Prospectus dated 25 February 2013

AIR BERLIN PLC

(*incorporated and registered in England and Wales as a public limited company*)

€50,000,000 11.5% Fixed Rate Notes due 2014

Further issuance of the €100,000,000 11.5% Fixed Rate Notes due 2014 in a principal amount of €50,000,000 resulting in an aggregate principal amount of €150,000,000

The €50,000,000 11.5% Fixed Rate Notes due 2014 (the **Notes**) were issued on 1 November 2012 by Air Berlin PLC (the **Issuer** or **Air Berlin**) at an issue price of 101 per cent. of the principal amount of the Notes. The Notes constitute a further issuance of, and will, on or about 25 February 2013, be consolidated, fungible and form a single series with the Issuer's outstanding € 100,000,000 11.5% Fixed Rate Notes due 2014, which were issued on 1 November 2011 and admitted to the Official List and trading on the regulated market (Main Securities Market) of the Irish Stock Exchange and included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and the Bondm trading segment of the Open Market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart (such notes, the **Existing Notes**). The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest to (but excluding) the date fixed for redemption in the event of certain tax changes as set out in § 5(2) of the Terms and Conditions.

This document constitutes a prospectus (the **Prospectus**) under the Prospectus Directive. **Prospectus Directive** means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended, *inter alia*, by Directive 2010/73/EU, on the prospectus to be published when securities are offered to the public or admitted to trading. This Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Directive 2004/39/EC (**MiFID**). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has also been made to include the Notes to trading on the Bondm trading segment of the open market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart, which is not a regulated market for purposes of MiFID.

This Prospectus serves for listing purposes only and does not constitute, and may not be used for, an offer to buy, subscribe or sell any of the Notes, and no Notes are being offered or sold pursuant to this Prospectus.

This Prospectus is drawn up in the English language. In case there is any discrepancy between the English text and the German text, the English text stands approved for the purposes of approval under the Prospectus (Directive 2003/71/EC) Regulations 2005. The Terms and Conditions of the Notes and the Summary are drawn up in both English and German language. The German language version of the Terms and Conditions shall be binding.

The Notes have been assigned the following security codes: ISIN DE000AB100D0, WKN AB100D. The initial ISIN and the initial WKN are temporary codes that will apply to the Notes only until the Notes become fungible with the Existing Notes on or about 25 February 2013. After the Notes have become fungible with the Existing Notes on or about 25 February 2013, the ISIN and the WKN of the Notes will be transferred into the ISIN DE000AB100C2 and the WKN AB100C of the Existing Notes.

An investment in the Notes involves certain risks. Prospective investors should consider carefully the factors described under the heading "Risk Factors" beginning on page 28.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer and its subsidiaries and affiliates taken as a whole (the **Air Berlin Group**) and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Air Berlin Group and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, the Air Berlin Group and the Notes are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Air Berlin Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

NOTICE

This Prospectus serves for listing purposes only and does not constitute, and may not be used for, an offer to buy, subscribe or sell any of the Notes, and no Notes are being offered or sold pursuant to this Prospectus. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Lead Manager (as specified under "*Subscription, Offer and Sale*" on page 95 of this Prospectus) has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained in this Prospectus.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Lead Manager.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor (b) should it be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Prospectus should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer or invitation by or on behalf of the Issuer or the Lead Manager to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor any sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. The Lead Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings

Element	Description of Element	Disclosure requirement
A.1	**Warnings**	• This summary should be read as an introduction to this Prospectus. • Any decision to invest in the Notes should be based on consideration of this Prospectus as a whole by the investor. • Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of its member state to the Agreement on the European Economic Area (EEA), have to bear the costs of translating this Prospectus before the legal proceedings are initiated. • Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Notes.
A.2	**Consent to the use of the prospectus**	Not applicable; Air Berlin does not give its consent to the use of this Prospectus for any offering or sale of the Notes. This Prospectus serves for listing purposes only and does not constitute, and may not be used for, an offer to buy, subscribe or sell any of the Notes, and no Notes are being offered or sold pursuant to this Prospectus.

Section B – Issuer

Element	Description of Element	Disclosure requirement
B.1	**Legal and commercial name of the Issuer**	Air Berlin PLC
B.2	**Domicile, legal form, legislation, country of incorporation**	Air Berlin PLC is incorporated and registered in England and Wales as a public limited company. Air Berlin's registered office is The Hour House, 32 High Street, Rickmansworth, WD3 1ER, with the telephone number +49 (0)30 3434 1500. Air Berlin's registered number is 5643814.
B.4b	**Known Trends affecting the Issuer and the industry in which it operates**	According to the International Air Transport Association (IATA) "Financial Forecast" report dated December 2012, profits of European airlines are expected to decrease from US$ 0.4 billion in 2011 to US$ 0.0 billion in 2012, due to the high fuel prices and the effects of economic uncertainty. IATA forecasts that the net profits of global commercial airlines will increase in 2013 but that the European airlines whose home markets have been damaged by the Euro-zone crisis are expected to generate the same financial performance as in 2012, i.e. no net profits in 2013, due to the weak economic condition in Europe.

Element	Description of Element	Disclosure requirement
		For Air Berlin the 2012 financial year was characterised by the difficult economic environment resulting from the Euro-zone crisis, high fuel prices and extraordinary costs such as the German air travel tax and costs resulting from the repeated delays in opening the airport Berlin Brandenburg (BER). The total number of passengers transported in the first nine months of 2012 amounted to 26.3 million (compared to 27.7 million in the first nine months of 2011). Air Berlin achieved revenue passenger kilometres in the amount of 38.43 billion in the first nine months of 2012 as compared to 40.56 billion in the first nine months of 2011, which is a decrease by 5.3%. Revenue in the first nine months of 2012 amounted to € 3.343 billion compared to € 3.273 billion in the first nine month of 2011. With respect to costs, the air travel tax amounted to € 120.6 million in the first nine months of 2012. Price competition made passing on these costs to customers extremely difficult. The continuing high fuel prices combined with an unfavourable USD/EUR conversion rate also has had a negative impact: in the first nine months of 2012, fuel was approximately 12.4 per cent more expensive than in the prior-year period. As Air Berlin effectively limited the other expense items, the operating income before depreciation and leasing (EBITDAR) improved 12.7% or € 48.9 million in the nine month period of 2012. Additionally, the operating loss at the EBIT level decreased from € 123.7 million in the first nine months of 2011 to € 77.5 million in the first nine months of 2012. In the first nine months of 2012, the net result, after income tax expenses of € 23.5 million (restated as set out under "Amendment to the 2011 annual and consolidated financial statements and re-assessment of the recognition of deferred tax assets" in section B.12 below, previously reported: tax profits of € 32.2 million);, was € -158.3 (restated; previously reported: -102.5 million) compared with € -134.3 million (after income tax benefits of € 63.7 million) reported for the first nine months of 2011. In response to a weakening demand in Europe and in order to return to profitability, Air Berlin has launched its restructuring programme "Turbine".
B.5	**Description of the Group and the Issuer's position within the Group**	Air Berlin is the parent company of a group which comprises Germany's second-largest airline and Europe's sixth-largest airline in terms of passenger numbers.
B. 9	**Profit forecast or estimate**	Not applicable; no profit forecast or estimate is made.
B.10	**Qualifications in the audit report on the historical financial information**	Not applicable; KPMG Audit Plc issued unqualified auditor's reports on the consolidated financial statements of Air Berlin PLC and its subsidiaries for the fiscal years ended 31 December 2010 and 31 December 2011, respectively.
B.12	**Selected historical key financial information** (references to the "Company" shall be read as references to the Issuer).	

The table below should be read together with the paragraph headed "Amendment to the 2011 annual and consolidated financial statements and re-assessment of the re-cognition of deferred tax assets" set forth below the table.

	Nine months ended 30 September			**Year ended 31 December**		
	2012	2012	2011	2011	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(currently unaudited)	(audited)	(audited)
	restated	reported	reported	restated	reported	reported
	€000	€000	€000	€000	€000	€000
Income statement data:						
Revenue	3,343,243	3,343,243	3,273,314	4,227,318	4,227,318	3,723,578
Other operating income	56,132	56,132	5,891	10,113	10,113	53,775

Element	Description of Element	Disclosure requirement

	Nine months ended 30 September			Year ended 31 December		
	2012	2012	2011	2011	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(currently unaudited)	(audited)	(audited)
	restated	reported	reported	restated	reported	reported
Expenses for materials and services	(2,574,743)	(2,574,743)	(2,525,543)	(3,304,535)	(3,304,535)	(2,677,515)
Personnel expenses	(369,507)	(369,507)	(352,393)	(475,444)	(475,444)	(471,771)
Depreciation and amortisation	(55,145)	(55,145)	(63,019)	(85,943)	(85,943)	(92,761)
Other operating expenses	(477,474)	(477,474)	(461,946)	(618,534)	(618,534)	(544,647)
Operating expenses	(3,476,869)	(3,476,869)	(3,402,901)	(4,484,456)	(4,484,456)	(3,786,694)
Result from operating activities	(77,494)	(77,494)	(123,696)	(247,025)	(247,025)	(9,341)
Financial expenses	(55,332)	(55,332)	(51,930)	(82,715)	(82,715)	(115,425)
Financial income	877	877	7,689	9,804	9,804	6,806
Losses on foreign exchange and derivatives, net	(3,074)	(3,074)	(30,109)	(39,007)	(39,007)	(24,720)
Net financing costs	(57,529)	(57,529)	(74,350)	(111,918)	(111,918)	(133,339)
Share of profit of at equity investments, net of tax	247	247	97	97	97	1,057
Loss before tax	(134,776)	(134,776)	(197,949)	(358,846)	(358,846)	(141,623)
Income tax benefit	(23,490)	32,245	63,696	(61,550)	87,008	44,464
Loss for the period – all attributable to the shareholders of the Company	(158,266)	(102,531)	(134,253)	(420,396)	(271,838)*	(97,159)

	As of 30 September		As of 31 December		
	2012	2012	2011	2011	2010
	(unaudited)	(unaudited)	(currently unaudited)	(audited)	(audited)
	restated	reported	restated	reported	reported
	€000	€000	€000	€000	€000
Balance sheet data:					
Assets					
Non-current assets					
Intangible assets	420,395	420,395	396,008	396,008	387,420
Property, plant and equipment	602,433	602,433	818,915	818,915	887,664

Element	Description of Element	Disclosure requirement

	As of 30 September		As of 31 December		
	2012 (unaudited)	2012 (un-audited)	2011 (currently unaudited)	2011 (audited)	2010 (audited)
	restated	reported	restated	reported	reported
Trade and other receivables	79,354	79,354	79,188	79,188	157,657
Deferred tax asset	0	194,041	0	138,306	51,283
Positive market value of derivatives	493	493	0	0	6,448
Net defined benefit asset	3,026	3,026	2,206	2,206	0
Deferred expenses	49,149	49,149	53,112	53,112	33,997
At equity investments	4,847	4,847	184	184	405
Non-current assets	1,159,697	1,353,738	1,349,613	1,487,919	1,524,874
Current assets					
Inventories	53,496	53,496	45,524	45,524	42,890
Trade and other receivables	523,713	523,713	375,122	375,122	298,570
Positive market value of derivatives	39,589	39,589	73,187	73,187	53,662
Deferred expenses	50,856	50,856	42,598	42,598	39,030
Assets held for sale	145,155	145,155	0	0	0
Cash and cash equivalents	218,482	218,482	239,607	239,607	411,093
Current assets	1,031,291	1,031,291	776,038	776,038	845,245
Total assets	2,190,988	2,385,029	2,125,651	2,263,957	2,370,119
Equity and liabilities					
Shareholders' equity					
Share capital	29,273	29,273	21,379	21,379	21,379
Share premium	435,085	435,085	373,923	373,923	373,923
Equity component of convertible bond	597	597	1,343	1,343	21,220
Other capital reserves	217,056	217,056	217,056	217,056	217,056
Retained earnings	(711,741)	(507,448)	(554,221)	(405,663)	(153,242)
Hedge accounting reserve, net of tax	8,337	8,337	42,762	42,762	23,163
Foreign currency translation reserve	3,441	3,441	2,939	2,939	1,837
Total equity - all attributable to the shareholders of the Company	(17,952)	186,341	105,181	253,739	505,336
Non-current liabilities					
Interest-bearing liabilities due to aircraft financing	295,740	295,740	471,775	471,775	439,782
Interest-bearing liabilities	616,964	616,964	470,193	470,193	370.886
Provisions	6,548	6,548	7,161	7,161	8,090
Trade and other payables	66,847	66,847	55,922	55,922	73,261
Deferred tax liabilities	32,856	22,604	39,700	29,448	26,733
Negative market value of derivatives	1,074	1,074	11,021	11,021	25,913
Non-current liabilities	1,020,029	1,009,777	1,055,772	1,045,520	944,665
Current liabilities					
Interest bearing liabilities due to aircraft financing	147,420	147,420	53,123	53,123	79,617
Interest-bearing liabilities	11,561	11,561	57,504	57,504	10,056
Tax liabilities	3,916	3,916	2,726	2,726	10,616
Provisions	2,050	2,050	2,525	2,525	3,282
Trade and other payables	545,340	545,340	423,421	423,421	394,635
Negative market value of derivatives	36,012	36,012	17,521	17,521	25,166
Deferred income	60,393	60,393	72,619	72,619	75,223
Advanced payments received	382,219	382,219	335,259	335,259	321,523
Current liabilities	1,188,911	1,188,911	964,698	964,698	920,118
Total equity and liabilities	2,190,988	2,385,029	2,125,651	2,263,957	2,370,119

Amendment to the 2011 annual and consolidated financial statements and re-assessment of the recognition of deferred tax assets

The German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung DPR e.V.*), in a request for information and submission (*Auskunfts- und Vorlageersuchen*), has requested information on the valuation of deferred tax assets in respect of Air Berlin's consolidated financial statements as of 30 June 2012. Against the background of its discussions with the German Financial Reporting Enforcement Panel in connection with the review procedure about the valuation of deferred tax assets, Air Berlin decided to retroactively

Element	Description of Element	Disclosure requirement
	adjust the recognition of deferred tax assets as of 31 December 2011. Due to the retroactive adjustment of deferred tax assets, Air Berlin has corrected the € -271.8 million net result in the fiscal year 2011 by € -148.6 million to € -420.4 million. In connection with this value adjustment, the € 253.7 million equity figure reported as of 31 December 2011 was reduced to € 105.2 million. Furthermore, the value of deferred tax assets has also been retroactively adjusted in the first nine months of the fiscal year 2012 resulting in a correction of the € -102.5 million net result reported as of 30 September 2012 to € -158.3 million and a reduction of the € 186.3 million equity reported as of 30 September 2012 to a corrected equity amount of € -18.0 million.	
	A statement that there has be no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change	There has been no material adverse change in the prospects of Air Berlin PLC since 31 December 2011.
	A description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information	On 18 December 2012, Air Berlin PLC & Co. Luftverkehrs KG and Etihad Airport Services L.L.C. agreed that Air Berlin's frequent flyer programme "topbonus" shall be carved-out from Air Berlin and operated by Topbonus Ltd., a company that has its head office in Berlin and in which Etihad Airport Services L.L.C. has a majority stake of 70% and Air Berlin a stake of 30%. Topbonus Ltd. shall continue to operate and further develop the frequent flyer programme on the basis of a commercial agreement with Air Berlin. Air Berlin has the right to acquire 10% of the shares in Topbonus Ltd. from Etihad Airport Services L.L.C. Through this transaction, which closed on 19 December 2012, Air Berlin has generated revenues of € 184.4 million. Except for the above, there has been no significant change in the financial or trading position of Air Berlin PLC since 30 September 2012.
B.13	**Recent events**	On 24 January 2012, Etihad Airways has become the biggest single shareholder of Air Berlin holding shares with a voting interest of 29.21% following a capital increase based on an agreement entered into between Etihad Airways and Air Berlin on 19 December 2011. Air Berlin received about €73 million for the 31,574,312 shares issued for the capital increase, based on a price of €2.31 per share. In connection with the acquisition of the new shares, Etihad Airways also provided five-year financing facilities of up to USD255 million to support fleet development and future network growth. With effect from 20 March 2012, Air Berlin joined the global airline alliance oneworld®. At the same time, the Austrian airline NIKI, also a member of Air Berlin group, joined oneworld® as an affiliate member. On 18 December 2012, Air Berlin PLC & Co. Luftverkehrs KG and Etihad Airport Services L.L.C. agreed that Air Berlin's frequent flyer programme "topbonus" shall be carved-out from Air Berlin and operated by Topbonus Ltd., a company that has its head office in Berlin and in which Etihad Airport Services L.L.C. has a majority stake of 70% and Air Berlin a stake of 30%. Topbonus Ltd. shall continue to operate and further develop the frequent flyer programme on the basis of a commercial agreement with Air Berlin. Air Berlin has the right to acquire 10% of the shares in Topbonus Ltd. from Etihad Airport Services L.L.C. Through this transaction, which closed on 19 December 2012, Air Berlin generates revenues of €184.4 million. Effective 7 January 2013, Hartmut Mehdorn resigned as CEO of Air Berlin PLC followed by Wolfgang Prock-Schauer as new CEO. On 15 January 2013, Air Berlin launched the two-year restructuring programme "Turbine" which is designed to establish the simplest and most cost-efficient organisation possible in conjunction with streamlined processes with a view to improve the operating performance and to achieve sustainable profitability. The "Turbine" programme will entail further adjustments to the route network and a further reduction of flights and flight frequency as well as a reduction of its fleet to 142 aircraft and a cut of about

Element	Description of Element	Disclosure requirement
		900 jobs.
B.14	Please refer to Element B.5	
	Dependence upon other entities within the group	The Issuer being the parent company of the group is dependent on the performance of its subsidiaries including in particular Air Berlin PLC & Co. Luftverkehrs KG.
B.15	**A description of the issuer's principal activities**	Air Berlin is the parent company of an air carrier group whose main operating company is Air Berlin PLC & Co. Luftverkehrs KG. Air Berlin offers scheduled flights on a wide range of short-, medium- and long-haul routes. As of 30 September 2012, Air Berlin flew to 170 domestic German and international destinations in 45 countries. In total, Air Berlin flew to 144 destinations in Europe (including destinations in Turkey), 91 in North Africa along with a further 17 destinations overseas in Africa, North America, the Caribbean and Asia. As of 31 December 2012, Air Berlin flew to 179 domestic German and international destinations in 46 countries, of which 144 destinations in Europe (including destinations in Turkey), 91 destinations in North Africa and a further 26 destinations overseas in Africa, North America, the Caribbean and Asia. Air Berlin's European destinations are located primarily in, or in close proximity to, major European cities that are attractive to leisure and business travellers alike. Air Berlin's major competitors are easyJet within Europe and in the German market, Lufthansa.
B.16	**Controlling persons**	Not applicable. The Issuer is, to its knowledge, not controlled.
B.17	**Credit ratings assigned to the issuer or its debt securities**	Not applicable. The Issuer and its debt securities are not rated.

Section C – Securities

Element	Description of Element	Disclosure requirement
C.1	**Type and class of securities being admitted to trading/security identification number**	The Notes are bearer notes governed by German law which are unsubordinated and unsecured. The Notes constitute a further issuance of, and will, on or about 25 February 2013, be consolidated, fungible and form a single series with the Issuer's outstanding € 100,000,000 11.5% Fixed Rate Notes due 2014, which were issued on 1 November 2011 and admitted to the Official List and trading on the regulated market (Main Securities Market) of the Irish Stock Exchange and included to trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and the Bondm trading segment of the Open Market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart (such notes, the **Existing Notes**). The Notes have initially been assigned the following security codes: ISIN DE000AB100D0, WKN AB100D. The initial ISIN and initial WKN are temporary codes that will apply to the Notes only until the Notes become fungible with the Existing Notes on or about 25 February 2013. After the Notes have become fungible with the Existing Notes on or about 25 February 2013, the ISIN and the WKN of the Notes will be transferred into the ISIN DE000AB100C2 and the WKN AB100C of the Existing Notes.
C.2	**Currency of the securities issue**	The Notes are denominated in euro.
C.5	**Restrictions on free transferability**	Not applicable. The Notes are freely transferable.
C.8	**Rights attached to securities/ranking of the securities/limitations to the rights attached to the securities**	**General description of the Notes** The Notes are fixed rate notes that entitle the noteholders to interest payments and to the repayment of the principal at maturity. **Status of the Notes** The obligations under the Notes constitute direct, unconditional, unsubordinated and, subject to a negative pledge, unsecured obligations of the Issuer which rank *pari passu* among themselves and at least *pari passu* with all

Element	Description of Element	Disclosure requirement
		other direct, unconditional, unsubordinated and unsecured obligations of the Issuer, save for such obligations which may be preferred by the provisions of law that are mandatory and of general application. **Negative Pledge by the Issuer** The Terms and Conditions contain a negative pledge provision. **Witholding Tax and Additional Amounts** Subject to its right to early redeem the Notes for tax reasons as described below, the Issuer will pay such additional amounts as may be necessary in order that the net payment received by each Noteholder in respect of the Notes, after withholding for any taxes imposed by the competent tax authorities upon payments made by or on behalf of the Issuer in respect of the Notes, will equal the amount which would have been received in the absence of any such withholding taxes, subject to customary exceptions. **Redemption** Unless previously redeemed in whole or in part or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Notes cannot be redeemed prior to the Maturity Date (except for taxation reasons or upon the occurrence of an Event of Default or a change of control). **Early Redemption for Tax Reasons** If, as a result of any change in, or amendment to, the tax laws or regulations of Germany or the United Kingdom applying to the Issuer, certain withholding taxes are levied on payments of principal or interest in respect of the Notes and the Issuer is obliged to pay additional amounts to the Noteholders, the Issuer may redeem the Notes in whole, but not in part. **Events of Default** The Terms and Conditions of the Notes provide for events of default entitling Noteholders to demand immediate redemption of the Notes. Events of default under the Notes include non-payment of principal or interest for 15 days, breach of other obligations under the Notes (which breach is not remedied within 60 days), the Issuer (or one of certain defined subsidiaries of the Issuer) defaults on certain other payment obligations and certain events related to insolvency or winding-up of the Issuer (or a relevant subsidiary of the Issuer). **Change of Control** The Terms and Conditions contain a change of control provision pursuant to which, upon the occurrence of a change of control in relation to the Issuer, the Noteholders are entitled to demand redemption of the Notes. **Resolutions of Noteholders** The Terms and Conditions of the Notes contain provisions for resolutions of Noteholders in accordance with the German Bond Act (*Schuldverschreibungsgesetz*). These provisions permit defined majorities to bind all Noteholders including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.
C.9	Please refer to Element C.8	
	Interest/Due dates/ Yield/Representative of debt security holders	**Interest** The Notes bear interest at a fixed rate of 11.5% per annum from 1 November 2012. Interest is payable quarterly in arrears on 1 February, 1 May, 1 August and 1 November of each year. **Maturity Date** 1 November 2014. **Yield**

Element	Description of Element	Disclosure requirement
		11.3933% p.a. **Name of representative of debt security holders** Not applicable. There is no representative of the holders of the Notes.
C.10	**Derivative component in interest payment**	Not applicable. The Notes are fixed rate notes and therefore there is no derivative component in the interest payment.
C.11	**Admission to trading of securities**	Application has been made to the Irish Stock Exchange (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Directive 2004/39/EC (**MiFID**). Application has also been made to include the Notes to trading on the Bondm segment of the open market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart which is not a regulated market for purposes of MiFID.

Section D – Risks

Element	Description of Element	Disclosure requirement
D.2	**Information on the key risks of the Issuer**	**Risks relating to the airline industry** • Economic and industry conditions constantly change and continued or worsening negative economic conditions in Germany and elsewhere could result in overcapacity or increase existing overcapacity and may have a material adverse effect on Air Berlin’s business and results of operations. The growth prospects for the global economy have worsened considerably over the past months, which also affects Germany, and the overall demand for air transportation in Germany has been, and could be further, negatively impacted by deterioration in the health of the global economy. • Air Berlin’s business is significantly affected by the air travel tax levied by the German Federal Government. Other air carriers may choose to absorb, in whole or in part, the additional cost where Air Berlin may not be able to do the same. If, as a result of passing on such additional costs to passengers, Air Berlin becomes less competitive in an already intensely competitive market or if Air Berlin bears such costs because it is not able to fully pass on the cost increase resulting from the air travel tax to passengers, in either case this may have a material adverse effect on Air Berlin’s revenues and results of operations. • The airline industry is highly competitive and Air Berlin faces competition from, among others, low-cost carriers, legacy carriers, other established commercial and charter airlines, travel conglomerates with integrated airlines and new entrants. This competition could increase further. Should competitors increase their market share at Air Berlin’s expense, Air Berlin’s business prospects and profits could be materially adversely affected. • Extreme weather conditions have had a material adverse effect on the airline industry in the past and may do so again. • Volcanic activity and other natural disasters have had a material adverse effect on the airline industry in the past and may do so again. The airline industry could also be adversely affected by an outbreak of disease or the occurrence of a natural or man-made disaster that affects travel behaviour. • Terrorist attacks, military, civil and political conflicts and their aftermath have had a material adverse effect on the airline industry in the past and may do so again. • Air carriers are exposed to the risk of losses from air crashes or similar disasters. • The airline industry is characterised by high fixed costs (such as costs for the use of airport infrastructure and services; take-off, landing and air traffic charges; maintenance, financing, lease and fuel costs; depreciation expenses) and by revenues that generally exhibit substantially greater elastic-

Element	Description of Element	Disclosure requirement
		ity than costs and that are dependent on the number of passengers carried and the fare structure of the flight. Accordingly, a change in the number of passengers or in average fares could have a negative effect on Air Berlin's financial condition and results of operations. In addition, changes to the regulatory framework within which Air Berlin operates, particularly as regards safety regulations, could impose significantly greater costs on Air Berlin's business activities and could materially and adversely affect Air Berlin and the airline industry. • Commercial passenger air transport and air traffic rights are heavily regulated which can lead to additional costs. • Access to suitable airports and meeting the requirements needed to serve these airports could be limited or could become more difficult in the future which may adversely affect Air Berlin. For instance, Air Berlin anticipates that it will have access to a greater number of slots when construction of the new Berlin Brandenburg Airport (BER) is complete. Should the delays in opening continue, or should the airport experience difficulties in operating, Air Berlin's flight network operations may be further damaged and any further growth may be restricted which could materially and adversely affect its business. • Airport, transit and landing fees and security charges, along with other costs airlines must pay to ensure air traffic security, may increase further. • Regulations on passenger compensation could significantly increase costs. • The inclusion of aviation in the EU emissions trading scheme could increase costs and the countries opposed to the inclusion of international aviation in the emissions trading scheme could impose trade or other sanctions against the EU and EU air carriers. If carriers from such countries are not included in the EU emissions trading scheme, this may result in a competitive disadvantage to Air Berlin. Any of these factors could have a material adverse effect on Air Berlin's business. • Airlines are dependent on third-party service and facility providers. **Risks relating to Air Berlin** • Air Berlin has set up efficiency improvement and restructuring programmes the implementation of which may not be successful which could have a material adverse effect on Air Berlin's business, financial condition and results of operations. • Air Berlin relies on maintaining high aircraft utilisation rates to maximise its revenue, which makes Air Berlin vulnerable to delays. • Air Berlin will require future financing for payments of confirmed aircraft orders and refinancing of existing indebtedness. Whether Air Berlin will be able to borrow the necessary funds at suitable terms depends on a number of factors, including prevailing interest rates, conditions in the capital markets, and Air Berlin's creditworthiness. Obtaining financing could become more difficult or more expensive, or could prove impossible. All of the above factors could have a material adverse effect on Air Berlin's business, financial condition and results of operations. • In addition to other high fixed costs (such as fuel costs and the costs for the use of the airport infrastructure), Air Berlin has significant financing costs for its outstanding indebtedness under its lease contracts and the interest payments under its outstanding bonds including the Notes. If Air Berlin is not able to generate sufficient revenues to meet its fixed costs obligations, this would have a material adverse affect on Air Berlin's financial conditions. • Air Berlin may be significantly affected by any continuing delays in opening the airport Berlin Brandenburg (BER) or by any difficulties in operating it. As the Berlin airport is Air Berlin's main hub, the adverse consequences of such delays or difficulties are likely to have a particularly

Element	Description of Element	Disclosure requirement
		strong adverse effect on Air Berlin compared to its competitors. • After the carve-out of its frequent flyer programme topbonus, Air Berlin is dependent upon topbonus management to develop and maintain an attractive frequent flyer programme. Should such programme not be so developed or maintained as anticipated, it could have an adverse effect on the ability of Air Berlin to obtain or retain customer loyalty. • Air Berlin is dependent on cooperative relations with its employees and employee representatives. • Air Berlin depends on the uninterrupted operation of its own and third-party automated systems and technology. • Air Berlin is subject to risks associated with fluctuations in aviation fuel supply and prices, interest rates and currency exchange rates. The existing tax exemption for aviation fuel could be repealed. • Route planning is subject to uncertainties due to costs involved in planning new routes on which the passenger load factors initially tend to be lower than those on established routes. Investments in new routes may not be successful and the route network may need to be restructured. • Air Berlin's operations and investor confidence are dependent on its key management. The departure of, or significant change in, Air Berlin's management could result in a significant loss of expertise and in investors losing confidence in Air Berlin and could have a material adverse effect on Air Berlin's business, financial condition and results of operations. • Air Berlin's revenue and profits are subject to seasonal fluctuations. The level of Air Berlin's aircraft utilisation and profitability fluctuates during the year, with the majority of its profits being generated in the summer season. When flight cancellations and other factors that adversely affect aircraft utilisation occur, especially during the summer season, they may have a particularly strong adverse effect on Air Berlin's business, financial condition and results of operations. • Air Berlin is dependent on the German market. Air Berlin's business is likely to be adversely affected by any circumstance causing a reduction in demand or change in competitive behaviour with respect to air transportation services involving German destinations, including, but not limited to, adverse changes in local economic conditions. • Air Berlin is dependent on a number of lessors for its leased aircraft and a limited number of financial institutions for its future aircraft financing commitments. Should any internal or external events occur which affect an aircraft lessor's ability to perform its obligations under its leases, the availability of aircraft leased from such lessor, and consequently Air Berlin's operations, could be negatively affected. Furthermore, Air Berlin is dependent on financing and leasing commitments from a limited number of institutions to finance aircraft purchases. Should any of these institutions fail to honour its commitment, this could have a material adverse effect on Air Berlin's operations and financial condition.
D.3	**Information on the key risks of the securities**	• The Notes may not be a suitable investment for all investors and each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. • An investment in the Notes is subject to market price, interest rate and inflation risks. The market price of the Notes depends on various factors, such as changes of the creditworthiness of the Issuer, interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the Notes. Disadvantageous changes to such factors may adversely affect the value of the Notes. • Payments under the Notes may be subject to withholding tax risk in connection with the EU Savings Directive. • There may be no liquid secondary market for the Notes and Noteholders

Element	Description of Element	Disclosure requirement
		may not be able to sell the Notes in the secondary market. • If the Issuer would be obliged to pay additional amounts in respect of any Notes due to any withholding tax or similar duty in respect of the Notes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions. Noteholders may be exposed to risks connected to the reinvestment of cash proceeds from the sale or early redemption of any Note. It may, in particular, not be possible for Noteholders to reinvest the redemption proceeds in investments with a yield and risk structure similar to the yield and risk structure of the Notes. • When the Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. • The Terms and Conditions provide that the Noteholders may agree to amendments to the Terms and Conditions by majority vote in accordance with the German Bond Act (*Schuldverschreibungsgesetz*) in meetings or without a meeting. A Noteholder is therefore subject to the risk of being outvoted and of losing rights towards the Issuer against its will. • The Terms and Conditions provide for a right of the Issuer to substitute the Issuer by a Substitute Debtor. If the Issuer exercises such substitution right, the substitution may, for German tax purposes, be treated as an exchange of the original Notes for new notes for Noteholders subject to German taxation. In this case, any gain from such exchange would be subject to tax and the Noteholders might not be able to enforce their right to indemnification against the Issuer and the Substitute Debtor. • The Terms and Conditions are based on German law in effect as at the issue date the Notes. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the issue date.

Section E – Offer

Element	Description of Element	Disclosure requirement
E.2b	**Reasons for the offer and use of proceeds**	**Reasons for the offer** Not applicable, this Prospectus serves for listing purposes only. **Use of proceeds** The Issuer intends to use the net proceeds for general corporate purposes.
E.3	**Terms and conditions of the offer**	Not applicable. This Prospectus serves for listing purposes only.
E.4	**Material interests (including conflicting interests) in the issue**	The Lead Manager was entitled to customary fees, partly depending on the success of the issuance of the Notes. Furthermore, the auditors of the Issuer and legal advisors were entitled to customary fees. The Lead Manager and its affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking (including lending) and investment banking services for the Issuer and its affiliates, for which they have received and/or will receive fees and expenses. Besides the disclosed interests above, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.
E.7	**Estimated expenses**	Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any investor.

SUMMARY (GERMAN TRANSLATION)

ZUSAMMENFASSUNG

Zusammenfassungen bestehen aus Informationsblöcken, die als "Angaben" bezeichnet werden. Diese Angaben sind in Abschnitten A-E (A.1 – E.7) nummeriert.

Diese Zusammenfassung enthält alle Angaben, die für eine Zusammenfassung für diese Art von Wertpapier und diese Emittentin erforderlich sind. Da einige Angaben nicht aufgenommen werden müssen, kann die Nummerierung Lücken enthalten.

Auch wenn eine Angabe für diese Art von Wertpapier und diese Emittentin in diese Zusammenfassung aufgenommen werden muss, kann es sein, dass keine relevanten Informationen zur Verfügung stehen. In diesem Fall wird eine kurze Beschreibung der geforderten Angabe mit dem Hinweis "entfällt" in die Zusammenfassung aufgenommen.

Abschnitt A – Einleitung und Warnhinweise

Punkt	Beschreibung	Geforderte Angaben
A.1	**Warnhinweise**	Die Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Ein Anleger sollte bei jeder Entscheidung, in die Schuldverschreibungen zu investieren, sich auf den Prospekt als Ganzes stützen. Ein Anleger, der wegen der in dem Prospekt enthaltenen Angaben Klage einreichen will, muss möglicherweise nach den nationalen Rechtsvorschriften seines Mitgliedstaats zum Vertrag über den Europäischen Wirtschaftsraum (EWR) für die Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann. Anleger sollten beachten, dass zivilrechtlich nur diejenigen Personen haften, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung verglichen mit den anderen Teilen des Prospekts irreführend, unrichtig oder inkohärent ist oder verglichen mit den anderen Teilen des Prospekts wesentliche Angaben, die in Bezug auf Anlagen in die Schuldverschreibungen für die Anleger eine Entscheidungshilfe darstellen, vermissen lassen.
A.2	**Zustimmung zur Verwendung des Prospekts**	Entfällt; Air Berlin erteilt keine Zustimmung zur Verwendung dieses Prospekts für ein Angebot oder einen Verkauf der Schuldverschreibungen. Dieser Prospekt dient ausschließlich der Börsenzulassung der Schuldverschreibungen und stellt weder ein Angebot zum Kauf, zur Zeichnung oder zum Verkauf der Schuldverschreibungen dar noch darf er hierfür verwendet werden. Es werden keine Schuldverschreibungen aufgrund dieses Prospekts angeboten oder verkauft.

Abschnitt B — Emittent

Punkt	Beschreibung	Geforderte Angaben
B.1	**Gesetzliche und kommerzielle Bezeichnung des Emittenten**	Air Berlin PLC
B.2	**Sitz, Rechtsform, geltendes Recht und Land der Gründung**	Air Berlin PLC (**Air Berlin**) ist eine Aktiengesellschaft nach dem Recht von England und Wales und als solche unter der Nummer 5643814 im englischen Handelsregister eingetragen. Der Sitz der Air Berlin lautet The Hour House, 32 Hight Street, Rickmansworth, WD3 1ER, und die Telefonnummer lautet +49(0) 30 3434 1500.
B.4b	**Bereits bekannte Trends, die sich auf**	Gemäß dem "Financial Forecast"-Bericht der International Air Transport Association (IATA) vom Dezember 2012 werden die Gewinne europäischer Flugli-

Punkt	Beschreibung	Geforderte Angaben
	den Emittenten und die Branchen, in denen er tätig ist, auswirken	nien aufgrund hoher Treibstoffpreise und den Auswirkungen der unsicheren wirtschaftlichen Situation voraussichtlich von US$ 0,4 Milliarden in 2011 auf US$ 0,0 Milliarden in 2012 sinken. IATA sagt voraus, dass die Nettogewinne globaler, kommerziell agierender Fluglinien in 2013 steigen werden, wobei jedoch die europäischen Fluglinien, deren Heimatmärkte durch die Krise der Eurozone geschwächt sind, aufgrund der schwachen Wirtschaftslage voraussichtlich dasselbe finanzielle Ergebnis erreichen werden wie im Jahr 2012, sie mithin also keine Nettogewinne erzielen werden. Für Air Berlin war das Geshäftsjahr 2012 durch das schwierige wirtschaftliche Umfeld gekennzeichnet, das eine Folge der Krise der Eurozone, hoher Treibstoffpreise und außergewöhnlicher Kosten wie der deutschen Luftverkehrssteuer und der mit den wiederholten Verzögerungen bei der Eröffnung des Flughafens Berlin Brandenburg (BER) verbundenen Kosten ist. In den ersten neun Monaten des Jahres 2012 wurden insgesamt 26,3 Millionen Passagiere befördert (verglichen mit 27,7 Millionen in den ersten neun Monaten des Jahres 2011). Air Berlin erreichte in den ersten neun Monaten von 2012 verkaufte Sitzplatzkilometer in Höhe von 38,43 Milliarden im Vergleich zu 40,56 verkauften Sitzplatzkilometern in den ersten neuen Monaten des Jahres 2011, was einem Rückgang von 5,3 % entspricht. Der Umsatz in den ersten neun Monaten von 2012 betrug € 3,343 Milliarden verglichen mit € 3,273 Milliarden in den ersten neun Monaten des Jahres 2011. Im Bereich der Kosten machte die Luftverkehrssteuer in den ersten neuen Monaten von 2012 einen Betrag von € 120,6 Millionen aus. Der Preiswettbewerb erschwerte es sehr erheblich, diese Kosten auf Kunden überzuwälzen. Die fortdauernd hohen Treibstoffpreise in Kombination mit einem ungünstigen USD/EUR-Wechselkurs hatte ebenfalls negative Auswirkungen: in den ersten neun Monaten in 2012 war Treibstoff ca. 12,4 % teurer als im entsprechenden Vorjahreszeitraum. Da Air Berlin die übrigen Ausgaben wirksam reduziert hat, verbesserte sich das operative Ergebnis vor Abschreibungen und Leasingaufwand (EBITDAR) im Neunmonatszeitraum 2012 um 12,7% bzw. € 48,9 Millionen. Zudem verringerte sich der operative Verlust auf EBIT-Ebene von € 123,7 Millionen in den ersten neun Monaten des Jahres 2011 auf € 77,5 Millionen im Neunmonatszeitraum 2012. Nach Steueraufwendungen von € 23,5 Millionen (angepasst wie nachstehend in Abschnitt B.12 unter „Änderung des Jahres- und Konzernabschlusses 2011 und Neubewertung der Anerkennung von aktivierten latenten Steuern" beschrieben; zuvor berichtet: Steuererträge von € 32,2 Millionen) betrug das Nettoergebnis im Neunmonatszeitraum 2012 € -158,3 Millionen (angepasst, zuvor berichtet: € -102,5 Millionen) verglichen mit dem für den Vorjahreszeitraum berichteten Nettoergebnis in Höhe von € -134,3 Millionen (nach Steuerträgen von 63,7 Millionen). Als Reaktion auf eine schwächer werdende Nachfrage in Europa und um zur Profitabilität zurückzukehren, hat Air Berlin das Restrukturierungsprogramm „Turbine" gestartet
B.5	**Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe**	Air Berlin ist die Muttergesellschaft einer Unternehmensgruppe, die die zweitgrößte Fluggesellschaft Deutschlands und zugleich die sechstgrößte Fluggesellschaft Europas, jeweils in Bezug auf Passagierzahlen, bildet.
B.9	**Gewinnprognosen oder -schätzungen**	Entfällt; es wird keine Gewinnprognose oder -schätzung abgegeben.
B.10	**Art etwaiger Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen**	Entfällt; KPMG Audit Plc hat in Bezug auf die Konzernabschlüsse der Air Berlin PLC und ihrer Tochtergesellschaften für die am 31. Dezember 2010 und 31. Dezember 2011 endenden Geschäftsjahre uneingeschränkte Bestätigungsvermerke erteilt.

B.12	**Ausgewählte wesentliche historische Finanzinformationen (**Bezugnahmen auf die „Gesellschaft“ sind als Bezugnahmen auf die Emittentin zu lesen)

Die nachstehende tabellarische Übersicht ist zusammen mit dem unterhalb der Tabelle dargestellten Absatz mit der Überschrift „Änderung des Jahres- und Konzernabschlusses 2011 und Anerkennung von aktivierten latenten Steuern“ zu lesen.

	Neunmonatszeitraum bis zum 30. September			**Geschäftsjahr bis zum 31. Dezember**		
	2012 (nicht testiert) angepasst €000	2012 (nicht testiert) berichtet €000	2011 (nicht testiert) berichtet €000	2011 (derzeit nicht testiert) angepasst €000	2011 (testiert) berichtet €000	2010 (testiert) berichtet €000
Gewinn- und Verlustrechnung:						
Umsatzerlöse	3.343.243	3.343.243	3.273.314	4.227.318	4.227.318	3.723.578
Sonstige betriebliche Erträge	56.132	56.132	5.891	10.113	10.113	53.775
Materialaufwand und bezogene Leistungen	(2.574.743)	(2.574.743)	(2.525.543)	(3.304.535)	(3.304.535)	(2.677.515)
Personalaufwand	(369.507)	(369.507)	(352.393)	(475.444)	(475.444)	(471.771)
Abschreibungen	(55.145)	(55.145)	(63.019)	(85.943)	(85.943)	(92.761)
Sonstige betriebliche Aufwendungen	(477.474)	(477.474)	(461.946)	(618.534)	(618.534)	(544.647)
Betriebliche Aufwendungen	(3.476.869)	(3.476.869)	(3.402.901)	(4.484.456)	(4.484.456)	(3.786.694)
Betriebsergebnis	(77.494)	(77.494)	(123.696)	(247.025)	(247.025)	(9.341)
Finanzaufwendungen	(55.332)	(55.332)	(51.930)	(82.715)	(82.715)	(115.425)
Finanzerträge	877	877	7.689	9.804	9.804	6.806
Gewinne/ (Verluste) aus Fremdwährungen und derivativen Finanzinstrumenten, netto	(3.074)	(3.074)	(30.109)	(39.007)	(39.007)	(24.720)
Finanzergebnis, netto	(57.529)	(57.529)	(74.350)	(111.918)	(111.918)	(133.339)

	Neunmonatszeitraum bis zum 30. September			Geschäftsjahr bis zum 31. Dezember		
	2012 (nicht testiert) angepasst	2012 (nicht testiert) berichtet	2011 (nicht testiert) berichtet	2011 (derzeit nicht testiert) angepasst	2011 (testiert) berichtet	2010 (testiert) berichtet
Erträge/(Aufwendungen) aus assoziierten Unternehmen, nach Steuern	247	247	97	97	97	1.057
Verlust vor Steuern	(134.776)	(134.776)	(197.949)	(358.846)	(358.846)	(141.623)
Ertragssteuern	(23,490)	32.245	63.696	(61,550)	87.008	44.464
Verlust nach Ertragssteuern – den Eigentümern der Gesellschaft zuzurechnen	(158,266)	(102.531)	(134.253)	(420,396)	(271.838)	(97.159)

	Zum 30. September		Zum 31. December		
	2012 (nicht testiert) angepasst	2012 (nicht testiert) berichtet	2011 (derzeit nicht testiert) angepasst	2011 (testiert) berichtet	2010 (testiert) berichtet
	€000	€000	€000	€000	€000
Bilanz:					
Aktiva					
Langfristige Vermögenswerte					
Immaterielle Vermögenswerte	420.395	420.395	396.008	396.008	387.420
Sachanlagen	602.433	602.433	818.915	818.915	887.664
Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	79.354	79.354	79.188	79.188	157.657
Latente Steueransprüche	0	194.041	0	138.306	51.283
Positiver Marktwert von Derivaten	493	493	0	0	6.448
Marktwert des Planvermögens, netto	3.026	3.026	2.206	2.206	0
Rechnungsabgrenzungen	49.149	49.149	53.112	53.112	33.997
Equity Beteiligungen	4.847	4.847	184	184	405
Langfristige Vermögenswerte	1,159,697	1.353.738	1.349.613	1.487.919	1.524.874
Kurzfristige Vermögenswerte					
Vorräte	53.496	53.496	45.524	45.524	42.890
Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	523.713	523.713	375.122	375.122	298.570
Positiver Marktwert von Derivaten	39.589	39.589	73.187	73.187	53.662
Rechnungsabgrenzungen	50.856	50.856	42.598	42.598	39.030
Zur Veräußerung gehaltene Vermögenswerte	145.155	145.155	0	0	0
Bankguthaben und Kassenbestände	218.482	218.482	239.607	239.607	411.093
Kurzfristige Vermögenswerte	1.031.291	1.031.291	776.038	776.038	845.245
Bilanzsumme	2,190,988	2.385.029	2.125.651	2.263.957	2.370.119
Passiva					
Eigenkapital					
Gezeichnetes Kapital	29.273	29.273	21.379	21.379	21.379

	Zum 30. September		Zum 31. December		
	2012 (nicht testiert)	2012 (nicht testiert)	2011 (derzeit nicht testiert)	2011 (testiert)	2010 (testiert)
	angepasst	berichtet	angepasst	berichtet	berichtet
Kapitalrücklage	435.085	435.085	373.923	373.923	373.923
Eigenkapitalkomponente der Wandelanleihe	597	597	1.343	1.343	21.220
Sonstige Rücklagen	217.056	217.056	217.056	217.056	217.056
Gewinnrücklage und Jahresergebnis	(711.741)	(507.448)	(554.221)	(405.663)	(153.242)
Marktbewertung der Sicherungsinstrumente, nach Steuern	8.337	8.337	42.762	42.762	23.163
Ausgleichsposten aus Währungsdifferenzen	3.441	3.441	2.939	2.939	1.837
Gesamtes Eigenkapital – den Eigentümern der Gesellschaft zuzurechnen	(17.952)	186.341	105.181	253.739	505.336
Langfristige Verbindlichkeiten					
Finanzschulden aus Flugzeugfinanzierungen	295.740	295.740	471.775	471.775	439.782
Finanzschulden	616.964	616.964	470.193	470.193	370.886
Rückstellungen	6.548	6.548	7.161	7.161	8.090
Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten	66.847	66.847	55.922	55.922	73.261
Latente Steuerverbindlichkeiten	32.856	22.604	39,700	29.448	26.733
Negativer Marktwert von Derivaten	1.074	1.074	11,021	11.021	25.913
Langfristige Verbindlichkeiten	1.020.029	1.009.777	1,055,772	1.045.520	944.665
Kurzfristige Verbindlichkeiten					
Finanzschulden aus Flugzeugfinanzierungen	147.420	147.420	53.123	53.123	79.617
Finanzschulden	11.561	11.561	57.504	57.504	10.056
Ertragsteuerverbindlichkeiten	3.916	3.916	2.726	2.726	10.616
Rückstellungen	2.050	2.050	2.525	2.525	3.282
Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten	545.340	545.340	423.421	423.421	394.635
Negativer Marktwert von Derivaten	36.012	36.012	17.521	17.521	25.166
Rechnungsabgrenzungen	60.393	60.393	72.619	72.619	75.223
Erhaltene Anzahlungen	382.219	382.219	335.259	335.259	321.523
Kurzfristige Verbindlichkeiten	1.188.911	1.188.911	964.698	964.698	920.118
Bilanzsumme	2,190,988	2.385.029	2,125,651	2.263.957	2.370.119

ÄnderungNeufassung des Jahres- und Konzernabschlusses 2011 und Neubewertung der Anerkennung von aktivierten latenten Steuern

Die Deutsche Prüfstelle für Rechnungslegung DPR e.V. hat in einem Auskunfts- und Vorlageersuchen Informationen zur Bewertung von aktivierten latenten Steuern im Konzernzwischenbericht zum 30. Juni 2012 angefordert. Vor dem Hintergrund der mit der Deutschen Prüfstelle für Rechnungslegung DPR e.V. während des Prüfverfahrens geführten Diskussionen über die Bewertung der aktivierten latenten Steuern hat Air Berlin beschlossen, die Anerkennung von aktivierten latenten Steuern zum 31. Dezember 2011 rückwirkend neu zu bewerten. Aufgrund der rückwirkenden Wertberichtigung der aktivierten latenten Steuern hat Air Berlin das Nettoergebnis im Geschäftsjahr 2011 in Höhe von € -271,8 Millionen um € -148,6 Millionen auf nunmehr € -420,4 Millionen berichtigt. Mit der Wertberichtigung wurde das zum 31.12.2011 ausgewiesene Eigenkapital von € 253,7 Millionen auf € 105,2 Millionen reduziert.

Darüber hinaus wurden in den ersten neun Monaten des Geschäftsjahres 2012 die aktivierten latenten Steuern ebenfalls rückwirkend wertberichtigt. Dies führt zu einer Berichtigung des zum 30. September 2012 ausgewiesenen Nettoergebnisses in Höhe von € 102,5 Millionen auf € -158,3 Millionen und zu einer Reduzierung des zum 30. September 2012 ausgewiesenen Eigenkapitals in Höhe von € 186.3 Millionen auf ein berichtigtes Eigenkapital in Höhe von € -18 Millionen.

	Eine Erklärung, dass sich die Aussichten des Emittenten seit dem	Seit dem 31. Dezember 2011 sind keine wesentlichen nachteiligen Veränderungen in den Aussichten der Air Berlin PLC eingetreten.

	Datum des letzten veröffentlichten geprüften Abschlusses nicht wesentlich verschlechtert haben oder eine Beschreibung jeder wesentlichen Verschlechterung	
	Eine Beschreibung wesentlicher Veränderungen bei der Finanzlage oder Handelsposition des Emittenten, die nach den von dem historischen Finanzinformationen abgedeckten Zeitraum eingetreten sind	Am 18. Dezember 2012 haben die Air Berlin PLC & Co. Luftverkehrs KG und Etihad Airport Services L.L.C. vereinbart, dass Air Berlin's Vielfliegerprogramm "topbonus" aus der Air Berlin ausgegliedert und von der Topbonus Ltd., einer Gesellschaft mit Hauptverwaltung in Berlin, betrieben werden soll, an der Etihad Airport Services L.L.C. eine Mehrheitsbeteiligung von 70% und Air Berlin eine Beteiligung von 30% halten. Topbonus Ltd. soll auf der Grundlage einer geschäftlichen Vereinbarung mit Air Berlin den Betrieb des Vielfliegerprogramms fortsetzen und dieses weiterentwickeln. Air Berlin besitzt das Recht, 10% der Anteile an Topbonus Ltd. von der Etihad Airport Services L.L.C. zu erwerben. Aufgrund dieser Transaction, die am 19. Dezember 2012 abgeschlossen wurde, hat Air Berlin Erlöse in Höhe von € 184,4 Millionen erzielt. Mit Ausnahme des Vorstehenden gibt es keine bedeutsame Veränderung in der Finanz- oder Geschäftslage der Air Berlin PLC seit dem 30. September 2012.
B.13	**Letzte Entwicklungen**	Am 24. Januar 2012 ist Etihad Airways im Rahmen einer Kapitalerhöhung auf der Grundlage einer Vereinbarung zwischen Etihad Airways und Air Berlin vom 19. Dezember 2011 der größte Einzelaktionär der Air Berlin geworden. Etihad Airways hält nunmehr Aktien mit einem Stimmrechtsanteil von 29,21 %. Air Berlin hat ca. € 73 Millionen für die 31.574.312 Aktien erhalten, die im Hinblick auf die Kapitalerhöhung begeben wurden, was einem Preis von € 2,31 pro Aktie entspricht. Im Zusammenhang mit dem Erwerb der neuen Aktien, hat Etihad Airways zudem Finanzierungsfazilitäten mit fünfjähriger Laufzeit in Höhe von bis zu USD 255 Millionen bereitgestellt, um die Entwicklung der Flotte und das zukünftige Wachstum des Netzwerks zu unterstützen. Mit Wirkung zum 20. März 2012 ist Air Berlin der globalen Fluglinienallianz oneworld® beigetreten. Zugleich ist die österreichische Fluglinie NIKI, ebenfalls ein Mitglied der Air Berlin-Gruppe, oneworld® als verbundenes Mitglied beigetreten. Am 18. Dezember 2012 haben die Air Berlin PLC & Co. Luftverkehrs KG und Etihad Airport Services L.L.C. vereinbart, dass Air Berlin's Vielfliegerprogramm „topbonus" aus der Air Berlin ausgegliedert und von der Topbonus Ltd., einer Gesellschaft mit Hauptverwaltung in Berlin, betrieben werden soll, an der Etihad Airport Services L.L.C. eine Mehrheitsbeteiligung von 70% und Air Berlin eine Beteiligung von 30 % halten. Topbonus Ltd. soll auf der Grundlage einer geschäftlichen Vereinbarung mit Air Berlin den Betrieb des Vielfliegerprogramms fortsetzen und dieses weiterentwickeln. Air Berlin besitzt das Recht, 10 % der Anteile an Topbonus Ltd. von der Etihad Airport Services L.L.C. zu erwerben. Aufgrund dieser Transaktion, die am 19. Dezember 2012 abgeschlossen wurde, hat Air Berlin Erlöse in Höhe von € 184,4 Millionen erzielt. Mit Wirkung zum 7. Januar 2013 ist Hartmut Mehdorn als CEO der Air Berlin PLC zurückgetreten. Sein Nachfolger ist Wolfgang Prock-Schauer. Am 15. Januar 2013 hat Air Berlin ihr auf zwei Jahre angelegtes Restrukturierungsprogramm "Turbine" gestartet, das die einfachste und kosteneffizienteste Organisation und noch schlankere Prozesse einführen soll, um die Betriebsleistung zu verbessern und nachhaltige Profitabilität zu erreichen. Das „Turbine"-Programm wird weitere Anpassungen an das Routennetzwerk und eine weitere Reduzierung von Flügen und der Flugfrequenz sowie eine Reduzierung der Flotte auf 142 Flugzeuge und das Streichen von ca. 900 Arbeitsplätzen beinhalten.
B.14	**Angabe zur Abhängigkeit von anderen Unternehmen innerhalb**	Die Emittentin ist als Konzernobergesellschaft abhängig von dem wirtschaftlichen Ergebnis ihrer Tochtergesellschaften, insbesondere der Air Berlin PLC & Co. Luftverkehrs KG.

	der Gruppe	
B.15	**Beschreibung der Haupttätigkeiten des Emittenten**	Air Berlin ist die Muttergesellschaft einer Luftverkehrs-Unternehmensgruppe, deren wichtigste operative Gesellschaft die Air Berlin PLC & Co. Luftverkehrs KG ist. Air Berlin bietet auf zahlreichen Kurz-, Mittel- und Langstrecken Linienflüge an. Zum 30. September 2012 bot Air Berlin 170 Inlandsflugziele und internationale Flugziele in 45 Ländern an. Insgesamt flog Air Berlin 144 Flughäfen in Europa (einschließlich der Flughäfen in der Türkei), 91 in Nordafrika und weitere 17 Flughäfen in Afrika, Nordamerika, der Karibik und Asien an. Zum 31. Dezember 2012 flog Air Berlin zu 179 Flugzielen im In- und Ausland in 46 Ländern, davon 144 Flugziele in Europa (einschließlich der Flugziele in der Türkei), 91 in Nordafrika und weitere 26 Flugziele in Afrika, Nordamerika, der Karibik und Asien. Air Berlins europäische Ziele liegen hauptsächlich in oder in der Nähe von wichtigen europäischen Städten, die Ziele von Urlaubs- und Geschäftsreisenden zugleich sind. Hauptwettbewerber von Air Berlin sind easyJet in Europa und im deutschen Markt Lufthansa.
B.16	**Beteiligung; Beherrschungsverhält-nis**	Entfällt. Die Emittentin wird nach ihrer Kenntnis nicht von einer anderen Gesellschaft kontrolliert.
B.17	**Kreditratings des Emittenten oder seiner Schuldtitel**	Entfällt. Für die Emittentin und ihre Schuldverschreibungen wurde kein Rating erstellt.

Abschnitt C – Wertpapiere

Punkt	**Beschreibung**	**Geforderte Angaben**
C.1	**Gattung und Art der zum Handel zuzulassenden Wertpapiere, einschließlich der Wertpapier-kennnummer**	Bei den deutschem Recht unterliegenden Schuldverschreibungen handelt es sich um Inhaberschuldverschreibungen, die unbesichert und nicht nachrangig sind. Die Schuldverschreibungen stellen eine Aufstockung der von der Emittentin am 1. November 2011 begebenen und im Jahr 2014 fälligen ausstehenden € 100.000.000 11,5 % Fixed Rate Notes dar, die zur *Official List* und zum Handel am regulierten Markt (*Main Securities Market*) der Irischen Börse (*Irish Stock Exchange*) zugelassen und in den Handel im Freiverkehr der Frankfurter Wertpapierbörse und in das Bondm Handelssegment des Freiverkehrs der Baden-Württembergischer Börse in Stuttgart einbezogen sind (die **Bestehenden Schuldverschreibungen**). Den Schuldverschreibungen sind zunächst die folgenden Wertpapierkennnummern zugeteilt worden: ISIN DE000AB100D0, WKN AB100D. Diese anfängliche ISIN und WKN sind vorübergehende Kennnummern, die für die Schuldverschreibungen nur solange gelten, bis die Schuldverschreibungen mit den Bestehenden Schuldverschreibungen am bzw. um den 25. Februar 2013 fungibel geworden sind. Nachdem sie mit den Bestehenden Schuldverschreibungen am bzw. um den 25. Februar 2013 fungibel geworden sind, werden die ISIN und die WKN der Schuldverschreibungen auf die ISIN DE000AB100C2 und die WKN AB100C der Bestehenden Schuldverschreibungen übertragen.
C.2	**Währung der Wertpapieremission**	Die Schuldverschreibungen lauten auf Euro.
C.5	**Beschränkungen für die freie Übertragbarkeit**	Entfällt. Die Schuldverschreibungen sind frei übertragbar.
C.8	**Rechte, die mit den Wertpapieren verbunden sind/ Rangordnung/ Beschränkungen der Rechte**	**Allgemeine Beschreibung der Schuldverschreibungen** Bei den Schuldverschreibungen handelt es sich um festverzinsliche Schuldverschreibungen, die den Schuldverschreibungsgläubigern einen Anspruch auf Zinszahlungen sowie auf Rückzahlung des Kapitals bei Fälligkeit gewähren. **Status der Schuldverschreibungen** Die Schuldverschreibungen stellen direkte, unbedingte, nicht nachrangige und (vorbehaltlich der Bestimmungen der Negativverpflichtung) unbesicherte Verbindlichkeiten der Emittentin dar und sind untereinander sowie (mit Ausnahme bestimmter Verpflichtungen, die kraft Gesetzes vorrangig zu bedienen sind) mit allen anderen, jeweils ausstehenden unbesicherten Verbindlichkeiten (mit

Punkt	Beschreibung	Geforderte Angaben
		Ausnahme etwaiger nachrangiger Verbindlichkeiten) der Emittentin gleichrangig. **Negativverpflichtung der Emittentin** Die Emissionsbedingungen enthalten Bestimmungen zu einer Negativverpflichtung der Emittentin. **Quellensteuer und zusätzliche Beträge** Vorbehaltlich ihres Rechts zur Kündigung aus steuerlichen Gründen wird die Emittentin diejenigen zusätzlichen Beträge zahlen, die erforderlich sind, um sicherzustellen, dass die von jedem Schuldverschreibungsgläubiger in Bezug auf die Schuldverschreibungen vereinnahmte Nettozahlung nach Einbehalt in Bezug auf Steuern, die von den zuständigen Steuerbehörden auf Zahlungen erhoben werden, die von bzw. für die Emittentin in Bezug auf die Schuldverschreibungen geleistet werden, dem Betrag entspricht, der bei Nichterhebung dieser Quellensteuer vorbehaltlich der üblichen Ausnahmeregelungen vom Schuldverschreibungsgläubiger vereinnahmt worden wäre. **Rückzahlung** Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen am Fälligkeitstag zu ihrem Nennbetrag zurückgezahlt. Die Schuldverschreibungen können nicht vor dem Fälligkeitstag zurückgezahlt werden (mit Ausnahme einer Rückzahlung aus steuerlichen Gründen oder bei Vorliegen eines die Schuldverschreibungsgläubiger zur sofortigen Kündigung berechtigenden Kündigungsgrunds oder eines Kontrollwechsels). **Rückzahlungsrecht der Emittentin aus steuerlichen Gründen** Falls infolge einer Änderung oder Ergänzung der auf die Emittentin anwendbaren Steuergesetze oder Vorschriften bestimmte Quellensteuern auf Zahlungen von Kapital- oder Zinsbeträgen in Bezug auf die Schuldverschreibungen erhoben werden und die Emittentin verpflichtet ist, Zusätzliche Beträge (wie in § 7 der Emissionsbedingungen definiert) zu zahlen, kann die Emittentin die Schuldverschreibungen ganz, aber nicht teilweise zurückzahlen (§ 5 Absatz 2 der Emissionsbedingungen). **Kündigungsgründe, die die Schuldverschreibungsgläubiger zur Kündigung berechtigen** Die Emissionsbedingungen sehen Kündigungsgründe vor, die die Schuldverschreibungsgläubiger zur sofortigen Kündigung berechtigen. Zu diesen Kündigungsgründe gehören unter anderem eine 15 Tage andauernde Nichtzahlung von Kapital oder Zinsen, die Verletzung sonstiger Verpflichtungen aus den Schuldverschreibungen (sofern diese Verletzung nicht innerhalb von 60 Tagen geheilt wird), die Nichterfüllung bestimmter weiterer Zahlungsverpflichtungen durch die Emittentin oder eine Tochtergesellschaft sowie bestimmte Ereignisse im Zusammenhang mit einer Insolvenz oder Abwicklung der Emittentin oder einer Tochtergesellschaft (§ 9 der Emissionsbedingungen). **Kontrollwechsel** Die Emissionsbedingungen enthalten eine Kontrollwechselbestimmung, in welcher die Emittentin den Schuldverschreibungsgläubiger das Recht einräumt, die Schuldverschreibungen im Fall eines Kontrollwechsels kündigen zu können. **Beschlüsse der Schuldverschreibungsläubiger** Die Emissionsbedingungen der Schuldverschreibungen enthalten Bestimmungen zu Beschlüssen der Schuldverschreibungsgläubiger gemäß dem deutschen Schuldverschreibungsgesetz. Gemäß diesen Bestimmungen kann ein Mehrheitsbeschluss für alle Schuldverschreibungsgläubiger bindend sein, auch für Schuldverschreibungsgläubiger, die ihr Stimmrecht nicht ausgeübt haben oder die nicht mit der Mehrheit gestimmt haben.

Punkt	Beschreibung	Geforderte Angaben
C.9	Bitte siehe Punkt C.8	
	Zinssatz/Fälligkeitstermine/Rendite/Name des Vertreters der Schuldverschreibungsinhaber	**Zinsen** Die Schuldverschreibungen werden vom 1. November 2012 mit einem Festzinssatz von jährlich 11,5 % verzinst. Die Zinsen sind vierteljährlich nachträglich am 1. Februar, 1. Mai, 1. August und 1. November eines jeden Jahres zahlbar. **Fälligkeitstag** 1. November 2014 **Rendite** 11,3933 % p.a. **Name des Vertreters der Schuldverschreibungsinhaber** Entfällt. Es gibt keinen Vetreter der Schuldverschreibungsinhaber.
C.10	**Derivative Komponente bei der Zinszahlung**	Entfällt. Die Schuldverschreibungen sind festverzinslich und weisen daher keine derivative Komponente bei den Zinszahlungen auf.
C.11	**Zulassung der Wertpapiere zum Handel:**	Die Zulassung der Schuldverschreibungen *Official List* und zum Handel am regulierten Markt (*Main Securities Market*) wurde bei der Irischen Börse beantragt. Der Main Securities Market ist ein geregelter Markt im Sinne der Richtlinie 2004/39/EG (**MiFID**). Es wurde zudem beantragt, die Schuldverschreibungen in den Handel im Bondm Handelssegment des Freiverkehrs der Baden-Württembergischen Wertpapierbörse in Stuttgart einzubeziehen. Der Freiverkehr der Baden-Württembergischen Wertpapierbörse ist kein geregelter Markt im Sinne der MiFID.

Abschnitt D – Risiken

Punkt	Beschreibung	Geforderte Angaben
D.2	**Angaben zu den zentralen Risiken des Emittenten**	**Risiken in Bezug auf die Luftfahrtbranche** • Die Bedingungen der Gesamtwirtschaft und der Luftfahrtbranche sind ständigen Veränderungen ausgesetzt und fortdauernd negative oder sich noch weiter verschlechternde wirtschaftliche Bedingungen in Deutschland und anderen Ländern können zu Überkapazitäten bzw. der Zunahme von Überkapazitäten führen und wesentliche negative Auswirkungen auf Air Berlin's Geschäftstätigkeit und Betriebsergebnisse haben. Die Wachstumsaussichten für die Weltwirtschaft haben sich in den vergangenen Monaten beträchtlich verschlechtert, was sich auch auf Deutschland auswirkt, und die Gesamtnachfrage nach Luftbeförderungsdienstleistungen in Deutschland ist durch die Verschlechterung der Lage der Weltwirtschaft negativ beeinträchtigt worden, was sich auch in der Zukunft fortsetzen kann. • Air Berlin's Geschäftstätigkeit ist durch die von der deutschen Bundesregierung erhobene Luftverkehrssteuer erheblich beeinträchtigt. Andere Luftfahrtunternehmen entscheiden sich möglicherweise, die zusätzlichen Kosten ganz oder teilweise selbst zu tragen, während Air Berlin hierzu möglicherweise nicht in der Lage ist. Wenn Air Berlin die zusätzlichen Kosten auf die Passagiere überwälzen muss und daher in einem ohnehin wettbewerbsintensiven Markt die Wettbewerbsfähigkeit leidet oder wenn Air Berlin die Kosten selbst trägt, weil der mit der Luftverkehrssteuer verbundene Kostenanstieg nicht auf die Passagiere übergewälzt werden kann, kann jeder der zuvor genannten Fälle erhebliche negative Auswirkungen auf Air Berlin's Umsatzerlöse und Betriebsergebnisse haben. • In der Luftfahrtbranche herrscht starker Wettbewerb und Air Berlin ist dem Wettbewerb von u.a. Billigfluglinien, angestammten Linienfluggesellschaften, anderen etablierten und kommerziellen und Charterfluglinien, Reisekonzernen mit intergrierten Fluglinien und Marktneulingen ausgesetzt. Dieser Wettbewerb kann weiter zunehmen. Sollten Wettbewerber ih-

Punkt	Beschreibung	Geforderte Angaben
		ren Marktanteil auf Kosten von Air Berlin erhöhen können, können Air Berlin's Geschäftsaussichten und Erträge in erheblichem Umfang negativ beeinträchtigt werden. • Extreme Wetterbedingungen hatten in der Vergangenheit erhebliche negative Auswirkungen auf die Luftfahrtbranche, was auch in Zukunft erneut der Fall sein kann. • Vulkanische Aktivität und andere Naturkatastrophen hatten in der Vergangenheit erhebliche negative Auswirkungen auf die Luftfahrtbranche, was auch in der Zukunft erneut der Fall sein kann. Die Luftfahrtbranche kann auch durch den Ausbruch von Krankheiten oder eine natürliche oder von Menschen verursachte Katastrophe, die sich auf das Reiseverhalten auswirkt, erheblich beeinträchtigt werden. • Terroranschläge, militärische, zivile und politische Konflikte und deren Folgen hatten in der Vergangenheit erhebliche negative Auswirkungen auf die Luftfahrtbranche, was auch in Zukunft erneut der Fall sein kann. • Luftfahrtunternehmen sind dem Risiko von Verlusten aufgrund von Flugzeugunglücken oder ähnlichen Katastrophen ausgesetzt. • Die Luftfahrtbranche ist gekennzeichnet durch hohe Fixkosten (wie die Kosten für die Flughafeninfrastruktur und -dienstleistungen, Start- und Landegebühren sowie Luftverkehrsabgaben, Wartung, Finanzierung, Leasing und Treibstoff sowie Abschreibungen) und Umsatzerlöse, die im allgemeinen eine erheblich größere Schwankungsbreite aufweisen als die Kosten und die von der Anzahl der beförderten Passagiere und der Struktur der Ticketpreise eines Flugs abhängig sind. Dementsprechend kann eine Änderung der Anzahl der Passagiere oder der durchschnittlichen Ticketpreise negative Auswirkungen auf Air Berlin's Finanzlage und Betriebsergebnis haben. Darüber hinaus können Veränderungen des für die Geschäftstätigkeit von Air Berlin maßgeblichen aufsichtsrechtlichen Rahmens, insbesondere hinsichtlich der Sicherheitsanforderungen, die Geschäftstätigkeit von Air Berlin mit erheblich höheren Kosten belasten und sich auf Air Berlin und die Luftfahrtbranche in erheblichem Umfang negativ auswirken. • Die kommerzielle Luftbeförderung von Passagieren und Luftverkehrsrechte sind in erheblichem Umfang reguliert, was zu zusätzlichen Kosten führen kann. • Der Zugang zu Flughäfen kann in der Zukunft beschränkt werden und das Erfüllen von Anforderungen an das Bedienen von Flughäfen kann schwieriger werden, was negative Auswirkungen auf Air Berlin haben kann. So geht Air Berlin davon aus, dass sie Zugang zu einer größeren Zahl von Slots haben wird, wenn der Bau des neuen Flughafens Berlin Brandenburg (BER) abgeschlossen ist. Sollten die Verzögerungen bei der Eröffnung des Flughafens sich fortsetzen, oder sollte der Flughafen Problemen beim Betrieb ausgesetzt sein, kann Air Berlin's Netzwerkbetrieb weitere Schäden erleiden und weiteres Wachstum kann beschränkt sein, was erhebliche negative Auswirkungen auf ihre Geschäftstätigkeit haben kann. • Flughafen, Transit- und Landegebühren sowie Sicherheitsabgaben können zusammen mit anderen, von Fluglinien für die Sicherstellung der Flugverkehrssicherheit zu entrichtenden Kosten weiter steigen. • Vorschriften hinsichtlich der Entschädigung von Passagieren können die Kosten erheblich erhöhen. • Die Einbeziehung der Luftfahrt in den EU-Emissionshandel kann zu einem Kostenanstieg führen und die Länder, die die Einbeziehung der internationalen Luftfahrt in den Emissionshandel ablehnen, können Handels- oder sonstige Beschränkungen gegen die EU und in der EU ansässige Luftverkehrsunternehmen verhängen. Wenn Luftverkehrsunternehmen aus diesen Ländern nicht in den EU-Emissionshandel einbezogen werden, kann dies zu einem Wettbewerbsnachteil für Air Berlin führen, Jeder dieser Faktoren kann erhebliche negative Auswirkungen auf die Geschäftstätigkeit von Air

Punkt	Beschreibung	Geforderte Angaben
		Berlin haben. • Fluglinien sind von externen Dienstleistungs- und Infrastrukturunternehmen abhängig. **Risiken in Bezug auf Air Berlin** • Air Berlin hat ein Effizienzverbesserungs- und Restrukturierungsprogamm aufgesetzt, dessen Umsetzung u.U. nicht erfolgreich sein kann, was erhebliche negative Auswirkungen auf Air Berlin's Geschäftstätigkeit, Finanzlage und Betriebsergebnis haben kann. • Air Berlin setzt auf die Beibehaltung eines hohen Nutzungsgrades der Flugzeuge, um die Umsatzerlöse zu maximieren, was Air Berlin für Verspätungen anfällig macht. • Air Berlin hat zukünftigen Finanzierungsbedarf für fest bestellte Flugzeuge und die Refinanzierung bestehender Verbindlichkeiten. Ob es Air Berlin gelingen wird, die notwendigen Mittel zu angemessenen Konditionen aufzunehmen, hängt von einer Reihe von Faktoren ab, zu denen das allgemeine Zinsumfeld, die Lage an den Kapitalmärkten sowie die Bonität von Air Berlin zählen. Die Aufnahme von Fremdmitteln könnte schwieriger oder teurer werden oder nicht möglich sein. Alle vorgenannten Faktoren könnten erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit und die Vermögens-, Finanz- und Ertragslage von Air Berlin haben. • Neben anderen hohen Fixkosten (wie Treibstoffkosten und Kosten für die Nutzung von Flughafeninfrastrukturen) hat Air Berlin erhebliche Finanzierungskosten für bestehende Verbindlichkeiten aus Leasingverträgen und Zinszahlungen auf bestehende Anleiheverbindlichkeiten einschließlich der Schuldverschreibungen. Sollte es Air Berlin nicht gelingen, ausreichende Umsatzerlöse zu erzielen, um ihre Fixkosten zu decken, hätte dies erhebliche nachteilige Auswirkungen auf die Vermögens-, Finanz- und Ertragslage von Air Berlin. • Air Berlin könnte durch eine anhaltende Verzögerung der Eröffnung des Flughafens Berlin-Brandenburg (BER) oder Probleme beim Betrieb des Flughafens erheblich beeinträchtigt werden. Da der Flughafen das Hauptdrehkreuz von Air Berlin sein soll, werden eine anhaltende Verzögerung der Eröffnung oder Probleme beim Betrieb voraussichtlich eine besonders starke Benachteiligung von Air Berlin im Vergleich zu ihren Wettbewerbern zur Folge haben. • Nach der Ausgliederung ihres Vielfliegerprogramms „topbonus" ist Air Berlin abhängig davon, dass das Management von topbonus ein attraktives Vielfliegerprogramm weiterentwickelt und betreibt. Sollte ein solches Programm nicht so weiterentwickelt oder betrieben werden wie erwartet, kann dies negative Auswirkungen auf die Fähigkeit von Air Berlin, Kundenloyalität zu gewinnen oder zur erhalten, haben. • Air Berlin ist auf kooperative Beziehungen zu ihren Arbeitnehmern und Arbeitnehmervertretern angewiesen. • Air Berlin ist auf den ununterbrochenen Betrieb ihrer eigenen automatisierten Systeme und Technologien sowie der Systeme und Technologien Dritter angewiesen. • Air Berlin ist Risiken im Zusammenhang mit Schwankungen im Angebot von Flugzeugtreibstoff und diesbezüglichen Preisen, Zinssätzen und Wechselkursen ausgesetzt. Die bestehende Steuerbefreiung für Flugzeugtreibstoff könnte entfallen. • Die Flugroutenplanung unterliegt Unsicherheitsfaktoren aufgrund der Kosten, die mit der Planung neuer Flugrouten verbunden sind, auf denen die Sitzladefaktoren anfangs tendenziell niedriger sind als auf etablierten Routen. Eine Investition in neue Flugrouten kann unter Umständen nicht erfolgreich sein und das Flugroutennetz muss gegebenenfalls umstrukturiert

Punkt	Beschreibung	Geforderte Angaben
		werden. • Die Geschäftstätigkeit von Air Berlin und das Anlegervertrauen sind von Personen in Schlüsselpositionen des Managements abhängig. Das Ausscheiden solcher Personen oder eine wesentliche Veränderung im Management von Air Berlin könnten einen erheblichen Verlust an Fachkenntnis und Anlegervertrauen in Air Berlin zur Folge haben und erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit und die Vermögens-, Finanz- und Ertragslage von Air Berlin haben. • Die Umsatzerlöse und der Gewinn von Air Berlin unterliegen saisonalen Schwankungen. Der Nutzungsgrad von Flugzeugen und Rentabilität von Air Berlin schwanken im Laufe des Jahres, wobei der Großteil des Gewinns in den Sommermonaten erzielt wird. Sollten, insbesondere in den Sommermonaten, Flüge annulliert werden und andere für den Nutzungsgrad negative Faktoren eintreten, könnte dies erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit und die Vermögens-, Finanz- und Ertragslage von Air Berlin haben. • Air Berlin ist vom deutschen Markt abhängig. Die Geschäftstätigkeit von Air Berlin wird voraussichtlich durch alles beeinträchtigt, was zu einem Rückgang der Nachfrage oder einer Änderung des Wettbewerbsverhaltens in Bezug auf Flugverkehrsdienstleistungen mit deutschen Flugzielen führt, unter anderem durch eine nachteilige Veränderung des wirtschaftlichen Umfelds in Deutschland. • Air Berlin ist in Bezug auf die von ihr geleasten Flugzeuge von einer Reihe von Leasinggebern und in Bezug auf Zusagen zukünftiger Flugzeugfinanzierung von einer begrenzten Anzahl an Finanzinstituten abhängig. Sollte die Fähigkeit eines Flugzeugleasinggebers zur Erfüllung seiner Verpflichtungen aus den Leasingverträgen durch den Eintritt interner oder externer Ereignisse beeinträchtigt werden, könnte sich dies auf die Verfügbarkeit von bei diesem Leasinggeber geleasten Flugzeugen und damit auf die Geschäftstätigkeit von Air Berlin negativ auswirken. Ferner ist Air Berlin von Finanzierungs- und Leasingzusagen einer begrenzten Anzahl von Instituten zur Finanzierung des Erwerbs von Flugzeugen abhängig. Sollte eines dieser Institute seine Zusage nicht einhalten, könnte dies erhebliche nachteilige Auswirkungen auf die Geschäftstätigkeit und die Vermögens-, Finanz- und Ertragslage von Air Berlin haben.
D.3	**Angaben zu den zentralen Risiken der Wertpapiere**	• Die Schuldverschreibungen sind möglicherweise nicht für alle Anleger als Anlage geeignet und jeder potenzielle Anleger in den Schuldverschreibungen muss die Eignung dieser Anlage vor dem Hintergrund seiner persönlichen Verhältnisse prüfen. • Eine Anlage in den Schuldverschreibungen unterliegt dem Marktpreisrisiko, Zinsänderungsrisiko und Inflationsrisiko. Der Marktpreis der Schuldverschreibungen ist von verschiedenen Faktoren abhängig, wie z.B. Veränderungen der Bonität der Emittentin, dem allgemeinen Zinsumfeld, der Politik von Zentralbanken, der allgemeinen wirtschaftlichen Entwicklung, der Inflationsrate oder dem Angebot von und der Nachfrage nach den Schuldverschreibungen. Nachteilige Veränderungen dieser Faktoren könnten den Wert der Schuldverschreibungen beeinträchtigen. • Zahlungen auf die Schuldverschreibungen können dem Quellensteuerrisiko im Zusammenhang mit der EU-Zinsrichtlinie unterliegen. • Möglicherweise existiert kein liquider Sekundärmarkt für die Schuldverschreibungen und Anleihegläubiger könnten nicht in der Lage sein, die Schuldverschreibungen auf dem Sekundärmarkt zu verkaufen. • Sollte die Emittentin verpflichtet sein, aufgrund einer Quellensteuer oder ähnlichen Abgabe bezüglich der Schuldverschreibungen zusätzliche Beträge zu zahlen, könnte sie gemäß den Emissionsbedingungen alle ausstehenden Schuldverschreibungen zurückzahlen. Anleihegläubiger können im Zusammenhang mit der Wiederanlage der Barerlöse aus dem Verkauf oder der vorzeitigen Rückzahlung einer Schuldverschreibung Risiken unterliegen. Insbesondere könnten sie nicht in der Lage sein, die Rücknahmeerlöse

Punkt	Beschreibung	Geforderte Angaben
		in Anlagen mit einer ähnlichen Rendite- und Risikostruktur wie die der Schuldverschreibungen anzulegen. • Bei Kauf oder Verkauf der Schuldverschreibungen können zusätzlich zu dem Kauf- oder Verkaufspreis der Schuldverschreibungen verschiedene Arten von Nebenkosten (unter anderem Transaktionskosten und Provisionen) anfallen. Diese Nebenkosten könnten zur Folge haben, dass aus dem Halten der Schuldverschreibungen ein erheblich geringerer Gewinn oder kein Gewinn erzielt wird. • Die Emissionsbedingungen bestimmen, dass die Anleihegläubiger durch einen in einer Gläubigerversammlung oder im Wege einer Abstimmung ohne Versammlung gefassten Mehrheitsbeschluss gemäß dem Schuldverschreibungsgesetz Änderungen der Emissionsbedingungen zustimmen können. Ein Anleihegläubiger unterliegt daher dem Risiko, überstimmt zu werden und gegen seinen Willen ihm gegenüber der Emittentin zustehende Rechte zu verlieren. • Die Emissionsbedingungen sehen ein Recht der Emittentin zur Ersetzung der Emittentin durch eine Nachfolgeschuldnerin vor. Falls die Emittentin dieses Ersetzungsrecht ausübt, könnte die Ersetzung nach deutschem Steuerrecht als Umtausch der ursprünglichen Schuldverschreibungen in neue Schuldverschreibungen angesehen werden, mit dem Anleihegläubiger der deutschen Besteuerung unterliegen. In diesem Fall wäre ein aus dem Umtausch erzielter Gewinn zu versteuern und die Anleihegläubiger könnten nicht in der Lage sein, gegenüber der Emittentin und der Nachfolgeschuldnerin ein Recht auf Schadloshaltung geltend zu machen. • Für die Emissionsbedingungen sind die zum Datum der Emission der Schuldverschreibungen geltenden deutschen Rechtsvorschriften maßgeblich. Es wird keine Gewähr für die Auswirkungen etwaiger Gerichtsentscheidungen oder Änderungen deutscher Rechtsvorschriften oder Verwaltungspraxis, die nach dem Emissionsdatum eintreten, übernommen.

Abschnitt E – Angebot

Punkt	Beschreibung	Geforderte Angaben
E.2b	**Gründe für das Angebot und Zweckbestimmung der Erlöse**	**Gründe für das Angebot** Entfällt. Dieser Prospekt dient ausschließlich der Börsenzulassung der Schuldverschreibungen. **Zweckbestimmung der Erlöse** Die Emittentin beabsichtigt, den Nettoerlös der Emission der Schuldverschreibungen für allgemeine Unternehmenszwecke zu verwenden.
E.3	**Angebotskonditionen**	Entfällt. Dieser Prospekt dient ausschließlich der Börsenzulassung der Schuldverschreibungen.
E.4	**Für die Emission wesentliche, auch kollidierende Interessen**	Der Lead Manager hatte einen Anspruch auf die üblichen Gebühren, die teilweise vom Erfolg der Emission der Schuldverschreibungen abhängig waren. Darüber hinaus hatten die Abschlussprüfer der Emittentin sowie Rechtsberater einen Anspruch auf die üblichen Honorare. Der Lead Manager und seine verbundenen Unternehmen haben verschiedene Finanzberatungs-, Geschäftsbank- (einschließlich Finanzierung) und Investmentbankdienstleistungen für die Emittentin und deren verbundene Unternehmen erbracht und werden dies auch in Zukunft tun. Für diese Dienstleistungen haben bzw. werden der Lead Manager und seine verbundenen Unternehmen Gebühren und Auslagen erhalten. Abgesehen von vorstehend offengelegten Interessen hat nach Kenntnis der Emittentin keine der an der Emission der Schuldverschreibungen beteiligten Personen ein Interesse, das in Bezug auf die Emission wesentlich ist.
E.7	**Schätzung der Ausgaben**	Entfällt. Die Emittentin wird den Anleihegläubigern in Verbindung mit den Schuldverschreibungen keine Kosten, Ausgaben oder Steuern direkt in Rechnung stellen.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below. The order in which the risks are presented does not reflect the likelihood of their occurrence of the magnitude or significance of the individual risk.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to the Issuer or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER

Risks relating to the airline industry

Economic and industry conditions constantly change and continued or worsening negative economic conditions in Germany and elsewhere could result in overcapacity or increase existing overcapacity and may have a material adverse effect on Air Berlin's business and results of operations.

Air Berlin's business and results of operations are significantly impacted by general economic and industry conditions. Industry-wide passenger air travel varies from year to year. Robust demand for Air Berlin's air transportation services depends largely on favourable general economic conditions, including the strength of the global and local economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. For leisure travellers, air transportation is often a discretionary purchase that they can eliminate from their spending in difficult economic times. In addition, during periods of poor economic conditions, businesses usually reduce the volume of their business travel, either due to cost-saving initiatives or as a result of decreased business activity requiring travel. The growth prospects for the global economy have worsened considerably over the past months, which also affects Germany, and the overall demand for air transportation in Germany has been, and could be further, negatively impacted by deterioration in the health of the global economy.

In its December 2012 report, the International Air Transport Association (**IATA**) stated that the net profits of European airlines in 2012 are expected to decrease from 2011 levels: from US$ 0.4 billion in 2011 to US$ 0.0 billion in 2012, due to high oil prices and economic uncertainty. IATA noted thatexpectations for an acceleration of global economic growth in 2013 have diminished.IATA forecasts that the net profits of global commercial airlines will further increase in 2013 but that the European airlines whose home markets have been damaged by the Euro-zone crisis are expected to generate the same financial performance as in 2012, i.e. no net profits in 2013, due to the weak economic condition in Europe although IATA now expects Europe to break even.[1]

Moreover, insolvencies among Air Berlin's customers or contracting parties, including financial institutions acting as hedge counterparties, could result in losses. In particular, the insolvency of one or more of Air Berlin's counterparties could make it more difficult or expensive for Air Berlin to obtain third-party financing for its aircraft acquisitions, or even cause such financing to fail entirely.

[1] Source: IATA "Financial Forecast" report dated December 2012.

The impact of an economic downturn might also induce governments to unilaterally grant subsidies or other public aid to one or more of Air Berlin's competitors, which could distort the markets and deteriorate Air Berlin's competitive position.

Air travel tax levied by German Federal Government

On 15 September 2010 the German Air Travel Tax Act (*Luftverkehrsteuergesetz,* LuftVStG) entered into force, creating an air travel tax designed to raise € 1 billion annually. The tax applies to all bookings from 1 September 2010 for flights departing from 1 January 2011. The tax currently amounts to € 7.50, € 23.43 or € 42.18 per passenger depending on the destination of the flight. Since 5 September 2010 global flight reservation systems have been applying the air travel tax to Air Berlin flights. To the extent possible, Air Berlin considers it necessary to pass on the resulting cost increase to passengers and/or restructure the network so that optimal passing through can be achieved. At a time when there is significant pressure on consumers' budgets, the increased cost of air travel may lead customers to reduce their use of air transportation further or where possible, to switch to nearby foreign airports, .

The German air travel tax costs of Air Berlin amounted to €151.3 million in 2011 and more than €135 million in 2012, resulting in decreases in revenue and cost distortions in the competitive environment. Price competition made passing on the costs of the air travel tax in the second quarter extremely difficult.

Other air carriers may choose to absorb, in whole or in part, the additional cost where Air Berlin may not be able to do the same. If, as a result of passing on such additional costs to passengers, Air Berlin becomes less competitive in an already intensely competitive market or if Air Berlin bears such costs because it is not able to fully pass on the cost increase resulting from the air travel tax to passengers, in either case this may have a material adverse effect on Air Berlin's revenues and results of operations.

The airline industry is highly competitive

Air Berlin operates in a highly competitive market and is in intense competition with a number of other air carriers for both leisure and business travellers. The primary competitive factors in the airline industry include prices, route networks, flight schedules, reputation, safety record, range of passenger services provided and type and age of aircraft. Air Berlin's competitors include low-cost carriers, legacy carriers, other established commercial and charter airlines, travel conglomerates with integrated airlines and new entrants. Air Berlin expects that there will be increasing market consolidation among air carriers in the future. This development would strengthen the market position of some carriers and further increase competition.

Some of Air Berlin's competitors have large home markets, traffic hubs with large catchment areas (i.e. the relevant surrounding areas from which passengers travel to use a given airport), extensive flight schedules and financial resources, economical cost structures and/or well-known brands. Air Berlin's competitors may seek to protect or gain market share through fare matching or price discounting or by offering more attractive flight schedules or services. Some competitors may be able to offer lower fares than Air Berlin by, for example, providing passengers with fewer services or by drawing upon sources of funding unavailable to Air Berlin, such as government subsidies or intragroup financial support. Should competitors increase their market share at Air Berlin's expense, Air Berlin's business prospects and profits could be materially adversely affected.

Extreme weather conditions have had a material adverse effect on the airline industry in the past and may do so again

Extreme weather conditions may result in substantial additional costs. Inclement weather can lead to flight cancellations, aircraft de-icing, increased waiting times, additional heating for cabins as well as increased fuel consumption due to cold weather. In December 2010 alone, approximately 800 Air Berlin flights were cancelled due to weather conditions. The recurrence of extreme weather conditions or the existence of comparable conditions, especially in European airspace, could materially and adversely affect Air Berlin and the airline industry.

Volcanic activity and other natural disasters have had a material adverse effect on the airline industry in the past and may do so again. The airline industry could also be adversely affected by an outbreak of disease or the occurrence of a natural or man-made disaster that affects travel behaviour

Activity from volcanoes, or other natural or man-made disasters (such as the earthquake, the tsunami and the related nuclear catastrophe in Japan in March 2011), in particular if such disaster occurs in the European airspace and/or at, or in the region around any of Air Berlin's major flight destinations, could materially and adversely affect the business, financial condition and results of operations of Air Berlin and the airline industry. The relevant insurance is not available on the market at this time on economically viable terms.

An outbreak of a disease that affects travel demand or travel behaviour such as Severe Acute Respiratory Syndrome (SARS), avian flu, swine flu or other illness could have a material adverse impact on Air Berlin's business, financial condition and results of operations.

Terrorist attacks, military, civil and political conflicts and their aftermath have had a material adverse effect on the airline industry in the past and may do so again

The terrorist attacks of 11 September 2001 involving commercial aircraft severely and adversely impacted the prospects for the airline industry generally through reduced demand and higher security costs. In addition, for a certain period in the immediate aftermath of the terrorist attacks of 11 September 2001, insurers stopped providing coverage against certain risks relating to acts of war and other hostilities and/or substantially increased premiums for renewed coverage, while at the same time greatly reducing the amount of coverage provided. Furthermore, the political upheavals in North Africa since January 2011 adversely affected flight bookings to North Africa and Egypt in particular. Further terrorist attacks, acts of sabotage, new military, civil and political conflicts or the expansion of existing conflicts or similar events, especially if they are directed against air traffic or occur in markets that are significant to Air Berlin, or if they affect a relatively high proportion of the overall volume of air traffic in Europe generally and/or the crude oil prices (and therefore the prices for aviation fuel), could materially and adversely affect Air Berlin and the airline industry.

Air carriers are exposed to the risk of losses from air crashes or similar disasters

An aircraft accident or incident could involve not only repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service, but also claims from injured passengers and dependents of deceased passengers. Air Berlin's insurance coverage might not be adequate to cover all losses suffered from an aircraft accident or incident. Even if Air Berlin's insurance coverage were adequate to cover all these losses in full, Air Berlin could be forced to bear substantial losses if, for example, its insurers were unwilling or unable to pay the agreed insurance benefits. Any such losses could have a material adverse effect on Air Berlin's business, financial condition and results of operation.

Moreover, any aircraft accident or incident, even if fully insured, could create a public perception that Air Berlin is less safe or reliable than other airlines, which could cause passengers to lose confidence in Air Berlin and switch to other airlines or other means of transportation. Passengers could also lose confidence in Air Berlin even if an airline other than Air Berlin were to suffer such loss or damage. A loss of passenger confidence in Air Berlin could have a material adverse effect on Air Berlin's business, financial condition and results of operations.

Regulation (EC) No. 2027/97, as amended by Regulation (EC) No. 889/2002, governs air carrier liability with respect to passengers. This regulation increased the potential exposure of air carriers to civil liability, such as Air Berlin, and although Air Berlin has extended its liability insurance to meet the requirements of the regulation, no assurance can be given that laws, regulations or policies will not be applied, modified or amended in a manner that has a material adverse effect on Air Berlin's business, operating results and financial condition.

The airline industry is characterised by high fixed costs

The airline industry is generally characterised by high fixed costs and by revenues that generally exhibit substantially greater elasticity than costs. Each flight has certain fixed costs, including costs for the use of airport infrastructure and services; take-off, landing and air traffic charges; maintenance, financing, lease and fuel costs; depreciation expenses; and general labour costs. By contrast, the revenue generated by a flight is variable and is directly related to the number of passengers carried and the fare structure of the flight. Accordingly, a change in the number of passengers or in average fares could have a negative effect on Air Berlin's financial condition and results of operations. In addition, changes to the regulatory framework within which Air Berlin operates, particularly as regards safety regulations, could impose significantly greater costs on Air Berlin's business activities and could materially and adversely affect Air Berlin and the airline industry.

Commercial passenger air transport and air traffic rights are heavily regulated

Air Berlin is authorised to operate by virtue of an operating licence and an air operator certificate issued by the German Aviation Authority (*Luftfahrt-Bundesamt*). These authorisations are subject to Air Berlin's ongoing compliance with applicable statutes, rules and regulations pertaining to the airline industry, including any new rules or regulations that may be adopted in the future.

Air Berlin is subject to many different layers of regulation by governments and other authorities. National, EU and international regulations, as well as bilateral and multilateral treaties between Germany, other EU Member States and the EU, on the one hand, and other states, on the other, govern airline operations, impose requirements on air carriers and grant rights to service routes. These regulations and treaties have frequently been amended in the past. Air Berlin cannot predict what future changes will be made to German, EU and international air traffic regulations and treaties, or what the impact of such changes will be on the airline industry or Air Berlin's operations. In addition, bilateral agreements governing flights into and over non-EU member states and the associated landing rights also impose restrictions. These agreements generally grant air traffic rights only to companies controlled primarily by the treaty states or their citizens. Amendments to existing treaties, the conclusion of new treaties or the break-down of treaty negotiations, as well as the introduction of new regulatory requirements or the expansion of existing requirements, could result in significant operational costs and may limit Air Berlin's flexibility to respond to market conditions, competition from other airlines or changes to its cost structure.

Access to suitable airports and meeting the requirements needed to serve these airports could be limited or become more difficult in the future

Air traffic is limited by the infrastructure of airports and the number of slots available for aircraft arrivals and departures. A slot represents the authorisation to take off and land at a particular time during a specified period. Slots are assigned to airlines according to procedures and criteria that may differ from one country or airport to another and that may be subject to change in the future. Established airlines at certain airports have been granted priority rights (known as grandfather rights) in relation to slot allocations. In addition, a number of major European airports and other major international airports are currently operating at close to or at full capacity, indicating that the capacity available for expansion at these airports is limited. Should slot coordinators not offer enough slots to Air Berlin at the times it needs them or on acceptable terms, Air Berlin may be unable to grow and may be forced to restrict the use of its aircraft. The provisions governing the use of slots generally specify that rights of use may lapse if the slots are unused either temporarily or in the long term. Should Air Berlin fail to use its slots, whether for technical or commercial reasons, this could result in the loss of slot rights.

Air Berlin anticipates that it will have access to a greater number of slots when construction of the new Berlin Brandenburg Airport (BER) is complete. The opening of BER was scheduled for October 2011. It has been postponed several times since, and a new scheduled opening date has not yet been determined. While this cannot yet be fully quantified, the repeated delays in opening the airport have given rise to considerable burdens on Air Berlin and have resulted in additional costs and other damages. On 6 November 2012, Air Berlin has brought an action for the existence of its claim for damages being recognised by a court (*Feststellungsklage*) but it is uncertain to which extent Air Berlin would ultimately be compensated for its costs and other damages in connection with the delays in the opening of the new airport. Should the delays in opening continue, or should the airport experience difficulties in operating, Air Berlin's flight network operations may be further damaged and any further growth may be restricted which could materially and adversely affect its business.

Legislators or regulatory authorities may impose additional operating restrictions at airports, such as landing and take-off curfews, limits on aircraft noise and emission levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures. These restrictions may limit the ability of Air Berlin to provide or increase services at such airports and may cause Air Berlin to incur additional costs. This could have a material adverse effect on its business, financial condition and results of operations.

Airport, transit and landing fees and security charges, along with other costs airlines must pay to ensure air traffic security, may increase further

Airport, transit and landing fees, along with security charges and costs, represent a significant portion of Air Berlin's operating costs and directly affect the fares that Air Berlin must charge its passengers in order to operate cost-effectively. There can be no assurance that such costs will not rise in the future or that Air Berlin will not incur additional new costs. Future events or developments, such as terrorist acts or other conflicts, could also result in heightened security regulations for air traffic. Any of these developments could cause Air Berlin's operating costs to increase. If Air Berlin is unable to pass on increases in fees, charges or other costs to its customers, these increases could have a material adverse effect on its business, financial condition and results of operations.

Regulations on passenger compensation could significantly increase costs

The European Union has passed legislation for compensating airline passengers who have been denied boarding or whose flight has been cancelled or subject to delays (Regulation (EC) No. 261/2004). This legislation, which came into force in February 2005, imposes fixed levels of compensation to be paid to passengers in the event of cancelled flights, except when the airline can prove that such a cancellation was caused by extraordinary circumstances, which could not have been avoided even if all reasonable measures had been taken. In its Sturgeon judgment (Joined Cases C-402/07 and C-432/07), the European Court of Justice (ECJ) has extended this right of passengers to monetary compensation to cases where passengers reach their final destination three hours or more after the scheduled arrival time. The Sturgeon judgment has recently been confirmed by the ECJ (judgment of 23 October 2012, Joined Cases C-581/10 and C-629/10). Passengers subject to long delays (two hours or more for short-haul flights) are also entitled to "assistance" including meals, drinks and telephone calls, as well as hotel accommodations if the delay extends overnight. For delays of at least five hours, the airline is also required to offer the option of a refund of the cost of the ticket and, if the passenger has already completed part of the journey, a return flight to the initial point of departure.

There can be no assurance that Air Berlin will not incur a significant increase in costs in the future in connection with cancelled or delayed flights, which could have a material adverse effect on Air Berlin's operating costs and in turn reduce its profitability.

Inclusion of aviation in the EU emissions trading scheme could increase costs and the countries opposed to the inclusion of international aviation in the emissions trading scheme could impose trade or other sanctions against the EU and EU air carriers

On 2 February 2009, Directive 2008/101/EC entered into force. Pursuant to this Directive, from 1 January 2012 all flights that arrive or depart from an airport situated in the territory of an EU Member State were included in the EU emissions trading scheme. This scheme, which has thus far applied mainly to energy producers, is a cap and trade system for carbon emissions to encourage industries to reduce their CO_2 emissions. The Directive has been implemented into German law by way of an amendment of the German Greenhouse Gas Emission Act (*Treibhausgas-Emissionshandelsgesetz*) on 21 July 2011. Under the legislation, airlines will be granted a certain number of allowances free of charge based on historical emissions and their shares of the total aviation market; further allowances are auctioned by Member States. The number of allowances available for free allocation and auctioning is reduced from 97% to 95% of the historical aviation emissions in the second trading period that has started on 1 January 2013.

Air Berlin anticipates that it will not be granted a sufficient number of free of charge allowances as will be necessary for the discharge of its duties under the Directive and relevant implementing legislation and will hence need to purchase additional allowances in the open market. The number and cost of such allowances that Air Berlin will have to buy on the free market or acquire through auctions is based on the difference between the allowances awarded free of charge and those to be surrendered in each year, and the price for those allowances. The inclusion of the aviation sector in the EU emissions trading scheme is likely to have a substantial negative impact on the European airline industry, including Air Berlin, despite the relatively young age of its aircraft fleet. There can be no assurance that Air Berlin will be able to obtain sufficient allowances, or that the cost of any additional allowances necessary will not have a material adverse effect on Air Berlin's business, operating results and financial condition. Air Berlin's hedging instruments do not fully protect it against the adverse effects of increases in the price of aviation allowances. In addition to the financial impact, inclusion in the EU emissions trading scheme imposes administrative burdens (monitoring and reporting obligations) on the participants.

While a challenge to the inclusion of the aviation business into the EU emissions trading scheme on grounds of international law has been rejected by the European Court of Justice (**ECJ**) in 2011 (Case C-366/10), a number of non-EU countries, including China, India, Russia and the United States, remain strongly opposed to the inclusion of international aviation in the EU emissions trading scheme. Pending a solution within the ICAO framework, these countries are considering retaliation measures against the EU and EU airlines. After the Council of the International Civil Aviation Organization (**ICAO**) agreed to seek a timely solution for a global market-based measure scheme for emissions from international aviation, the EU Commission on 20 November 2012 published a proposal for a decision of the European Parliament and of the Council, which would prohibit EU Member States from taking action against aircraft operators not abiding by their obligations to surrender emission allowances and to report on their emissions in respect of obligations arising before 1 January 2014 and of activities to or from airports in countries outside the EU, subject to certain conditions. The proposal is currently in the legislative process. However, should the differences not be resolved in a timely manner in the ICAO framework and the EU not be willing to extend a possible decision exempting flights to and from the EU from the enforcement of the EU emissions trading scheme, the countries opposed to the inclusion of international aviation in the emissions trading scheme could impose trade or other sanctions against the EU and EU air carriers. Alternatively, the non-inclusion of carriers from such countries in the EU emissions trading scheme may result in a competitive disadvantage to Air Berlin. These could have a material adverse effect on Air Berlin's business.

Airlines are dependent on third-party service and facility providers

In order to operate its business, Air Berlin is dependent on the provision of services by third parties, including air traffic controllers, security personnel, towing and push-back vehicles, passenger transporters, caterers, check-in staff and baggage-handling and fuel service providers. If any third-party services or facilities on which Air Berlin relies in conducting its business are restricted, temporarily halted (for example, as a result of technical problems or strikes), cease permanently or are not available at commercially acceptable terms, this could have a material adverse effect on Air Berlin's business, financial condition and results of operations. This material adverse effect could also occur as a result of the loss or expiration of any of Air Berlin's contracts with third-party service or facility providers and the inability to negotiate replacement contracts with other service or facility providers at comparable rates or to enter into such contracts in any new markets Air Berlin accesses. In addition, the efficiency, timeliness and quality of contract performance by third-party providers are largely beyond Air Berlin's direct control.

Risks relating to Air Berlin

Air Berlin has set up efficiency improvement and restructuring programmes the implementation of which may not be successful

Due to various additional burdens, and negative factors which have been exacerbated, in 2012 such as the recession in Europe, the repeated delays in opening the airport Berlin Brandenburg (BER), the German air travel tax (*Luftverkehrssteuer*) by which Air Berlin is considerably more burdened than other airlines and the continuing high fuel prices, Air Berlin has enhanced its existing programme "Shape & Size" (which is comprised of approximately 450 single measures) with further restructuring measures and the turnaround programme "Turbine" which has been launched on 15 January 2013 to improve the operating performance and to achieve sustainable profitability.

The two-year "Turbine" programme aims for establishing the simplest and most cost-efficient organisation possible in conjunction with streamlined processes and includes, among others, further adjustments to the route network, a reduction of the fleet to 142 aircraft (from initially 172 aircraft which, under the "Shape & Size" programme, were reduced to 155 aircraft as per 31 December 2012) and a reduction of approximately 900 jobs (which is almost 10 % of all employees of Air Berlin) in which the possibility of redundancies cannot be excluded. This may result in a significant amount of disputes with employees including litigation before employment courts.

Should Air Berlin be unable to fully implement, or realise the benefits of, these programmes, or should these programmes fail to meet Air Berlin's expectations, this could have a material adverse effect on its business, financial condition and results of operations.

Air Berlin relies on maintaining high aircraft utilisation rates to maximise its revenue, which makes Air Berlin vulnerable to delays

A significant element of Air Berlin's business model is high utilisation of its aircraft to generate more revenue. High aircraft utilisation rates are achieved by keeping the number of "block hours", i.e. the hours from take-off to landing, including taxi time, as high as possible to enable Air Berlin to fly more hours on average each day. High block hours are achieved by reducing turnaround time at airports, including the amount of ground time for loading and unloading, cleaning, refuelling, crew changes and necessary maintenance. As a result of its high aircraft utilisation, Air Berlin is exposed to, and adversely affected by, delays and flight cancellations caused by various factors, many of which may be beyond Air Berlin's control, including air traffic congestion, processing delays on the ground, adverse weather conditions, industrial action by air traffic controllers, delays or non-performance by third-party service providers and unscheduled maintenance. A delay or cancellation of one flight could affect Air Berlin's other flight operations by resulting in delays or cancellations of other Air Berlin flights. If Air Berlin's flights become subject to regular or severe delays or cancellations, its reputation may suffer and its customers may choose to fly with other airlines in the future. These adverse effects may be further exacerbated to the extent Air Berlin is required to make refunds and provide assistance to passengers for flight delays. Lower aircraft utilisation rates could have a material adverse effect on Air Berlin's business, financial condition and results of operations.

Air Berlin will require future financing for payments of confirmed aircraft orders and refinancing of existing indebtedness

Air Berlin is dependent upon its ability to obtain financing to acquire additional aircraft to meet capacity needs and to replace existing aircraft as they age and to refinance its existing obligations as they become due. Air Berlin is securing financing well in advance of the delivery dates taking into account the individual changes to the market. Whether Air Berlin will be successful in the longer term (i.e. during the period of 12 months or more after the date of this Prospectus) in obtaining the required financing for aircraft on commercially acceptable terms is dependent on a range of factors including the condition of capital and credit markets, the general availability of credit, prevailing interest rates and Air Berlin's perceived credit-worthiness. There can be no assurance that Air Berlin will be able to secure such financing on commercially acceptable terms, or at all. To the extent that Air Berlin cannot secure such financing, Air Berlin may be required to modify its aircraft acquisition plans or incur higher than anticipated financing costs.

In addition, the financing of new and existing aircraft has increased and may continue to significantly increase the total amount of Air Berlin's outstanding debt and the payments that it is obliged to pay to service such debt. The Air Berlin Group's ability to generate sufficient cash flow to service its indebtedness over the longer term will depend on its future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside the control of Air Berlin.

The order of any additional aircraft in the future could further increase Air Berlin's indebtedness and may impact the terms on which Air Berlin is able to secure financing in the future.

Whether Air Berlin will be able to borrow the necessary funds at suitable terms depends on a number of factors, including prevailing interest rates, conditions in the capital markets, and Air Berlin's creditworthiness. Obtaining financing could become more difficult or more expensive, or could prove impossible.

All of the above factors could have a material adverse effect on Air Berlin's business, financial condition and results of operations.

In addition to other high fixed costs, Air Berlin has significant financing costs for its outstanding indebtedness

In addition to other high fixed costs (such as fuel costs and the costs for the use of the airport infrastructure), Air Berlin has significant financing costs for its outstanding indebtedness under lease contracts and interest payments under its outstanding bonds including the Notes. If Air Berlin is not able to generate sufficient revenues to meet its fixed costs obligations, this would have a material adverse affect on Air Berlin's financial conditions.

Air Berlin may be significantly affected by any continuing delays in opening the airport Berlin Brandenburg (BER) or by any difficulties in operating it

Air Berlin may be significantly affected by any continuing delays in opening the airport Berlin Brandenburg (BER) or by any difficulties in operating it. As the Berlin airport is Air Berlin's main hub, the adverse consequences of such delays or difficulties indicated above under "Aircraft access to suitable airports and meeting the requirements needed to serve these airports could be limited or become more difficult in the future" are likely to have a particularly strong adverse effect on Air Berlin compared to its competitors.

After the carve-out of its frequent flyer programme topbonus, Air Berlin is dependent upon topbonus management to develop and maintain an attractive frequent flyer programme

As a result of the carve-out of topbonus, Air Berlin's frequent flyer programme, such programme is managed independently of Air Berlin. As topbonus remains Air Berlin's frequent flyer programme, it is dependent upon topbonus management to develop and maintain an attractive frequent flyer programme. Should such programme not be so developed or maintained as anticipated, it could have an adverse effect on the ability of Air Berlin to obtain or retain customer loyalty.

Air Berlin is dependent on cooperative relations with its employees and employee representatives

Air Berlin is dependent on qualified personnel, in particular pilots, cabin crew and employees with qualifications in aircraft maintenance, information technology and sales. There can be no assurance that Air Berlin will be able to retain employees in key positions or recruit a sufficient number of new employees with appropriate technical qualifications to compensate for the loss of employees or to accommodate its future growth. It is possible that the cut of 900 jobs in connection with the "Turbine" programme will adversely affect the cooperative relations of Air Berlin with its employees and employee representatives, which may have a material adverse affect on Air Berlin's business and operations.

In addition, Air Berlin's workforce is partially unionised and covered by several collective bargaining agreements that regulate work conditions and remuneration. These collective bargaining agreements are subject to renegotiation with the unions from time to time. Air Berlin may be subject to strikes by its own employees or strikes affecting the entire airline industry or other industrial action, and there can be no assurance that labour relations will not have a material adverse effect on Air Berlin's ability to remain or become competitive. This could have a material adverse effect on its business, financial condition and results of operations.

Air Berlin depends on the uninterrupted operation of its own and third-party automated systems and technology

Air Berlin's ability to manage ticket sales, receive and process reservations, manage its traffic network, perform flight operations and engage in other critical business tasks is dependent on the efficient and uninterrupted operation of its computer and communication systems and on the systems used by third parties in the course of their cooperation with Air Berlin. As computer and communication systems are vulnerable to disruptions, damage, power outages, acts of terrorism or sabotage, computer viruses, fires and other events, and programming errors can never be entirely avoided, there can be no assurance of efficient and uninterrupted operation of systems used by Air Berlin or third parties, including those used by Air Berlin's sales partners, such as reservation systems at travel agencies. Any disruption to computer and communication systems used by Air Berlin or third parties, particularly if the disruptions persist, could significantly impair Air Berlin's ability to conduct its business efficiently and could have a material adverse effect on Air Berlin's business, financial condition and results of operations.

Air Berlin is subject to risks associated with fluctuations in aviation fuel supply and prices, interest rates and currency exchange rates. The existing tax exemption for aviation fuel could be repealed

Air Berlin's operating results have been, and continue to be, significantly impacted by changes in the supply or price of aircraft fuel, interest rates and currency exchange rates, all of which are impossible to predict.

In 2010 and in the first half of 2011, fuel prices rose steadily. According to its December 2012 financial forecast,[2] IATA expects the price of Brent crude oil to be in 2012 almost equal to the price in 2011 (US$ 109.5 in 2012 compared to US$ 111.2 in 2011) and to slightly decrease to US$ 104.0 in 2013. While fuel costs have not increased over the year 2012, compared to the much lower fuel prices in 2010 the rise has added over US$60 billion to fuel costs. If due to political developments or for general economic reasons the prices for aviation fuel increase, this would have a material adverse effect on Air Berlin's results of operations and financial condition.

Over the past few years there have been discussions at the EU level and within EU Member States about whether the existing tax exemptions for aviation fuel should be reviewed. There can be no assurance that the current tax exemptions for aviation fuel will not be repealed. The elimination of current tax exemptions for aviation fuel would lead to a substantial increase in Air Berlin's aviation fuel costs. If major reductions in the availability of aviation fuel or significant increases in aviation fuel costs occur, Air Berlin's business would be materially adversely affected.

To improve planning certainty, Air Berlin generally hedges a portion of the estimated cost of its future aviation fuel needs on a revolving basis for specified time periods in the financial markets using instruments known as commodity swaps and options with financial institutions as counterparties.

[2] Source: IATA "Financial Forecast" report dated December 2012.

Most of Air Berlin's revenue is generated in euro as its business operations are predominantly based in the Eurozone. Nevertheless, Air Berlin has regular payment obligations in other currencies, principally in US dollar. Air Berlin's aviation fuel payment obligations and a substantial portion of its aircraft operating lease and maintenance, repair and overhaul payment obligations, debt-service obligations and the underlying financial liabilities are denominated in US dollars. As a result, Air Berlin is particularly vulnerable to fluctuations in exchange rates for the euro against the US dollar and such fluctuations have had a material adverse effect on Air Berlin's results in certain years. As the exchange rate between the euro and the US dollar is likely to continue to fluctuate in the future, there can be no assurance that fluctuations in exchange rates will not materially adversely affect Air Berlin's results of operations and financial condition in the future. Air Berlin also uses cross-currency interest rate swaps to hedge its interest rate risk, which results from the sensitivity of financial assets and financial liabilities with variable interest rates to changes in the market interest rate. A change in these interest rates could have a material adverse effect on Air Berlin's financial condition and results.

Air Berlin's hedging instruments do not fully protect it against the adverse effects of fuel price increases or fluctuations in interest or currency exchange rates, largely because Air Berlin only hedges against a margin of fluctuation. Hedging also reduces Air Berlin's ability to benefit from fuel price decreases or otherwise advantageous exchange or interest rate developments. Air Berlin's assumptions and estimates regarding the future developments of aviation fuel prices, currency exchange rates and interest rates, and its chosen risk-avoidance or risk-tolerance criteria, have a substantial impact on the success of its hedging policy. Air Berlin's business, financial condition and results of operations could be materially adversely affected if its hedging policy is unsuccessful or if a hedging counterparty were not to perform its obligations.

Route planning is subject to uncertainties and investments in new routes may not be successful

When Air Berlin begins service on a new route, its passenger load factors initially tend to be lower than those on its established routes, and its advertising and other promotional costs tend to be higher. As a result, new routes may require a substantial amount of cash to fund and may result in initial losses. Customers may also make less use of new routes or additional capacity on existing routes than Air Berlin may have expected. In addition, new routes may experience more competition than current ones, or competition may exceed Air Berlin's expectations in other ways. Should Air Berlin be unable to assess demand, capacity and fares correctly on routes, this could have a material adverse effect on its business, financial condition and results of operations.

Investments in new routes may not be successful and the route network may need to be restructured. Currently, Air Berlin is in the process of implementing the "Turbine" programme, which aim to increase its efficiency and productivity and to achieve sustainable profitability. As a part of the programme, Air Berlin plans, among others, to reduce the number of aircraft employed in its fleet from 170 to 142 and to reduce frequencies of certain flights or cancel low-performing routes entirely. Should Air Berlin be unable to implement fully the "Turbine" programme, or should the programme fail to meet Air Berlin's expectations, this could have a material adverse effect on its business, financial condition and results of operations.

Air Berlin's operations and investor confidence are dependent on its key management

Air Berlin's success depends on the activities of the members of its Board, officers and key management. The departure of, or significant change in, Air Berlin's management could result in a significant loss of expertise and in investors losing confidence in Air Berlin and could have a material adverse effect on Air Berlin's business, financial condition and results of operations.

Air Berlin's revenue and profits are subject to seasonal fluctuations

Demand for Air Berlin's services fluctuates over the course of the year, which causes its quarterly results to fluctuate. Demand has historically been highest in the summer season from May through October and lowest in the winter season from November through April (except for the days around Christmas, New Year's and Easter). Therefore, the level of Air Berlin's aircraft utilisation and profitability fluctuates during the year, with the majority of its profits being generated in the summer season. When flight cancellations and other factors that adversely affect aircraft utilisation occur, especially during the summer season, they may have a particularly strong adverse effect on Air Berlin's business, financial condition and results of operations.

Air Berlin is dependent on the German market

Passengers originating (in relation to the seat-only business, i.e. the selling of seats on a per-seat basis as opposed to sales in bulk or charter sales) in Germany on Air Berlin's routes accounted for 69.5% of Air Berlin's total passenger volume in 2010. Air Berlin's business is likely to be adversely affected by any circumstance causing a reduction in demand or change in competitive behaviour with respect to air transportation services involving German destinations, including, but not limited to, adverse changes in local economic conditions.

Air Berlin is dependent on a number of lessors for its leased aircraft and a limited number of financial institutions for its future aircraft financing commitments.

As of 30 September 2012, approximately 72.78% (including dry leases (i.e. leasing an aircraft without personnel) and wet leases (i.e. leasing an aircraft with personnel) based on 158 operational aircraft as of 30 September 2012) of Air Berlin's aircraft fleet is leased from aircraft lessors. Should any internal or external events occur which affect an aircraft lessor's ability to perform its obligations under its leases, the availability of aircraft leased from such lessor, and consequently Air Berlin's operations, could be negatively affected.

Air Berlin is dependent on financing and leasing commitments from a limited number of institutions to finance aircraft purchases. Should any of these institutions fail to honour its commitment, this could have a material adverse effect on Air Berlin's operations and financial condition.

RISKS RELATING TO THE NOTES

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the Terms and Conditions and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Market price risks

The market price of the Notes depends on various factors, such as changes of the creditworthiness of the Issuer, interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the Notes. Disadvantageous changes to such factors may adversely affect the value of the Notes.

Interest Rate risks

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. The Notes entitle their holders to the payment of a fixed rate of interest on the specified interest payment dates. If the market interest rates rise the interest amounts the Noteholders receive could be less than the amount they would have received had they invested in a security with a floating rate of interest. The market value of fixed rate securities such as the Notes can decrease if potential investors perceive that they can achieve a greater return on an investment by investing in alternative products.

Inflation

An investment in the Notes is subject to inflation risk. This inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through a non-EU country which has adopted similar measures and has opted for a withholding system, or through certain dependent or associated territories which have adopted similar measures and which have opted for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a paying agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Secondary market

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market, the Main Securities Market. Application has also been made to include the Notes to trading on the Bondm segment of the open market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart. However, there can be no assurance that a liquid market for the Notes will develop or, if it does develop, that it will continue. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes and investors wishing to sell the Notes might therefore suffer losses.

Early redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions. Noteholders may be exposed to risks connected to the reinvestment of cash proceeds from the sale or early redemption of any Note. It may, in particular, not be possible for Noteholders to reinvest the redemption proceeds in investments with a yield and risk structure similar to the yield and risk structure of the Notes.

Transaction costs

When the Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (i.e. third-party costs). These incidental costs may significantly reduce or eliminate any profit from holding the Notes.

Noteholder resolutions

The Terms and Conditions provide that the Noteholders may agree to amendments to the Terms and Conditions by majority vote in accordance with the German Bond Act (*Schuldverschreibungsgesetz*) in meetings or without a meeting. A Noteholder is therefore subject to the risk of being outvoted and of losing rights towards the Issuer against its will.

Substitution of Issuer

The Terms and Conditions provide for a right of the Issuer to substitute the Issuer by a Substitute Debtor. If the Issuer exercises such substitution right, the substitution may, for German tax purposes, be treated as an exchange of the original Notes for new notes for Noteholders subject to German taxation. In this case, any gain from such exchange would be subject to tax and the Noteholders might not be able to enforce their right to indemnification against the Issuer and the Substitute Debtor.

Change of law

The Terms and Conditions are based on German law in effect as at the issue date of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the issue date.

TERMS AND CONDITIONS OF THE NOTES

TERMS AND CONDITIONS OF THE NOTES GERMAN LANGUAGE VERSION (*DEUTSCHE FASSUNG DER EMISSIONSBEDINGUNGEN*)

§ 1 WÄHRUNG, STÜCKELUNG, FORM, BESTIMMTE DEFINITIONEN

(1) *Währung, Stückelung.* Diese Emission von Schuldverschreibungen (die **Schuldverschreibungen**) der Air Berlin PLC (die **Emittentin**) wird in Euro (**€** und die **festgelegte Währung**) im Gesamtnennbetrag von € 50,000,000 (in Worten: FünfzigmillionenEuro) in einer Stückelung von je € 1.000 (die **festgelegte Stückelung** oder der **Nennbetrag**) begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jeweils eine **Globalurkunde**). Es werden keine effektiven Stücke begeben.

(3) *Vorläufige Globalurkunde – Austausch gegen Dauerglobalurkunde.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die **vorläufige Globalurkunde**) ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde kann gegen Schuldverschreibungen in der festgelegten Stückelung, die durch eine Dauerglobalurkunde (die **Dauerglobalurkunde**) ohne Zinsscheine verbrieft sind, ausgetauscht werden. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen oder faksimilierten Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen.

(b) Die vorläufige Globalurkunde wird an einem Tag (der **Austauschtag**) gegen die Dauerglobalurkunde ausgetauscht, der nicht mehr als 180 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Der Aus-

TERMS AND CONDITIONS OF THE NOTES ENGLISH LANGUAGE VERSION

§ 1 CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency, Denomination.* This issue of Notes (the **Notes**) of Air Berlin PLC (the **Issuer**) is being issued in euro (**€** and the **Specified Currency**) in the aggregate principal amount of € 50.000.000 (in words: fifty million euro) in the denomination of € 1,000 (the **Specified Denomination** or the **Principal Amount**) each.

(2) *Form.* The Notes are being issued in bearer form and represented by one or more global notes (each a **Global Note**). No definitive notes will be issued.

(3) *Temporary Global Note – Exchange against Permanent Global Note*

(a) The Notes are initially represented by a temporary global note (the **Temporary Global Note**) without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the **Permanent Global Note**) without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed manually or in facsimile by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the **Exchange Date**) not later than 180 days after the date of issue of the Temporary Global Note. The Exchange Date shall not be tauschtag für einen solchen Austausch darf nicht weniger als 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegen. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftliche(n) Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S. Person(en) ist (sind), der (die) die Schuldverschreibungen zum Weiterverkauf an eine U.S. Person gemäß den U.S. Treasury Regulations erworben hat (haben). Zinszahlungen auf durch eine vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt werden, diese vorläufige Globalurkunde gemäß Unterabsatz (b) dieses § 1 Absatz 3 auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten (wie in § 4 Absatz 3 definiert) zu liefern.

earlier than 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is/are not (a) U.S. person(s) who has (have) purchased the Notes for resale to any U.S. person as governed by the U.S. Treasury Regulations. Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 4(3)).

(4) *Clearing System.* Die Vorläufige Globalurkunde und die Dauerglobalurkunde werden von Clearstream Banking AG, Eschborn (das **Clearing System**) oder einem Funktionsnachfolger verwahrt bis, im Fall einer Dauerglobalurkunde, sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind.

(4) *Clearing System.* The Temporary Global Note and the Permanent Global Note will be kept in custody by Clearstream Banking AG, Eschborn (the **Clearing System**) or a successor in such capacity until, in the case of the Permanent Global Note, all obligations of the Issuer under the Notes have been satisfied.

(5) *Schuldverschreibungsgläubiger.* **Schuldverschreibungsgläubiger** bezeichnet jeden Inhaber einer Schuldverschreibung.

(5) *Noteholders.* **Noteholder** means any holder of a Note.

§ 2 STATUS UND NEGATIVVERPFLICHTUNG

(1) *Status.* Die Schuldverschreibungen begründen unmittelbare, unbedingte, nicht nachrangige und (vorbehaltlich § 2 Absatz 2) nicht besicherte Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen unmittelbaren, unbedingten, nicht nachrangigen und (vorbehaltlich § 2 Absatz 2) nicht besicherten gegenwärtigen und zukünftigen Verbindlichkeiten der Emittentin wenigstens gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende und allgemein anwendbare gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

§ 2 STATUS AND NEGATIVE PLEDGE

(1) *Status.* The obligations under the Notes constitute direct, unconditional, unsubordinated and (subject to § 2(2)) unsecured obligations of the Issuer which rank *pari passu* among themselves and at least *pari passu* with all other direct, unconditional, unsubordinated and (subject to § 2(2)) unsecured existing and future obligations of the Issuer, save for such obligations that may be preferred by the provisions of law that are mandatory and of general application.

(2) *Negativverpflichtung*. Während der Laufzeit der Schuldverschreibungen wird die Emittentin

(a) keine Grund- und Mobiliarpfandrechte, sonstige Pfandrechte oder sonstige Sicherungsrechte (jedes ein **Sicherungsrecht**) in Bezug auf ihr gesamtes Vermögen oder Teile davon als Sicherheit für gegenwärtige oder zukünftige Relevante Verbindlichkeiten (wie nachfolgend definiert) und auch keine Garantie oder Freistellung bezüglich einer Relevanten Verbindlichkeit gewähren oder bestehen lassen, und

(b) sicherstellen, dass keine Wesentliche Tochtergesellschaft (wie nachfolgend definiert) ein Sicherungsrecht an ihrem gesamten Vermögen oder an Teilen davon als Sicherheit für gegenwärtige oder zukünftige Relevante Verbindlichkeiten und auch keine Garantie oder Freistellung bezüglich einer Relevanten Verbindlichkeit gewährt oder bestehen lässt,

es sei denn, die Schuldverschreibungsgläubiger haben zur gleichen Zeit und im gleichen Rang an solchen Sicherheiten teil.

Relevante Verbindlichkeit bezeichnet jede gegenwärtige oder künftige Verbindlichkeit in der Form von oder verbrieft durch Anleihen, Schuldverschreibungen oder andere Wertpapiere, die gegenwärtig an einer Wertpapierbörse, einem Over-the-Counter- oder einem anderen Wertpapiermarkt notiert sind, zugelassen sind oder gehandelt werden oder jeweils werden können sowie Schuldscheindarlehen nach deutschem Recht (d.h. Darlehen, über die ein Schuldschein oder eine Schuldurkunde ausgestellt wurde oder die in dem Darlehensvertrag als Schuldscheindarlehen, Schuldschein oder Schuldurkunde bezeichnet werden) mit Ausnahme von Genehmigten Verbindlichkeiten.

Genehmigte Verbindlichkeiten bezeichnet jede Relevante Verbindlichkeit, die durch Flugzeuge oder Flugzeugausrüstungen sowie Forderungen aus Flugzeugleasingverträgen über Flugzeuge oder Flugzeugausrüstungen der Emittentin oder einer ihrer Tochtergesellschaften direkt oder indirekt (z. B. gemittelt durch Zweckgesellschaften, welche Eigentümer der Flugzeuge oder Flugzeugausrüstung sind) besichert ist/wird.

Wesentliche Tochtergesellschaft bezeichnet jede nach den International Financial Reporting Standards (IFRS) oder anderen maßgeblichen,

(2) *Negative Pledge*. As long as any Notes are outstanding the Issuer will

(a) not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a **Security Interest**) upon the whole or any part of its assets to secure any Relevant Indebtedness (as defined below), or any guarantee of or indemnity in respect of any Relevant Indebtedness, and

(b) ensure that no Material Subsidiary (as defined below) creates or permits to subsist any Security Interest upon the whole or any part of its assets to secure any present or future Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness,

unless the Noteholders share at the same time and on a *pari passu* basis in such security.

Relevant Indebtedness means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock, or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and Schuldschein loans governed by German law (i.e. loans evidenced by a written instrument entitled Schuldschein or certificate of indebtedness or which is referred to in the loan agreement as Schuldschein loan, Schuldschein or certificate of indebtedness) other than Permitted Indebtedness.

Permitted Indebtedness means any Relevant Indebtedness which is directly or indirectly secured by aircraft, aircraft equipment or lease receivables in respect of aircraft or aircraft equipment of the Issuer or any subsidiary of the Issuer (e.g. by means of special purpose entities owning aircraft or aircraft equipment).

Material Subsidiary means any subsidiary of the Issuer consolidated in accordance with the International Financial Reporting Standards auf die Emittentin anwendbaren Rechnungslegungsstandards konsolidierte Tochtergesellschaft der Emittentin, (i) deren Nettoumsatz bzw. Bilanzsumme gemäß ihrem letzten geprüften Einzelabschluss (bzw., wenn die betreffende Tochtergesellschaft selbst Konzernabschlüsse aufstellt, deren Konzernumsatz bzw. Konzernbilanzsumme gemäß ihrem letzten geprüften Konzernabschluss), der für die Aufstellung des letzten geprüften Konzernabschlusses der Emittentin verwendet wurde, mindestens 5 % des gesamten Konzernumsatzes bzw. mindestens 5 % der gesamten Konzernbilanzsumme der Emittentin und ihrer konsolidierten Tochtergesellschaften betragen hat, und (ii) deren Anteile direkt oder indirekt mehrheitlich der Gesellschaft gehören.

(IFRS) or any other relevant accounting standards applicable to the Issuer, (i) whose net revenues or total assets pursuant to its most recent audited non-consolidated financial statements (or, if the relevant subsidiary itself prepares consolidated financial statements, whose consolidated net revenues or consolidated total assets pursuant to its most recent audited consolidated financial statements), which were used for the preparation of the most recent audited consolidated financial statements of the Issuer, amounts to at least 5% of the consolidated total net revenues and/or 5% of the consolidated total assets of the Issuer and its consolidated subsidiaries, and (ii) which is directly or indirectly majority-owned by the Issuer.

§ 3
ZINSEN

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 1. November 2011[*] (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz 1 definiert) (ausschließlich) mit jährlich 11,5 %. Die Zinsen sind vierteljährlich nachträglich am 1. Februar, 1. Mai, 1. August und 1. November eines jeden Jahres zahlbar (jeweils ein **Zinszahlungstag**). Die erste Zinszahlung erfolgt am 1. Februar 2012.

(2) *Zinslauf.* Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, endet die Verzinsung nicht am Tag der Fälligkeit, sondern erst mit Beginn des Tages der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich). Weitergehende Ansprüche der Schuldverschreibungsgläubiger bleiben unberührt.

(3) *Berechnung der Zinsen.* Die Berechnung der Zinsen erfolgt auf der Grundlage des Zinstagequotienten.

Zinstagequotient bezeichnet im Hinblick auf

§ 3
INTEREST

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their Principal Amount at the rate of 11.5% per annum from (and including) 1 November 2011[**] to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable quarterly in arrears on 1 February, 1 May, 1 August and 1 November of each year (each such date, an **Interest Payment Date**). The first payment of interest shall be made on 1 February 2012.

(2) *Accrual of Interest.* The Notes shall cease to bear interest from the beginning of their due date for redemption. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until and excluding the actual day of redemption of the Notes. This does not affect any additional rights that may be available to the Noteholders.

(3) *Calculation of Interest.* Interest shall be calculated on the basis of the Day Count Fraction.

Day Count Fraction means with regard to the

[*] Der Zinslauf der am 1. November 2012 begebenen Schuldverschreibungen, die Gegenstand dieses Prospekts sind, hat am 1 November 2012 begonnen. Die erste Zinszahlung ist am 1. Februar 2013 erfolgt.

[**] The Notes issued on 1 November 2012, to which this Prospectus relates, bear interest from 1 November 2012. The first interest payment was made on 1 February 2013.

die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der **Zinsberechnungszeitraum**) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 365 (oder, falls ein Teil dieses Zinsberechnungszeitraumes in ein Schaltjahr fällt, die Summe aus (A) der tatsächlichen Anzahl der in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes, dividiert durch 366, und (B) der tatsächlichen Anzahl der nicht in das Schaltjahr fallenden Tage des Zinsberechnungszeitraumes, dividiert durch 365).

calculation of interest on any Note for any period of time (the **Calculation Period**) the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).

§ 4
ZAHLUNGEN

(1) (a) *Zahlungen von Kapital.* Zahlungen von Kapital auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und (außer im Fall von Teilzahlungen) Einreichung der die Schuldverschreibungen zum Zeitpunkt der Zahlung verbriefenden Globalurkunde bei der bezeichneten Geschäftsstelle der Hauptzahlstelle außerhalb der Vereinigten Staaten.

(b) *Zahlungen von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe des nachstehenden Absatzes 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(3) *Vereinigte Staaten.* Für die Zwecke des § 1 Absatz 3 und des Absatzes 1 dieses § 4 bezeichnet **Vereinigte Staaten** die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des "District of Columbia") sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder

§ 4
PAYMENTS

(1) (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to paragraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the Global Note representing the Notes at the time of payment at the specified office of the Principal Paying Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to paragraph (2) below, to the Clearing System or to its order for credit to the relevant accounts of the account holders of the Clearing System.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *United States.* For purposes of § 1(3) and paragraph 1 of this § 4, **United States** means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Discharge.* The Issuer shall be discharged of its payment obligation by payment to, or to the

dessen Order von ihrer Zahlungspflicht befreit.

(5) *Geschäftstag*. Fällt der Tag, an dem eine Zahlung in Bezug auf eine Schuldverschreibung fällig wird, auf einen Tag, der kein Geschäftstag ist, dann hat der Schuldverschreibungsgläubiger keinen Anspruch auf Zahlung vor dem nächsten Geschäftstag am jeweiligen Geschäftsort. Der Schuldverschreibungsgläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verschiebung zu verlangen. **Geschäftstag** bezeichnet einen Tag (außer einem Samstag oder Sonntag), an dem (i) das Clearing System und (ii) das Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET 2) oder ein Nachfolgesystem davon Zahlungen abwickeln.

(6) *Bezugnahmen auf Zinsen*. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf Schuldverschreibungen schließen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge ein.

(7) *Hinterlegung von Kapital und Zinsen*. Die Emittentin ist berechtigt, beim Amtsgericht Berlin Zins- oder Kapitalbeträge zu hinterlegen, die von Schuldverschreibungsgläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Schuldverschreibungsgläubiger sich nicht in Annahmeverzug befinden. Wenn und soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die Ansprüche der betreffenden Schuldverschreibungsgläubiger gegen die Emittentin.

§ 5
RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit*. Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 1. November 2014 (der **Fälligkeitstag**) zurückgezahlt. Der **Rückzahlungsbetrag** in Bezug auf jede Schuldverschreibung entspricht ihrem Nennbetrag.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen*. Die Schuldverschreibungen können insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von

order of, the Clearing System.

(5) *Business Day*. If the date for payment of any amount in respect of any Note is not a Business Day, then the Noteholder shall not be entitled to payment until the next Business Day in the relevant location and shall not be entitled to claim further interest or other payment in respect of such postponement. **Business Day** means a day (other than a Saturday or a Sunday) on which both (i) the Clearing System and (ii) the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET 2) or any successor system thereto settle payments.

(6) *References to Interest*. Reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(7) *Deposit of Principal and Interest.* The Issuer may deposit with the *Amtsgericht* in Berlin principal or interest not claimed by Noteholders within twelve months after the Maturity Date, even though such Noteholders may not be in default of acceptance of payment. If and to the extent that such deposit is effected and the right of withdrawal is waived, the respective claims of such Noteholders against the Issuer shall cease to exist.

§ 5
REDEMPTION

(1) *Redemption at Maturity*. Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Redemption Amount on 1 November 2014 (the **Maturity Date**). The **Redemption Amount** in respect of each Note shall be its Principal Amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the tax laws or regulations of Germany or the United Kingdom, or any political subdivision or

nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gemäß § 12 gegenüber den Schuldverschreibungsgläubigern vorzeitig gekündigt und zum Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der für sie geltenden Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder des Vereinigten Königreichs oder einer politischen Untergliederung oder einer zur Erhebung von Steuern befugten Behörde eines dieser Staaten oder in einem dieser Staaten oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt diese Änderung oder Ergänzung wird am oder nach dem Tag der Begebung der Schuldverschreibungen wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz 1 definiert) zur Zahlung von zusätzlichen Beträgen (wie in § 7 definiert) verpflichtet ist oder sein wird.

any authority of or in either jurisdiction having power to tax, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on or after the issue date of the Notes, the Issuer has or will become obliged to pay Additional Amounts (as defined in § 7) on the next succeeding Interest Payment Date (as defined in § 3(1)), the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Principal Paying Agent and, pursuant to § 12, to the Noteholders, at their Principal Amount together with interest, if any, accrued to (but excluding) the date fixed for redemption.

Eine solche Kündigung hat gemäß § 12 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, die die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

Any such notice shall be given in accordance with § 12. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer to redeem.

(3) *Vorzeitige Rückzahlung aufgrund eines Kontrollwechsels.* Tritt ein Kontrollwechsel (wie nachstehend definiert) ein, dann hat jeder Schuldverschreibungsgläubiger das Recht (sofern nicht die Emittentin, bevor die nachstehend beschriebene Kündigungsoptions-Mitteilung gemacht wird, die Rückzahlung der Schuldverschreibungen nach § 5 Absatz 2 angezeigt hat), die Rückzahlung seiner Schuldverschreibungen durch die Emittentin am Wahl-Rückzahlungstag zu ihrem Nennbetrag, zuzüglich bis zum Wahl-Rückzahlungstag (ausschließlich) aufgelaufener Zinsen, zu verlangen.

(3) *Early Redemption for Reasons of a Change of Control.* In the event that a Change of Control (as defined below) occurs, each Noteholder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with § 5(2)) to require the Issuer to redeem the Notes held by such noteholder on the Optional Redemption Date at its principal amount together with interest accrued to, but excluding, the Optional Redemption Date.

Die Emittentin wird den Schuldverschreibungsgläubigern unverzüglich, nachdem sie von dem Eintritt eines Kontrollwechsels Kenntnis erlangt hat, gemäß § 12 Mitteilung von einem solchen Kontrollwechsel machen (eine **Kündigungsoptions-Mitteilung**). Die Kündigungsoptions-Mitteilung gibt die Umstände des Kontrollwechsels sowie das Verfahren für die Ausübung des in diesem § 5 Absatz 3 genannten Wahl-

The Issuer shall give notice of a Change of Control (a **Put Event Notice**) to the Noteholders in accordance with § 12 without undue delay upon the Issuer becoming aware that a Change of Control has occurred. The Put Event Notice shall specify the nature of, and the circumstances giving rise to, the Change of Control and the procedure for exercising the option set out in this § 5(3).

rechts an.

Zur Ausübung dieses Wahlrechts muss der Schuldverschreibungsgläubiger während der üblichen Geschäftszeiten innerhalb eines Zeitraums (der **Rückzahlungszeitraum**) von 45 Tagen nach Vornahme der Kündigungsoptions-Mitteilung eine ordnungsgemäß ausgefüllte und unterzeichnete Ausübungserklärung bei der bezeichneten Geschäftsstelle der Hauptzahlstelle einreichen. In dieser Ausübungserklärung sind von dem jeweiligen ausübenden Schuldverschreibungsgläubiger (i) die Anzahl der Schuldverschreibungen, für die das Kündigungsrecht ausgeübt wird und (ii) die ISIN der Schuldverschreibungen anzugeben. Ein so ausgeübtes Wahlrecht kann nicht ohne vorherige Zustimmung der Emittentin widerrufen oder zurückgezogen werden

In order to exercise such option, the Noteholder must submit during normal business hours at the specified office of the Principal Paying Agent a duly completed and signed option exercise notice within the period (the **Put Period**) of 45 days after a Put Event Notice is given. In such exercise notice the relevant exercising Noteholder must state (i) the number of Notes in respect of which the redemption right will be exercised and (ii) the ISIN of the Notes. No option so exercised may be revoked or withdrawn without the prior consent of the Issuer.

Für Zwecke dieses Wahlrechts gelten folgende Begriffsbestimmungen:

For the purposes of this option the following definitions shall apply:

Ein **Kontrollwechsel** gilt immer dann als eingetreten, wenn eine Person oder mehrere Personen (die **Relevante(n) Person(en)**), die im Sinne von § 22 Absatz 2 WpHG abgestimmt handeln, oder ein oder mehrere Dritte(r), die im Auftrag der Relevanten Person(en) handeln, zu irgendeiner Zeit mittelbar oder unmittelbar (unabhängig davon, ob das Board of Directors der Emittentin seine Zustimmung erteilt hat) (i) mehr als 50 % der ausgegebenen Stammaktien der Emittentin oder (ii) eine solche Anzahl von Aktien der Emittentin, auf die mehr als 50 % der Stimmrechte entfallen, die unter normalen Umständen auf einer Hauptversammlung der Emittentin ausgeübt werden können, hält bzw. halten oder erworben hat bzw. haben, wobei ein Kontrollwechsel dann nicht als eingetreten gilt, wenn alle Gesellschafter der Relevanten Person oder ein wesentlicher Teil von ihnen Aktionäre der Emittentin sind oder unmittelbar vor dem Ereignis, welches ansonsten einen Kontrollwechsel darstellen würde, waren und dieselbe (oder im Wesentlichen dieselbe) Beteiligung am Stammkapital der Relevanten Person halten bzw. hielten wie am Stammkapital der Emittentin.

A **Change of Control** shall be deemed to have occurred at any time (whether or not approved by the Board of Directors of the Issuer) at which any person or persons (**Relevant Person(s)**) acting in concert within the meaning of § 22(2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50 per cent. of the issued ordinary share capital of the Issuer or (ii) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, provided that a Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Relevant Person are, or immediately prior to the event which would otherwise have constituted a Change of Control were, the shareholders of the Issuer with the same (or substantially the same) *pro rata* interest in the ordinary share capital of the Relevant Person as such shareholders have, or as the case may be, had in the ordinary share capital of the Issuer.

Wahl-Rückzahlungstag ist der siebte Tag nach dem letzten Tag des Rückzahlungszeitraums.

The **Optional Redemption Date** is the seventh day after the last day of the Put Period.

§ 6
HAUPTZAHLSTELLE

(1) *Bestellung; bezeichnete Geschäftsstell*e. Die anfänglich bestellte Hauptzahlstelle und deren anfänglich bezeichnete Geschäftsstelle lautet wie folgt:

quirin bank AG
Kurfürstendamm 119
10711 Berlin
Deutschland

Die Hauptzahlstelle behält sich das Recht vor, jederzeit die bezeichnete Geschäftsstelle durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung*. Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle oder eine oder mehrere zusätzliche Zahlstellen zu bestellen. Die Emittentin wird jederzeit (i) eine Hauptzahlstelle unterhalten, (ii) eine Zahlstelle (die die Hauptzahlstelle sein kann) mit bezeichneter Geschäftsstelle in einer kontinentaleuropäischen Stadt unterhalten, (iii) eine Zahlstelle (die die Hauptzahlstelle sein kann) in einem EU-Mitgliedstaat, die nicht aufgrund einer die Richtlinie 2003/48/EG im Bereich der Besteuerung von Zinserträgen des Rates der Europäischen Union umsetzenden Regelung zum Einbehalt oder Abzug von Steuern verpflichtet ist, und (iv) solange die Schuldverschreibungen im Open Market (*Freiverkehr*) der Frankfurter Wertpapierbörse und im Bondm Handelssegment des Freiverkehrs der Baden-Württembergischen Wertpapierbörse in Stuttgart notiert sind, eine Zahlstelle (die die Hauptzahlstelle sein kann) unterhalten, bei der es sich um ein Kredit- oder Finanzinstitut handelt, das Zahlungen bezüglich der Schuldverschreibungen in Deutschland abwickeln kann. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Schuldverschreibungsgläubiger hierüber gemäß § 12 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

§ 6
PRINCIPAL PAYING AGENT

(1) *Appointment; Specified Offices.* The initial Principal Paying Agent and its initial specified office are:

quirin bank AG
Kurfürstendamm 119
10711 Berlin
Germany

The Principal Paying Agent reserves the right at any time to change its specified office to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint another Principal Paying Agent or one or more other additional paying agents. The Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a paying agent (which may be the Principal Paying Agent) with a specified office in a continental European city, (iii) a paying agent (which may be the Principal Paying Agent) in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the Council Directive 2003/48/EC on the taxation of savings income and (iv) so long as the Notes are listed on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and the Bondm segment of the open market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart, a paying agent (which may be the Principal Paying Agent) which is a credit or financial institution that is able to settle payments on the Notes in Germany. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with § 12.

(3) *Beauftragte der Emittentin.* Die Hauptzahlstelle und jede etwaige Zahlstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Schuldverschreibungsgläubigern; es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Schuldverschreibungsgläubigern begründet.

(3) *Agents of the Issuer.* The Principal Paying Agent and any paying agent act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust with any Noteholder.

§ 7
STEUERN

§ 7
TAXATION

Sämtliche auf die Schuldverschreibungen durch die Emittentin oder für die Emittentin zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art, die durch das oder im Vereinigte(n) Königreich oder durch die oder in der Bundesrepublik Deutschland oder durch eine politische Untergliederung oder durch eine zur Erhebung von Steuern befugte Behörde eines dieser Staaten oder in einem dieser Staaten an der Quelle auferlegt oder erhoben werden, zu leisten, es sei denn, die Emittentin ist gesetzlich zu einem solchen Einbehalt oder Abzug verpflichtet. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die **zusätzlichen Beträge**) zahlen, die erforderlich sind, damit die den Schuldverschreibungsgläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Schuldverschreibungsgläubigern empfangen worden wären; eine Verpflichtung zur Zahlung zusätzlicher Beträge besteht jedoch nicht für solche Steuern oder Abgaben, die:

All amounts payable by or on behalf of the Issuer in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or within the United Kingdom or Germany, or by any political subdivision or any authority of or in either jurisdiction having power to tax, unless the Issuer is required by law to make such withholding or deduction. In such event, the Issuer shall pay such additional amounts (the **Additional Amounts**) as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would otherwise have been received in the absence of such withholding or deduction except that no such Additional Amounts shall be payable on account of any taxes or duties which:

(a) von einer als Depotbank oder Inkassobeauftragter des Schuldverschreibungsgläubigers handelnden Person zu entrichten sind oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin von den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt, oder

(a) are payable by any person acting as custodian bank or collecting agent on behalf of a Noteholder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

(b) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union bezüglich der Besteuerung von Zinserträgen (zur Klarstellung: einschließlich der Richtlinie 2003/48/EG im Bereich der Besteuerung von Zinserträgen des Rates der Europäischen Union) oder (ii) einer zwischenstaatlichen Vereinbarung

(b) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, including, for the avoidance of doubt, Council Directive 2003/48/EC on the taxation of savings income, or (ii) any international treaty or understanding relating to such taxation which applies über deren Besteuerung, die auf die Emittentin anwendbar ist, oder (iii) einer gesetzlichen Vorschrift, die der Umsetzung dieser Richtlinie, Verordnung oder Vereinbarung dient, dieser entspricht oder zur Befolgung dieser Richtlinie, Verordnung oder Vereinbarung eingeführt wurde, abzuziehen oder einzubehalten sind, oder

to the Issuer, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(c) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können, oder

(c) are deducted or withheld by a paying agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding; or

(d) nicht zu entrichten wären, wenn die Schuldverschreibungen bei einem Kreditinstitut verwahrt und die Zahlungen von diesem vereinnahmt worden wären, oder

(d) would not be payable if the Notes had been kept in safe custody with, and the payments had been collected by, a banking institution; or

(e) aufgrund einer Rechtsänderung oder einer Änderung in der Rechtsanwendung zahlbar sind, die später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Mitteilung gemäß § 12 wirksam wird; oder

(e) are payable by reason of a change in law or practice that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later; or

(f) wegen einer Verpflichtung eines Schuldverschreibungsgläubigers zur Zahlung von Steuern oder Abgaben in Bezug auf die Schuldverschreibungen zu zahlen sind, die aufgrund einer Beziehung dieses Schuldverschreibungsgläubigers zum Vereinigten Königreich oder zur Bundesrepublik Deutschland entstanden ist, die über das bloße Halten von Schuldverschreibungen hinausgeht; oder

(f) are payable by reason of a Noteholder who is liable for such taxes or duties in respect of the Notes having some connection with the United Kingdom or with Germany other than the mere holding of the Note; or

(g) vermieden worden wären, wenn ein Schuldverschreibungsgläubiger (bspw. bei der maßgeblichen Finanzbehörde) eine Nichtansässigkeits-Erklärung abgegeben hätte oder eine vergleichbare Ausnahme oder Befreiung geltend gemacht hätte.

(g) would not be payable, if a Noteholder had made a declaration of non-residence or other similar claim for exemption (e.g. to the relevant tax authority).

§ 8
VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre abgekürzt.

§ 8
PRESENTATION PERIOD

The presentation period provided in § 801(1), sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*, BGB) is reduced to ten years for the Notes.

§ 9

§ 9

KÜNDIGUNG

(1) *Kündigungsgründe.* Jeder Schuldverschreibungsgläubiger ist berechtigt, seine Schuldverschreibungen zu kündigen und deren sofortige Rückzahlung zum Nennbetrag, zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

(a) die Emittentin Kapital oder Zinsen nicht innerhalb von 15 Kalendertagen nach dem betreffenden Tag, an dem die jeweilige Zahlung zur Zahlung fällig ist, zahlt; oder

(b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen (bei der es sich nicht um eine Verpflichtung zur Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen handelt) unterlässt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 60 Kalendertage fortdauert, nachdem die Hauptzahlstelle hierüber eine Benachrichtigung von einem Schuldverschreibungsgläubiger erhalten hat; oder

(c) die Emittentin oder eine Maßgebliche Tochtergesellschaft (wie in § 9 Absatz 3 definiert) eine Zahlungsverpflichtung in Höhe von mindestens € 20.000.000 (oder ein entsprechender Betrag in einer anderen Währung) im Zusammenhang mit Geldern, die die Emittentin oder eine Maßgebliche Tochtergesellschaft in Form eines Kredits oder anderweitig aufgenommen hat oder garantiert hat oder für die die Emittentin oder eine Maßgebliche Tochtergesellschaft anderweitig die Haftung übernommen hat, oder im Zusammenhang mit einer anderen Relevanten Verbindlichkeit (wie in § 2 Absatz 2 definiert), die von der Emittentin oder einer Maßgeblichen Tochtergesellschaft begeben oder garantiert wurde, oder für die die Emittentin oder eine Maßgebliche Tochtergesellschaft anderweitig die Haftung übernommen hat, nicht bei Fälligkeit oder innerhalb einer gegebenenfalls gewährten Nachfrist erfüllt; oder

(d) die Emittentin oder eine Maßgebliche Tochtergesellschaft ihre Zahlungsunfähigkeit androht oder bekannt gibt oder ihre Zahlungen einstellt; oder

(e) ein Gericht ein Insolvenzverfahren gegen die Emittentin oder eine Maßgebliche Tochtergesellschaft eröffnet, oder eine Aufsichts- oder

TERMINATION

(1) *Events of Default.* Each Noteholder shall be entitled to declare his Notes due and demand immediate redemption thereof at the Principal Amount, together with accrued interest (if any) to the date of repayment, in the event that:

(a) the Issuer fails to pay principal or interest within 15 calendar days from the relevant due date; or

(b) the Issuer fails to duly perform any other obligation arising from the Notes (other than an obligation for the payment of principal and interest in respect of the Notes) and such failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 60 calendar days after the Principal Paying Agent has received notice thereof from a Noteholder; or

(c) the Issuer or a Pertinent Subsidiary (as defined in § 9(3)) fails to fulfil any payment obligation equal to or exceeding € 20,000,000 (or its equivalent in another currency) when due or, as the case may be, within an applicable grace period under any monies borrowed or raised or guaranteed by the Issuer or a Pertinent Subsidiary or for which the Issuer or a Pertinent Subsidiary has otherwise assumed liability or under any other Relevant Indebtedness (as defined in § 2(2)) issued or guaranteed by the Issuer or a Pertinent Subsidiary or for which the Issuer or a Pertinent Subsidiary has otherwise assumed liability; or

(d) the Issuer or a Pertinent Subsidiary threatens or announces its inability to meet its financial obligations or ceases its payments; or

(e) a court opens insolvency proceedings against the Issuer or a Pertinent Subsidiary, or a supervisory or other authority which has jurissonstige Behörde, deren Zuständigkeit die Emittentin oder eine Maßgebliche Tochtergesellschaft unterliegt, ein solches Verfahren einleitet oder beantragt und das betreffende Verfahren nicht innerhalb von 60 Kalendertagen eingestellt oder ausgesetzt wird oder die Emittentin oder eine Maßgebliche Tochtergesellschaft eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft; oder

diction over the Issuer or a Pertinent Subsidiary institutes or applies for such proceedings and, in each case, such proceedings have not been discharged or stayed within 60 calendar days, or the Issuer or a Pertinent Subsidiary offers or makes an arrangement for the benefit of its creditors generally; or

(f) die Emittentin aufgelöst oder liquidiert wird, es sei denn, dass die Auflösung oder Liquidation im Zusammenhang mit einer Verschmelzung oder einem sonstigen Zusammenschluss mit einem anderen Rechtsgebilde erfolgt, sofern, im Fall der Auflösung oder Liquidation der Emittentin, dieses andere Rechtsgebilde alle Verbindlichkeiten der Emittentin aus den Schuldverschreibungen übernimmt; oder

(f) the Issuer is dissolved or liquidated, unless such dissolution or liquidation is made in connection with a merger, consolidation or other combination with any other entity, provided that, in the case of the dissolution or liquidation of the Issuer, such other entity assumes all obligations of the Issuer arising under the Notes; or

(g) die Emittentin ihren Geschäftsbetrieb einstellt oder damit droht, es sei denn, dies erfolgt im Zusammenhang mit einer Verschmelzung oder einem sonstigen Zusammenschluss mit einem anderen Rechtsgebilde, sofern dieses andere Rechtsgebilde alle Verbindlichkeiten der Emittentin aus den Schuldverschreibungen übernimmt; oder

(g) the Issuer ceases or threatens to cease to carry on its business, unless such event occurs in connection with a merger, consolidation or other combination with any other entity, provided that such other entity assumes all obligations of the Issuer arising under the Notes; or

(h) eine behördliche Anordnung, ein Erlass oder eine gesetzliche Bestimmung erlassen wird oder ergeht, aufgrund derer die Emittentin daran gehindert wird, die von ihr gemäß diesen Emissionsbedingungen übernommenen Verpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist.

(h) any governmental order, decree or enactment is made which prevents the Issuer from observing and performing in full its obligations as set forth in these Terms and Conditions and this situation is not cured within 90 days.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Benachrichtigung.* Jede Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß Absatz 1 dieses § 9 ist schriftlich in deutscher oder englischer Sprache gegenüber der Hauptzahlstelle zu erklären und persönlich oder per Einschreiben an deren bezeichnete Geschäftsstelle zur Weiterleitung an die Emittentin zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Schuldverschreibungsgläubiger zum Zeitpunkt der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann

(2) *Notice.* Any notice, including any notice declaring Notes due in accordance with paragraph 1 of this § 9, shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Principal Paying Agent to be forwarded to the Issuer by the Principal Paying Agent together with proof that such Noteholder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 14(3)) or in another appropriate manner.

durch eine Bescheinigung der Depotbank (wie in § 14 Absatz 3 definiert) oder auf andere geeignete Weise erbracht werden.

(3) **Maßgebliche Tochtergesellschaft** bezeichnet die Air Berlin PLC & Co. Luftverkehrsgesellschaft KG oder die Air Berlin Finance B.V.

(3) **Pertinent Subsidiary** means Air Berlin PLC & Co. Luftverkehrsgesellschaft KG or Air Berlin Finance B.V.

§ 10
ERSETZUNG

(1) *Ersetzun*g. Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Schuldverschreibungsgläubiger an ihrer Stelle eine Tochtergesellschaft (ausgenommen eines Unternehmens mit Sitz in den Vereinigten Staaten von Amerika) als Hauptschuldnerin (die **Nachfolgeschuldnerin**) für alle Verpflichtungen aus und im Zusammenhang mit den Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

(a) kein Verzug in Bezug auf die Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen vorliegt;

(b) die Emittentin und die Nachfolgeschuldnerin einen Vertrag zugunsten jedes Schuldverschreibungsgläubigers als begünstigtem Dritten gemäß § 328 Absatz 1 BGB abgeschlossen haben, in dem sich die Nachfolgeschuldnerin verpflichtet hat, an die Regelungen dieser Emissionsbedingungen und des Agency Agreements als Schuldnerin in Bezug auf die Schuldverschreibungen gebunden zu sein;

(c) die Emittentin und die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten haben und berechtigt sind, an die Hauptzahlstelle alle zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der in diesen Emissionsbedingungen festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin ihren Sitz hat oder steuerlich ansässig ist, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;

§ 10
SUBSTITUTION

(1) *Substitution*. The Issuer may, without the consent of the Noteholders at any time substitute for the Issuer any subsidiary (except for any subsidiary with a registered office in the United States of America) as principal debtor in respect of all obligations arising from or in connection with the Notes (the **Substitute Debtor**), provided that:

(a) no payment of principal of or interest on any of the Notes is in default;

(b) the Issuer and the Substitute Debtor have entered into an agreement in favour of each Noteholder as third-party beneficiary pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*, BGB) in which the Substituted Debtor has undertaken to be bound by these Terms and Conditions and the provisions of the Agency Agreement as the debtor in respect of the Notes;

(c) the Issuer and the Substitute Debtor have obtained all necessary authorisations and may transfer to the Principal Paying Agent, in the currency required under these Terms and Conditions and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;

(d) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Schuldverschreibungsgläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Schuldverschreibungsgläubiger in Folge der Ersetzung auferlegt werden;

(e) die Nachfolgeschuldnerin, falls sie ihren Sitz in einem anderen Land als Deutschland hat, einen Zustellungsbevollmächtigten mit Sitz in Deutschland für Rechtsstreitigkeiten vor deutschen Gerichten bestellt hat; und

(f) die Emittentin unbedingt und unwiderruflich die Verpflichtungen der Nachfolgeschuldnerin gegenüber den Schuldverschreibungsgläubigern garantiert.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 12 bekannt zu machen.

(3) *Änderung von Bezugnahmen.* Im Falle einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin.

§ 11
BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Schuldverschreibungsgläubiger weitere Schuldverschreibungen mit in jeder Hinsicht gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Hauptzahlstelle zwecks Entwertung eingereicht werden.

(d) the Substitute Debtor has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder as a consequence of such substitution;

(e) the Substitute Debtor, if a foreign company, has appointed an authorised agent domiciled in Germany for accepting services of process (*Zustellungsbevollmächtigter*) for any legal disputes before German courts; and

(f) the Issuer irrevocably and unconditionally guarantees in favour of each Noteholder such obligations of the Substitute Debtor.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 12.

(3) *Change of References.* In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor.

§ 11
FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Noteholders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation.

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen können unverzüglich entwertet werden. Falls die Schuldverschreibungen entwertet werden, können sie nicht wiederbegeben oder wiederverkauft werden.

(3) *Cancellation.* All Notes redeemed in full may be cancelled forthwith and, if cancelled, may not be reissued or resold.

§ 12
MITTEILUNGEN

Bekanntmachung. Die Emittentin wird alle die Schuldverschreibungen betreffenden Mitteilungen durch Mitteilung an das Clearing System zur Weiterleitung an die Schuldverschreibungsgläubiger bekannt machen. Jede derartige Mitteilung gilt am siebten Geschäftstag nach dem Tag der Mitteilung an das Clearing System als gegenüber den Schuldverschreibungsgläubigern wirksam erfolgt.

Sofern die Schuldverschreibungen an einer Börse notiert sind und die Regeln dieser Börse dies vorsehen, wird die Emittentin alle die Schuldverschreibungen betreffenden Mitteilungen gemäß den Regeln dieser Börse veröffentlichen. Die Wirksamkeit von Mitteilungen, die gemäß Satz 1 erfolgen, wird nicht dadurch beeinträchtigt, dass Mitteilungen nicht gemäß den Regeln einer Börse bekannt gemacht wurden.

§ 12
NOTICES

Publication. The Issuer shall deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Noteholders. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Clearing System.

If the Notes are listed on any stock exchange and the rules of that stock exchange so require, all notices of the Issuer concerning the Notes shall be published in accordance with the rules of this stock exchange. A failure to publish any notices in accordance with the rules of any stock exchange shall not affect the effectiveness of notices issued in accordance with sentence 1.

§ 13
BESCHLÜSSE DER SCHULDVERSCHREIBUNGS-GLÄUBIGER

(1) *Beschlussgegenstände.* Die Schuldverschreibungsgläubiger können gemäß dem Schuldverschreibungsgesetz durch Mehrheitsbeschluss Änderungen der Emissionsbedingungen zustimmen.

(2) *Mehrheitserfordernisse für Änderungen der Emissionsbedingungen.* Die Schuldverschreibungsgläubiger beschließen mit einer Mehrheit von mindestens 75 % (**Qualifizierte Mehrheit**) der an der Abstimmung teilnehmenden Stimmrechte wesentliche Änderungen der Emissionsbedingungen, insbesondere die Zustimmung zu in § 5 Absatz 3 des Schuldverschreibungsgesetzes aufgeführten Maßnahmen. Beschlüsse, durch die der wesentliche Inhalt der Emissionsbedingungen nicht geändert wird, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit von mindestens

§ 13
RESOLUTIONS OF NOTEHOLDERS

(1) *Matters subject to resolutions*. The Noteholders may in accordance with the German Bond Act (*Schuldverschreibungsgesetz*) by majority resolution consent to amendments of the Terms and Conditions.

(2) *Majority requirements for amendments to the Terms and Conditions*. Resolutions relating to material amendments to the Terms and Conditions, in particular consents to the measures set out in § 5(3) of the German Bond Act (*Schuldverschreibungsgesetz*), shall be passed by a majority of not less than 75 per cent. of the votes cast (**Qualified Majority**). Resolutions relating to amendments to the Terms and Conditions which are not material require a simple majority of not less than 50 per cent. of the votes cast (**Simple Majority**). Each Noteholder

50 % der teilnehmenden Stimmrechte (**Einfache Mehrheit**). Jeder Schuldverschreibungsgläubiger nimmt an Abstimmungen nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil. Jede Änderung der Emissionsbedingungen bedarf der Zustimmung der Emittentin.

participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes. Any amendment of the Terms and Conditions requires the consent of the Issuer.

(3) *Beschlussfassung.* Beschlüsse der Schuldverschreibungsgläubiger werden im Wege einer Abstimmung ohne Versammlung nach § 18 Schuldverschreibungsgesetz getroffen, es sei denn die Emittentin stimmt einer physischen Schuldverschreibungsgläubigerversammlung gemäß § 9 Schuldverschreibungsgesetz zu.

(3) *Passing of resolutions.* Noteholders shall pass resolutions by vote taken without a physical meeting (*Abstimmung ohne Versammlung*) pursuant to § 18 of the German Bond Act unless the Issuer consents to a physical noteholder meeting pursuant to § 9 of the German Bond Act.

(4) *Nachweise.* Die Schuldverschreibungsgläubiger haben die Berechtigung zur Teilnahme an der Abstimmung zum Zeitpunkt der Stimmabgabe durch besonderen Nachweis der Depotbank gemäß § 14 Absatz 3 dieser Emissionsbedingungen und die Vorlage eines Sperrvermerks der Depotbank für den Abstimmungszeitraum nachzuweisen.

(4) *Proof of eligibility*. The Noteholders must demonstrate their eligibility to participate in the vote at the time of voting by means of a special confirmation of the Custodian in accordance with § 14(3) of these Terms and Conditions and by submission of a blocking instruction by the Custodian for the voting period.

§ 14
ANWENDBARES RECHT, ERFÜLLUNGSORT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

§ 14
APPLICABLE LAW, PLACE OF PERFORMANCE, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Schuldverschreibungsgläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(1) *Applicable Law.* The form and content of the Notes and all rights and obligations of the Noteholders and the Issuer shall be governed by German law.

(2) *Gerichtsstand.* Das zuständige Gericht in Berlin ist zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren, soweit nicht gesetzlich zwingend etwas anderes bestimmt ist.

(2) *Submission to Jurisdiction.* The competent court in Berlin shall have jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes, unless mandatory statutory provisions require otherwise.

(3) *Gerichtliche Geltendmachung.* Jeder Schuldverschreibungsgläubiger ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Schuldverschreibungsgläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für

(3) *Enforcement.* Any Noteholder may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, in his own name enforce his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of Notes (a) stating the full name and address of the Noteholder, (b) specifying the aggregate

die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Schuldverschreibungsgläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält, und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing System oder des Verwahrers des Clearing System bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre oder (iii) auf jede andere Weise, die im Lande der Geltendmachung prozessual zulässig ist. Für die Zwecke des Vorstehenden bezeichnet **Depotbank** jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Schuldverschreibungsgläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems.

principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing the relevant Notes certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing the Notes or (iii) any other means of proof permitted in legal proceedings in the country of enforcement. For purposes of the foregoing, **Custodian** means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes, including the Clearing System.

§ 15
TEILUNWIRKSAMKEIT

Sollte eine der Bestimmungen dieser Emissionsbedingungen unwirksam oder undurchführbar sein oder werden, so bleibt die Wirksamkeit oder die Durchführbarkeit der übrigen Bestimmungen hiervon unberührt. Anstelle der unwirksamen oder undurchführbaren Bestimmungen soll, soweit rechtlich möglich, eine dem Sinn und Zweck dieser Emissionsbedingungen entsprechende Regelung gelten.

§ 15
SEVERABILITY

Should any of the provisions of these Terms and Conditions be or become invalid or unenforceable, the validity or the enforceability of the remaining provisions shall not in any way be affected or impaired thereby. In that event, the invalid or unenforceable provision shall be replaced by a provision which, to the extent legally possible, provides for an interpretation in keeping with the meaning and economic purposes of these Terms and Conditions.

§ 16
SPRACHE

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigefügt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

§ 16
LANGUAGE

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be prevailing and binding. The English language translation is provided for convenience only.

DESCRIPTION OF THE ISSUER

Overview

Air Berlin PLC (**Air Berlin**) was incorporated and registered in England and Wales on 2 December 2005 under the Companies Act as a private company limited by shares with the name Air Berlin Limited. On 19 December 2005, it was re-registered as a public limited company under the name Air Berlin PLC. Air Berlin's registered office is The Hour House, 32 High Street, Rickmansworth, WD3 1ER, with the telephone number +49 (0)30 3434 1500. Air Berlin's registered number is 5643814.

On 1 October 2009, the Companies Act 2006 (the **2006 Act**) came into force in England and Wales. Pursuant to a provision of the 2006 Act, an English incorporated company's objects and purpose are unrestricted in scope unless that company's articles of association expressly provide otherwise. As a consequence of the 2006 Act, Air Berlin resolved to delete its former objects and purpose clause from its constitutional documents. As a result, Air Berlin's objects and purpose are unrestricted in scope.

Air Berlin's authorised share capital is comprised of 116,800,508 registered ordinary shares of € 0.25 each and 50,000 A shares of £1.00 each which were issued and fully paid up as of 31 December 2012. Included in this amount are 177,600 treasury shares held by Air Berlin through the Air Berlin Employee Share Trust. On 24 January 2012, Etihad Airways has become the biggest single shareholder of Air Berlin holding shares issued by way of a capital increase with a voting interest of 29.21% based on an agreement entered into between Etihad Airways and Air Berlin on 19 December 2011. In connection with the acquisition of the new shares, Etihad Airways also provides five-year financing facilities of up to USD255 million to support fleet development and future network growth.

Air Berlin is the parent company of an air carrier group whose main operating company is Air Berlin PLC & Co. Luftverkehrs KG. Air Berlin offers scheduled flights on a wide range of short-, medium- and long-haul routes. As of 30 September 2012, Air Berlin flew to 170 domestic German and international destinations in 45 countries. In total, Air Berlin flew to 144 destinations in Europe (including destinations in Turkey), 91 in North Africa along with a further 17 destinations overseas in Africa, North America, the Caribbean and Asia. Air Berlin's European destinations are located primarily in, or in close proximity to, major European cities that are attractive to leisure and business travellers alike. In 2011, Air Berlin transported 35.3 million passengers (2010: 34.9 million) and generated revenue of € 4,227.3 million (2010: € 3,723.6 million). Air Berlin's major competitor in the European low-cost carrier market is easyJet and in the German market, Lufthansa.

Air Berlin sells seats on its flights through all major distribution channels and believes that it has one of the most comprehensive distribution networks of the major European low-cost carriers. Most seats are booked directly by customers through Air Berlin's website, its 24-hour service centre or third-party travel agencies. Some seats also are sold up to a year in advance of the flight departure date under agreements with charter and package tour operators, who then resell the seats to their customers, generally as part of package tours.

The Air Berlin network combines both business and leisure travel destinations and is attractive to both leisure and business travellers through serving a balanced mix of airports in tourist destinations and airports in or in close proximity to major European cities and by offering customers a number of extra services together with widely available value-for-money fares. Its business model and multi-channel distribution platform allow Air Berlin to target these core customer segments in order to balance demand and optimise yields.

As of 30 September 2012, Air Berlin's fleet is comprised of 158 aircraft, and is one of the youngest fleets among the top ten carriers by passengers in Europe, with an average age of 5.2 years.

The following table shows how Air Berlin's major operating data have developed over the periods indicated:

	Nine months ended 30 September		Year ended 31 December	
	2012 (unaudited)	2011 (unaudited)	2011	2010
Aircraft	158	170	170	169
Flights	196,372	210,574	270,498	274,227
Destinations	170	171	162	163
Capacity (thousands of passengers)	32,800,538	35,191,864	45,137	45,636
Passengers (in thousands)	26,250,669	27,675,491	35,300	34,890
ASKs in billion	47.398	47.915	62.16	61.04
RPKs in billion	38.429	40.557	52.14	46.96
Passenger load factor	80.03%	78.64%	78.21%	76.45
Number of block hours	408,336	420,623	543,660	542,720

(1) The data for the nine months ended 30 September in the table above have been derived from Air Berlin's management accounts.

(2) ASKs, or available seat kilometres, are the average number of seats available for sale per flight stage multiplied by the total number of kilometres flown.

(3) RPKs, or revenue passenger kilometres, are the average number of revenue sold seats per flight stage multiplied by the total number of kilometres flown.

(4) Passenger load factor is the ratio of passengers to capacity.

As of 31 December 2012, Air Berlin's fleet is comprised of 155.

In the nine-month period ended 30 September 2012, the total number of passengers transported by Air Berlin declined 5.2% to 26,250.669 (compared to 27,675,491 in first nine months of 2011. For the same period, the passenger load factor improved from 78.64 to 80.03 per cent (an increase of 1.39 percentage points). Accumulated capacity for the first nine months of 2011 declined by 6.8 per cent as compared to the first nine months of 2010.

As of 30 September 2012, Air Berlin flew to 170 domestic German and international destinations in 45 countries, of which 144 destinations in Europe (including destinations in Turkey), 9 destinations in North Africa and a further 17 destinations overseas in Africa, North America, the Caribbean and Asia.

Important events since Air Berlin's intial public offering (IPO)

Important events since Air Berlin's IPO in May 2006 include:

2006 Air Berlin acquires dba Luftfahrtgesellschaft mbH, expanding its footprint in the business travel sector with additional slots at strategically important airports.

2007 Air Berlin acquires LTU Lufttransport Unternehmen GmbH (**LTU**) and enters the long-haul market. LTU operated 16 medium- and twelve long-range aircraft and had approximately 2,200 employees as of 31 December 2006.

Air Berlin acquires 49% of the Swiss carrier Belair, with its strong base of tour operators and international traffic rights.

2008 Air Berlin launches the "Jump" cost-reduction programme to improve profitability throughout the Air Berlin Group. Starting with the winter flight schedule

2008/2009, Air Berlin implements measures to optimise capacity, flight schedules, route network and fleet and to streamline the organisation. Aircraft with high fuel consumption are taken out of service, while unprofitable routes are discontinued. At the same time, more flights are offered to destinations with high demand.

2009 Air Berlin transfers its option to acquire the remaining 51% of Belair to a Swiss trust which exercises the option with Hotelplan Holding AG and becomes the new owner of 51% of Belair. Air Berlin retains its 49% holding and the Swiss trust grants Air Berlin the option to acquire its 51% holding of Belair. Belair remains fully consolidated in Air Berlin's financial statements.

Air Berlin enters into agreements with members of the TUI Travel group. As a result of the agreements, new shares representing 9.9% of Air Berlin's issued share capital are issued to Leibniz, a subsidiary of TUI Travel, for cash consideration of € 33.5 million. Leibniz agrees to undertake an orderly divestment of the shares in the years following their subscription and not to exercise any voting rights with respect to the shares. Air Berlin receives certain slots, customer contracts and other rights previously utilised by TUI Travel and leases 14 Air Berlin-branded aircraft through wet lease arrangements with a subsidiary of TUI Travel, TUIfly GmbH.

Air Berlin becomes the first airline in the world with approval to use GLS (GPS landing system) for normal flight operations which greatly reduces time spent in holding patterns and on diversions.

2010 Air Berlin Group increases its interest in the Austrian carrier NIKI Luftfahrt GmbH (**NIKI**) by 25.9% from 24% to 49.9%. In addition, Air Berlin PLC & Co. Luftverkehrs KG (**Air Berlin KG**) grants a € 40.5 million loan to the private Lauda foundation (*Privatstiftung Lauda*) which is the ultimate indirect shareholder of the remaining 50.1% interest in NIKI. The maximum term of the loan granted in July 2010 is slightly less than three years and the private Lauda foundation has the option to repay the loan including interest in cash or transfer its entire indirect interest in NIKI to Air Berlin KG instead. NIKI has been fully consolidated in the financial statements of Air Berlin PLC since 5 July 2010. On 15 November 2011 the private Lauda foundation exercises its option transfer its entire interest in NIKI to Air Berlin KG and thereby discharges its repayment obligation under the loan.

2011 Effective 1 April 2011, the wholly-owned subsidiary LTU is merged into Air Berlin PLC & Co. Luftverkehrs KG. Furthermore, all maintenance activities previously conducted by three separate entites in Berlin, Düsseldorf and Cologne are consolidated by merger into airberlin technik GmbH.

In reaction to various factors causing certain destinations to become unprofitable, including in particular high fuel prices, the newly introduced air travel tax, lower passenger numbers and the decrease of passenger demand as well as in order to increase its profitability, Air Berlin launches the comprehensive 'Shape & Size' programme in August 2011. The programme is designed to achieve a significant contribution through network and fleet optimisation. As part of this programme, Air Berlin plans, *inter alia*, to reduce its fleet of 170 aircraft as of 30 September 2011 to 152 by the summer of 2012. With a reduction in flight hours of only 4%, productivity per aircraft is expected to increase by approximately 200 hours per year. On the basis of this package of measures and further cost cutting and revenue enhancing measures, Air Berlin intends to achieve an improvement of operating results of € 200 million.

Effective 1 September 2011, Joachim Hunold resigns as CEO of Air Berlin PLC and is succeeded by Dr. Hartmut Mehdorn.

2012	On 24 January 2012, Etihad Airways becomes the biggest single shareholder of Air Berlin holding shares issued by way of a capital increase with a voting interest of 29.21% based on an agreement entered into between Etihad Airways and Air Berlin on 19 December 2011. Air Berlin receives about €73 million for the 31,574,312 shares issued for the capital increase, based on a price of €2.31 per share. In connection with the acquisition of the new shares, Etihad Airways also provides five-year financing facilities of up to USD 255 million to support fleet development and future network growth. With effect from 20 March 2012, Air Berlin joins the global airline alliance oneworld®. At the same time, the Austrian airline NIKI, also a member of Air Berlin group, joins oneworld® as an affiliate member. On 18 December 2012, Air Berlin PLC & Co. Luftverkehrs KG and Etihad Airport Services L.L.C. agree that Air Berlin's frequent flyer programme "topbonus" shall be carved-out from Air Berlin and operated by Topbonus Ltd., a company that has its head office in Berlin and in which Etihad Airport Services L.L.C. has a majority stake of 70% and Air Berlin a stake of 30%. Topbonus Ltd. shall continue to operate and further develop the frequent flyer programme on the basis of a commercial agreement with Air Berlin. Air Berlin has the right to acquire 10% of the shares in Topbonus Ltd. from Etihad Airport Services L.L.C. Through this transaction, which closed on 19 December 2012, Air Berlin generates revenues of €184.4 million.
2013	Effective 7 January 2013, Hartmut Mehdorn resigns as CEO of Air Berlin PLC followed by Wolfgang Prock-Schauer as new CEO. On 15 January 2013, Air Berlin launches the two-year restructuring programme "Turbine" which is designed to establish the simplest and most cost-efficient organisation possible in conjunction with streamlined processes with a view to improve the operating performance and to achieve sustainable profitability. The "Turbine" programme will entail further adjustments to the route network and a further reduction of flights and flight frequency as well as a reduction of its fleet to 142 aircraft and a reduction of approximately 900 jobs.

Trend information

Save as disclosed herein, there has been no material adverse change in the prospects of Air Berlin since 31 December 2011.

Recent Developments

According to IATA, profits of European airlines are expected to decrease from US$ 0.4 billion in 2011 to US$ 0.0 billion in 2012, due to the high fuel prices and the effects of economic uncertainty.[3] IATA forecasts that the net profits of global commercial airlines will further increase in 2013 but that the European airlines whose home markets have been damaged by the Euro-zone crisis are expected to generate the same financial performance as in 2012, i.e. no net profits in 2013, due to the weak economic condition in Europe although IATA now expects Europe to break even.

For Air Berlin the 2012 financial year was characterised by the difficult economic environment resulting from the Euro-zone crisis, high fuel prices and extraordinary costs such as the German air travel tax and costs resulting from the repeated delays in opening the airport Berlin Brandenburg (BER).

[3] Source: IATA "Financial Forecast" report dated December 2012.

The total number of passengers transported in the first nine months of 2012 amounted to 26.3 million (compared to 27.7 million in the first nine months of 2011).

Air Berlin achieved revenue passenger kilometres in the amount of 38.43 billion in the first nine months of 2012 as compared to 40.56 billion in the first nine months of 2011, which is a decrease by 5.3%. Revenue in the first nine months of 2012 amounted to € 3.343 billion compared to € 3.273 billion in the first nine month of 2011.

With respect to costs, the air travel tax amounted to € 120.6 million in the first nine months of 2012. Price competition made passing on these costs to customers extremely difficult. The continuing high fuel prices combined with an unfavourable UDS/EUR conversion rate also has had a negative impact: in the first nine months of 2012, fuel was approximately 12.4 per cent more expensive than in the prior-year period. As Air Berlin effectively limited the other expense items, the operating income before depreciation and leasing (EBITDAR) improved 12.7% or € 48.9 million in the nine.month period of 2012. Additionally, the operating loss at the EBIT level decreased from € 123.7 million in the first nine months of 2011 to € 77.5 million in the first nine months of 2012.

In the first nine months of 2012, the net result, after income tax expenses of € 23.5 million (restated as set out under "Amendment to the 2011 annual and consolidated financial statements and re-assessment of the recognition of deferred tax assets" in section "Selected Financial Information" on page 82, previously reported: tax benefits of € 32.2 million);, was € -158.3 (restated; previously reported: -102.5 million) compared with € -134.3 million (after income tax benefits of € 63.7 million) reported for the first nine months of 2011.

The high oil price combined with an unfavourable UDS/EUR conversion rate and the air travel tax are continuing negative factors that have affected Air Berlin's competitive situation. Moreover, price-conscious customers in particular purchase fewer tickets when the air travel tax and increased costs result in increased ticket prices.

In reaction to these factors and in order to increase profitability, Air Berlin has implemented an extensive package of measures known as "Shape & Size" starting at the end of 2011 with further measures in 2012.

The "Shape & Size" programme aimed to improve operating results by, among others, optimising the route network, adjusting the fleet and implementing further cost reduction and top-line enhancement measures such as adjustments to the route network by removing routes which are not profitable in the current environment and at the same time are no longer strategically relevant; mostly pertaining to connections between smaller airports, but also to other destinations such as those in North Africa and adjustments to the frequency of flights to destinations where utilisation is currently not satisfactory as well as a reduction of its current fleet of 170 aircraft to 155 by 31 December 2012.

In response to a weakening demand in Europe and due to various additional burdens, and negative factors which have been exacerbated, in 2012 such as the recession in Europe, the repeated delays in opening the airport Berlin Brandenburg (BER), the German aviation tax by which Air Berlin is considerably more burdened than other airlines and the continuing high fuel prices, Air Berlin has enhanced its "Shape & Size" programme with further restructuring measures and the turnaround programme "Turbine", which has been announced on 15 January 2013, to improve the operating performance and to achieve sustainable profitability.

The two-year "Turbine" programme aims for establishing the simplest and most cost-efficient organisation possible in conjunction with streamlined processes and includes, among others, further adjustments to the route network, a reduction of the fleet to 142 aircraft and a reduction of approximatley 900 jobs (which is almost 10% of all employees of Air Berlin). The possibility of redundancies cannot be excluded.

Business model

Air Berlin's business model offers its customers primarily travel at attractively priced fares, while providing a number of free services to its passengers which other carriers either charge for or do not offer. Air Berlin combines a hub-and-spoke system with point-to-point scheduled flights, serving a mix of airports in tourist destinations as well as airports in, or in close proximity to, major European cities. Air Berlin focuses on various customer segments, in particular, tour operators, individual leisure and business travellers, and corporate accounts.

Strategy

Air Berlin aims to build on its strengths to deliver sustainable and profitable growth and to strengthen its competitive position. The key elements of Air Berlin's strategy include:

Service offering. Air Berlin intends to maintain its position in the market by offering its customers value-for-money fares and a number of free services that other carriers do not provide. Air Berlin offers a simple booking process and fare structure and intends to continue to focus on providing cost-efficient in-flight services, including on-board premium food and beverage services, ground services and reservations and distribution.

Strategic mix of destinations served. Air Berlin serves a mix of airports in tourist destinations and airports in or in close proximity to major European cities to satisfy both leisure and business travellers. Air Berlin also intends to continue to review its network in order to opportunistically allocate capacity to more profitable routes. Air Berlin's membership in the oneworld® alliance and the codeshare agreements entered into in connection with the oneworld® membership as well as its cooperation with Etihad Airways have also increased the number of destinations in which Air Berlin has a presence.

Leveraging efficient customer segmentation and multi-channel distribution platform. Air Berlin believes that its business model allows for an advantageous combination of different customer segments. While tour operators and private travellers on scheduled flights have always been a focus point of Air Berlin, this has been complimented by growth in Air Berlin's business passenger segment.

Air Berlin intends to continue to refine its multi-channel distribution platform to target all of its customer segments and to provide a competitive advantage in balancing demand to optimise yields.

Increasing acceptance among business travellers. Air Berlin's attention to business travellers, together with its premium value-for-money service, highly frequented German domestic route network and destinations in a number of major European cities outside Germany frequented by business travellers, have enabled Air Berlin to gain steadily increasing acceptance among business travellers over the past few years. The number of agreements with corporate customers increased by 5% in 2011 bringing the total number of such agreements from 1,441 in 2010 to 1,506 as of 31 December 2011. As of 30 September 2012, the number of corporate customers amounted to 1,586.

In addition to the Air Berlin Corporate and Flex fare schemes, Air Berlin offers a loyalty reward scheme, business points, aimed at small- and medium-sized businesses. With this programme Air Berlin intends to further increase its percentage of business travellers, developing new and further strengthening existing corporate relationships. In 2011, Air Berlin entered into 3,676 new business point agreements under this scheme. In addition, on a number of long-haul flights Air Berlin offers a business-class service of the type usually provided by legacy carriers.

Ongoing focus on a cost-efficient structure. As part of the "Shape & Size" and "Turbine" programmes, Air Berlin will continue to monitor its costs closely, with particular focus on:

- Aircraft operating expenses. Air Berlin's aircraft fleet has a low average age, enabling Air Berlin to keep maintenance, repair and overhaul, or MRO, expenses low. Air Berlin will continue to closely monitor its aircraft operating expenses and will make appropriate adjustments as necessary.

- Airport costs. Airport costs, such as landing charges and ground-handling fees, represent a large proportion of Air Berlin's cost base. Air Berlin intends to continue to focus on airports with large catchment areas allowing for large passenger volume and aims to benefit from its scale by negotiating favourable terms with airport operators as well as with other providers of ground services.

- Personnel costs. Air Berlin intends to continue to closely monitor its personnel costs.

- Customer service costs. While focusing on providing its passengers with an attractively priced and comfortable travel experience, Air Berlin intends to continue to closely monitor the effect of costs incurred in providing additional services. Air Berlin intends to continue to provide additional services and to introduce new services where the costs of these services are more than outweighed by the higher demand for Air Berlin's flights and increased customer satisfaction.

Business operations

Route network

Overview

As of 30 September 2012, Air Berlin flies to 170 destinations in, among other countries, Germany, Spain, Austria, the United Kingdom, Switzerland, Italy, Greece, Egypt, Portugal, Turkey, Hungary, Tunisia, the Netherlands, Morocco, France, Denmark, Finland, Sweden, Norway, Israel, the Russian Federation, the United States, Thailand and the United Arab Emirates. By connecting German airports, international holiday regions and major European cities, Air Berlin's flight network offers attractive flights for both leisure and business travellers. In addition, Air Berlin's comprehensive airport coverage at 25 airports throughout Germany as of 30 September 2012, makes its flights accessible for travellers throughout the country.

Airports

In choosing airports, Air Berlin concentrates on airports with large, non-overlapping catchment areas and good ground and air transport links. Air Berlin's destination airports include both primary and secondary airports. Primary airports are particularly attractive to business travellers and enable Air Berlin to access the higher-margin business travel segment. These airports also give Air Berlin a competitive advantage in attracting leisure as well as business travellers over its competitors that fly only to secondary airports located near, but not in or immediately adjacent to, major destination cities. In determining from which airports to operate, Air Berlin considers:

- whether there is reserve capacity available to accommodate Air Berlin's future growth;

- whether the airport can respond flexibly to Air Berlin's needs; and

- flight restrictions.

In 2011, Air Berlin transported 35.3 million passengers between 162 airports. The following table sets forth Air Berlin's ten most important destination airports in 2011 in terms of the number of passenger arrivals and departures, including for connecting flights, and the percentage growth in passenger numbers at these airports compared with 2010:

Passenger volumes at the ten most important Air Berlin destination airports (departures plus arrivals, including connecting flights)

Airport	Number of passengers carried in 2011	Increase/ Decrease 2011/2010
Berlin	7,891,623	12.9
Palma de Mallorca	7,340,727	5.3
Dusseldorf	6,980,907	4.5
Munich	4,260,810	(0.6)
Vienna	3,803,856	7.9
Hamburg	3,574,764	(0.6)
Cologne	2,324,872	(17.3)
Nuremberg	2,235,621	(5.7)
Stuttgart	2,109,970	4.7
Zurich	2,107,465	2.2
Other	25,351,369	(1.2)
Total	67,981,984	1.5

Hubs

Air Berlin has four hub airports, namely Palma de Mallorca International Airport, Düsseldorf International Airport, Berlin Tegel Airport and Vienna International Airport. Air Berlin will, in particular, focus on the Berlin and Düsseldorf hubs and the development of feeder services. With its partner airline NIKI, Vienna has become a strategically important gateway to Eastern Europe. In addition, the new Berlin Brandenburg Airport (BER) is being built as a major new hub for Europe with an expected capacity of up to 45 million passengers a year. While initially the opening of BER was scheduled for October 2011, it has been postponed several times since, and a new scheduled opening date has not yet been determined.

Route management

Air Berlin responds flexibly to changing demands for flights to the various regions it serves and adjusts its flight schedule, if needed, to add new flights to its existing route network or to alter the frequency of flights on specific routes. Air Berlin also closely monitors new routes to ensure that they remain commercially viable and profitable, comparing actual demand with projected demand. Air Berlin’s prudent and continuous route management enables it to implement, in a timely fashion, measures to improve the performance of both new and older routes that are not performing up to expectations, including promotions to improve passenger load factors and scaling back or cancelling services. See “Revenue management” below.

In August 2011, Air Berlin launched “Shape & Size”, a comprehensive programme to increase the Air Berlin Group's efficiency and productivity. The programme focuses mainly on marketing and distribution, cost reduction, flight routing and maintenance to reduce costs and to increase productivity calculated by dividing aircraft block hours by the number of aircraft days p.a. by 7%. On 15 January 2013, Air Berlin announced that the “Shape & Size” programme will be supplemented by the “Turbine” programme which is designed to establish the simplest and most cost-efficient organisation possible in conjunction with streamlined processes with a view to achieve sustainable profitability. The

"Turbine" programme will entail further adjustments to the route network and a further reduction of flights, flight frequency and the fleet.

Fleet

Air Berlin is committed to the continuous modernisation of its fleet and places significant emphasis on low fuel consumption and noise emissions and minimising environmental impact.

Fleet as at 31 December 2012

With an average age of 5.3 years (decreased from 5.0 in 2010), Air Berlin continues to belong to one of the youngest fleets among the top ten carriers by passengers in Europe. Air Berlin's fleet comprised 170 aircraft as at 31 December 2011 and 158 aircraft as at 30 September 2012.

The following table provides an overview of Air Berlin Groups's aircraft fleet as of 31 December 2012 and 30 September 2012:

Aircraft model	As of 31 December 2012	As of 30 September 2012
A319	8	8
A320	43	45
A321	16	16
A330-200	13	12
A330-300	1	2
Boeing 737-700	21	23
Boeing 737-800	36	35
Q400	10	10
E-190	7	7
Total	**155**	**158**

Air Berlin, launched its two year restructuring programme "Turbine" on 15 January 2013. A significant contribution of this programme is to be achieved through network and fleet optimisation. Air Berlin plans, *inter alia*, to reduce its current fleet from 155 aircraft to 142 after the "Turbine" programme has been implemented which represents a reduction of 16.5% since 2011. Air Berlin is in discussions with the manufacturers with respect to changes of its delivery stream of aircraft by postponing certain of the new deliveries to the years 2016 and 2017 which would result in a further decrease of delivery positions in 2013 and 2014.

Ticket sales and distribution

Fare structure

Air Berlin's "YourFare" fare structure offers customers a choice of four different fare categories: JustFly, FlyDeal, FlyClassic and FlyFlex. "JustFly" is Air Berlin's lowest priced fare, which includes the fewest additional services and which is specifically targeting price-sensitive passengers. "FlyDeal" is a low priced fare for long-haul flights which does not offer any flexibility in changing a booking. "FlyClassic" is the traditional fare offered by Air Berlin to customers to whom certain additional services are important such as being able to make changes to a booking (for a charge), seat reservations and a free baggage allowance. "Fly Flex" is a fare primarily for business travellers and is aimed at passengers who require a high level of flexibility and comfort.

Distribution channels

Air Berlin sells seats on its flights through the major distribution channels which includes its internet website, its 24-hour service centre, its airport ticket counters, charter and package tour operators, travel agencies and online travel websites.

The following table shows the revenue generated by each of Air Berlin's distribution channels as a percentage of total ticket sales, for the periods indicated:

	Nine months 30 September		Year ended 31 December	
Distribution channel	2012	2011	2011	2010
	(as a percentage of total ticket sales)			
Individual ticket sales	70.1%	67.7%	68.0	65.9%
Air Berlin website	21.7%	24.9%	24.8	26.2%
Air Berlin Service Centre / In-house sales	3.1%	3.3%	3.34	4.0%
Air Berlin ticket counter	1.3%	1.1%	1.1	1.5%
Travel agencies	41.7%	37.6%	38.0	34.2%
Other airlines	2.4%	0.8%	0.8	0%
Charter and tour organisers	29.9%	32.3%	32.0%	34.1%
Total ticket sales	100.0%	100.0%	100.0%	100.0%

Single-seat ticket sales

In 2011, Air Berlin generated € 2,632.1 million, or 68.0%, of its total ticket sales from single-seat ticket sales. Single-seat tickets can be bought via Air Berlin's website, Air Berlin's 24-hour service centre, Air Berlin ticket counters and third-party travel agencies (including online travel websites).

Charter and package tour operators

Air Berlin's relationships with charter and package tour operators assist in securing a basic level of utilisation across its fleet, as seats may be sold to tour operators up to a year in advance of the departure date. Air Berlin oftentimes negotiates fixed seat contingents and price schedules with tour operators. The tour operators in turn sell the tickets to their customers, generally as part of a package tour. As a result, Air Berlin does not engage in any direct sales and marketing activities with its charter passengers. Instead, these passengers buy their tickets from tour operators as part of a package tour or a custom-designed holiday.

Business travellers

The following Air Berlin sales initiatives are targeted at and used primarily by business travellers:

- Air Berlin Corporate. Air Berlin Corporate is specifically marketed to companies that are seeking a flexible yet reasonably priced solution for their business travel needs. Companies participating in Air Berlin Corporate enter into a master agreement with Air Berlin under which the companies' employees are eligible to purchase tickets for business travel on any Air Berlin flight at fixed-rate fares for each of three different destination zones, irrespective of when the flight is booked. Air Berlin Corporate customers may change their flight reservations and pre-book reserved seats at no additional charge. In addition, Air Berlin Corporate fares are fully refundable and are not subject to any no-show penalties. Air Berlin Corporate customers that book at least 50 coupons per year are entitled to receive discounts on Flex fares within Germany domestic and European City Shuttle route networks, as well as intercontinental routes.

- Flex fares ("FlyFlex"). Flex tickets are specifically aimed at business and other travellers seeking low fares combined with the flexibility of rebooking and cancelling their tickets without additional charge. Flex tickets entitle holders to pre-booked reserved seats, may be rebooked at no charge and are fully refundable. Flex tickets are sold at fixed rates, regardless of how far in advance the tickets are booked. As these are published fares, no special agreement is required and Flex tickets are available to both business and leisure passengers.

- Business Points. In addition to the Air Berlin Corporate and Flex fares schemes, Air Berlin has introduced its new loyalty reward scheme, business points, aimed at small and medium sized businesses.

Ancillary revenue

In addition to revenue generated from the sale of flight tickets, Air Berlin also generates revenue from the sale of products and services that are ancillary to its core flight operations. These include in-flight sales of alcoholic beverages, paid-for premium on-board meals and so-called duty free merchandise; commissions from the sale of travel insurance, car hire and accommodation services through Air Berlin's website and service centre; and sales of advertising space in the Air Berlin on-board magazine.

Air Berlin intends to further support its ancillary sales by leveraging its strong brand recognition and large and growing customer base and route network, by focusing on maximising sales from its existing products and services, by introducing new supplementary products and services, and by broadening its co-operations with third-party service providers, such as hotel, tourist attraction, event and car hire companies.

Marketing

Air Berlin's marketing strategy is focused on attracting new customers by widely communicating its low fares, premium service and extensive route network.

General marketing

Air Berlin markets its services through a number of different forms of advertising media, including newspapers and magazines, television and billboards near airports.

topbonus

topbonus, is the frequent flyer programme established by Air Berlin, which, after its carve-out in December 2012, is operated by Topbonus Ltd., a company that has its head office in Berlin and in which Etihad Airport Services L.L.C. has a majority stake of 70% and Air Berlin a stake of 30%. Air Berlin has the right to acquire 10% of the shares in Topbonus Ltd. from Etihad Airport Services L.L.C. Topbonus Ltd. shall continue to operate and further develop the frequent flyer programme on the basis of a commercial agreement with Air Berlin.

topbonus enables passengers on all Air Berlin flights to collect topbonus award and status miles. Membership in topbonus is free and award miles remain valid for three years and are transferable for worldwide flights. As soon as topbonus members have collected a minimum of 25,000 status miles or 24 flights within twelve months, they attain "Silver" status. After collecting 40,000 status miles or 60 flights within twelve months, they become Gold members and colletcting 100,000 status miles they received "Platinum" status. Silver, Gold or Platinum members are entitled to special privileges, including priority check-in, free seat reservations and additional free luggage benefits. Further, member benefits, include among others, companion tickets in the economy class for 50% of the regular mileage amount, business class upgrades and double award miles on certain routes. As a result of Air Berlin's oneworld® membership, topbonus members are able to collect points with oneworld's® other quality carriers. The oneworld® alliance has three status levels which correcpond to the topbonus status levels.

topbonus award miles can also be earned by purchasing products and services from a number of partner companies:

- Financial service partners, including the "airberlin VISA Card".

- Hotel partners, including most major international hotel brands such as Hilton, Marriott and Crowne Plaza hotels.

- Car hire partners, including Alamo, Avis, Europcar, Hertz, Holiday Autos, Sixt and Sunny Cars.

- Other partners, including American Express Membership Rewards, Binoli, comdirect, FAZ, Focus, Shell and Die Welt.

Strategic growth

oneworld®

With effect from 20 March 2012, Air Berlin and oneworld® signed a memorandum of understanding, according to which Air Berlin joined the global alliance oneworld® which has 11 members (Air Berlin, American Airlines, British Airways, Cathay Pacific Airways, Finnair, Iberia, Japan Airlines, LAN, Malaysia Airlines, Quantas, Royal Jordanian and S7 Airlines) and about 20 affiliate members.

As a result of oneworld® membership, Air Berlin passengers have access to a global airline network. As of 2 January 2013, as published by oneworld®, the global alliance serves some 800 destinations will increase to almost 900 in 150 countries. The total fleet of almost 2,400 aircraft, providing nearly 8,700 flights per day and currently transporting approximately 342 million passengers per year, with a total economic power of approximately US$100 billion measured by annual revenue.

As a result of oneworld® membership, topbonus members are able to collect points with oneworld's® other quality carriers while frequent flyer cardholders of oneworld's® established airlines will be able to earn and redeem rewards when flying with Air Berlin.

Strategic co-operation

On 5 July 2010, Air Berlin Group increased its interest in the Austrian carrier NIKI Luftfahrt GmbH (**NIKI**) by 25.9% from 24% to 49.9%. In connection therewith, Air Berlin PLC & Co. Luftverkehrs KG (**Air Berlin KG**) granted a € 40.5 million loan to the private Lauda foundation (*Privatstiftung Lauda*) which is the ultimate indirect shareholder of the remaining 50.1% interest in NIKI. The maximum term of the loan granted in July 2010 was slightly less than three years and the private Lauda foundation had the option to repay the loan including interest in cash or transfer its entire indirect interest in NIKI to Air Berlin KG. On 15 November 2011 the private Lauda foundation exercised its option transfer its entire interest in NIKI to Air Berlin KG and thereby discharged its repayment obligation under the loan.

On 24 January 2012, Etihad Airways has become the biggest single shareholder of Air Berlin holding shares issued by way of a capital increase with a voting interest of 29.21% based on an agreement entered into between Etihad Airways and Air Berlin on 19 December 2011. In connection with the acquisition of the new shares, Etihad Airways also provides five-year financing facilities of up to USD255 million to support fleet development and future network growth.

Revenue management

Air Berlin uses revenue management in an effort to maximise unit revenue (revenue per available seat kilometre). Air Berlin's main revenue management activities comprise inventory management, pricing and fare class optimisation. Inventory management includes forecasts (i.e. estimated loads per flight), optimisation (i.e. maximising revenue potential through an allocation of seats at each fare level and minimising spoilage) and controls (e.g. with respect to overbooking, limitation of low fare bucket availability for high demand flights and dilution management). Pricing focuses on fare management (i.e. monitoring the competition and the pricing strategy), fare segmentation (i.e. the structure of the fares, number of booking classes and fare families and pricing methods) and fare spreads among fare buckets or fare families. Finally, fare class optimisation includes activities such as price to inventory class valuations and taking benefit from the relationship across the network.

Air Berlin uses a leading industry automated system designed to maximise seat availability, at all times prior to departure, by recovering, and making available for sale, inventory that is unlikely to result in passenger being carried. Termed ‘Flight Firming’, the system manages two distinct aspects of all passenger reservations – ticket time limits and duplicate space – from the day they are created.

Group management is being incorporated into Air Berlin’s revenue management department. This centralised point of group evaluation, inventory and pricing decisions is designed to allow for more competitive sales quotes to be provided and to achieve a marked increase in the accepted volume and materialisation rates for groups, and at the same time a decrease in the response time to customers.

In 2012 Air Berlin established a pricing department, which complements the functions of revenue management. The responsibilities of the pricing department include implementation of pricing strategies, maintaining price competitiveness in all markets, as well as the filing of fares.

Furthermore, in 2012 Air Berlin implemented a fare families pricing concept, designed to cater to the different needs of all passenger market segments. For example, the “JustFly” family is for price sensitive customers who want the lowest possible price. Any extras, such as checked baggage or personal check-in at the airport, need to be purchased separately. The “Fly Flex” tariffs are designed with full flexibility around the needs of the business traveller. Not only does this give customers more value and choice, but it also allows airberlin to generate an ancillary revenue stream from this fare family.

Today 85% of Air Berlin’s fare products worldwide, which cater for corporate, individual, student and group travel, are distributed electronically and displayed in all global distribution systems.

The pricing department uses a state-of-art fare manager system. This provides the ability for dynamic daily monitoring of market fares and allows timely and efficient response to market changes. The system is a robust single database for all Air Berlin fares and facilitates consistent and seamless internal decision flow process.

The revenue management and pricing divisions are supported by the management information systems department. This department generates reports and analytics on flown and advance booking data at various level of detail, as well as tracking of revenue related key performance indicator (KPI) trends, designed for decision making by senior executives and all revenue generating divisions within Air Berlin.

Maintenance and safety

Air Berlin’s commitment to safety is its and its employees’ primary priority. Aircraft maintenance, repair and overhaul are critical to the safety and comfort of Air Berlin’s passengers, the efficient use of its aircraft and the optimisation of its fleet utilisation. All aircraft and engines undergo regular inspections and maintenance in accordance with the schedules recommended by manufacturers or approved by aviation authorities.

Effective 1 April 2011, the wholly-owned subsidiary LTU was merged into Air Berlin PLC & Co. Luftverkehrs KG. Furthermore, all maintenance activities previously conducted by three separate entites in Berlin, Düsseldorf and Cologne have been consolidated by merger into airberlin technik GmbH. airberlin technik not only services the Air Berlin Group's own fleet, but also provides services to other airlines.

Air Berlin’s training programmes are oriented towards preventing accidents and cover all aspects of flight operations. Air Berlin crew members are required to undergo training programmes in air and ground safety when they are hired and are tested regularly over the course of their employment. The requirements for Air Berlin’s training programmes and tests are set by Postholder Training, according to JAR/JAA-Standards, and compliance is monitored by the quality manager and Luftfahrt-Bundesamt, the German Federal Aviation Office.

All Air Berlin pilots and aircraft are licensed for flight in accordance with the CAT II/IIIA minimum landing criteria. This licensing requires special training and is subject to an oversight programme. Air Berlin carries out this special training as part of the simulator training programme that each Air Berlin pilot must complete twice a year. Air Berlin is also a licensed flight school under JAR-FCL guidelines (D-TRTO 1.059 acc. JAR-FCL 1) and offers a variety of training programmes for its own and outside professional pilots.

Airport ground operations

For a number of its airport ground operations, Air Berlin uses the third-party service providers available at airports or makes use of services provided by airport operators themselves. These services include check-in, catering, cleaning, baggage-handling and aircraft de-icing services. Third-party service providers are trained on Air Berlin's equipment, processes and procedures prior to providing services for Air Berlin. To ensure quality, Air Berlin conducts regular audits of its third-party service providers.

Information and communication technology

Air Berlin makes extensive use of information and communication technology systems and works together with third-party providers of information and communication technology and similar services, as well as using some internally developed software. Air Berlin's systems are used mainly for its revenue management and sales activities.

Pursuant to an agreement entered into in January 2007, Air Berlin uses the Amadeus IT platform and has committed itself to use, subject to certain provisions, the Amadeus IT platform as its exclusive reservation system for booking channels other than tour operator allotment and, subject to availability, as its exclusive departure control system. In the event of system breakdowns or service outages, Air Berlin may not be able to recover lost revenues, as the agreement excludes liability for this and certain other types of damage.

Air Berlin has applied redundant design for those systems it regards as critical to its business operations. Redundancy extends not only to computers, applications, and the associated databases but also to connections with outside systems. Therefore, if one component fails, a functional replacement system is as a rule available immediately. Regular backups, uninterruptible power supplies and emergency power generators are intended to keep important data from being lost.

Air Berlin has never experienced an information technology system failure in the past that has had a material adverse effect on its business operations.

Regulatory environment

The air transport industry has historically been subject to significant governmental regulation both internationally and domestically. Air Berlin is an air carrier licensed by the Federal Republic of Germany. Therefore, the regulatory framework in Germany and the EU are of particular importance to Air Berlin's operations.

The international regulatory framework

The regulatory system for international air transport is based upon the general principle that each State has sovereignty over its air space and has the right to control the operation of air services over its territory. As a consequence, international air transport rights are based primarily on traffic rights, i.e. rights to overfly or to land at a specific destination, granted by individual states to other states in bilateral air service or air traffic agreements. The other states, in turn, grant the rights they have received in bilateral agreements to their local air carriers. In addition to bilateral air traffic rights, some air traffic rights are directly granted in horizontal and multilateral agreements.

Non-scheduled flights, such as charter flights, are subject to the restrictions imposed by individual states. Air carriers generally obtain traffic rights for non-scheduled flights from the relevant foreign states.

The International Civil Aviation Organization (**ICAO**), a specialised agency of the United Nations, has developed standards and recommended practices covering a wide range of matters, including aircraft operations, personnel licensing, security, accident investigations, navigation services, airport design and operation and environmental protection. Germany is a member of the ICAO.

The International Air Transport Association (**IATA**) provides a forum for the coordination of fares on international routes and for international cooperation in areas such as technical safety, security, navigation services, flight operations and the development of communication standards and administrative procedures.

Bilateral agreements and EU multilateral air transport agreements

Germany is currently a party to approximately 140 bilateral air traffic agreements. These agreements govern the designation of airlines and airports for the operation of specified routes, airline capacity and fare-approval procedures. In addition, the EU and its Member States have concluded air transport agreements with the United States, Canada, Morocco, Georgia, Jordan and Moldava and the states of Western Balkans (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK). An agreement has also been initialled with Israel. Further agreements are under negotiation or awaiting signature.

On the basis of these agreements, contracting States give designated airlines the right to operate scheduled passenger and air-freight services on certain routes between those States. Most bilateral agreements, as well as in particular the Air Transport Agreement between the EU, its Member States and the United States, require that airlines be able to demonstrate majority or substantial ownership and control by nationals of their home state, or a Member State of the European Union. If, at any time, Air Berlin were to become not majority owned or controlled by German citizens or corporations, or, where the relevant agreement requires majority ownership and control by EU nationals, EU citizens and corporations, the contracting States to the relevant bilateral or multilateral agreements could deny Air Berlin landing rights under such agreements.

Air Berlin’s Articles of Association contain provisions allowing Air Berlin to obtain information from its shareholders, refuse to register transfers of its shares or interests in its shares and to force the sale of its shares or interests in its shares by non-EU persons or non-German persons (as applicable), should Air Berlin’s air traffic rights be jeopardised.

European Union

Historically, air traffic between the EU Member States has been regulated by bilateral air traffic agreements. This bilateral regime was progressively liberalised through a series of measures aimed at establishing common rules for the licensing of air carriers within the European Union and permitting EU-licensed air carriers to operate services freely between points within the European Union. In order to qualify for an EU licence, Article 4 of Regulation (EC) No. 1008/2008 (**Regulation 1008/2008**) requires airlines, among other things, to have their principal place of business in a Member State, be principally engaged in air transport activities, be directly or indirectly owned at least as to 50% and effectively controlled by Member States and/or nationals of Member States and to have persons of good repute as managers. Pursuant to Article 8 Paragraph 1 of Regulation 1008/2008 airlines must be able to demonstrate to the competent licencing authority that they meet the requirements for a licence at all times. Air Berlin’s Articles of Association allow Air Berlin to ensure compliance with these requirements at all times.

Access to traffic routes was liberalised by Council Regulation (EEC) No. 2408/92 and further by Regulation 1008/2008. According to Article 15 Paragraphs 1 and 2 of Regulation 1008/2008, no permit or authorisation by EU Member States is required for the operation of intra-Community air services by EU licensed air carriers. Air Berlin is, therefore, generally allowed to exercise traffic rights within the EEA to any potential destination both with regard to scheduled and chartered flights. According to Regulation 1008/2008 Member States may restrict capacity on air traffic routes to distribute traffic more evenly between airports, to respond to sudden unavoidable and unforeseeable problems or for environmental reasons. These restrictions must not be discriminatory and are subject to review by the European Commission prior to, or, in the case of sudden problems, immediately after their implementation. In 1995, by virtue of the European Economic Area Agreement, Norway, Iceland and Liechtenstein, although not members of the European Union, became subject to the air traffic regulation regime set up by the European Union, thus extending this regime to the European Economic Area (**EEA**). EU secondary aviation law also applies to a large extent in Switzerland pursuant to the EU-Switzerland Aviation Agreement of 2002 and by virtue of the decisions by the Joint Community/Switzerland Air Transport Committee set up under this agreement.

Regulatory requirements

The regulations relating to Air Berlin's operations are discussed below.

Operational aspects

Operating licence. Air Berlin as a German air carrier is subject to the operational requirements set out in Regulation 1008/2008 and the German Air Traffic Act (*Luftverkehrsgesetz*). According to Article 3 of Regulation 1008/2008 and Section 20 Paragraph 4 of the German Air Traffic Act, air carriers that are subject to EU air traffic regulation rules require an operating licence for the transportation of passengers, mail or freight in commercial air traffic. The Luftfahrt-Bundesamt (German Aviation Office), the competent German air traffic authority, granted Air Berlin an operating licence under the number D-051 EG dated 1 November 2008. This licence is valid in every Member State of the European Union and is recognised in Air Berlin's non EU international operations. Belair holds operating licence (*Betriebsbewilligung*) CH.AOC BB.1032 under Swiss Law, granted by the Swiss Federal Office of Civil Aviation (*Bundesamt fur die Zivilluftfahrt*) on 1 December 2010. NIKI holds operating licence (*Betriebsbewilligung*) GZ.BMVIT.51.194/0013-II/L1/2005 under Austrian Law, granted by Ministry for Transport, Innovation and Technology on 12 August 2005.

Air operator certificate. The operating licence is granted, and retains its validity, only if the air carrier holds an air operator certificate (**AOC**) according to Articles 4 (b) and 6 of Regulation 1008/2008. The AOC specifies the types of aircraft that can be operated by the air carrier as well as other operations and technical specifications.

Members of the Air Berlin Group hold the necessary air operator certificates. Air Berlin holds AOC No. D-051 AOC dated 26 September 2011 and Belair holds AOC No. CH-1032 dated 11 April 2012. NIKI holds AOC No. A-084 dated 12 January 2011.

Traffic rights

Air Berlin offers various types of flight services, each of which requires a different kind of traffic rights.

Traffic rights within the EEA. According to Article 15 Paragraphs 1 and 2 of Regulation 1008/2008, no permit or authorisation by EU Member States is required for the operation of intra-Community air services by EU licensed air carriers. Air Berlin is, therefore, generally allowed to exercise traffic rights within the EEA to any potential destination both with regard to scheduled and chartered flights.

Scheduled flights outside the EEA. Scheduled flights to destinations outside the EEA require an airline licence (*Flugliniengenehmigung*) under Section 21 Paragraph 1 of the German Air Traffic Act. The Luftfahrt-Bundesamt has granted Air Berlin such licences as required for its operations. Belair and NIKI have been granted equivalent licences by the Swiss Federal Civil Aviation Authority (*Bundesamt für Zivilluftfahrt*) and Austro Control, repectively, for destinations in which they provide scheduled flights outside the EEA.

Charter flights outside the EEA. Charter flight services to destinations outside the EEA require a general flight authorisation (*Allgemeine Ausflugerlaubnis*) under Section 2 Paragraph 6 of the German Air Traffic Act. Air Berlin holds the necessary general flight authorisation required for its business.

Air Berlin operates all scheduled and charter flights to non-EEA countries in close coordination with the respective authorities in such countries and is not aware of any issue with regards to the legal requirements of such countries that might have an effect on the traffic rights of Air Berlin.

Slot allocation

In order to take off from and land at airports, air carriers need slots. A slot represents a general authorisation to take off and land at a specific airport at a particular time during a specified time period. Slot allocation at primary airports, including 16 German airports, is governed by Council Regulation (EEC) No. 95/93.

Under EU regulations, an airport coordinator distributes slots for each flight schedule period. If the number of applications exceeds the number of available slots, priority is given to the carriers that held the relevant slots in the previous flight schedule period and used such slots at least 80% of the time. If a carrier fails to meet the usage threshold, it may lose the relevant slot and the slot may be allocated to a slot pool for assignment to other carriers. However, if an air carrier has failed to use a slot for exceptional reasons (e.g. due to unforeseen and unavoidable circumstances outside the air carrier's control), the air carrier may be entitled to retain the slot.

Amendments to the EU regulations that became effective in the summer of 2004 aimed to improve slot utilisation procedures, access to slots for new entrants and services to regional airports. The amended regulations also set forth criteria, including environmental criteria, to be used in allocating slots, and provide for independence of airport slot coordinators and judicial review of their decisions. Airport slot coordinators were given the right to revoke single slots or a series of slots for the remainder of a flight schedule period as a sanction against slots operators that engage in abusive market practices.

While air carriers may exchange slots with each other under certain conditions, it is still uncertain whether EU regulations permit the commercial trading of slots. However, in 2008, the European Commission indicated, in a communication on the application of Regulation (EEC) No 95/93, that it will at least not take action against the practice of exchanging slots for monetary and other consideration (so-called secondary trading), provided that such exchanges take place in a transparent manner.

The European Commission is currently working on another revision of the regulations related to slot allocation to improve optimal use of airport capacity and infrastructure, to enhance competitiveness of operators and to improve environmental performance of airports and air transport. On 1 December 2011, the European Commission has published a proposal for a recast of Regulation (EEC) No 95/93. Under this proposal, airlines would, in particular, be expressly allowed to trade slots with each other at EU airports in a transparent way. At the same time, priority for the allocation of slots for the next corresponding flight schedule season would only be given to the carriers that have used at least 85% (instead of 80%) of the allocated series of slots. The proposal is currently in the legislative process.

Ownership and business requirements

According to Article 4(a) of Regulation 1008/2008, EU airlines are required to have their principal place of business in an EU Member State to be granted an operating licence. Air Berlin's principal place of business is in Berlin, Germany, an EU Member State. EU regulations also require that EU airlines be principally engaged in air traffic activities, which is the case for Air Berlin.

According to Article 4(f) of Regulation 1008/2008, a European air carrier, such as Air Berlin, must be directly or indirectly owned as to at least 50% and effectively controlled by EU nationals, i.e. by EU Member States and/or their citizens. Air Berlin's Articles of Association allow Air Berlin to ensure compliance with these requirements at all times.

Fares

Subject to safeguards against predatory pricing or unreasonable prices, Article 22 Paragraph 1 of Regulation 1008/2008 gives EU airlines the right to freely set their passenger transport fares and air rates for intra-Community air services.

Germany introduced an Air Travel Tax Act (*Luftverkehrsteuergesetz*, LuftVStG) on 15 September 2010, designed to raise € 1 billion annually. The tax applies to all bookings from 1 September 2010 for flights departing from 1 January 2011. The tax currently amounts to € 7.50, € 23.43 or € 42.18 per passenger depending on the destination of the flight. The Air Travel Tax Act allows the Federal Ministry of Finance (*Bundesministerium der Finanzen*) to reduce the tax rate for the beginning of each calendar year, taking into account the income generated from the inclusion of aviation in the EU emissions trading scheme in the previous year. Similar taxes have been introduced, amongst others, by Austria and the United Kingdom.

To the extent possible, Air Berlin is forced to pass on the resulting cost increase to passengers. The imposition of air travel tax is currently subject to various challenges in court as it raises questions of EU and German constitutional law. The outcome of these proceedings can not be predicted.

Airport and air traffic control charges

Airport operators currently charge fees for incoming and outgoing flights based on a number of criteria. The European Union has passed Directive 2009/12/EC with a view to setting common principles for the levying of airport charges at European airports. It provides for non-discriminatory pricing while allowing for the structuring of airport charges for issues of public and general interest, including environmental issues. The directive must be fully implemented into national law of the Member States by 15 March 2011. Germany has implemented the directive in 2012 by passing Section 19b of the German Air Traffic Act (*Luftverkehrsgesetz*).

Moreover, the so-called Single European Sky Regulations set forth in Council Regulations (EC) No. 549/2004, 550/2004, 551/2004 and 552/2004, as revised and extended by Regulation (EC) No 1070/2009, harmonised the legal framework for air traffic control services in Europe. Measures for the development of a common scheme for charges related to air navigation services were laid down in Commission Regulation (EC) No. 1794/2006, as amended by Commission Regulation (EU) No. 1191/2010 of 16 December 2010. Except for the charges of Eurocontrol, the services are still being charged on the basis of national legislation. The European Commission has promulgated Commission Regulation (EU) No. 691/2010 laying down a performance scheme for air navigation services and network functions. The Regulation obliges the European Commission and the national supervisory authorities to adopt EU-wide performance targets and performance plans, respectively. Performance plans drawn up by national authorities must contain targets consistent with the EU performance targets. These performance targets have been established by Commission Decision 2011/121/EU of 21 February 2011.

Environmental issues

The primary environmental issues Air Berlin faces are regulations concerning substance and noise emissions from its aircraft or its technical maintenance facilities, which may become more stringent over time. Restrictions on aircraft noise emissions and any resulting restrictions on night flights may limit the possibility of airlines to use any relevant affected airports. Air Berlin is presently not aware of any environmental problems, whether caused by its aircraft or by any other of its operations that could have a material effect on its business.

Inclusion of aviation in the EU emissions trading scheme

Pursuant to Directive 2008/101/EC, from 1 January 2012 all flights that arrive at or depart from an airport situated in the territory of an EU Member State are included in the EU emissions trading scheme. Under the Directive, the total quantity of allowances to be allocated to aircraft operators in the year 2012 will be equivalent to 97 % of the historical aviation emissions. For each year of the current trading period (2013-2020), this quantity is reduced to the equivalent of 95 % of the historical aviation emissions. As a consequence of the reduction of the total quantity of allowances, the number of allowances to be allocated free of charge will be equally reduced. In addition, the percentage of allowances that will be auctioned (presently 15 %) may be increased in the future, leading to a further reduction in the number of allowances to be allocated free of charge. The Directive has been implemented into German law by way of an amendment of the German Greenhouse Gas Emission Act (*Treibhausgas-Emissionshandelsgesetz*) on 21 July 2011. Under the legislation, each aircraft operator must surrender a number of allowances equal to the total emissions during the preceding calendar year from its aviation activities by 30 April each year.

This legislation is likely to have a substantial negative impact on the European airline industry, including Air Berlin, despite the relatively young age of Air Berlin's fleet. Air Berlin anticipates that it will not be granted a sufficient number of free of charge allowances as will be necessary for the discharge of its duties under the Directive and relevant implementing legislation and will hence need to purchase additional allowances for the first trading period in 2012 (and beyond) in an auction or in the open market. There can be no assurance that Air Berlin will be able to obtain sufficient carbon allowances or that the cost of the allowances will not have a material adverse effect on Air Berlin's business, operating results or financial condition. Air Berlin's hedging instruments do not fully protect it against the adverse effects of increases in the price of aviation allowances.

A challenge to the inclusion of the aviation business into the EU emissions trading scheme on grounds of international law has been rejected by the European Court of Justice (ECJ) in 2011 (Case C-366/10). Nevertheless, a number of non-EU countries, including China, India, Russia and the United States, remain strongly opposed to the inclusion of international aviation in the EU emissions trading scheme. Pending a solution within the ICAO framework, these countries are considering retaliation measures against the EU and EU airlines. In November 2012, the Council of the International Civil Aviation Organization (ICAO) agreed to establish a special High-level Group to provide near-term recommendations on several policy issues concerning ICAO's ongoing research into the feasibility of a global market-based measure scheme for emissions from international aviation appropriate to international aviation, as well as its development of a policy framework to guide the general application of any proposed market-based measures to international air transport activity. As a result, the European Commission, on 20 November 2012 has made a proposal for a decision of the European Parliament and of the Council, which would prohibit EU Member States from taking action against aircraft operators not abiding by their obligations to surrender emission allowances and to report on their emissions in respect of obligations arising before 1 January 2014 and of activities to or from airports in countries outside the EU, subject to certain conditions. The proposal is currently in the legislative process. At present, it is uncertain whether an agreement can be reached at the ICAO level in a timely manner.

In this context the European Commission has issued a proposal to temporarily derogate from Article 16 of the EU ETS Directive 2003/87/EC in respect of certain flight operations. The derogation concerns air traffic specified in Article 1 of the proposal, notably activity to or from airports in countries outside the European Union that are not members of EFTA, dependencies and territories of EEA Member States or countries having signed a Treaty of Accession with the European Union. The derogation will mean that no enforcement action will be taken against aircraft operators that do not report or surrender emissions in respect of certain traffic for the years 2010 to 2012, as specified in the proposal. The condition for making use of this derogation is that free allowances allocated for 2012 to aircraft operators in respect of certain traffic as specified in the proposal will either have not been received or will be returned. The requirement to surrender in respect of emissions where no derogation is proposed remains unchanged. According to the proposal, airlines have the choice to decide whether they will make use of the derogation or not. Air Berlin currently intends to make use of the derogation and return relevant allowances. The derogation will, however, only enter into force once agreed by the Council of the EU and the European Parliament, which has not taken place yet.

Security

According to Article 13 of Council Regulation (EC) No. 300/2008 of 11 March 2008 on common rules in the field of civil aviation security and repealing Regulation (EC) No 2320/2002 and Section 9 of the German Air Security Act (*Luftsicherheitsgesetz*), an air carrier is required to demonstrate specific security measures as set out in and in compliance with a security programme (*Luftsicherheitsplan*) approved by the German air traffic authority.

Air Berlin believes that it complies with the rules as set out in its security programme as approved by the German Aviation Authority (Luftfahrt-Bundesamt).

Passenger compensation and Montreal Convention liability regime

The European Union has passed legislation for compensating airline passengers who have been denied boarding or whose flight has been cancelled or subject to delays (Regulation (EC) No. 261/2004). This legislation, which came into force in February 2005, imposes fixed levels of compensation to be paid to passengers in the event of cancelled flights, except in particular where the airline can prove that such a cancellation is caused by extraordinary circumstances, such as weather, air-traffic control delays or safety issues. Passengers whose flight has been cancelled or is subject to long delays (two hours or more for short-haul flights) are also entitled to "assistance" including meals, drinks and telephone calls, as well as hotel accommodation if the delay extends overnight. For delays of at least five hours, the airline is also required to offer the option of a refund of the cost of the ticket and, if the passenger has already completed part of the journey, a return flight to the first point of departure. The Sturgeon judgment of the ECJ of 19 November 2009 in Joined Cases C-402/07 and C-432/07 reinterpreted Regulation (EC) No. 261/2004 so as to read into it an obligation on airlines to pay compensation of between € 250 and € 600 for flight delays exceeding three hours. The Sturgeon judgment has recently been confirmed by the ECJ (judgment of 23 October 2012, Joined Cases C-581/10 and C-629/10). The financial consequences of the Sturgeon decision are significant.

In 2013, the ECJ confirmed that the extraordinary circumstances defence only applies to the obligation to pay compensation, and does not exempt the air carrier from the obligation to provide assistance (judgment of 31 January 2013, Case C-12/11). It further held that the Regulation does not recognise a defence in case of "particularly extraordinary" events going beyond "extraordinary circumstances", which would exempt the air carrier from its obligation to provide assistance. In addition, no temporal or monetary limitations generally apply to the obligation. Should the air carrier fail to comply with its obligation to provide assistance, compensation claimed by the passenger is, however, limited to the reimbursement of the amounts which, in the light of the specific circumstances of each case, proved necessary, appropriate and reasonable to make up for the shortcomings of the air carrier.

The Montreal Convention on the Unification of Certain Rules for International Air Carriage was adopted in May 1999. The Convention consolidated, updated and has replaced all previous agreements on air carrier liability, including the 1929 Warsaw Convention vis-à-vis those countries that have also ratified the Montreal Convention, including Germany. The Montreal Convention came into force in all EU Member States on 28 June 2004, and was implemented into German law in 2004. Passengers may generally claim up to 1,131 Special Drawing Rights (**SDRs**) for lost, damaged or delayed luggage. This compares with the previous weight-based compensation system under the 1929 Warsaw Convention, which continues to apply to cargo. Finally, in case of a passenger's death or bodily injury the Montreal Convention establishes strict carrier liability for damages of up to 113,100 SDRs for each passenger while the carrier's liability for damages caused by delay in the carriage of persons is limited to 4,694 SDRs for each passenger. Air Berlin maintains insurance at standard industry levels in relation to any compensation or damages it is required to pay pursuant to the Montreal Convention. Under Regulation (EC) No 2027/97 (as amended by Regulation (EC) No 889/2002) the rules of the Montreal Convention apply to all flights, whether domestic or international, operated by EU air carriers.

Intellectual property

Air Berlin has registered the trademarks and brand names of "Air Berlin" and other marks and logos essential to Air Berlin's operations in Germany and other jurisdictions. The Directors believe the trademarks and logos of Air Berlin's business have significant value and are important to its business.

Insurance

Air Berlin is exposed to the risk of losses that may be incurred in the event of an aircraft accident or terrorist incident. Any such accident or incident could involve not only repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service, but also significant potential claims of injured passengers and survivors of deceased passengers. Air Berlin currently maintains passenger liability insurance, employer liability insurance, aircraft insurance for aircraft loss or damage, insurance for pilots' loss of licence and other business insurance in amounts per occurrence that are consistent with industry standards and that meet the requirements, particularly with respect to its minimum coverage obligations, under German law and international air transport treaties. Although Air Berlin currently believes its insurance coverage is adequate, there can be no assurance that the amount of such coverage will not need to be increased, that insurance premiums will not increase significantly or that Air Berlin will not be forced to bear substantial losses from accidents. See "Risk Factors – Risks relating to the airline industry – Air carriers are exposed to the risks of losses from air crashes or similar disasters".

Real estate

All business premises used by the Issuer and its subsidiaries are leased, other than an aircraft hangar at Dusseldorf Airport and an aircraft hangar at Munich Airport, both of which are treated as finance leases for accounting purposes.

SELECTED FINANCIAL INFORMATION

The data for the nine-month periods ended 30 September 2012 and 2011 and the financial years ended 31 December 2011 and 2010 set out below have been extracted without material adjustment from, and should be read together with, the Issuer's unaudited interim condensed consolidated financial statements as of and for the nine months ended 30 September 2012 and its audited consolidated financial statements as of and for the years ended 31 December 2011 and 31 December 2010 as well as the paragraph headed "Amendment to the 2011 annual and consolidated financial statements and re-assessment of the recognition of deferred tax assets" set forth below the "Selected consolidated financial data".

Selected consolidated financial data[4]

	Nine months ended 30 September			Year ended 31 December		
	2012 (unaudited) restated €000	2012 (unaudited) reported €000	2011 (unaudited) reported €000	2011 (currently unaudited) restated €000	2011 (audited) reported €000	2010 (audited) reported €000
Income statement data:						
Revenue	3,343,243	3,343,243	3,273,314	4,227,318	4,227,318	3,723,578
Other operating income	56,132	56,132	5,891	10,113	10,113	53,775
Expenses for materials and services	(2,574,743)	(2,574,743)	(2,525,543)	(3,304,535)	(3,304,535)	(2,677,515)
Personnel expenses	(369,507)	(369,507)	(352,393)	(475,444)	(475,444)	(471,771)
Depreciation and amortisation	(55,145)	(55,145)	(63,019)	(85,943)	(85,943)	(92,761)
Other operating expenses	(477,474)	(477,474)	(461,946)	(618,534)	(618,534)	(544,647)
Operating expenses	(3,476,869)	(3,476,869)	(3,402,901)	(4,484,456)	(4,484,456)	(3,786,694)
Result from operating activities	(77,494)	(77,494)	(123,696)	(247,025)	(247,025)	(9,341)
Financial expenses	(55,332)	(55,332)	(51,930)	(82,715)	(82,715)	(115,425)
Financial income	877	877	7,689	9,804	9,804	6,806
Losses on foreign exchange and derivatives, net	(3,074)	(3,074)	(30,109)	(39,007)	(39,007)	(24,720)
Net financing costs	(57,529)	(57,529)	(74,350)	(111,918)	(111,918)	(133,339)
Share of profit of at equity investments, net of tax	247	247	97	97	97	1,057
Loss before tax	(134,776)	(134,776)	(197,949)	(358,846)	(358,846)	(141,623)

[4] References to the "Company" shall be construed as references to the Issuer.

	Nine months ended 30 September			Year ended 31 December		
	2012 (unaudited) restated	2012 (unaudited) reported	2011 (unaudited) reported	2011 (currently unaudited) restated	2011 (audited) reported	2010 (audited) reported
Income tax benefit	(23,490)	32,245	63,696	(61,550)	87,008	44,464
Loss for the period – all attributable to the shareholders of the Company	**(158,266)**	**(102,531)**	**(134,253)**	**(420,396)**	**(271,838)**	**(97,159)**

	As of 30 September		As of 31 December		
	2012 (unaudited) restated	2012 (unaudited) reported	2011 (currently unaudited) restated	2011 (audited) reported	2010 (audited) reported
	€000	€000	€000	€000	€000
Balance sheet data:					
Assets					
Non-current assets					
Intangible assets	420,395	420,395	396,008	396,008	387,420
Property, plant and equipment	602,433	602,433	818,915	818,915	887,664
Trade and other receivables	79,354	79,354	79,188	79,188	157,657
Deferred tax asset	0	194,041	0	138,306	51,283
Positive market value of derivatives	493	493	0	0	6,448
Net defined benefit asset	3,026	3,026	2,206	2,206	0
Deferred expenses	49,149	49,149	53,112	53,112	33,997
At equity investments	4,847	4,847	184	184	405
Non-current assets	1,159,697	1,353,738	1,349,613	1,487,919	1,524,874
Current assets					
Inventories	53,496	53,496	45,524	45,524	42,890
Trade and other receivables	523,713	523,713	375,122	375,122	298,570
Positive market value of derivatives	39,589	39,589	73,187	73,187	53,662
Deferred expenses	50,856	50,856	42,598	42,598	39,030
Assets held for sale	145,155	145,155	0	0	0
Cash and cash equivalents	218,482	218,482	239,607	239,607	411,093
Current assets	1,031,291	1,031,291	776,038	776,038	845,245
Total assets	2,190,998	2,385,029	2,125,651	2,263,957	2,370,119
Equity and liabilities					
Shareholders' equity					
Share capital	29,273	29,273	21,379	21,379	21,379
Share premium	435,085	435,085	373,923	373,923	373,923
Equity component of convertible bond	597	597	1,343	1,343	21,220
Other capital reserves	217,056	217,056	217,056	217,056	217,056
Retained earnings	(711,741)	(507,448)	(554,221)	(405,663)	(153,242)
Hedge accounting reserve, net of tax	8,337	8,337	42,762	42,762	23,163
Foreign currency translation reserve	3,441	3,441	2,939	2,939	1,837
Total equity - all attributable to the shareholders of the Company	(17,952)	186,341	105,181	253,739	505,336

	As of 30 September		As of 31 December		
	2012 (unaudited) restated	2012 (unaudited) reported	2011 (currently unaudited) restated	2011 (audited) reported	2010 (audited) reported
Non-current liabilities					
Interest-bearing liabilities due to air-craft financing	295,740	295,740	471,775	471,775	439,782
Interest-bearing liabilities	616,964	616,964	470,193	470,193	370.886
Provisions	6,548	6,548	7,161	7,161	8,090
Trade and other payables	66,847	66,847	55,922	55,922	73,261
Deferred tax liabilities	32,856	22,604	39,700	29,448	26,733
Negative market value of derivatives	1,074	1,074	11,021	11,021	25,913
Non-current liabilities	1,020,29	1,009,777	1,055,772	1,045,520	944,665
Current liabilities					
Interest bearing liabilities due to air-craft financing	147,420	147,420	53,123	53,123	79,617
Interest-bearing liabilities	11,561	11,561	57,504	57,504	10,056
Tax liabilities	3,916	3,916	2,726	2,726	10,616
Provisions	2,050	2,050	2,525	2,525	3,282
Trade and other payables	545,340	545,340	423,421	423,421	394,635
Negative market value of derivatives	36,012	36,012	17,521	17,521	25,166
Deferred income	60,393	60,393	72,619	72,619	75,223
Advanced payments received	382,219	382,219	335,259	335,259	321,523
Current liabilities	1,188,911	1,188,911	964,698	964,698	920,118
Total equity and liabilities	**2,190,988**	**2,385,029**	**2,125,651**	**2,263,957**	**2,370,119**

Amendment to the 2011 annual and the consolidated financial statements and re-assessment of the re-cognition of deferred tax assets

The German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung DPR e.V.*), in a request for information and submission (*Auskunfts- und Vorlageersuchen*), has requested information on the valuation of deferred tax assets in respect of Air Berlin's consolidated financial statements as of 30 June 2012. Against the background of its discussions with the German Financial Reporting Enforcement Panel in connection with the review procedure about the valuation of deferred tax assets, Air Berlin decided to retroactively adjust the recognition of deferred tax assets as of 31 December 2011. Due to the retroactive adjustment of deferred tax assets, Air Berlin has corrected the € -271.8 million net result in the fiscal year 2011 by € -148.6 million to € -420.4 million. In connection with this value adjustment, the € 253.7 million equity figure reported as of 31 December 2011 was reduced to € 105.2 million.

Furthermore, the value of deferred tax assets has also been retroactively adjusted in the first nine months of the fiscal year 2012 resulting in a correction of the € -102.5 million net result reported as of 30 September 2012 to € -158.3 million and a reduction of the € 186.3 million equity reported as of 30 September 2012 to a corrected equity amount of € -18 million.

MANAGEMENT, CORPORATE GOVERNANCE AND SIGNIFICANT SHAREHOLDERS

Board of Directors

Executive Director

Wolfgang Prock-Schauer – Chief Executive Officer

Wolfgang Prock-Schauer was born on 12 November 1956 in Horn, Austria. After graduating from Vienna University of Economics and Business, he started his career in 1981 at Austrian Airlines, where, as Executive Vice President, he was responsible for network management, strategic planning and alliances, and integration of the airlines Lauda Air and Tyrolean, amongst other duties. In 2003, he moved to India to become the CEO of Jet Airways. During his tenure, Jet Airways was, in 2005, taken public and its long-haul business and global network expanded. From 2009 to 2012, Wolfgang Prock-Schauer was CEO of British Midland International, where he introduced numerous productivity improvements. With effect from 7 January 2013, Wolfgang Prock-Schauer has assumed the role of Chief Executive Officer at Air Berlin PLC. Since 1 October 2012 he also has held the post of Chief Strategy and Planning Officer (CSPO) and will continue fulfilling this function until further notice.

Non-Executive Directors

Dr Hans-Joachim Körber – Chairman of the Board since 1 January 2011 and former chairman of the management board and chief executive officer of Metro AG

Dr Körber was born on 9 July 1946 in Braunschweig, Germany. Dr Körber completed his university studies in brewery technology (graduate brewmaster) and business administration (graduate business administrator, doctorate) at the Technical University of Berlin. In 1985, after several years in executive positions within the R. A. Oetker Group, Dr Körber joined Metro SB-Grossmärkte (cash-and-carry markets and one of the legal predecessors of METRO AG) and until 1996 held various executive positions in Germany and abroad. From 1996, with the founding of METRO AG, he was a member of the management board and, from 1999 to 2007, chairman of the management board and chief executive officer. Mr. Körber joined the Board in May 2006 and, upon the retirement of Johannes Zurnieden, became its Chairman on 1 January 2011.

James Hogan – Vice Chairman of the Board, Chief Executive Officer of Etihad Airways P.J.S.C.

James Hogan was born on 28 November 1956 in Melbourne, Australia. He started his career in 1975 at Ansett Airlines, and subsequently held senior positions with bmi, Hertz, Forte Hotels and Gulf Air. At Hertz, his roles included directorships of the marketing, sales and operations divisions. In 1995, based in London, he joined the executive management committee as Vice President, Marketing & Sales for Europe, Middle East and Africa. He returned to bmi in 1999 as chief operating officer and was a member of the Board. In 2001, he was appointed chief executive of the Tesna consortium, before joining Gulf Air in 2002, where he served as president and chief executive for four years. James Hogan was appointed president and chief executive officer of Etihad Airways on 10 September 2006. Mr Hogan is a fellow of the Royal Aeronautical Society and a former non-executive director, and member of the Board's Audit Committee, of Gallaher PLC. In 2010, he served as the chairman of the Aviation Travel and Tourism Governors at the World Economic Forum. He currently serves on the Executive Committee of the World Travel and Tourism Council and the International Air Transport Association (IATA) Board of Governors, and following the acquisition of a majority shareholding in Air Berlin PLC, on 24 January 2012, he was appointed as vice chairman of the Board of Directors.

Joachim Hunold – Former CEO of Air Berlin PLC

Joachim Hunold was born on 5 September 1949 in Dusseldorf, Germany. Mr. Hunold studied law and began his career in aviation in 1978 with Braathens Air Transport, Dusseldorf. From 1982 until 1990 he held the position of Sales and Marketing Director with the LTU Group. In April 1991, Mr. Hunold was one of the founders of Air Berlin GmbH & Co. Luftverkehrs KG (as successor to Air

Berlin Inc.) and headed the Air Berlin Group, initially as the Managing Partner and, with the creation of the new holding company structure, as its CEO, effective from 1 January 2006. On 1 September 2011, Joachim Hunold resigned as CEO of Air Berlin PLC but remains a non-executive member of its Board of Directors.

Hartmut Mehdorn – Former Chief Executive Officer (until 6 January 2013)

Hartmut Mehdorn was born on 31 July 1942. After studying mechanical engineering at the Technical University in Berlin, he joined the construction development section of Focke-Wulf in Bremen. Between 1966 and 1978, he worked at the Vereinigte Flugtechnische Werke-Fokker GmbH, in his last position as plant manager. From 1979 until 1984, he was a member of the senior management team at Airbus Industrie S.A. in Toulouse. From 1984 to 1989, Mr. Mehdorn was in charge of MBB's Transport and Commercial Aircraft Group in Hamburg and in 1985 joined the MBB management team in Munich. From 1989 until 1995, he was chairman of Deutsche Airbus GmbH in Hamburg and board member of Deutsche Aerospace AG in Munich responsible for the company's aviation business division. In 1995, Mr. Mehdorn was appointed the CEO of Heidelberger Druckmaschinen AG, taking the company public and, from 1997 until 1999, served on the board of RWE AG. In 1999 Mr. Mehdorn was appointed CEO of Deutsche Bahn AG, a position which he held until April 2009. Mr. Mehdorn has been a member of the Board of Directors since 1 July 2009 and from 1 September 2011 to 6 January 2013 CEO of Air Berlin PLC on a transitional basis.

Austin Reid – Former CEO of bmi

Austin Reid was born on 11 November 1945. He started his career with KPMG in New York. In 1975, he started at Hertz Corporation and rose to become Vice President of Finance for Europe, the Middle East and Africa. After ten years, he moved to bmi, where he was employed as CEO until 2005 where he built up the airline to become one of the leading airlines in Great Britain. In the subsequent years, he remained closely associated with aviation in his role as a consultant. Austin Reid has been a member of the Board of Directors since 3 January 2013.

James Rigney – Chief Financial Officer of Etihad Airways P.J.S.C.

James Rigney was born on 29 May 1967 in Melbourne, Australia. He is a chartered accountant and holds a Bachelor of Business and a Masters Degree in business administration from RMIT University in Melbourne, Australia. He began his career at KPMG and also worked at Heller Business Finance before entering the airline industry. Prior to joining Gulf Air in 2002, Mr Rigney held a number of senior strategic and commercial positions within the Ansett Group. Mr Rigney joined Etihad Airways from Gulf Air, where, as Head of Corporate Strategy, he played a role in the team responsible for the creation and implementation of the Project Falcon program between 2003 and 2005, repositioning the business on a commercial platform. James Rigney was appointed to the position of Chief Financial Officer at Etihad Airways in October 2006 bringing two decades of expertise to the airline. Mr Rigney is responsible for finance, treasury, information technology, supply chain and property at Etihad Airways. He was formerly a member of the Board of Abu Dhabi Aircraft Technologies and was appointed to the Board on 24 January 2012.

Heinz-Peter Schlüter – Chairman of the Supervisory Board of TRIMET ALUMINUM AG, Dusseldorf

Heinz-Peter Schlüter was born on 16 October 1949 in Rubehorst/Ruppin, Germany. After training as a merchant in wholesale and foreign trade at W&O Bergmann, he began his career as a metal trader in 1971. Following positions in Hamburg, London and Paris, he assumed overall responsibility for trading in 1979 and joined the management in 1982. In 1985, he founded TRIMET Metallhandelsgesellschaft as sole proprietor. Mr. Schlüter joined the Board in April 2008.

Nicholas Teller – Chief executive officer of E.R. Capital Holding GmbH & CIE. KG

Nicholas Teller was born on 16 June 1959, in London, England. He studied at the University of Birmingham (Bachelor of Commerce). His career began in 1982 with Commerzbank in London. In 1994 he was appointed branch director of Commerzbank Prague and later to executive management with the Hamburg branch. From 2002 to 2003, Mr. Teller was a regional board member and was a member of the management board of Commerzbank AG between 1 April 2003 and 31 May 2008. On 1 August 2008, he was appointed chief executive officer of E.R. Capital Holding GmbH & Cie. KG in Hamburg. In addition, until June 2010 he was a member of the management board of Eurex Zürich AG and is currently a member of the board of directors of the American Chamber of Commerce in Germany e.V. Mr. Teller joined the Board in May 2006.

Ali Sabanci – Member of the board of ESAS Holding and chairman of Pegasus Airlines

Ali Sabanci was born in Adana, Turkey in 1969. After studying politics and economics at Tufts University in the United States, he worked for Morgan Stanley & Co. Inc. until 1993. He received his MBA degree with a major in International Finance at Columbia Business School in 1995. He then returned to Turkey and held various posts at Akbank. In 1997 Mr. Sabanci was appointed head of projects in Sabanci Holding, going on to become the Executive Vice President of Strategy and Business Development in 2001. In March 2004, Mr. Sabanci resigned from his duties at Sabanci Holding and joined ESAS Holding. He is a member of the board of ESAS Holding and chairman of Pegasus Airlines. Mr. Sabanci joined the Board on 18 May 2009.

Johannes Zurnieden – Managing Director of Phoenix Reisen GmbH, Bonn

Johannes Zurnieden was born on 28 June 1950 in Bergisch-Gladbach, Germany. He studied law and psychology for several semesters at the Rheinische-Friedrich-Wilhelms University in Bonn. In 1973 he assumed the position of managing director at Phoenix Reisen GmbH. In 1994 he was appointed deputy chairman of the supervisory board of the German Fare Insurance Association (*Deutscher Reisepreissicherungsverein*) and in 1998 vice-president of the German Tourism Association (*Deutscher Reiseverband*). He also has accepted appointments to the advisory boards of Europäische Reiseversicherung AG, Commerzbank and Sparkasse Köln-Bonn. Mr. Zurnieden joined the Board as Chairman in May 2006. Mr. Zurnieden stood down from that position, effective as of January 2011 but remains a non-executive member of the Board.

Management Board

Ulf Hüttmeyer – Chief Financial Officer

Ulf Hüttmeyer was born on 9 July 1973 in Wildeshausen, Germany. Following studies in economics, concluding with a degree in business administration, Mr. Hüttmeyer began his career in 1996 as an analyst with Commerzbank in the credit and financing division, followed by various assignments in Germany and overseas (Singapore). Thereafter, Mr. Hüttmeyer served as a group manager for Corporate Client Services in Berlin and was promoted to director at the beginning of 2005. In February 2006, Mr. Hüttmeyer was appointed CFO of Air Berlin PLC.

Paul Gregorowitsch – Chief Commercial Officer

Paul Gregorowitsch was born on 24 May 1956 in The Hague, the Netherlands. After studying at the Dutch Scientific Institute for Tourism and Leisure and in the United States, he began his career as a management trainee with the Dutch airline KLM. There, he subsequently worked in different commercial positions in the Netherlands and abroad. In 2002, he became executive vice president Commercial and Member of the KLM Group Executive Board. He was first in charge of European operations and later of the Global Passenger Division. From 2004 until 2007 he was responsible for amalgamating the Passenger Divisions of Air France and KLM. Until 2007 he was a member of the Alliance Steering Committee of Northwest Airlines and KLM, and Co-Chairman from 2005. In 2007 Paul Gregorowitsch became President and CEO of Martinair Holland N.V. With effect from 1 September 2011, Paul Gregorowitsch was appointed as Chief Commercial Officer (CCO) at Air Berlin PLC.

Helmut Himmelreich – Chief Operating Officer

Helmut Himmelreich was born on 15 July 1952 in Wallendorf, Germany. For about 25 years Mr. Himmelreich worked for LTU Fluggesellschaft GmbH & Co. KG in different areas, where he last acted as Accountable Manager Operations, Air Traffic and Maintenance. From 2003 until 2007 he was Technical Director at Swiss International Air Lines Ltd. where he was responsible for different areas as well as the reorientation of technical operations, the development of international line maintenance and engineering. As Senior Executive Vice President responsible for Aircraft Services in the Executive Board at SR Technics he also oversaw the restructuring and reorientation of technical services companies in Ireland and Bahrain, among others. On 1 March 2010 Helmut Himmelreich was appointed Chief Maintenance Officer of Air Berlin PLC & Co. Luftverkehrs KG. In November 2011 Helmut Himmelreich was appointed Chief Operating Officer (COO) of Air Berlin PLC.

Dr Martina Niemann – Chief Human Resources Officer

Martina Niemann was born on 13 March 1964 in Walsum (now Duisburg), Germany. After graduating in economics from Freie Universität Berlin, Dr Niemann started her professional career as the manager of a capital investment company. Following two years with Deutsche Lufthansa Dr Niemann moved to the position of Head of Controlling for the travel agency sector of the Kaufhof group. Since 1995 she held a number of leading positions at Deutsche Bahn AG. She was responsible, among other areas, for human resources reporting and analysis and was in charge of the area of workforce deployment and the group's labour market. Before moving to Air Berlin, Dr Niemann was Head of Remuneration and Welfare Policy for the group. On 15 February 2012 Dr Martina Niemann was appointed Chief Human Resources Officer (CHO) of Air Berlin PLC.

The details of those companies and partnerships outside Air Berlin of which Directors and members of the Management Board are currently directors or partners or have been directors or partners at any time during the previous five years prior to the date of this Prospectus, are as follows:

Name of Director/ member of the Management Board	Current directorships and partnerships	Previous directorships and partnerships
Wolfgang Prock-Schauer	None	Jet Airways (India)
		bmi, British Midland International, BMI Regional and BMI baby
Hans-Joachim Körber	Sysco Corporation	Metro AG
	WEPA Industrieholding SE	Kaufhof Warenhaus AG
	Deutsche Amphibolin-Werke von Robert Murjahn Stiftung & Co. KG	Real Holding GmbH
	LP Holding GmbH	Bertelsmann AG
		Skandinaviska Enskilda Banken AB
		Esprit Holdings Limited
James Hogan	Etihad Airways P.J.S.C.	British Midland plc
	Executive Committee of the World Travel and Tourism Council (WTTC)	Gallagher Plc
	International Air Transport Association (IATA) Board of Governors	Aviation Travel and Tourissm Governors at the World Economic Forum
	Royal Aeronautical Society	
Joachim Hunold	ALBA Group plc & Co. KG (former	LTU Lufttransport Unternehmen

Name of Director/ member of the Management Board	Current directorships and partnerships	Previous directorships and partnerships
	INTERSEROH SE)	GmbH
	Düsseldorfer Turn- und Sportverein Fortuna 1895 e.V.	Neue Dorint GmbH
		Berliner Verkehrsbetriebe (BVG)
		dba Luftfahrtgesellschaft
		Belair Airlines AG
Hartmut Mehdorn	SAP AG	Deutsche Bahn AG
	RZD Rossijskije schelesnyje	DEVK Versicherungen
James Rigney	Etihad Airways P.J.S.C.	Abu Dhabi Aircraft Technologies (ADAT)
Austin Reid	Monarch Holdings Limited	None
	SR Technics	
Ali Sabanci	ESAS Holding A.S.	I-BiMSA
	Pegasus Hava Tasimacigli A.S.	Sabanci Telekom
	Izmir Hava Yollari A.S.	Dupont SA
	AFM Sinemalari	
Heinz-Peter Schlüter	Scheidt & Bachmann GmbH	None
	TRIMET AG	
	TRIMET ALUMINIUM AG	
Nicholas Teller	E.R. Capital Holding GmbH & CIE. KG	Deutsche Schiffsbank AG
	SHL Telemedizin GmbH	BRE Bank
	Next Generation Finance Invest AG, Zug	Commerzbank AG
	American Chamber of Commerce in Germany e.V.	Eurex Zürich AG
		Eurex Clearing AG
		Eurex Frankfurt AG
Johannes Zurnieden	Phoenix Reisen GmbH	None
	Avia Consult GmbH	
	Quality Group GmbH	
	DRS Deutscher Reisepreis-Sicherungsverein VvaG	
Ulf Hüttmeyer	None	LTU Lufttransport Unternehmen GmbH
		Belair Airlines AG
Paul Gregorowitsch	None	Martinair Holland N.V.

Name of Director/ member of the Management Board	Current directorships and partnerships	Previous directorships and partnerships
		Northwest Airlines KLM
Helmut Himmelreich	None	SR Technics
Martina Niemann	None	None

The business address of each of the Directors and members of the Management Board is 42-43 Saatwinkler Damm, 13627 Berlin, Germany (telephone number +49 (0) 1805 737 800).

There are no potential conflicts of interest between the duties to Air Berlin of the persons listed in this section and their private interests or other duties.

Corporate governance

Currently, the Board of Directors comprises the Chairman (who was considered independent on appointment), nine non-executive directors and one executive director. 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.

As of 1 October 2012, the operative management of Air Berlin is entrusted to a newly established body, the Management Board. The Board of Directors will focus on the strategic management of Air Berlin.

The Non-Executive Directors provide a wealth of experience and skills that are key to the formulation and development of Air Berlin's strategy. The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2012 to fulfilling their duties as members of the Board. The Chairman's main external commitments did not significantly change during the year.

As Air Berlin 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 Combined Code, nor is it required to comply with German corporate governance standards. Air Berlin complies voluntarily with most of the provisions of the Combined Code. However, Air Berlin has not complied with certain provisions of the Combined Code that are not required by German corporate governance standards and are not customary in the German market. Specifically, in 2012 there were more non-independent Directors on the Board than independent Directors. This composition of the Board reflects a temporary transitional phase where the Board as a whole is focusing on improving its performance and effectiveness. Air Berlin currently anticipates that the Board's composition will fulfil the Combined Code's requirements in 2013. Furthermore, in deviation from the Combined Code, the current service contracts of the Executive Director and the members of the Management Board have terms in excess of one year. The Directors are subject to re-election at periods which are customary in the German market. Air Berlin continues to believe that more stringent requirements would place it at a disadvantage in the recruitment and retention of senior executives.

Air Berlin has established Audit, Nomination, Remuneration and Finance Committees of the Board, each of them meeting regularly under its own terms of reference.

Audit Committee

As at 31 December 2011, the Audit Committee comprised Heinz-Peter Schlüter (as chairman of the Audit Committee), Peter Oberegger and Nicholas Teller, all of whom are independent non-executive directors. Peter Oberegger resigned from the Board and the Audit Committee effective 1 October 2012. As of 31 December 2012, the Audit Committee comprised the two independent non-executive directors Heinz-Peter Schlüter (as chairman) and Nicholas Teller. With effect from 3 January 2013, Austin Reid was appointed as member of the Board and member of the Audit Committee.

A representative of the Air Berlin's external auditors and the Chief Financial Officer attend the meetings of the Audit Committee. Board members or senior executives may attend the meetings upon invitation from the Audit Committee. Furthermore, Air Berlin's external auditors, the head of internal audit and officers responsible for risk assuarance may request a meeting with the Audit Committee.

The Audit Committee met five times in each of the years 2011 and 2012. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls. The Audit Committee's tasks include reviewing the Air Berlin's annual financial statements and other financial information before their publication, including trading statements and formal announcements relating to the Air Berlin's performance, determining the scope of the annual audit, and advising on the shareholders' appointment of external auditors. Additionally, the Audit Committee generally oversees Air Berlin's relationship with its auditors and is responsible for monitoring the effectiveness of the Air Berlin's risk management and external and internal control systems, including the results of internal audits. The Audit Committee is informed on a regular basis of significant audit findings and progress and has unlimited access to Air Berlin's and the Air Berlin Group's management, books and records. At least once a year, the Audit Committee is entitled to meet with the external auditors without the presence of executive management and the internal auditors.

The Audit 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. Furthermore, it is part of the duties of the Audit Committee to ask the auditors to articulate the steps they have taken to ensure independence and objectivity. The Audit 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. The Audit Committee's chairman attends Air Berlin's annual general meeting in order to answer any questions on the Audit Committee's activities and responsibilities.

Principal Shareholders

The shareholdings of principal Shareholders of the Air Berlin as of 31 January 2013 are set out below:

Major Shareholders	Holdings in %
Etihad Airways P.J.S.C.	29.21
ESAS Holding A.S.	12.02
Hans-Joachim Knieps	5.48
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	3.55
Leibniz Service GmbH /TUI Travel PLC	3.37
Werner Huehn	2.79
JP Morgan Chase & Co.	2.70
Joachim Hunold (Non-Executive Director Air Berlin PLC)	1.95
Severin Schulte	1.88
Rudolf Schulte	1.85
Moab Investments Ltd.	1.74
Johannes Zurnieden (Non-Executive Director Air Berlin PLC)	1.16
Heinz-Peter Schlüter (Non-Executive Director Air Berlin PLC)	1.03

In addition, Hans-Joachim Körber (Non-Executive Director, Chairman of the Board of Directors of Air Berlin PLC) has a shareholding of 0.17% and Hartmut Mehdorn (Non-Executive Director of Air Berlin PLC) a shareholding of 0.11%.

TAXATION

GERMANY

This tax section deals with the deduction of withholding tax to be made under German law from the interest payments on the Notes or capital gains derived from the sale or redemption of the Notes. It is based on the laws in force on the date of this Prospectus, of general nature only and neither intended as, nor to be understood as, legal or tax advice. Any information given hereafter reflects the opinion of the Issuer and must not be misunderstood as a representation or guarantee. Further, the Issuer advises that the withholding tax consequences depend on the individual facts and circumstances at the level of the Noteholder and may be subject to future changes in law.

For German resident Noteholders, interest payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such interest payments (the ***Disbursing Agent***).

Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), German securities trading companies or German securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon and (if applicable) church tax).

The withholding tax regime also applies to any gains from the sale or redemption of Notes realised by private Noteholders holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. The withholding tax is, as a rule, imposed on the excess of the proceeds from the sale or redemption after deduction of expenses directly connected to the sale/redemption over the acquisition costs of the Notes. If custody has changed since the acquisition and the acquisition data is not proved, the withholding tax at a rate of 25% (plus solidarity surcharge thereon and (if applicable) church tax) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes. If the Issuer exercises its right to substitute the debtor of the Notes (pursuant to Section 10, Substitution, of the Terms and Conditions of the Notes), the substitution might, for German tax purposes, be treated as an exchange of the original Notes for new notes issued by the Substitute Debtor (as defined in Section 10.1 of the Terms and Conditions of the Notes). If such treatment is applied, any gain realised from the exchange is subject to withholding tax at a rate of 25% (plus solidarity surcharge thereon and (if applicable) church tax) and a German resident Noteholder might be obliged to pay the respective withholding tax amount to the Disbursing Agent.

The withholding tax is as a rule not applied, if the total investment income of a private Noteholder is not exceeding the lump sum deduction (*Sparer-Pauschbetrag*) of € 801 (€ 1,602 for married couples filing jointly). Expenses actually incurred are not deductible.

German corporate and other German business Noteholders are in essence not subject to the withholding tax on gains from the sale or redemption of the Notes, subject to certain formalities (i.e. for these Noteholders only interest payments, but not gains from the sale or redemption of the Notes are subject to the withholding tax regime).

Foreign resident Noteholders are in essence not subject to the German withholding tax regime with the interest payments on and the gains from the sale or redemption of the Notes. This also holds true, if the Notes are held in custody with a German custodian. Exceptions apply e.g. where the Notes are held as business assets of a German permanent establishment.

The Issuer of the Notes under German law is not required to deduct withholding tax from interest payments on the Notes or capital gains derived from the sale or redemption of the Notes.

IRELAND

Introduction

The following is a summary of the principal Irish tax consequences of ownership of the Notes for individuals who are resident and ordinarily resident in Ireland for tax purposes and for companies that are resident in Ireland for tax purposes. It is based on the laws of Ireland and the practice of the Revenue Commissioners currently in force in Ireland and may be subject to change. The statements in this summary are based on the understanding that the Notes will be treated as debt for Irish tax purposes. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under any laws applicable to them.

TAXATION OF NOTEHOLDERS

Withholding Tax from payments on the Notes

Tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments on the Notes so long as such payments do not constitute Irish source income. Payments on the Notes should not be treated as having an Irish source unless:

(a) the Issuer is resident in Ireland for tax purposes;

(b) the Issuer has a branch or agency or a permanent establishment in Ireland, the assets or income of which is used to funds the payments on the Notes; or

(c) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically located in Ireland.

It is anticipated that (i) the Issuer is not and will not be resident in Ireland for tax purposes, (ii) the Issuer will not have a branch or agency or a permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes (iii) that bearer Notes will not be physically located in Ireland and (iv) the Issuer will not maintain a register of any registered Notes in Ireland.

Tax on Income

Notwithstanding that a Noteholder may receive payments of interest, premium or discount on the Notes free of Irish withholding tax, the Noteholder may still be liable to pay Irish income or corporation tax and levies on such interest if such interest has an Irish source, the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes or the Notes are attributed to a branch or agency in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish income tax may also be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from any interest paid on Notes issued by a company not resident in Ireland, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder who is Irish resident.

Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Capital Gains Tax

A Noteholder will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade or business in Ireland through a permanent establishment, branch or agency in respect of which the Notes are or were held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will not be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland or (ii) if the Notes are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer notes are generally regarded as situated where they are physically located at any particular time. Notes in registered form are property situate in Ireland if the register is in Ireland. The Notes may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

Stamp Duty on Transfer Of Notes

No stamp duty or similar tax is imposed in Ireland on the transfer or redemption of the Notes unless (i) the Notes are regarded as property situate in Ireland; or (ii) a document of transfer of the Notes is executed in Ireland; or (iii) the transfer relates to Irish property or to any matter or thing done or to be done in Ireland.

If you are in any doubt as to the consequences of your acquiring, holding or disposing of Notes you should consult an appropriate professional adviser.

UNITED KINGDOM

The following, which applies only to persons who are beneficial owners of the Notes, is a summary of the Issuer's understanding of current law and HM Revenue and Customs practice in the United Kingdom as at the date of this Prospectus relating to: (i) the withholding tax treatment of interest paid on the Notes; (ii) the stamp duty and stamp duty reserve tax treatment of the issue and transfer of the Notes; and (iii) the possibility of interest on the Notes being subject to income tax by direct assessment. The following does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. Some aspects of the following do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

The company has been advised that payments of interest on the Notes should be made without withholding on account of UK tax: although the Issuer is a company incorporated in the UK, the interest should not be treated as having a UK source for UK tax purposes.

In the alternative, if the interest is treated as having a UK source for UK tax purposes, the Notes will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the Act) as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Act. In the case of Notes to be traded on the Irish Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the Notes are: (i) officially listed by a 'competent authority' in Ireland for the purposes of Council Directive 2001/34/EC and any Irish legislation giving effect to that Directive on the Main Securities Market of the Irish Stock Exchange; and (ii) admitted to trading on the Main Securities Market of the Irish Stock Exchange. Accordingly, payments of interest on the Notes may be made without withholding on account of UK income tax provided the Notes remain so listed at the time of payment.

In the event that: (i) the interest is treated as having a UK source for UK tax purposes; and (ii) the Notes do not constitute "quoted Eurobonds" within the meaning of section 987 of the Act, an amount must be withheld on account of income tax at the basic rate (currently 20%), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to Noteholders who the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HM Revenue and Customs direct otherwise).

Direct assessment

Interest may be subject to UK income tax by way of direct assessment even where paid without withholding or deduction. However, in the case of a Noteholder not resident for tax purposes in the UK (except if such Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of a holder that is a company, through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable), such direct assessment will only be applicable to the extent that the interest is treated as having a UK source for UK tax purposes.

The amount in respect of which a non-UK resident Noteholder may be liable to UK income tax by way of direct assessment for a tax year is limited to the sum of: (A)(i) any sums or amounts representing UK income tax deducted from that person's "disregarded income" or (in the case of a holder that is a company) "disregarded company income"; (ii) any sums or amounts representing UK income tax treated as deducted from or paid in respect of such income; and (iii) any tax credits in respect of such income; and (B) the amount that would be the holder's liability to UK income tax for the tax year if the holder's disregarded income and certain other reliefs for the tax year, or (in the case of a holder that is a company) the holder's disregarded company income for the tax year, were left out of account.

"Disregarded income" and "disregarded company income" for this purpose include, among other items, certain savings and investment income (such as interest payable on the Notes), certain annual payments and income on certain transactions effected through brokers and investment managers in the UK.

A Noteholder will be a "non-UK resident Noteholder" for these purposes where it is not resident for tax purposes in the UK, unless it (i) carries on a trade, profession or vocation in the UK through a UK branch or agency or, in the case of a holder that is a company, through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable, or (ii) is a trustee of a trust with certain classes of UK beneficiary. A permanent establishment may include a place of management, a branch or an office.

The provisions relating to additional payments referred to in § 7 of the Terms and Conditions of the Notes would not apply if HM Revenue and Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to UK income tax. However, exemption from or reduction of such UK tax liability might be available under an applicable double taxation treaty.

Provision of information

Regardless of whether or not the interest is treated as having a UK source for UK tax purposes, any Paying Agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HM Revenue and Customs. HM Revenue and Customs may communicate information to the tax authorities of other jurisdictions. See also the paragraph entitled "EU Savings Directive" below which describes obligations to provide reports of or withhold tax from payments of savings income under Council Directive 2003/48/EC.

Stamp Duty and SDRT

No stamp duty or stamp duty reserve tax is payable on issue of the Notes or on a transfer of the Notes by delivery.

EU SAVINGS DIRECTIVE

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The EU Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION, OFFER AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 26 October 2012, quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany (the **Lead Manager**) agreed to subscribe or procure subscribers for the Notes under a best efforts arrangement. On 26 October 2012, 50,000 Notes were placed with professional investors by way of a private placement in compliance with applicable selling restrictions on 26 October 2012.

The Notes constitute a further issuance of, and will, on or about 25 February 2013, be consolidated, fungible and form a single series with the Issuer's outstanding €100,000,000 11.5% Fixed Rate Notes due 2015. Except for the issue date and the related adjustment of the issue price, the terms and conditions of the Notes remain unchanged compared to the terms and conditions of the Existing Notes.

This Prospectus serves for listing purposes only and does not constitute, and may not be used for, an offer to buy, subscribe or sell any of the Notes, and no Notes are being offered or sold pursuant to this Prospectus. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

GENERAL INFORMATION

LISTING

Application has been made to the Irish Stock Exchange (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Directive 2004/39/EC (**MiFID**). Application has also been made to include the Notes to trading on the Bondm segment of the open market (*Freiverkehr*) of the Baden-Württemberg Stock Exchange in Stuttgart, which is not a regulated market for purposes of MiFID.

USE OF PROCEEDS

The Issuer intends to use the net proceeds for general corporate purposes.

YIELD

The yield of the Notes is 11.3933% p.a. (rounded upwards to four decimal places). Such yield is calculated on the basis of the ICMA (International Capital Markets Association) method and the issue price of 101% of the principal amount of the Notes and does not take into account any transaction costs or other surcharges.

RESOLUTION REGARDING THE ISSUE OF THE NOTES

On 22 October 2012, the Finance Committee of the Board of Directors of the Issuer resolved on the issue of the Notes.

NOTEHOLDER RESOLUTIONS UNDER THE GERMAN BOND ACT

Pursuant to § 5(1) of the German Bond Act (*Schuldverschreibungsgesetz* – **SchVG**), the Terms and Conditions provide that § 5 through § 22 SchVG are applicable to the Notes. Pursuant to such provisions, Noteholders may consent to amendments of certain Terms and Conditions by voting on certain amendments on the Terms and Conditions in a meeting of Noteholders. Such meeting of Noteholders may, *inter alia*, be called by the Issuer. If, in accordance with §§ 5 et seqq. SchVG, the majority of the Noteholders participating in the relevant meeting of Noteholders agrees to amendments of the Terms and Conditions and the Issuer agrees to such amendments, such Terms and Conditions, as amended, are binding upon all Noteholders.

CLEARING SYSTEM

The Notes were accepted for clearance through Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn. The initial ISIN for this issue is DE000AB100D0 and the initial German Securities Identification Number (WKN) is AB100D. The initial ISIN and the initial WKN are temporary codes that will apply to the Notes only until the Notes become fungible with the Existing Notes on or about 25 February 2013. After the Notes have become fungible with the Existing Notes on or about 25 Feburary 2013, the ISIN and the WKN of the Notes will be transferred into the ISIN DE000AB100C2 and the WKN AB100C of the Existing Notes.

U.S. TAX

The Notes contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED

The Lead Manager was entitled to customary fees, partly depending on the success of the issuance of the Notes. Furthermore, the auditors of the Issuer and legal advisors were entitled to customary fees. The Lead Manager and its affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking (including lending) and investment banking services for the Issuer and its affiliates, for which they have received and/or will receive fees and expenses. Besides the disclosed interests above, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.

SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION

On 18 December 2012, Air Berlin PLC & Co. Luftverkehrs KG and Etihad Airport Services L.L.C. agreed that Air Berlin's frequent flyer programme "topbonus" shall be carved-out from Air Berlin and operated by Topbonus Ltd., a company that has its head office in Berlin and in which Etihad Airport Services L.L.C. has a majority stake of 70% and Air Berlin a stake of 30%. Topbonus Ltd. shall continue to operate and further develop the frequent flyer programme on the basis of a commercial agreement with Air Berlin. Air Berlin has the right to acquire 10% of the shares in Topbonus Ltd. from Etihad Airport Services L.L.C. Through this transaction, which closed on 19 December 2012, Air Berlin generates revenues of € 184.4 million.

Except for the above and as set forth herein, there has been no significant change in the financial or trading position of the Issuer or any of its subsidiaries (the **Group**) since 30 September 2012.

LITIGATION

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or has in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

AUDITORS

The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants, whose address is One Snowhill, Snow Hill Queensway, Birmingham B46GH, United Kingdom. KPMG Audit Plc are member of the Institute of Chartered Accountants of England and Wales. KPMG Audit Plc have audited the Issuer's accounts, without qualification, in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union for each of the two financial years ended on 31 December 2011 and on 31 December 2010.

KPMG Audit Plc audited the financial statements of the Issuer for the years ended 31 December 2011 and 2010.

The interim financial report for the third quarter and the nine months of the financial year 2012 is unaudited.

DOCUMENTS ON DISPLAY

For so long as any Notes remain outstanding, physical copies of the following documents may be obtained free of charge upon request during normal business hours from the offices of the Issuer and the Principal Paying Agent as set out at the end of this Prospectus:

(i) the Prospectus;

(ii) the articles of association of the Issuer;

(iii) the audited consolidated financial statements of the Issuer, including the notes to such financial statements and the auditor's report thereon, for the financial years ended 31 December 2011 and 31 December 2010; and

(iv) the unaudited consolidated financial statements of the Issuer, including the notes to such financial statements, for the nine months ended 30 September 2012.

HISTORICAL FINANCIAL INFORMATION

Excerpt from the Annual Report 2011, comprising the following:

Independent Auditor's Report

Financial Statements 2011

Notes to the Financial Statements

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

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

Berlin, 15. March 2012

AR

106 – 174

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

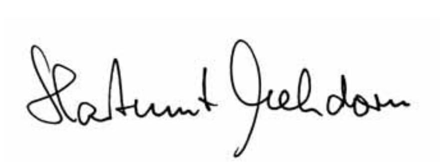
as at 31 December 2011

	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	31/12/2010
		€ 000	€ 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

F-11

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	31/12/2010
		€ 000	€ 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 rea-

sonable 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 Hüttmeyer	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 Düsseldorf 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 Düsseldorf GmbH)		
Interest income	**231**	265
Receivables from subsidiaries	**81,079**	25,966
Payables to subsidiaries	**316**	3,932
AB Luftfahrttechnik Köln 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 Sàrl		
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 Fünfte 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 Zwölfte 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 Köln 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 Düsseldorf GmbH)	Germany	○	○
Air Berlin Technik Ltd.[1]	United Kingdom	○	○
Air Berlin 1. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 2. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 3. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 4. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 5. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 6. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 7. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 8. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin 9. LeaseLux Sàrl[1]	Luxembourg	○	○
Air Berlin Fünfte Flugzeug GmbH	Germany	○	○
Air Berlin Sechste Flugzeug GmbH	Germany	○	○
Air Berlin Siebte Flugzeug GmbH	Germany	○	○
Air Berlin Zwölfte Flugzeug GmbH	Germany	○	○
Air Travel Marketing Services Inc.	USA	○	
Alpha Engine Trading GmbH	Germany	○	○

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

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.

Excerpt from the Annual Report 2010, comprising the following:

Independent Auditor's Report

Financial Statements 2010

Notes to the Financial Statements

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 2010 set out on pages 105 to 173. 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 101, 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 2010 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
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Great Britain

18 March 2011

AIR BERLIN PLC
FINANCIAL STATEMENTS 2010

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT

for the period ended 31 December 2010

	Note	2010	2009
		€ 000	€ 000
Revenue	20	**3,723,578**	3,240,344
Other operating income	21	**53,775**	36,679
Expenses for materials and services	22	**(2,677,515)**	(2,193,173)
Personnel expenses	23	**(471,771)**	(440,722)
Depreciation and amortisation	6, 7	**(92,761)**	(109,144)
Other operating expenses	24	**(544,647)**	(505,517)
Operating expenses		**(3,786,694)**	(3,248,556)
Result from operating activities		**(9,341)**	28,467
Financial expenses	25	**(115,425)**	(62,588)
Financial income	25	**6,806**	24,554
Losses on foreign exchange and derivatives, net	25	**(24,720)**	(12,938)
Net financing costs		**(133,339)**	(50,972)
Share of profit of associates, net of tax	26	**1,057**	808
Loss before tax		**(141,623)**	(21,697)
Income tax benefit	27	**44,464**	12,229
Loss for the period – all attributable to the shareholders of the Company		**(97,159)**	(9,468)
Basic earnings per share in €	12	**(1.14)**	(0.13)
Diluted earnings per share in €	12	**(1.14)**	(0.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2010	2009
		€ 000	€ 000
Loss for the period		**(97,159)**	(9,468)
Foreign currency translation reserve		**1,070**	(169)
Effective portion of changes in fair value of hedging instruments	30g	**79,645**	55,968
Net change in fair value of hedging instruments transferred from equity to profit or loss	30g	**(56,970)**	148,147
Income tax on other comprehensive income	27	**(6,730)**	(61,604)
Other comprehensive income for the period, net of tax		**17,015**	142,342
Total comprehensive income – all attributable to the shareholders of the Company		**(80,144)**	132,874

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2010

	Note	31/12/2010	31/12/2009
		€000	**€000**
Assets			
Non-current assets			
Intangible assets	6	**387,420**	318,060
Property, plant and equipment	7	**887,664**	1,209,743
Trade and other receivables	10	**157,657**	106,252
Deferred tax asset	27	**51,283**	0
Positive market value of derivatives	29	**6,448**	14
Deferred expenses		**20,409**	5,825
Investments in associates	8	**405**	3,183
Non-current assets		**1,511,286**	1,643,077
Current assets			
Inventories	9	**42,890**	38,724
Trade and other receivables	10	**298,570**	297,663
Positive market value of derivatives	29	**53,662**	23,720
Deferred expenses		**52,618**	35,120
Cash and cash equivalents	28	**411,093**	373,233
Current assets		**858,833**	768,460
Total assets		**2,370,119**	2,411,537
Equity and liabilities			
Shareholders' equity			
Share capital	11	**21,379**	21,379
Share premium	11	**373,923**	374,319
Equity component of convertible bond	16	**21,220**	51,598
Other capital reserves	11	**217,056**	217,056
Retained earnings		**(153,242)**	(62,323)
Hedge accounting reserve, net of tax	30	**23,163**	7,218
Foreign currency translation reserve	11	**1,837**	767
Total equity – all attributable to the shareholders of the Company		**505,336**	610,014
Non-current liabilities			
Liabilitites due to bank from assignment of future lease payments	16	**244,770**	583,158
Interest-bearing liabilities	16	**565,898**	273,355
Provisions	15	**8,090**	10,298
Trade and other payables	18	**73,261**	36,401
Deferred tax liabilities	27	**26,733**	4,327
Negative market value of derivatives	29	**25,913**	70,853
Non-current liabilities		**944,665**	978,392
Current liabilities			
Liabilitites due to bank from assignment of future lease payments	16	**56,533**	77,228
Interest-bearing liabilities	16	**33,140**	13,580
Tax liabilities		**10,616**	7,526
Provisions	15	**3,282**	11,177
Trade and other payables	18	**394,635**	334,926
Negative market value of derivatives	29	**25,166**	12,756
Deferred income		**75,223**	78,390
Advanced payments received	19	**321,523**	287,548
Current liabilities		**920,118**	823,131
Total equity and liabilities		**2,370,119**	2,411,537

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2011 and signed on behalf of the Board:

J. Hunold Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 December 2010

	Note	31/12/2010	31/12/2009
		€000	**€000**
Loss for the period		**(97,159)**	(9,468)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	6, 7	**92,761**	109,144
Gain on disposal of non-current assets	21	**(25,035)**	(8,394)
Write-off of loans		**1,500**	2,000
Share based payments	13	**32**	(88)
Gain from step-up to fair value of previous interest in the acquiree	5	**(17,002)**	0
Increase in inventories		**(2,431)**	(2,032)
Decrease in trade accounts receivables		**5,270**	21,479
Increase in other assets and prepaid expenses		**(2,046)**	(23,978)
Deferred tax benefit	27	**(55,513)**	(17,834)
Decrease in provisions		**(10,103)**	(4,748)
Increase in trade accounts payables		**5,588**	26,689
Increase in other current liabilities		**4,443**	36,502
Losses on foreign exchange and derivatives, net	25	**24,720**	14,613
Interest expense	25	**70,429**	60,222
Interest income	25	**(5,797)**	(3,280)
Loss (profit) from redemption of convertible bonds	25	**42,193**	(21,273)
Income tax expense	27	**11,049**	5,606
Share of profit of associates	26	**(1,057)**	(808)
Other non-cash changes		**1,070**	(169)
Cash generated from operations		**42,912**	184,182
Interest paid		**(51,216)**	(49,442)
Interest received		**2,108**	1,812
Income taxes paid		**(7,945)**	(6,156)
Net cash flows from operating activities		**(14,141)**	130,396
Purchases of non-current assets		**(58,605)**	(161,738)
Purchase of minority interests		**0**	(1,182)
Net advanced payments for non-current items	10	**(18,542)**	(11,782)
Proceeds from sale of tangible and intangible assets		**563,182**	106,044
Loans given to third parties		**(40,500)**	0
Addition of NIKI, net of cash		**4,328**	0
Acquisitions of investments in associates	8	**0**	(17)
Cash flow from investing activities		**449,863**	(68,674)
Principal payments on interest-bearing liabilities		**(480,349)**	(202,791)
Proceeds from long-term borrowings		**222,996**	110,625
Payment of transaction costs related to issue of long-term borrowings		**(7,534)**	0
Issue of ordinary shares	11	**0**	72,247
Transaction costs related to issue of ordinary shares	11	**(565)**	(4,470)
Redemption of convertible bonds	16	**(136,872)**	(53,405)
Proceeds from issue of convertible bonds	16	**0**	125,000
Payment of transaction costs related to issue of convertible bonds	16	**0**	(6,339)
Cash flow from financing activities		**(402,324)**	40,867
Change in cash and cash equivalents		**33,398**	102,589
Cash and cash equivalents at beginning of period		**372,010**	267,809
Foreign exchange gains on cash balances		**4,265**	1,612
Cash and cash equivalents at end of period	28	**409,673**	372,010
thereof bank overdrafts used for cash management purposes		**(1,420)**	(1,223)
thereof cash and cash equivalents in the statement of financial position		**411,093**	373,233

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share capital	Share premium
	€ 000	€ 000
Balances at 31 December 2008	**16,502**	**307,501**
Share based payment		
Issue of ordinary shares	4,877	67,370
Transaction costs on issue of shares, net of tax		(3,130)
Acquisition of non-controlling interest		
Reimbursement of transaction costs (issue of ordinary shares), net of tax		2,578
Redemption of convertible bonds		
Issue of convertible bonds, net of tax		
Transaction costs on issue of convertible bonds, net of tax		
Total transactions with shareholders	**4,877**	**66,818**
Loss for the period		
Other comprehensive income		
Total comprehensive income	**0**	**0**
Balances at 31 December 2009	**21,379**	**374,319**
Share based payment		
Transaction costs on issue of shares, net of tax		(396)
Redemption of convertible bonds		
Total transactions with shareholders	**0**	**(396)**
Loss for the period		
Other comprehensive income		
Total comprehensive income	**0**	**0**
Balances at 31 December 2010	**21,379**	**373,923**

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	Minority interest	Total equity
€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
27,344	**217,056**	**(62,654)**	**(135,294)**	**936**	**371,391**	**629**	**372,020**
		(88)			(88)		(88)
					72,247		72,247
					(3,130)		(3,130)
		(553)			(553)	(629)	(1,182)
					2,578		2,578
(10,440)		10,440			0		0
36,548					36,548		36,548
(1,854)					(1,854)		(1,854)
24,254	**0**	**9,799**	**0**	**0**	**105,748**	**(629)**	**105,119**
		(9,468)			(9,468)		(9,468)
			142,512	(169)	142,343		142,343
0	**0**	**(9,468)**	**142,512**	**(169)**	**132,875**	**0**	**132,875**
51,598	**217,056**	**(62,323)**	**7,218**	**767**	**610,014**	**0**	**610,014**
		32			32		32
					(396)		(396)
(30,378)		6,208			(24,170)		(24,170)
(30,378)	**0**	**6,240**	**0**	**0**	**(24,534)**	**0**	**(24,534)**
		(97,159)			(97,159)		(97,159)
			15,945	1,070	17,015		17,015
0	**0**	**(97,159)**	**15,945**	**1,070**	**(80,144)**		**(80,144)**
21,220	**217,056**	**(153,242)**	**23,163**	**1,837**	**505,336**	**0**	**505,336**

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as of 31 December 2010

	Note	31/12/2010	31/12/2009
		€ 000	**€ 000**
Assets			
Non-current assets			
Investments in subsidiaries	34b	**470,964**	470,992
Investments in associates	34c	**13**	0
Deferred tax assets	34d	**41,707**	4,856
Positive market value of derivatives		**196**	0
Loans to subsidiaries	34e	**0**	15,200
Loans to associates	34f	**143**	39
Other loans	34e	**0**	1,500
Non-current assets		**513,023**	492,587
Current assets			
Loans to subsidiaries	34e	**199,802**	185,182
Receivables from subsidiaries	34g	**139,850**	91,200
Receivables from associates	34h	**149**	149
Positive market value of derivatives		**7,877**	58
Other receivables		**1,989**	4,228
Deferred expenses		**629**	904
Cash and cash equivalents		**138,956**	104,295
Current assets		**489,252**	386,016
Total assets		**1,002,275**	878,603
Equity and liabilities			
Shareholders' equity			
Share capital	34i	**21,379**	21,379
Share premium	34i	**373,923**	374,319
Equity component of convertible bond		**21,220**	51,598
Retained earnings		**48,228**	34,775
Total equity – all attributable to the shareholders of the Company		**464,750**	482,071
Non-current liabilities			
Interest-bearing liabilities		**192,672**	0
Other liabilities to subsidiaries	34k	**141,476**	198,089
Negative market value of derivatives		**67**	7,078
Non-current liabilities		**334,215**	205,167
Current liabilities			
Interest-bearing liabilities		**2,361**	0
Tax liabilities		**0**	4,815
Trade and other payables		**2,054**	2,395
Payables to subsidiaries	34m	**198,895**	182,720
Negative market value of derivatives		**0**	1,435
Current liabilities		**203,310**	191,365
Total equity and liabilities		**1,002,275**	878,603

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2011 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Company registered number: 05643814

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Note	31/12/2010	31/12/2009
		€ 000	**€ 000**
Profit for the period		**7,213**	17,301
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Write-off of loans		**1,500**	2,000
Share based payments	12	**32**	(88)
(Increase) decrease in receivables from subsidiaries		**(48,650)**	88,356
Increase in receivables from associates		**0**	(1)
Decrease in other assets and prepaid expenses		**4,270**	2,659
Deferred tax benefit	34d	**(36,696)**	(226)
Decrease in trade accounts payables and other liabilities		**(326)**	(2,507)
Increase (decrease) in payables to subsidiaries	34g	**16,174**	(99,395)
Losses on foreign exchange and derivatives, net		**(16,496)**	(3,401)
Interest expense		**27,456**	17,945
Interest income		**(3,377)**	(3,022)
Loss (profit) from redemption of convertible bonds		**42,193**	(21,273)
Income tax (benefit) expense		**(420)**	2,254
Share of (profit) loss of associates		**(54)**	586
Cash generated from operations		**(7,181)**	1,188
Interest paid		**(10,991)**	(6,219)
Interest received		**1,620**	726
Income taxes paid		**(4,394)**	0
Net cash flows from operating activities		**(20,946)**	(4,305)
Acquisition of investments in subsidiaries	34b	**(13)**	(33)
Disposal of investments in subsidiaries	34b	**45**	0
Increase in share capital of subsidiaries	34b	**(5)**	(155,001)
Acquisition of investments in associates	34c	**(13)**	0
Loans given to subsidiaries	34e	**580**	(28,998)
Loans given to associates	34f	**(50)**	(250)
Cash flow from investing activities		**544**	(184,282)
Issue of ordinary shares	11	**0**	72,247
Transaction costs related to issue of ordinary shares	11	**(565)**	(4,470)
Redemption of convertible bonds	16	**(136,872)**	(53,405)
Proceeds from issue of convertible bonds	16	**0**	125,000
Payment of transaction costs related to issue of convertible bonds	16	**0**	(6,339)
Proceeds from issue of corporate bonds	16	**200,000**	0
Payment of transaction costs related to issue of corporate bonds	16	**(7,534)**	0
Cash flow from financing activities		**55,029**	133,033
Change in cash and cash equivalents		**34,627**	(55,554)
Cash and cash equivalents at beginning of period		**104,295**	159,978
Foreign exchange gains on cash balances		**34**	(129)
Cash and cash equivalents at end of period		**138,956**	104,295
thereof cash and cash equivalents in the statement of financial position		**138,956**	104,295

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2008	**16,502**	**307,501**	**27,344**	**7,122**	**358,469**
Share based payment				(88)	(88)
Issue of ordinary shares	4,877	67,370			72,247
Transaction costs on issue of shares, net of tax		(3,130)			(3,130)
Reimbursement of transaction costs (issue of ordinary shares), net of tax		2,578			2,578
Redemption of convertible bonds			(10,440)	10,440	0
Issue of convertible bonds			36,548		36,548
Transaction costs on issue of convertible bonds, net of tax			(1,854)		(1,854)
Total transactions with shareholders	**4,877**	**66,818**	**24,254**	**10,352**	**106,301**
Profit for the period				17,301	17,301
Total comprehensive income	**0**	**0**	**0**	**17,301**	**17,301**
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**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2010 comprise Air Berlin PLC and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in associates. airberlin 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 EU ("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 110 to 112.

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 0.8608 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 18 March 2011.

GOING CONCERN

The Group's 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 76 to 82.

The financial position of the Group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 50 to 57. Details for the Group's borrowings are set out in note 16 and 30 of the financial statements. In addition, notes 4u 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 76 to 82, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices and passenger demand. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will generate sufficient cash to meet its liabilities in the foreseeable future.

The directors have 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 IFRSs 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 IFRSs 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. Cabin 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 unforeseeable 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 737-800, 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.
As aircraft are purchased in stages with the payment of initial and subsequent deposit payments, the borrowing costs associated with these payments are capitalised as part of the costs of those qualifying assets. Other borrowing costs are expensed as incurred.

-- LAND AND BUILDINGS
Land and buildings relate to two airport buildings leased under finance leases as further discussed in note 17. The buildings are depreciated over the shorter of their 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, raw materials and 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 credit worthiness 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.
The fair value of derivatives is their quoted market price at the end of the period.

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 the Company 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 in the near future 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 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.

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 and other operating income are 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). 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 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.
Deferred expenses in the statement of financial position relate mainly to the prepayments, primarily relating to aircraft lease costs, insurances and other contracts and deferred losses on the sale and leaseback of aircraft.

-- 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. 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. 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.

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. Any resulting net assets are limited to the net total of the present value of future refunds or reductions in payments and the amount of any unrecognised prior service cost.

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) Share-based payment transactions

The fair value of options granted to employees is estimated on the grant date and recognised in the statement of comprehensive income as personnel expense over the vesting period (i.e. the period in which the employees become unconditionally entitled to the options). The corresponding entry is an increase in equity. The fair value was determined using valuation techniques which comply with IFRS 2.

The amount recognised as an expense is adjusted to reflect the number of share options expected to vest. Market conditions are included in the calculation of fair value at grant date and do not affect future valuation, whereas vesting conditions are taken into consideration in determining the number of share options expected to vest. Further details to vesting conditions are found in note 13.

t) New pronouncements – not 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 2010 but have not been applied by the Group in preparing the financial statements. None of them 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 valuation of financial assets. The Group is not intending to adopt this standard early and therefore the respective impact has not been determined.

u) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- 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 Executive 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 also held with parties with AA ratings 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 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.

v) 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, 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 classified as held for trading 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 liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities and liabilities due to banks for the assignment of future lease payments)

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 and liabilities due to banks from assignment of future lease payments, trade payables and other financial liabilities)
- Financial liabilities measured at fair value (includes put-option liability)
- Cash and cash equivalents
- Finance leases

5. BUSINESS COMBINATION 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 IAS 1.83 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 has the right to repay the loan upon maturity or to transfer his remaining shares in NIKI to the Group.

The increase of shares in NIKI unites the present extensive cooperation with NIKI under the umbrella of the Group and creates the possibility to realize further synergies. Market presence of the Group in Austria will be enormously strengthened and Vienna will be developed into another Hub of the Group. Further growth opportunities can be realized due to the mere 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 asset	**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	**(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 has been 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. None of the goodwill recognized is expected to be deductible for income tax purposes.

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.

6. INTANGIBLE ASSETS

In thousands of Euro	Software licences	Goodwill	Landing rights	Trademarks	Customer relationship	**Total**
Acquisition cost						
Balance at 1 January 2009	22,117	194,668	108,249	6,592	3,036	**334,662**
Additions	4,107	0	10,000	0	0	**14,107**
Disposals	(405)	0	0	(6,592)	0	**(6,997)**
Balance at 31 December 2009	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**
Depreciation						
Balance at 1 January 2009	16,455	0	0	3,313	1,075	**20,843**
Depreciation charge for the year	5,823	0	0	3,279	759	**9,861**
Disposals	(400)	0	0	(6,592)	0	**(6,992)**
Balance at 31 December 2009	21,878	0	0	0	1,834	**23,712**
Depreciation 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**
Carrying amount						
At 1 January 2009	5,662	194,668	108,249	3,279	1,961	**313,819**
At 31 December 2009	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**

In connection with the business combination NIKI (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 both landing rights and goodwill in the fourth quarter of 2010 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 and goodwill belongs.

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	164,485	**195,485**
Landing rights	0	0	176,249	**176,249**

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 (2009: two year cash flow plan, growth rate 0.5%) and discounted to their present value. The pre-tax peer-group weighted average cost of capital was 9.01% (2009: 10.43%). The plan is based on a passenger volume of 36-43 million passengers (2009: 33-35 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 ten percentage points (2009: 2.57%) or through a decline in the passenger volume of about 13 percentage points (2009: about 4%). 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 2009	28,834	1,474,269	130,015	36,978	**1,670,096**
Additions	322	151,978	24,002	5,687	**181,989**
Disposals	(7)	(124,361)	(62,100)	(2,243)	**(188,711)**
Reclassifications	10,923	0	14,735	(25,658)	**0**
Balance at 31 December 2009	40,072	1,501,886	106,652	14,764	**1,663,374**
Additions	429	34,190	34,020	3,186	**71,825**
Disposals	(110)	(748,189)	(34,285)	(3,213)	**(785,797)**
Additions through business combinations	24	239,518	4,117	227	**243,886**
Balance at 31 December 2010	40,415	1,027,405	110,504	14,964	**1,193,288**
Depreciation					
Balance at 1 January 2009	4,337	352,089	23,586	20,141	**400,153**
Depreciation charge for the year	3,580	81,563	10,267	3,873	**99,283**
Currency translation adjustments	0	0	27	0	**27**
Disposals	(1)	(30,343)	(14,434)	(1,054)	**(45,832)**
Reclassifications	7,394	0	9,947	(17,341)	**0**
Balance at 31 December 2009	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**
Carrying amount					
At 1 January 2009	24,497	1,122,180	106,429	16,837	**1,269,943**
At 31 December 2009	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**

Borrowing costs for aircraft and engines capitalised in 2010 and 2009 are € 0 and € 543 respectively, at borrowing rates between 1.51% and 1.72% in the previous year.
Aircraft are pledged as security in connection with the Group's interest-bearing liabilities and liabilities due to banks from assignment of future lease payments.
Capital commitments for property, plant and equipment amount to 6.4 bn USD (2009: 7.8 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	**2010**	2009
Land and buildings	**18,380**	21,439
Aircraft and engines	**45,012**	47,097
Technical equipment and machinery	**2,011**	2,010
	65,403	70,546

Finance leases are explained in more detail in note 17.

8. INVESTMENTS IN ASSOCIATES

In thousands of Euro	**2010**	2009
Acquisition cost		
Balance at 1 January	**3,183**	1,771
Additions	**13**	17
Disposals	**(716)**	0
Share of profit	**344**	1,395
Disposal due to acquisition	**(2,419)**	0
Balance at 31 December	**405**	3,183

The Group has the following investments in associates:

Ownership	Country	**2010**	2009
		%	%
Niki Luftfahrt GmbH, Vienna*	Austria	**n/a**	24.0
IBERO Tours GmbH, Düsseldorf**	Germany	**0.0**	50.0
Follow Me Entertainment GmbH, Cologne***	Germany	**50.0**	0.0
Lee & Lex Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0
BINOLI GmbH, Berlin	Germany	**49.0**	49.0
THBG BBI GmbH, Schönefeld	Germany	**35.0**	35.0
E190 Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0

* Since 5 July 2010 the company is fully consolidated (see note 5)
** In connection with the concentration on core business, disposal in the second quarter of 2010
*** Accounted for as an associate due to lack of control

The Group's share of recognised profit in the above associates for the years ending 31 December 2010 and 2009 is € 1,057 and € 808, respectively.
In the prior year the Group has recognised losses relating to Lee & Lex Flugzeugvermietung GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of these losses the Group's long-term loans receivable to Lee & Lex Flugzeugvermietung GmbH have been written off by € 718. The write off has been reversed during the reporting period.

Similarly the Group has recognised losses relating to Binoli GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of the losses the Group's long-term loans receivable to Binoli GmbH have been written off by € 407 for the year ending 31 December 2010 (2009: € 461).
airberlin has recognised losses relating to THBG BBI GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of the losses the Group's long-term loans receivable to THBG BBI GmbH have been written off by € 59 for the year ending 31 December 2010 (2009: € 0).

Summary of financial information on associates – 100 per cent. The latest financial information (2009) disclosed the following amounts:

In thousands of Euro	Assets	Liabilities	Equity	Revenues	Profit (loss)
Follow Me Entertainment GmbH, Cologne	n/a	n/a	n/a	n/a	n/a
Lee & Lex Flugzeugvermietung GmbH, Vienna	49,945	53,552	(3,607)	7,444	(615)
BINOLI GmbH, Berlin	1,702	2,384	(682)	1,693	110
THBG BBI GmbH, Schönefeld	17,824	17,992	(168)	0	(649)
E190 Flugzeugvermietung GmbH, Vienna	41,392	42,321	(929)	3,092	(999)

9. INVENTORIES

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

In thousands of Euro	**2010**	2009
Supplies and spares	**41,712**	37,102
Purchased merchandise	**1,178**	1,622
	42,890	38,724

Inventories are measured at the lower of cost and net realisable value. In 2010 the impairment of inventories was released by € 553 (2009: € 137). The amount of inventories expensed directly in the statement of comprehensive income is reported in note 22.

10. TRADE AND OTHER RECEIVABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2010	Non-Current 2010	**Total 2010**	Current 2009	Non-Current 2009	Total 2009
Trade receivables	96,418	0	**96,418**	95,380	0	95,380
Receivables from related parties	7,830	4,112	**11,942**	26,990	2,711	29,701
Loans receivable	0	0	**0**	0	1,500	1,500
Loans receivable due to business combination NIKI	0	43,538	**43,538**	0	0	0
Accrued receivables	506	0	**506**	17	0	17
Security deposits and deposits with suppliers	20,638	33,370	**54,008**	6,463	30,965	37,428
Receivables for bonus and claims	30,770	0	**30,770**	38,656	0	38,656
Receivables from sale of fixed assets	0	0	**0**	37,961	12,123	50,084
Other receivables	15,394	76	**15,470**	12,033	0	12,033
Loans and receivables	171,556	81,096	**252,652**	217,500	47,299	264,799
Receivables from tax authorities	6,476	0	**6,476**	2,550	0	2,550
Advanced payments on aircraft and other tangible assets	86,800	61,298	**148,098**	62,610	57,037	119,647
Other assets	33,738	15,263	**49,001**	15,003	1,916	16,919
	298,570	157,657	**456,227**	297,663	106,252	403,915

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 (2010: € 23,340 and 2009: € 6,899).

Advanced payments on aircraft and other tangible assets relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft. Net payments of € 18,542 (2009: € 11,782) were made during the period and € 6,899 was capitalised in 2010 (2009: € 34,210).

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. SHARE CAPITAL AND RESERVES

Share capital and share premium

On 4 June 2009 the Company issued 6,571,700 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 23,000,950.
On 10 June 2009 the Company issued 4,500,000 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 15,750,000.
On 19 October 2009 the Company issued 8,437,393 new shares at a share price of € 3.97. Gross proceeds on the issue of new shares amounted to € 33,496,450.
Transaction costs incurred in 2009 amounted to k€ 4,470. In 2010 further transaction costs of k€ 565 have been incurred.
Share capital of 85,226,196 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each was issued and fully paid up as of 31 December 2010. Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust) in connection with the employee share plan described below. 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.

Other capital reserves

Other capital reserves are comprised 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 the amendment made to the employee share-based payment scheme discussed below, 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 in 2006. 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.

12. 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	**2010**	2009
Loss for the year	**(97,159)**	(9,468)
Dividends declared on redeemable "Class A" preference shares	**0**	0
Loss attributable to ordinary shareholders (basic and diluted)	**(97,159)**	(9,468)
Issued ordinary shares at 1 January	**85,226**	65,717
Effect of shares issued in 2009	**0**	7,984
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**85,048**	73,523
Weighted average number of ordinary shares outstanding (diluted)	**85,048**	73,523
Basic earnings per share (in €)	**(1.14)**	(0.13)
Diluted earnings per share (in €)	**(1.14)**	(0.13)

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.

13. EMPLOYEE SHARE PLAN

The Company introduced a share-based payment scheme in April 2006, which was later amended in November 2006, as part of the remuneration package provided to the Executive Directors and certain senior executives of the Group (each a "Participant"). In April 2006 the Company invited Executive Directors and certain senior executives of the Group (each a "Participant") to subscribe for shares in a one-off award (the "Award"). Participants paid the nominal value for their shares. The Award was made subject to the conditions set out in an agreement entered into between the Company and each Participant. Participants became owners of the shares when they subscribed for them but were unable to sell or otherwise dispose of the shares other than in accordance with the agreement.
The plan was amended on 28 November 2006 so that the Company reacquired the beneficial interest in all of the shares under the Award and placed restrictions on the legal interest in the shares (i.e. voting rights). The beneficial interest in the shares was transferred to Ogier Employee Benefit Trustee Limited as trustee of the Air Berlin Employee Share Trust. The amendment was not treated as a modification.

Under the terms of the revised Employee Share Plan 2006 the Participant holds (limited) legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met and if the employee remains with the Company for the entire performance period (vesting period). If the conditions are not met, if the Participant leaves the Company before the end of the vesting period or if the Participant does not transfer payment for the shares within two weeks upon notification by the Company that the conditions have been met, the Company may require the Participant to transfer legal title to the shares to the Company. Participants are not entitled to receive dividends during the performance period. In addition, restrictions have been placed on the Participant's legal interest in the shares (i.e. voting rights) during the performance period. The shares are divided equally in three tranches, each comprising one-third of the shares granted. 50% of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50% of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

Tranche and three-year performance period (ending 31 December)	Total number of shares in tranche	Threshold return on equity element	Threshold share price growth element
Tranche 1: 2008	59.200	13%	35%
Tranche 2: 2009	59.200	14%	38%
Tranche 3: 2010	59,200	15%	40%

Both performance conditions will be measured in respect of the first, second and third tranches over the performance periods of three consecutive financial years ending on 31 December 2008, 2009 and 2010 respectively.
The right to acquire the beneficial interest in the shares subject to the Employee Share Plan 2006 is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is € 0.25 per share, the nominal value of the shares.
The performance conditions were not met for all of the three Tranches as at 31 December 2010. Therefore, participants will not be able to call for the economic interest in the shares and will be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust. The equity-settled share-based payment transactions are measured at fair value on the grant date in accordance with IFRS 2. The weighted average fair value of these options was € 8.95 at the measurement date. The fair value of the options granted was determined using the binomial model under the following assumptions:

- Volatility: 40%
- Dividends: 0
- Risk-free interest rate: 4%

Volatility was estimated by a peer group analysis in the airline sector, adjusted for a "new issuer" premium.

The number and weighted average exercise price of share options during the period was as follows:

Share options	Number of share options 2010	Weighted average exercise price 2010	Number of share options 2009	Weighted average exercise price 2009
Outstanding at the beginning of the period	**56,800**	**0.25**	113,600	0.25
Forfeited during the period	**56,800**	**0.25**	56,800	0.25
Outstanding at the end of the period	**0**	**0.25**	56,800	0.25
Exercisable at the end of the period	**0**	**0.25**	0	0.25

No options were exercised or lapsed during the period.
Total expense in the statement of comprehensive income relating to the Employee Share Plan was € 32 in 2010 (2009: benefit € 88).

14. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2010:

In thousands of Euro	2010	2009
Provision for anniversary bonuses	**7,491**	6,825
Provision for old age part time (early retirement)	**1,404**	4,330
Pension liabilities	**108**	0
Total employee benefits	**9,003**	11,155

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 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	2010	2009
Present value of funded obligations	**14,378**	11,594
Fair value of plan assets	**(16,591)**	(13,562)
Funded status	**(2,213)**	(1,968)
Amount not recognised due to limitation in IAS 19.58(b)	**2,321**	1,968
Pension liabilities	**108**	0

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

In thousands of Euro	**2010**	2009
Defined benefit obligation at 1 January	**11,594**	8,306
Current service cost	**344**	1,426
Benefits paid	**(152)**	(111)
Interest on obligation	**618**	520
Actuarial losses	**1,974**	1,453
Defined benefit obligation at 31 December	**14,378**	11,594

Changes in the fair value of plan assets are as follows:

In thousands of Euro	**2010**	2009
Fair value of plan assets at 1 January	**13,562**	10,279
Contribution	**3,496**	3,909
Benefits paid	**(152)**	(111)
Expected return on plan assets	**684**	431
Actuarial losses	**(999)**	(946)
Fair value of plan assets at 31 December	**16,591**	13,562

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 € 315 during the period (2009: € 515). 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	**2010**	2009
Current service cost	**344**	1,426
Interest on obligation	**618**	520
Expected return on plan assets	**(684)**	(431)
Net actuarial losses recognised in the period	**2,973**	2,399
Effect of the limitation in IAS 19.58(b)	**829**	(5)
Pension expense	**4,080**	3,909

The Group expects to contribute € 2,382 to its defined benefit pension plans in 2011.

Principal actuarial assumptions at the reporting date are as follows:

	2010	2009
Discount rate at 31 December	**4.65%**	5.39%
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 dba in 2006, the Group acquired a defined contribution pension plan covering all employees of dba, to which the Group makes contributions. Furthermore in 2010 Air Berlin PLC & Co. Luftverkehrs KG contracted a defined contribution plan with its pilots. The net pension expense recorded in profit and loss in 2010 as a result of the defined contribution plans is € 1,670 (2009: € 5).

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 € 27,709 in 2010 (€ 26,687 in 2009).

15. PROVISIONS

In thousands of Euro	Balance at 1.1.2010	Additions	Utilisation	Release	Compensation	Balance at 31.12.2010
Provision for airport fees	5,381	0	0	(5,381)	0	0
Provision for anniversary bonuses	6,825	989	(323)	0	0	7,491
Provision for old age part time	4,330	1,274	(715)	0	(3,485)	1,404
Provision for redundancy costs	4,938	2,369	(4,938)	0	0	2,369
Provision for pensions	0	108	0	0	0	108
	21,474	4,740	(5,976)	(5,381)	(3,485)	11,372

Thereof € 8,090 relating to the provision for pensions, anniversary bonuses and old age part time was classified as non-current as at 31 December 2010 (2009: € 10,298).

Older employees (age 55 and above) have the opportunity to take part in an old age part time ("Altersteilzeit") program. The program 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. 69 (2009: 69) employees have signed such agreements as of the end of the period. A discount rate of 3.5% (2009: 4.9%) and an expected salary increase of 2.0% (2009: 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 € 3,485.

The provision for anniversary bonuses was calculated using a discount rate of 4.8% (2009: 5.6%) and an expected yearly salary increase of 2.0% (2009: 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 the layoff of staff in connection with the concentration of the business in Berlin. Uncertainties exist relating to the amount and probability of payments. The provision is based on past experiences.

16. INTEREST-BEARING LIABILITIES AND LIABILITIES DUE TO BANKS FROM ASSIGNMENT OF FUTURE LEASE PAYMENTS

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 2010 and 2009, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2010	Carrying amount 31.12.2009
Bank loans, variable rate	Secured	EUR	2022	23,976	0
Bank loans, variable rate	Secured	USD	2018-2020	93,145	0
Bank loans, fixed rate	Secured	EUR	2021	27,195	0
Bank loans, fixed rate	Secured	USD	2017-2020	33,670	0
Corporate bonds	Unsecured	EUR	2015	195,033	0
Convertible bonds – liability component, fixed rate (issued in 2007)	Unsecured	EUR	2012*	129,518	123,592
Convertible bonds – liability component, fixed rate (issued in 2009)	Unsecured	EUR	2014	9,958	72,497
Finance lease liabilities	Unsecured	USD	2011–2018	40,110	41,134
Finance lease liabilities	Unsecured	EUR	2011–2022	45,013	48,489
Bank overdrafts	Unsecured			1,420	1,223
				599,038	286,935

* first option to redeem the bonds

Of this amount € 33,140 (2009: € 13,580) is classified within current liabilities in the statement of financial position.
The finance lease liabilities are detailed in note 17 below. The bank overdrafts are due in the following year respectively.

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

In thousands of Euro	**2010**	2009
Less than one year	**33,140**	13,580
Between one and five years	**432,845**	230,633
More than five years	**133,053**	42,722
	599,038	286,935

Corporate bonds
On 10 November 2010 the Group issued € 200,000 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%. Gross proceeds from the bond issue amounted to € 200,000. Transaction costs incurred were € 7,534. The bonds are measured at amortized cost on 31 December 2010.

Convertible bonds I
On 11 April 2007 the Group issued € 220,000 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.

In the second half of 2009 the Group redeemed 840 convertible bonds with a principle amount of € 84,000 in total. Payments related to the redemption amount to € 53,405. The profit from the redemption equals € 21,273 and is presented as part of the financial income in the statement of comprehensive income. The equity component of the redeemed convertible bonds of € 10,758 less transaction costs net of tax of (€ 317) was transferred to the retained earnings within equity.

The equity component, which is shown net of taxes of € 7,838 in the statement of financial position, totalled € 16,904 as at 31 December 2010 (2009: € 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 convertible bonds due in 5 years. The bond issue is made up of 2,500 bonds with a principal amount of € 50 each, earning yearly interest of 9.0%. 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 amount to € 125,000. Transaction costs incurred in 2009 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.
On 17 November 2010 the Group redeemed 2,189 convertible bonds with a principle amount of € 109,450 in total. Payments related to the redemption amount to € 136,872. The loss from the redemption equals € 66,363, thereof € 42,193 is presented as part of the financial expenses in the statement of comprehensive income and € 24,170 is presented in retained earnings within equity. The equity component of the redeemed convertible bonds less transaction costs was transferred to retained earnings within equity. The equity component, which is shown net of taxes of € 1,946 in the statement of financial position, totalled € 4,316 as at 31 December 2010 (2009: € 34,694).
The bonds are convertible into 12,469 ordinary shares per bond at the option of the bondholder at any time beginning 17 November 2009 and ending 10 days before maturity (inclusive) or in case of early redemption ending 10 days before the determined redemption date (inclusive). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 30 October 2011 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 October 2011, so long as the trading price of the airberlin share exceeds 150% of the conversion price.

Liabilities due to banks from assignment of future lease payments
The Group entered into financing agreements with commercial banks by which the Group assigned intra-group lease payments to the banks.

The carrying amounts for the years 2010 and 2009, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2010	Carrying amount 31.12.2009
Interest rate					
Variable rate	Secured	EUR	2011–2013	47,583	62,453
Variable rate	Secured	USD	2011–2022	253,720	532,548
Fixed rate	Secured	USD	n/a	0	65,385
				301,303	660,386

Of this amount € 56,533 (2009: € 77,228) is classified within current liabilities in the statement of financial position. The assigned intra-group lease payments are secured over aircraft.

Payments for the above-mentioned liabilities due to banks from assignment of future lease payments are due as follows:

In thousands of Euro	**2010**	2009
Less than one year	**56,533**	77,228
Between one and five years	**117,765**	299,174
More than five years	**127,005**	283,984
	301,303	660,386

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 twelve years and terminate automatically upon expiry of the lease term. The leases expire between 2011 and 2022, 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	**2010**	2009
Less than one year	**423,605**	341,012
Between one and five years	**1,113,630**	868,604
More than five years	**611,481**	399,359
	2,148,716	1,608,975

No contingent leasing payments were recognised as lease payments in the period.
During the year ended 31 December 2010, € 464,588 (2009: € 381,836) 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 between 2011 and 2014.

Future minimum lease payments are receivable as follows:

In thousands of Euro	**2010**	2009
Less than one year	**8,436**	19,929
Between one and five years	**5,662**	73,129
More than five years	**0**	67,626
	14,098	160,684

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 two airport buildings under agreements which qualify as finance leases. The leases expire in 2011 and 2022.
The net book value of assets capitalised at 31 December 2010 as a result of finance leases is detailed in note 7 above.
No contingent leasing payments were recorded in profit and loss in 2010 (2009: € 0).

Future minimum lease payments are as follows:

In thousands of Euro	At 31 December 2010 Future minimum lease payments	At 31 December 2010 Discounted to present value	At 31 December 2009 Future minimum lease payments	At 31 December 2009 Discounted to present value
Less than one year	13,577	13,049	13,107	12,599
Between one and five years	37,961	31,722	40,987	34,302
More than five years	66,217	40,352	72,527	42,722
	117,755	85,123	126,621	89,623

18. TRADE AND OTHER PAYABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2010	Non-current 2010	**Total 2010**	Current 2009	Non-current 2009	Total 2009
Trade payables	110,505	0	**110,505**	95,233	0	95,233
Put-option liability	0	43,538	**43,538**	0	0	0
Other financial liabilities	1,928	0	**1,928**	205	0	205
Trade payables and other financial liabilities	112,433	43,538	**155,971**	95,438	0	95,438
Accrued liabilities	270,303	29,723	**300,026**	208,391	36,401	244,792
Receivables with credit balances	1,211	0	**1,211**	5,259	0	5,259
Payroll tax	6,071	0	**6,071**	5,692	0	5,692
VAT	870	0	**870**	17,938	0	17,938
Social insurance contributions	1,668	0	**1,668**	699	0	699
Other non-financial liabilities	2,079	0	**2,079**	1,509	0	1,509
	394,635	73,261	**467,896**	334,926	36,401	371,327

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	2010	2009
Single-seat ticket sales	**2,245,948**	1,845,382
Bulk ticket sales to charter and package tour operators	**1,161,568**	1,121,111
Duty-free /in-flight sales	**38,204**	33,083
Ground and other services	**277,858**	240,768
	3,723,578	3,240,344

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

Segment information

The company is managed by the Board of Directors as a single business unit in one geographical area and one service. The key figures and ratios presented to the Board of Directors in managing the company 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. Revenues derive nearly completely 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	2010	2009
Gain on disposal of long-term assets, net	**24,857**	11,922
Gain from step-up to fair value of previous interest in NIKI	**17,002**	0
Income from subleases	**2,468**	1,451
Income from insurance claims	**1,104**	1,243
Release of liabilities	**0**	5,879
Other	**8,344**	16,184
	53,775	36,679

22. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	2010	2009
Fuel for aircraft	**787,449**	715,352
Catering costs and cost of materials for in-flight sales	**131,344**	108,284
Airport & handling charges	**837,510**	697,098
Operating leases for aircraft and equipment	**535,028**	366,032
Navigation charges	**275,166**	219,745
Other	**111,018**	86,662
	2,677,515	2,193,173

The expenses for operating leases for aircraft and equipment include expenses of € 124,101 (2009: 45,289) 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	**2010**	2009
Wages and salaries	**392,627**	370,081
Pension expense	**33,459**	30,601
Social security	**45,685**	40,040
	471,771	440,722

Pension expense relates to the defined benefit plan for the Executive Directors and senior management of € 3,177 (2009: € 3,364) and the dba pension plan of € 903 (2009: € 545), contributions paid to defined contribution plans of € 1,670 (2009: € 5) and to social security systems of € 27,709 (2009: € 26,687) during the period. Further details regarding the pension plans are found in note 14 above.

Remuneration of the Executive Directors is as follows:

In thousands of Euro	**2010**	2009
Basic remuneration	**2,018**	2,027
Bonus	**425**	1,164
Share based payment expense	**0**	(60)
Other	**53**	67
	2,496	3,198

The highest paid Director received € 1,205 in total remuneration in 2010 (2009: € 1,621). Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 90 to 99.

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 2010**	On annual average 2009	**At 31 December 2010**	At 31 December 2009
Flight and cabin crew	**4,707**	4,553	**4,731**	4,489
Sales, operations and administration	**4,015**	3,670	**4,169**	3,789
	8,722	8,223	**8,900**	8,278

24. OTHER OPERATING EXPENSES

In thousands of Euro	2010	2009
Sales commissions paid to agencies	**23,038**	18,319
Repairs and maintenance of technical equipment	**195,640**	187,313
Advertising	**62,213**	53,548
Insurance	**19,433**	19,815
Hardware and software expenses	**60,835**	53,057
Bank charges	**24,977**	25,498
Travel expenses for cabin crews	**31,304**	27,991
Expenses for premises and vehicles	**34,549**	30,203
Training and other personnel expenses	**12,755**	11,969
Phone and postage	**5,457**	4,845
Allowances for receivables	**2,161**	2,467
Consulting fees	**15,732**	22,497
Remuneration of the auditor	**1,966**	3,055
Other	**54,587**	44,940
	544,647	505,517

Remuneration of the auditor is as follows:

In thousands of Euro	2010	2009
Audit of the annual accounts	**118**	110
Audit of accounts of subsidiaries of the Company	**971**	1,152
Other services pursuant to legislation	**34**	284
Taxation services	**149**	164
Other services	**694**	1,345
	1,966	3,055

25. NET FINANCING COSTS

In thousands of Euro	2010	2009
Interest expense on interest-bearing liabilities	**(67,391)**	(60,222)
Expense on valuation of liability from put-option at fair value	**(3,038)**	0
Expense on redemption of convertible bonds	**(42,193)**	0
Other financial expenses	**(2,803)**	(2,366)
Financial expenses	**(115,425)**	(62,588)
Interest income on fixed deposits	**1,107**	1,380
Interest income on loans and receivables	**150**	40
Other financial income	**5,549**	1,861
Income on redemption of convertible bonds	**0**	21,273
Financial income	**6,806**	24,554
Losses on foreign exchange and derivatives, net	**(24,720)**	(12,938)
Net financing costs	**(133,339)**	(50,972)

As described in note 4n above, 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	**2010**	2009
Total net foreign exchange gains recognised in profit or loss	**55,721**	37,776
Thereof reclassified to operating expenses	**(61,925)**	(50,714)
Thereof reclassified to operating income	**(7,859)**	0
Foreign exchange losses in financial result	**(14,063)**	(12,938)

26. SHARE OF PROFIT OF ASSOCIATES

In thousands of Euro	**2010**	2009
Niki Luftfahrt GmbH*	**137**	1,686
Lee & Lex Flugzeugvermietung GmbH	**1,110**	(126)
E190 Flugzeugvermietung GmbH	**(17)**	0
IBERO Tours GmbH**	**0**	51
Follow Me Entertainment GmbH	**0**	0
Binoli GmbH	**54**	(586)
THBG BBI GmbH	**(227)**	(217)
	1,057	808

* Since 5 July 2010 the company is fully consolidated (see note 5)
** In connection with the concentration on core business, disposal in the second quarter of 2010

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	**2010**	2009
Current income tax expense	**(11,049)**	(5,606)
Deferred income tax benefit	**55,513**	17,835
Total income tax benefit	**44,464**	12,229

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 € 11,049 (2009: € 5,606) includes € 127 of prior year income tax expenses (2009: € 380).

The tax rate for the airberlin group equals 30.18% (2009: 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 amount of € 4,261 (2009: € 7,635).

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	**2010**	2009
Loss before tax	**(141,623)**	(21,697)
Expected income tax benefit at 30.18% (2009: 30.18%)	**42,742**	6,548
Effect of tax rates in different jurisdictions	**4,261**	7,635
Movement in deferred tax assets on tax loss carry forwards	**(11,069)**	6,701
Not recognised loss carry forwards due to changes in group structure	**(7,945)**	0
Non-tax deductible expenses and tax deductible goodwill amortisation	**5,063**	(8,105)
Deferred tax benefit due to prior years	**2,449**	0
Current tax expenses previous years	**(127)**	(380)
Effects of redemption of convertible bonds	**7,542**	0
Other	**1,548**	(170)
Total income tax benefit	**44,464**	12,229

As of 31 December 2010, total tax loss carry forwards for which deferred tax assets were recognised amounted to € 362,023 for trade tax purposes and € 313,264 for corporate tax purposes (2009: € 312,399 and € 261,347 respectively). As of 31 December 2010, no additional deferred tax assets were capitalised for further loss carry forwards of € 188,676 for trade tax € 195,596 for corporate tax (2009: € 595,330 and € 845,663). Loss carry forwards of € 489,418 for trade tax and € 819,255 for corporate tax (2009: € 0) will get lost due to corporate restructuring. For the major part of these loss carry forwards no deferred tax asset has been accounted for. 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	2010	2009
Deferred tax assets:		
Finance lease liabilities and deferred income	**18,996**	21,860
Foreign currency receivables and derivatives	**7,396**	18,058
Tax loss carry forward	**98,575**	79,617
	124,967	119,535
Deferred tax liabilities:		
Aircraft and engines and related liabilities	**(42,219)**	(67,367)
Land and buildings	**(5,739)**	(6,694)
Intangible assets	**(31,684)**	(28,472)
Technical equipment	**(115)**	(387)
Leasehold improvements	**(83)**	(83)
Accrued liabilities and provisions	**(3,513)**	(86)
Convertible bonds, Corporate bond	**(6,309)**	(20,410)
Foreign currency liabilities and derivatives	**(10,755)**	(363)
	(100,417)	(123,862)
Offsetting	**124,967**	119,535
Deferred tax assets (liabilities), net	**24,550**	(4,327)
Deferred tax (liabilities) assets, net beginning of period	**(4,327)**	54,555
Change in deferred tax position	**28,877**	(58,882)
Thereof related to purchase price allocation NIKI	**20,060**	0
Thereof related to cash flow hedges and items recorded in equity	**6,576**	76,717
Deferred income tax benefit	**55,513**	17,835

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	2010	2009
Deferred tax asset	**51,283**	0
Deferred tax liabilities	**(26,733)**	(4,327)
	24,550	(4,327)

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	2010 Before tax	2010 Tax benefit	2010 Net of Tax	2009 Before tax	2009 Tax (expense) benefit	2009 Net of Tax
Transaction costs on issuance of new shares	(565)	169	(396)	(4,470)	1,340	(3,130)
Refund of transaction costs on issuance of new shares	0	0	0	4,184	(1,606)	2,578
Convertible bond and related transaction costs	0	0	0	49,549	(14,855)	34,694
	(565)	169	(396)	49,263	(15,121)	34,142

Income tax recognised in the statement of other comprehensive income

In thousands of Euro	2010 Before tax	2010 Tax expense	2010 Net of Tax	2009 Before tax	2009 Tax expense	2009 Net of Tax
Foreign currency translation differences for foreign operations	1,070	0	1,070	(169)	0	(169)
Fair value of hedging instruments	22,675	(6,730)	15,945	204,115	(61,604)	142,511
	23,745	(6,730)	17,015	203,946	(61,604)	142,342

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	**2010**	2009
Cash	**390**	650
Bank balances	**95,116**	84,204
Fixed-term deposits	**315,587**	288,379
Cash and cash equivalents	**411,093**	373,233
Bank overdrafts used for cash management purposes	**(1,420)**	(1,223)
Cash and cash equivalents in the statement of cash flows	**409,673**	372,010

Cash and cash equivalents include restricted cash of € 90,951 as of 31 December 2010 (31 December 2009: € 80,749).

29. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of Euro	Current 2010	Non-current 2010	**Total 2010**	Current 2009	Non-current 2009	Total 2009
Positive market values of derivatives classified as held for trading:						
Forward contracts	3,830	398	**4,228**	954	0	954
Foreign currency options	466	996	**1,462**	525	0	525
Commodity options	2,150	0	**2,150**	269	0	269
Cross-currency interest rate swaps	2,179	2,501	**4,680**	0	14	14
Total positive market values of derivatives classified as held for trading	8,625	3,895	**12,520**	1,748	14	1,762
Positive market values of derivatives classified as hedge accounting:						
Forward contracts	7,639	2,553	**10,192**	9,450	0	9,450
Foreign currency options	5,895	0	**5,895**	2,493	0	2,493
Commodity swaps	21,661	0	**21,661**	7,513	0	7,513
Commodity options	9,842	0	**9,842**	2,517	0	2,517
Total positive market values of derivatives classified as hedge accounting	45,037	2,553	**47,590**	21,973	0	21,973
Total positive market values of derivatives	53,662	6,448	**60,110**	23,721	14	23,735
Negative market values of derivatives classified as held for trading:						
Forward contracts	3,724	230	**3,954**	851	0	851
Cross-currency interest rate swaps	1,820	24,628	**26,448**	6,587	66,430	73,017
Total negative market values of derivatives classified as held for trading	5,544	24,858	**30,402**	7,438	66,430	73,868
Negative market values of derivatives classified as hedge accounting:						
Forward contracts	14,366	1,055	**15,421**	4,484	0	4,484
Foreign currency options	5,256	0	**5,256**	731	0	731
Commodity swaps	0	0	**0**	104	0	104
Cross-currency interest rate swaps	0	0	**0**	0	4,423	4,423
Total negative market values of derivatives classified as hedge accounting	19,622	1,055	**20,677**	5,319	4,423	9,742
Total negative market values of derivatives	25,166	25,913	**51,079**	12,757	70,853	83,610

Hedge accounting is discussed in note 30g below.

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	**Carrying amount 2010**	Carrying amount 2009
Loans and receivables	10	**252,652**	264,799
Positive market values of derivatives classified as held for trading	29	**12,520**	1,762
Positive market values of derivatives classified as hedge accounting	29	**47,590**	21,973
Cash and cash equivalents	28	**411,093**	373,233
		723,855	661,767

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

In thousands of Euro	**2010**	2009
Receivables from single-seat ticket sales	**4,287**	9,669
Receivables from charter sales	**11,736**	12,308
Receivables from credit card companies	**19,521**	21,860
Receivables from IATA clearing house ("BSP" travel agencies)	**19,729**	15,688
Other trade receivables	**41,145**	35,855
	96,418	95,380

Other trade receivables relate primarily to receivables from other airlines for technical services (2010: € 6,288, 2009: € 8,794) and to receivables from cargo services (2010: € 16,612, 2009: € 14,305).

b) Impairment losses

-- TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of Euro	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	66,701	2	72,547	948
Past due 1–30 days	11,968	0	5,224	2,056
Past due 31–120 days	10,269	479	13,821	1,057
Past due 121–365 days	6,528	2,118	8,097	1,091
More than one year past due	12,304	8,753	7,694	6,851
	107,770	11,352	107,383	12,003

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	Allowance for impairment losses **2010**	Allowance for impairment losses 2009
Balance at 1 January	**12,003**	5,044
Increase in allowance for impairment losses	**1,510**	9,426
Release of allowance for impairment losses	**(2,161)**	(2,467)
Balance at 31 December	**11,352**	12,003

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 credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. A companywide credit control process is implemented. Once the third notice is issued along with a court order, and 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 € 11,352 (2009: € 12,003).

-- OTHER LOANS AND RECEIVABLES
None of the other loans and receivables were past due as of 31 December 2010 (2009: 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 (2009: € 2,000).
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 loans receivable and clearing accounts from Lee & Lex Flugzeugvermietung GmbH and 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 2010:

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							
Liabilities due to bank from assignment of future lease payments	301,303	326,574	24,445	36,932	52,787	78,277	134,133
Secured bank loans	177,986	188,366	9,118	9,774	19,490	58,047	91,937
Finance lease liabilities	85,123	117,506	6,832	6,496	11,453	26,508	66,217
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

For 31 December 2009, 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							
Liabilities due to bank from assignment of future lease payments	660,386	728,098	45,705	45,397	103,819	233,090	300,087
Finance lease liabilities	89,623	126,621	6,554	6,554	12,820	28,166	72,527
Convertible bonds – liability component	196,089	320,558	7,665	5,625	13,290	293,978	0
Trade payables and other financial liabilities	95,438	95,438	95,438	0	0	0	0
Bank overdraft	1,223	1,223	1,223	0	0	0	0
Total financial liabilities measured at amortised cost	1,042,759	1,271,938	156,585	57,576	129,929	555,234	372,614
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Cross-currency interest rate swaps	4,423	4,531	632	632	1,265	2,002	0
Outflow		17,140	2,392	2,391	4,784	7,573	0
Inflow		(12,609)	(1,760)	(1,759)	(3,519)	(5,571)	0
Forward exchange contracts	4,484	4,735	4,735	0	0	0	0
Outflow		251,234	251,234	0	0	0	0
Inflow		(246,499)	(246,499)	0	0	0	0
Foreign currency options	731	2,645	2,645	0	0	0	0
Outflow		85,944	85,944	0	0	0	0
Inflow		(83,299)	(83,299)	0	0	0	0
Commodity swaps	104	104	104	0	0	0	0
Outflow		104	104	0	0	0	0
Inflow		0	0	0	0	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	73,017	77,186	15,142	12,060	21,281	29,028	(325)
Outflow		622,677	74,716	70,495	135,182	313,807	28,477
Inflow		(545,491)	(59,574)	(58,435)	(113,901)	(284,779)	(28,802)
Forward exchange contracts	851	668	508	160	0	0	0
Outflow		44,278	38,724	5,554	0	0	0
Inflow		(43,610)	(38,216)	(5,394)	0	0	0
	1,126,369	1,361,807	180,351	70,428	152,475	586,264	372,289

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 2011 and early 2012.

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 up to 75% (2009: 75%) of the expected cash flow on a 6–18 month (2009: 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:

	31 December 2010			31 December 2009		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	85,405	1,189	13,776	58,547	4,248	1,907
Cash and cash equivalents	93,570	431	2,804	66,599	526	23,901
Liabilities due to bank from assignment of future lease payments	(339,021)	0	0	(861,382)	0	0
Secured bank loans	(169,448)	0	0	0	0	0
Finance lease liabilities	(53,595)	0	0	(59,258)	0	0
Trade payables and other financial liabilities	(19,727)	(329)	(3,884)	(18,265)	(732)	(2,000)
Bank overdraft	0	0	0	0	0	0
Total exposure of balance positions	(402,816)	1,291	12,696	(813,759)	4,042	23,808
Estimated forecast purchases	(2,004,000)	0	0	(1,834,600)	0	0
Gross exposure	(2,406,816)	1,291	12,696	(2,648,359)	4,042	23,808
Forward exchange contracts (hedged volume in USD)	934,800	0	0	644,850	0	0
Foreign currency options (hedged volume in USD)	376,000	0	0	366,500	0	0
Cross-currency interest rate swaps (hedged volume in USD)	492,738	0	0	780,807	0	0
Net exposure	(603,278)	1,291	12,696	(856,202)	4,042	23,808

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	**2010**	2009	**2010**	2009
USD	**1.3257**	1.3948	**1.3362**	1.4406
GBP	**0.8578**	0.8909	**0.8608**	0.8881
CHF	**1.3803**	1.5100	**1.2504**	1.4836

-- 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:

	31 December 2010			31 December 2009		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	648	(11)	103	1,956	(414)	(1,459)
Equity	(77,015)	0	0	(50,699)	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:

	31 December 2010			31 December 2009		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(878)	13	(96)	(2,584)	506	1,783
Equity	91,080	0	0	64,948	0	0

e) Interest rate risk

The interest rate profile of the Group is as follows:

	Carrying amount	
In thousands of Euro	**2010**	2009
Fixed rate instruments		
Financial assets	**47,649**	3,890
Financial liabilities	**(480,497)**	(351,096)
Cross-currency interest rate swaps	**(21,768)**	(77,426)
	(454,616)	(424,632)
Variable rate instruments		
Financial assets	**0**	1,500
Financial liabilities	**(419,844)**	(595,001)
	(419,844)	(593,501)

The variable rate interest bearing liabilities and liabilities due to banks from aircraft financing and from assignment of future lease payments, 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 FOR FIXED RATE INSTRUMENTS

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 (2009: € 274) and profit or loss by € 7,050 (2009: € 14,313) based on a one year impact.

-- CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

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 € 1,663 (2009: € 1,152) 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 20.2% (2009: 22.0%) 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 2010, the hedged volume was 543,000 tons for the business year 2011 (2009: 523,500 tons for 2010). The hedging quota was 37.3% for 2011 (in the prior year: 40.3% for 2010).

-- 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 € 25,365 (2009: € 18,585) and profit or loss by € 3,321 (2009: € 797). A 10% decrease in the fuel price at the reporting date would have decreased equity by € 21,925 (2009: € 17,250) and profit or loss by € 2,735 (2009: € 2,237).

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 2010 and their movement during the period are as follows:

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.

The change in fair value of derivatives was as follows in 2009:

In thousands of Euro	Fair value at 31 December 2008	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Option premium paid	Fair value at 31 December 2009
Cash flow hedges:						
Forward contracts	31,673	0	12,732	(39,439)	0	4,966
Foreign currency options	5,422	1,232	(370)	(4,522)	0	1,762
Cross-currency interest rate swaps	(7,635)	(1,102)	943	3,370[1]	0	(4,424)
Commodity swaps (fuel price)	(220,283)	0	40,358	187,334	0	7,409
Commodity options (fuel price)	(165)	(1,027)	2,305	1,404	0	2,517
Held for trading:						
Forward contracts	952	(849)	0	0	0	103
Foreign currency options	(688)	1,213	0	0	0	525
Cross-currency interest rate swaps	(57,362)	(12,270)	0	(3,370)[1]	0	(73,002)
Commodity options (fuel price)	(185)	454	0	0	0	269
	(248,271)	(12,349)	55,968	144,777	0	(59,875)

[1] Reclassification from cash flow hedges to held for trading in 2009.

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 change in the intrinsic value is recorded in equity, and the change in the time value is recorded in profit or loss.

Hedge accounting concerning the cross-currency interest rate swaps are accounted for as cash flow hedges. Those 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, are as follows:

In thousands of Euro	Note	31 December 2010 Carrying amount	31 December 2010 Fair value	31 December 2009 Carrying amount	31 December 2009 Fair value
Loans and receivables:					
Total loans and receivables	10	252,652	252,652	264,799	264,799
Positive market values of derivatives classified as held for trading:					
Forward exchange contracts	29	4,228	4,228	954	954
Foreign currency options	29	1,462	1,462	525	525
Commodity options (fuel price)	29	2,150	2,150	269	269
Cross-currency interest rate swaps	29	4,680	4,680	14	14
Positive market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	10,192	10,192	9,450	9,450
Foreign currency options	29	5,895	5,895	2,493	2,493
Commodity swaps (fuel price)	29	21,661	21,661	7,513	7,513
Commodity options (fuel price)	29	9,842	9,842	2,517	2,517
Total positive market values of derivatives at fair value through profit and loss		60,110	60,110	23,735	23,735
Cash and cash equivalents	28	411,093	411,093	373,233	373,233
Financial liabilities measured at amortised cost:					
Liabilities due to bank from assignment of future lease payments	16	(301,303)	(288,483)	(660,386)	(654,341)
Secured bank loans	16	(177,986)	(154,899)	0	0
Finance lease liabilities	16	(85,123)	(91,521)	(89,623)	(97,497)
Corporate bonds	16	(195,033)	(211,000)	0	0
Convertible bonds – liability component	16	(139,476)	(139,621)	(196,089)	(219,043)
Trade payables and other financial liabilities	18	(112,433)	(112,433)	(95,438)	(95,438)
Bank overdraft	16	(1,420)	(1,420)	(1,223)	(1,223)
Total financial liabilities measured at amortised cost		(1,012,774)	(999,377)	(1,042,759)	(1,067,542)
Financial liabilities measured at fair value:					
Put Option liability	18	(43,538)	(43,538)	0	0
Negative market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	(15,421)	(15,421)	(4,484)	(4,484)
Foreign currency options	29	(5,256)	(5,256)	(731)	(731)
Commodity swaps (fuel price)	29	0	0	(104)	(104)
Cross-currency interest rate swaps	29	0	0	(4,423)	(4,423)
Negative market values of derivatives classified as held for trading:					
Forward exchange contracts	29	(3,954)	(3,954)	(851)	(851)
Cross-currency interest rate swaps	29	(26,448)	(26,448)	(73,017)	(73,017)
Total negative market values of derivatives at fair value through profit and loss		(51,079)	(51,079)	(83,610)	(83,610)
		(383,536)	(370,139)	(464,602)	(489,385)

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 is 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	**2010**	2009
Balance of the liability at 1 January	**0**	0
Arising from business combination	**40,500**	0
Changes in fair value of the liability	**3,038**	0
Balance of the liability at 31 December	**43,538**	0

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	**2010**	2009
Loans and receivables	**(612)**	(14,655)
Cash and cash equivalents	**4,265**	1,612
Derivatives	**97,647**	19,034
Financial liabilities measured at amortised cost	**(51,234)**	16,450
Financial liabilities measured at fair value	**3,038**	0
	53,104	22,441

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 (2009: none).

31. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors and key management as well as with its associates (see note 8). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 90 to 99). The share-based payment scheme for Executive Directors and certain senior executives of the Group is detailed in note 13.
One of the Executive Directors of the Group controls a voting share of 2.64% (2009: 2.64%) of airberlin. In addition, 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 (2009: € 25).
One of the non-executive directors, also a shareholder of the Company with a voting share of 1.58% (2009: 1.58%), is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2010 of € 20,024 (2009: € 18,679). At 31 December 2010 € 1,282 are included in the statement of financial position in trade receivables (2009: € 729).

During the years ending 31 December 2010 and 2009, associates purchased or delivered goods and services from the Group as follows:

In thousands of Euro	**2010**	2009
IBERO-Tours GmbH		
Other income from cost transfer	**0**	9
Expenses for services	**540**	87
THBG BBI GmbH		
Receivables from related parties	**2,397**	1,908
Interest income	**86**	0
Follow Me Entertainment GmbH		
Receivables from related parties	**50**	0
Interest income	**1**	0
BINOLI GmbH		
Revenues from ticket sales	**66**	417
Other income from cost transfer	**0**	380
Receivables from related parties	**93**	187
Trade and other receivables	**148**	9
Interest income	**30**	0
Lee & Lex Flugzeugvermietung GmbH		
Expenses for leasing	**2,622**	0
Receivables from related parties	**1,572**	764
Interest income	**70**	0
Payables to related parties	**1,462**	0
E190 Flugzeugvermietung GmbH		
Expenses for leasing	**4,270**	0
Receivables from related parties	**7,677**	0
Niki Luftfahrt GmbH		
Revenues	**127**	245
Other income from administrative services	**1,389**	2,381
Other income from cost transfer	**1,600**	6,000
Receivables from related parties	**0**	26,778

Transactions with associates are priced on an arm's length basis.
In 2010 no dividends have been received from associates (2009: none).
In connection with the concentration on core business, the Group disposed of its 50.0% share in IBERO-Tours GmbH, Düsseldorf, in the second quarter of 2010.
NIKI Luftfahrt GmbH is consolidated since 5 July 2010 (see note 5).

32. EXECUTIVE BOARD OF DIRECTORS

Joachim Hunold	Chief Executive Officer
Ulf Hüttmeyer	Chief Financial Officer
Christoph Debus	Chief Commercial Officer

33. SUBSEQUENT EVENTS

From the end of the 2010 financial year to the editorial deadline for the submission of this Annual Report on 18 March 2011, with the exception of the political upheavals in North Africa, no events occurred that could have significant impact on the business development of the Company. The events in North Africa adversely effected flight bookings to Egypt in particular. Numerous passengers cancelled their bookings after the German Government had issued travel warnings for Egypt. Accordingly, passenger numbers in the first quarter of the current financial year were effected.

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	**2010**	2009
Acquisition cost		
Balance at 1 January	**470,992**	220,958
Additions	**12**	33
Disposals	**(45)**	0
Increase in subsidiaries capital	**5**	250,001
Balance at 31 December	**470,964**	470,992

c) Investments in associates

The company acquired a 50% share in Follow Me Entertainment GmbH, Cologne, in the reporting period 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	**2010**	2009
Current income tax benefit (expense)	**420**	(2,099)
Deferred income tax benefit	**36,696**	226
Total income tax benefit (expense)	**37,116**	(1,873)

The current income tax expense of the Company includes corporate tax, a solidarity charge in addition to corporate tax and trade tax. The current income tax expense includes € 77 of prior year income tax expense (2009: € 157 income tax benefit).

The tax rate of the Company equals 30.03% (2009: 29.98%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.20% (2009: 14.15%). 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.

Reconciliation between the tax expense expected on the basis of profit for a period and the recognised income tax expense is as follows:

In thousands of Euro	**2010**	2009
(Loss)/Profit before tax	**(29,903)**	19,172
Expected income tax benefit/(expense) at 30.03% (2009: 29.98%)	**8,980**	(5,748)
Effect of change in tax rate	**17**	245
Effect of tax pooling agreements with subsidiaries	**30,018**	9,084
Write down of deferred tax assets on tax loss carry forwards	**(8,185)**	(2,865)
Effect from non-deductible expenses	**(2,613)**	(2,552)
Deferred tax benefit due to prior years	**1,837**	0
Effects of redemption of convertible bonds	**7,542**	0
Current tax (expense)/benefit previous years	**(77)**	157
Other	**(403)**	(194)
Total income tax benefit/(expense) recognised	**37,116**	(1,873)

The total tax loss carry forward was € 44,832 (2009: € 20,136) for trade tax purposes and € 272,643 (2009: € 120,986) for corporation tax purposes as at 31 December 2010. As of 31 December 2010, no additional deferred tax assets were capitalised for further loss carry forwards of € 68,647 for corporate tax (2009: € 15,126). The tax loss carry forwards are not subject to expiration.

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

In thousands of Euro	**2010**	2009
Deferred tax assets		
Receivables	**122**	0
Accrued liabilities and provisions	**802**	1,041
Negative market values of derivatives	**0**	2,552
Tax loss carry forwards	**49,493**	21,690
Total deferred tax assets	**50,417**	25,283
Deferred tax liabilities		
Convertible bonds	**(6,309)**	(20,410)
Positive market values of derivatives	**(2,401)**	(17)
Total deferred tax liabilities	**(8,710)**	(20,427)
Offsetting	**50,417**	25,283
Deferred tax assets, net	**41,707**	4,856
Deferred tax assets, net beginning of period	**4,856**	19,751
Change in deferred tax assets	**36,851**	(14,895)
thereof related to items recorded in equity	**(155)**	15,121
Deferred income tax benefit	**36,696**	226

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

Income tax recognised in equity

In thousands of Euro	2010 Before tax	2010 Tax expense	2010 Net of Tax	2009 Before tax	2009 Tax (expense) benefit	2009 Net of Tax
Transaction costs on issuance of shares	(565)	169	(396)	(4,470)	1,340	(3,130)
Refund of transaction costs on issuance of new shares	0	0	0	4,184	(1,606)	2,578
Convertible bond and related transaction costs	0	0	0	49,549	(14,855)	34,694
	(565)	169	(396)	49,263	(15,121)	34,142

e) Loans to subsidiaries and other loans receivable

In these positions are included:
A long-term loan was concluded with LTU Beteiligungs- und Holding GmbH (€ 140,000) with a yearly interest rate of 1%. The loan was prolonged till 31 December 2011.
In addition the Company has a long-term loan to LOMA GmbH of € 15,200. The loan is due in 2011 and has a yearly interest rate of 1%.
The company signed a non limited loan with AB Luftfahrttechnik Düsseldorf GmbH (€ 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) Long-term loans to associates

The company entered into two loans with Binoli GmbH of € 250 each. The loans were agreed with an indefinite maturity and a 6 per cent interest rate. Due to the at-equity accounting concerning investments in associates the investment in Binoli GmbH was written off to zero and the loans have been written down by € 407 (see note 8).
Furthermore 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.

g) Receivables from subsidiaries

Receivables due to profit and loss transfer agreements are included with € 21,543 (2009: € 21,228).
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 € 53,739 (2009: € 29,470).
The remaining receivables result from trade, clearing accounts and interest for the group-loans.

h) Receivables from associates

Receivables from associates include the clearing account with Binoli GmbH € 149 (2009: € 149).

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 11 to the consolidated financial statements.
The Employee Share Plan is detailed in note 13 to the consolidated financial statements.

j) Pension liabilities

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

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

In thousands of Euro	**2010**	2009
Present value of funded obligations	**4,482**	6,364
Fair value of plan assets	**(5,369)**	(7,816)
Funded status	**(887)**	(1,452)
Amount not recognised due to limitation in IAS 19.58(b)	**887**	1,452
Pension liabilities	**0**	0

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

In thousands of Euro	**2010**	2009
Defined benefit obligation at 1 January	**6,364**	3,685
Current service cost	**298**	1,322
Interest on obligation	**337**	230
Actuarial losses	**1,502**	1,127
Transfer to subsidiary	**(4,019)**	0
Defined benefit obligation at 31 December	**4,482**	6,364

Changes in the fair value of plan assets are as follows:

In thousands of Euro	**2010**	2009
Fair value of plan assets at 1 January	**7,816**	4,701
Contribution	**1,570**	3,364
Expected return on plan assets	**447**	200
Actuarial losses	**(445)**	(449)
Transfer to subsidiary	**(4,019)**	0
Fair value of plan assets at 31 December	**5,369**	7,816

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 € 2 during the period (2009: loss: € 249). No experience adjustment was made during the period.

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

In thousands of Euro	**2010**	2009
Current service cost	**298**	1,322
Interest on obligation	**337**	230
Expected return on plan assets	**(447)**	(200)
Net actuarial losses recognised in the period	**1,947**	1,576
Effect of the limitation in IAS 19.58 (b)	**(565)**	436
Pension expense	**1,570**	3,364

The Company expects to contribute € 1,602 to its defined benefit pension plan in 2011.

Principal actuarial assumptions at the reporting date are as follows:

	2010	2009
Discount rate at 31 December	**4.65%**	5.39%
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 non-current liabilities to subsidiaries

The Group issued two convertible bonds with a volume of € 220,000 (issued in 2007) and € 125,000 (issued in 2009). Air Berlin 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.
During the reporting period the company redeemed convertible bonds issued in 2009 with a nominal volume of € 109,450 and transferred them to AB Finance B.V. to payback the respective loan. In the prior year the company redeemed convertible bonds issued in 2007 with a nominal volume of € 84,000 and transferred them to AB Finance B.V. to payback the respective loan.
The disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bonds are detailed in note 16 and 30c.
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%.

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 € 7 (2009: € 14,181) regarding profit and loss transfers and € 180,859 (2009: 159,340) 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 shown in the statement of financial position, are as follows:

		31 December 2010		31 December 2009	
			Carrying		Carrying
In thousands of Euro	Note	amount	Fair value	amount	Fair value
Long-term loans to subsidiaries	34e	0	0	15,200	15,200
Long-term loans to associates	34f	143	143	39	39
Other long-term loans	34e	0	0	1,500	1,500
Short-term loans to subsidiaries	34e	199,802	199,802	185,182	185,182
Receivables from subsidiaries	34g	139,850	139,850	91,200	91,200
Receivables from associates	34h	149	149	149	149
Total loans and receivables		339,944	339,944	293,270	293,270
Positive market values of derivatives classified as held for trading		8,073	8,073	58	58
Cash and cash equivalents		138,956	138,956	104,295	104,295
Financial liabilities measured at amortised cost:					
Interest-bearing liabilities	16	(195,033)	(211,000)	0	0
Non-current liabilities to subsidiaries	34k	(141,476)	(141,476)	(198,089)	(198,089)
Trade payables and payables to subsidiaries	34m	(200,949)	(200,949)	(183,139)	(183,139)
Total financial liabilities measured at amortised cost		(537,458)	(553,425)	(381,228)	(381,228)
Negative market values of derivatives classified as held for trading:		(67)	(67)	(8,513)	(8,513)
		(50,552)	(66,519)	7,882	7,882

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 90 to 99).
One of the Executive Directors of the Group controls a voting share of 2.64% (2009: 2.64%) of airberlin. In addition, one of the non-executive directors is also a shareholder of the Company with a voting share of 1.58% (2009: 1.58%).

The Company had the following transactions with related parties during the years ending 31 December 2010 and 2009:

In thousands of Euro	**2010**	2009
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**3,692**	4,155
Interest Income	**777**	477
Receivables from subsidiaries	**50,123**	24,427
Other operating expenses	**534**	540
Payables to subsidiaries	**6,714**	5,436
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**24**	17
Receivables from subsidiaries	**13**	0
Payables to subsidiaries	**195**	181
Alpha Engine Trading GmbH		
Receivables from subsidiaries	**659**	660
Payables to subsidiaries	**2,652**	2,655
Air Berlin Beteiligungs GmbH		
Receivables from subsidiaries	**90**	0
Payables to subsidiaries	**0**	13
Belair Airlines AG		
Revenues	**0**	0
LTU Beteiligungs- und Holding GmbH		
Interest Income	**1,416**	1,416
Receivables from subsidiaries	**144,305**	142,818
Payables to subsidiaries	**0**	24
AB Luftfahrttechnik Berlin GmbH		
Interest Income	**11**	36
Receivables from subsidiaries	**45,181**	37,443
Payables to subsidiaries	**16,740**	13,417
AB Luftfahrttechnik Düsseldorf GmbH		
Interest Income	**265**	182
Receivables from subsidiaries	**25,966**	26,700
Payables to subsidiaries	**3,932**	14,403
AB Luftfahrttechnik Köln GmbH		
Receivables from subsidiaries	**2,553**	903
LTU Lufttransport Unternehmen GmbH		
Receivables from subsidiaries	**22,189**	15,000
Leisure Cargo GmbH		
Receivables from subsidiaries	**7,612**	2,256

Loma Beteiligungsgesellschaft mbH		
Interest Income	**248**	332
Receivables from subsidiaries	**15,965**	15,717
Air Berlin 1. –9. LeaseLux Sàrl		
Revenues	**20**	0
Receivables from subsidiaries	**1,404**	1,282
Air Berlin Netherlands B.V.		
Interest Income	**11**	47
Receivables from subsidiaries	**1,110**	1,937
Payables to subsidiaries	**1,996**	2,001
Air Berlin Finance B.V.		
Expenses from convertible bonds	**12,307**	17,189
Interest Expenses	**97**	0
Receivables from subsidiaries	**9.463**	174
Payables to subsidiaries	**141,838**	198,364
Air Berlin Technik Ltd.		
Interest Income	**23**	47
Receivables from subsidiaries	**2,432**	2,397
Air Berlin Fünfte Flugzeug GmbH		
Revenues	**10**	0
Interest Expenses	**43**	264
Receivables from subsidiaries	**10**	0
Payables to subsidiaries	**119,802**	89,563
Air Berlin Sechste Flugzeug GmbH		
Interest Expenses	**10**	78
Payables to subsidiaries	**26,844**	26,866
Air Berlin Siebte Flugzeug GmbH		
Interest Income	**25**	0
Receivables from subsidiaries	**2,662**	2,641
Payables to subsidiaries	**5,138**	5,148
Air Berlin Zwölfte Flugzeug GmbH		
Payables to subsidiaries	**227**	0
Air Berlin Erste Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**5,301**	5,301
Payables to subsidiaries	**811**	819
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**4,111**	4,111
Payables to subsidiaries	**540**	544
Air Berlin Vierte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,533**	3,533
Payables to subsidiaries	**451**	455

Air Berlin Achte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**60**	60
Air Berlin Neunte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**15**	15
Air Berlin Finance GmbH		
Receivables from subsidiaries	**96**	0
Air Berlin PLC & Co. Airport Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. Cabin Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. DUS Service KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
Air Berlin PLC & Co. Service Center KG		
Revenues	**15**	0
Receivables from subsidiaries	**18**	15
AB Finance II GmbH		
Interest Expenses	**5**	105
Receivables from subsidiaries	**2,996**	3,000
Payables to subsidiaries	**12,493**	20,919
Euconus GmbH		
Receivables from subsidiaries	**0**	10
JFK Stiftung		
Receivables from subsidiaries	**1,182**	1,182

p) Employees

The Company employs the three Executive Directors (2009: four employees and three Executive Directors). The Directors remuneration is included in note 23 above as well as in the Directors' Remuneration Report on pages 90 to 99.

The Executive Directors are participants in the Employee Share Plan 2006, which is described in detail in note 13 above as well as in the Directors' Remuneration Report. In addition, € 1,570 (2009: € 3,364) was paid to a defined benefit plan.

35. CONSOLIDATED ENTITIES

The following entities are included in the consolidated financial statements:

Subsidiaries	Country of incorporation	**2010**	2009
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	Germany	✈	✈
AB Luftfahrttechnik Düsseldorf GmbH	Germany	✈	✈
AB Luftfahrttechnik Köln GmbH	Germany	✈	✈
AB Luftfahrtbeteiligung GmbH	Austria	✈	
Air Berlin Beteiligungsgesellschaft mbH	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]	Germany	✈	✈
Air Berlin PLC & Co. Verwaltungs KG (formerly: Air Berlin PLC & Co. DUS KG)[1]	Germany	✈	✈
Air Berlin PLC & Co. Service Center KG[1]	Germany	✈	✈
Air Berlin Switzerland GmbH[1]	Switzerland	✈	✈
Air Berlin Technik Ltd.[1]	United Kingdom	✈	✈
Air Berlin 1. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 2. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 3. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 4. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 5. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 6. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 7. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 8. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 9. LeaseLux Sàrl[1]	Luxembourg	✈	
Air Berlin Fünfte Flugzeug GmbH	Germany	✈	✈
Air Berlin Sechste Flugzeug GmbH	Germany	✈	✈
Air Berlin Siebte Flugzeug GmbH	Germany	✈	✈
Air Berlin Zwölfte Flugzeug GmbH	Germany	✈	✈
Alpha Engine Trading GmbH	Germany	✈	✈
Belair Airlines AG[1]	Switzerland	✈	✈

CHS Cabin & Handling Service GmbH	Germany	✈	✈
CHS Switzerland AG[1]	Switzerland	✈	✈
CHS Holding & Services GmbH[1]	Germany	✈	✈
CHS Netherlands N.V.[1]	Netherlands		✈
CHAS Italy s.r.l.[1]	Italy	✈	✈
CHAS UK Ltd.[1]	United Kingdom	✈	✈
Euconus Flugzeugleasinggesellschaft mbH	Germany	✈	✈
JFK Stiftung	Switzerland	✈	✈
Leisure Cargo GmbH[1]	Germany	✈	✈
Loma Beteiligungsgesellschaft mbH	Germany	✈	✈
LTU Beteiligungs- und Holding GmbH[1]	Germany	✈	✈
LTU Lufttransport Unternehmen GmbH	Germany	✈	✈
NIKI Luftfahrt GmbH	Austria	✈	
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Air Berlin Employee Share Trust [1, 2]	United Kingdom	✈	✈

[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 NIKI Luftfahrt GmbH (Air Berlin PLC holds indirectly 49.9% of the share capital) and the special purpose entity, Air Berlin Employee Share Trust, Air Berlin PLC holds (directly or indirectly) 100% of the share capital of the subsidiaries.

Excerpt from the Interim Financial Report for the third quarter and the first nine months of the financial year 2012 (unaudited), comprising the following:

Consolidated Financial Statements for the period ended 30 September 2012

Notes to the consolidated Financial Statements as of 30 September 2012

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the period ended 30 September 2012

	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
	€ 000	€ 000	€ 000	€ 000
Revenue	3,343,243	3,273,314	1,395,129	1,375,497
Other operating income	56,132	5,891	17,055	1,576
Expenses for materials and services	(2,574,743)	(2,525,543)	(994,565)	(977,052)
Personnel expenses	(369,507)	(352,393)	(126,732)	(121,435)
Depreciation and amortisation	(55,145)	(63,019)	(17,479)	(20,535)
Other operating expenses	(477,474)	(461,946)	(172,248)	(161,282)
Operating expenses	(3,476,869)	(3,402,901)	(1,311,024)	(1,280,304)
Result from operating activities	(77,494)	(123,696)	101,160	96,769
Financial expenses	(55,332)	(51,930)	(18,325)	(19,722)
Financial income	877	7,689	159	2,401
Gains/ (Losses) on foreign exchange and derivatives, net	(3,074)	(30,109)	16,449	(24,284)
Net financing costs	(57,529)	(74,350)	(1,717)	(41,605)
Share of profit of at equity investments, net of tax	247	97	781	0
Profit / (Loss) before tax	(134,776)	(197,949)	100,224	55,164
Income tax benefit / (expense)	32,245	63,696	(33,593)	(24,956)
Profit / (Loss) for the period – all attributable to the shareholders of the Company	(102,531)	(134,253)	66,631	30,208
Basic earnings per share in €	(0.90)	(1.58)	0.57	0.36
Diluted earnings per share in €	(0.90)	(1.58)	0.57	0.34

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

for the period ended 30 September 2012

	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
	€ 000	€ 000	€ 000	€ 000
Profit / (Loss) for the period	**(102,531)**	(134,253)	**66,631**	30,208
Foreign currency translation reserve	**502**	1,222	**(219)**	(124)
Effective portion of changes in fair value of hedging instruments	**350**	20,486	**40,646**	42,267
Net change in fair value of hedging instruments transferred from equity to profit or loss	**(49,401)**	(25,718)	**(14,372)**	(3,252)
Income tax on other comprehensive income	**14,626**	1,511	**(7,717)**	(12,879)
Other comprehensive income for the period, net of tax	**(33,923)**	(2,499)	**18,338**	30,012
Total comprehensive income – all attributable to the shareholders of the Company	**(136,454)**	(136,752)	**84,969**	60,220

Air Berlin PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
as of 30 September 2012

	30/09/2012	31/12/2011
	€ 000	€ 000
Assets		
Non-current assets		
Intangible assets	420,395	396,008
Property, plant and equipment	602,433	818,915
Trade and other receivables	79,354	79,188
Deferred tax asset	194,041	138,306
Positive market value of derivatives	493	0
Net defined benefit asset	3,026	2,206
Deferred expenses	49,149	53,112
At equity investments	4,847	184
Non-current assets	1,353,738	1,487,919
Current assets		
Inventories	53,496	45,524
Trade and other receivables	523,713	375,122
Positive market value of derivatives	39,589	73,187
Deferred expenses	50,856	42,598
Assets held for sale	145,155	0
Cash and cash equivalents	218,482	239,607
Current assets	1,031,291	776,038
Total assets	2,385,029	2,263,957

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as of 30 September 2012

	30/09/2012	31/12/2011
	€ 000	€ 000
Equity and liabilities		
Shareholders' equity		
Share capital	29,273	21,379
Share premium	435,085	373,923
Equity component of convertible bond	597	1,343
Other capital reserves	217,056	217,056
Retained earnings	(507,448)	(405,663)
Hedge accounting reserve, net of tax	8,337	42,762
Foreign currency translation reserve	3,441	2,939
Total equity – all attributable to the shareholders of the Company	186,341	253,739
Non-current liabilities		
Interest-bearing liabilities due to aircraft financing	295,740	471,775
Interest-bearing liabilities	616,964	470,193
Provisions	6,548	7,161
Trade and other payables	66,847	55,922
Deferred tax liabilities	22,604	29,448
Negative market value of derivatives	1,074	11,021
Non-current liabilities	1,009,777	1,045,520
Current liabilities		
Interest-bearing liabilities due to aircraft financing	147,420	53,123
Interest-bearing liabilities	11,561	57,504
Tax liabilities	3,916	2,726
Provisions	2,050	2,525
Trade and other payables	545,340	423,421
Negative market value of derivatives	36,012	17,521
Deferred income	60,393	72,619
Advanced payments received	382,219	335,259
Current liabilities	1,188,911	964,698
Total equity and liabilities	2,385,029	2,263,957

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the period ended 30 September 2012

	Share capital	Share premium	Equity component of converti-ble bonds	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Equity attributable to the share-holders of the Company
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2010	**21,379**	**373,923**	**21,220**	**217,056**	**(153,242)**	**23,163**	**1,837**	**505,336**
Loss for the period					(134,253)			(134,253)
Other comprehensive in-						(3,721)	1,222	(2,499)
Total comprehensive in-	**0**	**0**	**0**	**0**	**(134,253)**	**(3,721)**	**1,222**	**(136,752)**
Balances at 30 September 2011	**21,379**	**373,923**	**21,220**	**217,056**	**(287,495)**	**19,422**	**3,059**	**368,584**
Balances at 31 December 2011	**21,379**	**373,923**	**1,343**	**217,056**	**(405,663)**	**42,762**	**2,939**	**253,739**
Issue of ordinary shares	7,894	65,043						72,937
Transaction costs on issue of shares, net of tax		(3,881)						(3,881)
Redemption of convertible bonds			(746)		746			0
Total transactions with shareholders	**7,894**	**61,162**	**(746)**	**0**	**746**	**0**	**0**	**69,056**
Loss for the period					(102,531)			(102,531)
Other comprehensive in-						(34,425)	502	(33,923)
Total comprehensive in-	**0**	**0**	**0**	**0**	**(102,531)**	**(34,425)**	**502**	**(136,454)**
Balances at 30 September 2012	**29,273**	**435,085**	**597**	**217,056**	**(507,448)**	**8,337**	**3,441**	**186,341**

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the period ended 30 September 2012

	30/09/2012	30/09/2011
	€ 000	€ 000
Loss for the period	(102,531)	(134,253)
Adjustments to reconcile profit or loss to cash flows from operating activities:		
Depreciation and amortisation of non-current assets	55,146	63,019
(Gain) / Loss on disposal of non-current assets	(24,024)	9,156
Increase in inventories	(7,972)	(2,218)
Increase in trade accounts receivables	(128,496)	(74,998)
Increase in other assets and prepaid expenses	(46,449)	362
Deferred tax benefit	(46,287)	(68,329)
Decrease in provisions	(1,908)	(2,634)
Increase in trade accounts payable	148,346	109,657
Increase in other liabilities	19,006	53,143
Losses on foreign exchange and derivatives, net	3,073	30,109
Interest expense	54,454	51,930
Interest income	(876)	(7,689)
Income tax expense	14,042	4,633
Share of profit of at equity investments	(247)	(97)
Other non-cash changes	182	1,222
Cash generated from operations	(64,541)	33,013
Interest paid	(50,636)	(38,289)
Interest received	811	2,709
Income taxes paid	(14,527)	(11,312)
Net cash flows from operating activities	(128,893)	(13,879)
Purchases of non-current assets	(21,627)	(130,070)
Net advanced payments for non-current items	(11,080)	(18,756)
Proceeds from sale of tangible and intangible assets	32,456	48,596
Dividends received from at equity investments	704	0
Acquisition of at equity investments	(4,586)	0
Cash flow from investing activities	(4,133)	(100,230)
Principal payments on interest-bearing liabilities	(126,654)	(136,757)
Proceeds from long-term borrowings	176,245	262,879
Redemption of convertible bonds	(6,162)	0
Transaction costs related to issue of corporate bonds	0	(5,188)
Issue of ordinary shares	72,937	0
Transaction costs related to issue of ordinary shares	(5,546)	0
Cash flow from financing activities	110,820	120,934
Change in cash and cash equivalents	(22,206)	6,825
Cash and cash equivalents at beginning of period	238,384	409,673
Foreign exchange differences on cash balances	1,667	(2,020)
Cash and cash equivalents at end of period	217,845	414,478
thereof bank overdrafts used for cash management purposes	(637)	(2,070)
thereof cash and cash equivalents in the statement of financial position	218,482	416,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2012

(Euro in thousands, except share data)

1. REPORTING ENTITY

The consolidated interim financial statements of Air Berlin PLC for the nine months ended 30 September 2012 comprise Air Berlin PLC ("the Company") and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in at equity investments. Air Berlin PLC is a 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.

The group financial statements as at, and for, the year ended 31 December 2011 prepared in accordance with IFRSs as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, are available from the Company's registered office and at ir.airberlin.com.

Statutory accounts for 2011 have been delivered to the registrar of Companies in England and Wales. The auditors have reported on those accounts and their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 408 of the Companies act 2006.

2. STATEMENT OF COMPLIANCE

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 "Interim Financial Reporting" as adopted by the EU. They have been neither reviewed nor audited and do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

This condensed set of financial statements was approved by the Directors on 14 November 2012.

3. ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING

This interim report up to 30 September 2012 has been drawn up in accordance with IAS 34 and in compliance with the standards and interpretations applicable from 1 January 2012 as adopted by the EU. The Group has used the same accounting and valuation methods as for the consolidated financial statements for the year ended 31 December 2011.

As at 30 September 2012 the group presents airport duties as „Flight revenue" rather than as „Ground and other services". The group considers the new presentation as more appropriate to understand developments in the „Flight revenue" and the key performance indicators based on these figures. The effects on prior year are as follows:

In thousands of Euro	1/11-9/11 Reported	1/11-9/11 Adjustment	**1/11-9/11 Adjusted**
Flight revenue	3,001,729	55,448	**3,057,177**
Ground and other services	241,842	(55,448)	**186,394**
Duty-free / in-flight sales	29,743		**29,743**
	3,273,314		**3,273,314**

In thousands of Euro	7/11-9/11 Reported	7/11-9/11 Adjustment	**7/11-9/11 Adjusted**
Flight revenue	1,269,856	27,705	**1,297,561**
Ground and other services	93,847	(27,705)	**66,142**
Duty-free / in-flight sales	11,794		**11,794**
	1.375.497		**1.375.497**

4. ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of uncertainty related to estimates were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

5. SEASONALITY

The aviation industry is subject to seasonal fluctuations. Due to holiday travellers, the summer months generally show the highest revenue from ticket sales. The Group attempts to minimise seasonal impacts by expanding the number of business travellers. For the twelve months ended 30 September 2012 the Group had revenue of € 4,297,247 (prior year: € 4,187,763) and loss for the period after tax of € 240,116 (prior year: loss of € 216,788). Furthermore, for the twelve months ended 30 September 2012 the EBIT amounted to € –200,823 (prior year: € –177,813).

6. NON-CURRENT ASSETS

During the nine months ended 30 September 2012 the Group acquired fixed assets with a cost of € 55,805 (prior year: € 143,802). Assets with a carrying amount of € 47,916 were disposed of during the nine months ended 30 September 2012 (prior year: € 74,726). This amount includes one Airbus A-321, which was sold in the third Quarter 2012.

Capital commitments for property, plant and equipment amount to 4.5 bn USD (prior year: 5.3 bn USD).

Assets held for sale

This position includes seven aircraft, which are expected to be sold by airberlin within the next months. When publishing these financial statements the transactions were not finally settled. The fair value less costs to sell of the aircraft held for sale exceeds its carrying amounts.

Non-current liabilities due to aircraft financing relating to financing of the aircraft held for sale have been reclassified to current liabilities. These liabilities will be settled on disposal of the aircraft.

7. AT EQUITY INVESTMENTS

On 4 September 2012 airberlin acquired 46.82% share in capital of IHY IZMIR HAVAYOLLARI A.S. for € 4,586.

8. SHARE CAPITAL

Of airberlin's authorized share capital, 116,800,508 ordinary shares (before issue of new shares: 85,226,196 ordinary shares) of € 0.25 each and 50,000 A shares of £1.00 each were issued and fully paid up. Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust).

On 24 January 2012 the Company issued 31,574,312 new shares at a share price of € 2.31. Gross proceeds on the issue of new shares amounted to € 72,936,661. Transaction costs incurred amounted to € 5,545,694. Acceptance for trading on the Deutsche Börse is still pending.

9. REVENUE

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Flight revenue	**3,116,944**	3,057,177	**1,306,973**	1,297,561
Ground and other services	**201,206**	186,394	**78,716**	66,142
Duty-free / in-flight sales	**25,093**	29,743	**9,440**	11,794
	3,343,243	3,273,314	**1,395,129**	1,375,497

airberlin recognizes ticket sales as income at the time when the transportation is provided. When the fare is for a round-trip and the return flight has not yet been provided at the reporting date, the unearned revenue is deferred in the consolidated balance sheet under “deferred income” until such time the transportation is provided.

SEGMENT INFORMATION

The company is managed by the Board of Directors and the Management Board as a single business unit in one geographical area and one service. The key figures and ratios presented to the Board of Directors and the Management Board in managing the company 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. Revenues derive nearly completely from the principal activity as an airline and include flights, commissions, in-flight and related sales that are generated in Europe. Since airberlin’s fleet is employed across its scheduled destinations on an as needed basis all assets and liabilities are allocated to the one segment. The Board of Directors and the Management Board have 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.

10. OTHER OPERATING INCOME

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Gain on disposal of long-term assets, net	**23,889**	0	**3,609**	0
Other	**32,243**	5,891	**13,446**	1,576
	56,132	5,891	**17,055**	1,576

11. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Fuel for aircraft	**892,198**	793,632	**355,807**	320,926
Airport and handling charges	**680,457**	710,825	**271,411**	278,512
Operating leases for aircraft and equipment	**457,100**	446,570	**160,854**	151,996
Navigation charges	**205,989**	222,726	**80,015**	83,584
Air transportation tax	**120,591**	126,003	**45,831**	51,572
Catering costs and cost of materials for in-flight sales	**101,879**	110,172	**39,206**	43,446
Other	**116,529**	115,615	**41,441**	47,016
	2,574,743	2,525,543	**994,565**	977,052

The expenses for operating leases for aircraft and equipment include expenses of € 100,706 (prior year: € 92,939) that do not directly relate to the lease of assets.

12. PERSONNEL EXPENSES

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Wages and salaries	305,105	291,745	104,755	100,854
Social security	32,633	30,500	11,982	10,636
Pension expense	31,769	30,148	9,995	9,945
	369,507	352,393	126,732	121,435

13. OTHER OPERATING EXPENSES

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Repairs and maintenance of technical equipment	170,146	171,357	59,828	60,614
Expenses for computerized distribution systems	56,376	37,115	24,408	11,704
Sales commissions paid to agencies	24,036	20,676	11,156	8,805
Advertising	45,281	49,817	11,066	15,627
Expenses for premises and vehicles	29,192	26,668	10,300	8,717
Travel expenses for cabin crews	25,397	22,795	10,195	9,069
Bank charges	23,928	21,830	9,599	8,832
Insurance	13,518	15,339	4,976	4,987
Auditing and consulting fees	12,595	13,607	4,674	4,229
Hardware and software expenses	15,950	14,851	4,539	4,596
Training and other personnel expenses	12,169	13,113	3,447	4,503
Phone and postage	4,695	4,355	1,272	1,661
Allowances for receivables	2,134	1,197	937	543
Loss on disposal of long-term assets, net	0	8,898	0	3,155
Other	42,057	40,328	15,851	14,240
	477,474	461,946	172,248	161,282

14. NET FINANCING COSTS

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Interest expense on interest-bearing liabilities	(54,454)	(47,016)	(18,303)	(18,088)
Expense on valuation of liability from put-option at fair value	0	(4,898)	0	(1,633)
Other financial expenses	(878)	(16)	(22)	(1)
Financial expenses	(55,332)	(51,930)	(18,325)	(19,722)
Interest income on fixed deposits	535	1,597	99	596
Other financial income	342	6,092	60	1,805
Financial income	877	7,689	159	2,401
Profit / (Loss) on foreign exchange and derivatives, net	(3,074)	(30,109)	16,449	(24,284)
Net financing costs	(57,529)	(74,350)	(1,717)	(41,605)

Foreign exchange gains or losses result from actual exchange rate differences at the settlement date (realised gains or losses) or from the revaluation of interest-bearing liabilities, interest-bearing liabilities due to aircraft financing and other financial assets and liabilities which are to be settled in a foreign currency at the balance sheet date as well as from changes in the fair value of derivatives. Realised exchange rate gains or losses not arising from interest-bearing liabilities and other financing activities are reclassified to the various income and expense line items from which they arose within operating result.

15. INCOME TAX AND DEFERRED TAX

Profit / (Loss) before tax is primarily attributable to Germany. The income tax benefit (expense) for the period is as follows:

In thousands of Euro	1/12-9/12	1/11-9/11	7/12-9/12	7/11-9/11
Current income tax expense	(14,042)	(4,633)	(1,719)	(3,097)
Deferred income tax benefit / (expense)	46,287	68,329	(31,874)	(21,859)
Total income tax benefit / (expense)	32,245	63,696	(33,593)	(24,956)

16. CASH FLOW STATEMENT

In thousands of Euro	30/09/2012	30/09/2011
Cash	380	365
Bank balances	103,607	90,871
Fixed-term deposits	114,495	325,312
Cash and cash equivalents	218,482	416,548
Bank overdrafts used for cash management purposes	(637)	(2,070)
Cash and cash equivalents in the statement of cash flows	217,845	414,478

Cash and cash equivalents include restricted cash of € 103,743 as of 30 September 2012 (prior year: € 104,206).

17. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Members of the Board of Directors and Management Board and it's at equity investments.

Members of the Board of Directors and Management Board control a voting share of 4.42 % of Air Berlin PLC (prior year: 6.04 %).

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 during the first nine months of 2012 of € 9,985 (prior year: € 10,412). At 30 September 2012 € 611 (prior year: € 443) are included in the trade receivables line.

Furthermore, the Group received secured loans that are shown as interest-bearing liabilities from a major shareholder – Etihad Airways – amounting to € 158,546. Relating to the loan interest expenses of € 5,434 have been accounted for in the income statement. Etihad Airways and airberlin cooperate in miscellaneous operative areas e.g. procurement, maintenance and frequent-flyer-programs. airberlin entered into a code-share-agreement with Etihad Airways. The Group paid commissions of € 490 to Etihad Airways and received from Etihad Airways commissions of € 579. As of 30 September 2012 airberlin had other income with Etihad Airways during the first nine months 2012 of € 13,148. At 30 September 2012 € 13,160 (prior year: € 443) are included in the trade and other receivables line.

During the nine-month period ended 30 September 2012 respectively 2011 the Group had transactions with associates as follows:

In thousands of Euro	2012	2011
THBG BBI GmbH		
Receivables from related parties	1,575	2,024
Interest Income	86	83
Binoli GmbH		
Receivables from related parties	181	206
Interest Income	0	15
Revenues from ticket sales	257	366

E190 Flugzeugvermietung GmbH		
Receivables from related parties	**4,603**	6,922
Expenses for leasing	**4,581**	4,009
IHY IZMIR HAVAYOLLARI A.S.		
Receivables from related parties	**2**	0
Payables to related parties	**2,958**	0
Income from leasing	**342**	0
Expenses for leasing	**3,814**	0

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

18. EVENTS AFTER THE REPORTING PERIOD

Air Berlin PLC increased the principal amount of the corporate bond placed on 1 November 2011 with a coupon of 11.5% per annum from EUR 100 million to EUR 150 million. The notes were issued at 101% of their principal amount on 1 November 2012.

The Group announced its turnaround program "Turbine 2013" to strengthen the focus and concentration on the existing core competencies. The program addresses all elements of the airline business such as destinations, number and types of aircraft in the fleet, ground service, network planning as well as IT. We can no longer exclude cuts in operations. At the time of publishing these financial statements determination and quantification of the measures have not been finally computed.

19. EXECUTIVE DIRECTORS

Hartmut Mehdorn	Chief Executive Officer	
Paul Gregorowitsch	Chief Commercial Officer	(until 30 September 2012)
Ulf Hüttmeyer	Chief Financial Officer	(until 30 September 2012)
Helmut Himmelreich	Chief Operating Officer	(until 30 September 2012)