



Air Berlin PLC | 29 August 2013 | Commerzbank Sector Conference, Frankfurt



# Introduction

- ➔ airberlin is the second largest carrier in its core market - Germany / Austria / Switzerland (DACH region) - and Europe's seventh largest carrier by passenger numbers
  - Strategic partnership with Etihad Airways since 2012
  - Member of **oneworld**<sup>®</sup> (several codeshare partners)
  - Several bilateral codeshare agreements (e.g. Virgin Australia, KLM-AF, Air Serbia, Bangkok Airways, Air Seychelles and Air Baltic)
  
- ➔ airberlin is delighted to be meeting with investors to provide a detailed overview of the recent improvements in its operating and financial performance

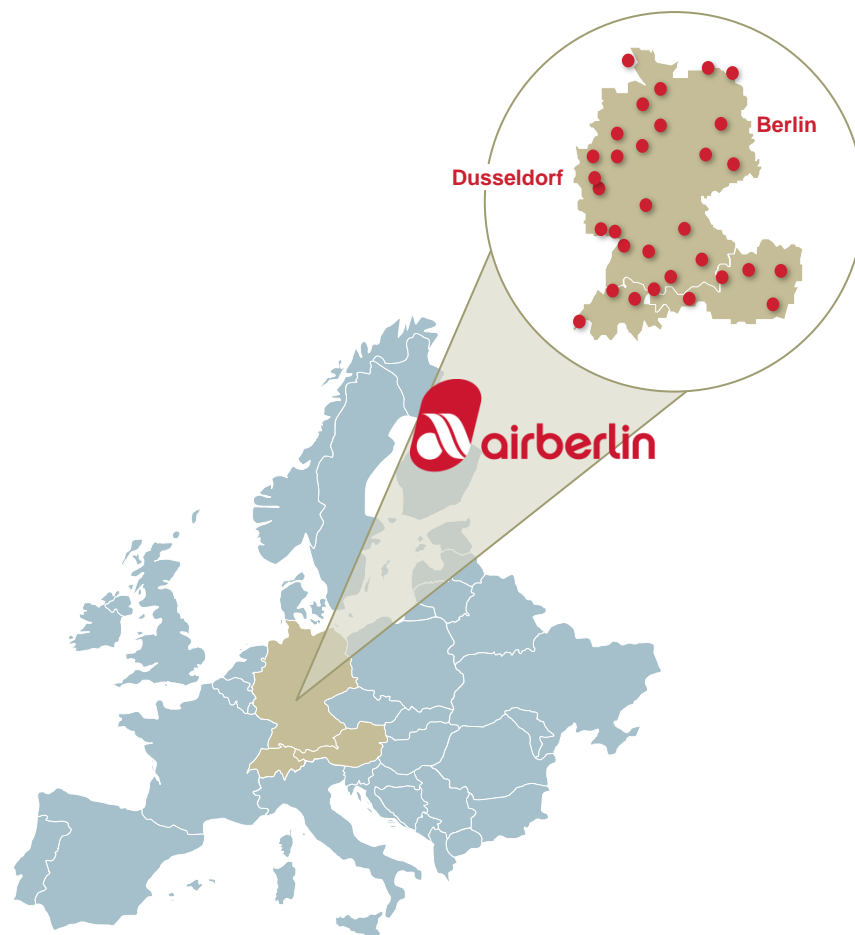
# Agenda

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# airberlin – key facts

## Market position as of 30 June 2013

- ➔ No. 2 in core market: Germany / Austria / Switzerland
- ➔ No. 7 in Europe with 33.3m guests in 2012
- ➔ Network carrier focused on business & leisure travellers
  - 151 destinations served
  - 147 aircraft at average age of 4.8 years
  - Hubs: Berlin, Dusseldorf
- ➔ 80% of airberlin guests on European routes, on the short- and medium haul network
- ➔ 2012 group revenue of EUR 4.31 billion
- ➔ EBIT of EUR 70.2 million in 2012 – an improvement of more than EUR 300 million over the previous year
  - Earnings improvement achieved in “Shape & Size” program of approx. EUR 250 million contributed to a return to net profit in 2012 of EUR 6.8 million
- ➔ In response to challenging market conditions, airberlin has announced a further improvement program called “Turbine”, expected to provide EUR 200 million in 2013, of which 80% are already secured, and approx. EUR 400 million total improvement by 2014

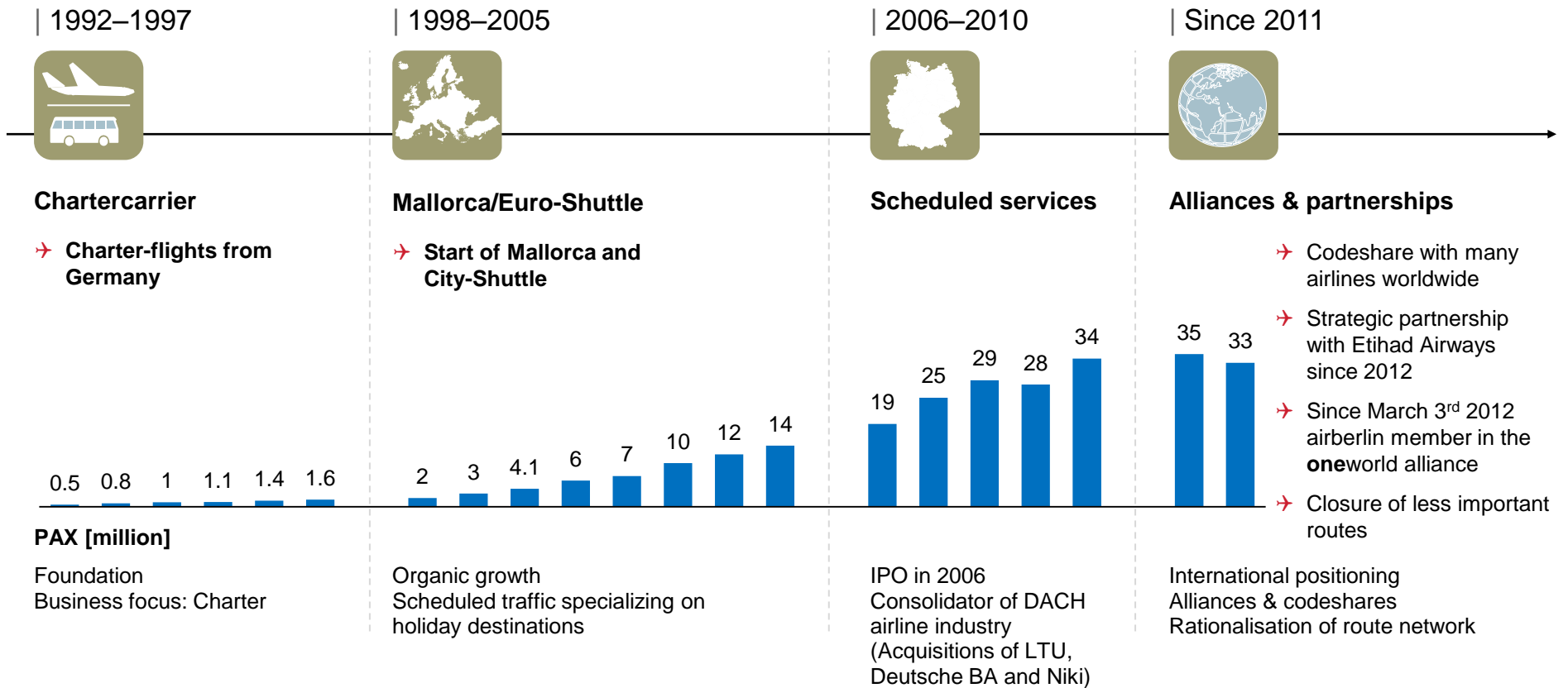


➔ Key codeshare/strategic partner and alliances:



# airberlin has successfully developed into a full service airline

- Air Berlin Inc. was founded by the former PanAm captain Kim Lundgren in Oregon, USA in 1978
- 1991 Air Berlin GmbH & Co. Luftverkehrs KG was founded with Joachim Hunold as sole managing director

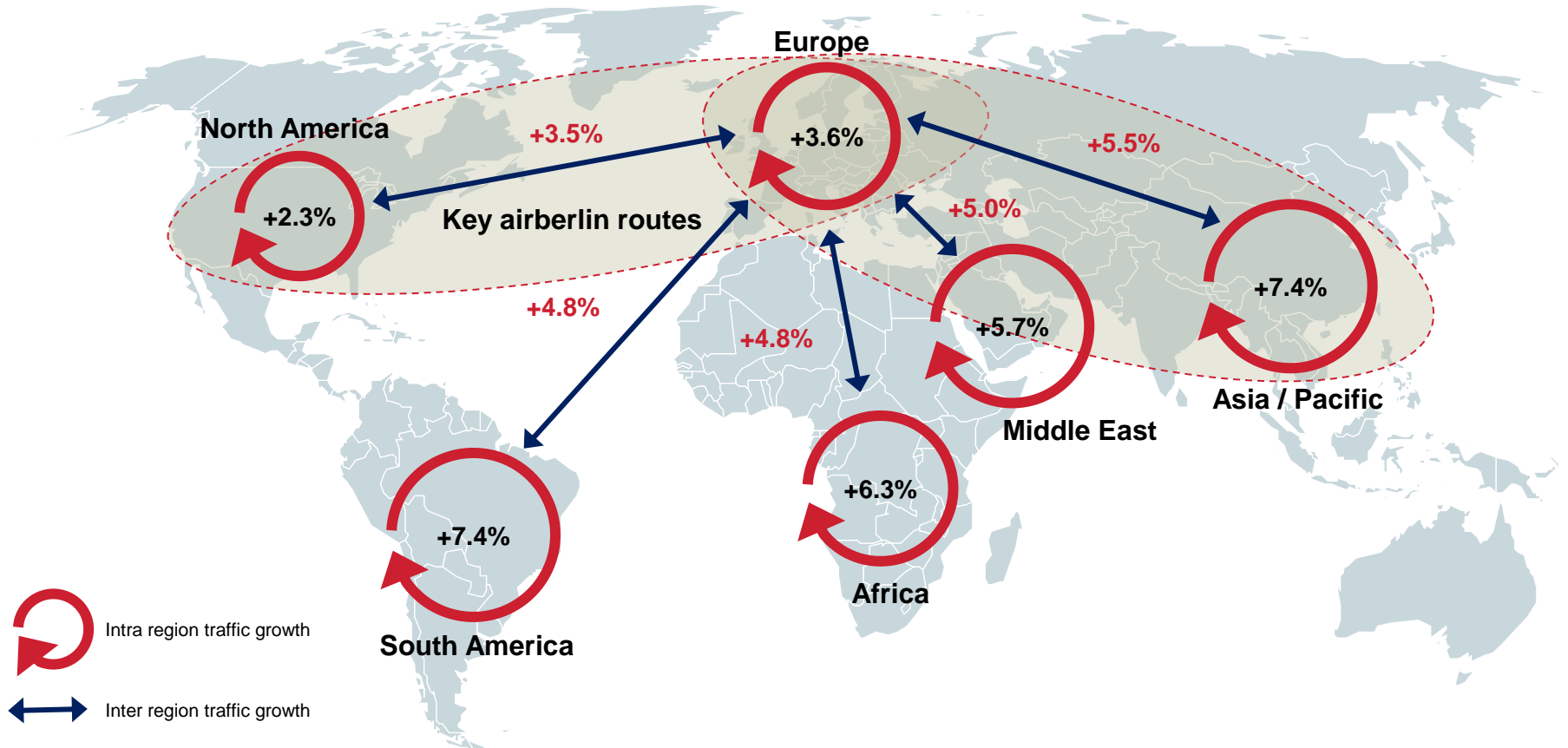


## Key investment highlights



# ✓ Positive outlook of key target markets

Passenger traffic geographical trends from 2012 to 2032<sup>(1)</sup>

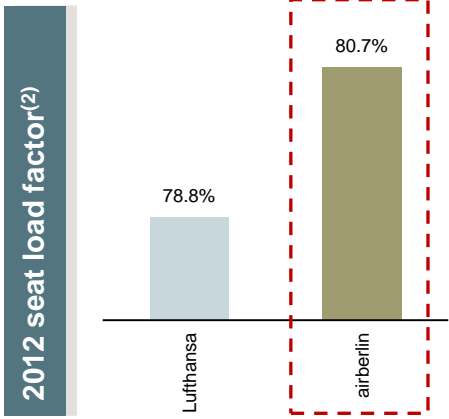
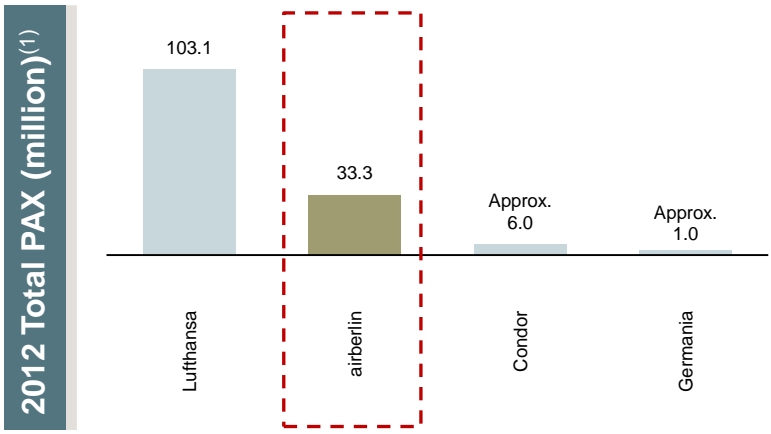


**airberlin, together with its strategic and codeshare partners, serves the key target markets, which constitute more than 50% of worldwide traffic flows**

Source: Boeing CMO 2012–2032.

(1) For simplification purposes, some inter passenger traffic flows without connection to Europe are not included.

✓ A leading airline in core markets of Germany, Switzerland and Austria (DACH), particularly in key routes



Route	airberlin route capacity (Capacity in thousand seats)	airberlin share	Market position
<b>Selected intra-Germany 2013E</b>			
Munich – Dusseldorf	927	42%	2
Berlin-Tegel – Munich	911	39%	2
Munich – Hamburg	796	35%	2
Munich – Cologne-Bonn	499	38%	2
<b>Selected outbound/inbound 2013E</b>			
Dusseldorf – Palma de Mallorca	695	64%	1
Cologne-Bonn – Palma de Mallorca	386	40%	1
Dusseldorf – Vienna	534	54%	1
Berlin-Tegel – Zurich	559	44%	2
Berlin-Tegel – Vienna	506	56%	1
Dusseldorf – Zurich	462	52%	1

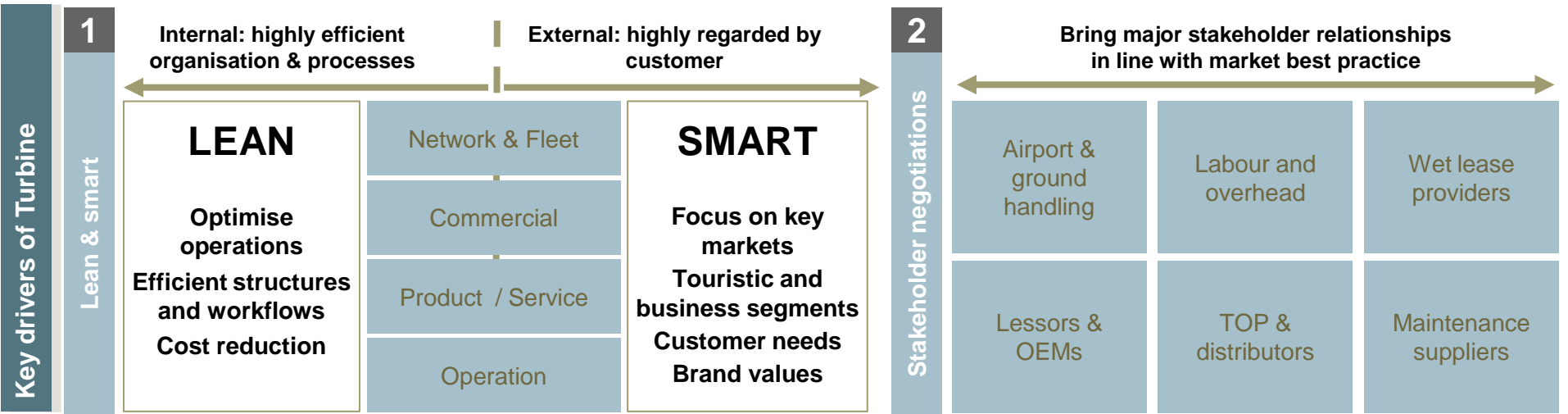
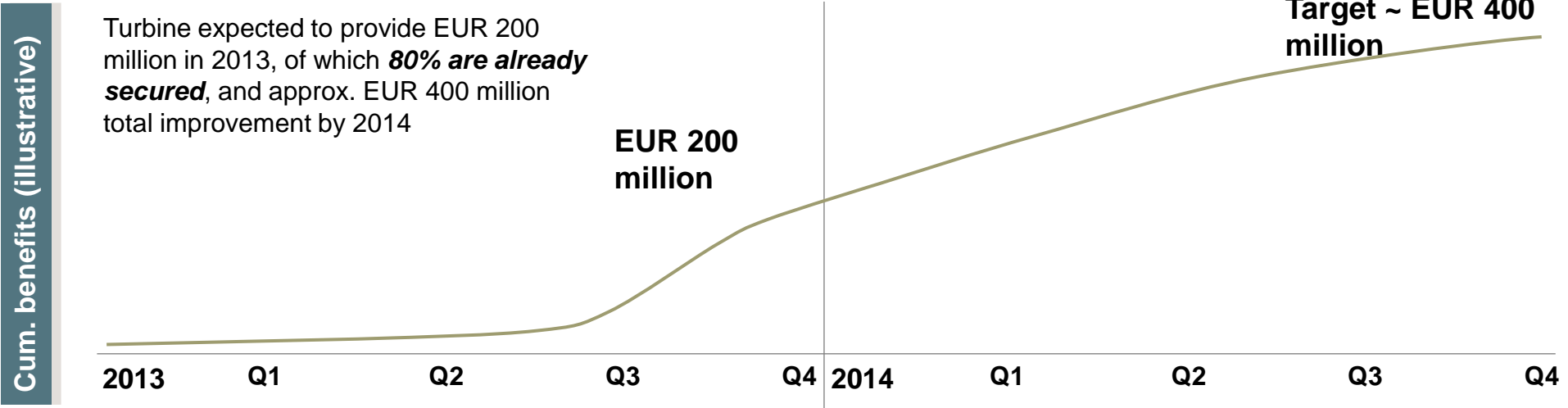
**Leader in key Routes**

**airberlin focuses on operational performance and being a leader in its key passenger routes**

Source: Diio Mi and respective company information  
 (1) SWISS, Austrian Airlines and Germanwings PAX removed from Lufthansa PAX numbers  
 (2) Seat load factor defined as the ratio of RPK to ASK  
 Lufthansa load factor for Passenger Airline Group, including Germanwings and regional partners




✓ Proven track record of successfully implementing improvement measures



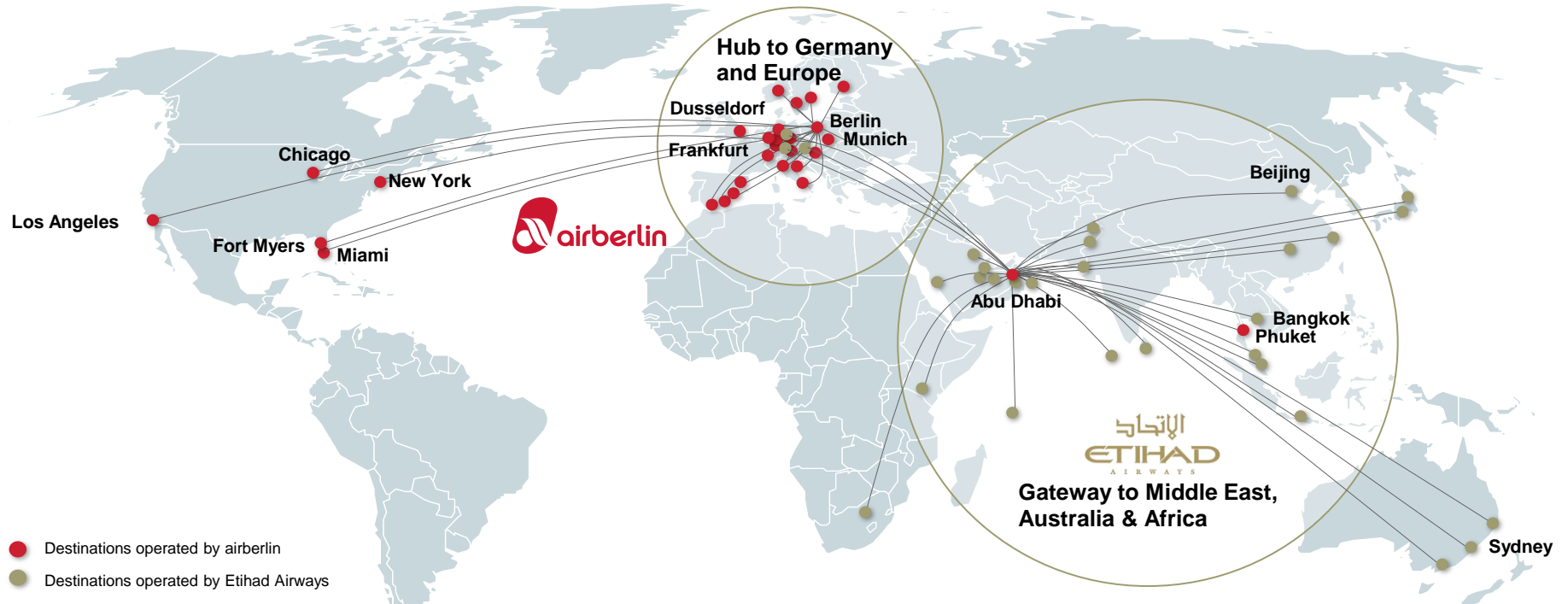
*airberlin has a clearly defined plan to further improvements and cost reductions and has already exceeded forecast cost reductions under Turbine to date*

✓ Taylor made business model focused on value oriented business and leisure customers

airberlin	Strategic partnership with Etihad Airways	oneworld
<ul style="list-style-type: none"> <li>➔ Network carrier servicing business and leisure travellers</li> <li>➔ Extensive global route network, central hubs in Dusseldorf and Berlin and intercontinental connections from Dusseldorf and Berlin</li> <li>➔ Intensification of its long-haul operations</li> <li>➔ Global presence in GDS (Global Distribution System)</li> <li>➔ &gt; 40% web sales</li> </ul>	<ul style="list-style-type: none"> <li>➔ Portfolio of almost 100 codeshare routes</li> <li>➔ Partnerships with Etihad Airways' "equity alliance" members: Codeshare agreements with Virgin Australia, Air Seychelles and Air Serbia</li> </ul>	<ul style="list-style-type: none"> <li>➔ Successful integration into <b>oneworld</b> alliance completed in March 2012 – airberlin currently serves 80 codeshare destinations worldwide, incremental to its own network</li> <li>➔ Impressive growth rate in first half is expected to be continued mainly from expansion of cooperation with American Airlines and S7</li> </ul> <div style="text-align: center; margin-top: 20px;">  </div>
<p>Serving the German and European short-haul market and international routes</p>	<p>Leveraging global connectivity through strategic partnership with Etihad Airways and <b>oneworld</b></p>	

***airberlin's business model focuses on business and leisure travellers; oneworld alliance and strategic partnerships increase global connectivity***

# ✓ Unique financial and strategic partnership with Etihad Airways



- ➔ Joint strategic network approach
- ➔ Portfolio of almost 100 routes
  - 67 AB/HG routes carry the EY code
  - 32 EY routes carry the AB code
- ➔ By combining both airlines flight networks, the number of available flights increased to 227 destinations in 83 countries

***Codesharing and interlining multiplies number of destinations offered vs. many European and DACH peers***

# ✓ Unique financial and strategic partnership with Etihad Airways

## Comprehensive partnership with Etihad Airways

- ➔ Shareholder loan granted by Etihad Airways up to a total amount of US\$ 205 million
- ➔ Participated pro-rata to shareholding in EUR 140 million convertible bond offering in Q1 2013
- ➔ Etihad Airways is codeshare partner No.1 for airberlin
- ➔ Portfolio of almost 100 codeshare routes
- ➔ More than EUR 100 million (US\$ 130 million) revenues generated in total to EY & AB in 2012
- ➔ Latest extension: Codeshares to China & Japan
- ➔ Due to hub development, codeshare opportunities will further grow
- ➔ Development of codeshare agreements with Etihad Airways partner airlines

➔ Synergies along entire value chain

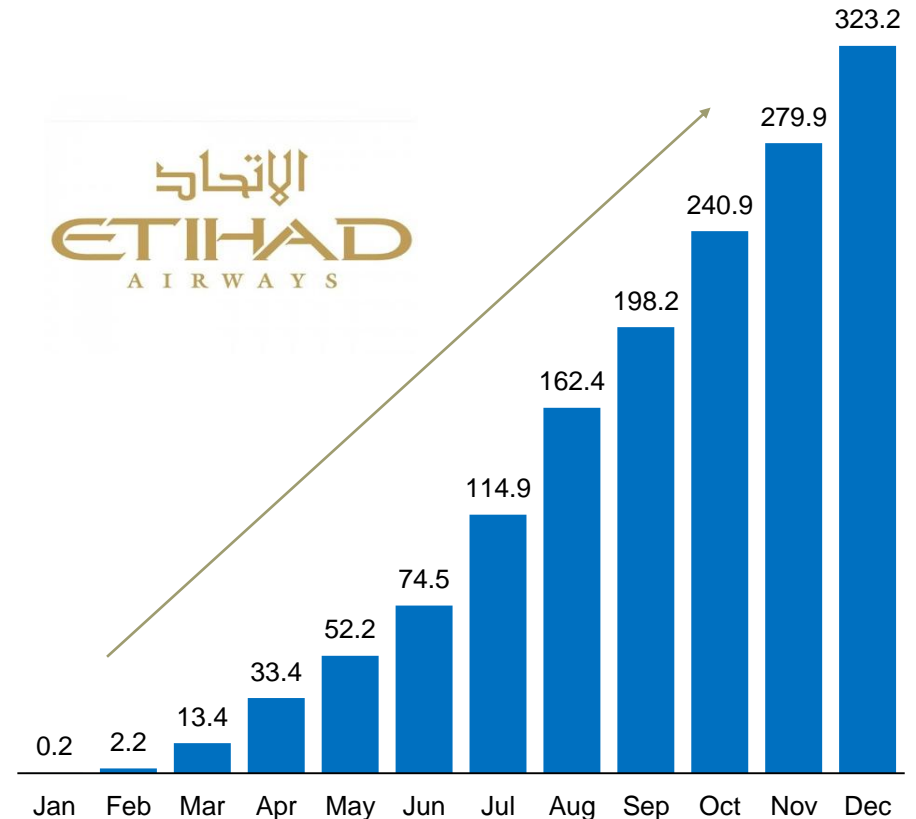
➔ Sales

➔ Financing

➔ Operations

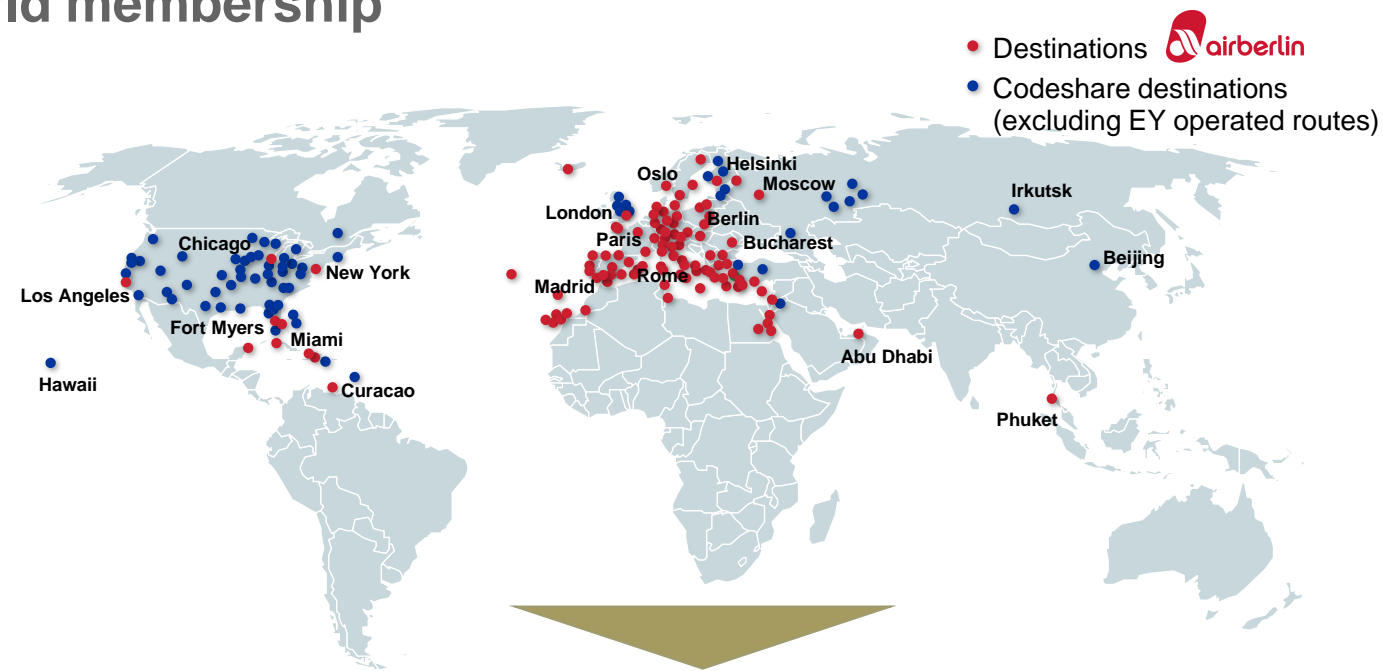
➔ Products

## Common guests development 2012 ['000]

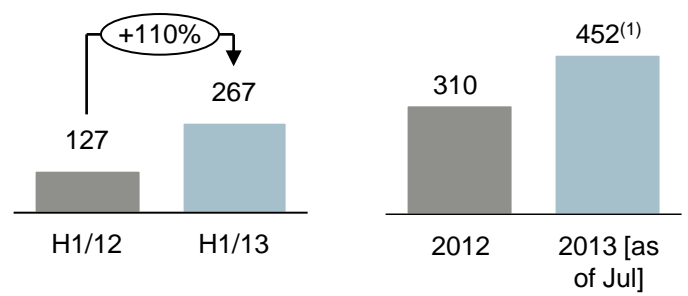


**Growing codeshare opportunities will enable growing booking numbers and synergies**

# ✓ Beneficiary of oneworld membership



Common codeshare bookings with **oneworld**

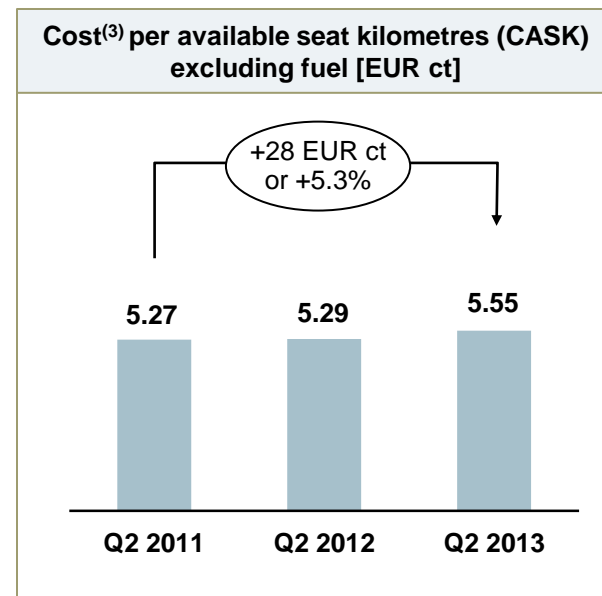
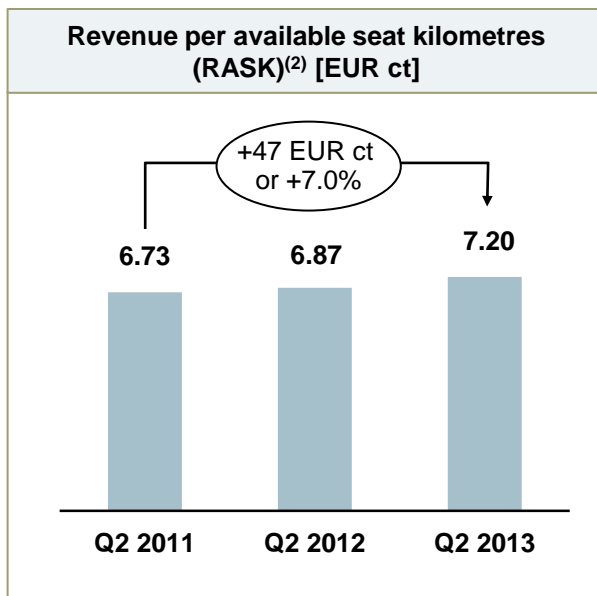
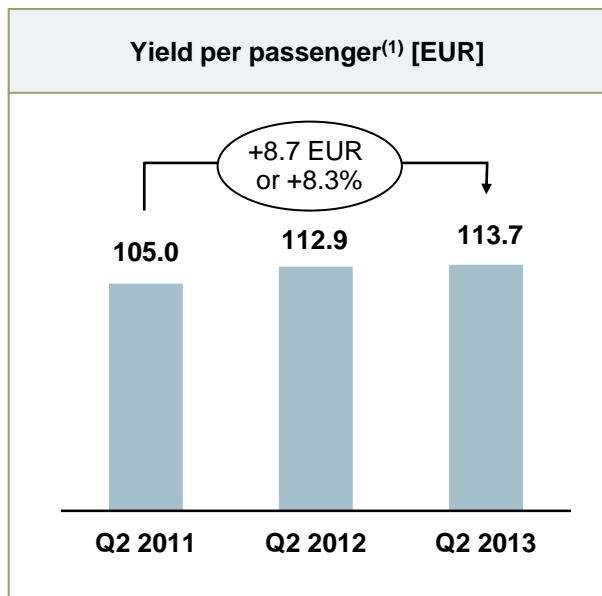


- ➔ During first half bookings have been doubled compared to last year's period
- ➔ Impressive growth rate in first half is expected to be continued mainly with partnerships with American Airlines, S7 and IAG

***oneworld membership makes airberlin well positioned in core European market and globally – Connectivity drives additional revenue opportunities and fosters passenger loyalty***

(1) Comprise flights conducted and not yet conducted

## ✓ Higher yields and stabilized costs



### Comments

→ airberlin is concentrating on its key and most profitable routes, thereby reaching a significantly higher yield per passenger

→ Higher yield per passenger and further improved load factors materially increase the revenues per available seat kilometres

→ Despite increasing costs from external factors, such as German Air Transportation tax, costs relatively stable

**airberlin is serving higher yield routes and is gaining increased control of CASK aided by negotiation with stakeholders**

(1) Yield based on IFRS flight revenue including a/p tax revenue

(2) Total revenue excl. other operating result

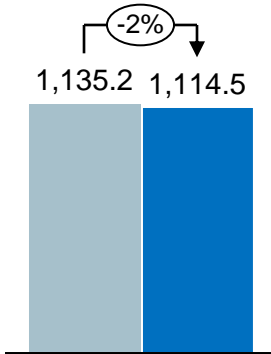
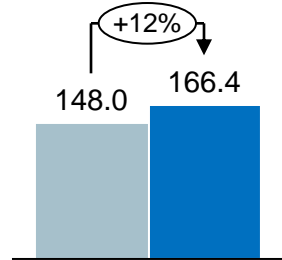
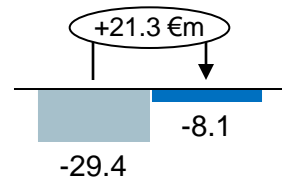
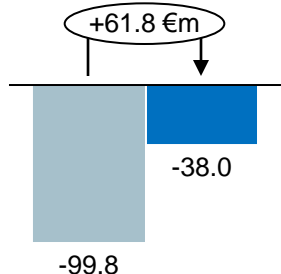
(3) Cost on EBIT level excluding other operating result. Q2 2013 incl. EUR 7.9 million lease out income and excluding EUR 10 million turnaround charges

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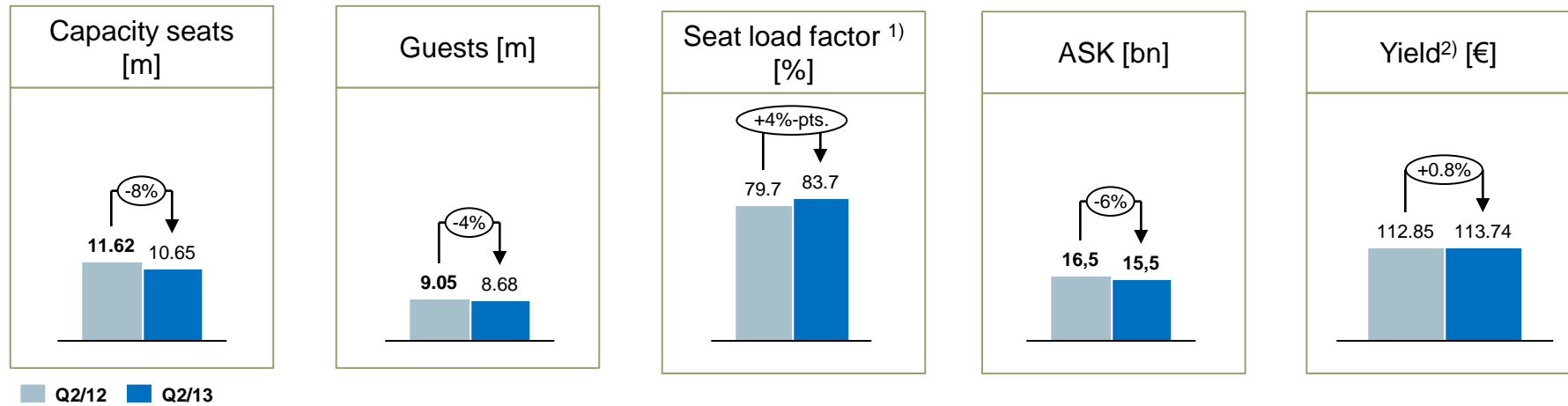
## 2<sup>nd</sup> quarter financial performance [€m]

■ Q2/12 ■ Q2/13 actual

Revenue	EBITDAR	EBIT	Net result																								
<p>Total revenue nearly on previous year's level, despite less ASK → indication for better topline quality</p>  <table border="1"> <tr> <th>Year</th> <th>Revenue [€m]</th> </tr> <tr> <td>Q2/12</td> <td>1,135.2</td> </tr> <tr> <td>Q2/13 actual</td> <td>1,114.5</td> </tr> </table>	Year	Revenue [€m]	Q2/12	1,135.2	Q2/13 actual	1,114.5	<p>EBITDAR improved by 12%</p>  <table border="1"> <tr> <th>Year</th> <th>EBITDAR [€m]</th> </tr> <tr> <td>Q2/12</td> <td>148.0</td> </tr> <tr> <td>Q2/13 actual</td> <td>166.4</td> </tr> </table>	Year	EBITDAR [€m]	Q2/12	148.0	Q2/13 actual	166.4	<p>EBIT is in line with EBITDAR development</p>  <table border="1"> <tr> <th>Year</th> <th>EBIT [€m]</th> </tr> <tr> <td>Q2/12</td> <td>-29.4</td> </tr> <tr> <td>Q2/13 actual</td> <td>-8.1</td> </tr> </table>	Year	EBIT [€m]	Q2/12	-29.4	Q2/13 actual	-8.1	<p>Net result improved clearly due to better operating and financial result</p>  <table border="1"> <tr> <th>Year</th> <th>Net result [€m]</th> </tr> <tr> <td>Q2/12</td> <td>-99.8</td> </tr> <tr> <td>Q2/13 actual</td> <td>-38.0</td> </tr> </table>	Year	Net result [€m]	Q2/12	-99.8	Q2/13 actual	-38.0
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## 2<sup>nd</sup> quarter operational development



### Comments

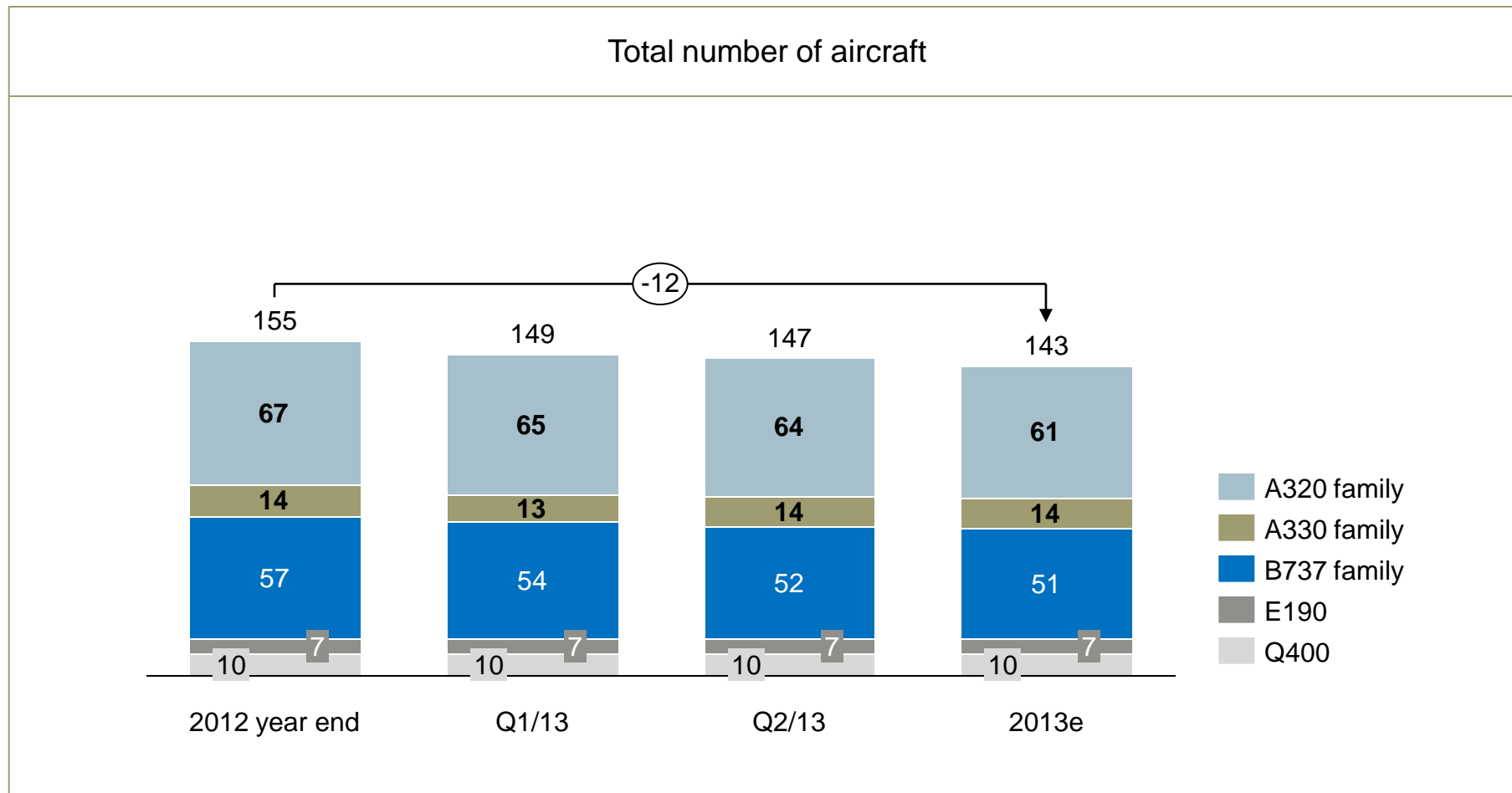
- ➔ Following the streamlining of the network, capacity is down by 8% compared to last year's quarter
- ➔ Versus that the number of guests declined by 4% compared to last year's quarter
- ➔ ASK reduced by 6% compared to last year's quarter
- ➔ Hence, load factor increased by 4%-age points compared to last year's quarter
- ➔ Yield slightly increased by 0.8% compared to last year's quarter

1) Seat load factor defined as the ratio of RPK to ASK

2) Yield based on IFRS flight revenue excluding aviation tax

# Fleet development

## Number of aircraft



# Aircraft sales and sale-and-leaseback deleveraging the business

## Net debt development after Q2 2013 [€ million]



## Leverage profile

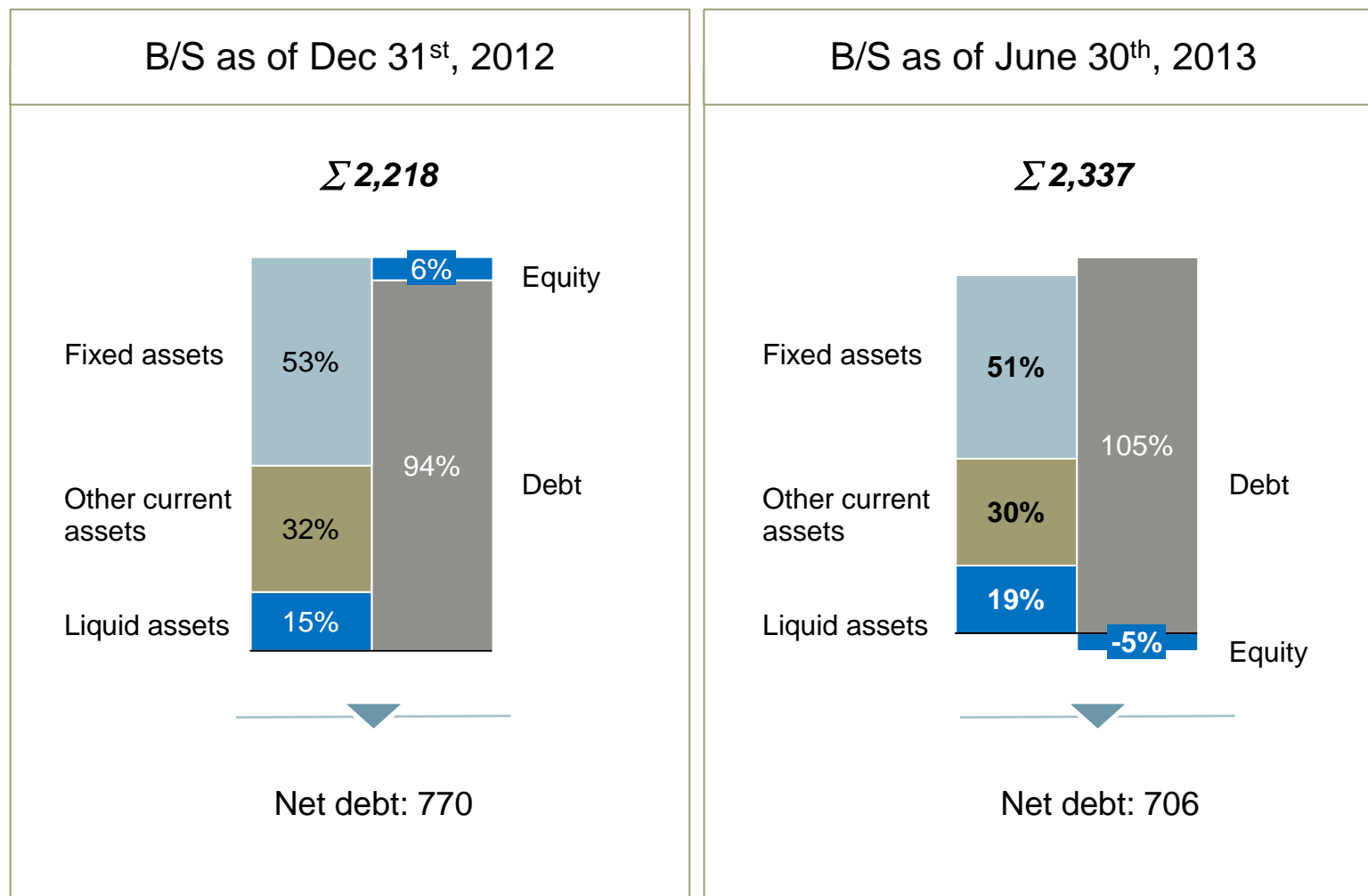
	Q2 2013	Pro-forma post transaction
Gross debt / EBITDA LTM	8.7x	8.7x
Net debt / EBITDA LTM	5.4x	4.2x

## Comment

- ➔ airberlin has recently agreed to sell-and-leaseback five Airbus A320 from its operational fleet to Minsheng Commercial Aviation as well as 2 further aircraft from delivery stream
- ➔ Minsheng holds the option to buy another four Boeing 737s from airberlin in order to use them in the Chinese market
- ➔ Additional sale of two aircraft to a 3<sup>rd</sup> party (airline)
- ➔ airberlin will be able to materially improve its leverage profile as a result of these transactions

***Sale and sale-and-leaseback of aircraft significantly strengthen airberlin's financial position without threatening the operational performance and flexibility***

## Balance sheet structure [€m]



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# Summary investment highlights

## ✓ Sustainable and competitive business model

- Top 2 position within core DACH market, benefiting from positive outlook for DACH market
- Adapting business focus and growing in certain segments
- Has taken market share from competitors

## ✓ Strategic partnerships

- Traffic on key routes expected
- Strategic partnership with Etihad Airways and other codeshare increases airberlin's exposure to international markets



## ✓ Improved cost structure + Increase in profitability

- Successful implementation of "Shape & Size" program has delivered improved operational performance
- Current "Turbine" program is on-track and set to deliver approx. EUR400m of EBIT improvement by 2014

## ✓ Stabilized financial structure

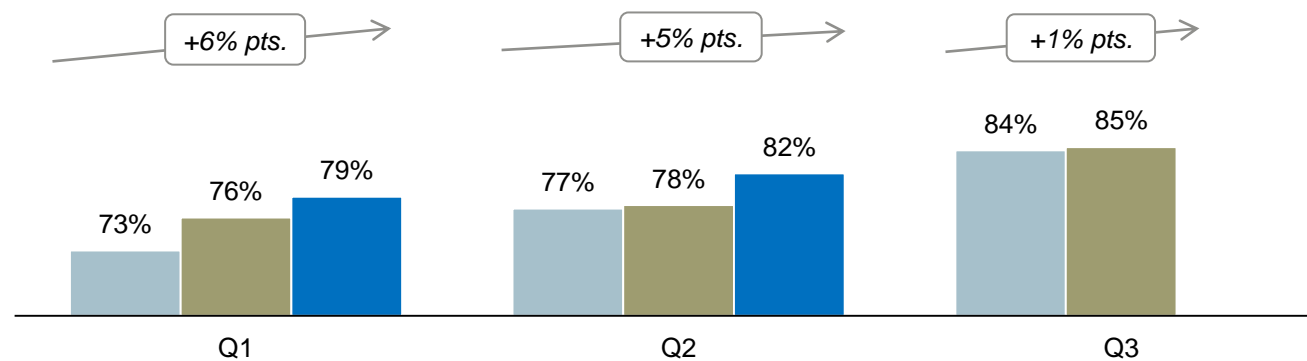
- Liquidity improved through the issued convertible bond and good booking intakes
- Equity ratio target of 15-20% by mid term
- Deleveraging is the key objective for 2013; initiatives are on the way
- Net debt target remains to be around EUR 500m by the end of 2013

# Agenda

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# Key operating metrics

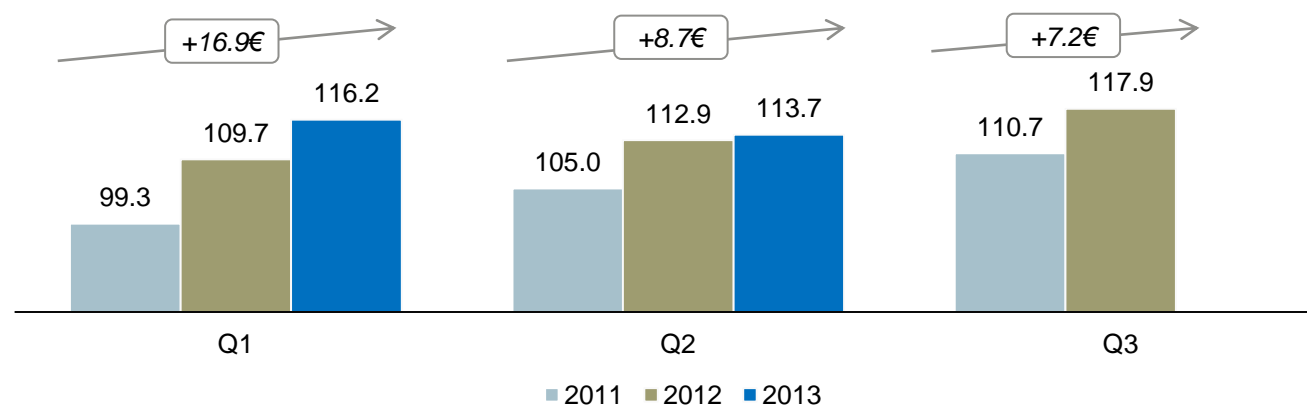
Passenger load factor<sup>(1)</sup> development



Comment

- ➔ Passenger load factor has increased over the last 3 years, in part due to **oneworld** alliance membership
- ➔ Particular improvement in Q1 shows positive progress in a typically slow quarter
- ➔ Yield improvement shows positive trends, with revenue per PAX increasing in each quarter YoY

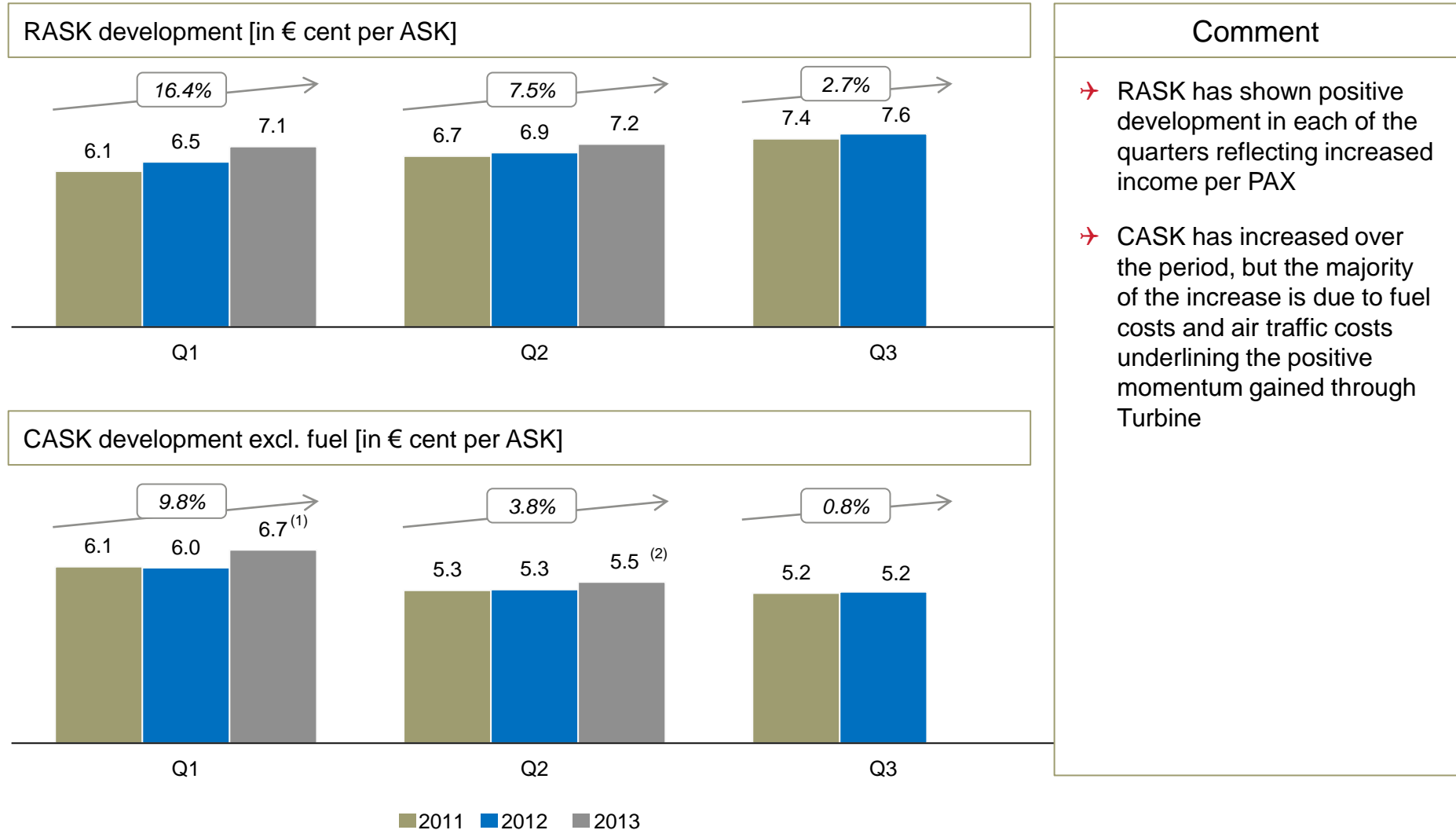
Yield development [in €]



Source: Company filings.  
 (1) Defined as number PAX / capacity.



# Key operating metrics (cont'd)



Source: Company filings.

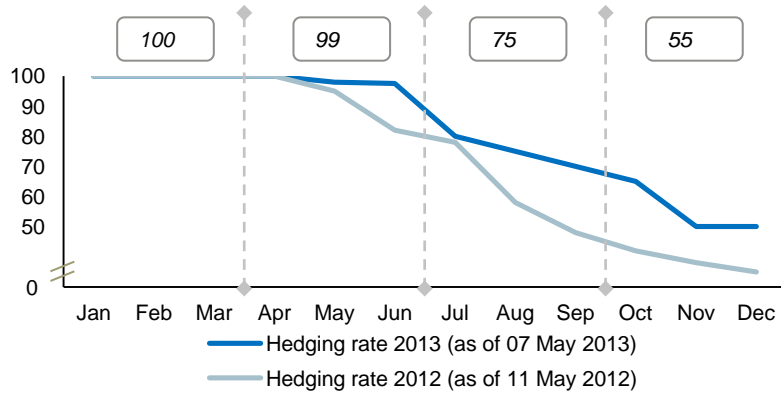
(1) Excluding EUR 25 million turnaround charges

(2) Including EUR 7.9 million lease out income & excluding EUR 10 million turnaround charges

# Hedging analysis

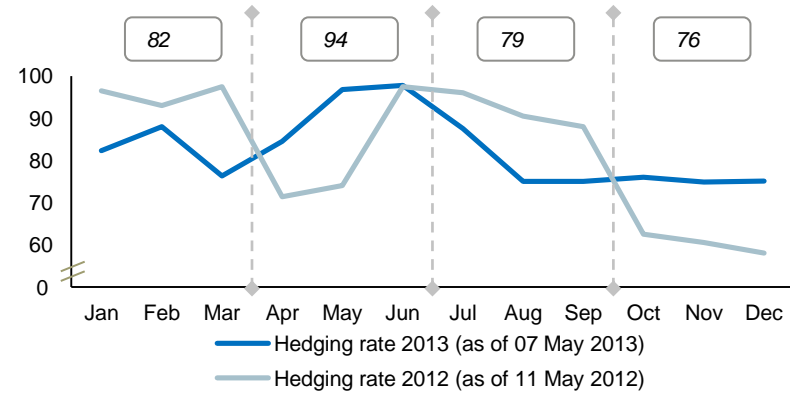
## Dollar Hedging

Hedging profile (%)

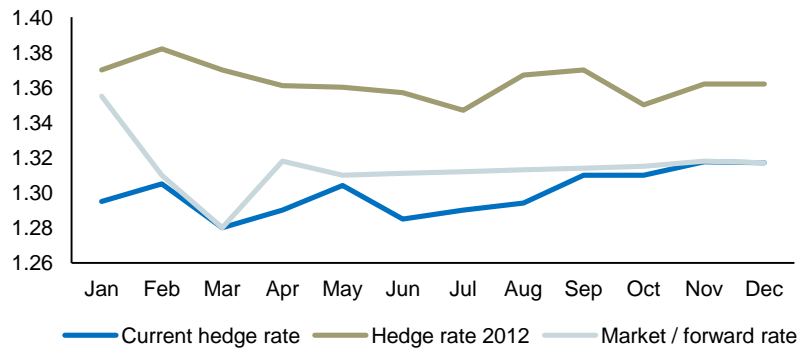


## Fuel Hedging

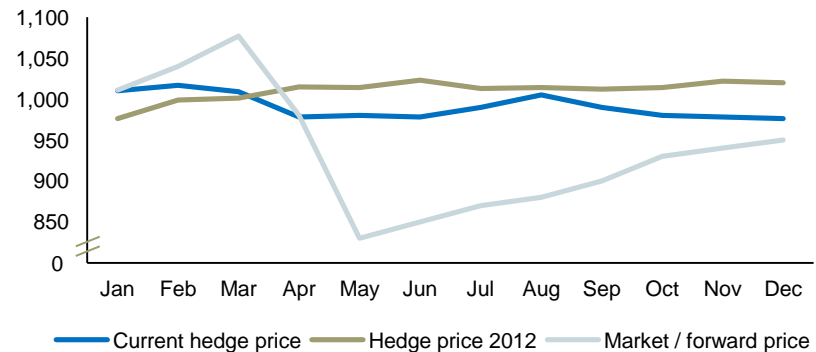
Hedging profile (%)



FX rate development (USD/EUR)<sup>1)</sup>



Price development (USD/t)<sup>1)</sup>



(1) as of 07 May 2013 / 11 May 2012.

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