AIR BERLIN
ANNUAL REPORT 2009

airberlin

2009

AIR-BERLIN

2004

AIR·BERLIN USA

1989

1978

KEY FINANCIAL FIGURES

	2009	2008 (adjusted)*
Revenue (in million euros)	**3,240.3**	3,388.5
including ticket sales (in million euros)	**2,966.5**	3,092.5
EBITDAR (in million euros)	**503.6**	464.7
EBIT (in million euros)	**28.5**	2.0
Consolidated loss for the year (in million euros)	**(9.5)**	(83.5)
Cash generated from operations (in million euros)	**184.2**	44.3
Net cash flow from operating activities (in million euros)	**130.4**	11.8
Earning per share (in euros)	**(0.13)**	(1.27)
Net operating cash flow per share (in euros)	**1.77**	0.18
Total assets (in million euros)	**2,411.5**	2,409.1
Employees (31 Dec)	**8,278**	8,311

* Adjusted for the impact of the first time adoption of IFRIC13 "Customer Loyalty Programmes"

OPERATING FIGURES

(2009: AIR BERLIN, LTU, BELAIR AS WELL AS TUIFLY FROM 25.10.2009; 2008: AS REPORTED)

	2009	2008
Passengers (in thousands; "pax")	**27,911**	28,559
Destinations	**134**	126
Aircraft at year end	**152**	125
Available seat kilometers (in billions; ASK)	**50.66**	56.48
Load factor (%; pax/capacity)	**77.26**	78.36

CONTENTS
ANNUAL REPORT 2009

01) ESSENTIALS

01 Contents
02–06 CEO Interview
07–09 Chairman's Statement
10–16 The Board of Directors

02) EVOLVING FOR SUCCESS

17–35 Learning from Darwin
36–39 The year's highlights

03) THE SHARE

41–47 The Air Berlin Share

04) DIRECTORS' REPORT AND BUSINESS REVIEW

48–79 Business Review
- Company Profile
- Corporate Strategy
- Company Management
- Economic Conditions
- Operative Development
- Development in Financial Figures

80–87 Social Responsibility
88–91 Risk Report
92–96 Outlook
97 Auditors

05) CORPORATE GOVERNANCE

98–103 Corporate Governance Report
104–115 Directors' Remuneration Report

06) RESPONSIBILITIES

116 Declaration by the legal representatives
117 Statement of Directors' responsibilities

07) AUDITORS' REPORT

118–119 Independent Auditors' report

08) FINANCIAL STATEMENTS

121–125 Consolidated Financial Statements of the Air Berlin Group
126–128 Financial Statements of Air Berlin PLC
129–187 Notes to the Consolidated and Company Financial Statements

09) OTHER INFORMATION

188–191 Glossary
192 Imprint
U1–4 Key Financial Figures
Financial Calendar

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

Mr Hunold, international air travel is still in one of its most serious crises. How is Air Berlin coping?

JOACHIM HUNOLD One of the greatest challenges facing the capital-intensive airline industry is applying the necessary flexibility when circumstances change quickly and dramatically. The formula is to gain efficiency without losing quality: costs down, but never losing sight of growth prospects. Even before the crisis on the international financial market broke out, we launched a programme for increasing the overall performance across the whole Group. Further measures followed, such as the consistent reduction of long-haul routes. We have constantly optimised our whole route network to the changing market conditions, reduced overcapacity and adjusted our capital expenditure. The successful effect on the bottom line is plain to see. We have managed to be one of the very few airlines to post a better result in 2009 than in the previous year.

And with successful capital measures …

JOACHIM HUNOLD … significantly improving our balance sheet as well. Air Berlin's equity increased by EUR 238 million in 2009 to EUR 610 million. That is an increase of 64 per cent. We received proceeds of EUR 133 million from the various capital measures in 2009. In turn, we decreased debt by EUR 187.9 million, measured by net debt. That is 25 per cent. Not only that, but with the new issue and the simultaneous buyback of a convertible bond, we achieved income of more than EUR 20 million. Last but not least, the success of the capital measures shows that investors are convinced by the potential for the future of our hybrid business model and are ready to invest their capital in these prospects.

Keyword – prospects: are you aiming for alliances amongst the international competition?

JOACHIM HUNOLD Alliances make sense for us if the advantages prevail. So at the moment, we are maintaining a range of partnerships in selected attractive markets and offer connections with a joint flight number. Amongst other things, we operate a code share with S7 Airlines in Russia. This results in immediate growth.

01) Essentials
Interview Joachim Hunold
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Or the cooperation with the Turkish Pegasus Airlines.

JOACHIM HUNOLD Correct. Air Berlin and the largest private airline in Turkey have linked their websites, and we can thus offer our customers 17 additional connections between Germany and Turkey and 26 additional domestic Turkish routes. At the same time, the parent company of Pegasus, ESAS Holding A.S., is one of the strategic anchor shareholders of Air Berlin as of 2009. This underlines our collective long-term direction. In this way, we can tap the growth market of Turkey much more effectively and integrate it into the Western European route network. Plus Turkey is the natural gateway to Eastern Europe and the Middle East. In addition the airport in Vienna will also gain importance for us as a hub for the East. The announced closer cooperation with our Austrian partner Niki fits seamlessly into this picture. In my opinion we are driving a very convincing growth strategy which is clearly orientated towards increasing value.

Key phrase – climate change. How long will people still be able to afford the luxury of flying?

JOACHIM HUNOLD Mobility is a fundamental human right which cannot be relinquished in our free world. In addition, the increasing international diversity of labour requires an increasing amount of mobility. When viewed in this way, flying is by no means a luxury. "Commuting" by air is of great importance on short and medium-haul routes at the moment, and is continuing to grow. People can also always choose their airline from an environmental perspective. Our experience is that companies, businesses and frequent fliers are taking ever more notice of that. We are prepared for it.

In what way?

JOACHIM HUNOLD Environmental concerns have been part of the Company policy at Air Berlin for decades – not just since they took on "target group relevance". As early as the beginning of the 1990s, we were the first in Europe to install the jet fuel-saving winglets on the wings of our aircraft. Today that is standard. And in 2009, we – as the first airline in Europe – began to introduce the latest electronics to ensure that landing is possible even in particularly poor visibility. Delays and long detours due to poor visibility are now not as prevalent. In addition, together with partners, we have further developed the GPS-based navigation system which are familiar from cars and perfected it for aircraft. This extremely precise route management is combined with

electronics which optimise constant speed, altitude and distance to the plane in front. This shortens the landing approach considerably and reduces the time spent in the infamous holding pattern. All these measures saved the equivalent of 32,000 tonnes of CO_2 in 2009. This is equivalent to the CO_2 emissions of an Airbus A330 on 225 flights from Düsseldorf to New York.

"Our growth strategy is clearly orientated towards increasing value."

And in the future?

JOACHIM HUNOLD Even more savings, as we will consistently drive the modernisation of our fleet forward to meet our requirements. The newest aircraft also have the lowest fuel consumption. That can best be seen with our ultra-modern Q400 turboprops. In 2009, we integrated eight additional aircraft into our fleet and took old planes out of service. We are already positioning ourselves for the advent of the "Single European Sky" – the imminent new world in the European skies with unified air traffic control. The sooner the patchwork quilt of around fifty national traffic control bodies is abolished, the less aircraft will have to circle in unnecessary holding patterns and constantly change their speed, altitude and flight path because the transfer procedures from one air traffic control jurisdiction to the next are so incredibly complicated. However, without the latest technologies for flight optimisation on board and on the ground, the new world will barely function properly – particularly if air traffic grows further. Air Berlin is by all means prepared for this new age.

01) Essentials
Interview Joachim Hunold
Chairman's Statement
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Last question: What can we expect for 2010?

JOACHIM HUNOLD I am confident that, despite the ongoing risks in terms of general global economic development – in particular on the job market – we have a good chance of continuing the positive developments of last year forward into the next. We are anticipating that we will again grow our passenger numbers more strongly in 2010 than the market as a whole, for which IATA expects passenger growth of 4.5 per cent. To achieve this, we are focusing on our highly motivated team on the ground and in the air, our balanced route portfolio for business and private travel and the further optimisation of our high frequency and flexible route network. Just as we made it more attractive with the TUIfly city connections and with new partnerships in 2009, we will continue to focus on its further development in the current year. And we will of course continue to seek further cost reductions.

"We are anticipating that we will again grow our passenger numbers more strongly in 2010 than the market as a whole."

CHAIRMAN'S STATEMENT

CRISIS OVERCOME, MARKET POSITION STRENGTHENED

The severe global recession came to an end in early 2009 and has since shown a slight trend towards recovery, but the international aviation industry is lagging far behind this progress: 2009 was another lost year for the industry, as the downturn continued virtually unabated. However, Air Berlin overcame the crisis in 2009 just as it had the year before, proving the viability of its business model and expanding its market share.

At EUR 28.5 million, the operating result for 2009 rose by more than fourteen times against the adjusted previous year. The easing of the oil market and jet fuel prices also made a contribution. Nonetheless, the positive development of earnings would not have been possible without the comprehensive measures to improve the Group's profitability.

This concentration on improving earning power proved to be the right strategy in the midst of the severe industry crisis. Air Berlin also demonstrated the necessary flexibility for maintaining successful control in turbulent times. The early optimisation of the route network and consistent removal of destinations which could no longer be justified from a yield perspective removed a considerable amount of the burden.

However, for all our concentration on successful management during the crisis, we have never let our growth prospects out of our sight. The catalogue of groundbreaking measures is long, even for a year as challenging as 2009: further modernisation of the fleet with new aircraft and state-of-the-art technologies, several newly forged co-operations with successful airlines, the strategically very important opening up of the highly attractive markets in Eastern Europe and the Middle East, the strengthening of the Group's financial power with successful share and bond issues and, last but not least, the fact that Air Berlin was able to gain new and significant anchor shareholders.

THE WORK OF THE BOARD OF DIRECTORS

As Chairman of the Board of Directors, I am responsible for its leadership and ensuring its effectiveness in all of its tasks. This includes communicating with the shareholders and ensuring that all directors participate fully in the Board's activities and meetings. The constructive teamwork of the members of the Board of Directors in 2009 is worthy of particular appreciation.

01) Essentials
Chairman's Statement
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

The Board of Directors convened five times in 2009. It regularly discussed all important matters regarding the development of relevant markets, the current course of business, the position of the Group including its liquidity and risk situation and the further strategic development of the Air Berlin Group and, where necessary, made appropriate decisions.

Examples of important topics included the projected and implemented acquisition of the European city connections of TUIfly in 2009, the accelerated capacity consolidation and further measures for ensuring and generating the EBIT target and improving the financing structure.

PERSONNEL

There were changes to the Board of Directors in 2009.

On 8 May 2009, Ali Sabanci was appointed a Non-Executive Director of the Board of Air Berlin PLC. Mr Sabanci is a Member of the Board of the Turkish company ESAS Holding, one of the anchor shareholders of Air Berlin PLC, and also Chairman of Pegasus Airlines, the largest private airline in Turkey and one of our most important cooperation partners. In Ali Sabanci, Air Berlin has gained an expert in the Middle Eastern air transportation market. His membership on the Board of Air Berlin PLC is a confirmation of the strategic partnership of Pegasus and Air Berlin as to the joint and systematic development of the attractive markets of Eastern Europe, Turkey and the Middle East.

Hartmut Mehdorn, the former CEO of Deutsche Bahn AG and other significant German listed companies, was appointed as a new Non-Executive Director of the Board of Air Berlin PLC with effect from 1 July 2009. I am delighted that Air Berlin can draw on his wealth of experience and his long-standing expertise in air travel and in the logistics industry.

Hartmut Mehdorn took over the position of Claus Wülfers, who retired from the Board at the end of the Annual General Meeting on 10 June 2009. On behalf of both myself and the members of the Board, I would like to extend to Mr Wülfers my heartfelt thanks for his dedication and his contributions to the further development of the Company, and wish him all the best for the future.

Dieter Pfundt resigned as a Non-Executive Director with effect from 28 February 2010. On behalf of the Board, I would also like to thank Dieter Pfundt for the excellent cooperation.

Peter R. Oberegger was appointed as his successor and as a new Non-Executive Director of the Board of Air Berlin PLC. The 44-year-old qualified business economist has held executive positions at Vorwerk & Co. KG since 2001 and has been a general partner since 2007. He previously occupied leading financial positions at companies including the Nokia Corporation, Fujitsu Germany and Hitachi Europe. I am very pleased that we will be able to take advantage of the expertise of another internationally experienced financial expert.

The Board of Directors continues to benefit from the support of experienced managers Dr Hans-Joachim Körber, Heinz Peter Schlüter and Nicholas Teller.

As of 1 June 2009, Christoph Debus assumed the position of Chief Commercial Officer responsible for Operations, Network and IT. Mr Debus accumulated many years of experience and his expertise in the air travel and tourism industry both as a business consultant and as an executive and manager in the aviation industry.

THANKS

In 2009, the second crisis year for the international aviation industry, the Air Berlin Group performed better than the previous year. This set it apart from most of its competitors. Profitability was improved markedly through the application of consistent measures. By setting the course in important strategic directions, the prospects of the Group were defined and pursued swiftly. Air Berlin also retained its capital market guidance throughout the year. At the present time, reliability represents a crucial asset on the capital market. Management and all Group employees are to be thanked for this performance.

Johannes Zurnieden
Chairman of the Board of Directors

01) Essentials
The Board of Directors
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

THE BOARD OF DIRECTORS

ULF HÜTTMEYER

JOACHIM HUNOLD

CHRISTOPH DEBUS

Executive Directors

JOACHIM HUNOLD

CHIEF EXECUTIVE OFFICER

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

ULF HÜTTMEYER

CHIEF FINANCIAL OFFICER

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

CHRISTOPH DEBUS

CHIEF COMMERCIAL OFFICER

Born on 1 March 1971 in Herborn, Germany, and married with two children. After studying industrial engineering at TU and ECL Lyon, he began his career with Roland Berger Strategy Consultants, where he became a partner in 2004. From January 2005 until 31 May 2009, Mr Debus was Managing Director and Chief Financial Officer at Condor Flugdienst GmbH. He was appointed CCO of Air Berlin PLC on 1 June 2009.

01) Essentials
The Board of Directors
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Non-Executive Directors

DR-ING. E. H. HARTMUT MEHDORN

DR HANS-JOACHIM KÖRBER

ALI SABANCI

JOHANNES ZURNIEDEN

HEINZ-PETER SCHLÜTER

DIETER PFUNDT

NICHOLAS TELLER

01) Essentials
The Board of Directors
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Non-Executive Directors

JOHANNES ZURNIEDEN

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

Born on 28 June 1950 in Bergisch-Gladbach, Germany, and married. After completing secondary school and studies in law and psychology at the Rheinische-Friedrich-Wilhelms University in Bonn, he assumed the position of Managing Director at Phoenix Reisen GmbH in 1973. In 1994 he was appointed Deputy Chairman of the Supervisory Board of the German Fare Insurance Association (Deutscher Reisepreis Sicherungsverein) and in 1998 Vice-President of the German Tourism Association (Deutscher ReiseVerband). He also has accepted appointments to the advisory boards of the insurance company Europäische Reiseversicherung AG, Commerzbank and Sparkasse Köln-Bonn. Johannes Zurnieden has been a member of the Board of Directors and is Chairman since 10 May 2006.

DR HANS-JOACHIM KÖRBER

Born on 9 July 1946 in Braunschweig, Germany, and married with one child. Dr Körber completed his university studies in brewery technology (graduate brewmaster) and business administration (graduate business administrator, doctorate) at the Technical University of Berlin. In 1985, after several years in executive positions within the R. A. Oetker Group, Dr Körber joined Metro SB-Grossmärkte (cash-and-carry markets and one of the legal predecessors of METRO AG) and until 1996 held various executive positions in Germany and abroad. From 1996, with the founding of METRO AG, he was a member of the Management Board and, from 1999 to 2007, CEO. Dr Hans-Joachim Körber has been a member of the Board of Directors since 10 May 2006.

DR-ING. E. H. HARTMUT MEHDORN

Born on 31 July 1942 in Warsaw, Poland, and married with three children. After studying mechanical engineering in Berlin (graduate engineer), he began his career in the development section of Focke-Wulf. From 1966 to 1978 he worked for VFW, his last position being that of production head at MBB. From 1979 – 1984 he was a member of the management of Airbus Industrie S.A. in Toulouse. Between 1984 and 1989 Mehdorn was head of the MBB Transport- und Verkehrsflugzeuge Group and from 1985 was also a member of the MBB management team in Munich. From 1989 to 1992 Mehdorn was chairman of Deutsche Airbus GmbH in Hamburg and, from 1992 – 1995, he was a member of the board of Deutsche Aerospace AG. He was then chairman of the board of Heidelberger Druckmaschinen AG from 1997 to 1999, and, from 1998 to 1999, was also a member of the board of RWE AG. From December 1999 to April 2009 Hartmut Mehdorn has been CEO and Chairman of the Board of Management of Deutsche Bahn AG. Dr-Ing. E.h. Hartmut Mehdorn has been a member of the Board of Directors since 1 July 2009.

DIETER PFUNDT

Born on 2 November 1952 in Blaubeuren, Germany, and married with one child. Mr Pfundt completed a traineeship at Citibank AG after his graduation from the University of Munich with a degree in business administration. After almost two years at Morgan Guaranty in Frankfurt, he returned to Citibank in 1988 assuming management of the Capital Markets & Treasury division in Frankfurt. From 1991 Managing Director of the Frankfurt branch of Citibank N.A, New York. In 1994 he was appointed to the Board of Management of Citibank AG. From 1 September 1996 to mid January 2010 he was a personally liable partner of the banking house Sal. Oppenheim jr. & Cie. Dieter Pfundt was elected to the Board of the Federal Association of German Banks (Bundesverband Deutscher Banken) in April 2008. Dieter Pfundt was a member of the Board of Directors from 26 November 2008 until 28 February 2010.

01) Essentials
The Board of Directors
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

ALI SABANCI

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

Born on 5 May 1969 in Adana, Turkey, and married with two children. After specialising in politics and economics at Tufts University, USA, between 1987 and 1991, he worked as a Financial Analyst for Morgan Stanley & Co. Incorporated until 1993. He received his MBA degree with a major in International Finance at Columbia Business School in 1995. Upon his return to Turkey, Mr Sabanci worked as an assistant manager at Akbank. From 1997 Ali Sabanci worked as the Head of Projects in the Sabanci Holding, in 2001 he was appointed as its Executive Vice President of Strategy and Business Development. In March 2004 he resigned from all duties at Sabanci Holding and was appointed to the board of ESAS Holding A.S. Ali Sabanci has been a member of the Board of Directors since 8 May 2009.

HEINZ-PETER SCHLÜTER

CHAIRMAN OF THE SUPERVISORY BOARD OF TRIMET ALUMINIUM AG, DÜSSELDORF

Born on 16 October 1949 in Rübehorst/Ruppin, Germany, and married with three children. After training as a merchant in wholesale and foreign trade at W&O Bergmann, he began his career as a metal trader in 1971. Following positions in Hamburg, London and Paris, he assumed overall responsibility for trading in 1979 and joined the management in 1982. In 1985 he founded TRIMET Metallhandelsgesellschaft as sole proprietor. With the acquisition of Aluminiumhütten Essen (1994) and Hamburg (2006), as well as smelters and foundries in Gelsenkirchen (1993) Harzgerode (2001) and Sömmerda (2001), TRIMET ALUMINIUM AG today employs around 1,600 staff working with aluminium. With an overall production of over 450,000 tonnes, his company is Germany's largest producer of aluminium. TRIMET operates offices in Berlin and Turin, as well as other offices in Beijing, Moscow, Prague and Zug via a stake in TRIMET CH. Heinz-Peter Schlüter has been a member of the Board of Directors since 1 April 2008.

NICHOLAS TELLER

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

Born on 16 June 1959 in London, England, and married with two children. Following completion of secondary school in Düsseldorf, he studied at the University of Birmingham (Bachelor of Commerce). His career began in 1982 with Commerzbank in London. Twelve years later he was appointed Branch Director of Commerzbank Prague and later to the Executive Management of the Hamburg branch. From 2002 to 2003 Mr Teller was a Regional Board Member and was a member of the Management Board of Commerzbank AG between 1 April 2003 and 31 May 2008. Since 1 August 2008 he has served as Chief Executive Officer of E.R. Capital Holding GmbH & Cie. KG in Hamburg. In addition, he is also a member of the Central Advisory Board of Commerzbank AG, the Management Board of Eurex Zürich AG and the Board of Directors of the American Chamber of Commerce in Germany e.V. Nicholas Teller has been a member of the Board of Directors since 10 May 2006.

AIR BERLIN 2009.
EVOLVING FOR SUCCESS.

Even Charles Darwin, who would have celebrated his 200th birthday last year, knew that only those who find their niche can keep up with the pace of progress. And only systematic growth can bring success. Air Berlin is loyal to this principle and, thanks to its hybrid business model, has achieved a unique market position.

With its multi-award-winning service, highly used, attractive route network and state-of-the-art, fuel-saving fleet, Air Berlin is outperforming not just the low cost airlines. The result is that, in the deepest crisis in air travel, Air Berlin is one of the few airlines that actually improved its operating result in 2009.

We shall reveal some of the secrets of our success over the following pages, and so pay homage to Charles Darwin – one of the fathers of our success.

Efficiency, (noun):

fig.1 a)

fig. 1 a):

FAR-SIGHTED ACTION

Pressed firmly against each other, the emperor penguins move across the land. Moving forward in close harmony with each other saves energy and protects them from the icy wind. By combining their interests together in anticipation of what lies ahead, the penguins can act successfully in an inhospitable environment, thereby securing their long-term existence.

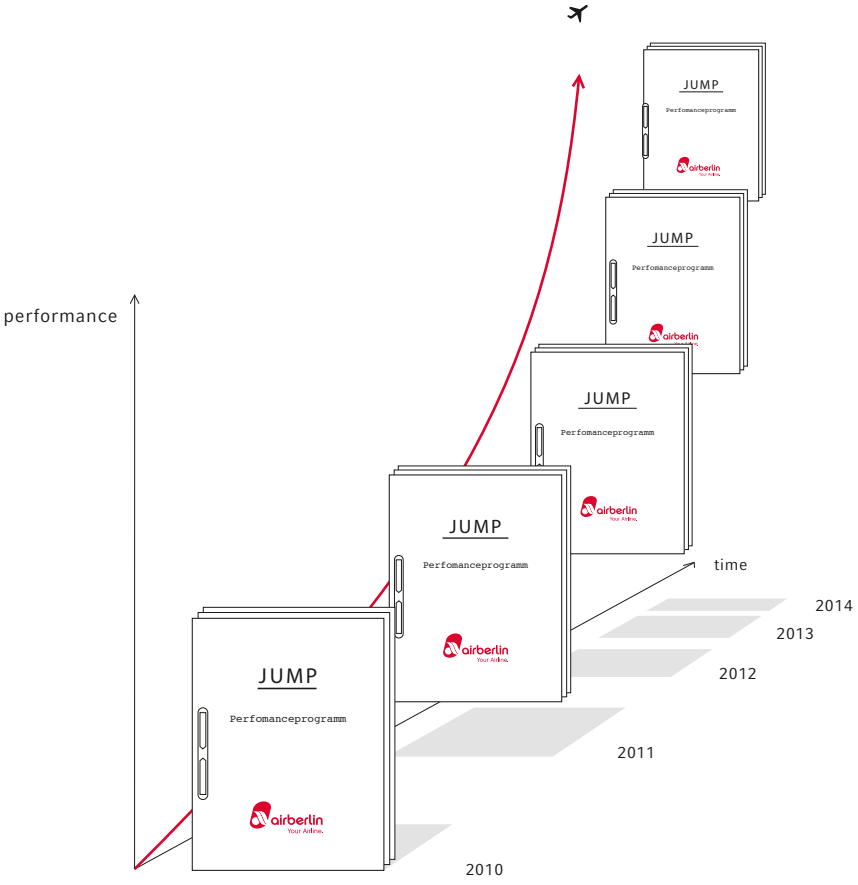


fig.1b)

fig. 1 b):

LONG-TERM ENHANCEMENT OF PERFORMANCE

With its performance program, JUMP, Air Berlin demonstrates its farsightedness and strategic instinct. Despite the decline in passenger numbers due to the recession, the company clearly increased its operating profit.

Far-sightedness, (noun):

fig.2 a)

fig. 2 a):

GOOD EYES FOR DISTANT GOALS

Even at a great height, the eagle has a very good strategic position. His incomparable far-sightedness has developed into an unbeatable advantage in the course of evolution. He is the king of the air.

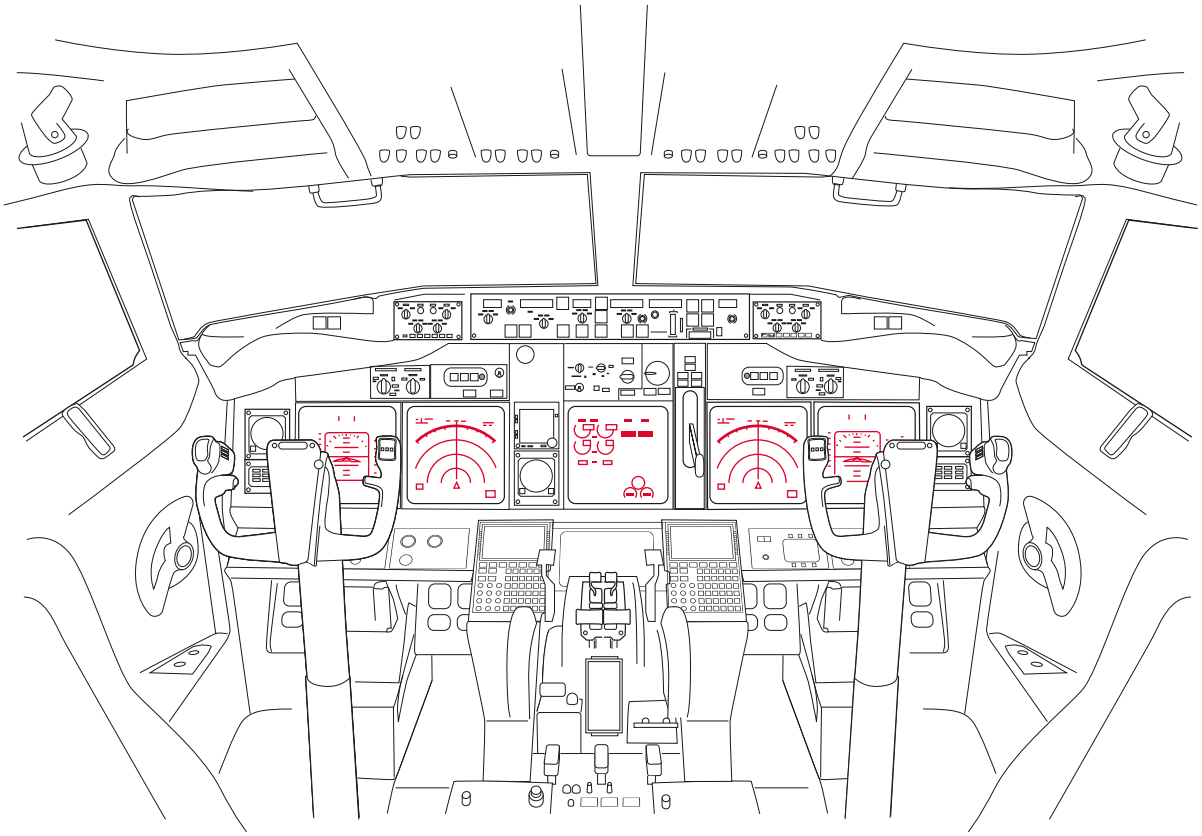


fig.2 b)

fig. 2 b):

FAR-SIGHTEDNESS IN DEVELOPMENT

Air Berlin invests in innovative technologies at an early stage, and is in many cases not just a first mover, but a co-developer, e.g. in automated approach control which allows Air Berlin aircraft to land safely, even under the most adverse conditions with visibility of only 75 metres, while aircraft from other airlines have to be diverted or endure long waiting times.

Competition, (noun):

fig. 3 a)

fig. 3 a):

NESTING SITES IN SOUGHT-AFTER PLACES

Being in the right place at the right time is often crucial for successfully caring for the brood. A good nesting site on the survival-critical cliff ensures the continued existence of the individual.

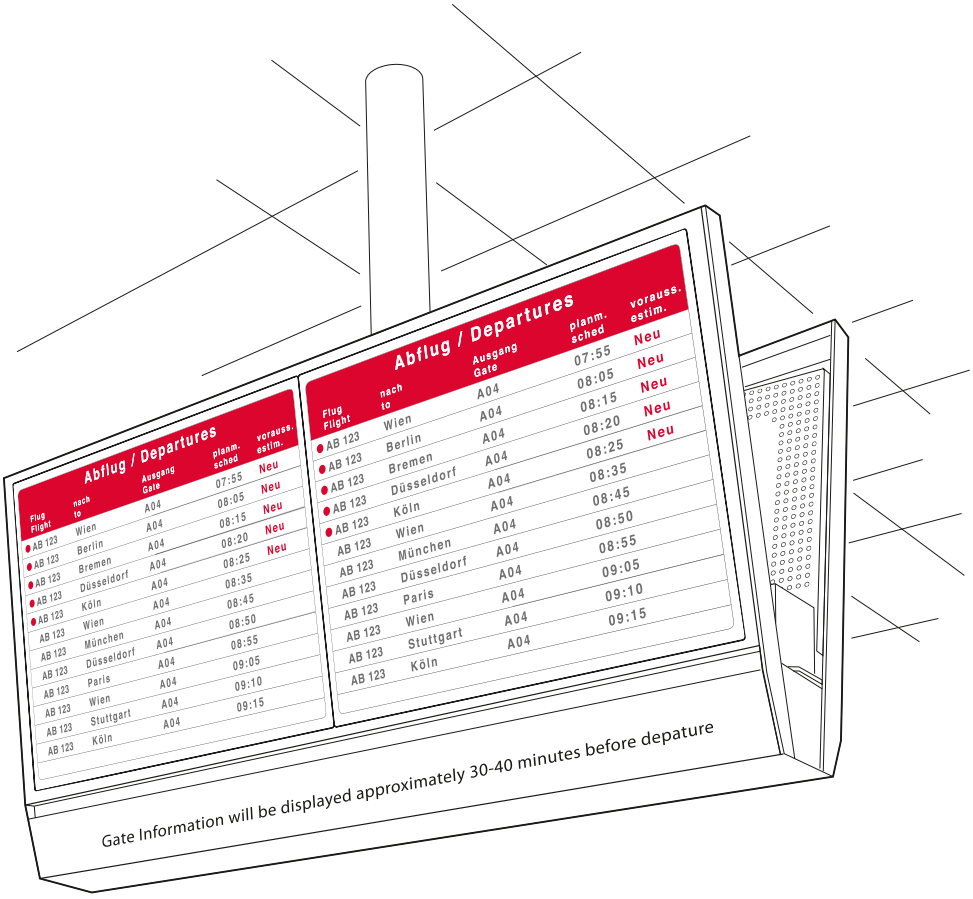


fig. 3 b)

fig. 3 b):

NEW SLOTS FOR SOUGHT-AFTER DESTINATIONS

An important success factor for airlines (particularly in the business travel segment), but one which is only available on a limited basis, is the attractive slot, i.e. take-off and landing rights at sought-after airports such as Berlin, Düsseldorf, Cologne and Vienna, the gateway to Eastern Europe. Air Berlin clearly expanded its presence here in 2009 – and also won attractive slots at sought-after times.

Comfort, (noun):

fig.4 a)

fig.4 b)

fig.4 c)

fig.4 e)

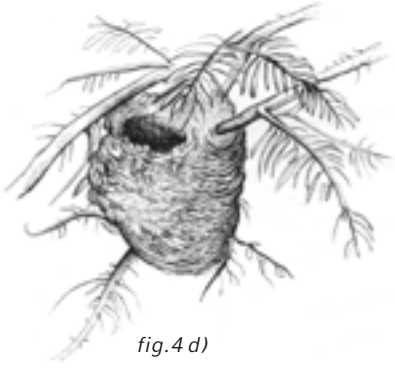


fig.4 d)

fig. 4 a) – e):

REQUIREMENTS DETERMINE THE SHAPE

The shape of the nest is determined by the most varied of habitats. The materials and the location have been adapted to the most varied of conditions.

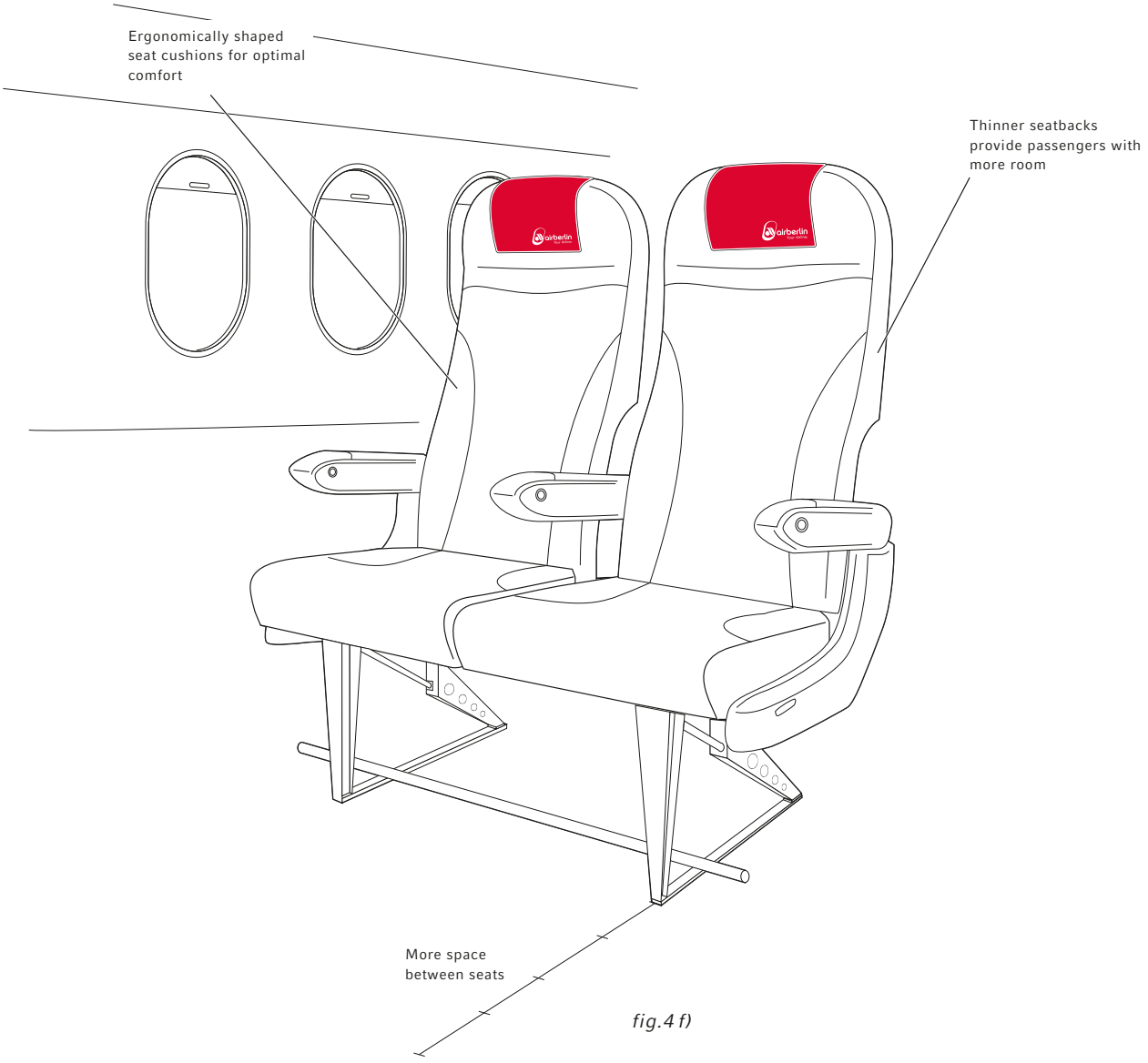


fig.4 f)

fig. 4 f):

ADAPTED TO MEET REQUIREMENTS

Unlike many other competitors, Air Berlin offers even its Economy passengers particularly ergonomic, comfortable seats. By means of comprehensive services before and during the flight, Air Berlin ensures that its customers arrive at their destination relaxed and ready to meet the challenges of the day ahead.

Adaptation, (noun):

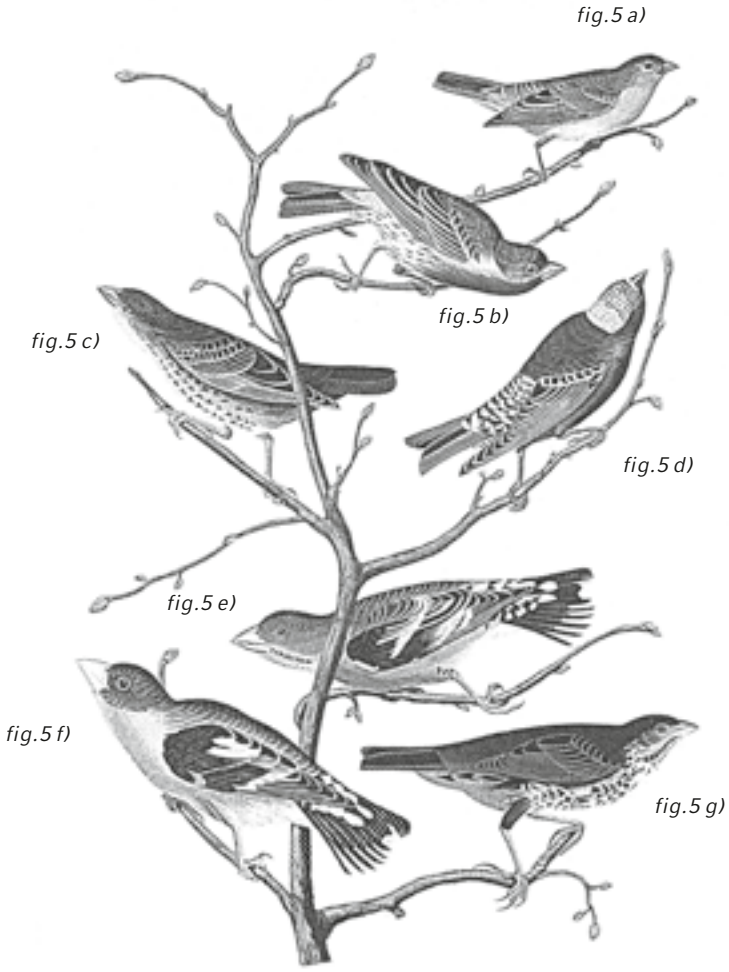


fig. 5 a) – g):

QUALITY IS MEASURED IN TERMS OF THE RESULT

Over time, different qualities have taken on different forms in many species. Being big does not always mean being the best. Adapting to the environment is where strength is always to be found.

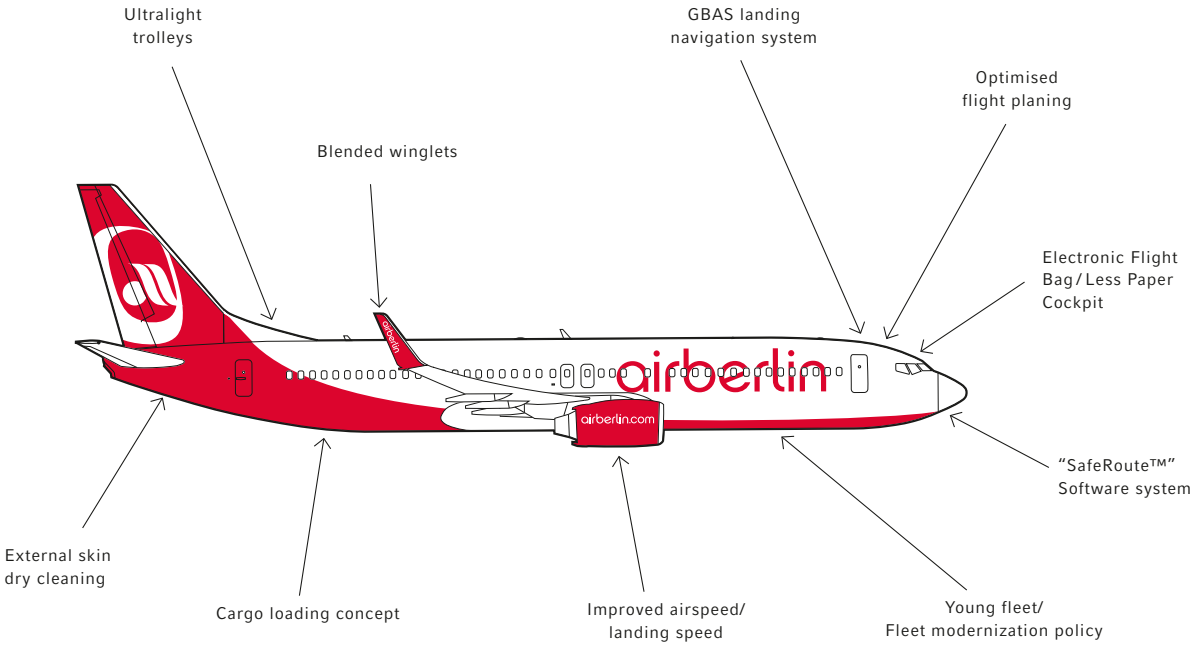


fig. 5 h)

fig. 5 h):

CONTINUOUS MODERNISATION

Whether it's dealing with an Airbus, a Boeing or a Bombardier, Air Berlin adapts its fleet perfectly to meet market requirements. Adapting each individual aeroplane to the specific requirements leads to improved utilisation, reduced consumption and an excellent performance compared to the competition.

Distance, (noun):

fig.6 a)

fig. 6 a) :

OPTIMUM TRAVEL ROUTE

Migratory birds know that it is more pleasant in winter to make their way to more hospitable regions. The optimum flight route to the best destinations for them is, to a certain extent, already programmed in their genetic make-up in the form of an internal navigation system, but they can adapt this individually to suit current requirements.

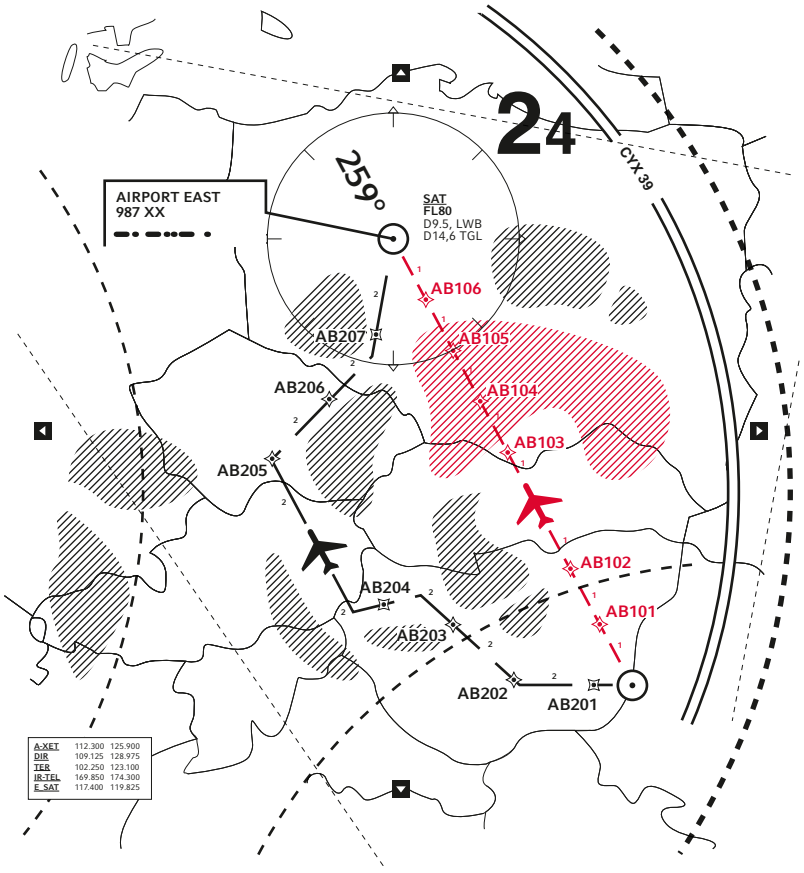


fig.6 b)

fig. 6 b):

OPTIMUM ROUTE GUIDANCE

An innovative on-board system, called the “Traffic flow restrictions module”, shows the Air Berlin pilots where air space is open and where it is closed. It does this at an early stage and without permanent radio contact with the air traffic controllers. This allows the pilot to define an optimised flight route on time. In this way, Air Berlin saves several thousand tons of aviation fuel each year and clearly reduces carbon dioxide emissions. This is good for the environment and good for the balance sheet.

Choice, (noun):

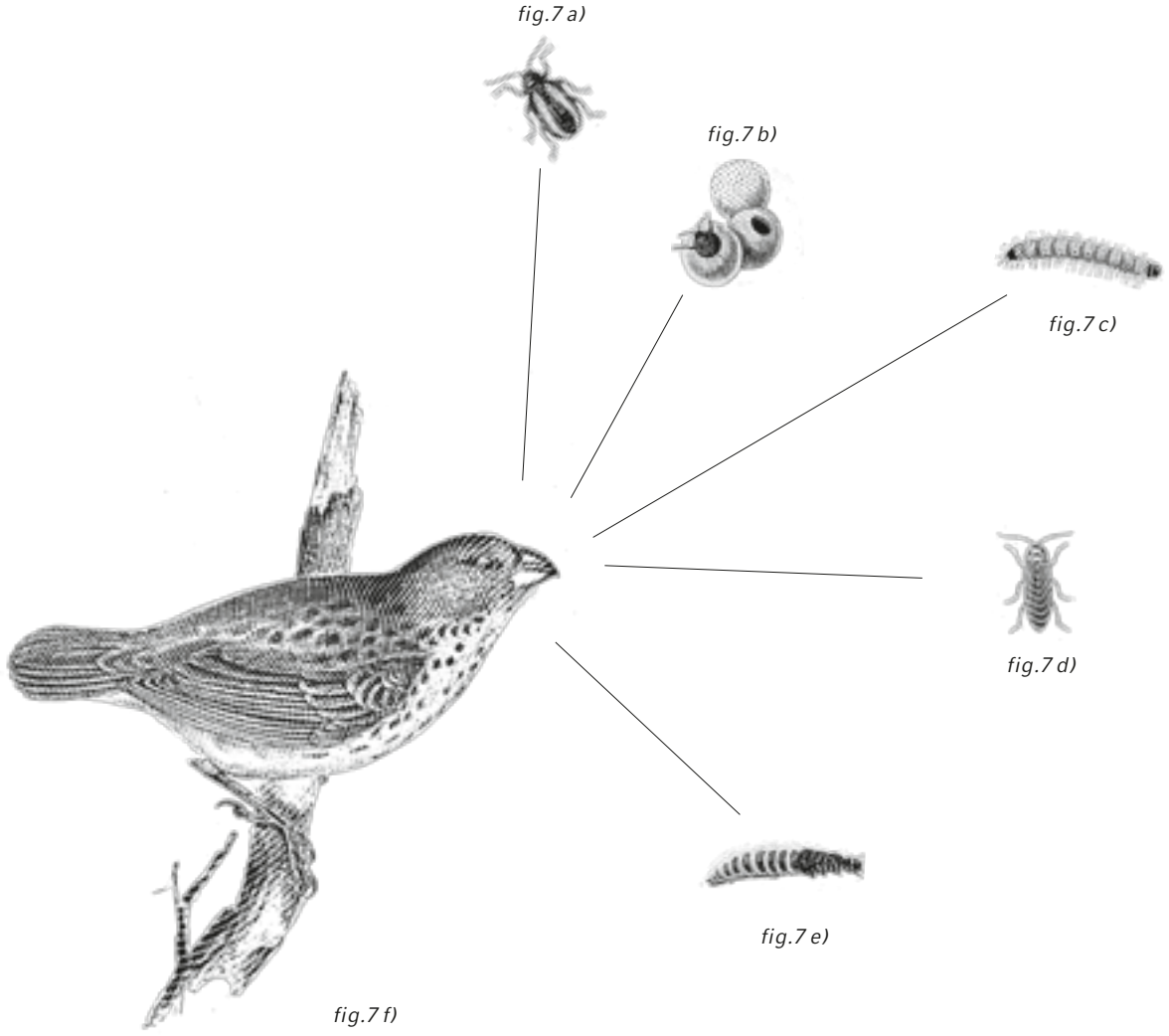


fig. 7 a) – f):

MOTHER NATURE SETS THE TABLE

Nature's offerings ensure a food supply at any time of the year. The season determines what foods will adorn the table. The selection is large but the birds selects the items which meet their needs.

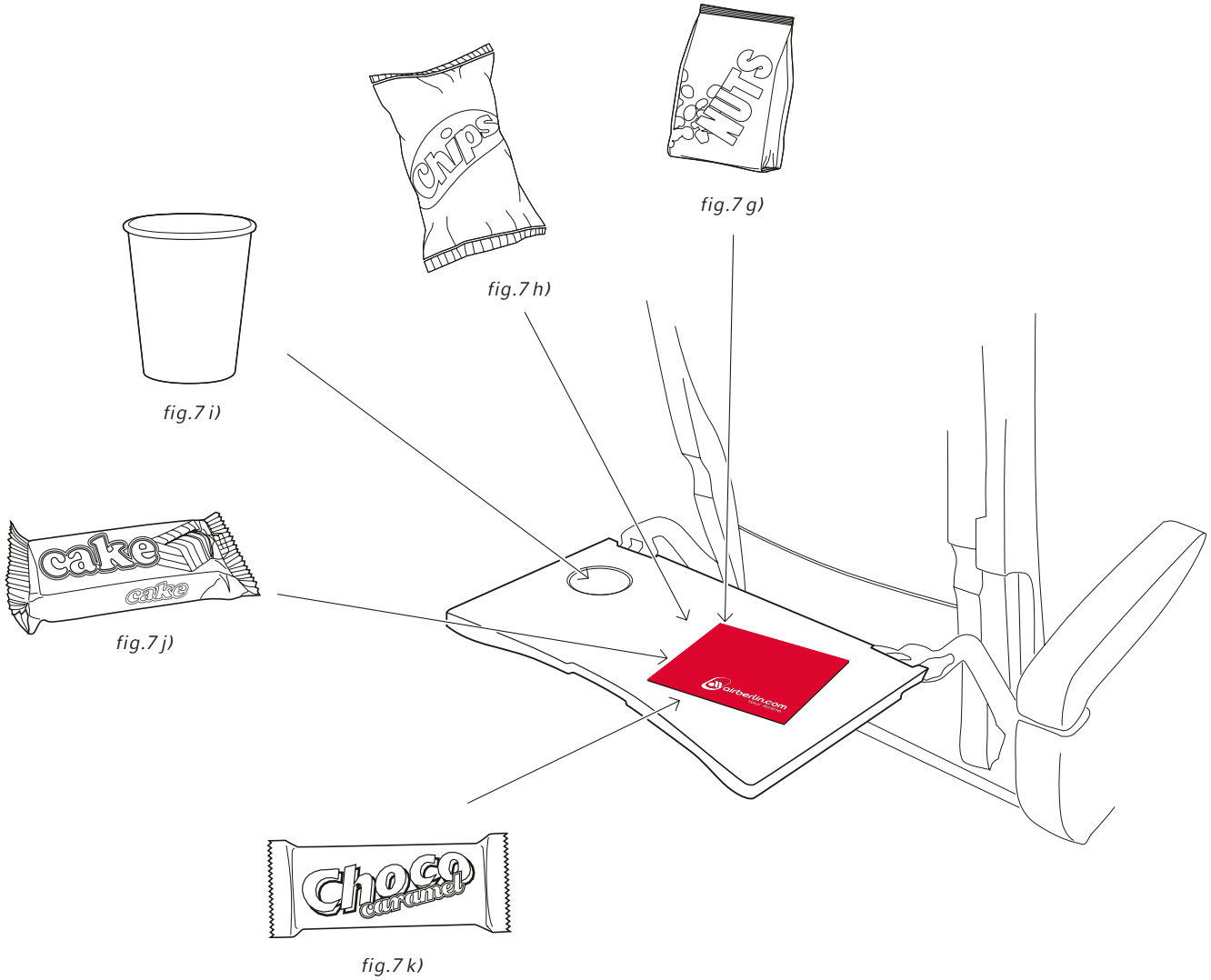


fig.7 g)

fig.7 h)

fig.7 i)

fig.7 j)

fig.7 k)

fig. 7 g) – k):

SWEET OR SALTY

Anyone who flies with Air Berlin has a choice on board, no matter how short the flight is. Snacks and free drinks are available on short flights, and a selection of menus from the gourmet restaurant Sansibar are offered on flights lasting more than 90 minutes. In this way, Air Berlin deliberately sets itself apart from low-cost carriers.

Technology, (noun):

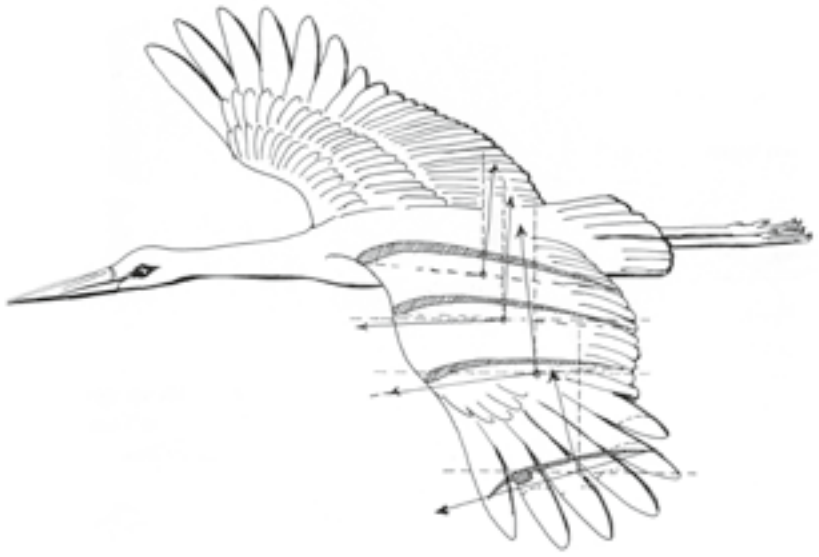


fig.8 a)

fig.8 b)

fig. 8 a) – b):

OPTIMUM ENERGY UTILISATION

A stork's wings are optimally designed for energy transmission, even with minimum weight. They allow the heavy bird to fly from Central Europe to South Africa without getting tired.

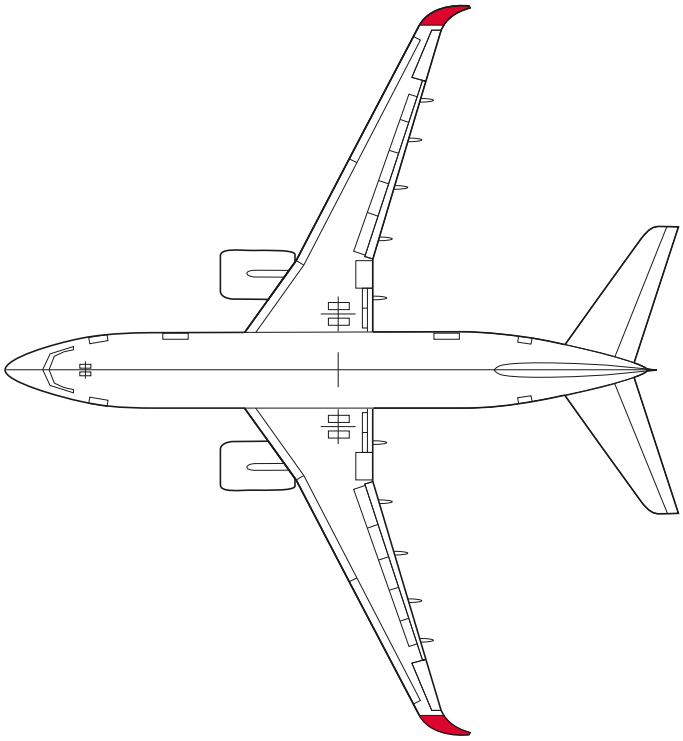


fig. 8 c)

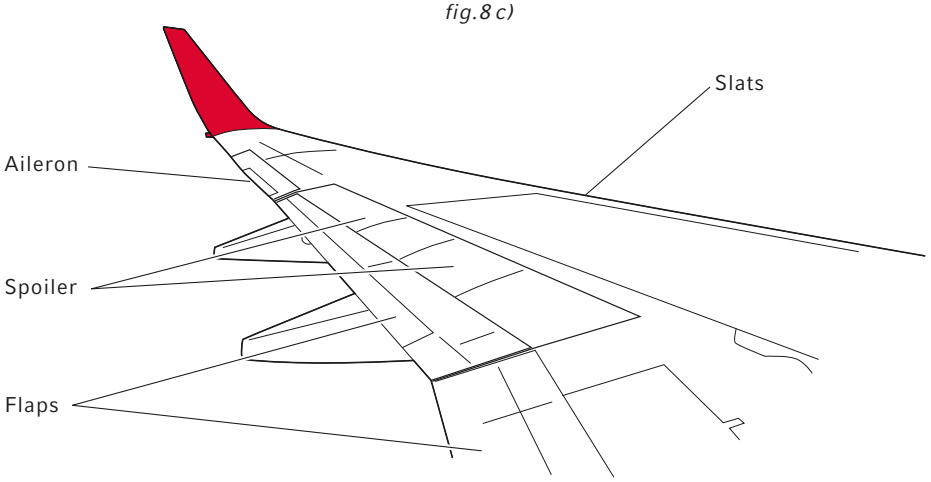


fig. 8 d)

fig. 8 c) – d):

FIRST MOVER

With the winglets on the wings of the Boeing fleet, Air Berlin has ensured less consumption and less air pollution since 2001 - the first airline in Europe to do so. Today, this technology is standard. With an average age of only 5.5 years, Air Berlin has one of the youngest fleets in the industry and is a pioneer in the use of innovative technologies right up to the present day.

Strategy, (noun):

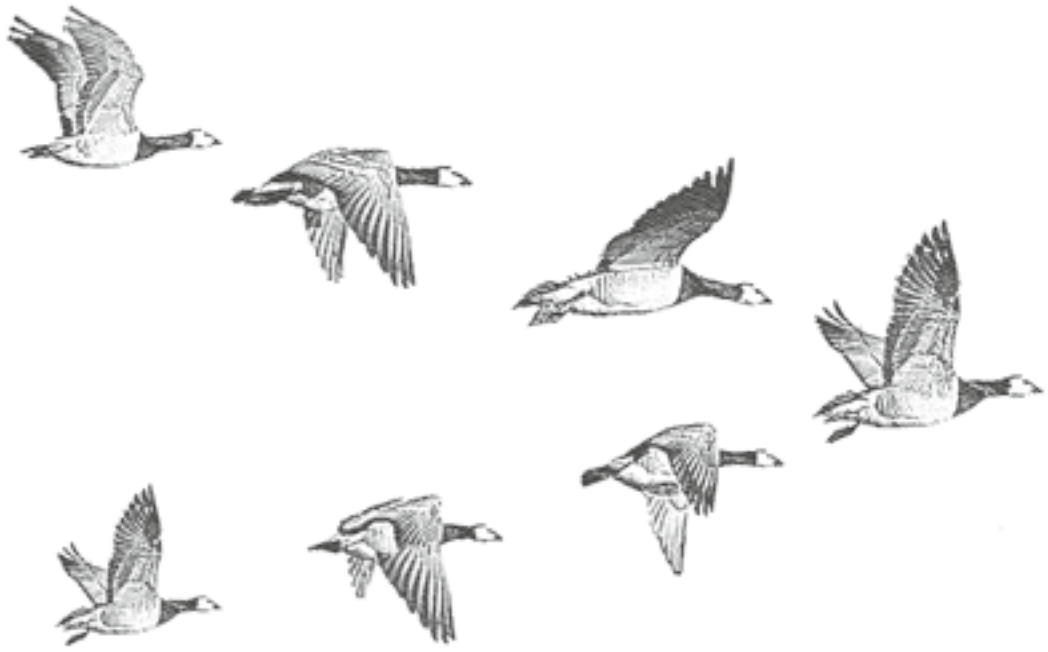


fig.9 a)

fig. 9 a)

ON THE BEST ROUTE TO THE DESTINATION

The flight formation of migrating wild geese is similar to a V in which the birds assume an optimum aerodynamic position, leaving between them the smallest distance which is possible for safe flying. In this way, they make particularly efficient use of their energy.

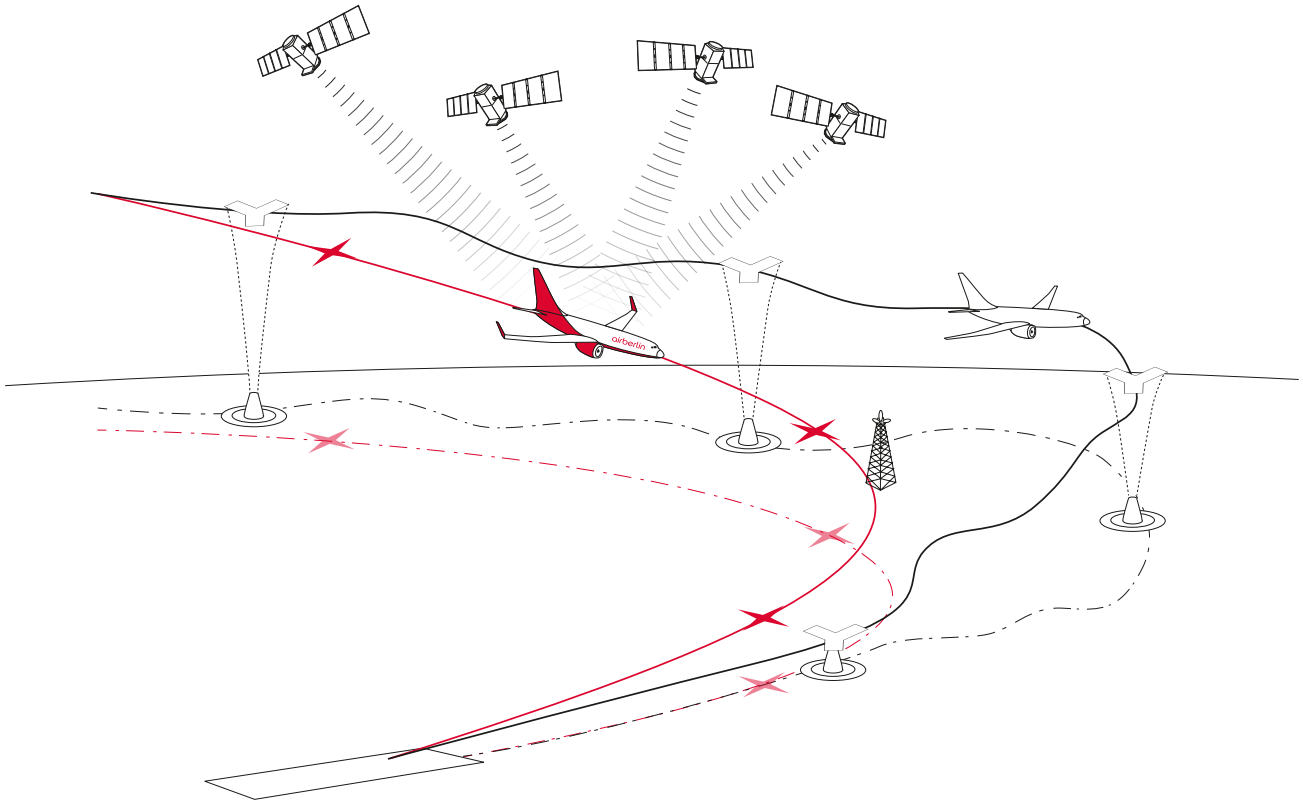


fig.9 b)

fig. 9 b)

OPTIMUM APPROACH ROUTE THANKS TO GBAS

Air Berlin has been using an innovative, satellite-controlled navigation system since June 2009 - the only airline in Europe to do so. This system can determine the position of the Air Berlin Boeing 737 on its approach to within one metre accuracy. The GBAS system can show up to 49 approach flights at one airport simultaneously. In this way, better use is made of the air space above the airports, approach routes are optimised, delays avoided and fuel saved.

01) Essentials
02) Evolving for success
The year's highlights
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

THE YEAR'S HIGHLIGHTS

JANUARY 2009

Significant environmental measures right at the start of the year: Air Berlin is the first airline in Europe to be approved by the LBA (Federal Office of Civil Aviation) to carry out instrument landings of the highest category CAT IIIb for its fleet of more than 40 Boeing aircraft. As such, landings will be possible when visibility in fog is down to just 75 metres, meaning that diversions will be rarely required. Air Berlin also starts using a new software system SafeRoute™ to improve landing approaches. The speed of incoming aircraft is adjusted in such a way that holding patterns are avoided, even when there is a high density of traffic. Result: passengers save valuable time, noise pollution affecting properties neighbouring the airport is significantly reduced and fuel consumption falls together with emissions.

MARCH 2009

New strategic anchor shareholders: ESAS Holding A.S. based in Turkey, which operates the airline Pegasus as well as other investments, acquires a stake in Air Berlin. As such, Air Berlin obtains a second new major shareholder within the space of a few days. Just a short time earlier, TUI Travel PLC had also announced to acquire a stake in Air Berlin indirectly. As at the end of the financial year, ESAS held a 16.48 per cent stake and TUI a 9.90 per cent stake in Air Berlin. A completely revised Air Berlin topbonus frequent flyer plan is launched. Subject to status, passengers can now collect up to 300 per cent more miles, purchase bargain tickets, obtain quicker upgrades and earn double award miles. There are numerous ways in which business travellers in particular can benefit, and Gold customers receive exclusive additional bonuses and services. And members will receive topbonus award miles every time they pay with the new Air Berlin Visa Card.

MAY 2009

Nostalgia meets high tech: a hundred years ago, American explorers reached the North Pole for the first time. Deutsche Polarflug and Air Berlin mark this event with an anniversary expedition flight. An Air Berlin Airbus sets off from Düsseldorf to the Geographic North Pole at 90° North. Exclusively produced short films inform the passengers on board and experts and researchers give accounts of scientific and historical aspects surrounding the polar regions. Immediately after flying over the Pole, the Airbus then commences the shortest possible circumnavigation of the world, flying through all of the earth's 360 lines of longitude.

JUNE 2009

Success on the capital market (parts 1 and 2): Air Berlin generates new capital in the amount of EUR 23 million through a placing of 6.6 million new shares. 4.5 million new shares are issued in a further placing. Of this, Air Berlin's largest shareholder, ESAS Holding A.S., subscribes to 4 million, Johannes Zurnieden, Chairman of the Board of Directors, 350,000 and CEO Joachim Hunold, via his company Joachim Hunold Vermögensverwaltung GmbH, 150,000 new shares. A further EUR 15.8 million flows into Air Berlin.

JULY 2009

Cumulative experience: Hartmut Mehdorn, former CEO of Deutsche Bahn AG, Heidelberger Druckmaschinen AG and RWE AG and former CEO of Deutsche Airbus GmbH and member of the Management Board of Deutsche Aerospace AG is appointed as the new Non-Executive Director to the Board of Air Berlin PLC. He takes over the position of Claus Wülfers, who left the Board at the end of the 2009 Annual General Meeting.

New routes, more frequent services: Air Berlin starts flying to new destinations for the fifth time this year. This time Israel: twice a week, there will be non-stop flights from Berlin to Tel Aviv.

AUGUST 2009

Success on the capital market (part 3): Air Berlin places a convertible bond in an aggregate with a principal amount of EUR 125 million. The bond can be converted into Air Berlin PLC shares at a conversion price of EUR 4.01 per share and has a maturity of 5 years and a coupon of 9 per cent. In 2009 the cash and cash equivalents increase by EUR 105 million, mainly due to the capital measures carried out. Net debt falls by 25 per cent to EUR 574 million by the end of the year.

01) Essentials
02) Evolving for success
The year's highlights
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

SEPTEMBER 2009

New potential in important markets: Air Berlin and Pegasus Airlines, the largest private airline in Turkey, begin collaboration and link their websites. Customers benefit from 17 additional connections between Germany and Turkey and 26 domestic Turkish routes. The German Bundeskartellamt (Federal Cartel Office) also approves the takeover of the city flights network of the airline Hapag-Lloyd Fluggesellschaft mbH (TUIfly) by Air Berlin. In this way, Air Berlin strengthens its presence in the Cologne, Stuttgart and Italian markets, an expansion of the range of services that is particularly attractive to corporate clients.

OCTOBER 2009

Denser and denser: Air Berlin expands its domestic German route network, now offering flights between Frankfurt and Hamburg. Flights of just 45 minutes link the two cities up to six times a day Monday to Friday and up to twice daily on weekends. Business travellers are particularly pleased. The Company's presence in Thailand is also strengthened. In addition to the direct connections to Bangkok and Phuket already offered, domestic connecting flights are also added to the range. This is made possible thanks to the cooperation with Bangkok Airways. Fair settlement: The Air Berlin subsidiary LTU and ver.di agree a collective agreement for cabin staff. This means that LTU has now concluded all of its collective negotiations. In addition, Air Berlin, LTU and the pilots' association Cockpit bring their collective bargaining to a successful conclusion. Air Berlin ensures a high level of job and income security by means of redundancy protection and guaranteed hours, obtaining in return cost control and planning security as a result of pay freezes.

Success on the capital market (part 4): Air Berlin generates new capital in the amount of EUR 33.5 million through a placing of another 8.4 million new shares. As a result of this transaction a subsidiary of TUI Travel PLC holds a 9.9 per cent investment in the share capital of Air Berlin.

NOVEMBER 2009

Future investments: Four graduates of the Air Berlin Flight School receive their licences. They are the first pilot trainees in Germany to receive pilot licences that meet the new international Multi-Crew Pilot Licence (MPL) standard – a type of pilot training tailored to the requirements of modern airlines. In February 2009, the Air Berlin Flight School was the first aviation school in Germany to be approved by the Federal Office of Civil Aviation to train students for the Multi-Crew Pilot Licence. International forerunner: Air Berlin is the first airline in the world to be approved to use GLS technology. The satellite-supported global position landing system (GLS) makes high-precision approaches and pinpoint landings possible. Landing approaches are more effective, comfortable and quiet compared with the conventional radar-based instrument landing system (ILS).

DECEMBER 2009

Responsibility for the future: Air Berlin is awarded "Prime" investment status for the first time in the sustainability rating carried out by oekom research AG. Companies that receive a "Prime" rating are those which meet industry-specific minimum requirements for ecological and social sustainability as defined by oekom research, with oekom's corporate ratings also placing them among the leading companies in their field.

AIR BERLIN PLC
ANNUAL REPORT 2009

THE AIR BERLIN SHARE

Annus horribilis 2009. However, the year in aviation did not end as dramatically as many had feared. Air Berlin was able to consistently maintain and achieve its forecast for the financial year, actually generating a better operating result than the previous year.

The Air Berlin share price in 2009

Following the shockwaves that descended on the financial world in 2008, 2009 was the YEAR OF RECOVERY. However, development was by no means consistent, with stock markets only reaching the bottom of their previous bear trend in March. This was initially followed by a severe rollercoaster ride.

Markets stabilise in 2009 with strong fluctuations

The Air Berlin share price displayed a similar trend: it was not able to escape the correction of the markets. Starting the year at EUR 5.00 and quickly climbing to its high for the year of EUR 5.05 by 6 January, it then fell to its low for the year of EUR 3.06 by late-March 2009. Both the stock markets and the Air Berlin share then went through a period of strong recovery, which was followed by just as significant a correction. However, the TEST OF THE MARCH LOW towards the end of June proved SUCCESSFUL. The market and share reached "higher lows". The subsequent recovery in the second half of the year was somewhat less erratic and the Air Berlin share did not quite follow the performance of the SDAX Index. It closed 2009 at EUR 3.76, before a strong price increase began in January 2010, driven by SEVERAL BUY RECOMMENDATIONS.

The European Dow Jones STOXX Airlines Index featured development over long periods of 2009 that mirrored that of the wider market. The STRONG ECONOMIC CYCLICALITY OF THE AVIATION INDUSTRY and its dependency on the development of oil prices was reflected positively in airline share prices in net terms: the global economy displayed its first trend towards recovery and oil prices started to perform moderately again following the price escapades of the previous year.

Successful capital measures

Number of shares increases by almost 30 per cent in 2009

Contrary to the performance of the share price, the MARKET CAPITALISATION of Air Berlin PLC increased by a good 3 per cent over the course of 2009. While there were 65.7 million Air Berlin shares in issue by the end of 2008, the number of shares outstanding at the end of 2009 totalled 85.2 million. This corresponds to an increase of almost 30 per cent.

01) Essentials
02) Evolving for success
03) The Share
The Air Berlin Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

In the second quarter of 2009, two share placings were implemented, issuing a total of 11,071,700 new shares at a subscription price of EUR 3.50. Following this, there was a total of 76,788,803 registered shares outstanding. In October 2009, a further capital increase was carried out in accordance with the agreement between Air Berlin and Leibniz-Service GmbH, a group company of TUI Travel PLC, regarding the acquisition of 9.9 per cent of Air Berlin. The TUI subsidiary acquired 8,437,393 new shares in Air Berlin PLC at a price of EUR 3.97 per share. As at the end of October, there was a total of 85,226,196 registered shares outstanding.

In August 2009, Air Berlin placed a CONVERTIBLE BOND with a principal amount of EUR 125 million. A portion of the proceeds was used to buy back outstanding bonds with a total nominal amount of EUR 84 million from the 1.5 per cent convertible bond issued in 2007. The remainder was kept available for refinancing future aircraft deliveries and improving liquidity. The new convertible bond is convertible into shares of Air Berlin PLC. It is denominated into units with a nominal par value of EUR 50,000 and has a maturity of 5 years and a coupon of 9 per cent. The conversion price per share is EUR 4.01.

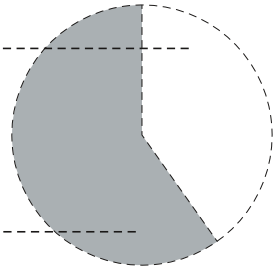
In addition to the improved earnings situation, Air Berlin significantly improved its capital resources in 2009 thanks to these SUCCESSFUL CAPITAL MEASURES. As at 31 December 2009, equity increased by a net amount of EUR 238.0 million, or 64.0 per cent, to EUR 610.0 million compared to EUR 372.0 million at the 2008 balance sheet date. As at 31 December 2009, the equity ratio was 25.3 per cent compared to 15.4 per cent at the end of the 2008 financial year.

MAJOR OWNERSHIP BLOCK
(PREVIOUS SHAREHOLDERS WITH MORE THAN FIVE PER CENT HOLDINGS OR A HOLDING PERIOD)

39.74 %

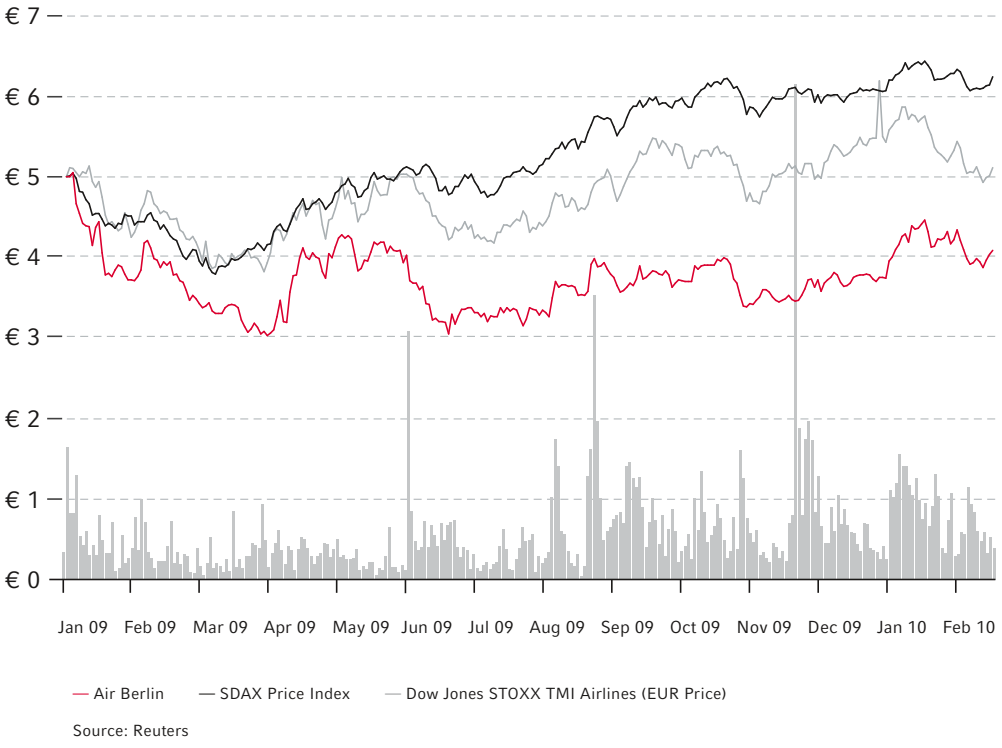
FREE FLOAT

60.26 %



SHAREHOLDER STRUCTURE AT AIR BERLIN PLC ON 31 DEC 2009

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



Source: Reuters

01) Essentials
02) Evolving for success
03) The Share
The Air Berlin Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Dividend policies

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

Coverage of Air Berlin

15 analysts and research companies provide assessments of Air Berlin

Air Berlin is regularly reviewed and covered by both national and international banks and investment companies. For this reason, DETAILED COMPANY ANALYSES of Air Berlin are published frequently. At the end of 2009, a total of 15 analysts and research companies were providing assessments of the Company. This figure was 14 in the previous year.

Irrespective of the huge interest there has been in Air Berlin since the IPO, TRANSPARENT AND TIMELY REPORTING is the main priority of our capital market communication. We maintain ACTIVE DISCUSSIONS with the investment community and are always available to answer questions about Air Berlin. Our investor relations section on the Air Berlin website (ir.airberlin.com) offers the public an extensive amount of interesting information about the Company.

The Air Berlin PLC share in the 2009 business year

Share capital:	EUR 21,306,549 and GBP 50,000
Total number of issued and registered shares on 31 December 2009:	85,226,196 shares
Class:	Individual share certification
Nominal value:	EUR 0.25
Bloomberg symbol:	AB1 GY
Reuters symbol:	AB1.DE
ISIN:	GB00B128C026
WKN:	AB1000
Accounting standard:	IAS/IFRS

2009 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, Sal. Oppenheim jr. & Cie. KGaA
Market capitalisation on 31 December 2009:	EUR 320.5 million
Free float (Deutsche Börse AG) on 31 December 2009:	60.26%
Capitalisation of free float on 31 December 2009:	EUR 193.1 million
Average daily trading volume 2009 (shares):	Xetra: 176,604; Floor: 24,050;
Total:	200,654

- The shares are officially traded on Xetra and on the Frankfurt Stock Exchange. Trading is carried out on the regulated official markets at the exchanges in Berlin, Bremen, Düsseldorf, Hamburg, Munich and Stuttgart.
- Air Berlin shares are registered common stock. In accordance with various Air Transport Agreements and EU Directives, entry in an appropriate schedule of names giving information on the distribution of the shares by nationality ensures that a majority of the shares are held by German and European investors. The registrar for the shares is Registrar Services GmbH, Eschborn.
- Additionally “A shares” have been distributed. For further information, refer to page 146.

01) Essentials
02) Evolving for success
03) The Share
The Air Berlin Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Major shareholders in Air Berlin PLC on 31 December 2009

Shareholders	Holdings in %*
ESAS Holding A.S.	16.48
Leibniz-Service GmbH / TUI Travel PLC	9.90
Hans-Joachim Knieps	7.39
Reidun Lundgren (Metolius Foundation. Ringerike GmbH & Co. Luftfahrtbeteiligungs KG)	5.97
Werner Huehn	3.82**
JP Morgan Chase & Co.	3.70**
Rudolf Schulte	2.93**
Severin Schulte	2.93**
Joachim Hunold (CEO Air Berlin PLC)	2.64**
Moab Investments Ltd.	2.39**
Johannes Zurnieden (Chairman Air Berlin PLC)	1.58**
Free float	60.26

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

Directors' Dealings (German Securities Trading Act – WpHG – Section 15a)

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Board of Directors have a legal obligation to disclose the sale or acquisition of shares in Air Berlin PLC or related financial instruments when the value of transactions carried out by a Board member or parties related to him within a calendar year reach or exceed the total sum of EUR 5,000. This also applies to certain employees with managerial responsibilities and parties closely associated to said employees. Air Berlin PLC has been notified of the following transactions for the 2009 financial year. These transactions have also been published on the IR website of Air Berlin (http://ir.airberlin.com/directorsdealings).

Changes to the shareholder structure subject to mandatory disclosure in the 2009 financial year

Date of transaction	Action	Number of individual share certificates	Amount (EUR)
Dr Hans-Joachim Körber (party with managerial responsibilities; Non-Executive Director)			
18 June 2009	Purchase	153,000	504,150.30
Joachim Hunold (party with managerial responsibilities; CEO)			
09 June 2009	Purchase	150,000	525,000.00
Johannes Zurnieden (party with managerial responsibilities; Chairman of the Board)			
09 June 2009	Purchase	350,000	1,225,000.00
ESAS Holding A.S., Ali Sabanci (party with managerial responsibilities; Non-Executive Director)			
09 June 2009	Purchase	4,000,000	14,000,000.00

Shareholder structure per nationality on 31 December 2009

	in %
Germany	70.16
Turkey	16.48
Switzerland	5.28
United Kingdom	1.80
Luxembourg	1.40
Austria	1.38
USA	0.99
Other	2.51
Free float as per Deutsche Börse AG standard	60.26

Division of share capital	
Private investors	39.46
Insurance and investment companies, banks	43.78
Other institutional investors and corporates	16.76

On 31 December 2009, the share capital of Air Berlin PLC was held by a majority of German investors at 70.16 per cent. In total, approximately 33,000 shareholders are registered in the Company's share register.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

DIRECTORS' REPORT AND BUSINESS REVIEW

Deliver. The sharpest downturn in international air travel in decades provided a very special challenge! Air Berlin came through the extreme market environment of 2009 with flying colours, proving its strength and fulfilling its guidance.

COMPANY PROFILE

Company structure and operating activities

Legal form

Air Berlin PLC is run by a "Unitary Board"

As the legal parent of the Group, Air Berlin has chosen the legal form of a PLC (public limited company). It was founded in England and Wales with its registered office in Rickmansworth and its management is based in Berlin. As a PLC, the Company is run by a "UNITARY BOARD" comprised of executive and non-executive directors. Changes to the Board during the financial year are listed on page 113.

Unique business model with a clear brand strategy

The Air Berlin Group follows a CLEAR BRAND STRATEGY with its strong "airberlin" brand, which is well-established throughout Europe. As a "hybrid carrier", Air Berlin is the only European airline to occupy the gap between classic full-fare airlines and the low-cost carriers (LCC) with their very limited services. As such, Air Berlin sets STANDARDS IN INTERNATIONAL COMPETITION between airlines: low prices combined with outstanding service on the ground and in the air offering a price/performance ratio which is unique in the industry.

Air Berlin's business model mainly targets THREE MAJOR CUSTOMER GROUPS: business passengers, private individuals, and organisers of package holidays. Since the three target groups exhibit different characteristics (shorter-term seasonal demand versus more medium-term demand cycles), they complement each other ideally: weaker phases in one group can be compensated for by higher demand from the other customer groups. This STABILISES BUSINESS PERFORMANCE, both during the year as well as over longer periods of time.

Air Berlin benefited from this positioning, most notably during the recent deep recession. In particular, the number of CONTRACTS WITH CORPORATE CUSTOMERS in 2009 increased significantly by 50 per cent to 1,200 compared to 2008. When they choose Air Berlin, companies benefit from low prices, yet their employees still enjoy an outstanding service. Air Berlin wants to continue generating its corporate growth from the potential offered by all three customer groups.

As of late-2009, Air Berlin flew to 134 destinations

Air Berlin operates a worldwide flight network with a STRONG BASE IN GERMANY AND EUROPE. Southern Europe, in particular the Spanish market, has traditionally been a core region. Within the closely-knit European route network, the Company flies to 21 destination airports in Germany. Düsseldorf, Berlin, Nuremberg and Munich, as well as Palma de Mallorca in particular, are Air Berlin's hubs. In total, Air Berlin flies to 84 destinations in Europe and 11 in North Africa, along with a further 18 destinations overseas, in Africa and in Asia (as of 31 December 2009).

Air Berlin flies to most EUROPEAN CITIES. These include Barcelona, Birmingham, Budapest, Copenhagen, Gothenburg, Helsinki, Innsbruck, Krakow, London, Milan, Manchester, Moscow, Nice, Oslo, Paris, Rome, St Petersburg, Stockholm, Venice, Vienna and Zurich. Mallorca alone welcomes more than 500 Air Berlin planes each week during the summer. From Palma de Mallorca, passengers can fly to a further 18 destinations on the neighbouring islands, the Spanish mainland and in Portugal.

Systematic expansion of the codesharing partnerships

Air Berlin is systematically expanding its CODESHARING PARTNERSHIPS, thereby using numerous growth opportunities in international air traffic. As of late 2009, the Company had partnerships with the fourth-largest airline in China, HAINAN AIRLINES, with RUSSIA'S S7 AIRLINES, which offers Air Berlin access to the largest domestic route network in Russia, with Pegasus Airlines, Turkey's largest private airline, and with Thailand's Bangkok Airways.

Air Berlin is the second largest German airline

With 8,278 employees, a fleet of 152 airplanes, 42 of which are owned by the Company itself (as at 31 December 2009) and 27.9 million passengers, the Air Berlin Group is the second largest airline in Germany. After the acquisition of the TUIfly destinations Air Berlin is sixth in Europe when measured by the number of flights. The Company has been a member of the International Air Transport Association (IATA) since 1997 and, accordingly, is deemed a scheduled carrier.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

"airberlin" is a strong brand

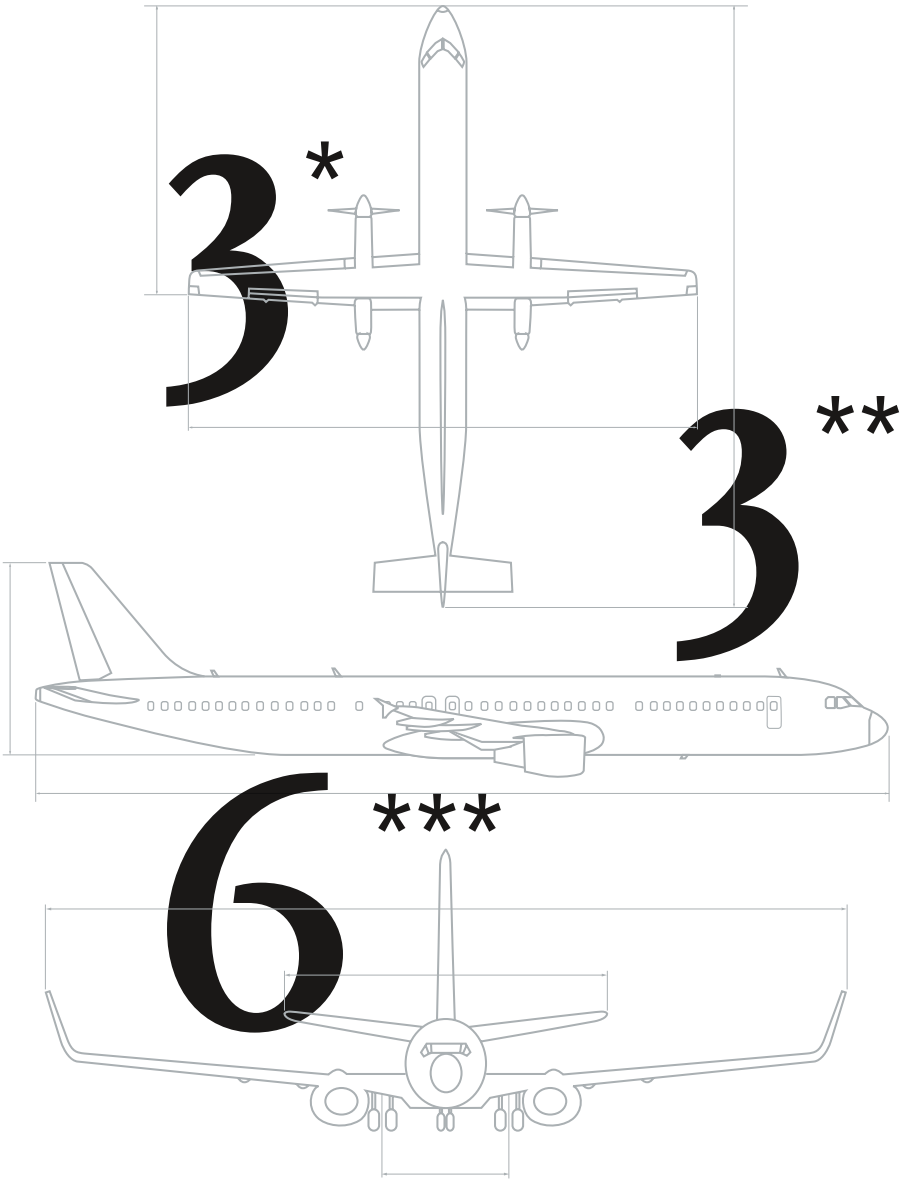
Under the slogan "airberlin. Your Airline.", CUSTOMER ORIENTATION AND CONVENIENCE represent the central elements in Air Berlin's market presence. The Company therefore uses all distribution channels, from traditional booking via a travel agent or telephone to the different OPPORTUNITIES FOR ONLINE BOOKING. Air Berlin customers can even check in using the transparent, user-friendly Air Berlin website or by mobile phone online. The numerous convenience solutions also include a dedicated 24/7 service centre staffed by competent contact persons. However, the services on offer go much further than the actual services related to flying itself. For example, Air Berlin works closely with several partners from the fields of travel and financial services as well as with the press. The premium partners provide additional services directly via the Air Berlin website.

Customer-orientation and being family-friendly take centre stage

Air Berlin places considerable emphasis on FAMILY-FRIENDLINESS. For example, children between two and eleven pay only two thirds of the regular price. Unlike traditional low-cost carriers, Air Berlin provides snacks and drinks free of charge to its passengers on all flights.

FLYING HIGH

AIR BERLIN HAS BEEN AWARDED FOR YEARS



*** DANISH TRAVEL AWARD:** THREE TIMES BEST LOW COST AIRLINE (IN 2007, 2008, AND 2009)

**** "REISEBLICK":** THREE TIMES "AIRLINE OF THE YEAR" IN THE SHORT-HAUL CATEGORY (IN 2007, 2009, AND 2010)

***** SKYTRAX:** SIX TIMES IN DIFFERENT CATAGORIES

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

CORPORATE STRATEGY

Increasing the value of the Company is predominant

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

The main driving force behind the corporate growth is the attractive unique selling point of Air Berlin's unique position as a "HYBRID SUPPLIER". With this market position between the traditional low-cost carriers ("no frills airlines") with their severely reduced service and the traditional flagship airlines ("full-fare airlines") with a very good level of service but high prices, Air Berlin offers the advantages of both: for Air Berlin, HIGH PRODUCT QUALITY goes hand in hand with ABOVE-AVERAGE SERVICE while still maintaining LOW PRICES. In addition, the closely knit, optimally structured route network with its many hubs ensures convenient distances, thereby increasing the convenience of flying for the passengers, both on the ground and in the air.

Route network optimised for profit

Furthermore, the structure of the route network has been OPTIMISED FOR PROFIT. Together with high operating efficiency and strict cost awareness in the entire Air Berlin Group, as well as attractive source markets, particularly centred on the hubs, profitability is given further impetus. The concentration on the three major customer groups (business passengers, private individuals, organisers of package holidays) – even in economically difficult times – makes a major contribution to stabilising business performance and profits.

Clearly defined brand essence

Air Berlin markets its position aggressively and uses all channels for this purpose. The BRAND ESSENCE is clearly outlined with the slogan "Air Berlin – Your Airline.": the friendly airline for the entire flight-related service package. It is also brought to life with an unmistakeable brand philosophy and a high recognition value. The community character of the Air Berlin brand philosophy takes centre stage. The main goals of this brand strategy are long-term, stable customer loyalty while also appealing to new attractive target groups. Its message is CONVENIENCE AND BEST-POSSIBLE PRICE/PERFORMANCE RATIO for the flying experience.

COMPANY MANAGEMENT

Safety first!

Complying with all relevant safety regulations regarding flying takes top priority in company management. Strict cost and process efficiency take centre stage when it comes to operating and strategic management. Continuously improving these aspects in all Company divisions represents a permanent, Company-wide task to be observed by all employees. With regard to the Company's organisational structure, this maxim results in an extremely FLAT AND TRANSPARENT STRUCTURE.

Cross-divisional functions are performed centrally by the relevant flight operations, on-board service and technical service division with the last two areas combined in dedicated subsidiaries.

EBITDAR is the pivotal steering indicator

Internally, the Group uses EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) as a reflection of its earnings. EBITDAR is used as the generally comparable OPERATING PERFORMANCE RATIO in the aviation industry and by investors and analysts.

Airlines which finance and capitalise a larger share of their aircraft on balance sheet generally incur higher depreciation, and possibly higher interest costs. By contrast, companies which lease more aircraft have comparatively high expenses for materials and services, including leasing costs. OPTIMISATION of the proportion of owned aircraft compared with leased aircraft and maximisation of the result from operating activities after financing can only feasibly occur on the basis of EBITDAR, as it adjusts the operating result by the two expense types, depreciation and leasing costs.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Additional important operating indicators in aviation, and hence for Air Berlin as well, are the SEAT-LOAD FACTOR as the basis for the fleet and aircraft utilisation. It is the quotient from revenue passenger kilometres (RPK) and available seat kilometres (ASK). In addition, the AVERAGE YIELDS PER PASSENGER, kilometres flown or passenger kilometres measure the specific sales power. Air Berlin operates a fully developed yield management system, which is continually being optimised to systematically increase the average yields.

ECONOMIC CONDITIONS

Overall economy

Winter 2008/09: deepest recession for 80 years

The international financial industry entered a crisis of unpredictable magnitude following the bankruptcy of Lehman Brothers in the fourth quarter of 2008. Illiquidity on the financial markets as the direct result of this forced many companies in the real economy to take drastic measures: ensuring one's own liquidity took number one priority. The consequence of this was an abrupt and MASSIVE NEGATIVE INVENTORY CYCLE. In order to protect liquidity, orders were cancelled, investments stopped and payments postponed for as long as possible. Upstream production sectors, manufacturers of investment goods, global trade and hence the entire infrastructure and transport industry were confronted with an extremely serious slump in business. By contrast, consumption initially provided a boost to the global economy. In the winter of 2008/09, but particularly in the first quarter of 2009, the world suffered the deepest recession in eight decades.

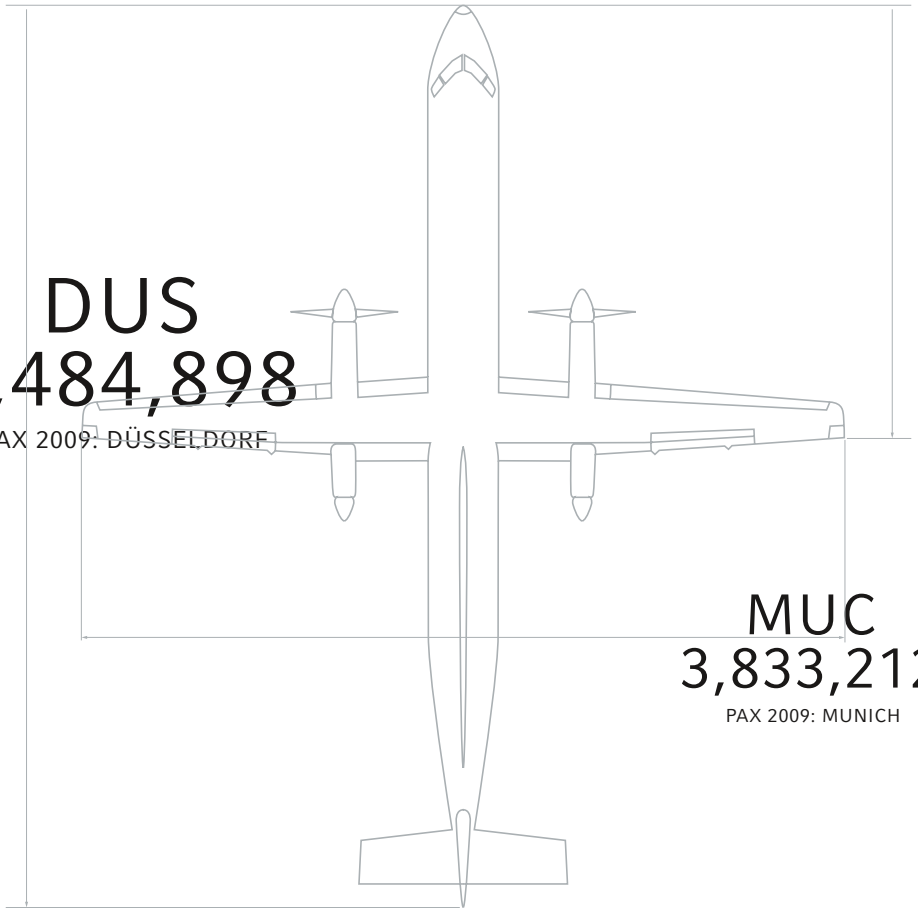
Global economic recovery still weak and not self-supporting

Once the rescue and stabilisation measures of governments and central banks had initially stabilised the financial system, the liquidity situation on the financial markets improved. Starting in the second quarter of 2009, the massive spending programmes to SUPPORT THE ECONOMY started to show an effect. Numerous countries succeeded in supporting employment in key industries such as the automotive industry through DIRECT SUBSIDIES ("car scrappage scheme"). All in all, the inventory cycle was reversed, resulting in a renewed flow of commodities, albeit at a clearly reduced level, and depleted inventories were replenished.

AIR BERLIN IN GERMANY

(PASSENGERS)

BER
6,058,117
PAX 2009: BERLIN (TXL, SXF)



DUS
6,484,898
PAX 2009: DÜSSELDORF

MUC
3,833,212
PAX 2009: MUNICH

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

The global economy, including Germany, has again been on a growth path since the second quarter of 2009. However, its MOMENTUM AND STRENGTH remain weak. This is indicated by the clear slow-down in industrial activity from the end of the third quarter after the intermittently positive inventories effect had stagnated. According to an initial provisional assessment of the German Federal Statistical Office on 13 January 2010, the German economy, measured by gross domestic product (GDP), shrunk in 2009 for the first time in six years. At -5 per cent, the decline in the price-adjusted GDP was the largest seen in the post-war period. This is one of the largest declines in countries within the OECD, which is expecting a decline of only 3.5 per cent for its member countries in total, and a decline of 4 per cent for countries in the OECD euro zone.

The price of oil rises from a low level

78 per cent increase in oil price in 2009

After the price of crude oil had been exposed to EXTREME VOLATILITY IN 2008 and American light crude oil (WTI) had reached an historic high of USD 145.31 for the 159-litre barrel in July 2008, the price descended in an equally unprecedented amount to just one third of this ultra-high price. Since reaching a low of USD 48.86 in November 2008, the WTI price successively recovered in 2009 with only minor fluctuations, and temporarily broke through the eighty dollar mark in the fourth quarter. With an end-of-year price of USD 79.39 in 2009 (2008: USD 44.60), crude oil became 78 PER CENT MORE EXPENSIVE IN THE REPORTING YEAR. Since the jet fuel price depends closely on the price of crude oil, it increased by a comparable amount.

West Texas Intermediate Spot (USD)

Source: Reuters

Central banks stabilise the interest markets

Significant reduction in interest rates in 2009

The 2009 financial year was MARKED BY CLEARLY REDUCED INTEREST rates as well as numerous stabilisation measures taken by the central banks to support the financial markets. Concern about the economy and the strong increase in risk aversion, particularly with regard to credit instruments, led to people seeking refuge in government securities and a corresponding powerful decline in related yields. For example, 10-year US Treasuries only had a return of 2.6 per cent at the start of the year. At its first meeting in 2009, the European Central Bank (ECB) decided to lower its tender rate by 50 basis points, and expanded the target range of the interest rate tender by 200 basis points.

Even though the national economic programmes established in the European Union led to an INCREASE IN THE GOVERNMENT BONDS ON OFFER, this was countered by enormous demand, particularly for federal government securities. The expansionary ECB policy as well as the decline in inflationary expectations forced the EUR yields in the 10-year range to below 3 per cent at the end of the first quarter of 2010.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

US key interest rates fall to zero

In the middle of 2009, the extensive buying up of securities and interest rate cuts of the central banks meant that further worsening of the global confidence crisis was averted. While the US central bank had LOWERED THE KEY INTEREST RATE LEVEL TO ALMOST ZERO, the capital market recorded a slight upturn and the 10-year returns in the USA rose again towards 3.5 per cent. While a very flat interest rate yield curve developed in the euro zone for short-term maturities as a result of providing further liquidity, the capital market yield in the 10-year range picked up slightly and rose to around 3.3 per cent to the end of the year.

Currency exchange markets impacted by weak dollar

Loss of confidence in the USD in 2009

While the USD was traditionally regarded as a safe haven in the past, an unusual reaction occurred in 2009 as it lost against most currencies. In the first quarter of 2009, the euro was quoted at around USD 1.26 for several weeks, and then clearly increased in value. By November, it had reached a value of just over USD 1.51. DECLINING RISK APPETITE of the market participants initially spoke against the USD, and the expansive fiscal steps in the USA led to medium-term inflation risks. Even good US data led to dollar losses as the market reacted to the positive news with greater risk propensity.

Sufficient liquidity and historically low USD interest rates coupled with investors looking to gain a return resulted in a short positioning of the USD as a result of carry trades. Within a very short space of time, the USD took on the previous refinancing function of typical low-interest currencies such as the Swiss franc or the Japanese yen. In addition, emotionally-charged discussions about the STATUS OF THE USD AS A RESERVE CURRENCY caused some elements of the market to position themselves to the detriment of the USD. It was not until the end of the year that positive signals from the US labour market caused some of the long positions in the euro to be unwound, with the euro falling to 1.4300 – 1.4450.

The air travel sector in 2009

Annus horribilis 2009 for the air travel sector

For the International Air Transport Association IATA, the global umbrella association of traditional full-fare airlines, 2009 WAS THE WORST YEAR IN ITS POST-WAR HISTORY. Passenger volumes of IATA airlines declined by 3.5 per cent and cargo traffic by 10.1 per cent. According to IATA, its statistics cover 93 per cent of international air traffic.

Massive downturn, particularly in the first half of 2009

IATA stated that as a consequence the industry's long-term growth trend was set back by two-and-a-half years in terms of passenger traffic and by as much as three-and-a-half years in terms of cargo in 2009. The industry's capacity, measured by the available seat kilometres (ASK), declined by 3 per cent; Utilisation (seat-load factor) fell from 75.9 per cent in 2008 to 75.6 per cent in 2009. The passenger kilometres flown (RPK) fell by as much as 3.5 per cent for the year as a whole.

Business performance in 2009 shows that compared to the previous year the industry did not start achieving positive results until September – and then only slowly at first. However, it must be taken into consideration that this was mainly due to the already VERY WEAK BASIS in the fourth quarter of 2008. In particular, December 2008 recorded extreme declines.

Simply comparing the industry RPK with the performance of Air Berlin's RPK makes little sense, since Air Berlin consistently placed improving profitability at the centre of its corporate strategy in 2009. To this end, both the capacity and the average route distance, and hence the ASK, were clearly reduced at a very early stage, and adjusted in very close coordination with the demand trend. This is shown by the relationship between RPK and ASK: The closer the two lines are to each other, the more efficiently supply management (ASK) reacts to the demand trend (RPK). In the case of Air Berlin, the monthly changes scarcely deviate from each other, particularly in the second half of 2009. By contrast, the INDUSTRY TRENDS CLEARLY DIVERGE – a sign of the marked erosion of profitability in the aviation industry, particularly in the first half of 2009. As a result, IATA assumes that the average yields of the industry in 2009 fell by between 5 and 10 per cent below the previous year's level, and the INDUSTRY INCURRED RECORD GLOBAL LOSSES totalling USD 11 billion. Air Berlin's yields increased in 2009.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

International aviation industry / Air Berlin: ASK and RPK in 2009; monthly year-on-year per cent changes

Source: IATA, Air Berlin

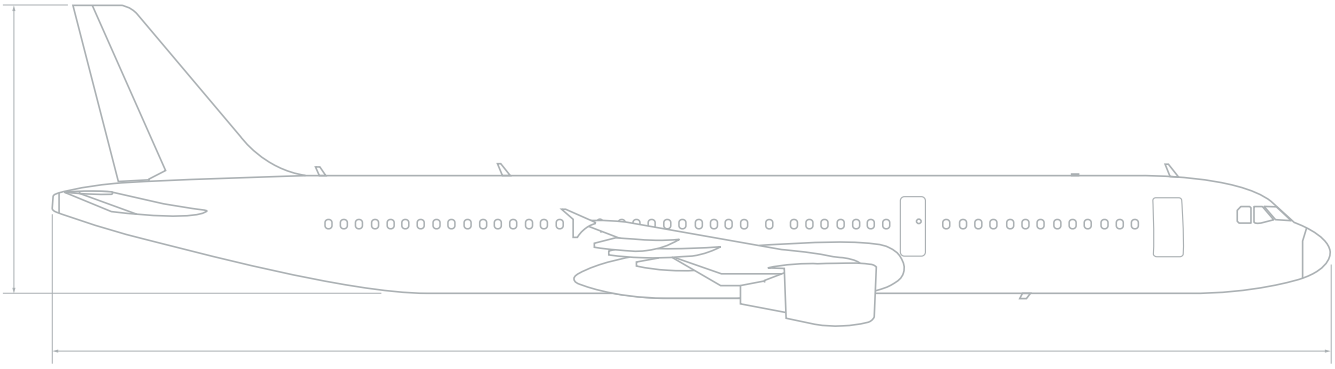
It is clear that the airlines did not adjust their passenger and cargo capacities as quickly as demand sank. The industry RPK reached its lowest level in March 2009; this was also the lowest point of the most recent cycle.

The ASSOCIATION OF EUROPEAN AIRLINES (AEA) measured a drop of 4.5% in passenger kilometres and 5.8% in passenger volume for its 36 member airlines in 2009. This decline of 20 million from 346 to 326 million passengers is well above the previous negative record from 2002, when 14 million fewer flights were booked as a consequence of the 11 September attacks.

TICKET SALES / ASK

(ASK: AVAILABLE SEAT KILOMETRES; IN EUROCENTS)

+6.94%



5.48
2008

5.86
2009

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

The GERMAN FEDERAL STATISTICAL OFFICE has concluded that German aviation passenger traffic suffered losses in 2009 for the first time since 2002. With 158 million passengers, German airports recorded a decline of 4.8 per cent. Again, this means that the losses in Germany were higher than after the terrorist attacks in the USA (2002: -3.3 per cent). There was no difference in the performance of domestic and international traffic figures: passenger figures on international flights fell by 4.8 per cent to 135 million passengers, while passenger figures on domestic flights fell by 4.9 per cent to 24 million passengers.

Passenger figures recovered slightly in 2009

The German Airport Working Group (Arbeitsgemeinschaft Deutscher Verkehrsflughäfen; ADV) also recorded a year-on-year 4.8 per cent decline in passenger figures to 180.8 million at Germany's 23 international airports. Under this method, domestic flights are recorded both at the origin and destination airport. In air cargo, including airmail, traffic volume fell by 6.7 per cent to 3.4 million tonnes. However, the latest monthly comparisons have shown a clear positive trend, even in Germany. This is comparable with the international trend. For example, in December 2009 passenger demand and air freight volume rose by 2.6 per cent and 26 per cent respectively.

Against the backdrop of this trend in European air transport, Air Berlin recorded an above-average performance with a drop in passenger numbers of 2.3%, despite the rigorous capacity reduction.

Low-cost carriers clearly gain market shares in 2009

In 2009, the share of LOW-COST CARRIERS in German air traffic again increased considerably. According to a joint evaluation carried out by Deutsche Flugsicherung (the German air traffic control body) and ADV, low-cost carriers accounted for more than 29 per cent of all flight movements at Germany's airports as of the middle of 2009. In 2008, they had a market share of only 25.8 per cent. In 2001, fewer than 5 per cent of all take-offs and landings were by low-cost airlines. Among Germany's 19 low-cost carriers, Air Berlin is clearly in the top position, measured by the number of take-offs. In Europe, Air Berlin is in third place.

EFFECTS THROUGH JUMP

(TICKET SALES IN EUROCENT 2007 – 2009)

OPERATIVE DEVELOPMENT

"Jump" showed its full effect in 2009

Jump: effective throughout 2009 as a whole

The "Jump" programme was launched in 2008 and rapidly implemented in time for the start of that year's winter schedule. Its purpose was to improve the performance in the Air Berlin Group, and it achieved its full impact for the year in 2009. Consisting of six individual modules, Jump focussed on optimising and improving the network and fleet and pricing structure, on increasing additional potential revenue, the systematic control of operating costs, including improving fuel efficiency, streamlining HR costs as well as optimising the performance of the technical divisions.

The implementation of Jump allowed for a significant improvement of key operating performance indicators per output unit in 2008; in the reporting year, these improvements were achieved throughout the entire year with a positive effect. This means that further improvement of the performance was achieved in 2009 as a whole, despite the downturn in the aviation industry. A fully comparable calculation cannot be provided since the network of TUIfly, which was taken over in autumn 2009, differed substantially from the one TUIfly operated in 2008. The following 2008 figures are thus as originally reported, whereas those for the year under review include the TUIfly network from 25 October 2009.

On this basis flight revenue per passenger in the reporting year stood at EUR 106.28, having achieved EUR 108.28 in the previous year. Flight revenue per ASK increased by 6.9 per cent to 5.86 eurocent following 5.48 eurocent, and increased by 8.5 per cent per RPK to 7.57 eurocent following 6.98 eurocent.

The progress achieved in 2008 also had a positive effect on costs throughout 2009 as a whole. In particular, the efforts to reduce the use of jet fuel and the corresponding costs had an impact. These cost reductions were achieved despite a 9.5 per cent decline in the average length per destination and a corresponding increase in fuel consuming lift-offs. The specific use of jet fuel was reduced considerably through the optimisation of the route network and numerous additional measures (also see section "Sustainability" on page 80). With total fuel costs down 18.2 per cent and a decline of capacity (ASK) by 10.3 per cent fuel costs per ASK fell 8.8 per cent and 7.4 per

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

cent per RPK. On the other hand, the operative margin EBITDAR per passenger increased by 10.9 per cent reaching EUR 18.04 after 16.27 in the previous year. Per ASK EBITDAR rose by 20.8 per cent and per RPK by 22.7 per cent.

Passenger travel and the fleet

Efficient capacity adjustments in line with weakening market conditions

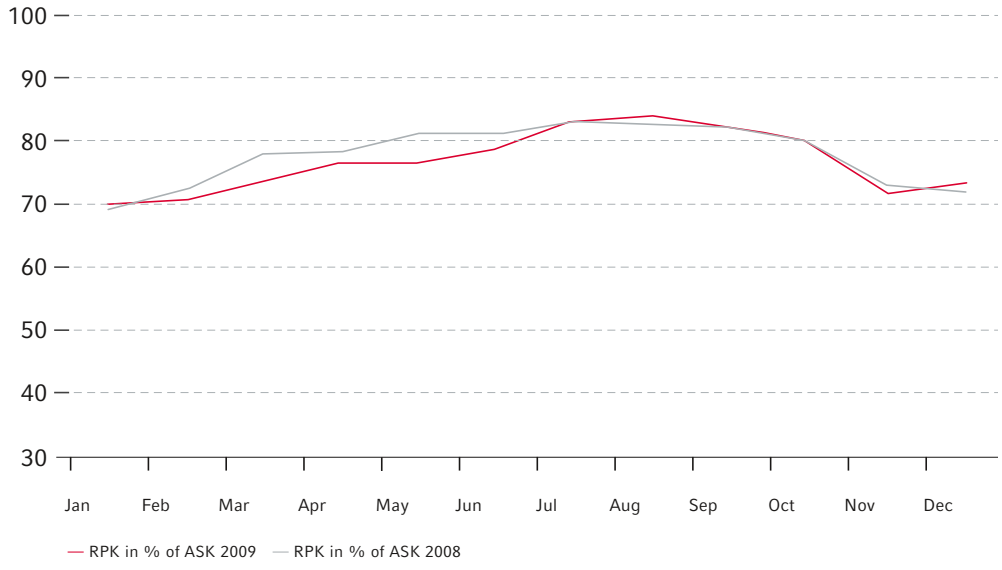
One of the major CHALLENGES IN THE 2009 FINANCIAL YEAR was to adjust capacity, route network and fleet management to total demand which had been in stark decline since the fourth quarter of 2008 as well as to the changed demand structure, and to do so as quickly as possible and with as much foresight as possible. This was largely successful, even during the very volatile phase in early 2009 where the general market weakness was compounded by capricious weather in the Mediterranean, which had a considerable effect on the important early-year passenger traffic at the major hub of Palma de Mallorca. In addition, the consequential reduction of the INTERCONTINENTAL ROUTES, which the global recession had affected particularly badly, had a stabilising effect. This had a particular effect on the Chinese destinations, which were discontinued in the 2008/2009 winter schedule and where international passenger traffic almost came to a standstill, as well as on the transatlantic traffic and reductions in flight frequencies to South Africa and the Far East.

Successful ASK management

However, the portion of sold seat kilometres (RPK) of the available seat kilometres (ASK) declined only slightly in spring 2009 compared to the pre-crisis level in the first half of 2008. Thanks to this successful MANAGEMENT OF CAPACITY, ROUTE NETWORK AND THE FLEET as well as the cost reduction measures which were introduced, Air Berlin went against the industry trend and improved profits and returned to profitability in the second quarter of 2009.

In total, capacity (as measured by the available seat kilometres) was systematically reduced by 10.3 per cent compared to the previous year, while the sold seat kilometres declined by 11.6 per cent.

Sold seat kilometres (RPK) in per cent of available seat kilometres (ASK)



Seat load factor down by just 1.1 per cent in 2009

The Air Berlin Group transported a total of 27,911,193 passengers, of which slightly more than 400,000 were passengers from the TUIfly network from 25 October 2009, in the reporting year. The passenger volume for the previous year was 28,559,220. This results in a clearly below-average decline of 3.7 per cent excluding the impacts of the TUIfly network, despite the systematic capacity adjustment and route optimisation. The total number of available seats was reduced by 0.9 per cent from 36,443,866 to 36,124,762. Accordingly, the seat load factor in the reporting year fell by 1.10 percentage point to 77.26 per cent. It was thus 1.66 per cent above the average achieved by IATA airlines.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Material flight related figures (as at 31 December)

	+/– %	**2009**	2008
Aircraft	21.60	**152**	125
Flights	(3.36)	**213,399**	220,808
Destinations	6.3	**134**	126
Capacity (thousands)	(0.88)	**36,125**	36,444
Passengers (thousands; "Pax")	(2.27)	**27,911**	28,559
Passenger load factor (%; Pax/Capacity)	(1.10)*	**77.26%**	78.36%
Available seat kilometres (bn; ASK)	(10.30)	**50,66**	56.48
Revenue passenger kilometres (bn; RPK)	(11.62)	**39.16**	44.31
Number of blockhours	(7.04)	**426,608**	458,921
Average length per destination (km)	(9.55)	**1,402**	1,550

* percentage points
2009: including TUIfly; 2008: as reported

Clear increase in fleet size thanks to TUIfly

The TOTAL NUMBER OF AIRCRAFT rose to 152 in 2009, compared with the previous year. This includes the 15 airplanes operated by TUIfly for Air Berlin. As a result and of the scheduled PURCHASE OF AN ADDITIONAL EIGHT ULTRA-MODERN Q400 TURBOPROPS, the composition of the fleet changed. The acquisition of TUIfly's aircraft led to a clear increase in the number of Boeing aircraft. Most notable is the addition of 11 B737-700s and, initially, two B737-300s, which were phased out in February 2010. The slightly older TUIfly airplanes have caused the average age of the fleet to increase slightly from 4.6 years in the previous year to 5.5 years in the reporting year. Nevertheless the Air Berlin Group's fleet remains one of the youngest in Europe.

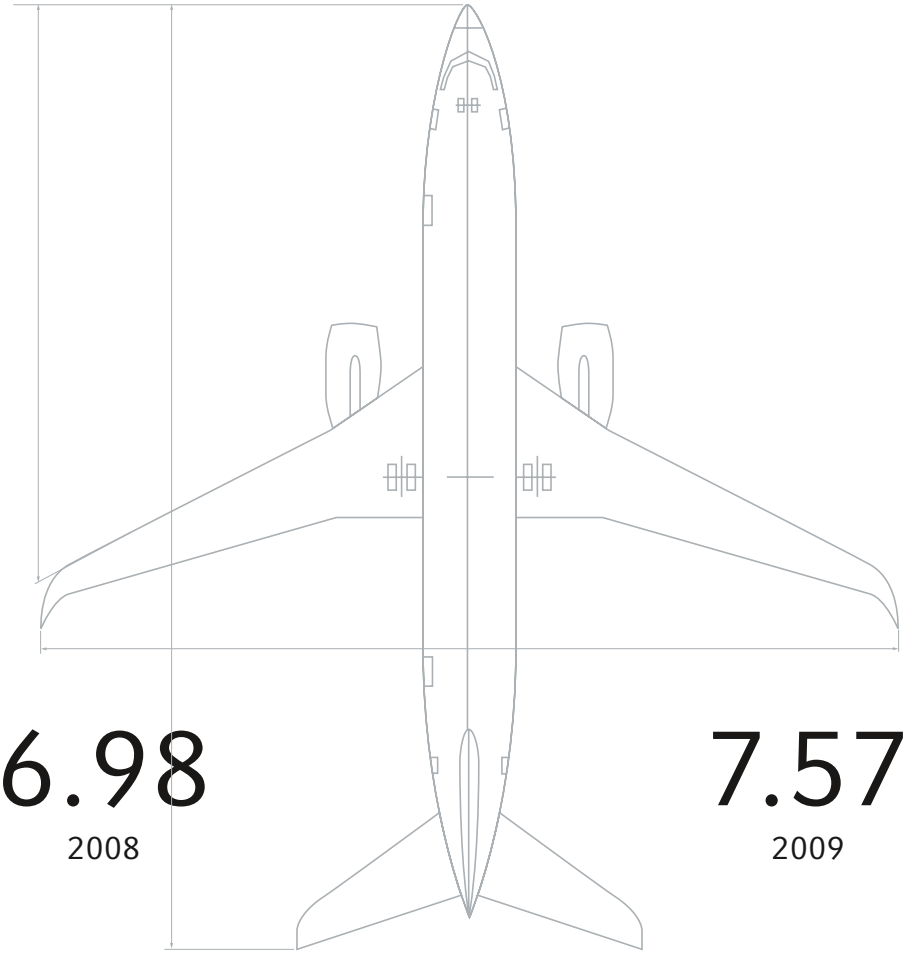
Engine maintenance service for 123 aircraft outsourced to SR Technologies

In December 2009, the Swiss service provider SR TECHNICS AND AIR BERLIN concluded a series of CONTRACTS FOR ENGINE MAINTENANCE. During the ten-year term of these contracts, SR Technics will perform certain maintenance services for a substantial proportion of the engines of the Air Berlin fleet, consisting of around 55 aircraft of the Airbus A320 family, 13 Airbus A330s and roughly 55 Boeing 737 Next Generation aircraft. In the context of these contracts, SR Technics will provide comprehensive maintenance services for Air Berlin's engines. This includes scheduled engine overhauls and field team assistance. These services will be provided at the SR Technics Engine Maintenance Center in Zurich. As part of this new business relationship, Air Berlin and a member of the corporate group of Mubadala Development Company (the parent company of SR Technics), have concluded a sale and lease-back transaction for up to twelve reserve engines worth approximately USD 100 million. SR Technics will take on the maintenance of these engines as part of the contractual arrangements with Air Berlin.

TICKET SALES / RPK

(RPK: REVENUE PASSENGER KILOMETRES; IN EUROCENTS)

+8.54 %



6.98
2008

7.57
2009

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Fleet Air Berlin Group (31 December)

	Number end of 2009	Number end of 2008
A319	**16**	18
A320	**36**	32
A321	**8**	6
A330-200	**10**	10
A330-300	**3**	3
B737-300	**2**	0
B737-700	**27**	16
B737-800	**37**	35
B757	**2**	2
B767	**1**	1
Q400	**10**	2
Total	**152**	125

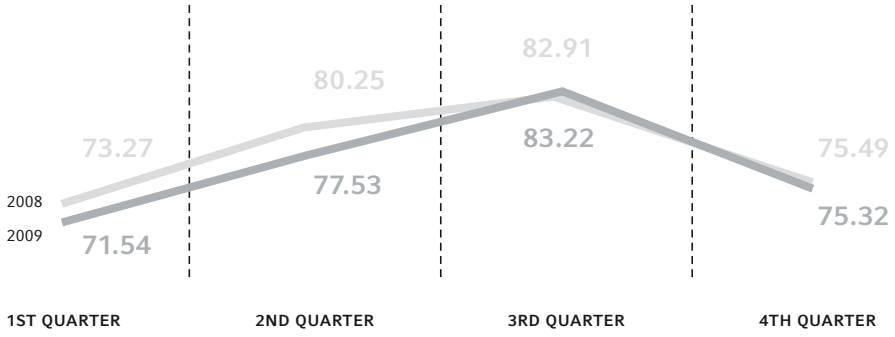
2009: including TUIfly; 2008: as reported

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

Air Berlin Group (01. Jan. – 31. Dec.)	+/– % 09 vs 08	**2009**	2008
Düsseldorf	(2.2)	**6,484,898**	6,630,066
Palma de Mallorca	(1.6)	**6,275,305**	6,377,709
Berlin (TXL, SXF)	7.1	**6,058,117**	5,654,234
Munich	(11.8)	**3,833,212**	4,348,332
Hamburg	2.8	**2,991,004**	2,910,453
Nuremberg	(6.3)	**2,312,864**	2,469,077
Cologne	15.0	**1,720,621**	1,495,742
Zürich	(3.8)	**1,638,834**	1,704,086
Vienna	2.7	**1,368,611**	1,332,219
Hanover	(2.2)	**1,304,979**	1,334,883
Others	(3.9)	**19,520,827**	20,322,496
TOTAL	(2.0)	**53,509,272**	54,579,297

*departures plus arrivals, including connecting flights
2009: including TUIfly; 2008: as reported

SYSTEMATIC CAPACITY ADJUSTMENTS (OPTIMISED ROUTE NETWORK: STABILISED LOAD FACTOR DURING A CHALLENGING YEAR 2009)



The OPTIMISATION OF THE ROUTE NETWORK in the previous year resulted in passenger volume being concentrated at the ten largest destination airports. This continued in 2009: while passenger volume for the smaller destinations declined by a total of 3.9 per cent, passenger figures for the TEN BUSIEST AIRPORTS declined by only 0.8 per cent. Excluding the TUIfly destinations, the decline of the smaller destinations would have been more pronounced. Overall, this leads to greater efficiency and lower specific costs.

With +7.1 per cent, the German capital moved clearly against the trend. This would have been the case even without TUIfly. In Berlin, more than 6 million passengers checked in and out with Air Berlin. Behind this is the capacity expansion as part of the launch of A NUMBER OF NEW CITY CONNECTIONS. Passenger volume also grew in Vienna, where Air Berlin opened new city connections which had a significant immediate effect.
With -1.6 per cent, the important Palma de Mallorca hub recorded an above-average performance. The decline in Düsseldorf can mainly be attributed to the discontinuation of transatlantic routes. The clear downturn in Munich is the result of the elimination of long-haul routes and some European and domestic German destinations were discontinued as part of route network optimisation.

Seasonal effects in utilisation (Pax/capacitiy)

		2009	2008
Q1	Pax	**5,469,980**	5,831,160
	capacity	**7,646,149**	7,958,891
	utilisation	**71.54%**	73.27%
Q2	Pax	**7,244,842**	7,663,876
	capacity	**9,344,345**	9,550,057
	utilisation	**77.53%**	80.25%
Q3	Pax	**8,262,982**	8,612,079
	capacity	**9,929,492**	10,387,392
	utilisation	**83.22%**	82.91%
Q4	Pax	**6,933,389**	6,452,105
	capacity	**9,204,776**	8,547,526
	utilisation	**75.32%**	75.49%
Year	Pax	**27,911,193**	28,559,220
	capacity	**36,124,762**	36,443,866
	utilisation	**77.26%**	78.36%

2009: including TUIfly; 2008: as reported

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Shares of ticket sales in 2009 by distribution channel (in per cent)

	2009	2008
Individual ticket sales	**62.20**	60.40
Air Berlin website	**26.06**	25.20
Air Berlin service centre	**1.78**	2.00
Air Berlin ticket counter	**1.38**	1.90
Travel agencies	**30.48**	29.0
Internal sales	**2.50**	2.30
Charter and tour organisers	**37.80**	39.60

2009: including TUIfly; 2008: as reported

Balanced, strong distribution channels stabilise business

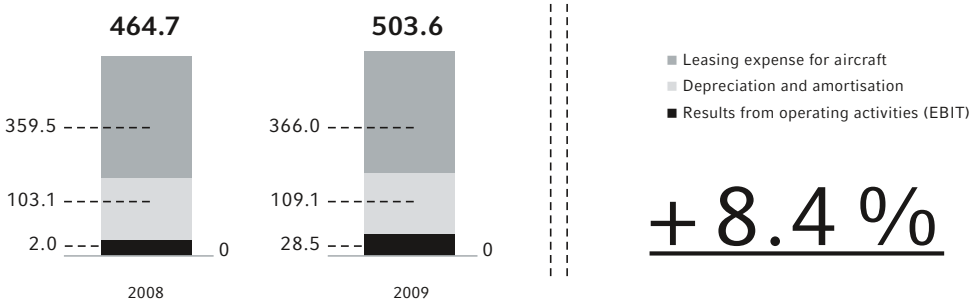
In the 2009 business year, Air Berlin sold approximately 62,2 per cent of its tickets via individual ticket sales and 37,8 per cent through tour operators and tour organisers (bulk tickets). The high bulk-ticket share continues to differentiate Air Berlin from other European low-cost carriers which are practically unrepresented in the charter business. Individual ticket sales at Air Berlin also exhibit a unique quality: compared with the industry as a whole, Air Berlin sells a high proportion of tickets via the conventional distribution channel of travel agencies. Air Berlin therefore uses a balanced mixture of strong and well-established distribution channels. Temporary dips in one distribution channel are often compensated by better performance in the other channels, thereby stabilising business as a whole.

Revenues from additional products and services associated with flying

	2009 EUR mill.	2009 %	2008* EUR mill.	2008* %
In-flight sales	33.1	20.3	35.2	22.4
Excess luggage	18.8	11.6	14.3	9.1
Air Berlin Card	3.8	2.3	2.9	1.8
Seat reservations	7.9	4.9	8.0	5.1
Technical services	39.6	21.0	30.6	19.5
Promotional	13.2	8.1	13.3	8.5
Others	46.3	31.7	52.8	33.6
Total	162.7	100.0	157.1	100.0

2009: including TUIfly; 2008: as reported

EBITDAR
(IN MILLION EUROS)



DEVELOPMENT IN FINANCIAL FIGURES

In the following comments to the results, financial position and net assets, the adjusted figures from the 2008 financial statements have been used. The adjustments relate to the bonus miles issued to customers as part of Air Berlin's frequent flyer programme ("topbonus" programme). In accordance with IFRIC 13 "Customer Loyalty Programmes", these are to be measured at the fair value using the deferred-income method as of 1 January 2009 with a retrospective adjustment to comparative periods. The value of one mile was valued using the marginal-cost method until 31 December 2008. Further explanations can be found in Note 4p on page 135.
The information on the reporting year also includes the activities of the TUIfly route network, which was taken over as of 25 October 2009.

Results

The 2009 financial year was marked by the global recession, which had a particularly severe impact on the international aviation industry. However, Air Berlin was able to absorb the negative influences on the overall economy better than the sector. At EUR 3,240.3 million, revenue for the reporting year was down 4.4 per cent on the previous year (EUR 3,388.5 million; the application of IFRIC 13 led to a reduction of EUR 12.2 million).

Little change in revenue from single-seat ticket sales

Revenue from SINGLE-SEAT TICKET SALES was maintained at almost the same level as the previous year (EUR 1,863.3 million), with a drop of less than one per cent to EUR 1,845.4 million. CHARTER REVENUE, however, fell by 8.8 per cent to EUR 1,121.1 million, down from EUR 1,229.1 million. Revenue from in-flight sales also dropped by 6.0 per cent to EUR 33.1 million, down from EUR 35.2 million, which was largely due to the reduction of long-haul routes. REVENUE FROM OTHER SERVICES fell by 7.7 per cent from EUR 260.9 million to EUR 240.7 million, mainly for the same reason. These services include freight services, technical services and additional services such as credit cards and Air Berlin cards, seat reservations, excess baggage and proceeds from advertising and commission.

OTHER OPERATING INCOME totalled EUR 42.4 million for 2009, up from EUR 38.6 million. The total income for the reporting year fell by 4.2 per cent to EUR 3,282.8 million, compared with EUR 3,427.1 million in the previous year.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Significant progress on the costs side

With regard to costs, Air Berlin saw considerable improvements in its general operating performance as a result of the Jump programme implemented for the first time over an entire year. Accordingly, SUBSTANTIAL REDUCTIONS were possible in a large number of expense lines. This result was achieved despite the fact that a much larger portion of the route network was replaced by short- and medium-haul destinations, which, owing to the higher number of take-offs and landings, lead to higher average costs than long-haul routes.

The improvements can be seen under EXPENSES FOR MATERIALS AND SERVICES, particularly in the 12.7 per cent reduction in catering expenses, under other operating expenses in the 43.2 per cent decline in expenses for sales commissions paid to agencies, in the 22.4 per cent drop in other personnel expenses, particularly for training purposes, and in travel expenses for flying crew (-10.3 per cent). With the optimization of the route network, airport fees were also reduced by 1.8 per cent and navigation fees by 3.6 per cent.

Fuel expenses fell by more than 18 per cent

The sharp decline in FUEL EXPENSES provided considerable relief: they dropped by 18.2 per cent to EUR 715.4 million, compared with EUR 874.3 million in the previous year. Not only did lower overall market prices have a positive impact, but also significant fuel savings thanks to ongoing efforts to REDUCE CONSUMPTION. With the aid of these measures, consumption was cut by 11,000 tonnes or 1.0 per cent in 2009 under otherwise equal conditions.

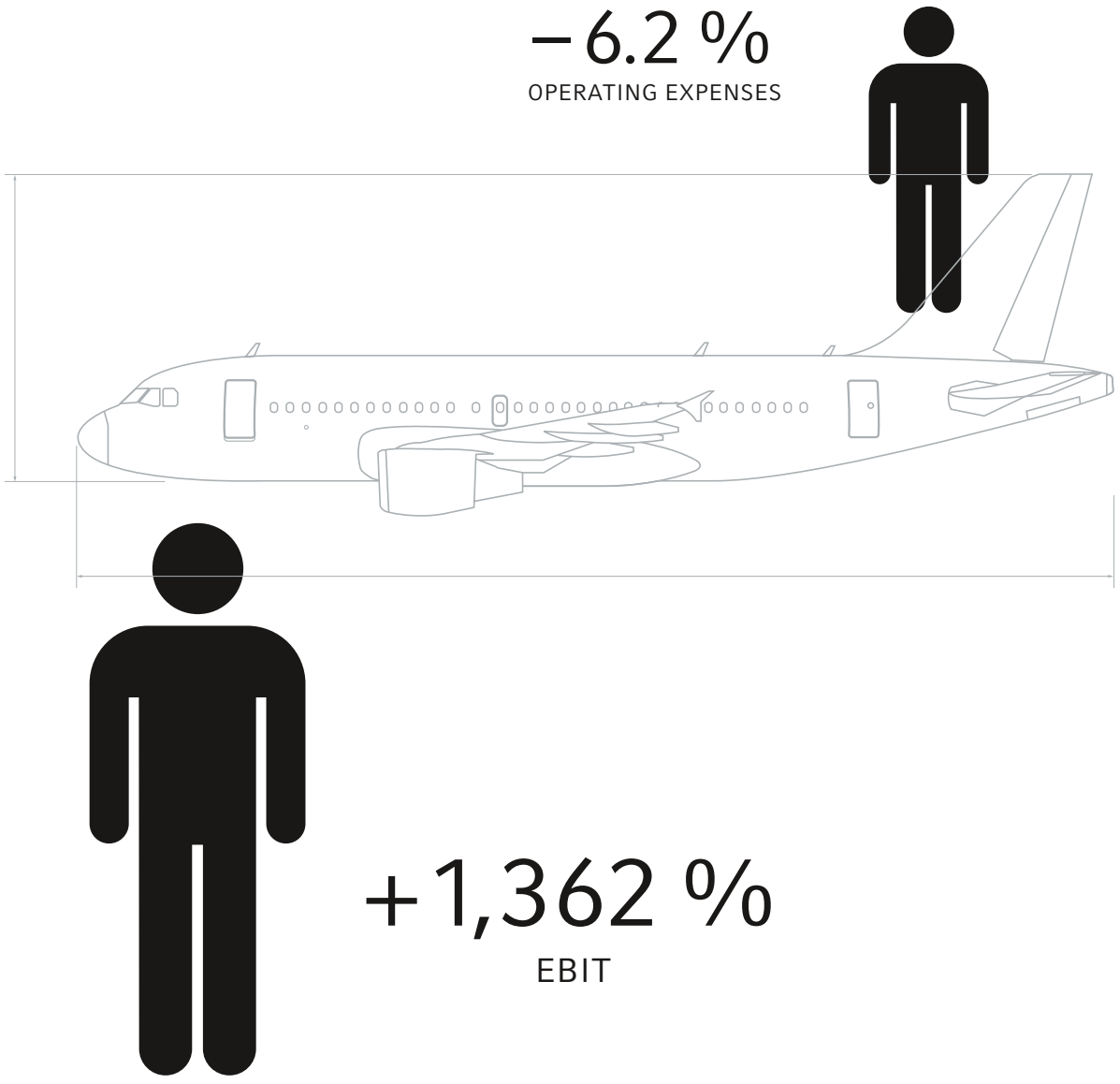
In total, expenses for materials and services fell by 7.1 per cent to EUR 2,193.2 million from EUR 2,359.8 million. Other operating expenses were down 0.9 per cent at EUR 511.3 million, compared with EUR 515.9 million for the previous year, despite a 19.2 per cent increase in IT expenses. PERSONNEL EXPENSES were reduced by 1.2 per cent to EUR 440.7 million from EUR 446.3 million.

EBITDAR up by 8.4 per cent

OVERALL OPERATING EXPENSES at EBITDAR level totalled EUR 2,779.1 million in the reporting year, down 6.2 per cent on the previous year's figure of EUR 2,962.5 million, showing a noticeably stronger decline than in the total operating performance. The profit figure EBITDAR (earnings before interest, tax, depreciation, amortisation and rent) therefore increased by 8.4 per cent to EUR 503.6 million in 2009 from EUR 464.7 million in the previous year.

EXPENSES AND INCOME

(PER PASSENGER)



01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

EBIT increases by EUR 26.5 million to EUR 28.5 million

LEASING EXPENSES for aircraft rose by 1.8 per cent from EUR 359.5 million to EUR 366.0 million, primarily due to the net increase in the size of the fleet. DEPRECIATION increased by 5.8 per cent to EUR 109.1 million from EUR 103.1 million. RESULT FROM OPERATING ACTIVITIES (EBIT) therefore increased more than fourteenfold to EUR 28.5 million in 2009 from EUR 2.0 million in the previous year.

The FINANCIAL RESULT improved from EUR –72.0 million in the previous year to EUR -51.0 million in 2009. The REDEMPTION OF BONDS with a total nominal value of EUR 84.0 million in the second half of 2009 contributed significantly to this effect. A return of EUR 21.3 million was achieved on the transaction.

Significant improvement in EBT

The PRETAX EARNINGS amounted to EUR -21.7 million in 2009, compared with EUR -70.0 million in the previous year. After an income tax income of EUR 12.2 million, the net loss for the reporting year was EUR -9.5 million, compared with EUR –83.5 million in the previous year. Earnings per share, based on the average number of 73.523 million shares outstanding in 2009, therefore amount to EUR -0.13, compared with EUR -1.27 in the previous year (basic and diluted). In 2008, the average number of outstanding shares was 65.539 million.

Net Assets

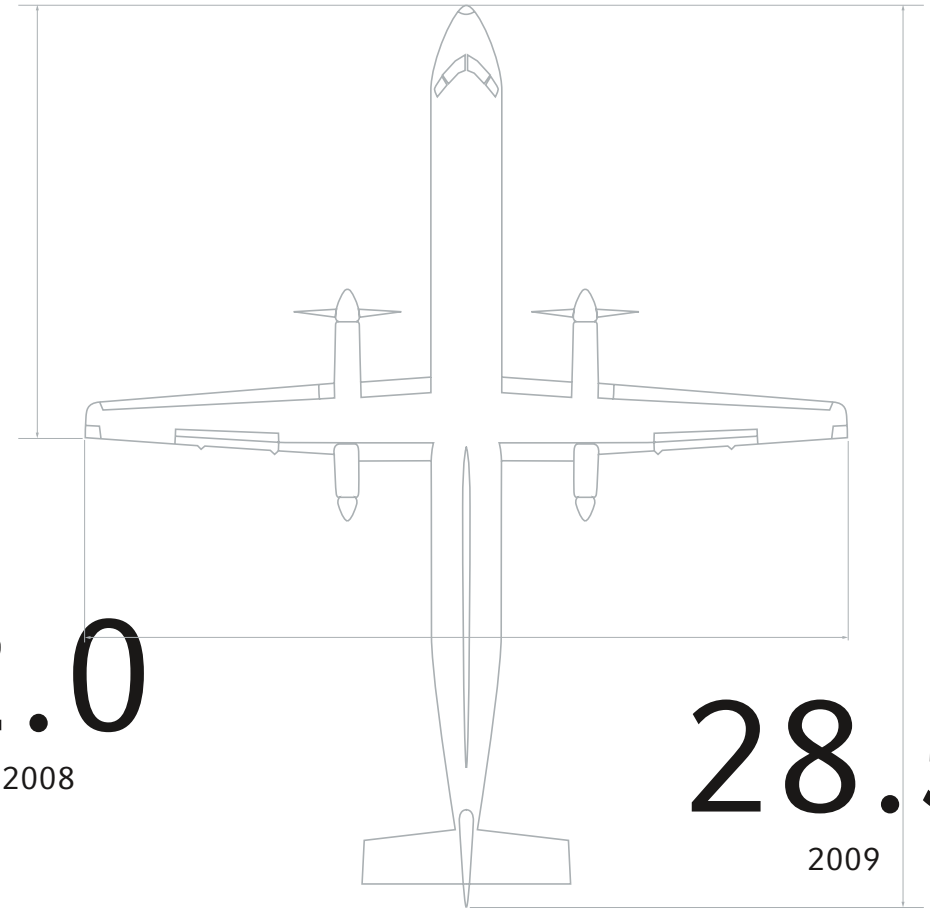
The BALANCE SHEET of the Air Berlin Group increased only insignificantly by 0.1 per cent to EUR 2,411.5 million in 2009 compared with the previous year. The first-time adoption of IFRIC 13 from 1 January 2009 influenced the equity, the deferred tax assets and the deferred income (see Note 4p on page 135).

Structural shifts in the ASSETS resulted from the 6.1 per cent decline in NON-CURRENT ASSETS, in part owing to a reduction of 4.7 per cent in property, plant and equipment. This decline related mainly to technical equipment and machinery, i.e. equipment on the ground. Non-current assets equal 68.1 per cent of total assets, compared with 72.6 per cent for the previous year. At the same time, there was an increase of 16.5 per cent in current assets, whose share in total assets rose from 27.4 per cent to 31.9 per cent. This increase is largely due to the SHARP RISE IN LIQUIDITY as a result of the capital measures carried out in 2009. The cash position rose by EUR 104.9 million or 39.1 per cent to EUR 373.2 million.

EBIT

(IN MILLION EUROS)

+1,325%



2.0

2008

28.5

2009

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Significant improvement of financing structure

The liabilities in the balance sheet changed significantly in 2009. The EQUITY WAS STRENGTHENED CONSIDERABLY with several successful capital measures. In addition, changes in the valuation of hedging instruments at the balance sheet date had a positive impact on equity. In 2009, equity increased by 64.0 per cent to EUR 610.0 million from EUR 372.0 million in the previous year. The EQUITY RATIO ROSE from 15.4 per cent at the end of 2008 to 25.3 per cent as at the balance sheet date for 2009. Together with the reduction in debt – particularly in the short term – there was a significant overall improvement in the financing structure.

Successful capital measures

In three capital increases on 4 June, 10 June, and on 19 October 2009 Air Berlin issued a total of 19,509,093 new shares at a share price of 3.50 EUR for 11,071,700 shares and a share price of EUR 3.97 for 8,437,393 shares. The GROSS PROCEEDS FROM THE ISSUE OF NEW SHARES totalled EUR 72.2 million (net: EUR 67.8 million). 85,226,196 ordinary shares with a nominal value of EUR 0.25 and 50,000 A shares with a nominal value of GBP 1.00 were issued and fully paid up as at the 2009 balance sheet date. This includes 177,600 treasury shares held in connection with an employee share plan. The issue of a new convertible bond at the same time as the partial buy-back of the outstanding convertible bond further strengthened the equity: the equity component of the bond as at 31 December 2009 exceeded that on 31 December 2008 by EUR 24.3 million.

Liabilities fall by EUR 235.5 million in 2009

NON-CURRENT LIABILITIES fell by 3.5 per cent to EUR 978.4 million from EUR 1,013.9 million. In particular, the non-current interest-bearing liabilities and non-current liabilities due to bank from assignment to future lease payments were reduced by 9.7 per cent and 4.5 per cent respectively. Conversely, the non-current part in the negative market value of derivatives increased as at the balance sheet date.

As of the 2009 balance sheet date, CURRENT LIABILITIES were reduced to EUR 823.1 million from EUR 1,023.1 million in the previous year. This corresponds to a decline of 19.5 per cent. Having already been cut back significantly by EUR 78.4 million or 64.1 per cent to EUR 44.0 million in the previous year, current interest-bearing liabilities were reduced by a further EUR 30.4 million or 69.0 per cent to EUR 13.6 million in 2009. Trade and other payables increased by 5.9 per cent to EUR 334.9 million, and current liabilities from derivatives decreased from EUR 236.7 million in the previous year to EUR 12.8 million as at 31 December 2009.

Significant reduction in net debt and gearing

NET DEBT was reduced considerably by EUR 187.9 million or 24.7 per cent in the year under review. On 31 December 2009, this totalled EUR 574.1 million, compared to EUR 762.0 million in the previous year. GEARING (net debt as a percentage of equity) was 94.1 per cent as at year-end 2009, following 204.8 per cent in the previous year.

Financial Position

Net cash generated from operations eleven times higher in 2009

CASH GENERATED FROM OPERATIONS in 2009 amounted to EUR 184.2 million following EUR 44.3 million in the previous year, with depreciation of EUR 109.1 million (previous year: EUR 103.1 million) and EBIT of EUR 28.5 million (previous year: EUR 2.0 million). A decline in trade and other receivables by EUR 21.5 million and an increase in trade and other payables by EUR 26.7 million affected operating cash flow. In addition, other liabilities increased by EUR 36.5 million. After income taxes paid and net interest paid totalling EUR 53.8 million (previous year: EUR 32.5 million), the net cash flow from operating activities was EUR 130.4 million compared to EUR 11.8 million in the previous year.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Business Review
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

CASH OUTFLOW FROM INVESTING ACTIVITIES totalled EUR -68.7 million in the year under review compared to EUR -156.8 million in the previous year. While net payments for non-current assets including advanced payments were reduced by 25.0 per cent to EUR 173.5 million due to difficult overall economic development, cash inflows from sales of intangible and tangible assets increased by 45.2 per cent to EUR 106.0 million.

CASH FLOW FROM FINANCING ACTIVITIES in the year under review was primarily characterised by the repayment of interest-bearing liabilities totalling EUR 92.2 million (previous year: EUR 60.7 million), the issue of new ordinary shares, generating net inflows of EUR 67.8 million, and the net cash inflow of EUR 65.3 million from the issue of new, and the buyback of outstanding, convertible bonds. Overall, cash inflow of EUR 40.9 million was generated from financing activities in 2009, following a cash outflow of EUR 60.7 million in 2008. As such, there was a net inflow of cash and cash equivalents of EUR 102.6 million in the 2009 financial year, compared to a cash outflow of EUR 205.7 million in 2008.

OPERATING CASHFLOW

(IN MILLION EUROS)

+315.8%

184.2

2009

44.3

2008

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Social Responsibility
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

SOCIAL RESPONSIBILITY

Mobility and sustainability. Not a contradiction where Air Berlin is concerned. Quite the opposite in fact: as the friendly airline for the entire family and the responsible frequent flier we take our obligations seriously. Facing the present and the future.

SUSTAINABILITY

Sustainability is part of the business strategy at Air Berlin

Sustainability has traditionally had a fixed place in Air Berlin's corporate culture: economic success is based on acting in a socially and environmentally-friendly manner. Air Berlin would like to communicate this mission statement to its various interest groups from shareholders, investors and financial analysts right up to customers and employees. A good environmental balance, a firmly established commitment to society and a strategic management system designed for sustainability are the best foundations for flying right at the very front in the future.

As an energy-intensive industry, the aviation industry has a particular responsibility when it comes to climate change. Air Berlin therefore gives maximum priority to environmental protection. In its role as FIRST MOVER, the Company has implemented numerous technical innovations in order to improve the environmental balance. For example, the Company installed winglets as early as 2001 – the first European airline to do so. The wing tips improve the aerodynamics, and lower jet fuel consumption by around 3%. Winglets have now become a standard in the aviation industry.

In 2009 alone, the Company's efforts in this regard led to a SAVING OF 32,000 TONNES OF CO_2 on a comparable route. This is equal to the CO2 emissions of 225 flights from Düsseldorf to New York on an Airbus A330.

Air Berlin is an attractive investment in terms of sustainability

Air Berlin was recognised for its ecological, economic and social balance in 2009. The renowned sustainability agency, oekom research AG, describes Air Berlin as an attractive investment, when taking sustainable issues into consideration. oekom research also awarded Air Berlin the "Prime" investment status. In the annual oekom Corporate Responsibility Ratings, a "Prime" rating is only given to companies which are leaders in their industry and which meet minimum requirements in the areas of ecology and social responsibility. The main areas which oekom evaluated positively were Air Berlin's progressive fleet policy, the focus on efficiency in operations and customer management.

The Air Berlin fleet: efficient and modern

State-of-the-art technology secures the highest ecological standards at Air Berlin

Air Berlin consistently uses state-of-the-art technology. Since its foundation more than 30 years ago, the Company has been investing in the LATEST TECHNOLOGY. Environmental awareness and economic benefits go hand in hand: jet fuel accounts for 22 per cent of the operating costs per seat kilometre.

With an average age of 5.5 years, the Air Berlin fleet is one of the youngest and most environmentally friendly in Europe. The aircraft operate particularly quietly and have an excellent fuel balance, CLEARLY BETTER THAN THE INDUSTRY AVERAGE. In 2009, the average specific fuel consumption (measured in litres per 100 passenger kilometres) slightly improved. In 2008, the figure came to 3.70 litres; in the reporting year, this was reduced by 1.6 per cent to 3.64 litres. For many major European airlines average consumption exceeds four litres. And all new aircraft delivered to the Company meet the highest noise protection standards.

Q400 turboprops more cost-effective than an average car

Highlights of the latest fleet modernisation include the replacement of the ageing Fokker 100s with the PARTICULARLY LOW-CONSUMPTION BOMBARDIER TURBOPROP Q400S, and the replacement of the older Boeing 737 Classic with the modern Boeing 737 Next Generation. These replacements were completed by the end of 2008. The Q400s operate with ultra-modern, very quiet six-blade propeller turbines. With a jet fuel saving of 30 per cent to 40 per cent, they are more cost-effective per passenger than the average car, based on the same journey length.

Innovations for more eco-efficiency

A modern fleet and the latest engines form the basis for eco-efficient flying. However, modern aircraft can only achieve all POTENTIAL SAVINGS if flight operations are arranged in an ecologically-friendly manner. For this reason, Air Berlin is developing new measures to reduce consumption on an ongoing basis. Special efficiency training programmes improve the pilots' environmental awareness: flying economically and ecologically is one of the core points in training and testing.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Social Responsibility
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Numerous innovations to reduce consumption …

Potential for savings can be found everywhere from flight planning and flying, right down to ground operations. Prior to every flight, MODERN SOFTWARE optimises the route and flying altitude depending on the weather, load, airspace situation and other factors. Prior to every flight Air Berlin uses a sophisticated fuel management system which determines the optimum fuel level including reserve fuel. In 2009, 492 tonnes of jet fuel and 1,554 tonnes of CO_2 were saved by these measures alone. Air Berlin has also further optimised its alternative airport planning, thereby saving another 1,311 tonnes of jet fuel and 4,130 tonnes of CO_2.

The "Traffic Flow Restriction Module" (TFR) is a further innovation in saving jet fuel. It complements the flight planning system and enables Air Berlin to optimise flight paths to the MOST ECONOMICAL ROUTE, taking into consideration current airway restrictions. This reduces fuel consumption by up to 2 per cent. The result for 2009: 2,295 fewer tonnes of jet fuel and 7,252 fewer tonnes of CO_2. In addition, the cockpit selects the appropriate altitude and speed profile during the flight. This measure alone led to a 5,698-ton reduction in CO_2 emissions in the reporting year.

On the ground, the aircraft need electricity in order to feed the on-board systems and to start the engines. To this end, the aircraft are fitted with a jet fuel-operated auxiliary power unit (APU). Air Berlin has REDUCED USE OF THE APU TO A MINIMUM, and uses stationary ground power units or mobile generators where possible. This led to a 7,770-ton reduction in CO_2 emissions in 2009.

… More efficient landings and less noise …

With the two latest technical innovations, the "SafeRoute™" software system and the satellite-supported flight navigation system GLS, Air Berlin is AGAIN AT THE CUTTING EDGE IN EUROPE. SafeRoute™ makes it possible to land without delay, even in airports with high traffic density. The system calculates the optimum distance between incoming aircraft for the approach. This means that HOLDING PATTERNS ARE AVOIDED, and passengers save valuable time. The Boeings are to be fitted with the new software first, followed by the Airbus fleet at a later date.

The satellite-based navigation technique GLS ("Global Positioning Landing System") allows for more efficient landing approaches with less noise. Unlike the current instrument-based landing system ILS, which is only able to handle linear approaches, GLS allows a variety of approaches – for example in surrounding areas with dense population. As it operates independently for example of weather influences, delays and holding patterns are avoided and thus fuel can be saved.

55 kilograms of paper in the form of landing maps and detailed handbooks are an avoidable ballast. The less-paper cockpit (LPC), in the development of which Air Berlin played a crucial role, can remedy this problem. Air Berlin was the first airline in the world to start using digital flight maps in 2005 and has the goal to stop using paper completely in flight operations by 2011. What does this mean for environmental protection? 1,970 fewer tonnes of CO_2 and 625 fewer tonnes of jet fuel.

Employees

Total staff changes in 2009 only marginal

Compared with 8,311 the previous year, Air Berlin employed a total of 8,278 employees as at 31 December 2009. Women made up the 53.3% majority, with 4,413 to 3,865 men. On average, the employees of the Air Berlin Group have worked for the Company for 4.9 years and are 36.1 years old. Air Berlin employs a total of 596 persons in other countries, 247 of them in Spain and 299 in Switzerland.

At the end of the reporting year, 1,866 employees worked part-time for the Air Berlin Group. Of these, 1,053 Air Berlin employees from the Cockpit/Cabin flight department are taking advantage of an EMPLOYMENT MODEL known as "Take a Month Off", with adjusted salaries. Depending on the situation at the various Air Berlin locations, a certain number of captains and/or co-pilots and cabin crews were granted a maximum of 6 free months in the calendar year 2009. The PROPORTION OF PART-TIME EMPLOYEES is 22.5 per cent.

Employment structure Air Berlin

	31 Dec 2009	31 Dec 2008
Pilots	**1,321**	1,380
Cabin crew	**3,168**	3,301
Technical staff	**1,110**	1,118
Administration/services/others	**2,679**	2,512
Total	**8,278**	8,311

2008: as reported

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Social Responsibility
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Numerous training opportunities at Air Berlin

Air Berlin places value on good development prospects for every single employee and takes this into account with a diverse selection of TRAINING AND FURTHER EDUCATION OPPORTUNITIES. This involves giving young people the ability to make a promising start to their professional life and offering them ideal conditions for their personal future. A range of several classical and technically-orientated occupations which require training is made available to these young people at Air Berlin. There are training programmes for AIR TRAVEL AND AIR TRAFFIC CLERKS, OFFICE AND INDUSTRIAL CLERKS and OFFICE COMMUNICATION CLERKS. For young people interested in technology, there is also the opportunity to receive training as an AIRCRAFT MECHANIC or ELECTRONIC TECHNICIAN for aviation systems.

Commercial and technical training opportunities

In total, 38 young individuals began apprenticeships at Air Berlin in 2009 in commercial or technical areas. Two thirds of the apprentices in the commercial area were trained as travel and air traffic clerks but a vocational training in office communication is also offered. Possibilities for technical professions such as aircraft mechanics and electronic technicians for aviation systems complete the training offered. Distributed across all training year groups, 114 apprentices were working for the Air Berlin Group at the end of the reporting year. 26 of these successfully completed their training in 2009 and progressed to regular employment. Air Berlin also provides a wide selection of internship placements, and a total of 89 interns were employed in various departments as at 31 December 2009.

Air Berlin trains its cabin crew

469 FLIGHT ATTENDANTS WERE HIRED AND TRAINED in 2009. There were 192 the previous year. Safety and emergency training, on-board service, first aid, communication and announcement training, training flights and various practical exercises are offered as part of the specialist training courses. The training programme lasts six weeks.

The Air Berlin Flight School is a leader

The AIR BERLIN FLIGHT SCHOOL has trained commercial pilots since 2007 in cooperation with TFC GmbH Käufer (Technic Flight Consulting). Those who have chosen a Flight School education with Air Berlin receive two years of training in theory and practice that meets the highest international standards. In February 2009, the Air Berlin Flight School was the first aviation school in Germany to be approved by the Federal Office of Civil Aviation to train students for the MULTI-CREW PILOT LICENCE (MPL).

The Air Berlin Flight School was one of the first to offer this new training standard. The forward-looking MPL flight licence is PERFECTLY TAILORED to the demands of modern airlines and makes training with Air Berlin even more attractive. The first four trainee pilots with the new pilot's licence started as co-pilots with the Air Berlin Group in 2009. At the end of 2009, a total of 76 students were undergoing pilot training. Air Berlin is offering pilot training again for 2010.

Employee communication and participation

Flat hierarchy, short procedures, open communication

Air Berlin pursues an "OPEN-DOOR POLICY" across its hierarchy. The deliberately flat organisational hierarchy ensures short procedures, intensifies the culture of cooperation and promotes communication. Employees are informed promptly, regularly and in detail of all Company matters that affect them.

Particular attention is given to economic developments and the financial situation at Air Berlin. This is done by methods of communication such as the Company's own Intranet (Corporate Web), or the REGULAR "LETTERS TO THE EMPLOYEES" from the Board of Directors. New employees receive a starter kit with a comprehensive information pack about Air Berlin and their new position.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Social Responsibility
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

SOCIAL COMMITMENT

As a RESPONSIBLE BUSINESS, Air Berlin sees it as its obligation to promote the development of society in a positive sense. The welfare, safety and health of its employees, customers and all who come into direct and indirect contact with the Company are all considered worthy of protection by Air Berlin.

Respecting the personal dignity, privacy and personal rights of employees is an integral part of the CORPORATE CULTURE. Air Berlin is an equal opportunity employer and makes every effort to prevent and prohibit any discrimination based on ethnic origin, gender, religion or ideology, disability, age, or sexual orientation.

Equal opportunity principle

In line with the GENERAL PRINCIPLE OF EQUAL TREATMENT in the European Union, all general regulations and HR processes are reviewed on an ongoing basis for possible discrimination and senior management are informed of the relevant legal requirements.

Multinational: Air Berlin employs people from 68 countries

Mutual respect and diversity in practice are a matter of course at Air Berlin. As an internationally operating company, Air Berlin not only provides mobility across borders but also UNITES PEOPLE AND CULTURES across the whole world. This diversity is also practised internally: in 2009, Air Berlin employed people of 68 different nationalities

Work-life balance and the compatibility of work and family

Air Berlin places great value on a family-friendly personnel policy, as only motivated employees will make a long-term contribution to the financial success of the Company. Supporting employees in maintaining a balance between their professional and personal lives is therefore an important part of the HR STRATEGY.

Air Berlin offers its employees pension plan models

Air Berlin supports its employees in obtaining personal coverage in old age with various pension plan models. Provisions are made for the demands of DEMOGRAPHIC DEVELOPMENT and the changes to legal conditions.

With hearts and minds – commitment to society at Air Berlin

Help for sick children

There is a tradition of promoting social projects at Air Berlin. The Company has been involved with the CHRISTIANE HERZOG FOUNDATION for 14 years. The Foundation works with young people with cystic fibrosis, the most common hereditary metabolic disorder. Each year, Air Berlin flies children with cystic fibrosis to the island of Gran Canaria for climate therapy, initiates fund-raising campaigns and helps to finance Foundation events. Air Berlin employees support the Foundation with ex-stock sales and similar activities.

Air Berlin launched the AIR BERLIN ENDOWMENT FUND FOR ALS THERAPY RESEARCH AT THE CHARITÉ HOSPITAL in 2008. ALS (amyotrophic lateral sclerosis) is a degenerative disease of the motor nervous system. The Charité ALS clinic receives EUR 100,000 from the fund every year. Intensive therapy research helps to establish the causes in the long term and furthers the development of efficacious medication.

Air Berlin is involved in A HEART FOR CHILDREN and gives its passengers the chance to help. Since the beginning of 2009, Air Berlin passengers booking their flights on the airberlin.com website can support the A Heart for Children aid organisation. During the booking process, customers are given the option to donate one euro. Customers who decide to make this voluntary contribution have the amount added to their fare. Not a single cent goes towards administration costs. The money from these donations helps to support nurseries, schools, playgrounds, children's clinics and soup kitchens. This has so far raised EUR 125,000.

Air Berlin also supports numerous cultural projects. This is not just about spectacular occasions, but also regional, HIGH-QUALITY EVENTS which could not take place without financial support.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Risk Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

RISK REPORT

Being prepared. Responsible risk management identifies risks promptly and helps to manage them successfully or contributes to avoiding them completely – such as with flight safety. And, if we know our risks, we can take better advantage of opportunities.

RISK MANAGEMENT SYSTEM

The most important maxim: early identification and control of risks

As an international aviation company, Air Berlin operates in an environment characterised by diverse opportunities and risks. The early identification and control of these risks and the utilisation of opportunities which present themselves represent a central component of corporate governance. At Air Berlin, they are supported by a COMPREHENSIVE RISK MANAGEMENT system. As an integral part of the operating and reporting system, opportunities and risks are systematically recorded and assessed.

Regular reviews in collaboration with the responsible individuals ensure early identification of areas of potential and risks and enable EFFECTIVE MANAGEMENT. Opportunities and risks are also discussed at the monthly meetings of Executive Management. If Executive Management regard specific measures as necessary, these can be initiated promptly.

Company-wide compliance programme for safety

The existing risk management system is an integral part of the overall operating and reporting process. The registered risks are regularly updated using a software-supported process. Risk reporting covers the review and assessment of all risks in each individual area. Where appropriate, the registration of new risks includes the reassessment of their PROBABILITY OF OCCURRENCE and POTENTIAL EXTENT OF DAMAGE for existing risks and the identification of risks which no longer exist. A quantitative – i.e. monetary – assessment of risks is performed. A qualitative assessment should only be carried out in exceptional cases.

Also of major importance for operating activities are the regulations of the national and international authorities and institutions, particularly with reference to SAFETY. A company-wide compliance programme ensures the registering of changes and the compliance with and adaptation of all processes to the current regulations.

INDUSTRY RISKS

The balanced customer structure limits the market risks

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

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

FINANCIAL RISKS

Exclusively standard hedging transactions

As an internationally operating aviation company, Air Berlin is exposed to FLUCTUATIONS IN JET FUEL PRICES, interest rates and exchange rates – especially the market trend of the US dollar. Possible rises in the price of jet fuel in particular lead to increased cost positions, which are comprehensively and permanently hedged. Possible risks are reduced in advance on the basis of ROLLING HEDGING for the relevant defined periods of time. The financial futures contracts which are standard on international markets are contracted with renowned financial institutions.

A Group-wide treasury management system is used within the existing risk management system for systematic management of interest rate and currency risks. As well as the representation of all underlying transactions and the hedging transactions concluded on a suitably revolving basis, there is a comprehensive calculation of the MARKET-DRIVEN MEASUREMENT and effectiveness of the hedging arrangements entered into, including the reporting system in accordance with IAS 39.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Risk Report
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Internal guidelines which define the scope of operative action are used for the management of financial risks. The core element here is sound liquidity management, which is ensured by comprehensive financial and liquidity planning.

OPERATING RISKS

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

PURCHASING RISKS

The factors significant to MAINTAINING COMPETITIVENESS and safeguarding the reliability of flight operations are a reliable supply of fuel, materials, auxiliary and operating media and access to attractive destination airports, in addition to a modern, high-performance and fuel-efficient fleet of aircraft.

The latest aircraft minimise the risks of flight

A MODERN FLEET radically reduces costs for maintenance and repairs. Air Berlin therefore maintains long-term relationships with major aircraft manufacturers Airbus, Boeing and Bombardier in order to ensure access to the most modern aircraft. In addition to existing purchase agreements with the manufacturers, Air Berlin also has options to acquire additional aircraft at prices which have already been fixed. Air Berlin uses a fleet of leased aircraft with short and medium-term lease periods in addition to its own aircraft. The reduced amount of committed capital stands in contrast to the decreased security of long-term planning.

Air Berlin also maintains long-term relationships with suppliers of other necessary raw materials, supplies and spares in order to ENSURE SECURITY OF SUPPLY AT ANY GIVEN TIME. The most important raw material for Air Berlin is undoubtedly jet fuel. However, securing on-board catering, for example, also plays a major role in offering customers high-quality service. This is one area in particular in which Air Berlin works with fixed purchase agreements.

IT RISKS

The central business processes at Air Berlin are inconceivable without appropriate IT support. Identifying and controlling risks resulting from this area forms a PARTICULAR FOCUS of the risk management system at Air Berlin. Both external and internal risks are taken into consideration. The basis for dealing with IT risks is laid out in Company-wide internal security guidelines.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Economic Development and the Outlook for the Group
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

ECONOMIC DEVELOPMENT AND THE OUTLOOK FOR THE GROUP

DEVELOPMENT OF THE OVERALL ECONOMY AND THE AVIATION INDUSTRY

The recovery of the global economy remains fragile

The trend towards recovery in the global economy remains fragile in early 2010 and potentially instable. The economies of the industrialised nations are still largely dependent on the drip feed from the state stimulus programmes of last year. In the areas in which such programmes took place, such as in the case of the state scrappage bonus in the automotive industry, production is falling. Hope is provided in the form of a RESURGENT INVENTORY CYCLE and the recovery of global trade and therefore export activity. The difficulties of the recession could largely be explained by the massive clearance of inventories, which led to similar clear drops in production. Important developing countries, particularly China, suffered less in 2008/09 and their economies will also recover more quickly.

The high debt of many countries is back in focus

The DWINDLING MOMENTUM OF THE RECOVERY of the previous quarters is manifesting itself in Germany in a clear drop in industrial orders received in December and in the palpable slowdown in industrial production during the fourth quarter of 2009. Overall, Germany's GDP stagnated in the final quarter of 2009. Furthermore, the worsening DEBT PROBLEM in a number of countries and the continuingly weak condition of the US property and employment markets are having a negative impact in numerous countries.

German businesses are becoming more optimistic, the financial professionals more sceptical

The German government is assuming an INCREASE IN THE GERMAN GDP of approximately 1.5 per cent for 2010. However, the data is inconsistent. The experts surveyed in January by the Centre for European Economic Research (ZEW) in Mannheim had a sceptical view of the German economy for the fourth month in succession and the ZEW index of economic expectations sank to its lowest level since July 2009. In contrast, the Ifo index for the economic climate is signalling BRIGHTENING EXPECTATIONS FOR THE FUTURE of companies, which have been ongoing for months. Against this backdrop, the forecasts for German economic growth in 2010 are overall very cautious and are fluctuating on a low level between 1% and 2%. A self-supporting and stable upturn is not expected.

Only restrained growth in the Eurozone

The collective analyses of the German Ifo Institute, the French INSEE and the Italian ISAE also produced a rather gloomy outlook for the EUROZONE. In real terms, they expect Eurozone GDP to rise by only 0.2 per cent in each of the first two quarters of 2010. The fading impetus of the state support programmes, the restrictive credit conditions and the STRAINED SITUATION ON THE EUROPEAN LABOUR MARKET are all viewed as having an especially negative impact. Accordingly, industrial production in the Eurozone is likely to expand only slowly.

The European and GLOBAL ECONOMIC PROSPECTS look similar to the experts from the OECD. In their outlook from November 2009 for the 13 OECD countries in the Eurozone, they expect growth of only 0.9 per cent in 2010. The OECD forecasts are similarly cautious for other European countries such as the UK. For the USA, the experts are anticipating an increase in real GDP of 2.5 per cent, half as a result of a positive stock cycle. The January 2010 forecasts from the International Monetary Fund are only marginally more positive.

Further challenges facing international air travel

The IATA expects losses for its members to continue into 2010

According to IATA, there are STILL "ENORMOUS" RISKS for international air travel. Continuing into 2010, airlines must pay close attention to controlling their costs and bringing their capacities in line with demand. After -4.1% in 2009, the current year is expected to witness a rise of 4.5% in passenger volumes. Despite this slightly more optimistic projection, IATA is expecting considerably higher losses than previously for 2010, according to a new analysis of the development of earnings of its member companies. CONTINUINGLY HIGH EXCESS CAPACITY – with another 1,300 new aircraft, a 2.8% expansion of worldwide capacity is expected, and decreasing travel budgets for companies will hinder improving yields.

In addition, in 2010 at USD 75 the AVERAGE PRICE OF OIL (Brent) will be at least 21 PER CENT HIGHER than in 2009 according to IATA. Correspondingly, after losses of USD 3.8 billion to date, the organisation expects these to reach a total of USD 5.6 billion. However, this is a source of perceptible improvement, as IATA is still assuming losses of USD 11 billion for 2009. Overall, the years 2000 to 2009 represent a DECADE OF HIGH LOSSES for the industry totalling USD 49.1 billion. Against this backdrop, 2010 will turn out no better in IATA's view.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Economic Development and the Outlook for the Group
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

REPORT ON EXPECTED DEVELOPMENTS

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

No changes in our growth stragegy

We are NOT PLANNING ANY MAJOR CHANGES in the operating policy or the market positioning of the Air Berlin Group for financial years 2010 and 2011. In particular, the Air Berlin Group will remain focussed on its current growth strategy through both organic and acquisition-based investment as long as it contributes to the target return. Against this background, therefore, the issues outlined in the "Company Profile", "Corporate Strategy" and "Company Management" sections on pages 48 to 54 will largely apply to this period too.

The key markets for the Air Berlin Group are expected to remain Germany as well as the catchment areas of its major foreign hubs, particularly Palma de Mallorca and Vienna. Business in Eastern Europe and the Middle East will be strategically expanded. Closer collaboration with our AUSTRIAN PARTNER NIKI during the current financial year has laid important foundations for implementing this strategy.

If the ongoing world economic crisis should persist or even deepen, the Board of Directors will take ALL MEASURES NECESSARY to safeguard the market position of the company and its liquidity. The now significantly improved level of funding has helped increase the room for manoeuvre needed by the Air Berlin Group in a possible long downturn.

Opportunities and risks in the forecast

Economic risks continue to predominate

In view of what has so far been a very modest trend towards recovery following the collapse of the global economy, the RISKS ASSOCIATED WITH FORECASTING IN AN UNCERTAIN ECONOMIC CLIMATE remain very high. In particular, consumer behaviour is expected to remain cautious: the number of people out of work, particularly in the industrialised nations, rose significantly in 2009 and this trend will in all likelihood continue in 2010.

Fierce competition will continue

The AVIATION INDUSTRY, however, is particularly dependent on people's demand for luxuries since flying is not a basic need. In the case of business travel too, forecasts regarding future trends should generally be on the cautious side as companies are unlikely to quickly abandon their cost-consciousness, which was enhanced during the recession. Despite the slight increase in volume hoped for by IATA, therefore, the PRICE COMPETITION in the air travel industry is expected to remain very lively in 2010. The flagship airlines in particular are facing the challenge of winning back, at least in part, the market share lost to budget airlines.

Development of commodity prices unforseeable

Other forecasting risks for fiscal 2010 include the continued increase in the prices of raw materials, which cannot be forecast, and their susceptibility to speculative market forces, which has increased significantly in recent years. Since interest rates are not expected to increase significantly in the medium term, refinancing costs remain low, which offers strong incentives for SPECULATING ON INTERNATIONAL COMMODITY MARKETS. As a result, Air Berlin continues to hedge a high level of its jet fuel requirements; at the end of 2009, the hedging ratio for requirements in 2010 already stood at 40.3 per cent. But hedging costs can increase dramatically, particularly in response to major price fluctuations.

Likewise, INTERNATIONAL FOREIGN EXCHANGE markets are subject to strong speculative forces for the same reasons as commodity markets. The debt faced by certain countries in the euro area has severely affected the euro exchange rate since the start of 2010. The ongoing sharp depreciation of the euro against the US dollar would, on balance, result in higher procurement costs for fuel in particular, since this is generally paid for in US dollars. Although Air Berlin is also hedging the currency risk to a high degree, full hedging – whether for fuel or for foreign-currency transactions – is not economically viable.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
Economic Development and the Outlook for the Group
05) Corporate Governance
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

2010 financial year

2010: number of passengers to exceed 30 million mark for the first time

Air Berlin is expecting to GROW MORE STRONGLY IN 2010 THAN THE MARKET as a whole, for which IATA expects passenger growth of 4.5 per cent. As such, the number of passengers using Air Berlin in 2010 is, for the first time ever, expected to rise well above the 30 million mark. This forecast is backed up not only by the add-on effect of the TUIfly connections, which can be seen for the first time throughout the year, but also by Air Berlin's UNIQUE COMPETITIVE ADVANTAGES that have contributed to above-average growth in the past. Key factors here include the well-balanced product portfolio that caters for business and private travellers alike, the outstanding price/performance ratio particularly on short- and medium-haul routes, as well as the optimisation of Air Berlin's highly used and flexible route network, which will continue throughout 2010.

We EXPECT SALES TO MARKEDLY INCREASE, mainly due to the full year contribution of the TUIfly business. Naturally, we will continue our cost reduction efforts and, against this background, we expect to continue on our path of profitable growth.

AUDITORS

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who are members of the Board at the time of approving the Directors' Report are listed on pages 10 to 16. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

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

Approved by the Board and signed on its behalf by

18 March 2010

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

CORPORATE GOVERNANCE REPORT

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

As at 31 December 2009, the Board comprised seven Non-Executive Directors (including the Chairman) and three Executive Directors. The Chairman is responsible for leading the Board, ensuring the effectiveness of the Board in all of its tasks, including communication with shareholders, setting the Board's agenda and encouraging all Board members to participate fully in its activities and decision making.

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy. The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during 2009 to fulfilling their duties as members of the Board. The Chairman's main external commitments did not change during the year.

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

AUDIT COMMITTEE

As at 31 December 2009, the Audit Committee comprised Dr Hans-Joachim Körber (as Chairman of the Committee), Hartmut Mehdorn and Dieter Pfundt, all of whom are independent Non-Executive Directors. A representative of the Company's external auditors and the Chief Financial Officer attend the meetings of the Committee.

The Audit Committee met six times during 2009. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal and external audits and controls. The Committee's tasks include reviewing the Company's annual financial statements and other financial information before their publication, determining the scope of the annual audit, and advising on the appointment of external auditors. Additionally, the Committee is responsible for monitoring the effectiveness of the Company's internal control systems, including the work of internal audit. The Committee periodically reviews the scope of the non-audit work undertaken by the auditors and the fees related to such work to ensure that the auditors' impartiality is not or may not become impaired. The Committee also makes recommendations to the Board regarding the reappointment or the removal of external auditors, their terms of engagement and the level of their remuneration.

NOMINATIONS COMMITTEE

As at 31 December 2009, the Nominations Committee comprised Johannes Zurnieden (as Chairman of the Committee), Joachim Hunold, Dr Hans-Joachim Körber, Hartmut Mehdorn, Heinz-Peter Schlüter, Ali Sabanci and Nicholas Teller, the majority of whom are independent Non-Executive Directors. The Committee is primarily responsible for assisting the Board in determining its composition, makeup and balance. It also is responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. Further, the Committee determines the succession plans for the Chairman of the Board and the Chief Executive Officer. The Committee meets as required, but no less than once per year. The appointments of the Non-Executive Directors were the result of a search process carried out by the Board.

REMUNERATION COMMITTEE

As at 31 December 2009, the Remuneration Committee comprised Dr Hans-Joachim Körber (as Chairman of the Committee), Nicolas Teller and Johannes Zurnieden, all of whom are Non-Executive Directors. The Remuneration Committee has responsibility for making recommendations to the Board on the Executive Directors' and the senior management's compensation, including any bonuses, pension rights (where appropriate) and share-based compensation payments. The Committee meets as required, but no less than once per year. The remuneration report on pages 104 to 115 provides further details of the remuneration policies of the Company.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Directors are expected, wherever possible, to attend all Board meetings, relevant committee meetings and the Annual General Meeting (the "AGM"). All Board members are provided in advance with appropriate information covering matters which are to be considered. A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2009 is set out below:

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Meetings held	5	6	1	1
Meetings attended				
Johannes Zurnieden Chairman	5	3	1	1
Joachim Hunold Chief Executive Officer	5	n/a	1	n/a
Ulf Hüttmeyer Chief Financial Officer	5	n/a	n/a	n/a
Jean Christoph Debus Chief Commercial Officer*	3	n/a	n/a	n/a
Elke Schütt Chief Commercial Officer*	2	n/a	n/a	n/a
Karl Lotz Chief Operating Officer*	2	n/a	n/a	n/a
Wolfgang Kurth Chief Maintenance Officer*	2	n/a	n/a	n/a
Dr Hans-Joachim Körber Non-Executive Director	5	6	1	1
Nicholas Teller Non-Executive Director	5	n/a	1	1
Heinz-Peter Schlüter Non-Executive Director	5	n/a	n/a	n/a
Claus Wülfers Non-Executive Director *	3			
Dieter Pfundt Non-Executive Director	3	4	n/a	n/a
Ali Sabanci Non-Executive Director *	3	n/a	n/a	n/a
Hartmut Mehdorn Non-Executive Director *	2	2	n/a	n/a

* these directors only served for part of the year

The Board has delegated to the Executive Directors responsibility for the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities already established by the Board; the implementation of the strategies and policies

of the Company as determined by the Board; the monitoring of operational and financial results against plan; the monitoring of the quality of the investment process against specified objectives; the prioritisation of the allocation of capital, technical and human resources and the development and implementation of a risk management system.

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

SHAREHOLDER RELATIONS

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

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

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

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

INTERNAL CONTROLS AND BOARD PERFORMANCE

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

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

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

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

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

The Chairman regularly meets with the members of the Board to discuss their performance, the performance of the Board as a whole and of the board committees of which the directors are members and any other matters that the Directors may wish to discuss.

COMPLIANCE WITH THE COMBINED CODE

As the Company is not listed in the United Kingdom, it is not required to comply with the obligation under the UK Listing Rules to disclose in its annual audited financial statements the extent of its compliance with corporate governance standards set forth in the Combined Code, nor is it required to comply with German corporate governance standards. The Company complies voluntarily with the provisions of the Combined Code. However, the Company has not complied with certain provisions of the Combined Code that are not required by German corporate governance standards and are not customary in the German market. Specifically, the Executive Directors' service contracts have fixed terms of more than one year and cannot be terminated during such period unless for cause. As a consequence of the fixed term nature of the contracts, there is no obligation on the Directors to mitigate loss in case of termination. The Directors are subject to re-election at periods which are customary in the German market. The Company continues to believe that more stringent requirements would place the Company at a disadvantage in the recruitment and retention of senior executives.

GOING CONCERN

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as disclosed in note 1 to the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Membership and Responsibilities of the Remuneration Committee

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

The Committee remains responsible for:

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

The Remuneration Committee has the ability to obtain independent advice with respect to the establishment of appropriate executive compensation. The Committee determined that such external advice was not necessary when establishing the level of compensation for the year 2009.

Remuneration Policy

Executive Directors

The Company's remuneration policy provides compensation packages at market rates which reward and encourage successful performance. Accordingly, the Company's policy is to provide a compensation package which reflects each Executive Director's level of responsibility and contribution to the Company, and the competitive environment. The compensation package for the Executive Directors in 2009 comprises a combination of a basic salary, a variable bonus scheme, benefits in kind and participation in the Employee Share Plan under the framework established in 2006.

The base salaries of the Executive Directors for 2009 are:

Director	Fixed remuneration per annum (EUR)
Joachim Hunold	1,000,000
Ulf Hüttmeyer	450,000
Jean Christoph Debus (since 1 June 2009)	204,167
Elke Schütt (until 31 May 2009)	114,583
Karl Lotz (until 31 May 2009)	114,583
Wolfgang Kurth (until 31 May 2009)	114,583

The Executive Directors may receive a discretionary annual bonus as determined by the Remuneration Committee. The Remuneration Committee determines, on an annual basis, the payment of any bonus compensation and, in deciding to award any such bonus, takes into consideration the consolidated EBITDAR of the Company, the Executive Directors' performance and whether established benchmarks of the business plan have been reached. If these benchmarks have been reached the parties assume that the annual bonus will amount to 100% of the fixed annual remuneration. The Remuneration Committee may, at its own discretion, decide to increase the bonus if its amount was affected by the results of the Company due to extraordinary circumstances. However, such a decision to increase the bonus is only possible in two consecutive years.

Service Contracts

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

Director	Date of Agreement	Term of Agreement
Joachim Hunold	2 December 2005	2 December 2010
Ulf Hüttmeyer	1 February 2006	2 December 2010
Jean Christoph Debus	1 June 2009	2 December 2010

Prior to expiry, the service agreements of the Executive Directors may be terminated by the Company for cause only or due to mutual agreement between the parties. Any Executive Director who is removed from office prior to 2 December 2010 without the service agreement being terminated as outlined above is entitled to remuneration for the remainder of the term of the service contract.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

The service contracts for each Executive Director contain an obligation not to compete with the Company's business for one year following termination or expiry of their respective service agreements. In consideration for this undertaking, each Executive Director is entitled to receive his or her fixed remuneration for that year.
New service agreements have been concluded with the Executive Directors which have no fixed term but which can be terminated on twentyfour months notice.

Additional Benefits

The service agreements provide a right of the Executive Directors to participate in the Restricted Stock Unit Scheme of the Company. In 2006, Mr. Hunold and Mr. Hüttmeyer received the legal title to shares in connection with the Company's Employee Share Plan. No further awards were made in 2007, 2008 or 2009.

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. Upon reaching age 65 or in case of permanent inability to work, Executive Directors are entitled to pension benefits amounting to at least 4% (in the case of Mr. Hüttmeyer and Mr. Debus) and 6.25% (in the case of Mr. Hunold) of their final annual base salary for each year of service. An Executive Director's entitlement cannot exceed 50% of his final annual base salary. The accumulated pension rights as of 31 December 2009 are set forth on page 109.

Each Executive Director is provided with a Company telephone, car and telecommunications equipment. In addition, each Executive Director is entitled to reduced or free air transportation on flights operated by the Company. Each Executive Director has the benefit of directors' and officers' insurance and accident insurance, at appropriate levels.

Remuneration Policy for 2010

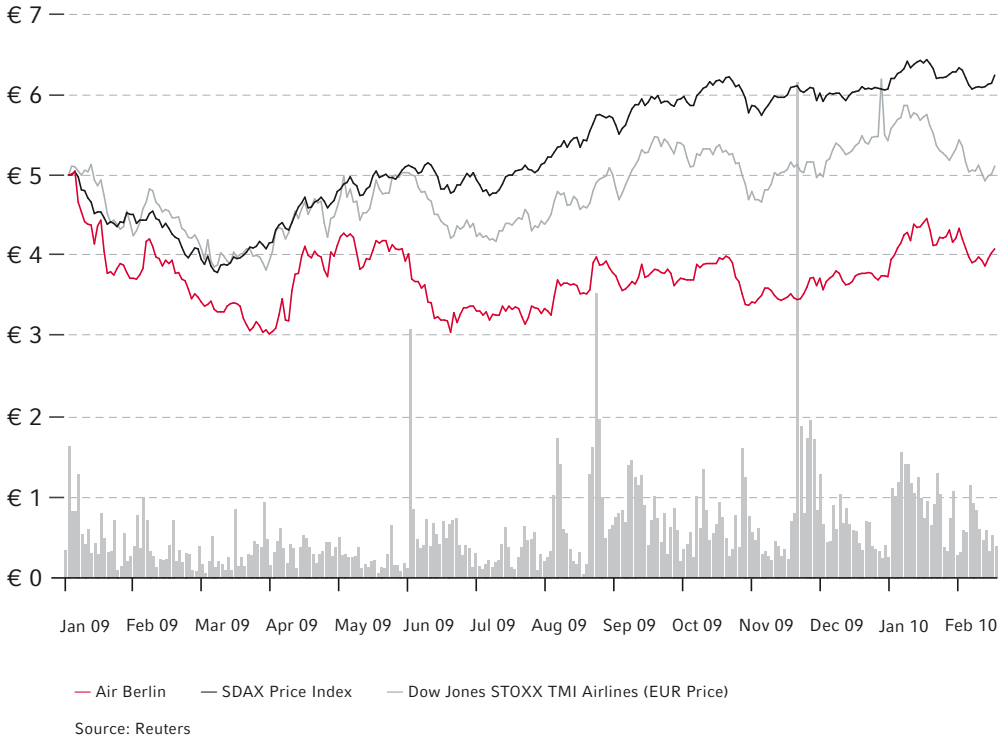
It is anticipated that the policy described above will continue to be applied in determining each Executive Director's base salary. It is expected that the Remuneration Commitee, using its discretion, will determine the level of any annual bonus award made to the Executive Directors taking into consideration Air Berlin's financial and operational performance assessed on the basis of factors such as Air Berlin's consolidated EBIT, net profit and dynamic indebtedness (a measure of net debt against EBITDAR) and the airline's punctuality.

Non-Executive Directors

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

Performance Graph

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



Source: Reuters

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The directors' remuneration during the period was:

			Performance-related			
In thousands of euros	Basic salary and fee	Taxable benefits	Cash bonuses	Value of share awards	**Total 2009**	Total 2008
Executive Directors:						
Joachim Hunold	1,006	30	600	(15)	**1,621**	1,501
Ulf Hüttmeyer	456	22	270	(15)	**733**	678
Jean Christoph Debus	207	5	122.5	0	**334.5**	0
Karl Lotz	117	6	57	(15)	**165**	410
Elke Schütt	120	4	57	(15)	**166**	412
Wolfgang Kurth	121	0	57	0	**178**	308
Non-Executive Directors:						
Dr Hans-Joachim Körber	89	0	0	0	**89**	89
Dr Eckhard Cordes	0	0	0	0	**0**	22
Claus Wülfers	0	0	0	0	**0**	60
Nicholas Teller	60	0	0	0	**60**	60
Dieter Pfundt	60	0	0	0	**60**	6
Heinz-Peter Schlüter	60	0	0	0	**60**	38
Friedrich Carl Janssen	0	0	0	0	**0**	39
Johannes Zurnieden	179	0	0	0	**179**	179
Hartmut Mehdorn	30	0	0	0	**30**	0
Ali Sabanci	31	0	0	0	**31**	0
Aggregate emoluments	**2,536**	**67**	**1,163.5**	**(60)**	**3,706.5**	**3,802**

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

in thousands of euros	Accumulated annual accrued benefits at 31 December 2009	Accumulated annual accrued benefits at 31 December 2008	Increase in accumulated annual accrued benefits during the year 2009
Joachim Hunold	172	173	(1)
Ulf Hüttmeyer	50	24	26
Karl Lotz	141	82	59
Elke Schütt	46	41	5
Wolfgang Kurth	19	11	8
Jean Christoph Debus	8	0	8

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

in thousands of euros	Transfer value at 31 Dec. 2009	Transfer value at 31 Dec. 2008	Directors' contributions during the year	Movement, less directors' contributions
Joachim Hunold	2,964	1,668	0	1,296
Ulf Hüttmeyer	158	101	0	57
Karl Lotz	2,312	951	0	1,361
Elke Schütt	542	406	0	136
Wolfgang Kurth	312	134	0	178
Jean Christoph Debus	76	0	0	76
	6,364	3,260	0	3,104

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

Directors' interests in shares

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

	Air Berlin PLC / ordinary shares	
	31 Dec. 2009	31 Dec. 2008
Executive directors		
Joachim Hunold	**2,250,004**	2,100,004
Ulf Hüttmeyer	**10,000**	20,000
Jean Christoph Debus	**0**	0
Karl Lotz*	**10,000**	20,000
Elke Schütt*	**10,000**	20,000
Wolfgang Kurth*	**0**	0

* no longer serving as Executive Directors

Included in these figures are 20,000 shares per director related to the Employee Share Plan discussed below. In addition, Joachim Hunold has a beneficial interest in 2,500 A Shares, which are non-voting and have limited rights. The Chairman of the Board, Johannes Zurnieden, holds 1,350,268 ordinary shares in the company as at 31 December 2009. In addition two other non-executive directors, Dr Hans-Joachim Körber and Ali Sabanci also held shares with Dr Hans-Joachim Körber holding 153,000 ordinary shares and Ali Sabanci, through his directorship at ESAS Holding A.S., being interested in 14,045,031 ordinary shares.

Directors' share awards

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

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

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

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

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

The right to acquire the beneficial interest in the shares is exercisable during a two-week period following notification by the Company of fulfilment of the performance criteria. The exercise price is EUR 0.25 per share, the nominal value of the shares. The share price as at 31 December 2009 was EUR 3.76.

Neither of the performance conditions were met for the Tranche I performance period, which ended 31 December 2008 nor the Tranche 2 performance period, which ended 31 December 2009. Therefore, participants will not be able to call for the economic interest in the shares under those tranches and may be required to transfer the legal ownership of those shares to the Air Berlin Employee Share Trust.

None of the Non-Executive Directors are entitled to share options. No options were exercised or lapsed during the period. A detailed description of the Employee Share Plan is also provided in the Notes to the financial statements, see pages 147 to 149.

CHANGES IN THE BOARD OF DIRECTORS

Elke Schütt, Karl Friedrich Lotz, and Wolfgang Kurth resigned from the Board on 31 May 2009. Claus Wülfers resigned from the Board on 9 June 2009. On 1 June 2009, Jean Christoph Debus was appointed as the Company's Chief Commercial Officer. Prior to his appointment Mr. Debus held the position of Managing Director and Chief Financial Officer with the German airline Condor Flugdienst GmbH. Ali Sabanci joined the Board in May 2009. Mr. Sabanci is also a member of the board of ESAS Holding, the Company's largest shareholder, and chairman of Pegasus Airlines. In July 2009, Hartmut Mehdorn joined the Board. Mr. Mehdorn was CEO of Deutsche Bahn AG for nearly ten years prior to his appointment to the Board. Mr. Dieter Pfundt resigned from the Board on 28 February 2010. Thereafter, on 1 March 2010, Peter Oberegger was appointed as a non-executive director and is currently the personally liable partner of Vorwerk & Co. KG.

SUPPLEMENTARY REPORT

In the period from the end of the 2009 financial year until the editorial deadline for this Annual Report on 18 March 2010, no events occurred which could have had a material impact on business development.

Wolfgang Kurth, Chief Maintenance Officer, resigned from the company on 9 February 2010 with immediate effect.

Air Berlin PLC announced the increase of its stake in NIKI Luftfahrt GmbH on 18 February 2010. The contracts were notarised on 17 February 2010. Air Berlin PLC and its subsidiary Air Berlin PLC & Co. Luftverkehrs KG agreed with the Privatstiftung Lauda (Lauda private foundation) that Air Berlin PLC & Co. Luftverkehrs KG will indirectly acquire 25.9% of the shares of NIKI Luftfahrt GmbH and thereby increase its current participation in NIKI Luftfahrt GmbH from 24% to 49.9%. The purchase price for the shares is EUR 21 million. In conjunction with the increase of its stake, Air Berlin PLC & Co. Luftverkehrs KG will grant the Privatstiftung Lauda a loan of EUR 40.5 million. The Privatstiftung has the option to pay back the loan in three years in cash or by transferring the remaining 50.1% of shares in NIKI Luftfahrt GmbH. Andreas Nikolaus (Niki) Lauda will remain available to NIKI Luftfahrt GmbH's for at least another three years.

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
Directors'
Remuneration Report
06) Responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

The implementation of these measures is subject to the receipt of the necessary antitrust approvals. NIKI Luftfahrt GmbH will be fully consolidated within the Air Berlin Group in the future. NIKI Luftfahrt GmbH will remain a legally independent company with its own management. The NIKI name should also be retained in the foreseeable future.

The integration of NIKI into the Air Berlin Group increases the number of aircraft by eleven. Based on the provisional figures for 2009, the number of passengers flying with the Air Berlin Group has increased by 2.6 million – with a seat-load factor of 77%. According to its provisional figures for 2009 (based on local GAAP), NIKI Luftfahrt GmbH achieved revenue of EUR 269.2 million (+17% on the previous year) and EBIT of EUR 23.1 million. That equates an increase of 71% against the 2008 financial year.

NIKI is planning a network expansion for the current year. These plans include opening up connections to Sofia, Bucharest, Copenhagen and Nice. Further routes to Olbia/Cagliari, Belgrade and Barcelona complement Air Berlin's selection.

In March 2010 Air Berlin reduced the number of firm orders of Boeing 787 aircraft from 25 to 15 and the number of Options from 10 to 5. Furthermore the delivery of 9 Boeing 737 aircraft was rescheduled to 2015. There aircraft were originally scheduled for delivery in 2010 or 2011, respectively.

The changes to the Board of Directors between 31 December 2009 until the editorial deadline for this Annual Report are listed in the previous chapter of the same name.

Approved by the Board and signed on its behalf.

18 March 2010

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
Declaration by the legal representatives
Statement of Directors' responsibilities
07) Auditor's Report
08) Financial Statements
09) Other Information

DECLARATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, 18 March 2010

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

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

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year.

Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

01) Essentials
02) Evolving for success
03) The Share
04) Directors' Report
05) Corporate Governance
06) Responsibilities
07) Auditors' report
Independent Auditors' report
08) Financial Statements
09) Other Information

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR BERLIN PLC

We have audited the financial statements of Air Berlin PLC for the year ended 31 December 2009 set out on pages 121 to 187. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 117, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion:

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

Melvyn Egglenton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Great Britain

18 March 2010

AIR BERLIN PLC
FINANCIAL STATEMENTS 2009

Air Berlin PLC

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

	Note	2009	2008 (adjusted)*
		€ 000	€ 000
Revenue	19	**3,240,344**	3,388,520
Other operating income	20	**42,443**	38,621
Expenses for materials and services	21	**(2,193,173)**	(2,359,845)
Personnel expenses	22	**(440,722)**	(446,264)
Depreciation and amortisation	5, 6	**(109,144)**	(103,142)
Other operating expenses	23	**(511,281)**	(515,897)
Operating expenses		**(3,254,320)**	(3,425,148)
Result from operating activities		**28,467**	1,993
Financial expenses	24	**(62,588)**	(55,533)
Financial income	24	**24,554**	12,561
Foreign exchange losses, net	24	**(12,938)**	(28,989)
Net financing costs		**(50,972)**	(71,961)
Share of profit (loss) of associates, net of tax	25	**808**	(9)
Loss before tax		**(21,697)**	(69,977)
Income tax benefit (expense)	26	**12,229**	(13,541)
Loss for the period – attributable to owners of Air Berlin PLC		**(9,468)**	(83,518)
Basic earnings per share in €	11	**(0.13)**	(1.27)
Diluted earnings per share in €	11	**(0.13)**	(1.27)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2009	2008
		€ 000	€ 000
Loss for the period		**(9,468)**	(83,518)
Foreign currency translation differences		**(169)**	1,137
Effective portion of changes in fair value of hedging instruments	**29g**	**55,968**	(83,324)
Net change in fair value of hedging instruments transferred from equity to profit or loss	**29g**	**148,147**	(100,946)
Income tax on other comprehensive income	**26**	**(61,604)**	55,528
Other comprehensive income for the period, net of tax		**142,342**	(127,605)
Total comprehensive income - attributable to owners of Air Berlin PLC		**132,874**	(211,123)

* The adjustments as of 31 December 2008 relate to the first time adoption of IFRIC 13. For further information see note 4p.

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Note	31/12/2009	31/12/2008 (adjusted)*
		€ 000	€ 000
Assets			
Non-current assets			
Intangible assets	5	**318,060**	313,819
Property, plant and equipment	6	**1,209,743**	1,269,943
Trade and other receivables	9	**106,252**	108,254
Deferred tax asset	26	**0**	54,555
Positive market value of derivatives	28	**14**	664
Deferred expenses		**5,825**	0
Investments in associates	7	**3,183**	1,771
Non-current assets		**1,643,077**	1,749,006
Current assets			
Inventories	8	**38,724**	36,692
Trade and other receivables	9	**297,663**	283,427
Positive market value of derivatives	28	**23,720**	46,567
Deferred expenses		**35,120**	25,110
Cash and cash equivalents	27	**373,233**	268,287
Current assets		**768,460**	660,083
Total assets		**2,411,537**	2,409,089
Equity and liabilities			
Shareholders' equity			
Share capital	10	**21,379**	16,502
Share premium	10	**374,319**	307,501
Equity component of convertible bond	15	**51,598**	27,344
Other capital reserves	10	**217,056**	217,056
Retained earnings		**(62,323)**	(62,654)
Hedge accounting reserve, net of tax	29	**7,218**	(135,294)
Foreign currency translation reserve	10	**767**	936
Equity available to the shareholders of the Company		**610,014**	371,391
Minority interest		**0**	629
Total equity		**610,014**	372,020
Non-current liabilities			
Liabilitites due to bank from assignment of future lease payments	15	**583,158**	610,463
Interest-bearing liabilities	15	**273,355**	302,783
Provisions	14	**10,298**	10,661
Trade and other payables	17	**36,401**	31,263
Deferred tax liabilities	26	**4,327**	0
Negative market value of derivatives	28	**70,853**	58,767
Non-current liabilities		**978,392**	1,013,937
Current liabilities			
Liabilitites due to bank from assignment of future lease payments	15	**77,228**	73,011
Interest-bearing liabilities	15	**13,580**	44,012
Current tax liabilities		**7,526**	8,076
Provisions	14	**11,177**	15,562
Trade and other payables	17	**334,926**	316,121
Negative market value of derivatives	28	**12,756**	236,735
Deferred income		**78,390**	72,795
Advanced payments received	18	**287,548**	256,820
Current liabilities		**823,131**	1,023,132
Total equity and liabilities		**2,411,537**	2,409,089

* The adjustments as of 31 December 2008 relate to the first time adoption of IFRIC 13. For further information see note 4p.

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2010 and signed on behalf of the Board:

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	31/12/2009	31/12/2008 (adjusted)*
		€ 000	€ 000
Loss for the period		**(9,468)**	(83,518)
Adjustments to reconcile loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	5, 6	**109,144**	103,142
Gain on disposal of tangible and intangible assets	20, 23	**(8,394)**	(18,851)
Write-off of loans		**2,000**	0
Gain on disposal of associates		**0**	(2,282)
Loss on disposal of subsidiaries		**0**	316
Share based payments		**(88)**	(143)
Increase in inventories		**(2,032)**	(5,868)
Decrease in trade accounts receivables		**21,479**	3,722
Increase in other assets and prepaid expenses		**(23,978)**	(18,568)
Deferred tax (benefit) expense	26	**(17,834)**	8,631
Decrease in accrued liabilities and provisions		**(4,748)**	(92,703)
Increase (decrease) in trade accounts payable		**26,689**	(4,478)
Increase in other current liabilities		**36,502**	79,034
Foreign exchange losses	24	**12,938**	28,989
Interest expense	24	**60,222**	54,919
Interest income	24	**(3,280)**	(12,561)
Profit from redemption of convertible bonds	24	**(21,273)**	0
Income tax expense	7, 26	**5,606**	4,910
Share of (profit) loss of associates	25	**(808)**	9
Changes in fair value of derivatives		**1,675**	(1,662)
Other non-cash changes		**(169)**	1,234
Cash generated from operations		**184,182**	44,272
Interest paid		**(49,442)**	(40,188)
Interest received		**1,812**	11,317
Income taxes paid		**(6,156)**	(3,597)
Net cash flows from operating activities		**130,396**	11,804
Purchase of tangible and intangible assets		**(161,738)**	(203,700)
Acquisition of subsidiary, net of cash		**0**	1,494
Purchase of minority interests		**(1,182)**	0
Proceeds from sale of subsidiary, net of cash		**0**	(2,247)
Net advanced payments for non-current items	9	**(11,782)**	(27,497)
Proceeds from sale of tangible and intangible assets		**106,044**	72,972
Dividends received from associates		**0**	211
Proceeds from sale of associates		**0**	2,328
Acquisition of investments in associates	7	**(17)**	(376)
Cash flow from investing activities		**(68,674)**	(156,815)
Principal payments on interest-bearing liabilities		**(202,791)**	(231,256)
Proceeds from long-term borrowings		**110,625**	170,518
Issue of ordinary shares	10	**72,247**	0
Transaction costs related to issue of new shares	10	**(4,470)**	0
Redemption of convertible bonds (issued in 2007)	15	**(53,405)**	0
Issue of convertible bonds	15	**125,000**	0
Transaction costs related to convertible bonds	15	**(6,339)**	0
Cash flow from financing activities		**40,867**	(60,738)
Change in cash and cash equivalents		**102,589**	(205,749)
Cash and cash equivalents at beginning of period		**267,809**	468,550
Foreign exchange gains on cash balances		**1,612**	5,008
Cash and cash equivalents at end of period	27	**372,010**	267,809
Thereof bank overdrafts used for cash management purposes		**(1,223)**	(478)
Thereof cash and cash equivalents in the statement of financial position		**373,233**	268,287

* The adjustments as of 31 December 2008 relate to the first time adoption of IFRIC 13. For further information see note 4p.

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Note	Share capital	Share premium
		€ 000	€ 000
Balances at 31 December 2007 (reported)		**16,502**	**307,501**
First time adoption IFRIC 13			
Balances at 31 December 2007 (adjusted)		**16,502**	**307,501**
Share based payment			
Total transactions with owners		**0**	**0**
Loss for the period (adjusted)			
Other comprehensive income			
Total comprehensive income for the period (adjusted)		**0**	**0**
Balances at 31 December 2008 (adjusted)		**16,502**	**307,501**
Issue of ordinary shares	10	4,877	67,370
Transaction cost, net of tax	10		(3,130)
Share based payment	12		
Acquisition of non-controlling interest	10		
Reimbursement of transaction costs (issue of ordinary shares), net of tax			2,578
Redemption of convertible bonds	15		
Issue of convertible bond, net of tax	15		
Transaction cost, net of tax	15		
Total transactions with owners		**4,877**	**66,818**
Loss for the period			
Other comprehensive income			
Total comprehensive income for the period		**0**	**0**
Balances at 31 December 2009		**21,379**	**374,319**

Equity component of convertible bonds	Other capital reserves	Retained earnings	Hedge accounting reserve, net of tax	Foreign currency translation reserve	Equity available to the owners of Air Berlin PLC	Non-controlling interest	Total equity
€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
27,431	**217,056**	**31,889**	**(6,639)**	**(201)**	**593,539**	**629**	**594,168**
		(10,882)			(10,882)		(10,882)
27,431	**217,056**	**21,007**	**(6,639)**	**(201)**	**582,657**	**629**	**583,286**
		(143)			(143)		(143)
0	**0**	**(143)**	**0**	**0**	**(143)**	**0**	**(143)**
		(83,518)			(83,518)		(83,518)
(87)			(128,655)	1,137	(127,605)		(127,605)
(87)	**0**	**(83,518)**	**(128,655)**	**1,137**	**(211,123)**	**0**	**(211,123)**
27,344	**217,056**	**(62,654)**	**(135,294)**	**936**	**371,391**	**629**	**372,020**
					72,247		72,247
					(3,130)		(3,130)
		(88)			(88)		(88)
		(553)			(553)	(629)	(1,182)
					2,578		2,578
(10,440)		10,440			0		0
36,548					36,548		36,548
(1,854)					(1,854)		(1,854)
24,254	**0**	**9,799**	**0**	**0**	**105,748**	**(629)**	**105,119**
		(9,468)			(9,468)		(9,468)
			142,512	(169)	142,343		142,343
0	**0**	**(9,468)**	**142,512**	**(169)**	**132,875**	**0**	**132,875**
51,598	**217,056**	**(62,323)**	**7,218**	**767**	**610,014**	**0**	**610,014**

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Note	31/12/2009	31/12/2008
		€ 000	€ 000
Assets			
Non-current assets			
Investments in subsidiaries	34b	**470,992**	220,958
Investments in associates		**0**	125
Deferred tax assets	34c	**4,856**	19,751
Positive market value of derivatives		**0**	350
Loans to subsidiaries	34d	**15,200**	16,384
Loans to associates	34e	**39**	250
Other loans	34d	**1,500**	3,500
Non-current assets		**492,587**	261,318
Current assets			
Loans to subsidiaries		**185,182**	155,000
Receivables from subsidiaries	34f	**91,200**	274,040
Receivables from associates	34g	**149**	148
Positive market value of derivatives		**58**	2,380
Other receivables		**4,228**	1,260
Deferred expenses		**904**	567
Cash and cash equivalents		**104,295**	159,978
Current assets		**386,016**	593,373
Total assets		**878,603**	854,691
Equity and liabilities			
Shareholders' equity			
Share capital	34h	**21,379**	16,502
Share premium	34h	**374,319**	307,501
Equity component of convertible bond		**51,598**	27,344
Retained earnings		**34,775**	7,122
Total equity		**482,071**	358,469
Non-current liabilities			
Other liabilities	34j	**198,089**	192,696
Negative market value of derivates		**7,078**	14,715
Non-current liabilities		**205,167**	207,411
Current liabilities			
Accrued taxes		**4,815**	2,560
Accrued liabilities		**1,761**	2,228
Payables to subsidiaries	34l	**182,720**	281,347
Trade and other payables		**419**	2,570
Negative market value of derivatives		**1,435**	0
Other liabilities		**207**	86
Deferred income		**8**	20
Current liabilities		**191,365**	288,811
Total equity and liabilities		**878,603**	854,691

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2010 and signed on behalf of the Board:

Joachim Hunold
Chief Executive Officer

Ulf Hüttmeyer
Chief Financial Officer

Company registered number: 05643814

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Note	31/12/2009	31/12/2008
		€ 000	€ 000
Profit for the period		**17,301**	41,399
Adjustments to reconcile profit to cash flows from operating activities			
Write-off of loans	12	**2,000**	0
Share based payments		**(88)**	(143)
Decrease (increase) in receivables from subsidiaries		**88,356**	(147,452)
Increase in receivables from associates		**(1)**	(148)
Decrease in other receivables and prepaid expenses		**2,659**	1,159
Deferred tax benefit	34c	**(226)**	(2,403)
(Decrease) increase in accrued liabilities and provisions		**(467)**	2,020
(Decrease) increase in trade accounts payable		**(2,150)**	2,466
(Decrease) increase in payables to subsidiaries	34f	**(99,395)**	273,423
Decrease in pension liabilities		**0**	(587)
Increase (decrease) in other payables and deferred income		**110**	(2,046)
Foreign exchange losses		**129**	0
Interest expense		**17,945**	16,554
Interest income		**(3,022)**	(8,575)
Profit from redemption of convertible bonds		**(21,273)**	0
Income tax expense		**2,254**	2,482
Share of loss of associates		**586**	0
Changes in fair value of derivatives		**(3,530)**	(4,423)
Cash generated from operations		**1,188**	173,726
Interest paid		**(6,219)**	(45)
Interest received		**726**	5,389
Income taxes received		**0**	78
Net cash flows from operating activities		**(4,305)**	179,148
Acquisition of investments in subsidiaries	34b	**(33)**	(77,643)
Increase in share capital of subsidiaries	34b	**(155,001)**	0
Acquisition of investments in associates		**0**	(125)
Long-term loans to subsidiaries	34d	**(28,998)**	(16,384)
Long-term loans to associates	34e	**(250)**	(250)
Cash flow from investing activities		**(184,282)**	(94,402)
Repayment of short-term borrowings		**0**	(100,000)
Issue of ordinary shares	10	**72,247**	0
Transaction costs related to issue of new shares	10	**(4,470)**	0
Redemption of convertible bonds (issued in 2007)	15	**(53,405)**	0
Issue of convertible bonds	15	**125,000**	0
Transaction costs related to convertible bonds	15	**(6,339)**	0
Cash flow from financing activities		**133,033**	(100,000)
Change in cash and cash equivalents		**(55,554)**	(15,254)
Cash and cash equivalents at beginning of period		**159,978**	175,232
Foreign exchange losses on cash balances		**(129)**	0
Cash and cash equivalents at end of period		**104,295**	159,978
Thereof cash and cash equivalents in the statement of financial position		**104,295**	159,978

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Note	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Total equity
		€ 000	€ 000	€ 000	€ 000	€ 000
Balances at 31 December 2007		**16,502**	**307,501**	**27,431**	**(34,134)**	**317,300**
Share based payment		**0**	0	0	(143)	(143)
Total transactions with owners		**0**	**0**	**0**	**(143)**	**(143)**
Profit for the period		0	0	0	41,399	41,399
Other comprehensive income		0	0	(87)	0	(87)
Total comprehensive income for the period		**0**	**0**	**(87)**	**41,399**	**41,312**
Balances at 31 December 2008		**16,502**	**307,501**	**27,344**	**7,122**	**358,469**
Share based payment	12	0	0	0	(88)	(88)
Issue of ordinary shares	10	4,877	67,370	0	0	72,247
Transaction cost, net of tax	10	0	(3,130)	0	0	(3,130)
Reimbursement of transaction costs (issue of ordinary shares), net of tax		0	2,578	0	0	2,578
Issue of convertible bonds, net of tax	15	0	0	36,548	0	36,548
Transaction cost, net of tax	15	0	0	(1,854)	0	(1,854)
Redemption of convertible bonds	15	0	0	(10,440)	10,440	0
Total transactions with owners		**4,877**	**66,818**	**24,254**	**10,352**	**106,301**
Profit for the period		0	0	0	17,301	17,301
Total comprehensive income for the period		**0**	**0**	**0**	**17,301**	**17,301**
Balances at 31 December 2009		**21,379**	**374,319**	**51,598**	**34,775**	**482,071**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

1. INTRODUCTION

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2009 comprise Air Berlin PLC and its subsidiaries (together referred to as "Air Berlin" or the "Group") and the Group's interest in associates. Air Berlin is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of Air Berlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

2. BASIC PRINCIPLES AND PREPARATION OF FINANCIAL STATEMENTS

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 126 to 128.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes by IFRIC 13 "Customer Loyalty Programmes" which are discussed in note 4p below and IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The accounting policies have been applied consistently by all Group entities. The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The consolidated financial statements have been prepared in Euro. The European Central Bank year-end exchange rate was GBP 0.8881 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share and bond data. The financial statements were authorised and approved for issue by the Board of Directors on 18 March 2010.

Going concern

The Groups' business activities, together with the factors likely to affect its future development, performance and position are set out in the Report on Economic Development and the Outlook for the Group on pages 92 to 96.

The financial position of the Group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 71 to 78. Details for the Group`s borrowings are set out in note 15 and 29 of the financial statements. In addition, notes 4u and 28 to the financial statements include the Group`s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk.

The Group meets its day to day working capital requirements through its cash holdings. As discussed in the Report on Economic Development and the Outlook for the Group on pages 92 to 96, the current economic conditions create uncertainty particularly in respect of

fluctuating currency rates, fluctuating jet fuel prices and passenger demand. The Group`s forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group will generate sufficient cash to meet its liabilities in the foreseeable future.

The directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for the foreseeable future. The going concern basis is used in preparing the accounts.

Use of estimates

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

3. BASIS OF CONSOLIDATION

a) Subsidiaries

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

- Air Berlin PLC & Co. Luftverkehrs KG
- Air Berlin PLC & Co. Airport Service KG
- Air Berlin PLC & Co. Cabin Service KG
- Air Berlin PLC & Co. DUS KG
- Air Berlin PLC & Co. Service Center KG

b) Special purpose entity

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

c) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on

an equity accounted basis and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

d) Transactions eliminated on consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES

a) Intangible assets

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

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

The estimated useful lives of intangible assets are as follows:

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

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

b) Property, plant and equipment

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

-- AIRCRAFT AND ENGINES

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

Portions of the cost of an aircraft is attributed on acquisition to major inspection and overhaul costs of its engines and airframe and is depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life.
As aircraft and engines are purchased in stages with the payment of initial and subsequent deposit payments, the borrowing costs associated with these payments are capitalised as part of the costs of those qualifying assets. Other borrowing costs are expensed as incurred.

-- LAND AND BUILDINGS
Land and buildings relate to two airport buildings leased under finance leases as further discussed in note 16. The buildings are depreciated over their remaining useful lives or the term of the lease.

-- OTHER TANGIBLE ASSETS
The estimated useful lives of other tangible assets are as follows:

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

c) Subsequent expenditure
Expenditure incurred to replace a component of an item of aircraft, engines and other equipment, including major inspection and overhaul expenditure, is capitalised as a separate item. Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the items of property, plant and equipment. All other expenditures are recognised in the statement of comprehensive income as an expense when incurred.

d) Impairment

-- NON-FINANCIAL ASSETS
The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at the end of each period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, the recoverable amount is estimated at each period end. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recorded in the statement of comprehensive income.
The recoverable amount is the greater of the assets' fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are allocated first to goodwill allocated to the cash generating unit and then to the other assets of the unit pro rata based on their carrying amounts. In respect of tangible assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Judgement is required in determining the cash generating unit, as well as in calculating value in use. The operating margins used in determining value in use are based on planned business and operational growth. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash generating unit.

-- FINANCIAL ASSETS

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

e) Inventories

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

f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment loss, which approximates their fair value. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables for which collection is doubtful are written down to their realisable value in a separate account. Further details to the allowance for impairment losses are found in note 29a. The allowance for impairment losses is used to record impairment losses until the Group determines that the receivable is irrecoverable. Financial assets are derecognised directly when they are expected to be irrecoverable.

Estimated future cash flows are based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses.

g) Derivatives

Derivative financial instruments are used for hedging fuel price, interest rate, and currency rate risks arising from operational and financing activities. Hedging transactions are entered into to secure future cash flows. Derivative financial instruments are recognised initially at fair value. All derivatives that do not qualify for hedge accounting are classified as held for trading. Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, if the Group revokes the designation as hedge accounting or if the hedge no longer meets the criteria for hedge accounting. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Any resultant gain or loss is recognised directly in the statement of comprehensive income as profit or loss unless the derivative has been classified as a hedge of a highly probable future cash flow. The effective portion of gains and losses from changes in the fair value of derivatives designated as cash flow hedges are taken to equity in accordance with IAS 39 and are recognised in the profit and loss when the related transaction impacts income or the future cash flow ceases to be considered probable. The ineffective portion of a cash flow hedge is recognised immediately in income.

Forward exchange transactions are used to mitigate exchange rate exposure. The fair value of forward exchange contracts is their quoted market price at the end of the period, being the present value of the quoted forward price.

Commodity swaps and options are used to limit the fuel price risk.

The Group uses cross-currency interest rate swaps to convert variable rate liabilities in foreign currencies to fixed rate positions in the functional currency.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months. Cash and cash equivalents are valued at cost. Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement. Cash and cash equivalents also include restricted cash as set out in note 27.

i) Share capital

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

-- ORDINARY SHARES

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

-- REDEEMABLE "CLASS A" PREFERENCE SHARES

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

-- TREASURY SHARES

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

j) Income taxes

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

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

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

k) Provisions

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

l) Interest-bearing liabilities

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

m) Trade and other payables

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

n) Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the end of the period. Any differences resulting from the currency translation are recognised in the statement of comprehensive income. Further details to the currency risk are provided in note 29d.

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

o) Recognition of income and expenses

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

p) Deferred income

Deferred income in the statement of financial position relates mainly to ticket sales and bonus miles resulting from Air Berlin's frequent flyer plan.

Air Berlin recognises ticket sales as income at the time the transportation is provided. However, when the fare is for a round-trip and the return flight has not been taken at year-end , the unearned revenue is deferred in the consolidated statement of financial position under "deferred income" until such time the transportation is provided. Revenue on unclaimed tickets is realised when the expiry date of the ticket has passed.

-- FREQUENT FLYER PLAN

The Group operates a frequent flyer plan ("topbonus" programme) which allows the customer to collect bonus miles on flights, by doing business with Air Berlin's partners (hotels, car rental agencies, insurance and financial service companies) or by shopping. Within the scope of the "topbonus" programme of Air Berlin miles earned are valued at the fair value using the deferred-income-method in accordance with IFRIC 13 "Customer Loyalty Programmes". IFRIC 13 was applied from 1 January 2009. The value of one mile was previously valued using the incremental-cost method until 31 December 2008. In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the impact of IFRIC 13 has been applied retrospectively.

The effects of IFRIC 13 are as follows:

In thousands of Euro	Reported	01.01.2008 Adjustment	Adjusted	Reported	31.12.2008 Adjustment	Adjusted
Equity	(594,168)	10,882	(583,286)	(391,401)	19,381	(372,020)
Deferred income	(48,079)	(15,584)	(63,663)	(45,039)	(27,756)	(72,795)
Deferred tax asset	2,956	4,702	7,658	46,180	8,375	54,555
Revenue				3,400,692	(12,172)	3,388,520
Income tax expense				(17,214)	3,673	(13,541)
Earnings per share (basic) in €				(1.14)	(0.13)	(1.27)
Earnings per share (diluted) in €				(1.14)	(0.13)	(1.27)

q) Leasing

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

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

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

Lease income from operating leases is recognised in the statement of comprehensive income over the lease term.

The Group carries out sale and leaseback transactions. If the leaseback transaction is an operating lease, and the sale price is below fair value of the asset, any profit or loss is recognized immediately in the statement of comprehensive income in accordance with IAS 17. If the loss is compensated for by future lease payments below market price, it shall be deferred and amortized in proportion to the lease payments over the lease term.

r) Pensions

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

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

s) Share-based payment transactions

The fair value of options granted to employees is estimated on the grant date and recognised in the statement of comprehensive income as personnel expense over the vesting period (i.e. the period in which the employees become unconditionally entitled to the options). The corresponding entry is an increase in equity. The fair value was determined using valuation techniques which comply with IFRS 2.

The amount recognised as an expense is adjusted to reflect the number of share options expected to vest. Market conditions are included in the calculation of fair value at grant date and do not affect future valuation, whereas vesting conditions are taken into consideration in determining the number of share options expected to vest. Further details to vesting conditions are found in note 12.

t) New pronouncements

The following IFRS standards and interpretations were issued, endorsed by the EU and are available for early application and have been applied by the Group in the financial statements:

- Revised IFRS 3, Business Combinations, effective for the financial years beginning on or after 1 July 2009 was already adopted by the Group together with the respective changes in other standards.
- Amended IAS 27, Consolidated and Separate Financial Statements, effective for the financial years beginning on or after 1 July 2009.

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

- Revised IFRS 1, First-time Adoption of International Financial Reporting Standards, effective for the financial years beginning on or after 1 July 2009.
- Amendments to IFRS 5, Non-current Assets held for Sale and Discontinued Operations as a result of Improvements to International Financial Reporting Standards 2008, effective for the financial years beginning on or after 1 July 2009.
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items, effective for the financial years beginning on or after 1 July 2009.
- IFRIC 17, Distribution of Non-cash Assets to Owners, effective for the financial years beginning on or after 1 July 2009.

u) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit risk

Single-seat tickets are sold subject to payment up front. Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight. Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments during the month based on the expected monthly sales.
The sale of passage and freight documents is handled via agencies and the Internet within the guidelines of IATA. Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are subject to controls by appropriate clearing houses. The credit risk from an individual sales agent is relatively low due to worldwide dispersion. Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a clearing house of the International Air Transport Association (IATA). Settlement takes place principally through the balancing of all receivables and liabilities in monthly intervals, which also contributes to a significant reduction in the risk of non-payment. Separate security may be required in the particular payment agreement for other transactions.
For all other payment relationships, depending upon the type and level of the particular payment, securities may be required or credit information/references obtained. Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment. Recognisable risks are accounted for by valuation adjustments on receivables.
The credit risk from investments and derivative financial instruments arises from the risk of non-payment by a contract partner. Since the transactions are concluded with contracting parties of the highest possible credit rating the risk of non-payment is extremely low. Cash in bank is held only at banks with the highest credit ratings. Derivative financial instruments are also held with parties with AA ratings or that are known to be reliable based on past experience. The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity in the Group is protected by appropriate liquidity planning and adequate financing structures.
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Air Berlin reputation.
A group-wide treasury management system is implemented. It covers and evaluates all matters associated with interest and exchange rates. All substantial Air Berlin companies are fully incorporated into the Air Berlin treasury management system.
In addition the Group has enhanced its liquidity management through the development of a liquidity management tool which incorporates expected operational, financing and investing cash flows on a weekly basis. The primary focus is on sufficient liquidity, based on comprehensive financial and liquidity planning.

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

Market risk
Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and commodity prices. Changes in market prices can affect the Group's income and expenses or the value of Air Berlin holdings in financial instruments. As an airline Air Berlin is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. Air Berlin uses derivatives to limit these risks. A detailed description of the Group's exposure to market risks and the hedging activities to limit these risks is presented in note 29.

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

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

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

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

The categories of financial assets and financial liabilities are further detailed in note 29h.

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

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

5. INTANGIBLE ASSETS

In thousands of Euro	Software licences	Goodwill	Landing rights	Trademarks	Customer relationships	**Total**
Acquisition cost						
Balance at 1 January 2008	17,414	196,162	108,249	6,592	3,036	**331,453**
Additions	5,147	0	0	0	0	**5,147**
Adjustments through business combinations	0	(1,494)	0	0	0	**(1,494)**
Disposals	(444)	0	0	0	0	**(444)**
Balance at 31 December 2008	22,117	194,668	108,249	6,592	3,036	**334,662**
Additions	4,107	0	10,000	0	0	**14,107**
Disposals	(405)	0	0	(6,592)	0	**(6,997)**
Balance at 31 December 2009	25,819	194,668	118,249	0	3,036	**341,772**
Depreciation						
Balance at 1 January 2008	11,271	0	0	2,417	0	**13,688**
Depreciation charge for the year	5,484	0	0	896	1,075	**7,455**
Disposals	(300)	0	0	0	0	**(300)**
Balance at 31 December 2008	16,455	0	0	3,313	1,075	**20,843**
Depreciation charge for the year	5,823	0	0	3,279	759	**9,861**
Disposals	(400)	0	0	(6,592)	0	**(6,992)**
Balance at 31 December 2009	21,878	0	0	0	1,834	**23,712**
Carrying amount						
At 1 January 2008	6,143	196,162	108,249	4,175	3,036	**317,765**
At 31 December 2008	5,662	194,668	108,249	3,279	1,961	**313,819**
At 31 December 2009	3,941	194,668	118,249	0	1,202	**318,060**

The Group performed an impairment test on both landing rights and goodwill in the fourth quarter of 2009 based on a variety of assumptions and concluded that as the estimated recoverable amount exceeds the carrying amounts, no impairment was required. The recoverable amount was determined for the cash generating unit to which the landing rights and goodwill belongs.

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

In thousands of Euro	Freight	Technical services	Flight services	**Total**
Goodwill	31,000	0	163,668	194,668
Landing rights	0	0	118,249	118,249

The future cash flows were estimated using the value-in-use method based on the most recent mid-term cash flow plan (2 years) approved by management for the existing fleet, extrapolated to perpetuity using a 0.5% (2008: 0.5%) growth rate and discounted to their present value. The pre-tax peer-group weighted average cost of capital was 10.43% (2008: 12.33%). The plan is based on the passenger volume of 33 – 35 million passengers. The calculation of value in use is most sensitive to the assumptions of discount rate and the number of passengers. The operating margins used in determining value in use are based on planned business and operational growth, excluding growth arising from purchases of additional fixed assets but including maintenance and repairs. The recoverable amount exceeds the carrying amount by a significant amount. The recoverable amount of the cash-generating unit Flight services will be equal to its carrying amount by an adverse change in the weighted average cost of capital of 2.57 percentage points or through a decline in the passenger volume of about 1.2 million passengers. The trading environment is subject to both regulatory and competitive pressures that could have a material impact on the operating performance of the business. The discount rate reflects management's estimate of the peer-group long-term cost of capital for the cash generating unit.

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of Euro	Land and buildings	Aircrafts and engines	Technical equipment and machinery	Office-equipment	**Total**
Acquisition cost					
Balance at 1 January 2008	28,834	1,349,951	103,384	41,711	**1,523,880**
Additions	0	173,977	33,770	7,590	**215,337**
Currency translation adjustments	0	0	107	0	**107**
Disposals	0	(49,659)	(7,246)	(12,323)	**(69,228)**
Balance at 31 December 2008	28,834	1,474,269	130,015	36,978	**1,670,096**
Additions	322	151,978	24,002	5,687	**181,989**
Disposals	(7)	(124,361)	(62,100)	(2,243)	**(188,711)**
Reclassifications	10,923	0	14,735	(25,658)	**0**
Balance at 31 December 2009	40,072	1,501,886	106,652	14,764	**1,663,374**
Depreciation					
Balance at 1 January 2008	1,277	284,012	14,346	20,635	**320,270**
Depreciation charge for the year	3,060	71,959	14,450	6,218	**95,687**
Currency translation adjustments	0	0	10	0	**10**
Disposals	0	(3,882)	(5,220)	(6,712)	**(15,814)**
Balance at 31 December 2008	4,337	352,089	23,586	20,141	**400,153**
Depreciation charge for the year	3,580	81,563	10,267	3,873	**99,283**
Currency translation adjustments	0	0	27	0	**27**
Disposals	(1)	(30,343)	(14,434)	(1,054)	**(45,832)**
Reclassifications	7,394	0	9,947	(17,341)	**0**
Balance at 31 December 2009	15,310	403,309	29,393	5,619	**453,631**
Carrying amount					
At 1 January 2008	27,557	1,065,939	89,038	21,076	**1,203,610**
At 31 December 2008	24,497	1,122,180	106,429	16,837	**1,269,943**
At 31 December 2009	24,762	1,098,577	77,259	9,145	**1,209,743**

Borrowing costs for aircrafts and engines capitalised in 2009 and 2008 are € 543 and € 1,005 respectively, at borrowing rates between 1.51% and 1.72% for 2009 and 3.80% and 6.06% for 2008.
Aircraft and engines are pledged as security in connection with the Group's interest-bearing liabilities and liabilities due to banks from assignment of future lease payments.
Tangible assets include land and buildings, aircraft and engines, and technical equipment and machinery which have been capitalised as a result of finance leases.

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

In thousands of Euro	2009	2008
Land and buildings	**21,439**	24,498
Aircraft and engines	**47,097**	49,182
Technical equipment and machinery	**2,010**	0
Office equipment	**0**	208
	70,546	73,888

Finance leases are explained in more detail in note 16.

7. INVESTMENTS IN ASSOCIATES

In thousands of Euro	2009	2008
Acquisition cost		
Balance at 1 January	**1,771**	935
Additions	**17**	510
Disposals	**0**	(46)
Dividends received	**0**	(211)
Share of profits	**1,395**	583
Balance at 31 December	**3,183**	1,771

The Group has the following investments in associates:

Ownership	Country	2009	2008
		%	%
Niki Luftfahrt GmbH, Vienna	Austria	**24.0**	24.0
IBERO Tours GmbH, Düsseldorf*	Germany	**50.0**	50.0
Lee & Lex Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	24.0
BINOLI GmbH, Berlin	Germany	**49.0**	49.0
THBG BBI GmbH, Schönefeld	Germany	**35.0**	35.0
E190 Flugzeugvermietung GmbH, Vienna	Austria	**24.0**	0.0

* Accounted for as an associate due to lack of control

The Group's share of recognised profit or loss in the above associates for the years ending 31 December 2009 and 2008 is € 808 and € –9, respectively.
The Group has recognised losses relating to Lee & Lex Flugzeugvermietung GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of these losses the Group's long-term loans receivable to Lee & Lex Flugzeugvermietung GmbH have been written off by € 592, thereof € 126 in the year ending 31 December 2009. Similarly the Group has recognised losses relating to Binoli GmbH only up to the amount of the Group's net investment in the associate. In connection with the recognition of the losses the Group's long-term loans receivable to Binoli GmbH have been written off by € 461 for the year ending 31 December 2009.

Summary of financial information on associates – 100 per cent. The figures are determined in accordance with Austrian or German local GAAP:

The latest financial information (2008) disclosed the following amounts:

In thousands of Euro	Assets	Liabilities	Equity	Revenues	Profit (loss)
Niki Luftfahrt GmbH, Vienna	156,846	146,338	10,508	229,479	7,028
IBERO Tours GmbH, Düsseldorf	1,837	896	941	2,816	102
Lee & Lex Flugzeugvermietung GmbH, Vienna	51,979	54,971	(2,992)	7,466	(526)
BINOLI GmbH, Berlin	1,318	2,110	(792)	1,155	(1,197)
THBG BBI GmbH, Schönefeld	5,845	5,364	481	0	(619)

8. INVENTORIES

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

In thousands of Euro	**2009**	2008
Raw materials	**0**	656
Supplies and spares	**37,102**	35,136
Purchased merchandise	**1,622**	900
	38,724	36,692

Inventories are measured at the lower of cost and net realisable value. In 2009 the impairment of inventories was released by € 137 (2008: inventories were written down by € 1,176). The amount of inventories expensed directly in the statement of comprehensive income is reported in note 21.

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

In thousands of Euro	Current 2009	Non-current 2009	**Total 2009**	Current 2008	Non-current 2008	Total 2008
Trade receivables	95,380	0	**95,380**	107,092	0	107,092
Receivables from related parties	26,990	2,711	**29,701**	13,911	2,918	16,829
Loans receivable	0	1,500	**1,500**	0	3,500	3,500
Accrued receivables	17	0	**17**	2,372	0	2,372
Security deposits and deposits with suppliers	6,463	30,965	**37,428**	14,599	29,754	44,353
Receivables for bonus and claims	38,656	0	**38,656**	40,095	0	40,095
Receivables from sale of fixed assets	37,961	12,123	**50,084**	274	0	274
Other receivables	12,033	0	**12,033**	10,397	781	11,178
Loans and receivables	217,500	47,299	**264,799**	188,740	36,953	225,693
Receivables from tax authorities	2,550	0	**2,550**	6,239	0	6,239
Advanced payments on aircraft and other tangible assets	62,610	57,037	**119,647**	71,391	71,301	142,692
Other assets	15,003	1,916	**16,919**	17,057	0	17,057
	297,663	106,252	**403,915**	283,427	108,254	391,681

Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled. The amounts are carried at amortised cost using the effective interest method.
Receivables from related parties relate primarily to NIKI Luftfahrt GmbH. The Group's share in this company is 24%.
The receivables result from trade receivables and clearing accounts.
Other assets mainly include receivables from insurance carriers (2009: € 2,691 and 2008: € 1,460) and suppliers with debit balances (2009: € 6,899 and 2008: € 11,456).
Advanced payments on aircraft and other tangible assets relate primarily to advanced payments, deposits and commitment fees made under the Group's various agreements for the purchase of aircraft, which are detailed in note 31 "Capital commitments" below. Net payments of € 11,782 (2008: € 27,497) were made during the period and € 34,210 was capitalised in 2009 (2008: € 16,784).
The Group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 29.

10. SHARE CAPITAL AND RESERVES

Share capital and share premium

On 4 June 2009 the Company issued 6,571,700 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 23,000,950.
On 10 June 2009 the Company issued 4,500,000 new shares at a share price of € 3.50. Gross proceeds on the issue of new shares amounted to € 15,750,000.
On 19 October 2009 the Company issued 8,437,393 new shares at a share price of € 3.97. Gross proceeds on the issue of new shares amounted to € 33,496,450. As result of this transaction Leibniz-Service GmbH holds 9.9 % investment in share capital of the Group. Transaction costs incurred in 2009 amounted to € 4,470.

Share capital of 85,226,196 ordinary shares of € 0.25 each and 50,000 A shares of £ 1.00 each was issued and fully paid up as of 31 December 2009. Included in this amount are 177,600 treasury shares held by Air Berlin (through the Air Berlin Employee Share Trust) in connection with the employee share plan described below. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.
The A shares are redeemable at the option of Air Berlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of Air Berlin save on a distribution of assets of Air Berlin among its members on a winding up or other return of capital (other than a redemption or purchase by Air Berlin of its own shares), in which case the holders of A shares shall be entitled, in priority of to any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A share.

Movements in share capital are summarised below:

	Ordinary shares		Redeemable "Class A" preference shares	
In thousands of shares	**2009**	2008	**2009**	2008
On issue at 1 January	**65,717**	65,717	**50**	50
Issued for cash	**19,509**	0	**0**	0
On issue at 31 December	**85,226**	65,717	**50**	50
Thereof held as treasury shares	**178**	178	**0**	0

No shares have been reserved for issue under options.

Other capital reserves

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

Treasury shares

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

Hedge accounting reserve

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

Foreign currency translation reserve

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

Dividends

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

Minority interest

The minority interest of € 629 shown in the statement of financial position as at 31 December 2008 relates to the 51 per cent of Belair's equity at the acquisition date. On 26 October 2009 the Group purchased the remaining 51 per cent of Belair's equity. The purchase price equals CHF 1,785 (€ 1,182). The increase in ownership interest in Belair without change in control is accounted for as an equity transaction.

11. EARNINGS PER SHARE

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

In thousands of Euro and thousands of shares, except EPS	**2009**	2008
Loss for the year	**(9,468)**	(83,518)
Dividends declared on redeemable "Class A" preference shares	**0**	0
Profit attributable to ordinary shareholders (basic and diluted)	**(9,468)**	(83,518)
Issued ordinary shares at 1 January	**65,717**	65,717
Effect of shares issued in 2009	**7,984**	0
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**73,523**	65,539
Weighted average number of ordinary shares outstanding (diluted)	**73,523**	65,539
Basic earnings per share (in €)	**(0.13)**	(1.27)
Diluted earnings per share (in €)	**(0.13)**	(1.27)

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

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

12. EMPLOYEE SHARE PLAN

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

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

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

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

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

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

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

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

Share options	Number of share options **2009**	Weighted average exercise price **2009**	Number of share options 2008	Weighted average exercise price 2008
Outstanding at the beginning of the period	**113,600**	**0.25**	174,000	0.25
Forfeited during the period	**56,800**	**0.25**	60,400	0.25
Outstanding at the end of the period	**56,800**	**0.25**	113,600	0.25
Exercisable at the end of the period	**0**	**0.25**	0	0.25

No options were exercised or lapsed during the period.
Total benefit in the statement of comprehensive income relating to the Employee Share Plan was € 88 in 2009 (benefit of € 143 in 2008).

13. PENSION LIABILITIES / EMPLOYEE BENEFITS

The Group held provisions for the following employee benefits at 31 December 2009:

In thousands of Euro	**2009**	2008
Provision for anniversary bonuses	**6,825**	7,243
Provision for old age part time (early retirement)	**4,330**	4,119
Total employee benefits	**11,155**	11,362

The provisions for anniversary bonuses and old age part time (early retirement) are described in note 14.

Defined benefit plans

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

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

In thousands of Euro	**2009**	2008
Present value of funded obligations	**11,594**	8,306
Fair value of plan assets	**(13,562)**	(10,279)
Funded status	**(1,968)**	(1,973)
Amount not recognised due to limitation in IAS 19.58(b)	**1,968**	1,973
Pension liabilities	**0**	0

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

In thousands of Euro	2009	2008
Defined benefit obligation at 1 January	**8,306**	8,270
Current service cost	**1,426**	1,681
Benefits paid	**(111)**	(11)
Interest on obligation	**520**	426
Actuarial losses / (gains)	**1,453**	(2,060)
Defined benefit obligation at 31 December	**11,594**	8,306

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

In thousands of Euro	2009	2008
Fair value of plan assets at 1 January	**10,279**	7,065
Contribution	**3,909**	3,188
Benefits paid	**(111)**	(11)
Expected return on plan assets	**431**	56
Actuarial losses	**(946)**	(19)
Fair value of plan assets at 31 December	**13,562**	10,279

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

The actual loss on plan assets was € 515 during the period (€ 37 gain in 2008). No experience adjustments were made during the period.

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

In thousands of Euro	2009	2008
Current service cost	**1,426**	1,681
Interest on obligation	**520**	426
Expected return on plan assets	**(431)**	(56)
Net actuarial losses / (gains) recognised in the period	**2,399**	(2,041)
Effect of the limitation in IAS 19.58(b)	**(5)**	1,973
Pension expense	**3,909**	1,983

The Group expects to contribute € 3,610 to its defined benefit pension plans in 2010.

Principal actuarial assumptions at the reporting date are as follows:

	2009	2008
Discount rate at 31 December	**5.39%**	6.30%
Expected return on plan assets at 1 January	**4.00–4.30%**	2.75–4.00%
Future salary increases	**0.00-2.00%**	3.00%
Cost of living adjustment (future pension increases)	**1.00%**	1.00%

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

Defined contribution plans

Through the acquisition of dba in 2006, the Group acquired a defined contribution pension plan covering all employees of dba, to which the Group makes contributions. The net pension expense recorded in the profit and loss in 2009 as a result of the defined contribution plan is € 5 (2008: € 18).

As employees in Germany are covered by and required to contribute to the German social security system, Air Berlin does not have any other employee benefit plans at the end of the period. The Group paid contributions into the German social security system of € 26,687 in 2009 (€27,713 in 2008).

14. PROVISIONS

In thousands of Euro	Balance at 1.1.2009	Additions	Utilisation	Release	Balance at 31.12.2009
Provision for airport fees	4,445	936	0	0	5,381
Provision for anniversary bonuses	7,243	48	(466)	0	6,825
Provision for old age part time	4,119	947	(736)	0	4,330
Provision for redundancy costs	10,416	0	(4,460)	(1,018)	4,938
	26,223	1,931	(5,662)	(1,018)	21,474

Thereof € 10,298 relating to the provision for anniversary bonuses and old age part time was classified as non-current as at 31 December 2009 (2008: € 10,661).

As a result of the existing collective labour agreement, older employees of LTU (age 55 and above) have the opportunity to take part in the old age part time ("Altersteilzeit") program, till the end of the reporting period. The program is a form of early retirement in which the employee works full time during the first few years and not at all in the following years until reaching the official age of retirement. 69 employees have signed such agreements as of the end of the period. A discount rate of 4.9% and an expected salary increase of 2.0% was used to calculate the provision. Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect.

The provision for anniversary bonuses was calculated using a discount rate of 5.6% and an expected yearly salary increase of 2%. Uncertainties exist in the probability that the employees will remain with the Group until they are entitled to receive their anniversary bonus and as to their salaries at that time. The provision was accounted for in accordance with IAS 19.

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

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

This note provides information about the terms and conditions of the Group's interest-bearing loans and borrowings, all of which are measured at amortised cost. More information about the Group's exposure to interest rate, foreign currency and liquidity risk is provided in note 29.

Interest-bearing liabilities

The Group has entered into various interest-bearing liabilities. The carrying amounts for the years 2009 and 2008, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2009	Carrying amount 31.12.2008
Bank loans, variable rate	Unsecured	USD	n/a	0	26,678
Bank loans, variable rate	Secured	USD	n/a	0	13,633
Bank loans, variable rate	Secured	USD	n/a	0	18,753
Convertible bonds – liability component, fixed rate (issued in 2007)	Unsecured	EUR	2012*	123,592	190,696
Convertible bonds – liability component, fixed rate (issued in 2009)	Unsecured	EUR	2014	72,497	0
Finance lease liabilities	Unsecured	USD	2010–2018	41,134	46,391
Finance lease liabilities	Unsecured	EUR	2010–2022	48,489	50,166
Bank overdrafts	Unsecured			1,223	478
				286,935	346,795

* first option to redeem the bonds

Of this amount € 13,580 (2008: € 44,012) is classified within current liabilities in the statement of financial position. The finance lease liabilities are detailed in note 16 below. The bank overdrafts are due in the following year respectively.

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

In thousands of Euro	**2009**	2008
Less than one year	**13,580**	44,012
Between one and five years	**230,633**	243,281
More than five years	**42,722**	59,502
	286,935	346,795

Convertible bonds I

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

The convertible bond was split into its equity and debt components in accordance with IAS 32. The equity component, less transaction costs net of tax, is shown as a separate line item in equity.

In the second half of 2009 the Group redeemed 840 convertible bonds with a principle amount of € 84,000 in total. Payments related to the redemption amount to € 53,405. The profit from the redemption equals € 21,273 and is presented as part of the financial income in the statement of comprehensive income.

The equity component of the redeemed convertible bonds of € 10,758 less transaction costs net of tax of (€ 317) was transferred to the retained earnings within equity.

The equity component, which is shown net of taxes of € 7,838 in the statement of financial position, totalled € 16,904 as at 31 December 2009 (2008: € 27,344).

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

Convertible bonds II

On 20 August 2009 the Group issued € 125,000 convertible bonds due in 5 years. The bond issue is made up of 2,500 bonds with a principal amount of € 50 each, earning yearly interest of 9.0 %. The initial conversion price is € 4.01 which results in an initial conversion ratio of 12,469 ordinary shares per bond. Proceeds from the bond issue amount to € 125,000. Transaction costs incurred in 2009 were € 6,338.

The convertible bond was split into its equity and debt component in accordance with IAS 32. The equity component, less transaction costs net of tax, is shown as a separate line item within equity.

The debt component of the convertible bond is included under interest-bearing liabilities in the statement of financial position as follows:

in thousands of Euro	2009
Proceeds from issue of convertible bonds	**125,000**
Transaction costs	**(6,338)**
Net proceeds	**118,662**
Amount classified as equity	**(49,549)**
Accrued interest and amortisation of bond discount	**3,384**
Carrying amount at 31 December 2009	**72,497**

The equity component comprises of:

In thousands of Euro	**2009**
Equity component of convertible bond	52,196
Transaction costs allocated to equity component	(2,647)
Total amount classified as equity	49,549
Taxes on equity component	(14,855)
Equity component of convertible bond, net of tax at 31 December 2009	34,694

The bonds are convertible into 12,469 ordinary shares per bond at the option of the bondholder at any time beginning 17 November 2009 and ending 10 days before maturity (inclusive) or in case of early redemption ending 10 days before the determined redemption date (inclusive). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 30 October 2011 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 October 2011, so long as the trading price of the Air Berlin share exceeds 150% of the conversion price.

Liabilities due to banks from assignment of future lease payments

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

The carrying amounts for the years 2009 and 2008, classified according to their maturity dates and borrowing rates, are as follows:

In thousands of Euro	Secured / unsecured	Currency	Maturity date	Carrying amount 31.12.2009	Carrying amount 31.12.2008
Interest rate					
Variable rate	Secured	EUR	2011–2013	62,453	76,718
Variable rate	Secured	USD	2011–2022	532,548	530,664
Fixed rate	Secured	USD	2015	65,385	76,092
				660,386	683,474

Of this amount € 77,228 (2008: € 73,011) is classified within current liabilities in the statement of financial position. The assigned intra-group lease payments are secured over aircrafts.

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

In thousands of Euro	**2009**	2008
Less than one year	**77,228**	73,011
Between one and five years	**299,174**	313,950
More than five years	**283,984**	296,513
	660,386	683,474

16. LEASING

Operating leases

The Group leases a number of aircraft, engines and one Unix Server under leasing agreements which qualify as operating lease agreements. The leases typically run for a period of up to twelve years and terminate automatically upon expiry of the lease term. Lease payments are denominated in USD and vary depending upon the change in the market rate of interest. No restrictions have been placed on the lessee as a result of these leases.
In addition the Group leases a number of warehouse and office facilities under operating leases. The leases expire between 2010 and 2018, with an option to renew the leases after these dates.

Non-cancellable operating lease rentals are payable as follows:

In thousands of Euro	**2009**	2008
Less than one year	**341,012**	336,535
Between one and five years	**868,604**	909,459
More than five years	**399,359**	218,261
	1,608,975	1,464,255

No contingent rents were recognised as lease payments in the period.
During the year ended 31 December 2009, € 381,836 (2008: € 383,628) was recognised as an expense in the statement of comprehensive income in respect of operating leases.
The Group also leases several of its aircraft as lessor under agreements which qualify as operating leases. The lease terms vary from three to twelve years, the latest of which expire in 2019. Lease payments are in USD.

Future minimum lease payments are receivable as follows:

In thousands of Euro	**2009**	2008
Less than one year	**19,929**	24,885
Between one and five years	**73,129**	89,972
More than five years	**67,626**	84,815
	160,684	199,672

Finance leases

The Group leases certain technical equipment under an agreement which qualifies as a finance lease. The finance lease relates to technical equipment for aircraft leased under operating leases with various leasing terms, the latest of which phase out in 2015.
The Group also leases two aircrafts under agreements which qualify as finance leases. The lease agreements are for terms of eleven years, the latest of which expires in 2018. The agreements contain various put and call options relating to the right of the lessee to purchase the aircraft or the right of the lessor to require the lessee to purchase the aircraft on certain dates at prices and conditions set out in the agreements. In addition, the lessor has the right to require the lessee to name a purchaser at the end of the lease term for a fixed price (guaranteed residual value). Lease payments are in USD and vary based on changes in the interest rate component of the lease. The present value of future minimum lease payments was therefore determined by using the expected lease payments based on the preliminary interest rate stated in the lease.

In addition the Group leases two airport buildings under agreements which qualify as finance leases. The leases expire in 2011 and 2022.
The net book value of assets capitalised at 31 December 2009 as a result of finance leases is detailed in note 6 above.
No contingent leasing payments were recorded in profit and loss in 2009 (2008: € 0).

Future minimum lease payments are as follows:

	At 31 December 2009		At 31 December 2008	
In thousands of Euro	Future minimum lease payments	Discounted to present value	Future minimum lease payments	Discounted to present value
Less than one year	13,107	12,599	12,961	12,542
Between one and five years	40,987	34,302	45,170	37,813
More than five years	72,527	42,722	81,602	46,202
	126,621	89,623	139,733	96,557

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

In thousands of Euro	Current 2009	Non-current 2009	**Total 2009**	Current 2008	Non-current 2008	Total 2008
Trade payables	95,233	0	**95,233**	108,764	0	108,764
Other financial liabilities	205	0	**205**	174	0	174
Trade payables and other financial liabilities	95,438	0	**95,438**	108,938	0	108,938
Accrued liabilities	208,391	36,401	**244,792**	189,635	31,263	220,898
Receivables with credit balances	5,259	0	**5,259**	4,999	0	4,999
Payroll tax	5,692	0	**5,692**	5,571	0	5,571
VAT	17,938	0	**17,938**	4,876	0	4,876
Social insurance contributions	699	0	**699**	875	0	875
Other non-financial liabilities	1,509	0	**1,509**	1,227	0	1,227
	334,926	36,401	**371,327**	316,121	31,263	347,384

Accrued liabilities include expenses for services provided and goods received before the end of the period but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and accruals for aircraft and engine maintenance checks and overhauls.
Information about the Group's exposure to foreign currency and liquidity risk related to trade payables and other financial liabilities is provided in note 29.

18. ADVANCED PAYMENTS RECEIVED

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

19. REVENUE (ADJUSTED)

In thousands of Euro	2009	2008 (adjusted)
Single-seat ticket sales	**1,845,382**	1,863,345
Bulk ticket sales to charter and package tour operators	**1,121,111**	1,229,142
Duty-free	**33,083**	35,154
Ground and other services	**240,768**	260,879
	3,240,344	3,388,520

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

Segment information

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

20. OTHER OPERATING INCOME

In thousands of Euro	2009	2008
Gain on disposal of fixed assets, associates and subsidiaries	**17,686**	23,325
Income from write-off of liabilities	**5,879**	0
Income from insurance claims	**1,243**	1,529
Other	**17,635**	13,767
	42,443	38,621

21. EXPENSES FOR MATERIALS AND SERVICES

In thousands of Euro	2009	2008
Fuel for aircraft	**715,352**	874,336
Catering costs and cost of materials for in-flight sales	**108,284**	123,978
Airport & handling charges	**697,098**	710,087
Operating leases for aircraft and equipment	**366,032**	359,523
Navigation charges	**219,745**	227,896
Other	**86,662**	64,025
	2,193,173	2,359,845

The expenses for operating leases for aircraft and equipment include expenses of € 45,289 that do not directly relate to the lease of assets.

22. PERSONNEL EXPENSES AND STAFF NUMBERS

The aggregate payroll costs were as follows:

In thousands of Euro	**2009**	2008
Wages and salaries	**370,081**	377,352
Pension expense	**30,601**	29,714
Social security	**40,040**	39,198
	440,722	446,264

Pension expense relates to the defined benefit plan for the Executive Directors of € 3,364 (2008: € 1,937) and the dba pension plan of € 545 (2008: € 46), contributions paid to defined contribution plans of € 5 (2008: € 18) and to the German social security system of € 26,687 (2008: € 27,713) during the period. Further details regarding the pension plans are found in note 13 above.

Remuneration of the Executive Directors is as follows:

In thousands of Euro	**2009**	2008
Basic remuneration	**2,027**	2,200
Bonus	**1,164**	1,139
Share based payment expense	**(60)**	(92)
Other	**67**	62
	3,198	3,309

The highest paid Director received € 1,621 in total remuneration in 2009 and € 1,501 in 2008, respectively. Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 104 to 115.

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

Employees	**On annual average 2009**	On annual average 2008	**At 31 December 2009**	At 31 December 2008
Flight and cabin crew	**4,553**	4,826	**4,489**	4,681
Sales, operations and administration	**3,670**	3,655	**3,789**	3,630
	8,223	8,481	**8,278**	8,311

23. OTHER OPERATING EXPENSES

In thousands of Euro	2009	2008
Sales commissions paid to agencies	**18,319**	32,250
Repairs and maintenance of technical equipment	**187,313**	186,777
Advertising	**53,548**	56,480
Insurance	**19,815**	20,161
Hardware and software expenses	**53,057**	44,510
Bank charges	**25,498**	24,414
Travel expenses for cabin crews	**27,991**	31,197
Expenses for premises and vehicles	**30,203**	28,167
Loss from disposal of fixed assets, associates and subsidiaries	**5,764**	2,508
Training and other personnel expenses	**11,969**	15,423
Phone and postage	**4,845**	5,071
Allowances for receivables	**2,467**	1,310
Consulting fees	**22,497**	24,944
Remuneration of the auditor	**3,055**	2,843
Other	**44,940**	39,842
	511,281	515,897

Remuneration of the auditor is as follows:

In thousands of Euro	2009	2008
Audit of the annual accounts	**110**	128
Audit of accounts of subsidiaries of the Company	**1,152**	1,061
Other services pursuant to legislation	**284**	150
Taxation services	**164**	182
Other services	**1,345**	1,322
	3,055	2,843

24. NET FINANCING COSTS

In thousands of Euro	2009	2008
Interest expense on interest-bearing liabilities	**(60,222)**	(54,919)
Other financial expenses	**(2,366)**	(614)
Financial expenses	**(62,588)**	(55,533)
Interest income on fixed deposits	**1,380**	9,228
Interest income on loans and receivables	**40**	1,708
Other financial income	**1,861**	1,625
Income on redemption of convertible bonds	**21,273**	0
Financial income	**24,554**	12,561
Foreign exchange losses	**(12,938)**	(28,989)
Net financing costs	**(50,972)**	(71,961)

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

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

In thousands of Euro	**2009**	2008
Total net foreign exchange gains (losses) recognised in profit or loss	**37,776**	(80,322)
Thereof reclassified to operating expenses	**(50,714)**	51,333
Foreign exchange losses in financial result	**(12,938)**	(28,989)

25. SHARE OF PROFIT (LOSS) OF ASSOCIATES

In thousands of Euro	**2009**	2008
Niki Luftfahrt GmbH	**1,686**	595
Lee & Lex Flugzeugvermietungs GmbH	**(126)**	(604)
IBERO Tours GmbH	**51**	32
Stockheim Air Catering GmbH & Co. KG*	**0**	(32)
Binoli GmbH	**(586)**	0
THBG BBI GmbH	**(217)**	0
	808	(9)

* The investment was disposed as at 31 May 2008.

26. INCOME TAX EXPENSES AND DEFERRED TAXES (ADJUSTED)

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

In thousands of Euro	**2009**	2008 (adjusted)
Current income tax expense	**(5,606)**	(4,910)
Deferred income tax benefit (expense)	**17,835**	(8,631)
Total income tax benefit (expense)	**12,229**	(13,541)

The current income tax expense of the Air Berlin Group includes corporate tax, a solidarity charge in addition to corporate tax, trade tax and foreign income taxes. The current income tax expense of € 5,606 (2008: 4,910) includes € 380 of prior year income tax expenses (2008: income tax income for prior years of € 414).

The tax rate for the Air Berlin Group equals 30.18% (2008: 30.18%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.35%. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

As a result of variations in the tax rate in different jurisdictions, several subsidiaries have tax rates which differ from the Air Berlin Group tax rate. The difference to the Group tax rate is shown as "effect of tax rates in different jurisdictions" in the tax rate reconciliation in amount of € 7,635 (2008: € (11,337)). The reasons for the differences between the tax burden expected on the basis of profit for the period and the recognised income tax expenses are as follows:

In thousands of Euro	2009	2008 (adjusted)
Loss before tax	**(21,697)**	(69,977)
Expected income tax benefit at 30.18% (2008: 30.18%)	**6,548**	21,119
Effect of change in tax rate	**0**	153
Recognition of tax loss carry forwards previously not recognised	**0**	1,754
Effect of tax rates in different jurisdictions	**7,635**	(11,337)
Movement in deferred tax assets on tax loss carry forwards	**6,701**	(20,777)
Non-tax deductible expenses	**(8,105)**	(5,571)
Current tax (expenses) benefits previous years	**(380)**	414
Other	**(170)**	704
Total income tax benefit (expense)	**12,229**	(13,541)

As of 31 December 2009, total tax loss carry forwards for which deferred tax assets were capitalised amounted to € 312,399 for trade tax purposes and € 261,347 for corporate tax purposes (2008: € 379,270 and € 296,755 respectively). As of 31 December 2009, no additional deferred tax assets were capitalised for further loss carry forwards of € 595,330 for trade tax and € 845,663 for corporate tax (2008: € 634,783 and € 826,635). The tax loss carry forwards are not subject to expiration.

Deferred tax assets and liabilities are attributable to the following:

In thousands of Euro	2009	2008 (adjusted)
Deferred tax assets:		
Finance lease liabilities and deferred income	**21,860**	23,659
Foreign currency receivables and derivatives	**18,058**	74,946
Tax loss carry forward	**79,617**	95,604
	119,535	194,209
Deferred tax liabilities:		
Aircraft and engines and related liabilities	**(67,367)**	(70,721)
Land and buildings	**(6,694)**	(7,692)
Intangible assets	**(28,472)**	(35,099)
Technical equipment	**(387)**	(516)
Leasehold improvements	**(83)**	(87)
Accrued liabilities and provisions	**(86)**	(14,552)
Convertible bond	**(20,410)**	(9,644)
Foreign currency liabilities and derivatives	**(363)**	(1,343)
	(123,862)	(139,654)
Offsetting	**119,535**	194,209
Deferred tax (liabilities) assets, net	**(4,327)**	54,555
Deferred tax assets, net beginning of period	**54,555**	7,658
Change in deferred tax position	**(58,882)**	46,897
Thereof related to cash flow hedges and items recorded in equity	**76,717**	(55,528)
Deferred income tax benefit (expense)	**17,835**	(8,631)

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits.

Income tax recognised in equity

In thousands of Euro	2009 Before tax	2009 Tax (expense) benefit	2009 Net of Tax	2008 Before tax	2008 Tax (expense) benefit	2008 Net of Tax
Transaction costs on issuance of new shares	(4,470)	1,340	(3,130)	0	0	0
Refund of transaction costs on issuance of new shares	4,184	(1,606)	2,578	0	0	0
Convertible bond and related transaction costs	49,549	(14,855)	34,694	0	0	0
	49,263	(15,121)	34,142	0	0	0

Income tax recognised in other comprehensive income

In thousands of Euro	2009 Before tax	2009 Tax (expense) benefit	2009 Net of tax	2008 Before tax	2008 Tax (expense) benefit	2008 Net of tax
Foreign currency translation differences for foreign operations	(169)	0	(169)	1,137	0	1,137
Fair value of hedging instruments	204,115	(61,604)	142,511	(184,270)	55,528	(128,742)
	203,946	(61,604)	142,342	(183,133)	55,528	(127,605)

27. CASH FLOW STATEMENT

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

In thousands of Euro	**2009**	2008
Cash	**650**	1,042
Bank balances	**84,204**	55,510
Fixed-term deposits	**288,379**	211,735
Cash and cash equivalents	**373,233**	268,287
Bank overdrafts used for cash management purposes	**(1,223)**	(478)
Cash and cash equivalents in the statement of cash flows	**372,010**	267,809

Cash and cash equivalents include restricted cash of € 80,749 as of 31 December 2009 (31 December 2008: € 66,355).

28. DERIVATIVES

Positive and negative market values of derivatives are as follows:

In thousands of Euro	Current 2009	Non-current 2009	**Total 2009**	Current 2008	Non-current 2008	Total 2008
Positive market values of derivatives classified as held for trading:						
Forward contracts	954	0	**954**	3,587	0	3,587
Foreign currency options	525	0	**525**	2,504	0	2,504
Commodity options	269	0	**269**	304	0	304
Cross currency interest rate swaps	0	14	**14**	0	640	640
Total positive market values of derivatives classified as held for trading	1,748	14	**1,762**	6,395	640	7,035
Positive market values of derivatives classified as hedge accounting:						
Forward contracts	9,450	0	**9,450**	34,750	0	34,750
Foreign currency options	2,493	0	**2,493**	5,422	0	5,422
Commodity swaps	7,513	0	**7,513**	0	0	0
Commodity options	2,517	0	**2,517**	0	0	0
Cross currency interest rate swaps	0	0	**0**	0	24	24
Total positive market values of derivatives classified as hedge accounting	21,973	0	**21,973**	40,172	24	40,196
Total positive market values of derivatives	23,721	14	**23,735**	46,567	664	47,231
Negative market values of derivatives classified as held for trading:						
Forward contracts	851	0	**851**	2,636	0	2,636
Foreign currency options	0	0	**0**	3,192	0	3,192
Commodity options	0	0	**0**	489	0	489
Cross currency interest rate swaps	6,587	66,430	**73,017**	6,893	51,109	58,002
Total negative market values of derivatives classified as held for trading	7,438	66,430	**73,868**	13,210	51,109	64,319
Negative market values of derivatives classified as hedge accounting:						
Forward contracts	4,484	0	**4,484**	3,077	0	3,077
Foreign currency options	731	0	**731**	0	0	0
Commodity swaps	104	0	**104**	220,283	0	220,283
Commodity options	0	0	**0**	165	0	165
Cross-currency interest rate swaps	0	4,423	**4,423**	0	7,658	7,658
Total negative market values of derivatives classified as hedge accounting	5,319	4,423	**9,742**	223,525	7,658	231,183
Total negative market values of derivatives	12,757	70,853	**83,610**	236,735	58,767	295,502

Hedge accounting is discussed in note 29g below.

29. FINANCIAL RISK MANAGEMENT

a) Credit risk

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

The maximum exposure to credit at the reporting date was:

In thousands of Euro	Note	Carrying amount 2009	Carrying amount 2008
Loans and receivables	9	**264,799**	225,693
Positive market values of derivatives classified as held for trading	28	**1,762**	7,035
Positive market values of derivatives classified as hedge accounting	28	**21,973**	40,196
Cash and cash equivalents	27	**373,233**	268,287
		661,757	541,211

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

In thousands of Euro	**2009**	2008
Receivables from single-seat ticket sales	**9,669**	6,850
Receivables from charter sales	**12,308**	9,872
Receivables from credit card companies	**21,860**	21,015
Receivables from IATA clearing house (“BSP” travel agencies)	**15,688**	17,042
Other trade receivables	**35,855**	52,313
	95,380	107,092

Other trade receivables relate primarily to receivables from other airlines for technical services (2009: € 8,794, 2008: € 15,782) and to receivables from cargo services (2009: € 14,305, 2008: € 941).

b) Impairment losses

-- TRADE RECEIVABLES

The aging of trade receivables at the reporting date was:

In thousands of Euro	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Not past due	72,547	948	91,247	0
Past due 1–30 days	5,224	2,056	3,943	3
Past due 31–120 days	13,821	1,057	4,882	506
Past due 121–365 days	8,097	1,091	6,485	1,176
More than one year past due	7,694	6,851	5,579	3,359
	107,383	12,003	112,136	5,044

Trade receivables are analysed for a possible impairment loss according to historical data on impairment losses as discussed below. Receivables which are neither past due nor impaired are generally considered to contain only a small risk of impairment based on past experience. The consideration is the same for receivables that are 1–30 days overdue. However, due to the worldwide crises in financial markets and the impact on the world economy, which affected Air Berlin's customers, the impairment losses increased in the reporting period.

The movement in the impairment allowance is as follows:

In thousands of Euro	Allowance for impairment losses **2009**	Allowance for impairment losses 2008
Balance at 1 January	**5,044**	4,009
Increase in allowance for impairment losses	**9,426**	4,444
Release of allowance for impairment losses	**(2,467)**	(3,409)
Balance at 31 December	**12,003**	5,044

The allowance for impairment losses is used to record impairment losses until the Group determines that the financial asset should be derecognised.
The allowance for impairment losses is based on estimates and judgements regarding the credit worthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. A companywide credit control process is implemented. The third notice is issued along with a court order, and an allowance for impairment losses of 60% is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. Receivables more than one year past due are written off completely. At the balance sheet date the allowance for impairment losses is € 12,003 (2008: € 5,044).

-- OTHER LOANS AND RECEIVABLES

None of the other loans and receivables were past due as of 31 December 2009 (2008: none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables. Impairment losses of € 2,000 (2008: none) have been recorded on other financial assets.
These receivables relate primarily to amounts due from suppliers (deposits and bonus and claims). The Group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts.
Receivables from related parties relate primarily to amounts due from Niki for administrative services provided and clearing accounts and to the long-term loans receivable from Lee & Lex. As the receivables are not overdue and payments have been made on time in the past, the Group does not consider an impairment loss to be necessary.

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

No impairment has been recorded on bank balances or positive market values of derivatives, as the transactions are only made with parties of the highest credit rating or, in the case of derivative financial instruments, with parties that are known to be reliable based on past experience (past customer behaviour regarding timely payments of amounts due). The Group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

c) Liquidity risk

The following are the contractual undiscounted maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2009:

In thousands of Euro	Carrying amount	Contractual cash flows	6 months or less	7–12 months	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities							
Liabilities due to bank from assignment of future lease payments	660,386	728,098	45,705	45,397	103,819	233,090	300,087
Finance lease liabilities	89,623	126,621	6,554	6,554	12,820	28,166	72,527
Convertible bonds – liability component	196,089	320,558	7,665	5,625	13,290	293,978	0
Trade payables and other financial liabilities	95,438	95,438	95,438	0	0	0	0
Bank overdraft	1,223	1,223	1,223	0	0	0	0
Total financial liabilities measured at amortised cost	1,042,759	1,271,938	156,585	57,576	129,929	555,234	372,614
Derivative financial liabilities							
Derivatives classified as hedge accounting:							
Cross-currency interest rate swaps	4,423	4,531	632	632	1,265	2,002	0
Outflow		17,140	2,392	2,391	4,784	7,573	0
Inflow		(12,609)	(1,760)	(1,759)	(3,519)	(5,571)	0
Forward exchange contracts	4,484	4,735	4,735	0	0	0	0
Outflow		251,234	251,234	0	0	0	0
Inflow		(246,499)	(246,499)	0	0	0	0
Foreign currency options	731	2,645	2,645	0	0	0	0
Outflow		85,944	85,944	0	0	0	0
Inflow		(83,299)	(83,299)	0	0	0	0
Commodity swaps	104	104	104	0	0	0	0
Outflow		104	104	0	0	0	0
Inflow		0	0	0	0	0	0
Derivatives classified as held for trading:							
Cross-currency interest rate swaps	73,017	77,186	15,142	12,060	21,281	29,028	(325)
Outflow		622,677	74,716	70,495	135,182	313,807	28,477
Inflow		(545,491)	(59,574)	(58,435)	(113,901)	(284,779)	(28,802)
Forward exchange contracts	851	668	508	160	0	0	0
Outflow		44,278	38,724	5,554	0	0	0
Inflow		(43,610)	(38,216)	(5,394)	0	0	0
	1,126,369	1,361,807	180,351	70,428	152,475	586,264	372,289

In addition to the contractual cash flows above, the Group has capital commitments under purchase arrangements for aircrafts. For more details see note 31.

For 31 December 2008, the maturities were as follows:

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

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, including future interest payments. Amounts in USD are translated at the relevant year-end exchange rate, and variable interest payments are calculated using the year-end basis rates.
The Group intends to meet its obligations primarily through cash balances held and cash inflows from operations and in the case of purchases of new aircraft (not included above) through future borrowings which are already in place for aircraft deliveries in 2010 and early 2011.

d) Currency risk

The Group has significant transactions in USD as well as smaller transactions in GBP and CHF. Air Berlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e.g. payments regarding aircraft financing and leasing, fuel, maintenance etc.) denominated in USD. Air Berlin generally hedges up to 75% (2008: 75%) of the expected cash flow on a 6–18 month (2008: 6–18 month) revolving basis.

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

	31 December 2009			31 December 2008		
In thousands of currency units	USD	GBP	CHF	USD	GBP	CHF
Loans and receivables	58,547	4,248	1,907	65,719	1,009	3,058
Cash and cash equivalents	66,599	526	23,901	68,871	531	14,007
Liabilities due to bank from assignment of future lease payments	(861,382)	0	0	(844,422)	0	0
Secured bank loans	0	0	0	(45,072)	0	0
Unsecured bank loans	0	0	0	(37,128)	0	0
Finance lease liabilities	(59,258)	0	0	(67,562)	0	0
Trade payables and other financial liabilities	(18,265)	(732)	(2,000)	(29,739)	(188)	(4,247)
Bank overdraft	0	0	0	(100)	(81)	0
Total exposure of balance positions	(813,759)	4,042	23,808	(889,433)	1,271	12,818
Estimated forecast purchases	(1,834,600)	0	0	(1,805,000)	0	0
Gross exposure	(2,648,359)	4,042	23,808	(2,694,433)	1,271	12,818
Forward exchange contracts (hedged volume in USD)	644,850	0	0	1,139,500	0	0
Foreign currency options (hedged volume in USD)	366,500	0	0	120,000	0	0
Cross currency interest rate swaps (hedged volume in USD)	780,807	0	0	897,914	0	0
Net exposure	(856,202)	4,042	23,808	(537,019)	1,271	12,818

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

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency units to the Euro	**2009**	2008	**2009**	2008
USD	**1.3948**	1.4708	**1.4406**	1.3917
GBP	**0.8909**	0.7963	**0.8881**	0.9525
CHF	**1.5100**	1.5874	**1.4836**	1.4850

-- SENSITIVITY ANALYSIS

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

	31 December 2009			31 December 2008		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	1,956	(414)	(1,459)	1,340	(121)	(785)
Equity	(50,699)	0	0	(76,824)	0	0

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

	31 December 2009			31 December 2008		
Effect in thousands of Euro	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(2,584)	506	1,783	(7,058)	148	959
Equity	64,948	0	0	87,803	0	0

e) Interest rate risk

The interest rate profile of the Group is as follows:

	Carrying amount	
In thousands of Euro	**2009**	2008
Fixed rate instruments		
Financial assets	**3,890**	3,510
Financial liabilities	**(65,384)**	(266,788)
Cross-currency interest rate swaps	**(77,426)**	(64,996)
	(138,920)	(328,274)
Variable rate instruments		
Financial assets	**1,500**	3,500
Financial liabilities	**(595,001)**	(666,447)
	(593,501)	(662,947)

The variable rate interest bearing liabilities and liabilities due to banks from assignment of future lease payments, which are generally denominated in USD, expose the Group to variability in interest payments due to changes in interest rates as well as to a foreign currency risk. The interest risk results from the sensitivity of financial assets and financial liabilities with variable interest rates to changes in the market interest rate. Air Berlin uses cross currency interest rate swaps to hedge these risks. The swaps are considered cash flow hedges from their inception until the liability is recorded in the statement of financial position, at which point the interest rate swaps are classified as held for trading, with future changes in market value taken to profit or loss.

-- FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS

The Group does not account for any fixed rate financial instruments at fair value through profit or loss, and the Group does not designate any of its derivatives (interest rate swaps) as fair value hedge accounting instruments. Therefore a change in interest rates (unless they resulted in the hedge becoming ineffective) at the reporting date would only affect profit or loss to the extent that it affects the fair value of interest rate swaps not designated as hedge accounting (held for trading). A change of 100 basis points in interest rates would have increased or decreased equity by € 274 (2008: € 516) and profit or loss by € 14,313 (2008: € 6,303) based on a one year impact.

-- CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of 100 basis points in interest rates would have increased or decreased profit or loss (financial result) by € 1,152 (2008: € 1,323) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate swaps.

f) Fuel price risk

The fuel price (jet fuel) plays an important role as far as the business performance of the Group is concerned. Fuel expense amounted to 22.0% (2008: 25.5%) of the Group's entire operating expenses. Air Berlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. At the end of the period 2009, the hedged volume was 523,500 tons for the business year 2010 (2008: 681,000 tons for 2009). The hedging quota was 40.3% for 2010 (in the prior year: 55.8% for 2009).

-- SENSITIVITY ANALYSIS

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10% increase in the fuel price at the reporting date would have increased equity by € 18,585 (2008: € 23,286) and profit or loss by € 797 (2008: € 0). A 10% decrease in the fuel price at the reporting date would have decreased equity by € 17,250 (2008: € 23,286) and profit or loss by € 2,237 (2008: € 0).
The calculation is based on the fair values of commodity derivatives (swaps and options) at the end of the period. The assumptions used were the same as in the prior period.

g) Hedge accounting

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

IAS 39 sets out strict requirements on the use of hedge accounting. Air Berlin fulfils those requirements by documenting, at the inception of a hedge, both the relationship between the derivative used as the hedging instrument and the hedged item, as well as the aim and strategy of the hedge. This includes assigning the hedging instruments to the corresponding firm commitments and future transactions and also estimating the degree of effectiveness of the hedging instruments employed. The effectiveness of existing hedge accounting is monitored on an ongoing basis. For hedge accounting, the change in the fair value of the hedging instrument is deferred in equity to the extent the hedge is effective. Accumulated fair value changes from qualifying hedges are removed from equity to profit or loss in the period when the hedged cash flow affects profit or loss (2009 and 2010 for foreign currency and fuel hedges, 2009 to 2015 for cross-currency interest rate hedges).
Air Berlin also uses hedges that do not satisfy the strict hedge accounting criteria of IAS 39. For such derivatives Air Berlin recognises the changes in fair value in profit or loss. The fair values of derivatives are presented in a separate line in the statement of financial position.

The fair values of derivatives for hedging exchange rate, interest rate and fuel price risks at 31 December 2009 and their movement during the period are as follows:

In thousands of Euro	Fair value at 31 December 2008	Transfer to hedge accounting	Change in fair value recognised in profit or loss	Change in fair value recognised in in equity	Removed from equity to profit or loss	Option premium paid	Fair value at 31 December 2009
Cash flow hedges, (net):							
Forward contracts	31,673	0	0	12,732	(39,439)	0	4,966
Foreign currency options	5,422	0	1,232	(370)	(4,522)	0	1,762
Cross-currency interest rate swaps	(7,635)	0	(1,102)	943	3,370[1]	0	(4,424)
Commodity swaps (fuel price)	(220,283)	0	0	40,358	187,334	0	7,409
Commodity options (fuel price)	(165)	0	(1,027)	2,305	1,404	0	2,517
Held for trading, (net):							
Forward contracts	952	0	(849)	0	0	0	103
Foreign currency options	(688)	0	1,213	0	0	0	525
Cross-currency interest rate swaps	(57,362)	0	(12,270)	0	(3,370)[1]	0	(73,002)
Commodity options (fuel price)	(185)	0	454	0	0	0	269
	(248,271)	0	(12,349)	55,968	144,777	0	(59,875)

[1] Reclassification from cash flow hedges to held for trading in 2009.

The change in fair value of derivatives was as follows in 2008:

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

All foreign currency options and commodity options (fuel price) entered into during the period meet the qualifications of hedge accounting and are accounted for as cash flow hedges. The change in the intrinsic value is recorded in equity, and the change in the time value is recorded in profit or loss.
Hedge accounting concerning the cross-currency interest rate swaps are accounted for as cash flow hedges. Those cross-currency interest rate swaps which do not meet the criteria for hedge accounting continue to be recorded in profit or loss and are classified as held for trading.
Cash flow hedges are expected to impact profit or loss in the same period in which the cash flows are expected to occur, as detailed in section c “liquidity risk” above.

h) Fair values

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

In thousands of Euro	Note	31 December 2009 Carrying amount	31 December 2009 Fair value	31 December 2008 Carrying amount	31 December 2008 Fair value
Loans and receivables:					
Total loans and receivables	9	264,799	264,799	225,693	226,304
Positive market values of derivatives classified as held for trading:					
Forward exchange contracts	28	954	954	3,587	3,587
Foreign currency options	28	525	525	2,504	2,504
Commodity options (fuel price)	28	269	269	304	304
Cross-currency interest rate swaps	28	14	14	640	640
Positive market values of derivatives classified as hedge accounting:					
Forward exchange contracts	28	9,450	9,450	34,750	34,750
Foreign currency options	28	2,493	2,493	5,422	5,422
Commodity swaps (fuel price)	28	7,513	7,513	0	0
Commodity options (fuel price)	28	2,517	2,517	0	0
Cross-currency interest rate swaps	28	0	0	24	24
Total positive market values of derivatives at fair value through profit and loss		23,735	23,735	47,231	47,231
Cash and cash equivalents	27	373,233	373,233	268,287	268,287
Financial liabilities measured at amortised cost:					
Liabilities due to bank from assignment of future lease payments	15	(660,386)	(654,341)	(683,474)	(670,732)
Secured bank loans	15	0	0	(32,386)	(31,087)
Unsecured bank loans	15	0	0	(26,678)	(26,536)
Finance lease liabilities	15	(89,623)	(97,497)	(96,557)	(106,496)
Convertible bonds – liability component	15	(196,089)	(219,043)	(190,696)	(168,524)
Trade payables and other financial liabilities	17	(95,438)	(95,438)	(108,938)	(108,938)
Bank overdraft	15	(1,223)	(1,223)	(478)	(478)
Total financial liabilities measured at amortised cost		(1,042,759)	(1,067,542)	(1,139,207)	(1,112,790)
Negative market values of derivatives classified as hedge accounting:					
Forward exchange contracts	28	(4,484)	(4,484)	(3,077)	(3,077)
Foreign currency options	28	(731)	(731)	0	0
Commodity swaps (fuel price)	28	(104)	(104)	(220,283)	(220,283)
Commodity options (fuel price)	28	0	0	(165)	(165)
Cross-currency interest rate swaps	28	(4,423)	(4,423)	(7,658)	(7,658)
Negative market values of derivatives classified as held for trading:					
Forward exchange contracts	28	(851)	(851)	(2,636)	(2,636)
Foreign currency options	28	0	0	(3,192)	(3,192)
Commodity options (fuel price)	28	0	0	(489)	(489)
Cross-currency interest rate swaps	28	(73,017)	(73,017)	(58,002)	(58,002)
Total negative market values of derivatives at fair value through profit and loss		(83,610)	(83,610)	(295,502)	(295,502)
		(464,602)	(489,385)	(893,498)	(866,470)

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

Derivatives
Forward exchange, interest rate and fuel price derivatives are carried at fair value, by valuation model. The valuation is performed using the quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). Therefore, all the derivative financial instruments of Air Berlin relate to the Level 2 of the three level hierarchy as defined in IFRS 7.27A.

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows using current rates.

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

Cash and cash equivalents
Due to the short maturity date, the notional amount is deemed to reflect the fair value.

i) Net gain or loss
The net gains (losses) on financial assets and liabilities during the period are as follows:

In thousands of Euro	**2009**	2008
Loans and receivables	**(14,655)**	(7,259)
Cash and cash equivalents	**1,612**	5,008
Derivatives	**19,034**	(2,963)
Financial liabilities measured at amortised cost	**16,450**	(38,179)
	22,441	(43,393)

This includes foreign exchange rate gains (losses), impairment losses and reversals of impairment losses, changes in fair value recognised in profit or loss and gains (losses) on disposal.
No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2008: none).

30. RELATED PARTY TRANSACTIONS
The Group has related party relationships with its Directors and key management as well as with its associates (see note 7). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 104 to 115). The share-based payment scheme for Executive Directors and certain senior executives of the Group is detailed in note 12.
One of the Executive Directors of the Group controls a voting share of 2.64% (2008: 3.15%) of Air Berlin. In addition, a receivable of € 25 is due from one of the Directors and is included in other current assets in the statement of financial position as at 31 December 2009 (2008: € 2).
The Chairman of the Board, also a shareholder of the Company with a voting share of 1.58% (2008: 1.52%), is the main shareholder of Phoenix Reisen GmbH. The Group had revenues from ticket sales with Phoenix Reisen GmbH in 2009 and 2008 of € 18,679 and € 18,197, respectively. At 31 December 2009 and 2008, € 729 and € 2,663, respectively, are included in the statement of financial position in trade receivables.

During the years ending 31 December 2009 and 2008, associates purchased or delivered goods and services from the Group as follows:

In thousands of Euro	**2009**	2008
IBERO-Tours		
Other income from cost transfer	**9**	0
Expenses for services	**87**	1,177
Trade payables	**0**	13
SCK DUS GmbH & Co. KG		
Catering expenses	**0**	7,073
THBG BBI		
Receivables from related parties, non-current	**1,908**	1,824
BINOLI GmbH		
Revenues from ticket sales	**0**	629
Other income from cost transfer	**380**	0
Receivables from related parties, non-current	**39**	250
Receivables from related parties, current	**148**	0
Trade and other receivables	**9**	230
Lee & Lex Flugzeugvermietung GmbH		
Receivables from related parties, non-current	**698**	844
Receivables from related parties, current	**66**	0
Niki Luftfahrt GmbH		
Revenues	**245**	0
Other operating expenses	**0**	810
Other income from administrative services	**2,381**	1,027
Other income from cost transfer	**6,000**	0
Receivables from related parties, current	**26,778**	13,760

Transactions with associates are priced on an arm's length basis.
In 2009 no dividends have been received from associates (2008: € 211).

31. CAPITAL COMMITMENTS

The Group's contracts to purchase aircraft are set out as follows:

Date of contract	Supplier	Number of aircraft	Type of aircraft	Delivery dates	Delivered in 2009	Delivered in 2008	Deliveries outstanding 31 Dec. 09	Thereof in 2010
2004	Airbus	60	A320/319/321	2005–2012	8	9	19	13
2006–2007	Boeing	97	B737-700/800	2007–2014	7	4	82	9
7/2007	Boeing	25	B787	2013–2017	0	0	25	0
10/2007	Bombardier	10	Q400	2008–2009	8	2	0	0

32. EXECUTIVE BOARD OF DIRECTORS

Executive Directors	Joachim Hunold	Chief Executive Officer
	Ulf Hüttmeyer	Chief Financial Officer
	Christoph Debus	Chief Commercial Officer, since 1 June 2009

33. SUBSEQUENT EVENTS

On 17 February 2010 Air Berlin PLC & Co. Luftverkehrs KG acquired a further 25.9% of the share capital of NIKI Luftfahrt GmbH (NIKI) for a purchase price of € 21,000 from Privatstiftung Lauda (private Lauda foundation). The Group interest in the share capital of NIKI would be 49.9%. As a result of the analyses of the transaction, Air Berlin has to account for it in accordance with IFRS 3 Business Combinations, provided Air Berlin receives approval from the antitrust agency.
In connection with the increase of its shareholding, Air Berlin PLC & Co. Luftverkehrs KG provides the private Lauda foundation a loan of 40.5 million Euro. The private Lauda foundation has the option of repaying the loan in three years with cash or through the transfer of the remaining 50.1% of NIKI Luftfahrt GmbH's shares.
The initial accounting of this business combination was incomplete at the time when the financial statements were authorised for issue, therefore, the disclosures about the major classes of consideration transferred, assets and liabilities acquired, recognized goodwill, accounting for non-controlling interest as well as disclosures for the business combination achieved in stages could not be made.
In March 2010 Air Berlin has reduced the number of firm orders of Boeing 787 aircraft from 25 to 15 and the number of options from 10 to 5. Furthermore the delivery of 9 Boeing 737 aircraft was rescheduled to 2015. These aircraft were originally scheduled for delivery in 2010 or 2011.

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

a) Significant accounting policies

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

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

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

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

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

b) Investments in subsidiaries

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

In thousands of Euro	**2009**	2008
Acquisition cost		
Balance at 1 January 2008	**220,958**	143,315
Additions	**33**	77,668
Disposals	**0**	(25)
Increase in subsidiaries capital	**250,001**	0
Balance at 31 December	**470,992**	220,958

In the reporting period the Company assigned trade receivables of € 95,000 and cash contributions of € 155,000 to Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH, Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH and Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH. The carrying amount of the subsidiaries was increased by these amounts.

c) Deferred tax assets

Profit or loss before tax is completely attributable to Germany.

Income tax expense is as follows:

In thousands of Euro	**2009**	2008
Current income tax expense	**(2,099)**	(2,482)
Deferred income tax benefit	**226**	2,403
Total income tax expense	**(1,873)**	(79)

The current income tax expense of the Company includes corporate tax, a solidarity charge in addition to corporate tax and trade tax. The current income tax expense includes € 157 of prior year income tax benefit (2008: € 74).

The tax rate of the Company equals 29.98% (2008: 30.42%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.15%. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

Reconciliation between the tax expense expected on the basis of profit for a period and the recognised income tax expense is as follows:

In thousands of Euro	**2009**	2008
Profit before tax	**19,172**	41,478
Expected income tax expense at 29.98% (2008: 30.42%)	**(5,748)**	(12,618)
Effect of change in tax rate	**245**	153
Recognition of tax loss carry forwards previously not recognised	**0**	923
Effect of tax pooling agreements with subsidiaries	**9,084**	11,557
Write down of deferred tax assets on tax loss carry forwards	**(2,865)**	0
Effect from non-deductible expenses	**(2,552)**	(464)
Current tax benefits from previous years	**157**	74
Other	**(194)**	296
Total income tax expense recognised	**(1,873)**	(79)

The total tax loss carry forward was € 20,136 (2008: € 43,181) for trade tax purposes and € 120,986 (2008: € 120,013) for corporate tax purposes as at 31 December 2009. As of 31 December 2009, no additional deferred tax assets were capitalised for further loss carry forwards of € 15,126 for corporate tax and (2008: € 0). The tax loss carry forwards are not subject to expiration.

Deferred tax assets are attributable to the following:

In thousands of Euro	**2009**	2008
Deferred tax assets		
Accrued liabilities and provisions	**1,041**	453
Negative market values of derivatives	**2,552**	4,477
Tax loss carry forwards	**21,690**	25,296
Total deferred tax assets	**25,283**	30,226
Deferred tax liabilities		
Convertible bond	**(20,410)**	(9,644)
Positive market values of derivatives	**(17)**	(831)
Total deferred tax liabilities	**(20,427)**	(10,475)
Offsetting	**25,283**	30,226
Deferred tax assets, net	**4,856**	19,751
Deferred tax assets, net beginning of period	**19,751**	17,435
Change in deferred tax assets	**(14,895)**	2,316
thereof related to items recorded in equity	**15,121**	87
Deferred income tax benefit	**226**	2,403

The deferred tax asset on tax loss carry forwards takes into consideration the expected future tax benefits.

Income tax recognised in equity

In thousands of Euro	2009 Before tax	2009 Tax (expense) benefit	2009 Net of Tax	2008 Before tax	2008 Tax (expense) benefit	2008 Net of Tax
Transaction costs on issuance of new shares	(4,470)	1,340	(3,130)	0	0	0
Refund of transaction costs on issuance of new shares	4,184	(1,606)	2,578	0	0	0
Convertible bond and related transaction costs	49,549	(14,855)	34,694	0	0	0
	49,263	(15,121)	34,142	0	0	0

d) Loans to subsidiaries and other loans receivable

In these positions are included:
A long-term loan was concluded with LTU Beteiligungs- und Holding GmbH (€ 140,000) with a yearly interest rate of 1%. The loan was extended till 31 December 2010. In addition the Company has a long-term loan to LOMA GmbH of € 15,200. The loan is due in 2010 and has a yearly interest rate of 1%.
A loan of € 3,500, which has a variable interest rate based on the 3-month-EURIBOR, was agreed with Luftfahrtgesellschaft Walter GmbH. The loan was impaired in the reporting period to € 1,500.
The company signed a non-limited loan with AB Luftfahrttechnik Düsseldorf GmbH (€ 26,700) with a yearly interest rate of 1%. The loan can be called with a notice period of one month to the end of a month.

e) Long-term loans to associates

The company entered into two loans with Binoli GmbH of € 250 each. The loans were agreed with an indefinite maturity and a 6 per cent interest rate. Due to the at-equity accounting concerning investments in associates the investment in Binoli GmbH was written off to zero and the loans have been written down by € 461 (see note 7).

f) Receivables from subsidiaries

Receivables from subsidiaries due to profit and loss transfer agreements are included with € 21,228 (2008: € 24,321).
Cash pooling agreements were concluded to bundle the Group's financial activities. At the end of the period the receivables from cash pooling amounts to € 29,470 (2008: € 154,867).
The remaining receivables result from trade, clearing accounts and interest for the group-loans.

g) Receivables from associates

Receivables from associates include the clearing account with Binoli GmbH € 149 (2008: € 148).

h) Share capital and reserves

The capital structure of Air Berlin PLC is that of the Group, except that certain reserves on the consolidated level are not relevant at Company level.
A full description of the Company's share capital and reserves is detailed in note 10 to the consolidated financial statements.
The Employee Share Plan is detailed in note 12 to the consolidated financial statements.

i) Pension liabilities

In 2007 Air Berlin PLC entered into a defined benefit pension plan for its Executive Directors. The pension plan is funded

through payments to a qualifying insurance contract.
The development of the Group's defined benefit obligations during the period is as follows:

In thousands of Euro	2009	2008
Present value of funded obligations	**6,364**	3,685
Fair value of plan assets	**(7,816)**	(4,701)
Funded status	**(1,452)**	(1,016)
Amount not recognised due to limitation in IAS 19.58(b)	**1,452**	1,016
Pension liabilities	**0**	0

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

In thousands of Euro	2009	2008
Defined benefit obligation at 1 January	**3,685**	2,918
Current service cost	**1,322**	1,410
Interest on obligation	**230**	146
Actuarial losses / (gains)	**1,127**	(789)
Defined benefit obligation at 31 December	**6,364**	3,685

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

In thousands of Euro	2009	2008
Fair value of plan assets at 1 January	**4,701**	2,331
Contribution	**3,364**	2,524
Expected return on plan assets	**200**	(155)
Actuarial (losses) / gains	**(449)**	1
Fair value of plan assets at 31 December	**7,816**	4,701

Plan assets consist exclusively of external contracts with insurance companies in Germany. These insurances could potentially include shares in Air Berlin Plc. However, due to strict requirements in Germany regarding the structure of insurance companies, the percentage of Air Berlin shares held would be minimal.
The actual loss on plan assets was € 249 during the period (2008: gain: € 154). No experience adjustment was made during the period.

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

In thousands of Euro	2009	2008
Current service cost	**1,322**	1,410
Interest on obligation	**230**	146
Expected return on plan assets	**(200)**	155
Net actuarial (gains) / losses recognised in the period	**1,576**	(790)
Effect of the limitation in IAS 19 paragraph 58 (b)	**436**	1,016
Pension expense	**3,364**	1,937

The Company expects to contribute € 3,249 to its defined benefit pension plan in 2010.
Principal actuarial assumptions at the reporting date are as follows:

	2009	2008
Discount rate at 31 December	**5.39%**	6.30%
Expected return on plan assets at 1 January	**4.30%**	2.75%
Future salary increases	**0.00%**	3.00%
Cost of living adjustment (future pension increases)	**1.00%**	1.00%

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

j) Other non-current liabilities to subsidiaries

The Group issued two convertible bonds with a volume of € 220,000 (issued in 2007) and € 125,000 (issued in 2009).
Air Berlin is accounting for these bonds in the same way as the Group. For further information see note 15.
The convertible bonds were issued by AB Finance B.V., and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds.
During the reporting period the company redeemed convertible bonds issued in 2007 with a nominal volume of € 84,000 and transferred them to AB Finance B.V. to pay back the respective loan. The disclosures regarding the liquidity risk and maturity analysis in respect of the convertible bonds are detailed in note 15 and 29c. Another loan agreement was concluded with AB Finance B.V. (€ 2,000). The loan is due on 11 April 2027 and has a yearly interest rate of LIBOR plus 1%.

k) Accrued liabilities

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

l) Payables to subsidiaries

Payables to subsidiaries include € 14,181 (2008: € 60) regarding profit and loss transfers and € 159,340 (2008: 281,311) regarding cash pooling agreements.

m) Fair values

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

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

		31 December 2009		31 December 2008	
In thousands of Euro	Note	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans from subsidiaries	34d	15,200	15,200	16,384	16,384
Long-term loans from associates	34e	39	39	250	260
Other long-term loans	34d	1,500	1,500	3,500	3,519
Short-term loans from subsidiaries	34d	185,182	185,182	155,000	155,000
Receivables from subsidiaries	34f	91,200	91,200	274,040	274,040
Receivables from associates	34g	149	149	148	148
Total loans and receivables		293,270	293,270	449,322	449,351
Positive market values of derivatives classified as held trading		58	58	2,730	2,730
Cash and cash equivalents		104,295	104,295	159,978	159,978
Financial liabilities measured at amortised cost:					
Non-current liabilities to subsidiaries	34j	(198,089)	(198,089)	(192,696)	(205,729)
Trade payables and payables to subsidiaries	34l	(183,139)	(183,139)	(283,917)	(283,917)
Total financial liabilities measured at amortised cost		(381,228)	(381,228)	(476,613)	(489,646)
Negative market values of derivatives classified as held for trading		(8,513)	(8,513)	(14,715)	(14,715)
		7,882	7,882	120,702	107,698

n) Related party transactions

The Company has related party relationships with its Directors and subsidiaries (see note 3 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 104 to 115). One of the Executive Directors of the Group controls a voting share of 2.64% (2008: 3.15%) of Air Berlin. In addition, the Chairman of the Board is also a shareholder of the Company with a voting share of 1.58% (2008: 1.52%).

The Company had the following transactions with related parties during the year ending 31 December 2009:

In thousands of Euro	**2009**	2008
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**4,155**	3,722
Interest income	**477**	0
Receivables from subsidiaries	**24,427**	109,730
Other operating expenses	**540**	675
Payables to subsidiaries	**5,436**	216
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**17**	0
Payables to subsidiaries	**181**	180
Alpha Engine Trading GmbH (formerly Luftfahrttechnischer Betrieb GmbH)		
Receivables from subsidiaries	**660**	0
Payables to subsidiaries	**2,655**	1,996
Air Berlin Beteiligungs GmbH		
Payables to subsidiaries	**13**	14
Belair Airlines AG		
Revenues	**0**	24
LTU Beteiligungs- und Holding GmbH		
Interest income	**1,416**	0
Receivables from subsidiaries	**142,818**	141,377
Payables to subsidiaries	**24**	0
AB Luftfahrttechnik Berlin GmbH		
Interest income	**36**	0
Receivables from subsidiaries	**37,443**	17,116
Payables to subsidiaries	**13,417**	2,636
AB Luftfahrttechnik Düsseldorf GmbH		
Interest income	**182**	0
Receivables from subsidiaries	**26,700**	1,060
Payables to subsidiaries	**14,403**	1,802
AB Luftfahrttechnik Köln GmbH		
Receivables from subsidiaries	**903**	777
LTU Lufttransport Unternehmen GmbH		
Receivables from subsidiaries	**15,000**	51,613
Payables to subsidiaries	**0**	27,039

Leisure Cargo GmbH		
Receivables from subsidiaries	**2,256**	5,367
Payables to subsidiaries	**0**	2,450
Loma Beteiligungsgesellschaft mbH		
Interest income	**332**	866
Receivables from subsidiaries	**15,717**	16,384
Air Berlin 1. – 8. LeaseLux Sàrl		
Receivables from subsidiaries	**1,282**	49
Air Berlin Netherlands B.V.		
Interest income	**47**	0
Receivables from subsidiaries	**1,937**	2,002
Payables to subsidiaries	**2,001**	0
Air Berlin Finance B.V.		
Expenses from convertible bonds	**17,189**	12,157
Receivables from subsidiaries	**174**	0
Payables to subsidiaries	**198,364**	198,463
Air Berlin Technik Ltd.		
Interest income	**47**	0
Receivables from subsidiaries	**2,397**	2,350
Air Berlin Fünfte Flugzeug GmbH		
Interest expenses	**264**	0
Payables to subsidiaries	**89,563**	35,201
Air Berlin Sechste Flugzeug GmbH		
Interest expenses	**78**	0
Payables to subsidiaries	**26,866**	26,240
Air Berlin Siebte Flugzeug GmbH		
Receivables from subsidiaries	**2,641**	0
Payables to subsidiaries	**5,148**	5,383
Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG[2]		
Payables to subsidiaries	**0**	52,904
Air Berlin Erste Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**5,301**	5,017
Payables to subsidiaries	**819**	0
Air Berlin Dritte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**4,111**	3,918
Payables to subsidiaries	**544**	0

Air Berlin Vierte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**3,533**	3,373
Payables to subsidiaries	**455**	0
Air Berlin Achte Flugzeugvermietungs GmbH		
Receivables from subsidiaries	**60**	30
Air Berlin Finance GmbH		
Receivables from subsidiaries	**0**	75
Binoli GmbH[1]		
Income	**0**	10
Long-term loans	**0**	250
AB Finance II GmbH		
Interest expenses	**105**	0
Receivables from subsidiaries	**3,000**	0
Payables to subsidiaries	**20,919**	36,148
Euconus GmbH		
Receivables from subsidiaries	**10**	1
JFK Stiftung		
Receivables from subsidiaries	**1,182**	0
Joachim Hunold & Co. Flugzeugvermietungs KG i.L.		
Receivables from subsidiaries	**0**	7

1 In 2009 associated company.
2 In 2009 the company was merged to Air Berlin Fünfte Flugzeug GmbH.

o) Employees

The Company has four employees besides the three Executive Directors four employees (2008: five Directors). Their remuneration is included in note 22 above as well as in the Directors' Remuneration Report on pages 104 to 115.
The Executive Directors are Participants in the Employee Share Plan 2006, which is described in detail in note 12 above as well as in the Directors' Remuneration Report. In addition, € 3,364 (2008: € 1,937) was paid to a defined benefit plan.

35. SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

Subsidiaries	Country of incorporation	**2009**	2008
AB Erste Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zweite Flugzeugvermietungs GmbH	Germany	✈	✈
AB Dritte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Vierte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Achte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Neunte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Zehnte Flugzeugvermietungs GmbH	Germany	✈	✈
AB Luftfahrttechnik Berlin GmbH	Germany	✈	✈
AB Luftfahrttechnik Düsseldorf GmbH	Germany	✈	✈
AB Luftfahrttechnik Köln GmbH	Germany	✈	✈
Air Berlin Beteiligungsgesellschaft mbH	Germany	✈	✈
Air Berlin Finance B.V.[1]	Netherlands	✈	✈
Air Berlin Finance GmbH	Germany	✈	✈
Air Berlin Finance II GmbH (formerly: dba Luftfahrtgesellschaft mbH)[1]	Germany	✈	✈
Air Berlin Netherlands B.V.[1]	Netherlands	✈	✈
Air Berlin PLC & Co. Luftverkehrs KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Airport Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Cabin Service KG[1]	Germany	✈	✈
Air Berlin PLC & Co. DUS KG[1]	Germany	✈	✈
Air Berlin PLC & Co. Service Center KG[1]	Germany	✈	✈
Air Berlin Switzerland GmbH[1]	Switzerland	✈	✈
Air Berlin Technik Ltd.[1]	United Kingdom	✈	✈
Air Berlin 1. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 2. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 3. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 4. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 5. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 6. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 7. LeaseLux Sàrl[1]	Luxembourg	✈	✈
Air Berlin 8. LeaseLux Sàrl[1]	Luxembourg	✈	✈

Air Berlin Fünfte Flugzeug GmbH (formerly: Air Berlin GmbH & Co. Fünfte Flugzeugvermietungs OHG)	Germany	✈	✈
Air Berlin Sechste Flugzeug GmbH (formerly: Air Berlin GmbH & Co. Sechste Flugzeugvermietungs OHG)	Germany	✈	✈
Air Berlin Siebte Flugzeug GmbH (formerly: Air Berlin GmbH & Co. Siebte Flugzeugvermietungs OHG)	Germany	✈	✈
Air Berlin Zwölfte Flugzeug GmbH	Germany	✈	
Air Berlin GmbH & Co. Elfte Flugzeugvermietungs OHG[2]	Germany		✈
Alpha Engine Trading GmbH	Germany	✈	✈
Belair Airlines AG[1]	Switzerland	✈	✈
CHS Cabin & Handling Service GmbH	Germany	✈	✈
CHS Switzerland AG[1]	Switzerland	✈	✈
CHS Holding & Services GmbH[1]	Germany	✈	✈
CHS Netherlands N.V.[1]	Netherlands	✈	✈
CHAS Italy s.r.l.[1]	Italy	✈	✈
CHAS UK Ltd.[1]	United Kingdom	✈	✈
Euconus Flugzeugleasinggesellschaft mbH	Germany	✈	✈
JFK Stiftung	Switzerland	✈	
Leisure Cargo GmbH[1]	Germany	✈	✈
Loma Beteiligungsgesellschaft mbH	Germany	✈	✈
LTU Beteiligungs- und Holding GmbH[1]	Germany	✈	✈
LTU Lufttransport Unternehmen GmbH	Germany	✈	✈
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH[1]	Germany	✈	✈
Air Berlin Employee Share Trust [1, 3]	United Kingdom	✈	✈

[1] Shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other Group companies).

[2] In 2009 the company was merged to Air Berlin Fünfte Flugzeug GmbH.

[3] The company is consolidated as a Special Purpose Entity.

Except for the special purpose entity, Air Berlin Employee Share Trust, Air Berlin PLC holds (directly or indirectly) 100% of the share capital of the subsidiaries as of 31 December 2009.

GLOSSARY AVIATION

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

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

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

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

DRY LEASE
Leasing of an aircraft without personnel.

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

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

IATA
International Air Transport Association.

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

PAX
Passenger.

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

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

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

WET LEASE
Leasing an aircraft including personnel.

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

YIELD MANAGEMENT
Price management system to increase average earnings.

GLOSSARY FINANCIAL MARKET

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

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

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

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

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

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

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

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

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

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

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

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

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

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

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

09) Other Information

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

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

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

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

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

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

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

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROFIT MARGIN
Profit after taxation divided by revenue.

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

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

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

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

RETAINED EARNINGS
Reserves accumulated from undistributed profits.

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

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

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

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

PHOTOGRAPHY
Claudia Kempf, Thomas Entzeroth,
Air Berlin Archiv

TEXT
Frenzel & Co. GmbH, Oberursel
www.frenzelco.de

POST PRODUCTION
ctrl-s prepress GmbH, Stuttgart
www.ctrl-s.de

PRINT PRODUCTION
Graphische Betriebe
Eberl GmbH, Immenstadt
www.eberl.de

EDITORIAL DEADLINE
18 March 2010

FINANCIAL CALENDAR

ANALYSTS AND INVESTORS CONFERENCE, BERLIN PRESS CONFERENCE ON 2009 RESULTS	25 MARCH 2010
TRAFFIC FIGURES MARCH	7 APRIL 2010
TRAFFIC FIGURES APRIL	6 MAY 2010
PUBLICATION OF INTERIM REPORT AS OF 31 MARCH 2010 ANALYSTS AND INVESTORS CONFERENCE CALL (Q1)	20 MAY 2010
TRAFFIC FIGURES MAY	7 JUNE 2010
AGM OF AIR BERLIN PLC, LONDON STANSTED	10 JUNE 2010
TRAFFIC FIGURES JUNE	7 JULY 2010
TRAFFIC FIGURES JULY	5 AUGUST 2010
PUBLICATION OF INTERIM REPORT AS OF 30 JUNE 2010 ANALYSTS AND INVESTORS CONFERENCE CALL (Q2)	26 AUGUST 2010
TRAFFIC FIGURES AUGUST	7 SEPTEMBER 2010
TRAFFIC FIGURES SEPTEMBER	7 OCTOBER 2010
TRAFFIC FIGURES OCTOBER	8 NOVEMBER 2010
PUBLICATION OF INTERIM REPORT AS OF 30 SEPTEMBER 2010 ANALYSTS AND INVESTORS CONFERENCE CALL (Q3)	18 NOVEMBER 2010
TRAFFIC FIGURES NOVEMBER	7 DECEMBER 2010

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