AIRBERLIN

ANNUAL REPORT

· 2013 ·

WE CONSTANTLY

strive to be

MOVING

airberlin

Your Airline.

AIRBERLIN
FINANCIAL FIGURES
2013

FINANCIAL PERFORMANCE INDICATORS

	2013	2012	2011
Revenue (in million euros)	**4,146.8**	4,311.7	4,227.3
including ticket sales (in million euros)	**3,815.5**	4,006.7	3,934.8
EBITDAR (in million euros)	**432.7**	736.5	425.9
EBIT (in million euros)	**–231.9**	70.2	–247.0
Consolidated profit/loss for the period (in million euros)	**–315.5**	6.8	–420.4
Earnings per share (in euros)	**–2.71**	0.06	–4.94
Total assets (in million euros)	**1,885.5**	2,217.6	2,125.7
Employees (as at 31 December)	**8,905**	9,284	9,113

OPERATING PERFORMANCE INDICATORS

	2013 vs. 2012 in per cent	2013	2012	2011
Passengers	–5.4	**31,535,867**	33,346,495	35,300,209
Full year destinations	–1.7	**171**	174	162
Aircraft at year end (operational fleet)	–9.7	**140**	155	170
Available seat kilometres (in billion; ASK)	–5.1	**57.25**	60.30	62.16
Load factor (in per cent; RPK/ASK)	+1.3*)	**84.85**	83.55	84.53

*) percentage points

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER WOLFGANG PROCK-SCHAUER

W. PROCK-SCHAUER

Chief Executive Officer (CEO)

DEAR SHAREHOLDERS,

In financial year 2013, airberlin made strides in improving its operational performance. However, this progress, measured in terms of financial performance, was restrained as a result of several opposing effects. We are therefore not pleased with the results overall. Given the very challenging competitive environment, 2013 has not met our expectations.

By continually adjusting our offers and concentrating on established routes throughout the year, we were able to increase our capacity utilisation and our yields. In addition, the Turbine efficiency programme reached its targeted contribution of EUR 200 million in terms of costs and revenues. Nevertheless, we have still ended the year with an operating loss and hence, our earnings are below the previous year's level. The reasons for this are many. The hot temperatures in the summer prompted many people to spend their holidays at home. This forced us to enter the traditionally difficult winter quarter on the heels of an overall weak peak season. In the European market, which has been weak for years, competition became even more intense and the cost side reflected effects which were beyond our direct influence, such as higher infrastructure costs and levies.

The road to renewed profitability is proving to be longer and more difficult than expected and therefore additional structural measures must be addressed in the current financial year. First, however, I would like to point out: the successes achieved and initiated by our Turbine programme in this past financial year will take their full effect in the current year. Our planned estimates relating to this programme continue to be valid. Thus, we continue to expect the originally planned positive effect on the income statement in 2014. The Turbine programme's turnaround effect of approximately EUR 400 million in total for 2013 and 2014, which was previously announced, will be achieved. The additional measures referred to above include, among others, the establishment of a new revenue management system for tapping additional sources of revenue, the enhancement of our cooperation with our partner Etihad Airways in order to generate additional synergies, the intensification of our cooperation with American Airlines and, not least, the continued optimisation of our fleet and network.

To re-accelerate the Turbine programme and to broaden the programme using the entire portfolio of additional initiatives mentioned above, we need to strengthen both our equity and our liquidity. To this end, airberlin has initiated measures leading to an inflow of a total EUR 450 million of further funds and to a significant improvement of the maturity profile

of our capital market debts. First, Etihad Airways will subscribe to long-term subordinated convertible bonds in a total amount of EUR 300 million. The convertible bonds have no maturity date ("perpetual bonds") and will be treated as equity capital of the airberlin group under International Financial Reporting Standards (IFRS). Furthermore, Etihad Airways and airberlin have agreed to extend the term of the existing and not fully drawn shareholder loan granted by our partner Etihad Airways by five additional years until 31 December 2021. These are clear signs of our long-term partnership. Etihad Airways' share in Air Berlin PLC will remain unchanged following these measures.

In order to further strengthen its financial structure, airberlin plans to issue new corporate bonds having an aggregate principal amount of EUR 150 million. Finally, the holders of the currently outstanding corporate bonds due in 2014 and 2015, together having an aggregate principal amount of EUR 350 million, will be offered to exchange their existing notes at preferential terms into new notes with a maturity in 2019.

To strengthen management capacity for the turnaroundprocess, the Management Board of airberlin will be expanded to include the function of Chief Restructuring Officer (CRO). Effective May 2014, Marco Ciomperlik will assume responsibility for coordinating and driving the restructuring and turnaround process in his role as CRO. In previous years, Marco Ciomperlik has worked in a leading role in consultancy companies and over the last five years, he has held the position of Chief Maintenance Officer at airberlin, where he successfully implemented restructuring projects in his area of responsibility. As previously announced, Götz Ahmelmann will assume the position of Chief Commercial Officer at airberlin with effect from 1 July 2014.

The cooperation with our partner Etihad Airways was further expanded during this past year. With almost 560,000 common passengers, we achieved an increase over the previous year of almost 75 per cent. This led to a significantly higher level of revenues on joint codeshare routes, despite the more difficult market conditions. Furthermore, the partnership with Etihad Airways is being enhanced in various areas of the business, allowing us to utilise synergy effects along the entire value chain.

Our membership in the oneworld alliance is also proving to be extremely successful. The number of passengers on joint codeshare routes with oneworld partners increased by two and a half times. In the current year we expect further growth.

We are confident that our entire package of measures will lay the groundwork necessary for a return to profitability and a successfully flying airberlin for the years to come!

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

STATEMENT FROM THE CHAIRMAN OF THE BOARD

DR.
HANS-JOACHIM KÖRBER

Chairman of the Board of Directors since 1 January 2011

THE FINANCIAL POSITION OF THE AIRBERLIN GROUP

The results of financial year 2013 must be acknowledged as disappointing. The progress of the Turbine programme from an operational perspective has not had the effect hoped for. Although the programme was carried out as planned – which is visible in the improvement of various performance indicators – setbacks in revenues had to be accepted and various expense items increased as the result of external factors. For example, wage increases, among others, prevented a discernible decrease in personnel expenses, despite a reduction in the level of staff. In addition, the beautiful weather in Germany during the peak season, which was unfortunate for airberlin, curbed our revenues during the usual seasonal peak-period. Residual costs in the course of implementing the Turbine programme have also burdened the result.

In total, the progress achieved in financial year 2013 was not enough to lead the airberlin group to profitability. Continued and fiercer competition, especially in Europe, and the effects already mentioned have led to a substantial loss. With revenues slightly lower at EUR 4,147 million, the EBIT fell to EUR –232 million, after a profit of EUR 70 million was achieved in the previous year owing to one-off effects.

airberlin's financial position demands more efforts on the road to profitability and an improvement in its strained financial resources. With this in mind, the Board of Directors has outlined further actions. Firstly, the Turbine programme will be accelerated once again with a range of structural and operational measures to be carried out in the current financial year. Secondly, the Board has come to the conclusion that these measures cannot be executed without additional capital.

Our strategic partner Etihad Airways will subscribe to subordinated perpetual convertible bonds in the total amount of EUR 300 million and thus provide the necessary liquidity. It was also agreed that the term of the existing shareholder loan granted by of our partner, Etihad Airways, would be extended to 31 December 2021. These actions convincingly demonstrate the strength of the partnership between airberlin and Etihad Airways, which brings benefits across the entire value chain for all stakeholders. A sign of the success of this partnership is the almost 75 per cent increase in common guests with airberlin in the last financial year.

Moreover, airberlin will attain additional funds via the issue of new corporate bonds with a total volume of EUR 150 million. The bonds will be used for general corporate purposes. Further, the holders of the currently outstanding corporate bonds due in 2014 and 2015, having an aggregate principal amount of EUR 350 million, will be offered to exchange their existing notes at preferential terms into new notes with a maturity in 2019.

To strengthen the Management Board's efforts in implementing the additional restructuring measures, the Board of Directors has created the position of Chief Restructuring Officer (CRO). Effective May 2014, Marco Ciomperlik will assume responsibility for coordinating and driving the restructuring and turnaround process in his role as CRO. In previous years, Marco Ciomperlik has held a leading role in consultancy companies and over the last five years he has held the position of Chief Maintenance Officer at airberlin, where he successfully implemented restructuring projects in his area of responsibility. With effect from 1 July 2014, Götz Ahmelmann will assume the position of Chief Commercial Officer at airberlin.

THE WORK OF THE BOARD OF DIRECTORS

The work of the Board of Directors and its committees during the 2013 financial year is discussed in detail in the Corporate Governance Report contained in this Annual Report from page 70.

PERSONNEL

In the course of the 2013 financial year, the following changes to the composition of the Board of Directors took place:

Until 6 January 2013, Mr Hartmut Mehdorn was the Chief Executive Officer and from 7 January 2013 until 12 March 2013, he held the position of a Non-Executive Officer. On this date, he left the Company to assume the office of the managing director at the Flughafen Berlin-Brandenburg GmbH. The Board would like to thank Mr Mehdorn for his commitment to airberlin.

As at 7 January 2013, Mr Wolfgang Prock-Schauer assumed the role of the CEO, sole Executive Director and Chairman of the Management Board. Until that time, he held the office of Chief Strategy Planning Officer, which he continues to hold today.

As at 1 October 2013, Messieurs Andries B. van Luijk and Dr. Lothar Steinebach joined the Board as Non-Executive Directors.

From 3 January 2013 to 22 June 2013, Austin Reid was a Non-Executive Director and stepped down from the Board effective 23 June 2013. The Board would like to thank him for his commitment.

Mr Paul Gregorowitsch left the Company on 1 December 2013. He held the office of the Chief Commercial Officer. The Board would like to thank him for his commitment. Since 1 December 2013, Mr Prock-Schauer has held the office of the CCO on an interim basis until the new CCO commences office.

On 17 December 2013, the Board announced the appointment of Mr Götz Ahmelmann as the new CCO of airberlin. He will assume office on 1 July 2014.

A WORD OF THANKS

The employees of the airberlin group and management were again confronted with a tremendous challenge in 2013. The systematic implementation of the structural measures planned for this past financial year as part of the Turbine programme was not sufficient to return us to profitability. However, we would be faced with even greater challenges in the future, had we not implemented these essential prerequisites. The Board of Directors would like to extend its thanks to our employees for their commitment and their performance for this past year and also thanks them in advance for the efforts which still lie ahead.

DR. HANS-JOACHIM KÖRBER

CHAIRMAN OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER (CEO)

Born on 12 November 1956 in Horn, Austria. Graduate of Vienna University of Business and Economics. Began career at Austrian Airlines in 1981. Executive Vice President responsible for the management of the route network, strategic planning, and alliances as well as for the integration of the regional airlines Lauda Air and Tyrolean, among others. 2003 changed to Jet Airways in India as CEO. Took Jet Airways public in 2005, expanded long-haul business and the global network with other airlines. From 2009 to 2012, CEO of bmi British Midland. Since 1 October 2012, Mr Prock-Schauer has been Chief Strategy and Network Planning Officer of Air Berlin PLC (CSPO). On 7 January 2013, he also assumed the position of CEO, sole Executive Director and Chairman of the Management Board. Since 1 December 2013 Mr Prock-Schauer has assumed the role of Chief Commercial Officer (CCO) on an interim basis until the new CCO takes over this position on 1 July 2014.

NON-EXECUTIVE DIRECTORS

DR. HANS-JOACHIM KÖRBER

CHAIRMAN OF THE BOARD OF DIRECTORS

Born on 9 July 1946 in Braunschweig, Germany. Brew master degree and degree in Business Administration. After several years of holding executive positions within the R.A. Oetker-Group, in 1985 Dr. Körber joined Metro SB Großmärkte, a legal predecessor of Metro AG, holding executive positions until 1996. With the founding of Metro AG in 1996, he became a member of the Board of Directors and was CEO from 1999 to 2007. Dr. Körber has been a Non-Executive Director of Air Berlin PLC since 9 May 2006, and Chairman since 1 January 2011.

JAMES HOGAN

PRESIDENT AND CHIEF EXECUTIVE OFFICER ETIHAD AIRWAYS;
VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Born on 28 November 1956 in Melbourne, Australia. James Hogan has been the President and Chief Executive Officer of Etihad Airways, the national airline of the United Arab Emirates, since September 2006. Prior to this, he held senior executive and board positions at Hertz, bmi British Midland, Forte Hotels, and the Granada Group, and was President and Chief Executive of Gulf Air from 2002 to 2006. He is a Member of the UBS Industrialisation Advisory Board and the International Air Transport Association (IATA) Board of Governors and is Vice Chairman of the Executive Committee of the World Travel and Tourism Council (WTTC). Since December 2013, Mr Hogan has been a member of the Board of Directors of Jet Airways (India) Limited. Mr Hogan has been a Non-Executive Director and Vice Chairman of the Board of Directors of Air Berlin PLC since 24 January 2012.

JOACHIM HUNOLD

FOUNDER OF AIR BERLIN PLC

Born on 5 September 1949 in Dusseldorf, Germany. Law graduate. In the aviation industry since 1978. Founder of Air Berlin GmbH & Co Luftverkehrs KG in April 1991 and led the acquisition of Air Berlin, Inc. Since that time and until 31 August 2011, he was head of the airberlin group as Managing Partner and as of 1 January 2006, was its Chief Executive Officer. Mr Hunold has been a Non-Executive member of the Board of Directors of Air Berlin PLC since 1 September 2011 and was its Chief Executive Officer until 31 August 2011.

ANDRIES B. VAN LUIJK

FORMER EXECUTIVE VICE-PRESIDENT (EVP) OF
KLM ROYAL DUTCH AIRLINES

Born on 16 September 1945 in The Hague, Netherlands. Mr van Luijk holds a degree in Business Administration. He started his career at KLM Royal Dutch Airlines in 1969. He has held numerous international senior executive positions until 1999, and most recently was the EVP of Passenger Sales and Services as well as Chairman of the joint venture between KLM and the US carrier Northwest Airlines. Mr van Luijk is an advisor to the Board of Jet Airways, member of the Advisory Board of Deerns (Consulting Engineers), Chairman of the Board of Jet Air WW, AG, Chairman of the Supervisory Board of MI Airline, and Chairman of the Advisory Board of Orfeo Clinic. Mr van Luijk has been a Non-Executive Director of Air Berlin PLC since 1 October 2013.

HARTMUT MEHDORN

CHAIRMAN OF THE BOARD OF DIRECTORS OF
FLUGHAFEN BERLIN GMBH

Mr Mehdorn served as Non-Executive Director from 1 July 2009 until 31 August 2011, and served as Chief Executive Officer from 1 September 2011 until 6 January 2013. He was also a Non-Executive Director of Air Berlin PLC from 7 January 2013 until 12 March 2013.

AUSTIN REID

FORMER CEO OF BMI BRITISH MIDLAND

Mr Reid was a Non-Executive Director from 3 January 2013 until 22 June 2013 and resigned from the Board of Directors of Air Berlin PLC on 23 June 2013.

JAMES RIGNEY

CHIEF FINANCIAL OFFICER ETIHAD AIRWAYS

Born on 29 May 1967, in Melbourne, Australia. James Rigney has been the Chief Financial Officer of Etihad Airways, the national airline of the United Arab Emirates, since October 2006. Prior to this, he held senior executive and board positions at KPMG, the Ansett Group, and Gulf Air. As a Chartered Accountant, Mr Rigney holds a Bachelor and a Master of Business Administration (MBA) from the RMIT University in Melbourne. Since December 2013, Mr Rigney has been a member of the Board of Directors of Jet Airways (India) Limited. Mr Rigney is a member of the Finance Committee of the International Air Transport Association (IATA). Mr Rigney has been a Non-Executive Director of Air Berlin PLC since 24 January 2012.

ALI SABANCI

MEMBER OF THE BOARD OF ESAS HOLDING AND
CHAIRMAN OF PEGASUS AIRLINES

Born on 05 May 1969 in Adana, Turkey. After specialising in Politics and Economics at Tufts University, US between the years 1987–1991, he worked as a Financial Analyst for Morgan Stanley & Co. Incorporated until the year 1993. He received his MBA degree with a major in International Finance at Columbia Business School between the years 1993–1995. From 1997 to 2004, he held various management positions at H.Ö. Sabancı Holding A.Ş. In 2004, Mr Sabancı resigned from his positions and joined ESAS Holding A.Ş. as a Member of the Board. Ali Sabancı has been a member of the Board of Directors as a Non-Executive Director of Air Berlin PLC since 8 May 2009.

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE SUPERVISORY BOARD OF
TRIMET ALUMINIUM SE, ESSEN

Born on 16 October 1949, in Rübehorst/Ruppin, Germany. He is a merchant in wholesale and foreign trade and began his career in 1971 as a metal trader at W&O Bergmann. Starting in 1979, he had the overall responsibility for its trading division and from 1982 he was a Member of the Management Board. In 1985, he founded and was sole proprietor of TRIMET Metallhandelsgesellschaft, now known as TRIMET Aluminium SE, Germany's largest producer of aluminium. Following the acquisition of the plants in Saint Jean-de-Maurienne and Castelsarrasin, he is also the Chairman of the Supervisory Board of the newly founded TRIMET France SAS. Heinz-Peter Schlüter has been a Non-Executive Director of Air Berlin PLC since 1 April 2008.

DR. LOTHAR STEINEBACH

FORMER MEMBER OF THE MANAGEMENT BOARD
OF HENKEL AG & CO KGAA

Born on 25 January 1948 in Wiesbaden, Germany. Dr. Steinebach is a fully qualified lawyer and started his career at Henkel KGaA in the legal department in 1980. At Henkel, he was the Divisional Director with international responsibilities from 1989 to 1995. He was a Member of the Management Committee of Henkel KGaA from 1995 to 2003, and was responsible for finance and controlling. From 2003 to 2012, he was a Member of the Management Board of Henkel AG & Co. KGaA as the Executive Vice President & Chief Financial Officer, responsible for the Finance, Procurement, IT, and Legal departments. Dr. Steinebach is a member of the Supervisory Board of ALTANA AG, Carl Zeiss AG, Ralf Schmitz GmbH & Co. KGaA, and ThyssenKrupp AG. He is also a Member of the Advisory Board of Diem Client Partner AG, Switzerland. Dr. Steinebach has been a Non-Executive Director of Air Berlin PLC since 1 October 2013.

NICHOLAS TELLER

CHIEF EXECUTIVE OFFICER OF E.R. CAPITAL HOLDING GMBH & CIE. KG, HAMBURG

Born on 16 June 1959 in London, Great Britain. Mr Teller has a Bachelor of Commerce degree. From 1982 he held various management positions at Commerzbank and from 2002 until 2003, he was a Regional Board Member. From 2003 until 2008 he was a member of the Management Board of Commerzbank AG. Thereafter, Mr Teller became the CEO of E.R. Capital Holding GmbH & Cie. KG in Hamburg and a Member of Commerzbank's Central Advisory Board as well as a member of the Executive Committee of the Board of Directors of the American Chamber of Commerce in Germany e. V. Until 7 May 2014, he was a member of the Supervisory Board of Next Generation Finance Invest AG, Zug (now renamed Ayondo Holding AG). He is also the non-executive Chairman of SHL Telemedizin. Mr Nicholas Teller has been a Non-Executive Director of Air Berlin PLC since 9 May 2006.

JOHANNES ZURNIEDEN

MANAGING DIRECTOR AT PHOENIX REISEN GMBH, BONN

Born on 28 June 1950 in Bergisch-Gladbach, Germany. Mr Zurnieden studied law and psychology. He has been a Managing Director at Phoenix Reisen since 1973. As of 1994, he has been the Deputy Chairman of the Supervisory Board of Deutscher Reisepreis-Sicherungsverein and from 1998 he has been the Vice President of DRV (Deutsche ReiseVerband). He is also a Member of the Advisory Boards of Europäische Reiseversicherung AG, Commerzbank AG, and Sparkasse Köln-Bonn. Johannes Zurnieden has been a Non-Executive Director of Air Berlin PLC since 9 May 2006 and until 31 December 2010 he was Chairman of the Board of Directors.

THE MANAGEMENT BOARD

WOLFGANG PROCK-SCHAUER

ULF HÜTTMEYER

DR. MARTINA NIEMANN

HELMUT HIMMELREICH

WOLFGANG PROCK–SCHAUER

CHIEF EXECUTIVE OFFICER (CEO);
INTERIM CHIEF COMMERCIAL OFFICER (CCO)

Since Paul Gregorowitsch's resignation on 1 December 2013, Mr Prock-Schauer has assumed the position of CCO on an interim basis. He will remain in this position until Mr Götz Ahmelmann assumes the position of CCO on 1 July 2014.

ULF HÜTTMEYER

CHIEF FINANCIAL OFFICER (CFO)

Born on 9 July 1973 in Wildeshausen, Germany. Degree in Business Administration. From 1996 he served as a Credit and Finance analyst at Commerzbank; thereafter, he performed various duties in Germany and abroad (Singapore) and then served as Group Manager Corporate Clients Services in Berlin; finally he became Director in 2005. From February 2006 CFO of Air Berlin PLC.

PAUL GREGOROWITSCH

CHIEF COMMERCIAL OFFICER (CCO)

Mr Gregorowitsch was Chief Commercial Officer of Air Berlin PLC from 1 September 2011 until 1 December 2013.

DR. MARTINA NIEMANN

CHIEF HUMAN RESOURCES OFFICER
(CHO)

Born on 13 March 1964 in Duisburg, Germany. She studied at the Freie Universität Berlin and received a diploma in economics. Thereafter, she held a management position at a private equity company, then spent two years at Deutsche Lufthansa and thereafter accepted a position at the Kaufhof Group as Director of Controlling for the travel agency sector. She held various management positions at Deutsche Bahn AG including Director of Human Resource Reporting and Analysis, Workforce Deployment and the Group's labour market, and served as Head of the Remuneration and Welfare Policy Department. Chief Human Resources Officer (CHRO) of Air Berlin PLC since 15 February 2012.

HELMUT HIMMELREICH

CHIEF OPERATING OFFICER (COO)

Born on 15 July 1952 in Wallendorf, Germany. For 25 years at LTU Fluggesellschaft GmbH & Co. KG; in his last position serving as Managing Director of Operations, Air Traffic, and Maintenance. From 2003 until 2007 he was Technical Director at Swiss International Air Lines. Later, he served as Senior Executive Vice President responsible for Aircraft Services and the restructuring of the technical services subsidiaries. From March 2010, he served as Chief Maintenance Officer (CMO) of Air Berlin PLC & Co. Luftverkehrs KG and was appointed COO of Air Berlin PLC on 4 November 2011.

THE AIRBERLIN SHARE

The airberlin share has a positive start in 2013; share price rises 7.8 per cent over the course of the year. Adverse market conditions continue; Turbine programme successfully implemented; Etihad Airways strengthens its partnership with airberlin.

The airberlin share and the stock market in 2013

The upward trend in the stock markets continued in 2013. The historically low interest rates – especially after the rate cut by the ECB in the first half of the year – and the abundant liquidity in the capital markets provided by the central banks led to significant share price gains and drove the stock markets to new all-time highs. Positive U.S. economic data also stimulated the market's development. The SDAX price index, which is the relevant benchmark index for the airberlin share, recorded an increase of 10.4 per cent in the first half of the year. Another surprising rate cut by the ECB, the Federal Reserve's decision to maintain its high level of bond purchases, as well as a recovery in the eurozone's economic leading indicators, all proved to be significant drivers of the share prices in the second half of the year. The SDAX gained 17.2 per cent during this period and 29.3 per cent for the full year.

The airberlin share also performed positively in the first half of the year. In the first quarter, it rose from EUR 1.54 to an interim high of EUR 2.70 supported by the announcement of the Turbine turnaround programme. An added boost came from Deutsche Bank, who raised its recommendation for the Company to a "buy" rating (increased price target to EUR 3.50). However, in the second quarter, airberlin shares surrendered a portion of these gains (–17.7 per cent).

In the second half of the year, airberlin's share development was the direct opposite of that of the SDAX. The political environment, among other things, greatly influenced the aviation sector, which had a material effect on airberlin. In the third quarter, airberlin's share lost 10.3 per cent and in the fourth quarter it fell another 5.1 per cent as a result of the failed negotiations to abolish the air transportation tax, in addition to the ongoing price war among airlines and the continued uncertainty surrounding the opening date of the Berlin-Brandenburg airport.

At EUR 1.66 (Xetra), the airberlin share traded 7.8 per cent higher at the end of the 2013 financial year compared to its closing price at the end of 2012. This trend continued into 2014. Etihad Airways and airberlin's joint annual kick-off press conference contributed to this performance, particularly due to the clear commitment shown by Etihad Airways to airberlin, which underscores the strategic partnership between the two companies.

Coverage of the airberlin share

airberlin is an integral part of the coverage and monitoring carried out by national and international banks and investment institutions. Thus, detailed company analyses on airberlin are published frequently. As at the end of financial year 2013, a total of seven analysts and research houses covered the Company: Bankhaus Lampe KG, Commerzbank AG, Credit Suisse Group AG, Deutsche Bank AG, HSBC Bank plc, B. Metzler seel. Sohn & Co. Holding AG, and NORD/LB.

The following table contains all of the assessments known to us by the editorial deadline of this Annual Report. One analyst took a neutral stance and six analysts recommended selling or underweighting the share.

Recommendation	Number of recommendations
Buy	0
Hold/Neutral	1
Underweight/Underperform	2
Sell	4

Capital measures

THE FIRST QUARTER OF 2013: SUCCESSFUL ISSUE OF CONVERTIBLE BONDS

On 6 March 2013, Air Berlin PLC issued convertible bonds, excluding shareholder subscription rights, in an aggregate principal amount of EUR 140 million, available in denominations of EUR 100,000, and placed at 100 per cent of face value. The bonds have a six year term. They were issued with a coupon of 6.0 per cent per annum, payable on a quarterly basis. The bonds are convertible into registered common shares of Air Berlin PLC and the initial conversion price is EUR 2.82. Etihad Airways PJSC, which holds a 29.2 per cent stake in Air Berlin PLC, subscribed in proportion to their shareholding.

JANUARY 2014: SUCCESSFUL INCREASE OF 8.25 PER CENT BOND ISSUED IN APRIL 2011

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

airberlin has issued several bonds and convertible bonds in recent years. These types of financial instruments on the one hand were chosen not only to refinance the airberlin group, but on the other hand also to improve the Group's liquidity.

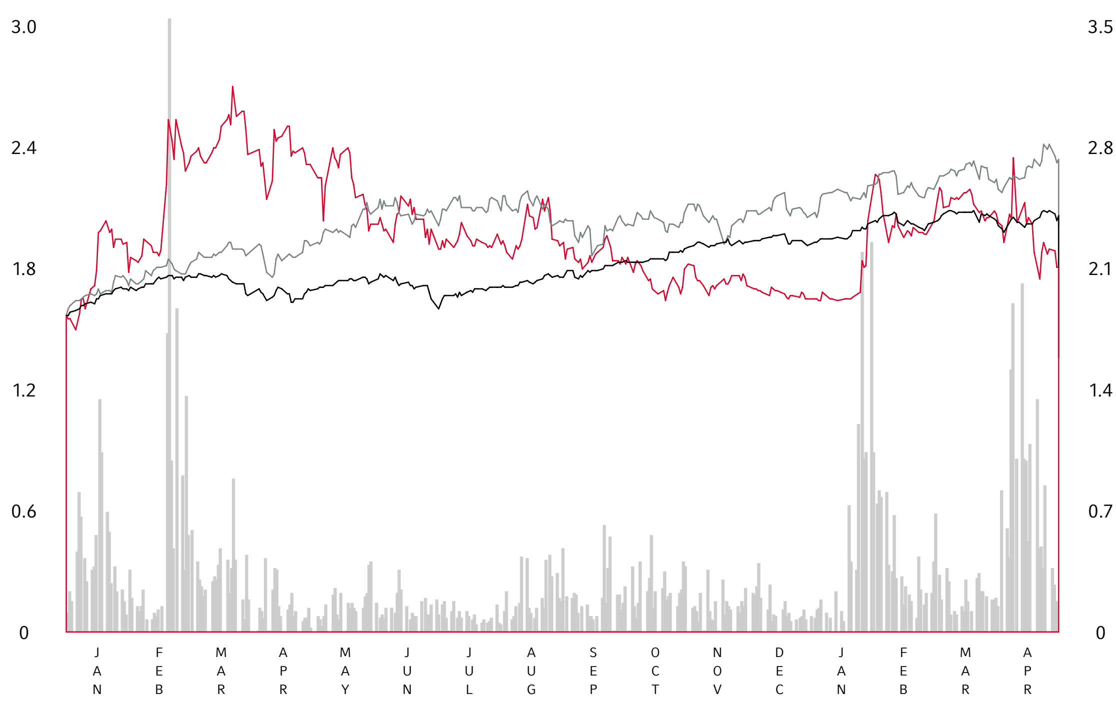
The following bonds are currently outstanding:

Bond	Term	Volume in EUR million	ISIN
11.50% bond	2011/2014	150 (100+50)	DE000AB100C2
8.25% bond	2011/2018	225 (150+75)	DE000AB100B4
8.50% bond	2010/2015	200	DE000AB100A6

Convertible bond	Term	Volume in EUR million	ISIN
6.0% convertible bond	2013/2019	140	DE000A1HGM38
1.5% convertible bond	2007/2027	4.8 outstanding	DE000A0NQ9H6

The convertible bonds were issued through Air Berlin Finance B.V. and are guaranteed by Air Berlin PLC.

RELATIVE PERFORMANCE AIR BERLIN PLC VS. SDAX PRICE INDEX AND DOW JONES STOXX TMI AIRLINES INDEX (EUR)



NUMBER OF AIRBERLIN SHARES TRADED (MILLION; XETRA + REGIONAL BOURSES; RIGHT)

SDAX PRICE INDEX (LEFT)

STOXX EUROPE TOTAL MARKET AIRLINES PRICE INDEX (LEFT)

AIRBERLIN (LEFT)

SOURCE: REUTERS

The Air Berlin PLC share

Data as at 31 December 2013	
Share capital	EUR 29,200,127 and GBP 50,000
Total number of outstanding and fully paid-in ordinary registered shares as at 31 December 2013	116,800,508
Class	ordinary registered shares
Nominal value	EUR 0.25
Bloomberg symbol	AB1 GY
Reuters symbol	AB1.DE
ISIN	GB00B128C026
WKN	AB1000
Stock exchanges	XETRA, Frankfurt/Main; Open Market: Berlin, Dusseldorf, Hamburg, Munich, Stuttgart
Accounting standard	IAS / IFRS
Trading segment	Regulated Market (Prime Standard)
Primary industry	Transport and Logistics
Industry group	Airlines
Indices	SDAX, Prime All Share, Classic All Share
Designated sponsor	Commerzbank AG

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

airberlin provides information in a timely manner with regard to its on-going investor relations activities, ad-hoc notifications and IR releases, investor and analyst presentations, as well as on all other mandatory reports and disclosures. This information can be found on the airberlin investor relations website at ir.airberlin.com.

Main shareholders in Air Berlin PLC as at 31 December 2013

Shareholders	Holdings in %
Etihad Airways PJSC	**29.21**
ESAS Holding A.S.	**12.02**
Hans-Joachim Knieps	**5.48**
Leibniz-Service GmbH / TUI Travel PLC	3.37
Reidun Lundgren (Metolius Foundation, Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	2.78
Werner Huehn	2.51
Joachim Hunold	1.95
Severin Schulte	1.71
Johannes Zurnieden	1.16
Heinz-Peter Schlüter	1.03
Dr. Hans-Joachim Körber (Chairman Air Berlin PLC)	0.17
Dr. Hartmut Mehdorn	0.11

Shareholder structure by nationality as at 31 December 2013

In accordance with EU regulations, an airline based in the EU must be at least 50 per cent owned and effectively controlled by EU member states or nationals of EU member states in order to maintain its operating license. Some bilateral agreements on the use of traffic rights also require a purely German ownership of more than 50 per cent of the Company. airberlin continuously monitors its shareholder structure using a shareholder register and can intervene if the shareholder structure develops in a manner which would jeopardise the maintenance of the operating licenses or of the individual traffic rights.

The proportion of German investors in Air Berlin PLC at the end of 2013 was 54.33 per cent and the proportion of European investors amounted to 57.98 per cent. The largest shareholder in Air Berlin PLC is its strategic partner, Etihad Airways PJSC, with a 29.21 per cent share, followed by ESAS Holding A.S. with a 12.02 per cent share and Mr Hans-Joachim Knieps with a share of 5.48 per cent. By the end of financial year 2013, there were nearly 33,000 shareholders listed in the Company's shareholder register.

Shareholders

	Holdings in %
Germany	54.33
United Arab Emirates	29.21
Turkey	12.02
Liechtenstein	2.07
Austria	0.43
Luxemburg	0.30
Other EU countries / EEA countries	0.85
Other countries	0.79

Details on the changes in the authorised and issued share capital may be found in the notes to the consolidated financial statements. The rights and obligations associated with the Company's shares are also described in the notes to the consolidated financial statements.

airberlin group increases communication with investors

Through airberlin's Investor Relations department, the Company is in continuous dialogue with analysts and with institutional and private investors. We are committed to the principles of transparent communication, and accordingly, we provide information in an objective, comprehensive, and timely manner. In addition to quarterly conferences, there were also numerous roadshows and investor conferences in the 2013 financial year in order to intensify our dialogue with the financial community. In a variety of individual and group meetings, both the Management Board and the Investor Relations department were available to answer all questions. Moreover, the dialogue with private investors continued at various share forums.

airberlin's investor relations department also provides an electronic newsletter, which keeps all stakeholders up to date on all important events within the airberlin group.

In order to make airberlin's Investor Relations homepage more user-friendly and to provide an up-to-date shareholder service, we also offer a compressed version of the Investor Relations homepage for use with mobile devices.

Interested investors are also invited to contact us directly via the contact form on our homepage, or to write to us at:
Air Berlin PLC & Co. Luftverkehrs KG
Investor Relations
Saatwinkler Damm 42-43
13627 Berlin, Germany

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STRATEGIC REPORT AND MANAGEMENT REPORT

FINANCIAL PERFORMANCE INDICATORS

	2013	2012	2011
Revenue (in million euros)	**4,146.8**	4,311.7	4,227.3
including ticket sales (in million euros)	**3,815.5**	4,006.7	3,934.8
EBITDAR (in million euros)	**432.7**	736.5	425.9
EBIT (in million euros)	**–231.9**	70.2	–247.0
Consolidated profit/loss for the period (in million euros)	**–315.5**	6.8	–420.4
Earnings per share (in euros)	**–2.71**	0.06	–4.94
Total assets (in million euros)	**1,885.5**	2,217.6	2,125.7
Employees (as at 31 December)	**8,905**	9,284	9,113

OPERATING PERFORMANCE INDICATORS

	2013 vs. 2012 in per cent	**2013**	2012	2011
Passengers	–5.4	**31,535,867**	33,346,495	35,300,209
Fullyear destinations	–1.7	**171**	174	162
Aircraft at year end (operational fleet)	–9.7	**140**	155	170
Available seat kilometres (in billion; ASK)	–5.1	**57.25**	60.30	62.16
Load factor (in per cent; RPK/ASK)	+1.3*)	**84.85**	83.55	84.53

*) percentage points

COMPANY PROFILE

Company structure and operating activities

AIR BERLIN PLC IS A COMPANY INCORPORATED UNDER THE LAWS OF ENGLAND AND WALES AND MANAGED BY A "UNITARY BOARD"

Air Berlin PLC (hereinafter referred to as "Company") is the parent company of the airberlin group. Established in England and Wales, its registered office is in Rickmansworth Hertfordshire, United Kingdom. The Company is subject to the legal form of a "public limited company" (PLC) and, accordingly, is managed by a "Unitary Board". The Board is comprised of Executive and Non-Executive Directors. The Directors in place during the 2013 financial year are presented on page 8 ff., the members of the Management Board are presented on page 12 ff., and the changes to the Board during the financial year are listed on page 70 ff. The Company's head office and the members of the Management Board are based in Berlin.

AIRBERLIN IS THE SECOND LARGEST GERMAN AIRLINE

The airberlin group is a national and international scheduled airline operator and has been a member of the International Air Transport Association (IATA) since 1997. airberlin is also a member of the Association of European Airlines (AEA). With 8,905 employees (as of 31 December 2013), a fleet of 140 operational aircraft, and 31.5 million passengers, the airberlin group is the second largest German airline in terms of passengers. airberlin ranks second even in the densely populated German speaking "D-A-CH" region (Germany, Austria, and Switzerland). At the Berlin, Dusseldorf, and Palma de Mallorca airports, airberlin is the largest provider. With regard to European traffic, airberlin ranks seventh in terms of the number of passengers (all data as at 31 December 2013).

BUSINESS MODEL AND STRATEGY

airberlin's business model: a full service airline

AIRBERLIN COOPERATES CLOSELY WITH 16 PARTNER AIRLINES

airberlin is positioned as a full service airline with a comprehensive range of services covering all aspects of aviation and also cooperates with global partners. The customers and their preferences are our focus. We appeal in particular to travellers who place importance on comfort before, during, and after the flight and look for value for money that stands out among the competition. This is why we provide our customers with maximum flexibility and independence at all times. Short distances and increased comfort should make travelling with airberlin as enjoyable as possible. This includes simple and efficient procedures on the ground as well as in the air, both before and after the flight.

The close strategic partnership with Etihad Airways, airberlin's membership in the global **one**world® alliance, and codeshare agreements with numerous airlines, provide our passengers with a worldwide network with very short access routes.

In recent years, airberlin has systematically expanded the number of its bilateral codeshare partnerships. At the end of 2013, partnerships existed with Etihad Airways, our strategic partner; Hainan Airlines, the fourth largest airline in China; Russia's S7 Airlines; Pegasus Airlines, the largest private airline in Turkey; Thailand's Bangkok Airways; the U.S. carrier, American Airlines; British Airways; Finland's Finnair; Iberia, the Spanish airline; the Jordanian airline, Royal Jordanian; the Italian airline, Meridiana Fly; the Latvian Air Baltic; Japan Airlines; Air Seychelles; Air Serbia, the national airline of the Republic of Serbia; and Virgin of Australia. In addition, the **one**world® alliance continues to grow rapidly and has registered a number of new members again in this reporting year.

The airberlin core brand

The airberlin brand stands for multiple and easy access to the world of flying, friendly service, and also a superior price/performance ratio. Our slogan "airberlin. Your Airline." conveys our customer orientation and convenience.

We maintain the closest contact possible with our customers. To do this, we employ all of the sales and distribution channels we have available in order to provide our customers with a variety of gateways to our product. airberlin flights can be booked traditionally via the ticket counter, through a travel agent or holiday operator, from anywhere with a phone call to airberlin's 24/7 call center or by using airberlin's service optimised website and our range of services on smartphones and tablets. This enables us to provide our customers with maximum flexibility and independence.

We offer our guests free daily newspapers and magazines on both domestic and long-haul flights. On all routes, passengers receive free snacks and hot or cold beverages. In addition, on short and medium-haul routes, a variety of hot and cold gourmet menus can be pre-ordered in cooperation with the Sansibar restaurant located on the island of Sylt. Business class guests on our long-haul flights enjoy all-inclusive airberlin service.

The airberlin group has positioned itself on the short- and medium-haul routes as the leading airline in its strategic core markets within the German-speaking world. These markets include Germany, Switzerland, and Austria. In this important economic region, airberlin has identified numerous routes and destinations that are strategically important and further development of the route network in this region will be focussed on these routes.

With its modern fleet, which is one of the youngest and most fuel efficient among international airlines, and its product offering that stands out from the competition due to the high value for money provided, airberlin seeks to play an increasing role in its core markets and on the strategically important long-haul routes. These routes provide more than half of the total global passenger traffic.

Our successful frequent flyer programme, "topbonus" cooperates with more than 120 partners from the hotel industry, the publishing industry, car rental and financial services companies, as well as many other industries. More than three million participants already enjoy the exclusive benefits of the programme. Topbonus members may collect status miles for numerous exclusive benefits on flights operated by airberlin, Etihad Airways, our Austrian airline NIKI, and also with our oneworld partners. In addition, participants earn award miles when they fly and when they do business with over 120 of our partner companies. These award miles can be redeemed for free flights and

Business Class upgrades worldwide. Over the past four years, the number of topbonus participants has increased by an average of more than 900 participants per day, and has grown from 2.4 million participants in 2010 to 3.3 million in 2013. Since 18 December 2012, Topbonus has been operating as an independent company under the name Topbonus Ltd. Etihad Airways and airberlin hold an indirect stake in this company of 70 per cent and 30 per cent, respectively.

airberlin's services also include free baggage allowances, free seat reservations, quick check-in at the airport, priority check-in for our premium travellers, as well as a wide range of various complimentary e-services such as web check-in, MMS check-in, or SMS seat reservation. By using our mobile website, mobile.airberlin.com, and through the mobile airberlin app, you can book your flight up to two hours prior to departure. The boarding pass may also be stored electronically, which means boarding no longer requires paperwork.

Codeshare agreements are maintained and systematically expanded, particularly with our strategic partner Etihad Airways and through our membership in the global **one**world alliance and with other international airlines. This is how airberlin establishes its international presence on long-haul routes and expands those routes defined as strategically important. In particular, this should benefit the transatlantic routes and any domestic American traffic by way of the partnership with American Airlines. At the same time, the short- and medium-haul routes gain from the feeder flights to and from the hubs of the respective partners and those of airberlin. This aims to ensure a sustained high level of utilisation beyond the usual level of seasonality and reduce the impact of holiday traffic which is especially marked by seasonality.

COMPREHENSIVE AND HIGHLY-CUSTOMISABLE SERVICES FOR SMES

Our vast, highly-customised services for large and small enterprise customers are enjoying ever-growing popularity. We pay close attention to our smaller mid-sized corporations; even companies starting at just three employees receive our special dedication. The success of our active SME promotion can be inferred from the rise in companies participating in our business points bonus programme (BP): over the last four years, this number has grown by an average of 36 per cent per year to recently 13,606 companies. airberlin has expanded its service for SMEs through its own dedicated telesales team and will respond even more readily in 2014 to these customers' needs. In 2014, telesales for SMEs will also be introduced in the important Austrian market. Some of the improvements made to BP in 2013 have made the programme even more attractive. Now members can collect points on selected flights with American Airlines, Air Serbia, and Virgin Australia. Etihad Airways is already a BP partner. Since 2013, upgrades may also be purchased using points. A new account balance service sparked a significant increase in BP's usage rate. Due to the importance of the SME market for airberlin, BP will be expanded further and additional improvements will be made.

airberlin is especially appreciated by families as a result of the high level of importance we place on family friendliness. Children under two years of age fly free and those between the ages of two and eleven pay a reduced fare.

Our range of services covers the entire world of aviation and thus goes far beyond the actual performance of a flight. Thus, we maintain close relationships with several partners in areas including travel and financial services, and maintain relationships with the press. airberlin premium partners offer their services to customers directly via the airberlin website.

The strategic positioning of our hubs in Berlin and Dusseldorf within the densely populated ("D-A-CH") region of Germany, Switzerland, and Austria, and the airberlin hub in the tourist centre of Palma de Mallorca, provides a very high level of awareness of the airberlin brand.

Cooperation with Etihad Airways was strengthened further in 2013

In 2013, airberlin benefited from its close cooperation with its strategic partner Etihad Airways, the national airline of the United Arab Emirates founded in 2003.

This partnership perfectly combines the comprehensive route networks of both airlines, expands for the guests the number of flights offered by both companies, and creates growth. Overall, the two airlines had close to 560,000 common passengers in 2013. After a total of 323,000 passengers in the previous year, this represents an increase of almost 75 per cent.

The common route network grew to 228 destinations in 84 countries in 2013 and the portfolio of codeshare routes increased to nearly 100 worldwide. There is so little overlapping of the two route networks that they highly complement one another when combined: airberlin passengers benefit from the numerous connections to Asia and Australia offered by Etihad Airway's hub in Abu Dhabi and passengers of Etihad Airways gain access to the densely interconnected European network of airberlin.

DIRECT CONNECTION TO ETIHAD AIRWAY'S HUB IN ABU DHABI

A key element of this partnership for airberlin is represented by airberlin's services to Etihad Airway's Abu Dhabi hub. airberlin flies daily to Abu Dhabi from Berlin and from Dusseldorf twice a day per week. European passengers have access to 49 weekly flights to and from Abu Dhabi via four German hubs (as per 30 April 2014). Starting with the winter schedule 2014/2015 the frequency will increase to 56 flights.

Through intelligent cooperation the two companies have been able to generate far-reaching synergies.

In 2013, airberlin and Etihad Airways boosted their cooperation in order to offer passengers an appealing flight experience and high class product standards. Since early 2013, airberlin has equipped its business class with exclusive lie-flat seats.

oneworld **global network**

FLY WITH AIRBERLIN AND ONEWORLD TO MORE THAN 800 TRAVEL DESTINATIONS

Independent of our comprehensive cooperation with Etihad Airways, airberlin's membership in the **one**world global alliance offers enormous potential. The Austrian airline NIKI, a member of the airberlin group, is also an "affiliate member" of the alliance. Numerous reputable international airlines have joined together to form **one**world: American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, Malaysia Airways, Qantas, Qatar Airways, Royal Jordanian, S7 Airlines and TAM, as well as more than 30 other affiliated members, including American Eagle, Dragonair, LAN Argentina, LAN Ecuador, LAN Express, and LAN Peru.

Our membership has significantly expanded the services available to airberlin's passengers: airberlin's passengers now have access to almost a thousand destinations in more than 150 countries. In 2013 airberlin and its **one**world partners carried over 1,013,000 common guests. After 310,000 guests in the previous year, the number of common guests has more than tripled. The alliance's fleet comprised some 3,500 aircraft operating more than 14,000 departures daily, carrying around 480 million passengers during the past year. Topbonus participants can collect and redeem status and award miles at 14 **one**world carriers and their affiliated airlines worldwide. Additionally, frequent flyers have access to more than 600 airport lounges worldwide. At the 2013 World Travel Awards, the alliance was selected as the world's leading alliance for the eleventh consecutive year.

2013: "Turbine" implemented as planned

In financial year 2013, the Turbine programme was completely and successfully implemented according to plan. The measures set out for 2014 are also running as scheduled. This has helped to achieve the positive effects on earnings announced for the year 2013 in the amount of EUR 200 million.

However, these productivity achievements at the operational level were offset by negative exogenous effects that could not be fully offset. These effects included the continuation of high additional charges caused by the delay in the opening of the Berlin-Brandenburg Airport, where airberlin had already planned to open a separate terminal in 2012. Our offerings, which we had expanded tremendously and had optimised in anticipation of this new terminal, must now be carried out at the Tegel airport. This has led to a significant amount of added costs since the Tegel airport has long exceeded its capacity limits.

Furthermore, additional costs of EUR 40 million related to the adjustment measures of Turbine also arose in the reporting year.

CORPORATE MANAGEMENT

SAFETY AND EFFICIENCY ARE TOP PRIORITY

As an airline, safety on the ground as well as in the air is an absolute priority. Therefore, at airberlin, all relevant policies in this regard are at the forefront of our corporate management. At the same time, the operational and strategic management of the airberlin group is designed for strict cost and process efficiency. In all areas and on all levels, the conservation of available resources and an improvement in their use constitute ongoing, all-encompassing issues. These principles must be observed by all those responsible. Therefore, the Company is organised using the flattest and clearest structure possible. Cross-divisional tasks such as flight operation, on-board service, and technical services, are managed by the individual Management Board members to whom the respective operations are allocated.

EBITDAR MEASURES FINANCIAL SUCCESS AT THE OPERATING LEVEL

airberlin is managed keeping growth and value creation in mind. Therefore, the key performance indicators of the airberlin group are flight revenue, other revenues from flight-related activities, the consolidated net profit/loss, and the balance sheet structure. EBITDAR is the key earnings-oriented performance indicator. EBITDAR is the abbreviation for "Earnings Before Interest, Tax, Depreciation, Amortisation, and Rent", which represents the profit before financial results, income taxes, depreciation and amortisation, and leasing costs for aircraft. EBITDAR is generally recognised and used in the aviation industry and by investors and analysts as the ratio for measuring and comparing the operational performance.

Another key operating indicator used in aviation and also by airberlin, is the utilisation of the fleet and the aircraft. Utilisation is calculated by dividing revenue passenger kilometres (RPK) by available seat kilometres (ASK). In addition, the average yield per passenger, kilometres flown, and passenger kilometres measure the specific sales power. airberlin employs sophisticated yield management which is optimised on a continual basis to systematically increase the average yields.

The security management system of the airberlin group

The ever-changing global security situation and current political developments require constant adjustments in the area of security in order to ensure the safety of our flight operations, our customers, and our employees. In particular, the security situation in recent years in Africa and the Middle East and the continued existing threat of terrorist attacks on civil aviation worldwide require extensive security measures.

The security management of the airberlin group draws on an international network of security agencies, partner airlines, and security companies to monitor the global security situation and any developments. The destinations served by the airberlin group and the Company's security measures are validated through regular on-site safety inspections. The aviation security measures taken by the airberlin group meet stringent national and international air carrier requirements and are also reviewed and confirmed by regular quality and IATA Operational Safety Audits (IOSA Audits).

By utilising the Security Management System, events are analysed at an early stage in order to respond proactively to any potential dangers and to be able to react quickly and effectively to an incident.

The safety management system of airberlin group

Safety takes the highest priority at airberlin. In all areas, especially in operational areas such as technical services, cabin, flight and ground operations, safety is practised daily by each and every employee. In order to identify risks at an early stage, processes for identifying potential hazards and events are defined and are evaluated and analysed within a risk management system. This makes it possible to identify potential hazards early on and remedy them before they can lead to a serious incident.

ECONOMIC CONDITIONS

Macroeconomic development in financial year 2013

Global economic development constitutes an important framework for the business development of airlines in general and thus also for airberlin. Economy activity and air traffic are closely correlated: in times of economic prosperity, the inclination of leisure travellers and business people to travel increases, as does their volume of travel. In recessions, both of these levels decline. The leisure travellers' desire to travel usually has a sharper decline during economic downturns since recessions go hand in hand with higher unemployment. In the European market, which is an important market for airberlin, the recent recession, which had been triggered by the financial market crisis, has had a correspondingly negative effect. Passenger traffic in Europe developed much worse than in other regions. This development has only changed slightly in the course of the reporting year.

The global economy stabilised overall, particularly in the second half of the 2013 financial year. Following years of recession, the first signs of economic recovery were especially evident in the crisis countries of the euro area. The economy saw less of a contraction in Italy and Spain than in the previous year. The International Monetary Fund (IMF) is assuming that the world economy grew 3.0 per cent in 2013 and thus at a somewhat lower rate than in the previous year due to the decline in growth in both the U.S. and Germany and also in the course of a cool down in the emerging markets.

In Germany, real gross domestic product in 2013 increased by 0.5 per cent (2012: 0.9 per cent). Thus, total economic output saw only a slight rise for the second consecutive year. This was due to lack of foreign demand impulses as well as to the weak weather-related start in the year (–1.6 per cent in the first quarter of 2013). Thus, the willingness of domestic companies to invest was muted, while private consumption proved to be a pillar for the economy. The onset of winter in Germany at the beginning of the year also affected airberlin's business.

For the first time in one and a half years, the euro area recorded moderate growth as of the fourth quarter of 2013. The increased pace of economic growth in Germany and the surprisingly positive development in France (+0.3 per cent) were primarily responsible for this rise, while some of airberlin's key target markets in southern Europe continued their recessions albeit at a somewhat milder level. The fiscal consolidation measures taken in those countries have continued to have a dampening effect on those economies and particularly on consumer demand. In Spain, real GDP fell 1.2 per cent in 2013 (previous year: –1.6 per cent). Overall, the economic output of the euro area fell 0.5 per cent for the year on average in comparison to the previous year (2012: –0.7 per cent).

The airline industry in financial year 2013

According to IATA, the international association of airlines, demand in passenger traffic increased 5.2 per cent worldwide in 2013 continuing the industry's long-term development of the last 30 years. Thus, the trend of the prior year (5.3 per cent) continued. IATA measures this demand based on the passenger kilometres flown (RPK) by its member companies.

THE BOOM IN THE MIDDLE EAST CONTINUED IN 2013

Regional development was again extremely varied and was similar to the trend experienced in the past several years. Essentially, the booming development in the emerging markets also contributed to the global growth achieved in 2013. The strongest RPK growth was recorded in the Middle East at 11.4 per cent, followed by the Asia-Pacific region with 7.1 per cent, Latin America with 6.3 per cent, and Africa having achieved growth of 5.2 per cent. However, the demand in the developed markets of North America (2.3 per cent) and Europe (3.8 per cent) was below average once again. European demand calmed considerably in comparison to the growth in demand in 2012 which was still at 5.3 per cent. Overall, the growth in demand for domestic flights in 2013 (+4.9 per cent) was lower than the growth in flights to international destinations (+5.4 per cent). This difference has narrowed since domestic traffic grew slightly stronger and international traffic had a smaller gain than in the previous year.

For the third consecutive year, demand for international flights from Europe showed a significant decline in growth rates. In 2013, demand rose by only 3.8 per cent after increasing 5.3 per cent in the prior year. In 2011, this demand had still increased 9.5 per cent.

According to IATA, the capacity of its members, measured by available seat kilometres (ASK), grew a total of 4.8 per cent in 2013 and thus saw a more pronounced expansion compared to the previous year (3.9 per cent). Utilisation (RPK as a percentage of ASK) increased slightly to 79.5 per cent after 79.1 per cent in the prior year. Thus, utilisation could still grow beyond the high level achieved in 2012. In Europe, however, the IATA airlines reduced their capacity expansion to just 2.7 per cent after 2.9 per cent in the prior year. Utilisation grew to 80.2 per cent after 79.6 per cent despite the growth in demand being below the international average. Utilisation was at its highest in North America, where it increased 0.5 percentage points to 83.4 per cent with only a 2.0 per cent increase in capacity.

ONLY MODEST GROWTH IN THE EU IN 2013 ONCE AGAIN

The statistics from the airport Association Airports Council International Europe (ACI Europe) reported a slightly higher +2.8 per cent increase in the passenger traffic at European airports in 2013 in comparison to the prior year where only modest growth of 1.8 per cent was recorded. However, with +1.0 per cent after +0.2 per cent growth, the EU continued to virtually stagnate. This was quite different from the development witnessed in countries outside the EU area. The growth in passenger figures in Turkey and Russia accelerated and amounted to 9.6 per cent as a result of the strong growth and other factors seen in those countries. In 2012, it stood at 8.8 per cent. Once again, Turkish and Russian airports reported high double-digit growth rates which demonstrate that the trend seen in recent years has continued. The share originating from airports outside the European Union grew to 22 per cent in 2013 whereas in 2008 this figure was still at 15 per cent.

GERMAN DOMESTIC TRAFFIC DECLINED ONCE AGAIN IN 2013

In Germany, the airport operators belonging to the German Airports Association (ADV) achieved a slight overall increase in the number of passengers. With 201.8 million passengers, last year's number was exceeded by 0.7 per cent and represents a new record. Nevertheless, growth momentum has declined in comparison to last year's growth rate of 1.1 per cent. Compared to 2012, the momentum has shifted in favour of continental connections (+2.5 per cent), while intercontinental traffic has lost momentum (+0.4 per cent).

The negative trend in German domestic traffic experienced over the past few years continued and registered a further decline of 3.6 per cent, or the same percentage decline experienced in 2012. Once again, this mainly affected the small and medium-sized airports; the trend in the withdrawal of airlines from this segment continues unabated. In the view of the ADV, one obstacle to growth continues to be the competition-distorting air transportation tax, which cost German airports five million passengers in 2013. Accordingly, the total number of flight movements at German airports also continued to decline. In 2013, compared to the previous year, this figure fell by 3.8 per cent to 2,006,338 take-offs and landings. This means that the negative trend has even accelerated since the decline had only amounted to 2.9 per cent in 2012. The reasons for this decline include airline consolidation programmes, the use of larger aircraft, and the higher level of aircraft utilisation.

OPERATING DEVELOPMENT

Route network and fleet

In financial year 2013, the route network and the fleet were further optimised as part of the scheduled implementation of the Turbine programme. We were also able to make further progress in our negotiations with the relevant stakeholders and in our productivity improvements. airberlin successfully concluded negotiations with leasing companies and achieved improvements in terms of its costs through its discussions with airport operators. As in the prior year, several domestic German connections to regional airports were cut from the programme as a result of the introduction of the air transportation tax, which caused a sharp fall in the passenger numbers which has not recovered ever since. Some initial productivity improvements were generated by developing a lean aircraft stationing concept using an allocation of medium-haul aircraft purely by type to just five stations. Thus, the programme's overall operational and organisational targets set for the reporting year have been largely achieved.

STRATEGIC ADJUSTMENT OF THE ROUTE NETWORK CONTINUED

In terms of the route network, the network's focus on the airberlin hubs in Berlin, Dusseldorf, Vienna, and Palma de Mallorca was still the primary aim as was the systematic expansion of the connections to the networks of our strategic partner, Etihad Airways, and to the airlines belonging to the **one**world alliance.

As a part of this measure, the number of aircraft was reduced from 155 in the previous year to 140 in the reporting year. Consequently, capacity also declined. The number of seats fell 6.9 per cent to 38,893,557 after 41,788,847 and the number of available seat kilometres (ASK) declined 5.1 per cent from 60.3 billion to 57.3 billion.

The number of flights in the reporting year fell 7.4 per cent to 231,836 after 250,406. However, the average flight distance in the reporting year was 2.0 per cent longer than in the previous year's period. Flight hours fell 6.8 per cent to 424,296 after 455,130 due to deletions which were carried out. The network's restructuring was largely implemented in 2013.

Passenger volume and yields

LOAD AGAIN INCREASED IN 2013

In the course of optimising the route network, the number of passengers (Pax) declined 5.4 per cent in total to 31,535,867 passengers in financial year 2013 after recording 33,346,495 a year earlier. Revenue passenger kilometres (RPK) declined at a slower pace of only 3.6 per cent and amounted to 48.6 billion compared to 50.4 billion. Utilisation measured by the load factor (RPK/ASK) increased 1.3 percentage points and rose to of 84.8 per cent after 83.5 per cent.

Overall, the yields demonstrated a slightly increasing trend in financial year 2013. Flight revenue (including taxes and security fees) per Pax rose to EUR 121.0 in the reporting year after EUR 120.2. Total revenue per Pax grew 1.7 per cent to EUR 131.5 after EUR 129.3. The flight revenue per ASK was just slightly higher at 6.66 eurocents after 6.64 eurocents.

Excluding fuel expenses, the cost per ASK at the EBIT level (before other operating income) in the reporting year increased by 5.2 per cent to 5.89 eurocents after 5.60 eurocents. Including fuel expenses, the cost per ASK was 3.8 per cent higher at 7.75 eurocents after 7.47 eurocents in the prior year. Fuel expenses per ASK in the reporting year were nearly unchanged and totalled 1.86 eurocents after 1.87 eurocents. The development of costs overall in the financial year was still impacted by one-off expenses of EUR 40.0 million in connection with the Turbine programme which occurred in the first half of the year. Such costs did not occur in the second half of the year.

Material flight related figures (as at 31 December)

	+/– %	**2013**	2012
Aircraft at year end (operational fleet)	–9.7	**140**	155
Flights	–7.4	**231,836**	250,406
Fullyear destinations	–1.7	**171**	174
Capacity (in thousands)	–6.9	**38,894**	41,789
Passengers (in thousands; “Pax“)	–5.4	**31,536**	33,346
Load factor (in per cent; RPK/ASK)	+1.3 %-points	**84.85**	83.55
Available seat kilometres (in billion; ASK)	–5.1	**57.25**	60.30
Revenue seat kilometres (in billion; RPK)	–3,6	**48.57**	50.38
Number of block hours	–6.7	**485,604**	520,407
Average length per destination (in km)	+2.0	**1,472**	1,443

AIRBERLIN CONTINUES TO OPERATE ONE OF THE MOST MODERN AND MOST ECONOMICAL FLEETS IN EXISTENCE TODAY

With an average age of 5.4 years, as per 31 December 2013, the fleet of the airberlin group continues to be one of the world's most modern fleets. As a result, it also flies with comparatively higher efficiency in terms of fuel consumption.

The fleet of the airberlin group

Number at the end of	2013	2012
A319	**8**	8
A320	**39**	43
A321	**16**	16
A330-200	**14**	13
A330-300	**–**	1
B737-700	**11**	21
B737-800	**35**	36
Q400	**10**	10
Embraer E 190	**7**	7
Total	**140**	155

NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

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

The Group's total assets as at 31 December 2013 declined 15.0 per cent (EUR 1,885.5 million after EUR 2,217.6 million) compared to the prior year's balance sheet date. Non-current assets declined by 6.1 per cent, which was mainly due to depreciation and amortisation and the sale of aircraft. Consequently, property, plant, and equipment fell 16.7 per cent to EUR 497.8 million.

Current assets reported a decline of 25.2 per cent. In addition to lower trade receivables as well as cash and cash equivalents, this decline was essentially due to the decrease in the line item of "assets held for sale" following the sale of the aircraft or their reclassification to non-current assets. From a total of initially eight own aircraft held for sale, four of these aircraft were reclassified as at 30 June 2013 as non-current assets since these aircraft continue to be used within the airberlin group. A total of seven aircraft was sold in the reporting year. Cash and cash equivalents amounted to EUR 223.1 million as at the end of the 2013 financial year after recording EUR 327.9 million at the end of 2012.

The overall dissatisfying earnings situation led to a marked decline in equity. After EUR 130.2 million as at the reporting date at the end of financial year 2012, equity totalled EUR –186.1 million as at 31 December 2013. The measurement of the shareholder's equity according to IFRS reporting represents a momentary snapshot. It has no effect on the operations of the airberlin group. On-going operations, the further implementation of "Turbine", and any necessary investments are sufficiently secured through the available cash levels. Moreover, we have additional room to manoeuvre financially, due to a shareholder loan which has not yet been utilised. In accordance with IFRS regulations, the airberlin group's status as a "going concern" and its continuance is secure. On this basis, the Board of Directors sees no reason for a revaluation of Air Berlin PLC's interests in its operating and other subsidiaries.

Non-current liabilities fell 10.8 per cent in comparison to the end of 2012 to EUR 890.7 million after EUR 998.9 million. This decline was primarily the result of the sale of aircraft which led to a related EUR 88.6 million decline in non-current financial liabilities and a EUR 82.1 million decline in current financial liabilities. Other non-current financial liabilities also decreased from EUR 621.1 million to EUR 605.3 million. In total, the other positions within non-current liabilities only recorded minor changes. Within current liabilities, financial liabilities, excluding those from aircraft financing, rose from EUR 51.1 million to EUR 158.5 million. Overall, current and non-current financial liabilities, excluding those from aircraft financing, grew to EUR 763.8 million after EUR 672.2 million. Advance payments received climbed EUR 63.3 million to EUR 428.9 million. Total current liabilities amounted to EUR 1,180.8 million at the end of financial year 2013 for a rise of EUR 92.3 million compared to the 2012 reporting date (EUR 1,088.5 million). Net debt in financial year 2013 increased to a total of EUR 796,0 million after EUR 770.2 million in the previous year.

Operating cash flow for financial year 2013 was EUR –96.9 million after EUR –153.4 million in the previous year, including depreciation and amortisation of EUR 85.2 million after EUR 74.1 million in the prior year and a profit/loss for the period of EUR –315.5 million compared to EUR 6.8 million in the previous year. In making this year-on-year comparison, it should be taken into consideration that the operating cash flow in financial year 2012 was reduced by the gain of EUR 184.4 million from the sale of the topbonus frequent flyer programme contained in the profit/loss for the period. In 2012, this amount was included in cash flows from investing activities.

The other significant changes in the reconciliation of profit/loss for the period to operating cash flow as compared to the previous year includes the net amount of the increase in trade receivables as well as a decrease of trade payables and current liabilities. In financial year 2013, this came to a total of EUR 13.9 million after EUR –22.2 million in the previous year. Net cash flows from positions within net working capital (increases/decreases in inventories, trade receivables, and trade payables) amounted to EUR 10.7 million in the reporting year after EUR –26.5 million in the previous year. Furthermore, the increase in other assets and prepaid expenses was EUR 22.0 million lower during the reporting year and deferred tax benefit of EUR 13.9 million in the previous year turned into an expense of EUR 9.6 million in the reporting year. Additionally, operating cash flow was significantly strengthened by an increase in current liabilities of EUR 55.6 million. In the previous year, this item recorded a cash outflow of EUR 30.3 million. Net of income taxes paid and interest paid and received totalling EUR 74.1 million (previous year: EUR 70.4 million), net cash flows from operating activities amounted to EUR –171.1 million compared to EUR –223.8 million in the previous year.

Cash flows from investing amounted to EUR 160.0 million in the reporting year after EUR 168.0 million in the previous year (as mentioned above, this included proceeds from the sale of topbonus). Since the fleet has been further reduced as in the previous year, the investment in aircraft was largely held at the level of the maintenance expenses in the reporting year. Accordingly, the payments for investments in non-current assets have only had a minor change. Overall, these payments and advance payments for non-current assets amounted to EUR 36.6 million in the reporting year after EUR 54.4 million in the previous year. In relation to the aircraft disposals the related proceeds in 2013 were significantly higher than in the previous year and increased from EUR 41.9 million to EUR 198.3 million.

Cash flows from financing activities was EUR –92.1 million in the reporting year after EUR 144.4 million in the previous year. Payments for the redemption of interest-bearing liabilities in the amount of EUR 320.4 million (previous year: EUR 180.8 million) were offset by proceeds from the issue of interest-bearing liabilities in the amount of EUR 91.5 million (previous year: EUR 265.5 million). In the prior year, there were proceeds of EUR 67.4 million from a capital increase, net of transaction costs, and, in the reporting year, the issue of a convertible bond, net of transaction costs, provided EUR 136.7 million in proceeds. In the previous year, EUR 6.2 million in convertible bonds were repurchased.

Foreign exchange rates had a negligible impact on cash and cash equivalents, as in the previous year. In total, the change in cash and cash equivalents in 2013 amounted to an outflow of EUR 104.8 million (previous year: inflow of EUR 89.4 million). At the end of the reporting year, net cash and cash equivalents amounted to EUR 223.0 million after starting the year at EUR 327.8 million.

Results of operations

In comparison to the previous financial year, Group revenue in financial year 2013 declined 3.8 per cent to EUR 4,146.8 million after EUR 4,311.7 million, primarily as a result of capacity adjustments and the corresponding 5.4 per cent fall in the number of passengers. Accordingly, flight revenue declined even more and fell 4.8 per cent to EUR 3,815.5 million after EUR 4,006.7 million. Revenues from ground services and other services, however, were 12.0 per cent higher. Additional revenues from aircraft maintenance services helped these revenues reach a level of EUR 305.8 million after EUR 273.0 million. Revenues from inflight sales declined 20.3 per cent to EUR 25.5 million after EUR 32.0 million. Other operating income reported a strong decline compared to the prior year since 2012 had included income of EUR 184.4 million from the sale of the topbonus frequent flyer programme. Without this extraordinary effect, there would be a decline from EUR 79.8 million to EUR 59.8 million in the reporting year due to the lower gains from the disposal of non-current assets.

In the course of implementing the Turbine programme, operating expenses were lowered by a total of 1.5 per cent in financial year 2013 and amounted to EUR 4,438.4 million after EUR 4,505.7 million. Several developments outside of the Company's control prevented an even greater decline in these expenses, particularly the significant wage increases for flight personnel, as well as various one-off effects. Overall expenses for materials and services declined by 3.5 percent to EUR 3,174.5 million compared to EUR 3,288.8 million. Thereof, navigation expenses reported a below-average decline of just –1.1 per cent (EUR 257.8 million after EUR 260.7 million). This was mainly due to strikes in France, which resulted in taking extensive detours. Airport fees were only 3.3 per cent lower (EUR 835.6 million after EUR 864.5 million) due to the substantial adjustments in airport fees made especially by Spanish airports. On the other hand, cuts in fuel expenses were higher than average and amounted to –5.4 per cent (EUR 1,067.2 million after EUR 1,128.6 million). Operating lease expenses fell 2.2 per cent to EUR 579.3 million after EUR 592.2 million. As part of our partnership with Etihad Airways, our joint procurement programmes allowed us to save a total of EUR 24.0 million.

The air transportation tax burdened earnings by EUR 142.9 million in financial year 2013 (prior year: EUR 154.7 million). This decline was much stronger than the decline seen in the number of passengers and reflects the higher portion of long-haul connections and the disproportional reduction in domestic connections made during the financial year. In financial year 2013, the position titled "Other" within the expenses for materials and services included for the first time a full year of expenses in connection with the topbonus frequent flyer programme. Following the disposal of a 70 per cent interest in this programme in December 2012, we have incurred expenses related to the purchase of bonus miles. This largely explains the rise in this item.

Personnel expenses fell only marginally due to the reasons previously mentioned as well as due to one-off charges in the course of personnel reductions under the Turbine programme. In the reporting year personnel expenses amounted to EUR 488.2 million after EUR 488.8 million in the previous year. Depreciation and amortisation of EUR 85.2 million were considerably higher compared to previous year (EUR 74.1 million). Four of the eight aircraft which were still held for sale in the first quarter of 2013 were recognised again and reclassified to non-current assets in the course of the year since they continue to be used within the airberlin group. In the previous year, these aircraft were not subject to depreciation due to their classification as held for sale. This amount of depreciation had to be recovered in the reporting year.

Other operating expenses rose 5.6 per cent to EUR 690.6 million after EUR 654.0 million in the previous year. This reflects higher maintenance costs as a result from the corresponding maintenance cycles as well as an exceptional increase in sales expenses and consultancy costs – particularly those related to the repeated delays in the opening of the capital city's Berlin Brandenburg Airport. These expenses were met with much lower IT expenses and spending on advertising.

Operating earnings before interest, taxes, depreciation, amortisation, and leasing expenses (EBITDAR) in the reporting year amounted to EUR 432.7 million after recording EUR 736.5 million in the previous year. Excluding the gain from the sale of topbonus, the previous year's comparable EBITDAR was EUR 552.1 million and the operating earnings after leasing costs (EBITDA) amounted to EUR –146.7 million after EUR –40.1 million in the prior year. Operating profit (EBIT) declined to EUR –231.9 million after a reported and adjusted EBIT of EUR 70.2 million and EUR 114.2 million, respectively in the previous year.

Net financing costs increased only marginally by EUR 0.4 million to EUR 74.0 million. As a result, the loss before tax amounted to EUR –305.2 million after a reported amount of EUR –3.2 million in the previous year and an amount of EUR –187.6 million when adjusted for the topbonus gain. After income tax expenses of EUR 10.3 million (previous year: benefit of EUR 10.0 million), the profit/loss for the 2013 financial year amounted to EUR –315.5 million after EUR 6.8 million in the prior year. Earnings per share were EUR –2.71 after EUR 0.06.

RESPONSIBILITY

airberlin pursues the principle of comprehensive sustainability. We are responsible participants in society. We strive for the positive support and advancement of the community.

SOCIAL RESPONSIBILITY AND HUMAN RIGHTS: A FOCUS ON PEOPLE

EQUAL OPPORTUNITY AND EQUAL TREATMENT AS A MATTER OF PRINCIPLE

As an employer, airberlin promotes equal opportunity and strives to prevent and eliminate any discrimination on the grounds of ethnic origin, gender, religion or belief, disability, age, or sexual identity. In light of the general principle of equal treatment in the European Union, all collective guidelines and core personnel processes are continuously reviewed for possible discrimination and managers are informed of the relevant legal requirements. In the opinion of airberlin, it is natural for employees to unite, join trade unions, and become involved.

airberlin believes that all passengers should be treated equally.

AIRBERLIN EMPLOYS PEOPLE FROM 69 NATIONS

At airberlin, mutual respect and embracing diversity go hand in hand and form the basis of our daily coexistence. As an international company, airberlin not only creates mobility across borders, but also connects people and cultures around the globe. airberlin itself is multi-national: in financial year 2013, airberlin employed a staff comprising 69 different nationalities.

Working at airberlin

EMPLOYEES

After engaging 9,284 employees in the previous year, the airberlin group employed a total of 8,905 employees as at 31 December 2013. With 4,564 women (51.3 per cent) compared to 4,341 men, women represented the majority. The average length of employment for employees of the airberlin group is 9.7 years and the average age is 38.3 years. airberlin employs a total of 708 staff abroad, including 169 in Spain, 334 in Switzerland, and 97 in Austria.

At the end of the reporting year, the airberlin group had 2,456 part-time employees. Of those, 891 employees from the cockpit/cabin area use a work-schedule model with adjusted salaries called “free month”. The ratio of part-time employees is 27.6 per cent (previous year: 27.4 per cent).

Employee Structure at airberlin

	31.12.2013	31.12.2012
Pilots	**1,331**	1,362
Cabin crew	**3,374**	3,431
Technical staff	**1,251**	1,286
Administration/services/others	**2,949**	3,206
Total	**8,905**	9,284

As an employer, airberlin promotes equal opportunity for all employees. This includes gender diversity. The following table presents the composition of the Directors, the members of the Management Board, the senior management, and all employees according to their gender as at 31 December 2013. Of a total of four members of the Management Board, one member is female. Overall, female employees represent more than half of all employees.

airberlin strives to promote gender diversity even further. Thus, gender diversity is also an important criterion for new hires.

Diversity at airberlin

	31.12.2013		31.12.2012	
	Women	**Men**	Women	Men
Board of Directors	**0**	**11**	0	12
Management Board	**1**	**3**	1	4
Senior Management (first level of management)	**2**	**26**	4	31
All employees	**4,564**	**4,341**	4,767	4,517

Extensive training and further education

AIRBERLIN OFFERS NUMEROUS BUSINESS AND TECHNICAL TRAINING PATHWAYS

airberlin offers young people a wide range of traditional and technically-oriented occupations, including training programmes for seven occupations and one dual training programme. We train office clerks, tourism and air transportation clerks, clerks for office communications, as well as aircraft mechanics and electricians.

Those who are technically inclined may also be trained as an aircraft mechanic (specialising in maintenance) or choose to be trained as an electrician for aviation systems. In September 2013 alone, there were 16 new apprentices in their first year of training at airberlin technik GmbH in Dusseldorf. The company has around 76 trainees and is one of the largest training providers in the Dusseldorf area.

DUAL STUDIES IN BUSINESS ADMINISTRATION

In collaboration with the International University of Cooperative Education in Berlin (IBA), airberlin also offers a dual degree in business administration with an emphasis in the field of hotel and tourism management.

By the end of the reporting year, a total of 99 trainees were employed by the airberlin group. One dual student and 17 trainees successfully completed their training in calendar year 2013 and subsequently received employment contracts. We also offer our trainees a wide range of options. As at 31 December 2013, a total of 26 trainees were engaged in different fields. Once again, airberlin technik GmbH was recognised for the excellent exam results achieved by its trainees in all professions.

CLOSE COOPERATION WITH PROFESSIONAL SCHOOLS AND UNIVERSITIES

We consider the training of young people to be more than just a social obligation but also to be in our own best interest. By providing all of our trainees to date with subsequent employment contracts, we have made a positive impact on airberlin's development; since this early relationship creates a strong identification with airberlin as an employer. Close cooperation with professional schools and universities complement programmes promoting young talent and enhances our management of employee talent. Special trainee programmes are offered over a period of 18 months and may be focussed internationally by means of exchange programmes with our strategic partners. We also have an in-house training centre in Dusseldorf.

AIRBERLIN TRAINS ITS PILOTS IN-HOUSE

We train our flight attendants in-house. There were 331 flight attendants in training in financial year 2013, 279 attendants were in training in the previous year, and 402 flight attendants were trained in the year prior to that. Safety and emergency training, on-board service training, first aid, communication and announcement training, as well as training flights and several practical exercises are all offered in specialised study courses. The training programmes last six weeks.

Since 2007, the airberlin flight school has been carrying out commercial pilot training. At airberlin, those who opt for a position in the cockpit receive two-years of theoretical and practical training in accordance with the highest international standards.

Health takes priority

AIRBERLIN OFFERS COMPREHENSIVE OCCUPATIONAL HEALTH AND SAFETY

Healthy, committed, and efficient staff are prerequisites for a successful business. For this reason, airberlin offers its employees occupational health and safety across the board. As a preventive measure we provide risk assessments in all areas to ensure safety and health at work and to enable us to take action at an early stage. We also have a number of measures and actions ready to ensure occupational health and safety.

To facilitate this, the Company receives support from five occupational physicians and one external safety specialist. Additionally, airberlin offers health awareness days which address topics such as nutrition, exercise, and relaxation.

airberlin offers occupational reintegration management for employees who were ill for 42 days or more. This helps employees arrange their return to their positions as best as possible and achieve a lasting recovery.

Social commitment

CARING ABOUT CHILDREN IS OUR TRADITION

airberlin is very conscious of its social responsibility and is involved in many social projects. For many years, a focus of our commitment has been on helping children. Therefore, we support the Christiane Herzog Foundation. Since 1997, this foundation has provided support for young people who are suffering from cystic fibrosis, one of the most common and fatal inherited metabolic disorders. Each year since that time, airberlin has flown children suffering from cystic fibrosis to climate treatments on the island of Gran Canaria, has initiated fundraising campaigns, and has helped to finance the foundation's events.

TAKING RESPONSIBILITY FOR THE ENVIRONMENT: AIRBERLIN'S ENVIRONMENTAL MANAGEMENT

The strategic and operational management of the airberlin group and its subsidiaries is also based on the principle of sustainability and goes beyond financial and organisational criteria. We make every effort possible to keep our ecological footprint as minimal as possible. An improvement in the ecological balance constitutes a comprehensive and permanent horizontal objective for the entire airberlin group. All employees are called upon to pursue this goal. Here, even the smallest contributions are treated with the utmost importance because they can add up and have a large impact.

Environmental protection is the top priority at airberlin; not only as an integral part of our corporate philosophy, but also as an outstanding quality that is gaining importance for both investors and passengers. First, we recognise the special characteristics of our corporate customers who choose airberlin for their business trips. In the view of the non-profit climate protection organisation, atomosfair, airberlin is the best European network carrier in terms of climate efficiency scoring 74 of 100 possible points. Second, airberlin was awarded a "Prime Rating" for being the best in its industry in as early as in 2009 by oekom research AG, a rating agency for sustainable investment. The "prime" status is awarded to companies who meet the industry-specific requirements in the areas of ecology and society which are defined by oekom research AG, and thus count as one of the leading companies in the transport and logistics industry within oekom research AG's corporate ratings. In 2011, we haven't only reconfirmed this rating, but have even made improvements in some areas. In 2013, airberlin received oekom research AG's "Prime" investment status for the third consecutive time.

As the first airline ever, airberlin won the ÖkoGlobe in 2011 in the category of "vehicle innovation in public transportation" given by the University of Duisburg-Essen. airberlin received this environmental award for pioneering innovations in sustainable mobility for our corporate programme "Eco-efficient Flying". With this award, airberlin is one of a line of companies such as Deutsche Bahn and automotive manufacturers such as Daimler and Toyota.

Moving forward: airberlin sets the standards for eco-efficient flying

The focus of eco-efficiency is the gentlest possible use of non-renewable resources. As an aviation company, fuel constitutes the most important resource at airberlin by far. We consider fuel consumption and a minimisation of CO_2 emissions as the major challenges of our comprehensive environmental commitment. This mission is an integral part of our corporate philosophy.

airberlin is very ambitious when it comes to carrying out its "Eco-efficient Flying" programme. airberlin experts have already been working uninterrupted on this programme across all departments since 2008. We are continually improving all flight-related processes and developing new potential savings through a proprietary fuel efficiency programme. Various factors must work together in order to reduce CO_2. A catalogue of 58 measures in the areas of flight planning, weight reduction, aircraft modernisation, and flight operation, aim to reduce emissions and save fuel.

airberlin takes a holistic approach to fuel efficiency: in 2013 alone, airberlin has saved more than 22,500 tonnes of CO_2 compared to 32,000 tonnes in the previous year through the implementation of these measures. This equates to 4,688 flights from Munich to Palma de Mallorca!

We were also awarded in 2013 for our efforts towards eco-efficiency: the U.S. trade magazine, Air Transport World, gave airberlin the "Silver Eco-Airline of the Year" award. In giving this award, the jury highlighted airberlin's comprehensive fuel saving programme.

We have identified four major areas where we continuously and systematically look for ways to recognise even the smallest contributions to reducing fuel consumption and to implement the appropriate measures with regard to the fleet, on the ground, in the air, and in terms of the weight and the load.

Eco-efficiency of the fleet

airberlin's modern fleet is the foundation for our record performance in eco-efficient flying and represents a clear competitive advantage for airberlin. With an average age of only 5.4 years, it is one of the most modern, quietest, and most efficient fleets in Europe. The IATA average fleet age worldwide is nearly 14 years and in Europe it stands at twelve years. airberlin's aircraft are equipped with the latest technology, which is owed to our continuous and consistent investment in new technologies. Today's jets ensure a sustainable reduction in emissions thanks to their economical fuel consumption. The continuous modernisation of the fleet and adjustments in the fleet's structure make a significant contribution to the improvement in airberlin's environmental performance.

Protruding extensions on the wing tips, so-called "winglets", are much more than just optical accessories. Due to their upturned shape, they improve the aerodynamics of the wing's tip and reduce both fuel consumption and emissions. Winglets reduce the tip vortex, which occurs as a result of the different pressure conditions in the upper and lower surfaces of the wing. With upwardly bent wings, the aircraft's fuel consumption decreases by up to a net amount of three per cent. A total of 270 tonnes of fuel per year can be saved at airberlin by a single Boeing aircraft equipped with "blended winglets". This represents an annual CO_2 savings of 850 tonnes per aircraft. As the first airline in the world, airberlin has been using a Boeing 737-800 with blended winglets in its regular service since as early as 2001.

In the reporting year, airberlin demonstrated its role as a pioneer in fuel savings once again: as one of the first carriers, airberlin equipped its first Airbus A320 with fuel-saving "sharklets" on 26 March 2013 at the Airbus plant in Hamburg. All of our 14 newly-ordered Airbus A320/321 aircraft will also be equipped with sharklets. The wing tips, modelled on shark fins and reaching eight feet high, will replace the wing tips previously used on this type of aircraft and save even more fuel, especially on longer flights. Sharklets reduce air turbulence on the wings and thus reduce lift-dependent resistance. The distinctly shaped sharklets developed by Airbus, significantly improve the aerodynamics of the wing and can generate fuel savings of up to 3.5 per cent per aircraft resulting in a savings of nearly 1,200 tonnes of CO_2 emissions per year. This corresponds to 55 flights from Berlin to Palma de Mallorca per aircraft annually. The sharklet's operating principle: an Airbus equipped with sharklets can rise faster due to the improvement in lift. This, in turn, reduces the noise on the ground.

Well-maintained engines not only need less fuel, but they are also more powerful. airberlin cleans its engines regularly and as a result increases their efficiency by 0.5 per cent. This is equivalent to 140 flights from Dusseldorf to New York City in an Airbus A330. Washing the aircraft's surface also improves the aerodynamics. These measures alone save up to 2.0 per cent in our average fuel consumption on an annual basis.

Aerodynamics: airberlin is the first airline to develop new software for aerodynamic optimisation. The goal is a "perfect & smooth aircraft". airberlin has developed a new surveying tool for optimising the air flow stream. Until now, this type of software has not been available on the market and, therefore, represents a true innovation that once again underpins airberlin's leading role in the area of fuel efficiency. Small bumps, rough paint, or millimetre gaps between the gear doors are all fuel guzzlers. Every little bump on the aircraft's body affects the aerodynamics and leads to greater air resistance.

airberlin's new tool directs aircraft mechanics through a standardised inspection of the entire aircraft body and supports them in the measurement and classification of surface blemishes. The software calculates the added fuel consumption produced by the increased drag. Then, a list of maintenance priorities is generated for each aircraft so that the flaw can be fixed at the time of the aircraft's next maintenance check. A chip of missing paint of 150 by 50 centimetres, for example, can necessitate additional fuel consumption annually that corresponds to two flights from Berlin to Dusseldorf. A seal on the moving gear doors that is not tight enough can cause additional fuel consumption every year, which would correspond to the fuel needed for a flight from Nuremberg to Dresden. So far, airberlin has performed measurements of surface roughness on a total of 15 aircraft using this new software. Gradually, this test will be carried out on airberlin's entire fleet and then repeated on a rotational basis.

A new record for the lowest consumption

The combined steps mentioned above have resulted in significant achievements. airberlin's success story extends back several years: in 1994, an airberlin machine still consumed an average of just 4.4 litres of fuel to carry a passenger one hundred kilometres (100 PKM; calculation based on the DIN EN 16258 standard). By 2011, we were able to reduce this amount by 20 per cent to 3.5 litres. In financial year 2012, we were able to reduce fuel consumption by more than 2 per cent to just 3.39 litres and, in the reporting year, we were able to reduce consumption again to 3.30 litres.

Compared to the consumption of fuel at airberlin, German airlines on average have a 17 per cent higher specific fuel consumption of about 4.0 litres per 100 PKM; a car's consumption, adjusted for utilisation, is even almost 5 litres. Since we are improving our fuel efficiency by about 2 per cent a year, we exceed the industry's ACARE reduction targets. By 2015, we aim to reduce our fuel consumption to 3 litres.

In this reporting year alone, airberlin has saved 22,300 tonnes of fuel after saving almost 32,000 tonnes in the previous year and has cut CO_2 emissions by 1.7 per cent, or 70,200 tonnes. This corresponds to the emissions of an Airbus A330 on 444 flights from Dusseldorf to New York City! In comparison to the year 1994, CO_2 has declined by over 23 per cent.

Fuel savings and CO_2 reductions from 2008 until 2013 and current estimates for 2014

in per cent	2008	2009	2010	2011	**2012**	2013	2014e
Fuel in thousand tonnes	7.9	10.9	14.5	19.8	31.7	22.3	14.8
as a percentage of total consumption	0.6	0.9	1.1	1.5	2.2	1.7	1.1
CO_2 emissions in thousand tonnes	24.9	34.3	45.7	62.4	100.2	70.2	46.6
Consumption per 100 RPK in litres	3.70	3.64	3.60	3.50	3.39	3.30	3.20

Eco-efficiency in terms of weight and load

Reducing aircraft weight represents a very effective way of improving the fuel efficiency of the entire airberlin fleet. Annually, airberlin saves 2,100 tonnes of fuel and 6,600 tonnes of CO_2 by using lighter seats, carpets, aluminium trolleys, and a "paperless cockpit".

Our new lightweight carpets covering 157 square meters of the Airbus A330 cabin result in a reduction in weight of a remarkable 90 kg. By saving this weight, a 700-tonne reduction in CO_2 can be achieved every year with our A330 fleet alone.

The new lightweight seats in economy class have also reduced the weight per flight by 575 kg. With the 38 light-weight trolleys required for the service in the Airbus, airberlin saves more than 225 kilogrammes of weight compared to the conventional trolleys. The fuel saved is equivalent to twenty flights from Dusseldorf to New York City in an Airbus A330. airberlin uses lightweight containers for the transportation of cargo and baggage and saves more than 30,000 litres of fuel every year with each aircraft. Special computers displaying the aircraft's library and flight maps are used in all airberlin aircraft. This reduces the weight of each aircraft by 50 kilogrammes and corresponds to emission savings of more than 1,900 tonnes of CO_2 per year or twelve flights from Dusseldorf to New York City in an Airbus A330.

Through optimised loading and lighter cabin equipment, we can save up to three per cent of the average fuel consumption. The airplane can only fly at its most eco-efficient and economical level when the load is in optimum balance. This saves airberlin more than four tonnes of CO_2 on a flight from Berlin to New York City.

Eco-efficiency on the ground

We examine and optimise every process for fuel efficiency, both in the air and on the ground. To do this, anticipatory planning is indispensable and is included in all phases of eco-efficiency. Among others, this includes the management of flight operations using fuel-efficient flight plans as well as the calculation of the optimum cruise altitude and the shortest route. Special software calculates the most cost-efficient and most fuel-efficient flight course before each departure. Here, wind and weather data as well as airspace restrictions and temperatures are taken into account. The pilot retrieves important information from the operational flight plan (OFP) such as the number of passengers, weight, wind and weather data, the recommended level of fuel in the tank, and landmarks en route to the destination.

Flight plans are provided on the spot before each flight and the data is sent to the cockpit to ensure that each flight is conducted as cost-efficiently and as fuel-efficiently as possible. In a round trip test flight from Berlin to Tenerife and back to Berlin, the pilot receives a digital summarised version of the OFP before landing in Tenerife and can already calculate the fuel needed for the flight back to Berlin. An optimally calculated route can result in a fuel savings of up to four per cent. airberlin has also reduced its travel speed to a sustainable and economic level.

Block time optimisation is yet another measure. Instead of scheduling a route at all times of the day with the same flight duration, block time optimisation incorporates the expected volume of traffic in the airspace and at the destination airport. This causes the scheduled flight's duration to be a few minutes longer or shorter depending upon the time of day. Due to the customised flight times, it is not necessary for the pilot to compensate for a delay by flying faster or flying in a holding pattern at the destination airport. This also saves fuel and protects the environment.

airberlin's pilots turn off their engines immediately after reaching the gate. This not only avoids unnecessary emissions, but also reduces the noise at the airport. Usually, only one engine is necessary for taxiing from the runway to the gate. Pilots can turn off the second engine because the thrust of one engine is entirely sufficient for rolling. airberlin saves up to 1,000 tonnes of fuel each year by employing the "single engine taxi".

In order for the aircraft's engine to receive electricity when it is parked on the ground, airberlin uses ground power instead of the auxiliary power unit located in the tail of the aircraft. Through the use of more sustainable ground power from the so-called "basic power unit", airberlin reduces its consumption by 1,500 tonnes of fuel per year.

On the ground, electrical energy has proven to have less of an environmental impact than fuel. Therefore, airberlin is one of the first airlines to work together with the company, WheelTug, via a global exchange, to develop a new electric drive system. WheelTug and airberlin signed a corresponding "letter of intent" in June 2013, which gives airberlin the opportunity to be one of the first airlines to install the system on part of its fleet following the drive technology's certification. This "letter of intent" includes the possibility of installing the drive system on 47 of the Boeing 737NG aircraft and on 63 aircraft of the Airbus A320 family. WheelTug features an electric motor built into the nose wheel and allows pilots to roll from the gate to the runway without running the engines.

Fuel coaches

Since 2012, airberlin has trained its pilots in eco-efficient flight behaviour using a special training programme. Through their expertise, the 60 trained fuel coaches consume even less fuel on airberlin flights. However, it is not about refuelling with less fuel, but about consuming less of the fuel in the tank. In cases where there are unforeseen changes in the flight route, these measures can even increase safety. After the fuel coaches have completed their training, they pass their knowledge on to fellow pilots during coaching flights which are referred to as "fuel efficiency flights".

Eco-efficiency in the air

Upon take-off, the reduced wing flaps lower the air resistance. The lower early acceleration altitude allows the pilot to reach cruising altitude faster and, in turn, saves fuel and creates less noise. This alone saves airberlin up to 50 kilogrammes of CO_2 for every flight. A higher cruising altitude has also generated fuel savings for airberlin since the air is thinner in higher layers of the atmosphere which means the aircraft flies through less resistance.

As the first airline in Europe, airberlin uses the satellite-based approach navigation system, GBAS (Ground Based Augmentation System), for precision flights in its scheduled service. This approach is initially being used at the Bremen airport. In terms of the landing system, the GPS data is corrected at a ground station – similar to the manner in which navigation devices in cars receive information. This allows GPS accuracy of less than one metre when landing. Thus, secure point landings are possible, even in less favourable weather conditions. Since 2008, the German Air Traffic Control (DFS) has worked in close cooperation with airberlin on the development of GBAS.

Flying is higher, faster, and thus more efficient through the use of up-to-date information for the planning of flight operations. The combination of altitude and wind profiles makes it possible to determine the route requiring the least amount of fuel. A 300 metre difference in flight altitude can make up to a 1 % difference in the use of fuel per flight for an annual savings of 12,000 tonnes of CO_2.

Environmental protection on-board

At airberlin, all of the cleaning supplies found on board, such as folded paper towels, facial tissues, and toilet paper, are recyclable. The roll of paper towels carries the FSC Mix seal, which is featured on paper products in which at least 50 per cent of the fibres originate from sustainable forest management. All trash bags are made of starch-reduced LDPE film. The fragrance of the soap does not harm the environment. Since autumn 2012, we use new and exceptionally lightweight polypropylene cups. This alone saves more than 200 tonnes in weight annually and more than one tonne of CO_2 during waste disposal.

Less NOISE leads to more acceptance

Reducing noise emissions is a complex task which involves numerous players. airberlin has one of the quietest aircraft fleets in Europe. A total of 97 per cent of airberlin's fleet complies with the latest ICAO Chapter IV noise standard. This means that all airberlin aircraft, with the exception of four machines, are at least 10 dB (A) quieter than the level required by the previous ICAO Chapter III classification.

airberlin is involved proactively in numerous aircraft noise commissions which have the legal mandate to advise air traffic control in the determination of routes. airberlin also actively promotes intermodality, i.e., the connection of airports to the rail network.

We are a pioneer when it comes to technical innovation and though our numerous investments and measures we have made an active contribution to noise reduction. For example, we evaluate curved approach procedures so that we may avoid flying over residential areas when possible. When employing the satellite-based precision approach procedure of the GBAS (Ground Based Augmentation System), pilots can fly curves in the final approach and are not bound by a linear flight path. Curved approach procedures can use the airspace more efficiently and also save fuel. Densely populated residential areas can also be avoided in order to reduce the level of noise. The continuous descent approach (CDA) ensures lower noise emissions even in the greater areas surrounding airports.

Currently, airberlin is developing new procedures for noise reduction as part of a joint research project with the German Aerospace Centre (DLR), the German Air Traffic Control (DFS), and Fraport AG. An airberlin Boeing 737-700 has verified 13 of these procedures at DLR's research airport in Braunschweig-Wolfsburg, while noise measurements were being taken on the ground. airberlin verifies curved approach procedures in order to avoid flying over residential areas as much as possible. The research flights in Braunschweig simulate approaches made to the Frankfurt am Main airport. airberlin is also a competent dialogue partner in numerous aircraft noise commissions which have the legal mandate to advise air traffic control in the determination of routes.

PRINCIPAL RISKS AND UNCERTAINTIES

The early identification and control of risks: airberlin's risk management system is the focus of our sustainable corporate management. Systematically managing risks is the basis of our performance-oriented corporate management.

RISK MANAGEMENT SYSTEM

As an international aviation company, airberlin operates in an environment characterised by a variety of risks. The early identification and control of these risks represents a key component of the airberlin group's management. This identification and control is supported by a comprehensive risk management system. As an integral part of the management and reporting process, risks are systematically recognised, assessed, and managed by appropriate measures within the risk management system.

The Board of Directors has overall responsibility for the establishment of an effective risk management system. Additionally, the Management Board reports regularly to the Board of Directors on risk management. The Management Board's reporting is supported by a central Risk Management Committee, which monitors the recording and evaluation of risks through the respective department heads. The Management Board appoints the members of the Risk Management Committee.

Routine reviews in cooperation with the department heads ensure the early identification of threats and risks and facilitate effective management. A key component of the routine Risk Management Committee meetings is the discussion of risks and the deliberation and decision on the actions to be implemented to mitigate and limit the principal risks.

The risk management system currently in existence is an integral part of airberlin's overall management and reporting process. The risks which have been identified are continuously updated using an IT-supported process. Risk reporting includes the critical review and assessment of all risks for the airberlin group. If necessary, newly identified risks are added. New and existing risks are assessed with regard to their probability of occurrence and their potential extent of damage.

The implementation of regulations issued by national and international authorities and institutions, particularly with respect to questions of safety, are of major importance to the Company's operations. A Company-wide compliance programme ensures the recognition and observation of regulations and policies, and ensures that the Company's processes are adapted to any amendments made to the respective current regulations.

The principal risks and uncertainties described below could have a material adverse effect on the operating and financial performance of the airberlin group and its business outlook. The list of risks mentioned below is not to be considered exhaustive and the order in which the risks are presented should not lead to any conclusions made with regard to the likelihood of their occurrence, their magnitude, or significance.

Industry risks

OVERALL ECONOMIC ENVIRONMENT

As with all airlines, the airberlin group's revenues have an exceptionally high correlation to macroeconomic developments. Any deterioration in either the German domestic or global economy could have a material adverse impact on the airberlin group's financial position, results of operations, and operating activities. Moreover, insolvencies among customers or contracting parties, including financial institutions acting as hedge counterparties, could result in losses for airberlin.

The general economic environment remains risk-ridden for the economy-sensitive aviation industry. As in the past, Europe and particularly the southern European countries are especially impacted by this. The economic outlook for the year 2014 is generally optimistic, however, this is only on the condition that the measures initiated for stabilising the economy in Europe produce the desired results.

The eurozone is slowly overcoming the recession. Starting in the fourth quarter of 2013, there has been growth again (+0.5 per cent) for the first time in one and a half years. This was mainly due to the positive economic momentum in Germany and the surprisingly favourable development in France (+0.3 per cent). However, some of airberlin's target markets in southern Europe continued to remain in a recession. The measures taken in these countries to consolidate federal budgets had the effect of temporarily dampening their economies. This led to real GDP in Spain declining by –1.2 per cent in 2013. A slow recovery (+0.9 per cent) is expected in 2014. According to the International Monetary Fund (IMF), the eurozone's economic output in 2013 in total dropped 0.5 per cent on average in comparison to 2012. For 2014, the Deutsches Institut für Wirtschaftsforschung e.V. (DIW) is projecting growth of +1.8 per cent in Germany. Private consumption was the key driver of economic development. Currently, for the year 2014, growth in real GDP of up to 1.9 per cent is expected. Not only increasing consumer spending but also growing investment is anticipated to bring about positive economic developments.

After the recession and following the financial crisis and weak growth in 2012 (+0.7 per cent), the economic output in airberlin's home market of Germany was initially stagnant in the first quarter of 2013 (+0.0 per cent) due to the harsh winter conditions. In the course of the year, however, the economic development started to improve. According to preliminary estimates of the IWF, German real GDP grew by only 0.5 per cent in 2013. A stronger recovery was impeded by sluggish foreign demand, especially from the eurozone countries but also from other important developed and emerging countries. This, in turn, also curbed the German corporations' propensity to invest.

The low level of economic growth experienced in 2013, the 50 per cent decrease in air traffic to and from Egypt since the month of August, and the cost-cutting programmes of many European airlines, have all led to a decline of 0.9 per cent in the number of flight movements in Europe in 2013 compared to 2012, according to Eurocontrol. Nevertheless, Eurocontrol projects growth of +1.4 per cent for 2014.

The aviation industry is generally characterised by high fixed costs and revenues, which generally have a much higher elasticity than costs. The majority of the costs are either fixed or flight-dependent – i.e., they do not vary with the number of passengers transported, but with the number of flights performed. These flight-dependent costs include costs for the use of the airport's infrastructure and services, departure, landing, as well as air traffic fees, maintenance, financing, leasing, and fuel costs. In contrast, revenues are variable and are in direct relation to the number of passengers and to the ticket revenues attained. Should passenger numbers and utilisation decline in response to a slowdown in economic development, the results of airberlin would be disproportionately impacted.

Risk mitigation measures. airberlin regularly observes the markets relevant to the airberlin group, the overall economic development, and the profitability of its routes, in order to counteract negative trends when possible.

MARKET AND COMPETITIVE RISKS

The aviation industry is characterised by continued increases in the level of competition. airberlin's core markets – the high-volume D-A-CH, European, Middle Eastern, and transatlantic traffic – are particularly marked by extreme competitiveness. Competition has been heightened by low-cost carriers who are increasingly penetrating into the business areas of full service carriers and also through a large number of newly established low cost subsidiaries of the legacy carriers. The increase in supply could put pressure on airberlin's prices and sales volumes.

The main competitive factors facing airberlin include prices, route networks, flight schedules, reputation, safety record, range of services for passengers, as well as aircraft models and aircraft age. This intense competitive pressure accelerates the market dynamics and market consolidation. This can be seen in adjustments and further developments in cooperation structures with partner airlines, shareholdings, and global alliances. Potential company acquisitions and any mergers among competitors could have a speedy and negative impact on airberlin's revenues and market position.

Some of the airberlin group's competitors may have more efficient cost structures than the airberlin group or may benefit from other competitive advantages such as government intervention or various types of insolvency protection. If competitors increase their market share at airberlin's expense, this may have significant adverse effects on the airberlin group's business outlook and profitability.

It is likely that airberlin's business would be impaired by any circumstances causing a reduction in demand or a change in the competitive behaviour in terms of air transportation services which include German destinations, including, but not limited to adverse changes in regional economic conditions. Furthermore, in Germany, airberlin is not only in competition with other charter and scheduled airlines, but also competes with railway and bus transportation, whose markets are being further deregulated. This could lead to negative changes in the short-haul segment of the market.

Risk mitigation measures. airberlin strives to secure the airberlin group's network and thus strengthen its competitive position by maintaining key strategic alliances and partnerships, maximising the resulting synergies, and densifying its existing network. Additionally, airberlin regularly monitors both competitors' activities and any potential consolidation by using, among other methods, defined early warning indicators to secure important routes and positions in the market. Moreover, airberlin applies a strict cost management policy.

Risks associated with cooperation agreements

Since March 2012, airberlin has been a member of the **one**world airline alliance and, in the course of this membership, has concluded a series of codeshare agreements. **one**world competes with other airline alliances, which, in some cases, command a larger network. Moreover, these other airline alliances may be able to enhance their market position through mergers and other agreements. Conversely, **one**world may lose its importance in the market or, in the worst case, may be dissolved entirely if, for example, key members leave the alliance. This can have significant adverse effects on airberlin's route network and flight offers and thus have a very negative impact on airberlin's business, financial condition, and operating result.

airberlin has also entered into a close cooperation with Etihad Airways who holds a stake of 29.21 per cent and is airberlin's largest shareholder. This cooperation includes among other things a codeshare agreement, reciprocal frequent flyer programmes, as well as agreements on ground handling and cargo transportation. In addition, Etihad Airways has provided airberlin with a credit facility of up to USD 255 million. Furthermore, Etihad Airways and airberlin agreed to carve-out airberlin's frequent flyer programme "topbonus", which is since then operated by Topbonus Ltd., in which Air Berlin PLC & Co. Luftverkehrs KG has an interest of 30 per cent and Ethiad Airport Services L.L.C. of 70 per cent. Topbonus Ltd. continues to operate and further develop the frequent flyer programme on the basis of a commercial agreement with airberlin and is rendering consumer loyalty services to the airberlin group. A termination or a failure of this cooperation would have a material adverse effect on airberlin's business, operations, and financial position.

Risk mitigation measures. To mitigate, though it will not be possible to fully eliminate, negative effects of a possible end to the membership in the **one**world alliance or an end to the partnership with Etihad Airways, airberlin has already broadened its cooperation with other airlines and will continue to further expand this collaboration.

Regulatory risks

REGULATORY RISKS IN GENERAL

The regulation of the aviation industry continues to increase and covers many of the airberlin group's activities, including security, aircraft noise and pollutant emission levels, data collection and management, air traffic rights, airport slots, operating licenses, and environmental controls. Legislators and regulatory authorities may impose additional operating or other restrictions at airports or otherwise with regard to air traffic, such as landing and take-off curfews during the night, the limits on aircraft noise and pollutant emission levels, mandatory flight paths, runway restrictions, and limits on the number of average daily departures. These restrictions may limit airberlin's ability to provide or increase its range of services at these airports and may cause airberlin to incur additional costs. This could have a material adverse effect on airberlin's business activities, financial condition and results of operations.

In addition, airberlin's business is subject to the applicable European and international laws, bilateral and multilateral treaties, regulations pertaining to the aviation industry, and airberlin's own regulations. airberlin cannot predict what future changes will be made to the German, European Union and international air traffic rules and treaties or what the impact of such changes will be on the aviation industry or airberlin's business activities and costs. Changes to the regulatory framework within which airberlin operates could impose significantly greater costs on airberlin's business activities and could materially and adversely affect the airline industry generally and the airberlin group.

Risk mitigation measures. The Risk Management Committee and the respective departments continually monitor any possible changes in the applicable regulatory framework. The Risk Management Committee strives to contribute expertise to such monitoring, either acting alone, together with other airlines, or through associations to safeguard airberlin's interests.

PASSENGER COMPENSATION REGULATION

The European Regulation (EC) No. 261/2004 (Air Passenger Rights Regulation) provides that in case of flight cancellations or denied boarding, passengers may bring compensation claims against the operating air carrier. The amount of the compensation claim will depend on the flight's distance and will fall in the range of EUR 250 to EUR 600. In its judgement of 19 November 2009 (C-402/07 and C-432/07), the European Court of Justice (ECJ) has extended the right to monetary compensation to cases where passengers reach their final destination three hours or more after the scheduled arrival time. The passenger does not have a right to a compensation claim if the operating air carrier can prove that the flight cancellation or delay was caused by extraordinary circumstances which could not have been avoided at the time, even if all reasonable measures to avoid it had been taken. In addition to those compensation claims, depending upon the length of the delay, the passengers also could have claims for additional services in the form of meals and refreshments in a reasonable relation to the waiting time, as well as telephone calls and hotel accommodations. Additionally, passengers may require re-routing or a refund of the ticket price.

On 5 February 2014, as part of the revision of the Air Passenger Rights Regulation, the European Parliament adopted, upon its first reading, a proposal for an amended regulation, granting passengers better and more extensive rights (e.g., passenger compensation can only be denied due to certain exceptional circumstances, which are set out in an exhaustive list). All changes are subject to an additional vote of the European Council.

Thus, there can be no assurance that airberlin will not incur a significant increase in costs in the future associated with cancelled or delayed flights which may have a material adverse effect on airberlin's operating costs and would subsequently lead to a reduction in profitability.

Risk mitigation measures. In the course of the further legislative process, airberlin will try as best as possible to reach a compromise which will place less of a burden on the airlines.

AIR TRAFFIC CONTROL

Another problem for the airline industry is the restrictions arising from non-uniform air traffic control throughout Europe. These bottlenecks still create detours, delays, increased fuel consumption and emissions, and cause significant waiting times. This not only leads to a burden on the results of the airlines operating in Europe, but also to a burden on the environment.

In terms of air traffic control fees, there are plans for cost-based regulation for fee periods starting in 2015, however, it must still be assumed that the cost increases in aviation security charges will continue. As a result of collective bargaining agreements, significant increases in personnel costs are expected to continue. These comprise the largest component of fees by far, particularly with regard to aviation security charges at airports.

Risk mitigation measures. airberlin is committed to ensuring that a uniform air traffic system is created for all of Europe. The European Commission has complained of insufficient progress in individual countries, including Germany, in creating functional airspace blocks in Europe. The willingness of the EU member states to establish a single European airspace in the near future must still be viewed as insufficient.

AIR TRANSPORTATION TAX

An additional burden placed on airberlin is the introduction of the German air transportation tax for take-offs from German airports since 1 January 2011. airberlin, which carries passengers predominantly departing from German airports, is more affected by the air transportation tax than other competitors since this tax is not being applied to cargo business or to take-offs occurring outside of Germany. Other airlines have the option of deciding whether to assume the additional costs in full or only in part, or to pass them on to the customers in the form of higher ticket prices. airberlin could not do this without accepting a major adverse effect on its revenues and earnings.

An abolition of the air transportation tax, however, is not foreseeable. Two complaints against the air transportation tax have been dismissed by a German finance court, although this decision is not yet final due to the admission of an appeal.

Risk mitigation measures. airberlin will continue to point out the disadvantages and competition-distorting effects of the German air transportation tax and advocate its elimination.

EMISSIONS TRADING

The introduction of the European emissions trading scheme (EU-ETS), which came into force at the EU level on 1 January 2012, impacts both the air transportation market and the competitive situation. Since 1 January 2012, all flights taking off or landing from an airport in an EU member state's territory are included in the European emissions trading system. This system is a quota scheme with tradable certificates for carbon dioxide emissions and is aimed at persuading the industry to reduce its CO_2 emissions.

On the basis of the relevant legislation, airlines receive a certain number of pollution permits for free based on historical emissions and their share of the total air transportation market. Additional pollution allowances are auctioned by member states. There is no certainty that airberlin will receive a sufficient amount of pollution rights in the future. In addition, the scheme poses a competitive disadvantage for companies operating within the EU in comparison to those competitors outside of the EU. The inclusion of the aviation industry in the scheme could increase airberlin's costs. Various countries (such as China, India, and the USA) could reject the inclusion of the aviation industry in the scheme and impose sanctions on the EU and EU airlines.

On 13 November 2012, the European Commission announced that it intended to "stop the clock" (the "*Stop the Clock Decision*") and not implement the special EU aspects of the European emissions trading scheme immediately. Instead, the European Commission proposed a postponement of one year for the registration and transfer of pollution rights with respect to air traffic in and out of the EU. As stated in the proposal, this would mean that no prosecutions could be brought against aircraft operators who do not register or transfer emissions for air traffic in and out of the EU for the years 2010 to 2012.

According to the European Commission, the proposed postponement described above is based on the assumption that a global solution is within reach for international aviation's rapidly growing emissions.

At the ICAO Assembly meeting held in the fall of 2013, the member states agreed to introduce a global emissions trading solution by 2016 that would likely take effect by the year 2020. How the EU ETS is to be applied up to that point is currently still unanswered. The Commission's proposal (which is still subject to the approval of the European Parliament and the European Council) stipulates that all flights are to be included in the ETS, provided these flights are carried out in the EU/EEA air space. This would include, for example, long-haul flights where only part of the route is located within EU/EEA airspace (the so-called EU airspace model).

Thus, only the segment which is located within EU/EEA airspace would be subject to compulsory emissions trading. Alternatively, a continuation of the currently applicable intra EU/EEA ETS resulting from the Stop the Clock Decision is also being discussed. Only flights where both the point of origin and the destination are within the EU or the EEA would then continue to be subject to compulsory emissions trading.

Risk mitigation measures. airberlin advocates the complete suspension of the EU ETS until a global emissions trading system for air transportation is in place, among other reasons, for the sake of establishing a level playing field. In view of the current Commission proposal, however, such a development must rather be regarded as unlikely.

To fulfil the obligation of the EU ETS, airberlin has concluded hedging transactions in addition to the freely allocated quantity of emission allowances. A sufficient number of emission allowances have been submitted to the European authorities for the 2013 trading period. However, airberlin's hedging instruments do not fully protect the Company against the adverse effect of a scheme price increase for air pollution permits.

airberlin has fulfilled its monitoring, reporting, and filing obligations for the 2013 reporting year, irrespective of the one-year moratorium proposed by the European Commission under the so-called Stop the Clock Decision.

Due to the unsettled definition of the changes to the EU ETS proposed in autumn 2013, the emission data for the 2013 reporting year will be verified by an independent third party until the introduction of a global emissions trading solution, as was the case in the years 2010, 2011, and 2012. On 3 April 2014, the European Parliament voted in favour of exempting from the EU ETS all flights between countries in the European Economic Area (EEA) and third countries, until the end of 2016.

Financial risks

RISKS DUE TO FLUCTUATIONS IN FUEL PRICES, INTEREST RATES, AND EXCHANGE RATES AS WELL AS IN THE PRICES OF AVIATION POLLUTION RIGHTS

As an internationally operating air carrier, airberlin is exposed to fluctuations in fuel prices, interest rates, and exchange rates – particularly the development of the U.S. dollar – and to the prices for air traffic pollution permits. A significant or lasting appreciation of the U.S. dollar, which cannot be or could not have been fully hedged, would have an adverse impact on the airberlin group's financial performance. Above all, possible increases in fuel prices or a reduction in the availability of fuel may also lead to increased expense items and could have an adverse effect on the airberlin group's business as well as its operational and financial performance.

Risk mitigation measures. Fluctuations in fuel prices, interest rates, and exchange rates are comprehensively hedged through continual hedging activities. Possible risks are reduced in advance through the use of a revolving hedging for the relevant defined time periods. Solely internationally customary hedging transactions are entered into with reputable financial institutions. For the systematic management of interest rate and currency risks, an airberlin group-wide treasury management system has been established as well as a separate commodity management system within the existing risk management system to manage the risk of changes in fuel and emissions prices. In addition to a review of all underlying transactions and the corresponding hedging transactions concluded on a revolving basis, a comprehensive calculation has been carried out of the fair value valuation and the effectiveness of the hedging arrangements entered into. There can be no assurance that airberlin's hedging strategy will be successful or that the counterparty to the hedge will not declare bankruptcy or fail to fulfil its obligations.

The developments with regard to aviation pollution rights and airberlin's respective risk management measures are described further in the section above on "emissions trading".

FUTURE FINANCING

airberlin is dependent upon its ability to raise capital for acquiring additional aircraft, financing current operations, replacing existing older planes, and refinancing existing obligations when they become due. This ability depends on a number of factors which include the financial market situation, the general availability of credit, and the prevailing interest rates. There is no assurance that airberlin will be able to secure the required financing at economically acceptable terms or that it will be able to secure the required financing at all.

airberlin also incurs significant financing costs for the existing financings for aircraft and interest payments in the context of its outstanding borrowings. If airberlin is not able to generate sufficient revenue to cover these fixed cost obligations, then this would have a significant adverse effect on airberlin's financial position.

Risk mitigation measures. To minimise financing risk, airberlin secures financing far in advance of the delivery dates, while taking into account the individual market conditions. In order to manage the financial risks, internal guidelines are applied which define and support an operational framework: Here, in particular, the core principle is sound liquidity management ensured through comprehensive financial and liquidity planning.

THE TURBINE PROGRAMME

airberlin has successfully implemented its Turbine programme which covers the years 2013 and 2014. Some of the programme's effects will only achieve their full impact in 2014. Further measures will also be carried out in 2014 which will be aimed at improving the airberlin group's operational performance and achieving sustainable profitability. If airberlin is not able to fully implement this programme or realise its benefits in 2014, or should this programme not meet airberlin's expectations, this could have a material adverse effect on the airberlin group's business activities, financial position, and results of operations.

FINANCING RISKS DUE TO SEASONAL FLUCTUATIONS

Demand for airberlin's services fluctuates during the year and this, in turn, leads to fluctuating quarterly results. The nature of this business is to experience the highest demand in the summer season, from May to October, and the lowest demand in the winter season, from November to April (excluding the days around Christmas, New Year's Day, and Easter). Therefore, in the course of the year, there are fluctuations in the utilisation of airberlin's aircraft and in profitability, and the majority of profits is generated in the summer season. When flight cancellations or other factors occur which adversely influence the utilisation of the aircraft, especially in the summer season, these can have a particularly negative impact on airberlin's business operations, financial position, and results of operations.

Risk mitigation measures. airberlin's liquidity management takes into account the financial risks associated with seasonal fluctuations. Moreover, the network has been adjusted to reduce such seasonal fluctuations.

Operational risks

As with all airlines, airberlin addresses the existing operating and technical risks of flight operations in the context of its risk management system. These risks are systematically identified, assessed, and managed using appropriate measures.

DELAYED OPENING OF BER

airberlin planned its flight offers in Berlin based on the planned infrastructure of the new Berlin Brandenburg Airport and the originally targeted opening date of 3 June 2012. As a result, airberlin had increased its flight offers originating from Berlin for the summer of 2012 by over 230 additional flights per week in order to expand its international hub. Following the airport's announcement of the delayed opening, these flights had to be processed at the Berlin Tegel airport, where the infrastructure is not designed for these tasks. Consequently, airberlin was forced to incur a considerable amount of extra costs. Tegel has already reached its full capacity and cannot provide the capacity and quality that the new airport would have provided – even at the highest utilisation of airport employees.

The delayed opening of the new airport caused considerable damage to airberlin, which cannot yet be fully quantified. The total damage results from a number of factors and will depend on the development of the operations, particularly during the winter months, at the Berlin Tegel airport. To date, estimated additional costs and other damages incurred are already in the tens of millions.

As in 2012, airberlin and airport representatives were not able to agree upon a mutually acceptable solution. airberlin filed a suit for damages on 6 November 2012 against the Flughafen Berlin Brandenburg GmbH, at the responsible district court, to protect the Company's interests.

However, it is not yet clear whether, and if so to what extent, airberlin will be judicially awarded indemnification payments (as per the date of the editorial deadline of this Annual Report).

A further delay in the opening of the new Berlin Brandenburg Airport or difficulty in operating the airport could have an additional material adverse effect on the airberlin group's business and operational performance.

Risk mitigation measures. airberlin is in constant contact with airport management and also regularly reviews its own slot portfolio to see if there are any opportunities to improve it.

SAFETY AND ACCIDENT PREVENTION

airberlin's reputation and business operations are dependent upon its ability to avoid serious incidents and accidents. However, should an incident occur, it is important to deal with it effectively. An aircraft accident or incident may not only result in the repair or replacement of the damaged aircraft and its associated removal from service, but could also include the claims of injured passengers and claims of the relatives of passengers fatally injured. If a significant security failure or incident occurs or if airberlin is not able to deal effectively with an aircraft accident or incident, this may have a material adverse effect on airberlin's reputation, business activities, and operational and financial performance.

Risk mitigation measures. Ensuring safety is airberlin's primary task. To minimise this risk, airberlin has an extensive safety management system that permeates all operational areas such as flight operations, training, technical services, and ground handling. Security-relevant information is combined and linked within this system to identify negative trends and potential dangers early on and respond proactively. The flights the airberlin group operates are regularly evaluated, not only in terms of their economic viability but also in terms of their safety. Through the Alternative Training Qualification Programmes (ATQP), airberlin has introduced a more targeted use of simulators which are tailored to the needs of the respective fleet. Additionally, more simulator events are conducted than are required by law (eight hours instead of the statutory five hours per flight staff member). However, should an incident occur, airberlin has developed contingency plans and also continuously trains its employees in handling crisis situations. Furthermore, airberlin has insurance for such accidents and incidents which meet the market standards of the European aviation industry.

SECURITY AND TERRORISM

As with all airlines, airberlin's business is exposed to the dangers of terrorism as well as threats to and attacks on its security. If we are not successful in preventing major security or terrorist threats or in preventing or effectively dealing with an attack, this could have an adverse effect on airberlin's reputation, operations, and financial performance. Additionally, future terrorist attacks or other conflicts may lead to increased safety regulations for air transportation which would cause a rise in airberlin's operating costs.

Risk mitigation measures. The safety of passengers and employees is a top priority at airberlin. airberlin has taken a number of measures to ensure safety. These measures include internal security control systems, contingency planning, and training in crisis management.

ACCESS TO AIRPORTS AND OTHER OPERATING RESTRICTIONS

Air transportation is limited by the infrastructure of the airports and the number of available arrival and departure slots. A slot provides the authorisation necessary to take-off and land during a specified period at a specified time. Slots are allocated to airlines based on certain procedures that vary from airport to airport and may change in the future. At certain airports, established airlines were granted preferential rights in the allocation of slots. Additionally, a large number of European and other important international airports are operating close to their capacity limits, meaning that an expansion of slots at these airports is limited.

If those responsible for the allocation of slots do not provide airberlin access to a sufficient number of slots at the times required or at acceptable terms, airberlin would not be able to expand and would be forced to restrict the use of its aircraft. The requirements for the use of slots usually provide that rights may be forfeited if the slots are not in use for a temporary or a longer period of time. If airberlin is not able to use its slots, this could lead to the loss of the rights of use.

Risk mitigation measures. airberlin will continue to review the network and the airports served in order to make the most attractive offers within the scope of airports having limited or unlimited slots.

AIRPORT, TRANSIT, AND LANDING FEES, AS WELL AS SECURITY CHARGES

Airport, transit, and landing fees, as well as security charges and costs represent a significant portion of airberlin's operating costs and directly affect the prices that airberlin must bill its customers in order to operate cost-effectively. airberlin cannot assure that these costs will not rise or that airberlin will not incur any additional new costs. Any such development could lead to an increase in airberlin's operating costs. If airberlin is not able to pass on increases in fees, charges, or costs to its customers, then these increases could have a significant adverse effect on business operations, the financial position and results of operations.

Risk mitigation measures. Together with the German aviation industry, airberlin is committed to ensuring that such fees and charges are minimised and that these fees and charges are as justified and transparent as possible.

CIVIL AND POLITICAL CONFLICTS

The political upheavals in North Africa since January 2011 have had a negative effect on flight bookings to North Africa, especially those to Egypt. Additional civilian, political or military conflicts, riots or other disputes, or the extension or continuation of existing conflicts or similar conditions, could have material adverse effects on the aviation industry in general and on airberlin, especially if they are directed against air traffic or certain markets which are important to airberlin.

Risk mitigation measures. airberlin utilises crisis management processes that also take into account any potential civil and political conflicts in its destination countries. For long-lasting conflicts, airberlin monitors the situation so that it can react if necessary by changing its route network.

RELATIONSHIP WITH EMPLOYEES

Some of airberlin's employees are unionised and covered by a number of collective agreements which regulate work conditions and remuneration. Employees with tariff-linked contracts are largely protected from restructuring measures/operational changes and individual dismissals. These contracts are renegotiated with the unions on a regular basis. airberlin may also be subject to employee strikes or a strike or industrial labour dispute within the entire aviation industry. Such events could have a material adverse effect on airberlin's ability to maintain or achieve profitability and also on airberlin's business operations, its financial position, and results of operations. However, due to agreements with the trade unions extending until 2016, this scenario appears to be unlikely for airberlin.

airberlin's success depends on the performance of its Board members, airberlin's senior managers, and managers holding key positions. A departure or significant change in airberlin's management could lead to a considerable loss of expertise and to a loss of investors' confidence in airberlin. Further, it could have a material adverse effect on airberlin's business operations, financial condition, and results of operations.

Risk mitigation measures. airberlin stays in regular contact with its employees, their representatives, and the trade unions, to prevent disputes from escalating. If a labour dispute arises, airberlin has appropriate procedures in place to weather any associated disruption in its business. airberlin has a sufficient number of staff available on a "stand-by" basis that takes external factors and the volatility faced by the aviation industry into account.

Procurement risks

A key factor in ensuring the smooth operation of the airberlin group's business is the reliable supply of goods and services such as fuel, catering, access to attractive destinations, spare parts, maintenance, repair, and overhaul services, as well as a number of other product categories. The efficiency, timeliness, and quality of third parties' contractual services can be optimised through efficient supplier and contract management, but the associated risks are not entirely avoidable. If disturbances in the supply chain cause these goods and services to be delivered late or not at all, if they cannot be procured at economically affordable prices due to a monopoly, or if it is not possible to renew or re-negotiate risk-reducing contracts, this could have a significant adverse effect on airberlin's business operations, financial position, and results of operations.

Risk mitigation measures. To minimise the dependence on individual suppliers over the long-term, airberlin aims to avoid monopolies in the supplier market and constantly monitors the performance of services provided by third parties.

Having a modern fleet significantly reduces the cost of maintenance and repair. Thus, airberlin nurtures its long-term customer relationships with the aircraft manufacturers Airbus, Boeing, Bombardier, and Embraer. airberlin thus secures its access to the most modern aircraft. In addition to employing its own aircraft, airberlin also uses a fleet of leased aircraft.

For every airline, including airberlin, the largest procurement cost component is fuel. When procuring fuel, in addition to choosing a fuel supplier according to economic criteria, airberlin also subjects all airport fuel suppliers to a risk analysis in which an examination of the supply's stability plays a central role. airberlin also monitors compliance with quality standards for fuel storage and into-plane fuelling in accordance with the IATA Fuel Quality Pool's requirements. airberlin maintains long-term relationships with major oil suppliers to ensure the security of supply at all times.

Another large cost component is catering. In this area, airberlin also operates with firm supply contracts. The respective service levels of these contracts are monitored on an on-going basis. In the Ground & Air Services area, airberlin continuously optimises its existing relationships with the airports and authorities. For all other goods and services, airberlin utilises a combination of short, medium, and long-term contracts that allow airberlin to optimally utilise market fluctuations and changes in competition. Institutionalised supplier and contract management completes our procurement risk management.

Environmental and health risks

Recurrent or prolonged periods of extremely adverse weather conditions such as snow and fog, as well as natural disasters such as earthquakes, volcanic eruptions, or other natural disasters – especially if they occur in the European Union – could lead to a major disruption in routes and in airberlin's network. These extreme weather conditions and natural disasters may also lead to additional costs such as those resulting from flight cancellations, the de-icing of aircraft, and increased fuel consumption. Such disorders, especially if they occur during peak air travel times, can lead to loss of revenue and have a material adverse effect on airberlin's financial position and results of operations.

Moreover, the outbreak of a pandemic like swine flu, Severe Acute Respiratory Syndrome (SARS), or other infectious diseases, can cause considerable disruption to the network. Such disorders, particularly if they occur during the peak holiday seasons, can lead to a decline in travel frequency, increased employee absences, and lost revenue. They would also have a material adverse effect on airberlin's business operations as well as on its financial position and results of operations.

Risk mitigation measures. airberlin has put the appropriate processes in place so that it may respond to the events described above and, where possible, reduce the consequences through crisis management measures. Crisis management exercises are carried out regularly and, in addition, airberlin has implemented a business continuity programme.

IT risks

airberlin's central business processes would not be possible without adequate and uninterrupted internal and external computer systems, communication systems, IT support and IT systems. These central business processes encompass ticket sales, reservation processes, air traffic management, and flight operations. Computers and communication systems are prone to interference, damage, power outages, acts of terrorism, sabotage, computer viruses, fires, and other incidents. Programming errors can also never be entirely avoided. There can be no certainty of efficient and uninterrupted operation of the systems used by airberlin or third parties, including systems that are used by airberlin's partners, such as reservation systems in travel agencies.

A loss, failure or interruption of this support or systems, a loss of access to the appropriate facilities in which these systems are housed, or a breach in the security measures that protect these IT systems and the information contained therein, can greatly interfere with airberlin's business operations and have a material adverse effect on its reputation, business activities, and operational and financial performance.

Risk mitigation measures. airberlin's risk management system is specifically focused on the identification and control of IT risks; including those risks arising from outside and inside the Company. Company-wide internal security policies form the basis for handling IT risks and help us to ensure an appropriate level of IT security. An experienced IT team is available to solve IT problems.

REPORT ON FORECASTS AND OUTLOOK FOR THE GROUP

DEVELOPMENT OF THE OVERALL ECONOMY AND THE AVIATION INDUSTRY

The outlook for the world economy

For the current year, the International Monetary Fund (IMF) expects to see a pickup in the global economy. After growing 3.0 per cent in 2013, growth should accelerate to 3.6 per cent in 2014. Nearly all regions are expected to contribute to this growth, but the recovery in the industrial countries should have the largest impact. The U.S. economy in particular is expected to benefit from a strong rise in domestic demand and advance U.S. economic growth to 2.8 per cent from 1.9 per cent. The euro area should recover from the recession and grow 1.2 per cent in 2014 after a decline in the previous year of –0.5 per cent. Spain and Italy are expected to grow by 0.9 per cent and 0.6 per cent in 2014, after recording declines in the previous year of –1.2 per cent and –1.9 per cent. The IMF expects German economic growth to accelerate to 1.7 per cent in 2014.

The international air travel industry in 2014

IATA takes an optimistic view of the year 2014. Supported by better global economic development, the industry on a global basis is projected to increase revenues by 5.3 per cent to USD 745 billion and grow profits by 45 per cent to USD 18.7 billion compared to USD 12.9 billion in the prior year. However, at the same time, the association emphasises that this income level still yields only a small net margin of 2.5 per cent. Passenger traffic, measured in RPK, should rise 5.8 per cent and capacity is expected to increase by five per cent. The passenger load factor is expected to rise slightly to 80.2 per cent after 79.6 per cent. On the cost side, fuel is expected to remain the most important cost factor in the current year despite a slight decline in the expected average price (USD 108.0 after USD 108.8). The fuel ratio is projected to amount to 30 per cent (previous year: 31 per cent).

For European carriers, IATA expects an increase in earnings from the very low level of the previous year of USD 1.2 billion to USD 3.1 billion. Accordingly, margins should remain low. While the economic outlook is brightening in Europe, the European market's continued major structural problems such as high tax burdens, over-regulation, bottlenecks in infrastructure, and the continued lack of the Single European Sky will continue to limit the industry's growth in the current year. The Ukraine conflict is seen as a particular risk.

REPORT ON EXPECTED DEVELOPMENTS IN FINANCIAL YEAR 2014

In the course of 2014 thus far, airberlin has expanded capacity in comparison to the previous year. Through more year-round connections, especially on tourist routes and long-haul destinations, airberlin has reduced the seasonal fluctuations between the winter and summer schedules and has established its range of offerings in the market for the longer term.

Since the Easter business, which is important for flight traffic, will only be noticeable in April, the number of guests (5,859,660; –1.0 per cent) and utilisation (81.8 per cent; –3.7 percentage points) after the first three months were below that of the previous year. The first quarter of 2013 included the Easter holidays. The demand over the Easter holidays has developed well in 2014. In addition to the classic Mediterranean connections, above all, routes with increased frequencies such as those to the Canary Islands, New York (JFK), and Chicago, were in strong demand. Revenue passenger kilometres (RPK) had only a very slight decline of 0.2 per cent year-on-year in the first quarter of 2014 and amounted to 9.53 billion despite the absence of Easter business. Available seat kilometres rose 4.4 per cent to 11.65 billion as a result of capacity increases.

In view of the risks described in the risk report (pages 51 to 65), airberlin expects a positive trend in the number of passengers during the current financial year. The phase of capacity reductions in the course of adapting to the market situation has now ended. In the codeshare area, dynamic growth similar to that seen in the prior year with our strategic partner Etihad Airways and within the **one**world alliance is also expected in the current fiscal year.

In view of the overall rise in passenger numbers, in 2014 an increase in capacity utilisation and higher revenues are expected, particularly in light of the weak third quarter of 2013. airberlin is also expecting an improvement in earnings in financial year 2014 since the implementation of Turbine will lead to a general decline in expenses.

However, the 2013 financial year has shown that the way back to profitability will be longer and more arduous than expected. The successes achieved and initiated by Turbine in the past financial year will exhibit their full turnaround effect in the current year. As announced early on, these effects should amount to approximately EUR 400 million in total for the 2013 and 2014 financial years. However, the European aviation market in particular is characterised by a very high level of competitive intensity as well as by numerous external risks and influential factors that run contrary to the overall economic fundamentals. This requires extremely high efficiency and flexibility in all processes. Therefore, in the current financial year, additional structural measures will be taken in conjunction with the Turbine programme.

These will include, among others, the establishment of a new revenue management system for tapping additional sources of revenue, the enhancement of our cooperation with our partner Etihad Airways in order to generate additional synergies, the intensification of our cooperation with American Airlines and, not least, the continued optimisation of our fleet and network.

To be able to re-accelerate our Turbine programme and to broaden the programme with additional initiatives, we need to strengthen both our equity and our liquidity. Therefore Etihad Airways will subscribe to long-term, subordinated convertible bonds. These convertible bonds have an aggregated principal amount of EUR 300 million and no maturity date ("perpetual bonds"), and will be treated as equity capital of the airberlin group under International Financial Reporting Standards (IFRS).

Beyond this strengthening of our equity, airberlin will obtain additional funds from the issue of new corporate bonds with an aggregated amount of EUR 150 million. Further, the holders of the currently outstanding corporate bonds due in 2014 and 2015, having an aggregate principal amount of EUR 350 million, will be offered to exchange their existing notes at preferential terms into new notes with a maturity in 2019.

To strengthen management capacity for the turnaroundprocess, the Management Board of airberlin will be expanded to include the function of Chief Restructuring Officer (CRO). Effective May 2014, Marco Ciomperlik will assume responsibility for coordinating and driving the restructuring and turnaround process in his role as CRO. As previously announced, Götz Ahmelmann will assume the position of Chief Commercial Officer at airberlin, effective 1 July 2014.

OVERALL STATEMENT ON THE ECONOMIC DEVELOPMENT OF THE GROUP

The airberlin group has a greater-than-expected distance to cover in order to reach sustainable profitability. Although the Company has achieved the expected positive effects resulting from the implementation of the Turbine programme planned for 2013, these effects were more than offset by several negative influences. Even if all of the individual measures of the programme planned for 2014 can be implemented as planned in their entirety and on time, additional structural measures will still be needed. These measures have been identified and will be quickly implemented.

The Board expects that, following the complete implementation of the measures as planned, the airberlin group will be in a position to achieve profitability on a sustainable basis. The Board continues to believe that through its strategic partnership with Etihad Airways and its membership in the leading international airline alliance **one**world, the airberlin group is well positioned in terms of its international competitiveness.

SUPPLEMENTARY REPORT

27 April 2014: airberlin announced that Etihad Airways will subscribe to subordinated, convertible bonds with an aggregate principal amount of EUR 300 million and no maturity date (perpetual bonds). Furthermore, Etihad Airways and airberlin have agreed to extend the term of the existing and not fully drawn shareholder loan granted by Etihad Airways by five additional years until the 31 December 2021. In addition, airberlin will obtain additional funds from the issue of new corporate bonds with an aggregate principal amount of EUR 150 million. The proceeds will be used for general corporate purposes. Further, the holders of the currently outstanding corporate bonds due in 2014 and 2015, having an aggregate principal amount of EUR 350 million, will be offered to exchange their existing notes at preferential terms into new notes with a maturity in 2019.

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE REPORT

This reports sets out the ways in which the Company is committed to responsible corporate management, effective and transparent corporate governance, business integrity, sustainability and ethical values. The Company conducts its affairs in keeping with these principles.

BOARD COMPOSITION

As at 31 December 2013, the Board comprised the following ten Non-Executive Directors: Dr. Hans-Joachim Körber (Chairman of the Board), James Hogan (Vice-Chairman of the Board), Joachim Hunold, James Rigney, Ali Sabancı, Heinz-Peter Schlüter, Dr. Lothar Steinebach, Nicholas Teller, Andries van Luijk and Johannes Zurnieden and one Executive Director, Wolfgang Prock-Schauer. The Board met 12 times in 2013.

With effect from 3 January 2013, Austin Reid was appointed as a Non-Executive Director of the Board but stepped down from his appointment on 23 June 2013, for personal reasons. With effect from 7 January 2013 Wolfgang Prock-Schauer replaced Hartmut Mehdorn as the sole Executive Director on the Board. Following this replacement, Hartmut Mehdorn remained on the Board as a Non-Executive Director until 12 March 2013.

The Board is responsible for determining the airberlin group's risk profile, limits and long-term strategy, upholding the airberlin group's ethical values, and optimising shareholder value. The Board also considers and makes all key decisions that affect the airberlin group's risks, composition and profile, including the annual budget and performance targets, financial statements, strategic planning, and key capital investments. Further, the Board periodically reviews the Management Board's structure and identifies, in consultation with the Nominations Committee, additional Management Board candidates as the need arises. The Chairman is responsible for leading the Board and ensuring the Board's effectiveness 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.

Non-Executive Directors and Independence

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 Non-Executive Directors' responsibilities include, among other things, the following:

- constructively challenging and contributing to the development of strategies;
- scrutinising management's performance and objectives and monitoring performance reporting;
- satisfying themselves that financial information is accurate and that financial controls and risk management systems are robust and defensible;
- determining any Executive Director's appropriate remuneration level, in consultation with the Remuneration Committee; and
- acting in a way that they consider, in good faith, would be most likely to promote the Company's success for the benefit of its members as a whole.

The Board is satisfied that the Chairman and each Non-Executive Director committed sufficient time during 2013 to fulfilling their duties as Board members and that their contributions and performance continue to be insightful, timely and relevant. The main external commitments of the Board's Chairman, Dr. Hans-Joachim Körber, did not change during the year.

The Board considers each Non-Executive Director's independence annually to ensure that no one Director or group of Directors exerts an undue influence on the other Directors. The Board applies a rigorous process to satisfy itself that its independent Non-Executive Directors remain independent.

After due consideration, the Board has determined that Messieurs Schlüter, Teller and Zurnieden are independent Non-Executive Directors. The Board has also determined that Dr Lothar Steinebach and Mr Andries van Luijk, who were appointed as Non-Executive Directors with effect from 1 October 2013, are independent Non-Executive Directors. In reaching these determinations, the Board has considered these Non-Executive Directors' relevant external commitments during the period under review. In particular, the Board has considered whether they are nevertheless independent in judgment and character and free from circumstances or relationships which are likely to affect, or could affect, their judgment.

The Board determined that each such Non-Executive Director strengthens the Board through his level of expertise and senior experience gained in his respective professional and business field. The Board also considered, where applicable, the above-named Non-Executive Director's Company shareholdings and financial interests (see page 18) in the Company as compared to the total number of Company shares outstanding. The Board has concluded that such shareholdings and interests are sufficiently low so as not to interfere with independence.

THE BOARD'S WORK IN 2013

During the period under review, the Board considered various matters including, inter alia,

- the Company's positioning and business model, including the further development of its network and partnerships, in particular with Etihad Airways and **one**world,
- the status of the implementation of the Turbine programme and associated measures, including discussions with various stakeholders and the outsourcing of the Company's Call Center and Customer Service department,
- the damages associated with the continuing delays surrounding the BER Berlin Brandenburg Airport and the ability to mitigate such damages,
- implementation of certain capital market measures, and
- the introduction of improved revenue management and IT systems.

Furthermore, during the period under review, senior executives together with Wolfgang Prock Schauer, the CEO and Management Board Chairman, reported to the Board on a regular basis on financial, commercial, strategic and operational matters. The Board has unrestricted access to senior management and the Management Board as may be necessary with respect to any queries the Board may have on the Company or the Company's operation.

MANAGEMENT BOARD

The Board is responsible for the Company's strategic management and has overall oversight of the Company's management, including the Management Board. The Management Board is responsible for the Company's daily management and execution of the Company's strategy within the parameters set by the Board. The Management Board regularly reports to the Board on all material business planning and performance matters, including risk status and risk management.

From 7 January 2013 and as at 30 November 2013, the Management Board comprised the following five members: Chief Executive Officer and Chief Strategy and Planning Officer Wolfgang Prock-Schauer, Chief Financial Officer Ulf Hüttmeyer, Chief Commercial Officer Paul Gregorowitsch, Chief Operating Officer Helmut Himmelreich, and Chief Human Resources Officer Dr. Martina Niemann. With effect from 1 December 2013 Mr Paul Gregorowitsch resigned from the Management Board and any other functions within the Company. Mr Wolfgang Prock-Schauer was the Management Board's Chairman effective as of 7 January 2013. As Management Board Chairman and CEO, Mr Prock-Schauer is responsible for the airberlin group's leadership and operational and performance management, each within the guidelines set by the Board. The Management Board meets weekly, or more frequently as circumstances require. The Management Board's Chairman may choose to invite individuals who are not Management Board members, such as appropriate employees and / or external advisers, to attend its meetings. The Company Secretary, Michelle Johnson, serves as secretary to the Management Board.

The purpose of the Management Board is to monitor the airberlin group's performance and be responsible for all key management issues arising from the airberlin group's business, including in relation to all airberlin group risk, safety and security issues. The Management Board also monitors the airberlin group's operating and financial performance, and the implementation of the airberlin group's strategy, operational plans, policies, procedures and budgets, each as directed by the Board. Further, the Management Board monitors competitive forces in each area of the airberlin group's operations. The Management Board reports to the Board and its responsibilities are set out in the Management Board's terms of reference, which have been reviewed and approved by the Board.

The Board has given the Management Board responsibility for the development and recommendation of strategic plans for the Board's consideration that reflect the long-term objectives and priorities that the Board has already established; the development and implementation of the Company's strategies and policies as determined by the Board; the monitoring of operational and financial results against the Board's plan; the prioritisation, optimisation and allocation of resources and ensuring compliance with relevant legislation and regulation.

BOARD COMMITTEES

The Company has established the Audit, Nominations, Remuneration, and Finance Committees of the Board. Each such Committee meets regularly in accordance with its respective terms of reference. Each Committee's responsibilities, activities and membership are described below in this Corporate Governance Report.

Audit Committee

The terms of reference of the Audit Committee are documented and agreed by the Board.

The Audit Committee report is set out on pages 82 to 86.

The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls. The Committee's tasks include reviewing the Company's consolidated annual financial statements and other financial information before their publication, including trading statements and formal announcements relating to the Company's performance, determining the annual audit's scope, and advising on the shareholders' appointment of external auditors.

Nominations Committee

From 3 January 2013 until 22 June 2013, the Nominations Committee comprised of the following two Non-Executive Directors: Dr. Hans-Joachim Körber (as Committee Chairman) and James Hogan, and three independent Non-Executive Directors: Austin Reid, Heinz-Peter Schlüter and Johannes Zurnieden. Mr Reid stepped down from his position as an Non-Executive Director on the Nominations Committee with effect from 23 June 2013 and was replaced by Dr. Lothar Steinebach with effect from 1 October 2013.

The Committee met three times in 2013. The Committee is primarily responsible for assisting the Board in determining the Board's composition, member selection criteria and balance. In so doing, the Committee considers the knowledge, skill set, independence, experience, gender and diversity required for the Board. The Company believes that corporate boards perform better when they include the most qualified individuals who come from a range of perspectives and backgrounds. The Company continues to be committed to developing a diverse workforce and being an equal opportunity employer. The Nominations Committee therefore aims to achieve a balance of appointing competent and high-calibre individuals to the Board who together offer an appropriate mix of skills, experiences and backgrounds, while still ensuring that the best qualified person obtains the job.

The Nominations Committee is integral to supporting airberlin's commitment to diversity and reviews opportunities for increasing the Board's diversity, in the broadest sense of the term.

The Committee also periodically reviews the Board's structure, including the independence of its respective members, and identifies potential candidates to be appointed as Directors as the need may arise. The Director candidates must possess the required qualifications and experience, as determined by the Committee, to discharge their duties.

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. Director appointments are generally the result of a search process carried out by the Board and/or an independent professional consulting agency. With effect from 7 January 2013, Wolfgang Prock-Schauer replaced Hartmut Mehdorn as the sole Executive Director on the Board and Austin Reid was appointed as a Non-Executive Director of the Board. Mr Reid stepped down from his appointment on 23 June 2013 for personal reasons and was replaced on 1 October 2013 by Lothar Steinebach. The Company did not engage the services of any independent professional consultancy for Board appointments.

In the past, the Company has engaged the services of Egon Zehnder International GmbH, an independent consulting agency with no further connections to the members of the airberlin group.

Nominations Committee's Work in 2013

In 2013, the Committee discharged its duties by, among other activities:

- ensuring that the Company maintained contact as necessary with its major shareholders about appointments to the Board;
- reviewing the Board's structure, size and composition (including the Board members' skills, knowledge and experience) and making recommendations to the Board with regard to adjustments;
- identifying and nominating future candidates for the Board's approval following the Board's comprehensive restructuring;
- ensuring that, on appointment to the Board, the Non-Executive Directors received a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- considering succession planning for directors and other senior executives taking into account the challenges and opportunities facing the Company and the skills and expertise which the Company will require in the future;
- ensuring that, before the appointment of the Non-Executive Directors, the proposed appointee discloses any other business interests that may result in a conflict of interest and ensuring that they are required to report any future business interests that could result in a conflict of interest; and
- determining the statement of responsibilities for the Board Chairman and Chief Executive Officer and ensuring that the they have been formally informed with respect to their role and time commitments.

Remuneration Committee

As at 31 December 2013, the Remuneration Committee comprised three independent Non-Executive Directors Heinz-Peter Schlüter (as Committee Chairman), Johannes Zurnieden and Nicholas Teller as well as the Non-Executive Director Dr. Hans-Joachim Körber. The Committee meets as required, but no less than once per year. The Remuneration Committee met four times in 2013. The Remuneration Committee makes recommendations to the Board on the Executive Director's and the Management Board members' compensation, including any bonuses, pension rights (where appropriate) and share-based compensation payments. The Committee oversees and reviews the airberlin group's remuneration principles. It reports its decisions to the Board and updates the Board on the airberlin group's overall remuneration policy. The Committee regularly reviews both the effectiveness of the airberlin group's remuneration policy in incentivising executives to enhance value for the shareholders and its competitiveness. The remuneration report on pages 87 to 108 sets out the Company's proposed remuneration policy and provides further details of the Committee's work.

Finance Committee

As at 31 December 2013, the Finance Committee comprised four Non-Executive Directors: Nicholas Teller (as Committee Chairman), Hans-Joachim Körber, Ali Sabancı and James Rigney. The Committee meets as required, but no less than twice per year. The Committee met four times in 2013. The Committee oversees and reviews the airberlin group's financial plans and policies and their implementation. Further, the Finance Committee supports the Board in various activities (such as investment, asset disposals or capital expenditure) that may have a material financial impact. It monitors hedging policy and activities and the financing budget and provides advice with respect to financing opportunities. The Finance Committee works closely with the Management Board and the Chief Financial Officer in exercising its functions.

Finance Committee's Work in 2013

In 2013, the Finance Committee discharged its duties by, among other activities:

- monitoring the financing budget together with projected cash flows;
- assessing any significant deviations from budget and/or cash flows;
- assisting in formulating and implementing the hedging policy with respect to fuel and currency exchange risks and interest rate risk; and
- monitoring the hedging policy for compliance with the treasury guidelines, as the same may be amended from time to time.

BOARD AND COMMITTEE MEETINGS

Directors are expected, wherever possible, to attend all Board meetings, relevant Committee meetings and the AGM. All Board members are provided in advance with appropriate information covering matters which are to be considered at the AGM.

A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2013 is set out below:

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Finance Committee
Total meetings held	12	5	3	4	4
Meetings attended					
Dr. Hans Joachim Körber CHAIRMAN OF THE BOARD	11	1	3	4	4
Hartmut Mehdorn** FORMER CHIEF EXECUTIVE OFFICER, FORMER CHAIRMAN OF THE MANAGEMENT BOARD	1	NA	NA	NA	NA
Wolfgang Prock-Schauer** CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE MANAGEMENT BOARD	10	NA	NA	NA	NA
Joachim Hunold NON-EXECUTIVE DIRECTOR	11	NA	NA	NA	NA
Austin Reid* INDEPENDENT NON-EXECUTIVE DIRECTOR	5	3	NA	NA	NA
James Hogan NON-EXECUTIVE DIRECTOR, VICE-CHAIRMAN OF THE BOARD	10	NA	NA	NA	NA
James Rigney NON-EXECUTIVE DIRECTOR	12	NA	NA	NA	4
Ali I. Sabancı NON-EXECUTIVE DIRECTOR	6	NA	NA	NA	3
Heinz-Peter Schlüter INDEPENDENT NON-EXECUTIVE DIRECTOR	11	5	2	2	NA
Nicholas Teller INDEPENDENT NON-EXECUTIVE DIRECTOR	11	5	NA	3	4
Johannes Zurnieden INDEPENDENT NON-EXECUTIVE DIRECTOR	11	NA	2	3	NA

Andries van Luijk*** INDEPENDENT NON-EXECUTIVE DIRECTOR	2	NA	NA	NA	NA
Dr. Lothar Steinebach*** INDEPENDENT NON-EXECUTIVE DIRECTOR	2	1	1	NA	NA

The above table does not reflect guest participation in meetings. The table includes those Management Board Members who had an Executive Director position in 2013.
"NA" means not applicable, because the relevant individual is not a member of the relevant Committee.
* Mr Reid stepped down from the Board on 23 June 2013.
** Mr Mehdorn served as CEO, sole Executive Director, and Chairman of the Management Board until 7 January 2013 when Mr Prock-Schauer replaced him in each such capacity. Mr Mehdorn stepped down from the Board on 12 March 2013.
*** Andries van Luijk and Dr. Lothar Steinebach were appointed during the 2013 financial year.

COMPANY SECRETARY

All Directors may benefit from the advice and assistance of the Company Secretary, who reports to the Chairman of the Board and is responsible for ensuring that Board procedures are complied with and that applicable rules and regulations are followed.

The Company Secretary is Michelle Johnson, who was appointed on 21 February 2007.

The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters, new developments in legislation and new regulations. The Company Secretary ensures that new Board members receive an appropriate introduction to all relevant Company business aspects including a detailed information pack. Additionally, new Non-Executive Directors are encouraged to meet with the Executive Director and senior management for a briefing on the Company's development and operations, as defined by the Board.

The Company Secretary provides the Board members with extensive papers and information on key business issues before Board meetings. The Directors also have access to appropriate independent professional advice if necessary to perform their duties, at the Company's expense. The Company maintains directors' and officers' liability insurance at an appropriate level with respect to any legal actions taken against the directors and officers in the course of exercising their respective duties.

POLITICAL DONATIONS

In line with its established policy, the airberlin group made no political donations pursuant to the authority granted at the 2013 Annual General Meeting. The definition of political donations under the Companies Act 2006 is very broad and includes expenses legitimately incurred as part of the process of talking to legislative members and opinion formers to ensure that the airberlin group's issues and concerns are addressed and considered. These activities are not intended to support any political party and the airberlin group's policy is not to make any donations for political purposes in the normally accepted sense. Therefore, at the 2013 AGM, a resolution was passed giving the directors authority to make donations and incur expenditure which might otherwise be caught by the terms of the Companies Act 2006. The authority sought is limited to a maximum amount of £100,000 (or its Euro equivalent) per airberlin group company but so as not to exceed £100,000 (or its Euro equivalent) for the entire airberlin group in aggregate.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

airberlin seeks to enter into strategic agreements with suppliers, which emphasizes the importance of strong suppliers aligned with airberlin's success as a business. Many of our supply agreements are unique and tailored to airberlin's business needs, to ensure that suppliers are appropriately rewarded for delivering services which meet pre-agreed performance targets and align with airberlin's own internal performance goals.

We observe the following practices in concluding such agreements:

- agreeing payment terms at the start of business with our suppliers;
- ensuring that those suppliers are made aware of such payment terms; and
- paying in accordance with contractual and other legal obligations.

At 31 December 2013, the number of creditor days outstanding for the airberlin group was 11 days (2012: 9 days), and for the Company was 24 days (2012: 0 days).

Change of control

There are select contracts and agreements which would enable the counterparties to terminate or alter those arrangements upon a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.

SHAREHOLDER RELATIONS

The Company believes that maintaining open communication lines with its shareholders is extremely important. The AGM provides all shareholders with the opportunity to communicate directly with the Board, including the chairmen of the Committees. In accordance with applicable law, the Company provides all shareholders with adequate notice of the AGM, at which the Chief Executive Officer reviews and presents the airberlin group's business and performance for the year and answers questions from the shareholders. At the AGM, the number of proxy votes cast on each resolution is made available, both at the meeting and, subsequently, on the Company's website. Each substantially separate issue is presented as a separate resolution. Additionally, the Company further facilitated shareholder participation in the 2013 AGM by implementing shareholder and proxy voting services online via the Company's website.

Heinz-Peter Schlüter serves as 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 may be inappropriate or unsuccessful.

The Company also maintains regular contact with its major institutional shareholders through its investor relations department, through meetings with the Chief Executive Officer, the Chief Financial Officer and the Chairman, and 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 with shareholders.

INTERNAL CONTROLS AND BOARD PERFORMANCE

The Directors are responsible for establishing and reviewing the effectiveness of the Company's risk management and internal control systems, including, without limitation, with respect to the airberlin group's financial reporting process and the preparation of the airberlin group's consolidated accounts. 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 Board has conducted a review of the effectiveness of the system of internal control during the year using the support of the Audit Committee. This included systems and controls in relation to financial reporting processes and in preparing financial statements.

With respect to financial reporting, the airberlin group has a comprehensive budgeting system and the Board approves the airberlin group's annual budget. Revised forecasts for the year are reported quarterly or more frequently. Actual results, at both business and the airberlin group level, are reported and any deviations are reviewed.

The Company has developed an on-going process for effective risk identification and management, whereby potential risks are identified, monitored and reported by key areas of the Company. Detailed risk management reports are provided to the Management Board, which reflect risks identified within the Company. The Board as a whole addresses significant risks.

Policies and procedures are subject to on-going 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 internal audit department, which reviews the Company's internal control systems, enhances such systems and in particular, those areas of greatest risk to the Company as determined by management. Internal audit review is undertaken in accordance with an approved annual audit plan, which is amended periodically during the year as required.

The Board Chairman regularly meets with the Board members and the Management Board members to discuss their performance, the Board's performance as a whole, the Board committees, the Management Board and any other matters that the Directors may wish to discuss.

UNITED KINGDOM CORPORATE GOVERNANCE CODE

As the Company is not listed in the United Kingdom, it is not required to comply with the obligation under the UK Listing Rules to disclose in its annual audited financial statements the extent of its compliance with corporate governance standards set forth in the Code, nor is it required to comply with German corporate governance standards. The Company has therefore not applied the UK Corporate Governance Code but has had regard to its principles.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE

From 3 January 2013 until 22 June 2013, the Audit Committee members comprised the following three independent Non-Executive Directors: Heinz-Peter Schlüter (as Committee Chairman), Nicholas Teller and Austin Reid. With effect from 23 June 2013, Austin Reid resigned from the Audit Committee and was replaced, on an interim basis, by Dr. Hans-Joachim Körber. With effect from 1 October 2013, Dr. Hans-Joachim Körber resigned from the Audit Committee and was replaced by Dr Lothar Steinebach, who was appointed Committee Chairman. The qualifications of the Audit Committee members in 2013 are set out on page 8 ff. of this annual report, and the Board considers that at least one member of the Audit Committee had recent and relevant financial experience for the period under review in compliance with the Code provision C3.1.

MEETINGS

The Audit Committee met five times during 2013. Generally, the Committee meets at least three times a year or more frequently as circumstances may require and where appropriate, such meetings coincide with key dates in the Company's financial reporting cycle. A representative of the Company's external auditors and the Chief Financial Officer attend the Audit Committee's meetings. Board members or senior executives may attend meetings upon invitation from the Committee. Furthermore, the Company's external auditors, the head of internal audit and officers responsible for risk assurance may request a meeting with the Committee if they consider one to be necessary. The Committee's Chairman attends the Company's annual general meeting (AGM) in order to answer any questions on the Committee's activities and responsibilities.

ROLE

The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls. The Committee's tasks include reviewing the Company's consolidated annual financial statements and other financial information before their publication, including trading statements and formal announcements relating to the Company's performance, determining the annual audit's scope, and advising on the shareholders' appointment of external auditors. The Committee also generally oversees the Company's relationship with its auditors, KPMG, and monitors the effectiveness of the airberlin group's risk management and external and internal control systems, including the results of internal audits. The Committee is informed on a regular basis of significant audit findings and progress and has unlimited access to the Company's and the airberlin group's management, books and records.

AUDIT COMMITTEE'S WORK IN 2013

In 2013, the Committee discharged its duties by, among other activities, conducting a review of:

- the form, content and integrity of the Company's Annual Report and the Company and airberlin group financial statements, half-yearly results announcement and interim management statements;
- the reports prepared by senior management and KPMG;
- the consistency of accounting policies and practices across the airberlin group;
- the airberlin group's significant accounting policies and practices, including any changes to them;
- KPMG's objectivity, independence, audit and non-audit fees and reappointment and recommendations to the Board in this respect;
- compliance with appropriate accounting standards and making appropriate estimates and judgments, taking the external auditor's view into account;
- the airberlin group's arrangements for compliance with appropriate standards of corporate conduct and business ethics to ensure that the airberlin group complies with relevant regulatory and legal requirements; and
- all material information presented with the financial statements, such as the operating and financial review.

At least once a year, the Committee is entitled to meet with the external auditors without the presence of executive management and the internal auditors.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL ISSUES

We reviewed the integrity of the financial statements of the Company and all formal announcements relating to the Company's financial performance.

Certain significant issues considered in the year are detailed below:

- In particular, the Committee considered the matters brought to its attention by the management, such as foreign exchange and hedge accounting and the treatment of aircraft transactions.
- The Commmittee also receives regular and detailed reporting as to the Company's financial and operational performance. The matters reviewed and assessed also included the Company's accounting principles, such as the treatment or recognition of deferred tax assets. Following discussions with the Company's auditors and the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung DPR e. V.), the Company retroactively adjusted deferred tax assets in 2011 and recognised to a limited extent deferred tax assets for 2012. Deferred tax assets were reduced to EUR 17.1 million for the 2013 financial year.
- The Committee also considered the accounting treatment of the convertible bonds issued on 6 March 2013. Under IAS 32, the number of shares to be issued upon conversion must be precisely determinable upon issuance. As the number of shares to be issued upon conversion are subject to one or more conditions, the number of shares could not be precisely determined on the issue date of the convertible bonds and accordingly no amount was recognised in equity.
- Annually the Committee review and agree the audit plan with the auditors and areas of judgement included going concern, deferred tax valuation and valuation of intangibles. Accounting standards on the impairment of assets intangible assets and the opinion of external auditors were taken into account and following the advice of financial advisors the Committee came to the conclusion that an impairment of intangible assets was not necessary.
- With respect to going concern, the Committee considered the Company's financing requirements and committed financing, the Company's ability to generate cash from operations, liquidity projections and historical performance. The Committee challenged management's assumptions and projections and considered sensitivities. The Committee also considers detailed reports from its external auditors. Following such discussions, the Committee recommended to the Board of Directors the adoption of the going concern statement for inclusion in the consolidated financial statements for the financial year 2013.

EFFECTIVENESS OF EXTERNAL AUDITORS

The Committee annually assesses the external auditor's qualification, expertise and resources and the effectiveness of the audit process, including where the auditor provides non-audit services. Each year, the external auditor is required to report on its internal quality control procedures and the steps it has taken to ensure its independence and objectivity. The Committee monitors the external auditors' performance, behaviour and effectiveness during the exercise of its duties, which informs the Audit Committee's decision to recommend reappointment on an annual basis.

In 2013, the airberlin group paid the following amounts to KPMG: EUR 1.1 million for applicable audit services, EUR 0.4 million for audit-related services and EUR 0.1 million for non-audit related services. The majority of non-audit related services related to consulting services for a treasury management system and an electronic archiving system.

RELATIONSHIP WITH EXTERNAL AUDITORS

The external auditors perform non-audit work for the Company or airberlin group members from time to time. The Committee reviews the scope of the auditors' non-audit work and the fees related to such work to ensure that the auditors' impartiality is not or may not become impaired. The Committee discharges this duty by observing the following practices:

- approving the external auditors' remuneration and ensuring that the fee level is appropriate to enable an adequate audit to be conducted;
- approving the external auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assessing annually the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- asking the auditors to articulate the steps they have taken to ensure independence and objectivity;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business); and
- monitoring the external auditor's compliance with relevant ethical and professional guidance, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.

NON-AUDIT SERVICES

The Audit Committee's policy regarding external auditors is that external auditors carry out non-audit related services when it is work that they are best suited to perform and when it is in the Company's best interest that they do so. Non-audit-related services may include matters relating to borrowings, work in respect of mergers, acquisitions and disposals, various regulatory reports, and risk management services. Similarly, the external auditors are employed for tax and accounting work when they are best suited to undertake it and when it is in the Company's best interest that they do so. The Company has not pre-approved or pre-excluded the external auditors from any given type of non-audit services, but rather reviews the potential provision of such services on a case-by-case basis in accordance with the principles described above.

The Committee ensures that the provision of any non-audit services does not impair the external auditors' independence or objectivity. The Committee reviews the external auditors' performance and effectiveness in consultation with Committee members and, where appropriate, other Board members and senior management.

AUDIT TENDERING

The Committee has noted the changes emerging in Europe to tender for the external audit contract at least every ten years. The Committee also makes recommendations to the Board regarding external auditors' reappointment or removal, terms of engagement and remuneration. KPMG have been the Company's external auditors since 2006. The responsible partner at the external auditing firm has rotated periodically. Following its review of the external auditor's performance and effectiveness, relationship with the Company, independence, objectivity, and non-audit related fees and services, each as described above, the Committee and the Board have recommended the existing external auditors' reappointment for the 2014 fiscal year.

Accordingly, resolutions to reappoint KPMG as the Company's external auditors, and to authorise the Directors to determine the auditors' remuneration, will be proposed at the Company's next AGM. The Committee will continue to give consideration to the timing of the next formal tender in light of the regulatory requirements and any further changes in the regulatory framework. The Committee's choice of external auditors is not limited by any contractual obligations.

Lothar Steinebach

DR LOTHAR STEINEBACH

CHAIRMAN
30 April 2014

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,
As the Chairman of the Board's Remuneration Committee and on behalf of the Board of Directors, I am pleased to present the Directors' Remuneration Report for the year ended December 31, 2013.

The Directors' Remuneration Report lays out details of the Company's remuneration policy for Directors, describes its implementation, and discloses the amount paid to Directors during the 2013 financial year. It has been prepared in accordance with the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It has also been prepared in line with the recommendations of the UK Corporate Governance Code. Those sections of the Directors Remuneration Report that are subject to audit have been labeled appropriately below. The Directors' Remuneration Report will be put to an advisory shareholder vote at the annual general meeting in 2014.

Membership and Activities of the Remuneration Committee
As at 31 December 2013, the Remuneration Committee consisted of three independent Non-Executive Directors: Nicholas Teller, Heinz-Peter Schlüter and Johannes Zurnieden as well as the Non-Executive Director Dr. Hans Joachim Körber. The Remuneration Committee members' biographies are set out on pages 8 to 11. The Remuneration Committee met four times in 2013.

The Remuneration Committee made the following key decisions and engaged in the following activities in 2013:

- considering German market standards and the Code as they impact remuneration policy;
- reviewing its remuneration policy generally, including a review of its appropriateness and relevance;
- developing and proposing to the shareholders a new remuneration policy, to enter into effect as of 1 January 2015;
- determining the settlement package for Mr Mehdorn who stepped down from his position as the Company's CEO on 7 January 2013 and from his position as a Non-Executive Director on 12 March 2013; and
- determining the compensation of the Company's new CEO, Mr Wolfgang Prock-Schauer.

The circumstances in which such decisions were made and further details of each such decision are outlined below and in the Annual Report on Directors' Remuneration. A summary of the way in which the Remuneration Committee discharged its duties in 2013 is set out on page 98.

Remuneration Policy

The Remuneration Committee has developed a new remuneration policy (the "Policy"). The Policy (set out on pages 89 to 97) will apply to any Executive Director and Non-Executive Directors, and will be put to shareholders for approval in a binding vote at the Company's annual general meeting in 2014. The Policy will take effect as from 1 January 2015, in order to provide the Company with sufficient time to implement the Policy.

The Remuneration Committee has developed the Policy to further align the shareholders' interests with the competitive market for top management and the Company's strategic plan. The Policy remains consistent with and builds upon the remuneration principles applicable during the 2013 financial year. The Remuneration Committee believes that the Policy will provide shareholders with increased transparency and further streamline the remuneration structure. The overarching principles of the Policy are set out from page 90 ff.

Remuneration Decisions

In connection with Mr Mehdorn's resignation as Executive Director, it was agreed that Mr Mehdorn would receive the benefit of his contract through March 2013. No bonus has been awarded for 2013.

The Remuneration Committee determined that the Company's CEO, Mr Prock-Schauer should be paid a basic annual salary of EUR 800,000 and a variable remuneration of up to EUR 1,800,000. Mr Prock-Schauer's basic salary is, therefore, significantly lower than that of his predecessor. Moreover, Mr Prock-Schauer has waived 10 % of his basic salary in 2013. No bonus has been awarded for 2013. However, taking into account the Company's variable compensation practices in prior years, and in light of the Turbine programme's performance, the Remuneration Committee has resolved to grant the current sole Executive Director Wolfgang Prock-Schauer a one-time extraordinary variable compensation of EUR 62,500. Mr Prock-Schauer's salary package has been structured in order to link Mr Prock-Schauer's salary with the Company's performance, to reflect current market practices, and to take account of his increased responsibilities as CEO.

Engagement

In pursuing the goals set out in the Policy and implementing the Policy, the Remuneration Committee will remain engaged in transparent and open dialogues with shareholders on an ongoing basis and will closely follow voting outcomes. The Remuneration Committee will continue to review all feedback it receives from shareholders and other stakeholders and looks forward to continued dialogues in 2014. The Remuneration Committee continues to believe that its approach to remuneration is aligned with the Company's business strategy and goal of optimizing shareholder value. We thank you for your continued support.

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION POLICY

The Company intends for the Policy as stated in this section of the Remuneration Report to take effect from 1 January 2015.

Key elements of remuneration policy

The airberlin group remains committed to achieving sustained performance improvements. Such improvements depend crucially on individual contributions and those of airberlin group's employees as a whole. The Board therefore is of the opinion that an effective remuneration strategy plays an essential role in the airberlin group's future success.

The Company's remuneration policy consists of the following overarching principles:

- to provide compensation packages at market rates which reward and encourage successful performance;
- in recommending rewards and benefits and any long-term and performance related incentives, to take into account any relevant legal requirements, and the provisions and recommendations of the UK Corporate Governance Code;
- to ensure that the Company's executive management members are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the Company's long-term success;
- to recommend to the Board the policy for and scope of pension arrangements for any executive directors and other senior executives taking into account the future liabilities of any recommendation and detailing precisely which remuneration package elements are pensionable; and
- in respect of any executive management remuneration element which is performance-related, to formulate suitable performance-related criteria and monitor their operation.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including through the exercise of any discretions available to it) where such terms were agreed before the Policy took effect or before such individual joined the Board.

I. Future Policy Table

	Purpose	How it operates
Salary	An executive director's salary is intended to reflect the director's level of responsibility and contribution to the Company in the competitive environment.	Salary is paid under the executive director's service contract with the Company. The basic salary is reviewed periodically by the Remuneration Committee and is based, among other factors, on the following: (a) an appraisal of the relevant executive director and his or her contribution to the business; (b) the Company's remuneration policy; and (c) the competitive environment and the marketplace for companies of similar complexity, size, and global reach.
Taxable benefits	Non-cash benefits are in line with local market practice and are designed to be sufficient to attract and retain high-calibre talent.	Executive directors are provided with benefits including a company telephone, car and telecommunications equipment. Executive directors are entitled to reduced or free air transportation on flights operated by the Company or its affiliates. Executive directors have the benefit of directors' and officers' insurance and accident insurance, at appropriate levels, with respect to any legal actions taken against the directors and officers in the course of exercising their respective duties. The Company reserves the right to pay any tax liability if the Company settles on behalf of a director.
Short-term incentives	An executive director's annual bonus is intended to incentivise him or her to achieve certain annual operational and financial goals, thereby aligning the relevant executive director's interests with those of the Company's shareholders.	The Remuneration Committee determines, on an annual basis, the payment of any such bonus compensation and, in deciding to award any such bonus, considers a weighted combination of several factors. Subject to certain exceptions, any variable compensation under target arrangements set by the Remuneration Committee and paid to an executive director will be divided equally into cash and shares, the latter of which will generally be subject to a holding period of three years.

Maximum Payable	Performance Metrics
Salaries for executive directors should be set at a level that enables airberlin to recruit or retain individuals of the necessary calibre. The basic salary may be increased during the life of the remuneration policy. In the ordinary course, any annual increases would not exceed inflation plus 5 per cent but the remuneration committee reserves the right in exceptional circumstances to make larger increases, such as there being a material change to a director's role or responsibilities.	NA
Aggregate cost of annual non cash benefits for each director and his dependants is expected to be Euro 25,000. The actual cost may vary depending on the terms the Company is able to secure and the flights taken.	NA
An executive director's bonus is capped at 225 per cent of his annual base salary.	The variable compensation will depend on a basket of measures with variant weighting, depending upon the Company's short term financial goals. These may be adjusted from year to year but will typically be comprised of EBIT, operational performance targets and individual targets to reflect the strategic objectives of the group. The performance metrics and targets used will, to the extent they are not commercially sensitive, be disclosed retrospectively in the Company's annual remuneration report.

	Purpose	How it operates
Long-term incentives	The Share Incentive Plan has been developed to incentivise and retain employees and facilitate employment.	Awards may be granted by the Remuneration Committee annually. The Committee will have regard to the performance of the director and the air berlin group when granting awards, to determine the appropriate quantum, structure for the award and performance conditions that apply.
Pension and other benefits	Provision of retirement and survivor benefits helps to attract and retain high calibre talent.	Defined pension benefits and survivor benefits may be granted by the Remuneration Committee. Any pension benefits would be available upon the director reaching age 65 or, in the case of permanent inability to work. Further, the Company may grant the director's spouse and each of his children a one-off pension payment in an amount to be agreed. Claims are excluded if the director dies after his 70th birthday or such other agreed time.
Other Benefits	Protection of the business against competition after termination of employment.	The sole Executive Director receives a payment in consideration for a restrictive covenant not to compete with the Company's business for one year following termination or expiry of the service contract. In consideration for such obligation, the Executive Director is entitled to receive 50 per cent of his fixed remuneration for that year
Recovery or withholding	None of the elements of remuneration set out in this table are subject to recovery or withholding.	

Maximum Payable	Performance Metrics
Awards may be made over shares with a value of no more than 200 per cent of base salary (measured as at the date of grant).	The Remuneration Committee has no current intentions to make awards under the Share Incentive Plan to executive directors but reserves the right to do so if it considers it appropriate for any reason. The Remuneration Committee would set performance conditions at the date of grant to reflect the strategic objectives of the airberlin group at that date. Such performance conditions would be stretching and designed to promote the long-term success of the Company.
The annual entitlement cannot exceed 50 per cent of the executive director's base compensation amount for that year. The directors are not required to make any contributions in respect of their benefits.	NA
50 per cent of fixed remuneration for the year.	NA

There are no material differences in the Company's policy on remuneration from the policy that was applied in the financial year ending 2013.

There may be exceptional circumstances when it is in shareholders' best interests for the Remuneration Committee to make arrangements that are outside the terms of the approved Remuneration Policy. The Remuneration Committee therefore retains discretion to make alterations to the Remuneration Policy without shareholder approval in response to circumstances that are both exceptional and genuinely unforeseen. The Remuneration Committee would disclose them in full after they have been implemented.

The airberlin group's policy is for non-executive directors' remuneration to comprise the following elements:

	Purpose	How it operates	Opportunity
Fee	The fee is intended to be modest yet competitive enough to attract, retain and develop high-calibre talent.	Fee is payable under the director's appointment letter with the Company. The fee is reviewed annually by the Remuneration Committee which may, in its sole discretion, increase the fee to reflect inflation, cost of living, exchange rates, performance or any other relevant factors.	The fee may be increased to account for inflation each year during the life of the remuneration policy.
Taxable benefits	Non-cash benefits are in line with local market practice.	Non-executive directors are entitled to reduced or free air transportation on flights operated by the Company or its affiliates. Non-executive directors have the benefit of directors' and officers' insurance and accident insurance, at appropriate levels, with respect to any legal actions taken against the directors and officers in the course of exercising their respective duties. The Company reserves the right to pay any tax liability if the company settles on behalf of the director.	
Recovery or withholding	None of the elements of remuneration set out in this table are subject to performance metrics, recovery or withholding.		

Non-executive directors do not have service agreements with the airberlin group and do not receive pensions, benefits or any variable or incentive compensation (including bonuses or share-based compensation). Non-executive directors' remuneration is not linked to any performance measures and the Company does not currently have any plans to modify the remuneration of its non-executive directors to include any performance measures.

II. New Recruits Policy

The remuneration package for any new director would, so far as practicable, be consistent with the policy set out in the table on pages 89 to 94. In addition, the Company would consider including the following elements to the extent they were considered necessary or expedient in securing the services of a new director:

(a) buy out of existing share awards or long term incentives provided that any such compensation is no more valuable than the award being given up (based on a fair and reasonable assessment by the Company);
(b) reasonable relocation expenses for the director and his family; and
(c) tax equalisation arrangements.

The maximum potential value of any short-term variable remuneration that may be awarded to any new director is 225 per cent of his/her basic salary. In addition, a new director may be entitled to awards under the Share Incentive Plan (up to the maximum allowed under that plan). This would not include any amounts paid to buy out share awards or long term incentives from a previous employer.

III. Service Contracts Policy

A service contract governs the Company's relationship with its Executive Director. Appointment letters govern its relationship with its Non-Executive Directors.

The notice period and unexpired term of the Executive Director's service contract as at 31 December 2013, together with a description of all obligations on the Company contained in the Executive Director's service contract which could give rise to or impact on remuneration payments or loss of office payments, are stated under the heading "Payments for loss of office policy" below. The Company anticipates that the service contract of any new executive director would be on terms that were no more onerous for the Company as to the term and notice period than the contract of the Executive Director. Other terms would be as set out in the New Recruits Policy.

None of the appointment letters entitles any of the Non-Executive Directors to receive any compensation upon termination of their respective appointment letter or their resignation or participate in any bonus awards, pension benefits or share schemes.

IV. Payments for loss of office policy

A. NOTICE PERIODS

It is the airberlin group's policy that executive directors' service contracts with the Company be for an indefinite term and terminable by either party on 24 months' written notice or by the Company with immediate effect by payment in lieu of notice (where such payment in lieu of notice shall be solely in respect of annual base salary under the service contract).

B. PAYMENTS ON TERMINATION

Where the Company terminates the employment and/or does not require the director to work out his notice period, the following principles will apply:

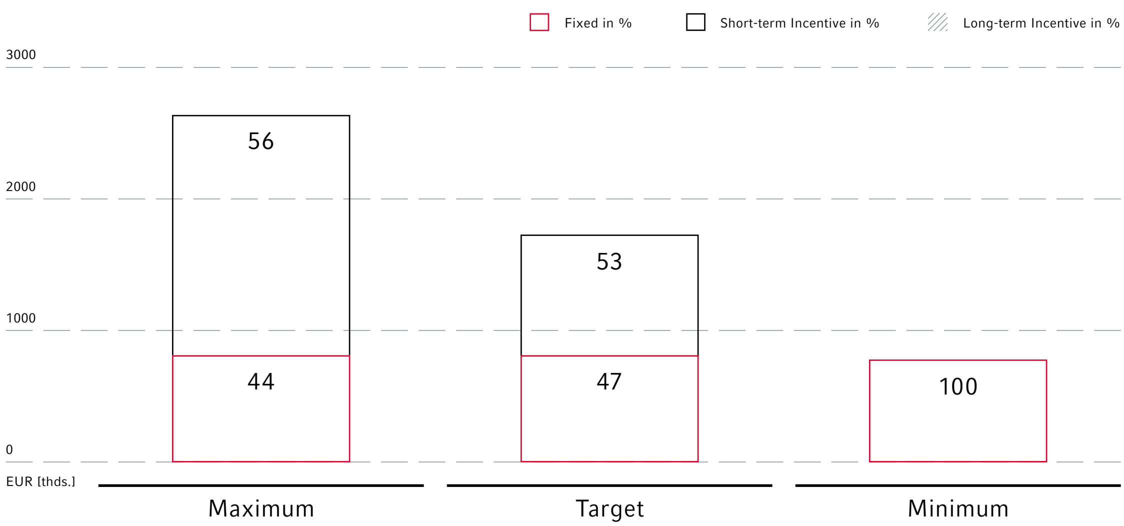
Salary	Salary for unserved notice period
Annual Bonus	A *pro rata temporis* payment is made in respect of annual bonus for the financial year in which the director ceases employment. Any shares subject to a holding period are released from that holding period.
Benefits	Payment of a cash sum in lieu of benefits for any unserved notice period may be made. Calculated by reference to the value of benefits in the previous financial year.
Long Term Incentive	Determined in accordance with the rules of any plan.

The Executive Director's service contract releases him upon a change of control from the otherwise applicable three-year holding period for any bonus paid in shares.

Illustrations of the application of the remuneration policy

The following bar chart sets out for the Executive Director the minimum, target and maximum remuneration receivable by the director in the first year in which the Policy applies. Each bar is divided into fixed, short-term and long-term remuneration, and shows the percentage of the total comprised by the parts and the total value of remuneration expected for each bar.

Executive Director: Application of Remuneration Policy



Basis of Calculation and Assumptions

- Bonus for target performance assumes 50 per cent payout; For each of the bonus figures (in both Target and Maximum) the total amount of annual bonus has been included – no discount has been applied for the fact 50 per cent is paid in shares and subject to a holding period.
- the value of the benefits assumes the same cost to the company as in the financial year ending 31 December 2013.

Consideration of employment conditions elsewhere in the airberlin group

The Remuneration Committee analyses the pay and employment conditions of airberlin group employees (other than directors) and takes these into account when determining directors' compensation to ensure that changes in pay across the airberlin group as a whole are consistent with changes in the proposed pay for management.

The Company does not consult with employees in a formal manner on matters of the remuneration policy for directors.
The Remuneration Committee intends to take into account benchmarking data in determining the appropriate level of salary and variable compensation for its Executive Directors.

Consideration of shareholder views

The Company consulted with major shareholders in formulating the remuneration policy set out in this report. The remuneration committee is grateful for the views shared and to the extent possible has sought to reflect these views in the terms of the policy itself.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

Responsibilities of the Remuneration Committee

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

The Committee discharges its duties by, inter alia:

- determining and reviewing the on-going appropriateness and relevance of the Company's remuneration policy;
- liaising with the Nominations Committee to ensure that newly appointed executives' remuneration complies with the Company's remuneration policy;
- setting and monitoring performance criteria for any bonus arrangements and performance related payments provided by the Company and the airberlin group and ensuring that they represent achievable and motivating rewards for appropriate levels of performance and, where appropriate, are justifiable taking into account the Company's and the airberlin group's overall performance and the corresponding return on shareholders' investment in the same period;
- ensuring that the Board maintains contact with its principal shareholders with respect to its remuneration policy;
- approving any payment to and/or any non-cash benefit to be provided to, or for the benefit of, the Executive Director or other executive management member and any other terms and conditions to apply on termination of that person's employment; and
- being aware of and advising on any major changes in employee benefit structures throughout the Company and the airberlin group.

During the period under review, the Committee did not obtain advice from any external advisors. The Committee has full authority from the Board to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

Remuneration Policy applicable in 2013

The new Directors' remuneration policy (set out on pages 89 to 97), which will be put to shareholders for approval at the AGM, remains consistent with the remuneration policy applicable during the 2013 financial year and so reflects the principles in accordance with which the Company has granted the Directors' remuneration.

However, it should be noted that the remuneration policy applicable in 2013 was flexible by its very nature and the Remuneration Committee reviewed remuneration regularly, revising it where necessary to reflect changes in the market, the Company's performance, the competitive environment and overall employment and salary conditions within the airberlin group.

Executive Directors' Remuneration

In keeping with the Company's remuneration policy, the Company provides a compensation package that reflects the relevant Executive Directors' level of responsibility and contribution to the Company in the competitive environment. The Company also considers, where appropriate, a comparison of executive pay and remuneration and changes in pay level throughout the airberlin group. The Committee periodically reviews its remuneration policy and approach to target-setting as appropriate.

The compensation package for the Executive Directors who served on the Board in 2013 comprised a combination of a basic salary, a variable bonus scheme and benefits in kind. Basic salaries are reviewed annually and are based, among other factors, on the following factors:

a) an appraisal of the relevant executive and his or her contribution to the business;
b) the Company's remuneration policy; and
c) the competitive environment and the marketplace for companies of similar complexity, size, and global reach.

The basic gross fixed salaries of the Executive Directors who served on the Board in 2013 are set out in the table below:

Name	Basic gross fixed remuneration in 2013 (EUR)
Hartmut Mehdorn*	1,000,000**
Wolfgang Prock-Schauer***	800,000

* Mr Mehdorn served as sole Executive Director from 1 January 2013 until 7 January 2013, upon which date Mr Prock-Schauer replaced him as sole Executive Director. As of 7 January 2013, Mr Mehdorn remained on the Board as a Non-Executive Director. As of 12 March 2013, Mr Mehdorn resigned from his office as Non-Executive Director. Mr Mehdorn did not receive any termination payment upon stepping down from his position as CEO and sole Executive Director.

** Pursuant to a separation agreement entered into in January 2013 as amended by a letter agreement in March 2013, Mr Mehdorn was entitled to continued payments of his basic salary until March 2013 and waived payment of his basic salary from April 2013 until and including December 2013.

*** Mr Prock-Schauer served as sole Executive Director as from 7 January 2013 through 31 December 2013.

Subject to meeting pre-defined benchmarks, the Executive Directors who served on the Board in 2013 were entitled to receive an annual bonus as determined by the Remuneration Committee. Such bonus was capped at a pre-determined maximum bonus amount established by the Committee. The bonus is intended to incentivise these individuals to achieve certain annual operational and financial goals, thereby aligning the relevant executive's interests with those of the Company's shareholders. The Remuneration Committee determines, on an annual basis, the payment of any such bonus compensation and, in deciding to award any such bonus, considers a weighted combination of several factors.

In 2013, such factors included the impact of the Turbine programme in terms of the savings made by the airberlin group, EBIT and other executive-specific performance conditions.

Subject to certain exceptions, any variable compensation set by the Remuneration Committee and paid to the Executive Directors will be divided equally into cash and shares, the latter of which are generally subject to a holding period of three years.

No Bonus for Financial Year 2013

A crucial tenet of the Company's bonus policy is that no bonus should be awarded if, among other factors, the airberlin group has not achieved certain goals set by the Remuneration Committee. As such, in light of the current economic climate and the Company's results, no bonus has been awarded for the 2013 financial year. However, taking into account the Company's variable compensation practices in prior years, and in light of the Turbine programme's performance, the Remuneration Committee has resolved to grant to the current sole Executive Director Wolfgang Prock-Schauer a one-time extraordinary variable compensation of EUR 62,500.

Partial Waiver of Remuneration

As part of his contribution to the Turbine programme, the current sole Executive Director and Chief Executive Officer Wolfgang Prock-Schauer waived ten percent (10%) of his basic salary for 2013.

Service Contracts

The service contract of the sole Executive Director of the Company contains an obligation not to compete with the Company's business for one year following termination or expiry of the service contract. In consideration for such obligation, the Executive Director is entitled to receive 50 per cent of his fixed remuneration for that year.

Additional Benefits

The current sole Executive Director is provided with a company telephone, car and telecommunications equipment. Additionally, the Executive Director is entitled to reduced or free air transportation on flights operated by the Company or its affiliates. The Executive Director has the benefit of directors' and officers' insurance and accident insurance, at appropriate levels, with respect to any legal actions taken against the director in the course of exercising its duties.

No Pension Entitlements

Neither the former sole Executive Director Hartmut Mehdorn nor the current sole Executive Director Wolfgang Prock-Schauer are entitled to pension benefits.

Percentage change in remuneration of CEO

The following table shows the percentage change in remuneration comprising basic salary, benefits and bonus between the financial year ended 31 December 2012 and the financial year ended 31 December 2013 for the CEO compared to the average of all airberlin group employees in Germany during each year.

	Percentage change of CEO against the previous year	Average percentage change for e mployees of the Company taken as a whole against the previous year
Salary/Fees	2.1 %	6.9 %
Taxable Benefits	−55.4 %	−45.4 %
Short-term Incentives	0 %	0 %
Other Benefits: Total Estimated Value of Benefits Received Other Than in Cash That Are Emoluments	0 %	0 %

Remuneration Policy for 2014 and Beyond

The Board currently anticipates that the remuneration policy described above will continue to be applied in determining basic salary, bonuses, pensions and all other benefits in 2014 and that as from 1 January 2015 the new remuneration policy (set out on pages 89 to 97) will apply in determining basic salary, bonuses, pensions and all other benefits. The Board currently expects that the Remuneration Committee, using its discretion, will determine the level of any annual bonus award made by taking into consideration the airberlin group's financial and operational performance assessed on the basis of factors such as the impact of cost-saving and turn-around programmes such as the Turbine programme in terms of the savings made by the airberlin group, EBIT and other executive-specific performance conditions. It should be noted that the remuneration policy that will apply until 31 December 2014 is flexible by its very nature and the Remuneration Committee reviews remuneration regularly, revising it where necessary to reflect changes in the market, the Company's performance, the competitive environment and overall employment and salary conditions within the airberlin group.

Non-Executive Directors' Remuneration

The Chairman and the Executive Director determine the Non-Executive Directors' remuneration. When determining such remuneration, they consider the remuneration practices of airberlin's competitors, the relevant Non-Executive Director's participation and chairmanship in the Board's committees, and the anticipated time commitment. No Director is involved in determining his own level of compensation. In accordance with the Company's Articles of Association, the compensation afforded to the Non-Executive Directors cannot, in the aggregate, exceed EUR 750,000.

Non-Executive Directors do not enter into service contracts with the Company but instead are paid a fee for the provision of their services under the terms of appointment letters. Specifically, each Non-Executive Director is paid EUR 50,000 a year and EUR 25,000 a year for each Committee that the relevant Non-Executive Director chairs. Messieurs Rigney and Hogan chose to waive such fees for 2013 in their entirety; Messieurs Sabancı and Zurnieden chose to waive such fees for the first and the fourth quarters in 2013. All other Non-executive Directors chose to waive such fees for the first quarter in 2013. Non-Executive Directors are not eligible for share options or pension benefits.

Directors' Shareholdings (subject to audit)

The following table shows details of the Directors' current shareholdings as of 31 December 2013:

Director	Beneficially owned shares*
Dr. Hans-Joachim Körber	356,000
Joachim Hunold	2,275,004
Ali Sabancı	14,045,031
Heinz-Peter Schlüter	1,200,000
Johannes Zurnieden	1,350,268
Dr. Hartmut Mehdorn	125,000

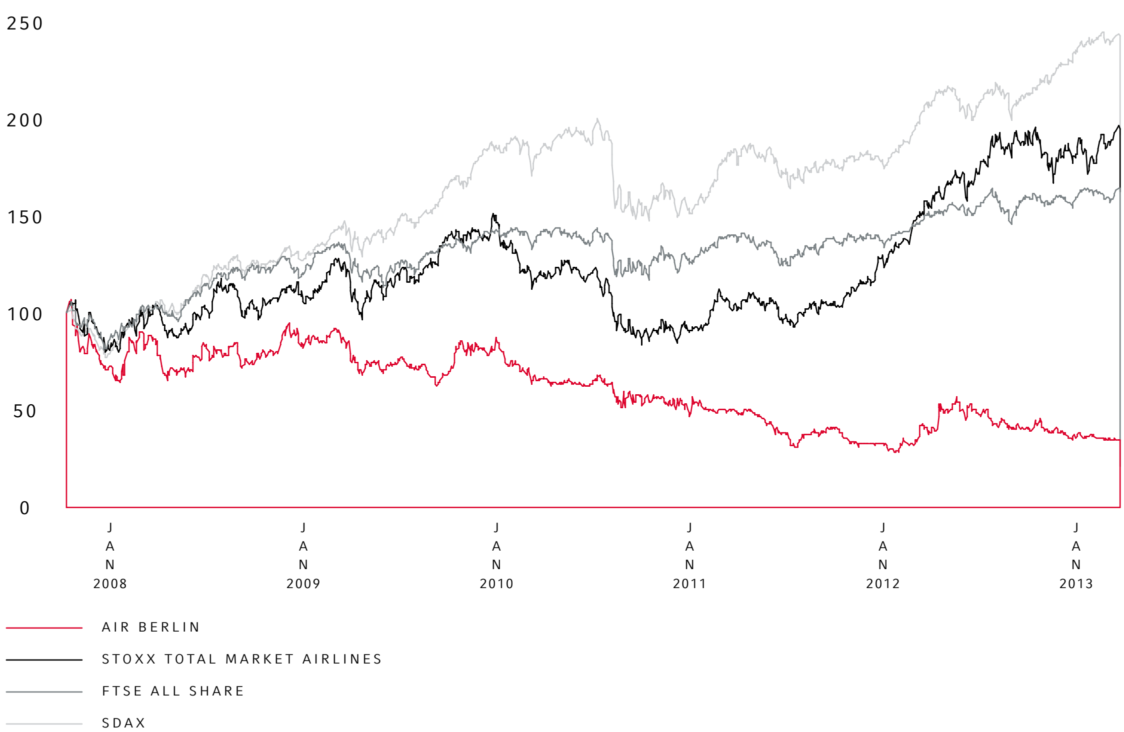
* includes any shares owned by connected persons

There is no requirement for the Company's directors to build up a shareholding in the Company.

Performance graph and table

The following graph shows the Company's total shareholder return as compared to the SDAX Index, STOXX TM Airlines Index, and FTSE All Share Index. The SDAX was selected for comparative purposes because it is an equity index of which the Company is a constituent. The STOXX TM Airlines index was chosen inasmuch as it comprises companies operating in the airline sector. The FTSE All Share Index was chosen as it is a broad equity index.

THE AIRBERLIN SHARE TOTAL SHAREHOLDER RETURN VS. THE SDAX, STOXX TOTAL MARKET AIRLINES AND FTSE ALL SHARE INDICES



SOURCE: INVESTIS

The following table shows the total remuneration figure for the CEO over the same five year period.

	2009	2010	2011	2012	2013	
Total Remuneration (in Thousand Euros)	1,621	1,205	4,805	1,083	267[1]	790[2]
Short Term Incentive payout (% against Maximum)	39 %	12 %	0	0	0	0
Long Term Incentives payout (% against Maximum)[3]	NA	NA	NA	NA	NA	NA

1 Hartmut Mehdorn served as the sole Executive Director on the Board and Chief Executive Officer until 7 January 2013, when Wolfgang Prock-Schauer replaced him in each such capacity. This number reflects Hartmut Mehdorn's basic salary in his capacity as CEO until and including 6 January 2013.
2 This number reflects Wolfgang Prock-Schauer's basic salary in his capacity as CEO as from 7 January 2013, the one-time extraordinary payment of EUR 62.500 and benefits, provided, however, that Mr Prock-Schauer has waived 10% of his basic salary and this waived portion has already been subtracted from this number.
3 No long-term incentives were awarded in 2013

Relative Importance of Spend on Pay

The following table shows the total pay for all airberlin group employees compared to other key financial indicators:

(In thousand Euros, except average number of employees)	2013	2012	Percentage Change
Employee costs	488,164	488,761	–0.12%
Average number of employees	8,991	9,315	–3.48%
Revenues	4,146,794	4,311,676	–3.82%
Result from operating activities	–231,881	70,153	NA
Result before tax	–305,232	–3,174	NA
Result for the period	–315,512	6,813	NA
Dividends	0	0	NA

Additional information on number of employees, revenue and profit has been provided for context.

Directors' Remuneration (subject to audit)

The Directors' remuneration during 2013 was:

in Thousand EURs	Basic Salary and Fees Paid or Receivable		Taxable Benefits[9]		Short-term incentives	
	2013	2012	**2013**	2012	**2013**	2012
Executive Directors:						
Hartmut Mehdorn[1]	**250**	1.000	**17[10]**	83[10]	**0**	0
Wolfgang Prock-Schauer[2]	**708[3]**	NA	**20**	NA	**0**	NA
Non-Executive Directors:						
Dr. Hans-Joachim Körber	**134[8]**	178	**2**	2	**0**	0
Joachim Hunold	**15[8]**	0	**1**	0	**0**	0
Ali Sabancı	**25[7]**	50	**0**	0	**0**	0
Austin Reid[4,5]	**13[8]**	NA	**0**	NA	**0**	NA
Heinz-Peter Schlüter[4]	**67[8]**	89	**3**	3	**0**	0
Nicholas Teller[4]	**67[8]**	89	**2**	2	**0**	0
Johannes Zurnieden[4]	**30[7]**	60	**0**	0	**0**	0
James Hogan	**0**	0	**0**	0	**0**	0
James Rigney	**0**	0	**0**	0	**0**	0
Lothar Steinebach[4, 6]	**15**	NA	**0**	NA	**0**	NA
Andries B. van Luijk[4, 6]	**13**	NA	**0**	NA	**0**	NA
Aggregate emoluments:	**379**	466	**7**	7	**0**	0

1 Hartmut Mehdorn served as the sole Executive Director on the Board and Chief Executive Officer until 7 January 2013, when Wolfgang Prock-Schauer replaced him in each such capacity. As of 7 January 2013, Mr Mehdorn remained on the Board as a Non-Executive Director. As of 12 March 2013, Mr Mehdorn resigned from his office as Non-Executive Director. Mr Mehdorn did not receive any termination payment upon stepping down from his position as CEO and sole Executive Director. Pursuant to a separation agreement entered into in January 2013 as amended by a letter agreement in March 2013, Mr Mehdorn was entitled to continued payments of his basic salary until March 2013 and waived payment of his basic salary from April 2013 until and including December 2013.
2 Remuneration as from 7 January 2013.
3 Mr Prock-Schauer has waived 10% of his basic salary and this waived portion has already been subtracted from this number.
4 Independent Non-Executive Director.
5 Joined the Board on 3 January 2013 and stepped down from the Board effective 23 June 2013.
6 Joined the Board on 1 October 2013.
7 The relevant Director has waived his remuneration for the first and the fourth quarter in 2013 (being 50% in total) and this waived portion has already been subtracted from this number.
8 The relevant Director has waived his remuneration for the first quarter in 2013 (being 25% in total) and this waived portion has already been subtracted from this number.
9 company car and telephone connection fee; health care allowance; foreign health, accident and luggage insurance, Reduced or free air transportation on flights
10 instead of the telephone connection fee appropriate rental costs included

Long-term incentives		One-time extraordinary payment		Other Benefits: Total Estimated Value of Benefits Received Other Than in Cash That Are Emoluments		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
0	0	**0**	0	**0**	0	**267**	1.083
NA	NA	**63**	NA	**0**	NA	**790**	NA
0	0	**0**	0	**0**	0	**136**	180
0	0	**0**	0	**0**	0	**15**	0
0	0	**0**	0	**0**	0	**25**	50
0	NA	**0**	NA	**0**	NA	**13**	NA
0	0	**0**	0	**0**	0	**70**	92
0	0	**0**	0	**0**	0	**69**	91
0	0	**0**	0	**0**	0	**30**	60
0	0	**0**	0	**0**	0	**0**	0
0	0	**0**	0	**0**	0	**0**	0
0	NA	**0**	NA	**0**	NA	**15**	NA
0	NA	**0**	NA	**0**	NA	**13**	NA
0	0	**0**	0	**0**	0	**386**	473

Voting at AGM 2012

The following table shows the results of the advisory vote on the 2012 directors' remuneration report at the 6 June 2013 AGM.

	Total number of votes	% of votes cast
For	64,116,345	91.78
Against	5,743,496	8.22
Total votes cast (excluding withheld votes)	69,859,841	100
Votes withheld*	294,908	
Total votes cast (including withheld votes)	70,154,749	

* A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolutions

By order of the Board

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE REMUNERATION COMMITTEE
30 April 2014

DIRECTORS' REPORT

Air Berlin PLC is a public limited company incorporated under the laws of England and Wales and registered as such in the English commercial register under the number 5643814. The registered office of Air Berlin PLC is The Hour House, 32 High Street, Rickmansworth, Hertfordshire, WD3 1ER, Great Britain. Air Berlin PLC is the parent company of the airberlin group.

The Directors present the Annual Report and the annual and consolidated financial statements for the financial year ending on 31 December 2013. References to "airberlin", "airberlin group", "Company", "we" or "our " refer to Air Berlin PLC or to Air Berlin PLC and its subsidiaries where appropriate.

Pages 111 to 112 ("Statement of Directors' Responsibilities in respect of the preparation of the Annual Report and the annual and consolidated financial statements") include the Directors' Report, which was prepared and submitted in accordance with English company law. The liabilities of the Directors in connection with the Directors' Report shall be subject to the limitations and restrictions provided for in English company law.

SHAREHOLDER INFORMATION

Capital

Details of the movements in the authorised and issued share capital are set out in note 12 to the consolidated financial statements.

The rights and obligations attaching to the Company's ordinary registered shares of the Company are set out in the Company's Articles of Association and in note 12 to the consolidated financial statements.

Voting rights and restrictions on the transfer of shares

There are no ordinary registered shares that carry special rights in relation to the control of the Company.

A shareholder register (the so-called "CI register") is maintained to ensure compliance at all times with aviation regulatory requirements on the share ownership and effective control over the Company (EU Directive No. 1008/2008 and the air traffic agreements concluded between the Federal Republic of Germany and non-EU member states). Air Berlin PLC's Articles of Association stipulate that shareholders of Air Berlin PLC are only entered into the shareholder register when they disclose their nationality to the Company. If maintaining the operating license or the individual traffic rights is at risk, then the Directors of Air Berlin PLC may restrict the exercise of voting rights or request the sale of shares as well as refuse to consent to the transfer of shares, the registration of shareholders, or may request information from shareholders. If the deadline expires without the sale of shares, the Directors may sell the shares themselves on behalf of the shareholder.

Information regarding the major shareholders and the shareholder structure by nationality as at 31 December 2013 is contained on pages 18 to 19 of this Annual Report.

Registered office
The Hour House, 32 High Street, Rickmansworth, Hertfordshire, WD3 1ER, Great Britain

Shareholder registrar
Registrar Services GmbH, Frankfurter Straße 84–90a, 65760 Eschborn, Germany; Mailing address: P.O. Box 60630, Frankfurt/Main, Germany

Company registration number
5643814

Auditor
A resolution to reappoint KPMG LLP as the Company's auditors is proposed to the shareholders at the forthcoming Annual General Meeting.

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

The Directors are responsible for preparing this Annual Report and the airberlin group consolidated and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated airberlin group and Company financial statements for each financial year. Under that law, the Directors are required to prepare the airberlin group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law and have elected to prepare the Company financial statements on the same basis.

Under the company law, the Directors must not approve the airberlin group and Company financial statements unless they are satisfied that such financial statements give a true and fair view of the state of affairs of the airberlin group and the Company and of their profit or loss for that period. In preparing each of the airberlin group and Company financial statements, the Directors are required to:

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

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the Company's financial position and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the airberlin group financial statements, Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the Company's and the airberlin group's assets and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report and Directors' Remuneration Report that complies with that law and those regulations.

Furthermore, the Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and airberlin group's performance, business model and strategy.

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 as disclosed in note 2 to the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

STATEMENT OF THE DIRECTORS REGARDING THE DISCLOSURE OF INFORMATION TO AUDITORS

Each Director in office at the date the Directors' Report is approved confirms, in accordance with Section 418 of the Companies Act 2006:

a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418 of the Companies Act 2006.

The Annual Report on pages 2 to 113 was approved by the Board of Directors and authorised for issue on 30 April 2014 and signed on behalf of the Board of Directors by:

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

DECLARATION BY THE LEGAL REPRESENTATIVES

We confirm that to the best of our knowledge and according to the applicable accounting standards, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group and that the group management report includes a fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and opportunities that the group faces.

Berlin, 30 April 2014

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIR BERLIN PLC

We have audited the financial statements of Air Berlin PLC for the year ended 31 December 2013 set out on pages 119 to 180. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 111, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Phil Charles (Senior Statutory Auditor)
for and on behalf of: KPMG LLP, Statutory Auditor

Chartered Accountants
St. Nicholas House
Park Row
Nottingham NG1 6FQ
Great Britain
30 April 2014

Air Berlin PLC
CONSOLIDATED INCOME STATEMENT
for the period ended 31 December 2013

	Note	1/13–12/13 € 000	1/12–12/12 € 000
Revenue	20	**4,146,794**	4,311,676
Other operating income (including in 2012 a net gain of disposal of topbonus of EUR 184,400)	5, 21	**59,753**	264,192
Expenses for materials and services	22	**(3,174,504)**	(3,288,763)
Personnel expenses	23	**(488,164)**	(488,761)
Depreciation and amortisation	6, 7	**(85,191)**	(74,145)
Other operating expenses	24	**(690,569)**	(654,046)
Operating expenses		**(4,438,428)**	(4,505,715)
Result from operating activities		**(231,881)**	70,153
Financial expenses	25	**(87,898)**	(77,217)
Financial income	25	**7,124**	1,068
Result on foreign exchange and derivatives, net	25	**6,786**	2,575
Net financing costs		**(73,988)**	(73,574)
Share of at equity investments, net of tax	26	**637**	247
Result before tax		**(305,232)**	(3,174)
Income tax result	27	**(10,280)**	9,987
Result for the period – all attributable to the shareholders of the Company		**(315,512)**	6,813
Basic earnings per share in €	13	**(2.71)**	0.06
Diluted earnings per share in €	13	**(2.71)**	0.06

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	1/13–12/13 € 000	1/12–12/12 € 000
Result for the period		**(315,512)**	6,813
Foreign currency translation reserve		**(237)**	490
Effective portion of changes in fair value of hedging instruments		**(29,607)**	(18,876)
Net change in fair value of hedging instruments transferred from equity to profit or loss		**33,242**	(54,459)
Remeasurement of net defined liability		**(3,188)**	0*
Income tax on other comprehensive income	27	**(937)**	21,971
Other comprehensive income for the period, net of tax		**(727)**	(50,874)
Total comprehensive income – all attributable to the shareholders of the Company		**(316,239)**	(44,061)

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

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2013

	Note	31/12/2013	31/12/2012
		€ 000	€ 000
Assets			
Non-current assets			
Intangible assets	6	**415,893**	421,044
Property, plant and equipment	7	**497,846**	597,890
Trade and other receivables	10	**115,301**	79,770
Deferred tax asset	27	**17,063**	28,666
Positive market value of derivatives	29	**105**	0
Net defined benefit asset	14	**3,455**	4,015
Deferred expenses	11	**55,744**	47,597
At equity investments	8	**6,666**	4,847
Non-current assets		**1,112,073**	1,183,829
Current assets			
Inventories	9	**53,043**	49,867
Trade and other receivables	10	**406,027**	451,736
Positive market value of derivatives	29	**14,350**	12,467
Deferred expenses	11	**46,620**	46,571
Assets held for sale	7	**30,309**	145,206
Cash and cash equivalents	28	**223,063**	327,936
Current assets		**773,412**	1,033,783
Total assets		**1,885,485**	2,217,612

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2013

	Note	31/12/2013	31/12/2012
		€ 000	€ 000
Equity and liabilities			
Shareholders' equity			
Share capital	12	**29,273**	29,273
Share premium	12	**435,085**	435,085
Equity component of convertible bond	16	**597**	597
Other capital reserves	12	**217,056**	217,056
Retained earnings		**(862,175)**	(546,663)
Hedge accounting reserve, net of tax		**(5,904)**	(8,602)
Foreign currency translation reserve	12	**3,192**	3,429
Remeasurement of the net defined benefit obligation	14	**(3,188)**	0*
Total equity – all attributable to the shareholders of the Company		**(186,064)**	130,175
Non-current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**178,391**	267,044
Interest-bearing liabilities	16	**605,265**	621,066
Provisions	15	**4,356**	9,153
Trade and other payables	18	**72,405**	70,357
Deferred tax liabilities	27	**29,707**	30,786
Negative market value of derivatives	29	**577**	531
Non-current liabilities		**890,701**	998,937
Current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**76,863**	158,946
Interest-bearing liabilities	16	**158,542**	51,084
Tax liabilities		**3,716**	4,514
Provisions	15	**25,777**	14,234
Trade and other payables	18	**440,967**	426,778
Negative market value of derivatives	29	**23,098**	38,601
Deferred income		**22,957**	28,718
Advanced payments received	19	**428,928**	365,625
Current liabilities		**1,180,848**	1,088,500
Total equity and liabilities		**1,885,485**	2,217,612

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

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2014 and signed on behalf of the Board:

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2013

	Share capital	Share premium	Equity component of conver-tible bonds	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Reasure-ment of the net defined benefit obligation*	Equity attrib-utable to the share-holders of the Company
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2011	**21,379**	**373,923**	**1,343**	**217,056**	**(554,221)**	**42,762**	**2,939**	**0**	**105,181**
Issue of ordinary shares	7,894	65,043							72,937
Transaction costs on issue of shares, net of tax		(3,881)							(3,881)
Redemption of convertible bonds			(746)		746				0
Total transactions with shareholders	**7,894**	**61,162**	**(746)**	**0**	**746**	**0**	**0**	**0**	**69,056**
Profit for the period					6,813				6,813
Other comprehensive income						(51,364)	490		(50,874)
Total comprehensive income	**0**	**0**	**0**	**0**	**6,813**	**(51,364)**	**490**	**0**	**(44,061)**
Balances at 31 December 2012	**29,273**	**435,085**	**597**	**217,056**	**(546,663)**	**(8,602)**	**3,429**	**0**	**130,175**
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loss for the period					(315,512)				(315,512)
Other comprehensive income						2,698	(237)	(3,188)	(727)
Total comprehensive income					**(315,512)**	**2,698**	**(237)**	**(3,188)**	**(316,239)**
Balances at 31 December 2013	**29,273**	**435,085**	**597**	**217,056**	**(862,175)**	**(5,904)**	**3,192**	**(3,188)**	**(186,064)**

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

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 December 2013

	Note	31/12/2013 € 000	31/12/2012 € 000
Result for the period		**(315,512)**	6,813
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	6, 7	**85,190**	74,145
Gain on disposal of topbonus	5	**0**	(184,400)
Gain on disposal of non-current assets	21, 24	**(11,289)**	(33,076)
Increase in inventories		**(3,176)**	(4,343)
Increase in trade accounts receivables		**(4,634)**	(58,918)
Increase in other assets and prepaid expenses		**(11,441)**	(33,475)
Deferred tax expense (benefit)	27	**9,587**	(13,944)
Increase in provisions		**7,306**	11,893
Increase in trade accounts payable		**18,556**	36,730
Increase (Decrease) in other current liabilities		**55,643**	(30,332)
Result on foreign exchange and derivatives, net	25	**(6,786)**	(2,575)
Interest expense	25	**86,898**	75,227
Interest income	25	**(7,125)**	(1,068)
Income tax expense	26	**693**	3,957
Share of profit of associates	8	**(637)**	(247)
Other non-cash changes		**(197)**	187
Cash generated from operations		**(96,924)**	(153,426)
Interest paid		**(79,645)**	(68,716)
Interest received		**7,002**	477
Income taxes paid		**(1,491)**	(2,171)
Net cash flows from operating activities		**(171,058)**	(223,836)
Purchases of non-current assets		**(32,212)**	(30,032)
Net advanced payments for non-current items	10	**(4,338)**	(24,361)
Proceeds from sale of tangible and intangible assets		**198,328**	41,872
Proceeds from disposal of topbonus	5	**0**	200,000
Dividends received from at equity investments		**0**	704
Acquisition of at equity investments		**(1,819)**	(20,186)
Cash flow from investing activities		**159,959**	167,997
Principal payments on interest-bearing liabilities		**(320,358)**	(180,833)
Proceeds from long-term borrowings		**91,525**	265,549
Transaction costs related to issue of long-term borrowings		**0**	(1,497)
Proceeds from issue (redemption) of convertible bonds	16	**140,000**	(6,162)
Transaction costs related to issue of convertible bonds	16	**(3,263)**	0
Issue of ordinary shares	13	**0**	72,937
Transaction costs related to issue of ordinary shares	13	**0**	(5,546)
Cash flow from financing activities		**(92,096)**	144,448
Change in cash and cash equivalents		**(103,195)**	88,609
Cash and cash equivalents at beginning of period		**327,821**	238,384
Foreign exchange losses on cash balances		**(1,620)**	828
Cash and cash equivalents at end of period	28	**223,006**	327,821
thereof bank overdrafts used for cash management purposes		**(57)**	(115)
thereof cash and cash equivalents in the statement of financial position		**223,063**	327,936

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	31/12/2013	31/12/2012
		€ 000	€ 000
Assets			
Non-current assets			
Investments in subsidiaries	34b	**966,200**	720,924
At equity investments		**0**	261
Deferred tax asset	34c	**0**	15,034
Positive market value of derivatives		**14**	0
Loans to subsidiaries	34d	**0**	140,000
Net defined benefit asset	34h	**2,719**	2,862
Deferred expenses	34f	**14,450**	0
Non-current assets		**983,383**	879,081
Current assets			
Loans to subsidiaries	34d	**0**	58,677
Receivables from subsidiaries	34e	**9,802**	135,652
Receivables from at equity investments		**0**	149
Positive market value of derivatives		**3,351**	696
Trade and other receivables		**2,340**	464
Deferred expenses	34f	**3,232**	337
Cash and cash equivalents		**4,321**	118,067
Current assets		**23,046**	314,042
Total assets		**1,006,429**	1,193,123

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	31/12/2013	31/12/2012
		€ 000	€ 000
Equity and liabilities			
Shareholders' equity			
Share capital	34g	**29,273**	29,273
Share premium	34g	**435,085**	435,085
Equity component of convertible bond		**597**	597
Retained earnings		**(167,869)**	(58,960)
Remeasurement of the net defined benefit obligation		**(1,277)**	0*
Total equity – all attributable to the shareholders of the Company		**295,809**	405,995
Non-current liabilities			
Interest-bearing liabilities		**343,699**	487,362
Other liabilities to subsidiaries	34i	**164,551**	2,000
Deferred tax liabilities	34c	**641**	0
Non-current liabilities		**508,891**	489,362
Current liabilities			
Interest-bearing liabilities		**155,724**	7,716
Tax liabilities		**1,705**	1,681
Trade and other payables		**7,617**	8,617
Payables to subsidiaries	34k	**33,286**	277,535
Negative market value of derivatives		**3,397**	2,217
Current liabilities		**201,729**	297,766
Total equity and liabilities		**1,006,429**	1,193,123

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

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2014 and signed on behalf of the Board:

WOLFGANG PROCK-SCHAUER

CHIEF EXECUTIVE OFFICER

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Remeasurement of the net defined benefit obligation*	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2011 (restated)	**21,379**	**373,923**	**1,343**	**(45,307)**	**0**	**351,338**
Issue of ordinary shares	7,894	65,043				72,937
Transaction costs on issue of shares, net of tax		(3,881)				(3,881)
Redemption of convertible bonds			(746)	746		0
Total transactions with shareholders	**7,894**	**61,162**	**(746)**	**746**	**0**	**69,056**
Loss for the period				(14,399)		(14,399)
Total comprehensive income	**0**	**0**	**0**	**(14,399)**	**0**	**(14,399)**
Balances at 31 December 2012	**29,273**	**435,085**	**597**	**(58,960)**	**0**	**405,995**
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**
Loss for the period				(108,909)		(108,909)
Other comprehensive income					(1,277)	(1,277)
Total comprehensive income	**0**	**0**	**0**	**(108,909)**	**(1,277)**	**(110,186)**
Balances at 31 December 2013	**29,273**	**435,085**	**597**	**(167,869)**	**(1,277)**	**295,809**

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

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	31/12/2013	31/12/2012
		€ 000	€ 000
Result for the period		**(108,909)**	(14,399)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Decrease in receivables from subsidiaries		**140,778**	13,335
(Increase) Decrease in other assets and prepaid expenses		**(13,409)**	2,905
Deferred tax expense (benefit)	34c	**15,674**	(13,369)
(Decrease) in trade accounts payable and other liabilities		**(999)**	(3,820)
Increase in net defined benefit asset		**(1,134)**	(2,139)
(Decrease) in payables to subsidiaries	34k	**(220.096)**	(44,622)
Net change of derivatives		**(1,429)**	3,376
Interest expense		**59,075**	46,309
Interest income		**(7,132)**	(2,471)
Income tax expense		**23**	1,307
Share of profit at equity investments		**(1,331)**	(7,055)
Cash generated from operations		**(138,889)**	(20,643)
Interest paid		**(52,996)**	(40,957)
Interest received		**1,172**	62
Income taxes paid		**0**	0
Net cash flows from operating activities		**(190,713)**	(61,538)
Disposal of investments in subsidiaries		**440**	22
Increase in share capital of subsidiaries	34b	**(61,599)**	0
Repayments of loans given to subsidiaries	34d	**0**	557
Repayments of loans given to at equity investments		**148**	50
Dividends received from subsidiaries		**1,331**	6,249
Dividends received from at equity investments		**0**	704
Acquisition of at equity investments		**(30)**	0
Cash flow from investing activities		**(59,710)**	7,582
Issue of ordinary shares		**0**	72,937
Transaction costs related to issue of ordinary shares	12	**0**	(5,546)
Issue (Redemption) of convertible bonds	16	**140,000**	(6,162)
Transaction costs related to issue of convertible bonds	16	**(3,263)**	0
Proceeds from issue of corporate bonds	16	**0**	50,500
Payment of transaction costs related to issue of corporate bonds	16	**0**	(1,497)
Cash flow from financing activities		**136,737**	110,232
Change in cash and cash equivalents		**(113,686)**	56,276
Cash and cash equivalents at beginning of period		**118,067**	61,798
Foreign exchange losses on cash balances		**(60)**	(7)
Cash and cash equivalents at end of period		**4,321**	118,067
thereof cash and cash equivalents in the statement of financial position		**4,321**	118,067

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2013 comprise Air Berlin PLC and its subsidiaries (together referred to as "airberlin" or the "Group") and the Group's interest in at equity investments. Air Berlin PLC is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of airberlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

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 European Union. On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 124 to 127.

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 all 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 consolidated financial statements have been prepared in Euro. The European Central Bank year end exchange rate was GBP 0.8337 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share data and subsequent events. The financial statements were authorised and approved for issue by the Board of Directors on 30 April 2014.

Going concern

The Groups' 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 of the Group on pages 66 to 68.
The financial position of the Group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 39 to 45. Details for the Group's borrowings are set out in note 16 and 30 of the financial statements. In addition, notes 4t 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 of the Group on pages 66 to 68, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices, passenger demand and yield. Financing is in place for our committed plane deliveries for the next twelve months. The Group's forecasts and projections sensitised for significant deviations from the forecast currency rate, jet fuel price, passenger demand and yield, show that the Group will generate sufficient cash through funding and operating cash flows to meet its liabilities in the foreseeable future. Achievability of these forecast are also dependent on the success of the „Turbine" program. Furthermore Air Berlin PLC issued a perpetual bond of EUR 300,000 in April 2014 and received an firm underwriting for a corporate bond with an additional minimum cash inflow of EUR 150.000 (note 33).
Taking into account the above factors, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. The going concern basis is used in preparing the accounts.

Use of estimates

The preparation of financial statements in conformity with IFRS as adopted by the European Union 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 IFRS as adopted by the European Union 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.

3. BASIS OF CONSOLIDATION

a) Subsidiaries

All subsidiaries under control of airberlin are included in the consolidated financial statements. Control exists when airberlin has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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 (CHF and USD). The assets and liabilities of these subsidiaries are translated to Euro at the exchange rates of 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 PLC & Co. Airport Service KG
- Air Berlin PLC & Co. Verwaltungs KG
- Air Berlin PLC & Co. Service Center KG

b) 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. A 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 the majority of all the risks and benefits related to the SPE's operations and net assets.

c) Investments in associates and jointly controlled entities (at equity investments)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 % and 50 % of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.
The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of at equity investments using the equity method 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 at equity investment, the Group's carrying amount is reduced to zero 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 the investee.

d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with at equity investments are eliminated only to the extent of the Group's interest in that 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	indefinite
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. airberlin intends to use the trademark NIKI for the unforeseeable future and therefore the trademark is determined to have an indefinite life.

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. 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 in the amounts which can be realised through future disposals.

— AIRCRAFT

The Group owns aircraft of the type Boeing 737-700 and 800, Airbus A319, A320 and A321 as well as Embraer E190. The depreciation period is ten years taking into account estimated residual values. The residual values and useful lives are reviewed at the end of each period.
Portions 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.
Aircraft are purchased in stages with the payment of initial and subsequent prepayments.

— 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 aircraft, engine and other equipment, including major inspection and overhaul expenditure, is capitalised as a separate item. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the items of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income 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 the end of each period 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 period end. 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 statement of comprehensive income.
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 peer-group long-term cost of capital for the cash-generating unit. Key assumptions are the seat load factor, yield, fuel price and USD exchange rate.

— 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 as well as 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 30b. 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 creditworthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses.

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 eliminate uncertainty over 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, is sold, is 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 statement of comprehensive income 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 profit or 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 profit or loss.
Forward exchange transactions are used to mitigate exchange rate exposure. Commodity swaps and options are used to limit the fuel price risk. Interest collars and swaps are used to mitigate interest rate change risks. For further information see note 30e.

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 Air Berlin PLC 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 PLC 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 statement of comprehensive income 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 end of the period, 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 losses carried forward 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 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 end of the period. 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 statement of financial position when the Group has a present legal or constructive obligation as a 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. The fair value option is not applied.

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.

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 end of the period. Any differences resulting from the currency translation are recognised in the statement of comprehensive income. Further details of currency risk are provided in note 30d.
Exchange rate differences arising from interest-bearing liabilities and other financing activities – as well as unrealised gains and losses due to the fair value measurement of derivative financial instruments and other unrealised foreign exchange rate 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. Flight revenue is recognised at the point where the flight is flown whilst a return portion of the ticket is deferred until the return flight is flown. Revenue on unclaimed tickets is recognised when the ticket expires. Other revenue and operating income is recognised when the corresponding service has been provided 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). Rebates and discounts offered are deducted from revenue and are recognised at the point when the flight to which the rebate or discount relates is flown.

Expenses are recognised when the product or service is used or the expense arises.

p) Deferred income and expenses

Deferred expenses in the statement of financial position relate mainly to prepayments. They include aircraft lease costs, insurances and other contracts and deferred losses on the sale and leaseback of aircraft.
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 statement of financial position under “deferred income” until such time the transportation is provided.

— FREQUENT FLYER PLAN (TOPBONUS)

The Group operated a frequent flyer plan (topbonus) which allowed the customer to collect bonus miles on flights, by doing business with airberlin’s partners (hotels, car rental agencies, insurance and financial service companies) or by shopping.
Up to December 2012, the frequent flyer plan miles earned are valued at fair value using the deferred-income-method in accordance with IFRIC 13. Following the sale of the frequent flyer plan (see note 5), the liability to provide awards now falls to topbonus Ltd in return for a payment from airberlin to topbonus Ltd. This payment is deducted from flight revenue.

q) Leasing

The Group leases a number of aircraft under operating leases which require airberlin to maintain the leased assets. Repair and overhaul costs are not included in the lease rentals. For the majority of its leased aircraft, the Group makes payments for the future maintenance expenses to the lessor and recognises them in profit or loss. 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 statement of comprehensive income 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 statement of comprehensive income over the lease term.
The Group carries out sale and leaseback transactions. If the leaseback transaction is an operating lease, and the sale price is below fair value of the asset, any profit or loss is recognised immediately in the statement of comprehensive income in accordance with IAS 17. Except if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the lease term (see note 4p).

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 end of the period are deducted from the obligation.
Actuarial gains and losses are recognised in other comprehensive income 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) New pronouncements– not yet adopted
Some new standards, alignments of standards and interpretations were issued and endorsed by the EU for the financial years beginning on or after 1 January 2014 but have not been applied by the Group in preparing the financial statements. None of these is expected to have a significant effect on the financial statements of the Group. The adoption of IFRS 10, 11 and 12 in 2014 will have no material impact on the consolidated entities at the current structure of the Group.

t) Financial risk management
The Group has exposure to the following risks:

- 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 respective IT tools. Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures is submitted each quarter to the Board.
There were no changes in the Group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing risks 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 during 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 the International Air Transport Association (IATA). Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are subject to controls 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 IATA. Settlement takes place principally through the balancing of all receivables and liabilities in 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 in bank is held only at banks with the highest credit ratings. Derivative financial instruments are held with parties with the highest credit grades or that 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 structures.
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 airberlin reputation.
A group-wide treasury management system is implemented. It covers and evaluates all matters associated with interest and exchange rates. All substantial airberlin companies are fully incorporated into the airberlin 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.

Market risk

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

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

Capital management

The Group considers bonds, equity (excluding hedge accounting reserves and foreign currency reserves), traditional bank financing and finance leases to be capital. 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 higher returns that might be possible with a 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.

u) Financial instruments

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

Categories of financial assets and financial liabilities which apply to airberlin are 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 assets and liabilities at fair value classified as hedging instruments 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 categories of financial assets and financial liabilities are further detailed in note 30g.

airberlin 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 trade payables and other financial liabilities)

5. TOPBONUS TRANSACTION

On 17 December 2012 airberlin acquired 30 % interest in a new established legal entity under English law named topbonus Ltd for EUR 15,600 in cash. The majority stake in the topbonus Ltd is owned by Etihad Airways PJSC, the major shareholder of airberlin.

airberlin disposed its frequent flyer plan topbonus (see note 4p) to topbonus Ltd for EUR 200,000. As no assets and liabilities of the Group were sold as part of this transaction, a profit of EUR 200,000 was generated on this sale. As the Group has a 30 % interest in topbonus Ltd the unrealised profit has been derecognised to the extent of the Group's investment in topbonus generating net income amounting to EUR 184,400 which has been accounted for as part of other operating income in the statement of comprehensive income (note 21).

The liability for the „bonus miles" sold up to 17 December 2012 has been remeasured and income of EUR 29,029 previously deferred has been recognized in the financial year 2012 in full amount as flight revenue. Since the redemption of these "bonus miles" has been granted by airberlin to topbonus Ltd free of charge, the Group has had to account for this obligation in its financial statements as of 31 December 2012 in amount of EUR 7,878. The expense has been recognized in expenses for material and services in the 2012 statement of comprehensive income.

topbonus Ltd shall continue to operate and further develop the frequent flyer plan on the basis of a commercial agreement with airberlin. Under this commercial agreement airberlin granted topbonus Ltd a minimum miles compensation volume for the financial years 2013-2017 of app. EUR 31,000 a year. The minimum flight purchasing volume to be received by airberlin for the financial years 2013-2017 amounts to app. EUR 69,600 in total.

Furthermore, the Group issued to topbonus Ltd a financial guarantee for one-year period for the loan amounting to EUR 45,000. The financial guarantee has been recognized at its estimated fair value of EUR 1,125 in the financial expenses in the 2012 statement of comprehensive income. Group's shares of topbonus Ltd are pledged to the lender in case the Group cannot service the financial guarantee.

Related to the transaction the Group incurred expenses of EUR 4,324, which have been classified within other operating expenses in 2012. The transactions with topbonus in 2013 are disclosed within note 31.

6. INTANGIBLE ASSETS

In thousands of Euro	Software, licenses	Goodwill	Landing rights	Trademarks	Customer relationships	**Total**
Acquisition cost						
Balance at 1 January 2012	42,622	196,460	176,249	8,500	0	**423,831**
Additions	33,449	0	0	0	0	**33,449**
Currency translation adjustments	0	303	0	0	0	**303**
Disposals	(660)	0	0	0	0	**(660)**
Balance at 31 December 2012	75,411	196,763	176,249	8,500	0	**456,923**
Additions	8,189	0	0	0	0	**8,189**
Currency translation adjustments	0	(68)	0	0	0	**(68)**
Disposals	(93)	0	0	0	0	**(93)**
Balance at 31 December 2013	83,507	196,695	176,249	8,500	0	**464,951**
Amortisation						
Balance at 1 January 2012	27,823	0	0	0	0	**27,823**
Amortisation charge for the year	8,715	0	0	0	0	**8,715**
Disposals	(659)	0	0	0	0	**(659)**
Balance at 31 December 2012	35,879	0	0	0	0	**35,879**
Amortisation charge for the year	13,262	0	0	0	0	**13,262**
Disposals	(83)	0	0	0	0	**(83)**
Balance at 31 December 2013	49,058	0	0	0	0	**49,058**
Carrying amount						
At 1 January 2012	14,799	196,460	176,249	8,500	0	**396,008**
At 31 December 2012	39,532	196,763	176,249	8,500	0	**421,044**
At 31 December 2013	34,449	196,695	176,249	8,500	0	**415,893**

The Group performed an impairment test on landing rights, goodwill and trademarks in the fourth quarter of 2013 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, the goodwill and the trademarks 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	165,695	**196,695**
Landing rights	0	0	176,249	**176,249**
Trademarks	0	0	8,500	**8,500**

Flight services is the most significant cash-generating unit with significant intangibles allocated to it. For flight services, the future cash flows were estimated using the value-in use method based on the most recent five year cash flow plan approved by management, sensitised for the purposes of the Impairment test and extrapolated to perpetuity using a 0.5 % growth rate (2012: identical) and discounted to their present value. The pre-tax peer-group weighted average cost of capital was 9.39 % (2012: 9.01 %). The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash-generating unit. The underlying management cash flow forecast is most sensitive to the assumptions of seat load factor, yield, fuel price and USD exchange rate. The underlying sensitized cashflow forecasts are below the average market expectations published by third parties. Due to this year's operating loss the value-in-use valuation has been sense checked by also estimating the value of the Flight Services CGU using the valuation techniques allowed under fair value less costs to sell methodology. This estimate confirmed the reasonableness of the value-in-use valuation. The Group is therefore satisfied that the recoverable amount of the flight services CGU is greater than the carrying value of the related assets.

7. PROPERTY, PLANT AND EQUIPMENT

In thousands of Euro	Land and buildings	Aircraft and engines	Technical equipment and machinery	Office equipment	**Total**
Acquisition cost					
Balance at 1 January 2012	34,869	993,597	105,806	14,148	**1,148,420**
Additions	1,526	2,030	30,429	3,353	**37,338**
Disposals	(22,803)	(30,322)	(13,823)	(2,128)	**(69,076)**
Reclassification held for sale	0	(172,454)	0	0	**(172,454)**
Balance at 31 December 2012	13,592	792,851	122,412	15,373	**944,228**
Additions	585	1,197	43,997	4,306	**50,085**
Disposals	0	(202,378)	(8,184)	(3,681)	**(214,243)**
Reclassification held for sale	0	89,000	0	0	**89,000**
Balance at 31 December 2013	14,177	680,670	158,225	15,998	**869,070**
Depreciation					
Balance at 1 January 2012	16,172	273,885	32,360	7,088	**329,505**
Depreciation charge for the year	1,193	49,003	11,678	3,556	**65,430**
Disposals	(7,405)	(3,117)	(6,837)	(3,990)	**(21,349)**
Reclassification held for sale	0	(27,248)	0	0	**(27,248)**
Balance at 31 December 2012	9,960	292,523	37,201	6,654	**346,338**
Depreciation charge for the year	956	50,169	16,916	4,005	**72,046**
Disposals	0	(48,773)	(3,262)	(3,185)	**(55,220)**
Reclassification held for sale	0	8,061	0	0	**8,061**
Balance at 31 December 2013	10,916	301,980	50,855	7,474	**371,225**
Carrying amount					
At 1 January 2012	18,697	719,712	73,446	7,060	**818,915**
At 31 December 2012	3,632	500,328	85,211	8,719	**597,890**
At 31 December 2013	3,261	378,691	107,370	8,524	**497,846**

Aircraft are pledged as security in connection with the Group's interest-bearing liabilities due to aircraft financing. Capital commitments for property, plant and equipment amount to 3.4 bn USD (2012: 3.8 bn USD).

Tangible assets include aircraft 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 is as follows:

In thousands of Euro	2013	2012
Land and buildings	**0**	0
Aircraft	**38,755**	40,481
Technical equipment and machinery	**1,589**	1,828
	40,344	42,669

Finance leases are explained in more detail in note 16.

Assets held for Sale

This position includes one aircraft, which is expected to be sold by airberlin. When publishing these financial statements the transactions was finally settled. The sale price of the aircraft held for sale exceeded its carrying amount.
Non-current liabilities due to aircraft financing relating to financing of the aircraft held for sale have been classified to current liabilities. These liabilities were be settled on disposal of the aircraft.

8. AT EQUITY INVESTMENTS

In thousands of Euro	2013	2012
Acquisition cost		
Balance at 1 January	**4,847**	184
Acquisition	**1,819**	20,186
Offset of unrealised profit on disposal of frequent flyer plan	**0**	(15,600)
Reclassification from other assets to at equity investments	**(637)**	534
Disposals	**0**	0
Share of profit	**637**	247
Dividends	**0**	(704)
Balance at 31 December	**6,666**	4,847

Offset of unrealized profit on disposal of frequent flyer plan in 2012 refers to the disposal of the frequent flyer plan and is explained in more detail in note 5 and 3d.

The line in the statement of financial position "At equity investments" covers all associates and joint ventures measured at equity.

9. INVENTORIES

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

In thousands of Euro	2013	2012
Supplies and spares	**52,237**	48,733
Purchased merchandise	**806**	1,134
	53,043	49,867

Inventories are measured at the lower of cost and net realisable value. In 2013 the impairment of inventories was utilised by EUR 8,386 (2012: EUR 6,826). The amount of inventories expensed directly in the statement of comprehensive income is reported in note 22 (fuel for aircraft and catering cost).

10. TRADE AND OTHER RECEIVABLES

	2013			2012		
In thousands of Euro	Current	Non-current	**Total**	Current	Non-current	Total
Trade receivables	188,827	0	**188,827**	184,193	0	184,193
Receivables from related parties	14,702	2,364	**17,066**	21,564	1,607	23,171
Accrued receivables	259	0	**259**	2,721	0	2,721
Security deposits and deposits with suppliers	15,166	29,768	**44,934**	14,033	29,700	43,733
Receivables for bonus and claims	49,526	0	**49,526**	47,624	0	47,624
Other receivables	32,680	1,526	**34,206**	38,296	1,071	39,367
Loans and receivables	301,160	33,658	**334,818**	308,431	32,378	340,809
Receivables from tax authorities	11,084	0	**11,084**	10,723	0	10,723
Advanced payments	44,463	81,643	**126,106**	94,344	47,392	141,736
Other assets	49,320	0	**49,320**	38,238	0	38,238
	406,027	115,301	**521,328**	451,736	79,770	531,506

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.
Other assets mainly include suppliers with debit balances (2013: EUR 8,051 and 2012: EUR 20,756).
Advanced payments relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft. Net payments of EUR 34,251 (2012: EUR 24,361) were made during the period and EUR 19,967 was capitalised (2012: EUR 41,156). The advanced payments are pledged as security in connection with the loan of the Etihad Airways PJSC (note 31).
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. DEFERRED EXPENSES

	2013			2012		
In thousands of Euro	Current	Non-current	**Total**	Current	Non-current	Total
Lease rate prepayments	17,402	15,029	**32,431**	18,527	683	19,210
Deferred losses from sale-and-leaseback transactions and smoothing of leasing rates	7,827	30,381	**38,208**	8,535	36,692	45,227
Other	21,391	10,334	**31,725**	19,509	10,222	29,731
	46,620	55,744	**102,364**	46,571	47,597	94,168

The position Other consists of prepayments in the ordinary course of business and a participation fee in a rotable-pool for -aircraft spare parts.

12. SHARE CAPITAL AND RESERVES

Share capital and share premium

Share capital of 116,800,508 ordinary shares of EUR 0.25 each and 50,000 A shares of £ 1.00 each is issued and fully paid up. Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust) in connection with an expired employee share plan. 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 airberlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of airberlin save on a distribution of assets of airberlin among its members on a winding up or other return of capital (other than a redemption or purchase by airberlin of its own shares), in which case the holders of A shares shall be entitled, in priority of 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.

On 24 January 2012 the Company issued 31,574,312 new shares at a share price of EUR 2.31. Gross proceeds on the issue of new shares amounted to EUR 72,936,661. Transaction costs incurred amounted to EUR 5,545,694. On 17 December 2012 8,522,618 shares were accepted for trading on the Deutsche Börse. Acceptance for trading of 23,051,694 shares on the Deutsche Börse is still pending.

Other capital reserves

Other capital reserves comprise 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 an expired share-based payment scheme, the Company repurchased the beneficial interest (and limited all significant legal aspects of the ownership, such as voting rights) in 177,600 shares of its stock. The purchase price was EUR 0.25 per share (par value), resulting in a decrease in retained earnings of EUR 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.

13. EARNINGS PER SHARE

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	2013	2012
Result for the period	**(315,512)**	6,813
Dividends declared on redeemable Class A preference shares	**0**	0
Result attributable to ordinary shareholders (basic and diluted)	**(315,512)**	6,813
Issued ordinary shares at 1 January	**116,801**	85,226
Issuance of shares	**0**	31,574
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**116,623**	114,552
Weighted average number of ordinary shares outstanding (diluted)	**116,623**	114,552
Basic earnings per share (in EUR)	**(2.71)**	0.06
Diluted earnings per share (in EUR)	**(2.71)**	0.06

The 50,000 Class A shares (redeemable preference shares) do not entitle the holders to any participation in the profit or loss of airberlin, 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 not have had a dilutive effect on earnings per share and is therefore not considered in the calculation of diluted earnings per share.

14. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2013:

In thousands of Euro	2013	2012
Provision for anniversary bonuses	**2,075**	8,514
Pension liabilities	**2,421**	1,239
Total employee benefits	**4,496**	9,753

The provision for anniversary bonuses is 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 AB Finance II GmbH (former: 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	2013	2012
Present value of funded obligations	**25,520**	20,542
Fair value of plan assets	**(26,555)**	(23,318)
Funded status	**(1,035)**	(2,776)
Pension liabilities	**2,420**	1,239
Net defined benefit asset	**(3,455)**	(4,015)

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

In thousands of Euro	2013	2012
Defined benefit obligation at 1 January	**20,542**	16,437
Current service cost	**1,941**	692
Benefits paid	**(578)**	(334)
Interest on obligation	**754**	755
Actuarial losses	**2,861**	2,992
Defined benefit obligation at 31 December	**25,520**	20,542

Sensitivities of the defined benefit obligation are as follows:

In thousands of Euro	2013
Defined benefit obligation at 31 December	**25,520**
Defined benefit obligation at 0.5 percentage points lower interest rate	**27,865**
Defined benefit obligation at 0.5 percentage points higher interest rate	**23,461**

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

In thousands of Euro	2013	2012
Fair value of plan assets at 1 January	**23,318**	18,553
Contribution	**3,211**	4,122
Benefits paid	**(556)**	(334)
Expected return on plan assets	**909**	832
Actuarial losses	**0**	145
Actual loss on plan assets	**(327)**	0
Fair value of plan assets at 31 December	**26,555**	23,318

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 airberlin shares held would be minimal.

The amount recognised as pension expense in profit and loss and the other comprehensive income is as follows:

In thousands of Euro	2013	2012
Current service cost	**1,941**	692
Interest on obligation	**754**	755
Expected return on plan assets	**(909)**	(832)
Net actuarial losses recognised in the period	**0**	2,847
Pension expense recognized in profit and loss	**1,786**	3,462
Net actuarial losses recognised in the period	**2,861**	0
Actual loss on plan assets	**327**	0
Pension expense recognized in other comprehensive income	**3,188**	0

The Group expects to contribute EUR 3,190 to its defined benefit pension plans in 2014.

Principal actuarial assumptions at the reporting date are as follows:

in %	2012	2011
Discount rate at 31 December	**2.77–3.22**	3.57–3.93
Expected return on plan assets at 1 January	**NA**	4.00–4.30
Future salary increases	**0.00–2.00**	0.00–2.00
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 AB Finance II GmbH (former: dba) in 2006, the Group acquired a defined contribution pension plan covering all employees of AB Finance II GmbH (former: dba), to which the Group makes contributions. Furthermore Air Berlin PLC & Co. Luftverkehrs KG contracted a defined contribution plan with its pilots and cabin crew. The net pension expense recorded in profit and loss in 2013 as a result of the defined contribution plans is EUR 9,382 (2012: EUR 11,705). As employees in Germany are covered by and required to contribute to the German social security system, airberlin does not have any other employee benefit plans at the end of the period. The Group paid contributions into the German social security system of EUR 28,719 in 2013 (2012: EUR 29,679).

15. PROVISIONS

In thousands of EUR	Balance at 1/1/2013	Additions	Utilisation	Compensation	**Balance at 31/12/2013**
Provision for legal dispute	9,003	11,554	0	0	**20,557**
Provision for onerous contract	2,500	0	1,724	0	**776**
Provision for financial guarantee	1,125	1,125	0	1,125	**0**
Provision for anniversary bonuses	8,514	271	(564)	(6,146)	**2,075**
Provision for redundancy costs	1,006	4,304	(1,006)	0	**4,304**
Provision for pensions	1,239	1.821	(406)	(233)	**2,421**
	23,387	19,075	(232)	(5,254)	**30,133**

Therof EUR 4,356 relating to the provision for pensions and anniversary bonuses was classified as non-current as of 31 December 2013 (2012: EUR 9,153).

Provision for litigation is in respect of an historical dispute about airport fees in the past.

The Group set up a provision for an onerous contract in the amount of which unavoidable costs of meeting the obligations under the contract exceed the economic benefits.

Older employees (age 55 and above) have the opportunity to take part in an old age part time programme. The programme is a form of early retirement in which the employee works full time during the first few years and not at all in the following years until reaching the official age of retirement. 41 (2012: 56) employees have signed such agreements as of the end of the period. A discount rate of 0.7 % (2012: 1.0 %) and an expected salary increase of 0.7 % (2012: 2.0 %) were 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 of 2,581 was compensated by security funds of EUR 4,134 (2012: EUR 5,218).

The provision for anniversary bonuses was calculated using a discount rate of 0,7 % (2012: 2.6 %) and an expected yearly salary increase of 2.0 % (2012: 2.0 %). 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. In 2013 the Group renegotiated the anniversary bonus agreements. They agreed to limit the agreement to the next five years and to terminate the agreement afterwards. The provision was accounted for in accordance with IAS 19.

The provision for redundancy costs is related to redundancy payments in the ordinary course of business.

16. INTEREST-BEARING LIABILITIES AND INTEREST-BEARING LIABILITIES DUE TO AIRCRAFT FINANCING

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 2013 and 2012 are as follows:

In thousands of EUR	Secured/ unsecured	Currency	Maturity	**Carrying amount 31/12/2013**	Carrying amount 31/12/2012
Corporate bonds I	Unsecured	EUR	2015	**199,301**	198,038
Corporate bonds II	Unsecured	EUR	2018	**149,237**	148,494
Corporate bonds III	Unsecured	EUR	2014	**150,886**	148,546
Convertible bonds I	Unsecured	EUR	2017*	**4,852**	4,852
Convertible bonds III	Unsecured	EUR	2019*	**145,374**	0
Finance lease liabilities	Secured	EUR	2014–2022	**899**	1,251
Loans from related parties	Secured	USD	2015–2016	**98,699**	155,696
Loans	Unsecured	USD	2014–2015	**14,502**	15,158
Bank overdrafts	Unsecured	EUR		**57**	115
				763,807	672,150

* first option to redeem the bonds

Of this amount EUR 158,542 (2012: EUR 51,084) is classified within current liabilities in the statement of financial position. The bank overdrafts are due in the following year respectively. The finance lease liabilities are detailed in note 17.

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

In thousands of EUR	**2013**	2012
Less than one year	**158,542**	51,084
Between one and five years	**460,318**	475,013
More than five years	**144,947**	146,053
	763,807	672,150

CORPORATE BONDS I

On 10 November 2010 the Group issued EUR 200,000 of corporate bonds due 2015. The bond issue is made up of 200,000 bonds with a principal amount of EUR 1 each, earning yearly interest of 8.5 %. Interest is paid quarterly. Gross proceeds from the bond issue amounted to EUR 200,000. Transaction costs incurred were EUR 7,534. The bonds are measured at amortized cost.

CORPORATE BONDS II

On 19 April 2011 the Group issued EUR 150,000 of corporate bonds due 2018. The bond issue is made up of 150,000 bonds with a principal amount of EUR 1 each, earning yearly interest of 8.25 %. Interest is paid quarterly. Gross proceeds from the bond issue amounted to EUR 150,000. Transaction costs incurred were EUR 5,188. The bonds are measured at amortized cost.

CORPORATE BONDS III

On 1 November 2011 the Group issued EUR 100,000 of corporate bonds due 2014. The bond issue is made up of 100,000 bonds with a principal amount of EUR 1 each, earning yearly interest of 11.5 %. Interest is paid quarterly. Gross proceeds from the bond issue amounted to EUR 100,000. Transaction costs incurred were EUR 5,552. The bonds are measured at amortized cost.
On 1 November 2012 the Group increased the principal amount of the corporate bond placed on 1 November 2011 from EUR 100,000 to EUR 150,000. The notes were issued at 101% of their principal amount. Transaction costs incurred were EUR 1,497.

CONVERTIBLE BONDS I

On 11 April 2007 the Group issued EUR 220,000 of convertible bonds due 2027. The bond issue is made up of 2,200 bonds with a principal amount of EUR 100 each, earning yearly interest of 1.5 %. The initial conversion price is EUR 22.47 which results in an initial conversion ratio of 4,450 ordinary shares per bond. Gross proceeds from the bond issue amounted to EUR 220,000. Transaction costs incurred were EUR 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.
After redemption of 840 convertible bonds in 2009 EUR 136,000 made up of 1,360 bonds were still in the market as at 31 December 2010. In 2011 the Group redeemed 1,252 convertible bonds with a principal amount of EUR 125,200 in total.
In the second quarter of 2012 the bondholders of 60 convertible bonds with a principal amount of EUR 6,000 have exercised the option to require the company to repurchase the bonds. The payments related to the repurchase amounts to EUR 6,162 The equity component of the redeemed convertible bonds less transaction costs net of tax was transferred to the retained earnings within equity. As at 31 December 2012, 48 convertible bonds with a principal amount of EUR 4,800 are still in the market.
The equity component in the statement of financial position totalled EUR 597 (2012: EUR 597).
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 airberlin share exceeds 150 % of the conversion price.

CONVERTIBLE BONDS III

On 6 March 2013 the Group issued € 140,000 convertible bond due in 6 years. The bond issue is made up of 1,400 bonds with a principal amount of € 100 each, earning yearly interest of 6.0 %. The initial conversion price is € 2.82 which results in an initial conversion ratio of 35,460 ordinary shares per bond. Proceeds from the bond issue amount to € 140,000. Transactions costs incurred were € 3,263.

The convertible bond was recognized as a full in debt in accordance with IAS 32. The debt component of the convertible bond is split into an embedded derivative and a host contract. Both are included under interest bearing liabilities in the statement of financial position as follows:

In thousands of EUR	31/12/2013
Proceeds from issue of convertible bonds	140,000
Transaction costs	(3,263)
Net proceeds	136,737
Accrued interest	1,697
Fair valuation on the embedded derivative	6,940
Carrying amount on 31 December 2013	145,374
thereof the host contract	129,474
thereof the embedded derivative	15,900

LOANS FROM RELATED PARTIES

Loans from related parties are disclosed in note 31.

Interest-bearing liabilities due to aircraft financing

The Group entered into various financing agreements with commercial banks to finance aircraft. The loans are secured over aircraft. The carrying amounts for the years 2013 and 2012 are as follows:

In thousands of EUR	Secured/ unsecured	Currency	Maturity	**Carrying amount 31/12/2013**	Carrying amount 31/12/2012
Interest rate					
Variable rate	Secured	EUR	2014–2023	**61,480**	68,219
Variable rate	Secured	USD	2014–2020	**101,986**	239,550
Fixed rate	Secured	EUR	2014–2015	**19,236**	21,889
Fixed rate	Secured	USD	2014–2023	**43,303**	64,286
Finance lease liabilities	Secured	USD	2014–2018	**29,249**	32,046
				255,254	425,990

Of this amount EUR 76,863 (2012: EUR 158,946) is classified within current liabilities in the statement of financial position. The finance lease liabilities are detailed in note 17.

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

In thousands of EUR	2013	2012
Less than one year	**76,863**	158,946
Between one and five years	**125,619**	138,474
More than five years	**52,772**	128,570
	255,254	425,990

17. LEASING

Operating leases

The Group leases various aircraft, engines, some warehouse and office facilities and other assets under leasing agreements which qualify as operating lease agreements. The leases typically run for a period of up to 11 years and terminate automatically upon expiry of the lease term. The leases expire between 2014 and 2025, with an option to renew the leases after these dates. No restrictions have been placed on the lessee as a result of these leases.

Non-cancellable operating lease rentals are payable as follows:

In thousands of EUR	2013	2012
Less than one year	**451,596**	522,321
Between one and five years	**1,536,860**	1,570,827
More than five years	**828,259**	790,115
	2,816,715	2,883,262

No contingent leasing payments were recognised as lease payments in the period.
During the year ended 31 December 2013, EUR 489,238 (2012: EUR 505,852) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

The Group also leases assets as lessor under agreements which qualify as operating leases. The contracts expire in 2014-2017.

Future minimum lease payments are receivable as follows:

In thousands of EUR	2013	2012
Less than one year	**17,913**	24,984
Between one and five years	**47,945**	53,158
More than five years	**0**	0
	65,858	78,142

Finance leases

The Group leases certain technical equipment under an agreement which qualifies as a finance lease. The finance lease relates to technical equipment for aircraft leased under operating leases with various leasing terms, the latest of which phase out in 2018.
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 the prior year the Group also leased an airport building which qualified as a finance lease.

The net book value of assets capitalised at 31 December 2013 as a result of finance leases is detailed in note 7.
No contingent leasing payments were recorded in profit and loss in 2013 (2012: EUR 0).

Future minimum lease payments are as follows:

	At 31 December 2013		At 31 December 2012	
In thousands of EUR	Future minimum lease payments	Discounted to present value	Future minimum lease payments	Discounted to present value
Less than one year	**3,300**	**3,198**	3,158	3,097
Between one and five years	**34,000**	**26,051**	31,747	26,424
More than five years	**0**	**0**	0	0
	37,300	**29,249**	34,905	29,521

18. TRADE AND OTHER PAYABLES

	2013			2012		
In thousands of EUR	Current	Non-current	Total	Current	Non-current	Total
Trade payables	113,005	0	**113,005**	94,391	0	94,391
Other financial liabilities	3,419	0	**3,419**	5,469	0	5,469
Trade payables and other financial liabilities	116,424	0	**116,424**	99,860	0	99,860
Accrued liabilities	308,897	72,405	**381,302**	312,320	70,357	382,677
Receivables with credit balances	2,668	0	**2,668**	776	0	776
Payroll tax	6,672	0	**6,672**	6,270	0	6,270
VAT	1,321	0	**1,321**	4,131	0	4,131
Social insurance contributions	1,107	0	**1,107**	1,046	0	1,046
Other non-financial liabilities	3,881	0	**3,881**	2,375	0	2,375
	440,970	72,405	**513,375**	426,778	70,357	497,135

Accrued liabilities include expenses for services provided and goods received before the end of the period 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 EUR	2013	2012
Flight revenue	**3,815,537**	4,006,684
Ground and other services	**305,758**	272,975
Duty-free/in-flight sales	**25,499**	32,017
	4,146,794	4,311,676

Ground and other services primarily include freight, technical services and ancillary sales. See note 5 for the impact of the topbonus transaction 2012.

Segment information

The Group is managed by the Board of Directors as a single business unit in one geographical area and performing one service. The key figures and ratios presented to the Board of Directors in managing the Group are: Result from operating activities, EBITDAR, net debt, revenues, passengers, yield and block hours. The financial measures are IFRS measures and are shown in the primary statements. Resource allocation decisions are made based on the entire route network and the deployment of the entire fleet. The vast majority of revenues derive from the principal activity as an airline and include flights, commissions, in-flight and related sales that are generated in Europe. Since airberlin's aircraft fleet is employed across its scheduled destinations on an as needed basis all assets and liabilities are allocated to the one segment. The Board has also determined that there is no reasonable basis of allocating assets and related liabilities, income and expenses to geographical areas other than Europe or to individual groups of customers.

21. OTHER OPERATING INCOME

In thousands of EUR	2013	2012
Gain on disposal frequent flyer plan, net (see note 5)	**0**	184,400
Income from indemnities received	**34,404**	33,200
Gain on disposal of long-term assets, net	**11,289**	33,076
Income from subleases	**4,022**	2,809
Income from insurance claims	**852**	1,582
Other	**9,186**	9,125
	59,753	264,192

In 2012 gain on disposal of long-term assets included gains on a reclassification of a finance lease to operate lease of EUR 24,022. This reclassification related to an airport building.
Indemnity income in 2012 included the settlement of nominal EUR 30,316 with a maturity up to 8 years which has been sold to Etihad Airways PJSC for a present value of EUR 25,769. This amount has been settled in full by Etihad Airways PJSC (note 32).

22. EXPENSES FOR MATERIALS AND SERVICES

In thousands of EUR	2013	2012
Fuel for aircraft	**1,067,154**	1,128,625
Airport and handling charges	**835,591**	864,547
Operating leases for aircraft and equipment	**579,342**	592,164
Navigation charges	**257,755**	260,650
Air transportation tax	**142,873**	154,727
Catering costs and cost of materials for in-flight sales	**129,194**	128,830
Other	**162,595**	159,220
	3,174,504	3,288,763

The expenses for operating leases for aircraft and equipment include expenses of EUR 125,517 (2012: EUR 120,636) that do not directly relate to the lease of assets.

The expenses from material and services have been reduced by EUR 24,000 (2012: EUR: 31,833) received from Etihad Airways PJSC for airberlin's share of the joint procurement program (note 31).

23. PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows:

In thousands of EUR	2013	2012
Wages and salaries	**406,556**	402,823
Pension expense	**39,921**	43,638
Social security	**41,687**	42,300
	488,164	488,761

Pension expense relates to the defined benefit plan for the Executive Directors and senior management of EUR 1,721 (2012: EUR 2,074) and the AB Finance II GmbH (former: dba) pension plan of EUR 39 (2012: EUR 168), contributions paid to defined contribution plans of EUR 3,212 (2012: EUR 11,705) and to social security systems of EUR 28,719 (2012: EUR 29,691) during the period. Further details regarding the pension plans are found in note 14.

Remuneration of the Executive Directors is as follows:

In thousands of EUR	2013	2012
Basic remuneration	**708**	2,125
Bonus	**62**	924
Other	**20**	121
	790	3,170

The highest paid Director received EUR 790 in total remuneration in 2013 (2012: EUR 1,009). Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 89 to 108.

Since October 2012 the operative management of the company is entrusted to a newly established body, the Management Board. The total remuneration for the management board in the reporting period was EUR 3,282 (2012: 848), therof EUR 389 (2012: 0 EUR) as pension claims.

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 2013**	On annual average 2012	**At 31 December 2013**	At 31 December 2012
Flight and cabin crew	**4,700**	4,852	**4,705**	4,793
Sales, operations and administration	**4,291**	4,463	**4,200**	4,491
	8,991	9,315	**8,905**	9,284

24. OTHER OPERATING EXPENSES

In thousands of EUR	**2013**	2012
Repairs and maintenance of technical equipment	**242,150**	215,771
Sales and distribution expenses (incl. commissions)	**123,210**	109,159
Advertising	**48,893**	59,423
Expenses for premises and vehicles	**45,685**	41,221
Travel expenses for cabin crews	**30,253**	33,561
Bank charges	**26,307**	30,168
Consulting fees	**34,481**	27,466
Insurance	**18,506**	18,300
Training and other personnel expenses	**16,253**	16,478
IT related expenses	**14,919**	20,056
Phone and postage	**5,116**	5,991
Allowances for receivables	**4,738**	2,822
Remuneration of the auditor	**1,540**	2,752
Other	**78,518**	70,878
	690,569	654,046

Remuneration of the auditor is as follows:

In thousands of EUR	**2013**	2012
Audit of the annual accounts	**144**	184
Audit of accounts of subsidiaries of the Company	**917**	1,245
Audit related services	**371**	232
Other services pursuant to legislation	**0**	20
Taxation services	**15**	42
Other services	**93**	1,029
	1,540	2,752

25. NET FINANCING COSTS

In thousands of EUR	2013	2012
Interest expense on interest-bearing liabilities	**(79,960)**	(76,352)
Expense on valuation of liability from embedded derivative at fair value	**(6,940)**	0
Other financial expenses	**(999)**	(865)
Financial expenses	**(87,899)**	(77,217)
Interest income on fixed deposits	**160**	377
Interest income on loans and receivables	**34**	167
Other financial income	**6,931**	524
Financial income	**7,125**	1,068
Profit on foreign exchange and derivatives, net	**6,786**	2,575
Net financing costs	**(73,988)**	(73,574)

As described in note 4n, 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 or (losses) in profit or loss as follows:

In thousands of EUR	2013	2012
Total net foreign exchange gains (losses) recognised in profit or loss	**(15,843)**	66,619
Thereof reclassified to operating expenses/income	**25,802**	(63,352)
Foreign exchange gains in financial result	**9,959**	3,267

26. SHARE OF PROFIT OF AT EQUITY INVESTMENTS

In thousands of EUR	2013	2012
E190 Flugzeugvermietung GmbH	**0**	0
Follow Me Entertainment GmbH	**0**	24
Binoli GmbH	**0**	782
THBG BBI GmbH	**637**	(559)
Flughafen Düsseldorf Tanklager GmbH	**0**	0
	637	247

27. INCOME TAX EXPENSES AND DEFERRED TAXES

Loss before tax is primarily attributable to Germany and Austria.

Income tax benefit is as follows:

In thousands of EUR	2013	2012
Current income tax expense	**(693)**	(3,957)
Deferred income tax expense (2012: benefit)	**(9,587)**	13,944
Total income tax expense (2012: benefit)	**(10,280)**	9,987

The current income tax expense of the airberlin group includes corporate tax, a solidarity charge in addition to corporate tax, trade tax and foreign income taxes. The current income tax expense of EUR 693 (2012: EUR 3,957) includes EUR 2,289 of prior year income tax benefits (2012: expenses of EUR 110,0).

The tax rate for the airberlin group equals 30.18 % (2012: 30.18 %). It consists of corporate tax rate and solidarity charge of 15.83 % and trade tax of 14.35 %. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

As a result of variations in the tax rate in different jurisdictions, several subsidiaries have tax rates which differ from the airberlin 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 in the amount of EUR 7,651 (2012: EUR 4,556).

Subsequent to the restatement of the Group's deferred tax position as at 31 December 2011, deferred tax assets on tax losses has been recognised only to a significant restricted level as at 31 December 2012. Notwithstanding the Group's recent history of losses there have been several positive factors which have contributed to achieving appropriate convincing evidence for recognising certain amounts of deferred tax assets on tax losses as at 31 December 2012. These factors have in particular been:

- The impact of the restructuring program "Turbine 2013"
- The increasing positive contribution from airberlin's partnership with Etihad Airways PJSC
- The potential to restructure airberlin's tax strategy and thereby utilise tax losses

As at 31 December 2013, it is still the management's view that certain tax losses can be utilised by either future profits or using adequate tax structuring strategies. The aforementioned positive factors will have a positive impact on the group's profits in 2014 too. Nevertheless, deferred tax assets on tax losses were also as at 31 December 2013 only recognised up to a very restricted level.

Deferred tax assets on tax losses have mainly been recognised for setting off against deferred tax liabilities.

The reasons for the differences between the tax benefit expected on the basis of loss for the period and the recognised income tax benefits are as follows:

In thousands of EUR	**2013**	2012
Loss before tax	**(305,232)**	(3,175)
Expected income tax benefit at 30.18 % (2011: 30.18 %)	**92,119**	958
Effect of tax rates in different jurisdictions	**7,651**	4,556
Movement in deferred tax assets on tax loss carry forwards	**(57,296)**	(21,879)
Tax-free income and non-tax deductible expenses	**(28,494)**	(16,953)
Adjustment to tax audits	**(27,563)**	0
Deferred tax benefit due to prior years	**2,289**	0
Current tax expenses for previous years	**0**	(110)
Other	**1,014**	(343)
Total income tax (expense) benefit	**(10,280)**	9,987

Due to changes in the shareholder structure loss carry forwards of EUR 44,457 for trade tax and EUR 47,205 for corporate tax were lost in the previous year. For none of these loss carry forwards any deferred tax asset had been accounted for.

As of 31 December 2013, total tax loss carry forwards for which deferred tax assets were recognised amounted to EUR 271,996 for trade tax purposes and EUR 345,859 for corporate tax purposes (2012: EUR 198,753 and EUR 221,559 respectively). Thereof EUR 271,996 (2012: EUR 103,753) for trade tax purposes and EUR 251,702 (2012: EUR 129,559) for corporate tax purposes have been recognized to offset deferred tax liabilities. Tax loss carry forwards amounting to EUR 94,787 are forecasted to be recovered through future taxable profits or by using adequate tax structuring strategies (2012 EUR 95,000 were forecasted to be recovered through future taxable profits). As of 31 December 2013, additional deferred tax assets have not been recognised for further loss carry forwards of EUR 679,007 for trade tax and EUR 631,341 for corporate tax (2012: EUR 456,966 and EUR 462,654). The tax loss carry forwards are not subject to expiration.

Taking into account the results of a tax audit, amended tax computations have resulted in a significant decrease in the deferred tax assets on the position "Accrued liabilities and provisions".

Deferred tax assets and liabilities are attributable to the following assets and liabilities:

In thousands of EUR	2013	2012
Deferred tax assets:		
Foreign currency receivables and derivatives	**6,474**	9,418
Intangible assets	**1,099**	1,221
Technical equipment	**383**	266
Accrued liabilities and provisions	**3,581**	38,977
Tax loss carry forwards	**86,160**	55,957
	97,697	105,839
Deferred tax liabilities:		
Finance lease liabilities and deferred income	**(3,487)**	(3,224)
Aircraft and related liabilities	**(43,385)**	(44,468)
Intangible assets	**(49,791)**	(45,378)
Leasehold improvements	**(56)**	(67)
Accrued liabilities and provisions	**(9,079)**	(8,365)
Convertible bonds, corporate bonds	**(1,786)**	(3,949)
Foreign currency liabilities and derivatives	**(2,757)**	(2,508)
	(110,341)	(107,959)
Offsetting	**97,697**	105,839
Deferred tax assets (liabilities), net	**(12,644)**	(2,120)
Deferred tax assets (liabilities), net beginning of period	**(2,120)**	(39,700)
Change in deferred tax position	**(10,524)**	(37,580)
Thereof related to cash flow hedges and items recorded in equity	**937**	(23,636)
Deferred income tax benefit	**(9,587)**	13,944

The presentation in the statement of financial position is as follows:

In thousands of EUR	2013	2012
Deferred tax asset	**17,063**	28,666
Deferred tax liabilities	**(29,707)**	(30,786)
	(12,644)	(2,120)

Offsetting is not possible, because the asset and liabilities are subject to different jurisdictions.

Income tax recognised in equity

	2013			2012		
	Before tax	Tax benefit	**Net of tax**	Before tax	Tax benefit	Net of tax
Transaction costs on issuance of new shares	0	0	**0**	(5,546)	1,665	(3,881)
	0	0	**0**	(5,546)	1,665	(3,881)

Income tax recognised in the statement of other comprehensive income

	2013			2012		
In thousands of EUR	Before tax	Tax expense	**Net of tax**	Before tax	Tax expense	Net of tax
Foreign currency translation differences for foreign operations	(237)	0	**(237)**	490	0	490
Fair value of hedging instruments	3,635	(937)	**2,698**	(73,335)	21,969	(51,364)
	3,398	(937)	**2,461**	(72,798)	21,969	(50,874)

28. CASH FLOW STATEMENT

The cash flow statement of the airberlin 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 EUR	**2013**	2012
Cash	**148**	209
Bank balances	**117,274**	145,540
Fixed-term deposits	**105,641**	182,187
Cash and cash equivalents	**223,063**	327,936
Bank overdrafts used for cash management purposes	**(57)**	(115)
Cash and cash equivalents in the statement of cash flows	**223,007**	327,821

Cash and cash equivalents include restricted cash of EUR 105,131 as of 31 December 2013 (2012: EUR 104,034).

29. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of EUR	2013 Current	2013 Non-current	2013 Total	2012 Current	2012 Non-current	2012 Total
Derivatives classified as hedge accounting:						
Positive market values	14,350	0	**14,350**	10,830	0	10,830
Negative market values	(23,013)	0	**(23,013)**	(29,859)	0	(29,859)
	(8,663)	0	**(8,663)**	(19,029)	0	(19,029)
related underlying:						
Fuel price	13,252	0	**13,252**	2,741	0	2,741
Foreign exchange rate	(21,915)	0	**(21,915)**	(21,772)	0	(21,772)
	(8,663)	0	**(8,663)**	(19,029)	0	(19,029)
Derivatives classified as held for trading:						
Positive market values	0	105	**105**	1,637	0	1,637
Negative market values	(85)	(577)	**(662)**	(8,743)	(531)	(9,274)
	(85)	(472)	**(557)**	(7,106)	(531)	(7,637)
related underlying:						
Fuel price	(37)	0	**(37)**	0	0	(0)
Foreign exchange rate	(48)	0	**(48)**	(1,629)	(531)	(2,160)
Interest rate	(0)	(472)	**(472)**	(5,477)	0	(5,477)
	(85)	(472)	**(557)**	(7,106)	(531)	(7,637)

Hedge accounting

As an airline, the airberlin group is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. airberlin uses derivatives to limit these risks.

airberlin applies cashflow 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.

IAS 39 sets out strict requirements on the use of hedge accounting. airberlin 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.

airberlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39. For such derivatives airberlin recognises the changes in fair value in profit or loss. The fair values of derivatives are presented in a separate line in the statement of financial position.

All foreign currency and fuel price derivatives have been assessed as to whether they meet the hedge accounting criteria. Derivatives which meet the criteria are recognized and disclosed as cashflow-hedges.

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 on their effectiveness and modified as necessary.

Master netting or similar agreements

The Group enters into derivative transactions under master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payables by one party to the other. In certain circumstances – e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

These agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements as at 31 December 2013:

Description	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Cash collaterla received/pledged	Net amount
Derivatives with positive market value	20,490	(6,035)	14,455	(10,331)	0	4,124
Derivatives with negative market value	(29,710)	6,035	(23,675)	10,331	0	(13,345)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements as at 31 December 2012:

Description	Gross amounts of recognised financial assets/liabilities	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Cash collaterla received/pledged	Net amount
Derivatives with positive market value	20,230	(7,763)	12,467	(9,315)	0	3,152
Derivatives with negative market value	(46,895)	7,763	(39,132)	9,315	0	(29,817)

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 EUR	Note	**2013**	2012
Loans and receivables	10	**334,818**	340,809
Positive market values of derivatives classified as held for trading	29	**105**	1,637
Positive market values of derivatives classified as hedge accounting	29	**14,350**	10,829
Cash and cash equivalents	28	**223,063**	327,936
		572,336	681,211

b) Impairment losses

— TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of EUR	2013 Gross	2013 Impairment	2012 Gross	2012 Impairment
Not past due	**170,391**	**0**	135,067	0
Past due 1–30 days	**2,671**	**32**	22,979	309
Past due 31–120 days	**2,446**	**15**	17,616	1,262
Past due 121–365 days	**2,533**	**906**	3,404	387
More than one year past due	**23,350**	**11,611**	19,192	12,101
	201,391	**12,564**	198,259	14,058

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 are generally considered to contain only a small risk of impairment based on past experience. The consideration is the same for receivables that are 1 – 30 days overdue.

The movement in the impairment allowance is as follows:

In thousands of EUR	2013	2012
Balance at 1 January	**14,058**	14,423
Increase in allowance for impairment losses	**1,017**	4,651
Release of allowance for impairment losses	**(2,511)**	(5,016)
Balance at 31 December	**12,564**	14,058

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 creditworthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. A company-wide credit control process is implemented. Once the third notice is issued along with a court order, an allowance for impairment losses of 60 % is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. At the balance sheet date the allowance for impairment losses is EUR 12,564 (2012: EUR 14,058).

— OTHER LOANS AND RECEIVABLES

None of the other loans and receivables were past due as of 31 December 2013 (2012: 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 as sets (2012: EUR none).
These receivables relate primarily to amounts due from suppliers (deposits, 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 receivables related to the joint procurement program with Etihad Airways PJSC and clearing accounts from E190 Flugzeugvermietung GmbH. 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 that are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due). 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 2013:

In thousands of EUR	Note	Contractual cash flows	12 months	1 – 5 years	More than 5 years
Non-derivative financial liabilities					
Interest-bearing liabilities due to aircraft financing	16	(278,708)	(81,915)	(140,719)	(56,073)
Interest bearing liabilities	16	(923,558)	(219,562)	(557,202)	(146,794)
Trade payables and other financial liabilities	18	(116,424)	(116,424)	0	0
Total non-derivative financial liabilities		(1,318,690)	(417,901)	(697,921)	(202,867)
Derivatives					
Derivatives with positive market values	29				
Outflow		(120,122)	(120,122)	0	0
Inflow		130,202	130,202	0	0
Derivatives with negative market values	29				
Outflow		(668,638)	(668,439)	(199)	0
Inflow		649,336	649,336	0	0
Total derivatives		(9,222)	(9,023)	(199)	0

For 31 December 2012, the maturities were as follows:

In thousands of EUR	Note	Contractual cash flows	12 months	1 – 5 years	More than 5 years
Non-derivative financial liabilities					
Interest-bearing liabilities due to aircraft financing	16	(458,149)	(160,308)	(188,723)	(109,118)
Interest bearing liabilities	16	(833,906)	(99,810)	(577,925)	(156,171)
Trade payables and other financial liabilities	18	(99,860)	(99,860)	0	0
Total non-derivative financial liabilities		(1,391,915)	(359,978)	(766,648)	(265,289)
Derivatives					
Derivatives with positive market values	29				
Outflow		(218,668)	(218,668)	0	0
Inflow		229,794	229,794	0	0
Derivatives with negative market values	29				
Outflow		(703,474)	(702,663)	(811)	0
Inflow		671,888	671,888	0	0
Total derivatives		(20,460)	(19,649)	(811)	0

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 2014 and early 2015.

d) Currency risk
The Group has significant transactions in USD as well as smaller transactions in GBP and CHF. airberlin 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. The Group applies cashflow hedge accounting for most foreign exchange derivatives. airberlin generally hedges at least 75 % of the expected cash flow on a 1–3 month revolving basis and at least 35 % of the expected cash flow on a 4–12 month revolving basis (2012: identical).

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

	2013			2012		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	**77,121**	**748**	**418**	73,159	142	335
Cash and cash equivalents	**66,090**	**391**	**12,125**	80,230	1,177	17,929
Interest-bearing liabilities due to aircraft financing	**(240,706)**	**0**	**0**	(443,161)	0	0
Interest-bearing liabilities	**(156,116)**	**0**	**0**	(221,000)	0	0
Trade payables and other financial liabilities	**(101,857)**	**(675)**	**(3,066)**	(72,351)	(1,697)	(693)
Total exposure of balance positions	**(355,467)**	**464**	**9,477**	(583,123)	(378)	17,571
Estimated forecast purchases	**(2,128,673)**	**19,854**	**(44,409)**	(2,056,673)	0	(62,298)
Gross exposure	**(2,484,140)**	**20,319**	**(34,932)**	(2,639,796)	0	(54,334)
Hedged volume	**1,463,000**	**0**	**13,400**	1,266,587	0	0
Net exposure	**(1,021,140)**	**20,319**	**(21,532)**	(1,373,209)	(139)	(54,334)

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 following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency units to the EUR	2013	2012	2013	2012
USD	**1.3281**	1.2848	**1.3791**	1.3194
GBP	**0.8493**	0.8109	**0.8337**	0.8161
CHF	**1.2311**	1.2053	**1.2276**	1.2072

— 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. Due to options used for hedging purposes the sensitivity is not a linear function of the underlying foreign exchange rates. 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 / (decreased) equity and profit or loss by the following amounts:

	2013			2012		
Currency units to the EUR	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	**22,715**	**(51)**	**(1,694)**	31,683	42	(1,780)
Equity	**(82,424)**	**0**	**0**	(95,270)	0	0

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

	2013			2012		
Currency units to the EUR	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	**(26,867)**	**62**	**2,071**	(53,345)	(51)	1,059
Equity	**96,605**	**0**	**0**	63,685	0	0

e) Interest rate risk

The interest rate profile of the Groups financial instruments is as follows:

	Carrying amount	
In thousands of EUR	2013	2012
Fixed rate instruments		
Financial assets	**2,364**	1,607
Financial liabilities	**(832,925)**	(788,456)
Interest rate instruments	**(472)**	(5,477)
	(831,032)	(792,326)
Variable rate instruments		
Financial liabilities	**(192,772)**	(309,684)
	(192,772)	(309,684)

The interest rate risk profile of the Group based on the nominal values of the financial instruments is as follows:

In thousands of EUR	2013	2012
Variable rate financial liabilities net of nominal value of interest rate instruments	**(62,687)**	(251,451)
	(62,687)	(251,451)

The variable rate interest-bearing liabilities and interest-bearing liabilities due to aircraft financing, 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.

— **FAIR VALUE SENSITIVITY ANALYSIS**

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 interest rate derivatives as fair value hedge accounting instruments. Due to the use of options for hedging purposes the sensitivity is not a linear function of the interest rate. A change of +/– 100 basis points in interest rates would have increased or decreased equity by EUR 0 (2012: EUR 0) and increased profit or loss by EUR 952 (2012: EUR 5,187) respectively decreased by EUR 1,468 (2012: 5,534) based on a one year impact.

— **CASH FLOW SENSITIVITY ANALYSIS**

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 EUR 627 (2012: EUR 2,515) 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 derivatives.

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 24.0 % (2012: 25.0 %) of the Group's entire operating expenses. airberlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. airberlin applies cashflow hedge accounting for most of its commodity derivatives. At the end of the period 2013, the hedged volume was 645,500 tons for the 2014 financial year (2012: 547,000 tons for 2013). The hedging quota was 48.3 % for 2014 (in the prior year: 42.3 % for 2013).

— **SENSITIVITY ANALYSIS**

Due to options used for hedging purposes the sensitivity is not a linear function of the underlying fuel price.
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 and profit or loss by the following amounts:

	2013		2012	
Effect in thousands of EUR	**+ 10 %**	**− 10 %**	+ 10 %	− 10 %
Profit or loss	**(2,694)**	**(6,409)**	4,059	(166)
Equity	**42,135**	**(29,917)**	29,318	(33,068)

g) Categories and fair values

The fair values of the financial assets and liabilities, the carrying amount disclosed and the relevant category as of 31 December 2013 are as follows:

In thousands of EUR	Note	Loans & receivables	Held for trading	Hedge-Accounting	Financial liablities at amortised costs/at fair value	Total carrying amount	Fair value at 31 December 2013
Trade receivables and other assets	16	334,818	0	0	0	334,818	334,818
Derivatives classified as held for trading with positive market values	29	0	105	0	0	105	105
Derivatives classified as hedge accounting with positive market values	29	0	0	14,350	0	14,350	14,350
Cash and cash equivalents	28	223,063	0	0	0	223,063	223,063
		557,881	105	14,350	0	572,336	572,336
Derivatives classified as held for trading with negative market values	29	0	(662)	0	0	(662)	(662)
Derivatives classified as hedge accounting with negative market values	29	0	0	(23,013)	0	(23,013)	(23,013)
Financial liabilites at amortised costs	16	0	0	0	(1,106,172)	(1,106,172)	(1,087,106)
Financial liabilities at fair value	16	0	0	0	(15,900)	(15,900)	(15,900)
Finance lease liabilities	17	0	0	0	(29,249)	(29,249)	(27,880)
Bank overdrafts used for cash management purposes	28	0	0	0	(57)	(57)	(57)
		0	(662)	(23,013)	(1,151,378)	(1,175,053)	(1,154,618)

The fair values of the financial assets and liabilities, the carrying amount disclosed and the relevant category as of 31 December 2012 were as follows:

In thousands of EUR	Note	Loans & receivables	Held for trading	Hedge-Accounting	Financial liablities at amortised costs	Total carrying amount	Fair value at 31 December 2012
Trade receivables and other assets	16	340,809	0	0	0	340,809	340,809
Derivatives classified as held for trading with positive market values	29	0	1,637	0	0	1,637	1,637
Derivatives classified as hedge accounting with positive market values	29	0	0	10,830	0	10,830	10,830
Cash and cash equivalents	28	327,936	0	0	0	327,936	327,936
		668,745	1,637	10,830	0	681,212	681,212
Derivatives classified as held for trading with negative market values	29	0	(9,274)	0	0	(9,274)	(9,274)
Derivatives classified as hedge accounting with negative market values	29	0	0	(29,859)	0	(29,859)	(29,859)
Financial liabilites at amortised costs	16	0	0	0	(1,198,000)	(1,198,000)	(1,135,683)
Finance lease liabilities	17	0	0	0	(33,298)	(33,298)	(29,520)
Bank overdrafts used for cash management purposes	28	0	0	0	(115)	(115)	(115)
		0	(9,274)	(29,859)	(1,231,413)	(1,270,546)	(1,204,451)

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

Derivatives

Forward exchange, interest rate and fuel derivatives are carried at fair value and are internally valuated regularly by the use of option pricing models and the discounted cashflow method. The valuation is – performed using the quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly – (i.e. derived from prices). Therefore, all the derivative financial instruments of airberlin relate to the level 2 of the three level-hierarchy as defined in IFRS 13.93.

Convertible bond embedded derivative

The Group identified an embedded derivative in the convertible bond issued 6 March 2013. The embedded derivative is classified as a level 2 of the three level-hierarchy as defined in IFRS 13.93.

The development of the embedded derivative:

In thousands of EUR	
Recognition embedded derivative 6 March 2013	**(8,960)**
Fair value through profit and loss	**(6,940)**
Fair value 31 December 2013	**(15,900)**

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.

h) Net gain or loss

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

In thousands of EUR	**2013**	2012
Loans and receivables	**(1,023)**	(3,977)
Cash and cash equivalents	**(1,620)**	828
Derivatives	**(26,840)**	72,391
Financial liabilities measured at amortised cost	**15,336**	7,863
Financial liabilities measured at fair value	**(6,940)**	0
	(28,027)	77,105

This includes foreign exchange rate gains, 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 (2012: none).

31. RELATED PARTY TRANSACTIONS

Transactions with directors of the group

The Group has related party relationships with its Directors and its at equity investments (see note 9). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 89 to 108).

Members of the Board of Directors control a voting share of 4.31 % of Air Berlin PLC (prior year: 4.42 %).

One of the non-executive directors, also a shareholder of the Company, is the controlling shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH of € 6,573 (prior year: € 12,930). At 31 December 2013, € 75 (prior year: € 598) are included in the trade receivables line.

Transactions with major shareholder

The Group received secured loans that are shown as interest-bearing liabilities from a major shareholder – Etihad Airways PJSC. The outstanding amount at 31 December 2013 equals € 98,699 including accrued interest. Relating to the loan interest expenses of € 8,689 have been accounted for in the income statement in 2013. Etihad Airways PJSC and airberlin cooperate in miscellaneous operative areas e.g. procurement and maintenance. airberlin entered into a code-share-agreement with Etihad Airways PJSC. The Group paid commissions of € 8,135 to Etihad Airways PJSC and received from Etihad Airways PJSC commissions of € 8,166. At 31 December 2013 € 1,209 are included in the trade and other receivables line. The amount of € 489 is included in the trade and other payables line. The Group received € 24,000 related to the joint procurement program which have been allocated to expenses for materials and services. At 31 December 2013 € 12,308 are included in the trade and other receivables line. Additionally the Group purchased business class seats from Etihad Airways PJSC for € 15,219.

Transactions with at equity investments

During the year ended 31 December 2013 respectively 2012 the Group had transactions with associates as follows:
In thousands of Euro

In thousands of EUR	2013	2012
THBG BBI GmbH		
Receivables from related parties	**2,364**	1,622
Interest income	**121**	86
BINOLI GmbH		
Receivables from related parties	**167**	44
Revenues from ticket sales	**9,520**	745
E190 Flugzeugvermietung GmbH		
Receivables from related parties	**2,394**	4,587
Expenses for leasing	**7,765**	6,235
IHY IZMIR HAVAYOLLARI A.S.		
Income from leasing	**2,899**	652
Topbonus Ltd		
Receivables from related parties	**136**	0
Payables to related parties	**4,982**	0
Revenues from ticket sales	**5,172**	0
Expenses for miles	**24,955**	0

Transactions with associates are priced on an arm's length basis.
In 2013 EUR 0 dividends have been received from at equity investments (2012: 704).

32. EXECUTIVE BOARD OF DIRECTORS

Wolfgang Prock-Schauer	Chief Executive Officer	(since 7 January 2013)
Hartmut Mehdorn	Chief Executive Officer	(until 7 January 2013)

33. SUBSEQUENT EVENTS

On 21 January 2014 the Group has increased the aggregate principal amount of its bond placed on 19 April 2011 with a coupon of 8.25% per annum from EUR 150,000 by EUR 75,000 to the aggregate principal amount of EUR 225,000. The notes were issued at 101.50% of their principal amount.

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

The Group received a third party firm underwriting for the issue of a corporate bond amounting to a minimum of EUR 250,000, thereof EUR 100,000 are to be used to redeem all outstanding bonds and be transferred into the new bond. The maturity of the bond will be May 2017 with a maximum interest rate of 6.75 %.

34. NOTES TO THE COMPANY'S STATEMENT OF FINANCIAL POSITION

a) Significant accounting policies

The accounting framework and significant accounting policies described in notes 3 and 4 above also apply to the Company financial statements. In addition the following accounting policies were applied:
Investments in subsidiaries and in at equity investments 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 at equity investments 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 liabilities in the statement of financial position.

Categories of financial assets and liabilities which apply to Air Berlin PLC are 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 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.

During the year the group streamlined its structure. As part of the reorganisation, the shareholdings in certain directly held subsidiaries were transferred from the company to other subsidiary undertakings. At the same time intercompany loans previously made by the company were capitalised.

In thousands of EUR	2013	2012
Acquisition cost		
Balance at 1 January	**720,924**	720,946
Acquisition	**30**	0
Cash capital contribution to subsidiaries' equity	**7,000**	0
Contribution of intercompany loans to subsidiaries' equity	**184,523**	0
Contribution of intercompany receivables and payables into to subsidiaries' equity, net	**53,344**	0
Contribution of at equity investments to subsidiaries' equity	**409**	0
Disposals	**(31)**	(22)
Balance at 31 December	**966,199**	720,924

c) Deferred tax assets

Profit or loss before tax is completely attributable to Germany.
Income tax benefit (expense) is as follows:

In thousands of EUR	2013	2012
Current income tax expense	**(23)**	(1,306)
Deferred income tax benefit	**(15,675)**	(13,369)
Total income tax benefit	**(15,698)**	(12,061)

Current income taxes of the Company include corporate tax, a solidarity charge in addition to corporate tax and trade tax. The current income tax expense includes EUR 452 of prior year income tax benefit (2012: EUR 1 expense).
The tax rate of the Company equals 30.03 % (2012: 30.03 %). It consists of corporate tax rate and solidarity charge of 15.83 % and trade tax of 14.20 %. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

Subsequent to the restatement of the Company's deferred tax position as at 31 December 2011, deferred tax assets on tax losses has been recognised only to a significant restricted level as at 31 December 2012. Notwithstanding the Company's recent history of losses there have been several positive factors which have contributed to achieving appropriate convincing evidence for recognising certain amounts of deferred tax assets on tax losses as at 31 December 2012. These factors have in particular been:

- The impact of the restructuring program "Turbine 2013"
- The increasing positive contribution from airberlin's partnership with Etihad Airways PJSC
- The potential to restructure airberlin's tax strategy and thereby utilise tax losses

Although it is still the management's view that the aforementioned factors will have a positive impact on the year 2014 as well, it has decided not to recognise any deferred tax asset on the tax losses at all at Company's level.

The reasons for the differences between the tax benefit expected on the basis of loss for the period and the recognised income tax benefits are as follows:

In thousands of EUR	2013	2012
Loss before tax	**(93,594)**	(26,460)
Expected income tax benefit at 30.03 % (2012: 30.03 %)	**28,106**	7,946
Effect of tax pooling agreements with subsidiaries	**(3,464)**	262
(Write down)/Recognition of deferred tax assets on tax loss carry forwards	**(17,589)**	12,985
Effect of differences in tax base (from non-deductible expenses)	**(23,528)**	(9,637)
Current tax expenses for previous years	**452**	(1)
Other	**325**	506
Total income tax (expense) benefit	**(15,698)**	12,061

As of 31 December 2013, total tax loss carry forwards for which deferred tax assets were recognised amounted to EUR 0 (2012: EUR 0) for trade tax purposes and EUR 0 (2012: EUR 111,147) for corporate tax purposes. Thereof EUR 0 (2012: EUR 0) for trade tax purposes and EUR 0 (2012: EUR 16,147) for corporate tax purposes have been recognised to offset deferred tax liabilities. Tax loss carry forwards amounting to EUR 0 for corporate tax purposes are forecasted to be recovered through future taxable profits (2012: EUR 95,000).

As of 31 December 2013, no additional deferred tax assets were capitalised for further loss carry forwards of EUR 42,275 for trade tax and EUR 383,337 for corporate tax (2012: EUR 49,991 for trade tax and EUR 452,127 for corporate tax). The tax loss carry forwards are not subject to expiration.

Deferred tax assets and liabilities are attributable to the following assets and liabilities:

In thousands of EUR	2013	2012
Deferred tax assets:		
Accrued liabilities and provisions	**1,136**	937
Negative market values of derivatives	**992**	646
Tax loss carry forwards	**0**	17,589
	2,128	19,172
Deferred tax liabilities:		
Convertible bonds, corporate bonds	**(1,786)**	(3,949)
Positive market values of derivatives	**(983)**	(189)
	(2,769)	(4,138)
Offsetting	**2,128**	19,172
Deferred tax assets, net	**(641)**	15,034
Deferred tax assets, net beginning of period	**15,034**	0
Change in deferred tax position	**(15,675)**	(15,034)
Thereof related to items recorded in equity	**0**	1,665
Deferred income tax benefit (expense)	**(15,675)**	(13,369)

Income tax recognised in equity

	2013			2012		
	Before tax	Tax benefit	**Net of tax**	Before tax	Tax benefit	**Net of tax**
Transaction costs on issuance of new shares	0	0	**0**	(5,546)	1,665	(3,881)
	0	0	**0**	(5,546)	1,665	(3,881)

d) Loans to subsidiaries

Loans to subsidiaries were contributed to the equity of subsidiaries (note 34b). As of 31 December 2013 there are no further loans to subsidiaries outstanding.

As of 31 December 2012 loans were outstanding to Air Berlin PLC & Co. Luftverkehrs KG (EUR 155,200) and Air Berlin Technik GmbH (EUR 25,130).

e) Receivables from subsidiaries

Receivables due to profit and loss transfer agreements are included with EUR 7,825 (2012: EUR 6,571).

The remaining receivables result from trade, clearing accounts and interest for the Group loans.

f) Deferred expenses

Deferred expenses mainly consist of prepaid expenses for aircraft leasing agreements.

g) Share capital and reserves

The capital structure of Air Berlin PLC is that of the Group, except that certain reserves on the consolidated level are not relevant at Company level.

A full description of the Company's share capital and reserves is detailed in note 12 to the consolidated financial statements.

h) Pensions

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

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

In thousands of EUR	**2013**	2012
Present value of funded obligations	**10,717**	7,776
Fair value of plan assets	**(13,436)**	(10,638)
Funded status	**(2,719)**	(2,862)
Amount not recognised due to limitation in IAS 19.58(b)	**0**	0
Net defined benefit asset	**(2,719)**	(2,862)

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

In thousands of EUR	2013	2012
Defined benefit obligation at 1 January	**7,776**	6,432
Current service cost	**1,614**	422
Interest on obligation	**274**	297
Actuarial losses	**1,053**	625
Defined benefit obligation at 31 December	**10,717**	7,776

Sensitivities of the defined benefit obligation are as follows:

In thousands of EUR	2013
Defined benefit obligation at 31 December 2013	**10,717**
Defined benefit obligation at 0.5 percentage points lower interest rate	**11,560**
Defined benefit obligation at 0.5 percentage points higher interest rate	**9,971**

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

In thousands of EUR	2013	2012
Fair value of plan assets at 1 January	**10,638**	7,155
Contribution	**2,599**	3,460
Expected return on plan assets	**423**	347
Actuarial losses	**0**	(324)
Actual loss on plan assets	**(224)**	0
Fair value of plan assets at 31 December	**13,436**	10,638

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 airberlin shares held would be minimal.
The actual loss on plan assets was EUR 224 during the period (2012: loss EUR 1,505).
The amount recognised as pension expense in profit or loss and other comprehensive income is as follows:

In thousands of EUR	2013	2012
Current service cost	**1,614**	422
Interest on obligation	**274**	297
Expected return on plan assets	**(423)**	(347)
Net actuarial losses recognised in the period	**0**	948
Pension expense recognized in profit and loss	**1,465**	1,321
Net actuarial losses recognised in the period	**1,053**	0
Actual loss on plan assets	**224**	0
Pension expense recognized in other comprehensive income	**1,277**	0

The Company expects to contribute EUR 2,588 to its defined benefit pension plans in 2014.

Principal actuarial assumptions at the reporting date are as follows:

in %	2013	2012
Discount rate at 31 December	**2.77**	3.57
Expected return on plan assets at 1 January	**NA**	4.30
Future salary increases	**0.00**	0.00
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.

i) Other liabilities to subsidiaries

The Company issued three convertible bonds in 2007, 2009 and 2013 and is accounting for these bonds in the same way as the Group. For further information see note 16.

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 remaining outstanding convertible bonds issued in 2009 have been completely redeemed during the reporting period and transferred to AB Finance B.V. to repay the respective loan. The Company also redeemed several convertible bonds issued in 2007 and transferred them to AB Finance B.V. to repay the respective loan. Disclosures regarding this and the disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bonds are detailed in note 16 and 30c to the consolidated financial statements.

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

Furthermore the Company issued three corporate bonds and is accounting for these bonds in the same way as the Group. For further information see note 16.

j) Accrued liabilities

Accrued liabilities primarily relate to expenses for services received but not yet invoiced as of the end of the period.

k) Payables to subsidiaries

Payables to subsidiaries include EUR 25,380 (2012: EUR 29) regarding profit and loss transfers, EUR 384 (2012: 154,901) regarding cash pooling agreements and EUR 9,373 (2012: 0) related to deferred purchase price payments of aircraft.

l) 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 as at 31 December shown in the statement of financial position, are as follows:

		2013		2012	
In thousands of EUR	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans to subsidiaries	34d	0	0	198,677	198,677
Receivables from subsidiaries	34e	9,802	9,802	135,652	135,652
Receivables from at equity investments		0	0	149	149
Total loans and receivables		9,802	9,802	334,478	334,478
Positive market values of derivatives classified as held for trading		3,365	3,365	696	696
Cash and cash equivalents		4,321	4,321	118,067	118,067
Interest-bearing liabilities	16	(499,423)	(527,925)	(495,078)	(511,350)
Payables to subsidiaries	35k	(197,837)	(197,837)	(279,535)	(279,535)
Trade and other payables		(7,618)	(7,618)	(8,617)	(8,617)
Total financial liabilities measured at amortised cost		(704,878)	(733,380)	(783,230)	(799,502)
Negative market values of derivatives classified		(3,397)	(3,397)	(2,217)	(2,217)
		(690,787)	(719,289)	(332,206)	(348,478)

m) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 31 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 88 to 96). Members of the Board of Directors control a voting share of 4.31 % of Air Berlin PLC (prior year: 4.42 %).

In thousands of EUR	**2013**	2012
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**10,463**	10,609
Interest income	**2,170**	2,121
Other operating expenses	**15,760**	1,171
Receivables from subsidiaries	**1,613**	228,991
Payables to subsidiaries	**1,730**	102,417
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**27**	20
Interest income	**0**	29
Payables to subsidiaries	**0**	182
Alpha Engine Trading (merged to Air Berlin PLC& & Co. Luftverkehrs KG)		
Payables to subsidiaries	**0**	50
airberlin technik GmbH		
Revenues	**464**	138
Interest income	**239**	255
Interest expense	**25,380**	0
Receivables from subsidiaries	**46**	62,569
Payables to subsidiaries	**25,380**	1,303
Leisure Cargo GmbH		

Revenues	**41**	0
Interest income	**7,824**	0
Receivables from subsidiaries	**7,829**	5,263
Payables to subsidiaries	**2**	0
Air Berlin 1. – 9. LeaseLux Sàrl		
Revenues	**218**	27
Receivables from subsidiaries	**2**	3,241
Payables to subsidiaries	**8,535**	244
Air Berlin Netherlands B.V. (liquidated)		
Interest income	**0**	0
Payables to subsidiaries	**0**	55
Air Berlin Finance B.V.		
Revenues	**84**	0
Expenses from convertible bonds	**103**	76
Interest expenses	**0**	46
Receivables from subsidiaries	**9,415**	0
Payables to subsidiaries	**155,960**	15,197
Air Berlin Technik Ltd.		
Interest income	**21**	22
Payables from subsidiaries	**26**	2,480
Air Berlin Fünfte Flugzeug GmbH		
Revenues	**1**	1
Interest expenses	**0**	1
Receivables from subsidiaries	**0**	10
Payables to subsidiaries	**0**	117,225
Air Berlin Sechste Flugzeug GmbH		
Revenues	**1**	12
Interest expenses	**0**	0
Payables to subsidiaries	**0**	27,380
Air Berlin Siebte Flugzeug GmbH		
Interest income	**1**	9
Receivables from subsidiaries	**0**	0
Payables to subsidiaries	**0**	3,003
Air Berlin Zwölfte Flugzeug GmbH		
Revenues	**1**	18
Receivables from subsidiaries	**0**	37
Payables to subsidiaries	**0**	1,317
Air Berlin Erste Flugzeugvermietungs GmbH (merged to Air Berlin PLC& & Co. Luftverkehrs KG)		
Receivables from subsidiaries	**0**	5,300
Payables to subsidiaries	**0**	806
Air Berlin Dritte Flugzeugvermietungs GmbH		
Revenues	**5**	0
Receivables from subsidiaries	**0**	4,109
Payables to subsidiaries	**0**	1,237
Air Berlin Vierte Flugzeugvermietungs GmbH		
Revenues	**5**	0
Receivables from subsidiaries	**0**	3,588

Air Berlin Achte Flugzeugvermietungs GmbH		
Revenues	**5**	0
Receivables from subsidiaries	**0**	60
Air Berlin Finance GmbH		
Revenues	**1**	0
Receivables from subsidiaries	**112**	81
AB Finance II GmbH		
Revenues	**72**	0
Interest expenses	**0**	0
Receivables from subsidiaries	**7**	2,993
Payables to subsidiaries	**0**	2,653
JFK Stiftung		
Receivables from subsidiaries	**0**	1,182
Belair Airlines AG		
Dividends received	**819**	6,249
Revenues	**494**	0
Receivables from subsidiaries	**61**	0
CHS Holding Service GmbH		
Revenues	**26**	0
Receivables from subsidiaries	**3**	0
Air Berlin PLC & Co. Verwaltungs KG		
Revenues	**48**	0
Receivables from subsidiaries	**3**	0
Air Berlin PLC & Co. Service Center KG		
Revenues	**113**	0
Receivables from subsidiaries	**10**	0
Air Berlin PLC & Co. Airport Service KG		
Revenues	**89**	0
Receivables from subsidiaries	**7**	0
Niki Luftfahrt GmbH		
Revenues	**1,166**	0
Interest expenses	**9**	0
Receivables from subsidiaries	**95**	0
Payables to subsidiaries	**9,372**	0

n) Employees

The Company employed the one Director (2012: five Directors). The Directors remuneration is included in note 22 to the consolidated financial statements above as well as in the Directors' Remuneration Report on pages 88 to 96. Additionally the company employs the established Management Board (note 23). Furthermore the company employs 11 non-director employees.

35. CONSOLIDATED ENTITIES

The following entities are included in the consolidated financial statements:

Subsidiaries	Country of incorporation	**2013**	2012
AB Erste Flugzeugvermietungs GmbH (merged to Air Berlin PLC & Co. Luftverkehrs KG	Germany	○	O
AB Zweite Flugzeugvermietungs GmbH	Germany	O	O
AB Dritte Flugzeugvermietungs GmbH	Germany	O	O
AB Vierte Flugzeugvermietungs GmbH	Germany	O	O
AB Achte Flugzeugvermietungs GmbH	Germany	O	O
AB Neunte Flugzeugvermietungs GmbH	Germany	O	O
AB Zehnte Flugzeugvermietungs GmbH	Germany	O	O
Air Berlin Crew Operations GmbH (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	O	O
Air Berlin Finance B.V.[1, 2]	Netherlands	O	O
Air Berlin Finance GmbH	Germany	O	O
Air Berlin Finance II GmbH[2]	Germany	O	O
Air Berlin Netherlands B.V. (liquidated)[2]	Netherlands	O	O
Air Berlin PLC & Co. Luftverkehrs KG	Germany	O	O
Air Berlin PLC & Co. Airport Service KG	Germany	O	O
Air Berlin PLC & Co. Verwaltungs KG	Germany	O	O
Air Berlin PLC & Co. Service Center KG	Germany	O	O
airberlin technik GmbH	Germany	O	O
airberlin technik Slovakia s.r.o.	Slovakia	O	○
Air Berlin Technik Ltd.[1, 2]	United Kingdom	O	O
Air Berlin 1. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 2. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 3. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 4. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 5. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 6. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 7. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 8. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin 9. LeaseLux Sàrl[2]	Luxembourg	O	O
Air Berlin Fünfte Flugzeug GmbH	Germany	O	O
Air Berlin Sechste Flugzeug GmbH	Germany	O	O
Air Berlin Siebte Flugzeug GmbH	Germany	O	O
Air Berlin Zwölfte Flugzeug GmbH	Germany	O	O
Air Berlin Americas Inc.	USA	O	O
Alpha Engine Trading GmbH (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	○	O
Bairs GmbH (liquidated)[2]	Switzerland	O	O
Belair Airlines AG[2]	Switzerland	O	O
CHS Switzerland AG[2]	Switzerland	O	O
CHS Holding & Services GmbH[2]	Germany	O	O
Euconus Flugzeugleasinggesellschaft mbH (merged to Air Berlin Fünfte Flugzeug GmbH)	Germany	○	O
Gehuba Beteiligungs-Verwaltungs GmbH	Austria	O	O

JFK Stiftung[2]	Switzerland	O	O
Leisure Cargo GmbH[2]	Germany	O	O
NIKI Luftfahrt GmbH	Austria	O	O
NL AB Beteiligungs GmbH	Austria	O	O
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[2]	Germany	O	O
Air Berlin Employee Share Trust[1, 3]	United Kingdom	O	O

1 Shares held directly by Air Berlin PLC as of 31 December 2013 (the remaining subsidiaries are held indirectly through other Group companies).
2 Shares held directly by Air Berlin PLC as of 31 December 2012 (the remaining subsidiaries are held indirectly through other Group companies).
3 The company is consolidated as a special purpose entity.

Except for the Air Berlin Employee Share Trust and NIKI Luftfahrt GmbH, Air Berlin PLC holds (directly or indirectly) 100 % of the share capital of the subsidiaries.

AVIATION GLOSSARY

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.

LOAD FACTOR
The ratio of revenue passenger kilometres to available seat kilometres within a certain time period, either on a route or withing a route network.

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

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.

EDITORIAL DEADLINE:
30 April 2014

FINANCIAL MARKET GLOSSARY

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 programmes. 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.

IMPRINT

REGISTERED OFFICE OF THE COMPANY
The Hour House, 32 High Street,
Rickmansworth, WD3 1ER
Hertfordshire, Great Britain

INVESTOR RELATIONS CONTACT
Dr Ingolf T. Hegner
Head of Investor Relations
Saatwinkler Damm 42–43
13627 Berlin, Germany
Telephone: +49 30 3434 1532
Fax: +49 30 3434 1509
Email: ingolf.hegner@airberlin.com

EXTERNAL ADVISERS
Registrar
Registrar Services GmbH
Postfach 60630
Frankfurt/Main
Visitors' address:
Frankfurter Strasse 84–90a,
65760 Eschborn, Germany

Auditors
KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Great Britain

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

CONCEPTION & GRAPHIC DESIGN
Strichpunkt GmbH, Stuttgart/Berlin
www.strichpunkt-design.de

TEXT
Frenzel & Co. GmbH, Oberursel
www.frenzelco.de

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FINANCIAL CALENDAR
2014

REPORTING DATES

28 April 2014	Analysts & Investors Conference regarding the 2013 annual results
15 May 2014	Publication of Interim Report as of 31 March 2014 (Q1) Analysts & Investors Conference Call
18 June 2014	Annual General Meeting (AGM) Air Berlin PLC, London Heathrow
14 August 2014	Publication of Interim Report as of 30 June 2014 (Q2) Analysts & Investors Conference Call
13 November 2014	Publication of Interim Report as of 30 September 2014 (Q3) Analysts & Investors Conference Call

RELEASE OF TRAFFIC FIGURES

7 May 2014	Traffic figures April 2014
6 June 2014	Traffic figures May 2014
7 July 2014	Traffic figures June 2014
7 August 2014	Traffic figures July 2014
5 September 2014	Traffic figures August 2014
7 October 2014	Traffic figures September 2014
6 November 2014	Traffic figures October 2014
5 December 2014	Traffic figures November 2014

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