AIR-BERLIN

Interim report as of September 30, 2006

Contact
Peter Hauptvogel – Director of Corporate Communications
Dr. Ingolf T. Hegner – Head of Investor Relations

Air Berlin PLC & Co. Luftverkehrs KG
Saatwinkler Damm 42-43
13627 Berlin
Phone: +49 30 3434 1500
Fax: +49 30 3434 1509
E-Mail: ir@airberlin.com

Key data

Facts & figures – Air Berlin at a glance*

	July – Sept. 2006	July – Sept. 2005	**Jan. – Sept. 2006**	Jan. – Sept. 2005
Revenue in €m	**510.04**	397.35	**1,135.03**	943.16
EBITDAR	**103.92**	91.97	**177.23**	141.71
EBITDA	**70.33**	67.87	**88.58**	71.10
EBIT	**54.32**	51.68	**41.37**	23.52
Group's financial result	**38.69**	30.59	**37.73**	-12.51
Balance sheet total in €m	**1,567.19**	950.34	**1,567.19**	950.34
Employees	**3,913**	2,763		

Operating data

	July – Sept. 2006	July – Sept. 2005		**Jan. – Sept. 2006**	Jan. – Sept. 2005	
Passengers in m	**5.25**	4.63	+13.4%	**12.18**	10.79	+12.9%
Passenger load factor in %	**83.54**	84.34	-1.0%	**80.14**	78.67	+1.9%
Number of block hours	**75,649**	68,162	+11.0%	**178,122**	167,737	+6.2%
Number of flights	**38,600**	32,975	+17.1%	**90,626**	80,617	+12.4%
Fleet	**91**	79				

* *Starting from the month of September, dba is included in Air Berlin PLC's consolidated accounts.*

Glasgow
Belfast
Manchester
London
Bournemouth
Amsterdam
Paris
Zürich
Mailand
Nizza
Santiago de Compostela
Asturias/ Oviedo
Bilbao
Barcelona
Porto
Madrid
Valencia
Mahon
Mallorca
Lissabon
Alicante
Ibiza
Faro
Sevilla
Murcia
Almeria
Jerez d.l. Frontera
Malaga
Funchal
Agadir
Teneriffa
Arrecife
Sta Cruz
Las Palmas
Fuerteventura

Interim report as of September 30, 2006

Dear Shareholder,

Air Berlin has successfully completed the third quarter. Due to the high number of bookings in the first nine months of 2006, Air Berlin realized a sales volume of EUR 1.135 billion. Approximately 45% of the sales revenue was realized in the third quarter, during which sales amounting to EUR 510 million were recorded. This corresponds to a 28.4% increase in comparison with the same period of the previous year (EUR 397.3 million).

From July to September 2006, Air Berlin's operating business developed just as positively. The result from operations amounted to EUR 54.3 million (EBIT), compared to EUR 51.7 million in the corresponding period of the previous year.

For the item Consolidated Income before subtracting leasing expenses, i. e. EBITDAR, Air Berlin recorded EUR 103.9 million (2005: EUR 91.9 million).

Cyclical upswing continues – economic growth robust

In 2006, September did not live up to its reputation of being a bad month for the stock market. The DAX, for example, increased by approximately 2.5% in net terms. This development was significantly supported by the considerable drop in energy and commodity prices. Moreover, the Federal Reserve left key interest rates unchanged at 5.25% and raised expectations among market participants that a pause in interest rates had occurred. Several economic indicators also hinted at a weakening of economic growth, both in the US and in Europe.

On the other hand, the continuous news stories and rumors about mergers and acquisitions had a positive effect on share prices.

Overall, in the summer of 2006, economic development in the Euro zone and in Germany was positive. As a result of the upturn in private consumption, the gross domestic product rose noticeably. An upswing to this extent, namely a 0.6% increase over the months of July, August and September as compared to the previous quarter and a 2.8% increase as compared to the same period of the previous year, has rarely been witnessed in the past. Prospects that this trend will continue remain favorable.

Therefore, forecasts for 2006 are for a 2.5% increase in the gross domestic product. The main driving forces behind these prospects are foreign trade, domestic investment and consumption expenditure. The latter has a positive impact on the travel behavior of consumers.

In 2007, despite the increase of the value-added tax in Germany, economic growth is expected to rise by 1.4%.

More passengers, higher capacity utilization

Air traffic and tourist traffic has developed favourably, for Air Berlin PLC. In the time period between January and September, the number of airline passengers increased by 12.9% to a total of 12,176,778* (2005: 10,787,839) passengers.

For the first nine months of 2006, Air Berlin's fleet capacity utilization rate rose by 1.47 percentage points from 78.67 to 80.14%.

July, August and September – a considerable increase over the summer

Including dba (in the month of September), a total of 5,249,782 tickets were sold in the third quarter of 2006. Excluding dba, i. e. only with reference to the Air Berlin fleet, this represents a 13,4% increase as compared to 4,628,339 tickets sold in the same period of the previous year.

With 83.54% in the third quarter of 2006 as compared to the same quarter of the previous year (84.34%), Air Berlin's fleet capacity utilization rate including dba remained at a high level.

* *including dba in the month of September*

Over the same time period, revenue per available seat kilometer ("Yield per ASK") increased by 9.5%, i.e. from 5.36 to 5.87 Eurocent (in a comparison spanning nine months: by 12.1% from 4.80 to 5.38 Eurocent).

In the third quarter, revenue per passenger per kilometer traveled ("Yield per RPK") increased by 10.1%, i.e. from 6.29 to 6.93 Eurocent (in a comparison spanning nine months: by 9.7% from 6.06 to 6.65 Eurocent).

For Air Berlin, the airports with the strongest growth after nine months, in comparison with the same time period of the previous year were the following:

Airports	Passengers	Change in %
Palma	3,975,303	+13.7%
Berlin-Tegel	1,676,630	+14.0%
Dusseldorf	1,629,489	+17.2%
Nuremberg	1,383,479	+25.4%
London-STN	928,549	+81.6%
Vienna	800,264	+16.6%
Zurich	720,332	+40.0%
Frankfurt	380,280	+38.7%
Milan-BGY	210,647	+40.0%

In this context, London-Stansted deserves special mention, since this airport came out on top by recording a more than 81% increase to approximately 929,000 passengers processed. Moreover, the flight routes to Vienna and Zurich with 800,000 and 720,000 passengers transported recorded increases by 16.6% and 40% respectively.

Nevertheless, the Palma de Mallorca Airport with its impressive growth of 13.7% to almost four million passengers remains the absolute highlight. Over the course of the year, approximately five million airline passengers are expected to visit this Spanish island in the Mediterranean.

dba – a perfect match! A milestone in the development of Air Berlin

By signing the sales agreement on August 17, 2006, and publicizing the acquisition of dba, Air Berlin has set the course for additional growth of the company.

The acquisition was legally executed after the granting of the clearance without restrictions by the German Federal Cartel Office on September 6. At the same time, new members were appointed to dba's Supervisory Board; representing the sole shareholder are Air Berlin PLC's Executive Directors Joachim Hunold (CEO), Ulf Hüttmeyer (CFO), Elke Schütt (CCO) and Karl Lotz (COO). The positions of the two employee representatives, namely Michaela Wein and Wolfgang Schlüter, will not be affected.

Martin Gauss and Peter Wojahn will continue to manage dba as a legally independent entity and operational platform.

Together with dba, consolidated since September 1 and thus included in the consolidated accounts for the remaining four months of the year, Air Berlin has embarked on a new strategy as follows:

- The acquisition of important slots at partially slot-regulated airports, such as Berlin, Dusseldorf, Frankfurt and Munich, is one of the main priorities.

- Customer relations with corporate business clients (via Corporate Contracts) are to be expanded further. A separate contractual agreement regarding the utilization of Air Berlin's flight network will be signed together with these clients.

- At the same time, the share of business travelers will increase from 18% to 30% for the Group.

- The acquisition of dba also included the order for 25 Boeing B737-700. There is an additional attractive delivery option for 15 more planes.

The integration of dba is progressing rapidly, initial results are already visible. Sales volume is the main driving force behind this development:

- The integration into the European flight network results in a significantly higher capacity utilization of dba's fleet (Asset Allocation); in this context, we are expecting an increase from currently 2,500 block hours per airplane p.a. to at least 3,600 block hours.

- A mutually agreed, harmonized flight plan has become available to passengers since November 2006.

- In addition, capacities will be redistributed. In the future, planes with a seating capacity for 180 passengers will replace planes with 130 available seats on the so-called "racetrack" flights.

- The opening up of Air Berlin's distribution channels results in significant sales potential for travel agencies.

Moreover, additional progress is visible in terms of cost:

- A considerable increase in purchasing volume leads to economies of scale, particularly in passenger-variable costs.

- Due to our joint strategy and common operations, airport fees can be renegotiated.

- Double cost items, such as for marketing and advertising measures are reduced, since the cost-intensive publicity for the second brand can be dispensed with.

- Services which were outsourced by dba in the past, such as the Call Center, can be integrated and provided by existing service departments.

The three pillars of our business model: charter, seat-only business for tourist routes and business travel

Whereas business with tour operators accounted for 100% of the reservations made in 1997, the charter share has continued to decrease in 2006. At present, the share of charter flights amounts to approximately 39% of the seats sold. The remaining 61% in the seat-only business (sale of individual seats) is approximately evenly distributed among tourist so-called "point-to-point" city connections and business travelers. In the future, the charter share will continue to drop to the benefit of the sale of individual seats. We expect the charter share in the next three years to lie between 30 and 35%.

Business trips in particular, have increased all over Europe this year and will continue to do so according to the latest assessments (cf. Air Plus International Travel Management Study). Due to increasing business travel, we expect to have higher expenditures in the future as well.

Profitable growth – our goals for the future

Air Berlin's growth can take place either through acquisitions, as was the case with dba, or by expansion, i.e. on the basis of its own growth. For that purpose, Air Berlin has set a number of goals, to the attainment of which Management has assigned the highest priority.

We want to continue to grow in the market and with the market, by adding new connections to the existing "point-to-point" city destinations in our seat-only business and by increasing the scheduled flight frequencies on profitable routes.

However, flight routes which do not cover the costs involved, need to be reassessed and removed from our flight portfolio. Only this set of measures will enable us to increase our profit margins in the manner targeted for the years to come.

The consistent expansion of our single seat business brings the target group of business travelers more and more into focus. Among other things, we aim to successively expand the 30% share that business travel currently holds.

Group fleet

At the end of September, Air Berlin's fleet consisted of 62 airplanes, of which 30 were company-owned and 32 leased.

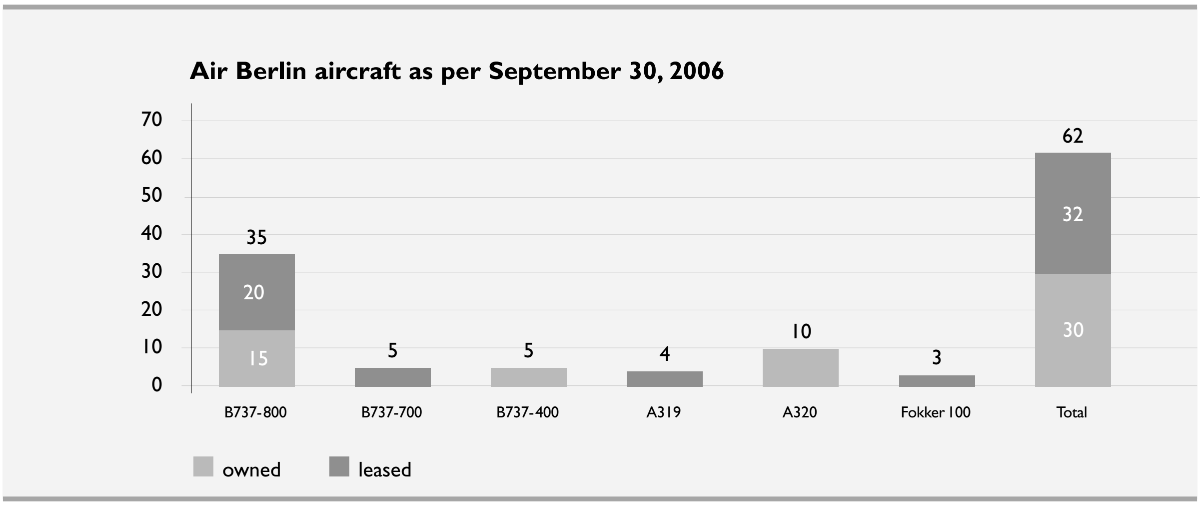
dba has supplemented our fleet with 29 additional leased airplanes, comprising:

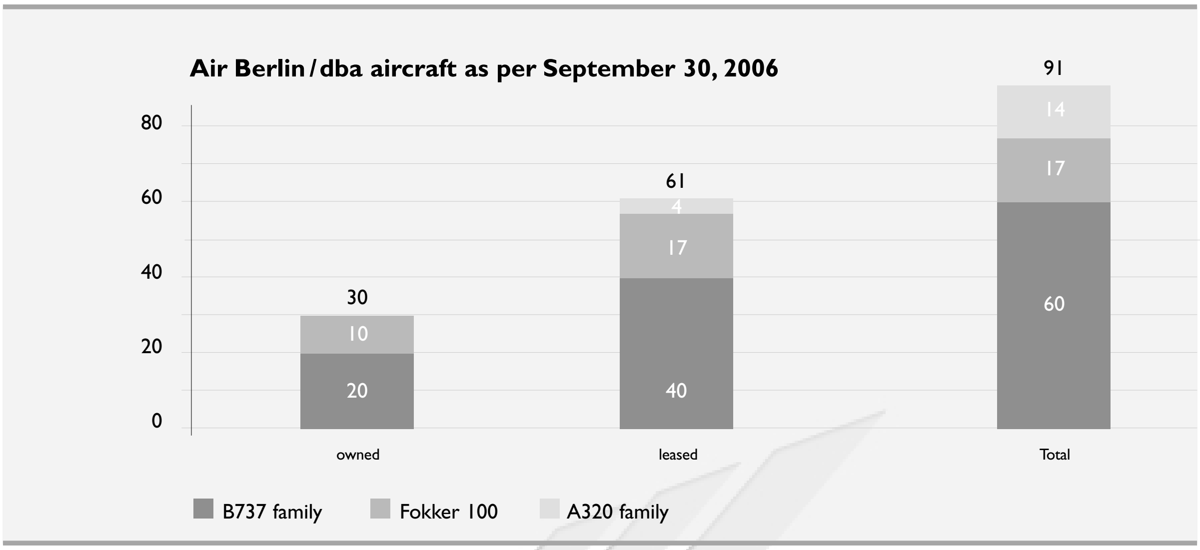
14	B737-300
1	B737-500 (dry lease)
14	Fokker 100 (wet lease),

so that a total of 91 airplanes were flying for Air Berlin by the end of the third quarter.

By the end of 2007, our common fleet will most likely be increased to approximately 100 airplanes.

The development of our fleet is dependent on a series of different factors. Air Berlin aims to structure its fleet in such a manner that it is also able to react flexibly to the market in the future.





Share and share price development

Following the presentation of the mid-year financial statements and the simultaneous announcement of the take-over of dba on August 17, 2006, the price of the Air Berlin share recovered from its all-time low and bounced back within a short time period, partially showing double-digit rates of increase. As it were, this development was the initial spark for the trend reversal of the share price which, buoyed by the positive sentiment for airlines and the general recovery of the stock markets, soon reached a level above the EUR 12 issue price mark. A number of analysts, who had previously considerably undervalued Air Berlin, also contributed to this rise by adjusting their profit forecasts for the year. At the end of September, a total of nine analysts were following and rating the Air Berlin share. *

A total of seven "buy" recommendations, one "overweight" recommendation and one "underperform" rating were issued by these analysts.

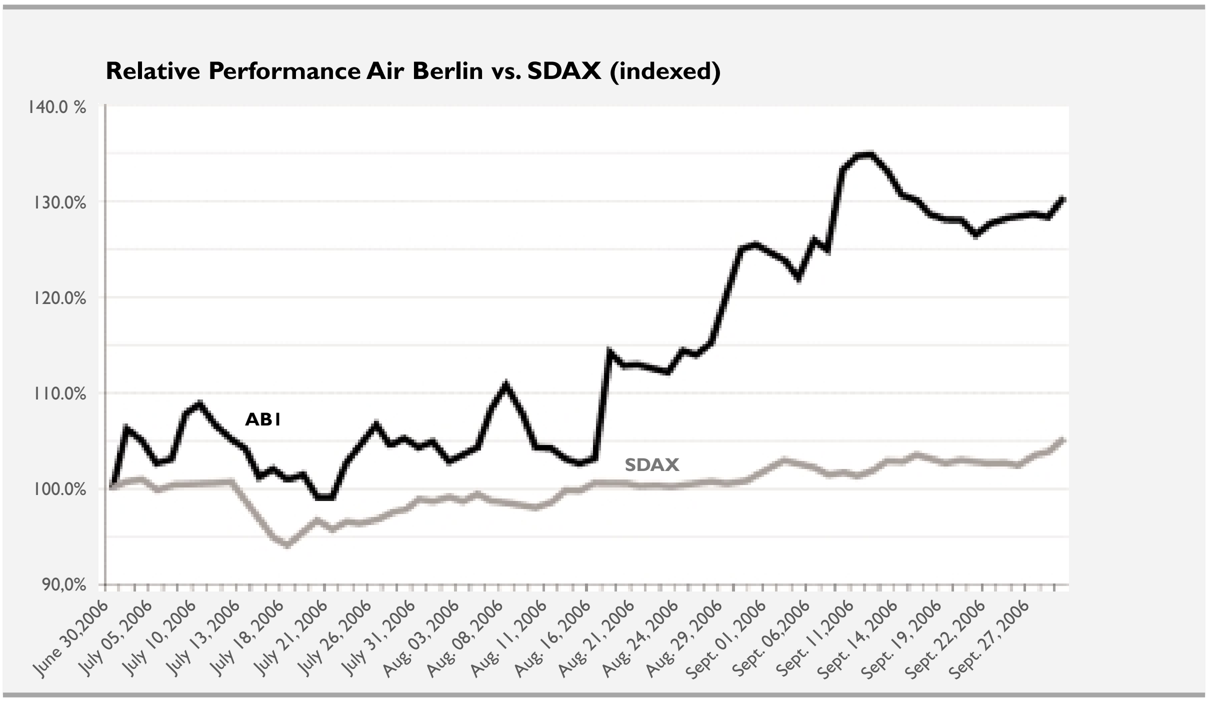
In the ensuing period, the volume of buying and selling transactions in Air Berlin shares increased significantly.

Thus, the formal admission criteria for being admitted to the SDAX had been met. On September 5, 2006, Deutsche Börse, upon the recommendation of the Working Committee for Share Price Indices, decided to admit Air Berlin PLC to the SDAX with effective date of September 18.

At the end of the quarter, the AB1 share was quoted at approximately EUR 12.50.

In this manner, confidence in Air Berlin's business model could be strengthened and expanded step-by-step.

In the meantime, an additional two analysts have started their coverage.



Administrative costs remain under control

The favorable cost pattern structure and the economies of scale which can be achieved have ideally prepared Air Berlin to face its competition.

Due to the increase in the Group's staff, administrative expenditures amounted to approximately 10.9% of the overall cost. At the end of September and taking dba into account, Air Berlin had approximately 3,900 employees.

Furthermore, the integration of dba brings additional potential for synergies with it: At present, we are expecting synergies to total EUR 71 million by the year 2008.

Q3 – successfully completed

Undoubtedly, in the third quarter of 2006, Air Berlin achieved the best operating result ever. The company, including dba, which was only included in the consolidated accounts for the month of September, generated a net profit of EUR 38.7 million.

In comparison with the same period of the previous year (EUR 30.6 million), the improvement, i.e. a 26.5% increase, stands out considerably.

Events subsequent to the reporting period

Following our separation form the Vienna-based DO & CO Restaurant & Catering AG, Air Berlin found a new partner for its catering business, the Ulm-based SCK Sky Catering Kitchen GmbH Bordverpflegung & Co. Service KG. This company has taken over the 75.2% of the shares previously held by DO & CO in a joint catering company.

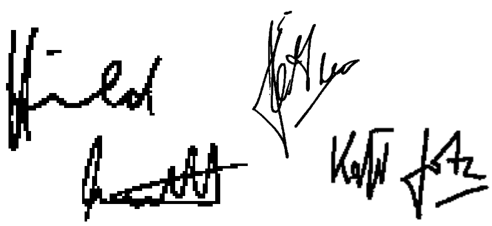
Air Berlin holds 24.8% of the shares of the newly established SCK DUS GmbH & Co KG.

Outlook

Since the year is coming to an end with only about five more weeks to go, we would like to sneak a peek at the future. Following its successful development, particularly in the third quarter, Air Berlin has shown that it is highly capable of meeting the expectations of the market.

We remain confident in the further developments of 2006. It appears highly likely that Air Berlin will report a profit within the range expected for the 2006 business year.

Berlin, November 2006
Executive Directors



Consolidated Statement of Income

	Jan. – Sept. 2006	Jan. – Sept. 2005	July – Sept. 2006	July – Sept. 2005
	€ 000	€ 000	€ 000	€ 000
Revenue	1,135,034	943,158	510,044	397,352
Other operating income	4,759	2,597	1,121	(342)
Expenses for materials and services	(791,934)	(657,063)	(341,597)	(255,655)
Personnel expenses	(106,572)	(83,812)	(42,031)	(29,464)
Depreciation and amortisation	(47,209)	(47,585)	(16,011)	(16,191)
Other operating expenses	(152,704)	(133,777)	(57,207)	(44,017)
Operating expenses	(1,098,419)	(922,237)	(456,846)	(345,327)
Result from operating activities	41,374	23,518	54,319	51,683
Financial expenses	(35,186)	(15,451)	(10,018)	(5,548)
Financial income	7,230	1,388	4,425	630
Foreign exchange result, net	10,435	(19,453)	(3,787)	(7,515)
Net financing costs	(17,521)	(33,516)	(9,380)	(12,433)
Share of profit (loss) of associates	501	2	17	0
Profit (loss) before tax	24,354	(9,996)	44,956	39,250
Income tax benefit (expense)	13,374	(2,514)	(6,267)	(8,661)
Profit (loss) for the period	37,728	(12,510)	38,689	30,589
Basic and diluted earnings per share in €	0.76	-0.31	0.78	0.76

Consolidated Balance Sheet

	Sept. 30, 2006	Dec. 31, 2005	Sept. 30, 2005
Assets	**€ 000**	**€ 000**	**€ 000**
Non-current assets			
Software licences and other rights	2,703	1,317	1,341
Goodwill	116,984	0	0
Aircraft and engines	929,398	712,133	671,722
Technical equipment and machinery	53,566	30,319	25,770
Office equipment	12,075	10,306	9,898
Investments in associates	1,172	660	986
Non-current assets	1,115,898	754,735	709,717
Current assets			
Inventories	6,440	3,201	2,627
Trade receivables	43,060	26,708	40,755
Other current assets	109,788	79,888	92,462
Prepaid expenses	14,751	8,147	5,419
Investment securities	0	125	143
Cash and cash equivalents	277,252	189,051	99,220
Current assets	451,291	307,120	240,626
Total assets	1,567,189	1,061,855	950,343
Equity and liabilities			
Shareholders' equity			
Share capital	15,009	10,073	30
Share premium	214,190	0	0
Limited Partners' capital	0	0	41,300
Other capital reserves	217,056	217,056	55,551
Retained earnings and net profit (loss)	8,010	(29,779)	74,424
Hedge accounting	(5,279)	0	0
Currency translation differences	(2)	0	0
Fair value reserve	0	(127)	(109)
Equity	448,984	197,223	171,196
Non-current liabilities			
Deferred tax liabilities	69,539	96,833	54,490
Liabilities due to bank from assignment of future lease payments	499,611	350,829	369,844
Interest-bearing liabilities	20,561	30,154	22,215
Non-current liabilities	589,711	477,816	446,549
Current liabilities			
Liabilities due to bank from assignment of future lease payments	109,820	99,893	48,643
Interest-bearing liabilities	10,875	17,477	16,390
Accrued taxes	847	662	30
Other provisions	373	1,048	829
Accrued liabilities	158,518	45,867	16,691
Trade payables	50,518	61,164	100,530
Other liabilities	39,151	15,372	25,418
Deferred income	15,494	14,003	11,812
Advanced payments	142,898	131,330	112,255
Current liabilities	528,494	386,816	332,598
Total equity and liabilities	1,567,189	1,061,855	950,343

Consolidated Statement of Changes in Equity

	Note	Share capital	Share premium	Limited partners' capital	Other capital reserves	Retained earnings and profit (loss) for the period	Hedge accounting	Currency translation differences	Fair value reserve	Total equity
		€ 000	€000	€000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balances at December 31, 2004		30	0	41,300	55,551	86,932	0	0	(114)	183,699
Net unrealized changes in available-for-sale securities, net of tax									5	5
Net income recognized directly in equity									5	5
Loss for the period						(12,510)				(12,510)
Total recognized income and expense for the period						(12,510)			5	(12,505)
Partners` distributions						2				2
Balances at September 30, 2005		30	0	41,300	55,551	74,424	0	0	(109)	171,196
Balances at December 31, 2005		10,073	0	0	217,056	(29,779)	0	0	(127)	197,223
Share based payment, net of tax						61				61
Hedge reserve, net of tax							(5,279)			(5,279)
Net currency translation differences								(2)		(2)
Net unrealized changes in available-for-sale securities, net of tax									127	127
Net income recognized directly in equity						61	(5,279)	(2)	127	(5,093)
Profit for the period						37,728				37,728
Total recognized income and expense for the period						37,789	(5,279)	(2)	127	32,635
Issue of ordinary shares		4,936	229,850							234,786
Transaction cost, net of tax			(15,660)							(15,660)
Balances at September 30, 2006		15,009	214,190	0	217,056	8,010	(5,279)	(2)	0	448,984

Consolidated Statement of Cash Flows for the nine months ended

	Sept. 30, 2006	Sept. 30, 2005
	€ 000	€ 000
Profit (Loss) for the period	37,728	(12,510)
Adjustments to reconcile profit (loss) to cash flows from operating activities:		
Depreciation and amortisation of non-current assets	47,209	47,585
Loss on disposal of tangible and intangible assets	355	526
Loss on disposal of short term investment securities	11	0
Share based payments	99	0
Increase in inventories	(177)	(71)
Increase in trade accounts receivable	(8,402)	(19,935)
Decrease (increase) in other assets and prepaid expenses	4,071	(29,647)
Increase (decrease) in deferred income taxes	(14,002)	1,611
Increase (decrease) in accrued liabilities and provisions	48,000	(8,546)
Increase (decrease) in trade accounts payables	(6,509)	39,127
Increase in other current liabilities	2,631	28,881
Foreign exchange (gains) losses	(21,289)	44,225
Interest expense	20,908	15,370
Interest income	(7,230)	(1,385)
Income tax expense	628	9,231
Share of profit from associates	(501)	(2)
Changes in fair value of derivatives	14,123	(36,266)
Other non-cash changes	(5,999)	0
Cash generated from operations	111,654	78,194
Interest paid	(16,770)	(13,022)
Interest received	4,988	1,385
Income tax paid	(1,605)	(1,170)
Net cash flows from operating activities	98,267	65,387
Purchases of tangible and intangible assets	(271,875)	(20,660)
Acquisition of subsidiaries, net of cash	(82,974)	0
Advanced payments for non-current items	(28,792)	(19,269)
Proceeds from sale of tangible and intangible assets	50	2,634
Proceeds from sale of short term investment securities	114	0
Acquisition of investments in associates	(12)	0
Cash flow from investing activities	(383,489)	(37,295)
Principal payments on interest-bearing liabilities	(54,661)	(43,439)
Proceeds from long-term borrowings	218,928	27,013
Increase in share premium	229,850	0
Transaction costs	(25,630)	0
Increase in share capital	4,936	0
Partners' disposal	0	2
Cash flow from financing activities	373,423	(16,424)
Change in cash and cash equivalents	88,201	11,668
Cash and cash equivalents at beginning of period	189,051	87,552
Cash and cash equivalents at end of period	277,252	99,220

Notes to the consolidated financial statements as of September 30, 2006

(Euro in thousands, except share data)

1. Reporting entity

Air Berlin PLC (the "Company") is a company incorporated in England and Wales with its registered office in London. The consolidated interim financial statements of the company as at and for the nine months ended September 30, 2006 comprise the Company and its subsidiaries (together referred to as "Air Berlin" or the "Group") and the Group's interests in associates. The corporate headquarters of Air Berlin are located in Berlin.

The consolidated financial statements of the Group as at and for the year ended December 31, 2005 are available at 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 December 31, 2005.

These consolidated interim financial statements were approved by the Board of Directors on November 22, 2006.

3. Significant accounting policies

This interim report up to September 30, 2006 has been drawn up in accordance with the rules of IAS 34 and in compliance with the standards and interpretations applicable from January 1, 2006. We have otherwise used the same accounting and valuation methods as for the consolidated financial statements for the year 2005.

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 estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2005.

5. Non-current assets

Acquisition and disposals

During the nine months ended September 30, 2006 the Group acquired assets with a cost of EUR 408,265 (nine months ended September 30, 2005: EUR 20,798).

Assets with a carrying amount of EUR 405 were disposed of during the nine months ended September 30, 2006 (nine months ended September 30, 2005: EUR 3,159).

6. Changes in the scope of consolidation

Acquisition

As of August 31, 2006 (acquisition date) Air Berlin PLC acquired 100% of the shares of dba Luftfahrtgesellschaft GmbH, München (in following "dba"). Based on a preliminary estimate, goodwill of EUR 116,984 has been recorded on this transaction. A 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 (slots) and deferred tax assets resulting from loss carry forwards. 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.

The results of dba as from September 1, 2006 are included in the consolidated interim financial statements (sales: EUR 45,253, net income: EUR 4,486). Goodwill is not amortised but instead will be assessed annually for impairment in accordance with IFRS 3. The transaction costs were included in the calculation of goodwill.

Assets and liabilities arising from acquisition in 2006

in thousands of Euro	Fair value at acquisition date	Revaluation to purchase accounting	Acquiree's carrying amount
Non-current assets	1,599		1,599
Current assets	83,785		83,785
Current liabilities	-71,525		-71,525
Net identifiable assets acquired	13,859	0	13,859
Goodwill	116,984		
Total cash flow from acquisition	130,843		
Less:			
Acquired cash and cash equivalents	-47,869		
Total net cash flow from acquisition of subsidiaries	82,974		

At the balance sheet date the required purchase price allocation according to the IFRS-regulations could not yet be carried out, as the calculation of the fair value of certain acquired assets was pending

Transaction costs incurred in connection with the acquisition amount to EUR 843. The goodwill results from a variety of factors, including synergies between the route networks, attractive slots at large airlines, corporate contracts and attractive offers for business passengers. The group would have had revenue of EUR 1,447,864 and net profit (loss) of EUR 26,016 had dba been consolidated from the beginning of the reporting period.

7. Share capital

On April 27, 2006, ordinary shares were increased by 44,400 shares of EUR 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 May 11, 2006, 19,742,817 ordinary shares of EUR 0.25 each were issued at a total share premium of EUR 214,190 net of transaction cost. Additional transaction costs of EUR 13,667 relating to the listing of existing shares are recognised in the income statement under financial expenses.

As of September 30, 2006, 59,742,821 ordinary shares of EUR 0.25 each and 50,000 A shares of £ 1.00 each were issued and fully paid up.

8. Share based payments

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 will become owner of the Shares when they subscribe for them but will be unable to sell or otherwise dispose of the Shares other than in accordance with the agreement. On the occurrence of certain events, the Company (or a person nominated by it) has the right to acquire all or some of the Shares under the Award.

Shares under the Award are divided into two elements, each element being subject to two separate performance conditions as follows:

(i) The first element is made up of one-half of the Shares under the Award, and is subject to a performance condition based on return on equity achieved by the Company.

(ii) The second element comprises the other half of the Shares under the Award, and is subject to performance conditions based on the percentage increase in the Company's Share price.

Awards are split into three tranches, each comprising one-third of the Shares under the Award. 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 December 31, 2008, 2009 and 2010 respectively.

The equity-settled share-based payment transactions are measured at fair value on the grant date in accordance with IFRS 2. The fair value of the share-based payment is recognised as personnel expenses over the vesting period. The fair value was determined using internationally accepted valuation techniques.

9. Revenue

in thousands of Euro	**1/06-9/06**	**1/05-9/05**	**7/06-9/06**	**7/05-9/05**
Ticket sales	1,053,272	881,145	479,061	376,711
Codeshare revenue	10,730	16,876	2,948	4,221
Ancillary sales	37,599	22,451	17,418	9,117
Airport taxes	33,433	22,686	10,617	7,303
Total	1,135,034	943,158	510,044	397,352

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.

10. Other operating income

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Gain on disposal of fixed assets	42	49	10	41
Income from reimbursement from Niki for processing costs	69	944	63	355
Reversal of accrued liabilities	4,002	388	747	0
Other	646	1,216	301	-738
Total	4,759	2,597	1,121	-342

11. Expenses for materials and services

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Fuel for aircraft	-252,152	-182,181	-119,150	-73,220
Catering costs (incl. cost of materials for in-flight sales)	-44,444	-45,544	-18,031	-19,275
Airport & handling charges	-297,843	-253,133	-126,342	-99,375
Operating leases	-88,644	-70,605	-33,590	-24,090
Navigation charges	-88,969	-83,853	-37,033	-32,440
Subcharter	-17,969	-19,868	-6,801	-6,486
Other	-1,913	-1,879	-650	-769
Total	-791,934	-657,063	-341,597	-255,655

12. Personnel expenses

The aggregate payroll costs were as follows:

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Wages and salaries	-91,456	-71,352	-36,457	-25,127
Social security	-15,116	-12,460	-5,574	-4,337
Total	-106,572	-83,812	-42,031	-29,464

13. Depreciation and amortisation

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Depreciation and amortisation	-47,209	-47,585	-16,011	-16,191

The residual value for the 5 aircraft of the type Boeing 737-400 was increased in the second quarter in the amount of EUR 18,500.

14. Other operating expenses

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Sales commissions paid to agencies	-20,239	-25,837	-8,164	-10,212
Repairs and maintenance of technical equipment	-36,636	-32,675	-14,389	-8,967
Advertising	-26,956	-21,223	-8,418	-6,600
Insurances	-14,247	-12,278	-4,440	-3,883
Bank charges	-5,908	-5,822	-2,829	-2,069
Travel expenses for cabin crews	-7,377	-5,720	-2,850	-2,253
Expenses for premises and vehicles	-8,979	-6,342	-3,309	-2,155
Losses from disposal of fixed assets	-397	-575	-384	-230
Training and other personnel costs	-3,496	-3,063	-1,020	-603
Phone and postage	-2,280	-2,078	-826	-625
Allowances for receivables	-1,500	-730	-550	-237
Auditing and consulting	-2,511	-1,575	-961	-35
Other	-22,178	-15,859	-9,067	-6,148
Total	-152,704	-133,777	-57,207	-44,017

15. Financial result

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Financial expenses				
Interest expenses on non-current interest-bearing liabilities	-21,140	-12,941	-9,751	-4,653
Interest expenses on current interest-bearing liabilities	-232	-2,429	-120	-814
Other	-13,814	-81	-147	-81
	-35,186	-15,451	-10,018	-5,548
Financial income				
Interest receivables on fixed deposits	5,149	1,371	2,360	625
Other	2,081	17	2,065	5
	7,230	1,388	4,425	630
Foreign exchange gains (losses), net	10,435	-19,453	-3,787	-7,515
Total	-17,521	-33,516	-9,380	-12,433

Foreign exchange gains (losses), net, result from exchange rate difference at 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.

As of the second quarter 2006 Air Berlin applies hedge accounting for its hedges of future foreign currency denominated cash flows that satisfy the criteria under IAS 39, thus reducing income statement volatility. In the third quarter Air Berlin expanded its hedge accounting to include its hedges of future cash flows related to the purchase of jet fuel.

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 released from equity to the consolidated statements of income in the period when the hedged cash flow affects profit or loss.

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.

16. Share of profit of associates

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Share of profit of associates	501	2	17	0

17. Income tax expense / Deferred tax

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

in thousands of Euro	1/06-9/06	1/05-9/05	7/06-9/06	7/05-9/05
Current income taxes	-628	-903	1,558	-334
Deferred income tax benefits	14,002	-1,611	-7,825	-8,327
Total	13,374	-2,514	-6,267	-8,661

An adjustment made to the tax loss carry forwards from prior periods in the third quarter of 2006 resulted in a EUR 10.337 reduction in deferred tax liabilities.

18. Related party transactions

The Group has related party relationships with its directors, general partners, subsidiaries and associates.

One director of the Group controls a voting share of 3.47% of Air Berlin.

One shareholder with a voting share of 1.62% is the sole shareholder of Phönix Reisen GmbH. The Group had revenues from ticket sales with Phönix Reisen GmbH during the first nine months in 2006 of EUR 10,724. At September 30, 2006 EUR 283 are included in the balance sheet in trade receivables.

During the periods ending September 30, 2006 and 2005 associates purchased or delivered goods and services as follows:

in thousands of Euro	**Sept. 30, 2006**	**Sept. 30, 2005**
IBERO-Tours		
Revenues from ticket sales	21	77
Trade receivables	0	23
Expenses for services	573	375
Trade payables	79	44
Stockheim/TIS		
Catering expenses	13,555	11,848
Trade payables	662	602
Niki Luftfahrt GmbH		
Administrative services	69	944
Other current assets	6,899	3,237

Transactions with associates are priced on an arm's length basis.

19. Capital commitments

During the year ending December 31, 2004, the Group entered into a contract to purchase 60 aircraft which will be delivered in 2005 through 2011. Furthermore, with the acquisition of dba a purchase order for 25 aircraft was also taken over, which will be delivered in 2007 through 2011. In the first nine months of 2006, eight aircraft were delivered and one aircraft is scheduled for delivery for the fourth quarter of 2006.

20. Executive board of directors

Executive directors

Joachim Hunold	Chief Executive Officer
Ulf Hüttmeyer	Chief Financial Officer (since 1 February 2006)
Karl Lotz	Chief Operating Officer
Elke Schütt	Chief Commercial Officer

BERLIN

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.