An impairment loss on financial assets measured at amortised cost is calculated as the difference between the present value of estimated future cash flows discounted at the original effective interest rate and its carrying amount

e) Inventories

Inventories are measured at the lower of cost or net realisable value Inventories include supplies and spares, purchased merchandise The cost of inventories is based on the weighted average cost formula

f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment loss, which approximates their fair value An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate Receivables for which collection is doubtful are written down to their realisable value in a separate account Further details to the allowance for impairment losses are found in note 30b The allowance for impairment losses is used to record impairment losses until the Group determines that the receivable is irrecoverable Financial assets are derecognised directly when they are expected to be irrecoverable

Estimated future cash flows are based on estimates and judgements regarding the creditworthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses

g) Derivatives

Derivative financial instruments are used for hedging fuel price, interest rate, and currency rate risks arising from operational and financing activities Hedging transactions are entered into to eliminate uncertainty over future cash flows Derivative financial instruments are recognised initially at fair value All derivatives that do not qualify for hedge accounting are classified as held for trading Hedge accounting is discontinued prospectively if the hedging instrument expires, is sold, is terminated or exercised, if the Group revokes the designation as hedge accounting or if the hedge no longer meets the criteria for hedge accounting Subsequent to initial recognition, derivative financial instruments are stated at fair value Any resultant gain or loss is recognised directly in the statement of comprehensive income as profit or loss unless the derivative has been classified as a hedge of a highly probable future cash flow The effective portion of gains and losses from changes in the fair value of derivatives designated as cash flow hedges are taken to equity in accordance with IAS 39 and are recognised in profit and loss when the related transaction impacts income or the future cash flow ceases to be considered probable The ineffective portion of a cash flow hedge is recognised immediately in profit or loss

Forward exchange transactions are used to mitigate exchange rate exposure Commodity swaps and options are used to limit the fuel price risk The Group uses cross-currency interest rate swaps to convert variable rate liabilities in foreign currency to fixed rate positions in the functional currency For further information see note 30h

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months Cash and cash equivalents are valued at cost Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement Cash and cash equivalents also include restricted cash as set out in note 28

i) Share capital

Share capital of Air Berlin PLC consists of ordinary shares and redeemable Class A shares In addition the Company holds treasury shares

— ORDINARY SHARES

Incremental costs directly related to the issue of ordinary shares are shown as a deduction in equity

— REDEEMABLE "CLASS A" PREFERENCE SHARES

Class A shares are classified as equity, as these shares are redeemable only at the option of airberlin and any dividends are discretionary Dividends are recognised as distributions within equity

— TREASURY SHARES

Repurchased shares are classified as treasury shares and shown as a deduction from total equity The amount of consideration paid for the repurchase of share capital, including directly attributable costs, is recognised as a deduction in retained earnings

j) Income taxes

Income tax on the profit or loss for the year and on items taken to equity comprises current and deferred tax Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, and any adjustment to tax payable in respect of previous years

Deferred taxes are calculated in accordance with IAS 12 on the basis of temporary differences between the tax base at the level of the individual company and the respective IFRS book value No deferred tax is recognised on the initial recognition of goodwill arising from acquisitions A deferred tax asset is recognised for tax losses carried forward and other temporary differences resulting in an expected tax benefit in future periods to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilised The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the period Judgement is required in estimating the probability of utilisation of deferred tax assets, uncertainty exists in the amount and timing of future taxable income

k) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation is measurable If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability

l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value, less attributable transaction costs Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method

The Group has introduced the new position "Interest-bearing liabilities due to aircraft financing" in the statement of financial position The position "Interest-bearing liabilities due to bank from assignment of future lease payments" has been eliminated

As at 31 December 2010 liabilities relating to the financing of aircraft are reclassified from "Liabilities due to bank from the assignment of future lease payments" as well as "Interest-bearing liabilities" to "Interest-bearing liabilities due to aircraft financing"
The new classification provides the addressee with better information concerning the composition and development of interest-bearing liabilities
The effects on prior year are as follows

In thousands of Euro	31/12/2010 reported	31/12/2010 adjustment	31/12/2010 adjusted
Non-current liabilities			
Interest-bearing liabilities due to aircraft financing	0	439,782	439,782
Interest-bearing liabilities due to bank from assignment of future lease payments	244,770	(244,770)	0
Interest-bearing liabilities	565,898	(195,012)	370,886
Current liabilities			
Interest-bearing liabilities due to aircraft financing	0	79,617	79,617
Interest-bearing liabilities due to bank from assignment of future lease payments	56,533	(56,533)	0
Interest-bearing liabilities	33,140	(23,084)	10,056

m) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at their amortised cost using the effective interest method, which approximates their fair value

n) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the end of the period Any differences resulting from the currency translation are recognised in the statement of comprehensive income Further details of currency risk are provided in note 30d
Exchange rate differences arising from interest-bearing liabilities and other financing activities – as well as unrealised exchange rate differences due to the fair value measurement of derivative financial instruments and other unrealised foreign exchange rate gains and losses – are classified as part of financing costs All other exchange rate differences are allocated to the various income and expense line items from which they arose within operating results

o) Recognition of income and expenses

Revenue relates primarily to transportation services provided and duty-free sales Revenue from single seat sales is recognised at the point where the flight is flown whilst a return portion of the ticket is deferred until the return flight is flown Revenue from charter flights is recognised at the point at which the flight is flown Other revenue and operating income is recognised when the corresponding service has been provided (for example transportation) or when the risks and rewards associated with the right of ownership are transferred to the buyer (for example duty-free sales) Revenue is measured at the fair value of the consideration received taking into account the amount of any sales deductions (for example air passenger duty, VAT and discounts) Rebates and discounts offered are deducted from revenue and are recognised at the point when the flight to which the rebate or discount relates is flown Expenses are recognised in the period in which they are incurred, which generally corresponds to the time at which the income is recognised

p) Deferred income and expenses

Deferred expenses in the statement of financial position relate mainly to prepayments. They include aircraft lease costs, insurances and other contracts and deferred losses on the sale and leaseback of aircraft.

Deferred income in the statement of financial position relates mainly to ticket sales and airberlin's frequent flyer plan.

airberlin recognises ticket sales as income at the time the transportation is provided. However, when the fare is for a round-trip and the return flight has not been taken at year end, the unearned revenue is deferred in the consolidated statement of financial position under "deferred income" until such time the transportation is provided. Revenue on unclaimed tickets is realised when the expiry date of the ticket has passed.

— FREQUENT FLYER PLAN

The Group operates a frequent flyer plan which allows the customer to collect bonus miles on flights, by doing business with airberlin's partners (hotels, car rental agencies, insurance and financial service companies) or by shopping.

The frequent flyer plan miles earned are valued at fair value using the deferred-income-method in accordance with IFRIC 13.

q) Leasing

The Group leases a number of aircraft under operating leases which require airberlin to maintain the leased assets. Repair and overhaul costs are not included in the lease rentals. For the majority of its leased aircraft, the Group makes payments for the future maintenance expenses to the lessor and recognises them in profit or loss. These are based on the estimated costs of major airframe and certain engine checks and are calculated based on the number of flight hours or cycles flown. When maintenance takes place the Group is reimbursed for the payments already made.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group capitalises fixed assets leased under arrangements in which substantially all the risks and rewards of ownership are transferred to the Group as finance leases in accordance with IAS 17. Leased assets are measured initially at the lower of their fair value or the present value of the minimum lease payments. The assets are depreciated on a straight-line basis over the lease term. The related obligation is shown under interest-bearing liabilities in the amount of the discounted minimum lease payments less payments made.

Lease income from operating leases is recognised in the statement of comprehensive income over the lease term.

The Group carries out sale and leaseback transactions. If the leaseback transaction is an operating lease, and the sale price is below fair value of the asset, any profit or loss is recognised immediately in the statement of comprehensive income in accordance with IAS 17. Except if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the lease term (see note 4p).

r) Pensions

Defined benefit plans are post-employment benefit plans which do not qualify as defined contribution plans. Defined contribution plans are pension plans under which fixed contributions are paid into a separate legal entity with no legal or constructive obligation to pay further amounts.

The Group's net obligation or asset in connection with defined benefit plans is calculated separately for each plan. The amount of future benefits that employees have earned in return for their service in current and prior periods is estimated and discounted to present value using an appropriate discount rate based on AA-credit rated bonds with maturities approximating the maturities of the Group's obligations under the pension plans. The calculation is performed by a qualified actuary using the projected unit credit method. The fair value of plan assets as of the end of the period are deducted from the obligation.

Actuarial gains and losses are recognised immediately in profit or loss in the period in which they are incurred.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit and loss in the period in which they are due.

s) New pronouncements - not yet adopted

Some new standards, alignments of standards and interpretations were issued and endorsed by the EU for the financial years beginning on or after 1 January 2012 but have not been applied by the Group in preparing the financial statements None of these is expected to have a significant effect on the financial statements of the Group, except for IFRS 9 "Financial Instruments" that is compulsory to adopt for the Group's financial year 2013 The standard could have effects on the classification and measurement of financial assets The Group does not plan to adopt this standard early and therefore the respective impact has not been determined

t) Financial risk management

The Group has exposure to the following risks

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital Further quantitative disclosures are included throughout the financial statements

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework The Board has an established risk management system, which monitors the Group's risk management policies Any significant risks are reported to the Board

Risk reporting includes the review and assessment of all risks in the individual departments This includes the registration of new risks and the reassessment of existing risks regarding their probability of occurrence and potential effect on earnings In general a quantitative assessment of risks is undertaken The registered risks are continuously updated using respective IT tools Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures is submitted each quarter to the Board

There were no changes in the Group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing risks since the previous period

Credit risk

Single-seat tickets are sold subject to payment up front Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments during the month based on the expected monthly sales

The sale of passage and freight documents is handled via agencies and the internet within the guidelines of the International Air Transport Association (IATA) Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales Individual agents are subject to controls by appropriate clearing houses The credit risk from an individual sales agent is relatively low due to worldwide dispersion Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a clearing house of IATA Settlement takes place principally through the balancing of all receivables and liabilities in monthly intervals, which also contributes to a significant reduction in the risk of non-payment Separate security may be required in the particular payment agreement for other transactions

For all other payment relationships, depending upon the type and level of the particular payment, securities may be required or credit information/references obtained Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment Recognisable risks are accounted for by valuation adjustments on receivables

The credit risk from investments and derivative financial instruments arises from the risk of non-payment by a contract partner Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is extremely low Cash in bank is held only at banks with the highest credit ratings Derivative financial instruments are held with parties with the highest credit grades or that are known to be reliable based on past experience The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due Liquidity in the Group is protected by appropriate liquidity planning and adequate financing structures

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the airberlin reputation

A group-wide treasury management system is implemented It covers and evaluates all matters associated with interest and exchange rates All substantial airberlin companies are fully incorporated into the airberlin treasury management system In addition the Group has enhanced its liquidity management through the development of a liquidity management tool which incorporates expected operational, financing and investing cash flows on a weekly basis The primary focus is on sufficient liquidity, based on comprehensive financial and liquidity planning

The treasury management system includes those hedge relations required by IAS 39 for hedge accounting and the calculations for hedge effectiveness Both the underlying transactions and the hedging activities are incorporated into this system All the hedging arrangements entered into are continuously monitored on their effectiveness and modified as necessary

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and commodity prices Changes in market prices can affect the Group's income and expenses or the value of airberlin holdings in financial instruments

As an airline airberlin is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks airberlin uses derivatives to limit these risks A detailed description of the Group's exposure to market risks and the hedging activities to limit these risks is presented in note 30

Capital management

The group considers bonds, equity (excluding hedge accounting reserves and foreign currency reserves), traditional bank financing and finance leases to be capital The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity The Board seeks to maintain a balance between higher returns that might be possible with a higher level of borrowings and the advantages and security afforded by a sound capital position In particular, in reviewing the Company's financing alternatives, the Board, always bearing in mind the shareholders' return on equity, balances a variety of financing options, including share issues, bond issues and traditional bank financing

The airberlin group is not subject to any externally imposed capital requirements

u) Financial instruments

Financial instruments are all contracts which lead to the recognition of a financial asset, a financial liability or an equity instrument Financial assets include primarily cash and cash equivalents, trade receivables, loans receivables and positive market values of derivative financial instruments Financial liabilities include liabilities to banks, corporate bonds, trade creditors, finance lease liabilities, put-option liability and negative market values of derivatives Financial instruments are recorded in the statement of financial position at the time airberlin becomes partner to a contract for a financial instrument

Categories of financial assets and financial liabilities which apply to airberlin are as follows

- Loans and receivables
- Financial assets at fair value through profit or loss in accordance with IAS 39 (derivative financial instruments)

- Financial liabilities at fair value through profit or loss – designated as such upon initial recognition (put-option liability) – classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial assets and liabilities at fair value classified as hedging instruments in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities)

The categories of financial assets and financial liabilities are further detailed in note 30h

airberlin has defined the following classes of financial assets and financial liabilities
- Loans and receivables
- Derivative financial instruments classified as held for trading
- Derivative financial instruments classified as hedge accounting
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities trade payables and other financial liabilities)
- Financial liabilities measured at fair value (includes put-option liability)
- Cash and cash equivalents
- Finance leases

5 BUSINESS COMBINATIONS

NIKI

On 5 July 2010, through the acquisition of a further 25 9 %, the Group's share in NIKI Luftfahrt GmbH, Vienna, Austria (NIKI) rose to 49 9 % In addition the Group fulfilled the requirements of IAS 27 13a and therefore has consolidated the net assets and results of NIKI Furthermore the Group granted a loan to the owner of NIKI amounting to € 40,500 The borrower had the right to repay the loan upon maturity or to transfer his remaining shares in NIKI to the Group On 15 November 2011 the borrowers remaining interest in NIKI was transferred to an Austrian trust and his loan was cancelled The group has retained control through meeting the requirements of IAS 27 13c

The increase of shares in NIKI united the existing extensive cooperation with NIKI under the umbrella of the Group and realized synergies Market presence of the Group in Austria has been enormously strengthened and Vienna is being developed into another hub of the Group Further growth opportunities are being realized due to the presence of NIKI in Eastern Europe and the former crown states

In the six months to 31 December 2010 NIKI contributed revenue of € 173,169 If the acquisition had occurred on 1 January 2010, management estimates that consolidated revenue would have been € 3,850,187 In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010

Consideration transferred

Cash consideration amounting to € 21,000 was paid at the acquisition date

Identifiable assets acquired and liabilities assumed

In thousands of Euro	
Intangible assets	66,606
Property, plant and equipment	243,886
Trade and other receivables	52,037
Positive market value of derivatives	5,957
Other assets	3,640
Cash and cash equivalents	25,328
Interest-bearing liabilities due to aircraft financing	(197,781)
Trade and other payables	(90,638)
Negative market value of derivatives	(4,717)
Deferred tax liability	(20,060)
Other liabilities	(4,154)
Total net identifiable assets	80,104

Goodwill

Goodwill was recognized as a result of the business combination as follows

In thousands of Euro	
Total consideration transferred	21,000
Fair value of put-option	40,500
Fair value of previous interest in the acquiree	19,421
Less fair value of identifiable net assets	(80,104)
Goodwill	817

The remeasurement to fair value of the Group's existing 24 % interest in the acquiree resulted in a gain of € 17,002 which was recognized in other income (see note 21)

The goodwill results from a variety of factors including synergies between the route networks and expected cost savings The goodwill recognized is not expected to be deductible for income tax purposes

In the prior year the Group incurred costs for the additional shares in NIKI of € 1,702 relating to external legal fees and due diligence costs The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of comprehensive income

ATMS

On 31 December 2011 the Group acquired 100 0 % of the shares in Air Travel Marketing Services Inc , Aventura, Florida, USA (ATMS) Therefore the net assets and results of ATMS have to be consolidated Goodwill of € 975 was recognized as a result of the business combination Because the transaction is not material to airberlin s earning, financial and asset position there is no detailed description provided

6 INTANGIBLE ASSETS

In thousands of Euro	Software licenses	Goodwill	Landing rights	Trademarks	Customer relationships	Total
Acquisition cost						
Balance at 1 January 2010	25,819	194,668	118,249	0	3,036	**341,772**
Additions	8,640	0	0	0	0	**8,640**
Additions through business combinations	106	817	58,000	8,500	0	**67,423**
Disposals	(1,032)	0	0	0	0	**(1,032)**
Balance at 31 December 2010	33,533	195,485	176,249	8,500	3,036	**416,803**
Additions	12,427	0	0	0	0	**12,427**
Additions through business combinations	0	975	0	0	0	**975**
Disposals	(3,338)	0	0	0	(3,036)	**(6,374)**
Balance at 31 December 2011	42,622	196,460	176,249	8,500	0	**423,831**
Amortisation						
Balance at 1 January 2010	21,878	0	0	0	1,834	**23,712**
Amortisation charge for the year	5,894	0	0	0	759	**6,653**
Disposals	(982)	0	0	0	0	**(982)**
Balance at 31 December 2010	26,790	0	0	0	2,593	**29,383**
Amortisation charge for the year	4,370	0	0	0	443	**4,813**
Disposals	(3,337)	0	0	0	(3,036)	**(6,373)**
Balance at 31 December 2011	27,823	0	0	0	0	**27,823**
Carrying amount						
At 1 January 2010	3,941	194,668	118,249	0	1,202	**318,060**
At 31 December 2010	6,743	195,485	176,249	8,500	443	**387,420**
At 31 December 2011	14,799	196,460	176,249	8,500	0	**396,008**

In connection with the business combination NIKI in the prior year (see note 5) landing rights and trademarks have been accounted for at their fair values as of the acquisition date The valuation of landing rights has been performed on a fair value basis and is based on the average cash flows that can be generated by a representative market participant on regulated airports under consideration of a scarcity factor Significant assumptions used in the calculation of value in use were a discount rate of 10 55 % and cash flow projections for each route with an individual landing right The valuation of the trademark NIKI is predicted on a licence price analogy Assuming an indefinite life the valuation is based on trademark-related revenues multiplied by a licence rate that is derived from comparable transactions and discounted with a discount rate of 10 55 %

The Group performed an impairment test on landing rights, goodwill and trademarks in the fourth quarter of 2011 based on a variety of assumptions and concluded that as the estimated recoverable amount exceeds the carrying amounts, no impairment was required The recoverable amount was determined for the cash-generating unit to which the landing rights, the goodwill and the trademarks belong

The Group has determined three cash-generating units for purposes of the impairment test and allocated goodwill to these cash generating units as follows

In thousands of Euro	Freight	Technical services	Flight services	Total
Goodwill	31,000	0	165,460	**196,460**
Landing rights	0	0	176,249	**176,249**
Trademarks	0	0	8,500	**8,500**

Flight services is the most significant cash-generating unit with significant intangibles allocated to it For flight services, the future cash flows were estimated using the value-in-use method based on the most recent five year cash flow plan approved by management for the existing fleet, extrapolated to perpetuity using a 0 5 % growth rate (2010 identical) and discounted to their present value The pre-tax peer-group weighted average cost of capital was 9 51 % (2010 9 01 %) The plan is based on a passenger volume of 36–40 million passengers (2010 36–43 million passengers) The calculation of value in use is most sensitive to the assumptions of discount rate and the number of passengers The operating margins used in determining value in use are based on planned business and operational growth, excluding growth arising from purchases of additional fixed assets but including maintenance and repairs The recoverable amount exceeds the carrying amount by a significant amount The recoverable amount of the cash-generating unit flight services will be equal to its carrying amount by an adverse change in the weighted average cost of capital of more than six percentage points (2010 more than ten percentage points) or through a decline in the passenger volume of about 13 percentage points (2010 about 13 %) The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash-generating unit

7 PROPERTY, PLANT AND EQUIPMENT

In thousands of Euro	Land and buildings	Aircraft and engines	Technical equipment and machinery	Office equipment	Total
Acquisition cost					
Balance at 1 January 2010	40,072	1,501,886	106,652	14,764	**1,663,374**
Additions	429	34,190	34,020	3,186	**71,825**
Additions through business combinations	24	239,518	4,117	227	**243,886**
Disposals	(110)	(748,189)	(34,285)	(3,213)	**(785,797)**
Balance at 31 December 2010	40,415	1,027,405	110,504	14,964	**1,193,288**
Additions	963	138,540	11,340	4,294	**155,137**
Additions through business combinations	9	0	(7)	73	**82**
Disposals	(6,518)	(172,348)	(16,038)	(5,183)	**(200,087)**
Balance at 31 December 2011	34,869	993,597	105,806	14,148	**1,148,420**
Depreciation					
Balance at 1 January 2010	15,310	403,309	29,393	5,619	**453,631**
Depreciation charge for the year	3,978	67,691	10,772	3,667	**86,108**
Currency translation adjustments	0	0	(7)	0	**(7)**
Disposals	(175)	(217,892)	(13,623)	(2,418)	**(234,108)**
Balance at 31 December 2010	19,113	253,108	26,535	6,868	**305,624**
Depreciation charge for the year	3,544	62,867	9,758	4,961	**81,130**
Disposals	(6,485)	(42,090)	(3,933)	(4,741)	**(57,249)**
Balance at 31 December 2011	16,172	273,885	32,360	7,088	**329,505**
Carrying amount					
At 1 January 2010	24,762	1,098,577	77,259	9,145	**1,209,743**
At 31 December 2010	21,302	774,297	83,969	8,096	**887,664**
At 31 December 2011	18,697	719,712	73,446	7,060	**818,915**

Aircraft are pledged as security in connection with the Group's interest-bearing liabilities due to aircraft financing
Capital commitments for property, plant and equipment amount to 5 2 bn USD (2010 6 4 bn USD)
Tangible assets include land and buildings, aircraft and engines, and technical equipment and machinery which have been capitalised as a result of finance leases

The book value of tangible assets capitalised as a result of finance leases is as follows

In thousands of Euro	2011	2010
Land and buildings	**15,707**	18,380
Aircraft	**42,926**	45,012
Technical equipment and machinery	**1,796**	2,011
	60,429	65,403

Finance leases are explained in more detail in note 17

8 INVESTMENTS IN ASSOCIATES

In thousands of Euro	2011	2010
Acquisition cost		
Balance at 1 January	**405**	3,183
Additions	**0**	13
Disposals	**(392)**	(716)
Share of profit	**171**	344
Disposal due to acquisition	**0**	(2,419)
Balance at 31 December	**184**	405

9 INVENTORIES

Inventories are made up of supplies and spares and purchased merchandise as follows

In thousands of Euro	2011	2010
Supplies and spares	**44,356**	41,712
Purchased merchandise	**1,168**	1,178
	45,524	42,890

Inventories are measured at the lower of cost and net realisable value In 2011 the impairment of inventories was utilised by € 5,715 (2010 € 553) The amount of inventories expensed directly in the statement of comprehensive income is reported in note 22 (fuel for aircraft and catering cost)

10 TRADE AND OTHER RECEIVABLES

	2011			2010		
In thousands of Euro	Current	Non-current	Total	Current	Non current	Total
Trade receivables	125,197	0	125,197	96,418	0	96,418
Receivables from related parties	6,653	2,076	8,729	7,830	4,112	11,942
Loans receivable due to business combination NIKI	0	0	0	0	43,538	43,538
Accrued receivables	394	0	394	506	0	506
Security deposits and deposits with suppliers	22,994	32,769	55,763	20,638	33,370	54,008
Receivables for bonus and claims	39,267	0	39,267	30,770	0	30,770
Other receivables	23,769	76	23,845	15,394	76	15,470
Loans and receivables	218,274	34,921	253,195	171,556	81,096	252,652
Receivables from tax authorities	7,156	0	7,156	6,476	0	6,476
Advanced payments	113,618	44,267	157,885	86,800	61,298	148,098
Other assets	36,074	0	36,074	33,738	15,263	49,001
	375,122	79,188	454,310	298,570	157,657	456,227

Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled The amounts are carried at amortised cost using the effective interest method

Other assets mainly include suppliers with debit balances (2011 € 30,627 and 2010 € 35,940)

Advanced payments relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft Net payments of € 32,871 (2010 € 18,542) were made during the period and € 23,084 was capitalised (2010 € 6,899)

The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 30

11 DEFERRED EXPENSES

	2011			2010		
In thousands of Euro	Current	Non-current	Total	Current	Non-current	Total
Lease rate prepayments	17,878	1,127	19,005	13,323	271	13,594
Deferred losses from sale-and-leaseback transactions and smoothing of leasing rates	10,634	40,755	51,389	8,775	26,505	35,280
Other	14,086	11,230	25,316	16,932	7,221	24,153
	42,598	53,112	95,710	39,030	33,997	73,027

The position Other consists of prepayments in the ordinary course of business and a participation fee in a rotable-pool for aircraft spare parts

12 SHARE CAPITAL AND RESERVES

Share capital and share premium

Share capital of 85,226,196 ordinary shares of € 0 25 each and 50,000 A shares of £ 1 00 each is issued and fully paid up Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust) in connection with an expired employee share plan The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders

The A shares are redeemable at the option of airberlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of airberlin save on a distribution of assets of airberlin among its members on a winding up or other return of capital (other than a redemption or purchase by airberlin of its own shares), in which case the holders of A shares shall be entitled, in priority of any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A share

In 2010 transaction costs of € 565 k were incurred relating to the issue of shares in 2009

Other capital reserves

Other capital reserves comprise of general partners' and limited partners' capital of consolidated partnerships and subscribed capital of consolidated entities which were reclassified to other capital reserves due to the reverse acquisition in 2005

Treasury shares

In connection with an expired share-based payment scheme, the Company repurchased the beneficial interest (and limited all significant legal aspects of the ownership, such as voting rights) in 177,600 shares of its stock The purchase price was € 0 25 per share (par value), resulting in a decrease in retained earnings of € 45

Hedge accounting reserve

The reserve for hedge accounting contains the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as hedges of probable future cash flows, net of tax

Foreign currency translation reserve

The reserve for currency translation differences comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries

Dividends

No dividends on ordinary shares or Class A shares were declared or paid during the period

13 EARNINGS PER SHARE

The basic (and diluted) earnings per share are determined by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding during the financial year

In thousands of Euro and thousands of shares except EPS	2011	2010
Loss for the period	**(271,838)**	(97,159)
Dividends declared on redeemable Class A preference shares	**0**	0
Loss attributable to ordinary shareholders (basic and diluted)	**(271,838)**	(97,159)
Issued ordinary shares at 1 January	**85,226**	85,226
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**85,048**	85,048
Weighted average number of ordinary shares outstanding (diluted)	**85,048**	85,048
Basic earnings per share (in €)	**(3 20)**	(1 14)
Diluted earnings per share (in €)	**(3 20)**	(1 14)

The 50,000 Class A shares (redeemable preference shares) do not entitle the holders to any participation in the profit or loss of airberlin, as dividends are discretionary These shares therefore have not been included in the calculation of the weighted average number of ordinary shares outstanding above
The conversion of convertible bonds would have had an anti-dilutive effect on earnings per share and is therefore not considered in the calculation of diluted earnings per share

14 PENSION LIABILITIES/EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2011

In thousands of Euro	2011	2010
Provision for anniversary bonuses	**7,247**	7,491
Provision for old age part time (early retirement)	**425**	1,404
Pension liabilities	**90**	108
Total employee benefits	**7,762**	9,003

The provisions for anniversary bonuses and old age part time (early retirement) are described in note 15

Defined benefit plans

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors In addition the Group has a defined benefit pension plan for certain employees of AB Finance II GmbH (former dba) Both pension plans are funded through payments to qualified insurance contracts

The development of the Group's defined benefit obligations during the period is as follows

In thousands of Euro	2011	2010
Present value of funded obligations	**16,437**	14,378
Fair value of plan assets	**(18,553)**	(16,591)
Funded status	**(2,116)**	(2,213)
Amount not recognised due to limitation in IAS 19 58(b)	**0**	2,321
Pension liabilities	**90**	108
Net defined benefit asset	**(2,206)**	0

Changes in the present value of the defined benefit obligation are as follows

In thousands of Euro	2011	2010
Defined benefit obligation at 1 January	**14,378**	11,594
Current service cost	**386**	344
Benefits paid	**(671)**	(152)
Interest on obligation	**702**	618
Actuarial losses	**1,642**	1,974
Defined benefit obligation at 31 December	**16,437**	14,378

Changes in the fair value of plan assets are as follows

In thousands of Euro	2011	2010
Fair value of plan assets at 1 January	**16,591**	13,562
Contribution	**2,578**	3,496
Benefits paid	**(671)**	(152)
Expected return on plan assets	**771**	684
Actuarial losses	**(716)**	(999)
Fair value of plan assets at 31 December	**18,553**	16,591

Plan assets consist exclusively of external contracts with insurance companies in Germany These insurances could potentially include shares in Air Berlin PLC However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of airberlin shares held would be minimal
The actual gain on plan assets was € 55 during the period (2010 loss € 315) No experience adjustments were made during the period

The amount recognised as pension expense in profit or loss is as follows

In thousands of Euro	2011	2010
Current service cost	**386**	344
Interest on obligation	**702**	618
Expected return on plan assets	**(771)**	(684)
Net actuarial losses recognised in the period	**2,507**	2,973
Effect of the limitation in IAS 19 58(b)	**(17)**	829
Pension expense	**2,807**	4,080

The Group expects to contribute € 2,558 to its defined benefit pension plans in 2012

Principal actuarial assumptions at the reporting date are as follows

in %	2011	2010
Discount rate at 31 December	4 63	4 65
Expected return on plan assets at 1 January	4 00–4 30	4 00–4 30
Future salary increases	0 00–2 00	0 00–2 00
Cost of living adjustment (future pension increases)	1 00	1 00

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH) The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females

Defined contribution plans
Through the acquisition of AB Finance II GmbH (former dba) in 2006, the Group acquired a defined contribution pension plan covering all employees of AB Finance II GmbH (former dba), to which the Group makes contributions Furthermore Air Berlin PLC & Co Luftverkehrs KG contracted a defined contribution plan with its pilots and cabin crew The net pension expense recorded in profit and loss in 2011 as a result of the defined contribution plans is € 6,578 (2010 € 1,670)
As employees in Germany are covered by and required to contribute to the German social security system, airberlin does not have any other employee benefit plans at the end of the period The Group paid contributions into the German social security system of € 29,541 in 2011 (2010 € 27,709)

15 PROVISIONS

In thousands of Euro	Balance at 1/1/2011	Additions	Utilisation	Compensation	Balance at 31/12/2011
Provision for anniversary bonuses	7,491	447	(691)	0	**7,247**
Provision for old age part time	1,404	905	(683)	(1,201)	**425**
Provision for redundancy costs	2,369	1,924	(2,369)	0	**1,924**
Provision for pensions	108	2,209	(150)	(2,077)	**90**
	11,372	5,485	(3,893)	(3,278)	**9,686**

Thereof € 7,161 relating to the provision for pensions, anniversary bonuses and old age part time was classified as non-current as at 31 December 2011 (2010 € 8,090)
Older employees (age 55 and above) have the opportunity to take part in an old age part time programme The programme is a form of early retirement in which the employee works full time during the first few years and not at all in the following years until reaching the official age of retirement 62 (2010 69) employees have signed such agreements as of the end of the period A discount rate of 3 4 % (2010 3 5 %) and an expected salary increase of 2 0 % (2010 2 0 %) were used to calculate the provision Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect The provision was compensated by security funds of € 4,686 (2010 3,485)
The provision for anniversary bonuses was calculated using a discount rate of 4 8 % (2010 4 8 %) and an expected yearly salary increase of 2 0 % (2010 2 0 %) Uncertainties exist in the probability that the employees will remain with the Group until they are entitled to receive their anniversary bonus and as to their salaries at that time The provision was accounted for in accordance with IAS 19
The provision for redundancy costs is related to redundancy payments in the ordinary course of business

16 INTEREST-BEARING LIABILITIES AND INTEREST-BEARING LIABILITIES DUE TO AIRCRAFT FINANCING

This note provides information about the terms and conditions of the Group's interest-bearing loans and borrowings, all of which are measured at amortised cost More information about the Group's exposure to interest rate, foreign currency and liquidity risk is provided in note 30

Interest-bearing liabilities

The Group has entered into various interest-bearing liabilities The carrying amounts for the years 2011 and 2010 are as follows

In thousands of Euro	Secured / unsecured	Currency	Maturity	Carrying amount 31/12/2011	Carrying amount 31/12/2010
Corporate bonds I	Unsecured	Euro	2015	**196,518**	195,033
Corporate bonds II	Unsecured	Euro	2018	**147,745**	0
Corporate bonds III	Unsecured	Euro	2014	**96,665**	0
Convertible bonds I	Unsecured	Euro	2012*	**10,781**	129,518
Convertible bonds II	Unsecured	Euro		**0**	9,958
Finance lease liabilities	Secured	Euro	2012–2022	**41,307**	45,013
Loans	Unsecured	USD	2012	**33,458**	0
Bank overdrafts	Unsecured	Euro		**1,223**	1,420
				527,697	380,942

* first option to redeem the bonds

Of this amount € 57,504 (2010 € 10,056) is classified within current liabilities in the statement of financial position The bank overdrafts are due in the following year respectively The finance lease liabilities are detailed in note 17

Payments for the above-mentioned interest-bearing liabilities are due as follows

In thousands of Euro	2011	2010
Less than one year	**57,504**	10,056
Between one and five years	**306,850**	350,246
More than five years	**163,343**	20,640
	527,697	380,942

CORPORATE BONDS I

On 10 November 2010 the Group issued € 200,000 of corporate bonds due 2015 The bond issue is made up of 200,000 bonds with a principal amount of € 1 each, earning yearly interest of 8 5% Interest is paid quarterly Gross proceeds from the bond issue amounted to € 200,000 Transaction costs incurred were € 7,534 The bonds are measured at amortized cost

CORPORATE BONDS II

On 19 April 2011 the Group issued € 150,000 of corporate bonds due 2018 The bond issue is made up of 150,000 bonds with a principal amount of € 1 each, earning yearly interest of 8 25% Interest is paid quarterly Gross proceeds from the bond issue amounted to € 150,000 Transaction costs incurred were € 5,188 The bonds are measured at amortized cost

CORPORATE BONDS III

On 1 November 2011 the Group issued € 100,000 of corporate bonds due 2014 The bond issue is made up of 100,000 bonds with a principal amount of € 1 each, earning yearly interest of 11 5 % Interest is paid quarterly Gross proceeds from the bond issue amounted to € 100,000 Transaction costs incurred were € 5,552 The bonds are measured at amortized cost

CONVERTIBLE BONDS I

On 11 April 2007 the Group issued € 220,000 of convertible bonds due 2027 The bond issue is made up of 2,200 bonds with a principal amount of € 100 each, earning yearly interest of 1 5 % The initial conversion price is € 22 47 which results in an initial conversion ratio of 4,450 ordinary shares per bond Gross proceeds from the bond issue amounted to € 220,000 Transaction costs incurred were € 6,391

The convertible bond was split into its equity and debt components in accordance with IAS 32 The equity component, less transaction costs net of tax, is shown as a separate line item in equity

After redemption of 840 convertible bonds in 2009 € 136,000 made up of 1,360 bonds were still in the market as at 31 December 2010

In the fourth quarter of 2011 the Group redeemed 1,252 convertible bonds with a principal amount of € 125,200 in total Payments related to the redemption amount of € 125,061 The loss from the redemption equals € 1,149 and is presented as part of the financial expenses in the statement of comprehensive income The equity component of the redeemed convertible bonds less transaction costs net of tax was transferred to the retained earnings within equity As at 31 December 2011, 108 convertible bonds with a principal amount of € 10,800 are still in the market

The equity component in the statement of financial position totalled € 1,343 (2010 € 16,904)

The bonds are convertible into 4,450 ordinary shares per bond at the option of the bondholder at any time beginning 40 days following closing and ending 14 days before maturity (21 May 2007 to 25 March 2027) In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 11 April 2012, 11 April 2017, and 11 April 2022 or upon change in control The Company has the option to redeem the bonds in whole at their principal amount plus accrued interest at any time as of 30 April 2014, so long as the trading price of the airberlin share exceeds 150 % of the conversion price

CONVERTIBLE BONDS II

On 20 August 2009 the Group issued € 125,000 of convertible bonds due in 2014 The bond issue is made up of 2,500 bonds with a principal amount of € 50 each, earning yearly interest of 9 0 % Interest is paid quarterly The initial conversion price is € 4 01 which results in an initial conversion ratio of 12,469 ordinary shares per bond Proceeds from the bond issue amounted to € 125,000 Transaction costs incurred were € 6,338

The convertible bond was split into its equity and debt component in accordance with IAS 32 The equity component, less transaction costs net of tax, is shown as a separate line item within equity

In the fourth quarter of 2010, the Group redeemed 2,189 convertible bonds with a principal amount of € 109,450 in total Payments related to the redemption amounted to € 136,872 The loss from the redemption equalled € 66,363, thereof € 42,193 was presented as part of the financial expenses in the statement of comprehensive income and € 24,170 was presented in retained earnings within equity The equity component of the redeemed convertible bonds less transaction costs was transferred to retained earnings within equity

In the fourth quarter of 2011 the Group redeemed the remaining 311 convertible bonds with a principal amount of € 15,550 in total Payments relating to the redemption amounted to € 15,838 The loss from the redemption equalled € 5,043, thereof € 4,291 was presented as part of the financial expenses in the statement of comprehensive income and € 752 was presented in retained earnings within equity The equity component of the redeemed convertible bonds less transaction costs was transferred to retained earnings within equity As of 31 December 2011 there are no more bonds outstanding

Interest-bearing liabilities due to aircraft financing

The Group entered into various financing agreements with commercial banks to finance aircraft The loans are secured over aircraft The carrying amounts for the years 2011 and 2010 are as follows

In thousands of Euro	Secured / unsecured	Currency	Maturity	Carrying amount 31/12/2011	Carrying amount 31/12/2010
Interest rate					
Variable rate	Secured	Euro	2012–2023	82,392	71,559
Variable rate	Secured	USD	2012–2021	311,520	346,865
Fixed rate	Secured	Euro	2012–2021	24,543	27,195
Fixed rate	Secured	USD	2012–2023	69,694	33,670
Finance lease liabilities	Secured	USD	2012–2018	36,749	40,110
				524,898	519,399

Of this amount € 53,123 (2010 € 79,617) is classified within current liabilities in the statement of financial position The finance lease liabilities are detailed in note 17

Payments for the above-mentioned interest-bearing liabilities due to aircraft financing are due as follows

In thousands of Euro	2011	2010
Less than one year	53,123	79,617
Between one and five years	238,769	200,364
More than five years	233,006	239,418
	524,898	519,399

17 LEASING

Operating leases

The Group leases various aircraft, engines, some warehouse and office facilities and other assets under leasing agreements which qualify as operating lease agreements The leases typically run for a period of up to 22 years and terminate automatically upon expiry of the lease term The leases expire between 2012 and 2034, with an option to renew the leases after these dates No restrictions have been placed on the lessee as a result of these leases

Non-cancellable operating lease rentals are payable as follows

In thousands of Euro	2011	2010
Less than one year	446,300	423,605
Between one and five years	1,162,312	1,113,630
More than five years	617,804	611,481
	2,226,416	2,148,716

No contingent leasing payments were recognised as lease payments in the period

During the year ended 31 December 2011, € 497,428 (2010 € 464,588) was recognised as an expense in the statement of comprehensive income in respect of operating leases

The Group also leases assets as lessor under agreements which qualify as operating leases The contracts expire in 2014

Future minimum lease payments are receivable as follows

In thousands of Euro	2011	2010
Less than one year	3,977	8,436
Between one and five years	6,845	5,662
	10,822	14,098

Finance leases

The Group leases certain technical equipment under an agreement which qualifies as a finance lease The finance lease relates to technical equipment for aircraft leased under operating leases with various leasing terms, the latest of which phase out in 2015 The Group also leases two aircraft under agreements which qualify as finance leases The lease agreements are for terms of eleven years, the latest of which expires in 2018 The agreements contain various put and call options relating to the right of the lessee to purchase the aircraft or the right of the lessor to require the lessee to purchase the aircraft on certain dates at prices and conditions set out in the agreements In addition, the lessor has the right to require the lessee to name a purchaser at the end of the lease term for a fixed price (guaranteed residual value) Lease payments are in USD and vary based on changes in the interest rate component of the lease The present value of future minimum lease payments was therefore determined by using the expected lease payments based on the preliminary interest rate stated in the lease

In addition the Group leases one airport building (prior year two) under an agreement which qualifies as a finance lease The lease expires in 2022

The net book value of assets capitalised at 31 December 2011 as a result of finance leases is detailed in note 7

No contingent leasing payments were recorded in profit and loss in 2011 (2010 € 0)

Future minimum lease payments are as follows

	At 31 December 2011		At 31 December 2010	
In thousands of Euro	Future minimum lease payments	Discounted to present value	Future minimum lease payments	Discounted to present value
Less than one year	11,802	11,480	13,577	13,049
Between one and five years	35,323	29,247	37,961	31,722
More than five years	58,774	37,329	66,217	40,352
	105,899	78,056	117,755	85,123

18 TRADE AND OTHER PAYABLES

In thousands of Euro	2011 Current	2011 Non-current	2011 Total	2010 Current	2010 Non-current	2010 Total
Trade payables	118,886	0	**118,886**	110,505	0	110,505
Put-option liability	0	0	**0**	0	43,538	43,538
Other financial liabilities	10,535	0	**10,535**	1,928	0	1,928
Trade payables and other financial liabilities	129,421	0	**129,421**	112,433	43,538	155,971
Accrued liabilities	265,819	55,922	**321,741**	270,303	29,723	300,026
Receivables with credit balances	3,179	0	**3,179**	1,211	0	1,211
Payroll tax	5,937	0	**5,937**	6,071	0	6,071
VAT	15,231	0	**15,231**	870	0	870
Social insurance contributions	907	0	**907**	1,668	0	1,668
Other non-financial liabilities	2,927	0	**2,927**	2,079	0	2,079
	423,421	55,922	**479,343**	394,635	73,261	467,896

Accrued liabilities include expenses for services provided and goods received before the end of the period but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and accruals for aircraft and engine maintenance checks and overhauls

Information about the Group's exposure to foreign currency and liquidity risk related to trade payables and other financial liabilities is provided in note 30

19 ADVANCED PAYMENTS RECEIVED

Advanced payments primarily relate to payments received in advance for single-seat ticket sales for which the scheduled flight is to be provided in the following financial period and for which no revenue has been recorded

20 REVENUE

In thousands of Euro	2011	2010
Single-seat ticket sales	**2,623,146**	2,245,948
Bulk ticket sales to charter and package tour operators	**1,233,876**	1,161,568
Ground and other services	**331,704**	277,858
Duty-free/in-flight sales	**38,592**	38,204
	4,227,318	3,723,578

Ground and other services primarily include freight, technical services and ancillary sales

Income from air transportation tax is included in single-seat ticket sales and bulk ticket sales to charter and package tour operators

Segment information

The Group is managed by the Board of Directors as a single business unit in one geographical area and performing one service The key figures and ratios presented to the Board of Directors in managing the Group are Result from operating activities, net debt, revenues, passengers, yield and block hours The financial measures are IFRS measures and are shown in the primary statements Resource allocation decisions are made based on the entire route network and the deployment of the entire fleet The vast majority of revenues derive from the principal activity as an airline and include flights, commissions, in-flight and related sales that are generated in Europe Since airberlin's aircraft fleet is employed across its scheduled destinations on an as needed basis all assets and liabilities are allocated to the one segment The Board has also determined that there is no reasonable basis of allocating assets and related liabilities, income and expenses to geographical areas other than Europe or to individual groups of customers

21 OTHER OPERATING INCOME

In thousands of Euro	2011	2010
Gain on disposal of long-term assets, net	0	24,857
Gain from step-up to fair value of previous interest in NIKI	0	17,002
Income from subleases	2,386	2,468
Income from insurance claims	1,906	1,104
Other	5,821	8,344
	10,113	53,775

22 EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	2011	2010
Fuel for aircraft	1,048,134	787,449
Airport and handling charges	916,597	837,510
Operating leases for aircraft and equipment	587,002	535,028
Navigation charges	285,648	275,166
Air transportation tax	165,639	0
Catering costs and cost of materials for in-flight sales	143,326	131,344
Other	158,189	111,018
	3,304,535	2,677,515

The expenses for operating leases for aircraft and equipment include expenses of € 120,771 (2010 € 124,101) that do not directly relate to the lease of assets

23 PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows

In thousands of Euro	2011	2010
Wages and salaries	396,899	392,627
Pension expense	38,926	33,459
Social security	39,619	45,685
	475,444	471,771

Pension expense relates to the defined benefit plan for the Executive Directors and senior management of € 2,607 (2010 € 3,177) and the AB Finance II GmbH (former dba) pension plan of € 200 (2010 € 903), contributions paid to defined contribution plans of € 6,578 (2010 € 1,670) and to social security systems of € 29,541 (2010 € 27,709) during the period Further details regarding the pension plans are found in note 14

Remuneration of the Executive Directors is as follows

In thousands of Euro	2011	2010
Basic remuneration	2,182	2,018
Bonus	0	425
Other	4,303	53
	6,485	2,496

The highest paid Director received € 4,805 in total remuneration in 2011 (2010 € 1,205) Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 96 to 101

The average number of persons employed by the Group (including Directors) during the year and the number of employees at year-end, analysed by category and on a full-time basis, were as follows

Employees	On annual average 2011	On annual average 2010	At 31 December 2011	At 31 December 2010
Flight and cabin crew	4,808	4,707	4,797	4,731
Sales, operations and administration	4,256	4,015	4,316	4,169
	9,064	8,722	9,113	8,900

24 OTHER OPERATING EXPENSES

In thousands of Euro	2011	2010
Repairs and maintenance of technical equipment	234,106	195,640
Hardware and software expenses	71,050	60,835
Advertising	67,017	62,213
Expenses for premises and vehicles	36,655	34,549
Travel expenses for cabin crews	31,060	31,304
Bank charges	29,157	24,977
Sales commissions paid to agencies	24,971	23,038
Insurance	19,833	19,433
Consulting fees	20,103	15,732
Training and other personnel expenses	16,616	12,755
Loss on disposal of long-term assets, net	6,574	0
Phone and postage	5,760	5,457
Allowances for receivables	1,811	2,161
Remuneration of the auditor	1,775	1,966
Other	52,046	54 587
	618,534	544,647

Remuneration of the auditor is as follows

In thousands of Euro	2011	2010
Audit of the annual accounts	137	118
Audit of accounts of subsidiaries of the Company	866	971
Audit related services	281	267
Other services pursuant to legislation	40	34
Taxation services	151	149
Other services	300	427
	1,775	1,966

25 NET FINANCING COSTS

In thousands of Euro	2011	2010
Interest expense on interest-bearing liabilities	(65,046)	(67,391)
Expense on valuation of liability from put-option at fair value	(5,714)	(3,038)
Expense on redemption of convertible bonds	(5,440)	(42,193)
Other financial expenses	(6,515)	(2,803)
Financial expenses	(82,715)	(115,425)
Interest income on fixed deposits	1,967	1,107
Interest income on loans and receivables	283	150
Other financial income	7,554	5,549
Financial income	9,804	6,806
Losses on foreign exchange and derivatives, net	(39,007)	(24,720)
Net financing costs	(111,918)	(133,339)

As described in note 4n, exchange rate differences not arising from interest-bearing liabilities and other financing activities are reclassified to the relevant line items within operating expenses

Total net foreign exchange losses are reconciled to foreign exchange gains or (losses) in profit or loss as follows

In thousands of Euro	2011	2010
Total net foreign exchange gains recognised in profit or loss	(49,387)	55,721
Thereof reclassified to operating expenses/income	38,130	(69,784)
Foreign exchange losses in financial result	(11,257)	(14,063)

26 SHARE OF PROFIT OF ASSOCIATES

In thousands of Euro	2011	2010
Niki Luftfahrt GmbH*	0	137
Lee & Lex Flugzeugvermietung GmbH**	0	1,110
E190 Flugzeugvermietung GmbH	0	(17)
Follow Me Entertainment GmbH	(38)	0
Binoli GmbH	591	54
THBG BBI GmbH	(456)	(227)
	97	1,057

Since 5 July 2010 the Company is fully consolidated (see note 5)
Disposal in the second Quarter of 2011

27 INCOME TAX EXPENSES AND DEFERRED TAXES

Loss before tax is primarily attributable to Germany and Austria

Income tax benefit is as follows

In thousands of Euro	2011	2010
Current income tax expense	(5,844)	(11,049)
Deferred income tax benefit	92,852	55,513
Total income tax benefit	87,008	44,464

The current income tax expense of the airberlin group includes corporate tax, a solidarity charge in addition to corporate tax, trade tax and foreign income taxes The current income tax expense of € 5,844 (2010 € 11,049) includes € 1,799 of prior year income tax expenses (2010 € 127)

The tax rate for the airberlin group equals 30 18 % (2010 30 18 %) It consists of corporate tax rate and solidarity charge of 15 83 % and trade tax of 14 35 % The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates

As a result of variations in the tax rate in different jurisdictions, several subsidiaries have tax rates which differ from the airberlin group tax rate The difference to the Group tax rate is shown as "effect of tax rates in different jurisdictions" in the tax rate reconciliation in the amount of € (6,889) (2010 € 4,261)

The reasons for the differences between the tax benefit expected on the basis of loss for the period and the recognised income tax benefits are as follows

In thousands of Euro	2011	2010
Loss before tax	**(358,846)**	(141,623)
Expected income tax benefit at 30 18 % (2010 30 18 %)	**108,300**	42,742
Effect of tax rates in different jurisdictions	**(6,889)**	4,261
Movement in deferred tax assets on tax loss carry forwards	**(17,062)**	(11,069)
Not recognised loss carry forwards due to changes in group structure	**0**	(7,945)
Tax-free income and non-tax deductible expenses	**(14,328)**	5,063
Deferred tax benefit due to prior years	**16,197**	2,449
Current tax expenses for previous years	**(1,799)**	(127)
Effects of redemption of convertible bonds	**(381)**	7,542
Other	**2,970**	1,548
Total income tax benefit	**87,008**	44,464

Loss carry forwards of € 489,418 for trade tax and € 819,255 for corporate tax were lost in the period due to corporate restructuring For the major part of these loss carry forwards no deferred tax asset has been accounted for As of 31 December 2011, total tax loss carry forwards for which deferred tax assets were recognised amounted to € 320,515 for trade tax purposes and € 391,588 for corporate tax purposes (2010 € 362,023 and € 313,264 respectively) The deferred tax asset is forecast to be recovered through future taxable profits As of 31 December 2011, no additional deferred tax assets were capitalised for further loss carry forwards of € 234,170 for trade tax and € 150,620 for corporate tax (2010 € 188,676 and € 195,596) The tax loss carry forwards are not subject to expiration

Deferred tax assets and liabilities are attributable to the following assets and liabilities

In thousands of Euro	2011	2010
Deferred tax assets		
Finance lease liabilities and deferred income	15,671	18,996
Foreign currency receivables and derivatives	4,861	7,396
Technical equipment	18	0
Accrued liabilities and provisions	82,560	0
Tax loss carry forwards	105,449	98,575
	208,559	124,967
Deferred tax liabilities		
Aircraft and related liabilities	(42,176)	(42,219)
Land and buildings	(4,740)	(5,739)
Intangible assets	(30,135)	(31,684)
Technical equipment	0	(115)
Leasehold improvements	(79)	(83)
Accrued liabilities and provisions	0	(3,513)
Convertible bonds, corporate bonds	(4,779)	(6,309)
Foreign currency liabilities and derivatives	(17,792)	(10,755)
	(99,701)	(100,417)
Offsetting	208,559	124,967
Deferred tax assets, net	108,858	24,550
Deferred tax assets (liabilities), net beginning of period	24,550	(4,327)
Change in deferred tax position	84,308	28,877
Thereof related to purchase price allocation NIKI	0	20,060
Thereof related to cash flow hedges and items recorded in equity	8,544	6,576
Deferred income tax benefit	92,852	55,513

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits

The presentation in the statement of financial position is as follows

In thousands of Euro	2011	2010
Deferred tax asset	138,306	51,283
Deferred tax liabilities	(29,448)	(26,733)
	108,858	24,550

Offsetting is not possible, because the asset and liabilities are subject to different jurisdictions The liabilities relate to Austria

Income tax recognised in equity

In thousands of Euro	2011 Before tax	2011 Tax benefit	2011 Net of tax	2010 Before tax	2010 Tax benefit	2010 Net of tax
Transaction costs on issuance of new shares	0	0	0	(565)	169	(396)
	0	0	0	(565)	169	(396)

Income tax recognised in the statement of other comprehensive income

In thousands of Euro	2011 Before tax	2011 Tax expense	2011 Net of tax	2010 Before tax	2010 Tax expense	2010 Net of tax
Foreign currency translation differences for foreign operations	1,102	0	**1,102**	1,070	0	1,070
Fair value of hedging instruments	28,143	(8,544)	**19,599**	22,675	(6,730)	15,945
	29,245	(8,544)	**20,701**	23,745	(6,730)	17,015

28 CASH FLOW STATEMENT

The cash flow statement of the airberlin group is presented according to the indirect method Cash and cash equivalents include cash, bank balances and fixed-term deposits with banks with a maturity of less than three months

In thousands of Euro	2011	2010
Cash	**258**	390
Bank balances	**104,055**	95,116
Fixed-term deposits	**135,294**	315,587
Cash and cash equivalents	**239,607**	411,093
Bank overdrafts used for cash management purposes	**(1,223)**	(1,420)
Cash and cash equivalents in the statement of cash flows	**238,384**	409,673

Cash and cash equivalents include restricted cash of € 98,536 as of 31 December 2011 (2010 € 90,951)

29 DERIVATIVES

Positive and negative market values of derivatives are as follows

In thousands of Euro	2011 Current	2011 Non-current	2011 Total	2010 Current	2010 Non-current	2010 Total
Positive market values of derivatives classified as held for trading						
Forward contracts	4,220	0	**4,220**	3,830	398	4,228
Foreign currency options	35	0	**35**	466	996	1,462
Commodity options	0	0	**0**	2,150	0	2,150
Cross-currency interest rate swaps	891	0	**891**	2,179	2,501	4,680
Total positive market values of derivatives classified as held for trading	5,146	0	**5,146**	8,625	3,895	12,520
Positive market values of derivatives classified as hedge accounting						
Forward contracts	42,298	0	**42,298**	7,639	2,553	10,192
Foreign currency options	20,421	0	**20,421**	5,895	0	5,895
Commodity swaps	4,776	0	**4,776**	21,661	0	21,661
Commodity options	546	0	**546**	9,842	0	9,842
Total positive market values of derivatives classified as hedge accounting	68,041	0	**68,041**	45,037	2,553	47,590
Total positive market values of derivatives	73,187	0	**73,187**	53,662	6,448	60,110
Negative market values of derivatives classified as held for trading						
Forward contracts	4,973	0	**4,973**	3,724	230	3,954
Foreign currency options	487	485	**972**	0	0	0
Commodity options	1,660	0	**1,660**	0	0	0
Cross-currency interest rate swaps	1,631	10,536	**12,167**	1,820	24,628	26,448
Total negative market values of derivatives classified as held for trading	8,751	11,021	**19,772**	5,544	24,858	30,402
Negative market values of derivatives classified as hedge accounting						
Forward contracts	5,875	0	**5,875**	14,366	1,055	15,421
Foreign currency options	24	0	**24**	5,256	0	5,256
Commodity swaps	2,330	0	**2,330**	0	0	0
Commodity options	541	0	**541**	0	0	0
Total negative market values of derivatives classified as hedge accounting	8,770	0	**8,770**	19,622	1,055	20,677
Total negative market values of derivatives	17,521	11,021	**28,542**	25,166	25,913	51,079

Hedge accounting is discussed in note 30g

30 FINANCIAL RISK MANAGEMENT

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure

The maximum exposure to credit at the reporting date was

In thousands of Euro	Note	2011	2010
Loans and receivables	10	253,195	252,652
Positive market values of derivatives classified as held for trading	29	5,146	12,520
Positive market values of derivatives classified as hedge accounting	29	68,041	47,590
Cash and cash equivalents	28	239,607	411,093
		565,989	723,855

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was

In thousands of Euro	2011	2010
Receivables from single-seat ticket sales	25,715	4,287
Receivables from charter sales	19,416	11,736
Receivables from credit card companies	6,703	19,521
Receivables from IATA clearing house (BSP travel agencies)	26,724	19,729
Other trade receivables	46,639	41,145
	125,197	96,418

Other trade receivables relate primarily to receivables from other airlines for technical services (2011 € 6,807, 2010 € 6,288) and to receivables from cargo services (2011 € 18,064, 2010 € 16,612)

b) Impairment losses

— **TRADE RECEIVABLES**

The aging of trade receivables at the reporting date was

	2011		2010	
In thousands of Euro	Gross	Impairment	Gross	Impairment
Not past due	92,489	0	66,701	2
Past due 1-30 days	18,306	131	11,968	0
Past due 31-120 days	12,546	902	10,269	479
Past due 121-365 days	3,715	2,240	6,528	2,118
More than one year past due	12,564	11,150	12,304	8,753
	139,620	14,423	107,770	11,352

Trade receivables are analysed for a possible impairment loss according to historical data on impairment losses as discussed below Receivables which are neither past due nor impaired are generally considered to contain only a small risk of impairment based on past experience The consideration is the same for receivables that are 1-30 days overdue

The movement in the impairment allowance is as follows

In thousands of Euro	2011	2010
Balance at 1 January	**11,352**	12,003
Increase in allowance for impairment losses	**4,882**	1,510
Release of allowance for impairment losses	**(1,811)**	(2,161)
Balance at 31 December	**14,423**	11,352

The allowance for impairment losses is used to record impairment losses until the Group determines that the financial asset should be derecognised

The allowance for impairment losses is based on estimates and judgements regarding the creditworthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses A company-wide credit control process is implemented Once the third notice is issued along with a court order, an allowance for impairment losses of 60 % is recorded on the receivable This percentage represents the probability of impairment loss based on past experience At the balance sheet date the allowance for impairment losses is € 14,423 (2010 € 11,352)

— OTHER LOANS AND RECEIVABLES

None of the other loans and receivables were past due as of 31 December 2011 (2010 none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables No impairment losses have been recorded on other financial assets (2010 € 1,500)

These receivables relate primarily to amounts due from suppliers (deposits, bonus and claims) The Group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts

Receivables from related parties relate primarily to clearing accounts from E190 Flugzeugvermietung GmbH As the receivables are not overdue and payments have been made on time in the past, the Group does not consider an impairment loss to be necessary

— CASH AND CASH EQUIVALENTS AND POSITIVE MARKET VALUES OF DERIVATIVES

No impairment has been recorded on bank balances or positive market values of derivatives, as the transactions are only made with parties of the highest credit rating or, in the case of derivative financial instruments, with parties that are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due) The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives

c) Liquidity risk

The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2011

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Interest-bearing liabilities due to aircraft financing	524,898	602,815	34,783	33,744	89,961	188,720	255,607
Finance lease liabilities	41,307	56,090	2,681	2,656	5,362	16,303	29,088
Corporate bonds	440,928	625,814	20,438	20,438	40,875	375,500	168,563
Convertible bonds – liability component	10,781	10,962	10,962	0	0	0	0
Loans	33,458	34,242	19,672	14,570	0	0	0
Trade payables and other financial liabilities	129,421	129,421	129,421	0	0	0	0
Bank overdraft	1,223	1,223	1,223	0	0	0	0
Total financial liabilities measured at amortised cost	1,182,016	1,460,567	219,180	71,408	136,198	580,523	453,258
Derivative financial liabilities							
Derivatives classified as hedge accounting							
Forward exchange contracts	5,875	5,880	5,876	4	0	0	0
Outflow		141,981	131,408	10,573	0	0	0
Inflow		(136,101)	(125,532)	(10,569)	0	0	0
Foreign currency options	24	(832)	(832)	0	0	0	0
Outflow		6,897	6,897	0	0	0	0
Inflow		(7,729)	(7,729)	0	0	0	0
Derivatives classified as held for trading							
Cross-currency interest rate swaps	12,167	12,740	3,340	2,431	5,761	1,208	0
Outflow		135,028	26,713	10,859	69,685	27,771	0
Inflow		(122,288)	(23,373)	(8,428)	(63,924)	(26,563)	0
Forward exchange contracts	4,973	4,974	4,974	0	0	0	0
Outflow		83,917	83,917	0	0	0	0
Inflow		(78,943)	(78,943)	0	0	0	0
Foreign currency options	972	(250)	(736)	0	0	486	0
Outflow		7,479	6,993	0	0	486	0
Inflow		(7,729)	(7,729)	0	0	0	0
	1,206,027	1,483,079	231,802	73,843	141,959	582,217	453,258

For 31 December 2010, the maturities were as follows

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Interest-bearing liabilities due to aircraft financing	519,399	570,025	37,061	50,204	78,393	146,403	257,963
Finance lease liabilities	45,013	62,421	3,334	2,998	5,337	16,429	34,324
Corporate bonds	195,033	285,000	8,500	8,500	17,000	251,000	0
Convertible bonds – liability component	139,476	160,879	2,740	700	139,440	17,999	0
Trade payables and other financial liabilities	155,971	112,422	112,422	0	0	0	0
Bank overdraft	1,420	1,420	1,420	0	0	0	0
Total financial liabilities measured at amortised cost	1,056,312	1,192,167	165,477	62,402	240,170	431,831	292,287
Derivative financial liabilities							
Derivatives classified as hedge accounting							
Forward exchange contracts	15,421	15,834	11,373	3,330	1,131	0	0
Outflow		388,084	243,000	132,727	12,357	0	0
Inflow		(372,250)	(231,627)	(129,397)	(11,226)	0	0
Foreign currency options	5,256	7,338	6,531	807	0	0	0
Outflow		119,597	96,338	23,259	0	0	0
Inflow		(112,259)	(89,807)	(22,452)	0	0	0
Derivatives classified as held for trading							
Cross-currency interest rate swaps	26,448	29,326	5,320	5,743	9,807	8,456	0
Outflow		287,890	20,400	51,006	79,113	137,371	0
Inflow		(258,564)	(15,080)	(45,263)	(69,306)	(128,915)	0
Forward exchange contracts	3,954	4,034	3,838	0	196	0	0
Outflow		52,820	45,336	0	7,484	0	0
Inflow		(48,786)	(41,498)	0	(7,288)	0	0
	1,107,391	1,248,699	192,539	72,282	251,304	440,287	292,287

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, including future interest payments Amounts in USD are translated at the relevant year-end exchange rate, and variable interest payments are calculated using the year-end basis rates

The Group intends to meet its obligations primarily through cash balances held and cash inflows from operations and in the case of purchases of new aircraft (not included above) through future borrowings which are already in place for aircraft deliveries in 2012 and early 2013

d) Currency risk

The Group has significant transactions in USD as well as smaller transactions in GBP and CHF airberlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e g payments regarding aircraft financing and leasing, fuel, maintenance etc) denominated in USD airberlin generally hedges at least 75 % of the expected cash flow on a 1–3 month revolving basis and at least 35 % of the expected cash flow on a 4–12 month revolving basis (2010 75 % of the expected cash flow on a 6–18 month revolving basis)

The Group's exposure to foreign currency risk was as follows based on the currency values at end of year

	2011			2010		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	67,178	635	1,283	85,405	1,189	13,776
Cash and cash equivalents	66,370	1,735	6,894	93,570	431	2,804
Interest-bearing liabilities due to aircraft financing	(540,802)	0	0	(562,064)	0	0
Interest-bearing liabilities	(43,291)	0	0	0	0	0
Trade payables and other financial liabilities	(166,731)	(1,181)	(8,398)	(19,727)	(329)	(3,884)
Total exposure of balance positions	(617,277)	1,189	(221)	(402,816)	1,291	12,696
Estimated forecast purchases	(2,111,500)	0	(101,400)	(2,004,000)	0	0
Gross exposure	(2,728,777)	1,189	(101,621)	(2,406,816)	1,291	12,696
Forward exchange contracts (hedged volume in USD)	842,919	0	0	934,800	0	0
Foreign currency options (hedged volume in USD)	350,000	0	0	376,000	0	0
Cross-currency interest rate swaps (hedged volume in USD)	184,171	0	0	492,738	0	0
Net exposure	(1,351,687)	1,189	(101,621)	(603,278)	1,291	12,696

The estimated forecast purchases shown above are for a twelve-month period The volume hedged through forward exchange contracts and forward exchange options is for estimated forecast purchases for up to two years The volume hedged through cross-currency interest rate swaps is the nominal amount of the interest-bearing liabilities in USD

The following significant exchange rates applied during the year

	Average rate		Reporting date spot rate	
Currency units to the Euro	2011	2010	2011	2010
USD	1 3920	1 3257	1 2939	1 3362
GBP	0 8679	0 8578	0 8353	0 8608
CHF	1 2326	1 3803	1 2156	1 2504

— SENSITIVITY ANALYSIS

A sensitivity analysis was performed on the year-end balances of foreign currency financial assets and liabilities and the fair values of derivative financial instruments existing at year-end The assumptions used in the calculation of currency risk were the same as those used in the prior year Assuming that all other variables, in particular interest rates, remain constant, a 10 per cent strengthening of the Euro against the following currencies at 31 December would have increased/(decreased) equity and profit or loss by the following amounts

	2011			2010		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	30,212	(129)	46	648	(11)	103
Equity	(59,797)	0	0	(77,015)	0	0

A 10 per cent weakening of the Euro against the above mentioned currencies at 31 December would have increased/(decreased) equity and profit or loss by the following amounts

	2011			2010		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(39,942)	158	(15)	(878)	13	(96)
Equity	74,642	0	0	91,080	0	0

e) Interest rate risk

The interest rate profile of the Groups financial instruments is as follows

	Carrying amount	
In thousands of Euro	2011	2010
Fixed rate instruments		
Financial assets	2,076	47,649
Financial liabilities	(624,002)	(480,497)
Cross-currency interest rate swaps	(11,276)	(21,768)
	(633,202)	(454,616)
Variable rate instruments		
Financial liabilities	(428,594)	(419,844)
	(428,594)	(419,844)

The interest rate risk profile of the Group based on the nominal values of the financial instruments is as follows

In thousands of Euro	2011	2010
Variable rate financial liabilities net of nominal value of cross-currency interest rate swaps	(286,255)	(166,348)
	(286,255)	(166,348)

The variable rate interest-bearing liabilities and interest-bearing liabilities due to aircraft financing, which are generally denominated in USD, expose the Group to variability in interest payments due to changes in interest rates as well as to a foreign currency risk The interest risk results from the sensitivity of financial assets and financial liabilities with variable interest rates to changes in the market interest rate airberlin uses cross-currency interest rate swaps to hedge these risks The swaps are considered cash flow hedges from their inception until the liability is recorded in the statement of financial position, at which point the interest rate swaps are classified as held for trading, with future changes in market value taken to profit or loss

— FAIR VALUE SENSITIVITY ANALYSIS

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate any of its derivatives (interest rate swaps) as fair value hedge accounting instruments Therefore a change in interest rates (unless they resulted in the hedge becoming ineffective) at the reporting date would only affect profit or loss to the extent that it affects the fair value of interest rate swaps not designated as hedge accounting (held for trading) A change of +/– 100 basis points in interest rates would have increased or decreased equity by € 0 (2010 € 0) and increased profit or loss by € 1,976 (2010 € 4,321) respectively decreased by € 408 (2010 9,778) based on a one year impact

— CASH FLOW SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of 100 basis points in interest rates would have increased or decreased profit or loss (financial result) by € 2,863 (2010 € 1,663) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate swaps

f) Fuel price risk

The fuel price (jet fuel) plays an important role as far as the business performance of the Group is concerned Fuel expense amounted to 23 4 % (2010 20 2 %) of the Group's entire operating expenses airberlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases At the end of the period 2011, the hedged volume was 664,500 tons for the 2012 financial year (2010 543,000 tons for 2011) The hedging quota was 46 1 % for 2012 (in the prior year 37 3 % for 2011)

— SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10 % increase in the fuel price at the reporting date would have increased equity by € 33,661 (2010 € 25,365) and profit or loss by € 4,426 (2010 € 3,321) A 10 % decrease in the fuel price at the reporting date would have decreased equity by € 36,213 (2010 € 21,925) and profit or loss by € 4,497 (2010 € 2,735)

The calculation is based on the fair values of commodity derivatives (swaps and options) at the end of the period The assumptions used were the same as in the prior period

g) Hedge accounting

As an airline, the airberlin group is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks airberlin uses derivatives to limit these risks

airberlin applies hedge accounting for its hedges of future foreign currency denominated cash flows and its hedges of future cash flows related to the purchase of jet fuel that satisfy the criteria under IAS 39, thus reducing income statement volatility IAS 39 sets out strict requirements on the use of hedge accounting airberlin fulfils those requirements by documenting, at the inception of a hedge, both the relationship between the derivative used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge This includes assigning the hedging instruments to the corresponding firm commitments and future transactions and also estimating the degree of effectiveness of the hedging instruments employed The effectiveness of existing hedge accounting is monitored on an ongoing basis For hedge accounting, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective Accumulated fair value changes from qualifying hedges are removed from equity to profit or loss in the period when the hedged cash flow affects profit or loss

airberlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39 For such derivatives airberlin recognises the changes in fair value in profit or loss The fair values of derivatives are presented in a separate line in the statement of financial position

The fair values of derivatives for hedging exchange rate, interest rate and fuel price risks at 31 December 2011 and their movement during the period are as follows

In thousands of Euro	Fair value at 31 December 2010	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Fair value at 31 December 2011
Cash flow hedges					
Forward contracts	(5,229)	0	2,396	39,256	36,423
Foreign currency options	639	5,532	15,251	(1,025)	20,397
Commodity swaps (fuel price)	21,661	0	29,903	(49,118)	2,446
Commodity options (fuel price)	9,842	(1,317)	17,046	(25,566)	5
Held for trading					
Forward contracts	274	(1,027)	0	0	(753)
Foreign currency options	1,462	(2,399)	0	0	(937)
Cross-currency interest rate swaps	(21,768)	10,492	0	0	(11,276)
Commodity options (fuel price)	2,150	(3,810)	0	0	(1,660)
	9,031	7,471	64,596	(36,453)	44,645

The change in fair value of derivatives was as follows in 2010

In thousands of Euro	Fair value at 31 December 2009	Additions through business combinations	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Fair value at 31 December 2010
Cash flow hedges						
Forward contracts	4,966	0	0	30,145	(40,340)	(5,229)
Foreign currency options	1,762	0	(8,489)	20,988	(13,622)	639
Cross-currency interest rate swaps	(4,424)	0	(3,237)	4,424[1]	3,237	0
Commodity swaps (fuel price)	7,409	0	0	18,681	(4,429)	21,661
Commodity options (fuel price)	2,517	0	(690)	9,831	(1,816)	9,842
Held for trading						
Forward contracts	103	1,082	(911)	0	0	274
Foreign currency options	525	1,316	(379)	0	0	1,462
Cross-currency interest rate swaps	(73,002)	1,546	54,112	(4,424)[1]	0	(21,768)
Commodity options (fuel price)	269	(2,704)	4,585	0	0	2,150
	(59,875)	1,240	44,991	79,645	(56,970)	9,031

[1] Reclassification from cash flow hedges to held for trading in 2010

All foreign currency options and commodity options (fuel price) entered into during the period meet the qualifications of hedge accounting and are accounted for as cash flow hedges
The cross-currency interest rate swaps which do not meet the criteria for hedge accounting continue to be recorded in profit or loss and are classified as held for trading
Cash flow hedges are expected to impact profit or loss in the same period in which the cash flows are expected to occur, as detailed in section c "liquidity risk" above

h) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties The fair values of financial assets and liabilities, together with their carrying amounts shown in the statement of financial position as at 31 December, are as follows

		2011		2010	
In thousands of Euro	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables					
Total loans and receivables	10	253,195	253,195	252,652	252,652
Positive market values of derivatives classified as held for trading					
Forward exchange contracts	29	4,220	4,220	4,228	4,228
Foreign currency options	29	35	35	1,462	1,462
Commodity options (fuel price)	29	0	0	2,150	2,150
Cross-currency interest rate swaps	29	891	891	4,680	4,680
Positive market values of derivatives classified as hedge accounting					
Forward exchange contracts	29	42,298	42,298	10,192	10,192
Foreign currency options	29	20,421	20,421	5,895	5,895
Commodity swaps (fuel price)	29	4,776	4,776	21,661	21,661
Commodity options (fuel price)	29	546	546	9,842	9,842
Total positive market values of derivatives at fair value	29	73,187	73,187	60,110	60,110
Cash and cash equivalents	28	239,607	239,607	411,093	411,093
Financial liabilities measured at amortised cost					
Interest-bearing liabilities due to aircraft financing	16	(524,898)	(508,912)	(519,399)	(490,958)
Finance lease liabilities	16	(41,307)	(39,036)	(45,013)	(43,945)
Corporate bonds	16	(440,928)	(411,800)	(195,033)	(211,000)
Convertible bonds – liability component	16	(10,781)	(10,422)	(139,476)	(139,621)
Loans	16	(33,458)	(33,458)	0	0
Trade payables and other financial liabilities	18	(129,421)	(129,421)	(112,433)	(112,433)
Bank overdraft	16	(1,223)	(1,223)	(1,420)	(1,420)
Total financial liabilities measured at amortised cost		(1,182,016)	(1,134,272)	(1,012,774)	(999,377)
Financial liabilities measured at fair value					
Put-option liability	18	0	0	(43,538)	(43,538)
Negative market values of derivatives classified as hedge accounting					
Forward exchange contracts	29	(5,875)	(5,875)	(15,421)	(15,421)
Foreign currency options	29	(24)	(24)	(5,256)	(5,256)
Commodity swaps (fuel price)	29	(2,330)	(2,330)	0	0
Cross-currency interest rate swaps	29	(541)	(541)	0	0
Negative market values of derivatives classified as held for trading					
Forward exchange contracts	29	(4,973)	(4,973)	(3,954)	(3,954)
Foreign currency options	29	(972)	(972)	0	0
Commodity options (fuel price)	29	(1,660)	(1,660)		
Cross currency interest rate swaps	29	(12,167)	(12,167)	(26,448)	(26,448)
Total negative market values of derivatives at fair value		(28,542)	(28,542)	(51,079)	(51,079)
		(644,569)	(596,825)	(383,536)	(370,139)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments

Derivatives

Forward exchange, interest rate and fuel price derivatives are carried at fair value, by valuation model The valuation is performed using the quoted prices that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices) Therefore, all the derivative financial instruments of airberlin relate to the level 2 of the three level hierarchy as defined in IFRS 7 27A

Put-option liability

The put-option liability was measured at fair value The measurement of the liability takes into consideration factors that are not based on observable market data Therefore the derivative financial instrument held by airberlin is classified in its entirety to level 3 according to IFRS 7 27A defined three-level hierarchy

The changes in level 3 financial instruments are as follows

In thousands of Euro	2011	2010
Balance of the liability at 1 January	**43,538**	0
Arising from business combination	**0**	40,500
Changes in fair value of the liability through profit and loss	**5,714**	3,038
Settlement of liability by acquisition of remaining shares in NIKI	**(49,252)**	0
Balance of the liability at 31 December	**0**	43,538

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows using current rates

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying value is deemed to reflect the fair value All other receivables/payables are discounted to determine the fair value

Cash and cash equivalents

Due to the short maturity date, the notional amount is deemed to reflect the fair value

i) Net gain or loss

The net gains (losses) on financial assets and liabilities during the period are as follows

In thousands of Euro	2011	2010
Loans and receivables	**(3,956)**	(612)
Cash and cash equivalents	**(446)**	4,265
Derivatives	**50,248**	97,647
Financial liabilities measured at amortised cost	**(22,923)**	(51,234)
Financial liabilities measured at fair value	**(5,714)**	(3,038)
	17,209	47,028

This includes foreign exchange rate gains (losses), impairment losses and reversals of impairment losses, changes in fair value recognised in profit or loss and gains (losses) on disposal

No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2010 none)

31 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors and its associates (see note 8) Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 96 to 101)

Members of the Board of Directors control a voting share of 6 05 % of of Air Berlin PLC (prior year 5 62 %)

One of the Non-Executive Directors, also a shareholder of the Company, is the controlling shareholder of Phoenix Reisen GmbH The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2011 of € 15,424 (2010 € 20,024) At 31 December 2011, € 892 are included in the trade receivables line (2010 € 1,282)

In the prior year a receivable of € 4 is due from one of the Directors and is included in other current assets in the statement of financial position as at 31 December 2010

During the years ending 31 December 2011 and 2010, associates purchased or delivered goods and services from the Group as follows

In thousands of Euro	2011	2010
THBG BBI GmbH		
Receivables from related parties	2,051	2,397
Interest income	110	86
Follow Me Entertainment GmbH		
Receivables from related parties	25	50
Interest income	2	1
BINOLI GmbH		
Receivables from related parties	226	241
Interest income	15	30
Revenues from ticket sales	407	66
Lee & Lex Flugzeugvermietung GmbH		
Receivables from related parties	0	1,572
Payables to related parties	0	1,462
Expenses for leasing	0	2,622
Interest income	0	70
E190 Flugzeugvermietung GmbH		
Receivables from related parties	6,427	7,677
Expenses for leasing	5,731	4,270

Transactions with associates are priced on an arm's length basis

In 2011 no dividends have been received from associates (2010 none)

The Group disposed its share in Lee & Lex Flugzeugvermietung GmbH in the second quarter of 2011

32 EXECUTIVE BOARD OF DIRECTORS

Hartmut Mehdorn	Chief Executive Officer	(since 1 September 2011)
Joachim Hunold	Chief Executive Officer	(until 31 August 2011)
Paul Gregorowitsch	Chief Commercial Officer	(since 1 September 2011)
Ulf Huttmeyer	Chief Financial Officer	
Helmut Himmelreich	Chief Operating Officer	(since 3 November 2011)
Christoph Debus	Chief Operating Officer	(until 2 November 2011)

33 SUBSEQUENT EVENTS

On 24 January 2012, Air Berlin PLC issued 31,574,312 new shares for EUR 2 31 per share Under exclusion of the pre-emptive rights of the existing shareholders, Etihad Airways bought these shares for EUR 72 9 million

34 NOTES TO THE COMPANY S STATEMENT OF FINANCIAL POSITION

a) Significant accounting policies

The accounting framework and significant accounting policies described in notes 2 and 4 above also apply to the Company financial statements In addition the following accounting policies were applied

Investments in subsidiaries and in associates are recorded at cost less accumulated impairment losses and are tested for impairment if an indication of impairment exists

Receivables from subsidiaries and payables to subsidiaries and to associates are initially measured on the basis of their fair value Subsequently they are carried at amortised cost using the effective interest method

The Company has recorded financial assets and liabilities in the statement of financial position

Categories of financial assets and liabilities which apply to Air Berlin PLC are as follows

- Loans and receivables
- Financial assets and liabilities at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities)

The Company has defined the following classes of financial assets and liabilities

- Loans and receivables
- Derivative financial instruments classified as held for trading
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities, trade payables and other financial liabilities)
- Cash and cash equivalents

b) Investments in subsidiaries

A detailed list of the companies in which the Company has interests, direct and indirect, is found in note 35 to the consolidated financial statements The Company is general partner of Air Berlin PLC & Co Luftverkehrs KG

In thousands of Euro	2011	2010
Acquisition cost		
Balance at 1 January	**470,964**	470,992
Additions	**0**	12
Disposals	**0**	(45)
Increase in subsidiaries capital	**249,982**	5
Balance at 31 December	**720,946**	470,964

c) Investments in associates

In 2010 the Company acquired a 50 % share in Follow Me Entertainment GmbH, Cologne, for € 13

d) Deferred tax assets

Profit or loss before tax is completely attributable to Germany

Income tax benefit (expense) is as follows

In thousands of Euro	2011	2010
Current income tax (expense) benefit	(534)	420
Deferred income tax benefit	10,079	36,696
Total income tax benefit	9,545	37,116

Current income taxes of the Company include corporate tax, a solidarity charge in addition to corporate tax and trade tax The current income tax expense includes € 534 of prior year income tax expense (2010 € 77)

The tax rate of the Company equals 30 03 % (2010 30 03 %) It consists of corporate tax rate and solidarity charge of 15 83 % and trade tax of 14 20 % The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates

The reasons for the differences between the tax benefit expected on the basis of loss for the period and the recognised income tax benefits are as follows

In thousands of Euro	2011	2010
Loss before tax	(70,710)	(29,903)
Expected income tax benefit at 30 03 % (2010 30 03 %)	21,234	8,980
Effect of change in tax rate	0	17
Effect of tax pooling agreements with subsidiaries	44,987	30,018
Write down of deferred tax assets on tax loss carry forwards	(9,177)	(8,185)
Effect from non-deductible expenses	(19,057)	(2,613)
Deferred tax (expense) benefit for previous years	(28,579)	1,837
Current tax expenses for previous years	(534)	(77)
Effects of redemption of convertible bonds	(381)	7,542
Other	1,052	(403)
Total income tax benefit	9,545	37,116

As of 31 December 2011, total tax loss carry forwards for which deferred tax assets were recognised amounted to € 0 (2010 € 44,832) for trade tax purposes and € 356,340 (2010 € 272,643) for corporate tax purposes As of 31 December 2011, no additional deferred tax assets were capitalised for further loss carry forwards of € 58,970 for trade tax and € 22,671 for corporate tax (2010 € 68,647 for corporate tax) The tax loss carry forwards are not subject to expiration

Deferred tax assets and liabilities are attributable to the following assets and liabilities

In thousands of Euro	2011	2010
Deferred tax assets		
Receivables	7	122
Accrued liabilities and provisions	722	802
Negative market values of derivatives	25	0
Tax loss carry forwards	56,390	49,493
	57,144	50,417
Deferred tax liabilities		
Convertible bonds, corporate bonds	(579)	(6,309)
Positive market values of derivatives	(4,779)	(2,401)
	(5,358)	(8,710)
Offsetting	57,144	50,417
Deferred tax assets, net	51,786	41,707
Deferred tax assets, net beginning of period	41,707	4,856
Change in deferred tax position	10,079	36,851
Thereof related to items recorded in equity	0	(155)
Deferred income tax benefit	10,079	36,696

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits

Income tax recognised in equity

	2011			2010		
In thousands of Euro	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Transaction costs on issuance of new shares	0	0	0	(565)	169	(396)
	0	0	0	(565)	169	(396)

e) Loans to subsidiaries

A long-term loan amounting to € 140,000 was concluded with LTU Beteiligungs- und Holding GmbH earning yearly interest of 1 % Due to restructuring of the Group during the reporting period the loan was transferred to Air Berlin PLC & Co Luftverkehrs KG The loan was extended to 31 December 2013

In addition the Company granted a further long-term loan to Air Berlin PLC & Co Luftverkehrs KG (2010 LOMA GmbH) amounting to € 15,200 The loan is due in 2012 and has a yearly interest rate of 1m EURIBOR + 1 %

The Company signed an unlimited loan with airberlin Technik GmbH (2010 AB Luftfahrttechnik Dusseldorf GmbH) amounting to € 25,643 (2010 € 26,166) with a yearly interest rate of 1 % The loan can be called with a notice period of one month to the end of a month

f) Loans to associates

In the prior year the Company realised losses due to BINOLI GmbH only up to the carrying amount of the investment Due to the at-equity accounting concerning investments in associates two loans of € 250 each have been written down by € 407 in the prior year The write off was reversed and the loans have been repaid during the reporting period

The Company entered into a loan with Follow Me Entertainment GmbH of € 50 with 5 per cent interest rate The loan can be cancelled at any time Due to at equity accounting concerning investments in associates the investment in Follow Me Entertainment GmbH was written off to zero and the loan has been written down by € 25

g) Receivables from subsidiaries

Receivables due to profit and loss transfer agreements are included with € 16,874 (2010 € 21,543)

Cash pooling agreements were concluded to bundle the Group's financial activities At the end of the period, the receivables from cash pooling amounts to € 41,104 (2010 € 53,739)

The remaining receivables result from trade, clearing accounts and interest for the Group loans

h) Receivables from associates

Receivables from associates relate mostly to clearing accounts with BINOLI GmbH

i) Share capital and reserves

The capital structure of Air Berlin PLC is that of the Group, except that certain reserves on the consolidated level are not relevant at Company level

A full description of the Company's share capital and reserves is detailed in note 12 to the consolidated financial statements

j) Pensions

In 2007 Air Berlin PLC entered into a defined benefit pension plan for its Executive Directors The pension plan is funded through payments to qualifying insurance contracts

The development of the Company's defined benefit obligations during the period is as follows

In thousands of Euro	2011	2010
Present value of funded obligations	6,432	4,482
Fair value of plan assets	(7,155)	(5,369)
Funded status	(723)	(887)
Amount not recognised due to limitation in IAS 19 58(b)	0	887
Net defined benefit asset	(723)	0

Changes in the present value of the defined benefit obligation are as follows

In thousands of Euro	2011	2010
Defined benefit obligation at 1 January	4,482	6,364
Current service cost	122	298
Interest on obligation	204	337
Actuarial losses	1,624	1,502
Transfer to subsidiary	0	(4,019)
Defined benefit obligation at 31 December	6,432	4,482

Changes in the fair value of plan assets are as follows

In thousands of Euro	2011	2010
Fair value of plan assets at 1 January	5,369	7,816
Contribution	1,896	1,570
Expected return on plan assets	285	447
Actuarial losses	(395)	(445)
Transfer to subsidiary	0	(4,019)
Fair value of plan assets at 31 December	7,155	5,369

Plan assets consist exclusively of external contracts with insurance companies in Germany These insurances could potentially include shares in Air Berlin PLC However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of airberlin shares held would be minimal
The actual loss on plan assets was € 110 during the period (2010 gain € 2) No experience adjustments were made during the period

The amount recognised as pension expense in profit or loss is as follows

	2011	2010
Current service cost	122	298
Interest on obligation	204	337
Expected return on plan assets	(285)	(447)
Net actuarial losses recognised in the period	2,019	1,947
Effect of the limitation in IAS 19 58(b)	0	(565)
Pension expense	2,060	1,570

The Company expects to contribute € 1,854 to its defined benefit pension plans in 2012

Principal actuarial assumptions at the reporting date are as follows

In %	2011	2010
Discount rate at 31 December	4 63	4 65
Expected return on plan assets at 1 January	4 30	4 30
Future salary increases	0 00	0 00
Cost of living adjustment (future pension increases)	1 00	1 00

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH) The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females

k) Other liabilities to subsidiaries

The Company issued two convertible bonds in 2007 and 2009 and is accounting for these bonds in the same way as the Group For further information see note 16

The convertible bonds were issued by AB Finance B V , and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds

The remaining outstanding convertible bonds issued in 2009 have been completely redeemed during the reporting period and transferred to AB Finance B V to repay the respective loan The Company also redeemed the convertible bonds issued in 2007

during the reporting period and transferred them to AB Finance B V to repay the respective loan Disclosures regarding this and the disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bonds are detailed in note 16 and 30c to the consolidated financial statements
Another loan agreement was concluded with AB Finance B V (€ 2,000) The loan is due on 11 April 2027 and has a yearly interest rate of LIBOR plus 1 %
Furthermore the Company issued three corporate bonds and is accounting for these bonds in the same way as the Group For further information see note 16

l) Accrued liabilities

Accrued liabilities primarily relate to expenses for services received but not yet invoiced as of the end of the period

m) Payables to subsidiaries

Payables to subsidiaries include € 0 (2010 € 7) regarding profit and loss transfers and € 186,750 (2010 180,859) regarding cash pooling agreements

n) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties The carrying amounts of financial assets and liabilities approximate their fair values The fair values of financial assets and liabilities, together with their carrying amounts as at 31 December shown in the statement of financial position, are as follows

		2011		2010	
In thousands of Euro	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans to subsidiaries	34e	199,234	199,234	199,802	199,802
Loans to associates	34f	25	25	143	143
Receivables from subsidiaries	34g	148,714	148,714	139,850	139,850
Receivables from associates	34h	149	149	149	149
Total loans and receivables		348,122	348,122	339,944	339,944
Positive market values of derivatives classified as held for trading		2,497	2,497	8,073	8,073
Cash and cash equivalents		61,798	61,798	138,956	138,956
Interest-bearing liabilities	16	(440,928)	(411,800)	(195,033)	(211,000)
Payables to subsidiaries	34k, m	(330,114)	(329,755)	(340,371)	(340,371)
Trade and other payables		(12,434)	(12,434)	(2,054)	(2,054)
Total financial liabilities measured at amortised cost		(783,476)	(753,989)	(537,458)	(553,425)
Negative market values of derivatives classified as held for trading		(651)	(651)	(67)	(67)
		(371,710)	(342,223)	(50,552)	(66,519)

o) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 31 to the consolidated financial statements) Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 96 to 101)
Members of the Board of Directors control a voting share of 6 05 % of Air Berlin PLC (prior year 5 62 %)

The Company had the following transactions with related parties during the years ending 31 December

In thousands of Euro	2011	2010
Air Berlin PLC & Co Luftverkehrs KG		
Revenues	**11,056**	3,692
Interest income	**3,479**	777
Other operating expenses	**519**	534
Receivables from subsidiaries	**227,323**	50,123
Payables to subsidiaries	**145,420**	6,714
Pegasus 1 – 7 Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**24**	24
Receivables from subsidiaries	**0**	13
Payables to subsidiaries	**179**	195
Alpha Engine Trading		
Receivables from subsidiaries	**0**	659
Payables to subsidiaries	**55**	2,652
Air Berlin Beteiligungs GmbH		
Receivables from subsidiaries	**0**	90
LTU Beteiligungs- und Holding GmbH (merged to Air Berlin PLC & Co Luftverkehrs KG)		
Interest income	**0**	1,416
Receivables from subsidiaries	**0**	144,305
AB Luftfahrttechnik Berlin GmbH (merged to airberlin technik GmbH)		
Interest income	**0**	11
Receivables from subsidiaries	**0**	45,181
Payables to subsidiaries	**0**	16,740
airberlin technik GmbH (formerly AB Luftfahrttechnik Dusseldorf GmbH)		
Interest income	**231**	265
Receivables from subsidiaries	**81,079**	25,966
Payables to subsidiaries	**316**	3,932
AB Luftfahrttechnik Koln GmbH (merged to airberlin technik GmbH)		
Receivables from subsidiaries	**0**	2,553
LTU Lufttransport Unternehmen GmbH (merged to Air Berlin PLC & Co Luftverkehrs KG)		
Receivables from subsidiaries	**0**	22,189
Leisure Cargo GmbH		
Receivables from subsidiaries	**13,955**	7,612
Payables to subsidiaries	**11,243**	0
Loma Beteiligungsgesellschaft mbH (merged to Air Berlin PLC & Co Luftverkehrs KG)		
Interest income	**0**	248
Receivables from subsidiaries	**0**	15,965
Air Berlin 1 – 9 LeaseLux Sarl		
Revenues	**3,242**	20
Receivables from subsidiaries	**3,544**	1,404
Air Berlin Netherlands B V		
Interest income	**5**	11
Receivables from subsidiaries	**0**	1,110
Payables to subsidiaries	**59**	1,996
Air Berlin Finance B V		

Expenses from convertible bonds	**3,086**	12,307
Interest expenses	**68**	97
Receivables from subsidiaries	**0**	9,463
Payables to subsidiaries	**13,197**	141,838
Air Berlin Technik Ltd		
Interest income	**22**	23
Receivables from subsidiaries	**2,454**	2,432
Air Berlin Funfte Flugzeug GmbH		
Revenues	**1**	10
Interest expenses	**410**	43
Receivables from subsidiaries	**10**	10
Payables to subsidiaries	**119,271**	119,802
Air Berlin Sechste Flugzeug GmbH		
Interest expenses	**102**	10
Payables to subsidiaries	**27,388**	26,844
Air Berlin Siebte Flugzeug GmbH		
Interest income	**0**	25
Receivables from subsidiaries	**2,166**	2,662
Payables to subsidiaries	**5,150**	5,138
Air Berlin Zwolfte Flugzeug GmbH		
Payables to subsidiaries	**0**	227
Air Berlin Erste Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**5,300**	5,301
Payables to subsidiaries	**807**	811
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**4,109**	4,111
Payables to subsidiaries	**1,253**	540
Air Berlin Vierte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,565**	3,533
Payables to subsidiaries	**0**	451
Air Berlin Achte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**60**	60
Air Berlin Finance GmbH		
Receivables from subsidiaries	**122**	96
AB Finance II GmbH		
Interest expenses	**23**	5
Receivables from subsidiaries	**2,993**	2,996
Payables to subsidiaries	**3,995**	12,493
JFK Stiftung		
Receivables from subsidiaries	**1,182**	1,182

p) Employees

The Company employs the five Directors (2010 three Directors) The Directors remuneration is included in note 23 to the consolidated financial statements above as well as in the Directors' Remuneration Report on pages 96 to 101

€ 1,896 (2010 € 1,570) was paid to a defined benefit plan

35 CONSOLIDATED ENTITIES

The following entities are included in the consolidated financial statements

Subsidiaries	Country of incorporation	2011	2010
AB Erste Flugzeugvermietungs GmbH	Germany	○	○
AB Zweite Flugzeugvermietungs GmbH	Germany	○	○
AB Dritte Flugzeugvermietungs GmbH	Germany	○	○
AB Vierte Flugzeugvermietungs GmbH	Germany	○	○
AB Achte Flugzeugvermietungs GmbH	Germany	○	○
AB Neunte Flugzeugvermietungs GmbH	Germany	○	○
AB Zehnte Flugzeugvermietungs GmbH	Germany	○	○
AB Luftfahrttechnik Berlin GmbH (merged to airberlin technik GmbH)	Germany		○
AB Luftfahrttechnik Koln GmbH (merged to airberlin technik GmbH)	Germany		○
AB Luftfahrtbeteiligung GmbH (merged to NL AB Beteiligungs GmbH)	Austria		○
Air Berlin Beteiligungsgesellschaft mbH (merged to LTU Beteiligungs- und Holding GmbH)	Germany		○
Air Berlin Crew Operations GmbH (formerly CHS Cabin & Handling Service GmbH)	Germany	○	○
Air Berlin Finance B V[1]	Netherlands	○	○
Air Berlin Finance GmbH	Germany	○	○
Air Berlin Finance II GmbH[1]	Germany	○	○
Air Berlin Netherlands B V[1]	Netherlands	○	○
Air Berlin PLC & Co Luftverkehrs KG[1]	Germany	○	○
Air Berlin PLC & Co Airport Service KG[1]	Germany	○	○
Air Berlin PLC & Co Cabin Service KG[1] (liquidated)	Germany		○
Air Berlin PLC & Co Verwaltungs KG[1]	Germany	○	○
Air Berlin PLC & Co Service Center KG[1]	Germany	○	○
airberlin technik GmbH (formerly AB Luftfahrttechnik Dusseldorf GmbH)	Germany	○	○
Air Berlin Technik Ltd[1]	United Kingdom	○	○
Air Berlin 1 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 2 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 3 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 4 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 5 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 6 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 7 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 8 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin 9 LeaseLux Sarl[1]	Luxembourg	○	○
Air Berlin Funfte Flugzeug GmbH	Germany	○	○
Air Berlin Sechste Flugzeug GmbH	Germany	○	○
Air Berlin Siebte Flugzeug GmbH	Germany	○	○
Air Berlin Zwolfte Flugzeug GmbH	Germany	○	○
Air Travel Marketing Services Inc	USA	○	
Alpha Engine Trading GmbH	Germany	○	○

Bairs GmbH (formerly Air Berlin Switzerland GmbH)[1]	Switzerland	O	O
Belair Airlines AG[1]	Switzerland	O	O
CHS Switzerland AG[1]	Switzerland	O	O
CHS Holding & Services GmbH[1]	Germany	O	O
CHAS Italy s r l[1]	Italy	O	O
CHAS UK Ltd[1] (liquidated)	United Kingdom		O
Euconus Flugzeugleasinggesellschaft mbH	Germany	O	O
Gehuba Beteiligungs-Verwaltungs GmbH	Austria	O	O
JFK Stiftung	Switzerland	O	O
Leisure Cargo GmbH[1]	Germany	O	O
Loma Beteiligungsgesellschaft mbH (merged to Air Berlin PLC & Co Luftverkehrs KG)	Germany		O
LTU Beteiligungs- und Holding GmbH (merged to Air Berlin PLC & Co Luftverkehrs KG)	Germany		O
LTU Lufttransport Unternehmen GmbH (merged to Air Berlin PLC & Co Luftverkehrs KG)	Germany		O
NIKI Luftfahrt GmbH	Austria	O	O
NL AB Beteiligungs GmbH	Austria	O	
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Funfte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	O	O
Air Berlin Employee Share Trust[1,2]	United Kingdom	O	O

[1] Shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other Group companies)
[2] The company is consolidated as a special purpose entity

Except for the Air Berlin Employee Share Trust and NIKI Luftfahrt GmbH, Air Berlin PLC holds (directly or indirectly) 100 % of the share capital of the subsidiaries

AVIATION GLOSSARY

▸ **ANCILLARY REVENUE**
Supplementary revenue beyond ticket sales

▸ **APU**
Auxiliary Power Unit – an auxiliary power generator that is primarily used in aircraft

▸ **ASK**
Available seat kilometres, number of seats available for sale, per flight segment, multiplied by the number of kilometres flown on a flight Measure of an airline's performance capacity

▸ **BLOCK HOURS**
The time during which an aircraft is in revenue service Calculated from gate departure (push-back) before take-off to standstill at the gate following landing

▸ **DRY LEASE**
Leasing of an aircraft without personnel

▸ **FLAG-CARRIER**
National airline, either currently or in the past government owned or under government control The term "legacy carrier" is also used

▸ **FRILLS**
Means the same as "odds and ends" No-frills airlines are airlines which lower the ticket price as much as possible by doing away with free services and/or additional services

▸ **IATA**
International Air Transport Association

▸ **LOW-COST CARRIER (LCC)**
Also known as "low-fare carrier" "No-frills airline"

▸ **PAX**
Passenger

▸ **RPK**
"Revenue Passenger Kilometres" Number of passengers multiplied by the number of kilometres they cover in flight

▸ **SLOT**
Time window within which an airline can use an airport for take-off or landing

▸ **PASSENGER LOAD FACTOR**
Percentage value to indicate the utilisation of an aircraft or an entire fleet within a certain time period, either on a route or within a route network Represents the ratio of the revenue passenger kilometres (RPK) to the available seat kilometres (ASK)

▸ **WET LEASE**
Leasing an aircraft including personnel

▸ **YIELD**
Average revenues Average revenues per selected output unit The unit could be a single passenger, a single kilometre flown, or the revenue passenger kilometres

▸ **YIELD MANAGEMENT**
Price management system to increase average earnings

EDITORIAL DEADLINE
15 March 2012

FINANCIAL MARKET GLOSSARY

ACCRUED LIABILITIES AND PROVISIONS
Liability items in the annual financial statements that encompass outgoing payments and/or decreases in value of later periods as expenditure of the accounting period The exact amount and/or time of these items is not known on balance sheet date, but their occurrence is sufficiently certain

ACQUISITION & LEVERAGED FINANCE
Financing of company transactions that lead to a change in ownership structure, whereby equity and borrowed capital are used

AFFILIATED COMPANIES
The term covers Air Berlin PLC and all subsidiaries included in the consolidated financial statements (see note 35)

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales

ASSOCIATED COMPANY
A company that is not under uniform management or majority-owned by a controlling company, but on which nevertheless the controlling company exercises considerable influence (shareholding greater than 20 per cent)

AT-EQUITY VALUATION
Valuation of investments in associated companies, whereby their share of equity capital and share of profit for the year are taken into consideration

CAP
Contractual agreement where for the payment of a premium a buyer acquires a guaranteed interest rate ceiling for an agreed period If the market interest rate rises above this ceiling at the individual times when the rate of interest for the next interest period is determined, the cap seller must compensate the amount of the difference

CAPITAL CONSOLIDATION
Equity links between the companies of a group must be eliminated in the consolidated financial statements Here the investment book value is offset against the proportionate shareholders' equity amounts of the subsidiaries

CASH FLOW
Business ratio for the earning and financial power of a company within the framework of an analysis of the company It gives an indication of the degree to which a company has liquid assets arising from its business turnover within an accounting period

CONSOLIDATION
Addition of partial accounts to a total account – for example of individual balance sheets of the companies of a group to the consolidated balance sheet

CONSOLIDATED GROUP
All of the group companies included in the consolidated financial statements

CONSOLIDATION OF REVENUE AND EXPENDITURE
As a matter of principle only revenue and expenditure can be considered in the consolidated income statement that results from business activities with entities outside the group Revenue and expenditure resulting from internal transactions must therefore be eliminated in the consolidated financial statements These include internal sales, group charges, interest expenditure and earnings arising from intragroup liabilities as well as intragroup profit and loss transfers

CORPORATE GOVERNANCE
Code of behaviour that defines guidelines for the transparent management and control of companies It creates transparency, strengthens confidence in the company management and in particular serves the protection of the shareholders

DEBT CONSOLIDATION
Consolidation measure that must be carried out when the consolidated financial statements are prepared Here not only the items shown in the balance sheet but all intragroup accounts receivable and payable must be taken into consideration

DEFERRED TAXES
Temporary differences to tax calculations in tax expenditure in individual and consolidated financial statements according to commercial law as compared to tax law This item creates a meaningful correlation between the overall company result and the associated tax expenditure

▸ DEPRECIATION AND AMORTISATION
Investments are written off over their full useful life, so that the purchase price is spread over several years as expenses

▸ DERIVATIVES
Derived financial instruments whose valuation depends on the base value in each case – for example share, interest rate, foreign exchange or goods Futures and options are important forms of derivative financial instruments

▸ DISINVESTMENT
Write-offs that are greater than replacement investments and serve to maintain the production system

▸ DISAGIO
Difference by which the repayable total of a loan is greater than the amount paid out

▸ DUE DILIGENCE
Intensive analysis and appraisal by external specialists of the financial, legal and business situation of a company including its risks and perspectives Due diligence forms the prerequisite for the preparation of an IPO (Initial Public Offering), the purchase or sale of a company or parts of a company as well as for granting of credit or capital increases

▸ DVFA/SG RESULT
Standardised output quantity developed by Deutsche Vereinigung fur Finanzanalyse und Anlagenberatung (DVFA) and the Schmalenbach-Gesellschaft (SG) Here the reported profit after tax is adjusted to eliminate special influences that make it difficult to compare with other companies

▸ EBIT
Result from operating activities, Earnings Before Interest and Taxes

▸ EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

▸ EBITDAR
Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent

▸ ELIMINATION OF INTERCOMPANY PROFIT AND LOSS
Within the framework of the consolidated financial statements, profits and losses resulting from the intragroup supply of goods and services are to be considered as not realised as long as they have not left the consolidated group The elimination of intercompany profits and losses is effected by the valuation of goods and services supplied at uniform consolidated group acquisition and production costs

▸ EQUITY RATIO
Business ratio of the capital structure analysis that quantifies the share of equity capital as a proportion of total capital Calculation formula shareholders' equity divided by balance sheet total

▸ FREE FLOAT
Proportion of shares of a public limited company not in the firm possession of certain shareholders, but held by many shareholders in small parcels

▸ GOODWILL
Difference between the purchase price of a company and its net worth (assets less liabilities)

▸ HEDGING
Safeguarding the share price through the sale or purchase of derivatives (futures, options, swaps), security positions can be safeguarded (hedged) against share market trends

▸ IFRS/IAS
Internationally applicable accounting standards that allow comparability of consolidated financial statements worldwide Thanks to great transparency they fulfil the information expectations of investors and other addressees The individual IFRS standards are called IAS (International Accounting Standards) and the newer standards are called IFRS

▸ INVESTMENT/CAPITAL EXPENDITURE
Expenditure for objects required for longer than just one year for production – from buildings through machinery to computer programs Investment/capital expenditure contributes to safeguarding the future of companies and must be written down (depreciated) over the useful life

INVESTMENT INTENSITY
Business ratio for analysis of asset structure that describes the ratio of fixed assets as a proportion of total assets

JOINT VENTURE
Business cooperation between companies, usually limited in terms of time and function Projects within the framework of a joint venture are carried out jointly by the participating partner companies

MARKET CAPITALISATION
Result of the multiplication of number of shares by share price

MERGERS & ACQUISITIONS (M & A)
Mediation of mergers and acquisitions of companies or parts of companies and the associated consulting of buyers and sellers

OPTION
Right to purchase or sale of an option object from or to a contractual partner (writer) at a previously agreed fixed price, at a certain time or in a certain period Purchase options are known as a "call", sales options as a "put"

PREPAID EXPENSES AND DEFERRED INCOME
Payments already made or received in advance during the reporting period, but which relate to a period after the balance sheet date

PROFIT MARGIN
Profit after taxation divided by revenue

PROJECTED UNIT CREDIT METHOD
Method for the valuation of pension obligations according to IAS 19 Here – in addition to the acquired pension benefits and entitlements effective on the balance sheet date – the increases in salaries and pensions to be expected in future are also taken into consideration

PURCHASE PRICE ALLOCATION
Purchase price distribution after the acquisition of a company the purchase price is distributed across the individual assets and liabilities

R+D PROPORTION
Business ratio indicating R&D expenditure (Research & Development) as a share of turnover, expressed as a percentage

RATING
Assessment of the creditworthiness of a company Here forecasts are made as to the extent to which a company is capable of meeting its obligations arising from interest and capital repayments at an agreed point in time The assessment takes into consideration factors specific to the company and the industry as well as country-specific risks Ratings provide more transparency and better comparability As a result, investors and creditors can more realistically estimate the risks of a financial investment

RETAINED EARNINGS
Reserves accumulated from undistributed profits

RETURN ON EQUITY (ROE)
Ratio of profit after tax to equity capital employed

SHAREHOLDERS' EQUITY
Capital value introduced by the owners and which the company has accumulated over years as reserves It is permanently available to the company

SWAP
Agreement between two companies to swap payment flows at a future point in time In the case of an interest swap for an agreed nominal amount fixed interest payments are swapped for variable interest payments

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EDITORIAL DEADLINE
15 March 2012

FINANCIAL CALENDAR

2012

FINANCIAL CALENDAR 2012

16 March 2012	Analysts & Investors Conference, Berlin Press Conference on 2011 results
05 April 2012	Traffic figures March 2012
07 May 2012	Traffic figures April 2012
15 May 2012	Publication of Interim Report as of 31 March 2012 (Q1) Analysts & Investors Conference Call
05 June 2012	Annual General Meeting Air Berlin PLC, London-Stansted
06 June 2012	Traffic figures May 2012
06 July 2012	Traffic figures June 2012
07 August 2012	Traffic figures July 2012
15 August 2012	Publication of Interim Report as of 30 June 2012 (Q2) Analysts & Investors Conference Call
06 September 2012	Traffic figures August 2012
05 October 2012	Traffic figures September 2012
06 November 2012	Traffic figures October 2012
15 November 2012	Publication of Interim Report as of 30 September 2012 (Q3) Analysts & Investors Conference Call
06 December 2012	Traffic figures November 2012