Air Berlin PLC | 20 March 2013 | Analysts and Investors conference

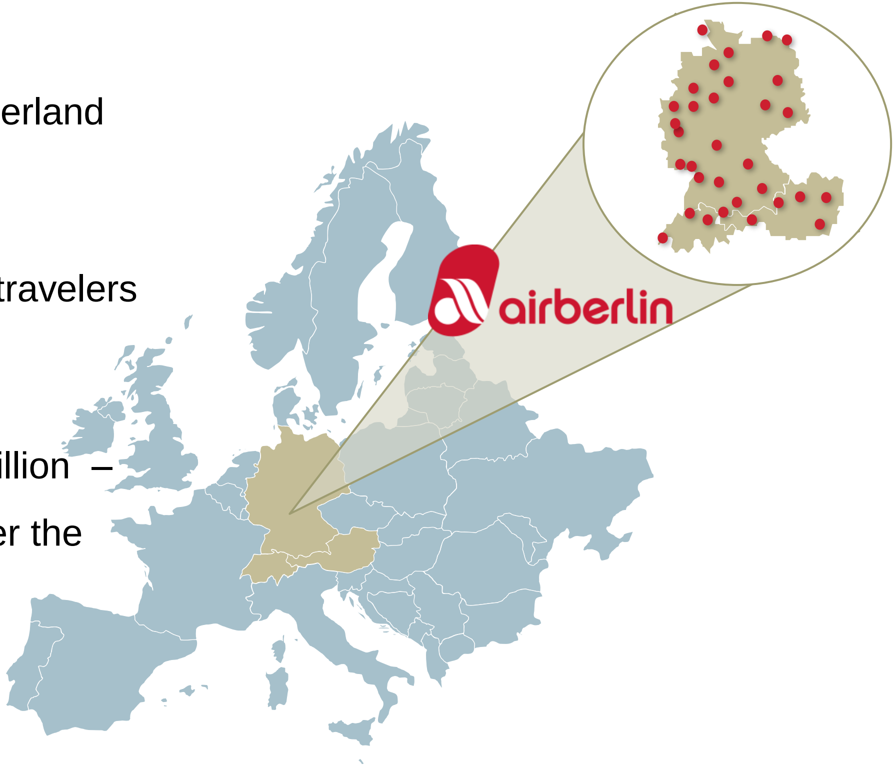
1. Overview

- Management Summary
- Financial KPI
- Operational KPI
- Key financial development
- Development on Etihad relationship
- Development **one**world®
- Shape & Size
- Financial result
- Balance Sheet
- Restatement 2011

airberlin – a strong European carrier

Market position as of 31 December 2012

- No. 2 in core market: Germany / Austria / Switzerland
- No. 7 in Europe with 33.3 m guests in 2012
- Network carrier focused on business & leisure travelers
- Group revenue of EUR 4.31 billion
- Positive operating result (EBIT) of EUR 70.2 million – improvement of more than EUR 300 million over the previous year
- Net profit of EUR 6.8 million



2012 - good progress in reducing costs and increasing efficiency

2012 – start of a transformation process

- Challenges in 2012:
  - increase in fuel prices
  - the German Aviation tax
  - intense competition
- Shape & Size – improvements of >EUR 250 million
- airberlin became an integrated full service airline with numerous partnerships
- Transformation led to upfront investments and startup costs – returns will be delivered from 2013 onwards

Financial Performance – FY 2012

Revenue

Despite a reduction of capacity, an increase in revenue is achieved from a slightly higher seat load factor and an increase in yield

EBITDAR

Revenue growth, volume related cost reductions and "topbonus" transaction helped to improve EBITDAR significantly

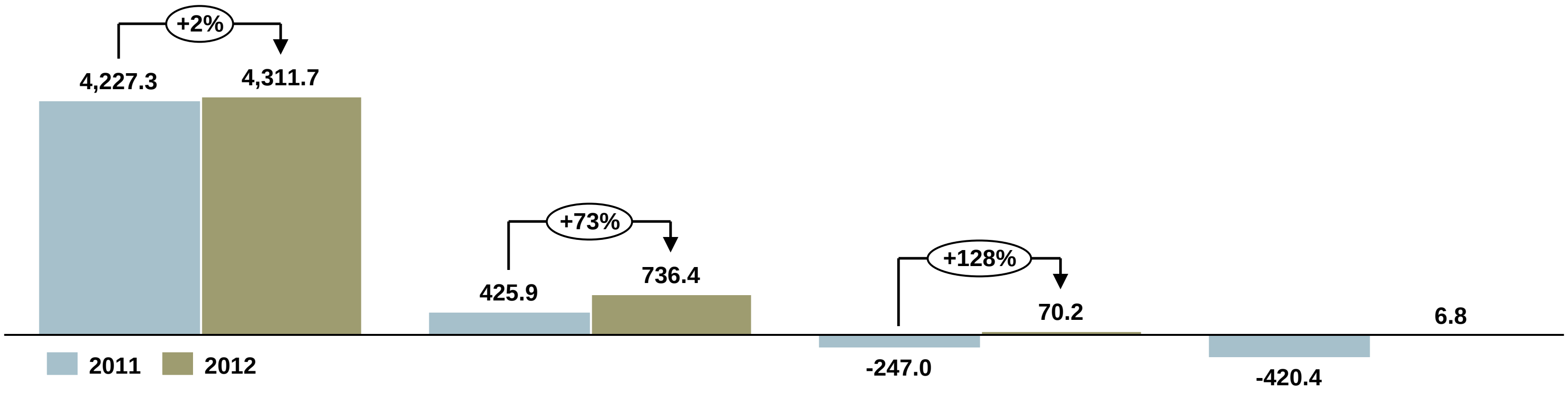
EBIT

Improvement in EBIT is following EBITDAR development

Net result

Followed by a better financial result, the company returned to net profit and improved by more than EUR 270 m (before adjustment of deferred taxes in 2011)

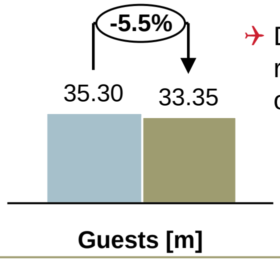
[EUR m]



Key performance indicators – FY 2012

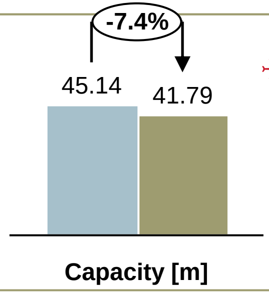
Operational development 2012 vs. 2011

Guests [m]



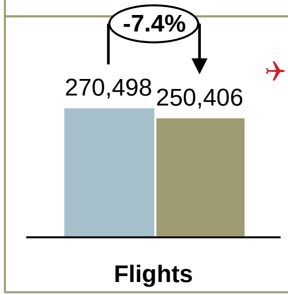
- Due to capacity reductions, number of guests declined

Capacity [m]



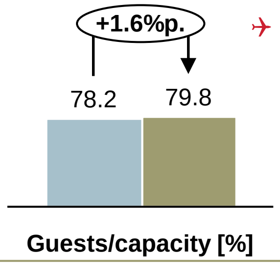
- Cancellation of unprofitable routes, hence number of offered seats reduced

Number of flights [#]



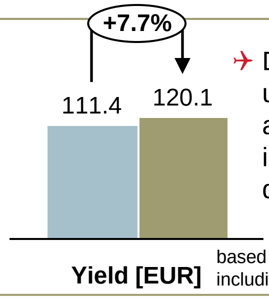
- Network adjustments result in fewer number of total flights

Seat load factor [%]



- Seat load factor improves in line with capacity adjustments

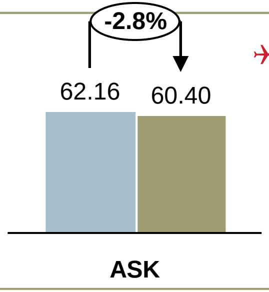
Yield [EUR]



- Due to cancellation of unprofitable routes and measures to increase yield, topline quality improved

based on IFRS flight revenue including a/p tax revenue

ASK [bn]

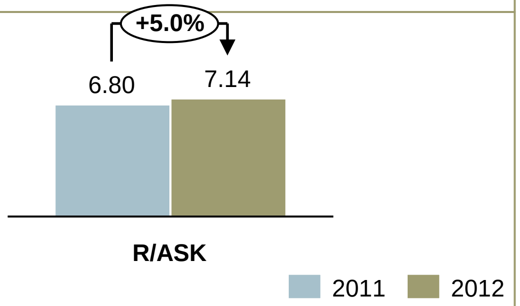


- Due to route adjustments available seat kilometer declined by -2.8%

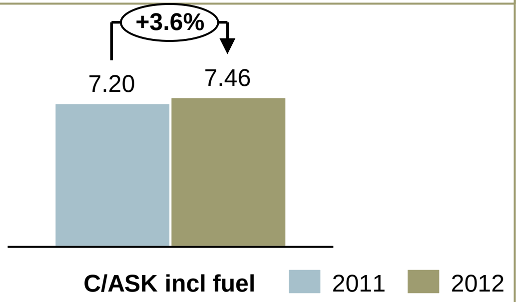
2011 2012

Development Revenue and Cost per ASK 2012 vs. 2011

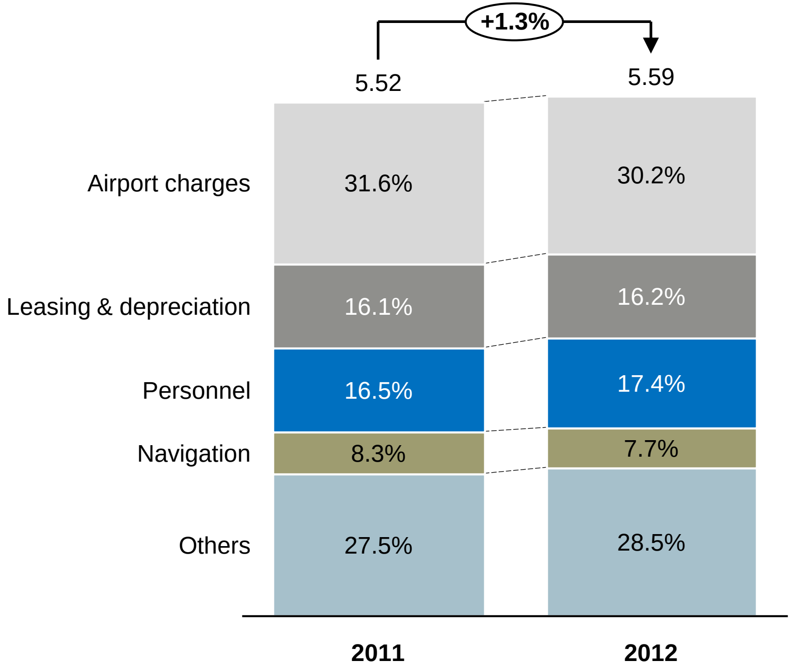
Revenue [1] per ASK [EUR ct]



Cost [2] per ASK [EUR ct]



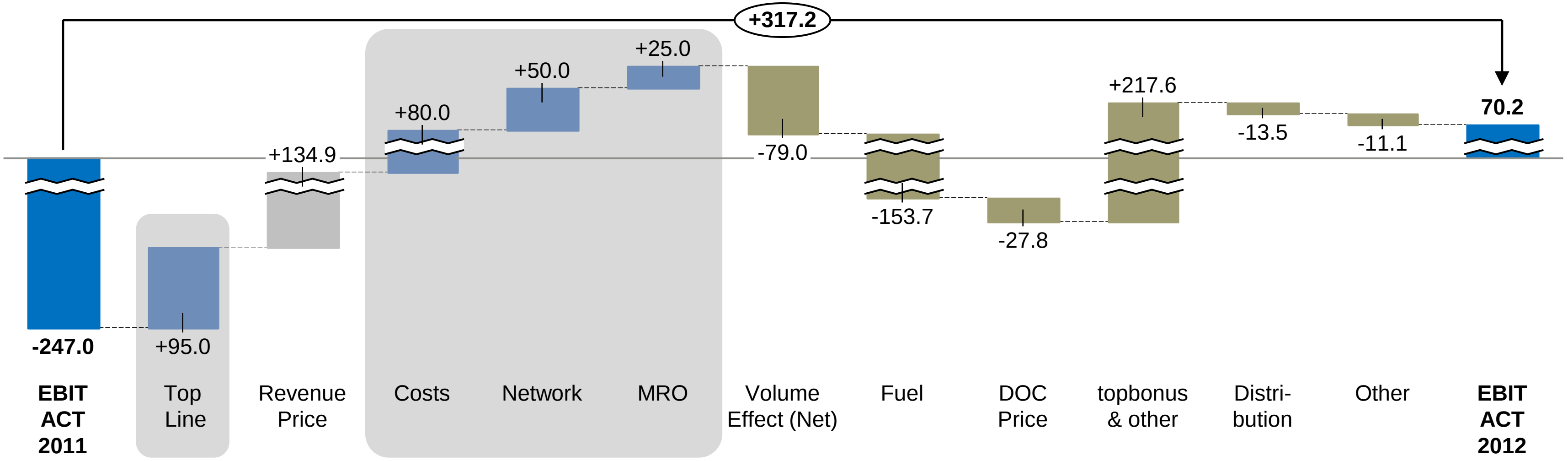
Cost [2] per ASK excluding fuel [EUR ct]



1) Total revenue 2) Cost on EBIT level excluding other operating result

EBIT bridge including Shape & Size

Bridges on revenue and EBIT lines [EUR m]



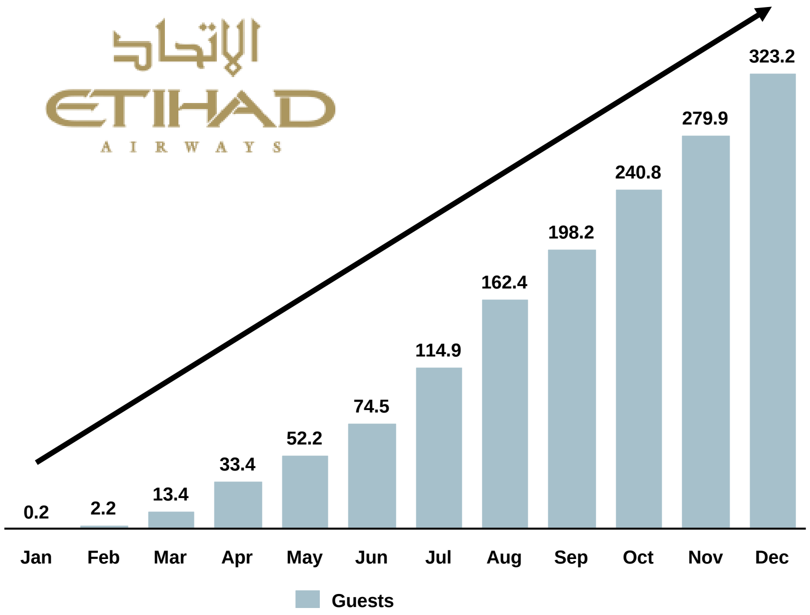
- Shape & Size = approx. EUR 250m
- Volume effect = capacity reduction excluding cost benefits from Shape&Size
- Fuel = Fuel Price/metric tonne (incl. differentials) = $1,085 (2011: $970 -> +$115; +11.8%))
- Distribution = higher costs due to switch to enhanced inventory and distribution systems

Strategic partnership with Etihad Airways shows strong momentum in second half – EUR 50 million in additional AB-revenues in 2012

Codeshare performance Etihad Airways

- Etihad Airways is codeshare partner No.1 for airberlin
- Portfolio of almost 100 codeshare routes
- More than EUR 100 m (US$130 million) revenues in total to EY & AB
- Latest extension: Codeshares to China & Japan
- Due to hub development, codeshare opportunities will further grow (i.e. Vietnam)
- Development of codeshare agreements with Etihad Airways partner airlines

Common Guests development 2012 [´000]



Further synergies with Etihad Airways along the entire value chain

The partnership with Etihad Airways is developing positively

Sales

- Marketing campaigns in major markets
- Joint dealings
- Collaboration between AB Business points & EY Business Connect

Finance

- Joint placement of insurance policies
- Credit card acquiring
- Fuel tendering
- Shared negotiations with lessors

Operations

- Pilot exchange programme
- Joint training
- Fuel efficiency programme
- Joint ULD contract
- Common cargo operation on AUH routes

Product

- Premium lounges around the world
- Access to a growing number of Six Senses spas
- New Business Class cabin
- Private chauffeur service for business class travellers

Joint Procurement

- Purchasing 787: seats, IFE
- Selection of engines
- Aligning of Entry into Service programme
- Airport sourcing
- Catering

oneworld® presents further opportunities for growth by providing airberlin with access to new destinations and additional passengers

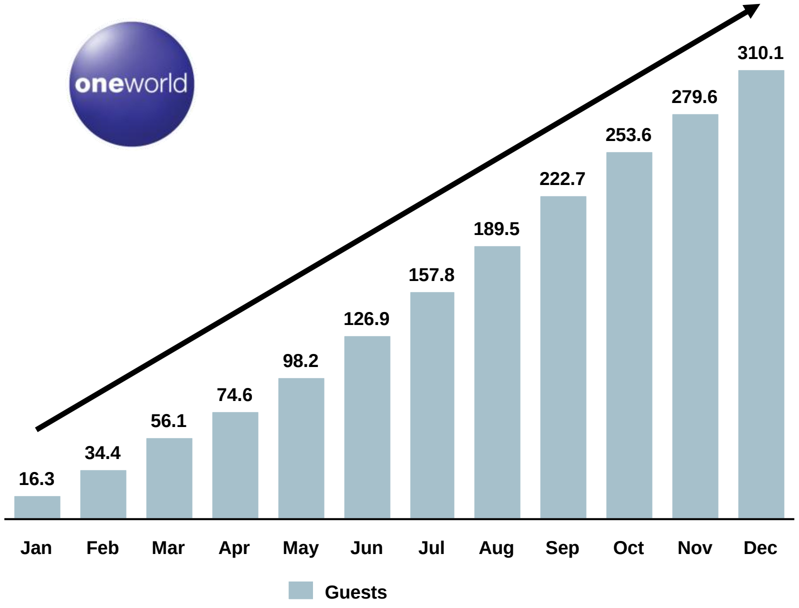
Codeshare performance oneworld

- Extended codeshare with oneworld partners cause strong increase of booking intakes
- More than 300,000 guests on joint codeshare routes in 2012
- Alliance of service-orientated quality airlines
- Highest quality and safety standards

News:

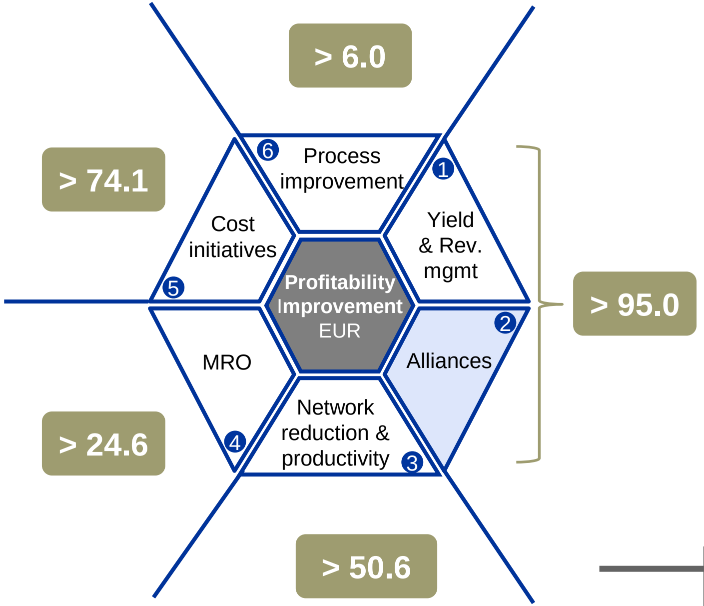
- American Airlines
  - Expansion of cooperation, now including AA's hub in Chicago
  - Planned merger with US Airways prospectively increases the route portfolio
- S7
  - Close commercial cooperation envisaged

Common Guests development 2012 [´000]



Contribution to full year EBIT improvement of more than EUR 250 m in 2012

2012 Shape & Size performance



SHAPE & SIZE

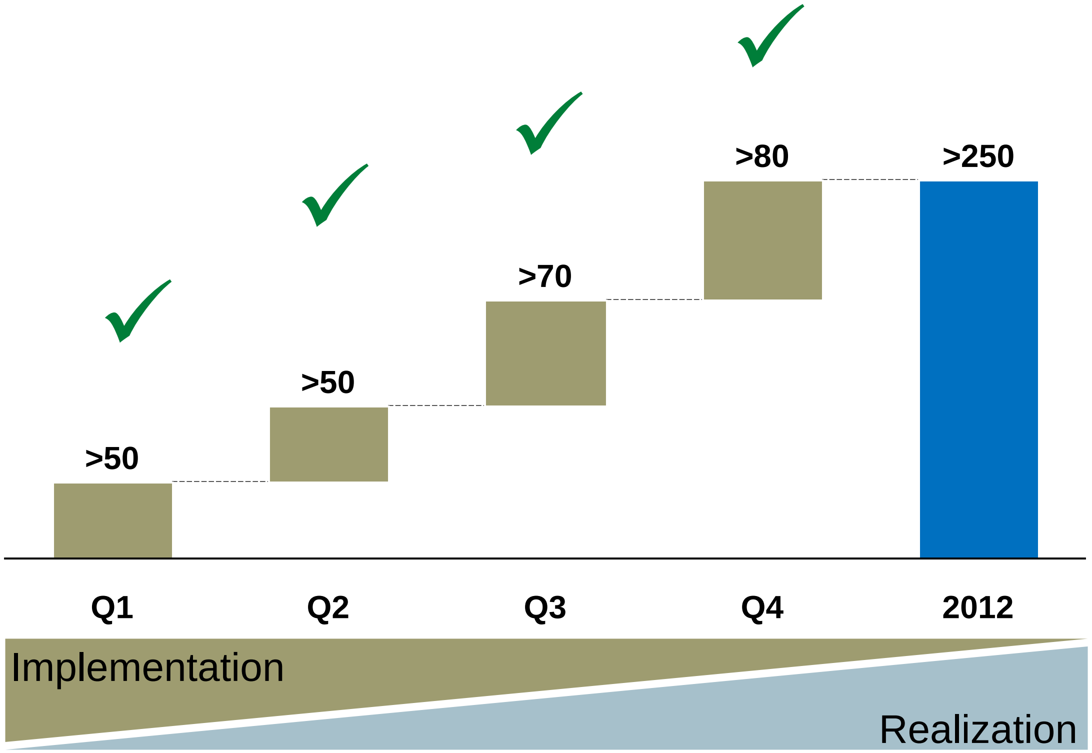
profitability improvement in 2012

> EUR 250m

1. Enhanced yield development and successful negotiations with Tour operators
2. Codeshare effects from partnership with Etihad Airways and **one**world
3. Aircraft sourcing and improvement of network productivity
4. Reduction of maintenance cost
5. Several cost measures (i.e. renegotiation of key supplier contracts and increased fuel efficiency)
6. Improved punctuality and OCC processes

Most part of the EBIT improvement of more than EUR 250 m took place in the second half of 2012

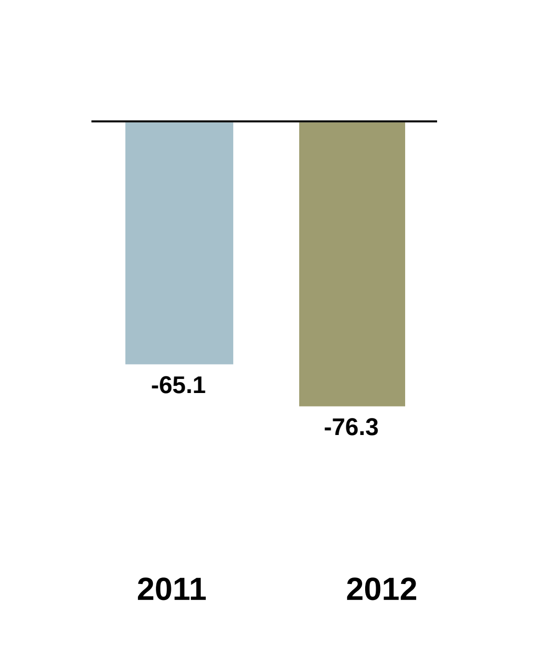
[EUR m]



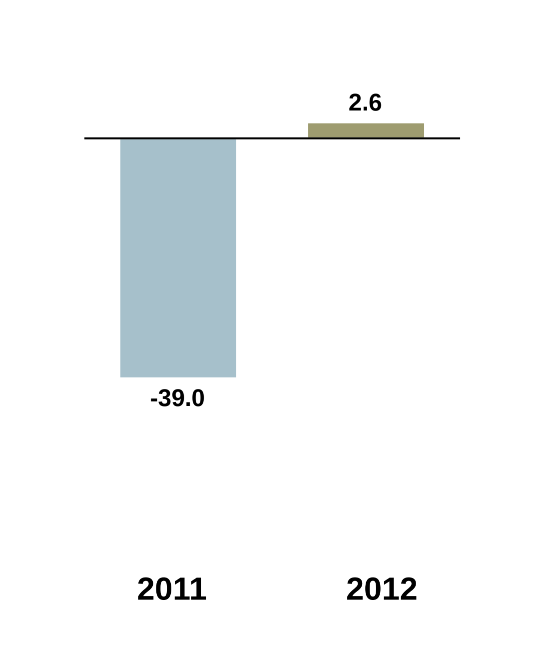
Financial result and income tax development – FY 2012 [EUR m]

Breakdown of financial result

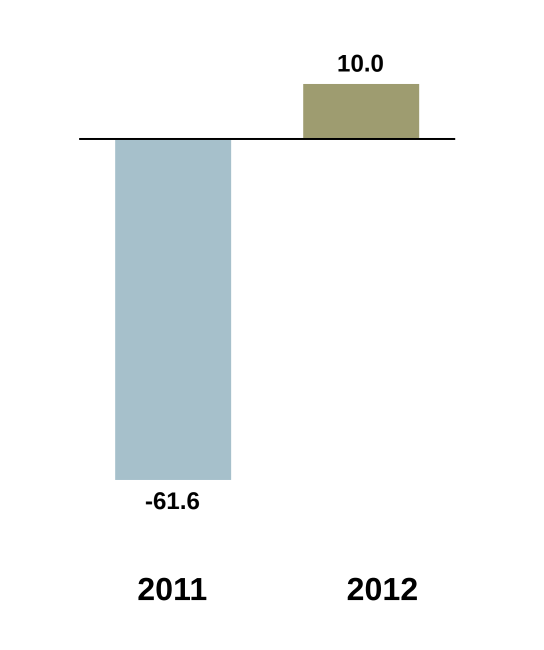
Net interest result



Currency & derivatives effects



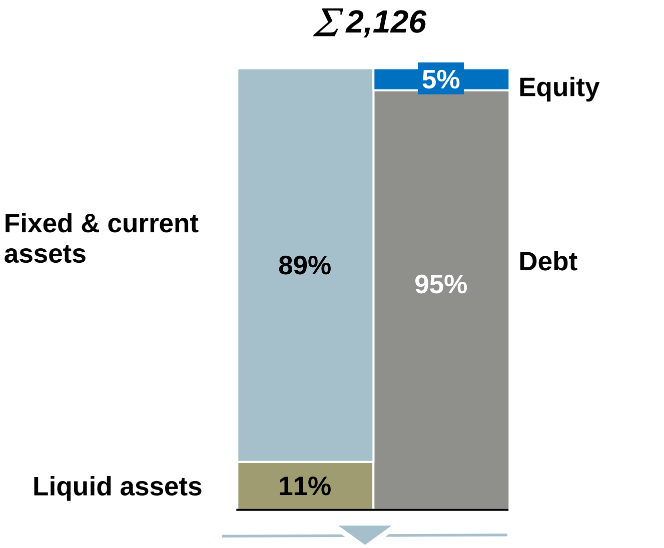
Total income tax expense



Balance sheet structure

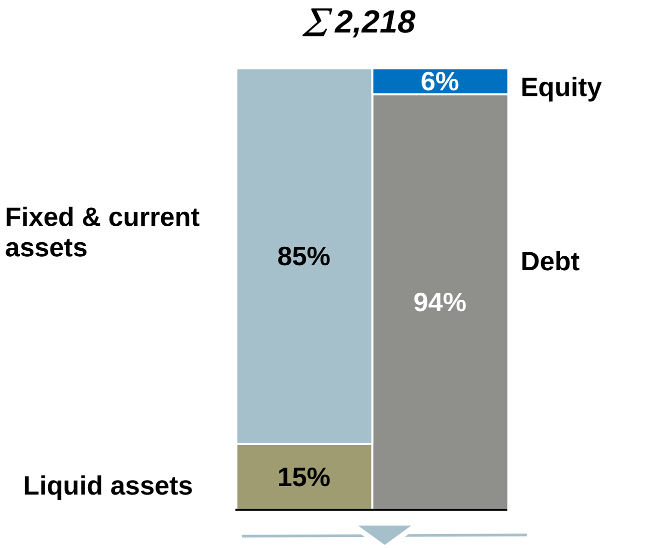
[EUR m]

B/S as of Dec 31, 2011



Net debt: 813

B/S as of Dec 31, 2012



Net debt: 770

Impact of 2011 restatement

EURm	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012
Equity as reported	210.4	101.3	186.3	n/a	n/a
Deferred tax assets/ (liabilities), net	175.3	211.0	171.4	n/a	n/a
Total assets	2,511.4	2,528.3	2,385.0	n/a	n/a
Equity after restatement	1.1	(141.6)	(18.0)	130.2	130.2
Deferred tax assets/ (liabilities), net	(34.0)	(31.8)	(32.9)	(2.1)	(2.1)
Total assets	2,312.4	2,295.7	2,191.0	2,217.6	2,217.6

2. Guidance 2013 / Turbine

- Positioning – Strong European Carrier
- Key development in network and expected fleet development
- Turbine → Lean & Smart
- Summary guidance slide

airberlin – well positioned in core market Europe

- 150 destinations in 40 countries (incl. codeshare partners: 260 destinations)
- Second largest airline in DACH region and seventh largest in Europe
- >80% of passengers in short / medium haul segment
- Well-known European brand
- Network carrier that serves business and leisure guests
- Leveraging global connectivity through Etihad Airways and **one**world®

Capacity changes

2012 vs. 2013

- Strong decrease in short & medium haul
- Long haul reaching more than 25% of capacity share

	Short haul 2012	Δ	Medium haul 2012	Δ	Long haul 2012	Δ	Total 2012	Δ
Flights	76,970	>-12%	166,737	>-4%	6,699	>+10%	250,406	>-5%
Capacity [m]	11.8		28.0		2.0		41.8	
ASK [bn]	5.9		40.8		13.7		60.4	>-3%

Short haul:
- Cancellation of non-strategic domestic markets
- Rationalization of domestic Spain operations

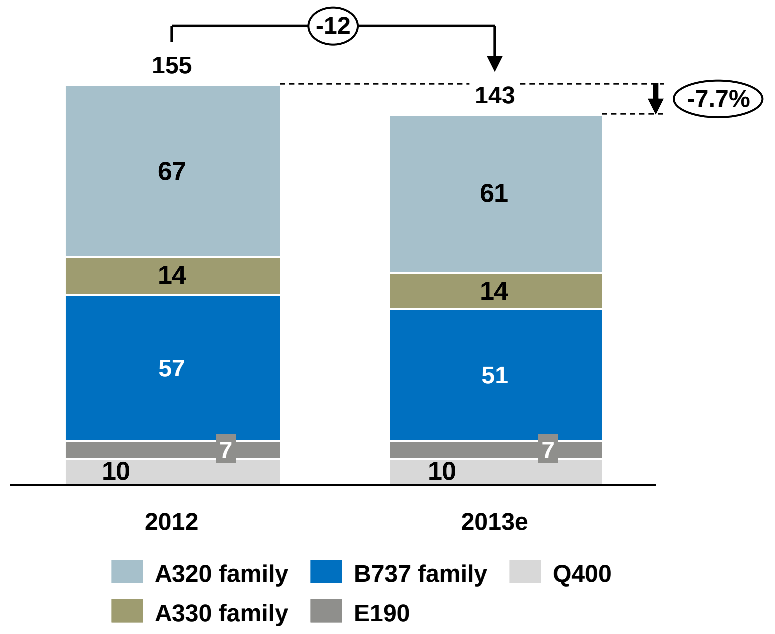
Medium haul:
- Refinement of medium haul touristic programme
- Reduction of loss-making European routes

Long haul:
- Full year impact Abu Dhabi network expansion
- Strategic growth in US market (increase focus cities, commencement Chicago)

Fleet development

2012 vs. 2013

Total number of aircraft at year end



Comments

- As per end 2012 fleet average age: 5.2 years
- Average fuel consumption 3.4l/100km – best practice in Europe
- Reduction by 12 AC in line with ASK reduction
- AC specific stationing within Turbine
- 8 new AC will enter the fleet
- 20 AC on regular lease expiry or early termination

What we are doing to fix our core business…

Turbine combines internal structural changes and negotiations with major stakeholders

1 Lean & smart

Internal: highly efficient organisation & processes

External: highly regarded by customer

LEAN

Optimise operations
Efficient structures and workflows
Cost reduction

a Network & Fleet
b Commercial
c Product / Service
d Operation

SMART

Focus on key markets
Touristic and business segments
Customer needs
Brand values

2 Stakeholder negotiations

Bring major stakeholder relationships in line with market best practice

Airport & ground handling	Labour and overhead	Wet lease providers
Lessors & OEMs	TOP & distributors	Maintenance suppliers

1 a

Network & Fleet

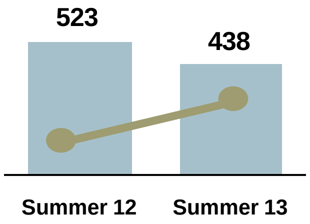
TARGETS:

- Build a robust network with less seasonality
- Focus on core markets with high frequency pattern / Increase hub utilisation
- Enhance codeshare attractiveness and increase traffic flows
- Increase fleet productivity and build network which supports a streamlined (lean) operation
- Generate higher load factor throughout the system

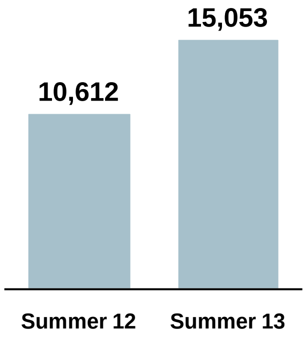
ACHIEVEMENTS:

Routes operated

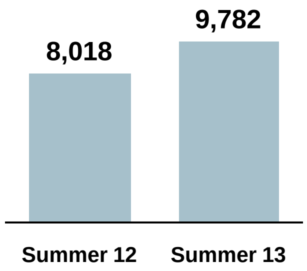
14% increase in average weekly frequency per route



BER/DUS hub weekly connections

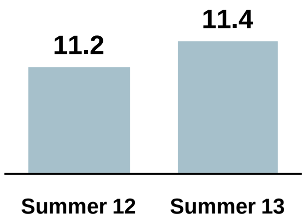


Weekly codeshare flights



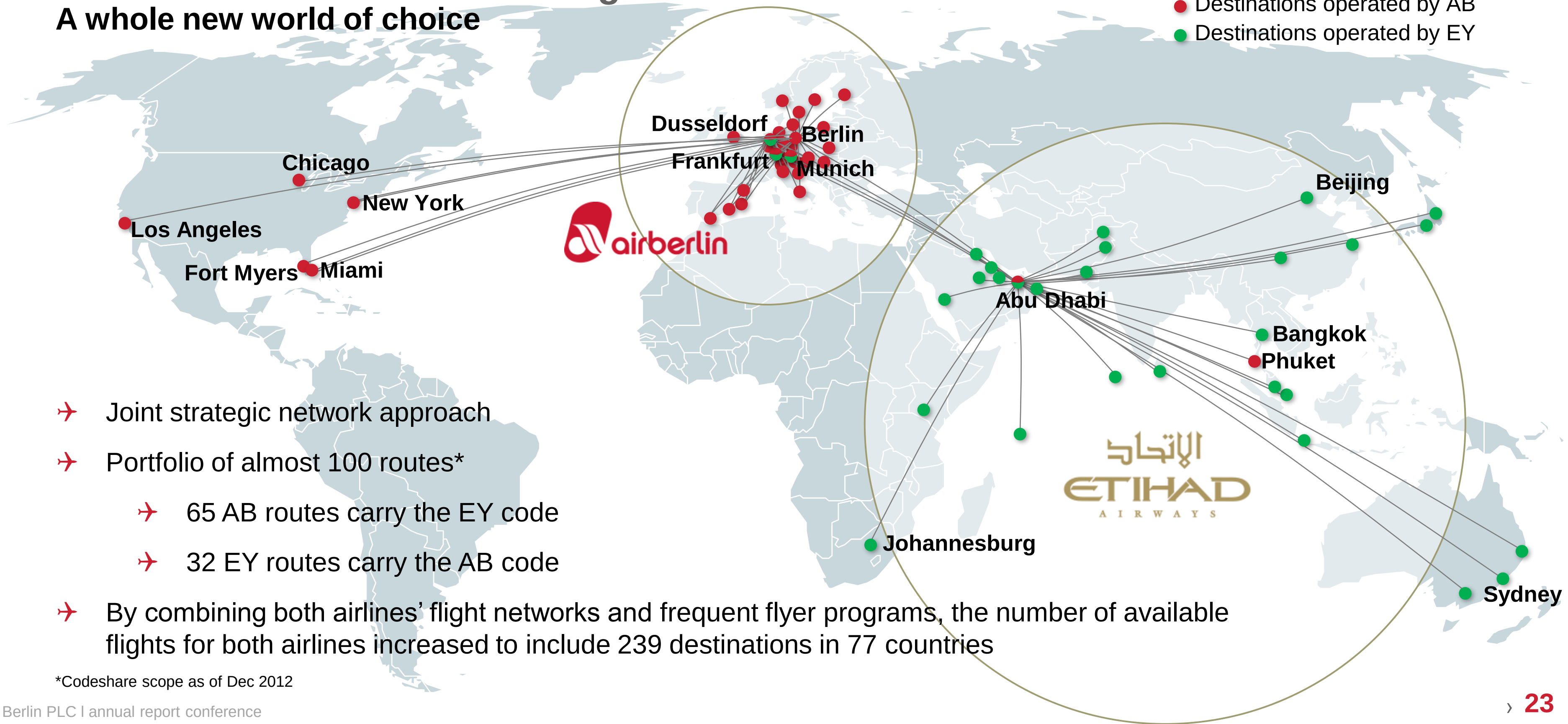
Daily utilisation per aircraft [in hours]

Equivalent to 3 AC



Network & Fleet – Codesharing and interlining with Etihad multiplies the number of destinations and flights on offer

A whole new world of choice



- Joint strategic network approach
- Portfolio of almost 100 routes*
  - 65 AB routes carry the EY code
  - 32 EY routes carry the AB code
- By combining both airlines' flight networks and frequent flyer programs, the number of available flights for both airlines increased to include 239 destinations in 77 countries

*Codeshare scope as of Dec 2012

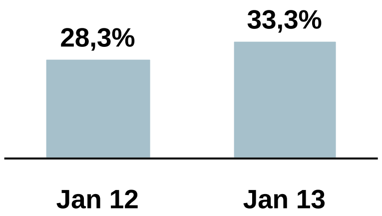
1 b Commercial

TARGETS:

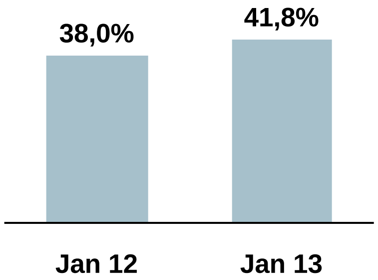
- Strengthening Point of Sale performance outside Germany/Austria/Switzerland region
  - Increase revenue especially in Asia-Pacific by Etihad Airways' interline key markets Australia, UAE and Indonesia
  - Further develop growth markets US, Russia, Poland and the Nordics
- Strengthen Travel Management Companies[1)] penetration
  - Joint Dealing together with Etihad Airways in progress
  - Stringent use of sales intelligence with partners
- Strengthen web sales in DACH region
  - Increase share of web sales to 50% in medium term
- Further align Sales Scheduled Services and Touristic Services

ACHIEVEMENTS:

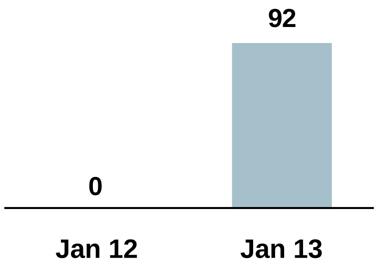
Point of Sale International share



Share web sales DACH region



No. international joint contracts with EY[2)]



1 c Product / Service

TARGETS:

- Holistic service improvement plan along the guest chain is accompanied by a through quality control
- Clear improvement and customer focus along all touch points

Booking
- **Integration customer centers**
- Customer **treatment** focus
- **Web initiatives**

Pre - Flight
- **Integration airport entities**
  - Ground Operations
  - Ticket Desk
- **Lounge** DUS re-design
- **Exclusive Waiting Areas**

Onboard
- New **business class** on long-haul
- New **economy** class on **long-haul**
- Adjustment of **catering** concept
- Cabin **customer awareness** focus

After - Flight
- **SLA enforcement** with airport handlers – Service quality

General
- **Social media initiatives**
- **Brand push**
- **Attractive fare model**
- **Sustainable operation**

1 c
Catering concept

New continental catering concept to be introduced in May 2013

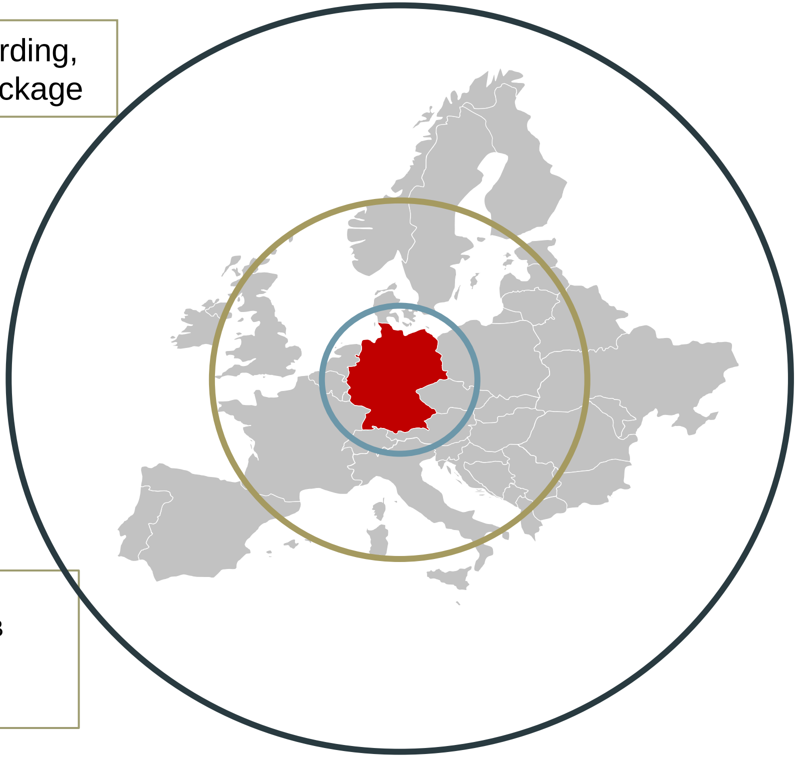
On every flight: Sweet at boarding or chocolate heart at deboarding, free newspapers, Inflight Entertainment, Baby kit & kids toy package

1 Domestic (Germany)
- Beverages & alcohol free of charge
- Snack

2 Shuttle (< 90 min FLT)
- Beverages free of charge
- Snack
- Alcohol BoB
- Cold meal BoB

3 Shuttle (> 90 min FLT)
- Beverages free of charge
- Pretzel/Muffin/Superior snack
- Alcohol BoB
- Meals: BoB

4 Canaries/Egypt (~ 240 min FLT)
- Beverages free of charge
- Bagel / savory snacks
- Mars box
- Alcohol BoB
- Meals: BoB



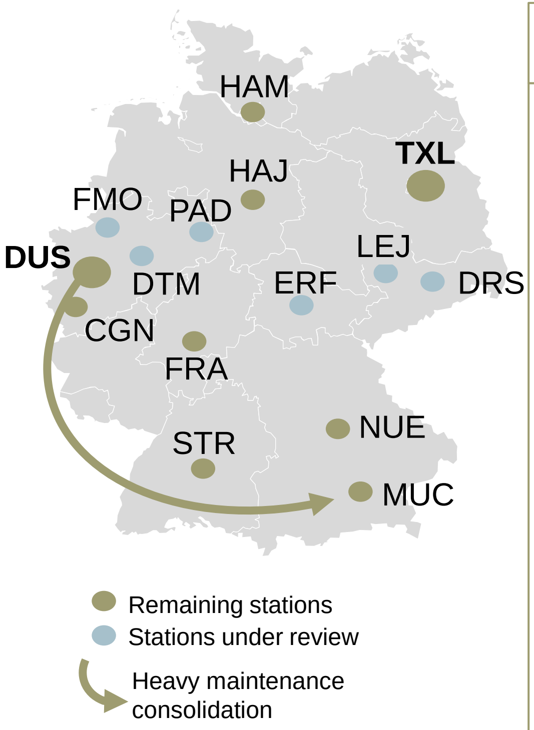
1 d Operations

TARGETS:

CREW

- Consolidation crew stations to improve productivity
- Improved aircraft stationing concept – out-stations only single aircraft type based to reduce complexity
- Improved crew planning processes

- Better aircraft utilization
- Higher crew productivity



MAINTENANCE

- Line maintenance station consolidation
- Base maintenance consolidation in MUC
- Procurement negotiations
- Engineering re-organisation
- Maintenance program initiatives

- Improvements in dispatch reliability
- Heavy maintenance productivity increased
- Increasing third party business

2 Stakeholder negotiations

Bring major stakeholder relationships in line with market best practice

Airport & ground handling	Labour and overhead	Wet lease providers
Lessors & OEMs	TOP & distributors	Maintenance suppliers

- Benchmarking was done on all cost line items and stakeholder discussions will be taken up to recapture deficiencies
  - Airport / operating costs →stronger enforcement of SLAs
  - Aircraft ownership costs
  - Costs of sales
  - Simplify labour agreements to enable productivity increases
- Together with underlying operational improvement this should lead to better cost position going forward and reduce CASK

2 Labour initiatives

HR related measures

1 Lean organisation / efficient operations

- **Crew:** review of crew bases and network to improve crew productivity
- **Maintenance:** consolidation of bases and reorganization of Engineering, MOC & Planning
- **Ground:** Restructuring in overhead, ground operations, commercial

2 New employment patterns

- **Crew:** productivity gains through seasonal adjustments under negotiation
- **Maintenance:** balance annual working time to achieve labour cost savings
- **Secondment agreements** with Etihad and other partners for cockpit, cabin and maintenance personnel

3 Ongoing labour negotiations

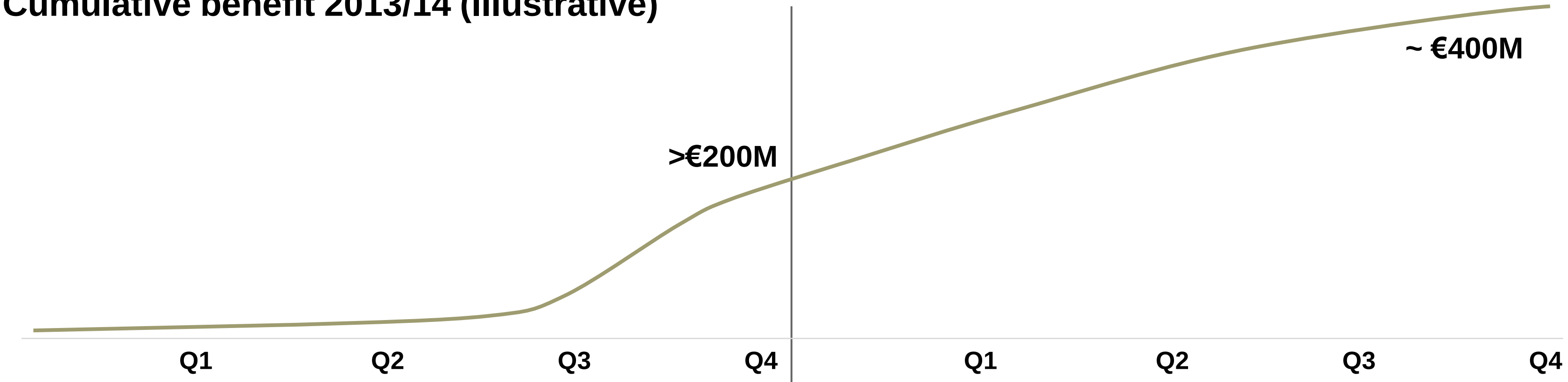
- On turnaround contribution
- On organizational restructuring

ACHIEVEMENTS:

- Reduction of ~180 FTE across the whole organization in Q1
- Organizational changes rolled out: Ground operations, OCC, Revenue Management, Network Planning
- Pilots secondments
- Maintenance initiatives started

Turbine: Timeline for achieving financial targets

Cumulative benefit 2013/14 (Illustrative)



2013

- Effects of >€200M on EBIT level targeted in 2013
- Majority of effects in 2013 ramp up from **Q2/Q3** onwards
- **Q1/Q2** with over proportional fix costs, i.e. aircraft, aircraft redeliveries, personnel etc.

2014

- Program will deliver ~€400M on EBIT level compared to 2012
- Realisation of network effects and crew/maintenance base consolidation will drive 2014 ramp-up

Values to build on – Lean & Smart

Strong market position

- **airberlin is the no. 2 carrier in the world's largest international travel market**
  - DACH: 242M passengers in 2011
- **Its market presence and relationships are strong**
  - Strong city presence
  - >90% brand awareness
  - Well established leisure carrier with strong tour operator relationships
- **Uniquely positioned to serve as a strong network partner**
  - For Etihad and via the **one**world global alliance

Valid business model

- **airberlin.Your airline.**
- **Serve all target markets with an integrated approach**
  - Scheduled and touristic services
  - European and long-haul destinations
  - Integrated steering of all business segments
  - Increased operational efficiency
- **Value for money**

Internal assets

- **Rounded value proposition with a competitive service product**
  - Service "with heart"
  - Strong frequent flyer program
  - Additional product enhancements underway
- **History of innovation and entrepreneurial spirit**
- **Service oriented workforce**

Guidance for 2013

Operational performance

Capacity

- Strong increase in long haul business
- Decrease in short and medium haul

Capacity utilization and income

- Increasing load factor through network reduction, improved sales platform and partnerships

Result

Revenue

- Growth in revenue through yield and SLF expected despite capacity reduction

Expenses

- Cost per ASK excl. fuel will decrease; structural cost increases will be offset through Turbine
- Challenges through strike situation

Result

- Operational profitability

Balance sheet

Balance sheet

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

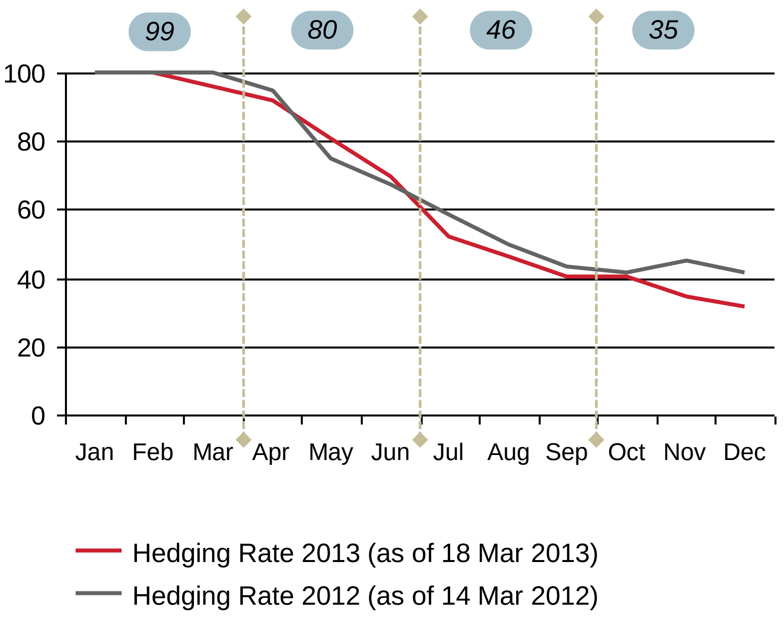
Target: operational profitability

3. Back up

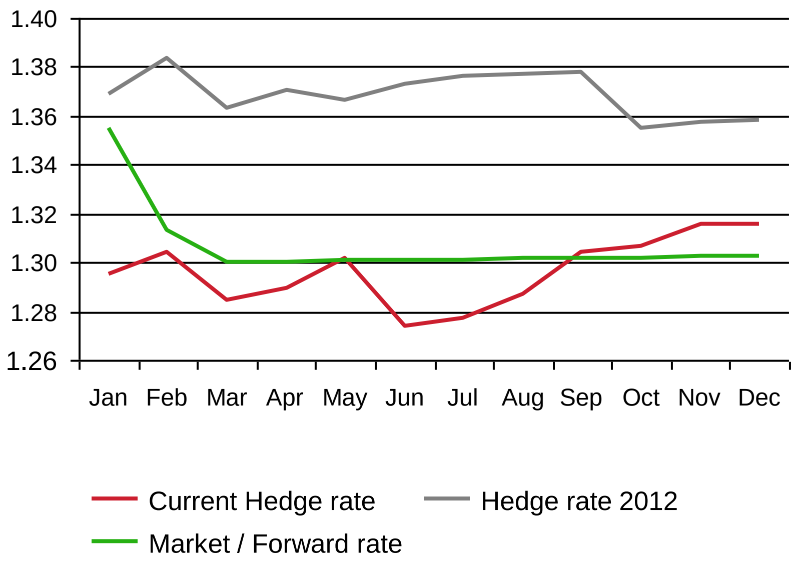
- Hedging

Dollar hedging

Hedging profile [%]



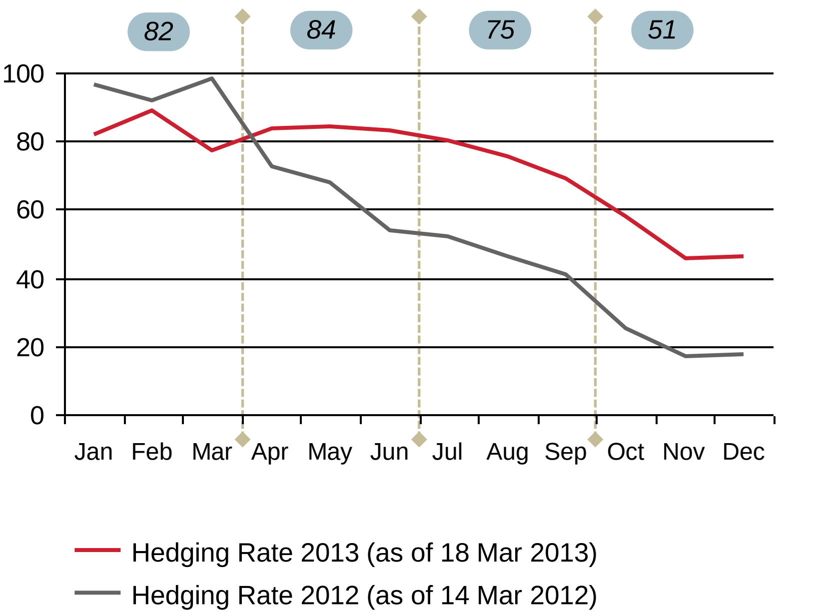
FX rate development [USD/EUR][1)]



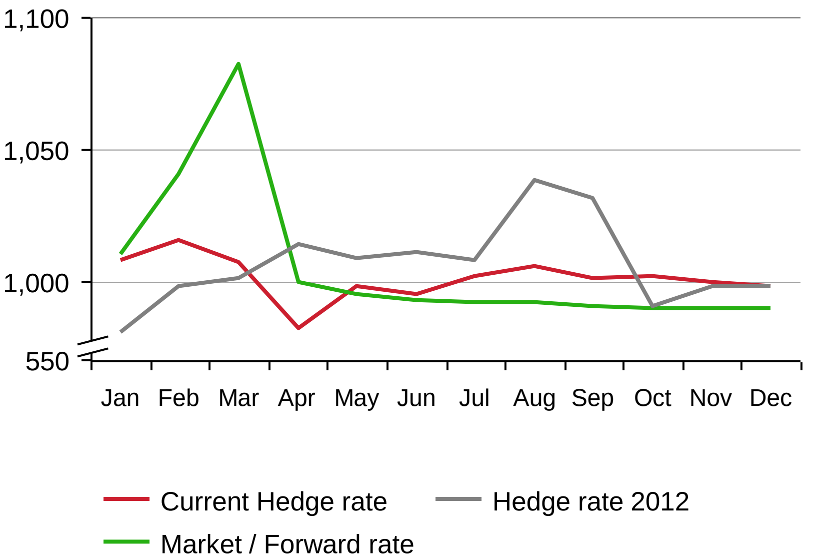
1) as of 18 Mar 2013 / 14 Mar 2012

Fuel hedging

Hedging profile [%]



Price development [USD/t] 1)



1) excl. differentials / as of 18 Mar 2013 / 14 Mar 2012