AIR-BERLIN

# INTERIM REPORT Q2/2007

# KEY FINANCIAL FIGURES

(CHANGES IN %)

| | % | **Q2 2007** | Q2 2006 | % | **H1 2007** | H1 2006 |
|---|---|---|---|---|---|---|
| Revenue (in million euros) | +36.5 | **547.4** | 401.0 | +47.3 | **920.5** | 625.0 |
| including: Ticket sales (in million euros) | +36.8 | **510.5** | 373.3 | +48.5 | **852.7** | 574.2 |
| EBITDAR (in million euros) | +18.5 | **104.0** | 87.8 | +49.4 | **109.5** | 73.3 |
| EBIT (in million euros) | | **23.5** | 44.8 | | **−37.3** | −12.9 |
| Consolidated profit (loss) for the period (in million euros) | | **12.1** | 30.1 | | **−29.3** | −1.0 |
| Cash generated from operations (in million euros) | n/a | **n/a** | n/a | +55.8 | **95.2** | 61.1 |
| Earnings per share* (EUR) | | **0.18** | 0.59 | | **−0.47** | −0.02 |
| Operating cash flow per share* (EUR) | n/a | **n/a** | n/a | +13.4 | **1.52** | 1.34 |
| Total assets (in million euros) | +23.6 | **1,963.0** | 1,587.9 | +23.6 | **1,963.0** | 1,587.9 |
| Employees (30 June) | | | | | **4,578** | 3,158 |

*basic

**DISCLAIMER – RESERVATION REGARDING FORWARD-LOOKING STATEMENTS**

This interim report contains forward-looking statements on Air Berlin's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Actual results and developments may, therefore, diverge considerably from our current assumption, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

# PREFACE

Dear shareholders,

The second quarter of 2007 saw the European aviation industry facing an uphill battle. This year's "April of the century" in Central Europe had a negative impact on the airline business. While the month of April usually sees numerous bookings made at short notice to destinations in the sunny south, the sunshine in Germany coincided with the rain in the Mediterranean to persuade many prospective travellers to stay at home. Accordingly, our passenger numbers in April "only" increased by a good eight percent. Some of the major tour operators even had to accept a decline in passenger volumes.

This led to an immediate escalation of the already sharp price war raging within the sector, which sent average revenues across the sector into a tailspin. In the meantime, however, we succeeded in making a significant recovery both in terms of passenger volume and utilisation. Indeed, the rate of increase in July was almost double that recorded in April! There are also positive signs pointing in the right direction with regard to yields.

These are the market factors over which we have very limited influence. Internally, however, we continue to make swift progress: the integration of dba is now complete. Our efforts to reduce costs have borne fruit, as reflected by the sustained downward movement of costs per available seat kilometre (ASK). The recent agreements reached with the trade unions afford us security in relation to planning, as we now enter a long period of stability in terms of our personnel cost base. The operational and organisational merging of areas with comparable roles, such as the recently implemented amalgamation of technical divisions, are delivering an enormous boost to productivity. At the same time, we are also making rapid progress with the further expansion of our European route network—adding no less than eight new destinations in the second quarter alone! The unconditional approval of our takeover of LTU also clears the way for the implementation of our long-term strategy that will see us become a global carrier. And our determination to press ahead as quickly as possible in this area is demonstrated by the decision in relation to the reorganisation of the technical division, which was taken just one day after the ruling issued by the cartel authority. It is therefore all the more regrettable that the ruling was delayed to such an extent, as it now appears unlikely that all of the synergy effects originally announced for 2007 will be implemented during the current year. Nevertheless, even if faced with occasional weather-induced turbulence and other delays, the strategic advancement of the Air Berlin Group remains firmly on course.

Berlin, August 2007

J. Hunold

Joachim Hunold
Chief Executive Officer

# BUSINESS DEVELOPMENT

### The Global Economy and the Aviation Sector

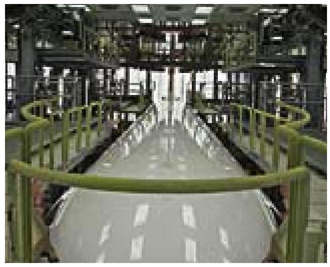
The strong upturn in the global economy continues. Despite the pressure exerted on private consumption as a result of the real estate crisis, real GDP growth in the US during the second quarter came in by a surprising 3.4 percent clip, which was significantly ahead of the figure for the first quarter. The originally conservative forecasts for Europe are gradually being adjusted upwards. As a result, projected growth rates for 2007 have now approached 2006 levels (+3.0 percent in the EU and +2.7 percent in the Euro Zone). The German economy, in particular, continues to gain momentum in the wake of the short-lived adverse impact on consumer spending resulting from the VAT increase introduced at the start of the year. In reality, robust employment growth means that private consumption has increasingly become the driving force behind the German economy. Once again, the boom regions of Southeast and East Asia are buoying the global economy with growth rates extending to double-digits in some cases. They are led by China, which is very rapidly developing into the third largest economic power in the world.

Consequently, the economic environment for the aviation industry remains a positive one, and this is particularly true of the industry in Germany. In fact, 2007 is set to be a record year for DFS Deutsche Flugsicherung GmbH in Germany. With growth of 4.5 percent and 1,502,000 flights operated during the first six months of the year – despite slightly weaker growth during the second quarter (+ 3.7 percent) – the company registered a significant increase in traffic volumes that far outstripped the growth recorded for the economy as a whole. Indeed, the company is projecting the number of flights operated in the full year to exceed the three million mark for the first time.

### Operating Development

During the second quarter of the 2007 financial year, Air Berlin and its wholly-owned subsidiary dba carried 5.98 million passengers, compared to 5.35 million passengers the previous year. This equates to an increase of 11.7 percent. As a result, Air Berlin Group has not only repeated the growth rate achieved during the first quarter, but has once again significantly outperformed the market. The half-year comparison of 10.15 million passengers with 9.08 million the previous year also equates to a growth rate of 11.7 percent. Measured against the original passenger volume recorded during the first half of 2006 – i.e. prior to the takeover of dba – the Air Berlin Group carried 43.1 percent more passengers during the second quarter, and an even more impressive 46.5 percent more passengers in the first half-year.

New varnishing for Air Berlin

Despite this positive development, the overall performance of the second quarter was disappointing, with the month of April in particular failing to live up to expectations. Extremely poor weather conditions over the Balearics coincided with warm summery heat in Germany to deter many people from taking short holidays in the Mediterranean. This was manifested primarily in a slack tour operator business. And although Air Berlin managed to record a large increase in passenger numbers in April, the gain of 8.1 percent was still significantly below the growth rates of 12.3 and 13.6 percent achieved in February and March respectively. However, respective increases of 12.4 and 13.9 percent recorded in May and June heralded the resumption of the excellent first quarter performance.
Against a background of stiff competition within the sector, the restraint shown by customers during April immediately sparked off a fierce price war on routes to Palma and the Spanish mainland in particular. The situation was then intensified following the aggressive campaigns mounted by several smaller operators. Despite the subsequent recovery of passenger volumes, ticket prices only improved slightly for the remainder of the quarter.

These disappointing price and volume trends could only be offset to a limited extent on the cost side. Nevertheless, efforts to achieve cost reductions in the second quarter also delivered significant results: costs per available seat kilometre (ASK) were reduced by 4.1 percent at EBITDAR level (direct costs). Excluding fuel prices, direct costs per ASK fell by as much as 4.9 percent. In comparision to the first six month of last year this results in a decrease of 3.6 and 5.8 percent respectively.
Capacity rose to 7.68 million available seats during the reporting period from 6.83 million the previous year, equating to an increase of 12.4 percent. Capacity for the first six months of the year increased 10.6 percent to 13.68 million, up from 12.37 million for the same period last year. The available seat kilometres (ASKs) were also up 10.7 percent to 9.23 billion during the reporting period, from 8.34 billion the previous year. At 15.69 billion compared to 14.41 billion the previous year, the increase for the first six months of the year amounted to 8.9 percent.
The month of April saw fleet utilisation at the Air Berlin Group fall from last year's figure of 77.8 percent to 74.9 percent. It subsequently recovered during the remainder of the quarter, reaching 80.3 percent in June. Averaged over the half year, utilisation expanded to 74.2 percent from last year's figure of 73.4 percent. In addition to the growth in passenger volumes, the optimized joint management of the Air Berlin and dba fleets continued to have the same positive impact on utilization during the second quarter as it did during the first three months of the year.

01) Business developments



### Operating Key Figures for the Second Quarter

| | +/– % | Q2 2007 | Q2 2006 |
|---|---|---|---|
| Aircraft (as at 30 June) | +10.3 | **96** | 87 |
| Flights | +9.4 | **48,696** | 44,500 |
| Destinations | +1.2 | **85** | 84 |
| Passengers (thousands; "Pax") | +11.7 | **5,980** | 5,354 |
| Available seats (thousands; capacity) | +12.5 | **7,685** | 6,833 |
| Available Seat Kilometres (MM; "ASK") | +10.6 | **9,228** | 8,341 |
| Revenue Passenger Kilometres (MM; "RPK") | +9.9 | **7,180** | 6,536 |
| Passenger Load Factor (%; Pax/capacity) | −0.55* | **77.81** | 78.36 |
| Number of block hours | +9.5 | **87,171** | 79,594 |

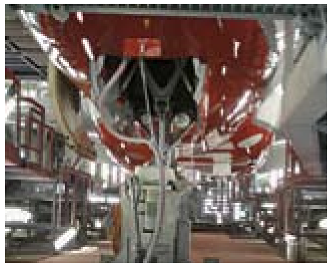
### Operating Key Figures for the First Half Year

| | +/– % | H1 2007 | H1 2006 |
|---|---|---|---|
| Aircraft (as at 30 June) | +10.3 | **96** | 87 |
| Flights | +8.2 | **87,526** | 80,890 |
| Destinations | +1.2 | **85** | 84 |
| Passengers (thousands; "Pax") | +11.7 | **10,145** | 9,085 |
| Available seats (thousands; capacity) | +10.6 | **13,681** | 12,371 |
| Available Seat Kilometres (billions; "ASK") | +8.9 | **15,693** | 14,408 |
| Revenue Passenger Kilometres (billions; "RPK") | +10.0 | **11,637** | 10,580 |
| Passenger Load Factor (%; Pax/capacity) | +0.72* | **74.16** | 73.44 |
| Number of block hours | +9.6 | **153,205** | 139,810 |

Data for Air Berlin and dba in Q2 and H1 2006 on comparable basis
*Percentage pointss

### Results

Consolidated revenue during the second quarter of 2007 grew by 36.5 percent from EUR 401.0 million to EUR 547.4 million compared with the same period the previous year. On a comparable basis, i.e. including the revenue from dba acquired in September 2006, revenue experienced organic growth of 4.6 percent. For the first six months of the year, this led to revenues rising from EUR 625.0 million to EUR 920.5 million, which equates to an increase of 47.3 percent.



Organic revenue growth during the first six months was at a comparable level of 7.1 percent. Taking other operating income into account, the overall performance during the second quarter of 2007 rose by 37.0 percent from EUR 401.7 million to EUR 550.3 million, and for the first half year, by 47.4 percent from EUR 628.6 million to EUR 926.8 million.

Comparing the trend for the first half year with that of the second quarter clearly illustrates its below-average performance caused by the unfavourable weather conditions during April and the subsequent fall in prices that affected the routes to Spain and Mallorca in particular. As a result revenue per available seat kilometre (yield) during the second quarter fell from 6.27 EuroCent to 5.93 EuroCent on a comparable basis, i.e. by 5.42 percent. Thanks to the excellent performance recorded in the first quarter, the half-year comparison shows only a slight decline of 1.7 percent from 5.97 EuroCent to 5.87 EuroCent.

Based both on the reporting quarter as well as the half-year period, the revenue trend in absolute terms shows a shift from the proportion of revenue accounted for by charter sales in favour of single-seat ticket sales. Whereas charter sales still contributed 40.0 percent (36.7 percent in the first half year) of revenue during the same quarter the previous year, they stood at 34.1 percent in the second quarter of 2007 and at 30.2 percent for the first six months of the year. In contrast, the proportion of single-seat ticket sales reached 59.2 percent during the second quarter, following the previous years' figure of 53.1 percent. For the fist six months of 2007, the proportion was 62.4 percent, as against 55.3 percent. And it is here that the different revenue structures at Air Berlin and its subsidiary dba are reflected. Since Air Berlin accounts for all charter sales, the additional revenues accruing from dba are largely made up of single-seat ticket sales.

Furthermore, weak demand in the tour operator business during the second quarter of 2007 was another factor contributing to this trend. What is more, the online booking sales channel recorded a strong above-average increase, which also fed through to benefit single-seat ticket sales. With average online bookings of 611,696 passengers per month, this area recorded an increase of 19.1 percent in the second quarter of 2007 compared with the same period the previous year.

The half-year comparison shows an increase of 9.8 percent over the same period last year. Air Berlin is very satisfied with the monthly average number of visits to its website, which is currently running at 5.6 million, as against a figure of just 3.9 million hits for the previous year.

01) Business developments



With an increase of 52.0 percent in the second quarter (+66.7 percent for the half year), revenue from single-seat ticket sales has, for the reasons outlined above, recorded the highest growth rates—rising from EUR 213.1 million to EUR 324.0 million for the quarter and from EUR 344.7 million to EUR 574.6 million for the half year. In contrast, the expansion of charter revenues and revenues from tour operators by 16.5 percent in the second quarter (EUR 186.6 million compared to the previous figure of EUR 160.2 million) and by 21.2 percent for the first half year (EUR 278.1 million as against EUR 229.5 million previously) was generated exclusively by Air Berlin. During the reporting period, revenues from the duty-free business as well as ground services and miscellaneous services moved up by 33.4 percent to reach EUR 36.9 million compared with EUR 27.7 million the previous year. The half-year comparison showed an increase of 33.6 percent from EUR 50.8 million to 67.8 EUR million. Business on the ground, in particular, was characterised by an extremely steady trend that remained largely unaffected by weather conditions.

The earnings trend as measured using the key parameter of EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) shows an increase at operating level for the second quarter of 18.5 percent from EUR 87.8 million the previous year to EUR 104.0 million as a result of the slow-down referred to above, which took hold from April on. On a comparable basis, that is, including dba, EBITDAR during the same period the previous year amounted to EUR 104.3 million. In the first half year, EUR 109.5 million was generated compared with EUR 73.3 million, or comparable EUR 86.8 million, during the same period the previous year. This equates to an increase of 26.2 percent on a comparable basis.
The EBITDAR margin based on overall performance reached 19.0 percent in the second quarter of the current financial year as compared with 21.9 percent the previous (comparable: 19.9 percent). For the half-year period the margin was 11.9 percent as against 11.7 percent for the previous year (comparable: 10.1%).

As outlined above, the weaker trend witnessed during the second quarter can be primarily attributed to the limited expansion of revenue caused by price and volume factors. Limitations on the increase in costs during the second quarter only succeeded in partially offsetting this situation. As a result, the increases in material and personnel costs during the course of the year reveal a declining trend. In particular, the increase in expenditure accounted for by catering as well as airport and handling charges was significantly below average, both for the quarter and for the half year, due to the synergy effects resulting from the integration of dba. Last but not least, the strong Euro enabled increases in fuel costs to be kept within the context of the expansion in revenue. Accounting for 21.1 percent of revenues in the second quarter, this share was only slightly above the previous year's level of 20.6 percent.

Leasing expenses, included in expenses for materials and services, rose during the quarter to EUR 58.4 million from comparable EUR 44.7 million the previous year (i.e. including expenditure incurred by dba) and to EUR 104.9 million for the half year as compared with EUR 88.1 million including dba (the prior year figures reported, which do not include dba, are EUR 28.3 million for the quarter and EUR 55.1 million for the half year). Leasing expenses during the second quarter were influenced to a significant degree by the addition of three wet leases (the leasing of an aircraft including the crew, maintenance and insurance). As a result, EBITDA for the quarter was EUR 45.5 million, up from comparable EUR 59.6 million the previous year (figure reported for previous year: EUR 59.5 million). During the first half of 2007, EBITDA was EUR 4.5 million compared with EUR –1.3 million including dba (figure reported for previous year: EUR 18.3 million).

Other operating expenses experienced an above-average increase overall during the reporting quarter and in the half year. While crew travel costs and expenditure on insurance and advertising registered below-average increases, expen-diture on repairs and maintenance as well as in the IT department increased significantly in the second quarter in particular. Despite the conclusion of the new salary agreements for cockpit and cabin staff, the increases in personnel costs were curbed during the second quarter. Following a comparable increase of 25.4 percent in the first quarter, they rose by 7.2 percent in the second quarter. Since dba accounted for a higher overall personnel cost pool, the underlying effect of the takeover of dba must be taken into account in this context. EBIT reached EUR 23.5 million during the reporting quarter following a comparable EUR 44.7 million the previous year (figure reported for previous year: EUR 44.8 million).
The figure for the first six months was EUR –37.3 million as against a comparable EUR –32.8 million (figure reported for previous year: –12.9 million EUR).
The EUR 9.9 million reduction in net interest expense (thereof EUR 13.7 million IPO expenses in the second quarter of 2006) during the second quarter, counteracted by a reduction of EUR 5.0 million in the foreign exchange result, caused the financial result to improve by EUR 4.9 million on balance. In the first half year, a EUR 10.3 million fall in the foreign exchange result caused the financial result to decline by EUR 3.0 million EUR to EUR –11.2 million. Consequently, the profit (loss) before tax for the quarter amounted to EUR 20.1 million compared with EUR 36.2 million last year and EUR –48.2 million for the six-month period as against EUR –20.6 in the previous year. The profit for the period from 1 April to 30 June 2007 was EUR 12.1 million compared with EUR 30.1 million the previous year. For the half-year period, a loss of EUR –29.3 million arose, as against EUR –1.0 million. Earnings per share during the second quarter of 2007 were EUR 0.18 undiluted and EUR 0.18 diluted, compared with EUR 0.59 respectively for the same period last year. Earnings per share for the half year were EUR –0.47 undiluted and EUR –0.41 diluted, compared with –0.02 EUR last year.




## Balance Sheet and Cash Flow

Compared with the 2006 balance sheet date, the total assets of the Air Berlin Group as at the end of June 2007 grew by 23.6 percent from EUR 1,587.9 million to EUR 1,963.0 million. The growth can be primarily attributed to the capital measures undertaken in conjunction with the acquisition of the carrier LTU. In addition, the balance sheet has extended in the wake of investment activities implemented according to plan, in particular, the expansion of the fleet. The first half of 2007 saw the Air Berlin Group put a net additional nine aircraft into operation, which fully accounts for the increase in non-current assets. The expansion of current assets derived from the extension of business on the one hand, and the capital measures mentioned above, on the other. The purchase price for LTU was paid during the second quarter and recorded in the financial statements as at 30 June in the full amount of EUR 140.0 million as an advance payment under the position other current assets.

As part of a capital increase to partially finance the takeover (as at 28 March 2007, proceeds received on 4 April), the company issued new shares, thus generating net proceeds of EUR 93.1 million. On 11 April, the company also issued convertible bonds, whose equity component amounting to EUR 24.3 million (EUR 39.7 million less deferred taxes in the amount of EUR 15.4 million) was posted to capital reserves. The equity ratio of 28.1 percent at the end of the quarterly period therefore remains nearly constant in comparison to the 28.2 percent on the balance sheet date 2006. Non-current liabilities increased due to the financing of aircraft, and following the issue of convertible bonds. As of 30 June 2007, the liability component of the convertible bond was EUR 176.5 million. Once again, current debt increased only slightly.

Cash generated from operations, including changes in current assets, amounted to EUR 95.2 million for the first half of 2007 compared with EUR 61.1 million the previous year. Net cash flows from operating activities—after interest paid and received—came to EUR 81.2 million, as compared with EUR 51.1 million. This increase is due primarily to higher depreciation and amortisation, along with a seasonal increase in accrued liabilities and provisions, which include payments arising in conjunction with credit items and commissions for ticket sales by travel agents, and an increase in current liabilities relating solely to the balance sheet date.

Capital expenditure on non-current assets, accounted for mainly by aircraft and engines, came to EUR 157.5 million in the first half year as against EUR 133.1 million the previous year. Advance payments for non-current assets also increased sharply from EUR 11.7 million to EUR 33.1 million. In addition to this, a total of EUR 142.2 million, including transaction costs, was paid for the acquisition of a subsidiary. Cash flow from investing activities during the first half of 2007 came to a total of EUR –332.0 million, compared with EUR –144.7 million the previous year. Cash flow from financing activities was influenced by the capital measures mentioned above. Including net receipts of long-term debt, the payments arising from the convertible bond and the capital increase generated an inflow of funds of EUR 386.5 million. This compares with the cash flow from financing activities of EUR 287.8 million for the same period the previous year. Cash and cash equivalents rose by EUR 135.8 million during the first half of 2007 to EUR 363.9 million.

### Die Air Berlin Group Fleet

| | **30.06.2007** | **30.06.2006** | Range | Seats |
|---|---|---|---|---|
| Boeing 737-800 | **38** | 35 | 5,500 km | 186 |
| Boeing 737-700 | **7** | 5 | 6,100 km | 144 |
| Boeing 737-500 | **1** | 1 | 5,200 km | 112 |
| Boeing 737-400 | **0** | 5 | 5,000 km | 167 |
| Boeing 737-300 | **10** | 14 | 4,400 km | 136 |
| Fokker 100 | **13** | 17 | 4,300 km | 100 |
| Airbus A320 | **17** | 6 | 5,200 km | 174 |
| Airbus A319 | **5** | 4 | 5,200 km | 144 |
| **Total Fleet** | **91** | 87 | | |
| Plus wet leases | **5** | 0 | | |

CONSOLIDATED QUARTERLY REVENUE (Q2) INCREASED TO

547.4 MIO. EUR

# +36.5 %

PAX

# +11.8 %

AIR BERLIN INCL. DBA AT Q2

# EVENTS FOLLOWING THE END OF THE REPORTING PERIOD

On 27 March 2007, Air Berlin announced the complete takeover of the LTU Group. The LTU contract of sale was notarised in Berlin on 26 March 2007. The purchase price was EUR 140 million. The acquisition also saw Air Berlin assume between EUR 190 and EUR 200 million of net debt of the LTU Group. The German Federal Cartel Authority issued unconditional approval for the takeover of LTU by Air Berlin PLC on 7 August 2007. LTU currently operates twelve long-haul, as well as fifteen short and medium-range aircraft. This brings the total number of aircraft in the Air Berlin Group fleet to 126. As part of the Air Berlin Group, LTU will continue to operate as a legally independent company with its own management.

On 7 July 2007, Air Berlin submitted an order for 25 Boeing Dreamliner 787 aircraft. The list prices published by Boeing put the value of the aircraft at approximately USD 4 billion. However, a significant price discount was secured for this order, and according to the contract, financing only needs to be obtained by 2011, when significant advance payments first fall due. The aircraft are scheduled for delivery between 2013 and 2017. Air Berlin also secured purchase options for 25 additional aircraft. The aircraft will enter service as part of the fleet renewal program, with their additional capacity being deployed to support the expansion of the Group’s long-haul portfolio.

On 7 August, Air Berlin announced that it had concluded wage and framework agreements on employment conditions for flight staff for the first time. In the case of pilots, agreement was reached with the German trade union “Vereinigung Cockpit” (VC) following the conclusion of a wage and framework agreement with effect from 1 August 2007. The agreements are based on the working conditions currently in force at Air Berlin, which will now be set until 31 December 2008 thus offering the necessary degree of security from a planning perspective.
The framework agreement on employment conditions is valid for an additional year. Agreement was also reached regarding the opening of negotiations aimed at establishing an employee union representation for cockpit crews. Current working conditions also served as the basis for an accord reached with multi-service trade union ver.di in relation to the cabin staff. Air Berlin currently employs 805 pilots and 1,442 flight attendants.

Following the conclusion of the wage agreement with the unions and approval of the LTU takeover by the German Federal Cartel Authority, Air Berlin immediately began the process of integrating the new subsidiary, which is expected to deliver synergies of EUR 70 to EUR 100 million annually.

The 600 former LTU employees based in Düsseldorf and Munich along with employees of Air Berlin in Düsseldorf will in future work under the umbrella of "Air Berlin Technik Ltd." (London). They will be joined by the 130 employees from dba-Technik in Munich. "Air Berlin Technik Berlin GmbH" will also be part of the group, which will then have 1,100 employees.

This new independent technical division will not only service the existing Air Berlin fleet, but will also develop business with other airlines and thus leverage additional growth potential. As well as achieving better utilisation of the individual facilities and delivering reduced technical costs, the amalgamation of these technical operations will bring a certain degree of insulation from the seasonal fluctuations in flight operations.

On 21 August 2007 Air Berlin reported, that both the German Federal Cartel office and the European Commission negated the obligation to register the Air Berlin PLC participation of 49% in the Swiss airline Belair Airlines AG, a subsidiary of the Swiss Hotelplan AG with yearly revenues of two billion Swiss francs, 2,960 employees and currently three aircraft, two Boeing 757-200 and one Boeing 767-300. The same had been declared by the Swiss Cartel Office before.

## ADDITIONAL INFORMATION

### New Destinations

During the first half of 2007, Air Berlin served a total of 85 destinations from Germany, compared with 84 (incl. dba) for the first half of 2006. So far, 2007 has seen the addition of the following new destinations: Gothenburg, Stockholm (Sweden); Kavala, Zakynthos (Greece); St. Petersburg (Russia); Naples, Olbia, and Palermo (Italy).

### Corporate Clients, Corporate Agreements

By the end of the first half of 2007, corporate agreements had been concluded with 388 companies. The comparable figure (Air Berlin including dba) for the previous year is 297 agreements. The first half of the current financial year saw a total of 508 companies availing of special company rates offered by Air Berlin. A contract with V-KON (a consolidation programme implemented by the German Business Travel Association "Verbandes Deutsche Reisemanagement e.V.") resulted in the addition of 120 companies as new corporate clients.

# OUTLOOK

Once again, passenger numbers in July experienced double-digit growth to record the highest monthly growth rate of the current year. Passenger volumes jumped 15.5 percent from last year's figure of 2,003,918 to the current figure of 2,315,142 passengers. Fleet utilisation was up 1.9 percentage points over the same period last year, rising from 81.3 percent to 83.2 percent. At the same time, the pronounced negative sector trend of the second quarter with regard to average revenues (yields) as compared with the previous month was reined in at minus 3.4 percent.
Passenger revenue of 5.7 Eurocent per available seat kilometre was generated in July. The number of passengers carried rose cumulatively by 12.4 percent. From January to July 2007, we welcomed a total of 12,460,366 passengers on board our aircraft, compared to 11,088,577 in 2006. Utilisation increased during the first seven months of the year from 74.7 to 75.7 percent, representing an improvement of one percentage point.

In the light of the latest developments regarding passenger volumes, the Board of Directors at Air Berlin continues to anticipate high growth rates in the number of passengers carried for the remainder of the year. Overall, the projection that passenger numbers will increase by 12 percent to reach twenty two million in the current financial year remains unadjusted. The agreement reached with the trade unions also represents a significant improvement in terms of our planning security, particularly given that as a result, further strike action with unforeseeable consequences on bookings during the key holiday period could be avoided.

On the other hand, the unfavourable trend that has affected yields since the second quarter, and continues to do so despite the improvement noted in July, as well as the delay in securing approval from the Federal Cartel Authority for the LTU takeover represent tangible burdens, which have rendered obsolete the original plans for the 2007 financial year regarding the development of revenue and earnings.

In particular, and despite the immediate implementation of measures such as the amalgamation of the technical divisions, the anticipated synergy effects arising from the LTU takeover will no longer take full effect during the current year. In contrast, there is no need to adjust our position regarding the expected synergies of EUR 31 million resulting from the takeover of dba. In view of the current situation, any concrete forecast regarding revenue and yields would be subject to considerable uncertainty at the present time. The Board of Directors expects an EBIT exceeding that of 2006.

# THE AIR BERLIN SHARE

The Air Berlin share consolidated in the second quarter of 2007, pricing in the significant slackening of yield through-out the European aviation industry. While the SDAX Price Index rose by a further 4.6 percent between 31 March and 30 June, both the Dow Jones Stoxx Airlines Index and the Air Berlin share dropped 6.1 and 8.5 percent respectively. This slightly weaker trend compared with the sector index is most likely attributable to the fact that the long delay before the cartel authority issued approval for the LTU takeover was the cause of additional uncertainty among investors. Moreover, our competitors, particularly in the low cost carrier segment, issued more conservative outlooks regarding future trends in traffic volumes and average prices.

In the first six months of the current year, the Air Berlin share price fell by 4.1 percent. In the same period, the SDAX Price Index rose by 14.8 percent, while the sector index remained steady.

**Air Berlin, SDAX price index and DJ STOXX Airlines index; indexed to Air Berlin; 1 January to 22 August 2007**

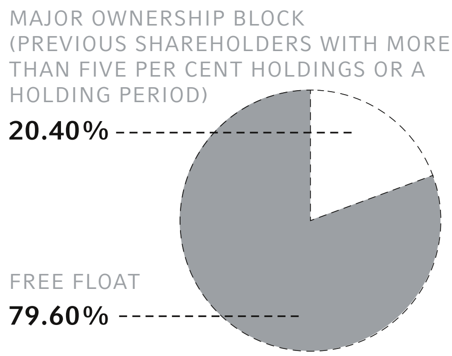
Irrespective of the share price performance and the uncertainty in the market over the last few weeks, the mood among analysts remains upbeat. As of mid-August 2007, the Air Berlin share was rated “Buy” or “Overweight” by 12 analysts. There were also one “Hold” and two “Underweight” recommendations.

As part of the company’s Investor Relations activities following the publication of results for the 2006 financial year, management participated in road shows and the German Corporate Conference in order to respond to questions from the financial community.

The first Annual General Meeting of Air Berlin was held on 16 May in London, where Air Berlin is registered in the legal structure of PLC. All resolutions contained in the Notice of Annual General Meeting were passed by the requisite majority of shareholders, with none of the resolutions being amended or withdrawn. Additional information about the Annual General Meeting of Air Berlin PLC along with details of the resolutions and voting results are available on our website at ir.airberlin.com.

## Earnings per share

| in thousands of Euro and thousands of shares, except for EPS | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Profit or loss for the period | **−29.269** | −960 | **12.075** | 30.097 |
| Dividends declared on redeemable „Class A“ preference shares | **0** | 0 | **0** | 0 |
| Profit (loss) attributable to ordinary shareholders (basic) | **−29.269** | −960 | **12.075** | 30.097 |
| plus: interest on convertible bonds, net of tax | **1.503** | 0 | **1.503** | 0 |
| Profit (loss) attributable to ordinary shareholders (diluted) | **−27.766** | −960 | **13.578** | 30.097 |
| Issued ordinary shares at 1 January / 1 April | **59.743** | 40.000 | **65.717** | 40.000 |
| Effect of shares issued in April 2006 in connection with Employee Share Plan | **0** | 64 | **0** | 127 |
| Effect of shares issued in May 2006 | **0** | 5.513 | **0** | 10.965 |
| Effect of treasury shares held | **−178** | −64 | **−178** | −127 |
| Effect of shares issued in March 2007 | **3.103** | 0 | **0** | 0 |
| Weighted average number of ordinary shares outstanding (basic) | **62.668** | 45.513 | **65.539** | 50.965 |
| plus: effect of excersise of share options | **175** | 62 | **175** | 124 |
| plus: effect of conversion of convertible bonds | **4.381** | 0 | **8715** | 0 |
| Weighted average number of ordinary shares outstanding (diluted) | **67.224** | 45.575 | **74.429** | 51.089 |
| Earnings per share - basic | **−0,47** | −0,02 | **0,18** | 0,59 |
| Earnings per share - diluted | **−0,41** | −0,02 | **0,18** | 0,59 |




## SHAREHOLDER STRUCTURE AT AIR BERLIN PLC ON 30.06.2007

**The Air Berlin PLC share in the second quarter of 2007**

| | |
|---|---|
| Share capital: | EUR 16,501,803.04 |
| Authorised share capital: | EUR 100,000,000.00 und GBP 50,000 |
| Total number of issued and registered shares on 30 June 2007: | 65,717,103 |
| Class: | Individual share certificates |
| Nominal value: | EUR 0.25 |
| Bloomberg symbol: | AB1 GR |
| Reuters symbol: | AB1.DE |
| ISIN symbol: | GB00B128C026 |
| WKN symbol: | AB1000 |
| Accounting standard: | IAS/IFRS |

**Q2 2007 market data**

| | |
|---|---|
| Trading segment: | Official trading (prime standard) |
| Primary industry: | Transport and logistics |
| Industry group: | Airlines |
| Indices: | SDAX, Prime All Share, Classic All Share |
| Designated Sponsors: | Commerzbank AG, Morgan Stanley Bank AG |
| Market capitalisation on 30 June 2007: | EUR 1,040.302 Mio. |
| Free Float on 30 June 2007: | 79,60 % |
| Capitalisation for free float on 30 June 2007: | EUR 828,080 Mio. |
| Trading volume for the share in the second quarter of 2007: | 893.506 shares per day |

- 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 nationalities, 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.

Air Berlin PLC

## CONSOLIDATED INCOME STATEMENT

for the period ended 30 June 2007

| | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| | € 000 | € 000 | € 000 | € 000 |
| **Revenue** | **920,499** | 624,989 | **547,410** | 400,987 |
| **Other operating income** | **6,322** | 3,639 | **2,860** | 672 |
| Expenses for materials and services | **(669,052)** | (450,337) | **(376,368)** | (262,682) |
| Personnel expenses | **(108,825)** | (64,541) | **(57,394)** | (35,553) |
| Depreciation and amortisation | **(41,810)** | (31,198) | **(22,068)** | (14,696) |
| Other operating expenses | **(144,397)** | (95,496) | **(70,965)** | (43,884) |
| **Operating expenses** | **(964,084)** | (641,572) | **(526,795)** | (356,815) |
| **Result from operating activities** | **(37,263)** | (12,944) | **23,475** | 44,844 |
| Financial expenses | **(20,810)** | (25,168) | **(11,567)** | (19,668) |
| Financial income | **5,734** | 2,805 | **3,656** | 1,847 |
| Foreign exchange result, net | **3,903** | 14,222 | **4,297** | 9,332 |
| **Net financing costs** | **(11,173)** | (8,141) | **(3,614)** | (8,489) |
| Share of profit (loss) of associates | **239** | 484 | **239** | (168) |
| **Profit (loss) before tax** | **(48,197)** | (20,601) | **20,100** | 36,187 |
| Income tax benefit (expenses) | **18,928** | 19,641 | **(8,025)** | (6,090) |
| **Profit (loss) for the period** | **(29,269)** | (960) | **12,075** | 30,097 |
| **Basic earnings per share in €** | **−0.47** | −0.02 | **0.18** | 0.59 |
| **Diluted earnings per share in €** | **−0.41** | −0.02 | **0.18** | 0.59 |

Air Berlin PLC

## CONSOLIDATED BALANCE SHEET

as at 30 June 2007

| | 31/06/2007 | 31/12/2006 |
|---|---|---|
| | € 000 | € 000 |
| **Assets** | | |
| **Non-current assets** | | |
| Software licences and other rights | 4,382 | 3,642 |
| Goodwill | 20,317 | 20,317 |
| Landing rights | 69,949 | 69,949 |
| Trademarks | 0 | 1,883 |
| Aircraft and engines | 996,736 | 879,576 |
| Technical equipment and machinery | 49,623 | 44,320 |
| Office equipment | 15,804 | 12,998 |
| Advanced payments on aircraft, non-current | 63,465 | 41,086 |
| Investments in associates | 680 | 720 |
| **Non-current assets** | 1,220,956 | 1,074,491 |
| **Current assets** | | |
| Inventories | 15,933 | 11,914 |
| Trade receivables | 91,696 | 49,724 |
| Other current assets | 248,650 | 121,692 |
| Prepaid expenses | 21,788 | 14,116 |
| Cash and cash equivalents | 364,015 | 315,921 |
| **Current assets** | 742,082 | 513,367 |
| **Total assets** | 1,963,038 | 1,587,858 |
| **Equity and liabilities** | | |
| **Shareholders' equity** | | |
| Share capital | 16,502 | 15,009 |
| Share premium | 331,967 | 214,190 |
| Other capital reserves | 217,056 | 217,056 |
| Profit and loss account | (8,564) | 20,503 |
| Hedge accounting | (6,183) | (18,930) |
| Currency translation differences | (33) | (22) |
| **Equity** | 550,745 | 447,806 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 41,302 | 38,974 |
| Liabilities due to bank from assignment of future lease payments | 566,886 | 495,414 |
| Interest-bearing liabilities | 195,963 | 22,970 |
| **Non-current liabilities** | 804,151 | 557,358 |
| **Current liabilities** | | |
| Liabilities due to bank from assignment of future lease payments | 72,294 | 63,067 |
| Interest-bearing liabilities | 3,767 | 97,997 |
| Accrued taxes | 2,906 | 3,510 |
| Provisions | 1 | 7 |
| Accrued liabilities | 177,408 | 99,026 |
| Trade payables | 73,081 | 67,706 |
| Other liabilities | 74,406 | 69,664 |
| Deferred income | 17,143 | 15,626 |
| Advanced payments | 187,136 | 166,091 |
| **Current liabilities** | 608,142 | 582,694 |
| **Total equity and liabilities** | 1,963,038 | 1,587,858 |

Air Berlin PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2007

| | Share capital |
|---|---|
| | € 000 |
| **Balances at 31 December 2005** | **10,073** |
| Share based payment | |
| Hedge reserve, net of tax | |
| Net currency translation differences | |
| Net unrealised changes in available-for-sale securities, net of tax | |
| Net income recognised directly in equity | |
| Loss for the period | |
| Total recognised income and expense for the period | |
| Issue of ordinary shares | **4,936** |
| Transaction costs, net of tax | |
| **Balances at 30 June 2006** | **15,009** |
| **Balances at 31 December 2006** | **15,009** |
| Share based payment | |
| Hedge reserve, net of tax | |
| Net currency translation differences | |
| Net income recognised directly in equity | |
| Loss for the period | |
| Total recognised income and expense for the period | |
| Issue of ordinary shares | **1,493** |
| Transaction costs, net of tax | |
| Issue of convertible bonds, net of tax | |
| Transaction costs, net of tax | |
| **Balances at 30 June 2007** | **16,502** |

| Share premium | Other capital reserves | Profit and loss account | Hedge accounting, net of tax | Currency translation differences | Fair value reserve | Total equity |
|---|---|---|---|---|---|---|
| € 000 | € 000 | € 000 | € 000 | € 000 | € 000 | € 000 |
| **0** | **217,056** | **(29,779)** | **0** | **0** | **(127)** | **197,223** |
| | | 22 | | | | 22 |
| | | | (5,681) | | | (5,681) |
| | | | | (4) | | (4) |
| | | | | | 127 | 127 |
| | | 22 | (5,681) | (4) | 127 | (5,536) |
| | | (960) | | | | (960) |
| | | (938) | (5,681) | (4) | 127 | (6,496) |
| **229,850** | | | | | | 234,786 |
| **(15,660)** | | | | | | (15,660) |
| **214,190** | **217,056** | **(30,717)** | **(5,681)** | **(4)** | **0** | **409,853** |
| **214,190** | **217,056** | **20,503** | **(18,930)** | **(22)** | **0** | **447,806** |
| | | 202 | | | | 202 |
| | | | 12,747 | | | 12,747 |
| | | | | (11) | | (11) |
| | | 202 | 12,747 | (11) | | 12,938 |
| | | (29,269) | | | | (29,269) |
| | | (29,067) | 12,747 | (11) | | (16,331) |
| **96,485** | | | | | | 97,978 |
| **(2,980)** | | | | | | (2,980) |
| **24,983** | | | | | | 24,983 |
| **(711)** | | | | | | (711) |
| **331,967** | **217,056** | **(8,564)** | **(6,183)** | **(33)** | **0** | **550,745** |

## Air Berlin PLC
## CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2007

| | 30/06/2007 | 30/06/2006 |
|---|---|---|
| | € 000 | € 000 |
| Loss for the period | (29,269) | (960) |
| Adjustments to reconcile profit or loss to cash flows from operating activities: | | |
| Depreciation and amortisation of non-current assets | 41,810 | 31,198 |
| Loss (gain) on disposal of tangible and intangible assets | 33 | (18) |
| Loss on disposal of short term investment securities | 0 | 11 |
| Share based payments | 202 | 35 |
| (Increase) decrease in inventories | (4,019) | (309) |
| (Increase) decrease in trade accounts receivable | (41,972) | (8,808) |
| (Increase) decrease in other assets and prepaid expenses | (23,218) | (6,148) |
| Deferred tax (credit) / expense | (19,343) | (21,827) |
| Increase (decrease) in accrued liabilities and provisions | 77,425 | 28,911 |
| Increase (decrease) in trade accounts payable | 5,375 | (7,171) |
| Increase (decrease) in other current liabilities | 76,900 | 51,614 |
| Foreign exchange (gains) losses | (3,903) | (22,915) |
| Interest expense | 23,209 | 11,037 |
| Interest income | (5,734) | (2,805) |
| Income tax expense | 415 | 2,186 |
| Share of (profit) loss of associates | (239) | (484) |
| Changes in fair value of derivatives | (2,451) | 12,840 |
| Other non-cash changes | (11) | (5,332) |
| **Cash generated from operations** | 95,210 | 61,055 |
| Interest paid | (19,082) | (11,508) |
| Interest received | 5,155 | 2,795 |
| Income taxes received (paid) | (68) | (1,240) |
| **Net cash flows from operating activities** | 81,215 | 51,102 |
| Purchases of tangible and intangible assets | (157,505) | (133,118) |
| Acquisition of subsidiary | (142,187) | 0 |
| Advanced payments for non-current items | (33,091) | (11,703) |
| Proceeds from sale of tangible and intangible assets | 40,553 | 40 |
| Advanced payments for sale of tangible assets | (40,000) | 0 |
| Proceeds from sale of short term investment securities | 0 | 114 |
| Dividends received from associates | 279 | 0 |
| Acquisition of investments in associates | 0 | (12) |
| **Cash flow from investing activities** | (331,951) | (144,679) |
| Principal payments on interest-bearing liabilities | (47,013) | (33,831) |
| Proceeds from long-term borrowings | 126,716 | 112,467 |
| Increase in share premium | 96,485 | 229,850 |
| Increase in subscribed capital | 1,493 | 4,936 |
| Transaction costs related to issue of new shares | (4,877) | (25,629) |
| Issue of convertible bonds | 220,000 | 0 |
| Transaction costs related to convertible bonds | (6,257) | 0 |
| **Cash flow from financing activities** | 386,547 | 287,793 |
| **Change in cash and cash equivalents** | 135,811 | 194,216 |
| **Cash and cash equivalents at beginning of period** | 228,094 | 189,051 |
| **Cash and cash equivalents at end of period** | 363,905 | 383,267 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2007

(Euro in thousands, except share and bond data)

### 1. REPORTING ENTITY

The consolidated interim financial statements of Air Berlin PLC for the six months ended 30 June 2007 comprise Air Berlin PLC ("the Company") and its subsidiaries (together referred to as "Air Berlin" or the "Group") and the Group's interest in associates. Air Berlin PLC (the "Company") is a 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. The consolidated financial statements of the Group for the year ended 31 December 2006 are available at www.airberlin.com.

### 2. STATEMENT OF COMPLIANCE

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2006. These consolidated interim financial statements were approved by the Board of Directors on 27 August 2007.

### 3. SIGNIFICANT ACCOUNTING POLICIES

This interim report up to 30 June 2007 has been drawn up in accordance with the rules of IAS 34 and in compliance with the standards and interpretations applicable from 1 January 2007. Except for the change in estimate related to the depreciation of aircraft (discussed in point 7 below), the Group has used the same accounting and valuation methods as for the consolidated financial statements for the year 2006.

### 4. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty related to estimates were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

### 5. SEASONALITY

The aviation industry is subject to seasonal fluctuations. Due to holiday travellers, the summer months generally show the highest revenue from ticket sales. The Group attempts to minimise seasonal impacts by expanding the number of business travellers. For the twelve months ended 30 June 2007 the Group had revenue of € 1,870,905 (twelve months ended 30 June 2006: € 1,294,424) and profit (loss) for the period of € 21,747 (twelve months ended 30 June 2006: € –73,761).

### 6. ACQUISITION OF LTU

On 26 March 2007 Air Berlin PLC acquired 100 percent of the shares of the German airline LTU for a purchase price of € 140,000. 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. Transaction costs incurred in connection with the acquisition amount to € 2,079 as of 30 June 2007. These costs will be included in the calculation of goodwill and are capitalised under Prepaid expenses in the Balance Sheet at 30 June 2007. The purchase price of € 140,000 was paid in the second quarter of 2007 and is shown as an advanced payment under "Other current assets" in the balance sheet as of 30 June 2007.

### 7. NON-CURRENT ASSETS

#### Acquisition and disposals

During the six months ended 30 June 2007 the Group acquired fixed assets with a cost of € 168,279 (six months ended 30 June 2006: € 144,309).
Assets with a carrying amount of € 2,344 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: € 21).

#### Change in estimate

During the first quarter of 2007 the Group adjusted its estimate of residual values in depreciating its aircraft to a percentage of the original acquisition cost in Euro based on the amounts expected to be obtained through disposal at the end of the aircraft's estimated useful life. 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 charges of € 995 in the first quarter of 2007. This will result in an increase in depreciation expense in the future of approximately € 3,978 per year based on the current fleet at the time of the change in estimate.

### 8. SHARE CAPITAL

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 30 June 2007. Included in this amount are 177,600 treasury shares held by Air Berlin (through the Air Berlin Employee Share Trust).

#### Issue of new shares

On 28 March 2007 the Company issued 5,974,282 new shares at a share price of € 16.40. Gross proceeds on the issue of new shares amounted to € 97,978, which was received on 4 April 2007.
Transaction costs incurred in the first quarter of 2007 amounted to € 1,511. Additional transaction costs of € 3,366 were incurred in the second quarter of 2007, resulting in net proceeds of € 93,101.
Acceptance for trading on the Deutsche Börse was granted in April 2007.

### 9. CONVERTIBLE BONDS

On 11 April 2007 the Company 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 € 6,257.
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:

in thousands of Euro

| | |
|---|---|
| Proceeds from issue of convertible bonds | 220,000 |
| Transaction costs | −6,257 |
| Net proceeds | 213,743 |
| Amount classified as equity | −39,725 |
| Accrued interest | 2,459 |
| Carrying amount at 30 June 2007 | 176,477 |

The equity component, which is shown net of taxes of € 15.453 in the balance sheet, totalled € 24,272 at 30 June 2007.
The notes 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. 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.

### 10. REVENUE

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Single-seat ticket sales | **574,616** | 344,714 | **323,960** | 213,147 |
| Bulk ticket sales to charter and package tour operators | **278,053** | 229,497 | **186,566** | 160,187 |
| Duty free | **8,486** | 7,054 | **5,154** | 4,463 |
| Ground and other services | **59,344** | 43,724 | **31,730** | 23,190 |
| | **920,499** | 624,989 | **547,410** | 400,987 |

Air Berlin recognises ticket sales as income at the time when the transportation is provided. When the fare is for a round-trip and the return flight has not been provided at reporting date, the unearned revenue is deferred in the consolidated balance sheet under "deferred income" until such time the transportation is provided. Deferred income is estimated based on historical experience and past general passenger behaviour. All revenues derive from the principal activity as an airline and include flights, commissions, in-flight 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.

### 11. OTHER OPERATING INCOME

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Gain on disposal of fixed assets | **0** | 32 | **0** | 10 |
| Income from services provided to Niki | **322** | 6 | **179** | 99 |
| Income from insurance claims | **568** | 169 | **323** | 142 |
| Reversal of accrued liabilities | **2,883** | 3,256 | **1,875** | 388 |
| Other | **2,549** | 176 | **483** | 33 |
| | **6,322** | 3,639 | **2,860** | 672 |

### 12. EXPENSES FOR MATERIALS AND SERVICES

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Fuel for aircraft | **201,175** | 133,003 | **115,412** | 82,670 |
| Catering costs and cost of materials for in-flight sales | **31,116** | 26,413 | **18,018** | 16,779 |
| Airport & handling charges | **243,958** | 171,501 | **134,613** | 98,473 |
| Operating leases for aircraft and equipment | **104,904** | 55,053 | **58,426** | 28,278 |
| Navigation charges | **75,855** | 51,936 | **43,837** | 29,841 |
| Other | **12,044** | 12,431 | **6,062** | 6,641 |
| | **669,052** | 450,337 | **376,368** | 262,682 |

### 13. PERSONNEL EXPENSES

The aggregate payroll costs were as follows:

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Wages and salaries | **92,663** | 54,999 | **49,236** | 30,409 |
| Pension expense | **7,065** | 4,028 | **3,787** | 2,200 |
| Social security | **9,097** | 5,514 | **4,371** | 2,944 |
| | **108,825** | 64,541 | **57,394** | 35,553 |

### 14. DEPRECIATION AND AMORTISATION

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Depreciation and amortisation | **41,810** | 31,198 | **22,068** | 14,696 |

The residual values were adjusted in the first quarter of 2007, as discussed in point 7 above.

### 15. OTHER OPERATING EXPENSES

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Sales commissions paid to agencies | **12,052** | 12,075 | **6,796** | 7,195 |
| Repairs and maintenance of technical equipment | **35,813** | 22,519 | **15,973** | 5,623 |
| Advertising | **23,540** | 18,538 | **10,348** | 10,216 |
| Insurances | **9,934** | 9,806 | **4,863** | 4,302 |
| Hardware and software expenses | **19,678** | 6,653 | **10,032** | 3,057 |
| Bank charges | **7,303** | 3,079 | **4,075** | 1,051 |
| Travel expenses for cabin crews | **6,309** | 4,527 | **3,677** | 2,903 |
| Expenses for premises and vehicles | **7,908** | 5,399 | **4,006** | 2,777 |
| Losses from disposal of fixed assets | **33** | 12 | **0** | 12 |
| Training and other personnel costs | **5,669** | 2,476 | **2,581** | 1,606 |
| Phone and postage | **2,084** | 1,454 | **982** | 890 |
| Allowances for receivables | **659** | 950 | **294** | 341 |
| Auditing and consulting | **2,599** | 1,549 | **1,184** | 505 |
| Other | **10,816** | 6,459 | **6,154** | 3,406 |
| | **144,397** | 95,496 | **70,965** | 43,884 |

### 16. FINANCIAL RESULT

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| **Financial expenses** | | | | |
| Interest paid on interest bearing liabilities | **−20,109** | −11,389 | **−11,349** | −5,917 |
| Other financing expenses | **−701** | −13,779 | **−218** | −13,751 |
| Impairment of associates | **0** | 0 | **0** | 0 |
| | **−20,810** | −25,168 | **−11,567** | −19,668 |
| **Financial income** | | | | |
| Interest received on fixed deposits | **5,585** | 2,789 | **3,562** | 1,835 |
| Other | **149** | 16 | **94** | 12 |
| | **5,734** | 2,805 | **3,656** | 1,847 |
| Foreign exchange gains (losses), net | **3,903** | 14,222 | **4,297** | 9,332 |
| **Total** | **−11,173** | −8,141 | **−3,614** | −8,489 |

Foreign exchange gains (losses) result from exchange rate difference at the settlement date or revaluation of interest-bearing liabilities and liabilities due to bank from assignment of future intra-group lease payments at the balance sheet date. Exchange rate differences not arising from interest-bearing liabilities and other financing activities are reclassified to the various income and expense line items from which they arose within operating results.

### 17. INCOME TAX BENEFIT/ DEFERRED TAX

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

| in thousands of Euro | **1/07-6/07** | 1/06-6/06 | **4/07-6/07** | 4/06-6/06 |
|---|---|---|---|---|
| Current income taxes | **−415** | −8,456 | **−253** | 180 |
| Deferred income taxes | **19,343** | 28,097 | **−7,772** | −6,270 |
| **Total income tax benefit (expense)** | **18,928** | 19,641 | **−8,025** | −6,090 |

### 18. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its Directors, general partners, subsidiaries and associates.
One of the Executive Directors of the Group controls a voting share of 3.15 % of Air Berlin. The Chairman of the Board, also a shareholder of the Company with a voting share of 1.52 %, is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH during the first six months of 2007 of € 5,327 (2006: € 6,734).
At 30 June 2007 € 1,000 (2006: € 1,664) are included in the balance sheet in trade receivables.

During the six-month period ending 30 June 2007 associates purchased or delivered goods and services as follows:

| in thousands of Euro | **30.06.2007** | 30.06.2006 |
|---|---|---|
| **IBERO-Tours** | | |
| Revenues from ticket sales | **326** | 21 |
| Trade receivables | **98** | 0 |
| Expenses for services | **433** | 244 |
| Trade payables | **0** | 0 |
| **SCK DUS GmbH & Co. KG (2006: Stockheim/TIS)** | | |
| Catering expenses | **8,585** | 8,367 |
| Trade payables | **317** | 1,517 |
| Accrued liabilities | **0** | 0 |
| **Lee & Lex Flugzeugvermietung GmbH** | | |
| Other current assets | **1,529** | 0 |
| **Niki Luftfahrt GmbH** | | |
| Other income from administrative services | **322** | 6 |
| Other current assets | **10,431** | 9,804 |

Other current assets from Lee & Lex Flugzeugvermietung GmbH relate to a loan receivable in the amount of USD 960 (€ 779) and a partial debenture of € 750 (30 debentures at € 25 each).
Transactions with associates are priced on an arm's length basis.

### 19. CAPITAL COMMITMENTS

In 2004 the Group entered into a contract to purchase 60 A320 aircraft, which are to be delivered between 2005 and 2012. In 2006 the Group entered into a purchase order for 85 Boeing B737 aircraft , which are scheduled for delivery from November 2007 to 2014.
Seven A320 aircraft were delivered in the first six months of 2007 (2006: four), and five A320 and one B737 are scheduled for delivery in the remaining six months of 2007. In total, 42 A320 and 85 B737 are outstanding at 30 June 2007.

### 20. SUBSEQUENT EVENTS

An additional purchase order for 25 Boeing Dreamliner 787 was entered into on 7 July 2007, with delivery scheduled from 2013 to 2017.

### 21. EXECUTIVE BOARD OF DIRECTORS

**Executive Directors / Vorstandsmitglieder**

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

# FINANCIAL CALENDAR

| | |
|---|---|
| Traffic figures AUGUST 2007 | 06/09/2007 |
| Traffic figures SEPTEMBER 2007 | 08/10/2007 |
| Traffic figures OCTOBER 2007 | 07/11/2007 |
| Publication of Interim Report as of 30 September 2007 | 20/11/2007 |
| Traffic figures NOVEMBER 2007 | 06/12/2007 |

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