

# AIR BERLIN PLC

## SHAPE & SIZE ANALYSTS & INVESTORS PRESENTATION

Berlin, 21 September 2011



# Management summary – Shape & Size targets for EUR 200m earnings improvement

## CURRENT CHALLENGES

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- ❖ Overall economic development considerably affects the aviation industry
- ❖ Economic trend of cyclical imprecision calls for cautiousness
- ❖ Development of yield and bookings for 2011 is not encouraging; outlook statement difficult

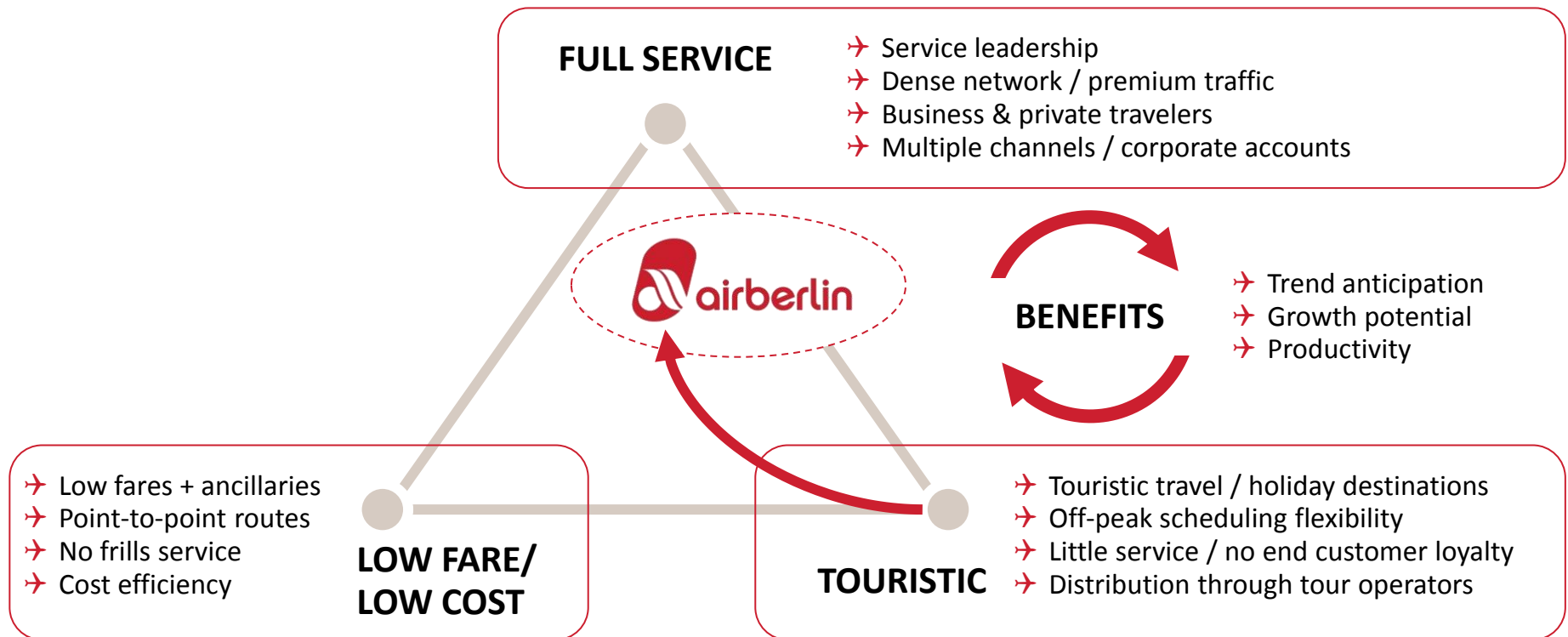
## AIRBERLIN'S WAY FORWARD

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- ➔ airberlin continues its proven business model which spans a network mix of scheduled and leisure routes
- ➔ While consolidating airberlin's set up we established the project Shape & Size which targets to achieve earnings enhancement of EUR 200m
- ➔ The triggered measures will neither affect our safety, the customer service nor the quality of full service package
- ➔ Shape & Size is 1<sup>st</sup> priority for management and airberlin

# Originally a pure touristic operator, airberlin has evolved into offering a combination of touristic and full-service scheduled traffic

Positioning with respect to generic business systems



# Consolidation of airberlin's current setup

## SHAPE & SIZE

- Capacity deployment
- Process efficiency
- Operational complexity
- Organizational alignment

## TOURISTIC

- Protection and foster
- Reduction of seasonal imbalances
- Redesign of sales channel strategy

## FULL SERVICE

- Profitability improvement
- Selective growth with focus on market coverage
- Development of hubs and alliance cooperation

# 1. airberlin organizational structure



# Organizational structure Air Berlin PLC

**BOARD OF DIRECTORS Air Berlin PLC**

**CHAIRMAN Dr. H.-J. Körber**

**EXECUTIVE COMMITTEE**

**G: CEO H. Mehdorn**

**F: CFO**  
U. Hüttmeyer

**C: CCO**  
P. Gregorowitsch

**O: COO**  
C. Debus

**CENTRAL FUNCTIONS**

- GC: Communication
- GI: Internal Audit
- GA: Aeropolitical Affairs
- GL: Legal
- GS: Strategy/ Corp. Development

- FC: Controlling
- FA: Accounting/Tax
- FF: Asset and Finance Mgmt
- FI: Investor Relations
- FP: Procurement
- FM: M&A

- CN: Network
- CS: Sales Scheduled services
- CT: Sales Touristic services
- CM: Marketing
- CA: Alliances
- CD: Cooperations & Distribution

- OF: Flight OPS Air Berlin
- OB: Flight OPS belair
- OC: Crew Operations
- OO: Operations Control
- OI: IT
- OY: Safety
- OX: Corporate Gov./Compliance

- OG: Ground Operations
- OP: Contracting
- OS: Customer Services
- OF: Facility Mgmt
- OT: Ticket desk

**DIRECTORATES**

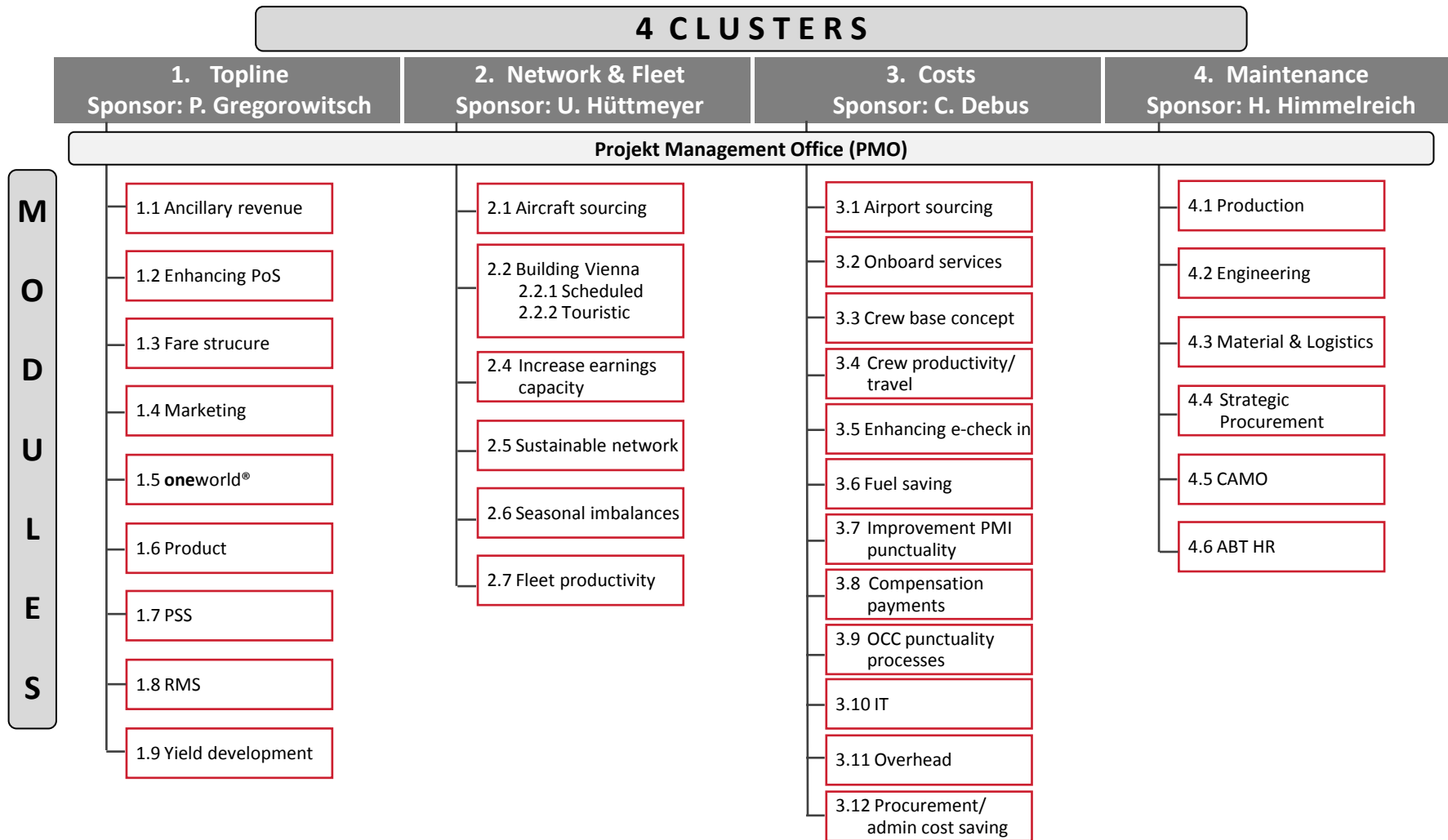
- GN: NIKI  
N. Lauda
- GT: Maintenance  
H. Himmelreich
- GP: Product  
T. Ney
- OH: Human Resources  
C. Debus
- OA: Administration  
E. Schütt

 new/changes

## 2. Project: Shape & Size



# Shape & Size – Steering Board: H. Mehdorn and U. Hüttmeyer





# Topline goals

## ***Increase yield***

Enhancement of average yield per sold ticket on certain route bundles

## ***Increase Seat Load Factor***

Enhancement of average load factor per sold ticket on certain route bundles

## ***Increase toolbox***

Expansions of business know-how especially with regard to IT progresses

for example...



- Increase of ancillary revenue from surcharges and other non-tariff components (e.g. piece concept)
- Maximizing positive network effects from partnerships
- Entering **oneworld**<sup>®</sup> alliance in spring 2012
- Increasing sales share in international markets



- Enhancing point of sale
- Entering **oneworld**<sup>®</sup> alliance in spring 2012 enables access to global network which encompasses an increased attractiveness, especially for business travelers
- Increasing load and controlling availabilities through the implementation of PSS



- Implement new passenger service system (PSS)
- State of the art sales platform to optimize existing sales channels and enable the alliance membership entry
- Implement new revenue management system (RMS)

# Goals defined for improving airberlin's network & fleet structure – Current focus on short-term improvements

## Goals

- ➔ Reduction of total asset ownership cost by improving productivity of fleet
- ➔ Increase network sustainability
- ➔ Reduction of complexity

### CURRENT FOCUS: Network efficiency

- ➔ Reduction of seasonal imbalances between Winter and Summer production
- ➔ Cancellation of network elements with poor result contribution and tied A/C resources and/or little strategic importance
- ➔ Improved schedule adjustments between business segments during Summer peak times

### IN PROGRESS: Operational efficiency

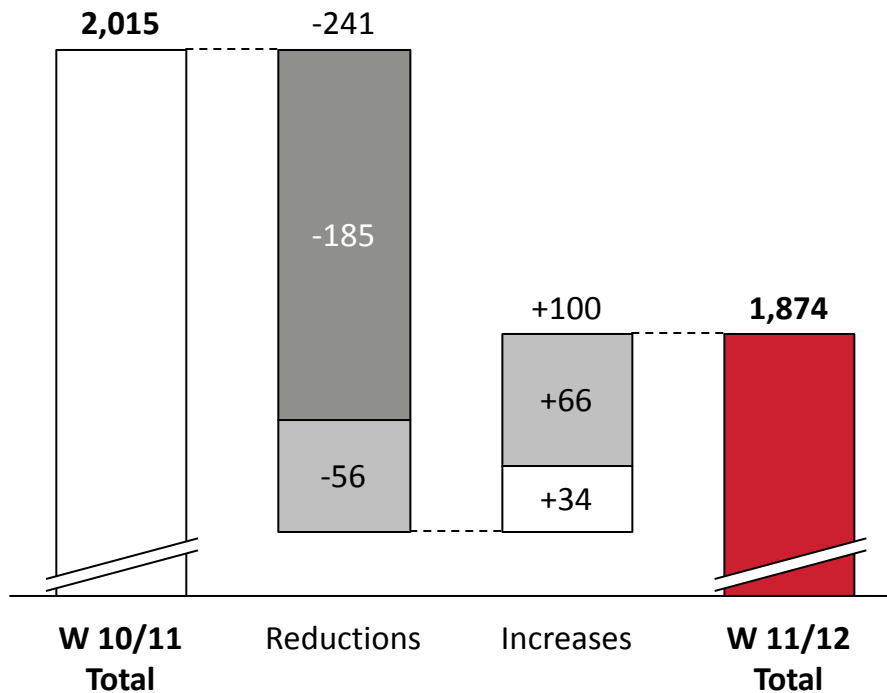
- ➔ Adapted aircraft and crew station concept
- ➔ Improved utilization of crew/maintenance resources
- ➔ Efficient fleet structure

➔ **Holistic network assessment by ranking routes based on seven factors (financial and operational)**

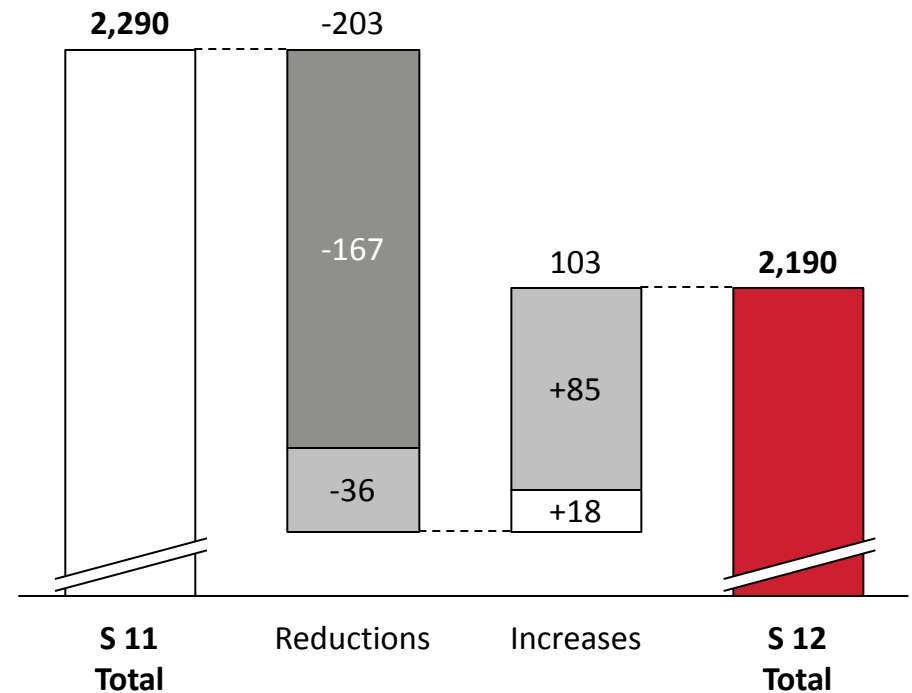
# Net reduction of 141 weekly frequencies in winter schedule 2011 and of 100 weekly frequencies in summer schedule 2012

Average weekly frequency changes – airberlin group [weekly frequencies]

## CHANGES WINTER 11/12 VS. 10/11



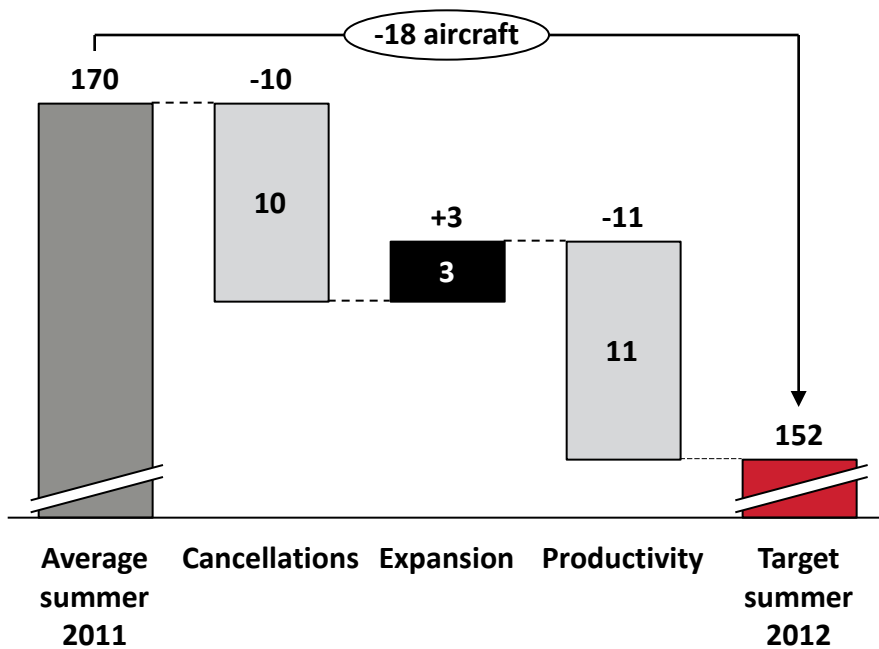
## CHANGES SUMMER 12 VS. 11



Cancellations
  Frequency adjustments
  New routes

# airberlin's fleet will be reduced by 18 aircraft in 2012 – Target fleet now 152 aircraft

Total fleet airberlin group summer 2012 vs. summer 2011 [Bh '000]



	Base FY 2011	Target 2012
# Aircraft (Ø)	169.1	-10%
# Block hours	544,295	-4%
Ø Productivity BLH per A/C p.a.	≈3,250	>+ 7%
Ø Cost of asset ownership per block hour [€]	≈ 950	<- 9%

# Cost goals – Reduction of cost in 2012 of about two digit million Euros as compared to 2011

## ***Lowering DOCs / admin costs***

Important to reflect that no cost reductions will be made that could suffer the customer services

## ***Optimizing processes***

Increase efficiency and automatization of processes

## ***Crew efficiency planning***

Optimization of crew base concept in order to reduce proceeding cost

for example...



- Review and optimization of current supplier contracts, e.g. airports and service providers
- Best product at lowest cost possible – commitment to current concept
- Reducing fuel cost and ETS costs
- Achieving personnel level in line with market benchmark
- Streamlining and simplifying procurement



- Streamlining of processes while maintaining flexibility and motivation
- Introducing state of the art IT processes
- Enhancing e-check in; increasing self-service rate to more than 60% of all passenger selected stations
- Improve punctuality



- Reduction of seasonal program variations
- Increasing crew productivity and reducing operating cost by adjusting the base concept

# Maintenance goals

## ***Further cost cutting***

Achieve net unit cost savings

## ***Streamlining and automating processes***

Improve efficiency throughout the organization

## ***Increase of external customer share***

Leverage own cost base

for example...



### **Line maintenance**

- Increase productivity of constant technical level

### **Base maintenance**

- Reduce of C-check waiting times & improve on-time performance

### **Strategic procurement**

- Improve supply chain and supplier management
- Renegotiate contract terms (existing contracts)
- Streamline overhead organization



### **Engineering**

- Optimization of maintenance programs and escalation of individual tasks
- Improve adherence to processes and improve productivity through atomization



- Expand 3<sup>rd</sup> party business especially for line maintenance

*Thank you for your attention!*

