

**AIRBERLIN  
INTERIM FINANCIAL REPORT  
AS OF 30 JUNE 2014**



# FINANCIAL FIGURES

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# Q2

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## KEY FINANCIAL FIGURES

	Q2 2014	Q2 2013	H1 2014	H1 2013
Revenue (in million euros)	<b>1,146.4</b>	1,114.5	<b>1,908.2</b>	1,906.4
including: ticket sales (in million euros)	<b>1,057.5</b>	1,025.6	<b>1,741.4</b>	1,743.7
EBITDAR (in million euros)	<b>152.0</b>	166.,4	<b>114.9</b>	134.9
EBIT (in million euros)	<b>(6.9)</b>	(8.1)	<b>(189.7)</b>	(196.5)
Consolidated profit/loss for the period (in million euros)	<b>8.6</b>	(38.0)	<b>(201.2)</b>	(234.3)
Earnings per share (in euros)	<b>0.07</b>	(0.33)	<b>(1.73)</b>	(2.01)
Total assets (in million euros) comp. to financial year-end 2013			<b>2,320.1</b>	1,885.4
Employees (as at 30 June)			<b>8,696</b>	8,979

### 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,

For the first time since 2009, airberlin is reporting a second quarter profit. Compared to the second quarter of the prior year, the result for the period increased by nearly EUR 47 million to EUR 8.6 million. The result from operating activities also improved by 16 per cent compared to the prior year. In addition to our efforts at improving efficiency and reducing costs, we are also seeing success from our numerous new product offers which have been well received by our passengers. This enabled us to maintain our load and revenue per available seat kilometres (ASK) close to the prior year's level while costs per ASK saw a better-than-average decline. We are also benefiting from our strategic partnership with Etihad Airways and our participation in the **oneworld**<sup>®</sup> family. Our codeshares with Etihad Airways in the first half of 2014 grew seven per cent and our **oneworld** codeshares have also risen seven per cent. This has allowed us to achieve a slightly higher level of overall revenue and a three per cent rise in flight revenue per passenger, despite the continued difficult market environment and persistent pressure on prices.

Both our equity and liquidity strengthened significantly with the successful completion of our recapitalisation programme in the second quarter of 2014. Compared to the end of the first quarter, our equity position saw a considerable rise of EUR 128.6 million and, by the end of the first half of 2014, airberlin had cash and cash equivalents and undrawn cash facilities of more than EUR 900 million – a new record.

This provides us the necessary flexibility to not only redeem the upcoming maturing bonds but also to further push our recent restructuring programme. Despite the progress made in the first half of 2014, the turnaround in earnings is clearly not sufficient enough to constitute a solid basis for sustainable earnings growth.

First elements of the programme can already be outlined. Primarily, and in addition to our services on long-haul routes and European and tourist destinations, we will focus our route network on the growth areas of our home region, the German-speaking countries (DACH) and Palma de Mallorca, and enhance our product range by using higher frequencies and more point-to-point offers. Our focused route network will allow for a capacity reduction by approximately ten per cent and a significantly improved operating efficiency. We review the effectiveness of our operational platform and will establish a new structure. This will, together with the newly focused network, eliminate low-margin businesses and allow for a reduction in the fleet. In addition, the concentration of our crew bases by closing down five bases will improve the efficiency of our crew. We will achieve additional synergy effects through an even closer cooperation with Etihad Airways and their network partners. A key element of this will be the establishment of a close bilateral cooperation with Alitalia. We will optimise our market presence and our dedicated distribution approach in the individual business segments by applying new commercial capabilities. Further systematic improvements in our product range to reach a higher level of individuality are also elements of the programme.

Dear shareholders, I am very confident that these measures will lead airberlin to a sustainable level of profitability within the next three years.

BERLIN, AUGUST 2014



**WOLFGANG PROCK-SCHAUER**

CHIEF EXECUTIVE OFFICER

# THE AIRBERLIN SHARE

## SHARE PRICE PERFORMANCE

In the first half of 2014, the German stock market initially experienced fluctuations at record levels. After the first five months, the DAX index repeatedly exceeded the range of 9,000 to 9,750 points in quick succession and went on to achieve new all-time highs in June above 10,000 points. The sideways movement, which occurred until May, was the result of conflicting factors. There was a negative impact from the price declines experienced in the stock markets of the emerging markets, burdensome geopolitical influences such as the deepening crisis in Ukraine, and speculation of premature interest rate hikes by the U.S. Federal Reserve. Positive signals initially appeared as a result of rising early indicators in Europe, successful bond placements by former crisis countries such as Ireland and Portugal, and from the monetary policies of the European Central Bank.

However, spreading fears regarding the impact of escalations in the Ukraine and in the Middle East and the increasingly negative news coming from the economy and the financial sector recently dominated the capital markets and the German stock market. While the heightened geopolitical situation was reflected in much weaker leading sentiment indicators, the indicators reflecting the current situation in several of the industrialised countries, especially in Europe and in Japan, showed increasing signs of a slowdown. German industrial order intake and production, for example, declined repeatedly with Italy slipping back into a recession and France showing tendencies for a widespread slowdown. This caused a strong correction in the German stock market and recently pushed the DAX below 9,000 points.

In the first few months of the current year, the airberlin share moved strongly higher from its 2013 closing level of EUR 1.66 to a peak for the year of EUR 2.35 on 19 March 2014. The positive stimulus and thus successful start to the 2014 trading year was set off initially by the joint annual kick-off press conference of Etihad Airways and airberlin and a confirmation of their long-term commitment to their partnership. Thereafter, the airberlin share was supported by the announcement of advanced discussions between airberlin, its shareholders, and funding partners on measures to recapitalise the Company, the successful outcome of these discussions, and the subsequent rapid recapitalisation of the Company. Further on, announcements of a weak initial quarter in 2014 and a change in the general market environment resulted in a fall in the airberlin share price. On 30 June 2014, the share traded at EUR 1.36 and was also unable to escape the general market weakness in the weeks following the half year.

## 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 second quarter of 2014, a total of six analysts and research houses covered airberlin. One analyst took a neutral stance on the airberlin share and four recommended selling or underweighting the share. One analyst recommended underweighting the outstanding bonds.

## CAPITAL MEASURES IN THE SECOND QUARTER OF 2014

Etihad Airways has made a commitment to subscribe to the subordinated convertible bonds with a total nominal amount of EUR 300 million and an interest coupon of 8.00 per cent per annum to be issued in the course of the 2014 financial year and guaranteed by Air Berlin PLC, the parent company of the airberlin group (hereinafter also referred to as the "Company"). 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"). The Company is entitled, but not required, to make interest payments. Any unpaid interest will be accumulated and added to the original debt. Under the International Financial Reporting Standards (IFRS), the convertible bonds constitute equity for the Company. The bonds will be issued in three tranches, each totalling EUR 100 million. The issue of the first tranche of convertible bonds took place on 20 May 2014. The remaining tranches are to be issued on 28 August 2014 and 27 November 2014.

The term of the shareholder loan granted by Etihad Airways in the amount of USD 255 million has been extended from 31 December 2016 to 31 December 2021.

In May 2014, airberlin received proceeds totalling EUR 252 million through the issuance of two corporate bonds: A bond denominated in euro with a volume of EUR 170 million and a bond denominated in Swiss francs with a volume of CHF 100 million. The total cash inflow consisted of EUR 162.706 million and CHF 92.725 million, whereas investors in the outstanding bonds maturing in 2014 and 2015 converted a total amount of EUR 12.63 million into the new bonds. The difference to the EUR 252 million represents a cash inflow for airberlin.

#### Main shareholders in Air Berlin PLC as at 30 June 2014

Shareholders	Holdings in %
Etihad Airways PJSC	29.21
ESAS Holding A.S.	12.02
Hans-Joachim Knieps	5.10
Leibniz-Service GmbH / TUI Travel PLC	3.37
Werner Huehn	2.51
Joachim Hunold	1.95
Severin Schulte	1.69
Johannes Zurnieden	1.16
Heinz-Peter Schlüter	1.03
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	0.68
Dr. Hans-Joachim Körber (Chairman Air Berlin PLC)	0.17

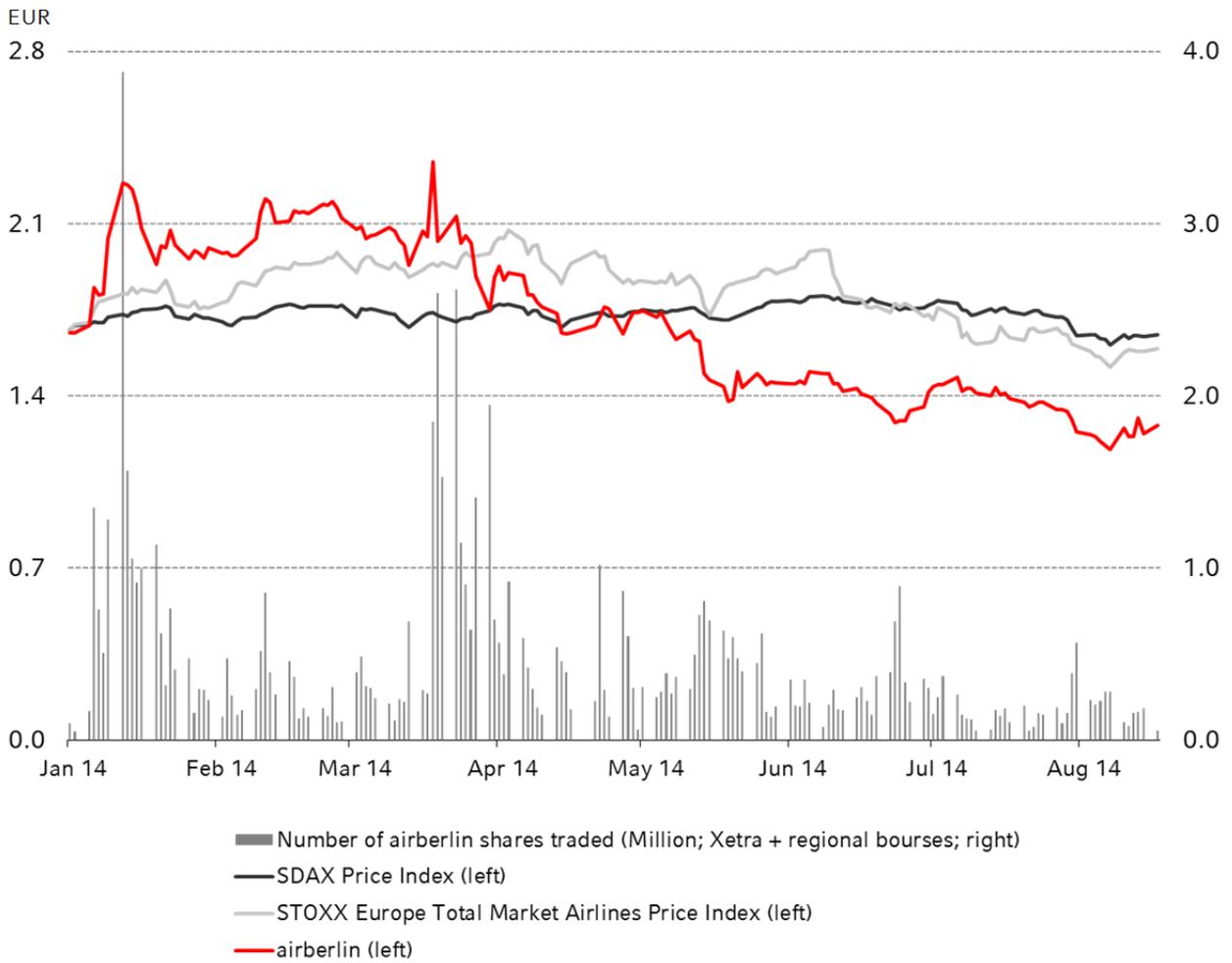
#### Shareholder structure by nationality as at 30 June 2014

Germany	54.86
United Arab Emirates	29.21
Turkey	12.02
Norway	0.73
USA	0.66
Liechtenstein	0.56
Other EU countries / EEA countries	1.55
Other countries	0.39

#### Distribution of share capital as at 30 June 2014

Private stock owners	43.78
Investment companies, credit institutions, and insurance companies	2.07
Other institutional investors and corporations	54.15

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



Source: Thomson Reuters

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**The Air Berlin PLC share in the first six 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 shares as at 30 June 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 six months of 2014**


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Trading segment:	Regulated market (Prime Standard)
Primary industry:	Transportation and logistics
Industry group:	Airlines
Indices:	Prime All Share, Classic All Share
Designated Sponsors:	Commerzbank AG
Market capitalisation as at 30 June 2014:	EUR 158.849 million
Free Float according to Deutsche Börse AG as at 30 June 2014:	53.66 %
Free Float market capitalisation as at 30 June 2014:	EUR 85.238 million
Average trading volume Q2 2014 in units (XETRA / all German exchanges):	273,839 / 329,103
Average trading volume 6M 2014 in units (XETRA / all German exchanges):	349,798 / 432,842

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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

After an encouraging start in the first three months of 2014, the growth rate of the world economy experienced a noticeable slowdown in the second quarter. This was due mainly to increasing geopolitical tensions and to seasonal effects – the spring recovery turned out to be very weak after the mild winter. Sentiment was dampened by the Ukraine crisis in particular, the subsequent economic sanctions against Russia, and military escalation in the Middle East. These developments had a direct effect on the aviation industry and, consequently, airberlin and lead to significant declines in traffic in the regions concerned.

Above and beyond the rather limited direct effects, uncertainty factors have, thus far, had a significant impact on economic sentiment and clouded future expectations. Thus, the Ifo Business Climate Index for the euro area economy recently fell significantly, especially with regard to expectations for the next six months. In July, for the third consecutive time, the Ifo Business Climate Index in Germany declined. Both the assessment of the current situation and the expectations for future business contributed to this weakness. The Federal Government's assessment of the economic situation in Germany published in August 2014 stated that industrial orders, production, and sales have weakened. In spite of the continued strength of consumer demand, the Federal Government expects an economic slowdown in the second quarter.

### The air travel sector

The International Air Transport Association, IATA, reported a 5.9 per cent increase in global passenger traffic in the first half of 2014 following an increase of 4.8 per cent in the same period last year. The current year has been characterised by an acceleration in the second quarter. Revenue passenger kilometres, or RPK, increased by 5.9 per cent worldwide and by 6.1 per cent in Europe. Capacity also grew by 5.6 per cent worldwide. At 79.3 per cent, utilisation was only slightly above the prior year's figure of 79.0 per cent. The development in Europe was better with capacity growing 5.7 per cent and the utilisation rate of the European carriers reaching 79.3 per cent in the six-month period. In the first half of 2013, the rate stood at 78.7 per cent.

According to the German Airports Association (ADV), over 96.0 million passengers were handled at the 22 international airports in Germany in the first half of 2014. Compared to the same period of the prior year, passenger numbers rose by 2.1 per cent. While German domestic air traffic stagnated at +0.1 per cent, European traffic grew by 3.0 per cent. Even intercontinental traffic increased by 1.9 per cent. Commercial flight movements in the first six months started to grow again for the first time in two years and increased 0.4 per cent. German domestic traffic recovered after the sharp declines in 2013 and has continued to remain at the prior year's level since the start of the year.

## IMPORTANT EVENTS IN THE SECOND QUARTER OF 2014

22 April 2014: airberlin expands its portfolio of mobile services. As the first airline worldwide, airberlin enables iPhone users to board with their smartwatches via barcode. Users of airberlin's iPhone app can send a digital boarding pass to their smartwatch if they have a Pebble or Pebble Steel smartwatch. The smartphone and the watch synchronise with one another making boarding directly with the smartwatch possible.

27 April 2014: airberlin announces that it has created the conditions necessary for a substantial recapitalisation as the basis for an accelerated turnaround for sustainable profitability. The programme is aiming to generate a cash inflow of EUR 450 million to strengthen the Company's equity and liquidity. Of this amount, a total of EUR 300 million is to be generated by subordinated, perpetual convertible bonds and an additional net amount of EUR 150 million in corporate bonds offered for subscription as of 28 April 2014 following the refinancing of an exchange offer for bonds maturing in 2014 and 2015.

28 April 2014: Our strategic partner, Etihad Airways, announces its support for airberlin's accelerated restructuring programme and Etihad's EUR 300 million subscription to a subordinated eight per cent convertible bond with a perpetual maturity.

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 has successfully implemented restructuring measures in his area of responsibility.

2 May 2014: airberlin announces the close of the order book for the new bonds having a total nominal value of at least EUR 250 million and a term running until 2019, which had been offered since 28 April 2014. The new bonds are denominated in EUR (coupon of 6.75% per annum) and in CHF (coupon of 5.625% per annum).

8 May 2014: airberlin successfully executes the announced recapitalisation through the placement of new bonds and subordinated, perpetual convertible bonds subscribed to by Etihad Airways. The recapitalisation comprises a total volume of EUR 550 million.

3 June 2014: airberlin and the Flughafen Berlin Brandenburg GmbH (the operating company of the Berlin Brandenburg BER airport) reach an out of court settlement agreement in connection with damages claims due to the delay in opening the Berlin Brandenburg BER airport in 2012.

5 June 2014: The British travel magazine, Business Destinations, presents airberlin with the "Business Destinations Travel Award 2014" in the category of "Best Business Class Airline Europe". On every business class flight with airberlin, passengers enjoy the comfort of new full-flat seats with massage features, inflight entertainment, increased privacy, and direct access to the aisle from every seat in addition to the existing facilities. A majority of seats also have single seating arrangements.

18 June 2014: The Air Berlin PLC Annual General Meeting confirms the 2013 annual financial statements. At the same time, four members of the Board of Directors are elected for another term in office and all other resolutions are adopted. Johannes Zurnieden, Nicholas Teller, Dr. Lothar Steinebach, and Andries van Luijk were re-elected to the Board by the shareholders.

## BUSINESS DEVELOPMENT

### Report on the operating performance

During the first half of 2014, airberlin strived to reduce the previous seasonal fluctuations between the winter and summer flight schedules by introducing new codeshares and by expanding its existing tourist destinations and long-haul routes to include year-round offers as well as higher frequencies. At the same time, this should lead to the optimisation of aircraft use as well as higher employee productivity throughout the year. During the first half, 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 3.7 per cent from 18,166,237 to 18,852,624 seats in comparison to the first half of the previous year. In the reporting quarter, capacity increased at a similar rate of 3.7 per cent to 11,047,135 seats from 10,648,181 in the prior year quarter. With 111,992 take-offs, there were 3.2 per cent more flights as in the prior year (108,551) and the average flight distance was marginally higher at 1,468 km. In total, airberlin's aircraft completed 202,497 flight hours, an increase of 1.9 per cent over the previous year (198,687). The number of passengers (PAX) increased slightly to 14,633,797 passengers after 14,603,058 in the previous year's period.

In the course of expanding our offers, the number of available seat kilometres (ASK) rose 3.8 per cent to 27.66 billion after 26.63 billion in the prior half-year. Revenue passenger kilometres (RPK) increased 1.0 per cent to 22.72 billion after 22.50 billion. This resulted in an utilisation level of 82.16 per cent in the first half of 2014 compared to 84.49 per cent in the previous year period.

During the six-month period, flight revenue (including taxes and securities fees) per guest amounted to EUR 119.00 after EUR 118.72 (Q2: EUR 120.52 after EUR 116.97) and total revenue per guest was EUR 130.40 after EUR 129.79 (Q2: EUR 130.66 after EUR 127.10). Total revenue per ASK in the six-month period was 3.6 per cent lower (6.90 eurocents after 7.16 eurocents; Q2: 7.16 eurocents after 7.20 eurocents). The decline in yields was offset by lower unit costs resulting from the further implementation of the restructuring measures. In the six-month period, operating expenses per ASK at the EBIT level (before other operating income) dropped by 5.7 per cent (7.61 eurocents after 8.07 eurocents). In the reporting quarter, they declined 3.7 per cent from 7.51 eurocents to 7.23 eurocents.

### Key operating figures for Q2 2014

	+/- %	Q2 2014	Q2 2013
Aircraft (as at 30 June)	-2.0	144	147
Flights	+2.9	65,330	63,486
Destinations (as at 30 June)	-15.2	128	151
Passengers	+1.0	8,774,137	8,684,008
Available seats (capacity)	+3.7	11,047,135	10,652,624
Available seat kilometres (billions; "ASK")	+3.5	16.01	15.47
Revenue passenger kilometres (billions; "RPK")	+1.9	13.19	12.95
Seat load factor (%; RPK/ASK)	-1.31*	82.40	83.71
Number of block hours	+2.1	135,360	132,590

### Key operating figures for H1 2014

	+/- %	H1 2014	H1 2013
Aircraft (as at 30 June)	-2.0	144	147
Flights	+3.2	111,992	108,551
Destinations (as at 30 June)	-15.2	128	151
Passengers	+0.2	14,633,797	14,603,058
Available seats (capacity)	+3.7	18,842,168	18,165,237
Available seat kilometres (billions; "ASK")	+3.9	27.66	26.63
Revenue passenger kilometres (billions; "RPK")	+1.0	22.72	22.50
Seat load factor (%; RPK/ASK)	-2.33*	82.16	84.49
Number of block hours	+1.7	231,595	227,702

\* percentage points

### airberlin group's fleet of aircraft

Number of aircraft	30 June 2014	30 June 2013
A319	9	8
A320	40	40
A321	17	16
A330-200	14	14
B737-700	9	15
B737-800	36	37
Q400	12	10
E-190	7	7
<b>Total</b>	<b>144</b>	<b>147</b>

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

The Group's total assets at the close of the first six months of the 2014 financial year were 23.1 per cent higher (EUR 2,320.1 million after EUR 1,885.5 million) compared to the 31 December 2013 reporting date. Non-current assets fell from EUR 1,112.1 million to EUR 1,072.8 million. No single line item recorded an increase. Current assets grew 61.3 per cent to EUR 1,247.3 million after EUR 773.4 million. All line items recorded strong growth except for the item "assets held for sale", which declined from EUR 30.3 million to zero following the disposal of aircraft. Trade receivables amounted to EUR 507.0 million after EUR 406.0 million and cash and cash equivalents totalled EUR 600.7 million after EUR 223.1 million.

Shareholders' equity declined as a result of the customary seasonal earnings weakness experienced in the first half of the year. After recording EUR -186.1 million as at the reporting date of 31 December 2013, shareholders' equity amounted to EUR -270.5 million as at 30 June 2014. Compared to the end of the first quarter (EUR -399.1 million), shareholders' equity grew by EUR 128.6 million. This included a sum of EUR 100.9 million from the first tranche of the subordinated convertible bonds subscribed to by Etihad Airways in the course of the 2014 financial year. Under IFRS, the convertible bonds are classified as equity.

Non-current liabilities increased 36.9 per cent and amounted to EUR 1,219.1 million after EUR 890.7 million at the end of financial year 2013. This increase, compared to the end of 2013, resulted primarily from a high level of financial liabilities (EUR 944.1 million after EUR 605.3 million). This reflects the issue of two new bonds denominated in EUR and CHF in the second quarter of the current financial year. In contrast, financial liabilities from aircraft financing (EUR 166.7 million after EUR 178.4 million) and non-current deferred tax liabilities (EUR 25.9 million after EUR 29.7 million) declined. Financial liabilities from aircraft financing contained within current liabilities also declined (EUR 53.4 million after EUR 76.9 million). Overall, current financial liabilities fell by EUR 14.3 million to EUR 144.2 million. Advance payments received climbed 54.5 per cent to EUR 662.6 million compared to EUR 428.9 million at the end of 2013 and were in line with typical seasonal patterns. At the end of the first half of the previous year, advance payments had amounted to EUR 626.5 million. In total, current liabilities at the close of the first half of 2014 were 16.2 per cent higher than the level at the end of 2013 (EUR 1,371.5 million after EUR 1,180.8 million).

After the first six months of the year, total non-current and current financial liabilities came to EUR 1,308.4 million after a reported EUR 1,019.1 million at the end of financial year 2013. Total non-current and current liabilities overall amounted to EUR 2,590.6 million after EUR 2,071.5 million. Net debt equalled EUR 707.7 million as at 30 June 2014 after EUR 801.0 million as at 31 March 2014 and EUR 796.0 million as at the year-end 2013 reporting date.

Net cash flows from operating activities after interest paid and received and net of income taxes paid amounted to EUR -43.4 million in the first six months of the current financial year. In the previous year's period, cash proceeds of EUR 21.7 million were recorded. The cash outflow resulted from the loss for the period. Payments for investments in non-current assets amounted to EUR 8.7 million in the first half, while proceeds from the sale of non-current assets totalled EUR 35.3 million. Cash flows from investing activities totalled EUR 20.3 million after EUR 57.3 million in the prior year. Cash flows from financing activities amounted to a cash inflow of EUR 398.5 million. Net proceeds of EUR 454.3 million included the increase in the April 2011 bond issue in the first quarter and the issue of two new bonds and the first tranche of the convertible bonds subscribed to by Etihad Airways in the second quarter. This was in contrast to the redemption of financial liabilities in the amount of EUR 55.7 million. Net cash and cash equivalents at the end of the first half of the current financial year amounted to EUR 600.5 million as a result of a net cash inflow of EUR 375.3 million.

## Results of operations

### Second quarter of 2014

Group revenue in the reporting quarter grew 2.9 per cent to EUR 1,146.4 million after EUR 1,114.5 million in the same quarter of the prior year. Flight revenue rose 3.1 per cent and amounted to EUR 1,057.5 million after EUR 1,025.6 million. Revenues from ground services and other services were stable in the reporting quarter at EUR 81.1 million after EUR 81.0 million. Revenues from inflight sales were also left virtually unchanged at EUR 7.8 million after EUR 7.9 million. Other operating income totalled EUR 4.9 million in the reporting quarter. The amount achieved in the prior year's quarter of EUR 39.2 million had included one-time gains.

As in the first quarter, operating expenses declined slightly in the second quarter to EUR 1,158.1 million after EUR 1,161.8 million in the course of implementing the Turbine turnaround programme and despite an increase in production. Expenses for materials and services decreased marginally to EUR 838.3 million after EUR 845.0 million. Airport fees were one of the main cost drivers in the reporting quarter and increased by 4.5 per cent from EUR 218.3 million to EUR 228.1 million. Navigation expenses (EUR 73.3 million after EUR 71.7 million) and the German aviation tax (EUR 41.4 million after EUR 37.9 million) also drove costs higher. On the other hand, fuel expenses declined by 3.1 per cent to EUR 277.4 million after EUR 286.2 million largely as the result of currency effects. Leasing expenses declined significantly by 5.9 per cent to EUR 141.2 million after EUR 150.0 million. The fuel expense ratio experienced a drop to 26.2 per cent of flight revenue compared to 27.9 per cent in the previous year's quarter.

As in the first quarter, personnel expenses rose to EUR 135.1 million after EUR 118.5 million due to collective wage increases in the course of 2013 despite a lower number of employees. Depreciation and amortisation was 28.2 per cent below the prior year's level and amounted to EUR 17.6 million after EUR 24.5 million, mainly as the result of a lower number of aircraft owned and aircraft held for sale in the prior year period. Other operating expenses declined 3.8 per cent to EUR 167.1 million after EUR 173.7 million.

Operating earnings before depreciation, amortisation, and leasing costs (EBITDAR) in the reporting quarter amounted to EUR 152.0 million after recording EUR 166.4 million in the previous year's quarter. Operating income after leasing costs (EBITDA) amounted to EUR 10.7 million after EUR 16.4 million. Operating income (EBIT) improved to a level of EUR –6.9 million in the reporting quarter after EUR –8.1 million. Net financing income of EUR 9.5 million in the reporting quarter resulted from foreign currency gains and derivative positions (EUR 31.8 million after EUR 1.9 million). In the prior year's period, net financing costs had totalled EUR 17.7 million.

The result before tax amounted to EUR 2.6 million after EUR –25.2 million in the previous year. After EUR 6.0 million in income tax benefits (prior year: expense of EUR –12.8 million), the result for the period improved by EUR 46.6 million and totalled EUR 8.6 million after EUR –38.0 million in the prior year's quarter. Basic and diluted earnings per share amounted to EUR 0.07 after EUR –0.33 and EUR 0.03 after EUR –0.33, respectively.

#### **First half of 2014**

In the six-month period of 2014, revenues amounted to EUR 1,908.2 million after EUR 1,906.4 million. Other operating income stood at EUR 7.9 million after EUR 46.9 million. Operating expenses declined 2.0 per cent to EUR 2,105.8 million after EUR 2,149.8 million. Operating income amounted to EUR –189.7 million after totalling EUR –196.5 million in the prior year's period. After the first six months, net financing costs were EUR –21.1 million after EUR –42.7 million. Following income tax benefits of EUR 9.6 million (prior year: EUR 4.3 million) and an insignificant portion of at equity investments (prior year: EUR –0.6 million), the loss for the period in the first half of 2014 amounted to EUR –201.2 million after EUR –234.3 million for the prior year's period. Basic and diluted earnings per share were EUR –1.73 after EUR –2.01.

## **EMPLOYEES**

After the first six months of financial year 2014, the airberlin group employed a total of 8,696 employees compared to 8,979 at the end of the same quarter in the prior year and 8,905 at the end of financial year 2013. Of these, 4,036 employees (2013 year-end: 4,200) were employed as ground staff and 4,660 men and women were part of the flying crew (2013 year-end: 4,705). The crew consisted of 3,302 cabin crew and 1,358 cockpit crew (2013 year-end: 3,374 and 1,331). As at 30 June 2014, 77 young people were in training at airberlin (2013 year-end: 105).

## PRINCIPAL RISKS AND UNCERTAINTIES

The risks mentioned in the chapter "Principal Risks and Uncertainties" of 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. New material risks arising from an increase in regional conflicts in the Middle East and particularly in the Ukraine affect the entire aviation industry. airberlin took action at a very early stage and discontinued flights over these regions and rerouted flights to alternative routes which avoided the vulnerable air spaces in the Ukraine by a wide margin.

### Financial Risks

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

The negative equity of the airberlin group as at 30 June 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. By the recapitalisation agreements successfully concluded in the second quarter of 2014, airberlin has received and continues to receive new funds via various financing instruments. A total of approximately EUR 252 million was received by issuing corporate bonds. Furthermore, our strategic partner, Etihad Airways, subscribed to EUR 300 million in subordinated convertible bonds guaranteed by Air Berlin PLC. These are perpetual convertible bonds. Under the IFRS regulations, these convertible bonds constitute equity for airberlin because of the bonds' conditions. Three tranches, each totalling EUR 100 million, will be issued in the course of the financial year 2014. Additionally, the term of the USD 255 million shareholder loan granted by Etihad Airways has been extended from 31 December 2016 to 31 December 2021.

The Directors and Members of the Management Board have come to the reasonable assumption that the Company commands the necessary resources 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 as at 30 June 2014 and the successful recapitalisation.

## REPORT ON FORECASTS AND OTHER STATEMENTS REGARDING EXPECTED DEVELOPMENT

### Overall economic and industry environment

From the German Federal Government's perspective, the global economy is continuing its course of gradual recovery and positive cyclical forces are coming into play. These will be supported in the industrialised countries by the highly accommodative monetary policies and less restricted fiscal policies. However, the recovery is very slow in the euro area. In addition to addressing structural challenges, the Russia-Ukraine conflict is causing uncertainty. The growth momentum in the emerging markets is also currently subdued. With this in mind, in late July the International Monetary Fund IMF lowered its global 2014 economic growth forecast to 3.4 per cent. Downside risks have increased as a result of the geopolitical situation. In Germany, domestic demand remains the main pillar of the economy, especially since the job market is still showing robust development.

According to IATA, the demand for air travel remains strong, however, the risks have risen significantly. These include greater uncertainty with regard to the geopolitical and global economic situations, whereby these have varying effects on the individual airlines. Special emphasis has been given to the risk to aviation connected to the Ebola outbreak in Africa. All in all, IATA continues to expect the industry's profitability to improve in the year 2014.

## Business development

The third quarter started with difficult conditions for all airlines. airberlin also suffered from the slump in traffic to and from Russia and Israel in July 2014. In addition, the World Cup kept many people at home, especially in Germany. As a result, airberlin was not quite able to maintain the prior year's level of passengers on its global network and reported 3,353,948 passengers in July, or a 1.4 per cent decline. Despite a 1.1 per cent decline in the ASK to 5.939 billion, capacity utilisation fell slightly to 85.2 per cent and was slightly below the same month of the prior year since the RPK fell even more by 2.7 per cent to 5.060 billion. In the first seven months, the number of passengers totalled 17,987,745 or close to the prior year's level (-0.1 per cent). During the period of January to July, the RPK rose to 27.781 billion (prior year: 27.696 billion) and the ASK grew to 33.595 billion (prior year: 32.630 billion).

The recently announced and now formulated restructuring programme essentially includes, additionally to airberlin's continued service on long-haul routes and European and tourist destinations, the realignment of the airberlin route network with a focus on the growth areas of our home region, the German-speaking countries (DACH), and Palma de Mallorca. Here, the product range will be enhanced through higher frequencies and more point-to-point offers. The optimised route network is expected to lead to an overall capacity reduction of ten per cent, lessen the seasonality previously experienced by our operating business, and thus reduce the fluctuations over the course of the year. In addition, the efficiency in operations is expected to increase significantly. The effectiveness of airberlin's operational platform will be checked and a new structure established. Together with the focused route network, these measures are expected to eliminate low-margin businesses and allow for a reduction in the fleet of approximately 10 units. Additionally, the concentration of the crew bases through the closure of five bases will help improve the efficiency of the crew. airberlin expects to generate additional synergy effects through an even closer cooperation in all relevant areas with Etihad Airways and their network partners. A key element of this will include the establishment of a close bilateral cooperation with Alitalia. We will optimise our market presence and our dedicated distribution approach in the individual business segments by applying new commercial capabilities such as a new revenue management system. Further systematic improvements in airberlin's product range to reach a higher level of individuality are also elements of the programme.

By implementing the restructuring programme airberlin expects to reach a sustainable level of profitability within the next three years. airberlin will present the key cornerstones of the restructuring programme and its one-off expenses to the public in September 2014. Together with the presentation, the outlook for the financial year 2014 will be concretised.

## EVENTS AFTER THE REPORTING DATE

1 July 2014: Götz Ahmelmann assumes the post of Chief Commercial Officer (CCO). He becomes responsible for the entire sales and marketing areas within the airberlin group. With the commencement of his position, airberlin is also restructuring the airline's sales area. Beginning on 1 July 2014, the sales organisation is divided into three areas: the tour operating business, agency sales, and the new sales area of Online Sales & Direct Channels in order to better target and serve a variety of customers using the sales channels available.

## 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

Ulf Hüttmeyer Chief Financial Officer

Götz Ahmelmann Chief Commercial Officer (since 1 July 2014)

Marco Ciomperlik Chief Restructuring Officer (since 1 May 2014)

Dr. Martina Niemann Chief Human Resources Officer

John Shepley Chief Strategy and Planning Officer (since 1 May 2014)

Helmut Himmelreich Chief Operating Officer (until 31 May 2014)

Approved by the Directors on 20 August 2014

## WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

## DECLARATION BY THE LEGAL REPRESENTATIVES PURSUANT TO SECTION 37Y WPHG AND THE "DISCLOSURE AND TRANSPARENCY RULES" OF THE UNITED KINGDOM

I confirm that to the best of my knowledge and according to the applicable accounting standards for interim reporting the interim consolidated financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group and that the interim Group management report conveys a fair review of the development of the business including the financial performance and the position of the Group, together with a description of the main opportunities and risks relating to the Group's anticipated development in the remainder of the financial year, and includes a fair review of any information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Berlin, 20 August 2014

signed Prock-Schauer

## Air Berlin PLC

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

for the period ended 30 June 2014

	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
	€ 000	€ 000	€ 000	€ 000
<b>Revenue</b>	<b>1,908,189</b>	1,906,350	<b>1,146,389</b>	1,114,479
<b>Other operating income</b>	<b>7,926</b>	46,949	<b>4,852</b>	39,161
Expenses for materials and services	<b>(1,471,578)</b>	(1,526,267)	<b>(838,320)</b>	(845,035)
Personnel expenses	<b>(260,501)</b>	(241,026)	<b>(135,063)</b>	(118,546)
Depreciation and amortisation	<b>(35,280)</b>	(43,176)	<b>(17,606)</b>	(24,512)
Other operating expenses	<b>(338,446)</b>	(339,375)	<b>(167,108)</b>	(173,660)
<b>Operating expenses</b>	<b>(2,105,805)</b>	(2,149,844)	<b>(1,158,097)</b>	(1,161,753)
<b>Result from operating activities</b>	<b>(189,690)</b>	(196,545)	<b>(6,856)</b>	(8,113)
Financial expenses	<b>(47,494)</b>	(45,700)	<b>(26,352)</b>	(25,093)
Financial income	<b>4,222</b>	6,927	<b>4,017</b>	5,513
Result on foreign exchange and derivatives, net	<b>22,195</b>	(3,914)	<b>31,791</b>	1,873
<b>Net financing costs</b>	<b>(21,077)</b>	(42,687)	<b>9,456</b>	(17,707)
Share of at equity investments, net of tax	<b>3</b>	637	<b>3</b>	637
<b>Result before tax</b>	<b>(210,764)</b>	(238,595)	<b>2,603</b>	(25,183)
Income tax result	<b>9,587</b>	4,275	<b>6,021</b>	(12,790)
<b>Result for the period</b>	<b>(201,177)</b>	(234,320)	<b>8,624</b>	(37,973)
of which: attributable to hybrid capital investors	<b>918</b>	0	<b>918</b>	0
of which: attributable to Air Berlin PLC shareholders	<b>(202,095)</b>	(234,320)	<b>7,706</b>	(37,973)
<b>Basic earnings per share in €</b>	<b>(1.73)</b>	(2.01)	<b>0.07</b>	(0.33)
<b>Diluted earnings per share in €</b>	<b>(1.73)</b>	(2.01)	<b>0.03</b>	(0.33)

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

	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
	€ 000	€ 000	€ 000	€ 000
<b>Result for the period</b>	<b>(201,177)</b>	<b>(234,320)</b>	<b>8,624</b>	<b>(37,973)</b>
Foreign currency translation reserve	110	(132)	11	(46)
Effective portion of changes in fair value of hedging instruments	11,003	(31,507)	21,199	(47,261)
Net change in fair value of hedging instruments transferred from equity to profit or loss	12,631	14,404	7,111	11,462
Remeasurement of net defined liability	0	0	0	0
Income tax on other comprehensive income	(6,986)	5,075	(8,308)	10,642
<b>Other comprehensive income for the period, net of tax</b>	<b>16,758</b>	<b>(12,160)</b>	<b>20,013</b>	<b>(25,203)</b>
<b>Total comprehensive income</b>	<b>(184,419)</b>	<b>(246,480)</b>	<b>28,637</b>	<b>(63,176)</b>
of which: attributable to hybrid capital investors	918	0	918	0
of which: attributable to Air Berlin PLC shareholders	(185,337)	(246,480)	27,719	(63,176)

**Air Berlin PLC****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)****as of 30 June 2014**

	30/06/2014	31/12/2013
	€ 000	€ 000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	412,389	415,893
Property, plant and equipment	477,246	497,846
Trade and other receivables	107,051	115,301
Deferred tax asset	16,835	17,063
Positive market value of derivatives	21	105
Net defined benefit asset	3,455	3,455
Deferred expenses	49,092	55,744
At equity investments	6,666	6,666
<b>Non-current assets</b>	<b>1,072,755</b>	<b>1,112,073</b>
<b>Current assets</b>		
Inventories	58,263	53,043
Trade and other receivables	507,019	406,027
Positive market value of derivatives	22,164	14,350
Deferred expenses	59,149	46,620
Assets held for sale	0	30,309
Cash and cash equivalents	600,742	223,063
<b>Current assets</b>	<b>1,247,337</b>	<b>773,412</b>
<b>Total assets</b>	<b>2,320,092</b>	<b>1,885,485</b>

## Air Berlin PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as of 30 June 2014

	30/06/2014	31/12/2013
	€ 000	€ 000
<b>Equity and liabilities</b>		
<b>Total 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	(1,064,270)	(862,175)
Hedge accounting reserve, net of tax	10,744	(5,904)
Foreign currency translation reserve	3,302	3,192
Remeasurement of the net defined benefit obligation	(3,188)	(3,188)
<b>Equity attributable to the shareholders of the Company</b>	<b>(371,401)</b>	<b>(186,064)</b>
<b>Equity attributable to the hybrid capital investors</b>	<b>100,918</b>	<b>0</b>
<b>Total equity</b>	<b>(270,483)</b>	<b>(186,064)</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities due to aircraft financing	166,700	178,391
Interest-bearing liabilities	944,090	605,265
Provisions	4,286	4,356
Trade and other payables	77,520	72,405
Deferred tax liabilities	25,870	29,707
Negative market value of derivatives	610	577
<b>Non-current liabilities</b>	<b>1,219,076</b>	<b>890,701</b>
<b>Current liabilities</b>		
Interest-bearing liabilities due to aircraft financing	53,423	76,863
Interest-bearing liabilities	144,230	158,542
Tax liabilities	3,539	3,716
Provisions	6,306	25,777
Trade and other payables	476,180	440,967
Negative market value of derivatives	3,860	23,098
Deferred income	21,386	22,957
Advanced payments received	662,575	428,928
<b>Current liabilities</b>	<b>1,371,499</b>	<b>1,180,848</b>
<b>Total equity and liabilities</b>	<b>2,320,092</b>	<b>1,885,485</b>

## Air Berlin PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the period ended 30 June 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	Equity attributable to the hybrid capital investors	Total equity
	€ 000	€ 000	€ 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>0</b>	<b>130,175</b>
<b>Total transactions with shareholders</b>											
Loss for the period	0	0	0	0	(234,320)	0	0	0	0	0	(234,320)
Other comprehensive income						(12,028)	(132)		(12,160)	0	(12,160)
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(234,320)</b>	<b>(12,028)</b>	<b>(132)</b>	<b>0</b>	<b>(246,480)</b>	<b>0</b>	<b>(246,480)</b>
<b>Balances at</b>											
<b>30 June 2013</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(780,983)</b>	<b>(20,630)</b>	<b>3,297</b>	<b>0</b>	<b>(116,305)</b>	<b>0</b>	<b>(116,305)</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>0</b>	<b>(186,064)</b>
Issue of hybrid capital											
										100,000	100,000
<b>Total transactions with shareholders and hybrid capital investors</b>											
Loss for the period	0	0	0	0	(202,095)	0	0	0	0	100,000	100,000
Other comprehensive income						16,648	110		16,758	0	16,758
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(202,095)</b>	<b>16,648</b>	<b>110</b>	<b>0</b>	<b>(185,337)</b>	<b>918</b>	<b>(184,419)</b>
<b>Balances at</b>											
<b>30 June 2014</b>	<b>29,273</b>	<b>435,085</b>	<b>597</b>	<b>217,056</b>	<b>(1,064,270)</b>	<b>10,744</b>	<b>3,302</b>	<b>(3,188)</b>	<b>(371,401)</b>	<b>100,918</b>	<b>(270,483)</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 30 June 2014

	30/06/2014	30/06/2013
	€ 000	€ 000
Result for the period	(201,177)	(234,320)
<b>Adjustments to reconcile profit or loss to cash flows from operating activities:</b>		
Depreciation and amortisation of non-current assets	35,281	43,176
Result on disposal of non-current assets	(2,456)	(1,332)
Change in inventories	(5,220)	70
Change in trade accounts receivables	(75,639)	(89,226)
Change in other assets and prepaid expenses	(18,773)	(9,439)
Deferred tax result	(10,742)	(5,182)
Change in provisions	(19,541)	(4,912)
Change in trade accounts payable	34,857	69,361
Change in other current liabilities	237,435	252,318
Result on foreign exchange and derivatives, net	(22,195)	3,914
Interest expense	45,094	44,905
Interest income	(4,222)	(5,439)
Income tax result	1,154	907
Share of profit of associates	(3)	(637)
Other non-cash changes	109	(167)
<b>Cash generated from operations</b>	<b>(6,038)</b>	<b>63,997</b>
Interest paid	(37,407)	(43,403)
Interest received	1,418	2,171
Income taxes paid	(1,331)	(1,052)
<b>Net cash flows from operating activities</b>	<b>(43,358)</b>	<b>21,713</b>
Purchases of non-current assets	(8,759)	(16,222)
Net advanced payments for non-current items	(6,164)	(1,070)
Proceeds from sale of tangible and intangible assets	35,255	75,065
Dividends from at equity investments	3	0
Acquisition of at equity investments	0	(466)
<b>Cash flow from investing activities</b>	<b>20,335</b>	<b>57,307</b>
Principal payments on interest-bearing liabilities	(44,204)	(155,104)
Proceeds from issue of interest bearing liabilities	364,559	46,956
Transaction costs related to issue of interest bearing liabilities	(10,326)	0
Redemption of interest bearing liabilities	(11,542)	0
Proceeds from issue hybrid capital	100,000	0
Proceeds from issue of convertible bonds	0	140,000
Transaction costs related to issue of convertible bonds	0	(3,263)
<b>Cash flow from financing activities</b>	<b>398,486</b>	<b>28,589</b>
<b>Change in cash and cash equivalents</b>	<b>375,317</b>	<b>107,609</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>223,006</b>	<b>327,821</b>
Foreign exchange revaluation on cash balances	2,011	1,350
<b>Cash and cash equivalents at end of period</b>	<b>600,480</b>	<b>436,780</b>
thereof bank overdrafts used for cash management purposes	(262)	(118)
thereof cash and cash equivalents in the statement of financial position	600,742	436,898

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS AS OF 30 JUNE 2014

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

## 1. REPORTING ENTITY

The consolidated interim financial statements of Air Berlin PLC for the six months ended 30 June 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 20 August 2014.

## 3. ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING

This interim report up to 30 June 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 30 June 2014 the Group had revenue of € 4,148,633 (prior year: € 4,269,912) and result for the period after tax of € -299,829 (prior year: € 35,958). Furthermore, for the twelve months ended 30 June 2014 the EBIT amounted to € -225,025 (prior year: € 52,260).

## 6. NON-CURRENT ASSETS

During the six months ended 30 June 2014 the Group acquired fixed assets with a cost of € 13,304 (prior year: € 11,781). Assets with a carrying amount of € 22,949 were disposed of during the six months ended 30 June 2014 (prior year: € 70,422).

Capital commitments for property, plant and equipment amount to 3.1 bn USD (prior year: 3.1 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. BONDS AND HYBRID CAPITAL

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.

On 27 April 2014 the group 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 is 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 was 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 amounted to € 141,484 and the outstanding principal amount of the bond due 2015 amounted to € 195,888. Transaction costs in the amount of € 8,203 occurred.

In the second quarter the Group repurchased bonds with maturity November 2014 with a total nominal value of € 11,092 for a purchase price of € 11,542 including accumulated interest. The difference between the purchase price and the book value was recognized in profit and loss.

As of 30 June 2014 available cash to the Group is approximately € 890,000, including the cash and cash equivalents, the second and third tranche of the perpetual bond due in August and November and the available undrawn shareholder loan.

## 9. REVENUE

In thousands of Euro	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Flight revenue	<b>1,741,378</b>	1,743,710	<b>1,057,453</b>	1,025,626
Ground and other services	<b>153,731</b>	149,246	<b>81,089</b>	80,999
Duty-free / in-flight sales	<b>13,080</b>	13,394	<b>7,847</b>	7,854
	<b>1,908,189</b>	1,906,350	<b>1,146,389</b>	1,114,479

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	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Gain on disposal of long-term assets, net	2,456	1,332	2,148	759
Income from insurance claims	1,406	571	782	174
Other	4,063	45,046	1,922	38,228
	7,925	46,949	4,852	39,161

## 11. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Fuel for aircraft	485,466	506,202	277,409	286,211
Airport and handling charges	385,084	389,576	228,138	218,319
Operating leases for aircraft and equipment	269,352	288,254	141,209	149,966
Navigation charges	123,678	120,758	73,335	71,725
Air transportation tax	71,926	68,465	41,083	37,921
Catering costs and cost of materials for in-flight sales	56,311	60,643	36,009	34,314
Other	79,761	92,369	41,137	46,579
	1,471,578	1,526,267	838,319	845,035

The expenses for operating leases for aircraft and equipment include expenses of € 66,268 (prior year: € 55,569) that do not directly relate to the lease of assets.

## 12. PERSONNEL EXPENSES

In thousands of Euro	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Wages and salaries	219,869	198,956	114,421	97,027
Social security	21,421	22,322	10,627	11,068
Pension expense	19,211	19,748	10,015	10,451
	260,501	241,026	135,063	118,546

### 13. OTHER OPERATING EXPENSES

In thousands of Euro	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Repairs and maintenance of technical equipment	116,750	119,370	56,399	60,402
Sales and distribution expenses (incl. commissions)	54,243	59,727	28,057	32,963
Advertising	28,899	25,647	10,983	11,610
Expenses for premises and vehicles	21,394	21,916	10,659	10,856
Travel expenses for cabin crews	13,759	14,817	7,323	8,413
Bank charges	14,668	13,857	8,467	7,946
Insurance	6,984	9,511	3,262	4,522
Training and other personnel expenses	9,908	8,514	4,591	4,360
IT related expenses	8,310	8,296	3,874	4,450
Auditing and consulting fees	12,053	17,613	5,972	8,968
Phone and postage	1,607	2,553	879	1,202
Allowances for receivables	3,259	2,838	2,127	1,430
Other	46,611	34,716	24,516	16,538
	338,445	339,375	167,109	173,660

### 14. NET FINANCING COSTS

In thousands of Euro	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Interest expense on interest-bearing liabilities	(45,093)	(44,905)	(24,438)	(24,320)
Other financial expenses	(2,400)	(795)	(1,914)	(773)
Financial expenses	(47,494)	(45,700)	(26,352)	(25,093)
Interest income on fixed deposits	361	109	326	49
Other financial income	3,861	6,818	3,689	5,464
Financial income	4,222	6,927	4,017	5,513
Result on foreign exchange and derivatives, net	22,195	(3,914)	31,791	1,873
Net financing costs	(21,077)	(42,687)	9,456	(17,707)

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	1/14-6/14	1/13-6/13	4/14-6/14	4/13-6/13
Current income tax expense	(1,154)	(907)	(929)	254
Deferred income tax benefit	10,741	5,182	6,950	(13,044)
Total income tax result	9,587	4,275	6,021	(12,790)

## 16. FAIR VALUE HIERARCHY

The following table presents the group's financial assets and liabilities that are measured at fair value at 30 June 2014.

In thousands of Euro	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivatives classified held for trading	0	21	0	21
Derivatives classified hedge accounting	0	22,164	0	22,164
<b>Total assets</b>	<b>0</b>	<b>22,185</b>	<b>0</b>	<b>22,185</b>
<b>Liabilities</b>				
Derivatives classified held for trading	0	549	0	549
Derivatives classified hedge accounting	0	3,920	0	3,920
Interest bearing liabilities (embedded derivative)	0	1,224	0	1,224
<b>Total liabilities</b>	<b>0</b>	<b>5,693</b>	<b>0</b>	<b>5,693</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 30 June 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 30 June 2014
Trade receivables and other assets	433,629	0	0	0	0	433,629	433,629
Derivatives classified as held for trading with positive market values	0	21	0	0	0	21	21
Derivatives classified as hedge accounting with positive market values	0	0	22,164	0	0	22,164	22,164
Cash and cash equivalents	600,742	0	0	0	0	600,742	600,742
	<b>1,034,371</b>	<b>21</b>	<b>22,164</b>	<b>0</b>	<b>0</b>	<b>1,056,556</b>	<b>1,056,556</b>
Derivatives classified as held for trading with negative market values	0	549	0	0	0	549	549
Derivatives classified as hedge accounting with negative market values	0	0	3,920	0	0	3,920	3,920
Financial liabilities at amortised costs	0	0	0	1,395,183	0	1,395,183	1,423,188
Financial liabilities at fair value	0	0	0	0	1,224	1,224	1,224
Finance lease liabilities	0	0	0	65,679	0	65,679	63,445
Bank overdrafts used for cash management purposes	0	0	0	262	0	262	262
	<b>0</b>	<b>549</b>	<b>3,920</b>	<b>1,461,124</b>	<b>1,224</b>	<b>1,466,817</b>	<b>1,492,588</b>

## 18. CASH FLOW STATEMENT

In thousands of Euro	30/06/2014	30/06/2013
Cash	143	240
Bank balances	474,894	328,949
Fixed-term deposits	125,705	107,709
Cash and cash equivalents	600,742	436,898
Bank overdrafts used for cash management purposes	(262)	(118)
Cash and cash equivalents in the statement of cash flows	600,480	436,780

Cash and cash equivalents include restricted cash of € 116,656 as of 30 June 2014 (prior year: € 99,953).

## 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 € 2,379 (prior year: € 4,179). At 30 June 2014, € 44 (prior year: € 36) 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 30 June 2014 equals € 99,963 including accrued interest. Relating to the loan interest expenses of € 3,760 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 had expenses for commissions, catering and ground services of € 4,043 (prior year: € 1,081) to Etihad Airways PJSC and generated revenue from commissions with Etihad Airways PJSC of € 5,442 (prior year: € 2,528).

At 30 June 2014 € 14,214 (prior year: € 1,431) are included in the trade and other receivables line. The amount of € 870 (prior year: € 74) is included in the trade and other payables line.

During the year ended 30 June 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	2,878	2,741
Interest Income	63	56
Revenue from services	50	0
<b>Binoli GmbH</b>		
Receivables from related parties	161	223
Revenues from ticket sales	4,531	3,871
<b>E190 Flugzeugvermietung GmbH</b>		
Receivables from related parties	1,711	3,566
Expenses for leasing	2,274	1,874
<b>IHY IZMIR HAVAYOLLARI A.S.</b>		
Receivables from related parties	244	3
Income from leasing	981	1,329
<b>Topbonus Ltd</b>		
Receivables from related parties	1,234	557
Payables to related parties	2,172	3,296
Revenues from ticket sales	2,478	1,395
Expenses for miles	10,837	13,789
<b>Ausocon Berlin Call Center GmbH</b>		
Receivables from related parties	22	0
Payables to related parties	1,923	0
Revenues	121	0
Expenses for call center activities	1,923	0

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

## 20. SUBSEQUENT EVENTS

As of 1st July Götz Ahmelmann assumed the post of Chief Commercial Officer (CCO).

## 21. EXECUTIVE DIRECTORS

Wolfgang Prock-Schauer Chief Executive Officer

## 22. MANAGEMENT BOARD

Wolfgang Prock-Schauer Chief Executive Officer

Ulf Hüttmeyer Chief Financial Officer

Götz Ahmelmann Chief Commercial Officer (since 1 July 2014)

Marco Ciomperlik Chief Restructuring Officer (since 1 May 2014)

Dr. Martina Niemann Chief Human Resources Officer

John Shepley Chief Strategy and Planning Officer (since 1 May 2014)

Helmut Himmelreich Chief Operating Officer (until 31 May 2014)

# FINANCIAL CALENDAR 2014

<u>05 September 2014</u>	<u>Traffic figures August 2014</u>
<u>07 October 2014</u>	<u>Traffic figures September 2014</u>
<u>06 November 2014</u>	<u>Traffic figures October 2014</u>
<u>13 November 2014</u>	<u>Publication of Interim Report as of 30 September 2014 (Q3)</u>
<u>05 December 2014</u>	<u>Traffic figures November 2014</u>

## IMPRINT

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