



The new airberlin | Analyst presentation | 29<sup>th</sup> September, 2016  
Berlin



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## airberlin team presenting today



### **Stefan Pichler – Chief Executive Officer (CEO)**

- Joined airberlin in February 2015 as the new CEO
- Prior experience includes CEO roles at Fiji Airways, Jazeera Airways and Thomas Cook and CCO roles at Virgin Australia and Deutsche Lufthansa
- Holds Diploma in Economics from the Insead, France and Diplomas in Economics and Law from Augsburg, Germany



### **Neil Mills – Chief Strategy and Planning Officer (CSPO)**

- Joined airberlin in February 2016 as CSPO
- Prior experience includes Management Board position with Fly Dubai (CFO), Spice Jet (CEO) and Philippine Airlines Group
- Qualified Chartered Accountant



### **Dimitri Courtelis – Chief Financial Officer (CFO)**

- Joined airberlin in November 2015 as deputy CFO and was appointed CFO in September 2016
- Prior experience with Etihad and management board of Air Serbia (CFO)
- Former consultant at Deloitte in Dubai and Ernst & Young in Australia
- Holds a degree in Economics and is a qualified Chartered Accountant

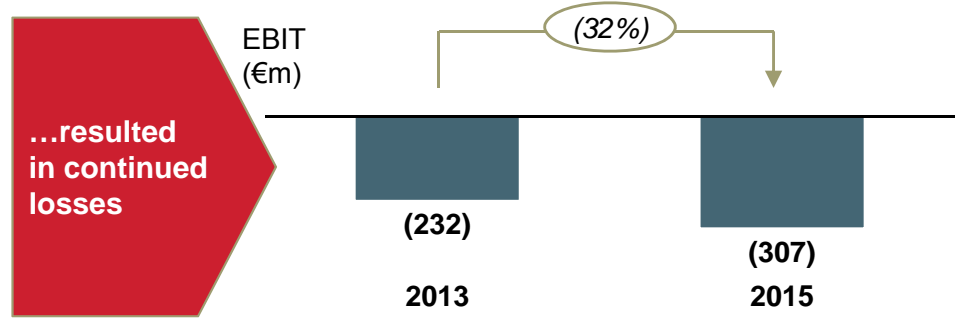
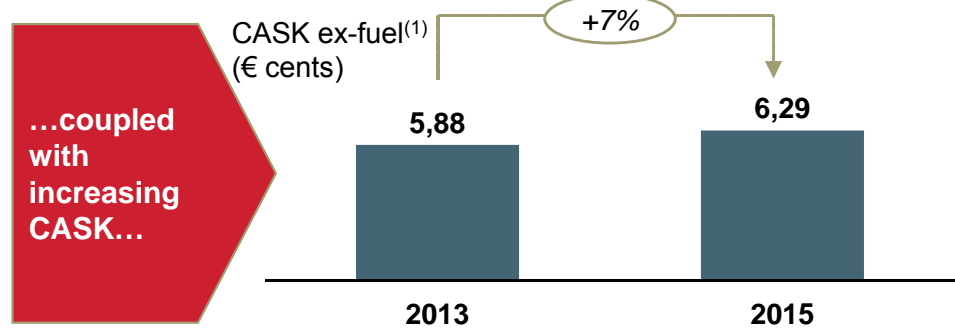
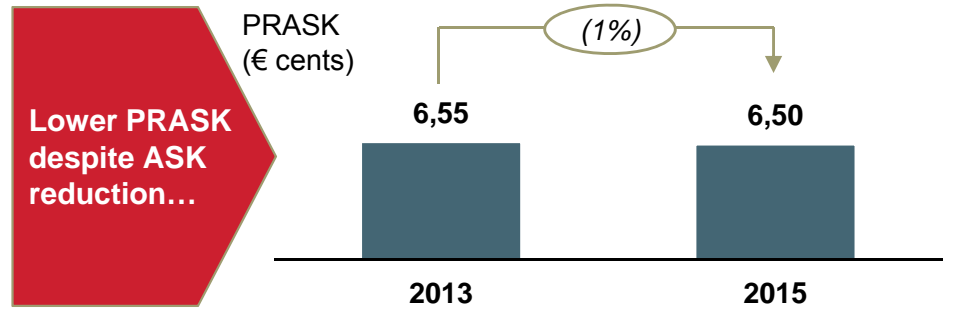
# Current business model limits airberlin's ability to compete effectively

The single platform strategy results in a complicated business model...



- Complicated business model serving multiple market segments from a single business platform
- Limits airberlin's flexibility to compete effectively with carriers with a focused service offering
- Network suffers from high seasonality and low productivity
- Operational cost inefficiencies
- Multiple loss making routes
- Increasing LCCs competition at key German airports

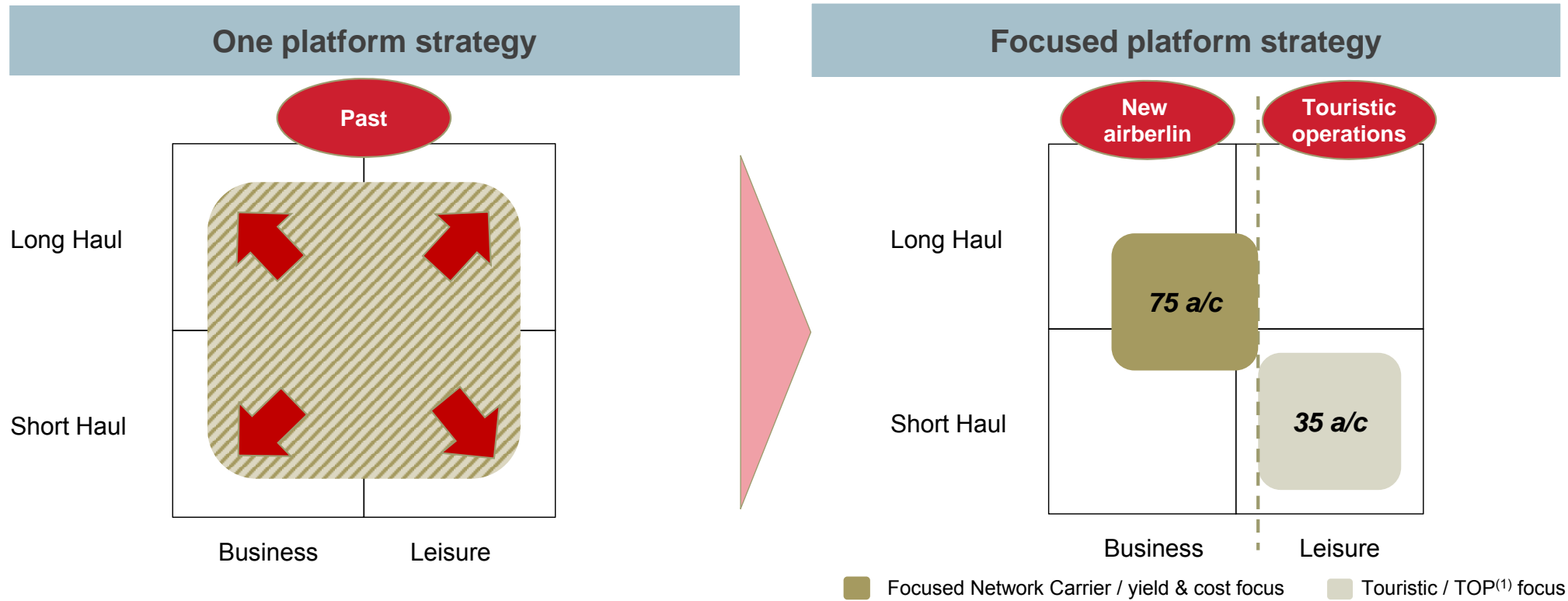
...which has negatively impacted financial and operational performance



Previous restructuring initiatives have only "scratched the surface" without addressing the root cause

Note:  
(1) Excluding non recurring items

# Shift towards a focused platform strategy

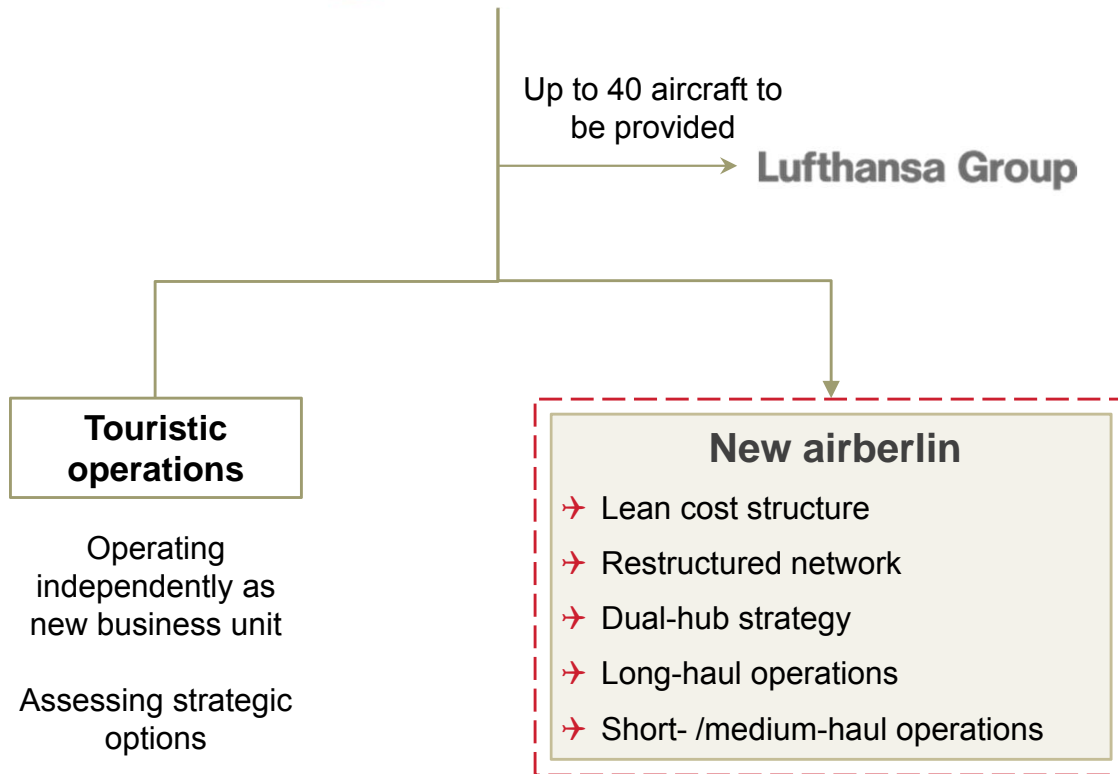


- ✗ Multiple market segments served through a single complex network
- ✗ High seasonality and low productivity
- ✗ Limited benefits from scale and inefficient cost base
- ✗ RASK comparable with a Low Cost Carrier (“LCC”)
- ✗ CASK comparable with Full Service Carrier (“FSC”)

- ✓ Targeted business, more structured going forward
- ✓ Simplified and tailored business model for each market segment
- ✓ Separation of seasonal touristic operations
- ✓ Lean, right-sized business with limited unproductive aircraft
- ✓ Restructured network to drive higher RASK
- ✓ Increased productivity and efficiency to improve CASK

Note:  
(1) Touristic Operator

# New airberlin will be a leaner, restructured business focused on “core” operations...

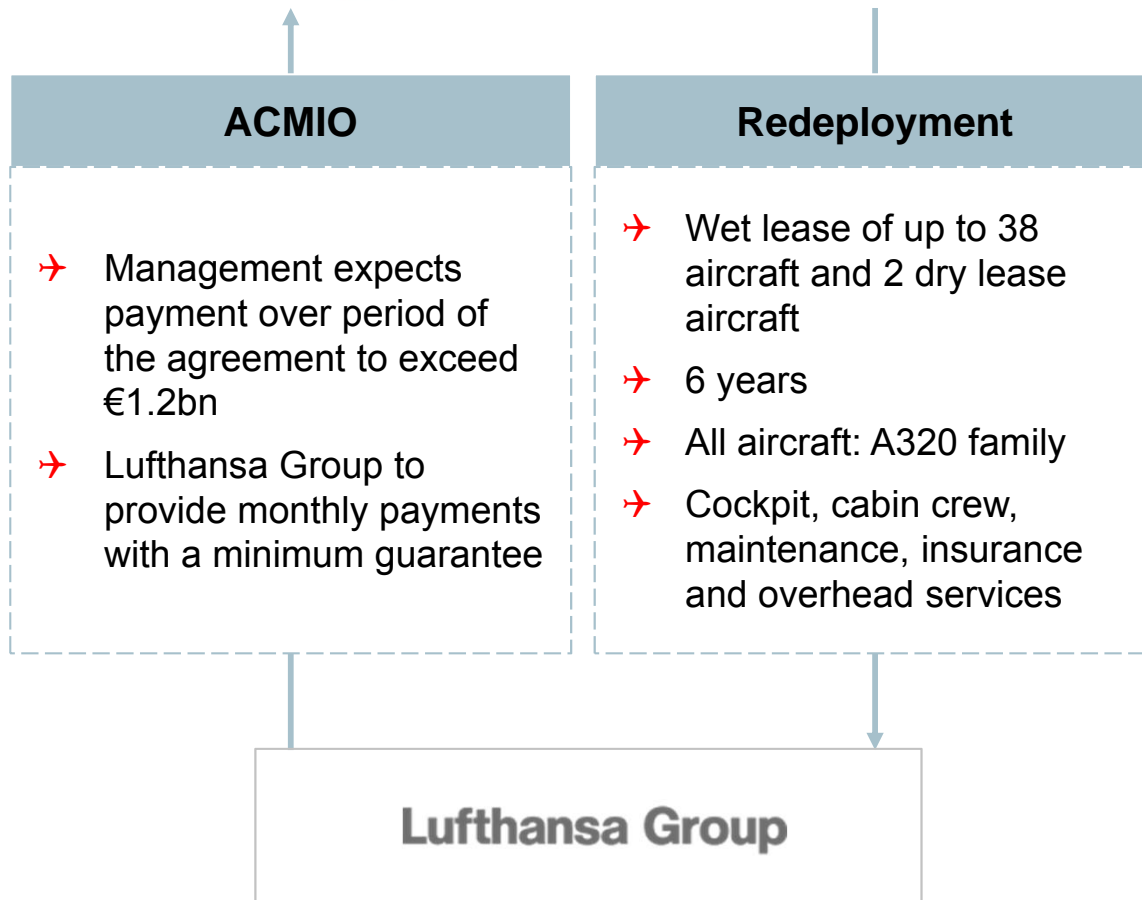


## The new airberlin will have the right size and shape...

- Lean, focused network carrier
- Redefined network focused on profitable routes
- Long-haul operations from BER and DUS only (dual-hub strategy)
- Short-haul network focusing on key cities with multiple daily frequencies for long-haul network out of key hubs
- Schedule connectivity optimised to capture higher yielding business traffic
- Reduction of seasonality driving more efficient utilisation of assets
- Enhanced crew and aircraft productivity enabled by network restructure and elimination of seasonality
- Rationalised and efficient cost base
- Significantly reduced fleet size

**airberlin will provide up to 40 aircraft to Lufthansa Group and will continue to assess strategic options for the focused touristic operations**

...through providing up to 40 aircraft to the Lufthansa Group...



### Enables airberlin to...

- Re-allocate aircraft reducing excess capacity
- Reduce crew and maintenance expenses
- Focus on profitable routes
- Minimise restructuring costs
- Retain staff currently employed

## ... and focusing the touristic operations with a cost efficient platform



**Touristic operations**

The focused touristic operations will be an operationally independent business unit with a redesigned network, lean cost structure and optimised business model  
*(assessing strategic options)*

### Business model

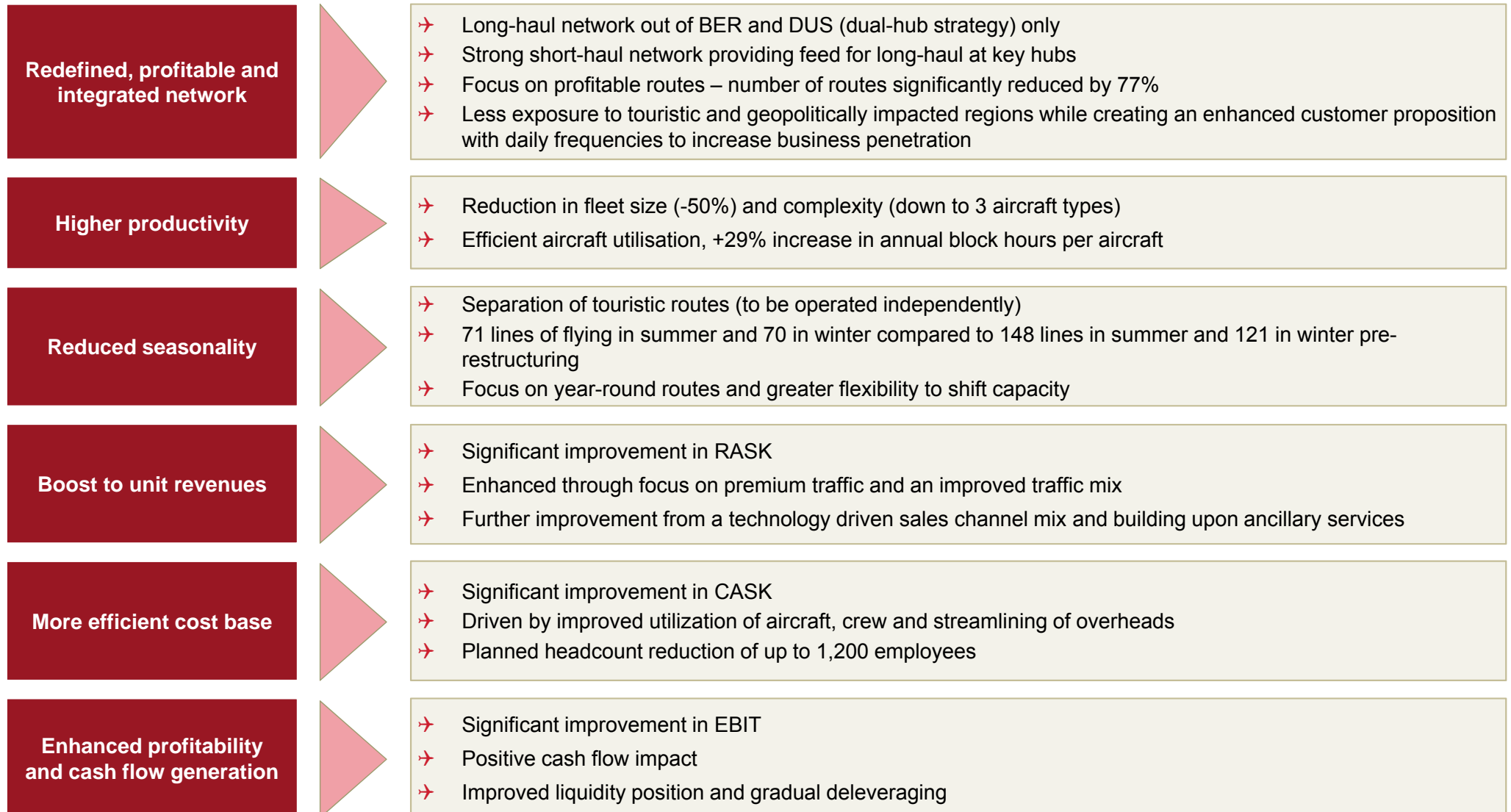
- Independent management team
- Simplified one-way pricing, block capacity for tour operators
- Lean overhead structure tailored to business needs
- Use of the most efficient aircraft for touristic travel to optimise cost base
- In-flight services paid by customer, e.g. catering

### Network

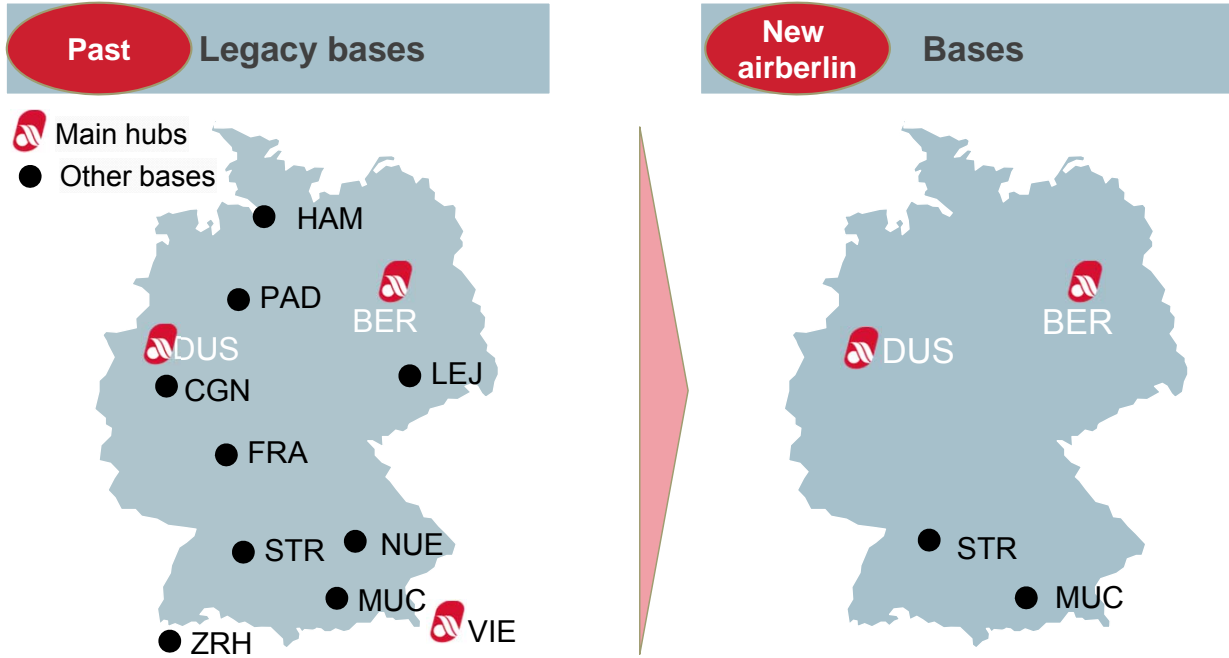
- Network reconfiguration leading to reduced seasonality
- Re-focus on profitable touristic routes in key locations
- Productivity driven network, no designed connectivity
- Single-class product with full economy configuration
- Focused bases
- Minimal flying from secondary airports and W-rotations



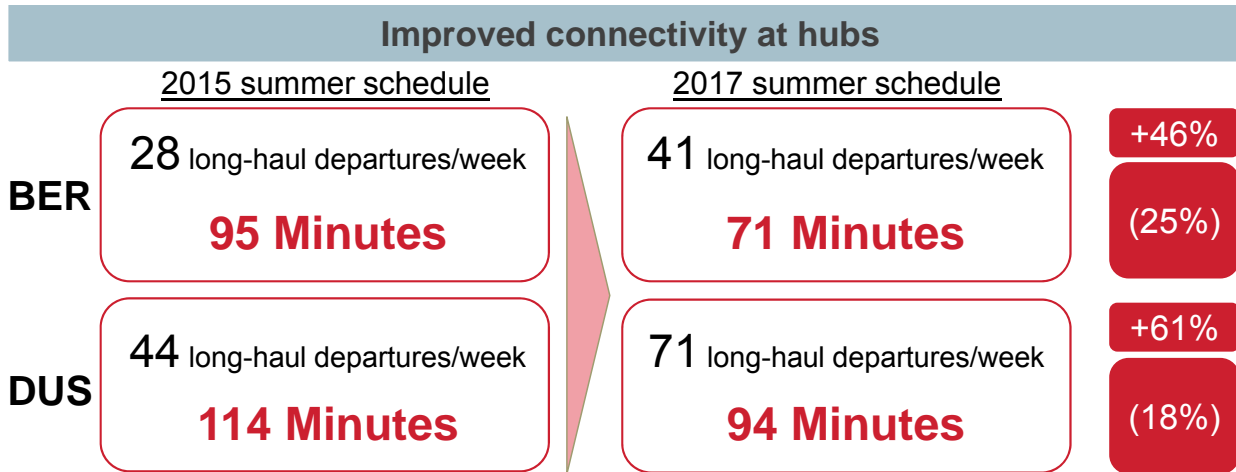
# The new airberlin will be a sustainable and profitable business as restructuring addresses the root causes not addressed previously



# Dual-hub approach building on #1 market positions<sup>(1)</sup> in Berlin and Düsseldorf



- ➔ Focus on operating a long-haul network out of Berlin and Düsseldorf
- ➔ Rationalised main hubs and domestic bases
- ➔ Integrated with domestic network
- ➔ Leverage on existing positioning at Berlin and Düsseldorf
- ➔ Large and attractive catchment areas
- ➔ Key bases for long-haul traffic
- ➔ Centralised operations functions and streamlining of overheads
- ➔ Minimise staff outside hubs and bases
- ➔ The scope of ABT's maintenance activities is under review



Note:  
(1) Rank by number of seats

# Renewed focused network carrier with attractive long-haul destinations...

## Strategy

- Leverage on main hubs
- Enhance and expand current long-haul network through increased frequencies and new routes
- Focus on premium passengers and higher yielding routes
- Dual-class wide-body fleet
- Origination and Destination pricing
- Long-haul leisure focused on maximising utilisation year round and offset seasonality
- Greater integration with short-haul
- Network expansion through partnerships
- Continued cooperation with Etihad Airways Partners ("EAP") network



## Long-haul expansion into higher yielding routes



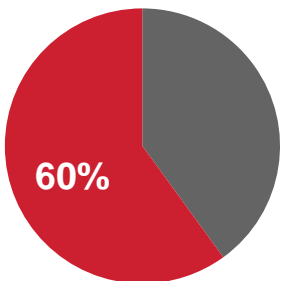
## New long-haul markets

- Berlin: Los Angeles (3 weekly), San Francisco (4 weekly)
- Düsseldorf: Orlando (5 weekly)

## Frequency growth on existing routes

- BER**
- New York (7 to 10 weekly)
  - Miami (4 weekly winter, 3 weekly summer)
- 
- DUS**
- Boston (4 weekly to daily)
  - San Francisco (5 weekly to daily)

## Long-haul (1)



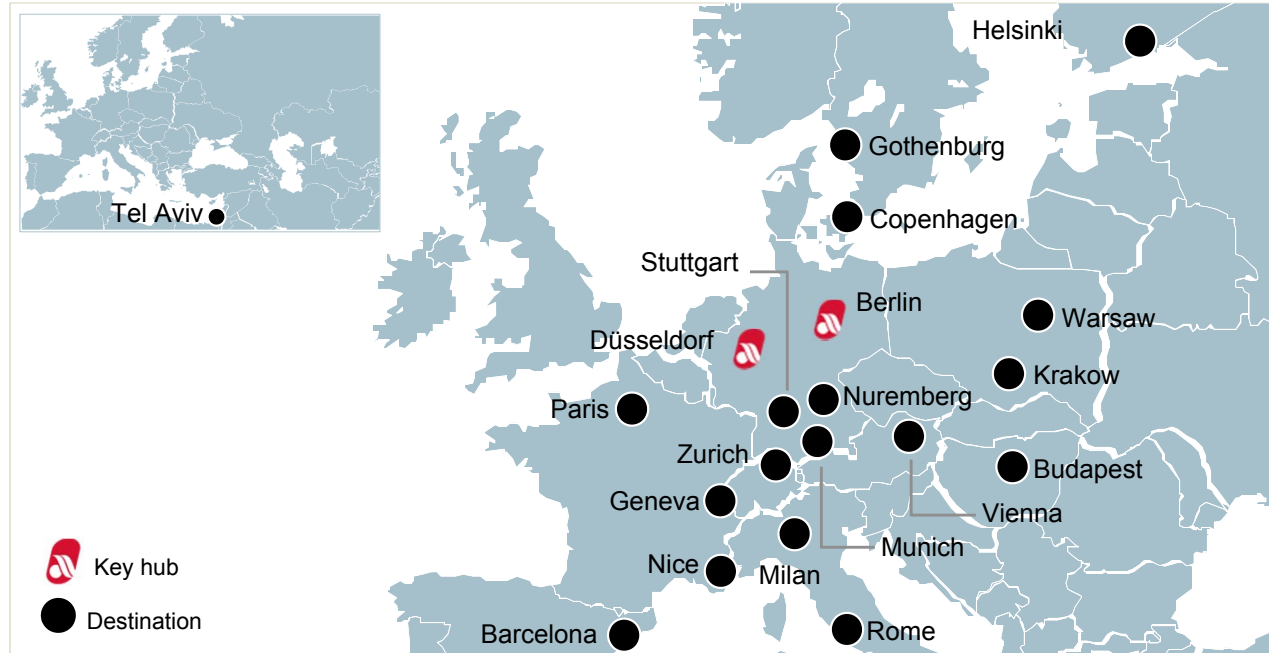
- ✓ Higher yields driven by connecting relevant catchment areas
- ✓ Higher load factor out of long-haul segment driven by improved pax connectivity
- ✓ Strengthens positioning in North America
- ✓ 14% PRASK improvement on long-haul destinations

(1) Network breakdown by ASK

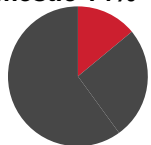
# ...and a strong short- and medium-haul network focused on key city routes...

### Strategy

- ➔ Strengthen competitive position:
  - Higher share of business traffic
  - Build strong feed for long-haul flying out of key hubs
- ➔ Focus on key mid-haul / European routes
  - Profitable and network contributing
  - Business focused
- ➔ Focus on profitable routes
- ➔ Origination and Destination pricing
- ➔ Core markets: DACH, Scandinavia, Italy, Eastern Europe, European capitals

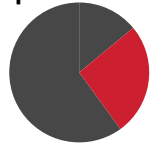


Domestic 14%<sup>(1)</sup>



12 Domestic destinations

European 26%<sup>(1)</sup>



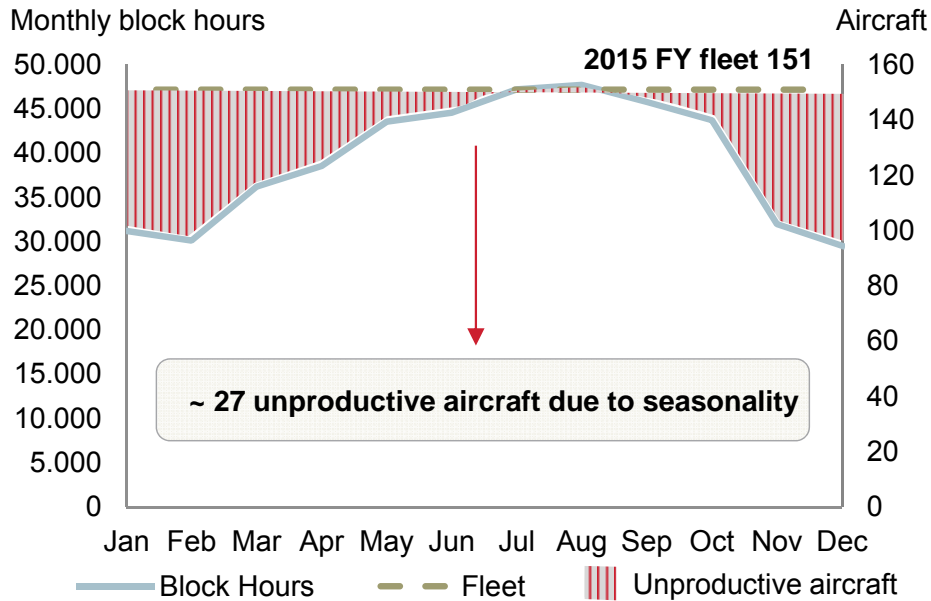
53 European destinations

- ✓ Strong positioning in Germany (largest European market<sup>(2)</sup>)
- ✓ Strong yield uplift +4.1% driving PRASK improvement +5.5% on Domestic and European routes
- ✓ Efficient allocation of aircraft and crew
- ✓ Reduced seasonality

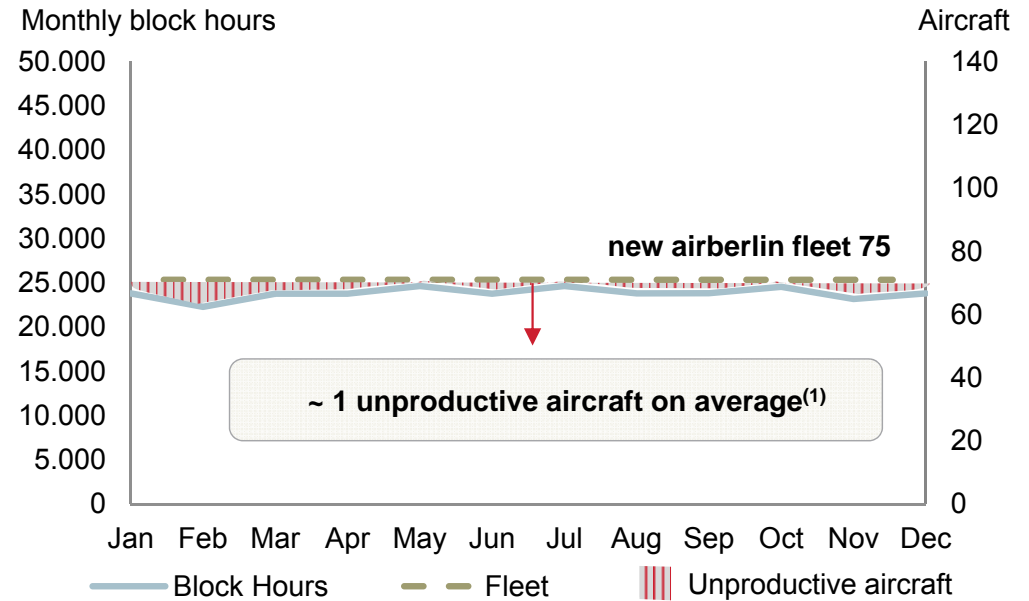
(1) Network breakdown by ASK  
 (2) Ranked by passenger volumes

# ...with minimal seasonal exposure...

## Past Higher seasonality



## New airberlin Minimised seasonality



### Seasonality reduces asset productivity

- ➔ Short- / medium-haul leisure is subject to higher seasonality
- ➔ Seasonal off-peak routes require systematic discounting and reduce yields

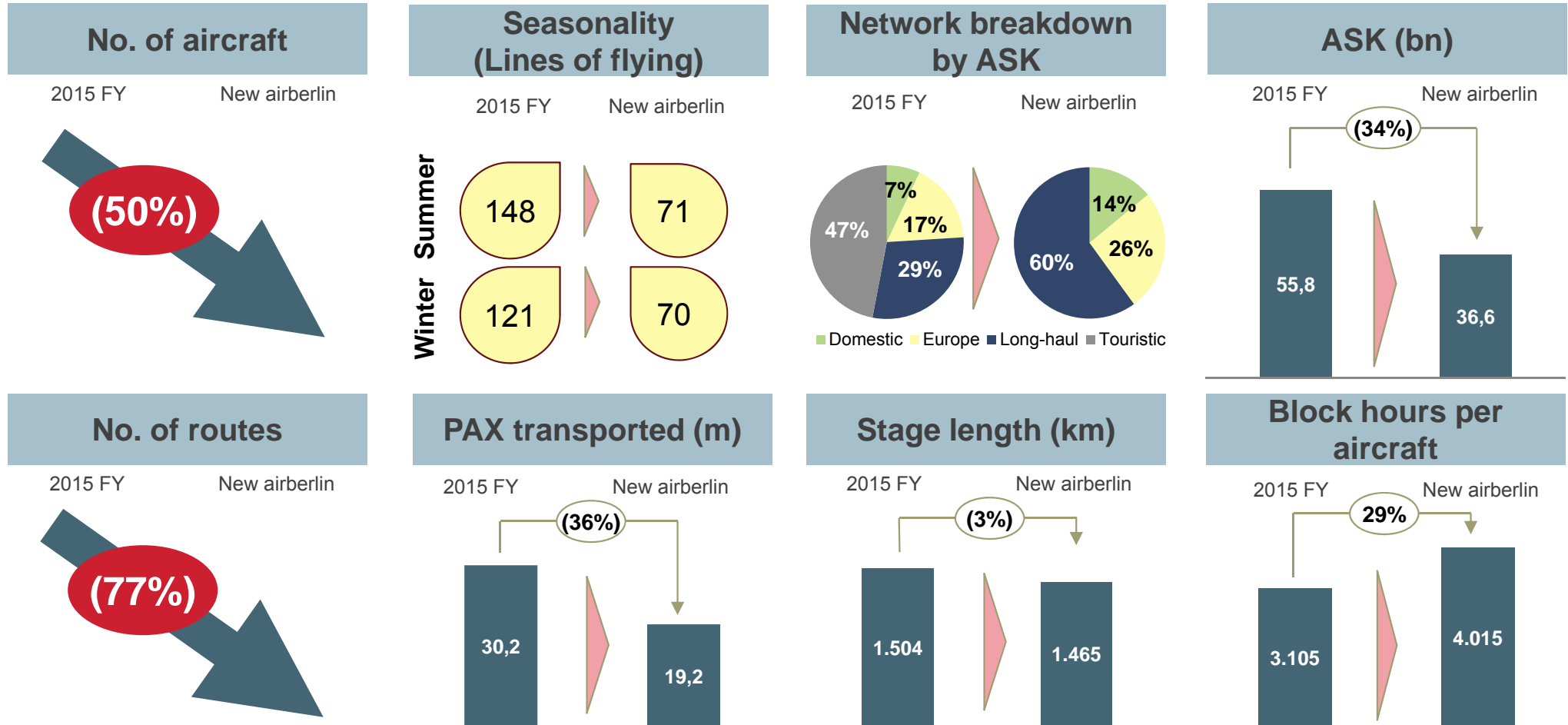
### New network has minimal seasonal exposure

- ➔ Long-haul program shifts winter capacity from North Atlantic to counter-seasonal Florida & Caribbean markets
- ➔ Short- / medium-haul focus on year-round routes / destinations
- ➔ Touristic routes focused within cost competitive business

Note:

(1) Excluding non-productive a/c (i.e. under maintenance)

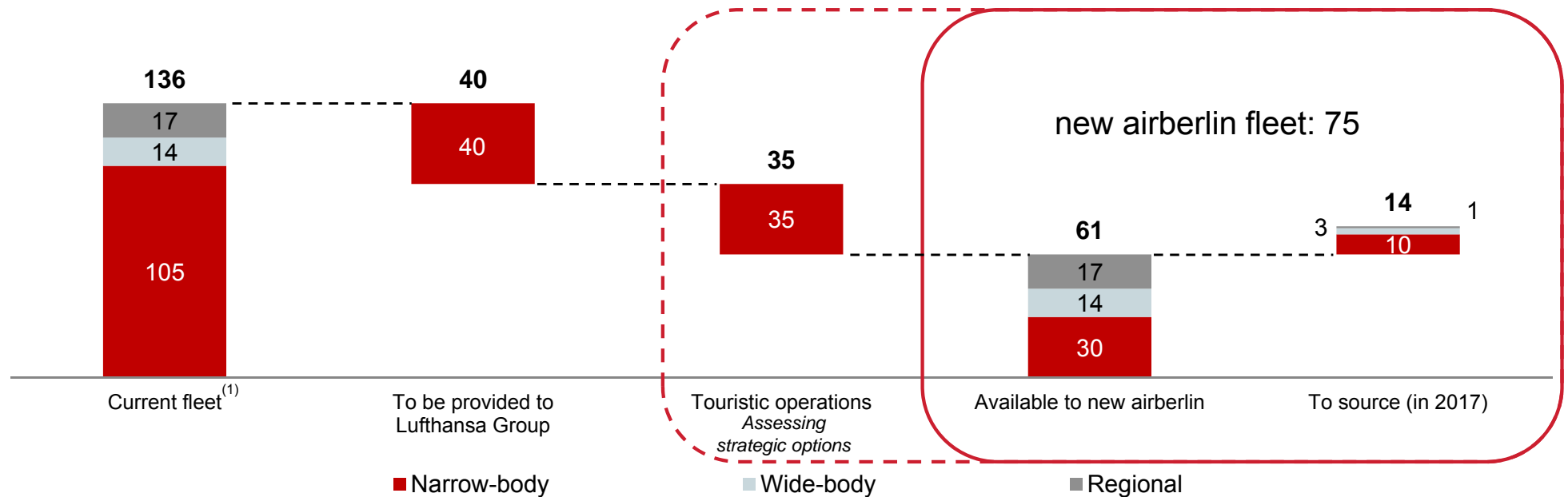
# ...leading to a more integrated and rationalised network with higher asset productivity






- ➔ New network mix focusing more on profitable routes contributes significantly to revenues
- ➔ Rationalised network serving fewer, more profitable routes
- ➔ Minimal seasonality with 71 lines of flying in summer (-52%) and 70 in winter (-42%)
- ➔ More efficient aircraft base reflected in reduced fleet and increase in block hours per aircraft

Note: Figures presented on run rate basis

# Modern, cost efficient and leased fleet

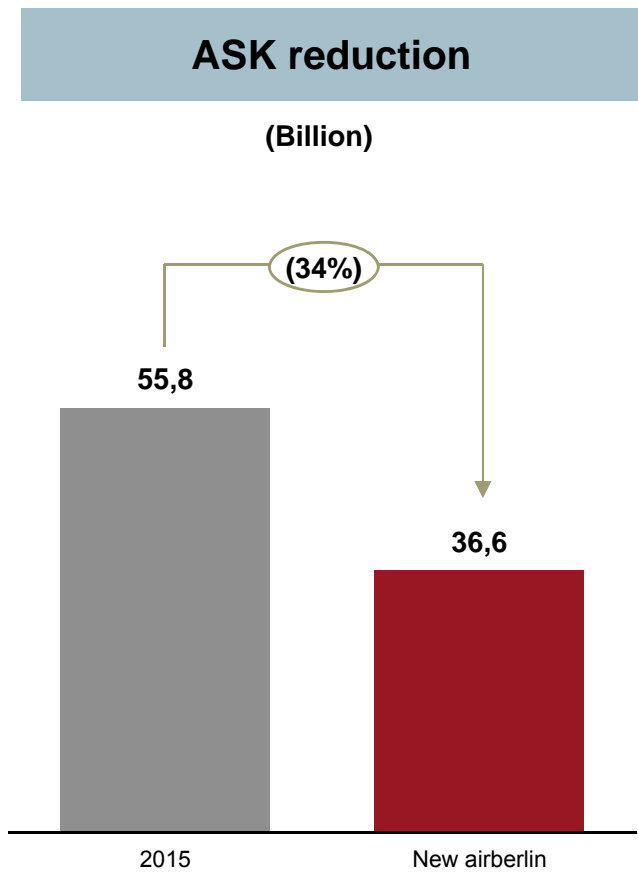


New airberlin fleet		
Aircraft type	#	
	Regional	18
	Narrow-body	40
	Wide-body	17
<b>Total</b>		<b>75</b>

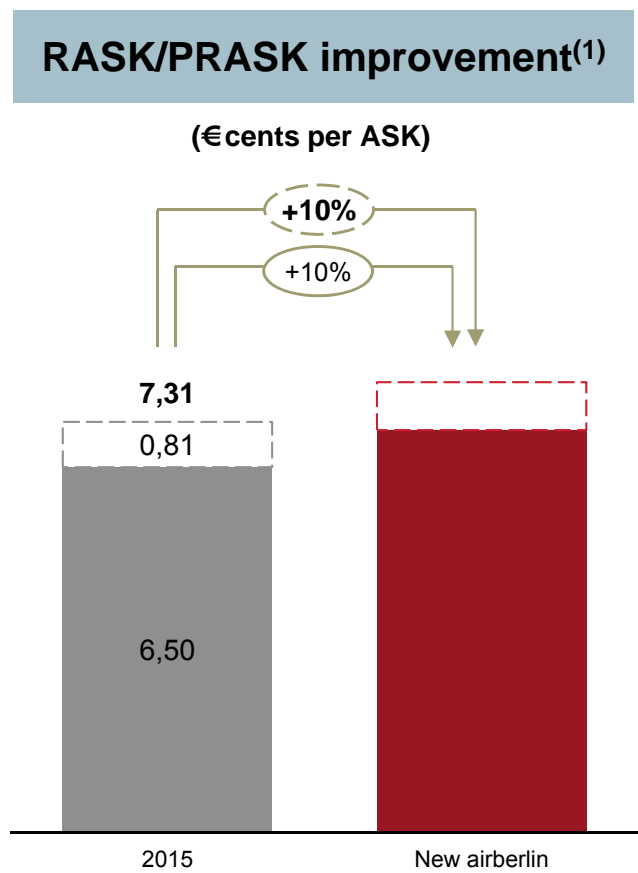
- Efficient and innovative financing providing greater flexibility
- With exception of regional aircraft, one aircraft family
- Average fleet age of 7.5 years as of 30 June 2016
- Rationalized fleet with minimised risk of re-delivery and technical lease out costs
- 8 wide-body aircraft to be delivered by 2019 to enable long-haul flights
- Continued cooperation with EAP to support fleet requirement (700+ aircraft within the group)

Note:  
 (1) Available for operations as of 30 June 2016 (i.e. excluding phasing out aircraft)

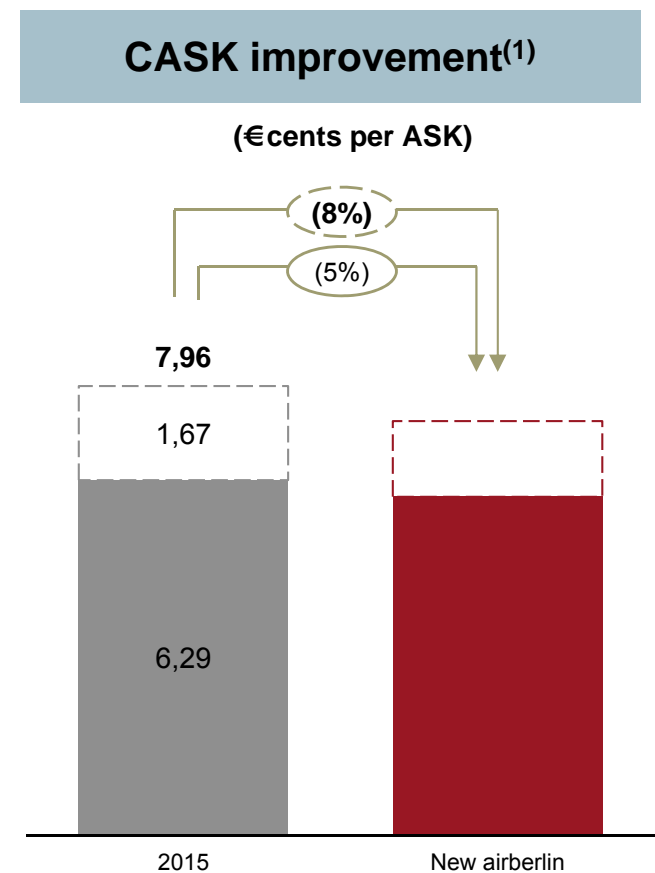
# New airberlin will benefit from enhanced unit revenues and lower unit costs



ASK reduction mainly resulting by the separation of touristic operations from the new airberlin



Higher RASK/PRASK driven by a renewed network, focused on more profitable routes



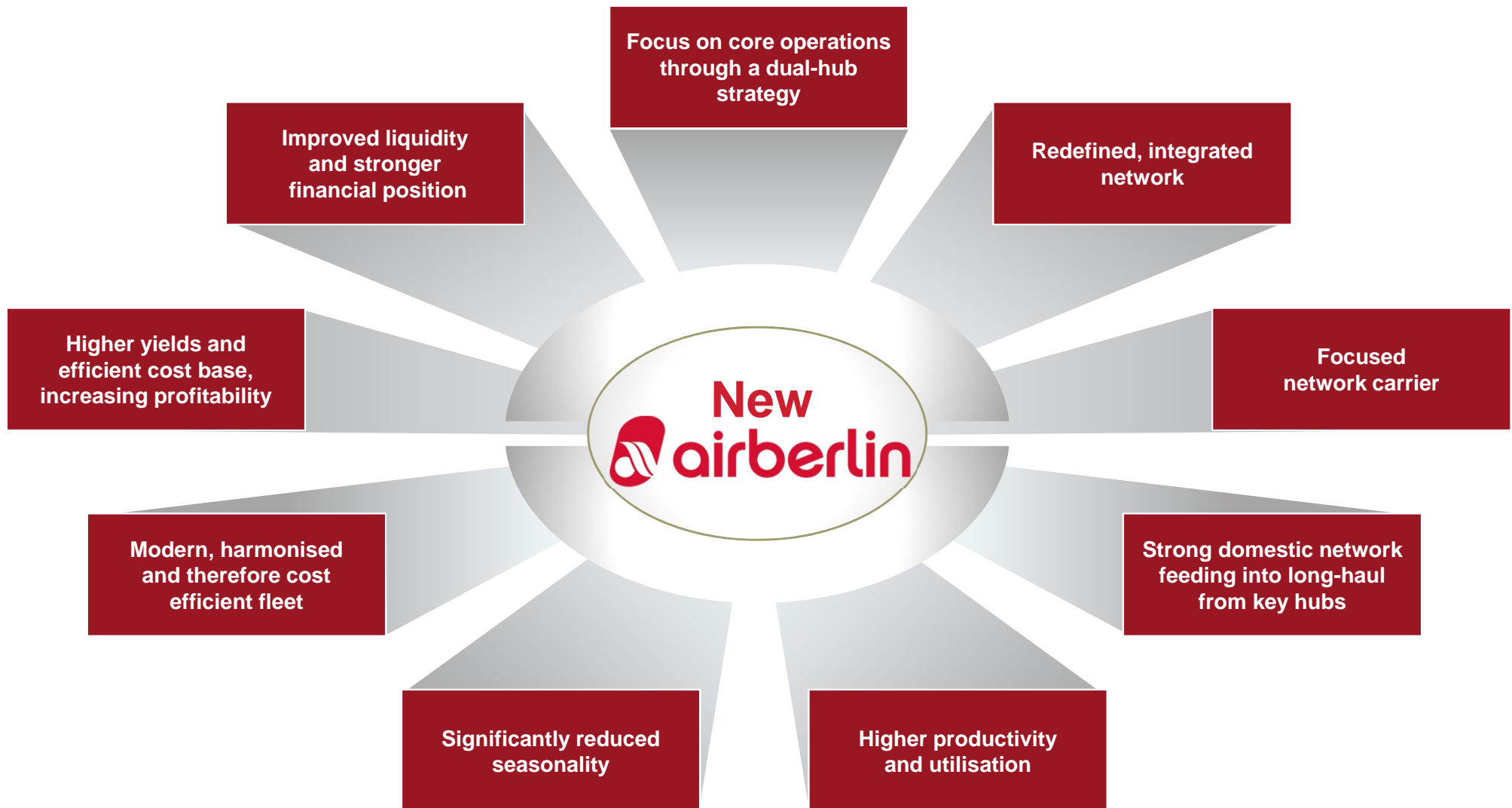
Lower CASK driven by enhanced utilisation of aircraft and crew, streamlining of overheads and fuel cost reduction

Note: Figures presented on run rate basis

(1) Excluding restructuring, implementation and non recurring costs. Includes cargo figures estimates based on 2015 results



# The restructuring will enable new airberlin to be a lean and focused network carrier with low seasonality and a profitable business model





## Questions and Answers

