airberlin
Your Airline.

30 years
airberlin

Annual Report

Air Berlin chronicle

1978–1979

- Air Berlin Inc. founded in Oregon (USA) by Kim Lundgren and others
- 28 April 1979: Beginning of flight operations from Berlin Tegel
- Initial destinations: Mediterranean, Canary Islands and North Africa

1990–1991

- Air Berlin GmbH & Co. Luftverkehrs KG is founded with Joachim Hunold as sole managing partner

1993

- Purchase agreement with Boeing (26 aircraft)

1997

- Reservations can be be booked on all international reservation systems
- First German non-flag air carrier to introduce one-way ticket sales

1998

- Air Berlin introduces daily flights from 12 German airports to Mallorca
- Enters the seat-only market

- Introduces the "City Shuttle", offering daily flights from Germany to a number of major European cities

2002

- Air Berlin takes a 24 % interest in NIKI
- Contract with Airbus for 60 airplanes until 2011 (plus 40 options)

2004

- Air Berlin is re-organised and refocused under the newly created holding company Air Berlin PLC

2005

- Air Berlin goes public
- Acquisition of dba

2006

- Acquisition of LTU
- Investment in Belair (49 %)
- Start of long-haul business

2007

- Year of consolidation
- Introduction of "Jump"

2008

airberlin
Your Airline.

Air Berlin chronicle

KEY FINANCIAL FIGURES

(CHANGES IN %)

	%	2008	2007
Revenue (in million euros)	34.1	**3,400.7**	2,536.5
including ticket sales (in million euros)	33.9	**3,104.6**	2,319.3
EBITDAR (in million euros)	25.8	**476.8**	379.0
EBIT (in million euros)	(33.6)	**14.2**	21.4
Consolidated profit (loss) for the year (in million euros)		**(75.0)**	21.0
Cash generated from operations (in million euros)		**44.3**	112.3
Earnings per share (in euros)		**(1.14)**	0.33
Operating cash flow per share (in euros)		**0.68**	1.75
Total assets (in million euros)	(4.1)	**2,400.7**	2,503.1
Employees (31 Dec.)	(0.6)	**8,311**	8,360

OPERATING FIGURES

(AIR BERLIN, LTU AND BELAIR ON 12 MONTH BASIS)

	%	2008	2007
Passengers (in thousands; “pax”)	1.2	**28,559**	28,212
Destinations	(6.7)	**126**	135
Aircraft at year end	0.8	**125**	124
Available seat kilometers (in billions; ASK)	(4.9)	**56.48**	59.38
Load factor (%; pax/capacity)	1.06 pts.	**78.36**	77.30

30 YEARS OF AIR BERLIN!

FROM BERLIN INTO THE WORLD: that's our history in a nutshell. The Mediterranean and the Balearic Islands have ranked among our most important destinations from the beginning. Hardly any one else has as much experience here as we do. The same goes for combining new and traditional sales channels. From a very early stage we made well-directed use of the Internet, whereby we continued to cooperate with tour operators and travel agents. Our unique business model offers perfect service at a low price. On this basis we not only did have a successful IPO in 2006, we also accelerated the consolidation of the German market. Targeted acquisitions systematically expanded and optimised our flight network. We keep the environment at top rank: with an average aircraft age of only 4.6 years, we operate one of the youngest, quietest and most efficient European fleets. Today we are one of Europe's largest and best loved airlines among business travellers and holidaymakers. AIR BERLIN. YOUR AIRLINE.

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ANNUAL REPORT 2008


airberlin

INTERVIEW WITH JOACHIM HUNOLD, CHIEF EXECUTIVE OFFICER OF AIR BERLIN PLC

Mr. Hunold, what would you say to a shareholder who bought shares in Air Berlin for more than EUR 12 at the beginning of 2008? By the end of the year, his shares would have lost over 60 per cent of their value.

JOACHIM HUNOLD I am also a shareholder in Air Berlin and I am sure everyone will understand that I am particularly frustrated by the drop in our share price – completely independently of the very poor overall performance of the international stock markets. In a very challenging year for the worldwide aviation sector we acted fast and forcefully. This was not reflected in our share price in 2008.

"It's not about being happy. It is the responsibility of the management to produce convincing work and demonstrate adequate results."

You cannot always have been happy with certain comments from the financial markets about Air Berlin shares …

JOACHIM HUNOLD It's not about being happy. As the management of the Company, it is our responsibility to produce results that convince all stakeholders and demonstrates results and future prospects.

What is the most important result from 2008 for you and what will you take out of it in the current financial year?

JOACHIM HUNOLD In spring 2008, when conditions in the aviation sector rapidly deteriorated, we quickly implemented a very extensive programme, which has led to sustained improvement in performance throughout the entire Air Berlin Group. This was clearly reflected in the second half of the year in revenue and earnings per passenger as well as in quarterly results. This success strengthens our position in the market and we feel well equipped for the future. For me personally, the most important experience of 2008 was seeing the commitment with which all employees contributed to this success. My heartfelt thanks to all Air Berliners!

It's been said that you had to change course abruptly …

JOACHIM HUNOLD When action is needed, you have to get started. But one thing at a time: we have always said that Air Berlin needs to grow in order to be successful in the international arena and to be able to compete with the market leaders. That is why we have, since the beginning, focused on growth, on an organic basis and via acquisitions. We achieved both successfully in the years up to 2008. And 2008 was, in any event, always intended to be a year of consolidation.

Will intercontinental traffic remain a strategic growth market for Air Berlin after you cut back your plans in this area significantly in 2008?

JOACHIM HUNOLD We have always followed a flexible strategy regarding our position in the intercontinental market. In 2008, we acted immediately when it became apparent how quickly the worldwide economic climate was deteriorating. As we could see that a decline in business travel was likely, certain destinations such as China became less interesting from an economic viewpoint, at least for the time being. These routes were either closed or not introduced. I am proud that we were one of the first airlines to react consistently to the changing conditions. Inciden-

"I am proud that we were one of the first airlines to react consistently to the changing conditions."

tally: business travel is still very attractive and, as a result, we have consistently expanded in areas where business travel is increasing. We also increased the number of company contracts and our revenue with business customers in 2008.

"We have established an excellent strategic position in our core region Europe with a highly efficient network and very attractive source markets."

And what happens now? Is an internationally active Air Berlin still in sight?

JOACHIM HUNOLD In the first place, a dense network of feeder flights and healthy growth in our own core region are important requirements for a successful intercontinental business. Our core region is Europe, where we are continuing to grow. We have established an excellent strategic position with a highly efficient network and very attractive source markets. Take, for example, the biggest catchment area in Germany around Düsseldorf airport, with approximately 18 million people. We have become the largest operator in Düsseldorf thanks to the strategic acquisition of LTU. And it's not just from Düsseldorf that we continue to serve attractive intercontinental destinations, take Berlin, Munich or Mallorca – those are other major airports with dense feeder networks and corresponding potential for long-haul flights. We will build on this European feeder potential when opportunities arise.

We are also offering flights to China again! Our cooperation partner Hainan Airlines, China's fourth-largest airline, has operated a connection between Berlin and Beijing three times a week since September 2008. We have marketed these flights jointly since 25 January 2009. Air Berlin operates the connecting flights from Germany, Austria and Switzerland. The code-share flights are sold on a reciprocal basis and are operated under the relevant airline's own flight number. As you can see, we are still highly flexible!

"Our major airports with dense feeder networks are important requirements for a successful intercontinental business. We are building on this."

What do you think about prizes and awards?

JOACHIM HUNOLD That's a good question! A lot, of course. We certainly performed very well again in this area in 2008! Because, provided that they come from an independent party, prizes and awards give very important feedback – beyond pure business results – about the numerous soft factors that constitute success. I am therefore particularly pleased about the awards based on surveys of our passengers. What pleases me the most, however, is when our service, our quality and therefore our entire team on the ground and in the air is praised. After all, we want people to enjoy flying with their Air Berlin. When viewed in this way, every ticket purchased is an award in my opinion!

And finally, congratulations on the Company's thirtieth anniversary!

JOACHIM HUNOLD Thank you! We're now looking forward to the next thirty years.

CHAIRMAN'S STATEMENT

I WOULD LIKE TO CONGRATULATE JOACHIM HUNOLD AND HIS MANAGEMENT COLLEAGUES. They have done a great job in 2008. In one of the international aviation industry's most difficult years, the Air Berlin crew has kept the Group's operating profit in the black, despite the oil price shock and the worldwide economic slide. This enabled us to refute the (in part) extremely negative expectations of a large number of observers and proved that Air Berlin has a flexible business model. I would like to give special thanks to Joachim Hunold and his management colleagues, as well as to all of the Group's employees for this achievement.

On a proforma basis and compared with the 6.7 per cent increase in revenue to EUR 3,400.7 million, operating results and, in consequence, operating margins were improved by a significantly higher degree: the result on the EBITDAR level rose by 11.6 per cent or EUR 49.4 million to EUR 476.8 million and EBIT, by an increase of EUR 35.7 million, turned to positive territory amounting to EUR 14.2 million after a loss of EUR 21.4 million in the previous year.

Unfortunately, this positive development was countered by the adverse effects of the market upheavals caused by the escalating financial markets crisis during the fourth quarter of 2008. Even when considering that these effects have no impact on liquidity and are solely relating to the balance sheet date. The adjustments to current value stipulated by IFRS regulation of economically reasonable and successful hedging measures against currency and interest rate volatility impacted considerably the financial result and consequently net earnings. The same applies to adjustments to current value of hedging measures related to unpredictable changes of the price of jet fuel, which adversely affected equity.

In the second quarter of 2008, when confronted with the sharp rise in fuel prices in the first half of the year and the early emergence of a decline in intercontinental air traffic, the Executive Directors reacted quickly and established a Group-wide programme under the name "Jump" to improve Group performance.

The fast and efficient implementation of Jump, and particularly the systematic adaptation of the route network to respond to rapidly changing demand, has successfully led the Company through the turbulence of the increasingly gloomy economic environment in 2008. Indeed, at the beginning of 2009, Air Berlin is still responding very fast to the needs of the market.

For the most part, Jump's success has not been reflected in Air Berlin's share price. On the contrary, the share price fell considerably in 2008, particularly in the first half of the year. This decrease can largely be explained by the general slump in the stock markets, but also by the credit rating downgrades in the aviation sector and individual "sell" recommendations from certain analysts. Jump's success, as demonstrated by the publication of the Company's third quarter results, provided Air Berlin's shares with a fundamental basis for a significant recovery – during a time of further troubled financial markets.

However, the original shareholders of Air Berlin (of which I am one) continued to have confidence in the Company throughout 2008.

We are firmly convinced that Air Berlin will successfully overcome the worldwide economic crisis in 2009 and that the share price does not yet by far reflect the Company's true potential.

There were some changes to the Board of Directors in 2008. Wolfgang Kurth assumed the newly created position of Chief Maintenance Officer (CMO) at Air Berlin PLC on 1 June 2008. As CMO, he is responsible for the technical department, which are an integral part of the Company, the importance of which is emphasised through representation on the Board.

Because of his double role as Chairman of the Management Board at the companies Haniel and Metro, Dr. Eckhard Cordes resigned from his position as Non-Executive Director with effect from 31 March 2008. The Board of Directors thanked Dr. Cordes for his exemplary cooperation and his valuable contributions to the further development of Air Berlin.

On the same day, the Board welcomed Heinz-Peter Schlüter, Chairman of the Management Board of Trimet Aluminium AG, Düsseldorf, and Friedrich Carl Janssen, general partner of the bank Sal. Oppenheim jr. & Cie KGaA, as new Non-Executive Directors. With Heinz-Peter Schlüter and Friedrich Carl Janssen, we gained top executives with many years of entrepreneurial experience to contribute to the management of the Company. Both men were re-elected at the Annual General Meeting on 24 June 2008.

Mr. Janssen left the Board of Directors with effect from 26 November 2008 following his appointment as Chairman of the Supervisory Board of Arcandor AG. He was replaced on the same day by Mr. Dieter Pfundt, also a general partner at Bankhaus Sal. Oppenheim jr. & Cie. and a member of the committee of the German Banking Association. The Board thanked Mr. Janssen for his commitment.

The Board of Executive Directors continues to benefit from the support of experienced managers –, such as Dr. Hans-Joachim Körber (former CEO of Metro), Nicholas Teller (Chief Executive Officer of E.R. Capital Holding GmbH & Cie. KG) and Claus Wülfers (former Member of the Board of Directors of Hapag Lloyd).

Johannes Zurnieden
Chairman of the Board of Directors

THE BOARD OF DIRECTORS

Executive Directors

JOACHIM HUNOLD

CHIEF EXECUTIVE OFFICER

Joachim Hunold was born on 5 September 1949 in Düsseldorf, Germany, and is married with four children. After completing secondary school in 1970, Mr. Hunold studied law and began his career in aviation in 1978 with Braathens Air Transport, Düsseldorf. From 1982 until 1990 he held the position of Sales and Marketing Director with the LTU Group. In April 1991, Mr. Hunold was one of the founders of Air Berlin GmbH & Co. Luftverkehrs KG (as successor to Air Berlin Inc.) and since then has headed the Air Berlin Group, initially as the Managing Partner and, since the creation of the new holding company structure, as its CEO, effective as of 1 January 2006.

ULF HÜTTMEYER

CHIEF FINANCIAL OFFICER

Ulf Hüttmeyer was born on 9 July 1973 in Wildeshausen, Germany, and is married with two children. Following studies in economics, concluding with a degree in business administration, Mr. Hüttmeyer began his career in 1996 as an analyst with Commerzbank in the credit and financing division followed by various assignments in Germany and overseas (Singapore). Thereafter, Mr. Hüttmeyer served as Group Manager for Corporate Client Services in Berlin and was promoted to Director at the beginning of 2005. In February 2006 Mr. Hüttmeyer was appointed CFO of Air Berlin PLC.

WOLFGANG KURTH

CHIEF MAINTENANCE OFFICER

Wolfgang Kurth was born on 24 May 1948 in Lübeck, Germany, and is married with two children. Having studied engineering and gained a degree in business management, he was Managing Director of Hapag-Lloyd Flug from January 1990 and member of the Board of Management of Hapag Touristik Union (HTU) from 1999. Two years later, he was appointed Divisional Member of the Board of TUI AG. He became CEO of the low-cost airline Hapag-Lloyd Express in October 2002. In July 2005, he founded advolar GmbH, a consulting firm specialised in the airline industry. Between July 2007 and March 2008, Wolfgang Kurth was Managing Director of the dba airline. With effect from 1 June 2008, Wolfgang Kurth was appointed CMO of Air Berlin PLC and is responsible for the technical division.

KARL FRIEDRICH LOTZ

CHIEF OPERATING OFFICER

Karl Friedrich Lotz was born on 26 December 1949 in Wuppertal, Germany, and is married with two children. Mr. Lotz's career in the aviation industry began in 1969 with LTU Fluggesellschaft GmbH & Co. KG initially as a ramp agent, then in various management positions in the fields of flight operations, staff appointments, crew scheduling, traffic management, and flight operations support. From 1995 until 2007, Mr. Lotz held the position of Managing Director of CHS Cabin und Handling Service GmbH. From 1 July 1999, he was responsible for flight operations as Managing Director of Air Berlin KG, and upon the creation of the new holding structure, he was appointed COO of Air Berlin PLC with effect from 1 January 2006.

ELKE SCHÜTT

CHIEF COMMERCIAL OFFICER

Elke Schütt was born on 19 February 1956 in Sandbostel, Germany, and is single. She is a trained business correspondent and licensed dispatcher. From 1976 to 1979, she worked as a flight operations assistant at the Aeroamerica airline and joined Air Berlin, Inc., in 1980 as an assistant to the flight operations manager. After three years, she was appointed Manager of the Operations Department, and then, in July 1999, Managing Director and Deputy Managing Partner for Air Berlin GmbH & Co Luftverkehrs KG. With effect from 1 January 2006, Ms. Schütt was appointed CCO of Air Berlin PLC with responsibility for human resources, ground operations and general purchasing.

Non-Executive Directors

JOHANNES ZURNIEDEN

CHAIRMAN OF THE BOARD OF DIRECTORS,
MANAGING DIRECTOR AT PHOENIX REISEN GMBH, BONN

Johannes Zurnieden was born on 28 June 1950 in Bergisch-Gladbach, Germany, and is married. After completing secondary school and studies in law and psychology at the Rheinische-Friedrich-Wilhelms University in Bonn, he assumed the position of Managing Director at Phoenix Reisen GmbH in 1973. In 1994 he was appointed Deputy Chairman of the Supervisory Board of the German Fare Insurance Association (Deutscher Reisepreis Sicherungsverein) and in 1998 Vice-President of the German Tourism Association (Deutscher ReiseVerband). He also has accepted appointments to the advisory boards of the insurance company Europäische Reiseversicherung AG, Commerzbank and Sparkasse Köln-Bonn.

DR. HANS-JOACHIM KÖRBER

FORMER CHAIRMAN OF THE MANAGEMENT BOARD AND CEO OF METRO AG

Dr. Körber was born on 9 July 1946 in Braunschweig, Germany, and is married with one child. Dr. Körber completed his university studies in brewery technology (graduate brewmaster) and business administration (graduate business administrator, doctorate) at the Technical University of Berlin. In 1985, after several years in executive positions within the R. A. Oetker Group, Dr. Körber joined Metro SB-Grossmärkte (cash-and-carry markets and one of the legal predecessors of METRO AG) and until 1996 held various executive positions in Germany and abroad. From 1996, with the founding of METRO AG, he was a member of the Management Board and, from 1999 to 2007, Chairman of the Management Board and CEO.

DIETER PFUNDT

GENERAL PARTNER OF SAL. OPPENHEIM JR. & CIE. S.C.A., LUXEMBURG

Dieter Pfundt was born on 2 November 1952 in Blaubeuren, Germany, and is married with one child. Following his graduation from the University of Munich with a degree in business administration and a traineeship at Citibank AG, he worked for multinational companies. After almost two years at Morgan Guaranty in Frankfurt, he returned to Citibank in 1988 and assumed management of the Capital Markets & Treasury division in Frankfurt.
In 1991, Dieter Pfundt became Managing Director of the Frankfurt branch of Citibank N.A, New York. He was appointed to the Board of Management of Citibank AG in 1994, and was part of the Global FX committee, responsible for Citibank's global options business. Since his appointment on 1 September 1996 as personally liable partner of the banking house Sal. Oppenheim jr. & Cie., Dieter Pfundt has been responsible for the overall Investment Banking division. He is based in Frankfurt am Main, at the bank's most important branch outside Cologne. Since 1 July 2007, he is General Partner of the newly founded holding company Sal. Oppenheim jr. & Cie. S.C.A. in Luxemburg. Dieter Pfundt was elected to the Board of the Federal Association of German Banks (Bundesverband Deutscher Banken) in April 2008.

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE MANAGEMENT BOARD OF TRIMET ALUMINIUM AG, DÜSSELDORF

Heinz-Peter Schlüter was born on 16 October 1949 in Rübehorst/Ruppin, Germany, and is married with three children. After training as a merchant in wholesale and foreign trade at W&O Bergmann, he began his career as a metal trader in 1971. Following positions in Hamburg, London and Paris, he assumed overall responsibility for trading in 1979 and joined the management in 1982. In 1985, he founded TRIMET Metallhandelsgesellschaft as sole proprietor. With the acquisition of Aluminiumhütten Essen (1994) and Hamburg (2006), as well as smelters and foundries in Gelsenkirchen (1993), Harzgerode (2001) and Sömmerda (2001), TRIMET ALUMINIUM AG today employs under his management around 1,600 staff working with aluminium. With an overall production of over 450,000 tonnes, his company is Germany's largest producer of aluminium. *TRIMET operates offices in Berlin and Turin, as well as other offices in Beijing, Moscow, Prague and Zug via a stake in TRIMET CH.*

NICHOLAS TELLER

CEO OF E.R. CAPITAL HOLDING GMBH & CIE. KG

Mr. Teller was born on 16 June 1959, in London, England, and is married with two children. Following completion of secondary school in Düsseldorf, he studied at the University of Birmingham (Bachelor of Commerce). His career began in 1982 with Commerzbank in London. Twelve years later he was appointed Branch Director of Commerzbank Prague and later to Executive Management of the Hamburg branch. From 2002 to 2003, Mr. Teller was a Regional Board Member and was a member of the Management Board of Commerzbank AG between 1 April 2003 and 31 May 2008. Since 1 August 2008, he has been Chief Executive Officer of E.R. Capital Holding GmbH & Cie. KG in Hamburg. In addition, he is also a member of the Central Advisory Board of Commerzbank AG, the Management Board of Eurex Zürich AG and the Board of Directors of the American Chamber of Commerce in Germany e.V.

CLAUS WÜLFERS

FORMER MEMBER OF THE BOARD OF DIRECTORS OF HAPAG LLOYD AG, HAMBURG

Mr. Wülfers was born on 17 February 1939 in Hamburg, Germany, and is married with one child. His career in the travel industry began in 1965, and beginning in 1968 he founded a chain of travel agencies in Las Palmas as well as an aircraft services and handling company. In 1980, Mr. Wülfers assumed various management functions at Hapag-Lloyd AG and in 1985 was appointed Director of the Tourism Division with responsibilities for the travel agency organisation, the airline and the cruise sector. He was appointed to the Hapag-Lloyd Board in 1986 and, following Preussag AG's acquisition of the majority of shares in Hapag-Lloyd, to the Sector Board of Preussag. In 1998 he was appointed as the Speaker of the Board for Hapag-Touristik Union, the holding company for TUI and all tourism activities of the Hapag-Lloyd Group. Mr. Wülfers elected to resign from the Management Boards of Hapag-Lloyd and TUI in February of 2000.

1979 – 2009

30 years airberlin

Air Berlin – Thirty years of success

1980

1993

2009

1979

2003

2009

1980

1992

2009

1981

2009


„Wo ich meinen
Horizont erweitere?
Am Strand natürlich!“
Gran
Canaria
ab 99 €
One-Way-Komplettpreis
inkl. Service und Meilen
airberlin.com
Your Airline.

1980

1993

2009

1986


AIR BERLIN
BORDKARTE
BOARDINGPASS
14 C
Ihr Sitzplatz
Your seat
AB

2005


Boarding Pass/Bordkarte
AIR-BERLIN
Name of passenger
Frequent Flyer no.
From
Flight no.
Class
Date
Boarding time
Departure time
To
* Please be present at the gate at boarding time and observe gate changes at short notice *
* Bitte zur Einsteigezeit am Ausgang einfinden und auf kurzfristigen Wechsel des Ausgangs achten *
Handling information
AIR-BERLIN
airberlin.com
Name of passenger
Frequent Flyer no.
From
To
Flight no.
Class
Date
Gate
Boarding time
Seat
Ticket no.
Security no.

2009

1979

1995

2009

THE YEAR'S HIGHLIGHTS

JANUARY 2008

Air Berlin starts the year with a new brand appearance: its positioning as a global company with an international logo, the new "airberlin" lettering and a new motto: "airberlin. Your Airline". All Air Berlin aircraft are soon fitted with the new insignia.

APRIL 2008

Passengers can now check in for Air Berlin flights while travelling. With the MMS check-in, the boarding pass is sent directly to a mobile phone. All important passenger information such as name, flight number and seat reservation is read via a barcode on the mobile display at the departure gate.

JUNE 2008

Air Berlin launches the "Jump" cost reduction programme to improve profitability throughout the Group. Starting with the winter flight schedule in November, capacity, flight schedules, the network and the fleet are optimised and the organisation streamlined. Aircraft with high fuel consumption are taken out of service, while unprofitable routes are discontinued. At the same time, more flights are offered to destinations with high demand.

OCTOBER 2008

S7 Airlines, Russia's largest domestic airline, Air Berlin and Austria's NIKI sign a code-share agreement for routes to Moscow from Frankfurt, Düsseldorf, Munich, Hanover and Vienna. Bookings for these flights are offered without restrictions. This means a single ticket can be used for a flight from Moscow via Munich to Palma de Mallorca.

NOVEMBER 2008

The first of a total of ten Q400 turboprops that Air Berlin ordered from Canadian manufacturer Bombardier takes off. These comfortable, fuel-efficient aircraft, which can travel almost as fast as jets, will considerably lower costs compared to the previously employed Fokker 100 model. Air Berlin will also make an active contribution to the protection of the environment: at full capacity, the Q400 emits approximately 30 per cent less CO_2 than jets of a comparable size.

AIR BERLIN PLC
ANNUAL REPORT 2008

THE AIR BERLIN SHARE

Turbulence. Crude oil ascends to record price levels only to fall by 70 per cent. The crisis on the financial markets shatters the global banking system. The global economy is facing recession and the stock markets are falling to multi years lows.

The Air Berlin share price in 2008

Global bear market

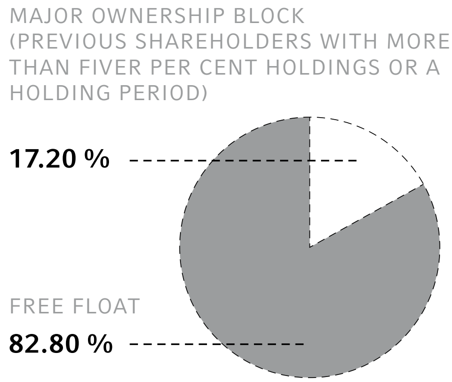
The worldwide stock markets suffered a SEVERE COLLAPSE in 2008. Essentially they were affected by two global megatrends: firstly, by the unprecedented increase in oil prices to over USD 140 per barrel and the resulting fears of inflation in the first half of the year, and secondly by the escalating INTERNATIONAL FINANCIAL MARKET CRISIS and its effects on the world economy in the second half of the year. Share prices recorded massive falls worldwide, in Germany the DAX Index lost 40 per cent and the MDAX 43 per cent. Small caps were even more severely affected: the SDAX index fell by 53 per cent.

"Jump" programme supports Air Berlin share price

The economically sensitive international airline sector, which had already been hit hard by the rise in jet fuel prices, was unable to escape this trend. The European Dow Jones STOXX Airlines Index lost around 56 per cent in 2008. Air Berlin's shares also suffered heavy losses during the year: having started 2008 at a price of EUR 12.42, it reached its lowest level of EUR 2.57 at the end of October 2008. This was preceded by VARIOUS ANALYSTS' industry REPORTS, some of which were very NEGATIVE, regarding the international aviation sector and Air Berlin in particular. When it became apparent with the publication of the third quarter results that the "Jump" programme to improve profitability in the Air Berlin Group, which was launched in the summer, had achieved the desired effect quickly, the share price increased significantly. The gap in the share's performance compared with the benchmark indices SDAX and Dow Jones STOXX Airlines was thus noticeably reduced towards the end of the year. The recovery led to a share price of EUR 5.14 in the second half of December; by the end of the year, Air Berlin's share price stood at EUR 4.73.

Relative performance Air Berlin vs. SDAX Price Index and Dow Jones STOXX TMI Airlines Index (EUR)

Source: Reuters



SHAREHOLDER STRUCTURE AT AIR BERLIN PLC ON 31 DEC 2008

Dividend policies

In order to FINANCE ITS GROWTH AND INVESTMENTS with the highest possible ratio of funds generated internally and to strengthen its balance sheet, Air Berlin will likely reinvest its profits in the next few years. This action, in the opinion of the Board of Directors, will increase share value, which is in the interest of all shareholders.

Analyst reviews of Air Berlin

Stable coverage

Air Berlin PLC is regularly reviewed and observed by both national and international banks and investment companies. Detailed company analyses of Air Berlin are published frequently. At the end of December 2008, a total of 14 analysts and research companies were providing assessments of Air Berlin.

There has been great INTEREST in Air Berlin from investors in Germany and abroad since the IPO. For this reason, we maintain ongoing and active discussions with the investment community and are always available to answer questions about Air Berlin. Our investor relations section on the Air Berlin website (ir.airberlin.com) offers the public an extensive amount of interesting information about the Company.

The Air Berlin PLC share in the 2008 business year

Share capital:	EUR 16,429,275.75 and GBP 50,000
Authorised share capital:	EUR 100,000,000
Total number of issued and registered Shares on 31 December 2008:	65,717,103 shares
Class:	Individual share certificate
Nominal value:	EUR 0.25
Bloomberg symbol:	AB1 GR / AB1 GY
Reuters symbol:	AB1.DE
ISIN:	GB00B128C026
WKN:	AB1000
Accounting standard:	IAS/IFRS

2008 market data

Trading segment:	Official Trading (Prime Standard)
Prime Standard Industry:	Transport and Logistic
Prime Standard Industry Group:	Airlines
Indices:	SDAX, Prime All Share, Classic All Share
Designated sponsor:	Commerzbank AG, Morgan Stanley Bank AG, Sal. Oppenheim jr. & Cie. KGaA
Market capitalisation on 31 December 2008:	EUR 310.842 million
Free float (Deutsche Börse AG) on 31 December 2008:	63.86 %
Capitalisation of free float on 31 December 2008:	EUR 198.5 million
Average daily trading volume 2008:	583.981 shares

- The shares are officially traded on Xetra as well as on the Frankfurt Stock Exchange and are also traded on the open markets of the Berlin, Bremen, Düsseldorf, Hamburg, Munich and Stuttgart Stock Exchanges.
- Air Berlin shares are registered common stock. Pusuant to aviation treaties and EU Directives, registration in a special names register, which provides information about the distribution of the shares according to nationality, ensures that a majority of all shares are held by German or European investors. The registrar for the shares is Registrar Services GmbH, Eschborn.
- Additionally "A shares" have been distributed. For further information, refer to page 139.

Major shareholders in Air Berlin PLC on 31 December 2008

Shareholders	Holdings in %*
Free float	63.86
AI Aviation Coöperatief U.A./Len Blawatnik	18.94
Hans-Joachim Knieps	9.59
Ringerike GmbH & Co. Luftfahrtbeteiligungs KG	0.97**
Metolius Foundation	7.61
JP Morgan Chase & Co.	4.97**
Werner Huehn	4.95**
Severin Schulte	4.13**
Rudolf Schulte	4.00**
Joachim Hunold (CEO)	3.20**
Moab Investments Ltd.	3.10**
Johannes Zurnieden	1.52**
Other induviduals (employees of Air Berlin PLC subject to a lock-up period)	0.22**

*Information to the best of the Company' knowledge.
**Shareholders of less than five per cent of the total outstanding shares are allocated to free float.

As of 31 January 2009, the Company had received the following mandatory disclosure notice regarding a change in its shareholders: on 6 January 2009, AI Aviation Coöperatief U.A./Len Blawatnik disclosed the sale of its 18.94 per cent holding in Air Berlin PLC through a voting rights disclosure notice (see also: ir.airberlin.com).

Shareholder structure per nationality on 31 January 2009

	in %
Germany	69.39
USA	19.82
Switzerland	5.38
Luxemburg	1.35
Austria	1.26
The Netherlands	0.79
United Kingdom	0.60
Other	1.41
Free float as per Deutschen Börse AG standard	82.80

Division of share capital

Private investors	44.62
Insurance and investment companies, banks	43.87
Other institutional investors and corporates	11.51

On 31 January 2009, the share capital of Air Berlin PLC was held by a majority of German Investors at 69.39 per cent. In total, approximately 30,000 shareholders are registered in the Company's share register.

DIRECTORS' REPORT AND BUSINESS REVIEW

Sorting things out. **2008 presented unique challenges: sky-rocketing oil prices and global recession hit the international airlines industry at the same time. Air Berlin has met these challenges successfully, quickly and powerfully.**

COMPANY PROFILE

Legal form

The Air Berlin PLC is run by a "unitary Board"

As the legal parent of the Group, Air Berlin has chosen the legal form of a PLC (public limited company). It was founded in England and Wales with its registered office in Rickmansworth and its management based in Berlin. As a PLC, the Company is run by a "UNITARY BOARD": management (Executive Directors) and the Supervisory Board (Non-Executive Directors) are united within a single body, the Board of Directors of the PLC. Directors who served during the year are listed on page 98 and changes on page 103.

Unique business model

Clear brand strategy

The Air Berlin Group follows a CLEAR BRAND STRATEGY with its strong "airberlin" brand, which is known throughout Europe. With its unique price/performance ratio, it sets standards in the competitive air travel sector. Air Berlin is the only European airline to occupy the gap between classic full-fare airlines and the so-called low-cost carriers with their very limited services.

At the end of 2008 Air Berlin flew to 126 destinations

Air Berlin operates a WORLDWIDE FLIGHT NETWORK with a STRONG BASE IN GERMANY AND EUROPE, particularly southern Europe. Within the closely linked European route network, there is a focus on Germany with 21 destination airports, including the hubs in Düsseldorf, Berlin, Nuremberg and Munich, and on the Spanish market, particularly the hub in Palma de Mallorca. In total, Air Berlin flies to 76 destinations in Europe and 8 in North Africa, along with a further 21 destinations overseas, in Africa and in Asia (as of the fourth quarter of 2008). The European cities served by Air Berlin include Barcelona, Birmingham, Budapest, Gothenburg, Helsinki, Innsbruck, Copenhagen, London, Milan, Manchester, Moscow, Nice, Paris, Rome, St Petersburg, Stockholm, Vienna and Zurich. The summer flight schedule provides more than 380 flights a week to Mallorca alone. 17 destinations on the neighbouring islands, the Spanish mainland and Portugal are also served from the Palma de Mallorca hub.

International growth through code sharing

Air Berlin cooperates with several airlines as a CODE-SHARE PARTNER, which allows it to expand its development opportunities at an international level. The latest example of these activities is the Company's cooperation with HAINAN AIRLINES, China's fourth-largest airline, with the two companies agreeing to jointly market flights between Berlin and Beijing as of 25 January 2009. Since October 2008, Air Berlin has offered code-share flights together with Russia's S7 AIRLINES, which provides Air Berlin with access to the largest domestic route network in Russia.

In the last few years, Air Berlin has grown both organically and via acquisitions. In 2006, dba Luftfahrtgesellschaft was acquired with funds from the successful IPO. This was followed in 2007 by the acquisition of LTU LUFTTRANSPORT-UNTERNEHMEN GMBH and a 49 % interest in the Swiss airline BELAIR AIRLINES AG, of which Air Berlin has commercial control.

Air Berlin is the second largest German airline and Number 5 in Europe

The Group is GERMANY'S SECOND-LARGEST AIRLINE, with 8,311 employees, a fleet of 125 aircraft, 35 of which are owned by the Company itself (as at 31 December 2008) and 28.6 million passengers. Officially, Air Berlin belongs to the market segment of the so-called low-cost carriers (LCC), despite its special status as a "HYBRID CARRIER". Within this segment, the Air Berlin Group is the market leader in Germany and third in Europe. As a result of the LTU acquisition, Air Berlin is now the fifth-largest air travel provider in Europe. The Company has been a member of the International Air Transport Association (IATA) since 1997 and, accordingly, is deemed a scheduled carrier.

Focus on the customer

Air Berlin is accessible to its customers via all sales channels. The Company's market presence is clearly FOCUSED ON THE CUSTOMER. Under the slogan "AIRBERLIN. YOUR AIRLINE.", the comprehensive range of services (in some cases in COLLABORATION WITH PREMIUM PARTNERS) extends well beyond the usual flight-related services. These include a large number of convenience solutions, such as our own 24/7 SERVICE CENTRE and the extensive, transparent and service-friendly AIR BERLIN WEBSITE, featuring online bookings and web check-in. With Air Berlin, you can also CHECK IN WITH YOUR MOBILE PHONE. Air Berlin is also FAMILY-FRIENDLY: children between the ages of two and eleven fly for a third less. Unlike traditional low-cost carriers, Air Berlin provides snacks and drinks free of charge on all flights. Premium partners provide additional services directly via the Air Berlin website.

CORPORATE STRATEGY

Increasing the value of the Company is predominant

Air Berlin's corporate strategy focuses on INCREASING THE VALUE OF THE COMPANY. Steady, above-average and profitable growth in the classic growth market of international travel is the cornerstone of our value added strategy.

The starting point is the Company's UNIQUE POSITION AS A "HYBRID OPERATOR", combining the advantages of low-cost carriers ("no frills airlines") and traditional flagship airlines ("full-fare airlines"): HIGH PRODUCT QUALITY together with ABOVE-AVERAGE SERVICE, but with low prices. This position gives Air Berlin an attractive unique selling point in the competitive air travel market. Profitability is further increased by high efficiency and strict cost awareness, along with a route network that has been optimised for profit with ATTRACTIVE SOURCE MARKETS.

Air Berlin rigorously markets its position as an UNMISTAKABLE BRAND that is easily recognised and that has a community feel. The brand identity, which was completely revamped at the beginning of 2008, focuses on long-term customer loyalty whilst appealing to new attractive target groups. The message is that Air Berlin offers THE BEST POSSIBLE PRICE/PERFORMANCE RATIO for air travel. Target groups are holiday makers, those travelling for business and shopping, families and individuals.

COMPANY MANAGEMENT

Safety first

First and foremost, our prime objective is the observance of all RELEVANT SAFETY REGULATIONS related to flying. Operationally and strategically, a significant part of our performance measurement is cost and process efficiency and its continual improvement is an ongoing process across all sections of the Company. The Company's organisational structure is kept as FLAT AND TRANSPARENT AS POSSIBLE.

Across-the-board tasks are carried out centrally for personnel functions, flight operations, and on-board and technical services, with the latter two being handled by two separate subsidiaries.

EBITDAR is the pivotal earnings indicator on the operating level

Internally the Group uses EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) as a reflection of its earnings. EBITDAR is generally used as an OPERATING SUCCESS INDICATOR in the air travel industry and also by investors and analysts as the measurement that best reflects the industry's financing structure.

On the basis of EBITDAR, the operating performance of airlines can be COMPARED regardless of whether they buy a higher proportion of their aircraft, and therefore have higher depreciation and possibly also higher interest costs, or are companies that lease more aircraft, i.e. have comparatively high expenses for materials and services, including leasing costs. Optimisation of the proportion of owned aircraft compared with leased aircraft and MAXIMISATION OF THE RESULT FROM OPERATING ACTIVITIES AFTER FINANCING can only feasibly occur on the basis of EBITDAR, as it adjusts the operating result by the two expense types, depreciation and leasing costs.

Other important operating indicators are the PASSENGER LOAD FACTOR, which measures the use of capacity in the fleet as the ratio of revenue passenger kilometres (RPK) to available seat kilometres (ASK) and the AVERAGE YIELDS PER PASSENGER, kilometre flown or revenue passenger kilometre. Air Berlin operates a fully developed YIELD MANAGEMENT SYSTEM, which is continually being optimised further, in order to systematically increase the average yields.

ECONOMIC CONDITIONS

Overall economy

2008: international financial markets crisis and global recession

The INTERNATIONAL FINANCIAL MARKETS CRISIS spread to other areas of the worldwide economy in the second half of 2008. In autumn growth rates of industrial nations as well as emerging and developing countries dropped at an alarming rate. Since then, the world has been experiencing a SEVERE RECESSION, the extent and duration of which will, according to many international observers and organisations, significantly exceed all downturns since the Second World War. As developments have followed the same path in all countries, world trade has been affected particularly severely, which has impacted the transport and logistics sectors.

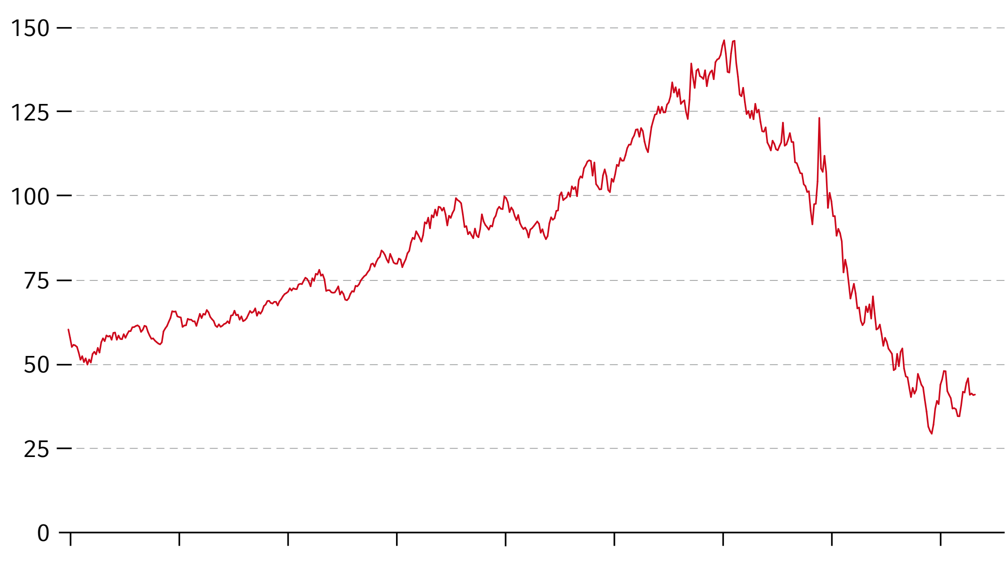
Despite massive support measures from governments and central banks to prevent a financial system collapse, the turbulence on the international financial markets has continued in 2009, resulting in RECORD INTEREST RATE SPREADS between government and corporate bonds, while liquidity is still dangerously scarce on the money and credit markets. The worldwide DEFLATION OF ASSET PRICES leads to a need for write-downs, particularly on bank balance sheets, the extent of which is still difficult to estimate. The CRISIS OF CONFIDENCE AMONG BANKS, which has placed a particular burden on the economy, has not been resolved and there remains a risk of a global credit crunch.

Historic volatility in the oil price

In 2008, the oil price first rose by 51 per cent and then collapsed by 70 per cent

After crude oil prices rose almost continuously throughout 2007 by a total of 58 per cent from just under USD 61 to USD 96, the INCREASE IN OIL PRICES accelerated in the first half of 2008. Following an increase of a further 51 per cent within just six months, the price of American light crude oil (WTI) reached an all-time high of USD 145.31 per 159-litre barrel on 3 July 2008.

West Texas Intermediate Spot in USD



Source: Reuters

During the course of the year, however, the escalating worldwide financial crisis spread more clearly to the real global economy, which led to increased signs that a substantial DECLINE IN THE WORLDWIDE DEMAND FOR OIL was imminent. Following the unprecedented increase, an equally SPECTACULAR PRICE DROP began, intensified by massive sales by investors who had banked on a further rise in oil prices and then found themselves in increasing need of liquidity because of the financial markets crisis. This decline continued uninterrupted until late January 2009.

WTI closed 2008 at USD 44.60, the LOWEST LEVEL IN SEVERAL YEARS. The oil price had fallen by almost 70 per cent from its peak in the summer and had seen a net drop of almost 54 per cent since the beginning of the year. The surges in the price of crude oil were immediately reflected in the prices of almost all oil products and derivatives, including JET FUEL. This development had a particularly harsh impact on energy-intensive sectors of the economy, which of course includes international air travel. Existing measures to secure oil prices proved to be inadequate at many companies and the conclusion of new HEDGING TRANSACTIONS became increasingly expensive.

Highly volatile interest markets

Unprecedented volatility

Developments on the international bond markets in 2008 were varied and the level of VOLATILITY REACHED A HISTORIC HIGH. Due to rising raw material prices accompanied by GROWING FEARS OF INFLATION, the yields of 10-year government bonds initially rose to almost 4.7 per cent for German government bonds and to over 4 per cent for US Treasuries during the first half of the year. From July onwards, A DECLINE THAT WAS NO LESS DRAMATIC began, pushing down yields to just under 3 per cent in Germany and around 2 per cent in the USA by the end of the year.

There was also a drastic change in YIELD CURVES. Until mid year, they flattened out in the euro zone, even becoming inverted for a short time so that the two-year yields exceeded the ten-year yields. Thereafter the INTEREST RATE CUTS BY CENTRAL BANKS led to significant drops in short-term yields, with the result that the yield curve became relatively steep again at the end of the year. In the USA, however, there was virtually no flattening of the yield curve, as key interest rates were cut at an early stage. The sharp drop in short-term yields even led to a particularly steep curve during the course of the year.

In light of the escalating international financial crisis, central banks and governments resorted to DRASTIC MEASURES during the year. In the USA, support programmes for the economy and the financial sector were set up on an unprecedented scale at an early stage, while the US Fed lowered key interest rates from 4.25 per cent at the beginning of the year to a 0 to 0.25 per cent range by the end of the year. Several programmes were also launched to rescue the financial system and restore liquidity. The European Central Bank had raised key interest rates to 4.25 per cent by the beginning of July to combat inflation, only to drastically cut rates later to 2.0 per cent. In Europe, a range of rescue packages worth hundreds of billions to support the economy and the financial markets were launched.

Severe fluctuations on the currency exchange markets

Rollercoaster Forex markets

The currency exchange markets were also very volatile in 2008. In COMPARISON WITH THE US DOLLAR, THE EURO benefited up to mid year from the economic upturn in the euro zone and the increasing interest rate gap with the USA, and at one point even reached a HISTORIC HIGH of over USD 1.60. However, the financial crisis then spread to the European economy causing the euro to lose 20 per cent against the US dollar. At the end of the year, the exchange rate for the euro had returned to USD 1.40.

A SPECIAL DEVELOPMENT in contrast to the US dollar – and indirectly in contrast to the euro – was seen with the JAPANESE YEN AND THE SWISS FRANC. These currencies in the wake of the virtual collapse of US investment bank Bear Stearns significantly increased in value from mid-March onwards. This was due to the unwinding of so-called CARRY TRADES in favour of these classic low-interest currencies. With carry trades, investors take on debts in low-interest currencies and reinvest the sum in a currency with higher yields, in order to benefit from the interest rate gap. As a result of the escalation of the financial markets crisis, however, these currencies also experienced a SHARP DROP IN THE EXCHANGE RATE against the US dollar from August onwards.

The BRITISH POUND suffered particularly severely in relation to the euro. As a result of the massive drop in British property prices and clear signs at an early stage of a severe recession in the UK, the euro rose to a new record high of GBP 0.98/EUR at the end of 2008.

The air travel sector in 2008

Rising fuel cost and recessionary downturn: international air traffic digesting a double whammy

2008 will be remembered as a YEAR OF DECLINE, if not crisis, in the history of the air travel sector. The oil price increase in the first half of the year, the speed and scale of which had never been seen before, had a severe impact on the results of airlines worldwide. Due to intense competition, FUEL SURCHARGES could be implemented only after a significant reduction in fares, resulting in only partial compensation of the additional costs incurred.

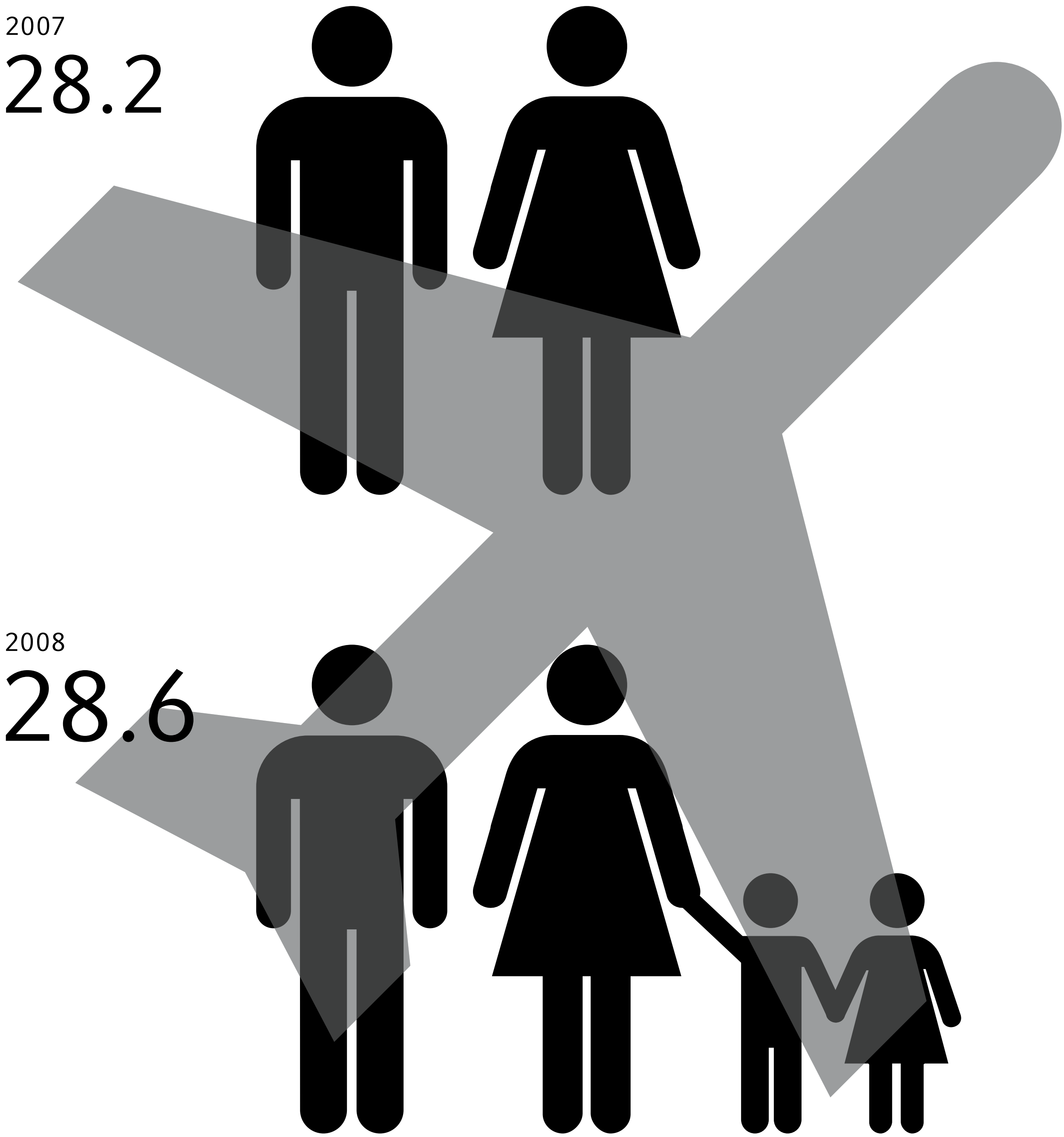
The worldwide recession that began later in the year also had a severe impact on passenger and freight volumes in the second half of the year. According to the German Federal Statistical Office, a total of 165.6 million passengers took off or landed at German airports in 2008. This represents an increase of 2.1 million or 0.9 per cent on 2007 and marks the smallest increase since 2002. With 24.7 million passengers, Germany's domestic air travel was up 1.8 per cent. The number of passengers travelling to airports in Europe from Germany rose by 0.3 per cent to 108.5 million. Intercontinental traffic increased by 2.7 per cent to 32.4 million.

Air traffic faces strong downturn during the second half of 2008

According to the German Airport Working Group (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen – ADV), the number of passengers at the 24 member international airports rose by about 1.2 per cent to over 190 million in 2008. The volume of air freight (including airmail) grew by 4.6 per cent to 3.8 million tonnes. The number of take-offs and landings by commercial aircraft was up 0.3 per cent on the previous year, at 2.2 million. According to the ADV, these GROWTH RATES ARE BELOW THE ORIGINAL EXPECTATIONS, as the economic environment deteriorated considerably over the year.

PASSENGERS

(MILLION)



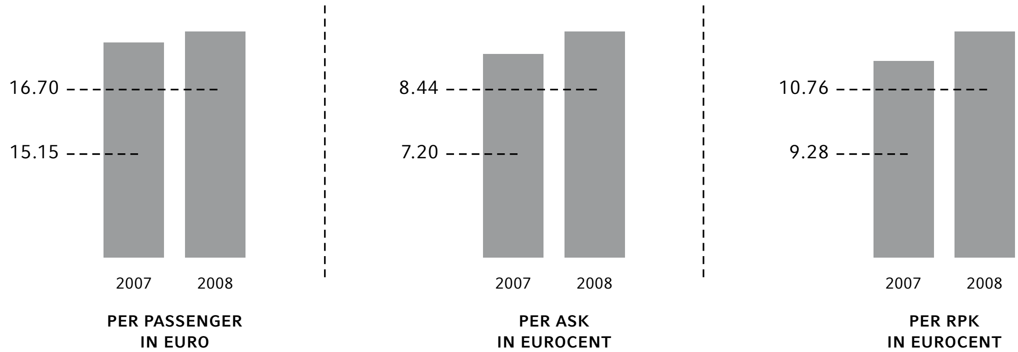
According to DFS Deutsche Flugsicherung GmbH, the company responsible for air traffic control in Germany, the total number of take-offs and landings in German airspace, having increased by 4.4 per cent in 2007, increased by 1.1 per cent in 2008 to 3.15 million. In the first half of the year, DFS monitored 4 per cent more flights than in the same period of the previous year. The growth rate slowed to 1.1 per cent in the third quarter, after which there was a GROWING DOWNWARD TREND. In October 2008, DFS recorded a drop of 0.4 per cent compared with the same month of the previous year, in November the number of flights was down 6.9 per cent and in December there was a decline of 7.5 per cent. In total, 4.7 per cent fewer take-offs, landings and overflights were monitored in the fourth quarter than in the previous year.

Low-cost carriers still on the rise

The proportion of so-called LOW-COST CARRIERS increased further. According to an analysis by DFS, they now account for 25.8 per cent of all take-offs and landings. In 2001, fewer than 5 per cent of all take-offs and landings were by low-cost airlines. This means that the proportion of flights made by low-cost carriers has increased more than five-fold since the beginning of the new millennium.

According to IATA, the worldwide umbrella organisation for traditional full-fare airlines, PASSENGER VOLUME in international air traffic increased slightly in 2008. In terms of revenue passenger kilometres (RPK) global growth increased 1.6 per cent. But this TREND CHANGED SIGNIFICANTLY towards the end of the year. In December RPK declined by 4.6 per cent compared to the previous year's month. The Asian-Pacific region suffered the strongest slump (– 9.7 per cent), whereas the decline in Europe was comparably low at minus 2.7 per cent. In the course of the global economic downturn the drop in AIR FREIGHT TRAFFIC was particularly pronounced. In total, Freight Tonne Kilometres (FTK) fell by 4.0 per cent, with December alone showing a collapse of 22.6 per cent. All industrialised countries suffered similar declines. According to IATA, its statistics cover 93 per cent of international air traffic.

JUMP 2008 vs 2007
(EFFECTS ON EBITDAR)



OPERATIVE DEVELOPMENT

"Jump": Group-wide performance improvement

Air Berlin launched the "Jump" programme in the first half of 2008 with the aim of IMPROVING OPERATING PERFORMANCE in the short term to ensure a sustained improvement in profitability at all levels and throughout the entire Group.

Numerous individual measures even before Jump

In the spring, NUMEROUS INDIVIDUAL MEASURES were identified with an optimisation programme and were systematically implemented. These included cost-cutting measures such as a significant REDUCTION IN COSTLY WET LEASES, the CLOSURE OF UNPROFITABLE ROUTES, CUTTING BACK SURPLUS CAPACITY in the Group's route network and replacing old Fokker 100 aircraft with modern and FUEL-EFFICIENT TURBOPROP models. The standardisation of price and sales structures and the centralisation of yield management also led to noticeable improvements in internal procedures, while productivity improved considerably throughout the Group.

Jump: 3-pronged initiative, 6 modules

The THREE-PRONGED Jump INITIATIVE involved operating, organisational and financial measures, with six individual modules. When completed, Jump will lead to a PERFORMANCE ACHIEVEMENT OF EUR 150 MILLION per year. As Jump included many measures that took effect very quickly, EUR 44.6 million of this total annual volume was achieved in 2008. In particular, it was possible to compensate for a significant proportion of the drastic net increase in jet fuel costs in 2008 and thus to make a CONSIDERABLE CONTRIBUTION in the short term to maintaining profitability in an extremely challenging year.

Jump. The six modules

Route network / fleet	Flight plan optimisation, frequency compression, capacity reduction, and elimination of redundancies geared towards significantly reducing complexity
Prices	Harmonisation; passing on costs including higher fuel costs in particular; improved pricing structure through sensitivity analyses
Revenue	Focus on business customer acquisition; improved travel agency incentive schemes; greater cross-selling to improve ancillary sales
Operating costs	Stricter budgeting; increasing fuel efficiency, further optimisation in areas including marketing, ground, catering; concentration of administration at Berlin site
Human Resources	Implementing crew benchmarking; further optimisation of crew staff costs and on-board productivity
Maintenance	Operational optimisations

The implementation of Jump allowed for a significant improvement of operational performance indicators per output unit, such as FLIGHT REVENUE PER PASSENGER, which on a comparable basis rose by 6.3 per cent to EUR 108.71, as compared to EUR 102.27 last year. In 2008, FLIGHT REVENUES per AVAILABLE SEAT KILOMETRE (ASK) rose by 13.2 per cent to 5.50 eurocents from 4.86 eurocents and by 12.0 per cent to 7.01 eurocents from 6.26 eurocents per Revenue Passenger Kilometre (RPK).

COSTS PER PASSENGER

2008 (PER CENT)

TOTAL OPERATING
COSTS EX FUEL COSTS

+ 0.68 %

FUEL COSTS

+ 17.69 %

Jump also led to CONSIDERABLE IMPROVEMENTS REGARDING COSTS: total operating costs at EBITDAR level before considering the cost of fuel, which can only be influenced to a small extent, rose by just 1.4 per cent. Also, the cost increases per ASK (+6.6 %) and RPK (+5.4 %) were below average.

In total, Jump resulted in a SIGNIFICANT IMPROVEMENT IN EARNING POWER – including the extreme rise in jet fuel prices: the important performance figure EBITDAR per passenger (also see page 63) rose by 10.2 per cent to EUR 16.70 as compared to EUR 15.15 last year. Substantial increases were also achieved in EBITDAR per ASK (+17.2 %) and per RPK (+15.9 %).

Passenger travel and the fleet

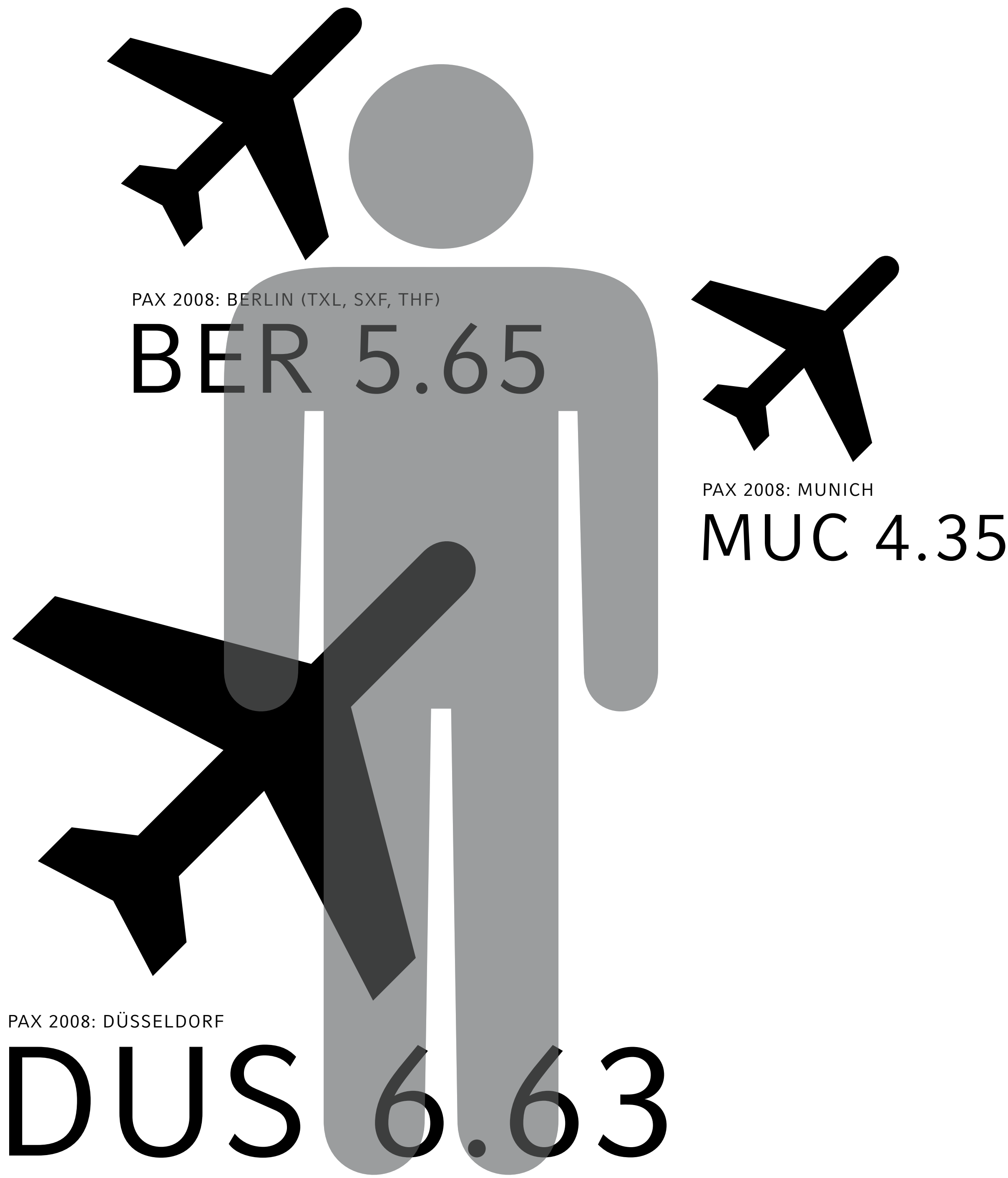
Capacity adjustments due to weakening market conditions

The Jump programme's performance-increasing measures were implemented by the start of the 2008/2009 winter flight schedule, with ADJUSTMENTS TO CAPACITY geared largely towards the considerably WEAKER MARKET CONDITIONS in the second half of 2008. In total, the reduction in capacity as at the end of 2008 was 4.99 per cent compared with the previous year, in terms of the available seat kilometres. As the number of seats available fell only slightly in net terms, most of this decrease was due to the optimisation of the flight schedules and routes.

ADJUSTMENTS TO CAPACITY were made ON ALL ROUTES. Three large jets of the Airbus A330-300 type were withdrawn from long-haul routes and transferred to medium-haul routes. In the 2008/2009 winter flight schedule, long-haul routes are served by 10 A330-200 jets, which fly to the following destinations: Samana, Bangkok, Cape Town, Cancun, Dubai (as a full charter for the luxury cruise ship AIDA), Phuket, La Romana, Mombasa, Montego Bay, Male, Puerto Plata, Punta Cana, Varadero, Windhoek, Miami and Fort Myers. Destinations in China were provisionally dropped from the 2008/2009 winter flight schedule. A decision will be made on whether to resume these connections in summer 2009. The Düsseldorf – New York connection was also suspended in the 2008/2009 winter flight schedule; in addition, the frequency of flights was reduced on routes to Cape Town, Windhoek and Bangkok, while flights to Mauritius and Sri Lanka were discontinued. For special flights to other cruise ships, A330-200 models will be used if available.

AIR BERLIN IN GERMANY

(MILLIONS OF PASSENGERS)



Frequency of flights was increased on attractive destinations

At the same time as these cutbacks, the FREQUENCY OF FLIGHTS WAS INCREASED to destinations that are in particularly high demand and that are of interest to BUSINESS TRAVELLERS. Air Berlin has thus increased the number of flights and the capacity offered – among others – on destinations from Berlin to Copenhagen, Paris, Vienna, and Zurich and from Düsseldorf to Vienna, Zurich, Tegel, and Hamburg as well as from Munich to Hannover.

The Air Berlin Group transported a total of 28,559,220 passengers in 2008. The passenger volume for the previous year was 28,211,790. Despite the adjustments to capacity and optimisation of routes that were carried out mainly in the second half of 2008, there was therefore still a slight increase of 1.2 per cent.

Material flight related figures (as at 31 December)

	+/– %	**2008**	2007
Aircraft	+0.8	**125**	124
Flights	+1.0	**220,808**	218,587
Destinations	−6.7	**126**	135
Capacity (thousands)	−0.1	**36,444**	36,495
Passengers (thousands; "Pax")	+1.2	**28,559**	28,212
Passenger load factor (%; Pax/Capacity)	+1.06*	**78.36**	77.30
Available seat kilometres (bn; ASK)	−4.9	**56.48**	59.38
Revenue passenger kilometres (bn; RPK))	−3.8	**44.31**	46.07
Number of block hours	−0.6	**458,921**	461,823

All figures above represent Air Berlin including LTU and Belair subsidiaries
* percentage points

A modernised and even younger fleet

The total number of aircraft rose by one to 125 in 2008, compared with the previous year. However, there were significant changes to the COMPOSITION OF THE FLEET: while 23 aircraft with state-of-the-art technology were added as planned, older models with a higher fuel consumption and lower efficiency were withdrawn. All ten Fokker 100 aircraft and all ten Boeing 737-300 models were taken out of service. This means that the Air Berlin fleet became EVEN YOUNGER: the average age of aircraft in the fleet was 4.6 years at the end of 2008, compared with 5.2 years in the previous year.

7.01

2008

6.26

2007

FLIGHT REVENUES PER RPK
(IN EUROCENT)

+ 12.0 %

Fleet Air Berlin Group (31 December)

	Number in 2008	Number in 2007
A319	**18**	8
A320	**32**	30
A321	**6**	4
A330-200	**10**	9
A330-300	**3**	3
B737-300	**0**	10
B737-700	**16**	12
B737-800	**35**	35
B757	**2**	2
B767	**1**	1
F100	**0**	10
Q400	**2**	0
Total	**125**	124

All figures above represent Air Berlin including LTU and Belair subsidiaries

Seat-load factor increases to 78.36 per cent

The number of seats available fell slightly by 0.1 per cent from 36.5 million in 2007 to 36.4 million in the period under review. As passenger volumes rose by 1.2 per cent, the UTILISATION OF CAPACITY, measured in terms of the passenger load factor, INCREASED AGAIN perceptibly by 1.06 percentage points to 78.36 per cent in 2008.

Passenger volumes at the ten most important Air Berlin destination airports*

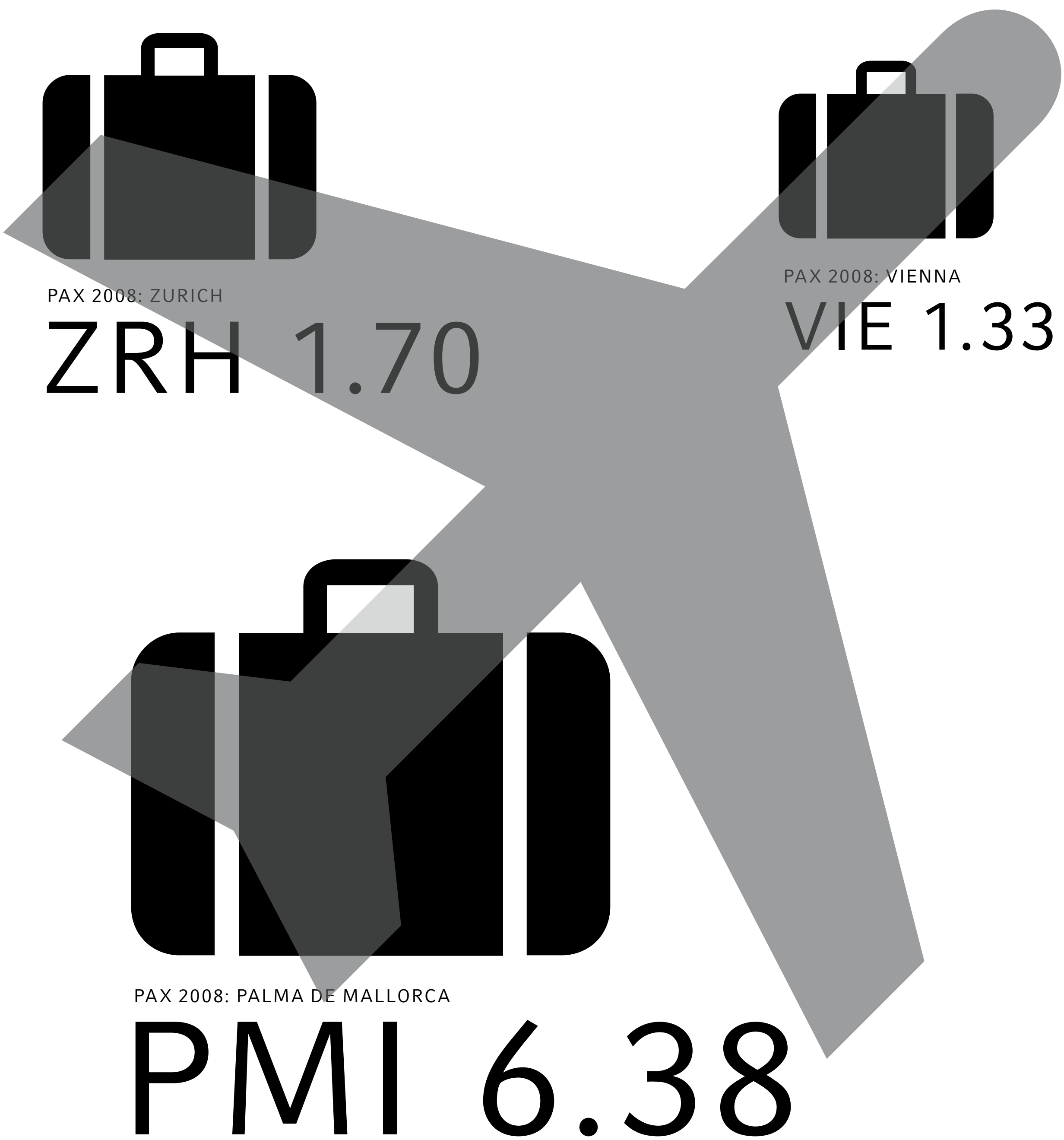
Air Berlin Group (01 Jan. – 31 Dec.)	+/– % 08 vs 07	**2008**	2007
Düsseldorf	2.0	**6,630,066**	6,498,725
Palma de Mallorca	7.3	**6,377,709**	5,942,079
Berlin (TXL, SXF, THF)	10.8	**5,654,234**	5,100,972
Munich	0.1	**4,348,332**	4,343,813
Hamburg	14.9	**2,910,453**	2,532,631
Nuremberg	4.53	**2,469,077**	2,362,042
Zurich	47.86	**1,704,086**	1,152,509
Cologne	1.38	**1,495,742**	1,475,423
Hanover	9.66	**1,334,883**	1,217,263
Vienna	5.64	**1,332,219**	1,261,060
Other	−4.25	**20,322,496**	21,223,845
TOTAL	2.77	**54,579,297**	53,110,362

*2007 comparable, departures plus arrivals, including connecting flights

The optimisation of the route network was accompanied by the CONCENTRATION OF PASSENGER VOLUMES at the 10 largest destination airports: while smaller destinations saw an overall drop of almost 1 per cent, passenger numbers at the top 10 airports rose by 7.4 per cent. This leads, in net terms, to GREATER EFFICIENCY and lower specific costs. In particular, Hamburg, Hanover and Stuttgart have shown growth that is well above average. Above-average growth was also recorded by the important hubs in Düsseldorf, Palma and Berlin.

AIR BERLIN IN EUROPE

(MILLIONS OF PASSENGERS)



Utilisation remains on a high level

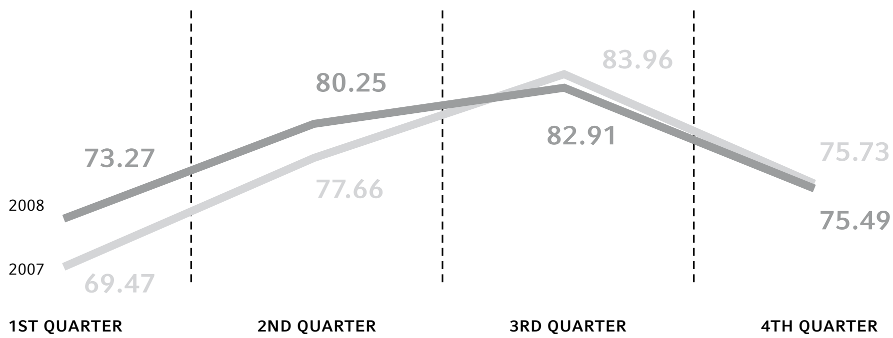
PASSENGER VOLUMES were still showing high growth rates in the first half of 2008 and utilisation rates improved accordingly. As a result of the spectacular increase in oil prices and exacerbated by the general economic downturn, conditions in the international air travel sector became increasingly bleak in the second half of the year. The drop in passenger volumes at Air Berlin in the second half of 2008 was, however, linked to adjustments to capacity IN CONNECTION WITH THE IMPLEMENTATION OF THE JUMP PROGRAMME. These measures allowed Air Berlin to maintain the utilisation of capacity at a HIGH LEVEL even in the second half of the year, which was very difficult for the sector, and to limit any decreases to under 1 per cent. Overall, the good first half of the year led to a slight increase in passenger numbers, while the Jump programme led to a noticeable improvement in utilisation of capacity throughout the year.

Seasonal effects in utilisation (Pax/Capacity)

		2008	2007
Q1	Pax	**5,831,160**	5,245,544
	Capacity	**7,958,891**	7,550,943
	Utilisation	**73.27 %**	69.47 %
Q2	Pax	**7,663,876**	7,394,281
	Capacity	**9,550,057**	9,521,029
	Utilisation	**80.25 %**	77.66 %
Q3	Pax	**8,612,079**	8,799,317
	Capacity	**10,387,392**	10,480,283
	Utilisation	**82.91 %**	83.96 %
Q4	Pax	**6,452,105**	6,772,648
	Capacity	**8,547,526**	8,943,224
	Utilisation	**75.49 %**	75.73 %
Total year	Pax	**28,559,220**	28,211,790
	Capacity	**36,443,866**	36,495,479
	Utilisation	**78.36 %**	77.30 %

2007 comparable

LOAD FACTOR
(PER CENT)



Shares of ticket sales in 2008 by distribution channel (in per cent)

	2008	2007
Individual ticket sales	**60.4**	62.8
Air Berlin website	**25.2**	29.0
Air Berlin Service Centre	**2.0**	2.6
Air Berlin ticket counter	**1.9**	1.7
Travel agencies	**29.0**	27.2
Internal sales	**2.3**	2.3
Charter and tour organisers	**39.6**	37.2

Rising shares of bulk-ticket and travel agency sales

In the 2008 business year, Air Berlin sold approximately 60 per cent of its tickets via single-seat ticket sales and almost 40 per cent through tour operators and tour organisers (bulk tickets). The HIGH PROPORTION OF BULK TICKETS makes Air Berlin UNIQUE among the European low-fare carriers, who are hardly represented at all in the charter business. Single-seat ticket sales at Air Berlin also exhibit a unique quality. Compared with the industry as a whole, Air Berlin sells a high proportion of tickets via the conventional SALES CHANNEL OF TRAVEL AGENCIES. Air Berlin therefore uses a variety of well-established sales channels.

Revenues from additional products and services associated with flying

	2008 EUR million	2008 %	2007* EUR million	2007* %
In-flight sales	35.2	22.4	38.9	22.2
Credit card business	14.7	9.3	11.7	6.7
Excess luggage	14.3	9.1	13.8	7.9
Air Berlin Card	2.9	1.8	1.8	1.0
Seat reservations	8.0	5.1	6.2	3.5
Technical Service	30.6	19.5	55.6	31.8
Promotional	13.3	8.5	12.3	7.0
Others	38.1	24.3	34.8	19.9
Total	157.1	100.0	175.1	100.0

* comparable

DEVELOPMENT IN FINANCIAL FIGURES

Results

The following remarks on results present a PROFORMA ANALYSIS, i.e. the previous year's figures reflect the applicable consolidated Group as at 31 December 2008 and have thus been made comparable (Air Berlin including its subsidiaries LTU and Belair over the whole of 2007). For a comparison of the reported and proforma figures, see the table on page 68.

Earnings in 2008 were mainly affected by TWO OPPOSING INFLUENCES. On the one hand the performance enhancement programme Jump led to a significant EARNINGS IMPROVEMENT ON THE OPERATING LEVEL. Despite substantially higher expenses for jet fuel the operating result on the EBITDAR level increased by 11.6 per cent. On the other hand, the FINANCIAL RESULT was ADVERSELY AFFECTED by a significant increase in interest expense due to extreme volatilities caused by the world financial markets crisis. This did not have a cash effect in the year.

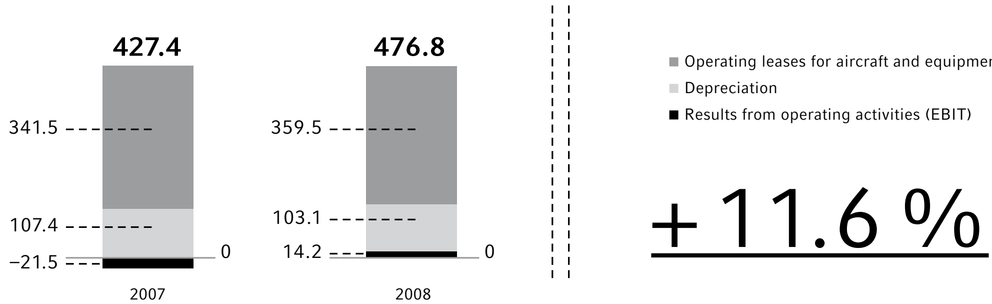
Revenues up by 6.7 per cent

On a comparable basis, the consolidated total revenue for the 2008 financial year increased by 6.7 per cent to EUR 3,400.7 million, compared with EUR 3,188.6 million in the previous year. Ticket sales saw above-average growth of +7.6 per cent from EUR 2,885.1 million to EUR 3,104.6 million. Of this total, individual ticket sales even rose by 14.0 per cent to EUR 1,875.5 million from EUR 1,645.7 million, while revenues from tour operators and tour organisers fell slightly by 0.5 per cent to EUR 1,229.1 million.

Technical maintenance was focused on own aircraft and external revenues fell accordingly

Overall, SUPPLEMENTARY REVENUE fell by 10.3 per cent to EUR 157.1 million from EUR 175.1 million. The performance of different types of supplementary revenue varied. Technical services dropped from EUR 55.6 million to EUR 30.6 million. In order to limit costs, maintenance was focused on own aircraft and external revenues fell accordingly, in-flight sales also fell from EUR 38.9 million to EUR 35.2 million. This is a result of the deliberate reduction in long-haul services, as much higher revenues are achieved with in-flight sales on long-haul flights. As a result of the above-average increase in individual ticket sales, however, revenues from business with the highly successful AIR BERLIN CARD, revenues from seat reservations and credit card revenues have risen significantly.

EBITDAR
(IN MILLIONS OF EUR)



Cargo activities show pleasing increase in revenues

There was an increase of 15.6 per cent in revenues from CARGO ACTIVITIES to EUR 55.5 million from EUR 48.0 million. Airport taxes, which are a pass-through item included in revenue, saw only a moderate increase of 3.9 per cent in 2008 to EUR 83.5 million. OTHER OPERATING INCOME rose by 19.9 per cent to EUR 38.6 million from EUR 32.2 million. The total performance thus increased by 6.8 per cent to EUR 3,439.3 million from EUR 3,220.8 million.

Jump programme keeps rise of operating costs in check

The cost positions on the income statement are marked by the further SHARP RISE IN JET FUEL PRICES and by much HIGHER EXPENSES ARISING FROM EXCHANGE RATE DIFFERENCES and, predominantly, from the market valuations of currency and interest rate swaps (cross currency interest rate swaps; CCIRS), owing to the very high level of volatility on the currency exchange markets in 2008, which had a negative impact on the financial result. At the same time, however, the cost positions that could be influenced directly all showed below-average increases – a direct consequence of the "Jump" programme to improve performance. The increase in expenses for materials and services before fuel was limited to 1.9 per cent. In particular, the OPTIMISATION OF THE ROUTE NETWORK allowed airport and navigation fees to be kept at the same level as for the previous year. The rise in catering and duty-free expenses was also below average.

Fuel costs rise by 19.2 per cent

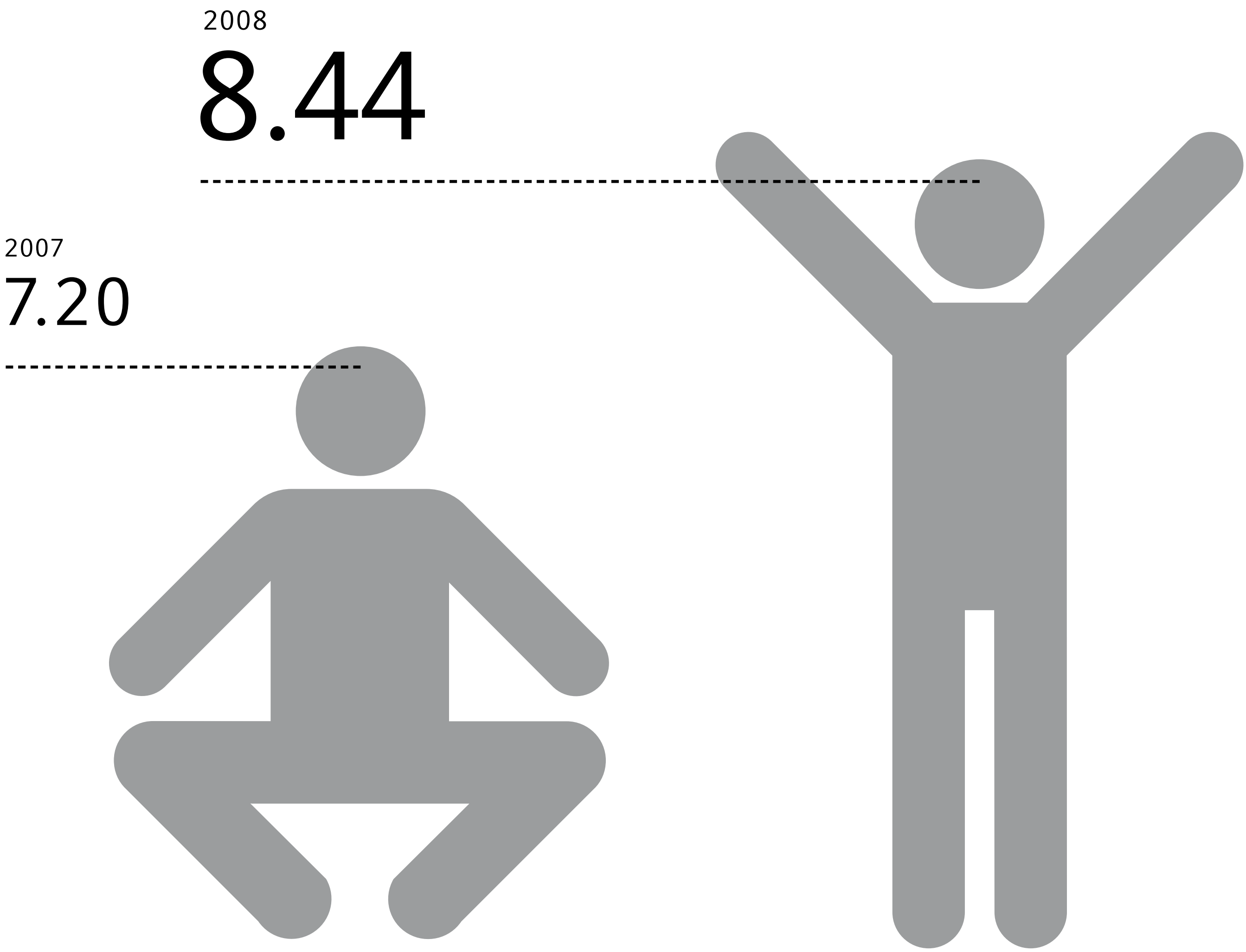
FUEL COSTS rose by 19.2 per cent in 2008, despite the fact that the number of flight hours was reduced by 0.8 per cent as part of the Jump programme. This INCREASE, WHICH WAS WELL ABOVE AVERAGE, could not be prevented despite very extensive hedging measures. In addition to the extreme price increase in the first half of the year, the scale of which was not fully absorbed, hedging itself has become considerably more expensive, as the erratic price jumps led to a massive increase in VOLATILITY IN JET FUEL PRICES. As competition is intense in the aviation industry, it was possible to pass on only part of this record rise in jet fuel prices through surcharges on ticket prices.

PERSONNEL EXPENSES were limited substantially, with an increase of 6.3 per cent to EUR 446.3 million from EUR 419.9 million in the previous year, while other operating expenses were actually reduced by 1.5 per cent to EUR 515.9 million from EUR 523.5 million. This is partly due to the optimisation of performance in the technical division, as a result of which expenses in this area rose by only 2.2 per cent. In particular, however, expenditure for facility and vehicle management, advertising expenses and insurance and sales costs were reduced in absolute figures and, in some cases, by DOUBLE-DIGIT PERCENTAGES.

Despite the massive increase in fuel prices total operating costs rise in line with total output

Including the considerable increase in fuel costs, the increase in OVERALL OPERATING EXPENSES at EBITDAR-level of +6.1 per cent was slightly below the level of the increase in total output. Compared to the rise in ticket sales, overall operating expenses saw an increase that was significantly below average. The IMPORTANT INDICATOR AND PROFIT FIGURE EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) therefore amounted to EUR 476.8 million in 2008, compared with EUR 427.4 million in the previous year. This corresponds to an INCREASE AT THE OPERATING LEVEL of 11.6 per cent in the operating result.

LEASING EXPENSES rose in absolute figures by 5.3 per cent to EUR 359.5 million from EUR 341.5 million, mainly because of the number of costly wet leases held during 2008. DEPRECIATION fell by 4.0 per cent to EUR 103.1 million from EUR 107.4 million as planned. The EARNINGS BEFORE INTEREST AND TAX (EBIT) thus BECAME POSITIVE in 2008. With a swing of EUR 35.7 million, the EBIT rose to EUR 14.2 million from EUR –21.5 million in the previous year.



JUMP 2008

(EFFECTS ON EBITDAR/ASK IN EUROCENT)

+17.22 %

Financial result strongly influenced by changes in the fair value of cross currency interest rate swaps

The FINANCIAL RESULT decreased to EUR –72.0 million from EUR –39.9 million in 2007.This is mainly caused by non-cash expenses in connection with CURRENCY HEDGES on US-dollar denominated loans for the financing of aircraft. These loans are predominantly hedged through Cross Currency Interest Rate Swaps (CCIRS), whereby changes in market value of the interest component are compensated for by currency-induced translation effects. As a result of the financial market upheavals, interest rates on such SWAPS declined significantly within a short period of time during the fourth quarter of 2008, e.g. by almost one third or more than 150 bp for the relevant five year maturities. Due to this development, NON-CASH CHANGES in the fair value of the interest component of the CCIRS currency hedges amounted to EUR –29.0 million, which is included in financial result. These losses will be reduced in the future, as the related loans are repaid.

Despite these expenses caused by the escalating financial markets crisis in late 2008, the pre-tax earnings improved slightly to EUR –57.8 million in 2008 compared to the previous year (EUR –59.4 million). After taxes totalling EUR –17.2 million, the NET RESULT for 2008 amounted to EUR –75.0 million, compared with EUR –39.9 million in the previous year. In 2007, tax credits totalling EUR 19.5 million had accrued (of which EUR 8.0 million was in connection with the German corporate tax reform).

The tax expense in 2008 results primarily from the write-off of deferred tax assets on tax loss carryforwards (EUR 20.8 million) due to restructuring.

EARNINGS PER SHARE, based on the average number of 65.539 million shares outstanding in 2008, amount to EUR –1.14 (basic and diluted), compared with EUR 0.33 as reported in the previous year (64.115 million shares).

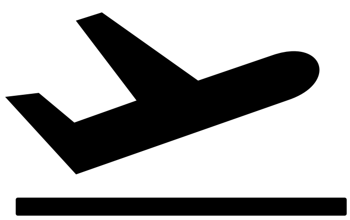
Dividends

The Directors do not recommend the payment of a dividend.

FLIGHT REVENUE PER PASSENGER

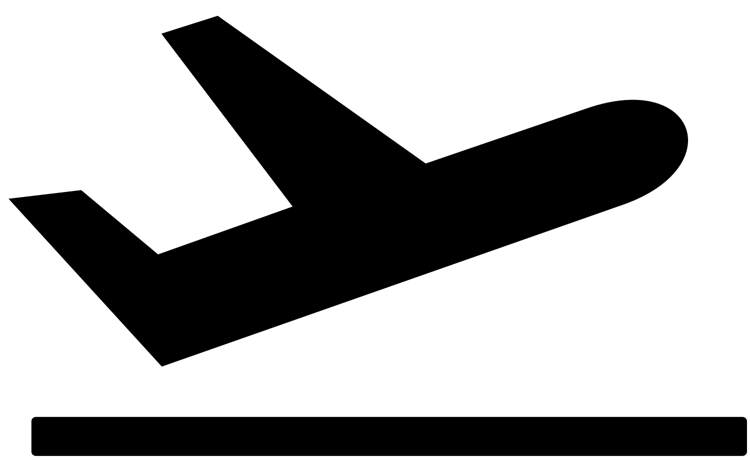
(EUR)

+6.29%



2007

102.27



2008

108.70

Proforma consolidated income statement

In EURm	reported 2008	reported 2007	proforma 2007
Single-seat ticket sales	1,875.5	1,453.4	1,645.7
Charter sales	1,229.1	861.3	1,234.8
Codeshare revenue	0.0	4.6	4.6
Total flight revenue	3,104.6	2,319.3	2,885.1
Cargo revenue	55.5	22.3	48.0
Airport taxes	83.5	79.5	80.4
Supplementary revenue (incl. duty-free)	157.1	115.4	175.1
Total revenue	**3,400.7**	**2,536.5**	**3,188.6**
Other operating income	38.6	14.6	32.2
Total output	**3,439.3**	**2,551.1**	**3,220.8**
Expenses for materials and services	2,359.8	1,736.4	2,191.5
thereof fuel costs	874.3	561.8	733.7
thereof leasing expenses	359.5	263.8	341.5
Depreciation	103.1	93.8	107.4
Personnel expenses	446.3	311.8	419.9
Other operating expenses	515.9	387.7	523.5
EBITDAR	**476.8**	**379.0**	**427.4**
EBITDA	**117.3**	**115.2**	**85.9**
EBIT	**14.2**	**21.4**	**(21.5)**
Net financial result	(72.0)	(35,5)	(39.9)
Share of profit of associates	0.0	0.8	2.0
Loss before tax	**(57.8)**	**(13.3)**	**(59.4)**
Income tax (expense)	(17.2)	34.3	19.5
Net (loss) profit	**(75.0)**	**21.0**	**(39.9)**

Net asset situation

No significant structural changes

The following analysis of the net asset situation and financial position refers to the figures as reported on the respective BALANCE SHEET DATES. As at 31 December 2008, the Group's total assets were EUR 2,400.7 million compared with EUR 2,503.1 million on the previous year's balance sheet date. The balance sheet of the Air Berlin Group saw a slight reduction of 4.1 per cent in 2008 compared with the previous year. No major STRUCTURAL CHANGES IN ASSETS, such as those that had taken place in previous years owing to acquisitions, occurred in the balance sheet of the year under review. The subsidiaries acquired during 2007 (LTU as of 26 March 2007 and Belair as of 10 September 2007; for further details see page 129 et seq.) were part of the consolidated Air Berlin Group as at the 2007 reporting date; in this respect, the 2008 annual financial statements are comparable with those of the previous year. Significant CHANGES ON THE LIABILITIES SIDE primarily affected shareholders' equity. They were – in addition to the development of earnings – mainly caused by changes of the valuation of cash flow hedges related to the balance sheet date.

The structure of the assets shifted slightly towards non-current assets; their share in total assets rose from 65.1 per cent to 72.5 per cent. This was mainly due to investment in property, plant and equipment, principally in aircraft, which exceeded depreciation by EUR 66.3 million, and to an increase in long-term deferred tax assets by EUR 43.2 million to EUR 46.2 million. Accordingly, the share of current assets dropped from 34.9 to 27.5 per cent in 2008. As at the reporting date, trade and other receivables were higher, while liquidity was lower. Following several capital measures during the year, cash and cash equivalents still stood at a relatively high level at the end of 2007. Parts of this liquidity were used in 2008 for investing purposes and repayment of debt. At the end of the 2008 financial year, Air Berlin had EUR 268.3 million in cash and cash equivalents.

End-of-period effects significantly effecting the equity position

On the liabilities side, the development of EQUITY is primarily influenced by the changes in the valuation derivatives at the balance sheet date: on the one hand by the mentioned negative mark-to-market valuation effects recorded in profit or loss during the year, and on the other hand by higher NEGATIVE MARKET VALUES OF DERIVATIVES recognised directly in equity. It has therefore decreased by EUR 202.8 million or 34.1 per cent to EUR 391.4 million. The influence of the IFRS valuation of derivatives (hedge accounting) predominates noticeably: the BOOK LOSSES arising from mark-to-market valuation of cash flow hedges (in particular for the compensation of jet fuel volatility) amounted to EUR 135.3 million as at 31 December 2008, over 20 times the previous year's figure. These adjustments are largely caused by the STEEP DECLINE OF THE JET FUEL PRICE during the last two months of the year 2008. Over the most part of 2008, Air Berlin CUSHIONED those erratic price changes very effectively through the use of derivative instruments. However, the fuel price fell significantly below the secured level from November to the reporting date. The equity ratio was 16.3 per cent as at the reporting date, compared with 23.7 per cent in the previous year.

The EQUITY RATIO was 16.3 per cent as at the reporting date, compared with 23.7 per cent in the previous year. The negative effects caused by the mark-to-market valuation of hedging instruments in equity correspond with increases in liabilities discussed below. Both effects will be neutralised with the closure of the relevant hedging instruments in the course of the current financial year, thus leading to an equivalent positive effect on both equity and liabilities.

There were also significant changes in the liabilities as a result of the volatility of the market values of derivatives. NON-CURRENT LIABILITIES increased by 5.1 per cent or EUR 48.8 million to EUR 1,013.9 million. While long-term leasing liabilities were higher (EUR 610.5 million compared with EUR 528.9 million), LONG-TERM INTEREST-BEARING LIABILITIES WERE REDUCED by EUR 13.3 million to EUR 302.8 million. The non-current liabilities from derivatives decreased from EUR 81.6 million to EUR 58.8 million as at the reporting date.

Short-term interest-bearing liabilities reduced by two thirds

CURRENT LIABILITIES rose by EUR 51.5 million or 5.5 per cent. While short-term interest-bearing liabilities were reduced significantly by EUR 78.4 million or 64.1 per cent to EUR 44.0 million and trade and other payables also fell by 28.5 per cent or EUR 126.2 million, the increase in current liabilities is essentially due to a rise in current negative market values of derivatives. These increased by 188.7 per cent or EUR 154.7 million to EUR 236.7 million. There was also a significant rise in advance payments of 53.6 per cent or EUR 89.6 million to EUR 256.8 million.

In total, interest bearing liabilities and leasing liabilities in 2008 were unchanged versus 2007. In line with the decline in cash and cash equivalents NET DEBT rose from EUR 561.7 million to EUR 762.0 million.

Financial Position

CASH GENERATED FROM OPERATIONS in 2008 amounted to EUR 44.3 million (2007: EUR 112.3 million), with depreciation of EUR 103.1 million and EBIT of EUR 14.2 million. Changes to the balance sheet that impact cash flow mainly constitute the use of cash, in particular the financing of the increase in net working capital by EUR 51.0 million. Additionally, the operating result of the year 2008 includes profits from the disposal of assets of EUR 20.8 million, which are to be considered. After net interest paid of EUR 28.9 million (previous year: EUR 24.8 million), net cash flows from operating activities came to EUR 11.8 million compared to EUR 85.1 million in 2007.

Cash raised by capital measures in 2007 was invested in 2008

The NET INVESTMENT IN TANGIBLE AND INTANGIBLE ASSETS amounted to EUR 158.2 million in 2008, compared with EUR 220.3 million in the previous year. The net cash flow from acquisitions and sales of companies totalled EUR 1.2 million, compared with EUR –39.7 million in the previous year. In total, the CASH FLOW FROM INVESTING ACTIVITIES amounted to EUR –156.8 million in 2008, compared with EUR –259.5 million in the previous year. In 2008, the CASH FLOW FROM FINANCING ACTIVITIES was marked by the net repayment of interest-bearing liabilities with a total of EUR –60.7 million, while in the previous year a net sum of EUR 420.2 million was raised in the form of net proceeds from bank debts (EUR 113.8 million), a capital increase (EUR 92.8 million) and a convertible bond (EUR 213.6 million), mainly to finance the LTU acquisition. In total, there was a cash outflow of EUR 205.7 million for 2008, following a cash inflow of EUR 245.8 million in the previous year.

SOCIAL RESPONSIBILITIES

Commitment. Air Berlin rapidly and decisively responded to the challenges of the global economic downturn, but not through layoffs. For our success comes from our performance – the direct result of our employees' commitment.

EMPLOYEES

Total staff changes only marginally

After Air Berlin significantly increased its staff in Germany in 2007, mainly through the acquisition of LTU, which added 3,089 employees to the Group, there was little change to the number of staff in 2008. Compared with 8,360 in the previous year, a total of 8,311 PEOPLE WERE EMPLOYED as at 31 December 2008, of whom 4,550 were women and 3,761 men. The employees of the Air Berlin Group are on average just under 35,5 years old. Air Berlin employs a total of 566 PERSONS IN OTHER COUNTRIES, 237 of them in Spain and 294 in Switzerland.

1,835 PEOPLE WORK PART-TIME at the Air Berlin Group. In addition, 134 Air Berlin employees from the flight department Cockpit/Cabin are taking advantage of an employment model known as "Take a Month Off", with adjusted salaries. Depending on the particular Air Berlin station, a certain number of captains and/or co-pilots and cabin crews respectively can participate in the "Take a Month Off" programme in 2008 for a maximum of 6 months. The proportion of part-time employees is 23.7 per cent.

Employment structure Air Berlin

	31 Dec. 2008	31 Dec. 2007
Pilots	**1,380**	1,387
Cabin crew	**3,301**	3,405
Technical staff	**1,118**	1,029
Administration/Service/Others	**2,512**	2,539
Total	**8,311**	8,360

Numerous training opportunities at Air Berlin

Moreover, 192 FLIGHT ATTENDANTS WERE TRAINED AND HIRED at Air Berlin's subsidiary CHS (Cabin and Handling Services) in 2008. In total, 44 young individuals began apprenticeships at Air Berlin in 2008 in commercial or technical areas. Two thirds of the apprentices were trained as travel and air traffic clerks but a vocational training in office communication is also possible. Possibilities for technical professionals such as aircraft mechanics and electronic technicians for aviation systems complete the training offers. Altogether 111 APPRENTICES AND 69 INTERNS were trained over the year 2008 in the Air Berlin Group. 23 apprentices successfully completed their training. 21 moved on to regular employment within the Company.

Air Berlin has trained its own pilots since 2007 in cooperation with TFC (Technic Flight Consulting). AIR BERLIN'S FLIGHT SCHOOL attracted great interest from its inception, as it provides all training required for full accreditation. The two-year training concludes with the awarding of the COMMERCIAL PILOT'S LICENCE (CPL-IR). Training is carried out in small classes with a maximum of 15 students with state-of-the-art equipment. Air Berlin, together with Commerzbank and Deutsche Bank, facilitate the financing of their training. Loans of up to EUR 60,000 are made available. Air Berlin covers the payment of interest during the training period. At the end of 2008, a total of 70 students were undergoing pilot training at Air Berlin.

EMPLOYEE COMMUNICATION AND PARTICIPATION

Flat organisational structure and close communication

Air Berlin pursues an "OPEN DOOR" POLICY across its hierarchy. This improves in-house communications. The flat organisational structure also promotes a culture of togetherness. Air Berlin informs employees PROMPTLY, REGULARLY AND IN DETAIL of all Company matters that affect them. Particular attention is given to economic developments and the financial situation at Air Berlin. This is done by methods of communication such as the Company's own Intranet (Corporate Web), or the regular "LETTERS TO THE EMPLOYEES" FROM THE BOARD OF DIRECTORS. New employees receive a starter kit with a comprehensive information package about Air Berlin and their new job.

Equal opportunity principle

Air Berlin is an EQUAL OPPORTUNITY EMPLOYER and makes every effort to prevent and prohibit any discrimination based on race, ethnic origin, gender, religion or ideology, disability, age, or sexual orientation.

SOCIAL COMMITMENT

Purposeful support

Air Berlin is aware of its SOCIAL RESPONSIBILITIES. The Company donated EUR 246,471 to social and charitable projects in 2008 (2007: EUR 172,107). The Company promotes specific initiatives dedicated to the assistance and support of the disadvantaged in our society.

To this end, the CHRISTIANE HERZOG FOUNDATION FOR CYSTIC FIBROSIS PATIENTS was supported for the thirteenth consecutive year in 2008. Cystic fibrosis is the most common hereditary metabolic disorder and there is still no cure for it. In Germany, around six to eight thousand children and young adults suffer from this disease. The Foundation is Christiane Herzog's lifework and legacy. True to the slogan, "Helping through Action", she fought for permanent improvement for those afflicted. Each year Air Berlin flies MORE THAN 90 AFFECTED CHILDREN, with accompanying caregivers, to Gran Canaria for rehabilitation therapy. The Company initiates contribution campaigns and helps to finance Foundation events

20 tonnes of TransFair sealed coffee

For many years, Air Berlin has offered its passengers the "Café Intención" beverage from the coffee company J.J. Darboven, which has been awarded the TRANSFAIR SEAL of approval. Over 20 tonnes were served once again in 2008! This is a fairly traded and high-quality coffee, with which Air Berlin supports small coffee growers and contributes to their economic survival. SMALL AGRICULTURAL COOPERATIVES in Central and South America profit in particular from this arrangement. The TransFair initiative is supported by approximately 40 member organisations from various sectors such as development aid, churches, welfare, consumer protection, cooperatives, education and environmentalists. Furthermore, the European Union, the German federal government, political parties and many committed individuals support TransFair.

Air Berlin supported the UNITED PEOPLE CHARITY NIGHT in aid of Power-Child e.V. again in 2008. The aim of this non-profit organisation is to strengthen children's self-confidence so that they can better recognise hazardous situations and defend themselves in specific situations. Air Berlin donated EUR 75,000 to this project.

Air Berlin did not make donations to political parties in 2008 which exceeded a total of EUR 10,000 and has a policy of not making political donations, within the normal meaning of that expression. However, some of the Company's activities could potentially fall within the broad-sweeping provisions of the relevant English legislation applicable to political donations and, without appropriate shareholder authorisation, the Company's ability to communicate its views effectively to political audiences and to relevant interest groups could thus be inhibited. Such activities could include briefings at receptions or conferences – when the Company is merely seeking to communicate its views on issues vital to its business interests. (Conferences of a trade union or party of a political nature or of special interest groups in the airline industry are a few examples of communications that could be adversely affected.) Accordingly, to ensure that the Company does not unintentionally commit a technical breach of the relevant English legislation applicable to political donations, the 2008 Annual General Meeting authorised the Company or a subsidiary to make donations to political parties and independent candidates, as well as political organisations that are not political parties. Such political donations can be made provided that, in each individual case, the amount of the donation does not exceed GBP 100,000 or the equivalent value in euros per company and the aggregate of the donations made by the company and its subsidiaries is not higher than GBP 100,000 or the equivalent value in euros.

ENVIRONMENTAL COMMITMENT

Environmental action in the air travel industry

30 years of environmental protection

The air travel industry plays a LEADING ROLE IN THE FIELD OF CLIMATE PROTECTION. Without any legal obligations, JET FUEL CONSUMPTION and therefore CO_2 emissions per passenger per 100 kilometres have been REDUCED BY 70 PER CENT since 1970. According to the Kyoto Protocol, air travel accounts for 1.6 per cent of global greenhouse gas emissions and 2.2 per cent of worldwide CO_2 emissions. This is a relatively low percentage in comparison with other forms of transport such as road traffic (14 per cent) or shipping (2.7 per cent).

In order to make transport as environmentally friendly as possible, Air Berlin has invested in MODERN TECHNOLOGY since it was founded 30 years ago. Air Berlin's fleet policy is a key element in its environmental commitment. The optimisation of many aspects of the Company's operations also saves CO_2.

A very modern fleet

Air Berlin operates a very young fleet

Air Berlin focuses on technical progress in order to keep the CO_2 emissions of its fleet as low as possible. Consequently, the Air Berlin Group owns one of the youngest fleets in Europe, with an average age of 4.6 years. The continuous modernisation of Air Berlin's fleet ensures that its jets are particularly economical, quiet and environmentally friendly and increases Air Berlin's competitiveness harmonising economy and ecology.

Air Berlin received the first new Boeing 737-800 from the manufacturer as early as May 2001. This aircraft is the LATEST VERSION OF THE BOEING 737, one of the most successful and safest commercial aircraft in the world. It represents the backbone of Air Berlin's fleet and is equipped with BLENDED WINGLETS, which save fuel and protect the environment. Thanks to the aerodynamic extensions at the tips of the wings, jet fuel consumption is reduced by up to 5 per cent. In addition to fuel savings and lower emissions, winglets reduce aircraft noise. Almost all aircraft in the Air Berlin fleet now have this special equipment.

Since October 2005, Air Berlin has also employed Airbus A320 aircraft, currently the MOST MODERN MEDIUM-HAUL AIRCRAFT IN THE WORLD. Air Berlin has placed a firm order for 60 jets, which are to be delivered by 2011. 60 Boeing 737-800 aircraft for which firm orders have also been placed are to be delivered between 2008 and 2014. Airbus A330 aircraft are currently used for long-haul routes. In July 2007, an order was placed for 50 long-haul aircraft, Boeing 787 Dreamliners, which are to be delivered to Air Berlin from 2013 onwards. With the twin-engine "Dreamliner", a FUEL SAVINGS OF 20 PER CENT per seat may be achieved compared with conventional aircraft – CO_2 emissions are reduced accordingly.

State-of-the-art turboprops

With the quiet and comfortable Q400 TURBOPROPS, Air Berlin will reduce average consumption and fleet emissions further. The engines in these aircraft consist of two 6-blade propeller turbines with the latest technology, which produce significantly less noise. Aircraft of this type also consume very little fuel per revenue passenger kilometre, which means they protect the environment – with virtually the same travelling time as for jets.

All aircraft newly delivered to Air Berlin, whether Airbus or Boeing, are equipped with so-called "TECH INSERTION ENGINES". According to their manufacturers, these engines have 15–20 per cent lower nitrogen oxide emissions. Moreover, the new Air Berlin aircraft are considerably quieter than comparable older aircraft. This is a major competitive advantage as Air Berlin serves in particular airports which are close to or within major cities.

Fuel savings in practice

Numerous ways to save fuel

Air Berlin SAVES FUEL for both economic and environmental reasons wherever this is possible without affecting safety issues. Jet fuel consumption and CO_2 emissions were lowered across the fleet in 2008 by reducing flying speed. The passenger is not affected by this in any way. Through revisions to the loading plan, up to 400 kg in weight has been saved on the Airbus A330, which also reduced fuel consumption further and improved CO_2 emissions. In the future, EXTRA-LIGHT EQUIPMENT will be purchased and used, such as the so-called "light weight trolleys".

Air Berlin uses SPECIAL COMPUTERS IN THE COCKPITS of all aircraft, which show the entire on-board library and flight charts. This saves over 50 kg of paper per aircraft. Air Berlin was the first airline worldwide to operate its Boeing 737 aircraft WITHOUT PAPER FLIGHT CHARTS and one of the first airlines to also do this on Airbus aircraft. The Company intends to stop using paper completely in its flight operations by 2010. Air Berlin plays a leading role in the development and implementation of the "electronic flight bag" and the "paperless cockpit".

All cockpit procedures have also been optimised to reduce fuel consumption. The use of the AUXILIARY POWER UNIT (APU) has been reduced to a minimum, for example. Air Berlin also operates a FULLY AUTOMATED DYNAMIC FLIGHT ROUTE PLANNING SYSTEM, which reduces fuel consumption and CO_2 emissions, depending on the weather, the traffic situation and airspace restrictions. The use of more precise passenger and luggage weight figures allows the amount of fuel needed to be calculated more accurately, which results in a lower overall weight and lower fuel consumption.

Saving fuel starts in the mind!

Air Berlin pilots were and are trained in the fundamental principles of the physics of flight and the management of the aviation industry. In addition to safety issues, there is a focus on ECONOMICAL FLYING in training and on test flights. As a result, there has been a measurable reduction in the use of "extra fuel" when refuelling aircraft.

RISK REPORT

Purposeful. Air Berlin's risk management is run by independent and clearly defined objectives. This is why we belong to one of the safest airlines and why we are able to address risks early on – even when developments gain speed, as with fuel and currencies in 2008.

RISK MANAGEMENT SYSTEM

Comprehensive risk management system

As an international aviation company, Air Berlin operates in an environment characterised by diverse opportunities and risks. The EARLY IDENTIFICATION AND CONTROL of these risks and the utilisation of the opportunities which present themselves represent a central component of corporate governance and is supported by a COMPREHENSIVE RISK MANAGEMENT SYSTEM. As an integral part of the operating and reporting system, opportunities and risks are SYSTEMATICALLY RECORDED here and assessed. Regular reviews in collaboration with the risk carriers ensures EARLY IDENTIFICATION OF AREAS OF POTENTIAL AND RISKS and enables effective management. Opportunities and risks are also discussed at the monthly meetings of the Board of Directors. If the Board of Directors regards specific measures as necessary, these can be initiated promptly.

INDUSTRY RISKS

Our successful hybrid business model keeps competitive risks in check

The aviation industry is characterised by a HIGH LEVEL OF COMPETITIVE INTENSITY. In this respect, Air Berlin is not only in competition with other airlines, but – in particular on short-haul routes – with other ground transportation options as well. Air Berlin meets this competition with its successful HYBRID BUSINESS MODEL, which offers high-quality services to its individual and charter passengers and private and business customers. This positioning permits a high level of flexibility in order to compensate for the seasonal fluctuations in demand which are typical for the industry. An attractive range of additional services and the Top Bonus customer loyalty programme complete the services on offer.

The introduction of EMISSIONS TRADING will also impact the market situation in the aviation industry. Air Berlin is making extensive preparations for this new development within a framework of appropriate projects.

Also of major importance for operating activities are the regulations of the national and international authorities and institutions particularly with reference to safety. A COMPANY-WIDE COMPLIANCE PROGRAMME ensures the registering of changes and the compliance with and adaptation of all processes to the current regulations.

FINANCIAL RISKS

Efficient hedging of fuel price, interest rate and currency volatilities

As an international aviation company, Air Berlin is strongly affected by CHANGES IN THE JET FUEL PRICE, INTEREST RATES AND EXCHANGE RATES. The price of jet fuel is a significant variable cost factor and in particular represents a substantial cost position. Comprehensive hedging measures are in place to mitigate the impact of price fluctuations. In general, some of the anticipated future fuel costs are hedged on a revolving basis, i.e. for defined time periods. The standard financial market instruments such as SWAPS AND OPTIONS are used for this and these are entered into with a number of renowned financial institutions.

The systematic management of interest rate and currency risks is carried out with the assistance of a Company-wide treasury management system as part of the existing risk management system. This involves monitoring all underlying transactions and the corresponding hedging activities as well as their valuation in line with market conditions. All the hedging arrangements entered into are continuously reviewed and modified as necessary (IAS 39).

Management of financial risks is based on internal guidelines which define the scope of operative action. The focus is on SUFFICIENT LIQUIDITY, ensured by comprehensive financial and liquidity planning.

OPERATING RISKS

As part of the risk management system, Air Berlin, like every other airline, covers existing operating and technical RISKS OF FLIGHT OPERATIONS. These are systematically identified, assessed and managed using appropriate measures.

PROCUREMENT RISKS

The factors significant to maintaining competitiveness and safeguarding the reliability of flight operations are a RELIABLE SUPPLY OF FUEL, materials, auxiliary and operating media and ACCESS TO ATTRACTIVE DESTINATION AIRPORTS, in addition to a modern, high-performance and fuel-efficient fleet of aircraft.

A modern fleet radically reduces costs for maintenance and repairs. Air Berlin therefore maintains long-term relationships with the two major aircraft manufacturers, AIRBUS AND BOEING, and thus ensures access to THE MOST MODERN AIRCRAFT from both. In addition to existing purchase agreements with both manufacturers, Air Berlin also has options to acquire additional aircraft at agreed prices. Air Berlin uses a fleet of leased aircraft with short-term lease periods in addition to its own aircraft. The reduced amount of committed capital stands in contrast to the decreased security of long-term planning.

Long-term relationships with suppliers limit procurement risks

Air Berlin also maintains long-term relationships with suppliers of other necessary raw materials, supplies and spares in order to ensure security of supply at any given time. The most important raw material for Air Berlin is undoubtedly jet fuel. However, securing on-board catering, for example, also plays a major role offering customers high-quality service. Particularly in this area, Air Berlin works with fixed purchase agreements.

IT RISKS

The central business processes at Air Berlin are inconceivable without appropriate IT support. The risk management system therefore particularly focuses on the identification and management of resulting risks, with both external and internal risks being taken into consideration. The basis for dealing with IT risks is laid out in Company-wide internal security guidelines.

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report on Forecasts and the Outlook for the Group on pages 82 to 85.

The financial position of the group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 62 to 71. Details of the group's borrowings are set out in note 16 and 30 of the financial statements. In addition, notes 4u and 30 to the financial statements include the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The group meets its day to day working capital requirements through its cash holdings. As discussed in the Report on Forecasts and the Outlook for the Group on pages 82 to 85, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices and passenger demand. The group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the group will generate sufficient cash to meet its liabilities in the foreseeable future.

EVENTS AFTER THE BALANCE SHEET DATE

The Directors' confirm there have been no events since the balance sheet date which should be adjusted or disclosed.

REPORT ON FORECASTS AND THE OUTLOOK FOR THE GROUP

Prepared. 2009 will present even more challenges than 2008. Air Berlin has prepared itself for this through the Jump programme. Vigorous cost control and a strengthening of profitability continue to define the cornerstones of our corporate strategy.

DEVELOPMENT OF THE OVERALL ECONOMY AND THE AVIATION INDUSTRY

Global recession

We will see the sharpest downturn since the Second World War

In January 2009, there was no longer any doubt for economic researchers, international organisations and governments of the severity of the anticipated GLOBAL RECESSION for the current financial year. The general forecast is that we will see the SHARPEST DOWNTURN SINCE THE SECOND WORLD WAR. For this reason, the International Monetary Fund (IMF) revised its economic forecast for 2009 significantly downwards again at the end of January, and is now expecting the growth in global GDP to be only 0.5 per cent. In November 2008, the expectation was still global growth of 2.2 per cent, which still indicated recession in the IMF's opinion as particularly the newly industrialising countries, such as China, require minimum growth due to their increasing population. In addition, the IMF believes that the default risks with US loans have again increased substantially – from USD 1.4 trillion to USD 2.2 trillion.

The EUROPEAN COMMISSION IS ALSO OF THE OPINION THAT THE WORLD IS IN A RECESSION. In its interim report dated 19 January 2009, it assumes that the economy is declining sharply over a wide front and the emerging economies are also becoming increasingly involved. Overall, it expects that in real terms global economic growth in 2009 will fall to 0.5 per cent after 3.3 per cent in 2008. In the second half of the year, it sees opportunities for recovery – admittedly only modest opportunities – as it is then that the position of the financial markets will improve and the impact of the macroeconomic easing should be noticeable. For 2010 as a whole, an increase in the global GDP of approximately 2.75 per cent is expected.

In the EUROPEAN UNION, the Commission expects GDP to decline by 1.8 per cent in 2009 before rallying again slightly in 2010 and climbing to 0.5 per cent. For Germany, it expects a decline of 2.3 per cent in 2009 and an increase of 0.7 per cent in 2010. The EURO ZONE was already experiencing its first recession in the fourth quarter of 2008, according to the European Commission, since the GDP had fallen for two quarters in succession. It stressed emphatically that "in this, the worst crisis since the Second World War", the business of forecasting is an extremely uncertain affair.

In its annual economic report in January 2009, the GERMAN GOVERNMENT believes that this year the German economy faces its GREATEST CHALLENGE SINCE REUNIFICATION. Short-term growth prospects have worsened radically according to the report. Germany is integrated into the international economy like no other industrial country. Negative repercussions of the global recession and the crisis on the international financial markets therefore particularly affect Germany. The government expects output in Germany in real terms to fall radically by 2.25 per cent.

International aviation facing a difficult year

Substantial decline in global air traffic expected

For IATA, the prospects for international aviation worsened substantially in the closing quarter of 2008. The price of oil had again fallen considerably and at the same time the recessive trend increased massively. For 2009, IATA is therefore expecting a SUBSTANTIAL GLOBAL DECLINE IN REVENUE PASSENGER KILOMETRES (RPK) of 3 per cent and in the volume of cargo (tonne kilometres) of 5 per cent. The organisation estimates that the revenue of the international airlines under its umbrella will decline by more than 6 per cent. IATA also believes the airlines will EXPERIENCE LOSSES again in 2009. However, due to the enormous savings now being made on capacity and costs and against the backdrop of the lower price of jet fuel at USD 2.5 billion, these are expected to be half as much as in 2008.

The German Airport Working Group ADV expects for 2009 a 3.0 per cent decline in passenger figures in Germany to approximately 180 million, after an increase of 0.7 per cent was achieved in 2008. However, there is optimism for 2010 and the expectation is that the long-term average trend will return and the 200 million mark will be reached.

FORECAST FOR AIR BERLIN

Business focus of the Air Berlin Group for the next two financial years

Further consolidation of profitability

In the next two financial years, Air Berlin will focus its attention on FURTHER CONSOLIDATING ITS PROFITABILITY. The yardstick in this respect is the “Jump” performance programme implemented successfully in the past year, which resulted in a significant improvement in revenues and income per available seat kilometre (ASK) and per revenue passenger kilometre (RPK).

In addition, the operating divisions will be subject to ongoing and VIGOROUS COST CONTROL AND PERFORMANCE IMPROVING MEASURES both on the ground and in the air will be rigorously assessed and implemented. In this respect, the use of STATE-OF-THE-ART TECHNOLOGY such as the Q400 turboprop aircraft used for the first time in 2008 with significantly lower fuel consumption is also of great significance. Air Berlin has ordered a total of ten Q400 aircraft, two of which were put into service in 2008. The remaining eight aircraft are expected to be put into service until August 2009 and will gradually replace older aircraft.

Focus on debt reduction

In addition to the rigorous improvement of operating capability, priority is also being given to STRENGTHENING THE BALANCE SHEET. For instance, there will be a concerted effort to REDUCE DEBT through the sale of strategically unnecessary assets and activities. There were concrete negotiations regarding some of these measures already in January 2009. The investment programme was adapted accordingly in line with general economic development and provides for investment primarily in preservation, maintenance and necessary modernisation of assets in 2009. There are no intentions to expand the fleet and the consolidation begun in the second half of 2008 is being continued. Furthermore, the FINANCING STRUCTURE OF THE AIRCRAFT will come under the microscope given the radical changes to the interest rate and refinancing environment. In addition, we are looking to optimise term structures; this applies in particular to the mix between the acquisition and leasing of aircraft.

There is no intention to expand the route network at the expense of profitability. However, GROWTH OPPORTUNITIES will continue to be rigorously exploited provided that they exhibit corresponding earnings potential. This applies in particular to the expansion of attractive routes and feeder networks in collaboration with COOPERATION PARTNERS as well as to increased attention to attractive customer groups such as business travellers.

Accordingly, Air Berlin expanded its long-haul network in January 2009 and since the start of the Chinese New Year on 25 January has again offered flights to China. This was possible due to collaboration with HAINAN AIRLINES, the fourth-largest airline in China. The two airlines have agreed to market jointly flights between Berlin and Beijing. Air Berlin is providing the connecting flights from numerous airports in Germany, Austria and Switzerland. The code-share flights are sold on a reciprocal basis and operated under the relevant airline's own flight number.

Opportunities and risks in the forecast

Economic risks dominate

In view of the current global economic situation, every future projection contains SUBSTANTIAL RISKS which go far beyond what would otherwise be normal. Neither the intensity nor the length of the current global recession can be estimated reliably as we enter 2009. Most observers, governments and organisations expect the recession to bottom out in the course of the year and a subsequent slight recovery from this low level going into 2010. However, the list of unsolved problems remains long: these include in particular the MARKED CONVERGENCE OF THE GLOBAL DOWNTURN, the hitherto barely assessable consequences for worldwide consumer demand of the SUBSTANTIAL INCREASE IN UNEMPLOYMENT in many countries and the still unsolved solvency problems in the financial sector due to the DECLINE IN NUMEROUS ASSET PRICES.

Admittedly, Air Berlin cannot disconnect itself from the development of the global economy and the consequences for the international aviation industry. However, the MEASURES implemented in the past year TO IMPROVE PROFITABILITY, the stated further intentions in this respect and the intended measures in terms of structural consolidation of the balance sheet and thus financial power, in particular the unique business model as a "hybrid carrier", limit these risks substantially.

Air Berlin will continue to meet the typical risks inherent in the aviation industry, such as fluctuations in currency rates and raw material prices, with a detailed structured and permanently optimised risk strategy as set out in the section on risk management.

2009 financial year

Very low visibility

The current global recession allows for reliability of forecasts only to a very limited extent with regard to revenues and earnings performance for the current financial year. Against this backdrop, the development of passenger figures in particular can hardly be estimated beyond a period of a few months. However, bookings at the start of 2009 allow room for a certain degree of optimism for the important summer flight schedule.

From a current perspective and in line with the intended capacity reduction, Air Berlin expects therefore a PASSENGER VOLUME THAT IS IN TERMS OF PERCENTAGE IN THE LOW SINGLE DIGITS BELOW that of 2008. In view of the consolidation of profitability achieved after the successful completion of the "Jump" performance programme and the further improvement measures intended for the current financial year, the overall forecast reduction in passenger volumes required to break-even represents a FUNDAMENTAL CONTRIBUTION TO PROFIT, and we expect this to have an impact on our performance. From the current perspective, it is not possible to make reliable statements regarding performance for the 2010 financial year.

Overall statement on the economic development of the Group

The Board of Directors regards the Air Berlin Group operating on a SOLID BASE. The Board believes that the current overall economic challenges can be OVERCOME SUCCESSFULLY. In the second half of 2008 in particular, during which the economic situation weakened considerably, Air Berlin substantially increased profitability within the Group with the successful implementation of an extensive programme to increase performance. Air Berlin has INCREASED ITS COMPETITIVE STRENGTH with this much improved cost base.

AUDITORS

The Directors have considered the appointment of auditors for the following financial year. At the General Meeting, the Board will propose the reappointment of KPMG Audit Plc as auditors of the Group.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who are members of the Board at the time of approving the Directors' Report are listed on pages 12 to 16. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- Each director has taken all the steps a director could be reasonably expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board and signed on its behalf by

25 March 2009

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

AWARDS

AWARDS SINCE 2008

* **CAPITAL:** Best Low-Cost-Carrier, 05/08; **CASH:** Best Low-Cost Airline, 04/08; **DANISH TRAVEL AWARD:** Best Low-Fare Airline, 10/08; **PUBLITURIS 2007:** Best Low-Cost Airline, 06/08; **REDDOT DESIGN AWARD:** Annual Report 2007 Grand Prix, 12/08; **REISE BLICK:** Best short-haul Airline of the year 2008, 01/09; **SKYTRAX – WORLD AIRLINE AWARDS 2008:** Best Cabin Staff Northern Europe, 08/08; **SMAVEL.DE:** Best Value for Money, 08/08; **SUNDAY TIMES TRAVEL MAGAZINES:** Best Short-Haul-Airline, 06/08; **TELEGRAPH TRAVEL AWARD:** Best Low-Cost-Airline,11/08; **TRAVELCHANNEL.DE:** Best Low-Cost Airline, 01/08; **WANDERLUST MAGAZINE:** Best Low-Fare Airline 2008, 02/08; **WORLD TRAVEL AWARD:** World's Leading Budget Airline, 12/08.

CORPORATE GOVERNANCE REPORT

The Company is committed to good corporate governance, business integrity and ethical values. The Company conducts its affairs in the manner set forth herein.

As at 31 December 2008 the Board comprised six Non-Executive Directors (including the Chairman) and five Executive Directors. The Chairman is responsible for leading the Board, ensuring the effectiveness of the Board in all of its tasks, including communication with shareholders, setting the Board's agenda and encouraging all Board members to participate fully in its activities and decision making.

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy. The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2008 to fulfilling their duties as members of the Board. The Chairman's main external commitments did not change during the year.

The Company has established the Audit, Nominations and Remuneration Committees, each of them meeting regularly under its own terms of reference.

AUDIT COMMITTEE

The Audit Committee currently comprises Hans-Joachim Körber (as Chairman of the committee), Johannes Zurnieden and Dieter Pfundt, all of whom are Non-Executive Directors. A representative of the Company's external auditors and the Chief Financial Officer attend the meetings of the Audit Committee.

The Audit Committee met four times during 2008. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and internal controls. The Committee's tasks include reviewing the Company's annual financial statements and other financial information before their publication, determining the scope of the annual audit, and advising on the appointment of external auditors. Additionally, the Committee is responsible for monitoring the effectiveness of the Company's internal control systems. The Audit Committee periodically reviews the scope of the non-audit work undertaken and the fees related to such work to ensure that the auditors' impartiality is not or may not become impaired. The Audit Committee also makes recommendations to the Board regarding the reappointment or the removal of external auditors, their terms of engagement and the level of their remuneration.

NOMINATIONS COMMITTEE

During 2008, the Nominations Committee's members were Johannes Zurnieden (as Chairman of the Committee), Joachim Hunold, Hans-Joachim Körber, Nicolas Teller and Claus Wülfers, the majority of whom are Non-Executive Directors. The Committee is primarily responsible for assisting the Board in determining its composition, makeup and balance. It also is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. Further, the Committee determines the succession plans for the Chairman of the Board and the Chief Executive Officer. The Committee meets as required, but no less than once per year. The appointments of the Non-Executive Directors during 2008 were the result of a search and selection process carried out by the Board.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Hans-Joachim Körber (as Chairman of the committee), Nicolas Teller and Johannes Zurnieden, all of whom are Non-Executive Directors. The Remuneration Committee has responsibility for making recommendations to the Board on the Executive Directors' and the senior management's compensation. The Committee meets as required, but no less than once per year. The remuneration report on pages 94 to 103 provides further details of the remuneration policies of the Company.

Directors are expected, wherever possible, to attend all Board meetings, relevant committee meetings and the Annual General Meeting. All Board members are provided in advance with appropriate information covering matters which are to be considered. A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2008 is set out below:

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Meetings held	5	4	2	1
Meetings attended				
Johannes Zurnieden (Chairman)	5	4	2	1
Joachim Hunold (Chief Executive Officer)	5	n/a	2	n/a
Ulf Hüttmeyer (Chief Financial Officer)	5	n/a	n/a	n/a
Karl F. Lotz (Chief Operating Officer)	5	n/a	n/a	n/a
Elke Schütt (Chief Commercial Officer)	5	n/a	n/a	n/a
Wolfgang Kurth (Chief Maintenance Officer)	4	n/a	n/a	n/a
Dr. Hans-Joachim Körber (Non-executive Director)	5	4	2	1
Claus Wülfers (Non-executive Director)	4	3	2	n/a
Nicholas Teller (Non-executive Director)	5	n/a	2	1
Heinz-Peter Schlüter* (Non-executive Director)	3	n/a	n/a	n/a
Friedrich Carl Janssen* (Non-executive Director)	3	n/a	n/a	n/a
Dieter Pfundt* (Non-Executive Director)	1	1	n/a	n/a

n/a: not a member of this committee
* These Directors only served for part of the year

The Board has delegated to the Executive Directors responsibility for the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities already established by the Board; the implementation of the strategies and policies of the Company as determined by the Board; the monitoring of operational and financial results against plan; the monitoring of the quality of the investment process against specified objectives; the prioritisation of the allocation of capital, technical and human resources and the development and implementation of a risk management system.

All Directors may benefit from the advice and assistance of the Company Secretary, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters and new developments in legislation and new regulations. The Company Secretary ensures that new Board members receive an appropriate introduction into all relevant business aspects of the Company. The Company Secretary is Michelle Johnson, who was appointed to that position on 21 February 2007. Furthermore, the Directors have access to appropriate independent professional advice if necessary to perform their duties, at the expense of the Company. The Company maintains Directors' and Officers' liability insurance at an appropriate level.

SHAREHOLDER RELATIONS

The Annual General Meeting (AGM) provides all shareholders with the opportunity to communicate directly with the Board, including the chairmen of the Audit, Nominations and Remuneration Committees. At the AGM the number of proxy votes cast on each resolution will be made available, both at the meeting and, subsequently, on the Company's website. Each substantially separate issue is presented as a separate resolution.

Hans-Joachim Körber has been appointed the Senior Independent Non-Executive Director and is available to shareholders if contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer is inappropriate or has been unsuccessful.

The Company also maintains regular contact with its major institutional shareholders through its investor relations department and through meetings with the Chief Executive, the Chief Financial Officer and the Chairman as well as through its special institutional investor events. Moreover, the Company ensures that all Directors have an understanding of the views and concerns of major shareholders. A separate investor relations department facilitates engagement.

INTERNAL CONTROLS AND BOARD PERFORMANCE

The Directors are responsible for establishing and reviewing the effectiveness of the Company's internal control systems. Internal control procedures are only designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against misuse or unauthorised disposition and the risk of material misstatement or loss, or failure to achieve business objectives.

Whereas the overall responsibility for establishing such control procedures and the day to day management is delegated to the Chief Executive Officer, certain powers have been delegated to the responsible department heads. The authority granted is subject to defined limitations and reporting requirements.

The Company has developed an ongoing process for the effective identification and management of risks, whereby potential risks are identified, monitored and reported by key areas of the Company. Detailed reports are provided to management, which considers individual departments' and the Company's performance regularly, and on an ad hoc basis. Significant risks are addressed by the Board as a whole.

Policies and procedures are subject to ongoing review and updated as required to ensure that they are properly and consistently applied with respect to significant risks, investment decisions and management issues.

The Company continues to review the effectiveness of its internal controls, including operational and compliance controls as well as risk management. To further ensure the effectiveness of such internal controls, effective as of January 2009, the Company has established an internal audit department.

The Chairman regularly reviews the performance of the Board, with an emphasis on both the Non-Executive and the Executive Directors contributing to the Board's discussion and decision making process.

COMPLIANCE WITH THE COMBINED CODE

As the Company is not listed in the UK, it is not, as a matter of law, required to comply with the corporate governance standards set forth in the Combined Code, nor is it required to comply with German corporate governance standards. The Company has not complied with certain provisions of the Combined Code that are not required by German corporate governance standards and are not customary in the German market. In particular, the Executive Directors have service contracts with notice periods of greater than one year, their compensation for termination of employment for cause is not reduced to reflect a duty to mitigate loss and the Directors are subject to election at periods which are customary in the German market.

The Company continues to believe that more stringent requirements would place the Company at a disadvantage in the recruitment and retention of senior executives.

GOING CONCERN

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Membership and responsibilities of the Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors and determines on behalf of the Board the overall remuneration packages for the Executive Directors, the Company's Chairman and the Company Secretary in accordance with the remuneration policy, including any bonuses, pension rights (where appropriate) and share-based compensation payments as described below.

The Committee remains responsible for:

- determining and reviewing the ongoing appropriateness and relevance of the Company's remuneration policy;
- setting and monitoring performance criteria for any bonus arrangements provided by the Company;
- approving the length and term of the service contracts for the Chairman, the Executive Directors, the Company Secretary and the senior executives; and
- ensuring that the Board maintains contact with its principal shareholders with respect to its remuneration policy.

The Remuneration Committee has the ability to obtain independent advice with respect to the establishment of appropriate executive compensation. The Committee determined that such external advice was not necessary when establishing the level of compensation for the year 2008.

Remuneration policy

Air Berlin's remuneration policy is to reward the Company's Executive Directors appropriately. The remuneration policy provides compensation packages at market rates which reward and encourage successful performance. Accordingly, the Company's policy is to provide a compensation package which reflects the level of responsibility, the respective contribution to the Company and the competitive environment. The compensation package for the Executive Directors in 2008 comprises a combination of a basic salary, a variable bonus scheme, benefits in kind and participation in the Employee Share Plan.

The base salaries of the Executive Directors for 2008 were:

Director	Fixed remuneration per annum (EUR)
Joachim Hunold	1,000,000
Ulf Hüttmeyer	450,000
Elke Schütt	275,000
Karl Friedrich Lotz	275,000
Wolfgang Kurth	275,000

The amount of annual bonus available is 125 % of the respective annual basic salary. The Remuneration Committee determines, on an annual basis, the payment of any bonus compensation and, in deciding to award any such bonus, takes into consideration the consolidated EBITDAR of the Company and whether established benchmarks of the business plan have been reached.

Service contracts

Each of the Executive Directors has a fixed term service agreement as set out below.

Director	Date of agreement	Term of agreement
Joachim Hunold	2 December 2005	1 December 2010
Ulf Hüttmeyer	1 February 2006	1 December 2010
Elke Schütt	2 December 2005	1 December 2010
Karl Friedrich Lotz	2 December 2005	1 December 2010
Wolfgang Kurth	8 June 2008	1 December 2010

Prior to the expiry of their service agreements, the Executive Directors may be removed by the Company for cause only. Any Executive Director removed from office prior to December 2010 is entitled to remuneration for the remainder of the term. The service contracts for each Executive Director contain an obligation not to compete with the Company's business for one year following termination or expiry of their respective service agreements. In consideration for this undertaking, each Executive Director is entitled to receive his or her fixed remuneration for that year.

Additional Benefits

In 2006, the Executive Directors received shares in connection with the Company's Employee Share Plan. No further awards were made in 2007 or in 2008.

Executive Directors are entitled to pension benefits in an amount which may be up to, but can not exceed 50% of their respective base salary. The accumulated pension rights as of 31 December 2007 are set forth on page 143 et seq.

During 2008, each Executive Director was provided with a Company telephone, car and telecommunications equipment. In addition, each Executive Director was entitled to reduced or free air transportation on flights operated by the Company. Each Executive Director has been afforded a Directors' and Officers' insurance and accident insurance, at appropriate levels.

Remuneration Policy for 2009

The foregoing policy will continue to be applied in determining the Executive Directors' compensation package, including the variable component.

Non-Executive Directors

The Chairman and the Executive Directors determine the non-Executive Director remuneration. No Director is involved in determining his own level of compensation. In accordance with the Articles of Association, the compensation afforded the Non-Executive Directors can not, on aggregate, exceed EUR 750,000.

Performance graph

The following graph shows the Company's share development against the SDAX and DJ STOXX Airlines Index. The SDAX was selected for comparative purposes because it is a broad equity index of which the Company is a constituent. The DJ STOXX Airlines index was chosen inasmuch as it comprises companies operating in a comparable sector as the Company.

Relative performance Air Berlin vs. SDAX Price Index and Dow Jones STOXX TMI Airlines Index (EUR)

Source: Reuters

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The directors' remuneration during the period was:

in thousands of euros	Basic salary and fees	Taxable benefits	Performance-related Cash bonuses	Performance-related Value of share awards	**Total 2008**	Total 2007
Executive Directors:						
Joachim Hunold	1,006	18	500	(23)	**1,501**	1,992
Ulf Hüttmeyer	456	20	225	(23)	**678**	947
Karl Friedrich Lotz	282	13	138	(23)	**410**	610.5
Elke Schütt	286	11	138	(23)	**412**	606.5
Wolfgang Kurth	170	0	138	0	**308**	0
Non-Executive Directors:						
Dr. Hans-Joachim Körber	89	0	0	0	**89**	89
Dr. Eckhard Cordes	22	0	0	0	**22**	89
Claus Wülfers	60	0	0	0	**60**	60
Nicholas Teller	60	0	0	0	**60**	60
Dieter Pfundt	6	0	0	0	**6**	0
Heinz-Peter Schlüter	38	0	0	0	**38**	0
Friedrich Carl Janssen	39	0	0	0	**39**	0
Johannes Zurnieden	179	0	0	0	**179**	179
Aggregate emoluments	2,693	62	1,139	(92)	**3,802**	4,633

The negative value of share awards in 2008 results from the nonfulfilment of performance criteria in 2008 and partially reverses the value accrued in Directors' Remuneration in 2007.

The performance related bonus amounted to EUR 1,139,000 for the financial year 2008 (2007: EUR 1,800,000).

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. The pension entitlements of the directors were:

in thousands of euros	Accumulated annual accrued benefits at 31 December 2008	Accumulated annual accrued benefits at 31 December 2007	Increase in accumulated annual accrued benefits during the year 2008
Joachim Hunold	173	94	79
Ulf Hüttmeyer	24	42	(18)
Karl Friedrich Lotz	82	26	56
Elke Schütt	41	26	15
Wolfgang Kurth	11	0	11

The transfer value of directors' accrued benefits, which represents a liability to the Company rather than an amount paid or due to the individual, is as follows:

in thousands of euros	Transfer value at 31 Dec. 2008	Transfer value at 31 Dec. 2007	Directors' contributions during the year	Movement, less directors' contributions
Joachim Hunold	1,668	1,379	0	289
Ulf Hüttmeyer	101	77	0	24
Karl Friedrich Lotz	951	723	0	228
Elke Schütt	406	334	0	72
Wolfgang Kurth	134	0	0	134
	3,260	2,513	0	747

Directors' interests in shares

The beneficial interests of the directors and their families in the share capital of the Company are as follows:

	Air Berlin PLC / ordinary shares	
	31 Dec. 2008	31 Dec. 2007
Executive directors		
Joachim Hunold	**2,100,004**	2,100,004
Ulf Hüttmeyer	**20,000**	30,000
Karl Friedrich Lotz	**20,000**	30,000
Elke Schütt	**20,000**	30,000
Wolfgang Kurth	**0**	0

Included in these figures are 20,000 shares per director related to the Employee Share Plan discussed below. In addition, Joachim Hunold has a beneficial interest in 2,500 A shares, which are non-voting and have limited rights. The Chairman of the Board, Johannes Zurnieden, holds 1,000,268 ordinary shares in the company as at 31 December 2008.

Directors' share awards

The number of shares held by the directors at year end under the Employee Share Plan was as follows:

	Numbers of shares as at 1 January 2008	Number of shares forfeited during the period	Numbers of shares as at 31 December 2008	Exercisable from, subject to performance criteria over the three-year-period ending
Employee Share Plan 2006 — Tranche 1				
Joachim Hunold	10,000	(10,000)	0	31 Dec. 2008
Ulf Hüttmeyer	10,000	(10,000)	0	31 Dec. 2008
Karl Friedrich Lotz	10,000	(10,000)	0	31 Dec. 2008
Elke Schütt	10,000	(10,000)	0	31 Dec. 2008
Employee Share Plan 2006 — Tranche 2				
Joachim Hunold	10,000	0	10,000	31 Dec. 2009
Ulf Hüttmeyer	10,000	0	10,000	31 Dec. 2009
Karl Friedrich Lotz	10,000	0	10,000	31 Dec. 2009
Elke Schütt	10,000	0	10,000	31 Dec. 2009
Employee Share Plan 2006 — Tranche 3				
Joachim Hunold	10,000	0	10,000	31 Dec. 2010
Ulf Hüttmeyer	10,000	0	10,000	31 Dec. 2010
Karl Friedrich Lotz	10,000	0	10,000	31 Dec. 2010
Elke Schütt	10,000	0	10,000	31 Dec. 2010

Under the terms of the Employee Share Plan, the directors hold legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met. 50 % of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50 % of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

Tranche and three-year performance period (ending 31 December)	Threshold, return-on-equity element	Treshold, share price growth element
Tranche 1: 2008	13 %	35 %
Tranche 2: 2009	14 %	38 %
Tranche 3: 2010	15 %	40 %

The right to acquire the beneficial interest in the shares is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is 0.25 euros per share, the nominal value of the shares. The share price as at 31 December 2008 was EUR 4.73.
Neither of the performance conditions were met for the tranche I performance period, which ended 31 December 2008. Therefore, participants will not be able to call for the economic interest in the shares under that Tranche and may be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust.
None of the Non-Executive directors are entitled to share options. No options were exercised or lapsed during the period. A detailed description of the Employee Share Plan is also provided in the Notes to the financial statements, see pages 141 to 143.

Changes in the Board of Directors

Dr. Eckhard Cordes resigned from his position as Non-Executive Director with effect from 31 March 2008. On the same day, Heinz-Peter Schlüter, Chairman of Trimet Aluminium AG, Düsseldorf, and Friedrich Carl Janssen, general partner of Bankhaus Sal. Oppenheim jr. & Cie KGaA, joined the Board of Directors. Both Directors were confirmed in their positions by the Annual General Meeting of Air Berlin PLC on 24 June 2008. Carl Friedrich Janssen was a member of the Board of Directors until 26 November 2008 and was replaced on the same day by Dieter Pfundt, also a general partner at Bankhaus Sal. Oppenheim jr. & Cie. and a member of the committee of the German Banking Association.

Approved by the Board and signed on its behalf.

25 March 2009

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR BERLIN PLC

We have audited the Group and Company financial statements (the "financial statements") of Air Berlin Plc for the year ended 31 December 2008 which comprise the Consolidated Statement of Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements, the Directors' Remuneration Report and the Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 104.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report and Business Review is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Company financial statements give a true and fair view in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985 of the state of the Company's affairs as at 31 December 2008
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants, Registered Auditor
2 Cornwall Street
Birmingham B3 2DL
Great Britain

25 March 2009

AIR BERLIN PLC
FINANCIAL STATEMENTS 2008

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2008

	Note	2008	2007
		€ 000	€ 000
Revenue	20	**3,400,692**	2,536,500
Other operating income	21	**38,621**	14,575
Expenses for materials and services	22	**(2,359,845)**	(1,736,435)
Personnel expenses	23	**(446,264)**	(311,802)
Depreciation and amortisation	6,7	**(103,142)**	(93,772)
Other operating expenses	24	**(515,897)**	(387,647)
Operating expenses		**(3,425,148)**	(2,529,656)
Result from operating activities		**14,165**	21,419
Financial expenses	25	**(55,533)**	(49,624)
Financial income	25	**12,561**	13,851
Foreign exchange (losses) gains, net	25	**(28,989)**	225
Net financing costs		**(71,961)**	(35,548)
Share of (loss) profit of associates, net of tax	26	**(9)**	791
Loss before tax		**(57,805)**	(13,338)
Income tax (expense) benefit	27	**(17,214)**	34,315
(Loss) profit for the year – all attributable to equity holders of the Company		**(75,019)**	20,977
Basic earnings per share in €	12	**(1.14)**	0.33
Diluted earnings per share in €	12	**(1.14)**	0.33

Air Berlin PLC

CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Note	31/12/2008	(adjusted)* 31/12/2007
Assets		€ 000	€ 000
Non-current assets			
Intangible assets	6, 5	**313,819**	317,765
Property, plant and equipment	7	**1,269,943**	1,203,610
Trade and other receivables	10	**108,254**	100,963
Deferred tax asset	27	**46,180**	2,956
Positive market value of derivatives	29	**664**	2,077
Investments in associates	8	**1,771**	935
Non-current assets		**1,740,631**	1,628,306
Current assets			
Inventories	9	**36,692**	30,825
Trade and other receivables	10	**283,427**	260,199
Positive market value of derivatives	29	**46,567**	84,362
Prepaid expenses		**25,110**	30,751
Cash and cash equivalents	28	**268,287**	468,658
Current assets		**660,083**	874,795
Total assets		**2,400,714**	2,503,101
Equity and liabilities			
Shareholders' equity			
Share capital	11	**16,502**	16,502
Share premium	11	**307,501**	307,501
Equity component of convertible bond	16	**27,344**	27,431
Other capital reserves	11	**217,056**	217,056
Retained earnings		**(43,273)**	31,889
Hedge accounting reserve, net of tax	30	**(135,294)**	(6,639)
Foreign currency translation reserve	11	**936**	(201)
Equity available to the shareholders of the Company		**390,772**	593,539
Minority interest		**629**	629
Total equity		**391,401**	594,168
Non-current liabilities			
Liabilities due to bank from assignment of future lease payments	16	**610,463**	528,907
Interest-bearing liabilities	16	**302,783**	316,148
Pension liabilities	14	**0**	1,205
Non-current provisions	15	**10,661**	11,036
Trade and other payables	18	**31,263**	26,164
Negative market value of derivatives	29	**58,767**	81,610
Non-current liabilities		**1,013,937**	965,070
Current liabilities			
Liabilities due to bank from assignment of future lease payments	16	**73,011**	62,935
Interest-bearing liabilities	16	**44,012**	122,402
Current tax liabilities		**8,076**	5,611
Provisions	15	**15,562**	13,350
Trade and other payables	18	**316,121**	442,289
Negative market value of derivatives	29	**236,735**	81,960
Deferred income		**45,039**	48,079
Advanced payments received	19	**256,820**	167,237
Current liabilities		**995,376**	943,863
Total equity and liabilities		**2,400,714**	2,503,101

* The balance sheet adjustments as of 31 December 2007 relate to the final valuation of the purchase price allocation of the LTU group. For further information see note 5.
The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2009 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2008

	Note	**31/12/2008**	31/12/2007
		€ 000	**€ 000**
(Loss) profit for the year		**(75,019)**	20,977
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	6, 7	**103,142**	93,772
Gain on disposal of tangible and intangible assets	21, 24	**(18,851)**	(1,765)
Gain on disposal of associates		**(2,282)**	0
Loss on disposal of subsidiaries		**316**	0
Share based payments	13	**(143)**	390
(Increase) decrease in inventories		**(5,868)**	1,380
Decrease (increase) in trade accounts receivable		**3,722**	(20,040)
(Increase) decrease in other assets and prepaid expenses		**(18,568)**	1,679
Deferred tax expense (benefit)	27	**12,304**	(38,119)
(Decrease) increase in accrued liabilities and provisions		**(92,703)**	18,246
Decrease in trade accounts payable		**(4,478)**	(7,419)
Increase in other current liabilities		**66,862**	4,440
Foreign exchange losses (gains)	25	**28,989**	(225)
Interest expense	25	**54,919**	49,464
Interest income	25	**(12,561)**	(13,851)
Income tax expense	27	**4,910**	3,804
Share of loss (profit) of associates	8, 26	**9**	(791)
Changes in fair value of derivatives		**(1,662)**	540
Other non-cash changes		**1,234**	(179)
Cash generated from operations		**44,272**	112,303
Interest paid		**(40,188)**	(38,244)
Interest received		**11,317**	13,422
Income taxes paid		**(3,597)**	(2,364)
Net cash flows from operating activities		**11,804**	85,117
Purchases of tangible and intangible assets		**(203,700)**	(269,377)
Acquisition of subsidiary, net of cash	5	**1,494**	(39,749)
Proceeds from sale of subsidiary, net of cash	5	**(2,247)**	0
Net advanced payments for non-current items	10	**(27,497)**	(95,642)
Proceeds from sale of tangible and intangible assets		**72,972**	184,731
Advanced receipts for sale of tangible assets, repaid in 2007	19	**0**	(40,000)
Dividends received from associates	8	**211**	527
Payment received on liquidation of associate	8	**0**	49
Proceeds from sale of associate		**2,328**	0
Acquisition of investments in associates	8	**(376)**	0
Cash flow from investing activities		**(156,815)**	(259,461)
Principal payments on interest-bearing liabilities		**(231,256)**	(356,878)
Proceeds from long-term borrowings		**170,518**	470,652
Issue of ordinary shares	11	**0**	97,978
Transaction costs related to issue of new shares	11	**0**	(5,195)
Issue of convertible bonds	16	**0**	220,000
Transaction costs related to convertible bonds	16	**0**	(6,391)
Cash flow from financing activities		**(60,738)**	420,166
Change in cash and cash equivalents		**(205,749)**	245,822
Cash and cash equivalents at beginning of period		**468,550**	228,094
Foreign exchange gains (losses) on cash balances		**5,008**	(5,366)
Cash and cash equivalents at end of period	28	**267,809**	468,550
Thereof bank overdrafts used for cash management purposes		**(478)**	(108)
Thereof cash and cash equivalents in the balance sheet		**268,287**	468,658

Air Berlin PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2008

	Note	Share capital	Share premium
		€ 000	€ 000
Balances at 31 December 2006		**15,009**	**214,190**
Share based payment			
Effective portion of changes in fair value of cash flow hedges, net of tax			
Change in fair value of cash flow hedges transferred to profit or loss, net of tax			
Effect of change in tax rate on cash flow hedges			
Net currency translation differences			
Net income recognised directly in equity		0	0
Profit for the period			
Total recognised income and expense for the period		**0**	**0**
Increase in minority interest due to acquisition			
Issue of ordinary shares		1,493	96,485
Transaction cost, net of tax			(3,174)
Issue of convertible bond			
Transaction cost, net of tax			
Effect of change in tax rate			
Balances at 31 December 2007		**16,502**	**307,501**
Balances at 31 December 2007		**16,502**	**307,501**
Share based payment	13		
Effective portion of changes in fair value of cash flow hedges, net of tax	30		
Change in fair value of cash flow hedges transferred to profit or loss, net of tax	30		
Net currency translation differences	11		
Net loss recognised directly in equity		0	0
Loss for the period			
Total recognised income and expense for the period		**0**	**0**
Effect of change in tax rate			
Balances at 31 December 2008		**16,502**	**307,501**

Equity component of convertible bond	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Equity available to the shareholders of the Company	Minority interest	Total equity
€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
0	**217,056**	**10,522**	**(18,930)**	**(22)**	**437,825**	**0**	**437,825**
		390			390		390
			(32,710)		(32,710)		(32,710)
			45,813		45,813		45,813
			(812)		(812)		(812)
				(179)	(179)		(179)
0	0	390	12,291	(179)	12,502	0	12,502
		20,977			20,977		20,977
0	**0**	**21,367**	**12,291**	**(179)**	**33,479**	**0**	**33,479**
					0	629	629
					97,978		97,978
					(3,174)		(3,174)
25,130					25,130		25,130
(730)					(730)		(730)
3,031					3,031		3,031
27,431	**217,056**	**31,889**	**(6,639)**	**(201)**	**593,539**	**629**	**594,168**
27,431	**217,056**	**31,889**	**(6,639)**	**(201)**	**593,539**	**629**	**594,168**
		(143)			(143)		(143)
			(58,169)		(58,169)		(58,169)
			(70,486)		(70,486)		(70,486)
				1,137	1,137		1,137
0	0	(143)	(128,655)	1,137	(127,661)	0	(127,661)
		(75,019)			(75,019)		(75,019)
0	**0**	**(75,162)**	**(128,655)**	**1,137**	**(202,680)**	**0**	**(202,680)**
(87)					(87)		(87)
27,344	**217,056**	**(43,273)**	**(135,294)**	**936**	**390,772**	**629**	**391,401**

Air Berlin PLC

COMPANY BALANCE SHEET

as at 31 December 2008

	Note	31/12/2008	31/12/2007
		€ 000	€ 000
Assets			
Non-current assets			
Investments in subsidiaries	34b	**220,958**	143,315
Investments in associates	34c	**125**	0
Deferred tax asset	34d	**19,751**	17,435
Positive market value of derivatives	34n	**350**	182
Long-term loans to subsidiaries	34e	**16,384**	155,000
Long-term loans to associates	34f	**250**	0
Other long-term loans	34e	**3,500**	3,500
Non-current assets		**261,318**	319,432
Current assets			
Loans to a subsidiary	34e	**155,000**	0
Receivables from subsidiaries	34g	**274,040**	123,401
Receivables from associates	34h	**148**	0
Positive market value of derivatives	34n	**2,380**	242
Other receivables, current		**1,260**	954
Prepaid expenses		**567**	2,033
Cash and cash equivalents		**159,978**	175,232
Current assets		**593,373**	301,862
Total assets		**854,691**	621,294
Equity and liabilities			
Shareholders' equity			
Share capital	34i	**16,502**	16,502
Share premium	34i	**307,501**	307,501
Equity component of convertible bond	16	**27,344**	27,431
Retained earnings		**7,122**	(34,134)
Total equity		**358,469**	317,300
Non-current liabilities			
Pension liabilities	34j	**0**	587
Other non-current liabilities to subsidiaries	34k	**192,696**	184,007
Negative market value of derivatives	34n	**14,715**	9,463
Non-current liabilities		**207,411**	194,057
Current liabilities			
Interest-bearing liabilities		**0**	100,000
Accrued taxes		**2,560**	0
Accrued liabilities	34l	**2,228**	208
Payables to subsidiaries	34m	**281,347**	104
Trade and other payables, current		**2,570**	104
Negative market value of derivatives	34n	**0**	7,369
Other current liabilities		**86**	2,133
Deferred income		**20**	19
Current liabilities		**288,811**	109,937
Total equity and liabilities		**854,691**	621,294

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2009 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2008

	Note	31/12/2008	31/12/2007
		€ 000	€ 000
Profit (loss) for the period		**41,399**	(25,178)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Share based payments	13	**(143)**	390
Increase in receivables from subsidiaries		**(147,452)**	(27,930)
Increase in receivables from associates		**(148)**	0
Decrease (increase) in other receivables and prepaid expenses		**1,159**	(2,011)
Deferred tax benefit	34d	**(2,403)**	(12,029)
Increase in accrued liabilities and provisions		**2,020**	83
Increase (decrease) in trade accounts payable		**2,466**	(288)
Increase (decrease) in payables to subsidiaries	34g	**273,423**	(107)
(Decrease) increase in pension liabilities		**(587)**	587
(Decrease) increase in other payables and deferred income		**(2,046)**	2
Movement in derivatives taken through income statement		**(4,423)**	16,408
Interest expense		**16,554**	8,332
Interest income		**(8,575)**	(6,251)
Income tax expense		**2,482**	0
Cash generated from operations		**173,726**	(47,992)
Interest paid		**(45)**	0
Interest received		**5,389**	5,865
Income taxes received (paid)		**78**	(241)
Net cash flows from operating activities		**179,148**	(42,368)
Acquisition of investments in subsidiaries	34b	**(77,643)**	(3,150)
Acquisition of investments in associates	34c	**(125)**	0
Long-term loans to subsidiaries	34e	**(16,384)**	(155,000)
Long-term loans to associates	34f	**(250)**	0
Short-term loans to subsidiaries	34e	**0**	(94,785)
Other loans		**0**	(3,500)
Cash flow from investing activities		**(94,402)**	(256,435)
Proceeds from long-term borrowings		**0**	2,000
(Repayment) proceeds from short-term borrowings		**(100,000)**	100,000
Issue of ordinary shares		**0**	97,978
Transaction costs related to issue of new shares		**0**	(5,195)
Issue of convertible bonds		**0**	220,000
Transaction costs related to convertible bonds		**0**	(6,391)
Cash flow from financing activities		**(100,000)**	408,392
Change in cash and cash equivalents		**(15,254)**	109,589
Cash and cash equivalents at beginning of period		**175,232**	65,643
Foreign exchange (gains) losses on cash balances		**0**	0
Cash and cash equivalents at end of period		**159,978**	175,232
Thereof bank overdrafts used for cash management purposes		**0**	0
Thereof cash and cash equivalents in the balance sheet		**159,978**	175,232

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Note	Share capital	Share premium	Equity component of convertible bond	Retained earnings	Total equity
		€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Balances at 31 December 2006		**15,009**	**214,190**	**0**	**(9,346)**	**219,853**
Share based payment					390	390
Net income recognised directly in equity		0	0	0	390	390
Loss for the year					(25,178)	(25,178)
Total recognised income and expense for the period		0	0	0	(24,788)	(24,788)
Issue of ordinary shares		1,493	96,485			97,978
Transaction cost, net of tax			(3,174)			(3,174)
Issue of convertible bond				25,130		25,130
Transaction cost, net of tax				(730)		(730)
Effect of change in tax rate				3,031		3,031
Balances at 31 December 2007		**16,502**	**307,501**	**27,431**	**(34,134)**	**317,300**
Balances at 31 December 2007		**16,502**	**307,501**	**27,431**	**(34,134)**	**317,300**
Share based payment	13				(143)	(143)
Net loss recognised directly in equity		0	0	0	(143)	(143)
Profit for the year					41,399	41,399
Total recognised income and expense for the period		0	0	0	41,256	41,256
Effect of change in tax rate				(87)		(87)
Balances at 31 December 2008		**16,502**	**307,501**	**27,344**	**7,122**	**358,469**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2008

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2008 comprise Air Berlin PLC and its subsidiaries (together referred to as "Air Berlin" or the "Group") and the Group's interest in associates. Air Berlin is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of Air Berlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

2. BASIC PRINCIPLES AND PREPARATION OF FINANCIAL STATEMENTS

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Article 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 114 to 116.
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.
The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.
The comparability of the income statement is limited because LTU and Belair are not included in the prior year comparative figures for the full year ended 31 December 2007 (LTU as of 1 August 2007 and Belair as of 1 November 2007).
The consolidated financial statements have been prepared in Euro. The European Central Bank year end exchange rate was GBP 0.9525 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share and bond data. The financial statements were authorised and approved for issue by the Board of Directors on 25 March 2009.

Use of estimates

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
Judgements made by management in the application of Adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate primarily to the estimate of residual values of fixed assets, the impairment test for goodwill and other intangible assets with indefinite lives and the expected utilisation of deferred tax assets and are discussed in note 4b, 4d and 4j below.

3. BASIS OF CONSOLIDATION

a) Reverse acquisition

The legal reorganisation of the Group in 2005 was accounted for as a reverse acquisition in accordance with IFRS 3, Business Combinations, and the limited partners' capital was reclassified to other capital reserves at that time. The consolidated financial statements are issued under the name of the legal parent (Air Berlin PLC) but are a continuation of the consolidated financial statements of the legal subsidiary Air Berlin GmbH & Co. Luftverkehrs KG and subsidiaries (renamed to: Air Berlin PLC & Co. Luftverkehrs KG), the acquirer for accounting purposes. The equity structure in the consolidated financial statements, however, reflects the equity structure of Air Berlin PLC including the equity instrument issued by the legal parent to effect the combination.

b) Subsidiaries

All subsidiaries under control of Air Berlin are included in the consolidated financial statements. Control exists when Air Berlin has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
The subsidiaries listed in note 35 are included in the consolidated financial statements.
Several of the Company's subsidiaries prepare their financial statements in a currency other than Euro (Swiss francs). The assets and liabilities of these subsidiaries are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at the average exchange rate for the period. Foreign currency differences resulting are recognised directly in equity. Since 1 January 2003, the Group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve.
All of the German subsidiaries identified in note 35 are required to present financial statements under German statutory law except for the following companies, as they are exempt due to Article 264b German Commercial Code:

- Air Berlin PLC & Co. Luftverkehrs KG
- Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG
- Air Berlin GmbH & Co. Sechste Flugzeugvermietungs OHG
- Air Berlin GmbH & Co. Siebte Flugzeugvermietungs OHG
- Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG
- Air Berlin PLC & Co. Airport Service KG
- Air Berlin PLC & Co. Cabin Service KG
- Air Berlin PLC & Co. DUS KG
- Air Berlin PLC & Co. Service Center KG

c) Special purpose entity

In 2006 the Group established a special purpose entity (SPE) in connection with the repurchase and administration of shares relating to its Employee Share Plan, which is included in the consolidated financial statements. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs are considered to be controlled by the Group if they were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving all of the risks and benefits related to the SPE's operations and net assets.

d) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Intangible assets

Goodwill is recognised where the cost of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Other identifiable intangible assets acquired through a business combination are capitalised at fair value and subsequently measured at cost less accumulated amortisation charges and impairment losses. Goodwill and other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or more frequently if there is an indication that the asset may be impaired.

Acquired intangible assets are recognised at cost less accumulated amortisation charges and impairment losses. Amortisation of intangible assets is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives (if applicable).

The estimated useful lives of intangible assets are as follows:

Software licenses	3–5 years
Trademarks	5 years
Customer relationships	4 years
Landing rights (slots)	indefinite

Landing rights are determined to have indefinite lives, as they do not expire and are not subject to a regular loss in value over time.

b) Property, plant and equipment

Property, plant and equipment are valued at their acquisition or production costs less accumulated depreciation and accumulated impairment losses. Depreciation is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives.

-- AIRCRAFT AND ENGINES

The Group owns aircraft and engines of the type Boeing 737-800, Airbus A319 and A320 as well as Bombardier Q400. The depreciation period is ten years taking into account estimated residual values. The residual values and useful lives are reviewed at each balance sheet date. Judgement is required in estimating the residual values and useful lives of property, plant and equipment. Uncertainty exists in the useful life of aircraft and engines and in the amounts which can be realised through future disposals.

A portion of the cost of an aircraft is attributed on acquisition to major inspection and overhaul costs of its engines and airframe and is depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life.

As aircraft and engines are purchased in stages with the payment of initial and subsequent deposit payments, the borrowing costs associated with these payments are capitalised as part of the costs of those qualifying assets. Other borrowing costs are expensed as incurred.

-- LAND AND BUILDINGS

Land and buildings relate to two airport buildings leased under finance leases acquired through the acquisition of LTU, as further discussed in note 17. The buildings are depreciated over the lesser of their remaining useful lives or the term of the lease.

-- OTHER TANGIBLE ASSETS

The estimated useful lives of other tangible assets are as follows:

Technical equipment and machinery	8–15 years
Office equipment	3–13 years

c) Subsequent expenditure

Expenditure incurred to replace a component of an item of aircraft, engines and other equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised and the replaced item is derecognised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense when incurred.

d) Impairment

-- NON-FINANCIAL ASSETS

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recorded in the income statement.

The recoverable amount is the greater of the assets' fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are allocated first to goodwill allocated to the cash generating unit and then to the other assets of the unit pro rata based on their carrying amounts. In respect of tangible assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
Judgement is required in determining the cash generating unit, as well as in calculating value in use. The operating margins used in determining value in use are based on planned business and operational growth. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the long-term cost of capital for the cash generating unit.

-- FINANCIAL ASSETS
Financial assets are assessed at each reporting date to determine whether objective evidence of impairment exists. An impairment loss on financial assets measured at amortised cost is calculated as the difference between the present value of estimated future cash flows discounted at the original effective interest rate and its carrying amount.

e) Inventories
Inventories are measured at the lower of cost or net realisable value. Inventories include supplies and spares, raw materials and purchased merchandise. The cost of inventories is based on the weighted average cost formula.

f) Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment loss, which approximates their fair value. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables for which collection is doubtful are written down to their realisable value in a separate account. Further details to the allowance for impairment losses are found in note 30a. The allowance for impairment losses is used to record impairment losses until the Group determines that the receivable is irrecoverable. Financial assets are derecognised directly when they are expected to be irrecoverable.
Estimated future cash flows are based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. Reminders are sent on a timely basis. After the second reminder, the customer is given a certain amount of time to pay the receivable. If no payment is received at that time, the third reminder is issued along with a legal order to pay, and an allowance for impairment losses of 60 % is allowed for within the expected cash flows. This percentage represents the probability of impairment loss based on past experience.

g) Derivatives

Derivative financial instruments are used for hedging fuel price, interest rate, and currency rate risks arising from operational and financing activities. Hedging transactions are entered into to secure future cash flows. Derivative financial instruments are recognised initially at fair value. All derivatives that do not qualify for hedge accounting are classified as held for trading. Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, if the Group revokes the designation as hedge accounting or if the hedge no longer meets the criteria for hedge accounting. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any resultant gain or loss is recognised directly in the income statement as profit or loss unless the derivative has been classified as a hedge of a highly probable future cash flow. The effective portion of gains and losses from changes in the fair value of derivatives designated as cash flow hedges are taken to equity in accordance with IAS 39 and are recognised in the profit and loss when the related transaction impacts income or the future cash flow ceases to be considered probable. The ineffective portion of a cash flow hedge is recognised immediately in income.
Forward exchange transactions are used to mitigate exchange rate exposure. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.
Commodity swaps and options are used to limit the fuel price risk.
The Group uses cross-currency interest rate swaps to convert variable rate liabilities in foreign currency to fixed rate positions in the functional currency.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months. Cash and cash equivalents are valued at cost. Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement. Cash and cash equivalents also include restricted cash as set out in note 28.

i) Share capital

Share capital of the Company consists of ordinary shares and redeemable Class A shares. In addition the Company holds treasury shares.

-- ORDINARY SHARES

Incremental costs directly related to the issue of ordinary shares are shown as a deduction in equity.

-- REDEEMABLE “CLASS A” PREFERENCE SHARES

Class A shares are classified as equity, as these shares are redeemable only at the option of Air Berlin and any dividends are discretionary. Dividends are recognised as distributions within equity.

-- TREASURY SHARES

Repurchased shares are classified as treasury shares and shown as a deduction from total equity. The amount of consideration paid for the repurchase of share capital, including directly attributable costs, is recognised as a deduction in retained earnings.

j) Income taxes

Income tax on the profit or loss for the year and on items taken to equity comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with IAS 12 on the basis of temporary differences between the tax base at the level of the individual company and the respective IFRS book value. No deferred tax is recognised on the initial recognition of goodwill arising from acquisitions. A deferred tax asset is recognised for tax loss carry forwards and other temporary differences resulting in an expected tax benefit in future periods to the extent that it is probable that taxable income will be available in the near future against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Judgement is required in estimating the probability of utilisation of deferred tax assets; uncertainty exists in the amount and timing of future taxable income.

k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation is measurable. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

l) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method.

m) Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently stated at their amortised cost using the effective interest method, which approximates their fair value.

n) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the balance sheet date. Any differences resulting from the currency translation are recognised in the income statement. Further details to the currency risk are provided in note 30d.

Exchange differences arising from interest-bearing liabilities and other financing activities – as well as unrealised exchange rate differences due to the fair value measurement of derivative financial instruments and other unrealised foreign exchange gains and losses – are classified as part of financing costs. All other exchange rate differences are allocated to the various income and expense line items from which they arose within operating results.

o) Recognition of income and expenses

Revenue relates primarily to transportation services provided and duty-free sales. Revenue and other operating income are recognised when the corresponding service has been performed (for example transportation) or when the risks and rewards associated with the right of ownership are transferred to the buyer (for example duty-free sales). Revenue is measured at the fair value of the consideration received taking into account the amount of any sales deductions (for example air passenger duty, VAT and discounts). Expenses are recognised in the period in which they are incurred, which generally corresponds to the time at which the income is recognised.

p) Deferred income

Deferred income in the balance sheet relates mainly to ticket sales and bonus miles resulting from Air Berlin's frequent flyer plan. Air Berlin recognises ticket sales as income at the time the transportation is provided. However, when the fare is for a round-trip and the return flight has not been taken at year end, the unearned revenue is deferred in the consolidated balance sheet under "deferred income" until such time the transportation is provided. Revenue on unclaimed tickets is realised when the expiry date of the ticket has passed. Deferred income is estimated based on actual bookings, historical experience and past general passenger behaviour.

-- FREQUENT FLYER PLAN

The Group operates a frequent flyer plan ("Top Bonus" programme) which allows the customer to collect bonus miles on flights, by doing business with Air Berlin's partners (hotels, car rental agencies, insurance and financial service companies) or by shopping. The expected incremental costs of providing services free of charge for the utilisation of bonus miles are accrued within deferred income based on the number of miles accumulated and past customer behaviour.

q) Leasing

The Group leases a number of aircraft under operating leases which require Air Berlin to maintain the leased assets. Repair and overhaul costs are not included in the lease rentals. In addition, for the majority of its leased aircraft, the Group makes payments for the future maintenance expenses to the lessor. These are based on the estimated costs of major airframe and certain engine checks and are calculated based on the number of flight hours or cycles flown. When maintenance takes place the Group is reimbursed for the payments already made.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. The Group capitalises fixed assets leased under arrangements in which substantially all the risks and rewards of ownership are transferred to the Group as finance leases in accordance with IAS 17. Leased assets are measured initially at the lower of their fair value or the present value of the minimum lease payments. The assets are depreciated on a straight-line basis over the lease term. The related obligation is shown under Interest-bearing liabilities in the amount of the discounted minimum lease payments less payments made.

Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

r) Pensions

Defined benefit plans are post-employment benefit plans which do not qualify as defined contribution plans. Defined contribution plans are pension plans under which fixed contributions are paid into a separate legal entity with no legal or constructive obligation to pay further amounts.

The Group's net obligation or asset in connection with defined benefit plans is calculated separately for each plan. The amount of future benefits that employees have earned in return for their service in current and prior periods is estimated and discounted to present value using an appropriate discount rate based on AA-credit rated bonds with maturities approximating the maturities of the Group's obligations under the pension plans. The calculation is performed by a qualified actuary using the projected unit credit method. The fair value of plan assets as of the balance sheet date are deducted from the obligation. Any resulting net assets are limited to the net total of the present value of future refunds or reductions in payments and the amount of any unrecognised prior service cost.

Actuarial gains and losses are recognised immediately in profit or loss in the period in which they are incurred.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit and loss in the period in which they are due.

s) Share-based payment transactions

The fair value of options granted to employees is estimated on the grant date and recognised in the income statement as personnel expense over the vesting period (i.e. the period in which the employees become unconditionally entitled to the options). The corresponding entry is an increase in equity. The fair value was determined using valuation techniques which comply with IFRS 2. The amount recognised as an expense is adjusted to reflect the number of share options expected to vest. Market conditions are included in the calculation of fair value at grant date and do not affect future valuation, whereas vesting conditions are taken into consideration in determining the number of share options expected to vest. Further details to vesting conditions are found in note 13.

t) New pronouncements

The following IFRS standards and interpretations, none of which are expected to have a significant effect on the financial statements, were endorsed by the EU and available for early application but have not been applied by the Group in these financial statements:

- IFRS 8, Operating Segments, effective for financial years beginning on or after 1 January 2009,
- IFRIC 13, Customer Loyalty Programmes, effective for financial years beginning on or after 1 July 2008,
- Amendments to IAS 23, Borrowing Costs, effective for financial years beginning on or after 1 January 2009,
- Amendments to IFRS 2, Share-based Payment, effective for financial years beginning on or after1 January 2009,
- Amendments to IAS 1, Presentation of Financial Statements, effective for financial years beginning on or after 1 January 2009.

Except for IFRIC 13, none of the above are expected to have a significant effect on the Group's financial statements. Currently the Group defers the incremental costs associated with providing services in connection with the bonus miles. As of 2009, the amount deferred per mile will be determined each year based on the fair value of the bonus miles. IFRIC 13 is expected to increase the amount of revenue deferred in connection with the Top Bonus plan per mile accrued. Based on the miles outstanding as of 31 December 2008 this is expected to increase the provision by € 28,570.

u) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established risk management system, which monitors the Group's risk management policies. Any significant risks are reported to the Board.

Risk reporting includes the review and assessment of all risks in the individual departments. This includes the registration of new risks and the reassessment of existing risks regarding their probability of occurrence and potential effect on earnings. In general a quantitative assessment of risks is undertaken. The registered risks are continuously updated using computer software. Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures is submitted each quarter to the Executive Board.

There were no changes in the Group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing the risk since the previous period.

Credit risk

Single-seat tickets are sold subject to payment up front. Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight. Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments in the middle of the month based on the expected monthly sales.

The sale of passage and freight documents is handled via agencies and the Internet within the guidelines of IATA. Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are checked by appropriate clearing houses. The credit risk from an individual sales agent is relatively low due to worldwide dispersion.

Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a clearing house of the International Air Transport Association (IATA). Settlement takes place principally through the balancing of all receivables and liabilities at regular monthly intervals, which also contributes to a significant reduction in the risk of non-payment. Separate security may be required in the particular payment agreement for other transactions.

For all other payment relationships, depending upon the type and level of the particular payment, securities may be required or credit information/references obtained. Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment. Recognisable risks are accounted for by valuation adjustments on receivables.

The credit risk from investments and derivative financial instruments arises from the risk of non-payment by a contract partner. Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is extremely low. Cash and cash equivalents are held only with banks with the highest credit ratings. Derivative financial instruments are also held with parties with AA ratings or which are known to be reliable based on past experience. The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity in the Group is protected by appropriate liquidity planning and adequate financing structure.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In 2006 a company-wide treasury management system was implemented. It covers and evaluates all matters associated with interest and exchange rates. All new Air Berlin companies (i.e. dba in 2006 and LTU and Belair in 2007) are fully incorporated into the Air Berlin treasury management system. In addition the Group has enhanced its liquidity management through the development of a liquidity management tool which incorporates expected operational, financing and investing cash flows on a weekly basis. The primary focus is on sufficient liquidity, based on comprehensive financial and liquidity planning.

The treasury management system includes those hedge relations required by IAS 39 for hedge accounting and the calculations for hedge effectiveness. Both the underlying transactions and the hedging activities are incorporated into this system. All the hedging arrangements entered into are continuously monitored and modified as necessary.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income and expenses or the value of its holdings of financial instruments.

As an airline, as well as credit and liquidity risks, the Air Berlin Group is exposed to currency, interest rate and fuel price risks. Air Berlin uses derivatives to limit these risks. A further description of the Group's exposure to market risks and the hedging activities to limit these risks is detailed in note 30.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. In particular, in reviewing the Company's financing alternatives, the Board, always bearing in mind the shareholders' return on equity, balances a variety of financing options, including share issues, bond issues and traditional bank financing.

The Group is not subject to any externally imposed capital requirements.

v) Financial instruments

Financial instruments are all contracts which lead to the recognition of a financial asset and a financial liability or an equity instrument. The financial assets include primarily cash and cash equivalents, trade receivables, loans receivable and positive market values of derivative financial instruments. The financial liabilities include liabilities to banks, trade creditors, finance lease liabilities and negative market values of derivatives. The financial instruments are recorded in the balance sheet, at the time Air Berlin becomes partner to a contract for a financial instrument.

Categories of financial assets and financial liabilities which apply to Air Berlin are as follows:

- Loans and receivables
- Financial assets at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities and liabilities due to banks for the assignment of future lease payments)

The categories “available for sale financial assets” and “held to maturity investments” do not apply to Air Berlin. In addition, no financial assets or financial liabilities are designated as fair value through profit or loss, as the fair value option is not applied at Air Berlin.
The categories of financial assets and financial liabilities are further detailed in note 30h (fair values).

Air Berlin has defined the following classes of financial assets and financial liabilities:

- Loans and receivables
- Derivative financial instruments classified as held for trading
- Derivative financial instruments classified as hedge accounting
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities and liabilities due to banks from assignment of future lease payments, trade payables and other financial liabilities)
- Cash and cash equivalents
- Finance leases

5. ACQUISITIONS

Acquisitions

-- LTU

On 26 March 2007, the Group acquired 100 per cent of the shares of the LTU Group ("LTU") for a purchase price of € 140,000. In addition, prior to acquisition a third party had waived a loan due to them from LTU in exchange for a share of LTU's future profits. This potential liability had not been provided within the accounts of LTU. Air Berlin paid € 15 million to the third party to buy out their rights to the future profits of LTU. In 2008 the Group received a € 2.5 million purchase price reduction, bringing the total cash consideration including transaction costs to € 157,884 (€ 159,787 as at 31 December 2007). The German airline LTU operated 16 medium and 12 long range aircraft and had approximately 2,200 employees as of 31 December 2006. Approval by the Federal Cartel Office ("Bundeskartellamt") was received on 7 August 2007. For consolidation purposes the acquisition date was therefore determined to be 31 July 2007.

Goodwill of € 173,145 (€ 209,420 as at 31 December 2007) has been recorded on this transaction. The purchase price allocation was finalised in 2008.

Assets and liabilities arising from the acquisition of LTU are as follows:

In thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree's carrying amount
Land and buildings	28,834	(1,854)	30,688
Aircrafts	140,160	(53,555)	193,715
Landing rights	38,300	38,300	0
Trademark LTU	4,575	4,575	0
Customer relationships	3,036	3,036	0
Other tangible assets	37,443	2,396	35,047
Inventories	19,507	0	19,507
Accounts receivable	40,521	0	40,521
Other assets and prepaid expenses	77,106	0	77,106
Cash and cash equivalents	113,997	0	113,997
Deferred tax assets	33,356	11,698	21,658
Interest-bearing liabilities	(191,320)	(1,128)	(190,192)
Accrued liabilities	(181,294)	0	(181,294)
Provisions	(46,809)	(35,468)	(11,341)
Trade payables	(50,011)	0	(50,011)
Liabilities to acquirer	(22,639)	68,585	(91,224)
Other liabilities	(60,023)	0	(60,023)
Net identifiable assets acquired	(15,261)	36,585	(51,846)
Goodwill	173,145		
Cash consideration	157,884		
less:			
Cash and cash equivalents acquired	(113,997)		
Net cash outflow	43,887		
Thereof in 2007	45,790		
Thereof in 2008	(1,903)		

No contingent liabilities were identified at the acquisition date. The fair value adjustments to aircraft and land and buildings reflect the adjustment necessary to record these assets at their fair values at the acquisition date. The fair value of the buildings (two finance leases, discussed in note 17) represents the fair value of the leasehold interest acquired by Air Berlin over the remaining lease term rather than the fair value of the buildings to the owner, as no transfer of ownership takes place at the end of the lease term. The initial valuation of landing rights and trademarks at fair value in connection with the acquisition is discussed further in note 6.

The fair value adjustment to provisions relates to a provision for onerous contracts in connection with the unfulfilled orders of LTU at the acquisition date, which is discussed in note 15.

The liabilities of the acquirer of € 91,224 comprise trading balances of € 22,639 due to Air Berlin and a bond due to Air Berlin of € 68,585. The bond balance was purchased at acquisition from the original bond holders for € 1 and therefore acquisition assets of LTU have been adjusted to reflect that on acquisition the bond has nil fair value to the group. Transaction costs incurred in connection with the acquisition, which have been included in the calculation of goodwill, amount to € 5,384 (€ 4,787 as of 31 December 2007).

The goodwill results from a variety of factors including synergies between the route networks, expected cost savings due to combined fleet utilisation, capacity optimisation and head office cost savings and more effective procurement.

The final purchase price allocation affected the consolidated balance sheet as of 31 December 2007 as follows:

In thousands of Euro	Reported 31.12.2007	Adjustment 31.12.2007	Adjusted 31.12.2007
Landing rights	98,149	10,100	108,249
Trademarks	4,394	(219)	4,175
Customer relationships	0	3,036	3,036
Technical equipment and machinery	86,642	2,396	89,038
Deferred tax assets	(16,103)	19,059	2,956
Goodwill	230,534	(34,372)	196,162

-- BELAIR

On 10 September 2007, Air Berlin PLC acquired 49 per cent of the shares in Belair Airlines AG, Zurich ("Belair") for a purchase price of CHF 1,715. In addition, the Company agreed upon a provision-related, technical € 340 increase in the purchase price of Belair. Belair operates three aircraft of the type Boeing 757 and 767.

Under the Shareholders Agreement Air Berlin did not assume economic control of the airline until 1 November 2007. Due to owning only 49 % of the shares a minority interest of € 629 (€ 629 as of 31 December 2007) was recognised on acquisition. Under the agreement the minority interest does not participate in operating or financial decisions and 100 per cent of the profits (losses) of Belair accrue to Air Berlin, therefore no minority interest is recorded in the income statement. Goodwill of € 1,206 (€ 797 as of 31 December 2007) has been recorded on the purchase of Belair.

Assets and liabilities arising from the acquisition of Belair are as follows:

In thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree's carrying amount
Other tangible assets	1,409	0	1,409
Inventories	784	0	784
Accounts receivable	587	0	587
Other assets and prepaid expenses	1,143	0	1,143
Cash and cash equivalents	10,042	0	10,042
Deferred tax assets	102	0	102
Accrued liabilities	(4,632)	0	(4,632)
Trade payables	(4,640)	0	(4,640)
Liabilities to acquirer	(544)	0	(544)
Other liabilities	(3,017)	0	(3,017)
Net identifiable assets acquired	1,234	0	1,234
Minority interest	(629)		
Goodwill	1,206		
Cash consideration	1,811		
less:			
Cash and cash equivalents acquired	(10,042)		
Net cash inflow	(8,231)		
Thereof in 2007	(8,640)		
Thereof in 2008	409		

Transaction costs incurred in connection with the acquisition have been included in the calculation of goodwill and amount to € 435 (€ 366 as of 31 December 2007). The goodwill results from a variety of factors, including synergies between the route networks.

-- CONDOR

On 20 September 2007, Air Berlin PLC concluded an agreement with the Thomas Cook Group plc ("Thomas Cook"), in which Thomas Cook would transfer its shares in the airline Condor Flugdienst GmbH ("Condor") in a two-step acquisition by means of a share swap. Under the agreement Air Berlin would have acquired 75.1 per cent of the shares in Condor in February 2009 and the remaining 24.9 per cent of the shares in February 2010 in return for newly issued shares of up to 29.99 per cent in Air Berlin as well as a cash settlement, as necessary, so that the total value would amount to between € 380,000 and € 475,000. The transaction was subject to approval by the responsible cartel authorities.

On 11 July 2008, the parties agreed that the existing agreement would be terminated and informed the German Bundeskartellamt (Federal Cartel Office) of their withdrawal of the application for approval.

Transaction costs of € 2,599 incurred in connection with the acquisition and capitalised under prepaid expenses in the Balance Sheet at 31 December 2007. The transaction costs have been fully recognised as expense.

Summary of cash flow from acquisitions

Total cash flows outflows (inflows) from acquisitions during the period were as follows:

In thousands of Euro	**2008**	2007
LTU	**(1,903)**	45,790
Belair	**409**	(8,640)
Condor	**0**	2,599
	(1,494)	39,749

Disposals

-- BUY.BYE TOURISTIK

With effect from 1 January 2008, the Group, in connection with its concentration on its core business, disposed of 51 % of its share in Buy.bye Touristik GmbH. The company is no longer included in the basis of consolidation, and instead is shown as a 49 % investment in associates. No gain or loss was realised on the sale. The net proceeds from the sale of the subsidiary, less cash and cash equivalents of € 543, was € –412.

-- LTU PLUS

Also in connection with its concentration on its core business the Group disposed of 100 % of its share in LTU Plus as of 1 July 2008 for proceeds of € 816, less cash and cash equivalents of € 2,645. As a result the company is no longer included in the basis of consolidation as of 1 July 2008. A loss of € –319 was realised on the sale.

-- BLITZ 07-582

On 18 July 2008, the Group disposed of 65 % of its share in the subsidiary Blitz 07-582 GmbH. As such the company is no longer included in the basis of consolidation and instead is shown as a 35 % investment in associates. Proceeds from the sale of the subsidiary amounted to € 19 less cash and cash equivalents of € 25, and a gain of € 3 was realised on the sale. At the same time the share capital of the 35 % associate was increased to € 1,100, of which € 385 is Air Berlin's share, and the articles of incorporation were completely revised. Blitz 07-582 GmbH was renamed to THBG BBI GmbH, whose purpose is the organisation, operation, maintenance and administration of a fuel station, a hydrant system and the transport of aircraft fuel at the airport BBI Schönefeld.

Summary of cash flow from disposals

Proceeds from the sale of subsidiaries, net of cash are summarised as follows:

In thousands of Euro	Proceeds on sale of subsidiaries	Less: Cash	Net proceeds on sale of subsidiaries
Buy.bye	131	(543)	(412)
Blitz 07	19	(25)	(6)
LTU Plus	816	(2,645)	(1,829)
	966	(3,213)	(2,247)

6. INTANGIBLE ASSETS (ADJUSTED)

In thousands of Euro	Software licences	Goodwill	Landing rights	Trademarks	Customer relationships	Other rights	**Total**
Acquisition cost							
Balance at 1 January 2007	11,463	20,317	69,949	2,017	0	869	**104,615**
Additions	5,570	0	0	0	0	0	**5,570**
Additions through acquisitions	759	175,845	38,300	4,575	3,036	0	**222,515**
Disposals	(378)	0	0	0	0	(869)	**(1,247)**
Balance at 31 December 2007	17,414	196,162	108,249	6,592	3,036	0	**331,453**
Additions	5,147	0	0	0	0	0	**5,147**
Additions through acquisitions	0	(1,494)	0	0	0	0	**(1,494)**
Disposals	(444)	0	0	0	0	0	**(444)**
Balance at 31 December 2008	22,117	194,668	108,249	6,592	3,036	0	**334,662**
Depreciation							
Balance at 1 January 2007	7,821	0	0	134	0	869	**8,824**
Depreciation charge for the year	3,766	0	0	501	0	0	**4,267**
Impairment loss	0	0	0	1,782	0	0	**1,782**
Disposals	(316)	0	0	0	0	(869)	**(1,185)**
Balance at 31 December 2007	11,271	0	0	2,417	0	0	**13,688**
Depreciation charge for the year	5,484	0	0	896	1,075	0	**7,455**
Impairment loss	0	0	0	0	0	0	**0**
Disposals	(300)	0	0	0	0	0	**(300)**
Balance at 31 December 2008	16,455	0	0	3,313	1,075	0	**20,843**
Carrying amount							
At 1 January 2007	3,642	20,317	69,949	1,883	0	0	**95,971**
At 31 December 2007	6,143	196,162	108,249	4,175	3,036	0	**317,765**
At 31 December 2008	5,662	194,668	108,249	3,279	1,961	0	**313,819**

For the purchase accounting, landing rights and trademarks are valued at their fair values as of the acquisition date. The valuation of landing rights has been determined on a fair value basis and is based on the average cash flows that can be generated by a representative market participant on regulated airports under consideration of a scarcity factor. Significant assumptions used in the calculation of value in use were a discount rate of 10.11 % and cash flow projections for each route with an individual landing right. The valuation of the trademark LTU is based on a licence price analogy (relief from royalty). The estimated trademark-related sales revenues form the basis for the calculation, discounted at a rate of 8.27 %. The estimated revenues for the trademarks were determined separately for charter and single-seat ticket sales on a declining basis over a useful life of 6 years. The valuation of the customer relationships is based on estimated future cash flows over the length of the customer contracts, discounted at a rate of 8.20 %.
The Group carried out an impairment test on both landing rights and goodwill in the fourth quarter of 2008 based on a variety of assumptions and concluded that as the estimated recoverable amount exceeds the carrying amounts, no impairment was required. The recoverable amount was determined for the cash generating unit to which the landing rights and goodwill belong.

The Group has determined three cash generating units for purposes of the impairment test and allocated goodwill to these cash generating units as follows:

In thousands of Euro	Freight	Technical services	Flight services	**Total**
Goodwill	31,000	0	163,668	**194,668**
Landing rights	0	0	108,249	**108,249**

The future cash flows were estimated using the value-in-use perspective based on the most recent mid-term cash flow plan (2 years) approved by management for the existing fleet, extrapolated to perpetuity using a 0.5 % growth rate and discounted to their present value using the pre-tax company-specific weighted average cost of capital of 12.33 %. The calculation of value in use is most sensitive to the assumptions of discount rate and operating margin. The operating margins used in determining value in use (EBITDAR margins of 16.9 % for 2009 and 19.4 % as of 2010) are based on planned business and operational growth, excluding growth arising from purchases of additional fixed assets but including maintenance and repairs and are significantly improved from that experienced in 2007 and 2008. The recoverable amount exceeds the carrying amount by a significant amount. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. EBITDAR margins of 16.6 % would result in a recoverable amount equal to the carrying amount. The discount rate reflects management’s estimate of the long-term cost of capital for the cash generating unit.

7. PROPERTY, PLANT AND EQUIPMENT (ADJUSTED)

In thousands of Euro	Land and buildings	Aircrafts and engines	Technical equipment and machinery	Office-equipment	**Total**
Acquisition cost					
Balance at 1 January 2007	0	1,105,354	51,462	34,289	**1,191,105**
Additions	0	254,353	22,957	12,491	**289,801**
Additions through acquisitions	28,834	140,160	33,481	4,612	**207,087**
Disposals	0	(149,916)	(4,516)	(9,681)	**(164,113)**
Balance at 31 December 2007	28,834	1,349,951	103,384	41,711	**1,523,880**
Additions	0	173,977	33,770	7,590	**215,337**
Currency translation adjustments	0	0	107	0	**107**
Disposals	0	(49,659)	(7,246)	(12,323)	**(69,228)**
Balance at 31 December 2008	28,834	1,474,269	130,015	36,978	**1,670,096**
Depreciation					
Balance at 1 January 2007	0	225,778	7,142	21,291	**254,211**
Depreciation charge for the year	1,277	69,537	9,483	7,426	**87,723**
Disposals	0	(11,303)	(2,279)	(8,082)	**(21,664)**
Balance at 31 December 2007	1,277	284,012	14,346	20,635	**320,270**
Depreciation charge for the year	3,060	71,959	14,450	6,218	**95,687**
Currency translation adjustments	0	0	10	0	**10**
Disposals	0	(3,882)	(5,220)	(6,712)	**(15,814)**
Balance at 31 December 2008	4,337	352,089	23,586	20,141	**400,153**
Carrying amount					
At 1 January 2007	0	879,576	44,320	12,998	**936,894**
At 31 December 2007	27,557	1,065,939	89,038	21,076	**1,203,610**
At 31 December 2008	24,497	1,122,180	106,429	16,837	**1,269,943**

Borrowing costs capitalised during 2008 and 2007 are € 1,005 and € 971 respectively, at borrowing rates between 3.80 % and 6.06 %.

Aircraft and engines are pledged as security in connection with the Group's interest-bearing liabilities and liabilities due to banks from assignment of future lease payments.

Tangible assets include land and buildings, aircraft and engines, and technical equipment and machinery which have been capitalised as a result of finance leases.

The book value of tangible assets capitalised as a result of finance leases was:

In thousands of Euro	**2008**	2007
Land and buildings	**24,498**	27,557
Aircraft and engines	**49,182**	51,268
Technical equipment and machinery	**0**	2,176
Office equipment	**208**	0
	73,888	81,001

Finance leases are explained in more detail in note 17.

8. INVESTMENTS IN ASSOCIATES

In thousands of Euro	Investments
Acquisition cost	
Balance at 1 January 2007	720
Dividends received	(527)
Share of profits	791
Payment received on liquidation	(49)
Balance at 31 December 2007	935
Additions	510
Disposals	(46)
Dividends received	(211)
Share of profits	583
Balance at 31 December 2008	1,771

The Group has the following investments in associates:

		Ownership	
	Country	**2008**	2007
		%	%
Niki Luftfahrt GmbH, Vienna	Austria	**24.0**	24.0
SCK DUS GmbH & Co. KG, Düsseldorf (disposed in 2008)	Germany	**0.0**	24.8
IBERO Tours GmbH, Düsseldorf*	Germany	**50.0**	50.0
Lee & Lex Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0
BINOLI GmbH, Berlin (formerly buy.bye Touristik GmbH)	Germany	**49.0**	100.0
THBG BBI GmbH, Schönefeld (formerly Blitz 07-582 GmbH)	Germany	**35.0**	100.0
ILTU Ireland Ltd.** (dissolved in 2008)	Ireland	**0.0**	50.0

* Accounted for as an associate due to lack of control

** In liquidation at 31 December 2007, liquidated in 2008

In connection with its concentration on its core business, the Group disposed of its 24.8 % share in its associate SCK DUS GmbH & Co. KG in the second quarter of 2008. Net proceeds from the sale of the associate amounted to € 2,328, and a gain of € 2,282 was realised on the sale.
The Group's share of post-acquisition total recognised profit or loss in the above associates for the years ending 31 December 2008 and 2007 is € –9 and € 791, respectively.
The Group has not recognised losses relating to Niki Luftfahrt GmbH totalling € 249 in prior periods, as the Group has no obligation in respect of these losses. Consequently the Group has only recognised subsequent gains of € 595 for the financial year 2007 to the extent that the gains exceed the cumulative losses from prior periods.
Similarly the Group has recognised losses relating to Lee & Lex Flugzeugvermietung GmbH only up to the amount of the Group's net investment in the associate. As a result the Group's long-term loans receivable from Lee & Lex have been written down by € 592 in connection with the recognition of these losses.
In 2007 a payment of € 49 was received on the liquidation of ILTU Ireland Ltd. The associate, which was acquired through the acquisition of LTU, is in liquidation on 31 December 2007.

Summary financial information on associates – 100 per cent:

In thousands of Euro	Assets	Liabilities	Equity	Revenues	Profit (loss)
2008					
Niki Luftfahrt GmbH, Vienna*	*	*	*	*	*
SCK DUS GmbH & Co. KG, Düsseldorf**	3,820	4,809	(989)	8,113	(1,149)
IBERO Tours GmbH, Düsseldorf*	*	*	*	*	*
Lee & Lex Flugzeugvermietung GmbH, Vienna*	*	*	*	*	*
BINOLI GmbH, Berlin*	*	*	*	*	*
THBG BBI GmbH, Schönefeld*	*	*	*	*	*
2007					
Niki Luftfahrt GmbH, Vienna	119,210	115,729	3,481	183,306	3,519
SCK DUS GmbH & Co. KG, Düsseldorf**	3,521	3,361	160	21,822	1,858
IBERO Tours GmbH	1,953	1,113	840	3,075	63
Lee & Lex Flugzeugvermietung GmbH, Vienna	53,971	56,436	(2,465)	6,139	(847)

* Figure is not yet available, therefore the 2007 figures were used in determining at-equity amounts
** According to interim financial statements as of 31 May 2008 (date of sale)

9. INVENTORIES

Inventories are made up of raw materials, supplies and spares and purchased merchandise as follows:

In thousands of Euro	**2008**	2007
Raw materials	**656**	716
Supplies and spares	**35,136**	28,791
Purchased merchandise	**900**	1,318
	36,692	30,825

Inventories are measured at the lower of cost and net realisable value. In 2008 inventories were written down by € 1,176 (2007: € 0). In addition, the amount of inventories expensed directly in the income statement for 2008 and 2007 are € 126,278 and € 89,622, respectively.

10. TRADE AND OTHER RECEIVABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2008	Non-current 2008	**Total 2008**	Current 2007	Non-current 2007	Total 2007
Trade receivables	107,092	0	**107,092**	110,873	0	110,873
Receivables from related parties	13,911	2,918	**16,829**	9,235	1,401	10,636
Loans receivable	0	3,500	**3,500**	0	3,500	3,500
Accrued revenue	2,372	0	**2,372**	6,507	0	6,507
Security deposits and deposits with suppliers	14,599	29,754	**44,353**	48,697	448	49,145
Receivables for bonus and claims	40,095	0	**40,095**	10,581	0	10,581
Receivables from sale of fixed assets	274	0	**274**	1,326	0	1,326
Other receivables	10,397	781	**11,178**	11,698	0	11,698
Loans and receivables	188,740	36,953	**225,693**	198,917	5,349	204,266
Receivables from tax authorities	6,239	0	**6,239**	10,941	0	10,941
Advanced payments on aircraft and other tangible assets	71,391	71,301	**142,692**	35,747	95,614	131,361
Other assets	17,057	0	**17,057**	14,594	0	14,594
	283,427	108,254	**391,681**	260,199	100,963	361,162

In the fourth quarter of 2008 the Group derecognised trade receivables amounting to € 25,315 in connection with in a one-off "silent" factoring arrangement in accordance with IAS 39. Factoring fees in the amount of € 141 were incurred on the transaction and are recorded under other operating expenses in the income statement.

Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled. The amounts are carried at amortised cost using the effective interest method.

Receivables from related parties include a loan receivable in the amount of USD 960 (€ 685) and a partial debenture of € 750 (30 debentures at € 25 each) from Lee & Lex Flugzeugvermietungs GmbH (in total € 1,435, 2007: € 1,401). The loan is due on 30 April 2018 and has a yearly interest rate of 5.0 %, and the debentures are due on 30 September 2018 and have a yearly interest rate of 6.0 %. The long-term receivables have been written down by € 592 in connection with the recognition of the Group's share of losses in the associate, as described further in note 8. In addition, a long-term loan of € 1,824 has been granted to THBG BBI GmbH, which is due in 2041 together with accrued interest based on a yearly interest rate of 4.5 %. Accrued interest at 31 December 2008 amounted to € 4. A loan of € 250, due in 2010, was also granted to BINOLI GmbH with a yearly interest rate of 6.0 %.

Other assets mainly include receivables from insurance carriers (2008: € 1,460 and 2007: € 1,894) and suppliers with debit balances (2008: € 11,456 and 2007: € 6,958). Security deposits and deposits with suppliers relate to amounts which are expected to be received in cash, whereas suppliers with debit balances relate to amounts which are expected to be offset against future invoices.

Advanced payments on aircraft and other tangible assets relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft, which are detailed in note 32 "Capital commitments" below. Net payments of € 27,497 (2007: € 95,642) were made during the period and € 16,784 was capitalised as aircraft were acquired in 2008 (2007: € 25,627).

The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 30.

11. SHARE CAPITAL AND RESERVES

Share capital and share premium

On 28 March 2007, the Company issued 5,974,282 ordinary shares of € 0.25 at a share price of € 16.40. Gross proceeds on the issue of new shares amounted to € 97,978, which resulted in net proceeds of € 92,783 after deducting transaction costs of € 5,195. The increase in share premium was € 93,311 net of tax.

As of 31 December 2008, the authorised share capital of Air Berlin was € 100,000,000 and £ 50,000 (2007: € 100,000,000 and £ 50,000), divided into 400,000,000 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each (2007: 400,000,000 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each).

Of Air Berlin's authorised share capital, 65,717,103 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each were issued and fully paid up as of 31 December 2008. Included in this amount are 177,600 treasury shares held by Air Berlin (through the Air Berlin Employee Share Trust) in connection with the employee share plan described below. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders. The A shares are redeemable at the option of Air Berlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of Air Berlin save on a distribution of assets of Air Berlin among its members on a winding up or other return of capital (other than a redemption or purchase by Air Berlin of its own shares), in which case the holders of A shares shall be entitled, in priority of to any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A share.

Movements in share capital are summarised below:

In thousand of shares	Ordinary shares 2008	Ordinary shares 2007	Redeemable "Class A" preference shares 2008	Redeemable "Class A" preference shares 2007
On issue at 1 January	**65,717**	59,743	**50**	50
Issued for cash (new shares on 28 March 2007)	**0**	5,974	**0**	0
On issue at 31 December	**65,717**	65,717	**50**	50
Thereof held as treasury shares	**178**	178	**0**	0

No shares have been reserved for issue under options.

Other capital reserves
Other capital reserves are comprised of general partners' and limited partners' capital of consolidated partnerships and subscribed capital of consolidated entities which were reclassified to other capital reserves due to the reverse acquisition in 2005.

Treasury shares
In connection with the amendment made to the employee share-based payment scheme discussed below, the Company repurchased the economic ownership (and limited all significant legal aspects of the ownership, such as voting rights) in 177,600 shares of its stock in 2006. The purchase price was € 0.25 per share (par value), resulting in a decrease in retained earnings of € 45.

Hedge accounting reserve
The reserve for hedge accounting contains the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as hedges of probable future cash flows, net of tax.

Foreign currency translation reserve
The reserve for currency translation differences comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

Dividends
No dividends on ordinary shares or Class A shares were declared or paid during the period.

Minority interest
As described in note 5, the minority interest of € 629 shown in the balance sheet relates to the 51 per cent of Belair's equity at the acquisition date.

12. EARNINGS PER SHARE (EPS)

The basic (and diluted) earnings per share are determined by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding during the financial year.

In thousands of Euro and thousands of shares, except EPS	**2008**	2007
(Loss) profit for the year	**(75,019)**	20,977
Dividends declared on redeemable "Class A" preference shares	**0**	0
Profit attributable to ordinary shareholders (basic and diluted)	**(75,019)**	20,977
Issued ordinary shares at 1 January	**65,717**	59,743
Effect of shares issued in March 2007	**0**	4,550
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**65,539**	64,115
Effect of share options in issue	**0**	175
Weighted average number of ordinary shares outstanding (diluted)	**65,539**	64,290
Basic earnings per share (in €)	**(1.14)**	0.33
Diluted earnings per share (in €)	**(1.14)**	0.33

The 50,000 Class A shares (redeemable preference shares) do not entitle the holders to any participation in the profit or loss of Air Berlin, as dividends are discretionary. These shares therefore have not been included in the calculation of the weighted average number of ordinary shares outstanding above.

The conversion of convertible bonds would have had an anti-dilutive effect on earnings per share and is therefore not considered in the calculation of diluted earnings per share.

13. EMPLOYEE SHARE PLAN

The Company introduced a share-based payment scheme in April 2006, which was later amended in November 2006, as part of the remuneration package provided to the Executive Directors and certain senior executives of the Group (each a "Participant"). In April 2006 the Company invited Executive Directors and certain senior executives of the Group (each a "Participant") to subscribe for shares in a one-off award (the "Award"). Participants paid the nominal value for their shares. The Award was made subject to the conditions set out in an agreement entered into between the Company and each Participant. Participants became owners of the shares when they subscribed for them but were unable to sell or otherwise dispose of the shares other than in accordance with the agreement.

The plan was amended on 28 November 2006 so that the Company reacquired the beneficial interest in all of the shares under the Award and placed restrictions on the legal interest in the shares (i.e. voting rights). The beneficial interest in the shares was transferred to Ogier Employee Benefit Trustee Limited as trustee of the Air Berlin Employee Share Trust. The amendment was not treated as a modification.

Under the terms of the revised Employee Share Plan 2006 the Participant holds (limited) legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met and if the employee remains with the Company for the entire performance period (vesting period). If the conditions are not met, if the Participant leaves the Company before the end of the vesting period or if the Participant does not transfer payment for the shares within two weeks upon notification by the Company that the conditions have been met, the Company may require the Participant to transfer legal title to the shares to the Company. Participants are not entitled to receive dividends during the performance period. In addition, restrictions have been placed on the Participant's legal interest in the shares (i.e. voting rights) during the performance period. The shares are divided equally in three tranches, each comprising one-third of the shares granted. 50 % of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50 % of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

Tranche and three-year performance period (ending 31 December)	Total number of shares in tranche	Threshold return on equity element	Threshold share price growth element
Tranche 1: 2008	59,200	13 %	35 %
Tranche 2: 2009	59,200	14 %	38 %
Tranche 3: 2010	59,200	15 %	40 %

Both performance conditions will be measured in respect of the first, second and third tranches over the performance periods of three consecutive financial years ending on 31 December 2008, 2009 and 2010 respectively.
The right to acquire the beneficial interest in the shares subject to the Employee Share Plan 2006 is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is € 0.25 per share, the nominal value of the shares.
Neither of the performance conditions were met for the Tranche 1 performance period, which ended 31 December 2008. Therefore, participants will not be able to call for the economic interest in the shares under that tranche and may be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust. The equity-settled share-based payment transactions are measured at fair value on the grant date in accordance with IFRS 2. The weighted average fair value of these options was € 8.95 at the measurement date. The fair value of the options granted was determined using the binomial model under the following assumptions:

- Volatility: 40 %
- Dividends: 0
- Risk-free interest rate: 4 %

Volatility was estimated by a peer group analysis in the airline sector, adjusted for a "new issuer" premium.

The number and weighted average exercise price of share options during the period was as follows:

Share options	Number of share options **2008**	Weighted average exercise price **2008**	Number of share options 2007	Weighted average exercise price 2007
Outstanding at the beginning of the period	**174,000**	**0.25**	177,600	0.25
Granted during the period	**0**	**0.25**	0	0.25
Forfeited during the period	**60,400**	**0.25**	3,600	0.25
Exercised during the period	**0**	**0.25**	0	0.25
Expired during the period	**0**	**0.25**	0	0.25
Outstanding at the end of the period	**113,600**	**0.25**	174,000	0.25
Exercisable at the end of the period	**0**	**0.25**	0	0.25

No options were exercised or lapsed during the period.
Total benefit in the income statement relating to the Employee Share Plan was € 143 in 2008 (expense of € 390 in 2007).

14. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2008:

In thousands of Euro	Note	**2008**	2007
Pension liabilities		**0**	1,205
Provision for anniversary bonuses	15	**7,243**	7,546
Provision for old age part time (early retirement)	15	**4,119**	3,556
Total employee benefits		**11,362**	12,307

The provisions for anniversary bonuses and old age part time (early retirement) are described in note 15.

Defined benefit plans

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. In addition the Group has a defined benefit pension plan for certain employees of dba. Both pension plans are funded through payments to qualified insurance contracts.

The development of the Group's defined benefit obligations during the period is as follows:

In thousands of Euro	**2008**	2007
Present value of funded obligations	**8,306**	8,270
Fair value of plan assets	**(10,279)**	(7,065)
Funded status	**(1,973)**	1,205
Amount not recognised due to limitation in IAS 19.58(b)	**1,973**	0
Pension liabilities	**0**	1,205

Changes in the present value of the defined benefit obligation are as follows:

In thousands of Euro	**2008**	2007
Defined benefit obligation as at 1 January	**8,270**	0
Current service cost	**1,681**	1,770
Past service cost	**0**	6,644
Benefits paid	**(11)**	0
Interest on obligation	**426**	350
Actuarial gains	**(2,060)**	(494)
Defined benefit obligation as at 31 December	**8,306**	8,270

Changes in the fair value of plan assets are as follows:

In thousands of Euro	**2008**	2007
Fair value of plan assets as at 1 January	**7,065**	0
Contribution	**3,188**	7,227
Benefits paid	**(11)**	0
Expected return on plan assets	**56**	0
Actuarial losses	**(19)**	(162)
Fair value of plan assets as at 31 December	**10,279**	7,065

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of Air Berlin shares held would be minimal.

The actual return on plan assets was € 37 during the period (€ –162 in 2007). No experience adjustments were made during the period.

The amount recognised as pension expense in profit or loss is as follows:

In thousands of Euro	**2008**	2007
Current service cost	**1,681**	1,770
Interest on obligation	**426**	350
Past service cost	**0**	2,625
Expected return on plan assets	**(56)**	0
Net actuarial gains recognised in the period	**(2,041)**	(332)
Effect of the limitation in IAS 19.58(b)	**1,973**	0
Pension expense	**1,983**	4,413

The Group expects to contribute € 3,014 to its defined benefit pension plans in 2009.

Principal actuarial assumptions at the reporting date are as follows:

	2008	2007
Discount rate at 31 December	**6.3 %**	5.00–5.25 %
Expected return on plan assets at 1 January	**2.75–4.00 %**	2.75–4.00 %
Future salary increases	**3.00 %**	3.00 %
Cost of living adjustment (future pension increases)	**1.00 %**	1.00 %

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH). The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females.

Defined contribution plans

Through the acquisition of dba in 2006, the Group acquired a defined contribution pension plan covering all employees of dba, to which the Group makes contributions. The net pension expense recorded in the profit and loss in 2008 as a result of the defined contribution plan is € 18 (2007: € 240).

As employees in Germany are covered by and required to contribute to the German social security system, Air Berlin does not have any other employee benefit plans at the balance sheet date. The Group paid contributions into the German social security system of € 27,713 in 2008 (€19,082 in 2007).

15. PROVISIONS

In thousands of Euro	At 1.1.2008	Additions	Utilisation	Balance at 31.12.2008
Repair of damaged aircraft	235	0	(235)	0
Provision for airport fees	1,543	2,902	0	4,445
Provision for anniversary bonuses	7,546	134	(437)	7,243
Provision for old age part time early retirement	3,556	1,032	(469)	4,119
Provision for redundancy costs	0	10,416	0	10,416
Provision for onerous contracts	11,506	0	(11,506)	0
	24,386	14,484	(12,647)	26,223

Thereof € 10,661 relating to the provision for anniversary bonuses and old age part time early retirement was classified as non-current as at 31 December 2008 (2007: € 11,036).

The provision for repair of damaged aircraft relates to the expected cost of repair of aircraft which have been damaged not in the ordinary course of use and have not been repaired as of the balance sheet date. The estimated amount is based on Air Berlin's historical experience and is recognised at the time the aircraft is damaged.

The provision for airport fees relates to a claim in which an airport is seeking fees of € 4,445 in 2008 due to infrastructure measures (€ 1,543 in 2007).

As a result of the existing collective labour agreement, older employees of LTU (age 55 and above) have the opportunity to take part in the old age part time ("Altersteilzeit") program, which is a form of early retirement in which the employee either works part time for the whole period or works full time during the first few years and not at all in the following years until reaching the official age of retirement. 71 employees have signed such agreements as of the balance sheet date, of which 42 will begin part time in 2009. A discount rate of 6.1 % and an expected salary increase of 2 % was used to calculate the provision. Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect.

The provision for anniversary bonuses was also calculated using a discount rate of 6.1 % and an expected yearly salary increase of 2 %. Uncertainties exist in the probability that the employees will remain with the Group until they are entitled to receive their anniversary bonus and as to their salaries at that time. The provision was accounted for in accordance with IAS 19.

The provision for redundancy costs is related to the layoff of dba and LTU staff at the offices in Munich and Dusseldorf in connection with the concentration of the business in Berlin. Uncertainties exist relating to the amount and probability of payments. The provision is based on the most likely outcome based on similar cases in Germany.

The provision for onerous contracts relates to expected operating losses in connection with the unfulfilled orders of LTU at the acquisition date. The provision was recorded at its fair value as part of the revaluation to purchase accounting in the purchase price allocation described in note 5. The calculation of this fair value required judgements as to the expected losses on the fulfilment of these orders.

16. INTEREST-BEARING LIABILITIES AND LIABILITIES DUE TO BANKS FROM ASSIGNMENT OF FUTURE LEASE PAYMENTS

This note provides information about the terms and conditions of the Group's interest-bearing loans and borrowings, all of which are measured at amortised cost. More information about the Group's exposure to interest rate, foreign currency and liquidity risk is provided in note 30.

Interest-bearing liabilities

The Group has entered into various interest-bearing liabilities. The carrying amounts for the years 2008 and 2007, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2008	Carrying amount 31.12.2007
Interest rate					
Bank loans, fixed rate	Unsecured	EUR	2008	0	104,010
Bank loans, variable rate	Unsecured	USD	2009–2010	26,678	15,763
Bank loans, variable rate	Secured	USD	2011–2013	13,633	16,083
Bank loans, variable rate	Secured	USD	2014–2017	18,753	18,585
Convertible bonds – liability component, fixed rate	Unsecured	EUR	2012*	190,696	182,007
Finance lease liabilities	Unsecured	USD	2008–2018	46,391	47,232
Finance lease liabilities	Unsecured	EUR	2008–2022	50,166	54,762
Bank overdrafts	Unsecured			478	108
				346,795	438,550

* first option to redeem the bonds

The bank overdrafts are due in 2008 and 2009 for 2007 and 2008 respectively.

Of this amount € 44,012 (2007: € 122,402) is classified within current liabilities in the balance sheet. Bank loans are collateralised by engines and aircraft in the amount of € 32,386 (2007: € 15,916).
The finance lease liabilities are detailed in note 17 below.

Payments for the above-mentioned interest-bearing liabilities are due as follows:

In thousands of Euro	**2008**	2007
Less than one year	**44,012**	122,402
Between one and five years	**243,281**	235,498
More than five years	**59,502**	80,650
	346,795	438,550

Convertible bonds

On 11 April 2007 the Group issued € 220,000 convertible bonds due 2027. The bond issue is made up of 2,200 bonds with a principal amount of € 100,000 each, earning yearly interest of 1.5 %. The initial conversion price is € 22.47 which results in an initial conversion ratio of 4,450 ordinary shares per bond. Gross proceeds from the bond issue amounted to € 220,000. Transaction costs incurred were € 6,391.
The convertible bond was split into its equity and debt components in accordance with IAS 32.

The equity component, less transaction costs net of tax, is shown as a separate line item in equity, and the debt component of the convertible bond is included under interest-bearing liabilities in the balance sheet as follows:

In thousands of Euro	**2008**	2007
Prodeeds from issue of convertible bonds	**220,000**	220,000
Transaction costs	**(6,391)**	(6,391)
Net proceeds	**213,609**	213,609
Amount classified as equity	**(39,934)**	(39,934)
Accrued interest and amortisation of bond discount	**17,021**	8,332
Carrying amount at 31 December 2008	**190,696**	182,007

The equity component, which is shown net of taxes of € 12,590 in the balance sheet, totalled € 27,344 at 31 December 2008 (2007: € 27,431). The effect of the change in the Company's tax rate in 2008 (discussed in note 27 below) amounted to € 87 (in 2007: € 3,031) and was recorded as a decrease (2007: an increase) in the equity component of the convertible bond.

An analysis of this amount is as follows:

Equity component of convertible bond	41,129
Less: transaction costs allocated to equity component	(1,195)
Total amount classified as equity	39,934
Taxes on equity component at 30.18 %	(12,503)
Effect of change in tax rate	(87)
Equity component of convertible bond, net of tax	27,344

The bonds are convertible into 4,450 ordinary shares per bond at the option of the bondholder at any time beginning 40 days following closing and ending 14 days before maturity (21 May 2007 to 25 March 2027). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 11 April 2012, 11 April 2017, and 11 April 2022 or upon change in control. The Company has the option to redeem the bonds in whole at their principal amount plus accrued interest at any time as of 30 April 2014, so long as the trading price of the Air Berlin share exceeds 150 % of the conversion price.

Liabilities due to banks from assignment of future lease payments

The Group entered into financing agreements with commercial banks by which the Group assigned intra-group lease payments to the banks.

The carrying amounts for the years 2008 and 2007, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2008	Carrying amount 31.12.2007
Interest rate					
Variable rate	Secured	EUR	2011–2013	76,718	90,717
Variable rate	Secured	USD	2011–2013	68,092	75,912
Fixed rate	Secured	USD	2014–2017	76,092	79,342
Variable rate	Secured	USD	2014–2017	306,936	303,845
Variable rate	Secured	USD	2018–2022	155,636	42,026
				683,474	591,842

Of this amount € 73,011 (2007: € 62,935) is classified within current liabilities in the balance sheet. The assigned intra-group lease payments are secured over aircraft.

Payments for the above-mentioned liabilities due to banks from assignment of future intra-group lease payments are due as follows:

In thousands of Euro	**2008**	2007
Less than one year	**73,011**	62,935
Between one and five years	**313,950**	284,581
More than five years	**296,513**	244,326
	683,474	591,842

17. LEASING

Operating leases

The Group leases a number of aircraft and one Unix Server under leasing agreements which qualify as operating lease agreements. The leases typically run for a period between five and twelve years and terminate automatically upon expiry of the lease term. Lease payments are denominated in USD and vary depending upon the change in the market rate of interest. No restrictions have been placed on the lessee as a result of these leases.

In addition the Group leases a number of warehouse and office facilities under operating leases. The leases expire between 2009 and 2018, with an option to renew the leases after these dates.

Non-cancellable operating lease rentals are payable as follows:

In thousands of Euro	**2008**	2007
Less than one year	**336,535**	315,522
Between one and five years	**909,459**	799,724
More than five years	**218,261**	207,973
	1,464,255	1,323,219

During the year ended 31 December 2008, € 383,628 (2007: € 280,797) was recognised as an expense in the income statement in respect of operating leases.
The Group also leases several of its aircraft as lessor under agreements which qualify as operating leases. The lease terms vary from three to twelve years, the latest of which expire in 2019, and lease payments are fixed in USD or EUR.

Future minimum lease payments are receivable as follows:

In thousands of Euro	**2008**	2007
Less than one year	**24,885**	13,552
Between one and five years	**89,972**	54,208
More than five years	**84,815**	93,735
	199,672	161,495

No contingent rents were recognised as lease income in the period.

Finance leases

The Group leases certain technical equipment under an agreement which qualifies as a finance lease. The finance lease relates to the technical equipment for aircraft leased under operating leases with various leasing terms, the latest of which were phased out in December 2008. The leasing rate is based on flight hours per aircraft, with a guaranteed minimum number of flight hours per aircraft. The leasing rate is adjusted on a yearly basis. No restrictions have been placed on the lessee as a result of these leases. Changes in the terms of the lease agreement resulted in a reduction in the liability and in the net book value of the technical equipment of € 400 in 2008 (€ 387 in 2007).
The Group also leases two aircraft under agreements which qualify as finance leases. The lease agreements are for terms of eleven years, the latest of which expires in 2018. The agreements contain various put and call options relating to the right of the lessee to purchase the aircraft or the right of the lessor to require the lessee to purchase the aircraft on certain dates at prices and conditions set out in the agreements. In addition, the lessor has the right to require the lessee to name a purchaser at the end of the lease term for a fixed price (guaranteed residual value). Lease payments are in USD and vary based on changes in the interest rate component of the lease. The present value of future minimum lease payments was therefore determined by using the expected lease payments based on the preliminary interest rate stated in the lease.
In addition, through the purchase of LTU the Group now leases two airport buildings under agreements which qualify as finance leases. The leases expire in 2011 and 2022. The assets and liabilities were recorded initially at their fair values at 31 July 2007 in connection with the purchase price allocation and depreciated / amortised as of that date.
The net book value of assets capitalised at 31 December 2008 as a result of finance leases is detailed in note 7 above.

Future minimum lease payments are as follows:

In thousands of Euro	As at 31 December 2008 Future minimum lease payments	As at 31 December 2008 Discounted to present value	As at 31 December 2007 Future minimum lease payments	As at 31 December 2007 Discounted to present value
Less than one year	12,961	12,542	14,092	7,836
Between one and five years	45,170	37,813	48,412	28,054
More than five years	81,602	46,202	87,819	66,104
	139,733	96,557	150,323	101,994

No contingent leasing payments were recorded in profit and loss in 2008 (2007: € 0).

18. TRADE AND OTHER PAYABLES, CURRENT AND NON-CURRENT

In thousands of Euro	Current 2008	Non-current 2008	**Total 2008**	Current 2007	Non-current 2007	Total 2007
Trade payables	108,764	0	**108,764**	114,938	0	114,938
Other financial liabilities	174	0	**174**	3,160	0	3,160
Trade payables and other financial liabilities	108,938	0	**108,938**	118,098	0	118,098
Accrued liabilities	189,635	31,263	**220,898**	289,544	26,164	315,708
Receivables with credit balances	4,999	0	**4,999**	1,867	0	1,867
Payroll tax	5,571	0	**5,571**	6,834	0	6,834
VAT	4,876	0	**4,876**	22,569	0	22,569
Social insurance contributions	875	0	**875**	361	0	361
Other non-financial liabilities	1,227	0	**1,227**	3,016	0	3,016
	316,121	31,263	**347,384**	442,289	26,164	468,453

Accrued liabilities include expenses for services provided and goods received before the balance sheet date but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and accruals for aircraft and engine maintenance checks and overhauls.

Information about the Group's exposure to foreign currency and liquidity risk related to trade payables and other financial liabilities is provided in note 30.

19. ADVANCED PAYMENTS RECEIVED

Advanced payments primarily relate to payments received in advance for single-seat ticket sales for which the scheduled flight is to be provided in the following financial period and for which no revenue has been recorded.

20. REVENUE

In thousands of Euro	2008	2007
Single-seat ticket sales	**1,875,517**	1,453,364
Bulk ticket sales to charter and package tour operators	**1,229,142**	861,250
Duty-free	**35,154**	27,516
Ground and other services	**260,879**	194,370
	3,400,692	2,536,500

Ground and other services primarily include freight, technical services and ancillary sales.

Segment information

All revenues derive from the principal activity as an airline and include flights, commissions, inflight and related sales. Since Air Berlin's aircraft fleet is employed across its scheduled destinations on an as needed basis, there is no reasonable basis of allocating such assets and related liabilities, income and expenses to geographical segments.

21. OTHER OPERATING INCOME

In thousands of Euro	2008	2007
Gain on disposal of fixed assets, associates and subsidiaries	**23,325**	1,765
Income from administrative services provided to Niki	**1,027**	680
Income from insurance claims	**1,529**	2,946
Other	**12,740**	9,184
	38,621	14,575

22. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	2008	2007
Fuel for aircraft	**874,336**	561,751
Catering costs and cost of materials for in-flight sales	**123,978**	85,708
Airport & handling charges	**710,087**	596,184
Operating leases for aircraft and equipment	**359,523**	263,843
Navigation charges	**227,896**	186,666
Other	**64,025**	42,283
	2,359,845	1,736,435

23. PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows:

In thousands of Euro	**2008**	2007
Wages and salaries	**377,352**	262,513
Pension expense	**29,714**	23,735
Social security	**39,198**	25,554
	446,264	311,802

Wages and salaries includes an addition to the provision for redundancy costs of € 10,416. Pension expense relates to the defined benefit plan for the Executive Directors of € 1,937 (2007: € 3,084) and the dba pension plan of € 46 (2007: € 1,329), contributions paid to defined contribution plans of € 18 (2007: € 240) and to the German social security system of € 27,713 (2007: € 19,082) during the period. Further details regarding the pension plans are found in note 14 above.

Remuneration of the Executive Directors (key management personnel) is as follows:

In thousands of Euro	**2008**	2007
Basic remuneration	**2,200**	2,000
Bonus	**1,139**	1,800
Share based payment expense	**(92)**	272
Other	**62**	84
	3,309	4,156

The highest paid Director received € 1,501 and € 1,992 in total remuneration in 2008 and 2007, respectively. Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 94 to 103.

The average number of persons employed by the Group (including Directors) during the year and the number of employees at year-end, analysed by category and on a full-time basis, were as follows:

Employees	On annual average **2008**	On annual average 2007	As at 31 December **2008**	As at 31 December 2007
Flight and cabin crew	**4,826**	3,327	**4,681**	4,792
Sales, operations and administration	**3,655**	2,504	**3,630**	3,568
	8,481	5,831	**8,311**	8,360

24. OTHER OPERATING EXPENSES

In thousands of Euro	2008	2007
Sales commissions paid to agencies	**32,250**	31,130
Repairs and maintenance of technical equipment	**186,777**	125,094
Advertising	**56,480**	51,701
Insurance	**20,161**	20,848
Hardware and software expenses	**44,510**	42,627
Bank charges	**24,414**	16,070
Travel expenses for cabin crews	**31,197**	19,872
Expenses for premises and vehicles	**28,167**	19,244
Losses from disposal of fixed assets, associates and subsidiaries	**2,508**	0
Training and other personnel costs	**15,423**	15,225
Phone and postage	**5,071**	5,072
Allowances for receivables	**1,310**	3,358
Consulting fees	**24,944**	8,171
Remuneration of the auditor	**2,843**	2,866
Other	**39,842**	26,369
	515,897	387,647

Remuneration of the auditor is as follows:

In thousands of Euro	2008	2007
Audit of the annual accounts	**128**	116
Audit of accounts of subsidiaries of the Company	**1,061**	895
Other services pursuant to legislation	**150**	350
Taxation services	**182**	533
Other services	**1,322**	972
	2,843	2,866

25. NET FINANCING COSTS

In thousands of Euro	2008	2007
Interest expense on interest-bearing liabilities	**(54,919)**	(49,464)
Other financial expenses	**(614)**	(160)
Financial expenses	**(55,533)**	(49,624)
Interest income on fixed deposits	**9,228**	11,306
Interest income on loans and receivables	**1,708**	875
Other financial income	**1,625**	1,670
Financial income	**12,561**	13,851
Foreign exchange (losses) gains	**(28,989)**	225
Net financing costs	**(71,961)**	(35,548)

As described in note 4n above, exchange rate differences not arising from interest-bearing liabilities and other financing activities are reclassified to the relevant line items within operating expenses.

Total net foreign exchange gains (losses) are reconciled to foreign exchange gains in profit or loss as follows:

In thousands of Euro	2008	2007
Total net foreign exchange losses recognised in profit or loss	**(80,322)**	(36,613)
Thereof reclassified to operating expenses	**51,333**	36,838
Foreign exchange (losses) gains in financial result	**(28,989)**	225

26. SHARE OF (LOSS) PROFIT OF ASSOCIATES

In thousands of Euro	2008	2007
Niki Luftfahrt GmbH	**595**	0
Lee & Lex Flugzeugvermietungs GmbH	**(604)**	0
IBERO Tours GmbH	**32**	9
Stockheim Air Catering GmbH & Co. KG	**(32)**	733
ILTU Ireland Ltd.	**0**	49
	(9)	791

27. INCOME TAX EXPENSES AND DEFERRED TAXES (ADJUSTED)

Profit or loss before tax is primarily attributable to Germany.

Income tax expense is as follows:

In thousands of Euro	2008	2007
Current income tax expense	**(4,910)**	(3,804)
Deferred income tax (expense) benefit	**(12,304)**	38,119
Total income tax (expense) benefit	**(17,214)**	34,315

The corporate tax reform 2008 was finally concluded by the German "Bundesrat" (upper chamber of German parliament) on 6 July 2007. It took effect 1 January 2008. The major changes were to reduce the corporate tax from 25 % to 15 %, to reduce the basis ("Meßzahl") used for calculating the trade tax and to eliminate the deductibility of trade tax.The Group is subject to both corporate tax and trade tax. In accordance with IAS 12 the effect of the resulting change in deferred tax liabilities was recognised in 2007 in the income statement, except to the extent that it relates to items previously charged or credited directly to equity. The amount of deferred tax income resulting from the change in the tax law was € 7,995 as calculated at 31 December 2007. The corporate tax rate for retained and distributed profits was 15 % in 2008 (25 % in 2007). In addition to corporate tax, a solidarity charge is also levied amounting to 5.5 % of the payable corporate tax. Trade tax is no longer deductible for corporate tax purposes in 2008, as it was in 2007, and the effective trade tax varies depending on the municipality in which the company operates. In 2008, the total tax rate (including corporate tax and trade tax) for the Air Berlin Group amounted to 30.18 % (2007: 38.90 %). As a result of variations in the trade tax, several subsidiaries of the Air Berlin Group have tax rates which differ from the Group tax rate. The difference to the Group tax rate is shown as "effect of tax rates in different jurisdictions" in the tax rate reconciliation.

The trade tax of the Company was adjusted in 2008 due to a change in the structure of the tax pooling agreements, resulting in a slight change in the tax rate of the Company from 30.18 % to 30.42 %. The change in the deferred tax liabilities of the Company was recorded in the income statement in 2008, except to the extent that it relates to items previously charged or credited directly to equity. A gain of € 153 was recognised in the income statement in 2008. The change in tax rate also led to a decrease in the equity component of the convertible bond of € 87.

The reasons for the differences between the tax burden expected on the basis of profit for the period and the recognised income tax expenses are as follows:

In thousands of Euro	2008	2007
Loss before tax	**(57,805)**	(13,338)
Expected income tax benefit at 30.18 % (2007: 38.90 %)	**17,446**	5,188
Effect of change in tax rate	**153**	7,995
Recognition of tax loss carry forwards previously not recognised	**1,754**	4,747
Effect of tax rates in different jurisdictions	**(11,337)**	643
Effect of transfer of certain aircraft and related financing to foreign subsidiaries	**0**	16,877
Write off of deferred tax assets on tax loss carry forwards	**(20,777)**	0
Non-tax deductible expenses	**(5,571)**	(834)
Current tax benefits previous years	**414**	(93)
Other	**704**	(208)
Total income tax (expense) benefit	**(17,214)**	34,315

As mentioned above, parts of the Group are subject to trade tax at lower or higher rates than the other Group companies. In addition, foreign subsidiaries are subject to different tax rates. This leads to a tax rate difference in the amount of € –11,337 in 2008 (€ 643 in 2007).

As of 31 December 2008, total tax loss carry forwards for which deferred tax assets were capitalised amounted to € 379,270 for trade tax purposes and € 296,755 for corporate tax purposes (2007: € 366,880 and € 223,898 respectively). As of 31 December 2008, no additional deferred tax assets were capitalised for further loss carry forwards of € 826,635 for corporate tax and € 634,783 for trade tax (2007: € 826,766 and € 574,210 respectively). The tax loss carry forwards are not subject to expiration. However, the usage of tax loss carry forwards may be limited due to minimum tax provisions. According to German Corporate Tax Law (KStG) and Trade Tax Law (GewStG), tax loss carry forwards may be used unlimited up to the amount of € 1,000 of profits for the year. The remaining profits may be off-set with tax loss carry forwards only by 60 % of the profits for the year. Deferred tax assets have been recognised accordingly.

Deferred tax assets and liabilities are attributable to the following:

In thousands of Euro	**2008**	2007
Deferred tax assets:		
Finance lease liabilities and deferred income	**15,284**	15,854
Foreign currency receivables and derivatives	**74,946**	23,274
Tax loss carry forwards	**95,604**	103,449
	185,834	142,577
Deferred tax liabilities:		
Aircraft and engines and related liabilities	**(70,721)**	(71,854)
Land and buildings	**(7,692)**	(8,653)
Intangible assets	**(35,099)**	(33,011)
Other assets and prepaid expenses	**0**	(784)
Technical equipment	**(516)**	(1,372)
Leasehold improvements	**(87)**	(86)
Accrued liabilities and provisions	**(14,552)**	(11,479)
Convertible bond	**(9,644)**	(12,184)
Foreign currency liabilities and derivatives	**(1,343)**	(198)
	(139,654)	(139,621)
Offsetting	**185,834**	142,577
Deferred tax assets, net	**46,180**	2,956
Deferred tax assets (liabilities), net beginning of period	**2,956**	(48,955)
Change in deferred tax assets (liabilities)	**43,224**	51,911
Thereof resulting from purchase price allocation	**0**	(33,458)
Thereof related to cash flow hedges and items recorded in equity	**(55,528)**	19,666
Deferred income tax (expense) benefit	**(12,304)**	38,119

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits of amortisation of intangible assets in the tax balance sheet.

28. CASH FLOW STATEMENT

The cash flow statement of the Air Berlin Group is presented according to the indirect method. Cash and cash equivalents include cash, bank balances and fixed-term deposits with banks with a maturity of less than three months.

In thousands of Euro	**2008**	2007
Cash	**1,042**	349
Bank balances	**55,510**	85,211
Fixed-term deposits	**211,735**	383,098
Cash and cash equivalents	**268,287**	468,658
Bank overdrafts used for cash management purposes	**(478)**	(108)
Cash and cash equivalents in the statement of cash flows	**267,809**	468,550

Cash and cash equivalents include restricted cash of € 66,355 as of 31 December 2008 (31 December 2007: € 18,253).

29. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of Euro	Current 2008	Non-current 2008	**Total 2008**	Current 2007	Non-current 2007	Total 2007
Positive market values of derivatives classified as held for trading:						
Forward contracts	3,587	0	**3,587**	13,107	87	13,194
Foreign currency options	2,504	0	**2,504**	655	1,136	1,791
Commodity swaps	0	0	**0**	137	0	137
Commodity options	304	0	**304**	0	0	0
Cross currency interest rate swaps	0	640	**640**	0	0	0
Total positive market values of derivatives classified as held for trading	6,395	640	**7,035**	13,899	1,223	15,122
Positive market values of derivatives classified as hedge accounting:						
Forward contracts	34,750	0	**34,750**	242	0	242
Foreign currency options	5,422	0	**5,422**	70	0	70
Commodity swaps	0	0	**0**	67,755	672	68,427
Commodity options	0	0	**0**	2,396	0	2,396
Cross currency interest rate swaps	0	24	**24**	0	182	182
Total positive market values of derivatives classified as hedge accounting	40,172	24	**40,196**	70,463	854	71,317
Total positive market values of derivatives	46,567	664	**47,231**	84,362	2,077	86,439
Negative market values of derivatives classified as held for trading:						
Forward contracts	2,636	0	**2,636**	12,144	0	12,144
Foreign currency options	3,192	0	**3,192**	3,301	1,056	4,357
Commodity options	489	0	**489**	0	0	0
Cross currency interest rate swaps	6,893	51,109	**58,002**	0	67,022	67,022
Total negative market values of derivatives classified as held for trading	13,210	51,109	**64,319**	15,445	68,078	83,523
Negative market values of derivatives classified as hedge accounting:						
Forward contracts	3,077	0	**3,077**	65,124	12,839	77,963
Foreign currency options	0	0	**0**	1,391	0	1,391
Commodity swaps	220,283	0	**220,283**	0	0	0
Commodity options	165	0	**165**	0	0	0
Cross-currency interest rate swaps	0	7,658	**7,658**	0	693	693
Total negative market values of derivatives classified as hedge accounting	223,525	7,658	**231,183**	66,515	13,532	80,047
Total negative market values of derivatives	236,735	58,767	**295,502**	81,960	81,610	163,570

Hedge accounting is discussed in note 30g below.

30. FINANCIAL RISK MANAGEMENT

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit at the reporting date was:

In thousands of Euro	Note	**Carrying amount 2008**	Carrying amount 2007
Loans and receivables	10	**225,693**	204,266
Positive market values of derivatives classified as held for trading	29	**7,035**	15,122
Positive market values of derivatives classified as hedge accounting	29	**40,196**	71,317
Cash and cash equivalents	28	**268,287**	468,658
		541,211	759,363

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

In thousands of Euro	**2008**	2007
Receivables from single-seat ticket sales	**6,850**	4,407
Receivables from charter sales	**9,872**	18,025
Receivables from credit card companies	**21,015**	23,218
Receivables from IATA clearing house ("BSP" travel agencies)	**17,042**	18,441
Other trade receivables	**52,313**	46,782
	107,092	110,873

Other trade receivables relate primarily to receivables from other airlines for technical services (2008: € 15,782, 2007: € 7,370) and to receivables from cargo services (2008: € 941, 2007: € 9,835).

b) Impairment losses

-- TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of Euro	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	91,247	0	83,180	0
Past due 1–30 days	3,943	3	21,168	1
Past due 31–120 days	4,882	506	8,056	2,089
Past due 121–365 days	6,485	1,176	2,478	1,919
More than one year past due	5,579	3,359	0	0
	112,136	5,044	114,882	4,009

Trade receivables are analysed for a possible impairment loss according to historical data on impairment losses as discussed below. Receivables which are neither past due nor impaired (2008: € 91,247; 2007: € 83,180) are considered to contain only a minimal risk of impairment based on past experience. The amount of receivables written off in 2008 was very small (€ 4,444 increase in the allowance for impairment losses and € 1,310 written off directly) compared with total revenues. Receivables past due but not impaired relate primarily to receivables 1–30 days overdue. Due to past experience these receivables do not contain a level of risk significant enough to warrant impairment, as Air Berlin cooperates with collection agencies and credit card companies for ticket sales. Receivables from single seat ticket sales (which would have a higher likelihood of impairment as they are sold to the end customer directly) only make up a small portion of Air Berlin's receivables.

Trade receivables in the balance sheet are shown net of an allowance for impairment losses of € 5,044 (2007: € 4,009).

The movement in the impairment allowance is as follows:

In thousands of Euro	Allowance for impairment losses **2008**	Allowance for impairment losses 2007
Balance at 1 January	**4,009**	1,555
Increase in allowance for impairment losses	**4,444**	2,706
Release of allowance for impairment losses	**(3,409)**	(252)
Balance at 31 December	**5,044**	4,009

The allowance for impairment losses is used to record impairment losses until the Group determines that the financial asset should be derecognised.
The allowance for impairment losses is based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. Reminders are sent on a timely basis. After the second reminder, the customer is given a certain amount of time to pay the receivable. If no payment is received at that time, the third reminder is issued along with a legal order to pay, and an allowance for impairment losses of 60 % is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. Receivables more than one year past due are written off completely. At the balance sheet date the total allowance for impairment losses was € 5,044 (2007: € 4,009).
In addition to the € 4,444 increase in the allowance for impairment losses (€ 2,454 in 2007), receivables of € 1,310 in 2008 (€ 3,358 in 2007) were written off directly in profit or loss during the period.

-- OTHER LOANS AND RECEIVABLES
None of the other loans and receivables were past due as of 31 December 2008 (2007: none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables. No impairment losses have been recorded on other financial assets.
These receivables relate primarily to amounts due from suppliers (deposits and bonus and claims). The Group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts.
Receivables from related parties relate primarily to amounts due from Niki for administrative services provided and to the long-term loans receivable from Lee & Lex. As the receivables are not overdue and payments have been made on time in the past, the Group does not consider an impairment loss to be necessary.

-- CASH AND CASH EQUIVALENTS AND POSITIVE MARKET VALUES OF DERIVATIVES
No impairment has been recorded on bank balances or positive market values of derivatives, as the transactions are only made with parties of the highest credit rating or, in the case of derivative financial instruments, with parties which are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due). When no rating is available for a contract partner, collateral may be obtained, for example in the form of guarantees from the parent company, as is the case with one contract partner for fuel derivatives. The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

c) Liquidity risk
The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2008:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	683,474	792,046	47,588	47,114	93,948	280,308	323,088
Secured bank loans	32,386	37,406	2,764	2,761	5,533	12,001	14,347
Unsecured bank loans	26,678	26,949	20,250	6,699	0	0	0
Finance lease liabilities	96,557	139,733	6,473	6,488	13,055	32,115	81,602
Convertible bonds – liability component	190,696	233,200	3,300	0	3,300	226,600	0
Trade payables and other financial liabilities	108,938	108,938	108,938	0	0	0	0
Bank overdraft	478	478	478	0	0	0	0
Total financial liabilities measured at amortised cost	1,139,207	1,338,750	189,791	63,062	115,836	551,024	419,037
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Cross-currency interest rate swaps	7,658	5,410	766	1,129	1,970	4,012	(2,467)
Outflow		71,941	3,690	4,738	9,375	26,361	27,777
Inflow		(66,531)	(2,924)	(3,609)	(7,405)	(22,349)	(30,244)
Forward exchange contracts	3,077	3,176	2,954	222	0	0	0
Outflow		187,483	176,483	11,000	0	0	0
Inflow		(184,307)	(173,529)	(10,778)	0	0	0
Commodity swaps	220,283	220,283	151,181	69,102	0	0	0
Outflow		220,283	151,181	69,102	0	0	0
Inflow		0	0	0	0	0	0
Commodity options	165	165	62	103	0	0	0
Outflow		165	62	103	0	0	0
Inflow		0	0	0	0	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	58,002	79,630	7,269	15,726	17,338	33,823	5,474
Outflow		647,371	40,707	100,461	134,302	306,514	65,387
Inflow		(567,741)	(33,438)	(84,735)	(116,964)	(272,691)	(59,913)
Forward exchange contracts	2,636	2,477	1,106	1,371	0	0	0
Outflow		46,705	32,334	14,371	0	0	0
Inflow		(44,228)	(31,228)	(13,000)	0	0	0
Forward exchange options	3,192	397	397	0	0	0	0
Outflow		108,870	108,870	0	0	0	0
Inflow		(108,473)	(108,473)	0	0	0	0
Commodity options	489	489	113	376	0	0	0
Outflow		489	113	376	0	0	0
Inflow		0	0	0	0	0	0
	1,434,709	1,650,777	353,639	151,091	135,144	588,859	422,044

In addition to the above contractual cash flows, the Group has capital commitments under purchase arrangements. For more details see note 32.

For 31 December 2007, the maturities were as follows:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	591,842	757,945	49,724	47,854	94,377	284,308	281,682
Secured bank loans	34,668	45,402	2,997	2,979	5,907	15,840	17,679
Unsecured bank loans	119,773	121,127	104,616	6,726	9,785	0	0
Finance lease liabilities	101,994	150,323	7,238	6,854	12,863	35,549	87,819
Convertible bonds – liability component	182,007	236,500	3,300	0	3,300	229,900	0
Trade payables and other financial liabilities	118,098	118,098	118,098	0	0	0	0
Bank overdraft	108	108	108	0	0	0	0
Total financial liabilities measured at amortised cost	1,148,490	1,429,503	286,081	64,413	126,232	565,597	387,180
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Cross-currency interest rate swaps	693	71,912	0	7,248	16,112	43,745	4,807
Outflow		603,551	0	74,950	133,981	349,613	45,007
Inflow		(531,639)	0	(67,702)	(117,869)	(305,868)	(40,200)
Forward exchange contracts	77,963	78,099	31,876	29,027	17,196	0	0
Outflow		1,236,646	420,436	415,549	400,661	0	0
Inflow		(1,158,547)	(388,560)	(386,522)	(383,465)	0	0
Forward exchange options	1,391	5,466	2,755	1,955	756	0	0
Outflow		109,399	36,720	37,958	34,721	0	0
Inflow		(103,933)	(33,965)	(36,003)	(33,965)	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	67,022	7,076	0	251	3,221	3,804	(200)
Outflow		153,117	0	3,325	55,659	77,279	16,854
Inflow		(146,041)	0	(3,074)	(52,438)	(73,475)	(17,054)
Forward exchange options	4,357	(224)	(224)	0	0	0	0
Outflow		6,793	6,793	0	0	0	0
Inflow		(7,017)	(7,017)	0	0	0	0
	1,299,916	1,591,832	320,488	102,894	163,517	613,146	391,787

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, including future interest payments. Amounts in USD are translated at the relevant year-end exchange rate, and variable interest payments are calculated using the year-end basis rates.
The Group intends to meet its obligations primarily through cash balances held and cash inflows from operations and in the case of purchases of new aircraft (not included above) through future borrowings which are already in place for aircraft deliveries in 2009 and early 2010.

d) Currency risk
The Group has significant transactions in USD as well as smaller transactions in GBP and CHF. Air Berlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e.g. payments regarding aircraft financing and leasing, fuel, maintenance etc.) denominated in USD. Air Berlin generally hedges up to 75 % (2007: 75 %) of the expected cash flow on a 6–18 month (2007: 12–24 month) revolving basis.

The Group's exposure to foreign currency risk was as follows based on the currency values at end of year:

	31 December 2008			31 December 2007		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	65,719	1,009	3,058	87,609	2,365	2,821
Cash and cash equivalents	68,871	531	14,007	143,988	19,928	7,707
Liabilities due to bank from assignment of future lease payments	(844,422)	0	0	(737,707)	0	0
Secured bank loans	(45,072)	0	0	(50,789)	0	0
Unsecured bank loans	(37,128)	0	0	(23,305)	0	0
Finance lease liabilities	(67,562)	0	0	(69,530)	0	0
Trade payables and other financial liabilities	(29,739)	(188)	(4,247)	(57,231)	(537)	(1,584)
Bank overdraft	(100)	(81)	0	0	0	0
Gross balance sheet exposure	(889,433)	1,271	12,818	(706,965)	21,756	8,944
Estimated forecast purchases	(1,805,000)	0	0	(1,778,000)	0	0
Gross exposure	(2,694,433)	1,271	12,818	(2,484,965)	21,756	8,944
Forward exchange contracts (hedged volume in USD)	1,139,500	0	0	1,905,000	0	0
Forward exchange options (hedged volume in USD)	120,000	0	0	163,000	0	0
Cross currency interest rate swaps (hedged volume in USD)	897,914	0	0	875,701	0	0
Net exposure	(537,019)	1,271	12,818	458,736	21,756	8,944

The estimated forecast purchases shown above are for a twelve-month period. The volume hedged through forward exchange contracts and forward exchange options is for estimated forecast purchases for up to two years. The volume hedged through cross currency interest rate swaps is the nominal amount of the interest-bearing liabilities in USD.

The following significant exchange rates applied during the year:

Currency units to the Euro	Average rate 2008	Average rate 2007	Reporting date spot rate 2008	Reporting date spot rate 2007
USD	**1.4708**	1.3279	**1.3917**	1.4721
GBP	**0.7963**	0.687	**0.9525**	0.7334
CHF	**1.5874**	1.646	**1.4850**	1.6547

-- SENSITIVITY ANALYSIS

A sensitivity analysis was performed on the year-end balances of foreign currency financial assets and liabilities and the fair values of derivative financial instruments existing at year-end. The assumptions used in the calculation of currency risk were the same as those used in the prior year. Assuming that all other variables, in particular interest rates, remain constant, a 10 per cent strengthening of the Euro against the following currencies at 31 December would have increased or decreased equity and profit or loss by the following amounts:

	31 December 2008			31 December 2007		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	1,340	(121)	(785)	1,989	(2,697)	(491)
Equity	(76,824)	0	0	(142,692)	0	0

A 10 per cent weakening of the Euro against the above currencies at 31 December would have increased (decreased) equity and profit or loss by the following amounts:

	31 December 2008			31 December 2007		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(7,058)	148	959	(1,870)	3,296	601
Equity	87,803	0	0	164,495	0	0

e) Interest rate risk

The interest rate profile of the Group is as follows:

In thousands of Euro	Carrying amount 2008	2007
Fixed rate instruments		
Financial assets	**3,510**	1,401
Financial liabilities	**(266,788)**	(286,017)
Cross-currency interest rate swaps	**(64,996)**	(67,532)
	(328,274)	(352,148)
Variable rate instruments		
Financial assets	**3,500**	3,500
Financial liabilities	**(666,447)**	(642,273)
	(662,947)	(638,773)

The variable rate interest bearing liabilities and liabilities due to banks from assignment of future lease payments, which are generally denominated in USD, expose the Group to variability in interest payments due to changes in interest rates as well as to a foreign currency risk. The interest risk results from the sensitivity of financial assets and financial liabilities with variable interest rates to changes in the market interest rate. Air Berlin uses cross currency interest rate swaps to hedge these risks. The swaps are considered cash flow hedges from their inception until the liability is recorded in the balance sheet, at which point the interest rate swaps are classified as held for trading, with future changes in market value taken to profit or loss.
Ineffective amounts are negligible and are therefore not recorded in profit or loss.

-- FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate any of its derivatives (interest rate swaps) as fair value hedge accounting instruments. Therefore a change in interest rates (unless they resulted in the hedge becoming ineffective) at the reporting date would only affect profit or loss to the extent that it affects the fair value of interest rate swaps not designated as hedge accounting (held for trading). A change of 100 basis points in interest rates would have increased or decreased equity by € 516 (2007: € 1,374) and profit or loss by € 6,303 (2007: € 5,342) based on a one year impact.

-- CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of 100 basis points in interest rates would have increased or decreased profit or loss (financial result) by € 1,323 (2007: € 2,203) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate swaps.

f) Fuel price risk

The fuel price (jet fuel) plays an important role as far as the business performance of the Group is concerned. Fuel expense amounted to 25.5 % (2007: 22.2 %) of the Group's entire operating expenses. Air Berlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. At the balance sheet date 2008, the hedged volume was 681,000 tons for the business year 2009 (2007: 733,800 tons for 2008 and 63,500 tons for 2009). The hedging quota was 55.8 % for 2009 (in the prior year: 53.7 % for 2008 and 5.0 % for 2009.

-- SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10% increase (decrease) in the fuel price at the reporting date would have increased (decreased) equity by € 23,286 (2007: € 7,087) and had no effect on profit or loss.
The calculation is based on the fair values of commodity derivatives (swaps and options) at the balance sheet date. The assumptions used were the same as in the prior period.

g) Hedge accounting

As an airline, the Air Berlin Group is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. Air Berlin uses derivatives to limit these risks.
Air Berlin applies hedge accounting for its hedges of future foreign currency denominated cash flows and its hedges of future cash flows related to the purchase of jet fuel that satisfy the criteria under IAS 39, thus reducing income statement volatility. In addition, as of the third quarter of 2007 Air Berlin applies hedge accounting for its foreign currency options and for several of its hedges of future cash flows resulting from variable USD interest rate payments. These hedging transactions are accounted for as cash flow hedges.
IAS 39 sets out strict requirements on the use of hedge accounting. Air Berlin fulfils those requirements by documenting, at the inception of a hedge, both the relationship between the derivative used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This includes assigning the hedging instruments to the corresponding firm commitments and future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis. For hedge accounting, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective. Accumulated fair value changes from qualifying hedges are removed from equity to profit or loss in the period when the hedged cash flow affects profit or loss (2008 and 2009 for foreign currency and fuel hedges, 2008 to 2014 for cross-currency interest rate hedges).
Air Berlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39. For such derivatives Air Berlin recognises the changes in fair value in profit or loss. The fair values of derivatives are recognised as other assets or reported as other liabilities.
Ineffective amounts are negligible and are therefore not recorded in profit or loss.

The (net) fair values of derivatives for hedging exchange rate, interest rate and fuel price risks at 31 December 2008 and their movement during the period is as follows:

In thousands of Euro	Fair value at 31 December 2007	Transfer to hedge accounting	Change in fair value recognised in profit or loss	Change in fair value recognised in in equity	Removed from equity to profit or loss	Option premium paid	Fair value at 31 December 2008
Cash flow hedges:							
Forward contracts	(77,721)	0	0	52,198	57,196	0	31,673
Foreign currency options	(1,321)	27	0	6,716	0	0	5,422
Cross-currency interest rate swaps	(511)	0	(85)	(14,709)	7,670	0	(7,635)
Commodity swaps (fuel price)	68,427	0	0	(122,899)	(165,811)	0	(220,283)
Commodity options (fuel price)	2,396	0	0	(4,630)	0	2,069	(165)
Held for trading:							
Forward contracts	1,050	0	(98)	0	0	0	952
Foreign currency options	(2,566)	(27)	1,905	0	0	0	(688)
Cross-currency interest rate swaps	(67,022)	0	9,660	0	0	0	(57,362)
Commodity swaps (fuel price)	137	0	(137)	0	0	0	0
Commodity options (fuel price)	0	0	(185)	0	0	0	(185)
	(77,131)	0	11,060	(83,324)	(100,945)	2,069	(248,271)

The change in fair value of derivatives was as follows in 2007:

In thousands of Euro	Fair value at 31 December 2006	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Option premium paid	Fair value at 31 December 2007
Cash flow hedges:						
Forward contracts	(10,824)	0	(94,021)	27,124	0	(77,721)
Foreign currency options	0	0	(1,321)	0	0	(1,321)
Cross-currency interest rate swaps	0	0	(9,144)	8,633	0	(511)
Commodity swaps (fuel price)	(20,157)	0	49,361	39,223	0	68,427
Commodity options (fuel price)	0	0	1,590	0	806	2,396
Held for trading:						
Forward contracts	0	1,050	0	0	0	1,050
Foreign currency options	(62)	(2,504)	0	0	0	(2,566)
Cross-currency interest rate swaps	(15,944)	(51,078)	0	0	0	(67,022)
Commodity options (fuel price)	0	137	0	0	0	137
	(46,987)	(52,395)	(53,535)	74,980	806	(77,131)

All foreign currency options and commodity options (fuel price) entered into during the period meet the qualifications of hedge accounting and are accounted for as cash flow hedges. The change in the intrinsic value is recorded in equity, and the change in the time value is recorded in profit or loss.

As of the third quarter of 2007, the Group has entered into cross-currency interest rate swaps which meet the qualifications of hedge accounting. These are also accounted for as cash flow hedges. Those cross-currency interest rate swaps which do not meet the criteria for hedge accounting continue to be recorded in profit or loss and are classified as held for trading.

Cash flow hedges are expected to impact profit or loss in the same period in which the cash flows are expected to occur, as detailed in section c “liquidity risk” above.

h) Fair values

Fair value is the amount obtainable in an arm’s length transaction between knowledgeable willing parties. The fair values of financial assets and liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

In thousands of Euro	Note	31 December 2008 Carrying amount	31 December 2008 Fair value	31 December 2007 Carrying amount	31 December 2007 Fair value
Loans and receivables:					
Total loans and receivables	10	225,693	226,304	204,266	203,930
Positive market values of derivatives classified as held for trading:					
Forward exchange contracts	29	3,587	3,587	13,194	13,194
Forward exchange options	29	2,504	2,504	1,791	1,791
Commodity options (fuel price)	29	304	304	0	0
Cross-currency interest rate swaps	29	640	640	0	0
Positive market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	34,750	34,750	242	242
Forward exchange options	29	5,422	5,422	70	70
Commodity swaps (fuel price)	29	0	0	68,564	68,564
Commodity options (fuel price)	29	0	0	2,396	2,396
Cross-currency interest rate swaps	29	24	24	182	182
Cash and cash equivalents	28	268,287	268,287	468,658	468,658
Financial liabilities measured at amortised cost:					
Liabilities due to bank from assignment of future lease payments	16	(683,474)	(670,732)	(591,842)	(596,302)
Secured bank loans	16	(32,386)	(31,087)	(34,668)	(34,416)
Unsecured bank loans	16	(26,678)	(26,536)	(119,773)	(119,787)
Finance lease liabilities	16	(96,557)	(106,496)	(101,994)	(103,545)
Convertible bonds – liability component	16	(190,696)	(168,524)	(182,007)	(181,860)
Trade payables and other financial liabilities	18	(108,938)	(108,938)	(118,098)	(118,098)
Bank overdraft	16	(478)	(478)	(108)	(108)
Total financial liabilities measured at amortised cost		(1,139,207)	(1,112,790)	(1,148,490)	(1,154,116)
Negative market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	(3,077)	(3,077)	(77,963)	(77,963)
Forward exchange options	29	0	0	(1,391)	(1,391)
Commodity swaps (fuel price)	29	(220,283)	(220,283)	0	0
Commodity options (fuel price)	29	(165)	(165)	0	0
Cross-currency interest rate swaps		(7,658)	(7,658)	(693)	(693)
Negative market values of derivatives classified as held for trading:					
Forward exchange contracts	29	(2,636)	(2,636)	(12,144)	(12,144)
Forward exchange options	29	(3,192)	(3,192)	(4,357)	(4,357)
Commodity options (fuel price)	29	(489)	(489)	0	0
Cross-currency interest rate swaps	29	(58,002)	(58,002)	(67,022)	(67,022)
		(893,498)	(866,470)	(552,697)	(558,659)

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

- **Derivatives**
  Forward exchange, interest rate and fuel price derivatives are marked to market using listed market prices.
- **Interest-bearing loans and borrowings**
  Fair value is calculated based on discounted expected future principal and interest cash flows using current rates.
- **Trade and other receivables / payables**
  For receivables/payables with a remaining life of less than one year, the carrying value is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.
- **Cash and cash equivalents**
  Due to the short maturity date, the notional amount is deemed to reflect the fair value.

i) Net gain or loss

The net gains (losses) on financial assets and liabilities during the period are as follows:

In thousands of Euro	2008	2007
Loans and receivables	**(2,251)**	(10,989)
Positive market values of derivatives classified as held for trading	**778**	1,326
Financial liabilities measured at amortised cost	**(38,179)**	65,805
Negative market values of derivatives classified as held for trading	**(3,741)**	(59,593)
	(43,393)	(3,451)

This includes foreign exchange rate gains (losses), impairment losses and reversals of impairment losses, changes in fair value recognised in profit or loss and gains on disposal.
No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2007: none).

31. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors and key management as well as with its associates (see note 8). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 94 to 103). The share-based payment scheme for Executive Directors and certain senior executives of the Group is detailed in note 13.
One of the Executive Directors of the Group controls a voting share of 3.15 % (2007: 3.15 %) of Air Berlin. In addition, a receivable of € 2 is due from one of the Directors and is included in other current assets in the balance sheet as at 31 December 2008 (2007: € 3).
The Chairman of the Board, also a shareholder of the Company with a voting share of 1.52 % (2007: 1.52 %), is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2008 and 2007 of € 18,197 and € 12,105, respectively. At 31 December 2008 and 2007, € 2,663 and € 993, respectively, are included in the balance sheet in trade receivables.

One of the Non-Executive Directors is General Partner of Sal. Oppenheim jr. & Cie. S.C.A. The Group has arms length banking relationships with the bank.

During the years ending 31 December 2008 and 2007, associates purchased or delivered goods and services from the Group as follows:

In thousands of Euro	**2008**	2007
IBERO-Tours		
Revenues from ticket sales	**0**	326
Trade receivables	**0**	0
Expenses for services	**1,177**	1,031
Trade payables	**13**	0
SCK DUS GmbH & Co. KG		
Catering expenses	**7,073**	19,246
Trade payables	**0**	539
THBG BBI (formerly Blitz 07-582 GmbH)		
Receivables from related parties, non-current	**1,824**	0
BINOLI GmbH (formerly Buy.bye Touristik)		
Revenues from ticket sales	**629**	0
Receivables from related parties, non-current	**250**	0
Trade and other receivables	**230**	0
Lee & Lex Flugzeugvermietung GmbH		
Receivables from related parties, non-current	**844**	1,401
Niki Luftfahrt GmbH		
Other operating expenses	**810**	0
Other income from administrative services	**1,027**	680
Receivables from related parties, current	**13,760**	9,232

Other assets from Lee & Lex Flugzeugvermietungs GmbH relate to a loan receivable in the amount of USD 960 (€ 685) and a partial debenture of € 750 (30 debentures at € 25 each), which have been written down by € 592 in connection with the recognition of the Group's share of losses in the associate and are described in more detail in note 10 above.
Transactions with associates are priced on an arm's length basis.
Dividends received from associates in 2008 are € 211 (2007: € 527).

32. CAPITAL COMMITMENTS

A purchase order for 25 Boeing Dreamliner 787 was entered into on 7 July 2007, with delivery scheduled from 2013 to 2017. An additional purchase order for 15 Boeing 737 aircraft to be delivered between 2011 and 2014 was entered into in December 2007, and a purchase order for 10 Bombardier Type Q400 was entered into in October 2007, with delivery scheduled in 2008 and 2009. The Group's contracts to purchase aircraft are set out as follows:

Date of contract	Supplier	Number of aircraft	Type of aircraft	Delivery dates	Delivered in 2008	Delivered in 2007	Deliveries outstanding 31 Dec. 08	Thereof in 2009
2004	Airbus	60	A320/319/321	2005–2012	9	13	27	8
2006–2007	Boeing	100	B737-700/800	2007–2014	4	1	95	6
7/2007	Boeing	25	B787	2013–2017	0	0	25	0
10/2007	Bombardier	10	Q400	2008–2009	2	0	8	8

33. EXECUTIVE BOARD OF DIRECTORS

Executive Directors	Joachim Hunold	Chief Executive Officer
	Ulf Hüttmeyer	Chief Financial Officer
	Karl Lotz	Chief Operating Officer
	Elke Schütt	Chief Commercial Officer
	Wolfgang Kurth	Chief Maintenance Officer

34. NOTES TO THE COMPANY BALANCE SHEET

a) Significant accounting policies

The accounting framework and significant accounting policies described in notes 2 and 4 above also apply to the Company financial statements. In addition the following accounting policies were applied:
Investments in subsidiaries and in associates are recorded at cost less accumulated impairment losses and are tested for impairment if an indication of impairment exists.
Receivables from subsidiaries and payables to subsidiaries and to associates are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method.
The Company has recorded financial assets and financial liabilities in the balance sheet.

Categories of financial assets and financial liabilities which apply to Air Berlin PLC as follows:

- Loans and receivables
- Financial assets and liabilities at fair value through profit or loss classified as held for trading in accordance with IAS 39 (derivative financial instruments)
- Financial liabilities measured at amortised cost (includes trade payables and other financial liabilities as well as interest-bearing liabilities)

The Company has defined the following classes of financial assets and financial liabilities:

- Loans and receivables,
- Derivative financial instruments classified as held for trading,
- Financial liabilities measured at amortised cost (includes interest-bearing liabilities, trade payables and other financial liabilities),
- Cash and cash equivalents.

b) Investments in subsidiaries
A detailed list of the companies in which the Company has interests, direct and indirect, is found in note 35 to the consolidated financial statements. The Company is general partner of Air Berlin PLC & Co. Luftverkehrs KG.

In thousands of Euro	Investments in subsidiaries
Acquisition cost	
Balance at 31 December 2006	140,165
Additions	3,150
Balance at 31 December 2007	143,315
Additions	77,668
Disposals	(25)
Balance at 31 December 2008	220,958

On 10 September 2007, Air Berlin PLC acquired 49 per cent of the shares in Belair Airlines AG, Zurich ("Belair") for a purchase price of CHF 1,715 (€ 1,027). In addition, the Company agreed upon a provision-related, technical € 340 increase in the purchase price of Belair. The acquisition of Belair is detailed in note 5 to the consolidated financial statements.
In addition, the Company set up the following subsidiaries in 2008: Air Berlin 6. LeaseLux Sàrl, Air Berlin 7. LeaseLux Sàrl, Air Berlin 8. LeaseLux Sàrl, at a total cost of € 38.
On 17 January 2008, the LTU Group transferred 100 per cent of its share in the Leisure Cargo GmbH as of 1 January 2008 to Air Berlin PLC for consideration of € 27,290.
Furthermore, the Company has been assigned trade receivables of € 50,000 to Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH and Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH. The carrying amount of the subsidiaries was increased.
On 18 July 2008, the PLC disposed of 100 % of its share in the subsidiary Blitz 07-582 GmbH, thereof 35 % to Air Berlin PLC & Co. Luftverkehrs KG. Net proceeds from the sale of the subsidiary amounted to € 29 less cash and cash equivalents of € 25, and a gain of € 4 was realised on the sale.

c) Investments in associates

With effect of 1 January 2008 the Company purchased 49 per cent of the shares in Buy.bye Touristik GmbH from the LTU Group for a purchase price of € 125. Subsequently, the associate was renamed to Binoli GmbH.

d) Deferred tax assets

Profit or loss before tax is completely attributable to the branch in Germany. Income tax benefit is as follows:

In thousands of Euro	2008	2007
Current income taxes	(2,482)	0
Deferred income taxes	2,403	12,029
Total income tax (expense) benefit	(79)	12,029

The Company is subject to both corporation tax and trade tax in Germany. The corporation tax rate for retained and distributed profits was 15 % in 2008 (25 % in 2007). In addition to corporation tax, a solidarity charge is also levied amounting to 5.5 % of the payable corporation tax. Trade tax is no longer deductible for corporation tax purposes in 2008, as it was in 2007, and the effective trade tax varies depending on the municipality in which the Company operates. In 2008, the total tax rate (including corporation tax and trade tax) for the Company amounted to 30.42 % (2007: 38.9 %).
As described in note 27 above, the corporate tax reform 2008 was finally concluded by the German "Bundesrat" (upper chamber of German parliament) on 6 July 2007. It took effect 1 January 2008. The major changes were to reduce the corporate tax from 25 % to 15 %, to reduce the basis ("Meßzahl") used for calculating the trade tax and to eliminate the deductibility of trade tax. The new Group tax rate (corporate and trade tax) is 30.18 % as of 1 January 2008. The change in the tax law resulted in a decrease in deferred tax income of € 8,362 and an increase in items recorded in equity net of tax of € 3,031 in 2007.
The trade tax of the Company was adjusted in 2008 due to a change in the structure of the tax pooling agreements, resulting in a slight change in the tax rate of the Company from 30.18 % to 30.42 %. The change in the deferred tax liabilities of the Company was recorded in the income statement in 2008, except to the extent that it relates to items previously charged or credited directly to equity. A gain of € 153, which was recognised in the income statement in 2008. The change in tax rate also led to a decrease in the equity component of the convertible bond of € 87.

Deferred tax assets are attributable to the following:

In thousands of Euro	**2008**	2007
Deferred tax assets		
Accrued liabilities and provisions	**453**	310
Negative market values of derivatives	**4,477**	4,951
Tax loss carry forwards	**25,296**	24,358
Total deferred tax assets	**30,226**	29,619
Deferred tax liabilities		
Equity component of convertible bond	**(9,644)**	(12,184)
Positive market values of derivatives	**(831)**	0
Total deferred tax liabilities	**(10,475)**	(12,184)
Offsetting	**30,226**	29,619
Deferred tax assets, net	**19,751**	17,435
Deferred tax assets, net beginning of period	**17,435**	15,888
Change in deferred tax assets	**2,316**	1,547
thereof related to items recorded in equity	**87**	10,482
Deferred income tax benefit	**2,403**	12,029

The total tax loss carry forward was € 43,181 (2007: € 70,505) for trade tax purposes and € 120,013 (2007: € 89,987) for corporation tax purposes as at 31 December 2008, resulting in a deferred tax asset on the tax loss carry forwards of € 25,296 (2007: € 24,358). Of this amount, € 12,354 (2007: € 12,352) was recorded directly in equity as a reduction in the IPO costs and in the equity component of the convertible bond, which were also recorded in equity. The remaining € 12,942 (2007: € 12,006) was recorded as deferred tax benefit in the profit or loss.

A reconciliation between the tax burden expected on the basis of profit (loss) for a period and the recognised income tax expenses is as follows:

In thousands of Euro	**2008**	2007
Profit (loss) before tax	**41,478**	(37,207)
Expected income tax (expense) benefit at 30.42% (2007: 38.9%)	**(12,618)**	14,473
Effect of change in tax rate	**153**	(8,362)
Effect of tax pooling agreements with subsidiaries	**11,557**	6,283
Effect from non-deductible expenses	**(464)**	(214)
Recognition of tax loss carry forwards previously not recognised	**923**	0
Current tax benefits previous years	**74**	0
Other	**296**	(151)
Total income tax benefit recognised	**(79)**	12,029

e) Loans to subsidiaries and other loans receivable

In 2007, a long-term loan was concluded with LTU Beteiligungs- und Holding GmbH (€ 140,000) with a yearly interest rate of 1 %. The loan is due 31 March 2009. It was therefore reclassified to current loans to subsidiaries at the balance sheet date. Further information on the acquisition of LTU is detailed in note 5 to the consolidated financial statements.
In addition the Company has a long-term loan to LOMA GmbH of € 15,200. The loan is due in 2010 and has a yearly interest rate of 1 %.
A loan of € 3,500, which has a variable interest rate based on the 3-month-EURIBOR, was agreed with Luftfahrtgesellschaft Walter GmbH.

f) Long-term loans to associates

In 2008, a long-term loan was concluded with Binoli GmbH (€ 250). The loan was agreed with an indefinite maturity and with a 6 per cent interest rate. Interest income amounts € 10.

g) Receivables from subsidiaries

Receivables from subsidiaries include € 94,852 trade receivables. In 2008, the Company negotiated profit and loss transfer agreements with AB Luftfahrttechnik Berlin GmbH, AB Luftfahrttechnik Düsseldorf GmbH, Leisure Cargo GmbH and LTU Aircraft Maintenance GmbH, thereof results € 24,321 (2007: € 0).
Cash pooling agreements were concluded in 2008 to bundle the Group's financial activities. At the balance sheet date the trade receivables from cash pooling amounts to € 154,867.

h) Receivables from associates

Receivables from associates include the clearing account with Binoli GmbH € 148 (2007: € 0).

i) Share capital and reserves

The capital structure Air Berlin PLC is that of the Group, except that certain reserves on the consolidated level are not relevant at Company level.
On 28 March 2007 the Company issued a further 5,974,282 ordinary shares of € 0.25 at a share price of € 16.40. Gross proceeds on the issue of new shares amounted to € 97,978, which resulted in net proceeds of € 92,783 after deducting transaction costs of € 5,195. The increase in share premium was € 93,311 net of tax.
A full description of the Company's share capital and reserves is detailed in note 11 to the consolidated financial statements.
The Employee Share Plan is detailed in note 13 to the consolidated financial statements.

j) Pension liabilities

In 2007 Air Berlin PLC entered into a defined benefit pension plan for its Executive Directors. The pension plan is funded through payments to a qualifying insurance contract.

The development of the Group’s defined benefit obligations during the period is as follows:

In thousands of Euro	**2008**	2007
Present value of funded obligations	**3,685**	2,918
Fair value of plan assets	**(4,701)**	(2,331)
Funded status	**(1,016)**	587
Amount not recognised due to limitation in IAS 19.58(b)	**1,016**	0
Pension liabilities	**0**	587

Changes in the present value of the defined benefit obligation are as follows:

In thousands of Euro	**2008**	2007
Defined benefit obligation as at 1 January	**2,918**	0
Current service cost	**1,410**	1,613
Past service cost	**0**	1,721
Interest on obligation	**146**	77
Actuarial gains	**(789)**	(493)
Defined benefit obligation as at 31 December	**3,685**	2,918

Changes in the fair value of plan assets are as follows:

In thousands of Euro	**2008**	2007
Fair value of plan assets as at 1 January	**2,331**	0
Contribution	**2,524**	2,497
Expected return on plan assets	**(155)**	0
Actuarial losses	**1**	(166)
Fair value of plan assets as at 31 December	**4,701**	2,331

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of Air Berlin shares held would be minimal.
The actual return on plan assets was € 154 during the period (2007: € –166). No experience adjustment was made during the period.

The amount recognised as pension expense in profit or loss is as follows:

In thousands of Euro	2008	2007
Current service cost	**1,410**	1,613
Interest on obligation	**146**	77
Past service cost	**0**	1,721
Expected return on plan assets	**155**	0
Net actuarial gains recognised in the period	**(790)**	(327)
Effect of the limitation in IAS 19 paragraph 58 (b)	**1,016**	0
Pension expense	**1,937**	3,084

The Company expects to contribute € 2,570 to its defined benefit pension plan in 2008.

Principal actuarial assumptions at the reporting date are as follows:

	2008	2007
Discount rate at 31 December	**6.30 %**	5.00 %
Expected return on plan assets at 1 January	**2.75 %**	2.75 %
Future salary increases	**3.00 %**	3.00 %
Cost of living adjustment (future pension increases)	**1.00 %**	1.00 %

Assumptions regarding future mortality are based on published statistics and mortality tables ("Richttafeln 2005 G" published by Heubeck-Richttafeln-GmbH). The average remaining life expectancy of an individual retiring at age 65 is 20 years for males and 25 years for females.

k) Other non-current liabilities to subsidiaries

On 11 April 2007, the Group issued € 220,000 convertible bonds due 2027. The bond issue is made up of 2,200 bonds with a principal amount of € 100,000 each, earning yearly interest of 1.5 %. The initial conversion price is € 22.47 which results in an initial conversion ratio of 4,450 ordinary shares per bond. Gross proceeds from the bond issue amounted to € 220,000. Transaction costs incurred were € 6,391.

The convertible bonds were issued by AB Finance B.V., and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds. The resulting liability of € 190,696 to AB Finance B.V. in the Company balance sheet corresponds to the debt component of the convertible bond in the consolidated balance sheet (note 16) at 31 December 2008 (2007: € 182,007). The disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bond are detailed in note 16 and 30c.

Another loan agreement was concluded with AB Finance B.V. (€ 2,000). The loan is due on 11 April 2027 and has a yearly interest rate of LIBOR plus 1 %.

l) Accrued liabilities

Accrued liabilities primarily relate to expenses for services received but not yet invoiced as of the balance sheet date.

m) Payables to subsidiaries

Payables to subsidiaries include € 60 regarding profit and loss transfers and € 281,286 regarding cash pooling agreements.

n) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties. The carrying amounts of financial assets and liabilities approximate their fair values.

The fair values of financial assets and liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

		31 December 2008		31 December 2007	
In thousands of Euro	Note	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans from subsidiaries	34e	16,384	16,384	155,000	155,000
Long-term loans from associaties	34f	250	260	0	0
Other long-term loans	34e	3,500	3,519	3,500	3,499
Short-term loans from subsidiaries	34e	155,000	155,000	0	0
Receivables from subsidiaries	34g	274,040	274,040	123,401	123,401
Receivables from associates	34h	148	148	0	0
Total loans and receivables		449,322	449,351	281,901	281,900
Positive market values of derivatives classified as trading:					
Cross-currency interest rate swaps		350	350	182	182
Forward exchange contracts		2,380	2,380	242	242
Cash and cash equivalents		159,978	159,978	175,232	175,232
Financial liabilities measured at amortised cost:					
Unsecured bank loans		0	0	(100,000)	(100,032)
Non-current liabilities to subsidiaries	34k	(192,696)	(205,729)	(184,007)	(183,857)
Trade payables and payables to subsidiaries	34m	(283,917)	(283,917)	(208)	(208)
Total financial liabilities measured at amortised cost		(476,613)	(489,646)	(284,215)	(284,097)
Negative market values of derivatives classified as trading:					
Cross-currency interest rate swaps		(14,715)	(14,715)	(693)	(693)
Forward exchange contracts		0	0	(16,139)	(16,139)
		120,702	107,698	156,510	156,627

o) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 3 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 94 to 103).
One of the Executive Directors of the Group controls a voting share of 3.15 % (2007: 3.15 %) of Air Berlin. In addition, the Chairman of the Board is also a shareholder of the Company with a voting share of 1.52 % (2007: 1.52 %).

The Company had the following transactions with related parties during the year ending 31 December 2008:

In thousands of Euro	2008	2007
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**3,722**	3,329
Receivables from subsidiaries	**109,730**	25,898
Other operating expenses	**675**	728
Payables to subsidiaries	**216**	0
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**0**	17
Receivables from subsidiaries	**0**	17
Payables to subsidiaries	**180**	39
Alpha Engine Trading GmbH (formerly Luftfahrttechnischer Betrieb GmbH)		
Payables to subsidiaries	**1,996**	0
Air Berlin Beteiligungs GmbH		
Payables to subsidiaries	**14**	0
Belair Airlines AG		
Revenues	**24**	4
Receivables from subsidiaries	**0**	551
LTU Beteiligungs- und Holding GmbH		
Receivables from subsidiaries	**141,377**	140,000
LTU-Group		
Revenues	**866**	318
Receivables from subsidiaries	**92,317**	30,518
Payables from subsidiaries	**33,927**	0
Air Berlin 1. – 8. LeaseLux Sàrl		
Receivables from subsidiaries	**49**	7
Air Berlin Netherlands B.V.		
Receivables from subsidiaries	**2,002**	10
Air Berlin Finance B.V.		
Expenses for convertible bonds	**12,157**	8,462
Other non-current liabilities to subsidiaries	**192,696**	184,007
Payables to subsidiaries	**5,767**	65
Air Berlin Technik Ltd.		
Receivables from subsidiaries	**2,350**	2,350
Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG		
Receivables from subsidiaries	**0**	79,037
Payables to subsidiaries	**35,201**	0

(Continuation from page 180)

In thousands of Euro	**2008**	2007
Air Berlin GmbH & Co. Sechste Flugzeugvermietungs OHG		
Payables to subsidiaries	**26,240**	0
Air Berlin GmbH & Co. Siebte Flugzeugvermietungs OHG		
Payables to subsidiaries	**5,383**	0
Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG		
Payables to subsidiaries	**52,904**	0
Air Berlin Erste Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**5,017**	0
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,918**	7
Air Berlin Vierte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,373**	0
Air Berlin Achte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**30**	0
Air Berlin Finance GmbH		
Receivables from subsidiaries	**75**	0
Binoli GmbH		
Revenues	**10**	0
Long-term loans	**250**	0
dba GmbH		
Payables to subsidiaries	**36,148**	0
Euconus GmbH		
Receivables from subsidiaries	**1**	0
Joachim Hunold & Co. Flugzeugvermietungs KG i.L.		
Receivables from subsidiaries	**7**	6
Executive and Non-Executive Directors		
Personnel expenses	**2,520**	4,024
Other operating expenses	**485**	400
Other current liabilities	**2**	2,000

p) Employees

The Company does not have any employees other than its five Executive Directors (2007: four Directors). Their remuneration is included in note 23 above as well as in the Directors' Remuneration Report on pages 94 to 103.

Payroll costs for the period were as follows:

In thousands of Euro	**2008**	2007
Basic wages and salaries	**2,200**	2,000
Bonus	**1,139**	1,800
Share based payment expense	**(92)**	272
Other	**62**	84
	3,309	4,156

The Executive Directors are Participants in the Employee Share Plan 2006, which is described in detail in note 13 above as well as in the Directors' Remuneration Report. In addition, € 1,937 (2007: € 3,084) was paid to a defined benefit plan.

35. SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

Tochtergesellschaften	Country of incorporation	**2008**	2007
AB Erste Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zweite Flugzeugvermietungs GmbH	Germany	✈	✈
AB Dritte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Vierte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Achte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Neunte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zehnte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Luftfahrttechnik Berlin GmbH	Germany	✈	✈
AB Luftfahrttechnik Düsseldorf GmbH	Germany	✈	✈
AB Luftfahrttechnik Köln GmbH (formerly LTU Aircraft Maintenance GmbH)	Germany	✈	✈
Air Berlin Beteiligungsgesellschaft mbH	Germany	✈	✈
Air Berlin Finance B.V.	Netherlands	✈	✈
Air Berlin Finance GmbH	Germany	✈	✈
Air Berlin Netherlands B.V.[1]	Netherlands	✈	✈
Air Berlin PLC & Co. Luftverkehrs KG	Germany	✈	✈
Air Berlin PLC & Co. Airport Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Cabin Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. DUS KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Service Center KG[1]	Germany	✈	✈
Air Berlin Switzerland GmbH[1]	Switzerland	✈	✈
Air Berlin Technik Ltd.[1]	United Kingdom	✈	✈
Air Berlin 1. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 2. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 3. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 4. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 5. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 6. LeaseLux Sàrl[1]	Luxembourg	✈	
Air Berlin 7. LeaseLux Sàrl[1]	Luxembourg	✈	
Air Berlin 8. LeaseLux Sàrl[1]	Luxembourg	✈	
Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Sechste Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Siebte Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG	Germany	✈	✈
Alpha Engine Trading GmbH (formerly Air Berlin Luftfahrttechnischer Betrieb GmbH)	Germany	✈	✈
Belair Airlines AG[1]	Switzerland	✈	✈
Blitz 07-582 GmbH[2]	Germany		✈
Buy.bye Touristik GmbH[3]	Germany		✈

CHS Cabin & Handling Service GmbH	Germany	✈	✈
CHS Cabin & Handling Service Bayern GmbH[4]	Germany		✈
CHS Cabin & Handling Service Mitte GmbH[4]	Germany		✈
CHS Cabin & Handling Service Nord GmbH[4]	Germany		✈
CHS Cabin & Handling Service Ost GmbH[4]	Germany		✈
CHS Cabin & Handling Service Süd GmbH[4]	Germany		✈
CHS Cabin & Handling Service West GmbH[4]	Germany		✈
CHS Cabin & Handling Service Süd-West GmbH[4]	Germany		✈
CHS Cabin & Handling Service Nord-West GmbH[4]	Germany		✈
CHS Cabin & Handling Service NRW-West GmbH[4]	Germany		✈
CHS Switzerland AG[1]	Switzerland	✈	✈
CHS Holding & Services GmbH[1]	Germany	✈	✈
CHS Netherlands N.V.[1]	Netherlands	✈	✈
CHSC Cabin & Handling Service Center GmbH[5]	Germany		✈
CHAS Cabin & Handling Airport Service GmbH[6]	Germany		✈
CHAS International Airport Service GmbH[6]	Germany		✈
CHAS Italy s.r.l.[1]	Italy	✈	✈
CHAS UK Ltd.[1]	United Kingdom	✈	✈
dba Luftfahrtgesellschaft mbH[1]	Germany	✈	✈
Euconus Flugzeugleasinggesellschaft mbH	Germany	✈	✈
Joachim Hunold & Co. Flugzeugvermietungs KG i.L.	Germany		✈
Leisure Cargo GmbH[1]	Germany	✈	✈
Loma Beteiligungsgesellschaft mbH	Germany	✈	✈
LTU Beteiligungs- und Holding GmbH[1]	Germany	✈	✈
LTU Lufttransport Unternehmen GmbH	Germany	✈	✈
LTU Plus GmbH[7]	Germany		✈
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Air Berlin Employee Share Trust [1, 8]	United Kingdom	✈	✈

1 Shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other Group companies).
2 In 2008, the Group disposed of 65 per cent of its share in the subsidiary. The company was renamed to "THBG BBI GmbH" and is shown as a 35 per cent investment in associates. The investments in associates are detailed in note 8.
3 In 2008, the Group disposed of 51 per cent of its share in the subsidiary. The company was renamed to "Binoli GmbH" and is shown as a 49 per cent investment in associates. The investments in associates are detailed in note 8.
4 In 2008, the company was merged to Air Berlin PLC & Co. Cabin Service KG.
5 In 2008, the company was merged to Air Berlin PLC & Co. Service Center KG.
6 In 2008, the company was merged to Air Berlin PLC & Co. Airport Service KG.
7 The company was sold in July 2008.
8 The company is consolidated as a Special Purpose Entity.

Except for Belair Airlines AG (49 %) and the special purpose entity, Air Berlin Employee Share Trust, Air Berlin PLC holds (directly or indirectly) 100 % of the ordinary share capital of the subsidiaries.

GLOSSARY AVIATION

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

APU
Auxiliary Power Unit – an auxiliary power generator that is primarily used in aircraft.

ASK
Available seat kilometres; number of seats available for sale, per flight segment, multiplied by the number of kilometres flown on a flight. Measure of an airline's performance capacity.

BLOCK HOURS
The time during which an aircraft is in revenue service. Calculated from gate departure (push-back) before take-off to standstill at the gate following landing.

DRY LEASE
Leasing of an aircraft without personnel.

FLAG-CARRIER
National airline, either currently or in the past government owned or under government control. The term "legacy carrier" is also used.

FRILLS
Means the same as "odds and ends". No-frills airlines are airlines which lower the ticket price as much as possible by doing away with free services and/or additional services.

IATA
International Air Transport Association.

LOW-COST-CARRIER (LCC)
Also known as "low-fare carrier". "No-frills airline".

PAX
Passenger.

RPK
"Revenue Passenger Kilometres". Number of passengers multiplied by the number of kilometres they cover in flight.

SLOT
Time window within which an airline can use an airport for take-off or landing.

PASSENGER LOAD FACTOR
Percentage value to indicate the utilisation of an aircraft or an entire fleet within a certain time period, either on a route or within a route network. Represents the ratio of the revenue passenger kilometres (RPK) to the available seat kilometres (ASK).

WET LEASE
Leasing an aircraft including personnel.

YIELD
Average revenues. Average revenues per selected output unit. The unit could be a single passenger, a single kilometre flown, or the revenue passenger kilometres.

YIELD MANAGEMENT
Price management system to increase average earnings.

GLOSSARY FINANCIAL MARKET

ACCRUED LIABILITIES AND PROVISIONS
Liability items in the annual financial statements that encompass outgoing payments and/or decreases in value of later periods as expenditure of the accounting period. The exact amount and/or time of these items is not known on balance sheet date, but their occurrence is sufficiently certain.

ACQUISITION & LEVERAGED FINANCE
Financing of company transactions that lead to a change in ownership structure, whereby equity and borrowed capital are used.

AFFILIATED COMPANIES
The term covers Air Berlin PLC and all subsidiaries included in the consolidated financial statements (see note 35).

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

ASSOCIATED COMPANY
A company that is not under uniform management or majority-owned by a controlling company, but on which nevertheless the controlling company exercises considerable influence (shareholding greater than 20 per cent).

AT-EQUITY VALUATION
Valuation of investments in associated companies, whereby their share of equity capital and share of profit for the year are taken into consideration.

CAP
Contractual agreement where for the payment of a premium a buyer acquires a guaranteed interest rate ceiling for an agreed period. If the market interest rate rises above this ceiling at the individual times when the rate of interest for the next interest period is determined, the cap seller must compensate the amount of the difference.

CAPITAL CONSOLIDATION
Equity links between the companies of a group must be eliminated in the consolidated financial statements. Here the investment book value is offset against the proportionate shareholders' equity amounts of the subsidiaries.

CASH FLOW
Business ratio for the earning and financial power of a company within the framework of an analysis of the company. It gives an indication of the degree to which a company has liquid assets arising from its business turnover within an accounting period.

CONSOLIDATION
Addition of partial accounts to a total account – for example of individual balance sheets of the companies of a group to the consolidated balance sheet.

CONSOLIDATED GROUP
All of the group companies included in the consolidated financial statements.

CONSOLIDATION OF REVENUE AND EXPENDITURE
As a matter of principle only revenue and expenditure can be considered in the consolidated income statement that results from business activities with entities outside the group. Revenue and expenditure resulting from internal transactions must therefore be eliminated in the consolidated financial statements. These include internal sales, group charges, interest expenditure and earnings arising from intragroup liabilities as well as intragroup profit and loss transfers.

CORPORATE GOVERNANCE
Code of behaviour that defines guidelines for the transparent management and control of companies. It creates transparency, strengthens confidence in the company management and in particular serves the protection of the shareholders.

DEBT CONSOLIDATION
Consolidation measure that must be carried out when the consolidated financial statements are prepared. Here not only the items shown in the balance sheet but all intragroup accounts receivable and payable must be taken into consideration.

DEFERRED TAXES
Temporary differences to tax calculations in tax expenditure in individual and consolidated financial statements according to commercial law as compared to tax law. This item creates a meaningful correlation between the overall company result and the associated tax expenditure.

DEPRECIATION AND AMORTISATION
Investments are written off over their full useful life, so that the purchase price is spread over several years as expenses.

DERIVATIVES
Derived financial instruments whose valuation depends on the base value in each case – for example share, interest rate, foreign exchange or goods. Futures and options are important forms of derivative financial instruments.

DISINVESTMENT
Write-offs that are greater than replacement investments and serve to maintain the production system.

DISAGIO
Difference by which the repayable total of a loan is greater than the amount paid out.

DUE DILIGENCE
Intensive analysis and appraisal by external specialists of the financial, legal and business situation of a company including its risks and perspectives. Due Diligence forms the prerequisite for the preparation of an IPO (Initial Public Offering), the purchase or sale of a company or parts of a company as well as for granting of credit or capital increases.

DVFA/SG RESULT
Standardised output quantity developed by Deutsche Vereinigung für Finanzanalyse und Anlagenberatung (DVFA) and the Schmalenbach-Gesellschaft (SG). Here the reported profit after tax is adjusted to eliminate special influences that make it difficult to compare with other companies.

EBIT
Result from operating activities, Earnings Before Interest and Taxes.

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

EBITDAR
Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent.

ELIMINATION OF INTERCOMPANY PROFIT AND LOSS
Within the framework of the consolidated financial statements, profits and losses resulting from the intragroup supply of goods and services are to be considered as not realised as long as they have not left the consolidated group. The elimination of intercompany profits and losses is effected by the valuation of goods and services supplied at uniform consolidated group acquisition and production costs.

EQUITY RATIO
Business ratio of the capital structure analysis that quantifies the share of equity capital as a proportion of total capital. Calculation formula: shareholders' equity divided by balance sheet total.

FREE FLOAT
Proportion of shares of a public limited company not in the firm possession of certain shareholders, but held by many shareholders in small parcels.

GOODWILL
Difference between the purchase price of a company and its net worth (assets less liabilities).

HEDGING
Safeguarding the share price: through the sale or purchase of derivatives (futures, options, swaps), security positions can be safeguarded (hedged) against share market trends.

IFRS/IAS
Internationally applicable accounting standards that allow comparability of consolidated financial statements worldwide. Thanks to great transparency they fulfil the information expectations of investors and other addressees. The individual IFRS standards are called IAS (International Accounting Standards) and the newer standards are called IFRS.

INVESTMENT / CAPITAL EXPENDITURE
Expenditure for objects required for longer than just one year for production – from buildings through machinery to computer programs. Investment/capital expenditure contributes to safeguarding the future of companies and must be written down (depreciated) over the useful life.

INVESTMENT INTENSITY
Business ratio for analysis of asset structure that describes the ratio of fixed assets as a proportion of total assets.

JOINT VENTURE
Business cooperation between companies, usually limited in terms of time and function. Projects within the framework of a joint venture are carried out jointly by the participating partner companies.

MARKET CAPITALISATION
Result of the multiplication of number of shares by share price.

MERGERS & ACQUISITIONS (M & A)
Mediation of mergers and acquisitions of companies or parts of companies and the associated consulting of buyers and sellers.

OPTION
Right to purchase or sale of an option object from or to a contractual partner (writer) at a previously agreed fixed price, at a certain time or in a certain period. Purchase options are known as a “call”, sales options as a “put”.

PREPAID EXPENSES AND DEFERRED INCOME
Payments already made or received in advance during the reporting period, but which relate to a period after the balance sheet date.

PROFIT MARGIN
Profit after taxation divided by revenue.

PROJECTED UNIT CREDIT METHOD
Method for the valuation of pension obligations according to IAS 19. Here – in addition to the acquired pension benefits and entitlements effective on the balance sheet date – the increases in salaries and pensions to be expected in future are also taken into consideration.

PURCHASE PRICE ALLOCATION
Purchase price distribution: after the acquisition of a company the purchase price is distributed across the individual assets and liabilities.

R+D PROPORTION
Business ratio indicating R&D expenditure (Research & Development) as a share of turnover, expressed as a percentage.

RATING
Assessment of the creditworthiness of a company. Here forecasts are made as to the extent to which a company is capable of meeting its obligations arising from interest and capital repayments at an agreed point in time. The assessment takes into consideration factors specific to the company and the industry as well as country-specific risks. Ratings provide more transparency and better comparability. As a result, investors and creditors can more realistically estimate the risks of a financial investment.

RETAINED EARNINGS
Reserves accumulated from undistributed profits.

RETURN ON EQUITY (ROE)
Ratio of profit after tax to equity capital employed.

SHAREHOLDERS’ EQUITY
Capital value introduced by the owners and which the company has accumulated over years as reserves. It is permanently available to the company.

SWAP
Agreement between two companies to swap payment flows at a future point in time. In the case of an interest swap, for an agreed nominal amount fixed interest payments are swapped for variable interest payments.

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TRAFFIC FIGURES MARCH	7 APRIL 2009
TRAFFIC FIGURES APRIL	5 MAY 2009
PUBLICATION OF INTERIM REPORT TO 31 MARCH 2009 (Q1) ANALYSTS' AND INVESTORS' CONFERENCE CALL	MAY 2009
TRAFFIC FIGURES MAY	8 JUNE 2009
ANNUAL GENERAL MEETING (AGM) OF AIR BERLIN PLC, LONDON STANSTED	10 JUNE 2009
TRAFFIC FIGURES JUNE	7 JULY 2009
TRAFFIC FIGURES JULY	6 AUGUST 2009
PUBLICATION OF INTERIM REPORT TO 30 JUNE 2009 (Q2) ANALYSTS' AND INVESTORS' CONFERENCE CALL	AUGUST 2009
TRAFFIC FIGURES AUGUST	7 SEPTEMBER 2009
TRAFFIC FIGURES SEPTEMBER	6 OCTOBER 2009
TRAFFIC FIGURES OCTOBER	5 NOVEMBER 2009
PUBLICATION OF INTERIM REPORT TO 30 SEPTEMBER 2009 (Q3) ANALYSTS' AND INVESTORS' CONFERENCE CALL	NOVEMBER 2009
TRAFFIC FIGURES NOVEMBER	7 DECEMBER 2009

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