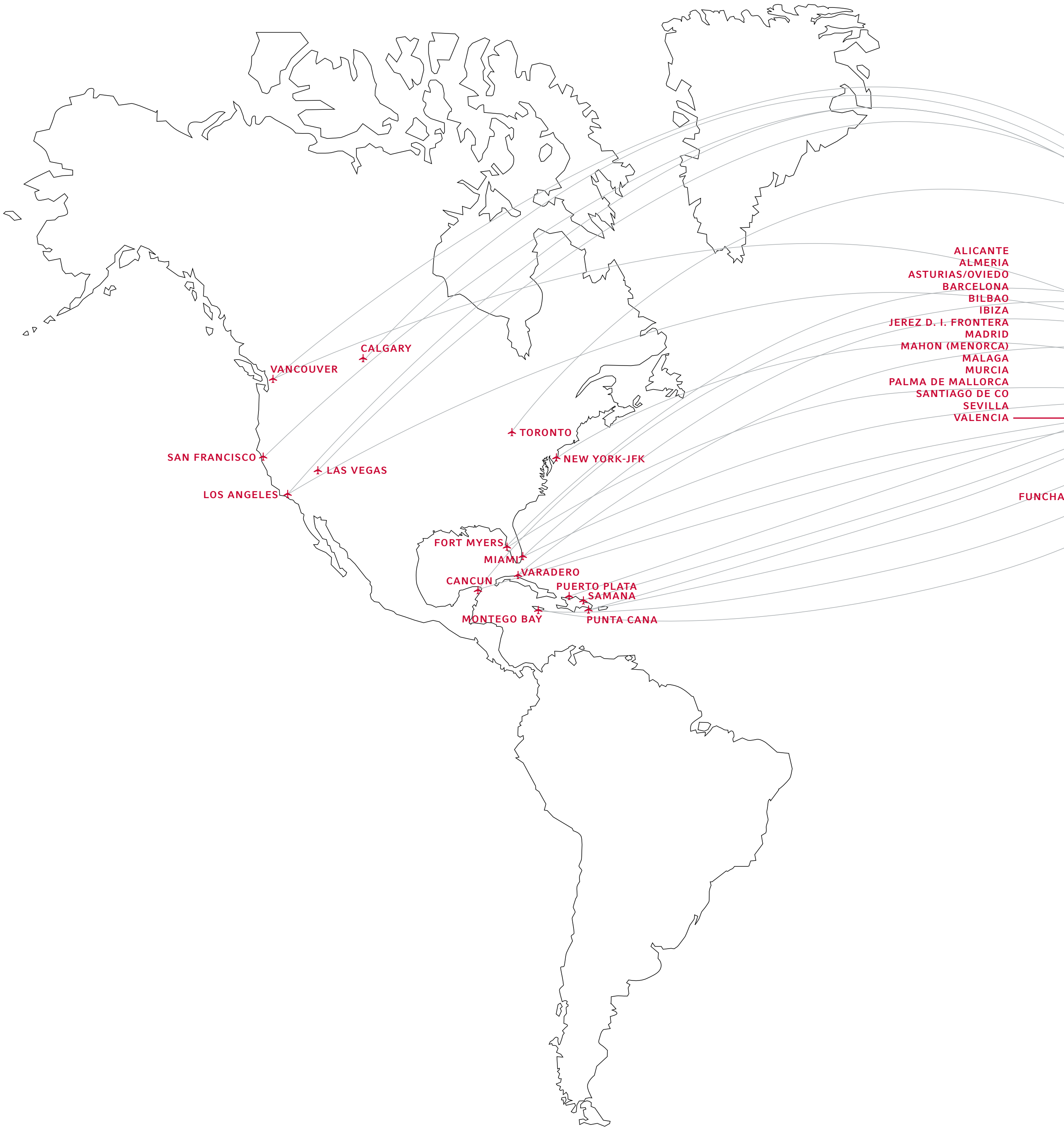
airberlin
Your Airline.

Annual Report 2007

AIR BERLIN 07 GOES GLOBAL



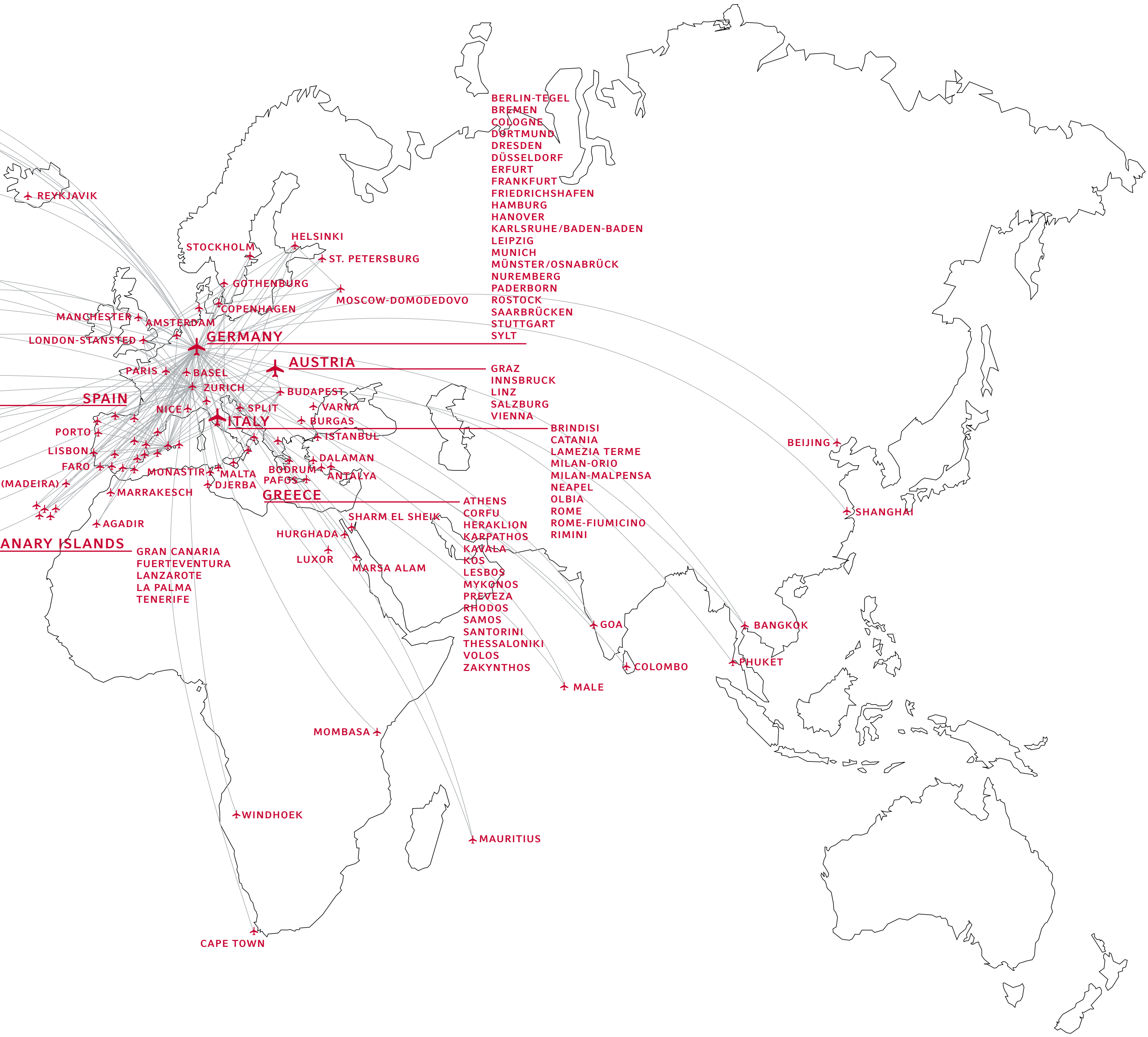
THE YEAR'S HIGHLIGHTS

→→ MARCH 2007

The acquisition of LTU makes Air Berlin one of the largest airlines in Europe. As part of the acquisition, Air Berlin is entitled to use LTU's valuable slots at Düsseldorf airport, one of the most important European catchment areas.

→→ MAY 2007

3,330 staff, flight attendants and pilots present their new Jette Joop designed uniforms.



→→ JULY 2007

Air Berlin and US aircraft manufacturer Boeing conclude an agreement for delivery of 25 Boeing long-haul "Dreamliner" aircraft plus the option to purchase another 25 aircraft. The aircraft will be delivered beginning in 2012. At the time, it was the largest European order Boeing had received for the Dreamliner.

→→ SEPTEMBER 2007

Air Berlin announces that it has agreed with Thomas Cook to a two-step acquisition of the shares of Condor by means of a share swap. In return for its share in Condor, Thomas Cook will receive newly issued Air Berlin shares. In the process, Thomas Cook may acquire an interest of up to 29.99 percent in Air Berlin.

KEY FINANCIAL FIGURES

(CHANGES IN %)

	%	2007	2006
Revenue (in million euros)	61.0	**2,536.5**	1,575.4
including ticket sales (in million euros)	58.8	**2,314.6**	1,457.8
EBITDAR (in million euros)	47.8	**379.0**	256.5
EBIT (in million euros)		**21.4**	64.1
Consolidated profit (loss) for the year (in million euros)		**21.0**	40.1
Cash generated from operations (in million euros)		**112.3**	132.0
Earnings per share		**0.33**	0.76
Operating cash flow per share		**1.8**	2.5
Total assets (in million euros)	58.6	**2,519.2**	1,587.9
Employees (31 Dec)	103.5	**8,360**	4,108

OPERATING FIGURES

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

	%	2007	2006
Passengers (in thousands; "pax")	10.4	**28,211**	25,561
Destinations	5.5	**135**	128
Aircraft at year end	6.0	**124**	117
Available seat kilometers (in billions; ASK)	5.9	**59.38**	56.09
Load factor (%; pax/capacity)	2.1	**77.30**	75.73

AIR BERLIN. YOUR AIRLINE.

NO OTHER AIRLINE has grown as fast as AIR BERLIN. It just took two years to grow our fleet by fifty per cent – by growing organically and by integrating dba in 2006 and LTU in 2007.

Starting in August 2007 we expanded our successful business model our long haul service: with an outstanding price performance ratio, excellent service and slots at the important hubs.

Now 124 AIR BERLIN aircraft fly 135 destinations from Amsterdam to Zurich, from Agadir to Zakynthos. The next step: from 1 MAY 2008 our new standard setting Business Class will lift off. On the following pages we present the world of AIR BERLIN: wherever you want to fly, whatever you want to do – AIR BERLIN is Your Airline.

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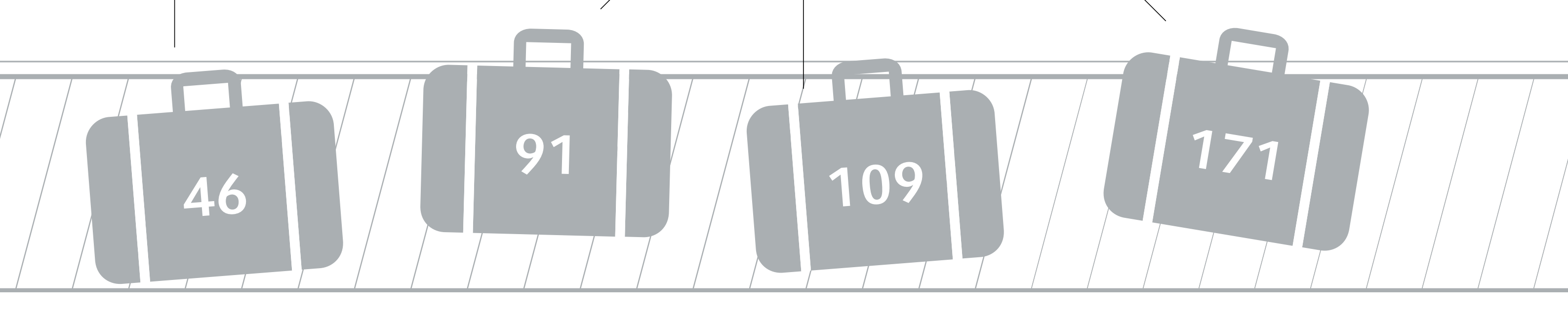


46
91
109
171

EXECUTIVE DIRECTORS: ULF HÜTTMEYER, ELKE SCHÜTT, JOACHIM HUNOLD, KARL FRIEDRICH LOTZ (FROM LEFT)

CEO'S STATEMENT

2007 WAS ANOTHER YEAR of significant strategic decisions for Air Berlin PLC. Initially, as a result of the dba acquisition in the previous year, we supplemented our European route network with domestic connections. Consequently, the number of business travellers significantly increased, an attractive market segment, in which we plan to further expand in the future. However, as our growth strategy extends beyond the short and medium haul markets, we looked for further opportunities in new business sectors.

Consequently when the opportunity arose we acquired LTU in 2007. In doing this, we acquired a company that not only optimally supplements our network on the European medium-haul routes, but also gives us the opportunity to enter into the long haul market. In this respect, LTU's most important assets are the numerous slots at Düsseldorf airport. Eighteen million people live in this catchment area and after London, it is the biggest catchment area in Europe. With the acquisition of LTU, we are the largest provider of air travel in this region. Moreover, our German feeder network optimally supplements the local traffic.

Our aim in the long haul routes is to shift the focus of LTU, which was previously touristic dominated, more towards global business travel under the successful "airberlin" brand. This particularly applies to routes to the USA and new destinations in the growth region of China. To provide especially attractive offers to business passengers, we have expanded and upgraded the Business Class. From autumn onwards, we will, with the new Premium Business Class, give our passengers a premium level of comfort. Furthermore, additional growth opportunities can be realized by the expansion of the cargo activities of LTU.

In Switzerland, we have created additional strength with the 49 % interest in Belair. The airline has not only a strong base of tour operators upon which it can rely, but also international traffic rights which provide us with additional opportunities.

Following the acquisition based growth of the last couple of years, 2008 will be focused on increasing profitability. To do this, we will leverage the synergies resulting from our acquisitions and use economies of scale as well as implement measures to improve performance. We stand by our statement that the synergies from the LTU integration can be quantified at EUR 70 million to EUR 100 million per year. This does not change the fact that investments were initially required in the year of the takeover. As explained in December 2007, the previously unplanned eight-figure costs arose while merging Air Berlin's and LTU's capacity planning systems.
In 2008, we have for the first time in a long time planned only marginal aircraft growth, with investment primarily focused on fleet renewal. Significant growth is planned only in 2009 following the potential acquisition of Condor which remains subject to approval by the Cartel Office.
We have every reason to face the future with optimism. It has become even clearer that we are have chosen the right path with our hybrid carrier business model. Notwithstanding the interim additional burden, our figures for 2007 are evidence of this success. After 19.7 million passengers in 2006, we carried 28.2 million in the reporting period (inc. 12 months LTU and Belair). This 11.9% increase is well above the industry average. Revenue was up 63% from EUR 1.58 billion to EUR 2.54 billion. EBITDAR increased from EUR 256.5 million to EUR 379 million. In the 4th quarter, Air Berlin stopped the yield decline, which took a hold at the beginning of 2007.

We are securing our intercontinental business connections to destination areas through cooperations with major airlines. To this end, we have with Hainan Airways, already gained a partner in China that offers flights to 80 airports.

By the end of February 2008, the Air Berlin Group significantly increased revenues per available seat kilometre (ASK). Further, with our percentage improvement in utilization we are markedly above the industry standard.

As you can clearly see: Air Berlin is on the right path.

Joachim Hunold
Chief Executive Officer

CHAIRMAN'S STATEMENT

AFTER AN EVENTFUL YEAR, I wish to thank the Air Berlin team for all their hard work. This is evidenced by the 2006 acquisition of dba, which was integrated within only a half year of its purchase. The fact that this integration was also carried out without redundancies has increased the standing of Air Berlin. In very little time wage agreements with the trade unions were concluded which, for months prior to the acquisition, were a major source of potential conflict.

After initial difficulties, the integration of LTU is running according to plan. Of particular success is that, with agreement of the works counsel, more than 600 LTU employees accepted the offer to join "AB Luftfahrttechnik Düsseldorf GmbH." Together with "AB Luftfahrttechnik Berlin GmbH", another newly established company under the auspices of "Air Berlin Technik Ltd" (London), a wholly-owned subsidiary of Air Berlin PLC, both companies will not only maintain the Group's fleet, but will also expand the existing business with other airlines. As a result, more than 1,100 employees have secure roles in this new, powerful technical group.

Whereas the integration processes are continuing apace and the current business development gives cause for optimism, Air Berlin shares have performed unsatisfactory in recent months. The global uncertainty in the markets and the continuous oil price increases have particularly affected airline share prices. Moreover in this environment, strategically important decisions do not always receive the recognition they deserve, especially if such decisions are accompanied by further investment.

However, I am confident that the Air Berlin management will be able to significantly increase profitability and management's policies are clearly directed to achieve this. In any case, the pre-IPO shareholders of Air Berlin, of which I am one, have not been misled by the current share performance, and have every confidence in the Company.

Management of the Company is in the capable hands of CEO Joachim Hunold, CFO Ulf Hüttmeyer, CCO Elke Schütt and COO Karl Friedrich Lotz. The second and third levels of management have been strengthened significantly during the past year, including through the engagement of proven management from our subsidiaries (and the promotion of their ideas). Overall, the Group has been built up in such a manner that, notwithstanding the recent growth, corporate decisions can continue to be implemented extremely quickly and reactions to market developments can be handled flexibly.

Dr Eckhard Cordes has resigned from his position as Non-Executive Director effective 31 March 2008. I wish to thank him on behalf of the Board for his utmost dedication and cooperation and wish him the very best for his future endeavours. Effective 1 April Friedrich Carl Janssen, general partner of the Kölner Bankhauses Sal. Oppenheim and Heinz-Peter Schlüter, Chairman of Trimet Aluminium AG, Düsseldorf have been appointed as Non-Executive Directors. The Executive Board continues to be supported by experienced managers such as Dr Hans-Joachim Körber, Nicholas Teller and Claus Wülfers.

As before, the strategy of Air Berlin is geared towards sustainable development rather than short-term success. I agree with CEO Joachim Hunold when he says: we are on the right path.

Johannes Zurnieden
Chairman of the Board of Directors

non-executive directors: nicholas teller, dr. hans-joachim körber, dr. eckhard cordes, johannes zurnieden, claus wülfers (from left)

THE BOARD OF DIRECTORS

Executive Directors

JOACHIM HUNOLD, CHIEF EXECUTIVE OFFICER

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

ULF HÜTTMEYER, CHIEF FINANCIAL OFFICER

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

KARL FRIEDRICH LOTZ, CHIEF OPERATING OFFICER

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

ELKE SCHÜTT, CHIEF COMMERCIAL OFFICER

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

Non-Executive Directors

JOHANNES ZURNIEDEN, CHAIRMAN OF THE BOARD OF DIRECTORS

Managing Director at Phoenix Reisen GmbH, Bonn

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

DR. ECKHARD CORDES

Chairman of the Managing Board at Franz Haniel & Cie. GmbH, Duisburg and CEO of Metro AG

Dr Cordes was born on 25 November 1950 in Neumünster, Germany, and is married with four children. Following his studies in business administration and after having obtained his doctorate he joined the DaimlerChrysler Group in 1976, holding various management positions in operating and strategic functions both in Germany and abroad. From 1996 to 2005 Dr Cordes was a member of the Management Board of DaimlerChrysler AG Group Holding. Effective 1 January 2006 Dr Cordes was appointed Chairman of the Managing Board of Franz Haniel & Cie. GmbH. In February 2006 he accepted the appointment as Chairman of the Supervisory Board of METRO AG. As of 1 November 2007 he was appointed Chief Executive Officer of METRO AG.

DR. HANS-JOACHIM KÖRBER

Former Chairman of the Management Board and CEO of METRO AG

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

NICHOLAS TELLER

Member of the Management Board of Commerzbank AG, Frankfurt

Mr Teller was born on 16 June 1959 in London, England, and is married with two children. Following completion of secondary school in Düsseldorf, he studied at the University of Birmingham (Bachelor of Commerce). His career began in 1982 with Commerzbank in London. Twelve years later he was appointed Branch Director of Commerzbank Prague and later to Executive Management of the Hamburg branch. From 2002 through 2003, Mr Teller was a Regional Board Member and on 1 April 2003 was appointed to the Management Board of Commerzbank AG. In addition, Mr Teller also is a member of the Supervisory Board for BRE Bank in Warsaw and Chairman of the Supervisory Board of Deutsche Schiffsbank AG.

CLAUS WÜLFERS

Former Member of the Board of Directors of Hapag Lloyd AG, Hamburg

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

AIR BERLIN GOES GLOBAL

"OUR CUSTOMERS HAVE ENJOYED our outstanding service for many years. We provide value for money at an attractive price. Air Berlin operates one of the densest route networks in the European LCC industry. We offer quality service, on board and on the ground, which is more typical of traditional flag carriers. Our decision to extend the successful Air Berlin business model globally is in response to customer demands for our services on long haul routes. With our interconnected European and German network we are now in the position to offer the ideal feeder service for international traffic."

-- JOACHIM HUNOLD

DUS

DÜSSELDORF – BERLIN: 254 NM

→ →


BERLIN

FOR FREQUENT FLYERS

YVR VANCOUVER – STUTTGART: 4437 NM

→ →

STR

STUTTGART – MALE: 4216 NM

→ →

FOR THE STYLE-CONSCIOUS

MLE

MALE – FORT MYERS: 8481 NM

→ →

RSW

FORT MYERS – HELSINKI: 4499 NM

FOR HOTHEADS

HEL

helsinki – london: 956 nm

→ →


BARBER SHOP
Pat's
BARBER
SHOP
COME IN WE'RE
OPEN

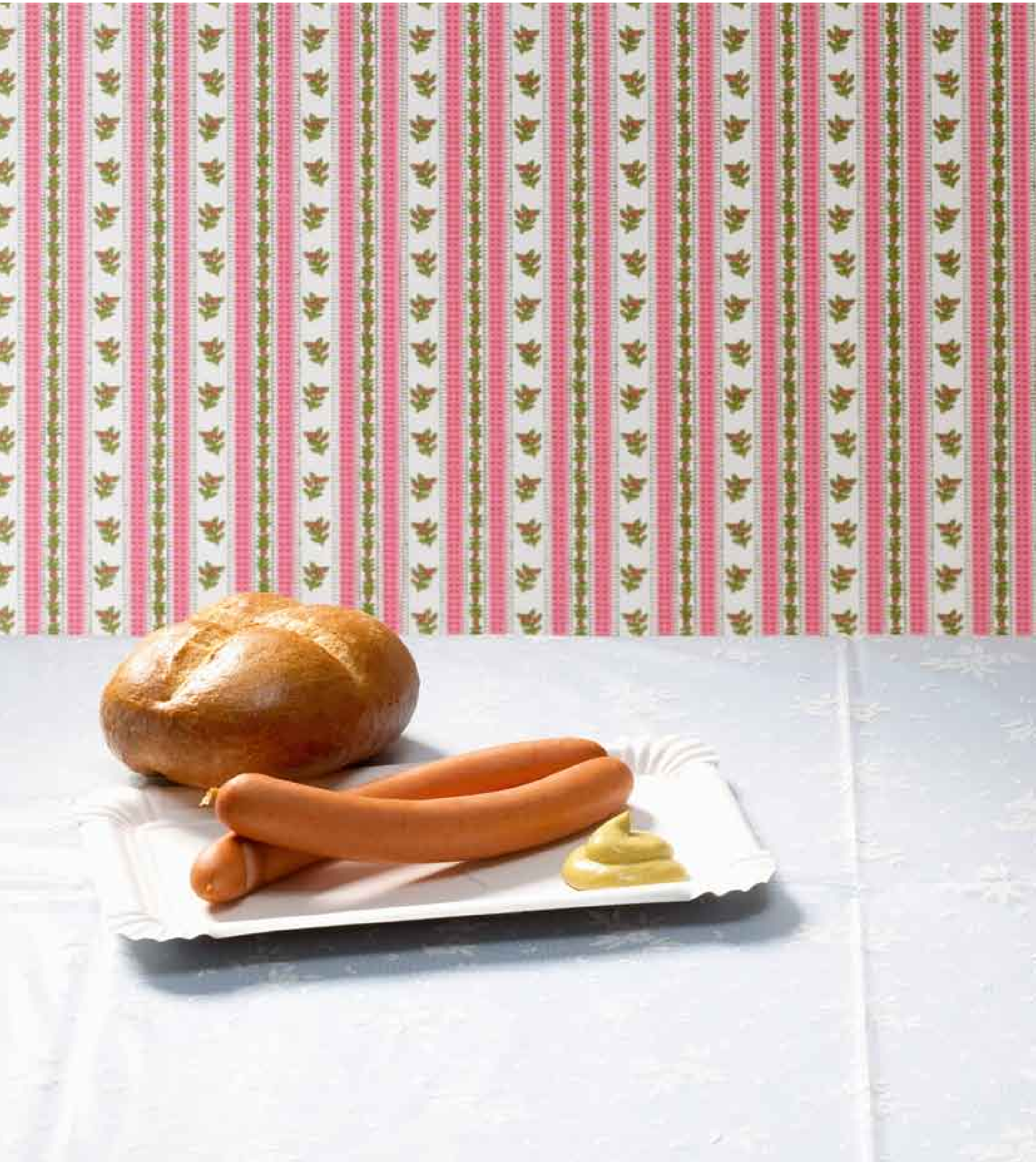
FOR ENTREPRENEURS

PVE SHANGHAI – VIENNA: 4600 NM

VIE

VIENNA – BEIJING: 4027 NM

→ →



FOR GOURMETS

PEK

BEIJING – MUNICH: 4172 NM

→ →

MUC

MUNICH – NEW YORK: 3510 NM

→ →

FOR CASH-COWS

JFK NEW YORK – NUREMBERG: 3445 NM

→ →


Gegrüsst seist du, Maria!

FOR HIGH-FLYERS

PAR PARIS – HANOVER: 341 NM

→ →

HAJ

HANOVER – BANGKOK: 4799 NM

→ →

FOR LONG-DISTANCE DRIVERS

BKK

BANGKOK – HAMBURG: 4758 NM

→ →

HAM

HAMBURG – LOS ANGELES: 4908 NM

→ →

FOR SPORT FANS

LAX

LOS ANGELES – ZURICH: 5151 NM

→ →

ZRH ZURICH – NEW YORK: 3409 NM

FOR NATURE FANS

JFK NEW YORK – DRESDEN: 3494 NM

→ →


Hab mich lieb

FOR LOVERS

→ →

MIA

MIAMI – DÜSSELDORF: 4109 NM

DUS DÜSSELDORF

→ →

FOR INVESTORS

Our positioning as a low-cost carrier with full service on board and a wide range of extras is now clearly understood by the investment community and regarded as promising. Our entry into the long-haul business and the related synergy potential have also been met with a positive response.

THE AIR BERLIN BRAND

Who knows Berlin? 100%. Who knows airberlin? 92%. Congratulations, Berlin! As for us, we still have some work to do. For example, extending our top-quality service to long haul flights.

Awards, awards, awards

We are the passengers' favourite

We are so well known because more and more people are flying with us. And because they are clearly doing it more often, they also talk about it – with their friends, neighbours and colleagues. Quite simply, people like flying with us. Air Berlin was again named the "passengers' favourite" in 2007. We have won a whole host of awards from customers, professional testers and travel agents, ranging from "best airline" overall, Europe's "best low-cost airline" and "Europe's youngest fleet" through to "World Travel" and "Star Diamond Awards".

Awards from both business travellers and holidaymakers

In total, we won ten awards last year. These were in recognition of our service in the air and on the ground as well as the user-friendliness of our website and the friendliness of our employees. Awards from our passengers give us particular pleasure. We were named Europe's best low-cost airline by the London consultancy firm Skytrax on the basis of a survey of almost 15 million people from 93 countries – business travellers as well as holidaymakers! We would like to express our thanks. This makes us all the more committed to fulfilling the high expectations in future.

airberlin is now in it for the long haul!

Our plans are not confined to Europe. The time has come to spread the success of airberlin around the world. With our unique business model, we are now closing the gap between conventional low-cost carriers and the traditional high-priced airlines for long haul flights. At low prices, we intend to be the customary friendly host to our passengers and provide attractive service across the oceans.

Our unique business model is taking us to the long haul market

In the last business year, we rigorously implemented our global growth strategy with targeted acquisitions and the planned groundbreaking merger with the Thomas Cook subsidiary Condor. In addition, the feeder network required for a successful international airline business was further extended with closely linked European and domestic connections. Another factor is our investment policy, clearly geared towards global growth. By the time of the rollout of the new Boeing 787 Dreamliner, we secured our long-term, long haul capacity with a contract for delivery of 25 Boeing long haul aircraft plus purchase options for another 25 aircraft for delivery through 2017.

AWARDS

AWARDS SINCE 2005

* **ADAC TRAVELLER:** Best Airline 2006; **BUSINESS TRAVEL WORLD:** Best Short Haul Business Airline 2007; **CAPITAL:** Airline of the Year 2007, 2006, 2005; **CASH:** Best Low-Cost-Airline 2007; **DANISH TRAVEL AWARD:** Best Low-Cost-Carrier 2007; **HOLIDAYCHECK:** Most Favorite Airline 2005; **REISEBLICK:** Airline of the Year (Short haul) 2007; **REISE & PREISE:** Best Low Cost Carrier and Europe's Best Holiday Carrier 2005; **SKYTRAX:** Europe's Best Low-Cost-Airline 2007, 2005, Best Low Cost Airline in the World 2006, Low Cost Airline Service Excellence Award 2006; **STIFTUNG WARENTEST:** Best in Test (2,2) 2005; **THE GUARDIAN:** Best Short haul Airline 2005; **TRAVELCHANNEL:** Best Low-Cost-Airline 2008, 2007, 2006; **URLAUB PERFEKT:** The Best Service for Kids 2007; **WORLD TRAVEL AWARD:** Europe's Leading Budget / No Frills Airline 2007.

New brand identity

We are now positioning "airberlin" as a global brand

Our repositioning as a global company is also reflected by our corporate identity. For this reason, we are marketing our new global service with a complete rebranding. The new brand consists of a graphic symbol and the word "airberlin". The symbol stands for an aircraft window framing a stylised "a". Our employees who have direct contact with customers have been wearing their Jette Joop-styled designer uniforms since June 2007.

When it comes to flying: nothing is better than airberlin

We want airberlin to be the perfect airline for every passenger, meeting his or her individual travel preferences and service expectations. The new claim "airberlin. Your Airline." underlines this ambition. The focus is firmly on convenience. Flying with airberlin is simple and uncomplicated: airberlin is fun. On board, business travellers and families feel at home. And all passengers will enjoy the same personal attention on short and long haul flights. airberlin offers a wide range of flights, with a dense network within Germany and Europe, taking passengers to worldwide cities and holiday destinations.

The website airberlin.com has already been revised and features the new image. Print advertisements, TV commercials and an outdoor advertising campaign in 21 German cities as well as Vienna and Zurich were launched in the first few weeks of 2008. The first aircraft bearing the new livery was rolled out in January. We are convinced: as a quality provider for long haul flights, we will soon be known and appreciated by even more people – worldwide!

topbonus: the new worldwide frequent flyer programme

Collecting miles and exclusive service worldwide by joining the topbonus programme

Our new topbonus programme, launched in November 2007, is the perfect addition to the airberlin brand package. It is the joint frequent flyer programme of airberlin, LTU, Belair, and our partners NIKI and LGW (Luftfahrtgesellschaft Walter). topbonus now provides even more possibilities, such as collecting, redeeming and transferring bonus miles. All over the world, our passengers can collect and redeem status and award miles with us and our partner airlines. Award miles are also available from our numerous topbonus partners and when shopping with the airberlin MasterCard. Status miles increase your frequent flier status and qualify you for corresponding exclusive benefits.

The topbonus award miles remain valid for three years and are transferable for world-wide flights. The topbonus status increases with the number of status miles collected for flying. 20,000 status miles collected within 12 months qualify for topbonus silver status, and 40,000 status miles qualify for gold status. The topbonus status cards bring exclusive benefits, such as priority check-in, free seat reservation, additional free luggage and much more.

Top comfort and gourmet menus

We have also significantly upgraded the Business Class on the long-distance routes to New York, Los Angeles, Miami, Fort Myers, Beijing and Shanghai. Whilst a much-improved "Relax Class" will be introduced on the tourist routes, replacing the traditional Business Class, 30 extremely comfortable "contour" seats that can be adjusted until horizontal will be installed in our new "Premium Business Class". Until completion of the refit, improved Business seats will be installed.

"Relax Class" and "Premium Business Class" set new standards

Both comfort and service will be upgraded in the Air Berlin's new Premium Business Class. On long haul flights, we offer a range of meals created in the kitchen of the "Sansibar", the most famous restaurant on the island of Sylt. Next to "traditional home cooking", there is vegetarian fare, ethnic cuisine from the destination region or a selection of "Sansibar classics". Appropriate wines from Germany, Italy and France are also served. In Economy Class, in addition to the free hot and cold standard meals, hot snacks are also available on request.

Premium partners

Together with our premium partners we are building a strong brand

In order to allow our customers to enjoy attractive offers in non-flight areas, we maintain premium partnerships with companies across various sectors. Together, we want to create additional added value for our customers with a strong brand package, while making their travel experience as enjoyable as possible. At present, five premium partners are collaborating with the Air Berlin Group:

- As Germany's third-largest travel insurance provider, the HANSEMERKUR INSURANCE GROUP has been offering our passengers customised insurance cover for more than 10 years. The insurer's service range is in the top of a number of independent ratings.
- With HERTZ CAR RENTAL, our customers benefit from an excellent vehicle fleet as well as attractive services – worldwide. In addition, they can book their hire car directly via our homepage whilst collecting our topbonus award miles.
- The SIXT GROUP provides our passengers with hire cars of all classes in 85 countries on highly favourable terms. Here too, they collect topbonus award miles every time they hire a car. Furthermore, passengers save valuable time with the simple booking system directly on the Air Berlin homepage and the e-mailed hire contract.
- With its best price principle, HOTEL.DE AG is also highly rated by airberlin passengers. More than 210,000 hotels in all price categories as well as numerous short breaks at up-to-date prices are available to our customers.
- E-PLUS is another of our strong partners. Air Berlin customers benefit from the favourable domestic and international rates of the telecommunications provider. In addition to attractive roaming prices, Air Berlin customers also receive valuable topbonus award miles from E-Plus when signing a contract.

OUR SHARES

Flying against the wind. Sometimes head wind can give a lift. Not so in 2007, when the environment for airline shares was not particularly favourable. First interest rates rose, then oil prices climbed to record highs, followed by a correction on the stock markets.

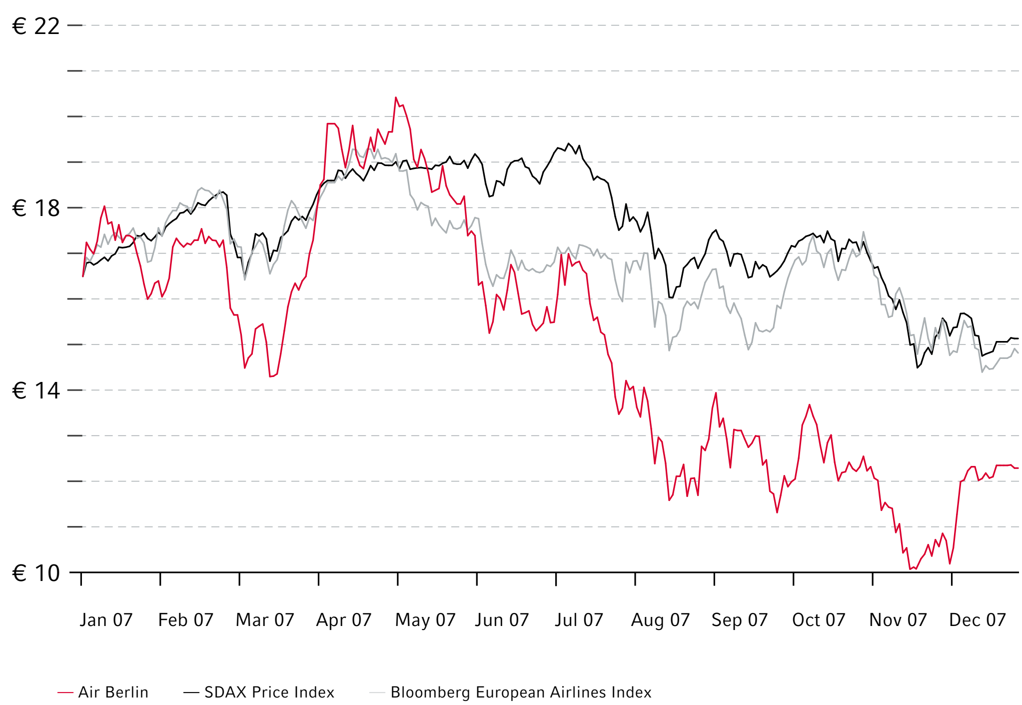
The Air Berlin share price in 2007

Following the superb gains from the previous year, when the share price increased by 37.5 per cent from an offering price of EUR 12.00 between its initial listing on 10 May 2006 and the end of 2006, it fell back by 25 per cent in 2007. However, at EUR 12.27, it still ended the year positively with an increase for the IPO subscribers.

A combination of several factors led to the unsatisfactory share price performance. Rising oil prices and interest rates created unfavourable general conditions for airlines in particular since both represent significant cost factors that cannot easily be passed on to ticket prices in the intensely competitive environment. Actually, since May 2007, crude oil prices have followed almost exactly the same price trend as Air Berlin shares – only in reverse.

For some investors, our share price had clearly reached a level that was highly attractive and, it recovered strongly by the end of the year. However, Air Berlin shares have by no means been immune to the high level of market uncertainty since the turn of 2008.

Relative performance Air Berlin vs. SDAX Price Index and Bloomberg European Airlines Index (based on Air Berlin)



Successful financing measures

The Air Berlin growth strategy has convinced investors

Air Berlin's growth strategy is enjoying positive feedback from the capital market, irrespective of the market's overall trend. Accordingly, the financing measures arranged in the course of the LTU acquisition during March and April 2007 were impressively successful. A ten per cent capital increase by emitting 5.97 million new Air Berlin shares at a price of EUR 16.40 went off as smoothly as the issue of a convertible bond by an Air Berlin subsidiary.

Strong demand for the Air Berlin issuance

The new shares were sold to international institutional investors, in part by a private placement in the USA under Rule 144A of the U.S. Securities Act of 1933. The convertible bond was sold to international institutional investors outside the USA who showed significant buying interest. In fact, it was several times oversubscribed. Its original base volume of EUR 150 million was increased by EUR 20 million due to strong demand. Together with a planned option for augmentation amounting to EUR 25 million and the fully exercised greenshoe option of another EUR 25 million, the total volume of the convertible bond amounted to EUR 220 million. All together, investors put EUR 318 million on the table in order to participate in Air Berlin's growth strategy.

At Air Berlin, a classical growth company, re-investment of profit leads to the highest returns

Dividend policies

To increase growth, particularly in the long haul business, Air Berlin will reinvest its profits in the next few years. This, in the opinion of the Board of Directors, will increase share value, which is in the interest of all shareholders.

Air Berlin offers mulitple access for investor information

Coverage of Air Berlin

Since the IPO, Air Berlin has received growing interest among the international investment community. We are one of the companies regularly analysed and commented on by a growing number of national and international banks and investment companies. The high degree of attention from researchers is matched by national and international investors. For this reason, we maintain active and up-to-date contacts with the investment community via telephone conferences, meetings and roadshows, and are always available to answer questions about Air Berlin. Our Investor Relations section of the Air Berlin website is proving very popular with its interesting and extensive information.

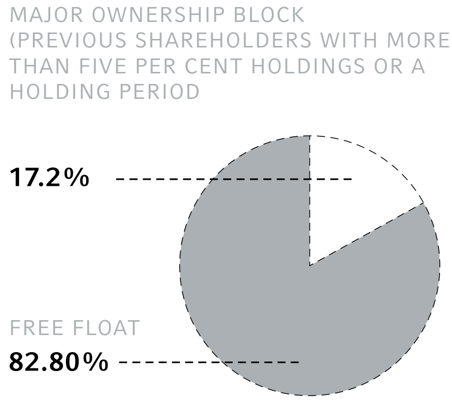
Air Berlin's Strategy Day in September 2007 received strong attendance by the international investment community when top management presented their strategic view on the new partnership with Thomas Cook.

Strong growth in coverage

The number of detailed company analyses relating to Air Berlin has increased. By the end of December 2007, a total of 18 analysts and research companies were providing assessments of the Air Berlin Group. The year before, the figure was 13.

The corporate strategy of Air Berlin as a low-cost carrier with full service on board and a wide range of extras is now understood and regarded as promising. Our entry into the long haul business as well as the strategic steps taken and synergy potential achieved in the 2007 business year have been met positively.

In addition to its distinct growth characteristics, a clear value aspect was also attributed to the Air Berlin share by some analysts at the end of 2007, as they believe that the value of our options for new aircraft is not sufficiently reflected in the share price. In particular the valuation compared to others in the peer group comparison is unjustifiably low.



SHAREHOLDER STRUCTURE AT AIR BERLIN PLC ON 31 DECEMBER

The Air Berlin PLC share in the 2007 business year

Share capital:	EUR 16,429,275.75 and GBP 50,000
Authorised share capital.	EUR 100,000,000
Total number of issued and registered shares on 31 December 2007:	65,717,103 shares
Class:	Individual share certificates
Nominal value:	EUR 0.25
Bloomberg symbol:	AB1 GR / AB1 GY
Reuters symbol:	AB1.DE
ISIN:	GB00B128C026
Accounting standard:	IAS/IFRS

2007 market data

Trading segment:	Official trading (Prime Standard)
Prime Standard industry:	Transport and Logistics
Prime Standard industry group:	Airlines
Indices:	SDAX, Prime All Share, Classic All Share
Designated sponsors:	Commerzbank AG, Morgan Stanley Bank AG
Market capitalisation on 31 December 2007:	EUR 806.3 million
Free float on 31 December 2007:	82.80 %
Capitalisation of free float on 31 December 2007:	EUR 667.7 million
Average trading volume 2007:	737,803 shares

- The shares are officially traded on XETRA and on the Frankfurt Securities Exchange and traded on the regulated unofficial market at the exchanges in Berlin-Bremen, Düsseldorf, Hamburg, Munich and Stuttgart.
- Air Berlin shares are registered common shares. In accordance with the Air Transport Agreement and the EU Directives, entry in an appropriate schedule of names, giving information on the distribution of the shares by nationality, ensures that a majority of the shares are held by German and European investors. The registry agency is Registrar Services GmbH in Eschborn.
- Class “A shares” have also been issued. Details are found on page 134.

Major shareholders in Air Berlin PLC on 31 December 2007

Shareholders	Holdings in %*
Free float	82.80
Metolius Foundation	7.61
Ringerike GmbH & Co. Luftfahrtbeteiligungs KG	0.97
Hans-Joachim Knieps	8.40
Other private investors (Air Berlin PLC employees with holding period)	0.22
Werner Huehn	4.95**
Severin Schulte	4.13**
Rudolf Schulte	4.00**
Joachim Hunold (CEO)	3.20
Johannes Zurnieden	1.52**

* Information to the best of the company's knowledge.
** Other shares of less than five per cent of the total are allocated to the free float.

Up to 31 January 2008, the Company has received notice of the following significant shareholdings (also see ir.airberlin.com):

- 9 January 2008: HAARLEM ONE B.V., 18.562 % (Free float diluted)
- 11 January 2008: MOAB INVESTMENTS LIMITED, 3.1004 %
- 17 January 2008: DEUTSCHE BANK GROUP, 14.25 %

Accordingly on 31 January 2008 the shareholder structure was as follows:

Shareholder structure in nationalities (31 January 2008)

	in %
Germany	60.65
The Netherlands	19.31
Switzerland	10.89
Luxemburg	2.19
Austria	1.76
USA	1.72
Great Britain	1.52
Other countries	1.96
Free float as per Deutsche Börse AG standard	65.71

Diversion of share capital

Private investors	39.50
Insurance and investment companies, banks	23.20
Other institutional investors and corporates	37.30

The share capital of Air Berlin PLC is held by a majority of 60.65% of German investors. In total, approximately 28,000 shareholders are registered.

DIRECTORS' REPORT AND BUSINESS REVIEW

Going Global. Air Berlin is a leading player in European aviation with premium service at favourable prices. With the acquisition of LTU, this unique business model is now being extended to global long haul flights.

COMPANY PROFILE

Unique business model

New price/performance standards

The Air Berlin Group is positioned with a clear brand strategy with its new brand name "airberlin". With its price/performance ratio, it is setting new standards in the intensely competitive air travel sector, and is the only European airline in the segment between the traditional full-fare airlines and the low-cost carriers with a very limited range of services.

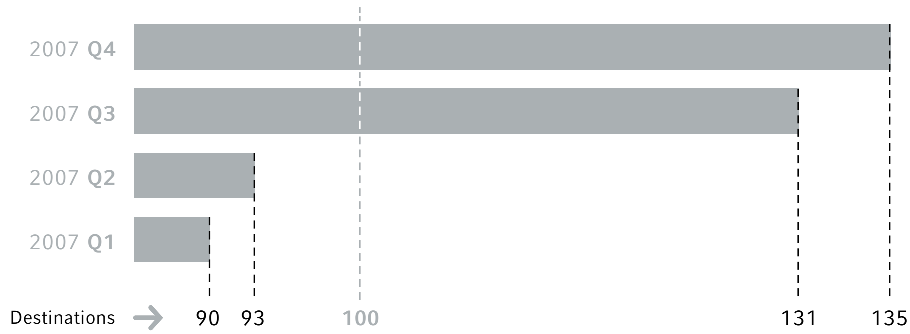
Concerning acquisition-based growth, Air Berlin has demonstrated its integration capability

The growth of the group is both organic and acquisition-based. In terms of acquisitions, Air Berlin recently demonstrated its integration capability. In August 2006, the funding derived from the successful IPO was partially used to acquire dba Luftfahrtgesellschaft München, which was fully integrated by the end of that year. In 2007, Air Berlin purchased the German airline LTU Lufttransport-Unternehmen GmbH as well as a controlling interest in the Swiss airline Belair Airlines AG, of which it assumed commercial control on 1 November. LTU's European destinations were also quickly and seamlessly incorporated into the Air Berlin network.

With almost 8,360 employees, a fleet of 124 aircraft (at of 31 December 2007) and 28.2 million passengers, the Group is the second largest German airline. In the low-cost carrier (LCC) market segment, the Air Berlin Group is the market leader in Germany and number three in Europe. As a result of the LTU acquisition, Air Berlin is now the fourth largest air travel provider in Europe. The Company has been a member of the International Air Transport Association (IATA) since 1997 and, accordingly, is deemed a scheduled carrier.

Air Berlin is accessible to its customers via a variety of sales channels and has a dense route network. The Group has slots at 20 German airports and flies to a total of 85 destinations in Europe as well as a further 8 in North Africa. The European cities served by Air Berlin include Barcelona, Budapest, Gothenburg, Helsinki, Copenhagen, London, Milan, Moscow, Paris, Rome, St Petersburg, Stockholm, Vienna and Zurich. The summer flight schedule provides more than 360 flights a week to Mallorca alone 17 destinations on the neighbouring islands, the Spanish mainland and Portugal are also served from the Palma de Mallorca hub.

LONG HAUL EXPANSION
(Q1 & Q2 EXCL. LTU & BELAIR, Q3 & Q4 INCL. LTU & BELAIR)



Our market presence is focused on the customer

Air Berlin puts its customer clearly at the centre of its market presence with the slogan "airberlin. Your Airline.". This slogan was introduced in connection with Air Berlin's entry into the long haul air travel market. The comprehensive range of services, in some cases in collaboration with premium partners, extends well beyond the usual flight-related services. In particular it includes numerous convenience solutions such as our own service centre – available around the clock, and the Air Berlin website, featuring online bookings and web check-in. Families travel for less, as children aged between two and eleven pay a third less. Snacks and drinks are offered free of charge on all flights. Premium partners provide additional services directly via the Air Berlin website.

Expansion to long haul market

Expansion into the intercontinental air travel market

With the acquisition of LTU and the purchase of the latest generation of long haul aircraft, the Air Berlin Group has continued its expansion into the intercontinental air travel market. With the LTU acquisition, Air Berlin became the largest airline serving the Düsseldorf airport located in the most important German domestic market with a catchment area of 18 million people. LTU will continue to operate as a legally independent company, with its own management within the Air Berlin Group. Its most important destinations are the Dominican Republic, the USA, Thailand, the Canary Islands, North Africa and Turkey.

A contract for delivery of 25 Boeing long haul aircraft was concluded between Air Berlin and the US aircraft manufacturer Boeing in July 2007. At the time of signing, this was the largest European order Boeing had received for its newly developed "Dreamliner". A firm order was placed for 25 aircraft, and options were agreed for a further 25 aircraft. Delivery is scheduled from 2012 to 2017, thus ensuring future fleet replacement.

Substantial discount on the Boeing bulk order

As a result of the size of the order, Air Berlin received a substantial discount on the list price of USD 4 billion for the firmly ordered 25 aircraft. With respect to the financing, Air Berlin has a number of options under consideration. Whether the aircraft will be leased or purchased will depend upon the developing market situation.

With Air Berlin and Hainan Airlines to almost everywhere in China

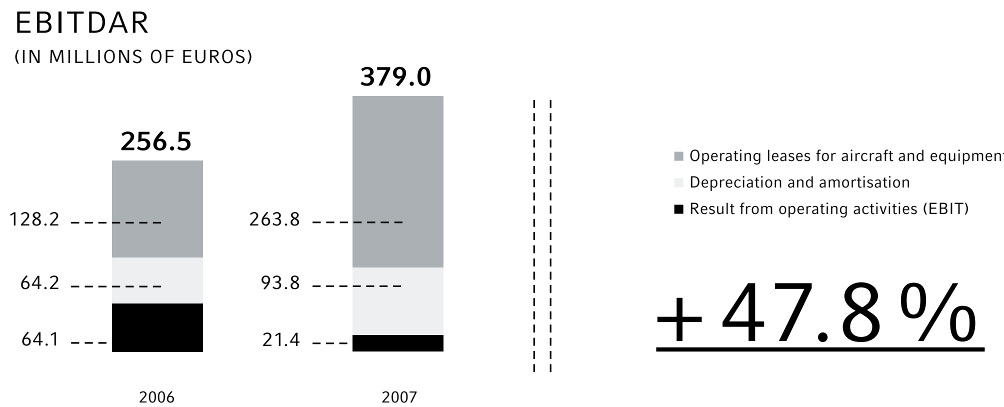
With its new partner, Hainan Airlines, Air Berlin has initiated firm steps for new long haul services. Hainan Airlines, China's fourth largest airline, has 125 aircraft and operates flights to 50 Chinese cities from Beijing alone. Hainan Airlines plans to launch a new route between Beijing and Berlin and, in turn Air Berlin will provide connecting flights within Germany and Europe. The long haul flights to Beijing and Shanghai will start at the beginning of May 2008, with five flights a week with feeder flights from Germany, Switzerland and Austria.

Thomas Cook: a strong new partner

On 20 September 2007, Air Berlin announced that it has agreed with Thomas Cook AG to a two-step acquisition of the shares of Condor Flugdienst GmbH by means of a share swap. In February 2009, Air Berlin will acquire the 75.1 percent share Thomas Cook currently holds in Condor. The remaining 24.9 percent of Condor will be acquired in February 2010, subsequent to Thomas Cook acquiring the remaining 24.9 percent of Condor from Deutsche Lufthansa AG in February 2009 by exercising a purchase option. In return for its share in Condor, Thomas Cook will receive Air Berlin shares to be issued, which, depending on the market quotation at the time the agreement is implemented, are valued at EUR 380 million to EUR 475 million. In the process, Thomas Cook may acquire an interest of up to 29.99 percent in Air Berlin.

The new partnership with Thomas Cook offers substantial growth opportunities

The acquisition of the Condor shares is subject to approval by the competent cartel authorities. Subsequent to the closing of the first step of the acquisition transaction scheduled to take place in February 2009, Thomas Cook will be represented on the Board of Directors of Air Berlin PLC. Air Berlin estimates that substantial synergies will result from a successful takeover.



CORPORATE STRATEGY AND PERFORMANCE INDICATORS

Clear focus on value enhancement

At Air Berlin, the corporate strategy is centred on rigorously increasing the value of the Company via growth in income. Its core is the Company's "hybrid strategy", which is unique in the aviation industry: high quality for products and services at low prices. Air Berlin is the only airline in Europe that fills the gap between the pure low-cost carriers with very limited services (no-frills airlines) and the traditional airlines with high-prices (full-fare airlines). This unique selling point ensures a high level of organic growth for Air Berlin with sharply rising passenger volumes in the intensely competitive air travel market. The success of the hybrid strategy-based business model enables the Company, via acquisition, to participate actively in the consolidation trend in the European aviation industry.

Since the beginning of 2008, the Air Berlin business model is being marketed rigorously as an unmistakable brand with a revamped image. With the new brand name "airberlin" and the slogan "airberlin. Your Airline.", we want customers to see us as the most convenient and best-value option for travelling by airplane even more than before. This approach is intended to appeal to everyone, those contemplating a holiday, business and shopping travellers as well as to families and individuals.

Growth targets concentrate on the improvement of market share and profitability

Air Berlin targets to grow by increasing its market share and extending profitability. For instance, market positioning is currently being enhanced by applying the hybrid strategy to the long haul business. The organic and acquisition-based opportunities are now also being rigorously utilised in this new growth area, as demonstrated by the takeover of LTU in the summer 2007. In both long haul and short haul, organic growth is achieved by constantly enhancing the service, particularly with new destinations, greater flight frequencies and continuous optimisation of the route network. The network expansion is to be ambitiously supplemented by appealing to more target groups. Furthermore, the new routes must fit with our existing route network. Despite this strict requirements, we are targeting organic growth which is significantly higher than that of the industry: Air Berlin is positioning itself as a growth company.

Marketing and sales

Brand recognition and customer loyalty are the cornerstones of our marketing strategy

More than 92% of Germans know Air Berlin. Even so, through increasing domestic and international brand recognition, the marketing strategy at Air Berlin continues to concentrate on increasing its customer base. To this end, the brand identity has been redefined in the context of globalisation. Another important marketing approach is the strengthening of customer loyalty. The additional benefits for customers are firmly emphasised and customer loyalty is rewarded with generous incentives.

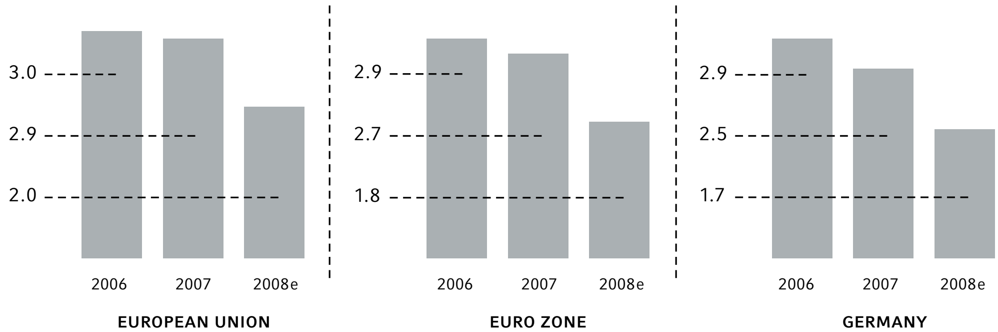
The Air Berlin topbonus programme is unparalleled in the LCC sector

In particular, generous incentives are provided by Air Berlin's and its partner airlines' top bonus frequent flyer programme, which is unparalleled in the low-cost carrier sector. According to status, the topbonus cards provide diverse additional services and exclusive special conditions above and beyond the conventional collection of miles. In addition, members are also offered an airberlin MasterCard or conventional EC card, giving clients the opportunity to gather free miles with every purchase. The response from passengers has been highly positive. By the end of 2007, more than a million customers had signed up for the topbonus program.

Strong presence as a sponsoring partner in sports

The advertising campaigns in print and electronic media, particularly on the internet, are to be supplemented and supported by a strong partner presence in the events sector and as a broad base sponsor in sport. Many prominent clubs such as FC Schalke 04, Hertha BSC Berlin and Borussia Mönchengladbach as well as the DEG Metro Stars, the Berlin Polar Bears and Alba Berlin are supported. In addition, Air Berlin is a partner of many outstanding sporting events in tennis, golf and equestrianism as well as athletics. Sponsorship partnerships are also in place with smaller clubs and teams from popular and fringe sports in order to successfully position the airberlin brand in the public eye.

ECONOMIC GROWTH IN EUROPE
(IN PERCENT)



The sales activities of Air Berlin are clearly aimed at differentiation from the competition. Customers receive immediately recognisable additional benefits from our combination of low prices, premium service and a dense, constantly growing network. All sales channels are being used and expanded.

Internal performance measurement

Prime objective in performance measurement: safety

First and foremost our prime objective is the observance of all relevant safety regulations. Operationally and strategically, a significant part of our performance measurement is cost and process efficiency. For this reason, the organisational structure is kept flat and transparent. Centralisation is implemented where it is economically viable and where across-the-board tasks can be carried out. This is the case with personnel functions, the centrally organised flight operations, and in-flight service.

The merging of the technical divisions offers substantial earnings potential

Following approval of the LTU acquisition by the antitrust authorities, Air Berlin has amalgamated parts of the technical divisions of Air Berlin, dba and LTU under the auspices of its London-based subsidiary, Air Berlin Technik Ltd. This new independent technical company not only services the Group's own fleet, but also provides services to other airlines, thus leveraging additional growth potential through economies of scale. As well as achieving greater capacity utilisation at individual locations, the amalgamation of these technical operations will provide cost synergies and a certain degree of insulation from seasonal fluctuations in flight operations.

Internally the Group uses EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) as a reflection of its earnings. EBITDAR is generally used as an operating indicator in the air travel industry and also by investors and analysts as the measurement that best reflects the industry's financing structure. On the basis of EBITDAR, the operating performance of airlines can be compared regardless of whether they buy a higher proportion of their aircraft and therefore have higher depreciation and possibly also higher interest costs, or are companies that lease more aircraft, i.e. have comparatively high expenses for materials and services, including leasing costs. Optimisation of the proportion of owned aircraft compared with leased aircraft and maximisation of the result from operating activities after financing can only feasibly occur on the basis of EBITDAR, as it adjusts the operating result by the two expense types, depreciation and leasing costs.

ECONOMIC ENVIRONMENT

The newly industrialising countries supported economic growth in 2007

In line with the forecasts of the International Monetary Fund (IMF), global GDP rose by 4.9% in 2007, although growth in the USA, the world's biggest economy, fell from 2.9% in 2006 to 2.2% last year. The newly industrialising countries, primarily China, India and Russia, were again the driving forces in the global economy, with some posting double-digit growth rates. In the USA, the effects of the property and mortgage market crisis that broke out in the summer showed its affects in the fourth quarter, with growth slowing to just 0.6%.

According to the European Commission, in the European Union and the euro zone, economic growth in 2007 proved to be robust until well into autumn, with growth rates of 2.9% and 2.7% respectively. In particular, Europe's biggest economy, Germany, continued to grow strongly as a result of flourishing investment and ongoing high export contributions despite the VAT increase in the spring. According to calculations by the German Federal Statistical Office, real German GDP increased by 2.5% compared to 2.9% from the previous year.

Oil price developments

Oil and kerosene reaching historical highs

Aircraft fuel is closely linked with the price movements of crude oil, of which it is a refined product. What is more, for several years it has been apparent that the price fluctuations in crude oil-based products such as aviation fuel have tended to be more pronounced than those for crude oil itself. Whereas a stable price trend of around USD 50 per barrel prevailed for the Brent variety at the beginning of 2007, analogous to the previous year, a sharper rise began at the end of the first quarter, leading to new all-time highs of almost USD 100 per barrel by the end of the year despite minor corrections. Prices for aviation fuel rose in line with the crude oil price development from around USD 600 per tonne of jet kerosene at the beginning of the year to over USD 950 per tonne at the end of the year.

There are various reasons for the recent rise in the USD price for crude oil. Economic causes can mainly be attributed to growing demand from the emerging growth markets and the distinct weakening of the USD against the EUR and JPY during the year. However, specific

GROWTH IN 2007

+6.0%	+5.5%	+6.8%	+10.4%
AIRCRAFT 124	DESTINATIONS 135	FLIGHTS 218,587	PASSENGERS 28,211,790

Non-economic effects dominate the oil price

non-economic effects pushed oil prices up last year. Primarily, the capital drain from traditional investment areas for international investors caused by the mortgage crisis in the USA led to increased exposure on the commodities markets. The resultant additional demand for commercial stocks of oil and oil-based products accelerated the price rise even further.

Interest and currency developments

The first half of 2007 was characterised by expectations of market players that prime rates in the euro zone were on an upward trend. The two slight prime rate rises by the ECB of 25 basis points to 4.00% reflected this trend, whilst the US Federal Reserve Bank initially left its prime rate unchanged.

The international financial markets crisis defines the trend in interest rates

Finally, the money markets became caught in the wake of the US mortgage crisis in July 2007. The fear of huge risk amounts hidden in the banks' balance sheets led to distinct distrust in the interbank market, with the result that the banks were hesitant to help each other out with liquidity and interest rates for overnight funds were therefore subject to intense fluctuations. Initially, individual central banks reacted by injecting liquidity running into billions. In the second half of 2007, the Federal Reserve then cut its prime rate by a total of 100 basis points. The ECB also stopped its previously restrictive approach, but left the prime rate unchanged in view of the increased inflation rate during this period.

Whereas the both main currencies, EUR and USD, traded within a relatively narrow band on the foreign exchange market between January and June 2007 (low of USD 1.2864 per EUR and high of 1.3622), the EUR gained strongly in the second half of the year, peaking at a rate of 1.4967. The uncertainty among the financial markets after the outbreak of the subprime crisis, the unwinding of carry trades (in JPY and CHF), the changing interest rate differentials and the central banks constantly acting on the markets by increasingly switching USD holdings into EUR, led to a soaring increase in volatility. Only in the last few weeks of the year was the EUR/USD exchange rate slightly corrected. Following the close-out of positions, the EUR traded between 1.4300 and 1.4600.

Developments in the aviation industry

Number of passengers hits new record in German domestic air traffic

Despite a weather-related dent in the spring, 2007 was a good year for German aviation. According to the German Federal Statistical Office, a total of 163.6 million passengers took-off or landed at German airports in 2007. Compared to 2006, this is an increase of 9.6 million passengers or 6.2%. With 24.1 million passengers, domestic German flights were up 6.3%, the biggest increase since 1996 and a new all-time high. The number of foreign passengers (boarding and exiting) rose by 6.2% to 139.5 million, a new record.

International air traffic from Germany also grew strongly in 2007

The number of passengers who travelled from Germany to airports in Europe increased by 5.9% to 107.9 million. Air traffic to destinations within the European Union was up 4.6% to 85.7 million passengers. Intercontinental traffic rose by 7.2% to 31.5 million passengers, headed by the USA. 9.6 million travellers who visited the United States, 8.8% more than in the previous year. Traditionally, the United Arab Emirates is one of the most popular flight destinations. 2007 saw an increase of 18.2%, making it the number one Asian destination. China came second with 1.6 million passengers and an increase of 10.4%.

According to the German Airport Working Group (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen – ADV), low-cost traffic was again the main factor in traffic growth. Traffic posted an increase of 20.8% compared with 24.0% in the previous year. Its share of overall traffic rose by 26.2%.

International air traffic grew more strongly in 2007 than in the year before

According to IATA, the international umbrella organisation of traditional full-fare airlines which claims to represent 94% of international air traffic, passenger volume in international air traffic rose by 7.4% in 2007. Last year's increase was well above the 5.9% posted in the previous year, which was in line with the long-term average growth of the industry. Therefore, measured in terms of passenger volume, 2007 was also a good year for passenger aviation at an international level. However, there were differences at the regional level. The Middle East posted the strongest passenger increase with 18.1%, whilst Europe and the USA performed well below average in international terms, with a growth rate of 6.0% and 5.5% respectively (previous year: 5.3% and 5.7%).

For the first time since 2000 the international airline industry was profitable in 2007

As the 7.7% rise in the number of revenue passenger kilometres (RPK) was higher than that of available seat kilometres (+5.9%), aircraft utilisation also increased. It rose by one percentage point to 77%. Measured on the basis of these figures, Air Berlin again outstripped industry growth in 2007. Cargo volumes increased by 4.3%, slightly down compared to the previous year's rate (+4.6%). In 2007, air freight remained considerably below the 7–8% average growth seen prior to 2006. Overall, the income trend in the industry continued to stabilise in 2007. After net profits fell just short of break-even in 2006 after five years of losses, last year saw a return to profit (USD 5.6 billion) for the first time since 2000.

OPERATING DEVELOPMENT

Passenger travel and the fleet

In 2007 almost 25 million passengers chose Air Berlin

Including the subsidiaries LTU, consolidated as of 31 July 2007, and Belair, consolidated as of 1 November 2007, the Air Berlin Group transported 24,951,757 passengers in 2007. Air Berlin itself accounted for 23,253,663 (+18.0% compared with the previous year), LTU accounted for 1,657,067, and Belair for 41,027 passengers. In the whole financial year, LTU transported 4,567,817 passengers and Belair transported 390,310 passengers. Assuming, pro forma, that LTU had been part of the Air Berlin Group for the whole financial year, the total number amounts to 28,211,790 passengers, which means +10.4 percent comparable to the previous period.

Air Berlin and LTU (31.12.)

	+/– %	**2007**	2006
Aircraft	6.0	**124**	117
Flights	6.8	**218,587**	204,699
Destinations	5.5	**135**	128
Passengers (thousands; "pax")	10.4	**28,211**	25,561
Available seat kilometres (billions; ASK)	5.9	**59.38**	56.09
Revenue passenger kilometres (billions; RPK)	7.7	**46.07**	42.77
Passenger load factor (%; pax/capacity)	1.57*	**77.30**	75.73
Number of block hours	5.4	**461,823**	438,217

*percentage points

Strong increase in the passenger load factor

On the above pro forma basis, the number of seats available rose by 8.1% from 33,754,968 in 2006 to 36,495,479. As the passenger volume increased much more sharply, utilisation measured on the basis of the passenger load factor grew satisfactorily by 1.57 percentage points to 77.3% in 2007. As the number of flights grew at a slower pace than the passenger volume at 6.8%, there were more passengers on each flight.

PREMIUM BUSINESS CLASS

LAY DOWN AND FLY

Passenger volumes at the ten most important Air Berlin destination airports; departures plus arrivals, including connecting flights

Air Berlin ex LTU (1 Jan. – 31 Dec.)	+/– %	**2007**	2006
Palma de Mallorca	+12.4	**5,694,895**	5,067,479
Berlin (TXL, SXF, THF)	+20.4	**4,880,418**	4,055,158
Düsseldorf	+29.3	**4,039,544**	3,123,468
Munich	+24.6	**3,347,088**	2,686,297
Hamburg	+25.0	**2,520,566**	2,016,082
Nuremberg	+14.6	**2,356,513**	2,055,746
Cologne	+7.8	**1,361,216**	1,262,414
Vienna	+19.2	**1,260,919**	1,057,825
Hanover	+2.3	**1,212,596**	1,185,213
Stansted	–5.4	**1,156,760**	1,222,726
All Others	+15.8	**16,599,845**	14,331,582
TOTAL	+16.7	**44,430,360**	38,063,990

Joint passenger volume for Air Berlin and LTU, at the ten most important LTU destination airports; departures plus arrivals, including connecting flights

Air Berlin including LTU (1 Jan. - 31 Dec.)	+/– %	**2007**	2006
Düsseldorf	+11.0	**6,498,725**	5,853,601
Palma de Mallorca	+8.2	**5,942,079**	5,493,383
Berlin (TXL, SXF, THF)	+17.1	**5,100,972**	4,355,970
Munich	+19.1	**4,343,813**	3,646,425
Hamburg	+20.0	**2,532,631**	2,110,641
Nuremberg	+14.5	**2,362,042**	2,062,111
Cologne	+5.0	**1,475,423**	1,405,560
Vienna	+12.1	**1,261,060**	1,125,073
Hanover	+1.7	**1,217,263**	1,197,009
Frankfurt	–7.8	**1,168,189**	1,267,263
All others	+5.7	**21,208,165**	20,055,922
TOTAL, Air Berlin + LTU	+9.3	**53,110,362**	48,572,958
TOTAL, LTU	–17.4	**8,680,002**	10,508,968

AIR BERLIN IN GERMANY

(MILLIONS OF PASSENGERS*)

*Figures for Air Berlin, LTU and Belair for the entire 2007 business year

Evenly shared growth between the most important airports

As in the previous year, the growth in passenger volume was evenly distributed among the most important airports. In particular, the key airports of Berlin, Munich and Düsseldorf posted stable increases. Air Berlin also has enjoyed sustained strong growth in Vienna. Despite the weather-related dent in spring, significant double-digit growth rates were generated in Palma de Mallorca. As in the preceding years, this important hub has clearly maintained its lead over all other destination airports served by the "old" Air Berlin, i.e. before including LTU. However, including LTU for the full year, it is also clear that the integration of LTU has seen Düsseldorf airport take first place. The strategy of using the acquisition of LTU not only to tap into the long haul market but also to extend access to the most important German catchment area has proved to be a complete success. In the 2007 business year, LTU transported almost 2.5 million additional passengers to the Düsseldorf airport.

The integration of LTU has seen Düsseldorf take first place among Air Berlin's destination airports

Strong rise in passenger volume during the seasonally important quarters

In 2007, the passenger volume deviated in the second quarter beyond the usual seasonal fluctuations. However, as a result of some successful special offers, the passenger figures, in the traditionally slower first three months, still rose by 11.7% as compared to 13.6% in 2006. However, the usual holiday-related surge in the second quarter largely was missing this year. This is attributed to the very warm spring in Central Europe resulting in slack tour operator business in April, and the very poor weather in the Balearics. Nevertheless, despite the dent in growth in April, primarily from slack tour operator business affecting the Spanish destinations, a significant double-digit growth rate was achieved for the quarter as a whole. The second quarter of 2007 was the only quarter posting a decline in utilisation compared to the previous year. In contrast, the other quarters all recorded significant increases; in the key third quarter in particular, utilisation was up by 2.2 percentage points to almost 84%.

These successes are primarily the result of the further network optimisation following the successful integration of the subsidiary, dba, purchased in 2006. As the independent brand identity of dba was dropped in April, its integration has come to a successful conclusion, also visually.

AIR BERLIN IN EUROPE

(MILLIONS OF PASSENGERS*)

PAX 2007: VIENNA

VIE 1.3

PAX 2007: LONDON-STANSTED

STN 1.2

PAX 2007: PALMA DE MALLORCA

PMI 5.9

*Figures for Air Berlin, LTU and Belair for the entire 2007 business year

Seasonal effects in utilisation Air Berlin and LTU (pax/capacity)

		2007	2006
Q1	Pax	**5,245,544**	4,760,904
	Capacity	**7,550,943**	7,068,697
	Utilisation	**69.47 %**	67.35 %
Q2	Pax	**7.394.281**	6.913.437
	Capacity	**9.521.029**	8.810.459
	Utilisation	**77.66 %**	78.47 %
Q3	Pax	**8.799.317**	7.991.662
	Capacity	**10.480.283**	9.780.298
	Utilisation	**83.96 %**	81.71 %
Q4	Pax	**6.772.648**	5.895.187
	Capacity	**8.943.224**	8.095.514
	Utilisation	**75.73 %**	72.82 %
Total year	Pax	**28.211.790**	25.561.190
	Capacity	**36.495.479**	33.754.968
	Utilisation	**77.30 %**	75.73 %

2007 saw the Air Berlin Group fleet grow by 7 aircraft

In the pro forma assessment, the fleet of the Air Berlin Group consisted of 124 aircraft at the end of the 2007 business year, 7 aircraft more than in the previous year. The fleet renewal which began in 2006, with the A320 aircraft replacing the Boeing 737-400 aircraft, was continued in 2007, with the replacement of the Boeing 737-300 aircraft with A320 aircraft. The A320 is now the Airbus most operated by Air Berlin. The Fokker F100 aircraft fleet is also being phased out as planned.

The contract with Boeing for delivery of 50 (25 firm and 25 option) Boeing long haul aircraft from 2012 to 2017 will not only modernise the fleet but also will secure long-term, long haul capacity. The highly modern aircraft with kerosene-saving aerodynamics and light-weight design will primarily replace older aircraft, but also will contribute to the growth of the Air Berlin fleet.

Fleet Air Berlin Group (31 December)

	Number in 2007	Number in 2006
A319	**8**	4
A320	**30**	11
A321	**4**	4
A330-200	**9**	9
A330-300	**3**	3
B737-300	**0**	14
B737-500	**10**	1
B737-700	**12**	6
B737-800	**35**	35
B757	**2**	0
B767	**1**	0
F100	**10**	17
Total	124	104

Shares of ticket sales in 2007, by distribution channels, in per cent

	2007	2006
Individual ticket sales	**62.8**	65.1
Website Air Berlin	**29.0**	29.4
Service centre Air Berlin	**2.6**	4.0
Ticket counter Air Berlin	**1.7**	2.0
Travel agencies	**27.2**	27.0
Internal sales	**2.3**	2.7
Charter and tour organisers	**37.2**	34.9

In 2007, approximately two-thirds of Air Berlin's ticket sales were once again single-seat sales, with approximately one-third sold through tour operators and tour organisers (bulk tickets). With the acquisition of LTU, the proportion of bulk tickets rose slightly over last year. This relatively high proportion of bulk ticket sales makes Air Berlin unique among the European low-fare carriers, which otherwise are largely unrepresented in the charter market. Air Berlin's single-seat ticket

Broad variety of strong and extremely well established sales channels

sales are also unique. In contrast to others in the industry, Air Berlin sells a large number of tickets conventionally, via travel agencies. Air Berlin uses a variety of established sales channels, which includes its fast growing online sales and sales via its service centre. All sales methods are emphasised and will continue to play an important role for Air Berlin.

The relaunch of brand identity comes with a new brand name

Air Berlin has a strong brand, is widely known and boasts a very broad customer base with 28 million passengers in 2007. The relaunch of the brand identity and the new brand name "airberlin. Your Airline." is intended to strengthen further customer loyalty and extend the additional services provided by Air Berlin. The "airberlin community" is not only a highly interesting target group with respect to air travel. Partnerships with numerous service providers in other areas of travel deliver extra revenue potential. Building on the sound core business of holiday, business and shopping flights, the product range for travellers will be systematically expanded.

Sales from additional services rise strongly

The success of this strategy is impressively demonstrated by the revenues from these additional services, which almost doubled in 2007. In particular, the convenience sector grew strongly. For instance, revenue from in-flight sales was up 68.7%, and the credit card business grew by 60.3%. The strong increase in revenues from technical services is to be regarded as a particular success. Technical service revenues have more than doubled, meaning that we have quickly achieved our strategic goal of obtaining third party business as a result of the spin-off described below.

Revenues from additional products and services associated with flying

	2006 EUR million	2006 %	2007 EUR million	2007 %
In-flight sales	16.3	28.1	27.5	23.8
Credit card business	7.3	12.5	11.7	10.1
Excess luggage	5.9	10.2	11.3	9.8
Air Berlin card	2.1	3.7	1.8	1.6
Seat reservations	2.1	3.6	4.3	3.7
Technology	13.1	22.5	29.3	25.4
Promotional	5.0	8.6	8.4	7.2
Others	6.3	10.8	21.2	18.4
Total	58.1	100.0	115.5	100.0

Spin-off of maintenance services

Spin-off of maintenance services leverages major synergies

In 2007, plans were made to merge the technical divisions of Air Berlin and its subsidiaries under the umbrella of the London based "Air Berlin Technik Ltd." as a group from the beginning of 2008. Including its subsidiaries the group employs around 1,200 staff.

With the establishment of the Air Berlin Technik, the first major synergies from the LTU integration will be leveraged in 2008. To improve utilisation at the individual locations, specific cost savings are being generated. Furthermore, Air Berlin has, with this spin-off, created growth potential in third party business which provides for a certain degree of insulation from the seasonal fluctuations.

In August 2007, Tegel airport started operating its new 9,000 square metre terminal building with six gates. Air Berlin has taken over the new terminal as the main user.

DEVELOPMENT IN FINANCIAL FIGURES

Investment in the future. With the LTU acquisition, Air Berlin has opened the door to long haul flights. The response from investors was positive: both the capital increase as well as the convertible bond issuance were well received.

RESULTS

Consolidated overall revenue rises by more than 60 %

In 2007, consolidated total revenue rose by 61.0% to EUR 2,536.5 million compared to EUR 1,575.4 million in the previous year. Organic and acquisition-related growth contributed to this increase. Single-seat ticket sales rose by 67.5% to EUR 1,453.4 million, and revenues from tour operators and tour organisers were up 46.0% to EUR 861.3 million. The increase in revenue would have been significantly higher if the weather-related slowdown in April 2007 had not sparked off a fierce price war on routes to Palma and the Spanish mainland. Despite the recovery of passenger volume shortly thereafter, ticket prices remained for a long period at an unsatisfactory level. Duty-free revenues and revenues from ground and other services associated with flying as well as code-sharing increased particularly strongly by 68.4% and 92.0% respectively. Therefore there was a further increase in the already highly positive trend in supplementary revenue.

In contrast to the previous year, the increase in operating expense items outstripped the increase in revenue. This particularly applies to personnel expenses. Headcount was increased by the LTU acquisition, which explains part of the rise in personnel expenses. However, the delay of the LTU integration resulted in restructuring expenditure in a number of cost categories. The route networks of Air Berlin and LTU as well as the operating processes were not coordinated as quickly as planned.

In contrast, the rise in expenses for materials and services was generally in line with that of revenues. Whilst fuel costs posted only a slightly above-average increase of 62.4%, with the sharp fall of the USD against the EUR partially cushioning the huge dollar price rise, leasing costs more than doubled. This was largely due to the above-mentioned delays in the LTU integration, as a result of which expensive wet leases were necessary. Expenses for materials such as catering, procurement for in-flight sales, airport, navigation and other fees, were kept strictly controlled and well below the rise in revenues. This demonstrates the significant synergy potential from the integration of acquired companies.

The delay of the LTU integration resulted in restructuring expenditure

Key items of other operating expenses also posted above-average increases. This particularly pertains to expenditure for maintenance of flight-related equipment. As to be expected, expenditures for training as well as consultancy and auditing had, as a result of the LTU acquisition, an above-average increase.

EQUITY

(GROUP; IN MILLIONS OF EUROS)

+35.7%

2006

437.8

2007

594.2

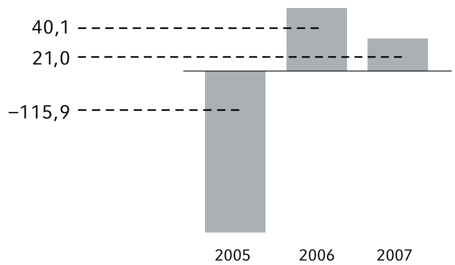
EBITDAR (earnings before interest, tax, depreciation, amortisation and rent, i.e. aircraft leasing expenses), amounted to EUR 379.0 million compared with EUR 256.5 million in the previous year. This represents a 47.8% increase. The EBITDAR margin therefore came up to 14.9% in the 2007 business year compared with 16.3% in the previous year. This is a good overall result, in light of the spring weather-related price war and the additional costs associated with the delays of the LTU acquisition.

Strong increase in leasing costs leads to lower EBIT

In contrast, the result from operating activities (EBIT) declined from EUR 64.1 million in the previous year to EUR 21.4 million in the 2007 business year due to significantly higher operating leasing costs. The financial result before currency effects changed only slightly from the previous year. Significantly lower foreign exchange gains – largely arising from currency translation differences – than in the previous year led to a lower financial overall result. Consequently, a loss before tax of EUR –13.3 million was generated.

In 2007 a tax benefit of EUR 34.3 million was realised, thereof EUR 8.0 million from the change in German tax law. In 2006 the Group had recorded a deferred tax asset of EUR 10.0 million which it anticipated being made available to the Group. However, this benefit was not in fact available and the 2006 results and net assets have been restated acccordingly. As a result the profit for the year in 2006 is EUR 10.0 million lower (EUR 40.1 million instead of the originally recorded EUR 50.1 million). The profit for the year 2007 is EUR 21.0 million or EUR 0.33 per share after EUR 0.76 per share last year. The result from operation activities of both years including the profit (loss) before tax remain unaffected by this non-cash shift between two reporting periods.

PROFIT FOR THE YEAR
(IN MILLIONS OF EUROS)



OPERATING EXPENSE 2007 UP 65% WITH OIL PRICE INFLATION BEING THE MAJOR REASON

BALANCE SHEET AND CASH FLOW

Balance sheet total rises strongly due to LTU acquisition

The Air Berlin balance sheet was again significantly characterised by acquisition-related growth in 2007. As at 31 December 2007, total assets considerably increased compared with the previous balance sheet date as a result of the LTU acquisition and increased by 58.7% to EUR 2,519.2 million (2006: +49.5%, largely as a result of the dba takeover).

The increase impacts nearly all major balance sheet items. Non-current assets have increased by 52.4% or EUR 565.6 million to EUR 1,644.4 million. This includes acquisition-related increases in intangibles by EUR 244.0 million (LTU share: EUR 243.2 million) and in equipment (property, aircraft, technical and other equipment) by EUR 264.3 million. Current assets grew by 71.8%. Whereas inventories remain insignificant, receivables and advanced payments due to aircraft orders showed a significant increase as at the reporting date. Cash and cash equivalents were up 48.3% to EUR 468.7 million.

In contrast, the asset structure changed only slightly. Non-current assets accounted for 65.3% of total assets compared with 67.9% in the previous year. Accordingly, the share of current assets rose slightly to 34.7% from 32.1%.

On the liabilities side, total equity was up EUR 156.3 million or 35.7%. In addition to an increase of EUR 21.0 million from income and EUR 12.3 million from the hedging reserves recognized in equity, the funds from the capital increase on 28 March 2007 totalling EUR 94.8 million (net of tax) and the equity portion of the convertible bond issued on 11 April 2007 in the amount of EUR 27.4 million, which both helped to finance the LTU takeover, are reflected. As of 31 December 2007, the equity ratio was 23.6% compared with 27.6% in the prior year.

Non-current liabilities increased by 65.8% or EUR 389.4 million to EUR 981.2 million. The rise largely consists of the liability component of the convertible bond (EUR 182.0 million) as well as higher leasing liabilities. Current liabilities increased to a similar extent as non-current liabilities. The increase is primarily attributable to the increase in non-current trade payables and other liabilities.

Net cash flow from operations influenced by business tax reform

Cash generated from operations amounted to EUR 112.3 million for the 2007 business year compared with EUR 132.0 million in the previous year. The decrease is largely income-related: depreciation rose by 46.0 % following the high level of investment in the previous year. Cash flow-impacting changes to current assets primarily relate to a recovery of committed capital in inventories with a positive swing compared to the previous year of EUR 7.0 million. After net interest and taxes paid of EUR 27.2 million (previous year: EUR 22.4 million), the net cash flow from operating activities came to EUR 85.1 million after EUR 109.6 million.

Strong cash inflow through financing of LTU acquisition

Cash flow used in investing activities came to EUR 259.5 million in 2007, compared with EUR 373.5 million in the prior year. The effects of the sale and lease back of aircraft purchased plus the repayment of advance receipts in 2006 resulted in a decline of net purchases of tangible and intangible assets to EUR 124.6 million compared to EUR 241.8 in 2006 (purchases, proceeds from sale and advanced receipts for sale of tangible assets repaid in 2007). Advanced payments for non-current assets rose by EUR 46.8 million to EUR 95.6 million. Net payments for acquisitions totalled EUR 39.8 million compared with EUR 83.5 million in the previous year. In 2007, the cash flow from financing activities increased by EUR 116.8 million to EUR 420.2 million. The financing of the LTU acquisition is largely reflected by the net inflow of funds from the convertible bond of EUR 213.6 million and the cash generated from the capital increase of EUR 92.8 million net. Overall, a total cash inflow of EUR 245.8 million was generated compared to EUR 39.5 million in the previous year.

REVENUE

(IN MILLIONS OF EUROS)

+61.0%

2006

1,575.4

2007

2,536.5

SOCIAL RESPONSIBILITIES

The Air Berlin team is continuing to grow. Air Berlin welcomed 3,290 new employees with the acquisition of LTU and Belair. In particular, the service-oriented sectors were strengthened.

EMPLOYEES

Air Berlin significantly increased its staff in Germany in the 2007 business year. This occurred primarily through the acquisition of LTU, which brought 3,089 new employees to the Group. With Belair in Switzerland, a further 201 employees joined the Group.

Air Berlin created 1,100 additional jobs in 2007

At the end of 2007, the Air Berlin Group employed approximately 4,700 women and approximately 3,650 men. With a total of 8,360 employees, the headcount has more than doubled, as there were "only" 4,037 employees plus 71 interns and temporary workers (students and retirees) at the end of 2006. Adjusted for the new dba/LTU/Belair employees, Air Berlin created 1,100 new jobs in 2007. The employees at Air Berlin are on average just under 35 years old. Air Berlin employs a total of 511 persons in other countries, 199 of them in Spain and 261 in Switzerland. dba does not have any employees outside Germany. LTU has 9 staff in Vienna.

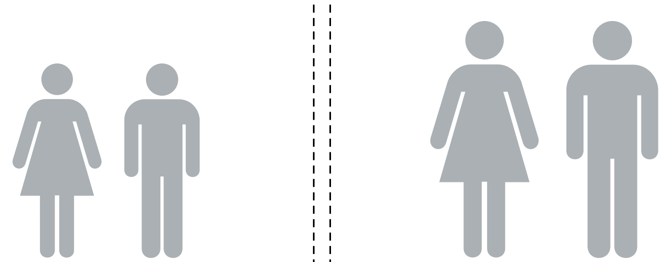
1,600 people work part-time at the Air Berlin Group. In addition, 58 Air Berlin flight deck employees are taking advantage of an employment model known as "Take a Month Off", with adjusted salaries. Depending on the particular Air Berlin station, a certain number of captains and/or copilots can participate in the "Take a Month Off" programme in the summer season (1 May to 31 October) and/or the winter season (1 November to 30 April), each up to a maximum of three months. Taking this into consideration, the proportion of part-time employees is 20 per cent.

Employment Structure Air Berlin and LTU

	31.12.2007*	31.12.2006
Flight crew	**1,387 (359)**	816
Cabin crew	**3,405 (1,496)**	1,419
Technical staff	**1,029 (531)**	438
Administration	**2,539 (703)**	1,435
Total	**8,360 (3,089)**	4,108

*Total number of Air Berlin employees / in brackets the number of LTU employees

EMPLOYEES



2006: 4,108

2007: 8,360

Successfull amalgamation of technical divisions

Following dba in the previous year, LTU was acquired in 2007 to enable the Air Berlin Group to tap into additional growth potential, particularly with entry into the long haul business. Synergy effects will also clearly be generated with the LTU integration. By combining activities sensibly, cost savings will be generated, especially in staffing where there are redundancy opportunities. The amalgamation of the technical divisions provides both elements: more productivity through streamlined processes combined with additional business volume through expansion of services to third-party customers. The focus is clearly on increases in productivity and enhanced prospects.

Air Berlin invested heavily in crews in 2007. Among the flying personnel, the number of cockpit employees was increased by more than one-fifth; 194 new recruits were accepted at Air Berlin, 25 at LTU, 15 at dba, and 17 employees were hired at Belair. Moreover, 665 flight attendants were trained and hired at Air Berlin's subsidiary CHS (Cabin and Handling Services) in 2007. The figure was 235 at LTU, whilst dba recruited 35 additional flight attendants and Belair 46.

Broad range of career opportunities

43 young individuals began apprenticeships at Air Berlin in 2007 in vocational training in flight-related careers. One-third of these apprentices were trained as travel clerks, one-third as air traffic clerks, and one-third as office communications clerks. Nine apprentices successfully completed their training in 2007; eight moved on to regular employment within the Company. 45 young individuals began apprenticeships at LTU in 2007. In addition to the commercial vocational training (steward in aviation and office clerks), aircraft mechanics and electronics engineers for aviation systems are being trained. 17 trainees successfully completed their training and moved on to temporary or regular employment.

In February 2007, Air Berlin started pilot training in co-operation with TFC (Technical Flight Consulting). In total, 4 classes with a total of 48 students began their training. The new flight school is attracting significant interest, and provides the students with all training required for full accreditation. The two-year training concludes with the awarding of the commercial pilot's license (CPL-IR). Training is carried out in small classes with a maximum of 15 students with state-of-the-art equipment. Air Berlin together with Commerzbank and Deutsche Bank facilitate the financing of their training. Loans of up to EUR 60,000 are made available. During the training period Air Berlin covers the payment of interest.

Employee communication and participation

Flat organisational structure leads to efficient communication

To foster communication in-house, Air Berlin pursues an "open door" policy across the hierarchy. Our flat organisational structure leads not only to more efficient communication but also promotes a culture of togetherness. Air Berlin regularly, extensively and promptly informs its employees with respect to Company matters relating to them, and in particular concerning those matters of economic and financial nature. This is done by methods of communication such as the Company's own Intranet (Corporate Web), or the Board's regular "letters to the employees". Furthermore, new employees receive a comprehensive package with information about Air Berlin.

Air Berlin considers itself an equal-opportunity employer and welcomes applications from all persons, including those with disabilities. If an employee were to become disabled, the Company would try to maintain continuity of employment, provided that there are duties which the disabled employee can perform, taking into account the nature of the disability. Air Berlin intends to provide suitable training where possible to develop the careers of disabled employees.

AIR BERLIN GOES GLOBAL

ADDITIONAL DESTINATIONS

273,000

KILOMETRES OF NEW DESTINATIONS

Five times a week from Düsseldorf to Beijing and Shanghai

SOCIAL RESPONSIBILITIES

Air Berlin is aware of its social responsibilities

As the second-largest German airline, Air Berlin is aware of its social responsibilities. In the 2007 business year, Air Berlin gave donations totalling EUR 172,107 in connection with the support of social and charitable projects (2006: EUR 149,813). The Company promotes specific initiatives dedicated to the assistance and support of the disadvantaged in our society.

For many years Air Berlin has helped those who suffer from cystic fibrosis

To this end, the Christiane Herzog Foundation for cystic fibrosis sufferers was supported for the twelfth consecutive year in 2007. Cystic fibrosis is the most frequent hereditary metabolism disorder and a cure has yet to be found. In Germany, around six to eight thousand children and young adults suffer from this disease. The Foundation is Christiane Herzog's lifework and legacy. True to the slogan, "Helping through Action", she fought for permanent improvement for those afflicted. Each year Air Berlin flies more than 45 children, with accompanying caregivers, to Gran Canaria for rehabilitation therapy. The Company initiates contribution campaigns and helps to finance Foundation events.

Since April 2006, Air Berlin has offered its passengers exclusively the "Café Intención" beverage, a fairly traded high-quality coffee made by the J.J. Darboven coffee company and awarded the TransFair seal of approval. Over 20 tons were served in 2007! In doing so Air Berlin supports small coffee growers and contributes to their economic survival. The small agricultural co-operatives in Central and South America profit particularly from this arrangement. The TransFair initiative is supported by around 40 member organisations from various sectors such as development aid, churches, welfare, consumer protection, co-operatives, education and environmentalists. Furthermore, the European Union, the German federal government, political parties and many committed individuals support TransFair.

Our customers drink TransFair sealed coffee

In 2007, Air Berlin also supported the United People Charity Night in aid of Power-Child e.V. The purpose of this non-profit organisation is to strengthen children's sense of self-confidence so they can better recognise hazardous situations and defend themselves in specific situations. Air Berlin donated EUR 75,000 to this project.

Air Berlin does not make donations to political parties.

ENVIRONMENTAL ACTION

State-of-the-art aircraft

The Dreamliners ordered from Boeing last summer will significantly contribute to reducing fuel consumption and noise. The twin-engine Dreamliner officially developed by Boeing since 2004, features new aerodynamics, lightweight composite materials and particularly fuel-efficient engines. Compared with conventional aircraft, a fuel saving of 20% per seat may be achieved – CO_2 emissions are reduced accordingly. In the 787-8 version with 272 seats (including 30 in Business Class) as ordered by Air Berlin, fuel consumption per passenger per 100 kilometres is only 2.5 litres. By opting for the Dreamliner, Air Berlin is making a key contribution to environmental protection above and beyond all theoretical debates without being compelled to by law. The aircraft has a maximum range of 15,200 kilometres. It will be used by Air Berlin on long haul routes.

Less weight, less fuel. Air Berlin is constantly looking for new opportunities to reduce fuel consumption – right down to the “paperless” cockpit! Air Berlin is well aware of its responsibility to the environment and future generations. In particular, noise abatement and reduction of exhaust emissions are systematically pursued. In this way, emission levels are kept as low as possible through various measures. This has an economic benefit: ultimately, kerosene is a key cost factor.

Very young fleet

One of the key elements of Air Berlin’s environmental commitment is its fleet policy. Our Company operates one of the industry’s youngest fleets. At the close of the reporting year, the aircraft were, on average, just 5.2 years old. Investment policies aim at keeping the average age of the Air Berlin fleet consistently at approximately six years. As a result, fuel consumption is significantly below the industry average.

All new aircraft carry winglets or wingtips

Other notable fuel-saving contributions by Air Berlin include the installation of special features on its aircraft. Almost all aircraft have winglets (Boeing) or wingtips (Airbus), small extensions at the tips of the wings. They improve the wings’ aerodynamics and contribute to reduced fuel consumption. A fleet containing aircraft with these features will use around 3% less fuel than one without winglets. All new orders at Air Berlin are for aircraft with winglets or wingtips.

Air Berlin's young fleet is also considerably quieter

Moreover, the new Air Berlin aircraft are considerably quieter than comparable older aircraft. This is a major competitive advantage as Air Berlin serves in particular airports which are close to or within major cities.

In general, the Company contributes to environment protection and in particular to further reduction of fuel consumption by co-ordinating route plans as efficiently as possible, optimising routes in accordance with prevailing wind and weather conditions, and thus minimising flight times. The same is true for achieving the highest possible efficiency on the ground. All newly delivered aircraft, Airbus as well as Boeing, are fitted with "tech insertion engines" to their manufacturers which, according have 15 – 20% lower nitrogen oxide emissions.

RISK REPORT

A central role. Risk management at Air Berlin means increasing the Company's value. Risk reduction enables the reduction of costs and reveals business opportunities.

RISK PHILOSOPHY AND POLICIES

Comprehensive risk managament system

As an international airline, Air Berlin is confronted with a multitude of risks. Early identification and control of risks are central tasks for management and every employee. This is accomplished by means of an efficient risk management system that reflects all of the elements of the Company. Through the identification and control of risks, business opportunities can be identified and taken advantage of.

The Air Berlin risk management system currently in place was introduced in the first quarter of 2006 and is an integral component of our operating and reporting system. The registered risks are continuously updated using computer software. Risk reporting includes the review and assessment of all risks in the individual departments. This may include the new registration or reassessment of risks having regard to the probability of occurrence and the loss potential associated with existing risks as well as identifying risks that have been eliminated. In general a quantitative, i.e. monetary, assessment of risks is undertaken; a qualitative evaluation is permissible only in exceptional cases.

Company-wide risk reporting

Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures, is submitted each quarter for review and assessment and the implementation of measures where appropriate. Significant risks are reported to the Board.

Thus risk management at Air Berlin makes a decisive contribution to early recognition of strategic and operational risks and contributes to effective management of these risks as well as making it possible to recognise opportunities and potential for improvement.

GENERAL AND OVERALL ECONOMIC RISKS

The air travel industry is deemed to be a classical "cyclical industry", where changes in the general business climate exert particular impact. Consumer behaviour and developments in the labour markets can have an exaggerated effect on the tourism sector and thus on passenger volumes to holiday destinations. Air Berlin is exposed to such risks and other outside risks, such as those matters subject to political influence.

The Air Berlin business model avoids risk clusters

The Company limits these general risks in a number of ways. With strategic and operationally focused management based on stringent organisation together with our commitment to safety, efficiency and cost reduction, many risks can be contained. The Company further ensures that sufficient management resources are available to reduce the specific risks associated with rapid growth.

Additionally, the Air Berlin business model exhibits specific risk diversification components. Its positioning as a low-cost airline with premium service aims at the target groups comprising holiday travellers as well as business and other leisure travellers. With the integration of dba and LTU, the Company has expanded business flights within Germany and added intercontinental flights to its range of services. Under the new brand identity, customers can now choose from a significantly increased range of flights. In addition, the revamped topbonus offer makes the available flights more attractive.

High continuity in passenger volume contains volatility risks

With the increased variety available to business travellers, the volume of service contracts between Air Berlin and European companies has grown considerably. This leads to a high degree of continuity in passenger volumes and reduce risks that can arise from seasonal fluctuations in the holiday travel business. To further reduce the Company's risk exposure, sufficient insurance coverage is obtained to cover insurable risks. This cover is managed centrally.

INDUSTRY-RELATED RISKS

The airline industry is highly competitive and this is true especially for the low-cost segment. Moreover, aviation competes with ground transportation options particularly with regard to short haul routes. Air Berlin sees these "risks" as challenges that will be overcome with the successful hybrid business model. Beyond maintaining our own competitive position, it opens up potential for gaining additional market share from both the flagship carriers and the conventional LCCs. The organic growth rates at Air Berlin underscore the success of this approach.

Flexible business model

To ensure that this development continues, the business model is constantly compared against market developments. Moreover, Air Berlin stays ahead of the market by continuing to successfully provide new supplementary products or “frills” in service and shaping the market to its own benefit. The niche position between the classical flagship airlines and the conventional low-cost carriers permits a high degree of flexibility, far beyond pure price-based competition.
Its unique positioning clearly separates Air Berlin from the conventional European LCC sector and from the problems of overcapacity that have grown in recent years where the battle for market share is carried out almost exclusively through pricing and, as a result, through cost cutting. Rather, Air Berlin takes advantage of the opportunities of the accelerating consolidation process at the European level. The acquisition of LTU, which has further enhanced the Company’s service with long haul flights, is an example of such participation.

Company-wide compliance

The aviation industry is subject to extensive regulation by national and international agencies and institutions. Air Berlin observes the relevant regulations and laws with a company-wide compliance programme. It ensures internal registration and compliance, including the submission of any documentary requirements to the relevant agencies as well as the adaptation of any amendments which are necessary to reflect any changes in the regulations.

Safety and security

Air Berlin continuously does its best to ensure safe and secure operations. Matters with respect to security have disrupted operations in the past and may do so in the future. Safety and security in the airline industry are subject to strict requirements and legal regulations. The Group fulfils all of these obligations.

Financial risks

A Group-wide treasury management system covers and evaluates all matters associated with interest and exchange rates in line with market conditions. Both the underlying transactions and the hedging activities are incorporated into this system. The treasury management system includes those hedge relations required by IAS 39 for hedge accounting and the calculations for hedge effectiveness. All the hedging arrangements entered into are continuously monitored in terms of their effectiveness and modified as necessary.

Professional participation on the financial markets

Internal guidelines have been developed that define operative action guidelines and cover the subjects of liquidity, foreign exchange, interest, risk and cash and asset/liability management, supporting diligent and professional services in and with the financial markets. The primary focus is on sufficient liquidity, ensured by comprehensive financial and liquidity planning.

Procurement risks

The most important aspect of procurement is to maintain flight operations and safety insofar as the Company has the power to influence this. The acquisition of the technical equipment necessary for security, operations management, flight operations and service requires procurement to ensure that such equipment will be provided without service disruption.

Corresponding to its Company requirements, the orders placed by Air Berlin with suppliers include details with respect to delivery requirements and terms of payment. Generally, depending upon the relevant terms of the underlying agreement, payment of supplies is made upon delivery of the goods or services. Generally, our payment targets are 30 days. The terms of delivery are generally determined according to ISO 2000 and ISO 9000. As of 31 December 2007, the number of creditor days outstanding for the Group was 12. Air Berlin draws upon both conventional and state-of-the-art technology to limit the risks associated with information technology and to ensure the safety and stability of the computer systems and databases. This is augmented by regular maintenance pursuant to service contracts concluded with software suppliers.

Permanent route optimisation

The Company has also developed numerous solutions, independently and in cooperation with certain service providers to improve the efficiency of flight management. Dependency on software from third parties has been reduced by the associated internalisation of key operational value-added functions. With our flight management system, aircraft can be efficiently deployed and routes continuously optimised. This results in considerable cost savings, and thus important competitive advantages can be realised.

Several factors contribute to maintaining flight operations and ensuring competitiveness. These include a modern, high-performance, low-consumption fleet of aircraft, reliable supplies of materials, auxiliaries and operating media and in particular fuel, access to attractive airports and destinations, and sufficient flight capacity during peak periods.

Air Berlin maintains trusting and long-term relationships with the two major aircraft manufacturers, Airbus and Boeing. This ensures access to the most modern aircraft which best correspond to the Company's needs. A modern fleet can significantly reduce costs for maintenance, repair and overhaul. Dependency is avoided and certain advantages in pricing become available. In addition, through its links with both manufacturers, Air Berlin increases its options for recruiting pilots.

Aircraft availability is secured by existing purchase agreements with both manufacturers and options to acquire additional aircraft at agreed, fixed prices.

In addition to its own aircraft, the Air Berlin Group operates 95 leased aircraft. Leasing aircraft is advantageous inasmuch as it reduces the amount of committed capital and enables faster expansion of the fleet within a short period of time. However, the lease terms are comparatively short and, as a result, there are risks associated with long term planning, especially as leasing rates generally increase at a rate greater than the conditions which can be obtained by Air Berlin through a loan or other financing arrangement. Consequently, the Company will in future successively reduce its share of leased aircraft. The average remaining term for leased aircraft is, at the close of the reporting year, approximately four years. Nevertheless, the Company will seek to optimise the ratio of operating leased and owned aircraft (whether through a loan or other financing arrangement), taking into account our financing and operational requirements.

Air Berlin is optimising the ratio of operating leased and owned aircraft

To ensure sufficient flight capacity during peak periods and in the event that one of our aircraft is not operational, wet leases may be entered into. This type of leasing generally entails the short-term provision of aircraft for up to six months by an operating lessor, together with the flight (and often the cabin crew) as well as maintenance and insurance.

The supply of materials, auxiliary and operating media is governed, to the extent practicable, by fixed delivery contracts. This is particularly relevant for on-board catering. Accounting for approximately 26% of overall operating expenses, aviation fuel represents by far the most significant cost for Air Berlin. Aside from outside risks, such as those matters subject to political influence, there is the challenge of ensuring a constantly secure fuel supply for the fleet.

Systematic price hedging improves planning confidence

Prices are a different matter. Fuel prices are subject to notoriously wide and difficult to predict fluctuations that often enough are only minimally correlated with business developments. Thus, in order to improve planning confidence and to reduce the influence of price fluctuations on profitability, Air Berlin systematically engages in hedging transactions. In general, some of the anticipated future fuel costs are hedged on a revolving basis, i.e. for defined time periods through standard financial market instruments such as swaps and options. These are handled through a number of renowned financial institutions. The breadth of such hedging must, however, remain economically sensible. In accordance with principles of risk coverage, up to 100% of the demand is hedged up to three months in the short term, and up to 18 months in advance with falling ratios.

The Air Berlin network is one of the densest in the LCC sector

The Air Berlin network is one of the densest in the LCC sector. Further increases in market share should further improve our opportunities to serve additional destinations, as the third-largest European provider. In addition to providing favourable and attractive connections, one of the essential criteria when selecting airports is the catchment area, which should have the smallest possible overlap with existing catchment areas. Other factors to be considered include adequate capacity for further growth, flexibility of operators with respect to Air Berlin's needs, the minimum possible restrictions on flight operations in order to maintain high utilisation, and generally favourable cost structures.

ENVIRONMENTAL RISKS

Ecological awareness is promoted at every level

Air Berlin undertakes all necessary measures to minimise, avoid, and, where possible, eliminate environmental impact and the corresponding health and safety risks. A sense of responsibility for the environment, health and safety is actively promoted among all our employees and at all levels. The disposal of waste at Air Berlin is, as far as possible, handled in an environment-friendly fashion.

REPORT ON FORECASTS AND THE OUTLOOK FOR THE GROUP

Focus on profitability. After the strong increaes in capacity during the previous years all efforts are clearly oriented on profit enhancement in 2008

ECONOMIC ENVIRONMENT

Overall economy

Uncertainties caused by the financial markets crisis prevail

Economic observers, governments and organisations are now united in expecting a considerable slowdown of the global economy in 2008. The worldwide crisis of the financial markets triggered by the real estate crisis in the USA is beginning to have a considerable impact on the economy. In autumn 2007, the USA was already showing signs of a slowdown, which became increasingly apparent in the first few months of 2008. The spending of the government and the interest policy of the Federal Reserve have not yet provided an offsetting effect. Instead, recession fears are continuing to rise.

Looking at long-term perspectives, the European economy is in good shape. In particular, the economy within the euro zone is enjoying the long-term benefits of a strong rise in employment. Nevertheless, a significant decline in this year's growth by 0.4 percentage points to 2.0% in the EU and 1.8% in the euro zone, according to the European Commission, may be in line with general expectations. The major weakness of the US dollar is limiting the prospects of European exporters, and the increased inflationary risks arising from bullish commodity prices give the European Central Bank very limited scope for interest rate cuts as a countermeasure. Accordingly, the performance of the German economy may also weaken. For 2008, the German federal government expects growth to tail off at 1.7% compared to 2.5% in 2007. However, the high growth rates of the newly industrialising countries in Asia and Eastern Europe are a positive factor.

Aviation industry

First months signal less vigorous growth for the international airline industry in 2008

The IATA forecasts regarding the prospects for international aviation are muted. In December 2007, the statistics issued by the organisation on global passenger volume showed a trend reversal towards significantly lower growth rates. This expectation was confirmed by the January figures. After passenger figures had shown year-on-rises of 9.3% in November 2007 and 6.7% in December, the increase in January was much lower at +4.3%. In particular, there were signs of stagnation in Europe, with passenger figures rising only marginally by +0.3% in January compared with +5.5% in December. Domestic traffic in the USA actually fell, whilst South America grew much more strongly and the Pacific Asia region grew only slightly less than in the previous month. Overall, the indications for international aviation suggest a slowdown in growth for 2008. This is consistent with the traditionally high level of economic sensitivity of the industry.

Forecast for Air Berlin

Business expectations for the current year involve risks and opportunities that largely relate to the expected trends in passenger volume and ticket prices as well as the further progression of kerosene prices and – a related factor – the performance of the US dollar against the Euro. Air Berlin attempts to minimise the fuel price risks and the currency risks with extensive hedging. The currency risk is fully hedged and, in 2008 for kerosene prices, the hedging ratio is at 75%, which is a comparatively high figure for the industry.

Passenger volume in 2008 is expected to increase by 3–5%

The 2008 business year started on a positive note for Air Berlin. In the first two months, passenger figures posted a double-digit increase of 14.4% from 3,195,258 in the previous year to 3,655,733 passengers (previous year pro forma, i.e. including LTU, Belair and LGW [Luftfahrtgesellschaft Walter]). However, in view of the somewhat subdued prospects for the air passenger volume in 2008 due to the economic situation, Air Berlin expects a mid single-digit percentage rise (+3% to +5%) in passengers this year. Against the background of the ongoing intensive price competition in the industry, a restrained ticket price development has been factored into our forecast. Overall, an increase in consolidated revenue currently is expected, to EUR 3 billion in 2008.

Further optimisation of capacity and yield management

The forecast for the passenger volume should be regarded in context. No additional capacity expansion is planned beyond the scheduled ongoing aircraft replacements. Much of the route expansion envisaged for 2008 relates to the long haul business, which will include the destinations in China from May onwards. Consequently, the revenue share of the long-haul business is set to increase and to exceed the 20% mark this year, after 18% in 2007.

Our efforts in 2008 will be clearly geared towards improving profitability. The main focus will be on optimisation of capacity and yield management built on previous achievements. The figures for the first two months give rise to optimism. Fleet utilisation rose strongly by 4 percentage points year-on-year from 66.8% to 70.8%, and revenues per available seat kilometre showed an acceptable 8.3% increase in February to 4.71 eurocents compared with the previous year's figure of 4.35 eurocents.

Synergies from LTU integration will substantially contain cost increases

On the cost side, the synergy effects arising from the LTU takeover will largely have an impact on other material and service costs and lead to a considerably below-average increase in growth. Also, the non-recurring effects of the delayed integration of LTU such as high wet leasing costs, which had a significant negative impact in 2007, are not expected again in 2008. In the context of the LTU integration, additional revenue-stimulating effects above and beyond the positive cost effects from the leveraging of synergies are expected. Despite lasting uncertainties regarding the further development of the oil price and the EUR-USD exchange rate Air Berlin expects a significant earings increase in the current financial year.

PROJECTED PASSENGER VOLUME FOR 2008

(MILLIONS OF PASSENGERS)

AUDITORS

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who are members of the Board at the time of approving the Directors' Report are listed on pages 6 and 7. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

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

Approved by the Board and signed on its behalf by

28 March 2008

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

CORPORATE GOVERNANCE REPORT

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

The Board comprises five Non-Executive Directors (including the Chairman) and four Executive Directors. There were no changes in the Company's directors during the 2007 business year. The Chairman is responsible for leading the Board, ensuring the effectiveness of the Board in all aspects, including communication with shareholders, setting the Board's agenda and encouraging all members of the Board to participate fully in the activities and discussions of the Board.

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy. The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2007 to fulfilling their duties as members of the Board. The Chairman's main external commitments did not change during the year.

The Company has established Audit, Nominations and Remuneration Committees each governed by its own terms of reference.

AUDIT COMMITTEE

The Audit Committee currently comprises Hans-Joachim Körber (as Chairman of the committee), Claus Wülfers and Johannes Zurnieden, all of whom are independent, Non-Executive directors. A representative of the Company's external auditors and the Chief Financial Officer attend the meetings of the Audit Committee.
The Audit Committee met twice during the year. Its role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls. This includes reviewing the Company's annual financial statements, considering the scope of the annual audit, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place. The Audit Committee periodically reviews the scope of the non-audit work undertaken and the associated fees to ensure that the auditors' impartiality is not or may become impaired. The Audit Committee also makes recommendations to the Board regarding the reappointment or the removal of external auditors, their terms of engagement and the level of their remuneration.

NOMINATIONS COMMITTEE

The Nominations Committee currently comprises Johannes Zurnieden (as Chairman of the committee), Joachim Hunold, Hans-Joachim Körber, Nicolas Teller and Claus Wülfers, the majority of whom are independent Non-Executive Directors. The Committee is primarily responsible for assisting the Board in determining the composition, makeup and balance of the Board. It also is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The Committee will determine the succession plans for the Chairman and the Chief Executive Officer. The Committee meets as required, but no less than once per year.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Hans-Joachim Körber (as Chairman of the committee), Nicolas Teller and Johannes Zurnieden, all of whom are independent, Non-Executive Directors. The Remuneration Committee has responsibility for making recommendations to the Board on the compensation for the Executive Directors and making recommendations on the compensation of senior management. The Committee meets as required, but no less than once per year. The remuneration report on pages 96–103 provides further details of the remuneration policies of the Company.

Directors are expected, wherever possible, to attend all Board meetings, relevant committee meetings and the Annual General Meeting. All members of the Board are provided in advance with appropriate information covering matters which are to be considered. A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2007 is set out below:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Meetings held	7	2	1	1
Meetings attended				
Johannes Zurnieden (Chairman)	7	2	1	1
Joachim Hunold (Chief Executive Officer)	7	—	1	—
Ulf Hüttmeyer (Chief Financial Officer)	7	—	—	—
Karl Friedrich Lotz (Chief Operating Officer)	7	—	—	—
Elke Schütt (Chief Commercial Officer)	7	—	—	—
Dr Eckhard Cordes (Non-Executive Director)	6	1	—	—
Dr Hans-Joachim Körber (Non-Executive Director)	7	1	1	1
Nicholas Teller (Non-Executive Director)	6	—	1	1
Claus Wülfers (Non-Executive Director)	7	2	1	—

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

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Chairman for ensuring that Board procedures are complied with and that applicable rules and regulations are followed. The Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters. The Company Secretary is Michelle Johnson, who was appointed to that position on 21 February 2007. Furthermore, Directors, at the expense of the Company, have access to appropriate independent professional advice if necessary to perform of their duties. The Company maintains directors' and officers' liability insurance at an appropriate level.

SHAREHOLDER RELATIONS

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

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

The Company also communicates regularly with its major institutional shareholders and ensures that all Directors have an understanding of the views and concerns of major shareholders. A separate investor relations department facilitates engagement.

INTERNAL CONTROLS AND BOARD PERFORMANCE

The overall responsibility of the Company's internal controls and effectiveness rests with the Directors. Internal control procedures are only designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable, but not absolute assurance, against material misstatement or loss.

The responsibility for establishing such control procedures and the day to day management is delegated to the Chief Executive, with certain powers delegated to the responsible department heads. The authority given is subject to defined limitations and reporting requirements.

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

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

The Company continues to review the effectiveness of its internal controls, including operational and compliance controls as well as risk management. The Company is of the opinion that its current management structure continues to provide effective controls and procedures and has determined that an internal audit department is not warranted at this time.

The chairman regularly reviews the performance of the board, with an emphasis on both the non-executive and the executive directors contributing to the board's discussion and decision-making process.

COMPLIANCE WITH THE COMBINED CODE

As the Company is not listed in the U.K., it is not, as a matter of law, required to comply with the corporate governance standards set forth in the Combined Code, nor is it required to comply with German corporate governance standards. The Company has not complied with certain provisions of the combined Code that are not required by German corporate governance standards and are not customary in the German market. In particular, the Executive Directors have service contracts with notice periods of greater than one year, their compensation for termination of employment for cause is not reduced to reflect a duty to mitigate loss and the Directors will only be subject to re-election at five year intervals. The Company is of the view that more stringent requirements would place the Company at a disadvantage in the recruitment and retention of senior executives.

GOING CONCERN

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

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Membership and responsibilities of the Remuneration Committee

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

The Committee remains responsible for:

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

The Remuneration Committee has the ability to obtain independent advice with respect to the establishment of the appropriate executive compensation. The Committee determined that such external advice was not necessary when determining the level of compensation for the year 2007.

Remuneration policy

The objective of the Remuneration Committee is to reward the Company's Executive Directors appropriately, having regard to the comparative market place, and to encourage and reward successful performance. Accordingly, the Company's policy is to provide a compensation package which reflects the level of responsibility, the respective contribution to the Company and the competitive environment. The compensation package consists of a basic salary, a variable bonus scheme, benefits in kind and participation in the Employee Share Plan.

The base salaries of the Executive Directors for 2007 are:

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

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

Service contracts

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

Director	Date of agreement	Date of agreement
Joachim Hunold	2 December 2005	1 December 2010
Ulf Hüttmeyer	1 February 2006	1 December 2010
Elke Schütt	2 December 2005	1 December 2010
Karl Friedrich Lotz	2 December 2005	1 December 2010

Prior to December 2010, the Executive Directors may be removed by the Company for cause only. Any Executive Director removed from office prior to the expiry of his service agreement is entitled to remuneration for the remainder of the term. Each Executive Director is, in consideration for an undertaking not to compete for one year following termination or expiry of his service agreement, entitled to receive his fixed remuneration for that year.

Additional benefits

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

Executive Directors are entitled to pension benefits in an amount which may be up to, but can not exceed 50 % of their respective base salary. The accumulated pension rights as of 31 December 2007 are set forth on page 100.

The Company provides each Executive Director with a company telephone, car and telecommunications equipment. Each of the Executive Directors is entitled to reduced or free air transportation on flights operated by the Company. Directors' and Officers' insurance and accident insurance, at appropriate levels, are afforded each Executive Director.

Remuneration policy for 2008

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

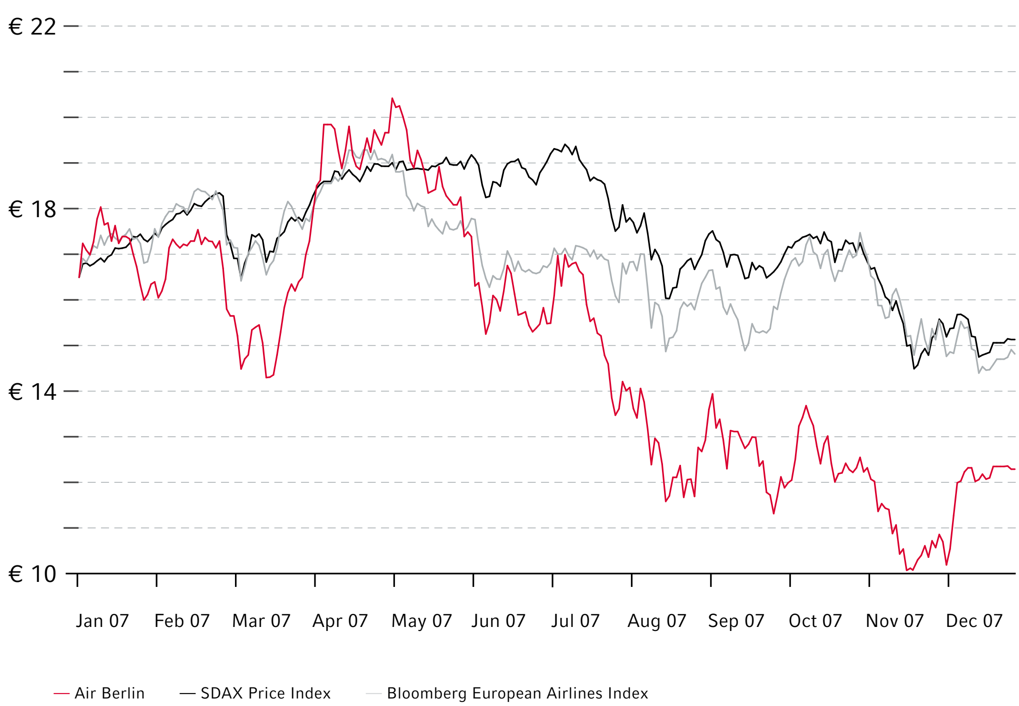
Non-Executive Directors

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

Performance graph

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

Relative performance Air Berlin vs. SDAX Price Index and Bloomberg European Airlines Index (based on Air Berlin)



INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The directors' remuneration during the period was:

in thousands of euros	Basic salary and fees	Taxable benefits	Performance-related Cash bonuses	Performance-related Value of share awards	**Total 2007**	Total 2006
Executive Directors:						
Joachim Hunold	1,000	24	900	68	**1,992**	1,749
Ulf Hüttmeyer	450	24	405	68	**947**	843
Karl Friedrich Lotz	275	20	247.5	68	**610.5**	621
Elke Schütt	275	16	247.5	68	**606.5**	618
Non-Executive Directors:						
Dr. Eckhard Cordes	89	0	0	0	**89**	50
Dr. Hans-Joachim Körber	89	0	0	0	**89**	50
Nicholas Teller	60	0	0	0	**60**	38
Claus Wülfers	60	0	0	0	**60**	38
Johannes Zurnieden	179	0	0	0	**179**	100
Aggregate emoluments	2,477	84	1,800	272	4,633	4,107

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

in thousands of euros	Accumulated annual accrued benefits at 31 December 2007	Increase In accumulated annual accrued benefits during the year
Joachim Hunold	94	94
Ulf Hüttmeyer	42	42
Karl Friedrich Lotz	26	26
Elke Schütt	26	26

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

in thousands of euros	Transfer value at 31 Dec 2007	Transfer value at 31 Dec 2006	Directors' contributions during the year	Movement, less directors' contributions
Joachim Hunold	1.379	0	0	1.379
Ulf Hüttmeyer	77	0	0	77
Karl Friedrich Lotz	723	0	0	723
Elke Schütt	334	0	0	334
	2.513	0	0	2.513

Directors' interests in shares

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

	Air Berlin PLC / ordinary shares	
	31 Dec 2007	31 Dec 2006
Executive directors		
Joachim Hunold	**2,100,004**	2,000,004
Ulf Hüttmeyer	**30,000**	30,000
Karl Friedrich Lotz	**30,000**	30,000
Elke Schütt	**30,000**	30,000

Included in these figures are 30,000 shares per director related to the Employee Share Plan discussed below. In addition, Joachim Hunold has a beneficial interest in 2,500 A Shares, which are non-voting and have limited rights. The Chairman of the Board, Johannes Zurnieden, holds 1,000,268 ordinary shares in the company as at 31 December 2007.

Directors' share awards

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

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

Under the terms of the Employee Share Plan 2006, the directors hold legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met. 50 % of the shares granted under each of the tranches are subject to a performance condition based on return on equity achieved by the Company and 50 % of the shares granted under each of the tranches are subject to performance conditions based on the percentage increase in the Company's share price over a three-year period as follows:

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

The right to acquire the beneficial interest in the shares is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is 0.25 euros per share, the nominal value of the shares.

Non of the non-executive directors are entitled to share options. No options were exercised or lapsed during the period. A detailed description of the Employee Share Plan is also provided in the Notes to the financial statements, see pages 136 to 137.

Approved by the Board and signed on its behalf.

28 March 2008

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

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

In preparing each of the group and parent company financial statements, the directors are required to:

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

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

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

INDEPENDENT AUDITORS' REPORT THE MEMBERS OF AIR BERLIN PLC

We have audited the group and parent company financial statements (the "financial statements") of Air Berlin PLC for the year ended 31 December 2007 which comprise Consolidated Statement of Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Statement of Cash Flows, the Consolidated and Parent Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the director's remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 104. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985 of the state of the parent company's affairs as at 31 December 2007.
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

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

28 March 2008

AIR BERLIN PLC
FINANCIAL STATEMENTS

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Note	2007	(restated) 2006
		€ 000	€ 000
Revenue	20	**2,536,500**	1,575,395
Other operating income	21	**14,575**	30,867
Expenses for materials and services	22	**(1,736,435)**	(1,094,501)
Personnel expenses	23	**(311,802)**	(163,293)
Depreciation and amortisation	6, 7	**(93,772)**	(64,232)
Other operating expenses	24	**(387,647)**	(220,088)
Operating expenses		**(2,529,656)**	(1,542,114)
Result from operating activities		**21,419**	64,148
Financial expenses	25	**(49,624)**	(41,917)
Financial income	25	**13,851**	7,389
Foreign exchange gains, net	25	**225**	14,857
Net financing costs		**(35,548)**	(19,671)
Share of profit of associates, net of tax	26	**791**	608
(Loss) profit before tax		**(13,338)**	45,085
Income tax benefit (expense)	27	**34,315**	(5,009)
Profit for the year — all attributable to equity holders of the Company		**20,977**	40,076
Basic earnings per share in €	12	**0,33**	0,76
Diluted earnings per share in €	12	**0,33**	0,76

Details of the restatement are given in note 27, “Income tax expenses and deferred taxes”.

06) Financial Statements

Air Berlin PLC

CONSOLIDATED BALANCE SHEET as at 31 December 2007

	Note	31.12.2007	(restated) 31.12.2006
Assets		€ 000	€ 000
Non current assets			
Intangible assets	6, 5	**339,220**	95,791
Property, plant and equipment	7	**1,201,214**	936,894
Trade and other receivables, non-current	10	**100,963**	42,615
Positive market value of derivatives, non-current	29	**2,077**	2,801
Investments in associates	8	935	720
Non current assets		**1,644,409**	1,078,821
Current assets			
Inventories	9	**30,825**	11,914
Trade and other receivables, current	10	**260,199**	165,671
Positive market value of derivatives, current	29	**84,362**	1,415
Prepaid expenses		**30,751**	14,116
Cash and cash equivalents		**468,658**	315,921
Current assets		**874,795**	509,037
Total assets		**2,519,204**	1,587,858
Equity and liabilities			
Shareholders' equity			
Share capital	11	**16,502**	15,009
Share premium	11	**307,501**	214,190
Equity component of convertible bond	16	**27,431**	0
Other capital reserves	11	**217,056**	217,056
Retained earnings		**31,889**	10,522
Hedge accounting reserve, net of tax	30	**(6,639)**	(18,930)
Foreign currency translation reserve	11	**(201)**	(22)
Equity available to the shareholders of the Company		**593,539**	437,825
Minority Interest		**629**	0
Total equity		**594,168**	437,825
Non-current liabilities			
Deferred tax liabilities	27	**16,103**	48,955
Liabilities due to bank from assignment of future lease payments	16	**528,907**	495,414
Interest-bearing liabilities	16	**316,148**	28,780
Pension liabilities	14	**1,205**	0
Non-current provisions	15	**11,036**	0
Trade and other payables, non-current	18	**26,164**	0
Negative market value of derivatives, non-current	29	**81,610**	18,668
Non-current liabilities		**981,173**	591,817
Current liabilities			
Liabilities due to bank from assignment of future lease payments	16	**62,935**	63,067
Interest-bearing liabilities	16	**122,402**	97,997
Current tax liabilities		**5,611**	3,510
Provisions	15	**13,350**	7
Trade and other payables, current	18	**442,289**	179,384
Negative market value of derivatives, current	29	**81,960**	32,534
Deferred income		**48,079**	15,626
Advanced payments received	19	**167,237**	166,091
Current liabilities		**943,863**	558,216
Total equity and liabilities		**2,519,204**	1,587,858

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2008 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	Note	31.12.2007	(restated) 31.12.2006
		€ 000	€ 000
Profit for the year		**20,977**	40,076
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	6, 7	**93,772**	64,232
Impairment losses	8	**0**	12
Gain on disposal of tangible and intangible assets	21, 24	**(1,765)**	(21,407)
Loss on disposal of short term investment securities		**0**	11
Expenses associated with IPO	11, 25	**0**	13,667
Share based payments	13	**390**	270
Decrease (Increase) in inventories		**1,380**	(5,652)
Increase in trade receivables		**(20,040)**	(15,066)
Decrease in other assets and prepaid expenses		**1,679**	21,291
Deferred tax (benefit) expense	27	**(38,119)**	1,862
Increase in accrued liabilities and provisions		**18,246**	3,672
Decrease in trade accounts payable		**(7,419)**	(6,371)
Increase in other current liabilities		**4,440**	14,594
Foreign exchange gains	25	**(225)**	(15,267)
Interest expense	25	**49,464**	29,135
Interest income	25	**(13,851)**	(7,389)
Income tax expense	27	**3,804**	3,147
Share of profit of associates	8, 26	**(791)**	(608)
Changes in fair value of derivatives	30	**540**	11,703
Other non-cash changes		**(179)**	104
Cash generated from operations		**112,303**	132,016
Interest paid		**(38,244)**	(27,989)
Interest received		**13,422**	7,198
Income taxes paid		**(2,364)**	(1,619)
Net cash flows from operating activities		**85,117**	109,606
Purchases of tangible and intangible assets		**(269,377)**	(327,180)
Acquisition of subsidiary, net of cash	5	**(39,749)**	(83,510)
Advanced payments for non-current items	10	**(95,642)**	(48,846)
Proceeds from sale of tangible and intangible assets		**184,731**	45,395
Advanced receipts for sale of tangible assets, repaid in 2007	19	**(40,000)**	40,000
Proceeds from sale of short-term investment securities		**0**	114
Dividends received from associates	8	**527**	500
Payment received on liquidation of associate	8	**49**	61
Acquisition of investments in associates	8	**0**	(31)
Cash flow from investing activities		**(259,461)**	(373,497)
Principal payments on interest-bearing liabilities		**(356,878)**	(144,313)
Proceeds from long-term borrowings		**470,652**	252,213
Purchase of treasury shares		**0**	(45)
Issue of ordinary shares	11	**97,978**	234,786
Transaction costs related to issue of new shares	11	**(5,195)**	(39,297)
Issue of convertible bonds	16	**220,000**	0
Transaction costs related to convertible bonds	16	**(6,391)**	0
Cash flow from financing activities		**420,166**	303,344
Change in cash and cash equivalents		**245,822**	39,453
Cash and cash equivalents at beginning of period		**228,094**	189,051
Foreign exchange losses on cash balances		**(5,366)**	(410)
Cash and cash equivalents at end of period	28	**468,550**	228,094

Air Berlin PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Equity component of convertible bond
		€ 000	€ 000	€ 000
Balances at 31 December 2005		**10,073**	**0**	**0**
Share based payment				
Effective portion of changes in fair value of cash flow hedges, net of tax				
Net currency translation differences				
Net unrealised changes in available-for-sale securities, net of tax				
Net loss recognised directly in equity		0	0	0
Profit for the year as previously reported				
Total recognised income and expense for the period as previously reported		**0**	**0**	**0**
Prior year adjustment				
Total recognised income and expense for the period as restated		**0**	**0**	**0**
Purchase of treasury shares				
Issue of ordinary shares		4,936	229,850	
Transaction cost, net of tax			(15,660)	
Balances at 31 December 2006 (restated)		**15,009**	**214,190**	**0**
Share based payment	13			
Effective portion of changes in fair value of cash flow hedges, net of tax	30			
Change in fair value of cash flow hedges transferred to profit or loss, net of tax	30			
Effect of change in tax rate on cash flow hedges	30			
Net currency translation differences	11			
Net income recognised directly in equity		0	0	0
Profit for the year				
Total recognised income and expense for the period		**0**	**0**	**0**
Increase in minority interest due to acquisition	5			
Issue of ordinary shares	11	1,493	96,485	
Transaction cost, net of tax	11		(3,174)	
Issue of convertible bond	16			25,130
Transaction cost, net of tax	16			(730)
Effect of change in tax rate				3,031
Balances at 31 December 2007		**16,502**	**307,501**	**27,431**

Other capital reserves	Retained earnings	Hedge Accounting, net of tax	Foreign Currency translation differences	Fair value reserve	Equity available to the shareholders of the Company	Minority interest	Total equity
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
217,056	**(29,779)**	**0**	**0**	**(127)**	**197,223**	**0**	**197,223**
	270				270		270
		(18,930)			(18,930)		(18,930)
			(22)		(22)		(22)
				127	127		127
0	270	(18,930)	(22)	127	(18,555)	0	(18,555)
	50,057				50,057		50,057
0	**50,327**	**(18,930)**	**(22)**	**127**	**31,502**	**0**	**31,502**
	(9,981)				(9,981)		(9,981)
0	**40,346**	**(18,930)**	**(22)**	**127**	**21,521**	**0**	**21,521**
	(45)				(45)		(45)
					234,786		234,786
					(15,660)		(15,660)
217,056	**10,522**	**(18,930)**	**(22)**	**0**	**437,825**	**0**	**437,825**
	390				390		390
		(32,710)			(32,710)		(32,710)
		45,813			45,813		45,813
		(812)			(812)		(812)
			(179)		(179)		(179)
0	390	12,291	(179)	0	12,502	0	12,502
	20,977				20,977		20,977
0	**21,367**	**12,291**	**(179)**	**0**	**33,479**	**0**	**33,479**
					0	629	629
					97,978		97,978
					(3,174)		(3,174)
					25,130		25,130
					(730)		(730)
					3,031		3,031
217,056	**31,889**	**(6,639)**	**(201)**	**0**	**593,539**	**629**	**594,168**

Air Berlin PLC

COMPANY BALANCE SHEET as at 31 December 2007

	Note	31.12.2007	31.12.2006
		€ 000	€ 000
Assets			
Non current assets			
Investments in subsidiaries	34b	**143,315**	140,165
Deferred tax assets	34c	**17,435**	15,888
Positive market value of derivatives, non-current	34k	**182**	0
Long-term loans to subsidiaries	34d	**155,000**	0
Other long-term loans	34d	**3,500**	0
Non current assets		**319,432**	156,053
Current assets			
Receivables from subsidiaries	34e	**123,401**	686
Positive market value of derivatives, current	34k	**242**	0
Other receivables, current	34e	**954**	280
Prepaid expenses		**2,033**	310
Cash and cash equivalents		**175,232**	65,643
Current assets		**301,862**	66,919
Total assets		**621,294**	222,972
Equity and liabilities			
Shareholders' equity			
Share capital	34f	**16,502**	15,009
Share premium	34f	**307,501**	214,190
Equity component of convertible bond		**27,431**	0
Retained earnings		**(34,134)**	(9,346)
Total equity		**317,300**	219,853
Non-current liabilities			
Pension liabilities	34g	**587**	0
Other non-current liabilities to subsidiaries	34h	**184,007**	0
Negative market value of derivates, non-current	34k	**9,463**	0
Non-current liabilities		**194,057**	0
Current liabilities			
Interest-bearing liabilities	34j	**100,000**	0
Accrued liabilities	34i	**208**	125
Payables to subsidiaries		**104**	452
Trade and other payables, current		**104**	392
Negative market value of derivatives, current	34k	**7,369**	0
Other current liabilities		**2,133**	2,150
Deferred income		**19**	0
Current liabilities		**109,937**	3,119
Totel equity and liabilities		**621,294**	222,972

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2008 and signed on behalf of the Board:

J. Hunold

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2007

	Note	31.12.2007	31.12.2006
		€ 000	€ 000
Loss for the period		(25,178)	(9,571)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Expenses associated with IPO	11, 25	0	13,667
Share based payments	13	390	270
Increase in receivables from subsidiaries		(27,930)	(686)
Increase in other receivables and prepaid expenses		(2,011)	(590)
Deferred tax credit	34c	(12,029)	(5,918)
Increase in accrued liabilities and provisions		83	125
Increase (decrease) in trade payables		(288)	392
Increase (decrease) in payables to subsidiaries		(107)	452
Increase in pension liabilities	34g	587	0
Increase (decrease) in other payables and deferred income		2	2,150
Movement in derivatives taken through income statement		16,408	0
Interest expense		8,332	0
Interest income		(6,251)	(2,490)
Cash generated from operations		(47,992)	(2,199)
Interest received		5,865	2,490
Income tax paid		(241)	0
Net cash flows from operating activities		(42,368)	291
Acquisition of investments in subsidiaries	34b	(3,150)	(140,165)
Long-term loans to subsidiaries	34d	(155,000)	0
Short-term loans to subsidiaries		(94,785)	0
Other loans	34d	(3,500)	0
Cash flow used in investing activities		(256,435)	(140,165)
Proceeds from long-term borrowings	34h	2,000	0
Proceeds from short-term borrowings	34j	100,000	0
Purchase of treasury shares		0	(45)
Issue of Class A-shares in December 2005		0	73
Increase in share capital		0	10,000
Issue of ordinary shares	11	97,978	234,786
Transaction costs related to issue of new shares	11	(5,195)	(39,297)
Issue of convertible bonds	16, 34h	220,000	0
Transaction costs related to convertible bonds	16, 34h	(6,391)	0
Cash flow from financing activities		**408,392**	205,517
Change in cash and cash equivalents		**109,589**	65,643
Cash and cash equivalents at beginning of period		**65,643**	0
Cash and cash equivalents at end of period		**175,232**	65,643

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Equity component of convertible bond	Retained earnings	Total equity
		€ 000	€ 000	€ 000	€ 000	€ 000
Balance at date of incorporation (2 December 2005)		**0**	**0**	**0**	**0**	**0**
Share based payment	13				270	270
Net income recognised directly in equity		0	0	0	270	270
Loss for the year					(9,571)	(9,571)
Total recognised income and expense for the period		0	0	0	(9,301)	(9,301)
Issue of Class A-shares in December 2005		73				73
Increase in share capital December 2005		10,000				10,000
Purchase of Treasury shares					(45)	(45)
Issue of ordinary shares		4,936	229,850			234,786
Transaction cost, net of tax			(15,660)			(15,660)
Balances at 31 December 2006		**15,009**	**214,190**	**0**	**(9,346)**	**219,853**
Share based payment	13				390	390
Net income recognised directly in equity		0	0	0	390	390
Loss for the year					(25,178)	(25,178)
Total recognised income and expense for the period		0	0	0	(24,788)	(24,788)
Issue of ordinary shares	11	1,493	96,485			97,978
Transaction cost, net of tax	11		(3,174)			(3,174)
Issue of convertible bond	16			25,130		25,130
Transaction cost, net of tax	16			(730)		(730)
Effect of change in tax rate	16			3,031		3,031
Balances at 31 December 2007		**16,502**	**307,501**	**27,431**	**(34,134)**	**317,300**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2007 comprise Air Berlin PLC and its subsidiaries (together referred to as "Air Berlin" or the "Group") and the Group's interest in associates. Air Berlin is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of Air Berlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

2. BASIC PRINCIPLES AND PREPARATION OF FINANCIAL STATEMENTS

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in § 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 114 to 116.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by Group entities.

The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The consolidated financial statements have been prepared in Euro. The European Central Bank year end exchange rate was GBP 0.73335 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share and bond data. The financial statements were authorised and approved for issue by the Board of Directors on 28 March 2008.

Use of estimates

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of Adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate primarily to the estimate of residual values of fixed assets, the impairment test for goodwill and other intangible assets with indefinite lives and the expected utilisation of deferred tax assets and are discussed in note 4b), 4d) and 4j) below.

3. BASIS OF CONSOLIDATION

a) Reverse acquisition

In accordance with IFRS 3, Business Combinations, the legal reorganisation of the Group in 2005 was accounted for as a reverse acquisition. The consolidated financial statements are issued under the name of the legal parent (Air Berlin PLC) but are a continuation of the consolidated financial statements of the legal subsidiary Air Berlin GmbH & Co. Luftverkehrs KG and subsidiaries (renamed to: Air Berlin PLC & Co. Luftverkehrs KG), the acquirer for accounting purposes.

The assets and liabilities of the Group were recognised and measured in the consolidated financial statements at their pre-combination carrying amounts. The equity structure in the consolidated financial statements, however, reflects the equity structure of Air Berlin PLC including the equity instrument issued by the legal parent to effect the combination. Due to the reverse acquisition in 2005, the limited partners' capital was reclassified to other capital reserves.

b) Subsidiaries

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

c) Special purpose entity

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

d) Associates

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

e) Transactions eliminated on consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES

a) Intangible assets

Goodwill is recognised where the cost of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Other identifiable intangible assets acquired through a business combination are capitalised at fair value and subsequently measured at cost less accumulated amortisation charges and impairment losses. Goodwill and other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or more frequently if there is an indication that the asset may be impaired. Acquired intangible assets are recognised at cost less accumulated amortisation charges and impairment losses. Amortisation of intangible assets is based on the Group's accounting policies and calculated according to the straight-line method over the estimated useful lives (if applicable).

The estimated useful lives of intangible assets are as follows:

Software licenses	3—5 years
Trademarks	5 years
Landing rights (Slots)	indefinite

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

b) Property, plant and equipment

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

-- AIRCRAFT AND ENGINES

The Group owns aircraft and engines of the type Boeing 737-800, and Airbus A319 and A320. The depreciation period is ten years taking into account estimated residual values. The residual values and useful lives are reviewed at each balance sheet date. Judgement is required in estimating the residual values and useful lives of property, plant and equipment. Uncertainty exists in the useful life of aircraft and engines and in the amounts which can be realised through future disposals. The changes in residual values and their impact on annual depreciation charges have been accounted for in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, prospectively in the period of change and future periods affected. A portion of the cost of an aircraft is attributed on acquisition to major inspection and overhaul costs of its engines and airframe and is depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life.

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

-- 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

-- LAND AND BUILDINGS

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

c) Subsequent expenditure

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

d) Impairment

-- NON-FINANCIAL ASSETS

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

The recoverable amount is the greater of the assets' fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Since all aircraft are used for all destinations of Air Berlin, the total Group fleet is considered as a single cash generating unit. Impairment losses, if any, are allocated first to goodwill allocated to the cash generating unit and then to the other assets of the unit pro rata based on their carrying amounts. In respect of tangible assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's

carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
Judgement is required in determining the cash generating unit, as well as in calculating value in use. The operating margins used in determining value in use are based on planned business and operational growth. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the long-term cost of capital for the cash generating unit.

-- FINANCIAL ASSETS

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

e) Inventories

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

f) Trade and other receivables

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

g) Derivatives

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

h) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months. Cash and cash equivalents are valued at cost. Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement.

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

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

-- REDEEMABLE “CLASS A” PREFERENCE SHARES
Class A shares are classified as equity, as these shares are redeemable only at the option of Air Berlin and any dividends are discretionary. Dividends are recognised as distributions within equity.

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

j) Income taxes
Income tax on the profit or loss for the year and on items taken to equity comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred taxes are calculated in accordance with IAS 12 on the basis of temporary differences between the tax base at the level of the individual company and the respective IFRS book value. No deferred tax is recognised on the initial recognition of goodwill arising from acquisitions. A deferred tax asset is recognised for tax loss carryforwards and other temporary differences resulting in an expected tax benefit in future periods to the extent that it is probable that taxable income will be available in the near future against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Judgement is required in estimating the probability of utilisation of deferred tax assets; uncertainty exists in the amount and timing of future taxable income.

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

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

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

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

Exchange differences arising from interest-bearing liabilities and other financing activities are classified as part of financing costs. All other exchange rate differences are allocated to the various income and expense line items from which they arose within operating results.

o) Recognition of income and expenses

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

p) Deferred income

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

-- FREQUENT FLYER PLAN

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

q) Leasing

The Group leases a number of aircraft under operating leases which require Air Berlin to maintain the leased assets. Repair and overhaul costs are not included in the lease rentals. Where the group has a commitment to maintain aircraft, payments are made to the leasing company or where no payments are made a provision is made during the lease term based on the estimated costs of major airframe and certain engine checks. These charges are recognised based on the number flight hours or cycles flown. The basis of these charges is reviewed once a year and also when information becomes available that is capable of causing a material change in cost. Factors taken into account include: increased or decreased utilisation of the aircraft, the condition of the aircraft, the lifespan of life-limited parts and any unanticipated changes in the cost of heavy maintenance services.
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. The Group capitalises fixed assets leased under arrangements in which substantially all the risks and rewards of ownership are transferred to the Group as finance leases in accordance with IAS 17. Leased assets are measured initially at the lower of their fair value or the present value of the minimum lease payments. The assets are depreciated on a straight-line basis over the lease term. The related obligation is shown under Interest-bearing liabilities in the amount of the discounted minimum lease payments less payments made. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

r) Pensions

Defined benefit plans are post-employment benefit plans which do not qualify as defined contribution plans. Defined contribution plans are pension plans under which fixed contributions are paid into a separate legal entity with no legal or constructive obligation to pay further amounts.
The Group's net obligation or asset in connection with defined benefit plans is calculated separately for each plan. The amount of future benefits that employees have earned in return for their service in current and prior periods is estimated and discounted to present value using an appropriate discount rate based on AA-credit rated bonds with maturities approximating the maturi-

ties of the Group's obligations under the pension plans. The calculation is performed by a qualified actuary using the projected unit credit method. Unrecognised prior service cost and the fair value of plan assets as of the balance sheet date are deducted from the obligation. Any resulting net assets are limited to the net total of the present value of future refunds or reductions in payments and the amount of any unrecognised prior service cost. The portion of the increased benefit which relates to past employee service is recognised in profit or loss on a straight line basis over the average period until the benefits have vested. If benefits vest immediately they are recognised immediately in profit or loss. Actuarial gains and losses are recognised immediately in profit or loss in the period in which they are incurred. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit and loss in the period in which they are due.

s) Share-based payment transactions

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

t) New pronouncements

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

- IFRS 8, Operating Segments, effective for financial years beginning on or after 1 January 2009
- IFRIC 11, IFRS 2 — Group and Treasury Share Transactions, effective beginning on or after 1 March 2007

u) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the financial statements.
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has an established risk management system, which monitors the Group's risk management policies. Any significant risks are reported to the Board.
Risk reporting includes the review and assessment of all risks in the individual departments. This includes the registration of new risks and the reassessment of existing risks regarding their probability of occurrence and loss potential. In general a quantitative assessment of risks is undertaken. The registered risks are continuously updated using computer software.
Extensive risk reporting, which contains information on current risks and assessments, changes in assessments and the appropriate measures is submitted each quarter to the Executive Board. There were no changes in the Group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing the risk since the previous period.

Credit risk

Single-seat tickets are sold subject to payment up front. Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight. Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments in the middle of the month based on the expected monthly sales. The sale of passage and freight documents is handled via agencies and the internet within the guidelines of IATA. Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are checked by appropriate clearing houses. The credit risk from an individual sales agent is relatively low due to worldwide dispersion. Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a Clearing House of the International Air Transport Association (IATA). Settlement takes place principally through the balancing of all receivables and liabilities at regular monthly intervals, which also contributes to a significant reduction in the risk of non-payment. Separate security may be required in the particular payment agreement for other transactions.

For all other payment relationships, depending upon the type and level of the particular payment, securities may be required or credit information/references obtained. Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment. Recognisable risks are accounted for by valuation adjustments on receivables. The credit risk from investments and derivative financial instruments arises from the risk of non-payment by a contract partner. Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is extremely low. Cash and cash equivalents are held only with banks with the highest credit ratings. Derivative financial instruments are also held with parties with AA ratings or which are known to be reliable based on past experience. When no rating is available for a contract partner, securities may be obtained, as is the case with one contract partner for fuel derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity in the Group is protected by appropriate liquidity planning and adequate financing structure. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.In autumn 2006 a company-wide treasury management system was implemented. It covers and evaluates all matters associated with interest and exchange rates. All new Air Berlin companies (i.e. dba in 2006 and LTU and Belair in 2007) are fully incorporated into the Air Berlin treasury management system. The primary focus is on sufficient liquidity, ensured by comprehensive financial and liquidity planning. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of two to three months, including the servicing of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The treasury management system includes those hedge relations required by IAS 39 for hedge accounting and the calculations for hedge effectiveness. Both the underlying transactions and the hedging activities are incorporated into this system. All the hedging arrangements entered into are continuously monitored and modified as necessary.

Market risk

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

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. In particular, in reviewing the Company's financing alternatives, the Board, always bearing in mind the shareholders' return on equity, balances a variety of financing options, including share issues, bond issues and traditional bank financing. The Group is not subject to any externally imposed capital requirements.

v) Financial instruments

Financial instruments are all contracts, which lead to the recognition of a financial asset and a financial liability or an equity instrument. The financial assets include primarily cash and cash equivalents, trade receivables, loans receivable and positive market values of derivative financial instruments. The financial liabilities include liabilities to banks, trade creditors, finance lease liabilities and negative market values of derivatives. The financial instruments are recorded in the balance sheet, at the time Air Berlin becomes partner to a contract for a financial instrument. For regular way purchases or sales of financial assets (purchases or sales for which delivery of the asset should take place within the time frame established generally by regulation or convention in the market place) are recorded on the trade date.

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

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

The categories "available for sale financial assets" and "held to maturity investments" do not apply to Air Berlin. In addition, no financial assets or financial liabilities are designated as fair value through profit or loss, as the fair value option is not applied at Air Berlin.

The categories of financial assets and financial liabilities are further detailed in note 30h (fair values). Air Berlin has defined the following classes of financial assets and financial liabilities:

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

5. ACQUISITIONS

Acquisitions in 2007

-- LTU

On 26 March 2007 the Group acquired 100 percent of the shares of the LTU Group ("LTU") for a purchase price of € 140,000. In addition, prior to acquisition a third party had waived a loan due to them from LTU in exchange for a share of LTU's future profits. This potential liability had not been provided within the accounts of LTU. Air Berlin paid €15 million to the third party to buy out their rights to the future profits of LTU, bringing the total cash consideration including transaction costs to € 159,787. The German airline LTU operates 16 medium and 12 long range aircraft and had approximately 2,200 employees as of 31 December 2006. Approval by the Federal Cartel Office ("Bundeskartellamt") was received on 7 August 2007. For consolidation purposes the acquisition date was therefore determined to be 31 July 2007. Based on a preliminary estimate, goodwill of € 209,420 has been recorded on this transaction. A final purchase price allocation could not be carried out at the balance sheet date, as certain assets could not be valued reliably at the acquisition date due to the pending calculation of their fair value. This especially relates to a final valuation of identified intangible assets (landing rights) and deferred tax assets resulting from loss carry forwards. The amounts shown below are preliminary estimates. Any following adjustments made to the purchase price allocation will be adjusted within 12 months of the acquisition date and recorded as at the acquisition date, in accordance with IFRS 3.
See table on page 126 below.

No contingent liabilities were identified at the acquisition date. The fair value adjustments to aircraft and land and buildings reflect the adjustment necessary to record these assets at their fair values at the acquisition date. The fair value of the

buildings (two finance leases, discussed in note 17) represents the fair value of the leasehold interest acquired by Air Berlin over the remaining lease term rather than the fair value of the buildings to the owner, as no transfer of ownership takes place at the end of the lease term. The initial valuation of landing rights and trademarks at fair value in connection with the acquisition is discussed further in note 6.
The fair value adjustment to provisions relates to a provision for onerous contracts in connection with the unfulfilled orders of LTU at the acquisition date, which is discussed in note 15.

The liabilities of the acquirer of €91,224 comprise trading balances of €22,639 due to Air Berlin and a bond due to Air Berlin of €68,585. The bond balance was purchased at acquisition from the original bond holders for €1 and therefore acquisition assets of LTU have been adjusted to reflect that on acquisition the bond has nil fair value to the group. Transaction costs incurred in connection with the acquisition, which have been included in the calculation of goodwill, amount to € 4,787 as of 31 December 2007. The goodwill results from a variety of factors including synergies between the route networks expected cost savings due to combined fleet utilisation, capacity optimisation and head office cost savings and more effective procurement. Annual savings have been estimated at approximately € 70 million a year. The results of LTU as from 1 August 2007 are included in the consolidated financial statements. Post acquisition LTU became a flight service provider to Air Berlin and therefore no longer has significant external revenues. As such it is not possible to report the revenue or profit (loss) that LTU contributed to the group for the period 1 August 2007 to 31 December 2007.

Assets and liabilities arising from the acquisition of LTU:

In thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree's carrying amount
Land and Buildings	28,834	(1,854)	30,688
Aircrafts	140,160	(53,555)	193,715
Landing rights	28,200	28,200	0
Trademark LTU	4,794	4,794	0
Other tangible assets	35,047	0	35,047
Inventories	19,507	0	19,507
Accounts recievable	40,521	0	40,521
Other asstes and prepaid expenses	77,106	0	77,106
Cash and cash equivalents	113,997	0	113,997
Deferred tax assets	14,297	(7,361)	21,658
Interest-bearing liabilities	(191,320)	(1,128)	(190,192)
Accrued liabilities	(181,296)	0	(181,296)
Provisions	(46,807)	(35,468)	(11,339)
Trade payables	(50,011)	0	(50,011)
Liabilities to acquirer	(22,639)	68,585	(91,224)
Other liabilities	(60,023)	0	(60,023)
Net identifiable assets acquired	(49,633)	2,213	(51,846)
Goodwill	209,420		
Cash consideration	159,787		
less:			
Cash and cash equivalents acquired	(113,997)		
Net cash outflow	45,790		

-- BELAIR

On 10 September 2007 Air Berlin PLC acquired 49 percent of the shares in Belair Airlines AG, Zurich ("Belair") for a purchase price of CHF 1,715. Belair operates three aircraft of the type Boeing 757 and 767.

Under the Shareholders Agreement Air Berlin did not assume economic control of the airline until 1 November 2007. Due to owning only 49% of the shares a minority interest of €629 was recognised on acquisition. Under the agreement the minority interest does not participate in operating or financial decisions and 100 percent of the profits (losses) of Belair accrue to Air Berlin, therefore no minority interest is recorded in the income statement. Based on a preliminary estimate, goodwill of € 797 and minority interest of € 629 has been recorded on the purchase of Belair. A final purchase price allocation could not be carried out at the balance sheet date, as certain assets could not be valued reliably at the acquisition date due to the pending calculation of their fair value. This especially relates to identified intangible assets (landing rights) and trademark. Any following adjustments made to the purchase price allocation will be adjusted within 12 months of the acquisition date and recorded as at the acquisition date, in accordance with IFRS 3.

See table below.

Transaction costs incurred in connection with the acquisition have been included in the calculation of goodwill and amount to € 366 as of 31 December 2007. The goodwill results from a variety of factors, including synergies between the route networks. The results of Belair as from 1 November 2007 are included in the consolidated financial statements. Post acquisition Belair became a flight service provider to Air Berlin and therefore no longer has significant external revenues. As such it is not possible to report the revenue or profit (loss) that Belair contributed to the group for the period 1 November 2007 to 31 December 2007.

Assets and liabilities arising from the acquisition of Belair:

In thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree's carrying amount
Land and Buildings	0	0	0
Aircrafts	0	0	0
Other tangible assets	1,409	0	1,409
Inventories	784	0	784
Accounts recievable	587	0	587
Other asstes and prepaid expenses	1,143	0	1,143
Cash and cash equivalents	10,042	0	10,042
Deferred tax assets	102	0	102
Interest-bearing liabilities	0	0	0
Accrued liabilities	(4,632)	0	(4,632)
Trade payables	(4,640)	0	(4,640)
Liabilities to acquirer	(544)	0	(544)
Other liabilities	(3,017)	0	(3,017)
Net identifiable assets acquired	1,234	0	(1,234)
Minority interest	(629)		
Goodwill	797		
Cash consideration	1,402		
less:			
Cash and cash equivalents acquired	(10,042)		
Net cash inflow	(8,640)		

-- CONDOR

On 20 September 2007 Air Berlin PLC concluded an agreement with the Thomas Cook Group plc (“Thomas Cook”), in which Thomas Cook will transfer its shares in the airline Condor Flugdienst GmbH (“Condor”) in a two-step acquisition by means of a share swap. Air Berlin will acquire 75.1 percent of the shares in Condor in February 2009 and the remaining 24.9 percent of the shares in February 2010.
In return for its shares in Condor, Thomas Cook will receive newly issued shares in Air Berlin, which – depending on the market quotation at the time the agreement is implemented – are expected to be valued between € 380 million and € 475 million. In the process Thomas Cook is likely to acquire an interest of up to 29.99 percent in Air Berlin.
Condor currently operates 35 aircraft and recorded revenues of € 1.2 billion in the financial year 2006. The transaction is subject to approval by the responsible cartel authorities.
Transaction costs incurred in connection with the acquisition amount to € 2,599. These costs will be included in the calculation of goodwill and are capitalised under Prepaid expenses in the Balance Sheet at 31 December 2007.

Acquisitions in 2006

-- DBA

As of 31 August 2006 (acquisition date) Air Berlin PLC acquired 100 percent of the shares of dba Luftfahrtgesellschaft GmbH, München (in following “dba”) for a purchase price of € 130,000.
Transaction costs incurred in connection with the acquisition amount to € 1,385. The goodwill results from a variety of factors, including synergies between the route networks, corporate contracts and attractive offers for business passengers.

The assets and liabilities arising from the acquisition of dba are as follows:

In thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree’s carrying amount
Non-current assets	7,410	0	7,410
Landing rights	69,949	69,949	0
Trademark dba	2,017	2,017	0
Inventories	3,061	0	3,061
Accounts receivable	7,950	0	7,950
Other assets and prepaid expenses	29,852	0	29,852
Cash and cash equivalents	47,869	0	47,869
Deferred tax assets	27,718	27,718	0
Accrued liabilities	(49,765)	0	(49,765)
Accounts payable	(12,913)	0	(12,913)
Other current liabilities	(22,080)	0	(22,080)
Net identifiable assets acquired	111,068	99,684	11,384
Goodwill	20,317		
Cash consideration	131,385		
less:			
Cash and cash equivalents acquired	(47,869)		
Net cash outflow	83,516		

Pre-acquisition carrying amounts were determined based on financial statements prepared according to applicable adopted IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. The initial valuation of landing rights and trademarks at fair value in connection with the acquisition is discussed further in note 6. No contingent liabilities were identified at the acquisition date.

Goodwill is not amortised but instead is assessed annually for impairment in accordance with IFRS 3. The transaction costs were included in the calculation of goodwill.

Other

In addition the Group acquired the remaining 76% of TIS Total Inflight Solution Germany GmbH in 2006, which was renamed to AB Neunte Flugzeugvermietungs GmbH and

INTANGIBLE ASSETS (RELATES TO NOTE 6, TEXT ON PAGE 130)

In thousands of Euro	Software licences	Goodwill	Landing rights	Trademarks	Other rights	**Total**
Acquisition cost						
Balance at 1 January 2006	7,543	0	0	0	869	**8,412**
Additions	3,645	0	0	0	0	**3,645**
Additions through acquisitions	362	20,317	69,949	2,017	0	**92,645**
Disposals	(87)	0	0	0	0	**(87)**
Balance at 31 December 2006	11,463	20,317	69,949	2,017	869	**104,615**
Additions	5,570	0	0	0	0	**5,570**
Additions through acquisitions	759	210,217	28,200	4,794	0	**243,970**
Disposals	(378)	0	0	0	(869)	**(1,247)**
Balance at 31 December 2007	17,414	230,534	98,149	6,811	0	**352,908**
Depreciation						
Balance at 1 January 2006	6,269	0	0	0	826	**7,095**
Depreciation charge for the year	1,639	0	0	134	43	**1,816**
Disposals	(87)	0	0	0	0	**(87)**
Balance at 31 December 2006	7,821	0	0	134	869	**8,824**
Depreciation charge for the year	3,766	0	0	501	0	**4,267**
Impairment loss	0	0	0	1,782	0	**1,782**
Disposals	(316)	0	0	0	(869)	**(1,185)**
Balance at 31 December 2007	11,271	0	0	2,417	0	**(13,688)**
Carrying amount						
At 1 January 2006	1,274	0	0	0	43	**1,317**
At 31 December 2006	3,642	20,317	69,949	1,883	0	**95,791**
At 31 December 2007	6,143	230,534	98,149	4,394	0	**339,220**

consolidated in the financial statements at 31 December 2006. The Group paid € 19 and received cash of € 25, so the net cash flow from the acquisition was positive € 6.

Summary of cash flow from acquisitions

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

In thousands of Euro	**2007**	2006
LTU	**45,790**	0
Belair	**(8,640)**	0
Condor	**2,599**	0
dba	**0**	83,516
TIS	**0**	(6)
	39,749	83,510

6. INTANGIBLE ASSETS

See table on page 129.

For the purchase accounting, landing rights and trademarks are valued at their fair values as of the acquisition date.

The valuation of landing rights has been determined on a fair value basis and is based on the average cash flows that can be generated by a representative market participant on regulated airports under consideration of a scarcity factor. Significant assumptions used in the calculation of value in use were a discount rate of 10.11 % and cash flow projections for each route with an individual landing right. The valuation of the trademark LTU is based on a licence price analogy (relief from royalty). The estimated trademark-related sales revenues over a useful life of 5 years form the basis for the calculation, discounted at a rate of 8.56%.

The Group carried out an impairment test on both landing rights and goodwill in the fourth quarter of 2007 based on a variety of assumptions and concluded that as the estimated recoverable amount significantly exceeded the carrying amounts, no impairment was required. The recoverable amount was determined for the cash generating unit to which the landing rights and goodwill belong, which in this case is the Air Berlin Group as a whole. The future cash flows were estimated using the value-in-use perspective based on the most recent mid-term cash flow plan (3 years) approved by management for the existing fleet, extrapolated to perpetuity using a 0.5% growth rate and discounted to their present value using the company-specific weighted average cost of capital of 8.29%. The calculation of value in use is most sensitive to the assumptions of discount rate and operating margin.

The operating margins used in determining value in use are based on planned business and operational growth, excluding growth arising from purchases of additional fixed assets but including maintenance and repairs and are significantly improved from that experienced in 2006 and 2007. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. However, foreseeable events are unlikely to cause a change in projections significant enough to result in the carrying amounts exceeding the recoverable amount. The discount rate reflects management's estimate of the long-term cost of capital for the cash generating unit.

As all dba flights are now booked directly through Air Berlin and the dba website has been discontinued, the trademark dba was completely written off in 2007, resulting in an impairment loss of € 1,782.

7. PROPERTY, PLANT AND EQUIPMENT

See table on page 131 below.

From 1 January 2007 the Group adjusted its estimate of residual values in depreciating its aircraft to a percentage of the original acquisition cost in Euro. This will reduce fluctuations in depreciation expense due to the revaluation of residual values, which were previously based on estimated future market prices in USD. The effect of this change in estimate was accounted for prospectively in the period of change in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and resulted in an increase in depreciation expense in the financial period of approximately € 3,978 calculated based on the aircraft owned at the time of the change in estimate and the USD:Euro rate at that time.

Borrowing costs capitalised during 2007 and 2006 are € 971 and € 2,393, respectively, at borrowing rates between 6.85% and 7.04%. Aircraft and engines are pledged as security in connection with the Group's interest-bearing liabilities and liabilities due to banks from assignment of future lease payments. Tangible assets include land and buildings, aircraft and engines, and technical equipment and machinery which have been capitalised as a result of finance leases.

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

In thousands of Euro	**2007**	2006
Land and buildings	**27,557**	0
Aircraft and engines	**51,268**	0
Technical equipment and machinery	**2,176**	5,810
	81,001	5,810

Finance leases are explained in more detail in Note 17.

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 2006	0	959,060	55,519	27,665	**1,042,244**
Additions	0	293,384	37,105	6,250	**336,739**
Additions through acquisitions	0	0	6,014	1,034	**7,048**
Disposals	0	(147,090)	(47,176)	(660)	**(194,926)**
Balance at 31 December 2006	0	1,105,354	51,462	34,289	**1,191,105**
Additions	0	254,353	22,957	12,491	**289,801**
Additions through acquisition	28,834	140,160	31,085	4,612	**204,691**
Disposals	0	(149,916)	(4,516)	(9,681)	**(164,113)**
Balance at 31 December 2007	28,834	1,349,951	100,988	41,711	**1,521,484**
Depreciation					
Balance at 1 January 2006	0	246,927	25,200	17,359	**289,486**
Depreciation charge for the year	0	52,744	5,095	4,577	**62,416**
Disposals	0	(73,893)	(23,153)	(645)	**(97,691)**
Balance at 31 December 2006	0	225,778	7,142	21,291	**254,211**
Depreciation charge for the year	1,277	69,537	9,483	7,426	**87,723**
Disposals	0	(11,303)	(2,279)	(8,082)	**(21,664)**
Balance at 31 December 2007	1,277	284,012	14,346	20,635	**320,270**
Carrying amount					
At 1 January 2006	0	712,133	30,319	10,306	**752,758**
At 31 December 2006	0	879,576	44,320	12,998	**936,894**
At 31 December 2007	27,557	1,065,939	86,642	21,076	**1,201,214**

8. INVESTMENTS IN ASSOCIATES

In thousands of Euro	Investments
Acquisition cost	
Balance at 1 January 2006	660
Additions	31
Dividends received	(500)
Share of profits	608
Payment received on liquidation	(61)
Transfers due to consolidation in 2006	(6)
Impairment losses	(12)
Balance at 31 December 2006	720
Dividends received	(527)
Share of profits	791
Payment received on liquidation	(49)
Balance at 31 December 2007	935

The Group has the following investments in associates:

		Ownership	
	Country	**2007**	2006
		%	%
Niki Luftfahrt GmbH, Vienna	Austria	**24.0**	24.0
SCK DUS GmbH & Co. KG Düsseldorf*	Germany	**24.8**	24.8
IBERO Tours GmbH **	Germany	**50.0**	50.0
Lee & Lex Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0
ILTU Ireland Ltd. ***	Ireland	**50.0**	0

* Formerly Stockheim Air Catering GmbH & Co. KG, then TIS Germany Air Catering GmbH & Co. KG and finally SCK DUS GmbH & Co. KG, Düsseldorf.
** Accounted for as an associate due to lack of control
*** In liquidation at 31 December 2007

Summary financial information on associates — 100 per cent:

In thousands of Euro	Assets	Liabilities	Equity	Revenues	Profit/(loss)
2007					
Niki Luftfahrt GmbH, Vienna	*	*	*	*	*
SCK DUS GmbH & Co. KG, Düsseldorf***	4,542	2,392	2,150	21,822	1,990
IBERO Tours GmbH, Düsseldorf	*	*	*	*	*
Lee & Lex Flugzeugvermietung GmbH, Vienna***	53,976	57,151	(3,174)	7,575	(1,556)
2006					
Niki Luftfahrt GmbH, Vienna	78,114	78,152	(38)	145,150	703
SCK DUS GmbH & Co. KG, Düsseldorf**	3,433	3,273	160	22,117	1,265
IBERO Tours GmbH	1,977	1,201	776	3,248	18
Lee & Lex Flugzeugvermietung GmbH, Vienna	56,593	58,211	(1,618)	4,267	(1,668)

* Figure is not yet available, therefore the 2006 figures were used in determining at-equity amounts
** Figure as of 31 December 2006 (audited financial statements for the nine month financial period 1 April to 31 December 2006 plus the revenues and profit/loss from the audited financial statements for the three month financial period 1 January to 31 March 2006)
*** According to preliminary (unaudited) financial statements as of 31 December 2007

Stockheim Air Catering GmbH & Co. KG, Düsseldorf was renamed TIS Germany Airline Catering GmbH & Co. KG on 31 March 2006, at which time the company changed its financial year end to 31 March and issued audited financial statements for the period 1 January to 31 March 2006. In the fourth quarter of 2006 Air Berlin acquired the remaining 76.0% ownership in TIS Germany Airline Catering GmbH & Co. KG and resold 75.2% thereof to the SCK-Group, thereby increasing its ownership to 24.8%. The company subsequently changed its name to SCK DUS GmbH & Co. KG, Düsseldorf.

The Group's share of post-acquisition total recognised profit or loss in the above associates for the years ending 31 December 2007 and 2006 is € 791 and € 608, respectively. The Group has not recognised losses relating to Niki Luftfahrt GmbH totalling € 418 in prior periods, as the Group has no obligation in respect of these losses. Consequently the Group has not recognised subsequent gains of € 169 in 2006 (€ 17 in 2005), as these do not yet compensate for the cumulative losses. Similarly the Group has not recognised losses relating to Lee & Lex Flugzeugvermietung GmbH totalling € 373 in 2007 (€ 400 in 2006), as the Group has no obligation in respect of these losses.

In 2007 a payment of € 49 was received on the liquidation of ILTU Ireland Ltd. The associate, which was acquired through the acquisition of LTU, is in liquidation on 31 December 2007.

9. INVENTORIES

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

In thousands of Euro	**2007**	2006
Raw materials	**716**	47
Supplies and spares	**28,791**	10,977
Purchased merchandise	**1,318**	890
	30,825	11,914

No allowance for obsolete items is required on inventories, as there are no material differences between the net realisable value and the carrying amounts.

The amount of inventories expensed in the income statement for 2007 and 2006 are € 89,622 and € 57,416, respectively.

TRADE AND OTHER RECEIVABLES, CURRENT AND NON-CURRENT (RELATES TO NOTE 10 ON PAGE 134)

In thousands of Euro	Current 2007	Non-Current 2007	Total 2007	Current 2006	Non-current 2006	Total 2006
Trade receivables	110,873	0	110,873	49,724	0	**49,724**
Receivables from related parties	9,235	1,401	10,636	7,253	1,529	**8,782**
Loans receivable	0	3,500	3,500	0	0	**0**
Accrued revenue	6,507	0	6,507	8,514	0	**8,514**
Security deposits and deposits with suppliers	48,697	448	49,145	5,341	0	**5,341**
Receivables for bonus and claims	10,581	0	10,581	7,759	0	**7,759**
Receivables from sale of fixed assets	1,326	0	1,326	39,710	0	**39,710**
Other receivables	11,698	0	11,698	0	0	**0**
Receivables from tax authorities	10,941	0	10,941	10,398	0	**10,398**
Advanced payments on aircraft and other tangible assets	35,747	95,614	131,361	20,260	41,086	**61,346**
Other assets	14,594	0	14,594	16,712	0	**16,712**
	260,199	100,963	361,162	165,671	42,615	208,286

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

See table on page 133.

The Group has reclassified several of its financial assets amounting to € 1,529 from current to non-current in the prior year comparative figures.
Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled. The amounts are carried at amortised cost using the effective interest method.
Receivables from related parties include a loan receivable in the amount of USD 960 (€ 651) and a partial debenture of € 750 (30 debentures at € 25 each) from Lee & Lex Flugzeugvermietungs GmbH (in total € 1,401, 2006: € 1,529). The loan is due on 30 April 2018 and has a yearly interest rate of 5% and the debentures are due on 30 September 2018 and have a yearly interest rate of 6%.
Other assets mainly include receivables from insurance carriers (2007: € 1,894 and 2006: € 1,330) and suppliers with debit balances (2007: € 6,958 and 2006: € 5,224).
Security deposits and deposits with suppliers relate to amounts which are expected to be received in cash, whereas suppliers with debit balances relate to amounts which are expected to be offset against future invoices.
Advanced payments on aircraft and other tangible assets relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft, which are detailed in note 32 "Capital commitments" below. Payments of € 95,642 (2006: € 48,846) were made during the period and € 25,627 was capitalised as aircraft were acquired in 2007 (2006: € 13,204).
The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 30.

11. SHARE CAPITAL AND RESERVES

Share capital and share premium

On 27 April 2006, ordinary shares were increased by 44,400 shares of € 1.00 each due to the issue of shares pursuant to the "2006 Employee Share Plan". Further, a subsequent 4:1 stock split of each authorised ordinary share was adopted.
During the course of a public offering on 11 May 2006, 19,565,217 ordinary shares of € 0.25 each were issued at a total share premium of € 214,190 net of transaction costs. Additional transaction costs of € 13,667 relating to the listing of existing shares are recognised in the income statement under financial expenses.
On 28 March 2007 the Company issued a further 5,974,282 ordinary shares of € 0.25 at a share price of € 16.40. Gross proceeds on the issue of new shares amounted to € 97,978, which resulted in net proceeds of € 92,783 after deducting transaction costs of € 5,195. The increase in share premium was € 93,311 net of tax.
As of 31 December 2007, the authorised share capital of Air Berlin was € 100,000,000 and £ 50,000 (2006: € 100,000,000 and £ 50,000), divided into 400,000,000 ordinary shares of € 0.25 each and 50,000 A Shares of £ 1.00 each (2006: 400,000,000 ordinary shares of € 0.25 each and 50.000 A Shares of £ 1.00 each).
Of Air Berlin's authorised share capital, 65,717,103 ordinary shares of € 0.25 each and 50,000 A Shares of £ 1.00 each were issued and fully paid up as of 31 December 2007. Included in this amount are 177,600 treasury shares held by Air Berlin (through the Air Berlin Employee Share Trust) in connection with the employee share plan described below. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.
The A Shares are redeemable at the option of Air Berlin only, and the holders of A Shares shall not be entitled to any participation in the profits or assets of Air Berlin save on a distribution of assets of Air Berlin among its members on a winding up or other return of capital (other than a redemption or purchase by Air Berlin of its own shares), in which case the holders of A Shares shall be entitled, in priority of to any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A Share.

Movements in share capital are summarised below:

In thousands of shares	Ordinary shares 2007	Ordinary shares 2006	Redeemable "Class A" preference shares 2007	Redeemable "Class A" preference shares 2006
On issue at 1 January	**59,743**	10,000	**50**	50
Issued in connection with Employee Share Plan	**0**	44	**0**	0
Total on issue before stock split	**59,743**	10,044	**0**	0
Total on issue after 4:1 stock split	**0**	40,178	**0**	0
Issued for cash (IPO on 11 May 2006)	**0**	19,565	**0**	0
Issued for cash (new shares on 28 March 2007)	**5,974**	0	**0**	0
On issue at 31 December	**65,717**	59,743	**50**	50
Thereof held as treasury shares	**178**	178	**0**	0

No shares have been reserved for issue under options.

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

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

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

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

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

Fair value reserve
The fair value reserve included the cumulative net change in the fair value of available for sale investments until the investments were derecognised in 2006.

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

12. EARNINGS PER SHARE (EPS)

The basic (and diluted) earnings per share are determined by dividing the profit or loss for the period by the weighted average number of ordinary shares outstanding during the financial year. See page 136 for table.

The 50,000 class A shares (redeemable preference shares) do not entitle the holders to any participation in the profit or loss of Air Berlin, as dividends are discretionary. These shares therefore have not been included in the calculation of the weighted average number of ordinary shares outstanding above.
The conversion of convertible bonds would have had an antidilutive effect on earnings per share and is therefore not considered in the calculation of diluted earnings per share.

EARNINGS PER SHARE (EPS)

In thousands of Euro and thousands of shares, except EPS	2007	(restated) 2006
Profit for the year	**20,977**	40,076
Dividends declared on redeemable "Class A" preference shares	**0**	0
Profit attributable to ordinary shareholders (basic and diluted)	**20,977**	40,076
Issued ordinary shares at 1 January (adjusted for 4:1 stock split)	**59,743**	40,000
Effect of shares issued in April 2006 in connection with Employee Share Plan	**0**	121
Effect of shares issued in May 2006	**0**	12,597
Effect of shares issued in March 2007	**4,550**	0
Effect of treasury shares held	**(178)**	(121)
Weighted average number of ordinary shares outstanding (basic)	**64,115**	52,597
Effect of share options in issue	**175**	119
Weighted average number of ordinary shares outstanding (diluted)	**64,290**	52,716
Basic earnings per share (in €)	**0.33**	0.76
Diluted earnings per share (in €)	**0.33**	0.76

13. EMPLOYEE SHARE PLAN

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

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

Under the terms of the revised Employee Share Plan 2006 the Participant holds (limited) legal title to the shares but will only be able to acquire the beneficial interest to the shares if certain performance conditions are met and if the employee remains with the Company for the entire performance period (vesting period). If the conditions are not met, if the Participant leaves the Company before the end of the vesting period or if the Participant does not transfer payment for the shares within two weeks upon notification by the Company that the conditions have been met, the Company may require the Participant to transfer legal title to the shares to the Company. Participants are not entitled to receive dividends during the performance period. In addition, restrictions have been placed on the Participant's legal interest in the shares (i.e. voting rights) during the performance period.

The shares are divided equally in three Tranches, each comprising one-third of the shares granted. 50% of the shares granted under each of the Tranches are subject to a performance condition based on return on equity achieved by the Company and 50% of the shares granted under each of the Tranches are subject to performance conditions based on the percentage increase in the Company's Share price over a three-year period as follows:

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

Both performance conditions will be measured in respect of the First, Second and Third Tranches over the performance periods of three consecutive financial years ending on 31 December 2008, 2009 and 2010 respectively.
The right to acquire the beneficial interest in the shares subject to the Employee Share Plan 2006 is exercisable during a two week period following notification by the Company of fulfilment of the performance criteria. The exercise price is € 0.25 per share, the nominal value of the shares.
The equity-settled share-based payment transactions are measured at fair value on the grant date in accordance with IFRS 2. The weighted average fair value of these options was € 8.95 at the measurement date. The fair value of the options granted was determined using the binomial model under the following assumptions:

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

Volatility was estimated by a peer group analysis in the airline sector, adjusted for a "new issuer" premium.
The number and weighted average exercise price of share options during the period was as follows:

Share options	Number of share options **2007**	Weighted average exercise price **2007**	Number of share options 2006	Weighted average exercise price 2006
Outstanding at the beginning of the period	**177,600**	**0.25**	0	—
Granted during the period	**0**	**0.25**	177,600	0.25
Forfeited during the period	**3,600**	**0.25**	0	0.25
Exercised during the period	**0**	**0.25**	0	0.25
Expired during the period	**0**	**0.25**	0	0.25
Outstanding at the end of the period	**174,000**	**0.25**	177,600	0.25
Exercisable at the end of the period	**0**	**0.25**	0	0.25

No options were exercised or lapsed during the period.
Total expense in the income statement relating to the Employee Share Plan was € 390 in 2007 (€ 270 in 2006).

14. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2007:

In thousands of Euro	Note	2007	2006
Pension liabilities		**1,205**	0
Provision for anniversary bonuses	15	**7,546**	0
Provision for old age part time (early retirement)	15	**3,556**	0
Total employee benefits		**12,307**	

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

Defined benefit plans

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

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

In thousands of Euro	2007	2006
Present value of funded obligations	**8,270**	0
Fair value of plan assets	**(7,065)**	0
Pension liabilities	**1,205**	0

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

In thousands of Euro	2007	2006
Defined benefit obligation as at 1 January	**0**	0
Current service cost	**1,770**	0
Past service cost	**6,644**	0
Interest on obligation	**350**	0
Actuarial gains	**(494)**	0
Defined benefit obligation as at 31 December	**8,270**	0

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

In thousands of Euro	2007	2006
Fair value of plan assets as at 1 January	**0**	0
Contribution	**7,227**	0
Expected return on plan assets	**0**	0
Actuarial losses	**(162)**	0
Fair value of plan assets as at 31 December	**7,065**	0

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

The actual return on plan assets was € –162 during the period.

No experience adjustment were made during the period.

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

In thousands of Euro	2007	2006
Current service cost	**1,770**	0
Interest on obligation	**350**	0
Past service cost	**2,625**	0
Expected return on plan assets	**0**	0
Net actuarial gains recognised in the period	**(332)**	0
Pension expense	**4,413**	0

The group expects to contribute € 3,240 to its defined benefit pension plans in 2008.

Principal actuarial assumptions at the reporting date are as follows:

	2007	2006*
Discount rate at 31 December	**5.00—5.25 %**	4.50 %
Expected return on plan assets at 1 January	**2.75—4.00 %**	2.75 %
Future salary increases	**3.00 %**	3.00 %
Cost of living adjustment (future pension increases)	**1.00 %**	1.00 %

* for the calculation of prior service cost

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

Defined contribution plans

Through the acquisition of dba in 2006, the Group acquired a defined contribution pension plan covering all employees of dba, to which the Group makes contributions. The net pension expense recorded in the profit and loss in 2007 as a result of the defined contribution plan is € 240 (2006: € 355). As employees in Germany are covered by and required to contribute to the German social security system, Air Berlin does not have any other employee benefit plans at the balance sheet date. The Group paid contributions into the German social security system of € 19,082 in 2007 (€ 4,476 in 2006).

15. PROVISIONS

In thousands of Euro	At 1.1.2007	Additions	Additions through acquisition	Reversal	Utilisation	Balance at 31.12.2007
Repair of damaged aircraft	7	235	0	0	(7)	235
Provision for airport fees	0	1,543	0	0	0	1,543
Provision for anniversary bonuses	0	0	7,756	(210)	0	7,546
Provision for old age part time early retirement	0	0	3,583	(27)	0	3,556
Provision for onerous contracts	0	0	35,468	0	(23,962)	11,506
	7	1,778	46,807	(237)	(23,969)	24,386

Thereof € 11,036 relating to the provision for anniversary bonuses and old age part time early retirement was classified as non-current as at 31 December 2007 (2006: € 0). The provision for repair of damaged aircraft relates to the expected cost of repair of aircraft which have been damaged not in the ordinary course of use and have not been repaired as of the balance sheet date. The estimated amount is based on Air Berlin's historical experience and is recognised at the time the aircraft is damaged. The provision for airport fees relates to a claim in which the airport is seeking fees of € 1,543 in 2007 due to infrastructure measures (€501 in 2006, at which time it was not recorded in the balance sheet as it was not considered probable that it would result in an outflow).

As a result of the existing collective labour agreement, older employees of LTU (age 55 and above) have the opportunity to take part in the old age part time ("Altersteilzeit") program, which is a form of early retirement in which the employee either works part time for the whole period or works full time during the first few years and not at all in the following years until reaching the official age of retirement. Thirteen employees have signed such agreements as of the balance sheet date, of which three will begin part time in 2009. A discount rate of 5,5% and an expected salary increase of 2% was used to calculate the provision. Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect.

The provision for anniversary bonuses was also calculated using a discount rate of 5,5% and an expected yearly salary increase of 2%. Uncertainties exist in the probability that the employees will remain with the Group until they are entitled to receive their anniversary bonus and as to their salaries at that time. The provision was accounted for in accordance with IAS 19.

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

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

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

Interest-bearing liabilities

The Group has entered into various interest-bearing liabilities. The carrying amounts for the years 2007 and 2006, classified according to their maturity dates and borrowing rates, are as follows: See table below.

The bank overdrafts are due in 2007 or 2008 for 2006 and 2007 respectively.

Of this amount € 122,402 (2006: € 97,997) is classified within current liabilities in the balance sheet. Bank loans are collateralised by engines and aircraft in the amount of € 15,916 (2006: € 23,012).

The finance lease liability for technical equipment was shown under Trade and other payables in 2006. This amount (€ 5,810 at 31 December 2006) has been reclassified to Interest-bearing liabilities in 2007 and the 2006 figures have been adjusted. The finance lease liabilities are detailed in note 17 below.

INTEREST-BEARING LIABILITIES

In thousands of Euro	Secured / Unsecured	Currency	Maturity date	Carrying amount 31.12.2007	Carrying amount 31.12.2006
Interest Rate					
EURIBOR plus 1.5% spread	Unsecured	Euro	2007	0	5,903
3 month LIBOR plus 1.2% spread	Unsecured	USD	2009	15,763	0
Fixed rate at 5.82%	Unsecured	Euro	2008	4,010	4,010
Bank loan, fixed rate at 5.79%	Unsecured	Euro	2008	100,000	0
1 month LIBOR plus 3% spread	Secured	USD	2009	0	1,983
1 month LIBOR plus 2% spread	Secured	USD	2011	4,080	5,833
1 month LIBOR plus 2% spread	Secured	USD	2012	7,738	10,029
1 month LIBOR plus 2% spread	Secured	USD	2013	4,264	5,382
LIBOR plus 1.00% spread	Secured	USD	2017	18,585	0
Convertible bonds—liability component, fixed rate at 1.5%	Unsecured	Euro	2027	182,007	0
Finance lease liabilities, aircraft	Unsecured	USD	2008—2018	47,232	0
Finance lease liabilities, technical equipment	Unsecured	Euro	2008—2009	2,061	5,810
Finance lease liabilities, buildings	Unsecured	Euro	2008—2022	52,701	0
Bank overdraft	Unsecured	USD		0	6,200
Bank overdraft	Unsecured	Euro		108	81,627
				438,550	126,777

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

In thousands of Euro	2007	2006
Less than one year	**122,402**	97,997
Between one and five years	**235,498**	24,965
More than five years	**80,650**	3,815
	438,550	126,777

Convertible bonds

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

The convertible bond was split into its equity and debt components in accordance with IAS 32. The equity component, less transaction costs net of tax, is shown as an increase in share premium, and the debt component of the convertible bond is included under interest-bearing liabilities in the balance sheet as follows:

Proceeds from issue of convertible bonds	220,000
Transaction costs	(6,391)
Net proceeds	213,609
Amount classified as equity	(39,934)
Accrued interest	8,332
Carrying amount at 31 December 2007	182,007

The equity component, which is shown net of taxes of € 12,503 in the balance sheet, totalled € 27,431 at 31 December 2007. The effect of the change in tax rate (discussed in note 27 below) amounted to € 3,031 and was recorded as an increase in the equity component of the convertible bond. An analysis of this amount is as follows:

Equity component of convertible bond	41,129
Less: transaction costs allocated to equity component	(1,195)
Total amount classified as equity	39,934
Taxes on equity component at 38.9%	(15,534)
Effect of change in tax rate	3,031
Equity component of convertible bond, net of tax	27,431

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

Liabilities due to banks from assignment of future lease payments

The Group entered into financing agreements with commercial banks by which the Group assigned intra-group lease payments to the banks. The carrying amounts for the years 2007 and 2006, classified according to their maturity dates and borrowing rates, are as follows:

See table on page 142.

Of this amount € 62,935 (2006: € 63,067) is classified within current liabilities in the balance sheet. The assigned intra-group lease payments are secured over aircraft.

LIABILITIES DUE TO BANKS FROM ASSIGNMENT OF FUTURE LEASE PAYMENTS

In thousands of Euro	Secured / Unsecured	Currency	Maturity date	Carrying amount 31.12.2007	Carrying amount 31.12.2006
Interest Rate					
EURIBOR plus 0.625% spread	Secured	EUR	2010	0	89,395
EURIBOR plus 0.85% spread	Secured	EUR	2011	39,965	45,896
LIBOR plus 1.30% spread	Secured	USD	2011	841	1,139
LIBOR plus 0.85% spread	Secured	USD	2012	30,825	39,397
EURIBOR plus 0.85% spread	Secured	EUR	2012	16,448	18,914
EURIBOR plus 1.10% spread	Secured	EUR	2012	16,334	18,708
LIBOR plus 1.30% spread	Secured	USD	2012	866	0
LIBOR plus 0.95% spread	Secured	USD	2013	14,490	18,238
LIBOR plus 1.20% spread	Secured	EUR	2013	17,969	20,328
LIBOR plus 1.25% spread	Secured	USD	2013	28,890	36,361
LIBOR plus 1.85% spread	Secured	USD	2013	0	3,986
LIBOR plus 1.85% spread	Secured	USD	2014	16,431	17,227
LIBOR plus 1.30% spread	Secured	USD	2015	79,342	0
LIBOR plus 1.30% spread	Secured	USD	2016	247,525	225,354
LIBOR plus 1.30% spread	Secured	USD	2017	39,890	23,538
LIBOR plus 1.05% spread	Secured	USD	2019	42,026	0
				591,842	558,481

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

In thousands of Euro	**2007**	2006
Less than one year	62,935	63,067
Between one and five years	284,581	272,326
More than five years	244,326	223,088
	591,842	558,481

17. LEASING

Operating leases

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

In addition the Group leases a number of warehouse and office facilities under operating leases. The leases expire between 2008 and 2014, with an option to renew the leases after these dates.

Non-cancellable operating lease rentals are payable as follows:

In thousands of Euro	**2007**	2006
Less than one year	**315,522**	154,052
Between one and five years	**799,724**	349,996
More than five years	**207,973**	14,129
	1,323,219	518,177

During the year ended 31 December 2007, € 280,797 (2006: € 139,875) was recognised as an expense in the income statement in respect of operating leases.

The Group also leases several of its aircraft as lessor under agreements which qualify as operating leases.
The lease term is twelve years, and lease payments are in USD. Future minimum lease payments are receivable as follows:

In thousands of Euro	**2007**	2006
Less than one year	**13,552**	0
Between one and five years	**54,208**	0
More than five years	**93,735**	0
	161,495	0

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

Finance leases
The Group leases certain technical equipment under an agreement which qualifies as a finance lease. The finance lease relates to the technical equipment for nine (2006: fifteen) aircraft leased under operating leases with various leasing terms, the latest of which currently expires in May 2009. The leasing rate is based on flight hours per aircraft, with a guaranteed minimum number of flight hours per aircraft. Any extensions of the underlying aircraft lease agreements or any new aircraft leases of the same make and model will automatically be included in the lease of technical equipment. The leasing rate is adjusted on a yearly basis. No restrictions have been placed on the lessee as a result of these leases. Changes in the terms of the lease agreement resulted in a reduction in the liability and in the net book value of the technical equipment of € 387 in 2007.
The Group also leases two aircraft under agreements which qualify as finance leases. The lease agreements are for terms of eleven years, the latest of which expires in 2018. The agreements contain various put and call options relating to the right of the lessee to purchase the aircraft or the right of the lessor to require the lessee to purchase the aircraft on certain dates at prices and conditions set out in the agreements. In addition, the lessor has the right to require the lessee to name a purchaser at the end of the lease term for a fixed price (guaranteed residual value). Lease payments are in USD and vary based on changes in the interest rate component of the lease. The present value of future minimum lease payments was therefore determined by using the expected lease payments based on the preliminary interest rate stated in the lease.
In addition, through the purchase of LTU the Group now leases two airport buildings under agreements which qualify as finance leases. The leases expire in 2011 and 2022. The assets and liabilities were recorded initially at their fair values at 31 July 2007 in connection with the purchase price allocation and depreciated / amortised as of that date.
The net book value of assets capitalised at 31 December 2007 as a result of finance leases is detailed in note 7 above.
Future minimum lease payments are as follows:

Future minimum lease payments are as follows:

	As at 31 December 2007		As at 31 December 2006	
In thousands of Euro	Future minimum lease payments	Discounted to present value	Future minimum lease payments	Discounted to present value
Less than one year	14,092	7,836	3,557	3,441
Between one and five years	48,412	28,054	2,541	2,369
More than five years	87,819	66,104	0	0
	150,323	101,994	6,098	5,810

No contingent leasing payments were recorded in profit and loss in 2007 (2006: € 0).

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

In thousands of Euro	Current 2007	Non-Current 2007	Total 2007	Current 2006	Non-Current 2006	Total 2006
Trade payables	114,938	0	114,938	67,706	0	67,706
Other financial liabilities	3,160	0	3,160	2,124	0	2,124
Trade payables and other financial liabilities	118,098	0	118,098	69,830	0	69,830
Accrued liabilities	289,544	26,164	315,708	99,026	0	99,026
Receivables with credit balances	1,867	0	1,867	6,406	0	6,406
Payroll tax	6,834	0	6,834	3,299	0	3,299
VAT	22,569	0	22,569	41	0	41
Social insurance contributions	361	0	361	134	0	134
Other non-financial liabilities	3,016	0	3,016	648	0	648
	442,289	26,164	468,453	179,384	0	179,384

Accrued liabilities include expenses for services provided and goods received before the balance sheet date but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and provisions 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.
Advanced payments received in 2006 for the sale of property, plant and equipment in the amount of € 40,000 were also recorded under advanced payments received in the balance sheet at 31 December 2006. The expected sale did not take place and the amount was repaid in 2007.

20. REVENUE

In thousands of Euro	**2007**	2006
Single-seat ticket sales	**1,453,364**	867,919
Bulk ticket sales to charter and package tour operators	**861,250**	589,904
Duty free	**27,516**	16,336
Ground and other services	**194,370**	101,236
	2,536,500	1,575,395

Ground and other services primarily include codeshare revenue (i.e. revenue received from other airlines for the sharing of flights) and ancillary sales.

Segment information

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

21. OTHER OPERATING INCOME

In thousands of Euro	**2007**	2006
Gain on disposal of fixed assets	**1,765**	21,407
Income from administrative services provided to Niki	**680**	476
Income from insurance claims	**2,946**	432
Other	**9,184**	8,552
	14,575	30,867

22. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	2007	2006
Fuel for aircraft	**561,751**	345,839
Catering costs and cost of materials for in-flight sales	**85,708**	59,897
Airport & handling charges	**596,184**	412,104
Operating leases for aircraft and equipment	**263,843**	128,156
Navigation charges	**186,666**	123,012
Other	**42,283**	25,493
	1,736,435	1,094,501

23. PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows:

In thousands of Euro	2007	2006
Wages and salaries	**262,513**	139,885
Pension expense	**23,735**	4,831
Social security	**25,554**	18,577
	311,802	163,293

Pension expense relates to the defined benefit plan for the Executive Directors of € 3,084 (2006: € 0) and the dba pension plan of € 1,329 (2006: € 0), contributions paid to defined contribution plans of € 240 (2006: € 355) and to the German social security system of € 19,082 (2006: € 4,476) during the period. Further details regarding the pension plans are found in note 14 above.

Remuneration of the executive directors (key management) personnel is as follows:

In thousands of Euro	2007	2006
Basic remuneration	**2,000**	1,600
Bonus	**1,800**	2,000
Share based payment expense	**272**	184
Other	**84**	47
	4,156	3,831

The highest paid director received € 1,992 and € 1,749 in total remuneration in 2007 and 2006, respectively. Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 96 to 103.

The average number of persons employed by the group (including directors) during the year and the number of employees at year-end, analysed by category and on a full-time basis, were as follows: See table on page 146.

24. OTHER OPERATING EXPENSES

In thousands of Euro	2007	2006
Sales commissions paid to agencies	**31,130**	25,806
Repairs and maintenance of technical equipment	**125,094**	58,352
Advertising	**51,701**	34,751
Insurances	**20,848**	18,640
Hardware and software expenses	**42,627**	18,752
Bank charges	**16,070**	9,413
Travel expenses for cabin crews	**19,872**	10,459
Expenses for premises and vehicles	**19,244**	12,541
Training and other personnel costs	**15,225**	5,351
Phone and postage	**5,072**	3,527
Allowances for receivables	**3,358**	2,340
Consulting fees	**8,171**	2,093
Remuneration of the auditor	**2,866**	1,623
Other	**26,369**	16,440
	387,647	220,088

Remuneration of the Auditor is as follows:

In thousands of Euro	2007	2006
Audit of the annual accounts	**116**	89
Audit of accounts of subsidiaries of the company	**895**	348
Other services pursuant to legislation	**350**	282
Taxation services	**533**	500
Other services	**972**	404*
	2,866	1,623

* in 2006 a further € 291 was included in financial expenses below

NUMBER OF EMPLOYEES (NOTE 23)

Employees	On annual average **2007**	On annual average 2006	As at 31 December **2007**	As at 31 December 2006
Flight and cabin crew	**3,327**	1,807	**4,792**	2,235
Sales, operations and administration	**2,504**	1,492	**3,568**	1,873
	5,831	3,299	**8,360**	4,108

25. NET FINANCING COSTS

In thousands of Euro	**2007**	2006
Interest on interest-bearing liabilities	**(49,464)**	(28,090)
Other financial expenses	**(160)**	(13,815)
Impairment of associates	**(0)**	(12)
Financial expenses	**(49,624)**	(41,917)
Interest income on fixed deposits	**11,306**	7,172
Other financial income	**2,545**	217
Financial income	**13,851**	7,389
Foreign exchange gains	**225**	14,857
Net financing costs	**(35,548)**	(19,671)

In 2006 other financial expenses included € 13,667 related to the listing of existing shares. As described in note 4 n) above, exchange rate differences not arising from interest-bearing liabilities and other financing activities are reclassified to the relevant line items within operating expenses. Total net foreign exchange gains (losses)are reconciled to foreign exchange gains in profit or loss as follows:

In thousands of Euro	**2007**	2006
Total net foreign exchange gains (losses) recognised in profit or loss	**(36,613)**	20,476
Thereof reclassified to operating expenses	**36,838**	(5,619)
Foreign exchange gains in financial result	**225**	14,857

26. SHARE OF PROFIT OF ASSOCIATES

In thousands of Euro	**2007**	2006
IBERO Tours GmbH	**9**	43
Stockheim Air Catering GmbH & Co. KG	**733**	565
ILTU Ireland Ltd.	**49**	0
	791	608

27. INCOME TAX EXPENSES AND DEFERRED TAXES

Profit or loss before tax is primarily attributable to Germany. Income tax expense is as follows:

In thousands of Euro	**2007**	(restated) 2006
Current income tax expense	**(3,804)**	(3,147)
Deferred income tax benefit (expense)	**38,119**	(1,862)
Total income tax benefit (expense)	**34,315**	(5,009)

In 2006, as part of the reverse acquisition the Group accounted for a tax benefit of € 9,981 in relation to a step-up election for the carrying value in the Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH's share of Air Berlin PLC & Co. Luftverkehrs KG, which it anticipated being made available to the Group. However, this benefit was not in fact available and the 2006 results and net assets have been restated accordingly to reflect this position. The adjustment arising impacts the income tax credit, the deferred tax liability and therefore retained earnings, profit and earnings per share for the year ended 31 December 2006 as follows: See table on page 147.

RECONCILIATION OF PRIOR YEAR REPORTED FIGURES TO RESTATED AMOUNTS

In thousands of Euro	Original balance 2006	Adjustment	Restated balance 2006
Income tax expenses and deferred tax			
Current income taxes	(3,147)	0	(3,147)
Deferred tax income benefit	8,119	(9,981)	(1,862)
Total income tax benefit/(expense)	4,972	(9,981)	(5,009)
Deferred tax assets and liabilities			
Deferred tax assets	96,589	(9,981)	86,608
Deferred tax liability	(135,563)	0	(135,563)
Deferred tax liabilities, net	(38,974)	(9,981)	(48,955)
Retained earnings as at 31 December 2006	20,503	(9,981)	10,522
Profit for year 31 December 2006	50,057	(9,981)	40,076
Basic earnings per share (in €)	0.95	(0.19)	0.76
Diluted earnings per share (in €)	0.95	(0.19)	0.76

The Group is subject to both corporate tax and trade tax. The corporate tax rate for retained and distributed profits was 25% in 2007. In addition to corporate tax, a solidarity charge is also levied amounting to 5.5% of the payable corporate tax. Trade tax is deductible for corporate tax purposes in 2007 and the effective trade tax varies depending on the municipality in which the company operates. In 2007, the total tax rate (including corporate tax and trade tax) for the Air Berlin group amounted to 38.90% (2006: 38.90%). As a result of variations in the trade tax, several subsidiaries of the Air Berlin Group have tax rates which differ from the 38,90% group tax rate. The difference to the group tax rate is shown as "tax rate difference" in the tax rate reconciliation.

The corporate tax reform 2008 was finally concluded by the German "Bundesrat" (upper chamber of German parliament) on 6 July 2007. It took effect 1 January 2008. The major changes were to reduce the corporate tax from 25% to 15%, to reduce the basis ("Meßzahl") used for calculating the trade tax and to eliminate the deductibility of trade tax. The new Group tax rate (corporate and trade tax) is 30.18% as of 1 January 2008.

In accordance with IAS 12 the effect of the resulting change in deferred tax liabilities was recognised in the third quarter of 2007 in the income statement, except to the extent that it relates to items previously charged or credited directly to equity. The amount of deferred tax income resulting from the change in the tax law was estimated to be € 22,782 as at 30 September 2007. This estimate was revised in the fourth quarter to reflect actual changes in temporary tax differences and utilisation of tax loss carryforwards during the fourth quarter. The actual amount of deferred tax income resulting from the change in the tax law was € 7,995 as calculated at 31 December 2007.

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

In thousands of Euro	2007	(restated) 2006
(Loss) profit before tax	**(13,338)**	45,085
Expected income tax benefit (expense) at 38.9%	**5,188**	(17,538)
Effect of change in tax rate	**7,995**	0
Recognition of tax loss carryforwards previously not recognised	**4,747**	10,365
Tax rate difference current year	**643**	761
Effect of transfer of certain aircraft and related financing to foreign subsidiaries	**16,877**	0
Utilisation of tax loss carryforwards	**0**	1,285
Effect of differences in tax base	**(834)**	0
Current tax benefits previous years	**(93)**	0
Other	**(208)**	118
Total income tax benefit (expense)	**34,315**	(5,009)

As mentioned above, parts of the group are subject to trade tax at lower or higher rates than the other group companies. In addition, foreign subsidiaries are subject to different tax rates. This leads to a tax rate difference in the amount of € 643 in 2007 (€ 761 in 2006). As of 31 December 2007, total tax loss carryforwards for which deferred tax assets were capitalised amounted to € 366,880 for trade tax purposes and € 223,898 for corporate tax purposes. As of 31 December 2007, no deferred tax assets were capitalised for existing loss carryforwards of € 826,766 for corporate tax and € 574,210 for trade tax. The tax loss carryforwards are not subject to expiration. However, the usage of tax loss carryforwards may be limited due to minimum tax provisions. According to German Corporate Tax Law (KStG) and Trade Tax Law (GewStG), tax loss carryforwards may be used unlimited up to the amount of € 1,000 of profits for the year. The remaining profits may be off-set with tax loss carryforwards only by 60% of the profits for the year. Deferred tax assets have been recognised accordingly. This assumption is corroborated by the taxable income resulting from reversals of deferred tax liabilities.

Deferred tax assets and liabilities are attributable to the following:

In thousands of Euro	2007	(restated) 2006
Deferred tax assets		
Finance lease liabilities and deferred income	**15,854**	0
Foreign currency receivables and derivatives	**23,274**	18,278
Items recorded in equity net of tax (tax loss carryforwards)	**6,414**	9,970
Tax loss carryforwards	**73,168**	58,360
	118,710	86,608
Deferred tax liabilities		
Aircraft and engines and related liabilities	**(71,854)**	(106,706)
Land and buildings	**(8,653)**	0
Intangible assets	**(28,955)**	(26,822)
Other assets and prepaid expenses	**(784)**	0
Technical equipment	**(620)**	(275)
Leasehold improvements	**(86)**	(91)
Accrued liabilities and provisions	**(11,479)**	(1,563)
Equity component of convertible bond	**(12,184)**	0
Foreign currency liabilities and derivatives	**(198)**	(106)
	(134,813)	(135,563)

continued above

continued

Offsetting	**118,710**	86,608
Deferred tax liabilities, net	**(16,103)**	(48,955)
Deferred tax liability, net beginning of period	**(48,955)**	(96,833)
Change in deferred tax liabilities	**32,852**	47,878
thereof resulting from purchase price allocation	**(14,399)**	(27,718)
thereof related to cash flow hedges and items recorded in equity	**19,666**	(22,022)
Deferred income tax benefit (expense)	**38,119**	(1,862)

28. CASH FLOW STATEMENT

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

In thousands of Euro	2007	2006
Cash	**349**	409
Bank balances	**85,211**	54,266
Fixed-term deposits	**383,098**	261,246
Cash and cash equivalents	**468,658**	315,921
Bank overdrafts used for cash management purposes	**(108)**	(87,827)
Cash and cash equivalents in the statement of cash flows	**468,550**	228,094

29. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of Euro	Current 2007	Non-Current 2007	Total 2007	Current 2006	Non-Current 2006	Total 2006
Positive market values of derivatives classified as held for trading:						
Forward contracts	13,107	87	13,194	0	331	331
Foreign currency options	655	1,136	1,791	196	0	196
Commodity-swaps	137	0	137	0	0	0
Total positive market values of derivatives classified as held for trading	13,899	1,223	15,122	196	331	527
Positive market values of derivatives classified as hedge accounting:						
Forward contracts	242	0	242	1,184	2,470	3,654
Foreign currency options	70	0	70	0	0	0
Commodity-swaps	67,755	672	68,427	35	0	35
Commodity-options	2,396	0	2,396	0	0	0
Cross currency interest rate swaps	0	182	182	0	0	0
Total positive market values of derivatives classified as hedge accounting	70,463	854	71,317	1,219	2,470	3,689
Total positive market values of derivatives	84,362	2,077	86,439	1,415	2,801	4,216
Negative market values of derivatives classified as held for trading:						
Forward contracts	12,144	0	12,144	0	212	212
Foreign currency options	3,301	1,056	4,357	257	0	257
Cross currency interest rate swaps	0	67,022	67,022	0	15,944	15,944
Total negative market values of derivatives classified as held for trading	15,445	68,078	83,523	257	16,156	16,413
Negative market values of derivatives classified as hedge accounting:						
Forward contracts	65,124	12,839	77,963	12,086	2,512	14,598
Foreign currency options	1,391	0	1,391	0	0	0
Commodity-swaps	0	0	0	20,191	0	20,191
Cross currency interest rate swaps	0	693	693	0	0	0
Total negative market values of derivatives classified as hedge accounting	66,515	13,532	80,047	32,277	2,512	34,789
Total negative market values of derivatives	81,960	81,610	163,570	32,534	18,668	51,202

The Group has reclassified positive market values of derivatives amounting to € 2,801 and negative market values of derivatives amounting to € 18,668 from current to non-current in the prior year comparative figures.

Hedge accounting is discussed in note 30g below.

30. FINANCIAL RISK MANAGEMENT

a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit at the reporting date was:

In thousands of Euro	Note	Carrying amount **2007**	Carrying amount 2006
Trade receivables		**110,873**	49,724
Receivables from related parties		**10,636**	8,782
Loans receivable		**3,500**	0
Accrued revenue		**6,507**	8,514
Security deposits and deposits with suppliers		**49,145**	5,341
Receivables from bonus and claims		**10,581**	7,759
Receivables from sale of fixed assets		**1,326**	39,710
Other receivables		**11,698**	0
Loans and receivables	10	**204,266**	119,830
Positive market values of derivatives classified as held for trading	29	**15,122**	527
Positive market values of derivatives classified as hedge accounting	29	**71,317**	3,689
Cash and cash equivalents	28	**468,658**	315,921
		759,363	439,967

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

In thousands of Euro	**2007**	2006
Receivables from single-seat ticket sales	**4,407**	3,041
Receivables from charter sales	**18,025**	3,008
Receivables from credit card companies	**23,218**	23,718
Receivables from IATA clearing house (“BSP” Reisebüros)	**18,441**	4,112
Other trade receivables	**46,782**	15,845
	110,873	49,724

Other trade receivables relate primarily to receivables from other airlines for technical services (2007: € 7,370, 2006: € 0) and to receivables from cargo services (2007: € 9,835, 2006: € 0).
The maximum exposure to credit risk for trade receivables by geographic region at the reporting date was:

In thousands of Euro	**2007**	2006
Germany	**66,069**	33,089
EU	**23,655**	8,289
Other	**21,149**	8,346
	110,873	49,724

The Group’s most significant customer accounts for € 4,790 of the carrying amount of trade receivables at 31 December 2007 (2006: € 7,940).

b) Impairment losses

-- TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of Euro	Gross 2007	Impairment 2007	Gross 2007	Impairment 2006
Not past due	83,180	0	47,427	0
Past due 1—30 days	21,168	1	1,224	0
Past due 31—120 days	8,056	2,089	2,595	1,522
Past due 121—365 days	2,478	1,919	0	0
More than one year past due	0	0	33	33
	114,882	4,009	51,279	1,555

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 (2007: € 83,180; 2006: € 47,427) are considered to contain only a minimal risk of impairment based on past experience. The amount of receivables written off in 2007 was very small (€ 2,454 increase in the allowance for impairment losses and € 3,358 written off directly) compared with total revenues. Receivables past due but not impaired relate primarily to receivables 1—30 days overdue. Due to past experience these receivables do not contain a level of risk significant enough to warrant impairment, as Air Berlin cooperates with collection agencies and credit card companies for ticket sales. Receivables from single seat ticket sales (which would have a higher likelihood of impairment as they are sold to the end customer directly) only make up a small portion of Air Berlin's receivables. Trade receivables in the balance sheet are shown net of an allowance for impairment losses of € 4,009 (2006: € 1,555). The movement in the impairment allowance is as follows:

In thousands of Euro	Allowance for impairment losses 2007	Allowance for impairment losses 2006
Balance at 1 January	1,555	1,400
Increase in allowance for impairment losses	2,706	1,675
Release of allowance for impairment losses	(252)	(1,520)
Balance at 31 December	4,009	1,555

The allowance for impairment losses is used to record impairment losses until the Group determines that the financial asset should be derecognised.

The allowance for impairment losses is based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. Reminders are sent on a timely basis. After the second reminder, the customer is given a further three months to pay the receivable. If no payment is received at that time, the third reminder is issued along with a legal order to pay, and an allowance for impairment losses of 60% is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. Receivables more than one year past due are written off completely. At the balance sheet date the total allowance for impairment losses was € 4,009 (2006: € 1,555).
In addition to the € 2,454 increase in the allowance for impairment losses (€155 in 2006), receivables of € 3,358 in 2007 (€2,340 in 2006) were written off directly in profit or loss during the period.

-- OTHER LOANS AND RECEIVABLES

None of the other loans and receivables were past due as of 31 December 2007 (2006: none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables. No impairment losses have been recorded on other financial assets.
These receivables relate primarily to amounts due from suppliers (deposits and bonus and claims). The Group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts. Receivables from related parties relate primarily to amounts due from Niki for administrative services provided and to the long-term loans receivable from Lee & Lex. As the receivables are not overdue and payments have been made on time in the past, the Group does not consider an impairment loss to be necessary.

-- CASH AND CASH EQUIVALENTS AND POSITIVE MARKET VALUES OF DERIVATIVES

No impairment has been recorded on investments or positive market values of derivatives, as the transactions are only made with parties of the highest credit rating or, in the case of derivative financial instruments, with parties which are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due). When no rating is available for a contract partner, securities may be obtained, for example in the form of guarantees from the parent company, as is the case with one contract partner for fuel derivatives.

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 2007:

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

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

For 31 December 2006 the maturities were as follows:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7—12 month	1—2 years	2—5 years	more than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	558,481	706,119	49,367	121,399	75,392	224,351	235,610
Secured bank loans	23,227	28,013	4,359	2,325	4,580	12,661	4,088
Unsecured bank loans	9,913	10,252	6,019	116	4,117	0	0
Finance lease liabilities	5,810	6,098	1,908	1,649	1,845	696	0
Trade payables and other financial liabilities	69,830	69,830	69,830	0	0	0	0
Bank overdraft	87,827	87,827	87,827	0	0	0	0
Total financial liabilities measured at amortised cost	755,088	908,139	219,310	125,489	85,934	237,708	239,698
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Commodity-swaps	20,191	20,157	12,379	7,388	390	0	0
Forward exchange contracts	10,944	176	5,704	1,012	(6,540)	0	0
Outflow		973,600	270,700	318,400	384,500	0	0
Inflow		(973,424)	(264,996)	(317,388)	(391,040)	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	15,944	5,335	0	(1,996)	(1,445)	8,776	0
Outflow		406,114	0	49,209	48,593	308,312	0
Inflow		(400,779)	0	(51,205)	(50,038)	(299,536)	0
Forward exchange contracts	62	561	384	177	0	0	0
Outflow		23,339	17,088	6,251	0	0	0
Inflow		(22,778)	(16,704)	(6,074)	0	0	0
	802,229	934,368	237,777	132,070	78,339	246,484	239,698

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 over the next six months 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.

d) Currency risk

The Group has significant transactions in USD as well as smaller transactions in GBP and CHF. Air Berlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e.g. payments regarding aircraft financing and leasing, fuel, maintenance etc.) denominated in USD. Air Berlin generally hedges up to 75% (2006: 90%) of the expected cash flow on a 12—24 month revolving basis. The Group's exposure to foreign currency risk was as follows based on the currency values at end of year:

	31 December 2007			31 December 2006		
In thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Trade receivables	19,337	1,683	2,821	11,277	1,211	997
Receivables from related parties	960	0	0	960	0	0
Loans receivable	0	0	0	0	0	0
Accrued revenue	8,194	0	0	8,109	0	0
Security deposits and deposits	51,496	0	0	5,880	0	0
Receivables from sale of fixed assets	1,952	0	0	55,641	0	0
Other receivables	5,670	682	0	0	0	0
Cash and cash equivalents	143,988	19,928	7,707	40,884	518	603
Liabilities due to bank from assignment of future lease payments	(737,707)	0	0	(481,022)	0	0
Secured bank loans	(50,789)	0	0	(30,308)	0	0
Unsecured bank loans	(23,305)	0	0	0	0	0
Finance lease liabilities	(69,530)	0	0	0	0	0
Trade payables and other financial liabilities	(57,231)	(537)	(1,584)	(26,614)	(578)	(2,557)
Bank overdraft	0	0	0	(8,165)	0	0
Gross balance sheet exposure	(706,965)	21,756	8,944	(423,358)	1,151	(957)
Estimated forecast purchases	(1,778,000)	0	0	(977,000)	0	0
Gross exposure	(2,484,965)	21,756	8,944	(1,400,358)	1,151	(957)
Forward exchange contracts (hedged volume in USD)	1,905,000	0	0	1,282,000	0	0
Forward exchange options (hedged volume in USD)	163,000	0	0	30,000	0	0
Cross currency interest rate swaps (hedged volume in USD)	875,701	0	0	447,164	0	0
Net exposure	458,736	21,756	8,944	358,806	1,151	(957)

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency units to the Euro	**2007**	2006	**2007**	2006
USD	**1,3279**	1,2066	**1,4721**	1,317
GBP	**0,687**	0,682	**0,7334**	0,6715
CHF	**1,646**	1,577	**1,6547**	1,6069

-- SENSITIVITY ANALYSIS

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

	31 December 2007			31 December 2006		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	1,989	(2,697)	(491)	(1,643)	(156)	54
Equity	(142,692)	0	0	(89,942)	0	0

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

	31 December 2007			31 December 2006		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(1,870)	3,296	601	2,008	190	(66)
Equity	164,495	0	0	110,009	0	0

e) Interest rate risk

The interest rate profile of the Group is as follows:

	Carrying amount	
In thousands of Euro	**2007**	2006
Fixed rate instruments		
Financial assets	**1,401**	1,529
Financial liabilities	**(286,017)**	(4,010)
Cross currency interest rate swaps	**(67,532)**	(15,944)
	(352,148)	(18,425)
Variable rate instruments		
Financial assets	**3,500**	0
Financial liabilities	**(642,273)**	(587,611)
	(638,773)	(587,611)

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

-- FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate any of its derivatives (interest rate swaps) as fair value hedge accounting instruments. Therefore a change in interest rates (unless they resulted in the hedge becoming ineffective) at the reporting date would only affect profit or loss to the extent that it affects the fair value of interest rate swaps not designated as hedge accounting (held for trading). A change of 100 basis points in interest rates would have increased or decreased equity by € 1,374 (2006: € 0) and profit or loss by € 5,342 (2006: € 3,567).

-- CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of 100 basis points in interest rates would have increased or decreased profit or loss (financial result) by € 2,203 (2006: € 2,222) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate swaps.

f) Fuel price risk

The fuel price (kerosene) plays an important role as far as the business performance of the Group is concerned. The kerosene expense of Air Berlin amounted to 22.2% (2006: 22.4%) of the Group's entire operating expenses. Air Berlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. At the balance sheet date 2007, the hedged volume was 733,800 tons for the business year 2008 and 63,500 tons for the business year 2009 (2006: 579,400 tons for 2007). The hedging quota was 53,7% for 2008 and 5,0% for 2009.

-- SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10% increase (decrease) in the fuel price at the reporting date would have increased (decreased) equity by € 7,087 (2006: € 2,016) and had no effect on profit or loss.

The calculation is based on the fair values of commodity derivatives (swaps and options) at the balance sheet date. The assumptions used were the same as in the prior period.

g) Hedge accounting

As an airline, the Air Berlin Group is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. Air Berlin uses derivatives to limit these risks.
Air Berlin applies hedge accounting for its hedges of future foreign currency denominated cash flows and its hedges of future cash flows related to the purchase of jet fuel that satisfy the criteria under IAS 39, thus reducing income statement volatility. In addition, as of the third quarter of 2007 Air Berlin applies hedge accounting for its foreign currency options and for several of its hedges of

future cash flows resulting from variable USD interest rate payments. These hedging transactions are accounted for as cash flow hedges.

IAS 39 sets out strict requirements on the use of hedge accounting. Air Berlin fulfils those requirements by documenting, at the inception of a hedge, both the relationship between the derivative used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This includes assigning the hedging instruments to the corresponding firm commitments and future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis. For hedge accounting, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective. Accumulated fair value changes from qualifying hedges are removed from equity to profit or loss in the period when the hedged cash flow affects profit or loss (2008 and 2009 for foreign currency and fuel hedges, 2008 to 2014 for cross-currency interest rate hedges).

Air Berlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39. For such derivatives Air Berlin recognises the changes in fair value as profit or loss. The fair values of derivatives are recognised as other assets or reported as other liabilities.

Ineffective amounts are negligible and are therefore not recorded in profit or loss.

The (net) fair values of derivatives for hedging exchange rate, interest rate and fuel price risks at 31 December 2007 and their movement during the period is as follows:

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

All foreign currency options and commodity (fuel-price) options entered into during the period meet the qualifications of hedge accounting and are accounted for as cash flow hedges. The change in the intrinsic value is recorded in equity, and the change in the time value is recorded in profit or loss.
In addition, as of the third quarter of 2007 the Group has entered into cross-currency interest rate swaps which meet the qualifications of hedge accounting. These are also accounted for as cash flow hedges. Those cross-currency interest rate swaps which do not meet the criteria for hedge accounting continue to be recorded in profit or loss and are classified as held for trading.

The change in fair value of derivatives was as follows in 2006:

In thousands of Euro	Fair value at 31 December 2005	Transfer to hedge accounting	Change in fair value recognised in profit or loss	Change in fair value recognised in equity	Removed from equity to profit or loss	Removed from equity to cost (capitalised)	Fair value at 31 December 2006
Cash flow hedges							
Forward-exchange transactions	0	(5,619)	0	(10,824)	5,619	0	(10,824)
Commodity-swaps fuel-price	0	8,486	0	(20,157)	(8,486)	0	(20,157)
Held for trading							
Forward-exchange transactions	(3,772)	5,619	(1,847)	0	0	0	0
Foreign currency options	0	—	(62)	0	0	0	(62)
Cross-currency interest rate swaps	(146)	—	(15,798)	0	0	0	(15,944)
Commodity-swaps fuel-price	(2,093)	(8,486)	10,579	0	0	0	0
Commodity-options fuel-price	1,708	—	(1,708)	0	0	0	0
	(4,303)	0	(8,836)	(30,981)	(2,867)	0	(46,987)

In the second quarter of 2006 the Group switched to using hedge accounting for all its forward-exchange transactions. In the third quarter of 2006 the Group switched to using hedge accounting for all its commodity (fuel-price) swaps. Cash flow hedges are expected to impact profit or loss in the same period in which the cash flows are expected to occur, as detailed in section c "Liquidity risk" above.

h) Fair values

Fair value is the amount obtainable in an arm's length transaction between knowledgeable willing parties. The fair values of financial assets and liabilities, together with their carrying amounts shown in the balance sheet, are as follows:
See table on page 159.

In thousands of Euro	note	31 December 2007 Carrying amount	31 December 2007 Fair value	31 December 2006 Carrying amount	31 December 2006 Fair value
Loans and receivables					
Trade receivables	10	110,873	110,873	49,724	49,724
Receivables from related parties	10	10,636	10,301	8,782	8,435
Loans receivable	10	3,500	3,499	0	0
Accrued revenue	10	6,507	6,507	8,514	8,514
Security deposits and deposits with suppliers	10	49,145	49,145	5,341	5,341
Receivables from bonus and claims	10	10,581	10,581	7,759	7,759
Receivables from sale of fixed assets	10	1,326	1,326	39,710	39,710
Other receivables	10	11,698	11,698	0	0
Total loans and receivables		204,266	203,930	119,830	119,483
Positive market values of derivatives classified as held for trading					
Forward exchange contracts	29	13,194	13,194	331	331
Forward exchange options	29	1,791	1,791	196	196
Positive market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	242	242	3,654	3,654
Forward exchange options	29	70	70	0	0
Commodity-swaps fuel-price	29	68,564	68,564	35	35
Commodity-options fuel-price	29	2,396	2,396	0	0
Cross-currency interest rate swaps	29	182	182	0	0
Cash and cash equivalents	28	468,658	468,658	315,921	315,921
Financial liabilities measured at amortised cost					
Liabilities due to bank from assignment of future lease payments	16	(591,842)	(596,302)	(558,481)	(551,657)
Secured bank loans	16	(34,668)	(34,416)	(23,227)	(22,949)
Unsecured bank loans	16	(119,773)	(119,787)	(9,913)	(9,900)
Finance lease liabilities	16	(101,994)	(103,545)	(5,810)	(5,810)
Convertible bonds — liability component	16	(182,007)	(181,860)	0	0
Trade payables and other financial liabilities	18	(118,098)	(118,098)	(69,830)	(69,830)
Bank overdraft	16	(108)	(108)	(87,827)	(87,827)
Total financial liabilities measured at amortised cost		(1,148,490)	(1,154,116)	(755,088)	(747,973)
Negative market values of derivatives classified as hedge accounting:					
Forward exchange contracts	29	(77,963)	(77,963)	(14,598)	(14,598)
Forward exchange options	29	(1,391)	(1,391)	0	0
Commodity-swaps fuel-price	29	0	0	(20,191)	(20,191)
Cross-currency interest rate swaps		(693)	(693)	0	0
Negative market values of derivatives classified as held for trading:					
Forward exchange contracts	29	(12,144)	(12,144)	(212)	(212)
Forward exchange options	29	(4,357)	(4,357)	(257)	(257)
Cross-currency interest rate swaps	29	(67,022)	(67,022)	(15,944)	(15,944)
		(552,697)	(558,659)	(366,323)	(359,555)

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

- Derivatives

Forward exchange, interest rate and fuel price derivatives are marked to market using listed market prices.

- Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

- Trade and other receivables / payables

For receivables/payables with a remaining life of less than one year, the carrying value is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

- Cash and cash equivalents

Due to the short maturity date, the notional amount is deemed to reflect the fair value.

i) Net gain or loss

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

In thousands of Euro	**2007**	2006
Loans and receivables	**(10,989)**	(2,551)
Positive market values of derivatives classified as held for trading	**1,326**	0
Financial liabilities measured at amortised cost	**65,805**	28,054
Negative market values of derivatives classified as held for trading	**(59,593)**	(17,708)
	(3,451)	7,795

This includes foreign exchange rate gains (losses), impairment losses and reversals of impairment losses, changes in fair value recognised in profit or loss and gains on disposal.

No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2006: none).

31. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors and key management as well as with its associates (see note 8). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 96 to 103). The share-based payment scheme for Executive Directors and certain senior executives of the Group is detailed in note 13. One of the Executive Directors of the Group controls a voting share of 3.15% (2006: 3.48%) of Air Berlin. In addition, a receivable of € 3 is due from one of the Directors and is included in Other current assets in the balance sheet as at 31 December 2007 (2006: € 82).

The Chairman of the Board, also a shareholder of the Company with a voting share of 1.52 % (2006: 1.68%), is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2007 and 2006 of € 12,105 and € 13,599, respectively. At 31 December 2007 and 2006, € 993 and € 639, respectively, are included in the balance sheet in trade receivables. During the years ending 31 December 2007 and 2006 associates purchased or delivered goods and services from the Group as follows:

In thousands of Euro	**2007**	2006
IBERO-Tours		
Revenues from ticket sales	**326**	21
Trade receivables	**0**	0
Expenses for services	**1,031**	732
SCK DUS GmbH & Co. KG (in 2005: Stockheim)		
Catering expenses	**19,246**	18,288
Trade payables	**539**	612
Lee & Lex Flugzeugvermietung GmbH		
Other assets	**1,401**	1,529
Niki Luftfahrt GmbH		
Other income from administrative services	**680**	476
Other current assets	**9,232**	7,170

Other assets from Lee & Lex Flugzeugvermietungs GmbH relate to a loan receivable in the amount of USD 960 (€ 651) and a partial debenture of € 750 (30 debentures at € 25 each), which are described in more detail in note 10 above.
Transactions with associates are priced on an arm's length basis. Dividends received from associates in 2007 are € 527 (2006: € 500).

32. CAPITAL COMMITMENTS

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

Date of contract	Supplier	Number of aircraft	Type of aircraft	Delivery dates	Delivered in 2007	Delivered in 2006	Deliveries outstanding	Thereof in 2008
2004	Airbus	60	A320/319	2005—2012	12	9	37	10
2006	Boeing	85	B737	2007—2014	1	0	84	8
07/2007	Boeing	25	B787	2013—2017	0	0	25	0
10/2007	Bombardier	10	Q400	2008—2009	0	0	10	4
12/2007	Boeing	15	B737	2011—2014	0	0	15	0

33. EXECUTIVE BOARD OF DIRECTORS

Executive directors

Joachim Hunold	Chief Executive Officer
Ulf Hüttmeyer	Chief Financial Officer
Karl Lotz	Chief Operating Officer
Elke Schütt	Chief Commercial Officer

34. NOTES TO THE COMPANY BALANCE SHEET

a) Significant accounting policies

The accounting framework and significant accounting policies described in notes 2 and 4 above also apply to the Company financial statements. In addition the following accounting policies were applied:
Investments in subsidiaries 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 are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method.
The company has recorded financial assets and financial liabilities in the balance sheet. Categories of financial assets and financial liabilities which apply to Air Berlin PLC as follows:

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

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

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

b) Investments in subsidiaries

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

In thousands of Euro	Investments in subsidiaries
Acquisition cost	
Balance at date of incorporation (2 December 2005)	0
Additions	140,165
Balance at 31 December 2006	140,165
Additions	3,150
Balance at 31 December 2007	143,315

On 10 September 2007 Air Berlin PLC acquired 49 percent of the shares in Belair Airlines AG, Zurich (“Belair”) for a purchase price of CHF 1,715 (€ 1,027). The acquisition of Belair is detailed in note 5 to the consolidated financial statements.
In addition, the Company set up the following subsidiaries in 2007: Air Berlin Technik Ltd., Air Berlin 1. LeaseLux Sàrl, Air Berlin 2. LeaseLux Sàrl, Air Berlin 3. LeaseLux Sàrl, Air Berlin 4. LeaseLux Sàrl, Air Berlin 5. LeaseLux Sàrl and CHAS Italy s.r.l., CHAS UK Ltd., Air Berlin Finance B.V., Blitz 07-582 GmbH and LTU Beteiligungs- und Holding GmbH at a total cost of € 2,123.

c) Deferred tax assets

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

In thousands of Euro	2007	2006
Current income taxes	**0**	0
Deferred income taxes	**12,029**	5,918
Total income tax benefit	**12,029**	5,918

The Company is subject to both corporation tax and trade tax in Germany. The corporation tax rate for retained and distributed profits is 25%. In addition to corporation tax, a solidarity charge is also levied amounting to 5.5% of the payable corporation tax. Trade tax is deductible for corporation tax purposes and the effective trade tax varies depending on the municipality in which the company operates. In 2007, the total tax rate (including corporation tax and trade tax) for the Company amounted to 38.9% (2006: 38.9 %). As described in note 27 above, the corporate tax reform 2008 was finally concluded by the German “Bundesrat” (upper chamber of German parliament) on 6 July 2007. It took effect 1 January 2008. The major changes were to reduce the corporate tax from 25% to 15%, to reduce the basis (“Meßzahl”) used for calculating the trade tax and to eliminate the deductibility of trade tax. The new Group tax rate (corporate and trade tax) is 30.18% as of 1 January 2008. The change in the tax law resulted in a decrease in deferred tax income of € 8,362 and an increase in items recorded in equity net of tax of € 3,031.
Deferred tax assets are attributable to the following:

In thousands of Euro	2007	2006
Deferred tax assets		
Accrued liabilities and provisions	**310**	0
Negative market values of derivatives	**4,951**	0
Tax loss carryforwards	**24,358**	15,888
Total deferred tax assets	**29,619**	15,888
Deferred tax liabilities		
Equity component of convertible bond	**(12,184)**	0
Total deferred tax liabilities	**(12,184)**	0
Offsetting	**29,619**	0
Deferred tax assets, net	**17,435**	15,888
Deferred tax assets, net beginning of period	**15,888**	0
Change in deferred tax assets	**1,547**	15,888
thereof related to items recorded in equity	**10,482**	(9,970)
Deferred income tax benefit	**12,029**	5,918

The total tax loss carryforward was € 70,505 (2006: € 40,844) for trade tax purposes and € 89,987 (2006: € 40,844) for corporation tax purposes as at 31 December 2007, resulting in a deferred tax asset on the tax loss carryforwards of € 24,358 (2006: € 15,888). Of this amount, € 12,352 (2006: € 9,970) was recorded directly in equity as a reduction in the IPO costs and in the equity component of the convertible bond, which were also recorded in equity. The remaining € 12,006 (2006: € 5,918) was recorded as deferred tax benefit in the profit or loss. A reconciliation between the tax burden expected on the basis of profit (loss) for a period and the recognised income tax expenses is as follows:

In thousands of Euro	2007	2006
Loss before tax	**(37,207)**	(15,214)
Expected income tax benefit at 38.9%	**14,473**	5,918
Effect of change in tax rate	**(8,362)**	0
Effect of tax pooling agreements with subsidiaries	**6,283**	0
Effect from non-deductible expenses	**(214)**	0
Other	**(151)**	0
Total income tax benefit recognised	**12,029**	5,918

d) Long-term loans to subsidiaries and other long-term loans

Long-term loans were concluded with LTU Beteiligungs Holding GmbH (€ 155,000) and was agreed without payment of interest. Further information on the acquisition of LTU is detailed in note 5 to the consolidated financial statements. The loan to Luftfahrtgesellschaft Walter GmbH (€ 3,500) was agreed with an interest rate based on 3-month-EURIBOR.

e) Receivables from subsidiaries

Receivables from subsidiaries include an interim advance financing from Air Berlin & Co. Fünfte Flugzeugvermietung OHG to redeem aircraft loans (€ 79,037).

f) Share capital and reserves

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

On 27 April 2006, ordinary shares were increased by 44,400 shares of € 1.00 each due to the issue of shares pursuant to the "2006 Employee Share Plan". Further, a subsequent 4:1 stock split of each authorised ordinary share was adopted.

During the course of a public offering on 11 May 2006, 19,565,217 ordinary shares of € 0.25 each were issued at a total share premium of € 214,190 net of transaction cost. Additional transaction costs of € 13,667 relating to the listing of existing shares are recognised in the income statement under financial expenses.

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

A full description of the Company's share capital and reserves is detailed in note 11 to the consolidated financial statements. The Employee Share Plan is detailed in Note 13 to the consolidated financial statements.

g) Pension liabilities

In 2007 Air Berlin PLC entered into a defined benefit pension plan for its Executive Directors. The pension plan is funded through payments to a qualified insurance contract. The development of the Group's defined benefit obligations during the period is as follows:

In thousands of Euro	2007	2006
Present value of funded obligations	**2,918**	0
Fair value of plan assets	**(2,331)**	0
Pension liabilities	**587**	0

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

In thousands of Euro	2007	2006
Defined benefit obligation as at 1 January	**0**	0
Current service cost	**1,613**	0
Past service cost	**1,721**	0
Interest on obligation	**77**	0
Actuarial gains	**(493)**	0
Defined benefit obligation as at 31 December	**2,918**	0

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

In thousands of Euro	2007	2006
Fair value of plan assets as at 1 January	**0**	0
Contribution	**2,497**	0
Expected return on plan assets	**0**	0
Actuarial losses	**(166)**	0
Fair value of plan assets as at 31 December	**2,331**	0

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of Air Berlin shares held would be minimal.
The actual return on plan assets was €-166 during the period. No experience adjustment was made during the period. The amount recognised as pension expense in profit or loss is as follows:

In thousands of Euro	2007	2006
Current service cost	**1,613**	0
Interest on obligation	**77**	0
Past service cost	**1,721**	0
Expected return on plan assets	**0**	0
Net actuarial gains recognised in the period	**(327)**	0
Pension expense	**3,084**	0

The company expects to contribute € 2,487 to its defined benefit pension plan in 2008. Principal actuarial assumptions at the reporting date are as follows:

In thousands of Euro	2007	2006*
Discount rate at 31 December	5,00%	4,50%
Expected return on plan assets at 1 January	2,75%	2,75%
Future salary increases	3,00%	3,00%
Cost of living adjustment (future pension increases)	1,00%	1,00%

* For the calculation of prior service cost

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.

h) Other non-current liabilities to subsidiaries

On 11 April 2007 the Group issued € 220,000 convertible bonds due 2027. The bond issue is made up of 2,200 bonds with a principal amount of € 100,000 each, earning yearly interest of 1.5%. The initial conversion price is € 22.47 which results in an initial conversion ratio of 4,450 ordinary shares per bond. Gross proceeds from the bond issue amounted to € 220,000. Transaction costs incurred were € 6,391.
The convertible bonds were issued by AB Finance B.V., and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds. The resulting liability of € 182,007 to AB Finance B.V. in the company balance sheet corresponds to the debt component of the convertible bond in the consolidated balance sheet (note 16) at 31 December 2007. The disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bond are detailed in note 16 and 30 c).
Another loan agreement was concluded with AB Finance B.V. (€ 2,000). The loan is due on 11 April 2027 and has a yearly interest rate of LIBOR plus 1 %.

i) Accrued liabilities

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

j) Interest-bearing liabilities

Accrued liabilities primarily relate to expenses for
To improve the liquidity, the company entered into a short-term loan of € 100,000 in December 2007, which was total repaid in January 2008.

k) Fair Values

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

In thousands of Euro	note	31 December 2007 Carrying amount	Fair value	31 December 2006 Carrying amount	Fair valu
Long-Term loans from subsidiaries		155,000	155,000	0	0
Other long-term loan		3,500	3,499	0	0
Receivables from subsidiaries		123,401	123,401	686	686
Total loans and receivables		281,901	281,900	686	686
Positive market values of derivatives classified as trading:					
Cross-currency interest rate swaps		182	182	0	0
Forward exchange contracts		242	242	0	0
Cash and cash equivalents		175,232	175,232	65,643	65,643
Financial liabilities measured at amortised cost:					
Unsecured bank loans		(100,000)	(100,032)	0	0
Non-current liabilities to subsidiaries		(184,007)	(183,857)	0	0
Trade payables and payables to subsidiaries		(208)	(208)	(844)	(844)
Total financial liabilities measured at amortised cost		(284,215)	(284,097)	(844)	(844)
Negative market values of derivatives classified as trading:					
Cross-currency interest rate swaps		(693)	(693)	0	0
Forward exchange contracts		(16,139)	(16,139)	0	0
		156,510	156,627	65,485	65,485

l) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 3 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 96 to 103). One of the Executive Directors of the Group controls a voting share of 3.15% (2006: 3.48%) of Air Berlin. In addition, the Chairman of the Board is also a shareholder of the Company with a voting share of 1.52 %% (2006: 1.68%).

The Company had the following transactions with related parties during the year ending 31 December 2007:

In thousands of Euro	**2007**	2006
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**3,329**	2,557
Receivables from subsidiaries	**25,898**	686
Other operating expenses	**728**	590
Payables to subsidiaries	**0**	386
Pegasus 1. — 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**17**	17
Receivables from subsidiaries	**17**	0
Payables to subsidiaries	**39**	21
CHS Cabin and Handling Service GmbH		
Payables to subsidiaries	**0**	45
Belair Airlines AG		
Revenues	**4**	0
Receivables from subsidiaries	**551**	0
LTU-group		
Revenues	**318**	0
Receivables from subsidiaries	**170,518**	0
Air Berlin 1. LeaseLux Sàrl		
Receivables from subsidiaries	**7**	0
Air Berlin Netherlands B.V.		
Receivables from subsidiaries	**10**	0
Air Berlin Finance B.V.		
Expenses for convertible bonds	**8,462**	0
Other non-current liabilities to subsidiaries	**184,007**	0
Payables to subsidiaries	**65**	0
Air Berlin Technik Ltd.		
Receivables from subsidiaries	**2,350**	0
Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG		
Receivables from subsidiaries	**79,037**	0
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**7**	0
Joachim Hunold & Co. Flugzeugvermietungs KG i.L.		
Receivables from subsidiaries	**6**	0
Executive and Non-Executive Directors		
Personnel expense	**4,024**	3,592
Other operating expenses	**400**	319
Other current liabilities	**2,000**	2,000

m) Employees

The Company does not have any employees other than its four Executive Directors. Their remuneration is included in note 23 above as well as in the Directors' Remuneration Report on pages 96 to 103.

Payroll costs for the period were as follows:

In thousands of Euro	**2007**	2006
Basic wages and salaries	2,000	1,600
Bonus	1,800	2,000
Share based payment expense	272	184
Other	84	47
	4,156	3,831

The Executive Directors are Participants in the Employee Share Plan 2006, which is described in detail in note 13 above as well as in the Directors' Remuneration Report.

In addition, € 3,084 (2006: € none) was paid to a defined benefit plan.

35. SUBSIDIARIES

Subsidiary	Country of incorporation	2007	2006
Air Air Berlin Beteiligungsgesellschaft mbH	Germany	✈	✈
Air Berlin Finance B.V.	Netherlands	✈	
Air Berlin Finance GmbH	Germany	✈	✈
Air Berlin Netherlands B.V.**	Netherlands	✈	✈
Air Berlin PLC & Co. Luftverkehrs KG	Germany	✈	✈
Air Berlin Luftfahrttechnischer Betrieb GmbH	Germany	✈	✈
Air Berlin PLC & Co. Airport Service KG	Germany	✈	
Air Berlin PLC & Co. Cabin Service KG	Germany	✈	
Air Berlin PLC & Co. DUS KG	Germany	✈	
Air Berlin PLC & Co. Service Centre KG	Germany	✈	
Air Berlin Switzerland GmbH**	Switzerland	✈	✈
Air Berlin Technik Ltd.**	United Kingdom	✈	
Air Berlin 1. LeaseLux Sàrl**	Luxembourg	✈	
Air Berlin 2. LeaseLux Sàrl**	Luxembourg	✈	
Air Berlin 3. LeaseLux Sàrl**	Luxembourg	✈	
Air Berlin 4. LeaseLux Sàrl**	Luxembourg	✈	
Air Berlin 5. LeaseLux Sàrl**	Luxembourg	✈	
AB Luftfahrttechnik Berlin GmbH	Germany	✈	
AB Luftfahrttechnik Düsseldorf GmbH	Germany	✈	
AB Erste Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zweite Flugzeugvermietungs GmbH	Germany	✈	✈
AB Dritte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Vierte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Achte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Neunte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zehnte Flugzeugvermietungs GmbH	Germany	✈	✈
Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Sechste Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Siebte Flugzeugvermietungs OHG	Germany	✈	✈
Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG	Germany	✈	
Belair Airlines AG**	Switzerland	✈	
Blitz 07-582 GmbH	Germany	✈	
Buy.bye Touristik GmbH	Germany	✈	
CHS Cabin and Handling Service GmbH	Germany	✈	✈
CHS Cabin and Handling Service Bayern GmbH	Germany	✈	✈
CHS Cabin and Handling Service Mitte GmbH	Germany	✈	✈
CHS Cabin and Handling Service Nord GmbH	Germany	✈	✈
CHS Cabin and Handling Service Ost GmbH	Germany	✈	✈
CHS Cabin and Handling Service Süd GmbH	Germany	✈	✈
CHS Cabin and Handling Service West GmbH	Germany	✈	✈
CHS Cabin and Handling Service Süd-West GmbH	Germany	✈	✈

Subsidiary	Country of incorporation	2007	2006
CHS Cabin and Handling Service Nord-West GmbH	Germany	✈	✈
CHS Cabin and Handling Service NRW-West GmbH	Germany	✈	✈
CHS Switzerland AG**	Switzerland	✈	✈
CHS Holding & Services GmbH**	Germany	✈	✈
CHS Netherlands N.V.**	Netherlands	✈	✈
CHSC Cabin and Handling Service Center GmbH	Germany	✈	✈
CHAS Cabin und Handling Airport Service GmbH	Germany	✈	✈
CHAS International Airport Service GmbH	Germany	✈	✈
CHAS Italy s.r.l.**	Italy	✈	✈
CHAS UK Ltd.**	United Kingdom	✈	
dba Luftfahrtgesellschaft mbH**	Germany	✈	✈
Euconus Flugzeugleasinggesellschaft mbH	Germany	✈	✈
Joachim Hunold & Co. Flugzeugvermietungs KG i.L.	Germany	✈	✈
Leisure Cargo GmbH	Germany	✈	
Loma Beteiligungsgesellschaft mbH	Germany	✈	
LTU Beteiligungs- und Holding GmbH**	Germany	✈	
LTU Aircraft Maintenance GmbH	Germany	✈	
LTU Lufttransport Unternehmen GmbH	Germany	✈	
LTU Plus GmbH	Germany	✈	
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH**	Germany	✈	✈
Air Berlin Employee Share Trust * **	United Kingdom	✈	✈

* consolidated as a Special Purpose Entity

** shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other Group companies)

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

GLOSSARY

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

ASK
Available seat kilometres; number of seats available for sale, per flight segment, multiplied by the number of kilometres flown on a flight; often a 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
Frills are free and/or additional services provided in connection with the flight.

IATA
International Air Transport Association.

LOW-COST-CARRIER (LCC)
Also known as "low-fare carrier".

PAX
Passenger

RPK
Revenue passenger kilometres. Number of passengers multiplied by the number of kilometres they cover in flight.

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

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

WET LEASE
Leasing an aircraft including personnel.

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

YIELD MANAGEMENT
Price management system to increase average earnings.

NOTES

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THIRD-QUARTER 2008 REPORT	27 NOVEMBER 2008
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