

**AIRBERLIN  
INTERIM FINANCIAL REPORT  
AS OF 31 MARCH 2014**



# FINANCIAL FIGURES

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# Q1

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## FINANCIAL PERFORMANCE INDICATORS

	Q1 2014	Q1 2013
Revenue (in million euros)	<b>761.8</b>	791.9
including: ticket sales (in million euros)	<b>683.9</b>	718.1
EBITDAR (in million euros)	<b>(37.0)</b>	(31.5)
EBIT (in million euros)	<b>(182.8)</b>	(188.4)
Consolidated profit/loss for the period (in million euros)	<b>(209.8)</b>	(196.3)
Earnings per share (in euros)	<b>(1.80)</b>	(1.68)
Total assets (in million euros) in comparison to financial year-end 2013	<b>2,032.2</b>	1,885.5
Employees (as at 31 March)	<b>8,694</b>	9,065

### DISCLAIMER – RESERVATION REGARDING FORWARD-LOOKING STATEMENT

This interim financial report contains forward-looking statements on Air Berlin PLC's business and earnings performance, which are based upon our current plans, estimates, forecasts, and expectations. The statements contain risks and uncertainties as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Actual results and developments may, therefore, vary considerably from our current assumptions. Therefore, these are only valid at the time of publication. We undertake no obligation to revise our forward-looking statement in light of either new information or unexpected events.

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

## DEAR SHAREHOLDERS,

During the past few weeks, airberlin has successfully carried out the Company's recapitalisation programme announced in the spring. The new bond placements and the subscription by Etihad Airways to the subordinated perpetual convertible bond together amount to a total volume of EUR 552 million. This inflow of funds, which is higher than expected, strengthens airberlin's shareholders' equity and liquidity position sustainably. We are reducing our net debt, lowering our interest expenses, and gaining the necessary financial leeway to return airberlin to profitability through targeted measures.

The past year has shown that the turnaround effect of the Turbine efficiency improvement programme, amounting to approximately EUR 400 million for the financial years 2013 and 2014, will not be sufficient for this purpose. Therefore, we have assembled an additional package of measures and will define a strategic realignment so that we may position the Company for sustained profitability. With the enhancement of our fleet and network optimisation efforts and the development of a new revenue management system, we will achieve further improvements in our operating efficiency, tap new sources of revenue, and generate synergy effects. A maximum amount of EUR 150 million in proceeds from the new corporate bonds will be used for these general corporate purposes which support the package of measures. The remainder of the proceeds will be used to refinance existing debt.

We are achieving improvements. But these have not yet become visible in the first quarter which is traditionally a weak period for airlines. Thus, we closed the first quarter of 2014 with a loss. The yields had also declined as expected. However, our efficiency improvements were readily apparent when examining our costs. Meanwhile, we have reduced our unit costs considerably and expect to raise the cost reduction potential even more with the further optimisation of our fleet and our network.

Our recent long-term agreement to cooperate with the technology provider, Sabre, represents an important step on our path towards profitability, both in terms of a further improvement potential with respect to our costs and with regard to utilising additional sources of revenue. Sabre will provide a complete technology and software solution which will enable us to integrate numerous activities such as check-in, inventory management, e-commerce, data analysis, and various network management tools in a single platform. This single-source system solution places us in a position to further optimise our daily processes, to generate additional synergy effects with other airlines, particularly with Etihad Airways, and to produce additional revenue. Furthermore, we will increase the comfort provided to our passengers through greater personalisation of our offers: targeted flight offers and tailored services.

Altogether, we expect the implementation of these measures in the current financial year to give rise to an increase in our passenger numbers because, among other reasons, the phase of our capacity reductions is now complete and we can structure our offers more attractively and with less dependence on the seasons. In the area of codeshares, we expect the current financial year to exhibit a dynamic growth trend similar to that of the prior year, particularly with regard to our strategic partner, Etihad Airways, and within the **oneworld®** alliance. This will allow us to achieve an improvement in utilisation and higher revenue.

BERLIN, MAY 2014



**WOLFGANG PROCK-SCHAUER**

CHIEF EXECUTIVE OFFICER

## THE AIRBERLIN SHARE

### SHARE PRICE PERFORMANCE

A volatile sideways trend characterised the stock markets in the first quarter of the 2014 trading year. On the one hand, uncertainty in the emerging markets dampened stock price developments and the crisis in the Ukraine and speculation regarding premature interest rate hikes by the Federal Reserve also placed a burden on share prices. On the other hand, rising leading indicators in Europe, the successful bond placements carried out by Ireland and Portugal, as well as further monetary measures taken by the ECB brought signs of recovery.

The joint annual kick-off press conference held by Etihad Airways and airberlin as well as their commitment to a long-term partnership given at this conference, provided airberlin's share with some positive momentum for a successful start in the 2014 trading year. airberlin shares traded temporarily at a year-to-date high of EUR 2.35 supported by the announcement of advanced discussions between airberlin and certain shareholders and finance providers on measures to recapitalise the Company.

The SDAX performance index, which includes the airberlin share, rose an overall 5.6 per cent in the first quarter. At the same time, the airberlin share price trended positively, even though it had recorded significant price jumps in the course of the period. After closing the 2013 financial year at EUR 1.66, the closing price of the airberlin share on 31 March 2014 was EUR 1.75. This represents a price increase of 5.4 per cent.

### COVERAGE OF THE AIRBERLIN SHARE

airberlin is an integral part of the coverage and monitoring of both national and international banks and investment institutions. Thus, detailed company analyses on airberlin are published frequently. At the end of the first quarter of 2014, a total of seven analysts and research houses covered the Company and an additional research house also initiated credit coverage. One analyst took a neutral stance on the airberlin share and six recommended selling or underweighting the share.

### JANUARY 2014: SUCCESSFUL INCREASE OF 8.25 % BOND ISSUED IN APRIL 2011

On 21 January 2014, Air Berlin PLC successfully increased the principal amount of the bond issued on 19 April 2011 by EUR 75 million from EUR 150 million to a total principal amount of EUR 225 million. The bond's coupon is 8.25 per cent per annum. The new fractional bonds were placed with institutional investors outside of the USA. The order book was closed prematurely. The fractional bonds were issued at 101.50 per cent of the nominal value.

Following the end of the reporting period and as part of the Company's recapitalisation, the subscription of new bonds with a total principal amount of approximately EUR 252 million was concluded successfully with the closing of the order book on 2 May 2014. Additional information may be found on page 13 of this report.

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**Main shareholders in Air Berlin PLC as at 31 March 2014**

Shareholders	Holdings in %
Etihad Airways	29.21
ESAS Holding A.S.	12.02
Hans-Joachim Knieps	5.48
Leibniz-Service GmbH / TUI Travel PLC	3.37
Werner Huehn	2.51
Joachim Hunold	1.95
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	1.76
Severin Schulte	1.71
Johannes Zurnieden	1.16
Heinz-Peter Schlüter	1.03
Dr Hans-Joachim Körber (Chairman Air Berlin PLC)	0.17

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**Shareholder structure by nationality as at 31 March 2014**

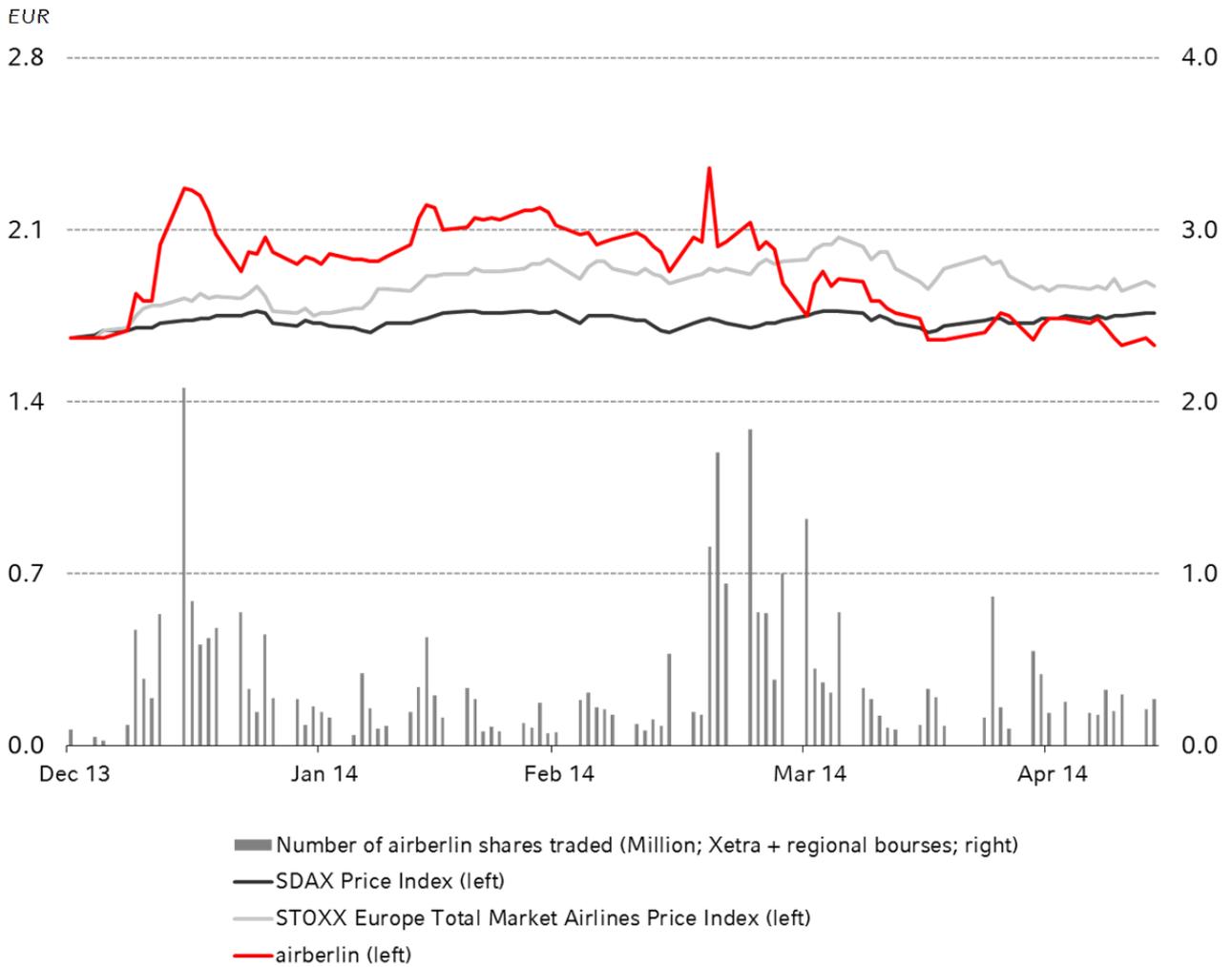
Germany	55.34
United Arab Emirates	29.21
Turkey	12.02
Liechtenstein	1.42
Austria	0.68
Luxembourg	0.31
Other EU countries / EEA countries	0.65
Other countries	0.37

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**Distribution of share capital as at 31 March 2014**

Private stock owners	43.38
Investment companies, credit institutions, and insurance companies	1.41
Other institutional investors and corporations	55.22

**Relative Performance airberlin vs. SDAX Price Index and the STOXX Europe Total Market Airlines Price Index (rebased on airberlin)**



Source: Reuters

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**The Air Berlin PLC share in the first three months of 2014**


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Share capital:	EUR 29,200,127 and GBP 50,000
Total number of issued and fully paid ordinary registered shares as at 31 March 2014:	116,800,508
Class:	Ordinary registered shares
Nominal value:	EUR 0.25
Bloomberg symbol:	AB1 GY
Reuters symbol:	AB1.DE
ISIN:	GB00B128C026
WKN:	AB1000
Stock exchanges:	XETRA, Frankfurt/Main; Regulated unofficial market: Berlin, Dusseldorf, Hamburg, Munich, Stuttgart
Accounting standards:	IAS/IFRS

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**Market data for the first three months of 2014**


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Trading segment:	Regulated market (Prime Standard)
Primary industry:	Transportation and logistics
Industry group:	Airlines
Indices:	SDAX, Prime All Share, Classic All Share
Designated Sponsors:	Commerzbank AG
Market capitalisation as at 31 March 2014:	EUR 204.40 million
Free Float according to Deutsche Börse AG as of 31 March 2014:	53.29 %
Free Float market capitalisation as at 31 March 2014:	EUR 108.93 million
Average trading volume Q1 2014 (XETRA / all German exchanges):	424,550 / 534,935 shares

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- ▶ The shares are officially traded on XETRA as well as on the Frankfurt Stock Exchange. Trading on the regulated unofficial market takes place at the exchanges in Berlin, Dusseldorf, Hamburg, Munich, and Stuttgart.
- ▶ airberlin shares are ordinary registered shares. A shareholder register is maintained to ensure compliance at all times with aviation regulatory requirements on the share ownership and effective control over the Company (EU Directive No. 1008/2008 and the air traffic agreements concluded between the Federal Republic of Germany and non-EU member states). The registrar for the shares is registrar services GmbH, Eschborn, Germany.
- ▶ Additionally, "A shares" have been issued.

airberlin provides information in a timely manner on its on-going investor relations activities, ad-hoc notifications, IR releases, investor and analyst presentations, as well as on all other mandatory reports and disclosures. This information may be found on its investor relations website [ir.airberlin.com](http://ir.airberlin.com).

# STRATEGIC REPORT AND INTERIM MANAGEMENT REPORT

## ECONOMIC CONDITIONS

### The economy as a whole

The global economy continued to stabilise in the first three months of 2014. Stimulus came primarily from the industrialised countries, which were experiencing an upswing. The euro area economy also gradually recovered. In fact, according to the German Central Bank, the German economy even delivered substantial growth in the first quarter of 2014. Rising incoming orders and production, an increase in employment, and a marked improvement in the sentiment of corporations and consumers fuelled the domestic economy.

### The air travel sector

In the assessment of the International Air Transport Association IATA, the development of the air travel sector in the first three months of 2014 was positive overall, however, in March there was a slight slowdown in comparison to the previous month due to weak growth in China. On a global basis, RPK grew 5.6 per cent year-on-year in the first quarter. Since the sector had only increased its capacity at a slightly higher rate (ASK +5.8 per cent), utilisation saw only a minimal decline of 0.2 percentage points to 78.5 per cent. The rise in Europe was not quite as strong, particularly since this region experienced a significant decline in growth in March. The RPK gained 4.7 per cent in the first quarter while the expansion in capacity amounted to 5.5 per cent measured by the ASK. Still, the utilisation of European carriers declined at a below average rate of only 0.2 percentage points to 78.2 per cent.

## IMPORTANT EVENTS IN THE FIRST QUARTER OF 2014

13 January 2014: airberlin and Etihad Airways expand their partnership and present an Airbus A320 with a common design which symbolises the close cooperation between the two airlines and signals the start of the new media campaign "Moving Forward". Following the implementation of the joint network and codeshare routes, both airlines intend to strengthen their joint sales activities. This will include, among others, additional joint sales campaigns supported by their 17 joint sales offices worldwide and by their representative offices in over 50 international markets.

21 January 2014: airberlin successfully increases the principal amount of the bond bearing a coupon of 8.25 per cent per annum and issued on 19 April 2011 by EUR 75 million from EUR 150 million to a total principal amount of EUR 225 million. The new fractional bonds were placed with institutional investors outside of the USA.

11 February 2014: As part of their comfort campaign, airberlin and NIKI have opened an exclusive waiting area at the Vienna Schwechat airport. This is the first exclusive waiting area outside of Germany after Berlin, Dusseldorf, Cologne/Bonn, Munich, and Hamburg.

## BUSINESS DEVELOPMENT

### Report on the operating performance

During the reporting quarter, airberlin introduced codeshares and also expanded its existing tourist destinations and long-haul routes to include offers year-round. This should reduce the previous seasonal fluctuations between the winter and summer flight schedules and achieve an optimisation of aircraft use as well as a higher level of employee productivity throughout the year. This package of measures produced increases in the capacity, the number of flights, and the average flight distance, as well as a rise in the number of flight hours. Capacity rose 3.8 per cent from 7,512,613 to 7,795,033 seats in comparison to the first quarter of the previous year. With 46,662 take-offs, there were also 3.5 per cent more flights as in the prior year (45,065) and the average flight distance was 1,494 km, or 0.6 per cent longer. airberlin's aircraft completed 84,100 flight hours for an increase of 1.8 per cent. The improved utilisation of the aircraft is even more apparent when considering the fact that these increases were achieved with fewer planes. In the first quarter of 2014, airberlin operated 143 airplanes compared to 149 planes in the first quarter of the previous year.

The number of passengers (PAX) declined slightly by 1.0 per cent to 5,859,660 passengers after 5,919,050 in the previous year's quarter. This decline can largely be explained by the shift in the important Easter business to the month of April and into the second quarter. This shift resulted in a 4.4 per cent decline in the number of passengers in March 2014 versus the prior year, while the months of January and February still recorded growth rates of 0.4 and 2.0 per cent.

In the course of expanding our offers, the number of available seat kilometres (ASK) rose 4.4 per cent to 11.65 billion after 11.16 billion in the prior year. Passenger kilometres flown declined only marginally to 9.53 billion after 9.55 billion due to the reasons mentioned above. This resulted in utilisation of 81.8 per cent in the reporting quarter compared to 85.6 per cent in the previous year's quarter.

Flight revenue (including taxes and securities fees) per PAX amounted to EUR 111.45 in the reporting quarter after EUR 116.16 and total revenue per PAX was EUR 130.01 after EUR 133.78. Total revenue per ASK in the reporting quarter was 7.9 per cent lower (6.54 eurocents after 7.10 eurocents). The fall in the yields, however, could be significantly offset by the decline in unit costs resulting from the further implementation of the Turbine restructuring programme as operating expenses per ASK fell stronger by -8.2 per cent (8.14 eurocents after 8.86 eurocents).

### Key operating figures for Q1 2014

	+/- %	Q1 2014	Q1 2013
Aircraft (as at 31 March)	-4.0	143	149
Flights	+3.5	46,662	45,065
Destinations (as at 31 March)	-4.2	115	120
Passengers	-1.0	5,859,660	5,919,050
Available seats (capacity)	+3.8	7,795,033	7,512,613
Available seat kilometres (billions; "ASK")	+4.4	11.65	11.16
Revenue passenger kilometres (billions; "RPK")	-0.2	9.53	9.55
Seat load factor (%; RPK/ASK)	-3.8% points	81.8	85.6
Number of block hours	+1.2	96,235	95,112

### airberlin group's fleet of aircraft

Number of aircraft	31 March 2014	31 March 2013
A319	9	8
A320	40	41
A321	16	16
A330-200	14	13
B737-700	11	17
B737-800	35	37
Q400	11	10
E-190	7	7
<b>Total</b>	<b>143</b>	<b>149</b>

## Results of operations

Group revenue in the reporting quarter declined 3.9 per cent to EUR 761.8 million after EUR 791.9 million in the same quarter of the prior year. Flight revenue was 4.8 per cent lower and amounted to EUR 683.9 million after EUR 718.1 million. Revenues from ground services and other services were 6.5 per cent higher in the reporting quarter and amounted to EUR 72.6 million after EUR 68.2 million. Revenues from inflight sales dropped 5.5 per cent to EUR 5.2 million after EUR 5.5 million. Other operating income totalled EUR 3.1 million in the reporting quarter after EUR 7.8 million.

In the course of implementing the Turbine turnaround programme, operating expenses were disproportionately lowered by a total of 4.1 per cent to EUR 947.7 million in the reporting quarter after EUR 988.1 million despite a production increase. Expenses for materials and services fell considerably overall by 7.0 per cent to EUR 633.3 million after EUR 681.2 million. In some cases, the components within expenses for materials and services which can be influenced directly showed even higher declines. For example, airport fees fell 8.4 per cent (EUR 156.9 million after EUR 171.3 million) in the course of route optimisation, despite the higher fees charged by the Spanish airports. Leasing expenses were also disproportionately reduced and declined 7.4 per cent to EUR 128.1 million after EUR 138.3 million. On the other hand, fuel expenses declined less than average and fell 5.4 per cent to EUR 208.1 million after EUR 220.0 million. The fuel expense ratio experienced only a minor change and amounted to 30.4 per cent of flight revenue after 30.6 per cent in the same quarter of the previous year.

Navigation expenses increased 2.7 per cent (EUR 50.3 million after EUR 49.0 million) due to the higher number of flights. The aviation tax also placed a heavier burden on earnings in the first quarter of 2014 and amounted to EUR 30.8 million after EUR 30.5 million. The remaining expenses for materials and services decreased significantly by 15.8 per cent to EUR 38.6 million after EUR 45.8 million.

Personnel costs grew by 2.4 per cent due to collective wage increases in the course of 2013, despite a lower number of employees. Thus, personnel costs amounted to EUR 125.4 million after EUR 122.5 million in the same period of the previous year. Depreciation and amortisation was 5.4 per cent below the prior year's level and amounted to EUR 17.7 million after EUR 18.7 million primarily due to the lower number of owned aircraft. Other operating expenses increased 3.4 per cent to EUR 171.3 million after EUR 165.7 million. This rise was largely the result of higher expenses for advertising and maintenance and due to higher IT expenses which reflect the initial investment for the current optimisation of the revenue management system.

Operating earnings before depreciation, amortisation, and leasing costs (EBITDAR) in the reporting quarter amounted to EUR -37.0 million after recording EUR -31.5 million in the previous year's quarter. Operating income after leasing costs (EBITDA) amounted to EUR -165.1 million after EUR -169.7 million in the previous year's comparable period. Operating income (EBIT) improved to a level of EUR -182.8 million in the reporting quarter after EUR -188.4 million. In the reporting quarter, net financing costs increased to EUR 30.5 million from EUR 25.0 million as a result of considerably higher losses from foreign currency and derivative positions (EUR -9.6 million after EUR -5.8 million).

The loss before tax was unchanged in the reporting quarter compared to the previous year and amounted to EUR -213.4 million. After income tax benefits of just EUR 3.6 million (prior year: EUR 17.1 million), the loss for the period amounted to EUR -209.8 million after EUR -196.3 million in the previous year's quarter. Earnings per share amounted to EUR -1.80 after EUR -1.68.

## Report on net assets, financial position, capital expenditure, and financing

The Group's total assets at the close of the first three months of financial year 2014 were 7.8 per cent higher (EUR 2,032.2 million after EUR 1,885.5 million) compared to the 31 December 2013 reporting date. Non-current assets fell slightly from EUR 1,112.1 million to EUR 1,109.4 million. Current assets, however, grew 19.3 per cent to EUR 922.8 million after EUR 773.4 million. Trade receivables, deferred expenses, as well as cash and cash equivalents (EUR 273.0 million after EUR 223.1 million) also contributed to this rise. After disposals of aircraft, the position of assets held for sale fell to zero (previous year: EUR 30.3 million).

Shareholders' equity declined caused by the usual seasonal weakness in earnings in the first quarter of the year. After recording EUR –186.1 million as at the reporting date of 31 December 2013, shareholders' equity amounted to EUR –399.1 million as at 31 March 2014. The measurement of shareholder's equity according to IFRS reporting represents a momentary snapshot. It has no effect on the operations of the airberlin group. On-going operations, the further implementation of the Turbine programme, and all necessary investments are sufficiently secured through the levels of cash available. For information on the recapitalisation programme announced during the first three months and successfully completed in the second quarter of 2014, please refer to page 13 of this report.

Non-current liabilities increased 8.0 per cent and amounted to EUR 961.7 million after EUR 890.7 million at the end of 2013. They still amounted to EUR 1,133.4 million at the end of the comparable quarter of the previous year. The increase compared to the end of 2013 resulted from high financial liabilities (EUR 686.8 million after EUR 605.3 million) while financial liabilities from aircraft financing (EUR 172.9 million after EUR 178.4 million) and non-current deferred tax liabilities declined. Financial liabilities from aircraft financing contained within current liabilities also declined (EUR 53.7 million after EUR 76.9 million). Current financial liabilities grew just slightly by EUR 2.2 million to EUR 160.7 million. Advance payments received climbed 76.1 per cent to EUR 755.2 million compared to EUR 428.9 million at the end of 2013. This was due to the shift of the Easter holidays into the second quarter and a result of seasonal effects in anticipation of the holiday season. In the comparable quarter of the previous year, advance payments of EUR 667.8 million were reported. In total, current liabilities at the close of the first quarter of 2014 were 24.5 per cent higher than the level at the end of 2013 (EUR 1,469.6 million after EUR 1,180.8 million).

Total non-current and current financial liabilities came to EUR 847.5 million after EUR 763.8 million and the total of non-current and current liabilities overall amounted to EUR 2,431.3 million after EUR 2,071.5 million. Net debt equalled EUR 801.0 million as at 31 March 2014, and EUR 796.0 million as at the 2013 reporting date.

Net cash flows from operating activities after interest paid and received and after income taxes paid of EUR 21.4 million amounted to EUR –22.4 million in the first three months of the current financial year. In the previous year's quarter, cash proceeds of EUR 64.7 million were recorded. Next to the higher loss for the period, the decline in cash flows was exclusively the result of reporting date related effects in trade receivables and trade payables. This effect alone caused a negative swing of EUR 75.7 million compared to the previous year's period. Payments for investments in non-current assets amounted to EUR 9.0 million in the reporting quarter, while proceeds from the sale of non-current assets totalled EUR 31.8 million. Cash flows from investing activities came to EUR 22.8 million after EUR –3.3 million in the previous year. Cash flows from financing activities amounted to a cash inflow of EUR 49.6 million. The increase in the bond originally issued in April 2011 resulted in net proceeds of EUR 73.8 million. This was offset by a EUR 24.2 million repayment of financial liabilities. As a result of a net cash inflow of EUR 50.0 million, net cash and cash equivalents at the end of the first three months of the current financial year amounted to EUR 272.9 million.

## EMPLOYEES

After the first three months of financial year 2014, the airberlin group employed a total of 8,694 employees compared to 9,065 at the end of the same quarter in the prior year and 8,905 at the end of financial year 2013. Of these, 4,008 employees (2013 year-end: 4,200) were employed as ground staff and 4,686 men and women were part of the flying crew (2013 year-end: 4,705). The crew consisted of 3,365 cabin crew and 1,321 cockpit crew (2013 year-end: 3,374 and 1,331). As at 31 March 2014, 81 young people were in training at airberlin (2013 year-end: 99).

## PRINCIPAL RISKS AND UNCERTAINTIES

The risks mentioned in the chapter "Principal Risks and Uncertainties" found in the 2013 Annual Report, continue to be relevant and include, in particular, the macroeconomic and industry risks, market, competitive, regulatory, operating, and procurement risks, as well as general political and wage policy-related, and legal and liability risks.

### Financial Risks

airberlin continues to use the same instruments for the effective management of financial risks which were described in the 2013 Annual Report. Foreign currency risk continues, unabated, as one of the significant financial risks. This risk is of particular importance when it comes to the procurement of fuel since the prices for jet fuel are highly correlated to the listed price of crude oil in U.S. dollars. airberlin secures a majority of its currency risk on a rolling basis based on a twelvemonth period. The risk of the fundamentally difficult to predict price fluctuations in the procurement of fuel is counteracted by airberlin through extensive hedging. This continues to occur.

The negative equity of the airberlin group as at 31 March 2014 which resulted from the applicable IFRS regulations as at the reporting date does not represent an event which endangers the Company's continuing operations. With the recapitalisation agreements successfully concluded in the second quarter of 2014, airberlin has received and receives new funds through various financing instruments. A total of approximately EUR 252 million was received by issuing corporate bonds. Furthermore, our strategic partner, Etihad Airways, subscribed in the amount of EUR 300 million to subordinated convertible bonds guaranteed by Air Berlin PLC. These are perpetual convertible bonds. Under the International Financial Reporting Standards (IFRS), these convertible bonds constitute equity for airberlin due to the bonds' conditions. Three tranches, each totalling EUR 100 million, will be issued in the course of financial year 2014. Additionally, the term of the shareholder loan granted by Etihad in the amount of USD 255 million has been extended from 31 December 2016 to 31 December 2021.

The Directors and the Members of the Management Board have come to the reasonable assumption that the Company commands the necessary resources in order to maintain the Company's operations in the current 2014 financial year and the years thereafter. These reasonable assumptions are based on well-founded expectations, particularly with regard to the scheduled implementation of the Turbine turnaround programme and the programme's medium-term impact on earnings development. Additionally, the assumptions are based on the liquidity available at the end of the first quarter of 2014 and the successful recapitalisation.

## REPORT ON FORECASTS AND OTHER STATEMENTS REGARDING EXPECTED DEVELOPMENT

### Overall economic and industry environment

The world economy is expected to develop favourably in the further course of the year. In its spring forecast, the International Monetary Fund (IMF) foresees growth of 3.6 per cent in 2014 compared to 3.0 per cent the previous year. Nearly all regions will contribute to this growth, especially the industrialised countries. U.S. growth, driven by strong domestic demand, is expected to accelerate to 2.8 per cent from 1.9 per cent. The euro area recession should come to an end and this area's economy is expected to grow 1.2 per cent in 2014 after shrinking by -0.5 per cent in the previous year. Regions which previously had difficulties, such as Spain and Italy, are expected to show slight growth of 0.6 per cent each in 2014. The IMF believes that the German economy will grow 1.7 per cent in 2014 after 0.5 per cent in the prior year.

IATA also expects the aviation industry to develop positively in 2014. The first quarter of this year was clearly going in this direction, despite experiencing a slight slowdown in growth in March. Therefore, IATA maintains its forecast that the industry will achieve a 5.3 per cent increase in global revenues to USD 745 billion and a rise in profit of 45 per cent to USD 18.7 billion compared to USD 12.9 billion. For European carriers, IATA expects a perceivably substantial increase in profits. However, this is due to the prior year's very low basis. Accordingly, the margins will remain low.

### Business development

In the month of April 2014, airberlin welcomed 2,551,406 passengers (previous year: 2,481,959) which represents an increase of 2.8 per cent. Available seat kilometres (ASK) grew 7.9 per cent to 4.714 billion. Revenue passenger kilometres (RPK) flown grew 7.8 per cent to 3.96 billion. Thus, despite a significant expansion in capacity, utilisation stabilised at 83.9 per cent (previous year: 84.0 per cent). In the first four months of the year, the number of passengers grew to a total of 8,411,066 (previous year: 8,401,009). Revenue passenger kilometres flown rose to 13.486 billion (previous year: 13.215 billion) in the period from January to April and available seat kilometres increased to 16.363 billion (previous year: 15.524 billion).

We are expecting passenger numbers to develop positively overall in the current financial year. The capacity reductions phase carried out in the course of adapting to the market situation is now over. For 2014, we are expecting dynamic growth in our codeshare area as well as with our strategic partner Etihad Airways and within the **oneworld** alliance, similar to the level

experienced in the previous year. Given the total rise in passenger numbers expected for 2014, we are also expecting an improvement in our utilisation and an expansion in our revenues.

The implementation of Turbine and the additional measures we have planned for the current financial year to improve efficiency, should lead to an overall decline in expenses. The measures we will implement in the current financial year, which go above and beyond our Turbine programme, will include, among others, the development of a new revenue management system to secure additional sources of revenue, increased cooperation with our partner Etihad Airways to bring about added synergy gains, the intensification of our cooperation with American Airlines, and last but not least, the continued optimisation of our fleet and network.

Turbine's successes, which were either achieved or initiated in the past financial year, will achieve their full turnaround effect in the current year. As we have previously announced, this effect will amount to a total of approximately EUR 400 million for financial years 2013 and 2014. The decline in operating unit costs per ASK achieved in the first quarter underlines this forecast.

airberlin's equity will be strengthened by the long-term subordinated convertible bonds subscribed to by Etihad Airways in the total amount of EUR 300 million. Furthermore, airberlin's long-term planning is more secure due to the extension of the term to the end of the year 2021 of a USD 255 million shareholder loan granted by Etihad. Additionally, airberlin received approximately EUR 252 million through the issue of new corporate bonds. These funds will secure the leeway necessary to implement the current restructuring programme and to retire corporate bonds maturing in 2014 and 2015.

## EVENTS AFTER THE REPORTING DATE

27 April 2014: Etihad Airways commits to subscribe to the Air Berlin PLC guaranteed, subordinated convertible bonds with a total nominal amount of EUR 300 million and an interest coupon of 8.00 per cent per annum. The convertible bonds are convertible into ordinary registered shares of Air Berlin PLC at a conversion price of EUR 1.79 subject to certain conditions. The pre-emptive rights of shareholders of Air Berlin PLC concerning the shares to be issued through the conversion were excluded. The term of the convertible bonds is unlimited (so-called "perpetual bonds"). airberlin is entitled but not required to make interest payments. To the extent that the interest is not paid, it will be accumulated and added to the original debt. Under the International Financial Reporting Standards (IFRS), the convertible bonds constitute equity for airberlin. The bonds will be issued in three tranches, each totalling EUR 100 million. The issue of the first tranche of convertible bonds takes place on 20 May 2014. The remaining tranches are to be issued on 28 August 2014 and 27 November 2014. Additionally, the term of the shareholder loan granted by Etihad in the amount of USD 255 million has been extended from 31 December 2016 to 31 December 2021.

2 May 2014: The order book was closed for the new corporate bonds with a total nominal value of at least EUR 250 million and a term running until 2019. The new bonds are denominated in EUR and in CHF. The coupon of the EUR denominated bonds was set at 6.75 per cent per annum and the coupon of the bonds denominated in CHF was set at 5.625 per cent per annum. These coupons shall also apply to the new bonds to be issued as part of the exchange offer.

8 May 2014: airberlin successfully completes the placement of the new corporate bonds. A total of approximately EUR 252 million was received as a result of the new corporate bonds. Thereof, EUR 162.706 million and CHF 92.725 million will be a cash inflow, whereas EUR 7.294 million and CHF 7.275 million will be a conversion of the corporate bonds with a maturity 2014 and 2015 into the new issued corporate bond. Proceeds from the bonds of up to EUR 150 million will be used for general business purposes and to refinance existing debt. The EUR denominated bond has a volume of EUR 170 million and the CHF denominated bond has a volume of CHF 100 million.

1 May 2014: Marco Ciomperlik becomes a new member of the Management Board. In his position as Chief Restructuring Officer (CRO), he coordinates and manages the restructuring and turnaround processes at airberlin. In the past five years, he has been the Chief Maintenance Officer at airberlin and successfully implemented restructuring measures in his area of responsibility.

## BOARD OF DIRECTORS

The Board of Directors of Air Berlin PLC is comprised of the following Directors:

### Executive Director

Wolfgang Prock-Schauer, Chief Executive Officer

### Non-Executive Directors

Dr. Hans-Joachim Körber, Chairman of the Board of Directors

James Hogan, Vice Chairman of the Board of Directors

Joachim Hunold

Andries B. van Luijk

James Rigney

Ali Sabanci

Heinz-Peter Schlüter

Dr. Lothar Steinebach

Nicholas Teller

Johannes Zurnieden

### Management Board

Wolfgang Prock-Schauer Chief Executive Officer

Marco Ciomperlik Chief Restructuring Officer (since 1 May 2014)

Helmut Himmelreich Chief Operating Officer

Ulf Hüttmeyer Chief Financial Officer

Dr. Martina Niemann Chief Human Resources Officer

Approved by the Directors on 13 May 2014

## WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

**Air Berlin PLC****CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

for the period ended 31 March 2014

	1/14-3/14	1/13-3/13
	€ 000	€ 000
<b>Revenue</b>	<b>761,800</b>	<b>791,871</b>
<b>Other operating income</b>	<b>3,074</b>	<b>7,788</b>
Expenses for materials and services	<b>(633,258)</b>	(681,232)
Personnel expenses	<b>(125,439)</b>	(122,480)
Depreciation and amortisation	<b>(17,674)</b>	(18,664)
Other operating expenses	<b>(171,338)</b>	(165,716)
<b>Operating expenses</b>	<b>(947,709)</b>	<b>(988,092)</b>
<b>Result from operating activities</b>	<b>(182,835)</b>	<b>(188,433)</b>
Financial expenses	<b>(21,141)</b>	(20,608)
Financial income	<b>205</b>	1,414
Result on foreign exchange and derivatives, net	<b>(9,596)</b>	(5,787)
<b>Net financing costs</b>	<b>(30,532)</b>	<b>(24,981)</b>
Share of at equity investments, net of tax	<b>0</b>	0
<b>Result before tax</b>	<b>(213,367)</b>	<b>(213,414)</b>
Income tax result	<b>3,566</b>	17,067
<b>Result for the period – all attributable to the shareholders of the Company</b>	<b>(209,801)</b>	<b>(196,347)</b>
<b>Basic earnings per share in €</b>	<b>(1.80)</b>	(1.68)
<b>Diluted earnings per share in €</b>	<b>(1.80)</b>	(1.68)

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)**

	1/14-3/14	1/13-3/13
	€ 000	€ 000
<b>Result for the period</b>	<b>(209,801)</b>	<b>(196,347)</b>
Foreign currency translation reserve	<b>99</b>	(86)
Effective portion of changes in fair value of hedging instruments	<b>(10,196)</b>	15,754
Net change in fair value of hedging instruments transferred from equity to profit or loss	<b>5,520</b>	2,942
Remeasurement of net defined liability	<b>0</b>	0
Income tax on other comprehensive income	<b>1,322</b>	(5,566)
<b>Other comprehensive income for the period, net of tax</b>	<b>(3,255)</b>	<b>13,044</b>
<b>Total comprehensive income – all attributable to the shareholders of the Company</b>	<b>(213,056)</b>	<b>(183,303)</b>

**Air Berlin PLC****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

as of 31 March 2014

	31/03/2014	31/12/2013
	€ 000	€ 000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	414,353	415,893
Property, plant and equipment	489,103	497,846
Trade and other receivables	124,840	115,301
Deferred tax asset	16,969	17,063
Positive market value of derivatives	212	105
Net defined benefit asset	3,455	3,455
Deferred expenses	53,791	55,744
At equity investments	6,666	6,666
<b>Non-current assets</b>	<b>1,109,389</b>	<b>1,112,073</b>
<b>Current assets</b>		
Inventories	54,177	53,043
Trade and other receivables	528,864	406,027
Positive market value of derivatives	2,776	14,350
Deferred expenses	63,975	46,620
Assets held for sale	0	30,309
Cash and cash equivalents	272,999	223,063
<b>Current assets</b>	<b>922,791</b>	<b>773,412</b>
<b>Total assets</b>	<b>2,032,180</b>	<b>1,885,485</b>

## Air Berlin PLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
as of 31 March 2014

	31/03/2014	31/12/2013
	€ 000	€ 000
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital	29,273	29,273
Share premium	435,085	435,085
Equity component of convertible bond	597	597
Other capital reserves	217,056	217,056
Retained earnings	(1,071,976)	(862,175)
Hedge accounting reserve, net of tax	(9,258)	(5,904)
Foreign currency translation reserve	3,291	3,192
Remeasurement of the net defined benefit obligation	(3,188)	(3,188)
<b>Total equity – all attributable to the shareholders of the Company</b>	<b>(399,120)</b>	<b>(186,064)</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities due to aircraft financing	172,863	178,391
Interest-bearing liabilities	686,845	605,265
Provisions	4,295	4,356
Trade and other payables	72,454	72,405
Deferred tax liabilities	24,501	29,707
Negative market value of derivatives	698	577
<b>Non-current liabilities</b>	<b>961,656</b>	<b>890,701</b>
<b>Current liabilities</b>		
Interest-bearing liabilities due to aircraft financing	53,679	76,863
Interest-bearing liabilities	160,654	158,542
Tax liabilities	3,718	3,716
Provisions	25,330	25,777
Trade and other payables	430,754	440,967
Negative market value of derivatives	19,259	23,098
Deferred income	21,066	22,957
Advanced payments received	755,184	428,928
<b>Current liabilities</b>	<b>1,469,644</b>	<b>1,180,848</b>
<b>Total equity and liabilities</b>	<b>2,032,180</b>	<b>1,885,485</b>

## Air Berlin PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

for the period ended 31 March 2014

	Share capital	Share premium	Equity component of convertible bonds	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Remeasurement of the net defined benefit liability*	Equity attributable to the shareholders of the Company
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Balances at</b>									
<b>31 December 2012</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(546,663)</b>	<b>(8,602)</b>	<b>3,429</b>	<b>0</b>	<b>130,175</b>
<b>Total transactions with shareholders</b>									
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Loss for the period					(196,347)				(196,347)
Other comprehensive income						13,130	(86)		13,044
<b>Total comprehensive income</b>					<b>(196,347)</b>	<b>13,130</b>	<b>(86)</b>		<b>(183,303)</b>
<b>Balances at</b>									
<b>31 March 2013</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(743,010)</b>	<b>4,528</b>	<b>3,343</b>	<b>0</b>	<b>(53,128)</b>
<b>Balances at</b>									
<b>31 December 2013</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(862,175)</b>	<b>(5,904)</b>	<b>3,192</b>	<b>(3,188)</b>	<b>(186,064)</b>
<b>Total transactions with shareholders</b>									
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Loss for the period					(209,801)				(209,801)
Other comprehensive income						(3,354)	99		(3,255)
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(209,801)</b>	<b>(3,354)</b>	<b>99</b>	<b>0</b>	<b>(213,056)</b>
<b>Balances at</b>									
<b>31 March 2014</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(1,071,976)</b>	<b>(9,258)</b>	<b>3,291</b>	<b>(3,188)</b>	<b>(399,120)</b>

\* Retrospective application of the revised version of IAS 19 has no material impact on prior year figures.

## Air Berlin PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
for the period ended 31 March 2014

	31/03/2014	31/03/2013
	€ 000	€ 000
Result for the period	<b>(209,801)</b>	(196,347)
<b>Adjustments to reconcile profit or loss to cash flows from operating activities:</b>		
Depreciation and amortisation of non-current assets	<b>17,674</b>	18,664
Gain on disposal of non-current assets	<b>(308)</b>	(709)
Increase in inventories	<b>(1,134)</b>	(249)
Increase in trade accounts receivables	<b>(126,352)</b>	(93,139)
Increase in other assets and prepaid expenses	<b>(20,919)</b>	(10,684)
Deferred tax benefit	<b>(3,791)</b>	(18,227)
Increase (Decrease) in provisions	<b>(508)</b>	1,309
(Decrease) Increase in trade accounts payable	<b>(10,544)</b>	31,922
Increase in other current liabilities	<b>324,372</b>	325,602
Result on foreign exchange and derivatives, net	<b>9,596</b>	5,786
Interest expense	<b>20,654</b>	20,584
Interest income	<b>(205)</b>	(1,414)
Income tax expense	<b>225</b>	1,160
Share of profit of associates	<b>0</b>	0
Other non-cash changes	<b>99</b>	(406)
<b>Cash generated from operations</b>	<b>(942)</b>	83,852
Interest paid	<b>(21,376)</b>	(19,185)
Interest received	<b>174</b>	1,366
Income taxes paid	<b>(223)</b>	(1,371)
<b>Net cash flows from operating activities</b>	<b>(22,367)</b>	64,662
Purchases of non-current assets	<b>(4,664)</b>	(2,918)
Net advanced payments for non-current items	<b>(4,361)</b>	(2,414)
Proceeds from sale of tangible and intangible assets	<b>31,775</b>	2,073
<b>Cash flow from investing activities</b>	<b>22,750</b>	(3,259)
Principal payments on interest-bearing liabilities	<b>(24,185)</b>	(57,911)
Proceeds from issue of corporate bonds	<b>76,125</b>	0
Transaction costs related to issue of corporate bonds	<b>(2,333)</b>	0
Proceeds from issue (redemption) of convertible bonds	<b>0</b>	140,000
Transaction costs related to issue of convertible bonds	<b>0</b>	(3,263)
<b>Cash flow from financing activities</b>	<b>49,607</b>	78,826
<b>Change in cash and cash equivalents</b>	<b>49,990</b>	140,229
<b>Cash and cash equivalents at beginning of period</b>	<b>223,006</b>	327,821
Foreign exchange revaluation on cash balances	<b>(49)</b>	2,043
<b>Cash and cash equivalents at end of period</b>	<b>272,947</b>	470,093
thereof bank overdrafts used for cash management purposes	<b>(52)</b>	(144)
thereof cash and cash equivalents in the statement of financial position	<b>272,999</b>	470,237

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS AS OF 31 MARCH 2014

(Euro/USD/CHF in thousands, except share data)

## 1. REPORTING ENTITY

The consolidated interim financial statements of Air Berlin PLC for the three months ended 31 March 2014 comprise Air Berlin PLC ("the Company") and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in associates. 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 2013 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](http://ir.airberlin.com).

Statutory accounts for 2013 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 2013.

This condensed set of financial statements was approved by the Directors on 14 May 2014.

## 3. ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING

This interim report up to 31 March 2014 has been drawn up in accordance with IAS 34 and in compliance with the standards and interpretations applicable from 1 January 2014 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 2013.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. The application of IFRS 10, IFRS 11, IFRS 12 has no material impact on the Group.

## 4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 2013.

## 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 31 March 2014 the Group had revenue of € 4,116,723 (prior year: € 4,290,658) and result for the period after tax of € -328,966 (prior year: € -25,887). Furthermore, for the twelve months ended 31 March 2014 the EBIT amounted to € -226,282 (prior year: € -30,984).

## 6. NON-CURRENT ASSETS

During the three months ended 31 March 2014 the Group acquired fixed assets with a cost of € 8,262 (prior year: € 6,020). Assets with a carrying amount of € 880 were disposed of during the three months ended 31 March 2014 (prior year: € 1,936).

Capital commitments for property, plant and equipment amount to 3.3 bn USD (prior year: 3.5 bn USD).

## 7. SHARE CAPITAL

Of airberlin's authorized share capital, 116,800,508 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).

## 8. CORPORATE BONDS

On 21 January 2014 the Group increased the aggregate principal amount of its bond placed on 19 April 2011 with a coupon of 8.25% per annum from € 150,000 by € 75,000 to the aggregate principal amount of € 225,000. The notes were issued at 101.50% of their principal amount. Transaction costs incurred were € 2,333. The bonds are measured at amortized cost.

## 9. REVENUE

In thousands of Euro	1/14-3/14	1/13-3/13
Flight revenue	<b>683,925</b>	718,084
Ground and other services	<b>72,641</b>	68,247
Duty-free / in-flight sales	<b>5,234</b>	5,540
	<b>761,800</b>	791,871

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 "Advanced payments received" until such time the transportation is provided.

## 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 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.

## 10. OTHER OPERATING INCOME

In thousands of Euro	1/14-3/14	1/13-3/13
Gain on disposal of long-term assets, net	<b>308</b>	574
Income from insurance claims	<b>624</b>	397
Other	<b>2,142</b>	6,817
	<b>3,074</b>	7,788

**11. EXPENSES FOR MATERIALS AND SERVICES**

In thousands of Euro	1/14-3/14	1/13-3/13
Fuel for aircraft	<b>208,057</b>	219,991
Airport and handling charges	<b>156,946</b>	171,256
Operating leases for aircraft and equipment	<b>128,143</b>	138,287
Navigation charges	<b>50,343</b>	49,033
Air transportation tax	<b>30,844</b>	30,545
Catering costs and cost of materials for in-flight sales	<b>20,302</b>	26,329
Other	<b>38,623</b>	45,791
	<b>633,258</b>	681,232

The expenses for operating leases for aircraft and equipment include expenses of € 29,048 (prior year: € 20,821) that do not directly relate to the lease of assets.

**12. PERSONNEL EXPENSES**

In thousands of Euro	1/14-3/14	1/13-3/13
Wages and salaries	<b>105,448</b>	101,929
Social security	<b>10,794</b>	11,254
Pension expense	<b>9,197</b>	9,297
	<b>125,439</b>	122,480

**13. OTHER OPERATING EXPENSES**

In thousands of Euro	1/14-3/14	1/13-3/13
Repairs and maintenance of technical equipment	<b>60,352</b>	58,968
Sales and distribution expenses (incl. commissions)	<b>26,186</b>	26,762
Advertising	<b>17,916</b>	14,036
Expenses for premises and vehicles	<b>10,734</b>	11,059
Travel expenses for cabin crews	<b>6,436</b>	6,403
Bank charges	<b>6,201</b>	5,912
Audit and consulting fees	<b>6,081</b>	8,646
Insurance	<b>3,722</b>	4,988
Training and other personnel expenses	<b>5,317</b>	4,154
IT related expenses	<b>4,436</b>	3,847
Phone and postage	<b>729</b>	1,351
Allowances for receivables	<b>1,133</b>	1,408
Other	<b>22,095</b>	18,181
	<b>171,338</b>	165,716

## 14. NET FINANCING COSTS

In thousands of Euro	1/14-3/14	1/13-3/13
Interest expense on interest-bearing liabilities	(20,655)	(20,585)
Other financial expenses	(486)	(23)
Financial expenses	(21,141)	(20,608)
Interest income on fixed deposits	34	60
Interest income on loans and receivables	2	12
Other financial income	169	1,342
Financial income	205	1,414
Result on foreign exchange and derivatives, net	(9,596)	(5,786)
Net financing costs	(30,532)	(24,980)

Foreign exchange gains or losses result from actual exchange rate differences at the settlement date (realised gains or losses), 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

Loss before tax is primarily attributable to Germany. The income tax benefit for the period is as follows:

In thousands of Euro	1/14-3/14	1/13-3/13
Current income tax expense	(225)	(1,160)
Deferred income tax benefit	3,791	18,227
Total income tax result	3,566	17,067

## 16. FAIR VALUE HIERARCHY

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 March 2014.

In thousands of Euro	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivatives classified held for trading	0	64	0	64
Derivatives classified hedge accounting	0	2,924	0	2,924
<b>Total assets</b>	<b>0</b>	<b>2,988</b>	<b>0</b>	<b>2,988</b>
<b>Liabilities</b>				
Derivatives classified held for trading	0	575	0	575
Derivatives classified hedge accounting	0	19,382	0	19,382
Interest bearing liabilities (embedded derivative)	0	22,766	0	22,766
<b>Total liabilities</b>	<b>0</b>	<b>42,723</b>	<b>0</b>	<b>42,723</b>

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2013.

In thousands of Euro	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivatives classified held for trading	0	105	0	105
Derivatives classified hedge accounting	0	14,350	0	14,350
<b>Total assets</b>	<b>0</b>	<b>14,455</b>	<b>0</b>	<b>14,455</b>
<b>Liabilities</b>				
Derivatives classified held for trading	0	662	0	662
Derivatives classified hedge accounting	0	23,013	0	23,013
Interest bearing liabilities (embedded derivative)	0	15,900	0	15,900
<b>Total liabilities</b>	<b>0</b>	<b>39,575</b>	<b>0</b>	<b>39,575</b>

Level 2 derivatives comprise forward exchange, interest rate and fuel price derivatives which have been fair valued using option pricing models and the discounted cashflow method. Material input factors were forward exchange rates, interest forward rates and fuel forward rates that are quoted in an active market. Level 2 interest bearing liabilities relate to an embedded derivative of convertible bonds issued and have been valued using the volatility of the airberlin share, credit risk of airberlin and interest forward rates.

## 17. FINANCIAL INSTRUMENTS FAIR VALUE

The fair values of the financial assets and liabilities, the carrying amount disclosed and the relevant category as of 31 March 2014 are as follows:

In thousands of Euro	Loans & receivables	Held for trading	Hedge-Accounting	Financial liabilities at amortised costs	Financial liabilities at fair value	Total carrying amount	Fair value at 31 March 2014
Trade receivables and other assets	473,274					473,274	473,274
Derivatives classified as held for trading with positive market values		64				64	64
Derivatives classified as hedge accounting with positive market values			2,924			2,924	2,924
Cash and cash equivalents	272,999					272,999	272,999
	<b>746,273</b>	<b>64</b>	<b>2,924</b>	<b>0</b>	<b>0</b>	<b>749,261</b>	<b>749,261</b>
Derivatives classified as held for trading with negative market values		575				575	575
Derivatives classified as hedge accounting with negative market values			19,382			19,382	19,382
Financial liabilities at amortised costs				1,140,621		1,141,430	1,084,226
Financial liabilities at fair value					22,766	22,766	22,766
Finance lease liabilities				29,706		29,706	27,821
Bank overdrafts used for cash management purposes					52	52	52
	<b>0</b>	<b>575</b>	<b>19,382</b>	<b>1,170,379</b>	<b>22,766</b>	<b>1,213,911</b>	<b>1,154,822</b>

## 18. CASH FLOW STATEMENT

In thousands of Euro	31/03/2014	31/03/2013
Cash	138	321
Bank balances	148,055	133,288
Fixed-term deposits	124,806	336,628
Cash and cash equivalents	272,999	470,237
Bank overdrafts used for cash management purposes	(52)	(144)
Cash and cash equivalents in the statement of cash flows	272,947	470,093

Cash and cash equivalents include restricted cash of € 124,248 as of 31 March 2014 (prior year: € 103,443).

## 19. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors, its associates and major shareholder.

Members of the Board of Directors control a voting share of 4.31 % of Air Berlin PLC (prior year: 4.31 %).

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 of € 1,023 (prior year: € 2,440). At 31 March 2014, € 89 (prior year: € 583) are included in the trade receivables line.

The Group received secured loans that are shown as interest-bearing liabilities from a major shareholder – Etihad Airways PJSC. The outstanding amount at 31 March 2014 equals € 98,894 including accrued interest. Relating to the loan interest expenses of € 1,833 have been accounted for in the income statement in 2014. Etihad Airways PJSC and airberlin cooperate in miscellaneous operative areas e.g. procurement and maintenance. airberlin entered into a code-share-agreement with Etihad Airways PJSC. The Group paid commissions of € 1,710 (prior year: € 3,014) to Etihad Airways PJSC and received from Etihad Airways PJSC commissions of € 1,450 (prior year: € 1,048). At 31 March 2014 € 13,961 (prior year: € 17,778) are included in the trade and other receivables line. The amount of € 345 (prior year: € 2,424) is included in the trade and other payables line.

During the year ended 31 March 2014 respectively 2013 the Group had transactions with associates as follows:

In thousands of Euro	2014	2013
<b>THBG BBI GmbH</b>		
Receivables from related parties	2,396	1,637
Interest Income	30	28
<b>Binoli GmbH</b>		
Receivables from related parties	193	135
Revenues from ticket sales	2,002	1,694
<b>E190 Flugzeugvermietung GmbH</b>		
Receivables from related parties	2,555	4,350
Expenses for leasing	1,515	1,874
<b>IHY IZMIR HAVAYOLLARI A.S.</b>		
Receivables from related parties	304	70
Income from leasing	1,006	688
<b>Topbonus Ltd</b>		
Receivables from related parties	17	543
Payables to related parties	2,825	4,125
Revenues from ticket sales	1,014	0
Expenses for miles	4,796	739
<b>Ausocon Berlin Call Center GmbH</b>		
Receivables from related parties	12	0
Payables to related parties	0	0
Revenues	77	0
Expenses for call center activities	1075	0

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

## 20. SUBSEQUENT EVENTS

On 27 April 2014 the group has issued a perpetual bond to its shareholder Etihad Airways PJSC in the total amount of € 300,000. The drawdown of the bond is divided in three tranches each € 100,000 and will be paid out at 20 May 2014, 28 August 2014 and 27 November 2014. The perpetual bond has no maturity and bears an interest coupon of 8.0 % per annum. Interest coupons can be deferred indefinite at the discretion of the Group. The perpetual bond bears a conversion right to convert the bonds into ordinary shares at a conversion price of € 1.79. The perpetual bond will be recognized as equity in the Group's consolidated statement of financial position.

On 8 May 2014 the Group issued two corporate bonds amounting to € 170,000 and respectively CHF 100,000. Thereof € 162,706 and CHF 92,725 will be a cash inflow, whereas € 7,294 and CHF 7,275 will be a conversion of the corporate bonds with a maturity 2014 and 2015 into the new issued corporate bond. After the exchange has taken place, the outstanding principal amount of the bond due 2014 will amount to € 141,484 and the outstanding principal amount of the bond due 2015 will amount to € 195,888.

On 1 May 2014 Marco Ciomperlik became a new member of the Management Board. In his position as Chief Restructuring Officer (CRO), he coordinates and manages the restructuring and turnaround processes at airberlin.

## 21. EXECUTIVE DIRECTORS

Wolfgang Prock-Schauer      Chief Executive Officer

## 22. MANAGEMENT BOARD

Wolfgang Prock-Schauer      Chief Executive Officer

Helmut Himmelreich        Chief Operating Officer

Ulf Hüttmeyer                Chief Financial Officer

Dr. Martina Niemann        Chief Human Resources Officer

## FINANCIAL CALENDAR 2014

06 June 2014	Traffic figures May 2014
18 June 2014	Annual General Meeting Air Berlin PLC, London Heathrow
07 July 2014	Traffic figures June 2014
07 August 2014	Traffic figures July 2014
14 August 2014	Publication of Interim Report as of 30 June 2014 (Q2)
05 September 2014	Traffic figures August 2014
07 October 2014	Traffic figures September 2014
06 November 2014	Traffic figures October 2014
13 November 2014	Publication of Interim Report as of 30 September 2014 (Q3)
05 December 2014	Traffic figures November 2014

## IMPRINT

### **REGISTERED OFFICE**

The Hour House, 32 High Street,  
Rickmansworth, WD3 1ER Herts,  
Great Britain

### **INVESTOR-RELATIONS-CONTACT**

Dr. Ingolf T. Hegner  
Senior Vice President Investor Relations  
Saatwinkler Damm 42-43  
13627 Berlin, Germany  
Email: [ihegner@airberlin.com](mailto:ihegner@airberlin.com)

### **OUTSIDE CONSULTANTS**

#### **Registrar**

registrar services GmbH  
Postfach 60630  
Frankfurt am Main  
Visitors' address:  
Frankfurter Straße 84-90a,  
65760 Eschborn, Germany

#### **Auditors**

KPMG Audit Plc  
St. Nicholas House  
Park Row  
Nottingham NG 1 6FQ  
Great Britain

#### **Legal representative**

Freshfields Bruckhaus Deringer  
Bockenheimer Anlage 44  
60322 Frankfurt/Main, Germany

[www.airberlin.com](http://www.airberlin.com)

### **CONCEPTION**

Strichpunkt GmbH, Stuttgart / Berlin  
[www.strichpunkt-desgin.de](http://www.strichpunkt-desgin.de)

### **TEXT**

Frenzel & Co. GmbH, Oberursel  
[www.frenzelco.de](http://www.frenzelco.de)