2015

ANNUAL REPORT

airberlin

▶ MOST RELIABLE GERMAN AIRLINE

▶ SUPERIOR CO_2-EFFICIENCY WORLDWIDE

▶ BEST INTERNATIONAL FREQUENT FLYER PROGRAMME

FINANCIAL FIGURES

2015

FINANCIAL PERFORMANCE INDICATORS

	2015 vs. 2014 in per cent	2015	2014	2013
Revenue (in million euros)	–1.9	**4,081.8**	4,160.2	4,146.8
Flight revenue (in million euros)	–2.6	**3,709.4**	3,808.2	3,815.5
EBITDAR (in million euros)	2.2	**358.9**	351.2	432.7
EBIT (in million euros)	–4.5	**–307.0**	–293.8	–231.9
Consolidated loss for the period (in million euros)	–18.6	**–446.6**	–376.7	–315.5
Earnings per share (in euros)	–22.1	**–4.04**	–3.31	–2.71
Total assets (in million euros)	–23.9	**1,418.4**	1,863.6	1,885.5
Employees (as of 31 December)	5.1	**8,869***	8,440	8,905

* The increase in head count is related to the integration of employees from the NIKI Labour Pool (819 heads) into NIKI Luftfahrt GmbH during the reporting period.

OPERATING PERFORMANCE INDICATORS

	2015 vs. 2014 in per cent	2015	2014	2013
Passengers (PAX)	–4.6	**30,249,263**	31,716,202	31,535,867
Flight revenue per PAX (Yields)	2.1	**122.63**	120.07	121.00
Available / flown seat kilometres (in billion; ASK)	–5.4	**55.84**	59.03	57.25
Total revenue per ASK (RASK; EURct)	3.7	**7.31**	7.05	7.24
Total costs per ASK (CASK; EURct)	4.1	**7.86**	7.55	7.65
Revenue passenger kilometres (in billion; RPK)	–4.6	**47.01**	49.27	48.57
Load factor (in per cent; RPK/ASK)	0.72*	**84.18**	83.46	84.85
Destinations (as at 31 December)	–6.1	**138**	147	171
Number of aircraft at year-end (operational fleet)	2.7	**153**	149	140

* percentage points

PLEASE NOTE THE FOLLOWING INFORMATION:

In the following report, Air Berlin PLC is referred to as "the Company". References to "airberlin", "airberlin group", "we", or "our" refer to Air Berlin PLC and/or, depending on the context, Air Berlin PLC, and its subsidiaries.

This report uses the generic masculine form, which refers equally to both male and female persons.

CONTENTS

TO OUR SHAREHOLDERS

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

STEFAN PICHLER
CHIEF EXECUTIVE OFFICER (CEO)

Dear Shareholders,

2015 was a busy year for everyone at airberlin where progress was made. We continued on our path to become a network airline by developing our hubs in both Düsseldorf and Berlin. This will have a significant influence on our corporate structures and business areas in the months and years to come.

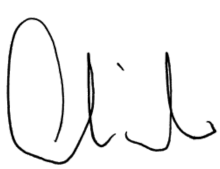
From an operational standpoint, we reviewed all of our management processes and corporate structures with the aim to have lower organisational and operational unit costs. The fleet's capacity and efficiency improved further in the course of eliminating unprofitable routes, creating leaner structures for cabin and ground staff and harmonising the fleet with Airbus aircraft. With the introduction of our PROS revenue management system we were able to raise our yields in 2015 despite an overall weaker market trend. Finally, we brought new management into all key areas: around 80 per cent of the top 79 senior management positions were filled by new managers who have joined to help us accomplish our turnaround.

Our dialogue with customers was structured in an even more service-friendly manner this past financial year. We expanded our product range to include several new services and offered passengers more comfort by adding 40 additional XL seats in the economy class of our entire long-haul fleet, whereby passengers on all of our A330-200 long-haul jets are now offered 48 XL seats in economy class and 19 seats in Business Class. Our XL seats and their 15 cm of added legroom offer the most legroom in economy class on transatlantic flights than any other airline. airberlin's business class uses full-flat seats for maximum privacy, comfort and personal service. The popularity of these seats shows that we are on the right track. Our new fare structure has also proven itself. Launched in the spring of 2015, this structure consists of four different fares designed to better meet the needs of our passengers. We will move ahead with our restructuring programme in 2016. With the successive reduction in restructuring costs, an optimised cost structure and rising yields, we expect to see a substantial improvement of our operational result.

Being customer- and service-oriented will naturally remain our focus. The current financial year will be dedicated to expand rigorously our strategy by positioning the airberlin group as a domestic and international network carrier and making an active contribution to the Etihad Airways Partners (EAP). With the introduction of the 2016 summer flight schedule, we plan to greatly expand our network of long-haul routes by adding non-stop daily services to the US East and West Coast and the Caribbean. We will fly from Berlin and especially Düsseldorf – our two hubs optimally integrated into our German and European route network – to around 90 long-haul destinations.

We are also steadily increasing the number of our medium-haul offers. In Italy, we expanded our service through our co-operation with Alitalia and, talking of holidays, we raised the number of flights to and from Palma de Mallorca. With the start of the 2016 summer schedule, airberlin will connect Mallorca and the DACH region with up to 500 flights per week. These additions will reinforce our market leadership in Berlin, Düsseldorf and Palma de Mallorca and highlight our strength in other key target areas in the DACH region.

Where possible, we will further enhance our co-operation with Etihad Airways Partners through bundling of similar activities, such as in the area of procurement, in order to gain greater efficiency. Through our partnerships we will be able to offer our customers improved service from our Berlin and Düsseldorf hubs to Etihad Airways destinations through Abu Dhabi and to those of other Etihad Airways Partners. In conclusion, I am confident that airberlin will see an improved trading performance in 2016!



Stefan Pichler
Chief Executive Officer

STATEMENT FROM THE CHAIRMAN OF THE BOARD

DR HANS-JOACHIM KÖRBER
CHAIRMAN OF THE BOARD OF DIRECTORS

The financial position of Air Berlin PLC

Implementation of current restructuring programme continues

The most important steps taken in the reporting year included optimising the management structures and processes and filling the newly created management positions with internationally experienced airline managers. This process was completed for the time being with the recent appointments made in February 2016.

airberlin strengthened its position as a network carrier in the short-, medium- and long-haul segments by concentrating on its two hubs Berlin and Düsseldorf and expanding its product range. The new fare concept "YourFare" for the short- and medium-haul routes more specifically targets the passengers' preferences and needs. This new concept now includes the widely available oneway fare "JustFly" and the "Fly Flex+" service package for business travellers as well as other offers for corporate customers. The product campaign in 2015 also introduced attractive supplementary services that clearly distinguish airberlin from its competitors. airberlin's modern fleet, which is one of the youngest in the industry and setting standards in terms of eco-friendliness, is another factor that gives the Company a competitive edge. As the world's most CO_2-efficient carrier, airberlin is particularly appealing to environmentally conscious passengers. airberlin is also on target with its efforts to harmonise the fleet exclusively with Airbus aircraft under the current restructuring programme and streamline the related logistics.

Results in 2015 still not satisfactory

The first signs of progress from the structural improvements in 2015 under the restructuring programme were reflected in the better efficiency of both the fleet and route network. The load factor was brought up to a level exceeding the industry's average and there was a marked rise in yields. This programme was accompanied by one-off restructuring charges in 2015, as forecast. These expenses mainly stemmed from the fleet's harmonisation, organisational changes and the related personnel expenses. As a result, the structural steps taken did not generate the earnings' improvements targeted in the reporting year.

Work of the Board of Directors

The work of the Board of Directors and its committees during the 2015 financial year is described in detail in the Corporate Governance Report on page 58 of this annual report.

Personnel

At the Annual General Meeting of Air Berlin PLC on 23 June 2015 the following board members were elected or re-elected by the shareholders: James Hogan, Stefan Pichler, James Rigney, Ali Ismail Sabancı and Dr Alfred Tacke. The following changes to the Board of Directors and the Management Board took place during the 2015 financial year and up to the time of this annual report's publication.

Heinz-Peter Schlüter, who had served as a Non-Executive Director since 1 April 2008, resigned from the Board effective 10 February 2015. The Board of Directors was deeply saddened by Mr Schlüter's passing on 29 November 2015 after a serious illness. We have lost a great entrepreneur and long-time companion.

The Board appointed Dr Alfred Tacke as a Non-Executive Director on 2 March 2015. Dr Tacke stepped down from the Board on 31 December 2015.

Stefan Pichler assumed the role of Chief Executive Officer (CEO) and Chairman of the Management Board with effect from 1 February 2015. Mr Pichler also serves as a Director on the Board of Directors. His predecessor, Wolfgang Prock-Schauer, left the Company effective 28 February 2015.

Arnd Schwierholz assumed the position of Chief Financial Officer (CFO) in the Management Board of the airberlin group effective 1 April 2015. He succeeds Ulf Hüttmeyer, who took over a new role at Etihad Airways. Götz Ahmelmann, who acted as Chief Commercial Officer, left the Company effective 1 May 2015. As at 1 June 2015, the board appointed Mr Julio Rodriguez as the new Chief Commercial Officer in the Management Board and assigned Mr Marco Ciomperlik to the newly created position of Chief Production Officer (CPO) in the Management Board. Accountable Manager Oliver Lackmann was further appointed as Chief Flight Operations Officer (CFOO) in the Management Board effective 1 May 2015.

The fundamental realignment of the Management Board was largely completed in the new 2016 financial year. As of 1 March 2016, the Board of Directors appointed two internationally experienced top managers – Mr Neil Mills was appointed as the new Chief Strategy & Planning Officer (CSPO) and Mr Oliver Iffert as the new Chief Operations Officer. Oliver Lackmann was Chief Flight Operations Officer (CFOO) until 1 March 2016 and effective 15 April 2016, he assumed the position of managing director at the Austrian subsidiary NIKI Luftfahrt GmbH, succeeding Thomas Suritsch, who left the company for health reasons. The Board of Directors would like to thank Mr Suritsch for his contributions to both airberlin and NIKI and wishes him all the best for the future. Marco Ciomperlik held the position of the Chief Production Officer (CPO) until 1 March 2016. Thereafter, he assumed the newly created position as Director Group Synergies. He is responsible for promoting the commercial and administrative networking of airberlin's European partner airlines.

A word of thanks

The Board of Directors would like to thank the employees of the airberlin group and the Company's management for their strong commitment to the extensive restructuring programme to secure the Company's future.

Dr Hans-Joachim Körber
Chairman of the Board of Directors

THE BOARD OF DIRECTORS

Executive Director

STEFAN PICHLER

Chief Executive Officer (CEO)

Stefan Pichler was born in Munich, Germany, in 1957 and has held the position of Chief Executive Officer (CEO) of Air Berlin PLC since 1 February 2015. Mr Pichler holds a degree in economics and completed a post-graduate programme at Insead/France. He started his professional career as the Head of Sports Promotions at NIKE International in Beaverton, Oregon. Subsequently, he held various managerial positions at Lufthansa, including positions as Chief Commercial Officer and Member of the Executive Board responsible for the worldwide sales & marketing activities. From 2000 to 2003, he served as the Chairman of the Executive Board of Thomas Cook AG. He subsequently took over the position of Chief Commercial Officer & Deputy CEO at Virgin Blue Airlines and simultaneously founded V Australia, where he served as Chairman of the Supervisory Board until 2009. From 2009 until 2013, Mr Pichler was the Managing Director & Chief Executive of Jazeera Airways. Stefan Pichler's most recent position was Managing Director at Fiji Airways.

Non-Executive Directors

DR HANS-JOACHIM KÖRBER

Chairman of the Board of Directors

Born in 1946 in Braunschweig, Germany. Dr Körber holds a brewmaster's degree and a degree in Business Administration. After several years of holding executive positions at R.A. Oetker Group, in 1985, he joined Metro SB Großmärkte, a legal predecessor of Metro AG, and held executive positions until 1996. With the founding of Metro AG in 1996, he became a member of the Board of Directors and was CEO from 1999 to 2007. Dr Körber has been a Non-Executive Director of Air Berlin PLC since 10 May 2006 and Chairman of the Board of Directors since 1 January 2011.

JAMES HOGAN

Vice Chairman of the Board of Directors

Born in 1956 in Melbourne, Australia, Mr Hogan has been the President and Chief Executive Officer of Etihad Airways, the national airline of the United Arab Emirates since October 2006. Prior to this, he held senior executive and board positions at Hertz, bmi British Midland and Forte Hotels in Asia and Europe. From 2002 to 2006, he was President and Chief Executive of Gulf Air, Bahrain. He is a former member of the UBS Industrial Board, a Fellow of the Royal Aeronautic Society, a member of the International Air Transport Association (IATA) Board of Governors and Vice Chairman of the Executive Committee of the World Travel and Tourism Council (WTTC). Mr Hogan is a Non-Executive Director of Air Berlin PLC and has served as Vice Chairman of the Board of Directors since 24 January 2012.

JOACHIM HUNOLD

Co-Vice Chairman of the Board of Directors

Born in 1949 in Düsseldorf, Germany, Mr Hunold studied law and has been in the aviation industry since 1978. He founded Air Berlin GmbH & Co Luftverkehrs KG in April 1991. From that time until 31 August 2011, he was a Managing Director of the airberlin group and has been acting CEO of the Air Berlin PLC since 1 January 2006. Mr Hunold has been a Non-Executive Director of Air Berlin PLC since 1 September 2011.

ANDRIES B. VAN LUIJK

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

JAMES RIGNEY

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

ALI SABANCI

Born in 1969 in Adana, Turkey, Mr Sabanci studied political science and economics at Tufts University, USA, from 1987 to 1991. He worked as a financial analyst for Morgan Stanley & Co, Inc. until the year 1993. He earned his MBA degree in International Finance at Columbia Business School in 1995. From 1997 to 2004, he held various management positions at H.Ö. Sabancı Holding A.Ş. In March 2004, Mr Sabancı resigned from his position and joined ESAS Holding A.Ş. as a member of the board. Mr Sabancı is also the dedicated Chairman of TOBB Young Entrepreneurs Council where he works on projects such as angel investing, Global Entrepreneurship Week, Entrepreneurs Club and the G3 Forum to foster entrepreneurship. Mr Sabancı has been a Non-Executive Director of Air Berlin PLC since 8 May 2009.

DR LOTHAR STEINEBACH

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

NICHOLAS TELLER

Born in 1959 in London, Great Britain, Mr Teller has a Bachelor of Commerce degree and has held various management positions at Commerzbank between 1982 and 2002. From 2002 until 2003, he was a regional board member and, from 2003 until 2008, he was a member of the Management Board of Commerzbank AG. Since that time, he has been part of the executive management of E.R. Capital Holding, first as its CEO until 2014 and then as its Chairman. He is also a member of Commerzbank's Supervisory Board as well as a member of the Executive Committee of the Board of Directors of the American Chamber of Commerce in Germany e. V. Mr Teller has served as Non-Executive Director of Air Berlin PLC since 10 May 2006.

JOHANNES ZURNIEDEN

Born in 1950 in Bergisch-Gladbach, Germany, Mr Zurnieden studied law and psychology and has been the Managing Director of Phoenix Reisen since 1973. Since 1994, he has been the Deputy Chairman of the Supervisory Board of Deutscher Reisepreis-Sicherungsverein and from 1998, the Vice President of DRV (Deutsche ReiseVerband). He is also a Member of the Advisory Boards of Europäische Reiseversicherung AG, Commerzbank and Sparkasse Köln-Bonn. Mr Zurnieden has been a Non-Executive Director of Air Berlin PLC since 10 May 2006, and he was Chairman of the Board of Directors until 31 December 2010.

THE MANAGEMENT BOARD

Stefan Pichler
Chief Executive Officer (CEO)

Arnd Schwierholz
Chief Financial Officer (CFO)

Julio Rodriguez
Chief Commercial Officer (CCO)

Oliver Iffert
Chief Operations Officer (COO)

Neil Mills
Chief Strategy & Planning Officer (CSPO)

Dr Martina Niemann
Chief Human Resources Officer (CHO)

STEFAN PICHLER

Chief Executive Officer (CEO)

As CEO, Stefan Pichler has responsibility for all companies and brands of the airberlin group. Mr Pichler's curriculum vitae is presented on page 7.

ARND SCHWIERHOLZ

Chief Financial Officer (CFO)

Born in 1970 in Krefeld, Germany, Mr Schwierholz obtained an economics degree in Trier and Manchester and subsequently began his career at UBS Investment Bank in 1995. He started his career in aviation at Deutsche Lufthansa AG in 2002 as Head of Mergers & Acquisitions and was responsible for the acquisition of Austrian Airlines, SN Brussels and a shareholding in Jet Blue. Most recently he held the position of CFO of Lufthansa's catering subsidiary LSG Sky Chefs in North America and was also responsible for procurement and IT. In October 2014, he joined the airberlin group as Deputy Chief Financial Officer. With effect from 1 April 2015, Mr Schwierholz assumed the position of Chief Financial Officer of Air Berlin PLC.

JULIO RODRIGUEZ

Chief Commercial Officer (CCO)

Born in 1975 in Hürth, Germany, Mr Rodriguez studied Physics at the University of Cologne and obtained his Ph.D. in Physics in 2003 from Penn State University, USA. 2003 – 2006 Senior Consultant for Boston Consulting Group. In 2006, he joined Spain's Vueling Airlines as Director of Revenue Management and Pricing and was appointed Chief Commercial Officer in 2012. In tandem, he completed an MBA at the IESE Business School in Barcelona in 2010. Julio Rodriguez has been the Chief Commercial Officer of Air Berlin PLC since 1 June 2015, taking over responsibility for the E-Commerce, Sales, Revenue Management & Pricing, the Service Center as well as Marketing and Guest Experience Divisions.

OLIVER IFFERT

Chief Operations Officer (COO)

Born in 1970 in Pforzheim, Germany, Mr Iffert began his career in 1997 as a First Officer at airberlin and was employed at LTU until 2004. He then moved to Etihad Airways where he most recently held the position of Vice President of Flight Operations. Mr Iffert brings more than 20 years of experience on commercial airplanes and currently flies the Airbus A330/A340. On 1 March 2016, Oliver Iffert was appointed Chief Operations Officer of Air Berlin PLC leading Flight Operations, Cabin Crew, Network Operations, Airport Operations and Maintenance Systems.

NEIL MILLS

Chief Strategy & Planning Officer (CSPO)

Born in 1971 in Pretoria, South Africa, Mr Mills started his career with easyJet in 1997 where, among others, he was responsible for procurement. In 2009, he became Chief Financial Officer with flyDubai, one of the fastest growing low-cost carriers in the world. He then accepted the CEO position at Spice Jet in India and managed the airline's subsequent three-year period of strong growth. Mr Neil was most recently the Chief Executive Advisor at the Philippine Airlines Group and managed its turnaround. Neil Mills has been the Chief Strategy & Planning Officer of Air Berlin PLC since 1 March 2016 and is responsible for Network Planning, Alliances, Procurement, Facility Management and the airberlin subsidiaries Leisure Cargo and airberlin technik.

MARTINA NIEMANN

Chief Human Resources Officer (CHO)

Born in 1964 in Duisburg, Germany, Ms Niemann studied at the Freie Universität Berlin and graduated with a diploma in economics. She then held a management position at a private equity company. She subsequently spent two years at Deutsche Lufthansa and then accepted a position at the Kaufhof Group as Director of Controlling for the travel agency segment. Since 1995, she has held various management positions at Deutsche Bahn AG, including Director of Human Resource Reporting and Analysis, Workforce Deployment, and the group's labour market. She was most recently the Head of the Remuneration and Welfare Policy Department. She has held the position of Chief Human Resources Officer of Air Berlin PLC since 15 February 2012.

THE AIRBERLIN SHARE

The 2015 trading year was extremely volatile. Investors were again confronted with numerous political events whose economic impact was difficult to estimate resulting in a back and forth between optimism and insecurity. This caused the international financial markets to soar several times to new highs in the wake of robust economic data from Europe and the USA and growing optimism that there would be an agreement on the Greek debt issue. The picture was later clouded, however, by negative economic signals from China and a massive local stock market correction, which further led to declines in the German DAX index – sometimes sharp declines – as the year progressed. Despite reaching a historic high in April 2015, the DAX even traded below its level at the start of the year. It eventually recovered and ended 2015 with a gain of ten per cent.

The airberlin share hovered around its 2014 year-end closing price of EUR 1.12 during the 2015 reporting year with the shares marking the year's high on 6 March at EUR 1.38. On September 29, however, the airberlin share dropped sharply falling almost 15 per cent to a 2015 year low of EUR 0.87. The shares remained weak after this point and closed 2015 at EUR 0.92. As at 30 December 2015, Air Berlin PLC's market capitalisation amounted to EUR 107.456 million. The free float, as defined by Deutsche Börse AG, was 58.77 per cent as at 30 December 2015 and its capitalisation as of this date was EUR 63.152 million.

THE AIRBERLIN PLC SHARE

Data as at 31 December 2015

Share capital	EUR 29,200,127 and GBP 50,000
Total number of issued and fully paid ordinary registered shares	116,800,508
Class	Ordinary registered shares
Nominal value	EUR 0.25
Bloomberg symbol	AB1 GY
Reuters symbol	AB1.DE
ISIN	GB00B128C026
WKN	AB1000
Stock exchanges	XETRA, Frankfurt/Main; regulated unofficial market: Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Accounting standards	IAS/IFRS
Trading segment	Regulated market (Prime Standard)
Primary industry	Transportation and logistics
Industry group	Airlines
Index membership	Prime All Share, Classic All Share
Designated sponsor	Commerzbank AG

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

MAIN SHAREHOLDERS OF AIR BERLIN PLC AS AT 31 DECEMBER 2015

Shareholders	Holding in % of share capital	Change vs. 31 December 2014
Etihad Airways	29.21%	Unchanged
ESAS Holding A.S.	12.02%	Unchanged
Free float according to the definition of Deutsche Börse	58.77%	Unchanged

SHAREHOLDER STRUCTURE BY NATIONALITY IN PER CENT AS AT 31 DECEMBER 2015

Germany	56.08
United Arab Emirates	29.21
Turkey	12.02
Austria	0.80
Switzerland	0.40
Liechtenstein	0.21
Other EU countries / EEA countries	0.80
Other countries	0.48

OUTSTANDING BONDS AS AT 31 DECEMBER 2015

Bond	Term	Volume in EUR million	ISIN
8.25 %	2011/2018	225 (150+75)	DE000AB100B4
EUR 6.75 % CHF 5.625 %	2014/2019	252	EUR XS1051719786 CHF XS1051723895

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

The convertible bonds were issued by Air Berlin Finance B.V. and guaranteed by the Company.

INVESTOR RELATIONS

airberlin provides information about its ongoing investor relations activities, ad-hoc notifications, IR releases, investor and analyst presentations as well as on all other mandatory reports and disclosures in a timely manner. This information can be found on its investor relations website at ir.airberlin.com. Interested investors are also invited to contact us directly via the contact form on our homepage or to write to us at the following address:

Air Berlin PLC
Investor Relations
Saatwinkler Damm 42–43
13627 Berlin, Germany

STRATEGIC REPORT AND MANAGEMENT REPORT

BUSINESS REVIEW

Financial performance indicators

	2015 vs. 2014 in per cent	2015	2014	2013
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Total costs per ASK (CASK; EURct)	4.1	**7.86**	7.55	7.65
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Load factor (in per cent; RPK/ASK)	0.72*	**84.18**	83.46	84.85
Destinations (as at 31 December)	–6.1	**138**	147	171
Number of aircraft at year-end (operational fleet)	2.7	**153**	149	140

* percentage points

Company profile

COMPANY STRUCTURE AND BUSINESS ACTIVITIES

Air Berlin PLC (the "Company") is the legal parent company of the airberlin group. Founded in England and Wales, its registered office is located in London. The Company's legal form is that of a "public limited company" (PLC) and, accordingly, is managed by a unitary board. The board is comprised of executive and non-executive directors. The composition of the unitary board during the 2015 financial year is presented on page 58. The composition of the Management Board is presented on page 61 and changes in the composition of the unitary board and the Management Board during the 2015 financial year are listed on pages 58 and 61. The Company's head office and the members of the Management Board are based in Berlin, Germany.

The two largest aviation subsidiaries – German Air Berlin PLC & Co. Luftverkehrs KG and Austrian NIKI Luftfahrt GmbH – are domestic and international airlines; Air Berlin PLC & Co. Luftverkehrs KG is a member of the International Air Transport Association (IATA). During the reporting year, the airberlin group employed 8,869 staff, operated a fleet of 153 aircraft and carried 30.2 million passengers. Among German airlines, airberlin is ranked second in terms of the number of passengers. airberlin ranks second even in the densely populated German-speaking "DACH" region (Germany, Austria and Switzerland). airberlin is the largest provider at the Berlin, Düsseldorf and Palma de Mallorca airports.

SAFETY AND SECURITY MANAGEMENT

Safety on the ground and in the air is an absolute priority. Safety is practised daily by all employees in all areas. We have defined processes for uncovering potential hazards and events to help us identify risks early, which are later evaluated and analysed within a risk management system. This gives us a chance to identify potential hazards early on and remedy them before they become serious.

The airberlin group's security management has access to an international network of security agencies, partner airlines and private security companies to monitor the global threat situation and its development. The destinations served by the airberlin group and the Company's security measures are certified through regular on-site safety inspections. The aviation security measures taken by the airberlin group meet stringent national and international air carrier requirements and are also checked and confirmed by regular quality audits and IATA Operational Safety Audits (IOSA). With the help of the Security Management System (SEMS), events are analysed at an early stage so that we can respond proactively to any potential danger and react quickly and efficiently to any incidents.

BUSINESS MODEL AND STRATEGY

A network carrier

airberlin is positioned as a network carrier on short-, medium- and long-haul routes at an attractive price/performance ratio. airberlin can offer a dense global route network by concentrating on its two hubs in the attractive German catchment areas of Berlin and Düsseldorf through its strategic co-operation with Etihad Airways and Etihad Airways Partners, its membership in the multi award-winning **one**world® aviation alliance and via codeshare agreements with a number of international airlines.

Value-focused corporate management

The airberlin group's organisational management is directed at creating value. Indicators such as yields from ticket sales and other flight-related services per passenger are the focus of operational management. airberlin uses a customised IT-based revenue and yield management system so that it can increase yields systematically. Other important operating performance indicators include revenue per ASK ("RASK") and cost per ASK ("CASK"). Load factors are measured as a ratio of revenue passenger kilometres ("RPK") and available seat kilometres ("ASK"). The key results-oriented operational performance indicator is EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortisation and Rent).

Focused offers on short- and medium-haul routes

airberlin is one of the leading airlines for the short- and medium-haul segments in its strategic core markets within the German-speaking region (DACH), which includes Germany, Austria and Switzerland. airberlin has identified several strategically important routes and connections in this key economic region and will focus on their development. airberlin is also targeting further high-yield strategic routes in Europe beyond the DACH region. The core business model for the European short- and medium-haul routes in the DACH region, Italy and Palma de Mallorca is based on "point-to-point traffic" between these key markets and direct connections to major European cities as well as the Mediterranean.

Expansion of long-haul routes

The Company is also focused on systematically expanding its business in the profitable long-haul segment. Strength in the long-haul segment is recognised by the market and especially by airberlin's passengers. In December 2015, readers of the US travel magazines Global Traveler and Premier Traveler raised airberlin's ranking from second place in the prior year voting it the "Best Transatlantic Airline" and "Best European Airline".

Berlin and Düsseldorf function as long-haul hubs for the airberlin group. These hubs are particularly useful in helping airberlin establish a strong position in the Asian hemisphere with its partner Etihad Airways and in North America with American Airlines. Both hubs are located in densely populated regions and have strong regional traffic that connects seamlessly with the airberlin group's short- and medium-haul flights.

USP CO_2 efficiency

A growing number of people are taking sustainability and environmental protection more seriously when purchasing products or services. This trend has created another important USP for the airberlin group based on airberlin's modern fleet: one of the industry's most contemporary airline fleets that sets standards in terms of both environmental friendliness and fuel reduction. As the world's most CO_2 efficient carrier*, airberlin appeals particularly to environmentally conscious passengers.

Earnings-oriented sales strategy

airberlin's sales strategy is clearly earnings-oriented. Therefore, its product offers and their customisation are continuously enhanced and developed in line with customer preferences and current trends. Creating the most optimised price structure based on current market trends is at the centre of this strategy as is the most efficient generation of additional flight-related revenues. To accomplish this, a new distribution strategy was introduced during the reporting year that addressed how to approach individual target groups and how to fully penetrate the market segments. airberlin also launched a 24/7 service initiative.

Distinct focus on customer service

The continuous enhancement of our services is another key element of our earnings-oriented sales strategy and is the reason airberlin focuses on maintaining as much contact as possible with customers on all available sales and distribution channels. airberlin flights can be booked via ticket counters, travel agents, tour operators or with a simple phone call to airberlin's 24/7 call centre. Our service-friendly online offers, such as our airberlin website or the mobile website mobile.airberlin.com, are particularly popular. Using the airberlin app, passengers can book up to two hours before departure. Boarding passes can also be stored electronically, saving paper.

Numerous free, standardised basic products such as Web check-in, MMS check-in, priority check-in for premium travellers and the opportunity to change flights up to two hours before departure, provide passengers with additional services both on board and on the ground. Complimentary snacks and hot and cold beverages are offered on all routes. In 2015, airberlin increased its resources to deal with any problems that may arise. In the case of flight delays or lost luggage, a brief response is sent to a customer's request within 24 hours and the respective issue is resolved within seven working days.

Additional services can be purchased or pre-ordered separately as desired. Fast, high-performance WIFI and airberlin's inflight entertainment are available on several routes over the airberlin connect app and are rapidly expanding. On short- and medium-haul routes, passengers can select a variety of hot and cold gourmet menus provided in co-operation with Restaurant Sansibar on Sylt, or choose their preferred seat. Economy class guests on our long-haul flights can also choose the comfortable XL seats. Passengers are offered a broad range of amenities including airberlin's amenity kit, which contains a toothbrush, toothpaste, an eye mask and socks and children are offered colouring books, crayons, games, comics and the airberlin cap.

* atmosfair airline index 11/2015

Sophisticated business class passengers enjoy airberlin's extensive airberlin premium service before, during and after the flight. This service includes access to exclusive lounges at many German and international airports – including more than 600 **one**world® premium lounges – a maximum level of comfort offered by multifunctional seats with relax and completely flat reclining positions with multi-level massage functions and a comfortable length. On flights from, via and to Abu Dhabi, passengers have access to a complimentary chauffeur service provided by airberlin and Etihad Airways. Extensive on-board shopping is customary on all airberlin flights.

The best indicator of a quality airline is the airline's reliability. In 2015, airberlin executed 99.5 per cent of its scheduled flights. This record level, known as the "regularity indicator", demonstrated that airberlin was the most reliable German airline in the 2015 reporting year. According to flightstats.com, a leading online portal for flight data analysis, airberlin ranked among the 15 most punctual airlines worldwide (on-time performance) in 2015.

Topbonus: the best international frequent flyer programme

Readers of the travel magazine Premier Traveller voted airberlin's topbonus frequent flyer programme the "Best International Frequent Flyer Program". This was the conclusion of the magazine's survey in December 2015 and marked the second consecutive time topbonus received this award. airberlin's successful, multi award-winning topbonus frequent flyer programme works together with 25 partner airlines and roughly 200 partners, including hotels, rental car companies, rating platforms, American Express, online shopping portals and, of course, the airberlin VISA card. The number of topbonus members worldwide is growing at a rate of 1,000 participants per day. A total of 4.1 million members during the reporting year took advantage of the exclusive benefits offered by this programme: in 2014, the total was just 3.7 million. topbonus members can collect status miles for a number of special benefits on flights operated by airberlin, our subsidiary NIKI Luftfahrt GmbH ("NIKI"), Etihad Airways Partners and our **one**world® partners. Participants can also earn award miles with airberlin's partners to be redeemed for complimentary flights worldwide, business class upgrades, and purchases in our extensive online awards shop. Thanks to award mile donations, a sum of over EUR 130,000 was collected for charities. topbonus Ltd. is an independent company with a 70 per cent interest held by the Etihad group and the remaining 30 per cent held by airberlin.

Our focus: Business travellers and corporate customers

The rapidly growing business and corporate customer segment is of high strategic importance for airberlin. Demand in this segment has been growing, particularly in the long-haul segment where the Company has been winning new business customers with its exclusive business class offers. We continue expanding in this segment with innovative solutions that also improve comfort and service. Among others, corporate customers also have access to the right products through their favourite booking channels.

The advantages airberlin offers its corporate customers are comprised under the brand "airberlin business benefits" and bundled into three benefit programmes:

- "Business Points": the proven and ever-evolving small and medium enterprise (SME) programme. By the end of 2015, more than 17,000 companies were already enrolled in the Business Points programme – with new registrations rising more than 14 per cent.

- "Business Pro": a corporate product introduced in 2015 that allows customers to rebook free of charge – even under the "FlyClassic" tariff – and targets "BestBuy" focused companies. At the end of 2015, 166 companies were participating in "Business Pro" programme.

- "Business Prime": the improved corporate rate model offering even greater flexibility and more attractive fares. A total of 854 companies were using Business Prime by the end of 2015.

Further information on business travel and offers for corporate customers can be found at airberlin.com/businessbenefits.

airberlin's extensive range of tailorable services targeted at small and medium enterprises (SMEs) are also growing at an encouraging pace. Our success is highlighted by the rise in the number of companies who are now participating in airberlin's "Business Points" benefit programme ("BP"): over the past six years, the number of participants has grown on average by 27 per cent to a total of 17,029 companies (2014: 14,847; 2013: 12,995). The SME market is an attractive and important market for airberlin and is the reason the Company plans to continue enhancing and expanding the BP programme. For several years now, BP members have been able to collect points on selected flights with American Airlines, Etihad Airways, Air Serbia, Virgin Australia, Darwin Airline and, since 2015, Air Bulgaria and Alitalia, also redeem points for upgrades. A dedicated telesales team assists SMEs in Germany, and an external corporate clients service provider supports our customers in Austria.

Information on "airberlin business benefits" and the related corporate benefit programmes can be found on the Company's website at www.airberlin.com/businessbenefits. New technical solutions are being developed so that corporate clients can continue to access the broader range of benefits on the Web with even more functionality. At the same time, airberlin will remain a close partner of corporate travel agencies, travel management service providers and providers of online booking systems.

New fare concept

After completing an in-depth market analysis, airberlin expanded its fare concept for short- and medium-haul routes in 2015 and refocused its offers more in line with the preferences and needs of its passengers. A new feature is the attractive and widely available oneway fare "JustFly" at steeply discounted prices starting at EUR 44. "JustFly" also gives passengers the option to book additional services. Business travellers can take advantage of the "FlyFlex+" service package, which offers maximum booking flexibility, a high level of convenience and prompt service. "FlyFlex" passengers also have access to lounges and exclusive waiting areas. These four fares – "JustFly", "FlyDeal", "FlyClassic" and "FlyFlex+" – compose airberlin's fare concept.

Close international co-operation

airberlin is considered an attractive partner and currently maintains close relationships with several global airlines and is expanding its relationship with many more. airberlin's close strategic partnerships with Etihad Airways and the Etihad Airways partner airlines, its membership in the global **one**world® alliance with 14 other international airlines, and codeshare agreements with a total of 21 airlines (previous year: 20) give passengers access to a worldwide network.

At the end of 2015, airberlin had codeshare partnerships with Etihad Airways; American Airlines; Alitalia; Iberia of Spain; Russia's S7 Airlines; Finnair; British Airways; the national airline of the Serbian Republic, Air Serbia; Virgin Australia; Air Seychelles; Turkey's largest private airline, Pegasus Airlines; Air Baltic of Latvia; Royal Jordanian; SriLankan Airlines; India's Jet Airways; Japan Airlines; Bulgaria Air; Thailand's Bangkok Airways; China's fourth largest airline, Hainan Airlines; Italy's Meridiana Fly and the Swiss regional airline Etihad Regional operated by Darwin Airline.

In the long-haul segment, airberlin has key partnerships with Etihad Airways for traffic in the Middle East, Asia and Australia and American Airlines for transatlantic traffic. At the same time, short- and medium-haul routes profit from shuttle services to and from airberlin's hubs and those of its partners. This ensures an ongoing high level of utilisation and lower seasonal fluctuations.

Strategic co-operation with Etihad Airways

The airberlin and Etihad Airways partnership creates an ideal blend of the airlines' complementary route networks, increases the number of flight offers for passengers and generates strong growth. Together, the airlines welcomed around 720,000 passengers in 2015. This compares to more than 600,000 passengers in 2014, 560,000 in 2013 and 323,000 in 2012.

airberlin continued to fine tune the combined route network and, in 2015, boasted a total of 216 destinations in 81 countries (2014: 213 destinations in 81 countries); the portfolio consisted of 107 codeshare routes worldwide (2014: 87). airberlin passengers benefit from the numerous connections originating from Etihad Airways' hub in Abu Dhabi to Asia and Australia and Etihad Airways passengers gain access to airberlin's densely interconnected European network.

airberlin has several flights daily to Abu Dhabi from Düsseldorf and Berlin. European passengers have access to 77 weekly codeshare flights to and from Abu Dhabi via eight airports in the DACH region (Status as at January 2016).

The inception of Etihad Airways Partners (EAP) in 2015, a unique strategic partnership between the airlines Alitalia, Jet Airways, airberlin, NIKI, Air Serbia, Air Seychelles and Etihad Regional, generated significant momentum. The partnership offers travellers a combined route network of over 250 destinations on six continents. A high standard of comfort and warm hospitality both on the ground and in the air fulfil the promise of a consistent, memorable experience, regardless of which airline passengers fly. A total of 1,370,000 passengers flew with a member airline of Etihad Airways Partners in 2015, making EAP the most important pillar among airberlin's international collaborations.

Codeshare flights provided by airberlin and Alitalia currently number more than 750 weekly nonstop flights between Italy and Germany, Austria and Switzerland. airberlin offers passengers prime flight connections between Germany and Italy with convenient connections to and from Berlin, Düsseldorf, Milan-Linate and Rome. Reciprocal frequent flyer agreements enhance the co-operation with Alitalia. airberlin and Alitalia have recently strengthened their commercial agreement to expand their flight offer between Germany, Switzerland, Austria and Italy. Their mutual passengers will benefit from up to 25 percent increased weekly frequencies on non-stop flights to Italy including a new airberlin route from Düsseldorf to Bologna starting 2 May 2016. airberlin will also add capacity from Düsseldorf to Florence and Venice. Flight connection times and route networks will be improved to provide more choice and convenience for business and leisure travellers.

oneworld® global alliance

airberlin has been a member of the **one**world® global alliance since 2012. NIKI is also an affiliate member. The alliance includes numerous well-known international airlines including American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, TAM Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian, S7 Airlines, SriLankan Airlines and several affiliate members, for example, Dragonair, LAN Argentina, LAN Colombia, LAN Ecuador, LAN Express and LAN Peru.

Together, the **one**world® airlines offer a first-rate, seamless travel experience. Passengers receive special privileges and frequent flyer benefits and can earn and redeem miles and points throughout the alliance's route network. With **one**world®, airberlin's customers also gain access to a global route network with more than 1,000 destinations in over 150 countries. In the USA, one of the most important aviation markets, airberlin flies to 55 destinations under a codeshare agreement with American Airlines. In 2015, more than 1,150,000 passengers flew with airberlin and its **one**world® partners based on partnership agreements. This emphasises the importance of the **one**world® membership in the midst of a competitive market environment.

Current restructuring programme

With intense competition and increasing yield pressure, the airberlin group devised a multi-stage, comprehensive restructuring programme in 2014. The programme's implementation continues to aim at improving efficiency and securing the long-term competitiveness of the airberlin group's platforms – airberlin, NIKI, and Belair Airlines AG ("Belair").

Powered by the latest technology, the platforms will be able to optimally adjust the flight's yield and seat load factor using a modern revenue management system. This system will receive added support from the streamlining and focussing of the network. The network's reorganisation through the establishment of additional point-to-point connections, consistent capacity adjustments on unprofitable routes and short-term tactical capacity adjustments bring less complexity, better utilisation and lower costs. The new fare structure introduced in May 2015 also helps to optimise the performance of airberlin.

In tune with the route network's philosophy, the capacity of the fleet and crew were concentrated and improved. Aircraft and crew rotations were simplified, the number of crew stations was reduced and pilots were stationed at new locations. These efforts resulted in additional costs during the reporting year. Several actions are being taken to reduce the complexity of airberlin's fleet – a process that has already been well underway and should be completed by the end of the current financial year. Except for the Q400 turboprops and Boeing aircraft flying for airberlin under long term wet lease, the fleet will consist of a uniform family of Airbus aircraft for all short-, medium- and long-haul flights. The airberlin fleet's number of Boeing aircraft was scaled back by three aircraft in 2014 to a total of 43. During the reporting period, this level was reduced by a further 12 aircraft to 31. The number of Airbus aircraft in 2014 increased from 77 to 84 and an additional 19 aircraft were added in 2015 bringing the total to 103. Streamlining the fleet is expected to bring significant synergies and economies of scale from a reduction in current expenses for fleet maintenance. New contracts for maintenance have already been signed in the current financial year. Complexity will also decline because, as of the summer of 2016, the Airbus A330 aircraft will only use a uniform configuration on long-haul routes and only depart from Düsseldorf and Berlin.

Beyond the station closures and transfers mentioned, several measures were taken to increase crew productivity. For example, part of the network's optimisation included improvements in crew scheduling and the elimination of obsolete positions. In the staff and administrative areas, other process improvements and related departmental and team restructurings will take place in the months to come to further improve the efficiency in these areas.

ECONOMIC CONDITIONS

Macroeconomic developments in the 2015 financial year

Global economic momentum deteriorated in the 2015 financial year. Economic observers such as the International Monetary Fund (IMF) believe this development largely emerged from the downturns experienced in many of the emerging countries, which are particularly suffering from the fall in major commodity prices. The slowdown was compounded by the significant slump in the globally important Chinese economy, the deepening recession in Russia due to falling commodity prices and from increased sanctions from the West.

The economic deterioration in these regions also slowed the momentum in the advanced economies and especially their exports. Nevertheless, these countries were still able to generate higher growth rates in 2015 than in the prior year due to stronger domestic demand. This was the case in the USA and the eurozone where continued low interest rates coupled with commodity price declines stimulated consumer demand and boosted production and investment. These factors sparked a recovery in the euro area economy in the year 2015 that was especially pronounced in countries such as Spain and Italy due to the added stimulation of economic reforms and because the recovery started from a very low level. The German economy had another consecutive year of growth, whereby the sluggishness of the emerging economies also had a slowing effect on the German export industry, which was partially offset by the depreciation in the euro. Robust private consumption has reemerged as an economic driver, supported by growing real incomes and a record level of employment. Germany's real gross domestic product (GDP) growth slightly outpaced the previous year's level and reached 1.7 per cent in 2015 (previous year: + 1.6 per cent).

The airline industry in financial year 2015

According to the International Air Transport Association (IATA), which with 260 members represents 83 per cent of international air traffic, global passenger traffic demand grew 6.5 per cent in 2015 (2014: 5.9 per cent). IATA derives its calculation from the revenue passenger kilometres flown (RPK) data of its members. RPK growth outpaced the previous year's level despite the generally weaker global economic development overall. Growth also surpassed the last 20 years' average of 5.5 per cent. International traffic increased 6.5 per cent in the reporting year exceeding the demand for domestic flights (6.3 per cent). IATA points out that a key reason for this upswing was the roughly 5 per cent decline in ticket prices worldwide. Capacity in 2015, measured by available seat kilometres (ASK), increased for the second consecutive year by 5.6 per cent. The rise in RPK was significantly higher than that of ASK and resulted in a sharp increase in capacity utilisation to 80.3 per cent (previous year: 79.2 per cent), which even marked a historic high.

As in previous years, regional performance in 2015 varied strongly. Outstanding growth in domestic and international air traffic was reported in the Middle East (11.6 per cent) and the Asia Pacific region (8.1 per cent), while the lowest growth rates were generated in Africa (1.2 per cent) and North America (4.3 per cent). Europe reported a below-average rise in RPK of 5.8 per cent. European carriers were still able to achieve a slight 0.1 percentage point rise in their utilisation rate to 81.7 per cent despite a capacity increase of 3.9 per cent.

OPERATING DEVELOPMENT

Route network and fleet

During the 2015 financial year, airberlin continued enhancing its route network and fleet as part of its current restructuring programme. The Company's efforts to create a uniform fleet proceeded on schedule with the number of Boeing aircraft brought down from 43 to 31 and the number of Airbus aircraft increasing from 84 to 103. The overall number of aircraft in the airberlin group's fleet rose by four in the reporting year to a total of 153 aircraft. This rise resulted solely from the difference in timing between the retirement of Boeing aircraft and the addition of new Airbus aircraft.

Despite the higher number of aircraft, capacity declined due to the lower number of seats in the new Airbus aircraft. The total number of seats declined 6.8 per cent from 39,849,889 in the previous year to 37,130,933 at the end of 2015. The airberlin group also systematically adjusted its route network and frequencies in 2015, eliminating flights that were unprofitable or no longer a good strategic fit. This brought down the number of flights in the reporting year by 5.6 per cent from their level of 236,790 in the previous year to 223,646. Available seat kilometres (ASK) declined 5.4 per cent from 59.0 billion in the previous year to 55.8 billion. The average flight distance increased 1.6 per cent compared to the previous year whereas flight hours declined 5.3 per cent from 432,695 in the previous year to 409,978.

Passenger volume and yields

Codeshares with partner airlines continued to gain in importance in the reporting year. The close strategic partnership with Etihad Airways and the Etihad Airways Partners (EAP) in addition to airberlin's membership in the global **one**world® alliance and other partnerships drove the number of codeshare passengers from 1,462,153 in the previous year to 2,125,599 in 2015. At the end of 2015, airberlin completed 3,029 codeshare flights on 98 codeshare routes to 71 joint destinations per week with Etihad Airways alone. After a total of 561,604 passengers in the 2014 financial year, the number of codeshare passengers with Etihad Airways grew to 667,066 in 2015.

Within the global **one**world® alliance, a total of 685,583 codeshares passengers were booked in 2015 after 659,065 in the previous year. The overall number of passengers that flew with airberlin and one of its **one**world® partners increased from 1,117,681 in the previous year to 1,155,918 in the reporting year.

In 2015, the number of passengers ("PAX") declined by 4.6 per cent to 30,249,263 compared to its level of 31,716,202 passengers a year earlier. The decline in capacity still outpaced the decline in passengers. The number of revenue passenger kilometres (RPK) also recorded a decline of 4.6 per cent from 49.3 billion to 47.0 billion, which was a much less pronounced decline than the decline in ASK. Utilisation measured by the seat load factor (RPK/ASK) increased accordingly by 0.7 percentage points to 84.2 per cent following a level of 83.5 per cent in the prior year.

Yields visibly improved in the 2015 financial year. Flight revenue per PAX (including taxes and securities fees) rose 2.1 per cent from EUR 120.07 to EUR 122.63 in the reporting year. Total revenue per PAX grew somewhat stronger rising 2.9 per cent from EUR 131.17 to EUR 134.94. This rise reflects the success of airberlin's attractive supplementary flight-related offers. Total revenue per ASK was 3.7 per cent higher rising from 7.05 eurocents to 7.31 eurocents. Total revenue per RPK increased 2.8 per cent rising from 8.44 eurocents in 2014 to 8.68 eurocents in the reporting year.

The cost per ASK at the EBIT level (including other operating income) grew by 4.1 per cent from 7.55 eurocents in the prior year to 7.86 eurocents. This figure contains restructuring costs and other one-off costs as well as the effects from the stronger dollar during the reporting year which outweighed the benefits from the cheaper fuel price. Fuel expenses per ASK in the reporting year were 4.6 per cent lower, falling from 1.74 eurocents to 1.66 eurocents. The increase in cost per ASK is also related to the capacity cuts that mainly occurred in the second half of the reporting year. There has been a time delay to align the numbers of aircraft, crew and other costs to the reduced capacity.

Key flight-related figures (as at 31 December)

	+/– %	2015	2014
Aircraft (operational fleet)	+2.7	**153**	149
Flights	–5.6	**223,646**	236,790
Destinations	–6.1	**138**	147
Capacity (thousands of seats)	–6.8	**37,131**	39,850
Passengers (thousands; PAX)	–4.6	**30,250**	31,716
Load factor (per cent; RPK/ASK)	+0.7 % points	**84.2**	83.5
Available / flown seat kilometres (bn; ASK)	–5.4	**55.84**	59.03
Revenue seat kilometres (bn; RPK)	–4.6	**47.01**	49.27
Number of block hours	–5.3	**468,389**	494,587
Average length per destination (km)	+1.6	**1,504**	1,481

The fleet of the airberlin

	Number at the end of	
	2015	2014
A319	**9**	9
A320	**57**	44
A321	**23**	17
A330-200	**14**	14
B737-700	**6**	9
B737-800	**25**	34
Q400	**17**	16
Embraer E 190	**0**	6
Saab 2000	**2**	0
Total	**153**	149

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

The group's total assets as at 31 December 2015 declined 23.9 per cent versus the prior year's balance sheet date (from EUR 1,863.6 million to EUR 1,418.4 million). Non-current assets declined 19.5 per cent to EUR 700.1 million, which included a 39.5 per cent decline in property, plant and equipment to EUR 183.0 million. This decline is a consequence of the disposals of Boeing aircraft carried out to harmonise the fleet. The new Airbus aircraft brought into operation are leased. The carrying amount of all aircraft and engines at the end of 2015 was EUR 55.6 million compared to EUR 179.3 million as at the prior year's reporting date. At EUR 718.4 million, current assets were 27.7 per cent lower than their level in the prior year. Current assets contained cash and cash equivalents of EUR 165.2 million after EUR 259.2 million at the end of the 2014 financial year.

Ongoing, fierce price competition in the airline industry and the one-off charges under the current restructuring programme caused the group's equity to decline in 2015. This decline was partially offset by lower losses on hedging instruments recognised directly in equity. After amounting to EUR –415.6 million at the end of the 2014 financial year, equity totalled EUR –799.4 million as of 31 December 2015 and included EUR 325.7 million of hybrid capital classified as equity originating from the three tranches of subordinated perpetual bonds with a total nominal value of EUR 300 million issued to Etihad Airways in 2014 and guaranteed by the Company.

The measurement of shareholder's equity represents a momentary snapshot. The Company has adequate cash available to finance continuing operations, all other necessary investments and complete its current restructuring programme. In accordance with IFRS regulations, the airberlin group's status as a "going concern" is secure.

Non-current liabilities rose 37.0 per cent year-on-year from EUR 797.1 million to EUR 1,091.9 million. This increase originated from higher financial liabilities (EUR 980.9 million compared to EUR 640.0 million) from the assumption of two loans totalling EUR 326.8 million. Corporate bonds issued by the airberlin group in 2010 in the amount of EUR 200 million were fully repaid during the reporting year. Non-current financial liabilities from aircraft financing was scaled back from EUR 90.0 million to EUR 28.7 million in the course of the fleet's harmonisation.

Financial liabilities from aircraft financing contained in current liabilities fell sharply from EUR 109.8 million to EUR 23.3 million bringing the total decline in liabilities from aircraft financing from EUR 199.7 million to EUR 52.1 million. Other current financial liabilities fell even more from EUR 223.7 million to EUR 10.2 million. The latter mainly consists of the current portion of outstanding bonds. Current liabilities decreased overall from EUR 1,482.0 million at the end of the 2014 financial year to EUR 1,125.9 million as at 31 December 2015. Excluding financial liabilities from aircraft financing, the sum of current and non-current financial liabilities increased from EUR 863.7 million as at the previous year's balance sheet date to EUR 991.1 million. The maturity structure, however, was significantly extended. Advance payments received were roughly at the previous year's level and amounted to EUR 373.9 million (previous year: EUR 396.4 million). Net debt in the 2015 financial year increased from EUR 804.3 million in the prior year to EUR 877.9 million.

Operating cash flow in financial year 2015 improved to EUR –151.1 million compared to EUR –263.4 million in the previous year despite the higher net loss reported for the period. This improvement resulted mainly from a rise in trade payables and other current liabilities in addition to several items included in current assets, such as deferred expenses and other assets, as well as other reconciliation items for calculating operating cash flow. The net cash flows from changes in net working capital items (increase/decrease in inventories, trade accounts payables and trade accounts receivables) amounted to EUR 71.8 million in the reporting year compared to EUR –37.1 million in the previous year. In contrast, provisions related to the current restructuring programme declined considerably as scheduled. The same applies to depreciation and amortisation of non-current assets falling from EUR 71.8 million in the prior year to EUR 43.5 million in the reporting year due to fleet harmonisation. All of the new Airbus aircraft are leased. Net cash flows from operating activities, including income taxes paid and net interest paid of EUR –86.8 million (previous year: EUR 83.8 million), reached EUR –237.9 million compared to EUR –347.2 million in the previous year.

Cash flow from investing activities amounted to EUR 198.9 million in the reporting year compared to EUR 36.3 million in the previous year. This increase was mainly the result of significantly higher proceeds from the sale of aircraft rising from EUR 68.0 million to EUR 278.9 million. This increase was offset by advanced payments for non-current assets of EUR 39.5 million. In the previous year, this item included proceeds of EUR 30.9 million from the repayment of advanced payments for the Boeing aircraft cancelled in the course of 2014. Payments for purchases of non-current assets almost halved to EUR –32.5 million in 2015 compared to EUR –62.6 million in the previous year.

Cash flow from financing activities reported an outflow EUR 60.9 million in the reporting year compared to an inflow of EUR 335.0 million in the previous year. Principal payments on interest-bearing liabilities in the amount of EUR 463.1 million (previous year: EUR 449.9 million) were offset by proceeds from the assumption of interest-bearing liabilities in a net amount of EUR 402.2 million (previous year: EUR 484.9 million).

After foreign exchange effects on cash balances, the outflow of cash and cash equivalents in 2015 amounted to EUR 94.0 million (previous year: inflow of EUR 24.2 million). At the end of the reporting year, net cash and cash equivalents amounted to EUR 165.2 million after starting the year at EUR 259.2 million.

Results of operations

As a consequence of 6.8 per cent lower capacity and 5.6 per cent fewer flights, group revenue in the 2015 financial year declined marginally by 1.9 per cent to EUR 4,081.8 million after its level of EUR 4,160.2 million in the previous year. With a decline in RPK of 4.6 per cent, the decline in flight revenue was lower at 2.6 per cent from EUR 3,808.2 million to EUR 3,709.4 million. Despite continued intense price pressure in the industry, the first benefits started to emerge from the structural improvements made in the reporting year, particularly the new fare structure and new revenue management system. In addition, revenues from ancillary services rose by 10.3 per cent from EUR 108.5 million in the previous year to EUR 119.7 million. This also explains the increase in revenues from ground services and other services by 6.3 per cent to EUR 343.9 million after their level of EUR 323.5 million in the previous year. Revenues from inflight sales held steady at EUR 28.4 million after their sharp increase in 2014 following an expansion in services. Other operating income increased sharply from EUR 11.6 million to EUR 50.8 million, mainly as a result of capital gains from aircraft sales.

Operating expenses were slightly lower falling from EUR 4,465.6 million in the prior year to EUR 4,439.5 million in the reporting year. Expenses for materials and services came down 1.9 per cent to EUR 3,064.3 million compared to EUR 3,124.4 million in the previous year. At EUR 929.7 million compared to EUR 1,028.6 million, fuel expenses were 9.6 per cent lower year-on-year. Because of the customary hedging transactions for fuel, the rapid drop in the oil price in the reporting year did not have the full effect. Operating lease expenses increased by 13.1 per cent in the reporting period to EUR 619.8 million from EUR 548.0 million in the previous year, mainly driven by the strengthening of the USD. Expenses for catering and other inflight services could be reduced by 2.6 per cent from EUR 124.5 million in 2014 to EUR 121.3 million.

While navigation expenses at EUR 260.4 million were slightly below the previous year's level of EUR 265.2 million, airport fees increased from EUR 837.8 million in the previous year to EUR 838.1 million and the air transportation tax rose 4.3 per cent (from EUR 148.6 million to EUR 155.0 million). The item "others" contained within cost of materials and services was 18.5 per cent lower declining from EUR 171.6 million in the previous year to EUR 139.9 million in financial year 2015 as a result of the integration of employees from the NIKI Labour pool explained in the next paragraph.

Personnel expenses in the airberlin group increased primarily due to the one-off personnel-related expenses under the current restructuring programme mentioned, wage increases in 2015 and a higher number of employees from the integration of employees from the NIKI Labour pool. The related personnel expenses resulting from this integration had been included under cost of materials and services in the previous year. Adjusted for this effect, the number of employees declined in the reporting year on a like-for-like basis. The resulting cost savings, however, were offset by wage increases under collective agreements. Total personnel expenses in the reporting year amounted to EUR 589.3 million compared to EUR 524.5 million in the previous year. Depreciation and amortisation fell from EUR 97.0 million in 2014 to EUR 46.0 million in the reporting year as a result of aircraft sales.

Other operating expenses rose by 2.8 per cent from EUR 719.8 million in the previous year to EUR 740.0 million. This figure also included special charges from the implementation of the current restructuring programme.

Operating earnings before interest, taxes, depreciation, amortisation and leasing expenses (EBITDAR) increased to EUR 358.9 million in the reporting period following their level of EUR 351.2 million in the previous year. Operating earnings after leasing expenses (EBITDA) amounted to EUR –260.9 million after EUR –196.8 million in the comparable period of the previous year. Earnings before interest and taxes (EBIT) totalled EUR –307.0 million in the financial year after their level of EUR –293.8 million in the previous year.

Net financial expenses decreased by EUR 6.6 million from EUR 95.6 million to EUR 89.0 million. Because the net result on foreign exchange and derivatives slipped into a loss of EUR –31.5 million (previous year: profit of EUR 9.9 million), net financing cost for the reporting year developed from EUR –85.6 million in the previous financial year to EUR –120.5 million. The loss before tax increased to EUR –430.7 million after EUR –378.9 million in the previous year. Including tax expenses of EUR –16.0 million (previous year: income tax benefits of EUR 2.0 million), the result for the 2015 financial year declined to EUR –446.6 million from EUR –376.7 million in the previous year. Including the result of EUR 24.3 million attributable to hybrid capital investors (previous year: EUR 9.4 million), a net result attributable to the shareholders of Air Berlin PLC amounted to EUR –471.0 million after a level of EUR –386.1 million in the prior year. Both diluted and basic earnings per share for the reporting year totalled EUR –4.04 after their level of EUR –3.31 in the previous year.

RESPONSIBILITY

Social responsibility

PEOPLE COME FIRST

The airberlin group promotes equal opportunity and strives to prevent and eliminate any discrimination on the grounds of ethnic origin, gender, religion, beliefs, disability, age or sexual identity. In light of the general principle of equal treatment in the European Union, all collective guidelines and core personnel processes are continuously reviewed for possible discrimination, and managers are informed of the relevant legal requirements.

At airberlin, mutual respect and embracing diversity go hand in hand and form the basis of daily coexistence. As an international company, airberlin not only creates mobility across borders but also connects people and cultures around the globe. The airberlin group itself is truly multi-national: in the 2015 financial year, the airberlin group employed a staff comprising 61 different nationalities.

Working at airberlin

EMPLOYEES

As at 31 December 2015, the airberlin group employed a total of 8,869 employees, consisting of 4,382 women and 4,487 men, compared to a total of 8,440 employees in the previous year. The increase in head count is related to the integration of employees from the NIKI Labour Pool (819 heads) into NIKI Luftfahrt GmbH during the reporting period. The average term of employ-ment at the airberlin group is 10.02 years and the average age of employees is 39.3 years. airberlin employs 1,375 people abroad including 149 in Spain, 317 in Switzerland and 819 in Austria.

At the end of the reporting year, there were 2,074 part-time employees at the airberlin group. Of those, 917 employees took advantage of a work-schedule model with adjusted salaries, called a “free month“. The ratio of part-time employees is 23.4 per cent (previous year: 29.2 per cent).

EMPLOYEE STRUCTURE AT AIRBERLIN

	31/12/2015	31/12/2014
Pilots	**1,514**	1,338
Cabin crew	**3,412**	3,097
Technical staff	**1,429**	1,286
Administration/services/others	**2,514**	2,719
Total	**8,869***	8,440

* The increase in head count is related to the integration of employees from the NIKI Labour Pool (819 heads) into NIKI Luftfahrt GmbH during the reporting period.

As an employer, the airberlin group promotes equal opportunity for all employees. This includes gender diversity. The following table presents the composition of the directors, members of the Management Board, senior management and employees according to their gender as at 31 December 2015. Of the six members of the Management Board, one is female. airberlin is committed to promoting increased gender diversity and makes this an important criterion when hiring employees.

DIVERSITY AT AIRBERLIN

	31/12/2015		31/12/2014	
	Women	**Men**	Women	Men
Board of Directors	**0**	**11**	0	11
Management Board	**1**	**5**	1	4
Senior Management (1st level of management))	**1**	**14**	2	21
All employees	**4,382**	**4,487**	4,188	4,252

Extensive training and further education

airberlin offers students a broad choice of commercial and technically oriented occupations as well as a dual study programme. We train tourism clerks, air transportation clerks, marketing communication managers, IT specialists for systems integration, office managers, aircraft mechanics and aircraft electricians. airberlin also offers a Bachelor of Arts dual study programme in business administration with an emphasis in hotel and tourism management in co-operation with the University of Applied Sciences (*Hochschule für Wirtschaft, Technik und Kultur*).

Those who are technically oriented can be trained to become aircraft technicians (specialising in maintenance or assembly) or electricians for aviation systems. In September 2015 alone, 20 new apprentices began their first year of training at airberlin technik GmbH in Düsseldorf. With currently about 53 trainees, the airberlin group and is one of the largest training providers in the Düsseldorf area and has its own training facilities.

At the end of the reporting year, the airberlin group had a total of 80 trainees. During the 2015 calendar year, three dual study students and 30 trainees successfully completed their training.

Close co-operation with professional schools and universities complement programmes promoting young talent and enhances our management of employee talent. Special trainee programmes are offered over a period of 24 months and can be given an international spin by means of exchange programmes with our strategic partners. airberlin also has its own training centre in Düsseldorf.

We train our flight attendants in-house. A total of 134 flight attendants were in training in the 2015 financial year, 215 in 2014 and 331 in 2013. Safety and emergency training, on-board service training, first aid, communication and announcement training, as well as training flights and several practical exercises, are all offered in specialised study courses. Training takes a period of six weeks.

The airberlin flight school has been offering commercial pilot training since 2007. Those who choose to train at the airberlin flight school receive two years of theoretical and practical training based on the highest international standards. The school has also been offering a part-time Bachelor's degree programme in aviation management since the spring of 2015.

Health comes first

Healthy and committed employees with a high-performance mentality are a prerequisite for a successful business. To promote this, the airberlin group offers employees occupational health and safety across the board. Risk assessments are conducted in all areas as a preventative measure to ensure health and safety at work and enable the Company to act early.

At its larger locations, the airberlin group has the support of six in-house physicians as well as in-house security specialists. airberlin also offers occupational reintegration support for employees who were absent due to illness for 42 days or more. This support makes the employees' return to their jobs as easy as possible and helps them achieve a lasting recovery.

Award winning: airberlin's environmental management

The strategic and operational management of the airberlin group and its individual companies is guided not only by financial and organisational considerations but also by the principle of sustainability. We make every effort to keep our ecological footprint as small as possible. Improving our ecological balance is an all-encompassing, ongoing objective for the entire airberlin group. Moreover, all employees are expected to do their part. Even the smallest of contributions are important because combined, they can have a tremendous impact.

Environmental protection is an overriding priority at airberlin. It is not only an integral part of our corporate philosophy but also a distinct quality that is gaining importance for both investors and passengers.

ECO-EFFICIENCY AS A COMPETITIVE ADVANTAGE

airberlin is very ambitious when it comes to carrying out its "Eco-efficient Flying" programme, which its experts have been working on throughout all departments since 2008. Eco-efficiency focuses on the gentlest possible use of non-renewable resources, especially fuel. A variety of factors must interact in order to reduce CO_2. We are continually improving all flight-related processes and uncovering potential savings with our comprehensive in-house fuel efficiency programme. A list of over 70 steps taken with respect to our fleet, technical services, weight, load and flight operations have lowered emissions and saved fuel. airberlin takes a holistic approach when it comes to fuel efficiency. In the 2015 financial year alone, a total of approximately 31,000 tonnes of CO_2 were saved – the equivalent of 1,000 flights from Berlin to Madrid.

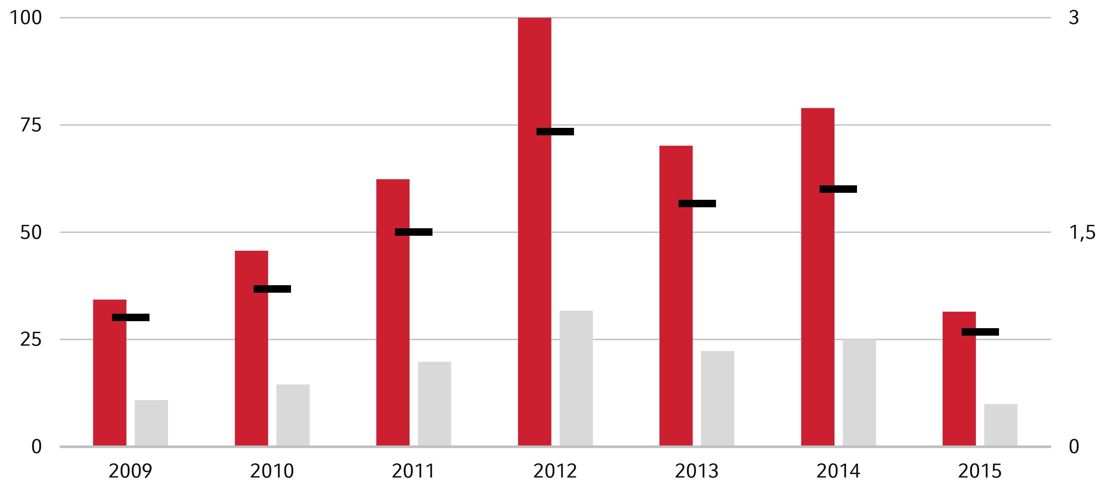
Multi award-winning efficiency programme

All of these steps combined were a tremendous success and resulted in airberlin winning several awards in 2015 for fuel efficiency. The independent environmental protection agency atmosfair awarded airberlin an average of 76.8 points out of 100, recognising the Company as the most CO_2-efficient airline worldwide among large scheduled operators. In addition to the persuasive environmental performance in the atmosfair 2015 airline index, airberlin also placed second in the 2015 Transatlantic Airline Fuel Efficiency Ranking.

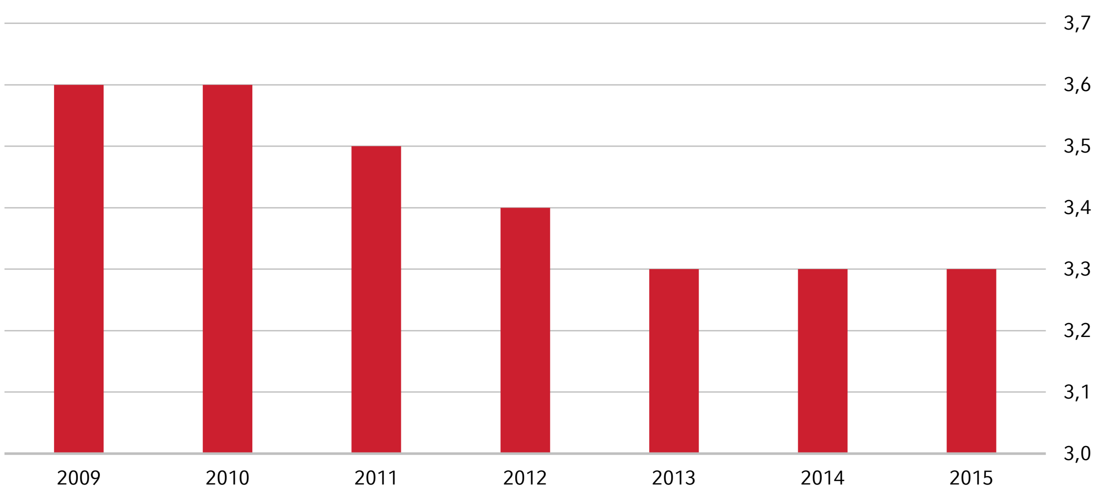
airberlin's specific fuel consumption of less than 3.3 litres per 100 PKM outperforms the average of about 3.7 litres consumed by German airlines by 12 per cent. On a capacity-adjusted basis, a passenger car even consumes more than 5 litres. Our medium-term goal is to reduce fuel consumption to 3 litres.

FUEL SAVINGS AND CO_2 REDUCTIONS FROM 2009 TO 2015

	2015	2014	2013	2012	2011	2010	2009
Fuel savings in thousand tonnes	**10.0**	25.0	22.3	31.7	19.8	14.5	10.9
As a percentage of total consumption	**0.8**	1.8	1.7	2.2	1.5	1.1	0.9
CO_2 emissions in thousand tonnes	**31.5**	79.0	70.2	100.2	62.4	45.7	34.3
Consumption per 100 RPK in litres	**3.3**	3.3	3.3	3.4	3.5	3.6	3.6



CO_2 EMISSIONS SAVINGS IN THOUSAND TONNES (LHS)
FUEL SAVINGS IN THOUSAND TONNES (LHS)
FUEL SAVINGS IN % OF TOTAL CONSUMPTION (RHS)



FUEL CONSUMPTION PER 100 RPK IN LITRES

ECO-EFFICIENCY OF THE FLEET

airberlin's modern fleet is the source of this record performance in eco-efficient flying and represents one of airberlin's clear competitive advantages. The fleet has an average age of just 7.5 years (as of 31 December 2015) and is one of the most modern, quiet and efficient fleets in Europe. The IATA members' average fleet age worldwide is above 11 years and roughly 10 years in Europe. airberlin continually makes targeted investments in new technology making its aircraft one of the most technologically advanced fleets today.

airberlin was one of the first carriers to accept delivery of an Airbus A320 with fuel-saving "sharklets" from Airbus's manufacturing plant in Hamburg in 2013. All of the Airbus A320/321s on order will also be equipped with sharklets. The visually prominent sharklets developed by Airbus greatly improve the wing's aerodynamics and save up to 3.5 per cent of fuel per aircraft, which amounts to nearly 1,200 tonnes savings in CO_2 emissions every year. This is the equivalent of 55 flights from Berlin to Palma de Mallorca per aircraft every year. An Airbus equipped with sharklets can rise faster because of the improved lift, which also reduces the noise on the ground.

airberlin also makes sure its engines are cleaned regularly, which improves their efficiency by a further 0.5 per cent. This is equivalent to 140 flights from Düsseldorf to New York in an Airbus A330. Cleaning the aircraft's surface also improves the aerodynamics. These measures alone save up to 2.0 per cent of the average fuel consumption. Another element that reduces fuel consumption is having the smoothest surface possible, with the aim of achieving a "perfectly smooth aircraft". airberlin is also a pioneer in this area by being one of the first airlines to develop a tool for measuring the optimisation of the air stream flow and thus creating another method for this kind of aerodynamic optimisation. This was another true innovation for fuel efficiency which reduces fuel consumption by another 0.3 per cent on average.

ECO-EFFICIENCY IN TERMS OF WEIGHT AND LOAD

Reducing an aircraft's weight is an incredibly effective way to improve the fuel efficiency of the entire airberlin fleet. airberlin saves 2,000 tonnes of fuel and 6,300 tonnes of CO_2 annually through the use of lighter seats and carpets, lightweight trolleys and a "paperless cockpit". The new light-weight seats in economy class also cut the weight per flight by an additional 575 kg. airberlin saves more than 225 kilogrammes of weight by using 38 lightweight trolleys, which are required for the service on the Airbus, instead of conventional trolleys. The fuel saved is equivalent to 20 flights from Düsseldorf to New York City in an Airbus A330.

airberlin uses lightweight containers to transport freight and luggage. It also uses tablets in the cockpit, which replaces the need for paper. Optimised loading and lighter cabin equipment save up to three per cent of our average total fuel consumption.

ECO-EFFICIENCY ON THE GROUND

We examine and optimise all our processes for fuel efficiency, both in the air and on the ground. We also manage our flight operations by using fuel-efficient flight plans, optimum cruise altitudes and the shortest routes. We have special software that calculates the most cost- and fuel-efficient flight course prior to each departure. Flight plans are provided on the spot before each flight and the data are sent to the cockpit to ensure that each flight is conducted as cost and as fuel efficient as possible. An optimally calculated route can save up to four per cent of the fuel needed. airberlin has reduced its flight speed to a sustainable and economic level.

Another measure is block time optimisation where, instead of scheduling routes with the same flight duration at all times of day, block time optimisation goes one step further and incorporates expected traffic volumes in the airspace and at the destination airport. This also saves fuel and protects the environment. airberlin's pilots turn off their engines immediately after reaching the gate, which not only cuts unnecessary emissions but also reduces noise at the airport.

Usually, only one engine is necessary for the path from the runway to the gate. This "single-engine taxi" saves airberlin up to 700 tonnes of fuel each year. airberlin uses ground power instead of the auxiliary power unit located in the tail of the aircraft to provide the aircraft with electricity when the engines are turned off. Through the use of more sustainable ground power from the ground power unit, airberlin reduces its consumption by 1000 tonnes of fuel per year.

Since 2012, airberlin has trained its pilots in eco-efficient flying using a special training programme. After training the fuel coaches, they proceed to pass on their knowledge to fellow pilots during coaching flights referred to as "fuel efficiency flights".

ECO-EFFICIENCY IN THE AIR

We can fly higher, faster and more efficient by using current information such as wind data for flight operating schedules. The route consuming the least amount of fuel is determined by combining the height and wind profiles. A 300-metre difference in the cruising altitude can amount to up to a one per cent difference in fuel consumption per flight.

At airberlin, all of the cleaning supplies found on board, such as paper towels, facial tissues and toilet paper are recyclable. Paper towels carry the FSC mix seal and bin liners are made of reduced-thickness LDPE film. We have been using particularly lightweight polypropylene cups for years. This alone saves more than 200 tonnes in weight annually and more than one tonne of CO_2 during waste disposal.

ECO-EFFICIENCY WITH LESS NOISE

airberlin has one of the quietest fleets in Europe. A total of 97 per cent of airberlin's fleet complies with the latest International Civil Aviation Organisation (ICAO) Chapter IV noise standard. This means that all airberlin aircraft, with the exception of four machines, are at least 10 dB (A) quieter than required by the previous classification, ICAO Chapter III.

Reducing noise emissions is a complex task involving a number of players. airberlin is involved proactively in numerous aircraft noise commissions whose legal mandate is to advise air traffic controllers when working out routes. airberlin also actively promotes intermodality – the connection of airports to the rail network. We also assess the use of curved approaches to avoid flying over residential areas. Curved approaches use the airspace more efficiently, save fuel and can help reduce the level of noise over densely populated residential areas. The continuous descent approach (CDA) ensures lower noise emissions also in the wider areas surrounding airports.

PRINCIPAL RISKS AND UNCERTAINTIES

The airberlin group's strategic and operative management is constantly exposed to risks and uncertainties that could endanger the achievement of corporate and financial targets. The ability to systematically detect, analyse and manage these risks and uncertainties in an ideal manner is of central importance to the airberlin group.

Risk management system

As a globally active group, which includes three internationally operating airlines, the airberlin group is active in a complex and dynamic environment characterised by a variety of risks and uncertainties. As such, the risk management and internal control systems are fundamental building blocks of the airberlin group's good corporate governance and integral parts of its overall management and reporting process. These systems apply a common methodology based on a standard framework for enterprise risk management defined by the Committee of Sponsoring Organisations (COSO). Additionally, an airberlin group-wide compliance management system ensures that regulations and guidelines are identified and observed to minimise and, where possible, prevent any exposure to risks resulting from violations of national or international regulations. Moreover, this system enables the airberlin group's processes to adapt to any changes in the relevant current regulations.

Routine reviews in co-operation with the department heads provide for the early identification of threats and risks and facilitates effective management. Throughout the airberlin group, all relevant corporate risks are collated in the central risk management system using an IT-supported process. As an integral part of the management and reporting process, a uniform procedure is applied in co-operation with the department heads to identify the risks, assess their likelihood of occurrence, evaluate their possible scope of damage and undertake measures to control them.

The Board of Directors has the general responsibility to establish an effective risk management system. The Management Board reports regularly to the Board of Directors on any significant risks. The Management Board's reporting is supported by a central Risk Management Committee that monitors the emergence of risks and oversees the measures for implementation.

Key components of the routine Risk Management Committee meetings are the discussion of risks and the deliberation and decision on the actions to be taken to mitigate and limit the principal risks.

The airberlin group has compiled a list of certain principal risks and uncertainties. Should one or more of such risks or uncertainties materialise, this could have a significant adverse effect on the airberlin group's strategy, cash flow, operating and financial performance and/or business outlook. All of these risks and uncertainties are contingencies that may or may not occur. The list of risks set out below is not intended to be exhaustive, and the order in which the risks and uncertainties are presented is not indicative of the likelihood of their occurrence, magnitude or significance. Additionally, it should be noted that additional risks and uncertainties could arise for other reasons that the Company may not have believed significant or may not have been able to anticipate based on the information available to it at the time of this annual report's publication.

Industry risks

OVERALL ECONOMIC ENVIRONMENT

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

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

The global economic outlook has deteriorated significantly since the beginning of 2016, particularly in light of the accelerated economic slowdown in China and the ongoing decline in oil and commodity prices. The latter is especially relevant for the emerging and developing countries who are large exporters of commodities. In its Interim Economic Outlook as of February 2016 the OECD is no longer projecting a year-on-year improvement. The IMF – in its Economic Update as of February 2016 – has also brought down its forecast for real global GDP growth in 2016, although it still expects growth to accelerate slightly from 3.1 to 3.4 per cent.

The advanced economies, however, continue to benefit from the low commodity prices. The persistent expansive monetary policy of the central banks continues to provide stimulus to these countries. Thus, the IMF expects industrialised countries to grow 2.1 per cent in 2016 compared to 1.9 per cent in 2015. Whereas growth in the USA should stabilise at a high level of 2.6 per cent following 2.5 per cent in the prior year, the eurozone is expected to have another year of noticeably lower growth of an estimated 1.7 per cent after 1.5 per cent in the prior year. Higher growth rates are expected for Germany (1.7 per cent vs. 1.5 per cent), France (1.3 per cent vs. 1.1 per cent) and Italy (1.3 per cent vs. 0.8 per cent). Spain should continue to grow well above average in 2016 with growth projected at 2.7 per cent but will be somewhat lower year-on-year after the strong recovery in 2015. The UK is expected to continue to grow steadily at an unchanged rate of 2.2 per cent.

The German Bundesbank points to persistently favourable conditions on the labour market and strong growth in real disposable income to support its continued positive outlook for Germany

("Monatsbericht" February 2016). Robust domestic demand is anticipated to compensate for declines in exports and investment and facilitate a slight recovery in the German economy's growth from a level of 1.7 per cent in 2015 to 1.8 per cent in the current year. The growth of seasonally and calendar adjusted real GDP may even strengthen to 2.0 per cent in the course of 2016 and maintain this pace throughout 2017 and report 1.8 per cent.

Currency fluctuations typically have an impact on financial markets and on an economy's imports and exports and, consequently, have a direct influence on the economy.

The ECB's substantial easing of monetary policy to stimulate the European economy has been accompanied by a sharp depreciation in the euro. The euro's real effective exchange rate has declined by roughly 10 per cent since the spring of 2014 and the nominal bilateral exchange rate of the euro against the US dollar has fallen by around 20 per cent. After a seven-year period of low interest rates, the Council sees growing signs of an imminent turnaround in interest rates in the United States, which may later prompt the Bank of England (BoE) to follow suit. However, both central banks, ECB and BoE, are reluctant to force this turnaround because of fears it may cause larger movements in the international capital and currency markets. As interest rates rise, the strong appreciation in the US dollar and British pound could continue.

Risk mitigation measures: airberlin keeps abreast of the markets important for the airberlin group, overall economic developments and its routes' profitability in order to counteract negative trends when possible.

MARKET AND COMPETITIVE RISKS

The aviation industry is typified by growing competition. airberlin's focus areas – the high-volume DACH, European and Middle Eastern markets and transatlantic traffic – are particularly competitive. Competition has been heightened by low-cost carriers who are increasingly entering the business areas of full-service carriers and a number of newly-established low-cost subsidiaries of legacy carriers.

The large, low-cost carriers Ryanair, easyJet, Norwegian and the IAG subsidiary Vueling continue to grow rapidly and are increasingly turning their attention towards Germany. Lufthansa's Eurowings is also growing steadily and expanding its offers, which could result in additional pressure on airberlin's prices and sales volume.

The main competitive issues facing the airberlin group concern prices, route networks, flight schedules, reputation, safety record and the range of passenger services. Intense competitive pressure accelerates the market's dynamics and consolidation, which is demonstrated by the changes and developments seen in collaborations with partner airlines, shareholdings and global alliances. Potential acquisitions and mergers among competitors could have an abrupt, negative impact on the airberlin group's revenues and market position.

Some of the airberlin group's competitors may have more efficient cost structures. If competitors increase their market share at the airberlin group's expense, this may have significant adverse effects on the airberlin group's business outlook and profitability.

Furthermore, in Germany, airberlin not only competes with other charter and scheduled airlines but also with railway and bus transportation companies whose markets are being further deregulated. This could lead to negative changes in the market's short-haul segment.

Geopolitical factors have an influence on both the aviation and tourism industries. The year 2015, for example, was marked by the geopolitical crises in the Middle East, the ensuing flow of refugees into tourist areas in the European Union and a series of terrorist attacks that rocked several countries in Europe and North Africa. These events have had an influence on customers' travel behaviour and have adversely affected and may adversely affect the business of the airberlin group.

Risk mitigation measures: The Company strives to secure and continually improve the airberlin group's network and strengthen its competitive position by maintaining key strategic alliances and partnerships, maximising resulting synergies and focussing its existing network. The Company also regularly monitors competitors' activities by using defined early warning indicators to secure important routes and positions in the market, among other things. Moreover, the airberlin group applies a strict cost management policy designed to foster competitiveness. airberlin strives to keep ahead of shifts in demand through ongoing market analysis.

RISKS ASSOCIATED WITH CO-OPERATION AGREEMENTS

airberlin has entered into a co-operation agreement with Etihad Airways, which has a shareholding of 29.21 per cent in the Company and is the Company's largest single shareholder. This co-operation includes, among others, a codeshare agreement, reciprocal frequent flyer programmes and agreements on ground handling and cargo transportation. The termination or failure of the co-operation with Etihad Airways or a significant decrease in the level of the co-operation could have an adverse effect on the airberlin group's business activities, financial position and results of operations.

airberlin has been a member of the **one**world® airline alliance since March 2012 and has concluded a series of codeshare agreements under this alliance. **one**world® competes with other airline alliances that, in some cases, command larger networks. Moreover, these other alliances may be able to enhance their market position through mergers and other agreements. Consequently, **one**world® may lose its importance in the market or, in the worst case, may be dissolved entirely if, for example, key members leave the alliance. Additionally, the termination of airberlin's membership in the **one**world® alliance cannot be ruled out. If one or more of the risks described in this paragraph should occur, this could have an adverse effect on the airberlin group's route network and flight offers, and consequently on the airberlin group's business activities, financial position and results of operations.

Risk mitigation measures: The airberlin group will continue to develop and strengthen its co-operation with its partners in accordance with the underlying agreements.

REGULATORY RISKS

REGULATORY RISKS IN GENERAL

The airline industry's regulatory environment is becoming stricter, which has a direct impact on many of the airberlin group's activities including security, aircraft noise levels, pollutant emissions, passenger rights, data processing, air traffic rights, airport slots, operating permits and environmental controls.

A major portion of the airberlin group's regulatory costs stem from the German aviation tax, which has a direct adverse effect on the airberlin group's annual financial position (see the risk factor "aviation tax" below). The fees at German airports also increased in 2015 and future increases are expected. The increase in fees and higher aviation safety charges at many German airports represent a cost risk. Legislators and regulators may impose additional operational or other restrictions at airports, including a possible extension in night flight curfews, aircraft noise and emissions requirements, prescribed flight routes, runway restrictions, a limitation of the number of average daily departures and slots restrictions. These restrictions could hinder airberlin's ability to provide or expand its range of services at these airports and may lead to additional costs for airberlin.

Additional pressure could also arise from emissions restrictions and emissions trading, particularly in the aftermath of the recent shortage of certificates related to the so called backloading (see also chapter "emissions trading" below). This may have a material adverse effect on the airberlin group's business activities, financial position and results of operations.

The airberlin group's business is also subject to applicable EU and international regulations, bilateral and multilateral agreements and industry regulations affecting the aviation industry as well as the airberlin group's own internal rules and guidelines. airberlin cannot predict the effect of future changes in air traffic guidelines in Germany, the European Union, internationally or in bilateral and multilateral agreements or the impact of such changes on the aviation industry or airberlin's business and its costs. Changes in the regulatory framework that apply to airberlin could result in a significantly higher cost of doing business and have a material adverse effect on the airberlin group and the airline industry in general.

There are currently several EU regulations being revised that could impact the amount of costs incurred by the airberlin group. These regulations include the Air Passenger Rights Regulation (EC) No. 261/2004, the Anti-Dumping and Anti-Subsidy Regulation (EC) No. 868/2004 and the proposal for a European Parliament and Council directive on the use of passenger data records. The European Commission has also presented a draft called the "Aviation Package" recommending the broad-based reorganisation of international aviation relations. This draft sets out comprehensive steps for improving competition within the EU and regulating external relations, which includes targeted mandates for the negotiation of air transport agreements. At the national level, a draft suggesting a revision of the Aviation Security Act has been issued.

Risk mitigation measures: The Company strives on the national, international and EU level to contribute expertise to ongoing legislative processes and political discussions that are relevant to the airberlin group for safeguarding its interests by either acting alone, together with other airlines or through associations.

REVIEW OF THE RELATIONSHIP WITH ETIHAD AIRWAYS BY THE EU COMMISSION AND THE LBA

In 2014, the European Commission started an investigation into the ownership structure of several European air carriers, including the existing investment of Etihad Airways in airberlin. Investigations focused on whether Etihad Airways, as a non-EU investor, effectively controlled the Company despite holding only a minority stake.

At the national level, the German Federal Office of Civil Aviation (LBA) had already completed a corresponding investigation and, in December 2014, came to the conclusion that there was no evidence Etihad Airways effectively controlled airberlin and therefore airberlin complied with the requirements of Regulation (EC) No. 1008/2008.

Based on all of the information available to airberlin, the European Commission does not intend to take further steps in this matter. In addition, airberlin believes that it is very unlikely that the European Commission may come to the conclusion that the co-operation between airberlin and Etihad Airways is not in accordance with European law. This assumption is based on the fact that the European Commission viewed airberlin as a non-controlling minority interest of Etihad Airways in the context of the approval of Etihad Airways' acquisition of joint control over Alitalia. Nevertheless, we cannot rule out that the European Commission or the LBA may conduct a further investigation into the relationship between airberlin and Etihad Airways in the future.

Risk mitigation measures: Should the European Commission or the LBA investigate this matter further, airberlin will continue to provide evidence that it complies with the relevant requirements under European law.

CODESHARES WITH ETIHAD AIRWAYS

In August 2014, the German Federal Office of Civil Aviation (LBA) first informed Etihad Airways that a substantial number of codeshare routes with Etihad Airways as marketing carrier and airberlin as operating carrier, which were approved by the LBA in the past, would no longer be approved. The action was based on a new interpretation by the LBA as to the provisions of the bilateral air transport agreement between the Federal Republic of Germany and the United Arab Emirates. However, the codeshare routes for the winter season 2014/2015 and the summer season 2015 were ultimately approved. For the winter season 2015/2016, the LBA only approved the disputed codeshare routes until 15 January 2016. Etihad Airways therefore filed a motion for injunctive relief with the Administrative Court in Braunschweig, applying for approval of all requested routes for the entire winter season 2015/2016. The motion was subsequently rejected on the merits by the Administrative Court at the end of the year 2015. On appeal, the Higher Administrative Court of Lower Saxony (*Niedersächsisches Oberverwaltungsgericht*) on 14 January

2016 finally ordered the LBA to grant Etihad Airways, on a preliminary basis, approval for the majority of the requested routes for the remaining winter season. As a consequence, the LBA approved these codeshare routes. Although the decision of the Higher Administrative Court formally applied only to the winter schedule 2015/2016, its legal reasoning was founded on a general construction of the applicable bilateral air transport agreement. By decision of 15 March 2016, the LBA has granted approval for all codeshare routes Etihad Airways applied for with regard to the summer schedule 2016, including those routes which it had been ordered to approve by the Higher Administrative Court for the preceding winter season. Nonetheless, it cannot be completely ruled out that the LBA may not approve those routes in the future. If all or some of the codeshare routes will not be approved in the future, this could have a substantial and material adverse effect on airberlin's business, financial condition and results of operations.

Risk mitigation measures: Should all or some of the codeshare routes not be approved by the LBA in the future, airberlin and Etihad Airways will, based on the legal reasoning on which the Higher Administrative Court of Lower Saxony founded its decision in January 2016, take appropriate legal action.

GERMAN AVIATION TAX

As a German airline, airberlin is inordinately affected by the aviation tax that was introduced on 1 January 2011. Because the aviation tax only applies to departures from airports in Germany and airberlin carries mainly passengers departing from German airports, the ramifications of this tax inordinately affect airberlin in its domestic market. Other competitors with a strong cargo busi-ness or more flights departing from airports outside of Germany are less affected. airberlin is unable to fully absorb the aviation tax's additional costs and may not be able to pass these costs on to its customers in the form of higher ticket prices without causing an adverse effect on revenues and earnings.

In its judgement of 5 November 2014, the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled in a judicial review brought by the State of Rhineland-Palatinate that the aviation tax does not violate the German Constitution. The tax is justified as a tool to finance the state budget and to promote climate protection. airberlin and NIKI Luftfahrt GmbH also brought an action against the aviation tax bill, which was rejected by the Federal Fiscal Court (*Bundesfinanzhof*) in December 2015. There is no longer hope for a quick end to the aviation tax. While other European countries have recognised the negative impact of such a tax and have not introduced or quickly abolished such taxes, Germany continues to stand by its decision. In October 2015, the Federal Ministry of Finance (BMF) announced a mere 1.64 per cent reduction in the tax rates for the year 2016.

Risk mitigation measures: airberlin will continue to advocate for the elimination or further reduction of the German aviation tax either on its own or together with other relevant associations.

AIR TRAFFIC CONCEPT

The Federal Government's current coalition agreement states: "We will strengthen the aviation sector in Germany and are committed to maintaining its international competitiveness. When introducing fiscal or regulatory measures in the aviation sector, we seek a positive cost-benefit ratio". Given the German air traffic's policy objective, the goal of the Federal Ministry of Transport and Digital Infrastructure is to present an air traffic concept for Germany during the current legislative period. The basis for creating the air traffic concept is a comprehensive fundamental opinion drawn up by a consortium of independent research institutes. The air traffic concept is expected to be presented in the second half of 2016 and become the basis for the Federal Government's future air traffic policy.

Various interested parties were involved in drafting this fundamental opinion. The creation of an air traffic concept based on the recommendations for action derived from this report may have direct or indirect consequences for airberlin. Even if the Federal Government's concept supports Germany as an aviation location, individual objectives could still have negative consequences for airberlin that would eventually be associated with additional regulations and costs.

Risk mitigation measures: The aviation associations were involved in the creation of the fundamental opinion through their participation in advisory working bodies. airberlin – in co-operation with relevant associations – continues to campaign for financial relief in the context of the air traffic concept's creation.

AIR TRAFFIC CONTROL

A further challenge faced by the airline industry is the restriction stemming from non-uniform air traffic control throughout Europe. The bottlenecks that result continue to lead to detours, delays, higher fuel consumption and emissions and considerable waiting times. This places a burden on the results of all airlines operating in Europe, including airberlin.

Although for some time now, European institutions (the Commission, Council and Parliament) have been paving the way for a unified European airspace (referred to as the Single European Sky), the EU member states are still lacking the political motivation to implement the Single European Sky initiative. Few EU countries have been willing to give up national sovereignty in this area and work closely with the air traffic control service providers in the neighbouring countries.

However, the European Commission's current draft for the aviation package increases the pressure on EU member states to put the Single European Sky project into action. There would be significant efficiencies to be gained from creating a unified European airspace. The environment, consumers and airlines would benefit equally from combining the current airspaces under the same centrally organised air traffic control service for the entire European airspace.

Risk mitigation measures: Last year, it was possible to prevent the German Air Traffic Control Authority's (DFS) proposed price hike of roughly 30 per cent through protracted political negotiations. In 2016, a significant reduction in DFS fees was achieved compared to the prior year.

From 2015 to 2019, the level of the air traffic control fees was imposed under a European regulatory framework. This prevents significant cost increases. Risks such as lower traffic volumes or any unforeseeable additional costs can be partially passed on to airspace users by the air traffic control service providers.

EMISSIONS TRADING

The inclusion of the aviation industry in the EU emissions trading system (EU-ETS) increases the costs incurred by the airlines concerned and has negative ramifications for the competitive landscape. Because of the suspension of the obligations for reporting and emission certificate submission for flights starting or ending outside the European Economic Area (EEA) until 2016 (known as the "Stop-The-Clock" resolution), airlines (such as the members of the airberlin group) that operate mainly within the EEA incur a higher burden from the emissions trading obligations than competitors that operate entirely outside the EEA or less frequently within the EEA.

As part of the negotiation process on global market-based measures to reduce aviation emissions governed by the ICAO, a global emissions trading solution is expected be created in 2016 that will probably come into force in 2020. It is still undecided as to how the EU emissions trading system will be organised as of the year 2017.

The backloading of emission certificates from 2014 through 2016 adopted in the third trading period (2013 through 2020), and the installed market stability reserve that as of 2019 should further reduce the excessive amount of emission certificates on the market could increase the price risk from the emissions trading obligations of the airberlin group.

Risk mitigation measures: The airberlin group is committed to participating in direct political discussions and discussions with German and Brussels-based aviation associations in order to find a global, market-based solution to counteract the risk of unilateral European actions.

According to the relevant laws, airlines receive a certain number of emission certificates based on their historical emissions and their share of the total air transportation market. To comply with the emissions trading obligations, the airberlin group has carried out hedging transactions for the portion of emission certificates that is not covered by free allocations and has been equipped with a sufficient number of emission certificates for the year 2015 whose physical delivery is scheduled for 30 April 2016.

However, the above hedging instruments do not fully protect the airberlin group from the adverse effects of price increases for emission certificates under the emissions trading system (see the risk factor "Financial Risk").

Financial risks

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

As an internationally operating air carrier, airberlin is exposed to fluctuations in fuel prices, interest rates and exchange rates – particularly for the U.S. dollar – and to the prices for emission certificates. A significant or lasting appreciation of the U.S. dollar, which cannot be or was not fully hedged, would have an adverse impact on the airberlin group's financial performance. Above all, possible increases in fuel prices or lower fuel availability may also lead to increased expenses and could have an adverse effect on the airberlin group's business activities, financial position and results of operations.

Risk mitigation measures: Fluctuations in fuel prices, interest rates and exchange rates are extensively hedged through revolving hedging activities with renowned international financial service providers. For the systematic management of interest rate and currency risks, airberlin has established a group-wide treasury management system and a separate commodity management system within the existing risk management system to manage the risk of changes in fuel and emission certificate prices. In addition to a review of all underlying transactions and the corresponding hedging transactions concluded on a revolving basis, a comprehensive calculation has been conducted as to the fair value measurement and the effectiveness of the hedging arrangements. There can be no assurance that the airberlin group's hedging strategy will be successful or that the counterparty to the hedge will not declare bankruptcy or fail to fulfil its obligations.

The developments with regard to the European emissions trading system and the airberlin group's respective risk management measures are described further in the section above entitled "Emissions Trading".

FUTURE FINANCING

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

The airberlin group also incurs financing costs for the existing financing of aircraft and interest payments on outstanding loans. If the airberlin group is not able to generate sufficient revenue to cover these obligations, this could have a negative effect on the group's financial position.

Risk mitigation measures: In order to manage the financial risks, internal guidelines are applied that define and support operations. To minimise the financing risk for acquiring aircraft, the airberlin group secures financing well in advance of the delivery dates while taking into account the individual market conditions.

RESTRUCTURING

The Company designed a comprehensive restructuring programme in 2014. Under the restructuring programme, the Company has focused its route network, increased its offers for supplementary services and outlined further cost improvements. These steps are being implemented to improve the airberlin group's operational performance and allow it to achieve sustainable profitability. Should the Company not be able to fully implement this restructuring programme, or should this programme not meet the Company's expectations, this could have a material adverse effect on the business activities, financial position and results of operations of the airberlin group.

Risk mitigation measures: The consistent monitoring of and reporting on the restructuring programme ensures a high level of transparency with respect to the status and impact of the programme's single components and enables the Company to promptly institute countermeasures, if necessary.

FINANCING RISKS DUE TO SEASONAL FLUCTUATIONS

The demand for airberlin's services fluctuates throughout the year and leads to fluctuating quarterly results. It is customary in this business to experience the highest demand in the summer season, from May to October, and the lowest demand in the winter season, from November to April (excluding the days around Christmas, New Year's Day, and Easter). This causes fluctuations in the utilisation of airberlin's aircraft and profitability during the year. When flight cancellations or other factors occur that adversely affect the aircraft's utilisation, especially in the summer season, these can have a particularly negative impact on the airberlin group's business activities, financial position and results of operations

Risk mitigation measures: The airberlin group's liquidity management takes into account the risks associated with seasonal fluctuations and the network has been adjusted to specifically reduce such seasonal fluctuations.

Operational risks

airberlin's risk management system also addresses the operational and technical risks of flight operations that it is inherently exposed to as an airline operating internationally. These risks are systematically identified, assessed and managed using appropriate measures.

DELAYED OPENING OF BER

We continue to use the older and smaller Berlin Tegel airport (TXL) – which is already constrained and operating at full capacity – due to the delayed opening of the new Berlin Brandenburg Airport (BER). The opening was originally scheduled for 3 June 2012, and according to the statements of the airport operator, will continue to be delayed until at least the second half of 2017. airberlin's expansion in the number of flights offered that was based on the higher capacity at BER must now be accommodated at TXL. The continued delay in the opening of the new BER airport or difficulty in operating the airport could have an additional significant adverse effect on the airberlin group's business and operating performance.

Risk mitigation measures: The various risk-reduction measures are intended to minimise the existing capacity and infrastructure constraints at the TXL airport. airberlin keeps in constant contact with the airport's management and continues to take steps to improve performance with the operating company and handling partners.

SAFETY AND ACCIDENT PREVENTION

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

Risk mitigation measures: Ensuring safety is the airberlin group's primary task. To minimise this risk, the airberlin group has an extensive safety management system that covers all operational areas such as flight operations, training, technical services and ground handling. Safety-relevant information is combined and linked within this system to identify negative trends and potential dangers early on and respond proactively. If an incident should occur, the airberlin group has developed contingency plans and provides ongoing training to its employees on how to handle crisis situations. The airberlin group has also created insurance concepts that meet the standards of the international aviation industry.

SECURITY

As with all companies in the aviation industry, the airberlin group's business is exposed to the dangers of civil, political or military conflicts, riots or terrorism and security threats and attacks.

Constant change in the global security situation and current political developments require ongoing security reviews and re-evaluations to guarantee the safety of our flight operations, customers and staff. The fragile security situation in North Africa and the Middle East, and the persistent threat of terrorist attacks throughout the world have required the airberlin group and the entire civil aviation sector to introduce extensive security measures. The extension or continuation of existing conflicts or similar conditions could have material adverse effects on the aviation industry in general and on the airberlin group in particular, especially if they are directed against air traffic or certain markets that are important to the airberlin group. If airberlin is not successful in preventing major security or terrorist threats or in preventing or effectively dealing with an attack, this could have an adverse effect on the airberlin group's reputation, operations and financial performance. Additionally, future terrorist attacks or other conflicts may lead to more stringent security regulations for air transportation, which could cause a rise in the airberlin group's operating costs.

Risk mitigation measures: The airberlin group's security expertise draws on an international network of security agencies, partner airlines and security companies to monitor the global security situation and its development. The destinations the airberlin group serves and the security measures in place at such locations are validated by regular security analyses and security inspections on the ground. These analyses and inspections are also designed to assess the terrorism, crime and the regulatory structures in place. The security management system is intended to provide a quick analysis of unfolding events so that it is possible to respond to danger and initiate effective measures in advance, i.e. to respond quickly and effectively in the event of an incident. The airberlin group utilises crisis management processes that also take into account any potential civil and political conflicts in its destination countries. For ongoing conflicts, airberlin monitors the situation intensively so that it can react by adapting its routes or route network when necessary. The aviation security measures applied within the airberlin group satisfy the strict national and international requirements placed on aviation companies and are also reviewed and confirmed within the framework of routine quality and IOSA (IATA Operational Safety) audits.

AIRPORT, TRANSIT AND LANDING FEES AND SECURITY CHARGES

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

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

RELATIONSHIP WITH EMPLOYEES

Some of the airberlin group's employees are unionised and covered by a number of collective agreements that regulate work conditions and remuneration. These contracts are renegotiated with the unions on a regular basis. The airberlin group may be subject to employee strikes during such renegotiations or be generally subject to a strike or industrial labour dispute affecting the entire aviation industry. Such events could have a material adverse effect on the airberlin group's ability to maintain or achieve profitability and also on the airberlin group's business activities, financial position and results of operations.

The airberlin group's success depends on the performance of its Board of Directors, senior managers and managers holding key positions. A departure or significant change in the airberlin group's management could lead to a considerable loss of expertise and a loss of investor confidence in the airberlin group. It could also have a material adverse effect on the airberlin group's business activities, financial position and results of operations.

Risk mitigation measures: The airberlin group keeps in regular contact with its employees, their representatives and the trade unions to prevent the upcoming and a possible escalation of disputes.

Environmental and health risks

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

The outbreak of a pandemic or an infectious disease can also cause considerable disruption to the network. Such events can lead to a decline in travel frequency, increased employee absences and lost revenue, particularly if they occur during the peak holiday seasons. They could also have a material adverse effect on airberlin group's business activities, financial position and results of operations.

Risk mitigation measures: To counter such risk, the airberlin group has put appropriate processes in place so that it may respond to the events described above and, where possible, reduce the consequences through crisis management measures. Crisis management exercises are carried out regularly.

IT risks

The airberlin group's central business processes would not be possible without adequate and uninterrupted internal and external computer systems, communication systems, IT support and IT systems. These central business processes include ticket sales, reservation processes, air traffic management and flight operations. Computers and communication systems are prone to interference, damage, power outages, acts of terrorism, sabotage, computer viruses, fires and other incidents. Programming errors can also never be entirely avoided. There can be no certainty of the efficient and uninterrupted operation of the systems used by the airberlin group or third parties or systems used by the airberlin group's partners, such as reservation systems in travel agencies. The increasing networking and use of new products and technology pose a significant challenge to IT security. To overcome these challenges, it is important to raise the users' awareness and foster responsible behaviour.

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

Risk mitigation measures: The airberlin group's risk management system is specifically focused on the identification and control of IT risks, including those risks arising from within or outside of the airberlin group.

Breach of compliance regulations

Compliance means compliance with the laws, regulations, commitments and internal policies. Compliance should ensure the lawful conduct of the Company, its management and staff. The effectiveness and efficiency of airberlin's compliance management system are, therefore, of central importance for the airberlin group.

The airberlin group is a globally active company and is subject to various legal standards and case law that it must comply with and monitor. For this reason, the airberlin group has implemented processes to identify specific compliance risks and especially to prevent fraudulent activities such as corrupt behaviour.

The airberlin group is subject to competitive and antitrust risks mainly because it operates in largely oligopolistic markets, cooperates in alliances and partnerships with competitors or potential competitors and because the competitive situation on certain routes may change quickly.

Risk mitigation measures: The focus of the airberlin compliance system is to minimise compliance violations by educating employees and making them better aware of how to create a secure operational framework through binding rules in the form of directives and the airberlin code of conduct. An ombudsman system helps to uncover violations of Company-internal guidelines and laws.

Nevertheless, even with these verification and risk-reduction mechanisms, single violations still cannot be ruled out completely.

REPORT ON FORECASTS AND OUTLOOK FOR THE GROUP

Development of the Overall Economy and the Aviation Industry

GLOBAL ECONOMIC OUTLOOK

The global economic outlook has deteriorated significantly since the beginning of 2016. Major economic organisations such as the IMF and OECD have brought down their expectations for the world economy, particularly in light of the accelerated economic slowdown in China and the continued drop in oil and commodity prices. Whereas the OECD does not expect an economic pick-up in the current year and is assuming unchanged year-on-year growth, the IMF expects the world economy to recover in 2016. Real growth in global gross domestic product (GDP) is anticipated to rise from 3.1 to 3.4 per cent. Previous growth expectations, however, were at 3.6 per cent.

The IMF expects growth in the emerging and developing countries to slightly accelerate from the level of 4.0 per cent achieved in 2015 to 4.3 per cent in the current year. Most of this growth is expected to come from an improvement in the recessionary trend in Russia. The IMF expects the recession in Latin America to continue because of the ongoing weak developments in Brazil. The slowdown in China that began in 2015 is anticipated to continue in 2016 with growth expected to decline from 6.9 per cent in 2015 to a level of 6.3 per cent in 2016.

The advanced economies, on the other hand, are expected to see stronger growth in 2016 thanks to the positive impact of sharply lower oil prices. The central banks' persistently loose monetary policies will also add support to this growth although there are now signs of a shift in US interest rates. The European Central Bank reaffirmed its expansionary monetary policy in the first half of March. Overall, the IMF projects growth in the industrialised countries to rise from 1.9 per cent in 2015 to 2.1 per cent in 2016 per cent. Growth in the USA in 2016 is expected to rise to 2.6 per cent after 2.5 per cent in the prior year and outpace another year of sharply lower growth in the euro-zone of an expected 1.7 per cent (previous year: 1.5 per cent). This growth will mainly be driven by improved performance in Germany (1.7 per cent vs. 1.5 per cent), France (1,3 per cent vs. 1.1 per cent) and Italy (1.3 per cent vs. 0.8 per cent). After a powerful recovery in 2015, Spain's growth is expected to be slightly lower at 2.7 per cent but still significantly higher than average. The UK's growth is expected to remain steady at 2.2 per cent.

The German Bundesbank maintains its optimistic outlook for Germany based on the ongoing favourable conditions on the labour market and strong increases in real household disposable income. Despite some dampening effects from exports and a slowdown in investment activity, German real GDP growth could expand slightly faster in the current year from its level of 1.7 per cent reported in 2015 to 1.8. The growth of seasonally and calendar adjusted real GDP may even strengthen in the course of 2016 to 2.0 per cent and maintain close to this pace over the course of 2017 (1.8 per cent).

INTERNATIONAL AIR TRAVEL IN THE YEAR 2016

The group of IATA scheduled airlines expects the positive trend in earnings to continue in the current year. The key factors underlying this performance – low raw material and fuel prices and rising demand – are unchanged. This year, the IATA expects a global increase in passenger numbers of 6.5 per cent from 3.55 billion passengers in 2015 to 3.78 billion and a 6.9 per cent expansion in RPK to 7.06 trillion (previous year: 6.19 trillion). The year-on-year rise in passenger traffic is expected to be driven by higher global economic growth overall and specifically from the expected decline in yields, which makes flying more attractive. After a sharp drop in tourism revenues last year (–5.7 per cent), revenues in the current year are expected to increase slightly by 1.5 per cent. The revenue per PAX, however, is expected to follow the long-term trend and continue falling in 2016 by almost eight per cent from USD 407 in the prior year to USD 375, according to IATA. In 2015, revenue per PAX declined by almost 14 per cent. In comparison to the level in 1995, this year's yields would equal a decline of 61 per cent.

The utilisation rate of IATA airlines is expected to fall slightly from 80.6 per cent to 80.4 per cent in 2016 based on an expected net increase in the airlines' total fleet of roughly 900 aircraft to almost 27,900 (+3.9 per cent), an expansion in capacity of 5.9 per cent to 4.0 million seats and growth in the ASK of 7.1 per cent. The IATA expects the following developments in Europe in 2016: ASK growth is expected to accelerate from its level of 5.5 per cent in the prior year to 7.1 per cent. Growth in RPK should be slightly less at 5.9 per cent compared to 5.8 per cent in the prior year. Capacity utilisation should decline accordingly and be marginally lower at 67.0 per cent after 67.1 per cent.

Although the strong windfall from the past year's sharp cost declines will have dissipated, the rise in costs in 2016 is still expected to be far below average. The steep drop in oil prices caused a 41 per cent reduction in the price per barrel of kerosene in 2015. During the current year, the price of kerosene is only anticipated to fall by 5.8 per cent. Total costs are projected to rise 0.5 per cent in the current year based on 3.7 per cent higher fuel consumption based on higher passenger traffic and an almost a 10 per cent rise in other expenses.

Revenue is expected to grow by 0.9 per cent at the same time and result in a projected 8.2 per cent rise in operating earnings. This would bring the airlines' 2016 EBIT margin to 8.2 per cent compared to 7.7 per cent in the previous year. IATA expects the airlines' net results to rise to USD 36.3 billion compared to USD 33.0 billion in the prior year, which would increase their net margin from 4.6 per cent to 5.1 per cent. European airlines are expected to increase their net earnings from USD 6.9 billion to USD 8.5 billion in 2016, which would result in a net margin of 6.4 per cent compared to 5.3 per cent in the previous year.

REPORT ON EXPECTED DEVELOPMENTS IN FINANCIAL YEAR 2016

Measures of the current restructuring programme that are still pending include the examination of outsourcing solutions and other efficiency measures, particularly in operational areas. Parallel to the phase-out of expenses related to the restructuring programme, supporting effects of sustained low fuel prices, and further increases in yields, continued focus remains on the cost and organisational structures. The further development is also supported by the decision of the Higher Administrative Court of Lower Saxony from earlier this year allowing us to continue codeshare flights with our strategic partner Etihad Airways.

The main risks to this forecast are the unpredictable consequences of the recent numerous terrorist attacks, which may have a pronounced impact on the booking behaviour in the tourism sector. airberlin believes its strong competitive position in the western Mediterranean places it in a relatively advantageous position because there has been a strong shift in holiday bookings to this region in recent months.

In 2016, the airberlin group's market presence will continue to be driven by its clear focus on customers and service, its positioning as a domestic and international network carrier and its co-operation with Etihad Airways and its partner airlines. airberlin will press on with the product campaign launched last year.

This campaign will bring about a significant expansion in the network of long-haul routes by adding new and more frequent direct daily connections – including connections to the US West and East Coasts and in the Caribbean – with the introduction of the 2016 summer timetable. airberlin will then offer roughly 90 long-haul destinations from its hub in Berlin and, above all, its hub in Düsseldorf.

Offers for medium-haul flights in Italy will increase in co-operation with the Company's partner Alitalia. The frequencies to and from Palma de Mallorca will also increase with the 2016 summer timetable, which will feature up to 500 flights per week between Palma de Mallorca and the DACH region. This will further enhance the Company's market leadership in Berlin, Düsseldorf and Palma de Mallorca and strongly reinforce its position in other key target markets in the DACH region.

airberlin will combine its strengths with its partner airlines and will, where feasible, focus on creating improved efficiency. Additionally, the airberlin network with its two hubs Berlin and Düsseldorf will be seamlessly integrated into the global EAP network, which will strengthen the connection to the international hub in Abu Dhabi of our strategic partner Etihad Airways.

GENERAL STATEMENT ON THE GROUP'S ECONOMIC DEVELOPMENT

The comprehensive restructuring programme introduced in the financial year 2014 continues. The Board of Directors expects that once this programme has been completed, the airberlin group will be in a position to generate profits on a sustained basis. The clearly positive impact on utilisation and yields already seen in the 2015 financial year resulting from airberlin's repositioning as a network carrier offering innovative products in the short-, medium- and long- haul segments should continue in the current financial year. The Board is confident that the airberlin group is well positioned in terms of its international competitiveness through its strategic partnership with Etihad Airways and its membership in the leading international airline alliance **one**world®.

Supplementary report

15 January 2016: The Higher Administrative Court of Lüneburg decided that 26 of the 31 codeshare routes with Etihad Airways under discussion are entitled to approval from the German Federal Office of Civil Aviation (*Luftfahrt-Bundesamt*, LBA) for the applied for winter season.

25 January 2016: Etihad Airways is granting a shareholder loan of EUR 75,000,000 to the Company.

1 March 2016: The fundamental realignment of airberlin's management team was largely completed. airberlin brought two internationally experienced top managers on board: Mr Neil Mills, appointed as the new Chief Strategy & Planning Officer (CSPO) and Mr Oliver Iffert, appointed as the new Chief Operations Officer (COO). Marco Ciomperlik assumed the newly created position Director Group Synergies.

15 March 2016: The Federal Office of Civil Aviation approved the codeshare connections for the 2016 summer schedule which had already been approved for the winter schedule in January 2016 by the Higher Administrative Court of Luneburg.

15 April 2016: Oliver Lackmann becomes the new managing director of the Austrian subsidiary NIKI Luftfahrt GmbH.

24 April 2016: Abu Dhabi Commercial Bank PJSC is granting a loan of AED 726,425,000 to the Company. The loan is guaranteed by Etihad Airways PJSC.

24 April 2016: National Bank of Abu Dhabi PJSC is granting a revolving loan of EUR 75,000,000 to the Company. The loan is guaranteed by Etihad Airways PJSC.

Stefan Pichler
Chief Executive Officer

GOVERNANCE

CORPORATE GOVERNANCE REPORT

Board composition

As at 31 December 2015, the Board comprised the following nine Non-Executive Directors: Dr Hans-Joachim Körber (Chairman of the Board), James Hogan (Vice Chairman of the Board), Joachim Hunold, James Rigney, Ali Sabancı, Dr Lothar Steinebach, Nicholas Teller, Andries van Luijk and Johannes Zurnieden and one Executive Director, Stefan Pichler. In 2016 the Company intends to appoint a further independent Non-Executive Director. The Board met 20 times in 2015.

Effective 1 February 2015, Mr Prock-Schauer stepped down from his role of Chief Executive Officer and Chairman of the Management Board. Mr Stefan Pichler assumed both such roles, effective 1 February 2015. Mr Wolfgang Prock-Schauer re-assumed his position as Chief Strategy and Planning Officer, which he originally held when he joined the Company in 2012, until 28 February 2015 when he resigned from the Company. Effective 10 February 2015, Mr Heinz-Peter Schlüter retired as a Non-Executive Director and Dr Alfred Tacke was appointed as an independent Non-Executive Director. Effective 31 December 2015, Dr Alfred Tacke retired as an independent Non-Executive Director.

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

NON-EXECUTIVE DIRECTORS AND INDEPENDENCE

The Non-Executive Directors provide a wealth of experience and skills and are key to the formulation and development of the Company's strategy. The Non-Executive Directors' responsibilities include, among other things, the following:

- constructively challenging and contributing to the development of strategies;
- scrutinising management's performance and objectives and monitoring performance reporting;
- satisfying themselves that financial information is accurate and that financial controls and risk management systems are robust and defensible;

- determining any Executive Director's appropriate remuneration level, in consultation with the Remuneration Committee; and

- acting in a way that they consider, in good faith, would be most likely to promote the Company's success for the benefit of its members as a whole.

The Board is satisfied that the Chairman and each Non-Executive Director committed sufficient time during 2015 to fulfilling their duties as Board members and that their contributions and performance continue to be insightful, effective, timely and relevant. The Nominations Committee reviews on an ongoing basis the interests of the Non-Executive Directors to ensure that the Board's effectiveness is not jeopardized. The main external commitments of the Board's Chairman, Dr Hans-Joachim Körber, did not change during the reporting year.

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

After due consideration, the Board determined that Messrs Tacke (retired from office effective 31 December 2015), Teller, Zurnieden, Steinebach and van Luijk are independent Non-Executive Directors. In reaching these determinations, the Board has considered these Non-Executive Directors' relevant external commitments during the period under review. The Board has also considered whether they are nevertheless independent in judgment and character and free from circumstances or relationships which are likely to affect, or could affect, their judgment. Following its review of such considerations, the Board is satisfied that the independence of the above-named independent Non-Executive Directors who either serve as directors on the boards of entities and/or who hold other positions outside the airberlin group has not been compromised.

Additionally, the Board has closely reviewed the independence of Mr Zurnieden and Mr Teller, each of whom will have served on the Board for ten years by the time of the Company's next annual general meeting ("AGM"). As such, each of Mr Zurnieden and Mr Teller will not satisfy the length of service criteria for non-executive director independence set out in the UK Corporate Governance Code, but will otherwise satisfy all relevant independence criteria. The Board has determined that both Mr Zurnieden and Mr Teller meet the Board's criteria for independent Non-Executive Directors, despite their length of service on the Board, and will keep this issue under review going forward. The Board believes that Mr Zurnieden and Mr Teller's respective experience as a long-serving Board member provides the Company with invaluable knowledge, perspective and continuity, particularly during this period of restructuring. It is not anticipated that they will serve beyond 2017. Mr Teller plans on retiring from his position as Non-Executive Director at the appropriate time during the 2016 calendar year. Moreover, the Board believes that they continue to make constructive contributions to Board discussions and exhibit the essential characteristics of independence, and that their independence will not be impaired due to their length of service.

The Board determined that each such independent Non-Executive Director strengthens the Board through his level of expertise and senior experience gained in his respective professional and business field. The Board also considered, where applicable, the above-named independent Non-Executive Directors' Company shareholdings and financial interests (see page 81) in the Company as compared to the total number of Company shares outstanding. The Board has concluded that such shareholdings and interests are sufficiently low so as not to interfere with independence.

The Board's work in 2015

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

- the Company's positioning and business model, including the further development of its network and partnerships, in particular with Etihad Airways and **one**world®;
- the further restructuring of the airberlin group's network to strengthen the Company's presence in its core markets and remove less profitable routes and to improve the airberlin group's long haul product; and
- implementation of certain capital market related financing measures.

During the period under review, the Board also carried out a robust assessment of the internal controls and the principal risks facing the Company and the airberlin group as a whole, including, with-out limitation, any applicable risks that would threaten the Company's and/or the airberlin group's business model, future performance, solvency or liquidity. A description of such internal controls, principal risks, and how such risks are monitored, managed and mitigated, is set out on pages 67 to 68 ("Internal Controls and Board Performance"), 39 to 53 ("Principal Risks and Uncertainties"), and 69 to73 ("Audit Committee Report").

The Board, acting together with the Audit Committee, monitors the Company's and the airberlin group's risk management and internal control systems and carries out a review of their effectiveness on an on-going basis. The monitoring and review covers all material controls, including financial, operational and compliance controls.

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

Management Board

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

As at 31 December 2015, the Management Board comprised the following six members: Chief Executive Officer Stefan Pichler, Chief Financial Officer Arnd Schwierholz, Chief Commercial Officer Julio Rodriquez, Chief Flight Operations Officer Oliver Lackmann, Chief Production Officer Marco Ciomperlik and Chief Human Resources Officer Dr Martina Niemann.

Effective 1 February 2015, Mr Prock-Schauer stepped down from his role of Chief Executive Officer and Management Board Chairman. As of the same date, Mr Stefan Pichler assumed both such roles. Mr Prock-Schauer re-assumed his position as Chief Strategy and Planning Officer, which he originally held when he joined the Company in 2012, until 28 February 2015 when he resigned from the Company. With effect from 1 April 2015, Mr Arnd Schwierholz was appointed Chief Financial Officer and Management Board member, after Mr Ulf Hüttmeyer resigned from this position and the Management Board as of the same date. With effect on 1 May 2015, Mr Ahmelmann resigned from the Management Board and his position as Chief Commercial Officer. With effect from 1 June 2015, Julio Rodriguez assumed the position of Chief Commercial Officer and joined the Management Board. Mr John Shepley stepped down in February 2015 from his position as Chief Strategy and Planning Officer, which he held on an interim basis. With effect from 1 May 2015, Mr Ciomperlik, who until this point served as Chief Restructuring Officer, assumed the newly created position of Chief Production Officer. Mr Ciomperlik held this position until 1 March 2016 when he assumed the role of Director Group Synergies instead. Also on 1 May 2015, Oliver Lackmann assumed the newly created position of Chief Flight Operations Officer and joined the Management Board. He held both positions until 1 March 2016 and effective 15 April 2016, he assumed the position of managing director at the Austrian subsidiary, NIKI Luftfahrt GmbH. With effect from 1 March 2016, Neil Mills joined the Management Board and assumed the position of Chief Strategy and Planning Officer. With effect from 1 March 2016 Oliver Iffert joined the Management Board and assumed the position of Chief Operations Officer.

As Management Board Chairman and CEO in 2015, Mr Pichler was responsible for the airberlin group's leadership and operational and performance management, each within the guidelines set by the Board. The Management Board meets weekly, or more frequently as circumstances require. The Management Board's Chairman may choose to invite individuals who are not Management Board members, such as appropriate employees and/or external advisers, to attend its meetings. The Company Secretary, Michelle Johnson, serves as secretary to the Management Board.

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

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

Board Committees

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

AUDIT COMMITTEE

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

The Audit Committee report is set out on pages 69 to73.

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

NOMINATIONS COMMITTEE

As of 31 December 2015, the Nominations Committee comprised the following two Non-Executive Directors: Dr Hans-Joachim Körber (as Committee Chairman) and James Hogan, and three independent Non-Executive Directors: Dr Lothar Steinebach, Andries van Luijk and Johannes Zurnieden.

The Committee met three times in 2015. The Committee is primarily responsible for assisting the Board in determining the Board's composition, member selection criteria and balance. In so doing, the Committee considers the knowledge, skill set, independence, experience, gender and diversity required for the Board. The Company believes that corporate boards perform better when they include the most qualified individuals who come from a range of perspectives and backgrounds. The Company continues to be committed to developing a diverse workforce and being an equal opportunity employer. The Nominations Committee therefore aims to achieve a balance of appointing competent and high-calibre individuals to the Board who together offer an appropriate mix of skills, experiences and backgrounds, while still ensuring that the best qualified person obtains the job.

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

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

Further, the Committee determines the succession plans for the Chairman of the Board and the Chief Executive Officer. The Committee meets as required, but no less than once per year. Director appointments are generally the result of a search process carried out by the Board and/or an independent professional consulting agency. The Company did not engage the services of any independent professional consultancy for Board appointments.

NOMINATIONS COMMITTEE'S WORK IN 2015

In 2015, the Committee discharged its duties by, among other activities:

- ensuring that the Company maintained contact as necessary with its major shareholders about appointments to the Board;
- reviewing the Board's and the Management Board's structure, size and composition (including the Board and the Management Board members' skills, knowledge and experience) and making recommendations to the Board with regard to adjustments;
- reviewing the Management Board's succession plans;
- identifying and nominating future candidates for the Board's approval;
- considering succession planning for directors and other senior executives taking into account the challenges and opportunities facing the Company and the skills and expertise which the Company will require in the future;

- ensuring that, before the appointment of the Non-Executive Directors, the proposed appointee discloses any other business interests that may result in a conflict of interest and ensuring that they are required to report any future business interests that could result in a conflict of interest; and

- determining the statement of responsibilities for the Board Chairman and Chief Executive Officer and ensuring that they have been formally informed with respect to their role and time commitments.

REMUNERATION COMMITTEE

As at 31 December 2015, the Remuneration Committee comprised Dr Hans-Joachim Körber as a Non-Executive Director, and Nicholas Teller and Johannes Zurnieden as independent Non-Executive Directors. Pending the appointment of a further independent Non-Executive Director, Dr Hans-Joachim Körber as Chairman of the Board acts as the Chairman of the Remuneration Committee.

Effective 10 February 2015, Mr Heinz-Peter Schlüter retired as a Non-Executive Director and stepped down from his position as Committee Chairman. Effective 12 March 2015, Mr Alfred Tacke joined the Remuneration Committee as Chairman. Mr Tacke retired as an independent Non-Executive Director and stepped down from his position as Committee Chairman with effect on 31 December 2015.

The Committee meets as required, but no less than once per year. The Remuneration Committee met four times in 2015. The Remuneration Committee makes recommendations to the Board on the Executive Director's and the Management Board members' compensation, including any bonuses, pension rights (where appropriate) and share-based compensation payments. The Committee oversees and reviews the airberlin group's remuneration principles. It reports its decisions to the Board and updates the Board on the airberlin group's overall remuneration policy. The Committee regularly reviews both the effectiveness of the airberlin group's remuneration policy in incentivising executives to enhance value for the shareholders and its competitiveness. The remuneration report on pages 74 to 86 provides further details of the Committee's work.

FINANCE COMMITTEE

As at 31 December 2015, the Finance Committee comprised four Non-Executive Directors: Nicholas Teller (as Committee Chairman), Hans-Joachim Körber, Ali Sabancı and James Rigney. The Committee meets as required, but no less than twice per year. The Committee met five times in 2015. The Committee oversees and reviews the airberlin group's financial plans and policies and their implementation. Further, the Finance Committee supports the Board in various activities (such as investment, asset disposals or capital expenditure) that may have a material financial impact. It monitors hedging policy and activities and the financing budget and provides advice with respect to financing opportunities. The Finance Committee works closely with the Management Board and the Chief Financial Officer in exercising its functions.

FINANCE COMMITTEE'S WORK IN 2015

In 2015, the Finance Committee discharged its duties by, among other activities:

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

Board and Committee meetings

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

A table detailing the individual Directors' attendance at each of the Board and Committee meetings held in 2015 is set out below:

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Finance Committee
Total Meetings held	**20**	**9**	**3**	**4**	**5**
Meetings attended					
Dr Hans Joachim Körber chairman of the board, non-executive director	20	NA	3	4	5
Joachim Hunold non-executive director	20	NA	NA	NA	NA
James Hogan non-executive director, vice-chairman of the board	6	NA	0	NA	NA
Stefan Pichler* Executive Director, Chairman of the Management Board	20	NA	NA	NA	NA
James Rigney non-executive director	8	NA	NA	NA	4
Ali Sabancı non-executive director	15	NA	NA	NA	5
Alfred Tacke** independent non-executive director	16	9	NA	2	NA

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Finance Committee
Nicholas Teller independent non-executive director***	19	9	NA	3	5
Johannes Zurnieden independent non-executive director***	17	NA	2	3	NA
Andries van Luijk independent non-executive director	19	NA	1	NA	NA
Dr Lothar Steinebach independent non-executive director	18	9	2	NA	NA

The above table does not always reflect guest participation in meetings.
"NA" means not applicable, because the relevant individual is not a member of the relevant Committee.
* Stefan Pichler joined the board as Executive Director effective 1 February 2015.
** Effective 31 December 2015 Alfred Tacke resigned as a Non-Executive Director.
*** Further information on the Board's review of Mr Teller and Mr Zurnieden's independence is set out on page 59.

Company Secretary

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

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

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

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

Political donations

In line with its established policy, the airberlin group made no political donations and did not incur any political expenditure pursuant to the authority granted at the 2015 AGM. The definition of political donations under the Companies Act 2006 is very broad and includes expenses legitimately incurred as part of the process of talking to legislative members and opinion formers to ensure that the airberlin group's issues and concerns are addressed and considered. These activities are not intended to support any political party and the airberlin group's policy is not to make any donations for political purposes in the normally accepted sense. Therefore, at the 2015 AGM, a resolution was passed giving the directors authority to make donations and incur expenditure in compliance with the terms of the Companies Act 2006. The authority is limited to a maximum amount of 100,000 GBP (or its Euro equivalent) per airberlin group company but so as not to exceed 100,000 GBP (or its Euro equivalent) for the entire airberlin group in aggregate.

CHANGE OF CONTROL

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

Shareholder relations

The Company believes that maintaining open communication lines with its shareholders is extremely important. The AGM provides all shareholders with the opportunity to communicate directly with the Board, including the chairmen of the Committees. In accordance with applicable law, the Company provides all shareholders with adequate notice of the AGM, at which the Chief Executive Officer reviews and presents the airberlin group's business and performance for the year and answers questions from the shareholders. At the AGM, the number of proxy votes cast on each resolution is made available, both at the meeting and, subsequently, on the Company's website. Each substantially separate issue is presented as a separate resolution. Additionally, the Company once again facilitated shareholder participation in the 2015 AGM by continuing to make shareholder and proxy voting services available online via the Company's website.

Heinz-Peter Schlüter until February 2015 and then Lothar Steinebach served as the Senior Independent Non-Executive Director and was available to shareholders if contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer may be inappropriate or unsuccessful.

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

Moreover, the Company ensures that all Directors understand the major shareholders' views and concerns. A separate investor relations department facilitates engagement with shareholders.

Internal controls and Board performance

The Directors are responsible for establishing and reviewing the effectiveness of the Company's risk management and internal control systems, including, without limitation, with respect to the airberlin group's financial reporting process and the preparation of the airberlin group's consolidated accounts.

Internal control procedures are only designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against misuse or unauthorised disposition and the risk of material misstatement or loss, or failure to achieve business objectives.

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

The Board has conducted a review of the effectiveness of the internal control system during the reporting year using the Audit Committee's support.

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

The Company has developed an on-going process for effective risk identification and management, whereby key Company departments identify, monitor and report on potential risks. Detailed risk management reports are then provided to the Management Board, which reflect risks identified within the airberlin group. The Board as a whole addresses significant risks.

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

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

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

United Kingdom Corporate Governance Code

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

AUDIT COMMITTEE REPORT

Audit Committee

As at 31 December 2015, the Audit Committee members comprised the following two independent Non-Executive Directors: Nicholas Teller and Dr Lothar Steinebach (as Committee Chairman). The qualifications of the Audit Committee members in 2015 are set out on page 7 ff. of this annual report, and the Board considers that at least one member of the Audit Committee had recent and relevant financial experience for the period under review in compliance with the UK Corporate Governance Code provision C3.1. Effective 12 March 2015, Mr Alfred Tacke joined the Audit Committee. Mr Tacke retired as an independent Non-Executive Director and stepped down from the Audit Committee with effect on 31 December 2015.

Meetings

The Audit Committee met nine times during 2015. Generally, the Committee meets at least three times a year or more frequently as circumstances may require and where appropriate, such meetings coincide with key dates in the Company's financial reporting cycle. A representative of the Company's external auditors and the Chief Financial Officer attend the Audit Committee's meetings. Board members or senior executives may attend meetings upon invitation from the Committee. Furthermore, the Company's external auditors, the head of internal audit and officers responsible for risk assurance may request a meeting with the Committee if they consider one to be necessary. The Committee's Chairman attends the Company's AGM in order to answer any questions on the Committee's activities and responsibilities.

Role

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

Audit Committee's work in 2015

In 2015, the Committee discharged its duties by, among other activities, conducting a review of:

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

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

Financial reporting and significant financial issues

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

Certain significant issues considered in the year are detailed below:

- In particular, the Committee considered the matters brought to its attention by the management, such as foreign exchange and hedge accounting and the treatment of aircraft transactions.
- The Committee also receives regular and detailed reporting as to the Company's financial and operational performance. The matters reviewed and assessed also included the Company's accounting principles, such as the treatment or recognition of deferred tax assets.

- The Committee also considered the potential financial impact of the discussion with the German Aviation Authority (LBA) regarding the approval of certain codeshare routes operated by Etihad Airways as marketing carrier and airberlin as operating carrier, the majority of which have been finally approved following the decision of the Higher Administrative Court *(Oberverwaltungsgericht)* of Luneburg in January 2016.

- Annually the Committee reviews and agrees the audit plan with the auditors and areas of judgement included going concern, valuation of intangibles, deferred tax valuation and certain aircraft financing arrangements. Accounting standards on the impairment of intangible assets and the external auditors' opinion were taken into account. Following the advice of financial advisors, the Committee came to the conclusion that an impairment of intangible assets was not necessary.

- With respect to going concern, the Committee considered the Company's financing requirements and committed financing, the Company's ability to generate cash from operations, liquidity projections and historical performance. The Committee challenged management's assumptions and projections and considered sensitivities. The Committee also considered detailed reports from its external auditors. Following such discussions, the Committee recommended that the Board of Directors adopt the going concern statement for inclusion in the consolidated financial statements for the financial year 2015.

Effectiveness of external auditors

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

In 2015, the airberlin group paid the following amounts to KPMG: EUR 1.4 million for applicable audit services, EUR 0.4 million for audit-related services and EUR 0.3 million for non-audit related services.

Relationship with external auditors

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

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

Non-audit services

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

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

Audit tendering

The Audit Committee has noted the changes emerging in Europe, pursuant to the EU Directive 2014/56/EU (amending Directive 2006/43/EC) and Regulation (EU) No. 537/2014 (repealing Commission Decision 2005/909/EC, each effective as of 17 June 2016 to tender for the external audit contract at least every ten years, and plans to implement measures to comply with such applicable law, as adopted in the EU and in Germany. The Committee also makes recommendations to the Board regarding external auditors' reappointment or removal, terms of engagement and remuneration. KPMG have been the Company's external auditors since 2006. The responsible partner at the external auditing firm has rotated periodically. Following its review of the external auditor's performance and effectiveness, relationship with the Company, independence, objectivity, and non-audit related fees and services, each as described above, the Committee and the Board have recommended the existing external auditors' reappointment for the 2016 fiscal year.

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

Steinebach

Dr Lothar Steinebach
Chairman of the Audit Committee

27 April 2016

DIRECTORS' REMUNERATION REPORT

Annual statement by the Chairman of the Board of Directors on behalf of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and pending the appointment of a further independent Non-Executive Director in 2016, I am pleased to present the Directors' Remuneration Report for the year ended December 31, 2015.

The Directors' Remuneration Report describes the Company's implementation of its remuneration policy for Directors, and discloses the amount paid to Directors during the 2015 financial year. It has been prepared in accordance with the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It has also been prepared in line with the recommendations of the UK Corporate Governance Code. Those sections of the Directors' Remuneration Report that are subject to audit have been labeled appropriately below. The Directors' Remuneration Report will be put to an advisory shareholder vote at the annual general meeting in 2016.

MEMBERSHIP AND ACTIVITIES OF THE REMUNERATION COMMITTEE

As at 31 December 2015, the Remuneration Committee consisted of two independent Non-Executive Directors: Nicholas Teller and Johannes Zurnieden as well as the Non-Executive Director Dr Hans Joachim Körber. The Remuneration Committee members' biographies are set out on pages 7 to 9. The Remuneration Committee met four times in 2015.

The Remuneration Committee made the following key decisions and engaged in the following activities in 2015:

- considering German market standards and the UK Corporate Governance Code as they impact remuneration policy;
- reviewing its remuneration policy generally, including a review of its appropriateness and relevance;
- implementing the new remuneration policy, which entered into effect as of 1 January 2015;
- considering the compensation of the Company's new CEO effective as of 1 February 2015, Mr Stefan Pichler;

- considering the settlement and compensation package for Mr Wolfgang Prock-Schauer who, effective 1 February 2015, stepped down from his position of Chief Executive Officer and Management Board Chairman and re-assumed his position as Chief Strategy and Planning Officer, until 28 February 2015 when he resigned from the Company; and

- considering the settlement package for those members of the Management Board who have stepped down from their positions as well as the compensation package for those members of the Management Board who joined in 2015.

The circumstances in which such decisions were made and further details of each such decision are outlined below and in the Annual Report on Directors' Remuneration. A summary of the way in which the Remuneration Committee discharged its duties in 2015 is set out on page 77.

REMUNERATION POLICY

The Company's remuneration policy (the "Policy") is set out in the annual report for the financial year ending on 31 December 2013 which is publically available on the airberlin investor relations website at ir.airberlin.com. The Policy received the shareholders' positive and binding vote at the 2014 AGM and applies to any Executive Directors and Non-Executive Directors. The Policy took effect as from 1 January 2015.

REMUNERATION DECISIONS

Effective 1 February 2015, Mr Prock-Schauer stepped down from his role of Chief Executive Officer and Chairman of the Management Board. Mr Stefan Pichler assumed both such roles, effective 1 February 2015. Mr Prock-Schauer re-assumed his position as Chief Strategy and Planning Officer, which he originally held when he joined the Company in 2012, until 28 February 2015 when he resigned from the Company. In connection with Mr Prock-Schauer's resignation as Executive Director and in fulfilment of the contractual obligations under the service agreement and the re-assumption of his position as Chief Strategy and Planning Officer, it was agreed that Mr Prock-Schauer would receive the same basic salary for his position as Chief Strategy and Planning Officer as under his Executive Director contract through January 2017. In connection with Mr Prock-Schauer's resignation from the Company and the early termination of his service agreement as of 28 February 2015, Mr Prock-Schauer has, in fulfilment of the contractual obligations under the service agreement, received a severance payment of EUR 1.1 million gross. Neither a bonus nor other variable compensation has been awarded to him for 2014 and 2015.

The Company's Policy is intended to be flexible and to give the Remuneration Committee discretion in how the Policy is implemented to enable the Company to respond appropriately to circumstances, including changes in the market and the Company's performance. In order to secure the services of Stefan Pichler as the Company's Chief Executive Officer, the Remuneration Committee has used the discretion the shareholders afforded to it under the Policy to structure appropriately his remuneration package. Accordingly, Mr Pichler was granted an annual gross basic salary of EUR 950,000 and a maximum variable payment (as determined by the Remuneration Committee) of EUR 1,425,000 subject to achievement of certain targets. The targets have been set and relate to the fulfilment of the Company's business plan. Mr Pichler's variable compensation will be settled in cash and the Company has guaranteed him a minimum quantum (of EUR 400,000 and EUR 200,000 respectively) for the first two years of his tenure. In structuring his package, the Remuneration Committee has balanced the Company's need to secure Mr Pichler's services at this critical time with a desire to ensure he is not rewarded for failure. As part of his contribution to the airberlin group's restructuring, Stefan Pichler has waived ten percent (10%) of his basic salary for the time period starting March 2016 and ending February 2017. No bonus has been awarded to Stefan Pichler.

ENGAGEMENT

In pursuing the goals set out in the Policy and implementing the Policy, the Remuneration Committee will remain engaged in transparent and open dialogues with shareholders on an ongoing basis and will closely follow voting outcomes. The Remuneration Committee will continue to review all feedback it receives from shareholders and other stakeholders and looks forward to continued dialogues in 2016. The Remuneration Committee continues to believe that its approach to remuneration is aligned with the Company's business strategy and goal of optimizing shareholder value. We thank you for your continued support.

Dr Hans Joachim Körber
On behalf of the Remuneration Committee, Chairman of the Board of Directors

27 April 2016

Annual report on directors' remuneration

RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

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

The Committee discharges its duties by, inter alia:

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

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

EXECUTIVE DIRECTORS' REMUNERATION

In keeping with the Company's remuneration policy, the Company provides a compensation package that reflects the relevant Executive Directors' level of responsibility and contribution to the Company in the competitive environment. When considering the competitive environment, the Company considers its position on Executive Director remuneration relative to that of other companies it deems to be its competitors (based on its review of the marketplace for companies of similar complexity, size, and global reach). The Company designs the Executive Director compensation package to promote the airberlin group's and the Company's long-term success. When designing such package, the Company ensures that its performance-related elements are stretching and rigorously applied while at the same time taking into consideration the Company's needs. Additionally, the Company ensures that the performance-related elements of such compensation package are transparent and can be easily understood by both its shareholders and the relevant Executive Director. The Company also considers, where appropriate, a comparison of executive pay and remuneration and changes in pay level throughout the airberlin group. The Remuneration Committee periodically reviews its remuneration policy and approach to target-setting as appropriate.

The compensation package for the Executive Directors who served on the Board in 2015 comprised a combination of a basic salary, a variable bonus scheme and benefits in kind. Basic salaries are reviewed as required and are based, among other factors, on the following factors:

a) an appraisal of the relevant executive and his or her contribution to the business;

b) the Company's remuneration policy; and

c) the competitive environment and the marketplace for companies of similar complexity, size, and global reach.

The basic gross fixed salaries of the Executive Directors who served on the Board in 2015 are set out in the table below:

Name	Basic gross fixed remuneration in 2015 (EUR)
Wolfgang Prock-Schauer	800,000
Stefan Pichler	950,000

Effective 1 February 2015, Mr Prock-Schauer stepped down from his role of Chief Executive Officer and Chairman of the Management Board. Mr Stefan Pichler assumed both such roles, effective 1 February 2015.
Mr Wolfgang Prock-Schauer re-assumed his position as Chief Strategy and Planning Officer, which he originally held when he joined the Company in 2012, until 28 February 2015 when he resigned from the Company.

Subject to meeting pre-defined benchmarks, the Executive Directors who served on the Board in 2014 were entitled to receive an annual bonus as determined by the Remuneration Committee. Such bonuses were capped at pre-determined maximum amounts established by the Committee. The bonuses were intended to incentivise these individuals to achieve certain annual operational and financial goals, thereby aligning the relevant executive's interests with those of the Company's shareholders.

The Remuneration Committee determines, on an annual basis, the payment of any such bonus compensation and, in deciding to award any such bonus, considers a weighted combination of several factors.

A crucial tenet of the Company's bonus policy is that no bonus should be awarded if, among other factors, the airberlin group has not achieved certain goals set by the Remuneration Committee.

In light of the current economic climate and the Company's results, no bonus nor other variable compensation has been awarded to Mr Prock-Schauer for the 2014 and 2015 financial years. In connection with Mr Prock-Schauer's resignation from the Company and the early termination of his service agreement as of 28 February 2015, Mr Prock-Schauer has, in fulfilment of the contractual obligations under the service agreement, received a severance payment of EUR 1.1 million gross.

For 2015, Mr Pichler has not been awarded variable compensation in excess of the minimum variable compensation of EUR 400,000 to which he was entitled contractually. Any variable compensation set by the Remuneration Committee and/or agreed in Mr Pichler's service contract will be paid in cash.

SERVICE CONTRACTS

The service contract of Wolfgang Prock-Schauer, the Executive Director of the Company until 1 February 2015, contained an obligation not to compete with the Company's business for one year following termination or expiry of the service contract. In consideration for such obligation, Wolfgang Prock-Schauer was entitled to receive 50 per cent of his fixed remuneration for that year. In connection with Mr Prock-Schauer's resignation as Executive Director and the re-assumption of his position as Chief Strategy and Planning Officer effective as of 1 February 2015, it was agreed that this non-competition obligation was repealed with effect from 1 February 2015.

The service contract of Stefan Pichler, the Executive Director of the Company since 1 February 2015, also contains an obligation not to compete with the Company's business for six months following termination or expiry of the service contract.

ADDITIONAL BENEFITS

Stefan Pichler, the Executive Director of the Company since 1 February 2015, was provided with a company telephone, car and telecommunications equipment. Additionally, Stefan Pichler, his wife and children below the age of 24 years were entitled to reduced or free air transportation on flights operated by the Company or its affiliates. Stefan Pichler has the benefit of directors' and officers' insurance and accident insurance, at appropriate levels, with respect to any legal actions taken against the director in the course of exercising its duties.

NO PENSION ENTITLEMENTS

Mr Pichler was not entitled to pension benefits in 2015.

PERCENTAGE CHANGE IN REMUNERATION OF CEO

The following table shows the percentage change in remuneration comprising basic salary, benefits and bonus between the financial year ended 31 December 2014 and the financial year ended 31 December 2015 for the CEO compared to the average of all airberlin group employees in Germany during each year.

	Percentage change of CEO against the previous year	Average percentage change for employees of the Company taken as a whole against the previous year
Salary/Fees	+25.6%	+4%
Taxable Benefits	+6.9%	−6.6%
Short-term Incentives	0% [1]	55.51% [2]
Other Benefits: Total Estimated Value of Benefits Received Other Than in Cash That Are Emoluments	900%	0%

1 No short-term incentives were awarded in 2014 and 2015.
2 In 2014, sales incentives for 67 employees were awarded (and disbursed at the beginning of 2015), while in 2015, sales incentives for 38 employees will be awarded (and disbursed in 2016).

REMUNERATION POLICY FOR 2015 AND BEYOND

In implementing the Policy in 2015 and beyond, structuring Mr Stefan Pichler's arrangements, as outlined above, the Remuneration Committee has used the flexibility and allowance of discretion afforded to it. The Board currently anticipates that the Policy will be applied when determining basic salary, bonuses, pensions and all other benefits for any other executive directors in 2016. The Board currently expects that the Remuneration Committee, using its discretion, will determine the level of any annual bonus award made by taking into consideration the airberlin group's financial and operational performance.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

Non-Executive Directors do not enter into service contracts with the Company but instead are paid a fee for the provision of their services under the terms of appointment letters. Specifically, each Non-Executive Director is paid EUR 50,000 a year and EUR 25,000 a year for each Committee that the relevant Non-Executive Director chairs. Messrs Rigney, Hogan and Zurnieden chose to waive such fees for 2015 in their entirety. Non-Executive Directors are not eligible for share options or pension benefits.

DIRECTORS' SHAREHOLDINGS (SUBJECT TO AUDIT)

The following table shows details of the Directors' current shareholdings as of 31 December 2015:

Director	Beneficially owned shares*
Dr Hans-Joachim Körber	203,000
Joachim Hunold	2,275,004
Ali Sabancı	14,045,031
Johannes Zurnieden	1,350,268

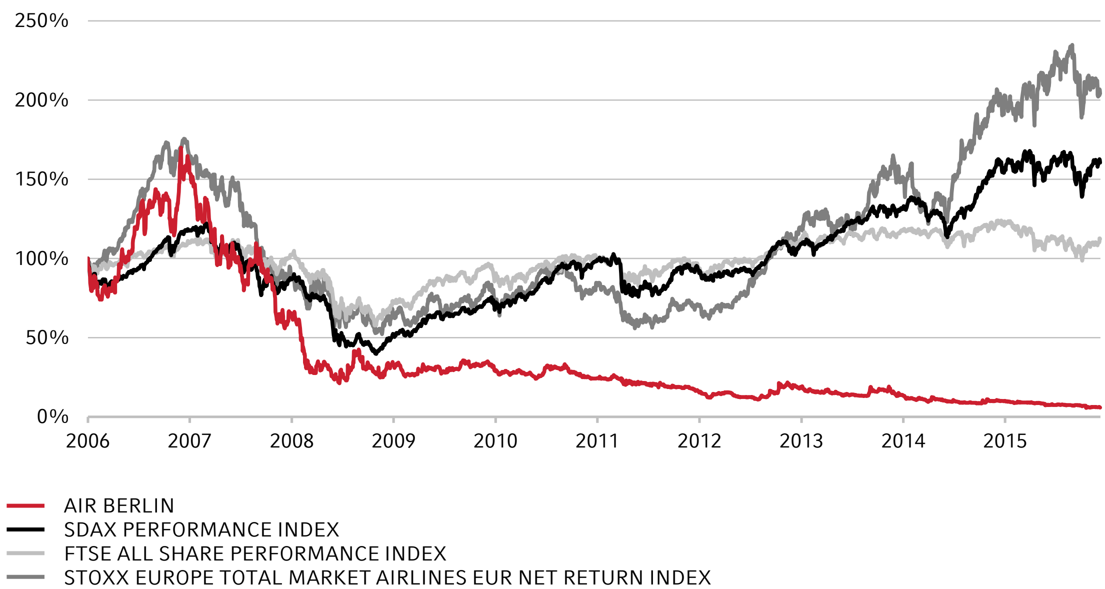
* includes any shares owned by connected persons in the meaning of sec. 252 Companies Act 2006.

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

PERFORMANCE GRAPH AND TABLE

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

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



The following table shows the total remuneration figure for the Company's CEOs over a period of six years.

	2010	2011	2012	2013	2014	2015
Total Remuneration (in Thousand Euros)	1,205	4,805	1,083	1,057	830	1,046
Short Term Incentive payout (% against Maximum)	12	0	0	0	0	0
Long Term Incentives payout (% against Maximum)[1]	NA	NA	NA	NA	NA	0

"NA" means not applicable.
1 No long-term incentives were awarded in 2015

RELATIVE IMPORTANCE OF SPEND ON PAY

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

(In thousand Euros, except average number of employees)	2015	2014	Percentage Change
Employee costs	589,304	524,479	12.4%
Average number of employees	9,065	8,612	5.3%
Revenues	4,081,756	4,160,154	–1.9%
Result from operating activities	–306,953	–293,767	–4.5%
Result before tax	–430,668	–378,862	–13.7%
Result for the period	–446,636	–376,669	–18.6%
Dividends	0	0	

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

DIRECTORS' REMUNERATION (SUBJECT TO AUDIT)

The Directors' remuneration during 2015 was: Messrs Rigney, Hogan and Zurnieden chose to waive such fees for 2015 in their entirety. Non-Executive Directors are not eligible for share options or pension benefits. Each Non-Executive Director is paid EUR 50,000 a year and EUR 25,000 a year for each Committee that the relevant Non-Executive Director chairs.

The Directors' remuneration during 2015 was:

EURk	Basic Salary and Fees Paid or Receivable		Taxable Benefits[8]		Short-term incentives	
	2015	2014	**2015**	2014	**2015**	2014
Executive Directors:						
Wolfgang Prock-Schauer[1]	134[2]	800	4	29	0	0
Stefan Pichler[3]	871	0	27	0	0	0
Aggregate emoluments	**1,005**	**800**	**31**	**29**	**0**	**0**
Non-Executive Directors:						
Dr Hans-Joachim Körber	179[10]	179[10]	4	3	0	0
Joachim Hunold	60[10]	60[10]	4	7	0	0
Ali Sabancı	50	0[5]	0	0	0	0
Heinz-Peter Schlüter[4,6]	15[10]	89[10]	1	2	0	0
Nicholas Teller[4]	89[10]	89[10]	1	2	0	0
Johannes Zurnieden[4]	0[5]	0[5]	0	0	0	0
James Hogan	0[5]	0[5]	0	0	0	0
James Rigney	0[5]	0[5]	0	0	0	0
Lothar Steinebach[4]	89[10]	89[10]	1	1	0	0
Andries B. van Luijk[4]	50	50	0	0	0	0
Alfred Tacke[4,7]	74[10]	0	0	0	0	0
Aggregate emoluments	**606**	**556**	**11**	**15**	**0**	**0**

1 Wolfgang Prock-Schauer served as the sole Executive Director on the Board and Chief Executive Officer until 1 February 2015, when Stefan Pichler replaced him in each such capacity. As of 1 February 2015, Mr Prock-Schauer re-assumed his position as Chief Strategy and Planning Officer in the Management Board until 28 February 2015 when he resigned from the Company.
2 In addition, Mr Prock-Schauer has received a severance payment of EUR 1.1 million gross pursuant to a termination agreement entered into in February 2015.
3 Joined the Board on 1 February 2015.
4 Independent Non-Executive Director.
5 The relevant Director has waived his remuneration for the relevant year in its entirety.
6 Retired from the office on 10 February 2015.
7 Joined the Board on 10 February 2015 and retired from the office effective 31 December 2015.
8 Company car, health care allowance, reduced or free air transportation on flights.
9 Telephone connection fee and foreign health, accident and luggage insurance.
10 Including 19% VAT.

Long-term incentives		Other Benefits[9]		**Total**	
2015	2014	**2015**	2014	**2015**	2014
0	0	0	1	138	830
0	0	10	0	908	0
0	**0**	**10**	**1**	**1,046**	**830**
0	0	0	0	183	182
0	0	0	0	64	67
0	0	0	0	50	0
0	0	0	0	16	91
0	0	0	0	90	91
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	90	90
0	0	0	0	50	50
0	0	0	0	74	0
0	**0**	**0**	**0**	**617**	**571**

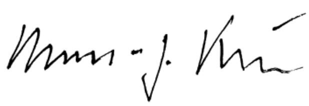
VOTING AT AGM 2015

The following table shows the results of the advisory vote on the 2014 Directors' remuneration report at the 23 June 2015 AGM.

	Total number of votes	% of votes cast
For	59,667,664	99.3
Against	396,270	0.7
Total votes cast (excluding withheld votes)	**60,063,934**	**100**
Votes withheld*	710,950	
Total votes cast (including withheld votes)	**60,774,884**	

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

By order of the Board



Dr Hans-Joachim Körber

Chairman of the Board on behalf of the Remuneration Committee

27 April 2016

DIRECTORS' REPORT

Air Berlin PLC is a public limited company incorporated under the laws of England and Wales and registered as such in the English commercial register under the number 5643814. The registered office of Air Berlin PLC is at c/o Browne Jacobson LLP, 6 Bevis Marks, Bury Court, London, EC3A 7BA Great Britain. Air Berlin PLC is the parent company of the airberlin group.

The Directors present the Annual Report and the annual and consolidated financial statements for the financial year ending on 31 December 2015. References to "airberlin", "airberlin group", "Company", "we" or "our" refer to Air Berlin PLC or to Air Berlin PLC and its subsidiaries where appropriate.

Changes in the composition of the Board of Directors are set out on page 58.

Pages 89 to 90 ("Statement of Directors' Responsibilities in respect of the preparation of the Annual Report and the annual and consolidated financial statements") include the Directors' Report, which was prepared and submitted in accordance with English company law. The liabilities of the Directors in connection with the Directors' Report shall be subject to the limitations and restrictions provided for in English company law.

Shareholder information

CAPITAL

Details of the movements in the authorised and issued share capital are set out in note 11 to the consolidated financial statements.

The rights and obligations attaching to the Company's ordinary registered shares of the Company are set out in the Company's Articles of Association and in note 11 to the consolidated financial statements.

VOTING RIGHTS AND RESTRICTIONS ON THE TRANSFER OF SHARES

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

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

Information regarding the major shareholders and the shareholder structure by nationality as at 31 December 2015 is contained on page 15 of this Annual Report.

REGISTERED OFFICE

c/o Browne Jacobson LLP, 6 Bevis Marks, Bury Court, London, EC3A 7BA, United Kingdom

SHAREHOLDER REGISTRAR

Registrar Services GmbH, Mergenthalerallee 15-21, 65750 Eschborn, Germany; Mailing address: P.O. Box 1207, 65760 Eschborn

COMPANY REGISTRATION NUMBER

5643814

AUDITOR

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

Berlin, 27 April 2016

Stefan Pichler
Chief Executive Officer

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

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

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

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

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

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

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

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

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

Going concern

After making inquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next two financial years as disclosed in note 2 to the financial statements. For this reason, they continue to adopt the going concern basis of accounting in preparing the accounts and believe that it is appropriate to do so.

Statement of the Directors regarding the disclosure of information to auditors

Each Director in office at the date the Directors' Report is approved confirms, in accordance with Section 418 of the Companies Act 2006: so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

The Annual Report on pages 2 to 167 was approved by the Board of Directors and authorised for issue on 27 April 2016 and signed on behalf of the Board of Directors by:

Berlin, 27 April 2016

Stefan Pichler
Chief Executive Officer

DECLARATION BY THE LEGAL REPRESENTATIVES

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

Berlin, 27 April 2016

Stefan Pichler
Chief Executive Officer

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

We have audited the financial statements of the Company for the year ended 31 December 2015 set out on pages 95 to 167. 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 company financial statements, as applied in accordance with the provisions of the Companies Act 2006. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 89 to 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year 2015;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006;
- and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Darren Turner (Senior Statutory Auditor)
for and on behalf of: KPMG LLP,
Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH Great Britain

27 April 2016

FINANCIAL STATEMENTS

Air Berlin PLC
CONSOLIDATED INCOME STATEMENT
for the period ended 31 December 2015

EURk	Note	1/15–12/15	1/14–12/14
Revenue	20	**4,081,756**	4,160,154
Other operating income	21	**50,823**	11,636
Expenses for materials and services	22	**(3,064,255)**	(3,124,364)
Personnel expenses	23	**(589,304)**	(524,479)
Depreciation, amortisation and impairment losses	5,6	**(45,984)**	(96,950)
Other operating expenses	24	**(739,989)**	(719,764)
Operating expenses		**(4,439,532)**	(4,465,557)
Result from operating activities		**(306,953)**	(293,767)
Financial expenses	25	**(89,948)**	(99,733)
Financial income	25	**976**	4,167
Result on foreign exchange and derivatives, net	25	**(31,529)**	9,944
Net financing costs		**(120,501)**	(85,622)
Share of at equity investments, net of tax	26	**(3,214)**	527
Result before tax		**(430,668)**	(378,862)
Income tax result	27	**(15,968)**	2,193
Result for the period		**(446,636)**	(376,669)
of which: attributable to hybrid capital investors		**24,330**	9,356
of which: attributable to Air Berlin PLC shareholders		**(470,966)**	(386,025)
Basic earnings per share in €	13	**(4.04)**	(3.31)
Diluted earnings per share in €	13	**(4.04)**	(3.31)

Consolidated Statement of other comprehensive income	Note	1/15–12/15	1/14–12/14
Result for the period		**(446,636)**	(376,669)
Foreign currency translation reserve		**1,434**	462
Effective portion of changes in fair value of hedging instruments		**(84,543)**	(155,892)
Net change in fair value of hedging instruments transferred from equity to profit or loss		**157,282**	6,488
Income tax on other comprehensive income	27	**(1,860)**	1,875
Remeasurement of net defined liability		**(1,475)**	(5,788)
Other comprehensive income for the period, net of tax		**70,838**	(152,855)
Total comprehensive income		**(375,798)**	(529,524)
of which: attributable to hybrid capital investors		**24,330**	9,356
of which: attributable to Air Berlin PLC shareholders		**(400,128)**	(538,880)

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2015

EURk	Note	31/12/2015	31/12/2014
Assets			
Non-current assets			
Intangible assets	5	**405,031**	408,798
Property, plant and equipment	6	**182,956**	302,176
Trade and other receivables	9	**56,273**	85,303
Deferred tax asset	27	**0**	16,835
Positive market value of derivatives	29	**0**	8
Net defined benefit asset	14	**176**	709
Deferred expenses	10	**52,768**	49,117
At equity investments	7	**2,848**	6,762
Non-current assets		**700,052**	869,708
Current assets			
Inventories	8	**64,654**	64,929
Trade and other receivables	9	**387,894**	396,483
Positive market value of derivatives	29	**26,311**	82,467
Deferred expenses	10	**50,856**	47,936
Assets held for sale	6	**23,419**	142,806
Cash and cash equivalents	28	**165,235**	259,229
Current assets		**718,369**	993,850
Total assets		**1,418,421**	1,863,558

Air Berlin PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2015

EURk	Note	**31/12/2015**	31/12/2014
Equity and liabilities			
Shareholders' equity			
Share capital	11	**29,273**	29,273
Share premium	11	**435,085**	435,085
Equity component of convertible bonds	16	**597**	597
Other capital reserves	11	**217,056**	217,056
Retained earnings		**(1,719,166)**	(1,248,200)
Hedge accounting reserve, net of tax		**(82,554)**	(153,433)
Foreign currency translation reserve	11	**5,088**	3,654
Remeasurement of the net defined benefit obligation	14	**(10,451)**	(8,976)
Equity attributable to shareholders of the Company		**(1,125,072)**	(724,944)
Equity attributable to the hybrid capital investors	12	**325,686**	309,356
Total equity		**(799,386)**	(415,588)
Non-current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**28,748**	89,961
Interest-bearing liabilities	16	**980,877**	639,967
Provisions	15	**6,203**	6,095
Trade and other payables	18	**54,406**	37,201
Deferred tax liabilities	27	**21,666**	23,817
Negative market value of derivatives	29	**0**	93
Non-current liabilities		**1,091,900**	797,134
Current liabilities			
Interest-bearing liabilities due to aircraft financing	16	**23,323**	109,758
Interest-bearing liabilities	16	**10,181**	223,714
Tax liabilities		**2,507**	3,266
Provisions	15	**47,426**	42,350
Trade and other payables	18	**511,344**	446,290
Negative market value of derivatives	29	**114,217**	240,548
Deferred income		**42,996**	19,654
Advanced payments received	19	**373,913**	396,432
Current liabilities		**1,125,907**	1,482,012
Total equity and liabilities		**1,418,421**	1,863,558

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2016 and signed on behalf of the Board:

Stefan Pichler
Chief Executive Officer

Air Berlin PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

EURk	Share capital	Share premium	Equity component of convertible bonds	Other capital reserves	Retained earnings
Balances at 31 December 2013	**29,273**	**435,085**	**597**	**217,056**	**(862,175)**
Issue of hybrid capital					
Total transactions with shareholders and hybrid capital investors	**0**	**0**	**0**	**0**	**0**
Loss for the period					(386,025)
Other comprehensive income					
Total comprehensive income	**0**	**0**	**0**	**0**	**(386,025)**
Balances at 31 December 2014	**29,273**	**435,085**	**597**	**217,056**	**(1,248,200)**
Distribution to hybrid capital investors					
Total transactions with shareholders and hybrid capital investors	**0**	**0**	**0**	**0**	**0**
Loss for the period					(470,966)
Other comprehensive income					
Total comprehensive income	**0**	**0**	**0**	**0**	**(470,966)**
Balances at 31 December 2015	**29,273**	**435,085**	**597**	**217,056**	**(1,719,166)**

Hedge accounting reserve, net of tax	Foreign currency translation reserve	Reasurement of the net - defined - benefit obligation	Equity attributable to the share-holders of the Company	Equity attributable to the hybrid - capital investors	Total equity
(5,904)	**3,192**	**(3,188)**	**(186,064)**	**0**	**(186,064)**
				300,000	300,000
0	**0**	**0**	**0**	**300,000**	**300,000**
			(386,025)	9,356	(376,669)
(147,529)	462	(5,788)	(152,855)		(152,855)
(147,529)	**462**	**(5,788)**	**(538,880)**	**9,356**	**(529,524)**
(153,433)	**3,654**	**(8,976)**	**(724,944)**	**309,356**	**(415,588)**
				(8,000)	(8,000)
0	**0**	**0**	**0**	**(8,000)**	**(8,000)**
			(470,966)	24,330	(446,636)
70,879	1,434	(1,475)	70,838		70,838
70,879	**1,434**	**(1,475)**	**(400,128)**	**24,330**	**(375,798)**
(82,554)	**5,088**	**(10,451)**	**(1,125,072)**	**325,686**	**(799,386)**

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 31 December 2015

EURk	Note	31/12/2015	31/12/2014
Result for the period		**(446,636)**	(376,669)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Depreciation and amortisation of non-current assets	5,6	**43,512**	71,822
Impairment losses on property, plant and equipment	6	**2,472**	25,233
Gain on disposal of long-term assets	21, 24	**(30,088)**	(713)
Decrease (Increase) in inventories		**275**	(11,886)
Decrease in trade accounts receivables		**2,502**	7,803
Decrease (Increase) in other assets and prepaid expenses		**58,050**	(8,199)
Deferred tax expense (benefit)	27	**12,825**	(3,788)
Increase in provisions		**5,717**	21,058
Increase (Decrease) in trade accounts payable		**66,079**	(32,982)
Increase (Decrease) in other current liabilities		**12,125**	(34,807)
Result on foreign exchange and derivatives, net	25	**31,529**	(9,944)
Interest expense	25	**86,457**	92,489
Interest income	25	**(976)**	(4,209)
Income tax expense	27	**3,143**	1,595
Share of profit of equity investments	7	**3,214**	(527)
Other non-cash changes		**(1,322)**	301
Cash generated from operations		**(151,122)**	(263,423)
Interest paid		**(75,953)**	(83,550)
Distribution to hybrid capital investors		**(8,000)**	0
Interest received		**668**	1,813
Income taxes paid		**(3,492)**	(2,025)
Net cash flows from operating activities		**(237,899)**	(347,185)
Purchases of non-current assets		**(32,503)**	(62,615)
Net advanced payments for non-current items	9	**(39,498)**	30,948
Loans issued		**(8,047)**	0
Proceeds from sale of tangible and intangible assets		**278,929**	68,016
Cash flow from investing activities		**198,881**	36,349
Principal payments on interest-bearing liabilities	16	**(267,174)**	(295,809)
Proceeds from issue of interest-bearing liabilities	16	**403,350**	495,202
Transaction costs related to issue of interest-bearing liabilities	16	**(1,184)**	(10,326)
Redemption of interest-bearing liabilities	16	**(195,888)**	(154,070)
Proceeds from issue of hybrid capital	12	**0**	300,000
Cash flow from financing activities		**(60,896)**	334,997

Air Berlin PLC

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

for the period ended 31 December 2015

EURk	Note	31/12/2015	31/12/2014
Change in cash and cash equivalents		**(99,914)**	24,161
Cash and cash equivalents at beginning of period		**259,180**	223,006
Foreign exchange gains on cash balances		**5,944**	12,013
Cash and cash equivalents at end of period	28	**165,210**	259,180
thereof bank overdrafts used for cash management purposes		**(25)**	(49)
thereof cash and cash equivalents in the statement of financial position		**165,235**	259,229

Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

EURk	Note	**31/12/2015**	31/12/2014
Assets			
Non-current assets			
Investments in subsidiaries	34b	**1,260,007**	1,165,018
Trade and other receivables		**10,312**	0
Loans to subsidiaries	34d	**122,383**	118,395
Loans to related parties	34m	**2,047**	0
Net defined benefit asset	34h	**0**	677
Deferred expenses	34f	**8,870**	11,660
Non-current assets		**1,403,619**	1,295,750
Current assets			
Receivables from subsidiaries	34e	**31,459**	64,219
Positive market value of derivatives		**3,637**	12,929
Trade and other receivables		**2,554**	3,324
Deferred expenses	34f	**4,712**	4,693
Cash and cash equivalents		**270**	3,738
Current assets		**42,632**	88,903
Total assets		**1,446,251**	1,384,653

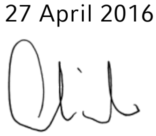
Air Berlin PLC

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

EURk	Note	31/12/2015	31/12/2014
Equity and liabilities			
Shareholders' equity			
Share capital	34g	**29,273**	29,273
Share premium	34g	**435,085**	435,085
Equity component of convertible bonds		**597**	597
Retained earnings		**(442,617)**	(321,101)
Remeasurement of the net defined benefit obligation		**(5,785)**	(3,785)
Equity attributable to shareholders of the Company		**16,553**	140,069
Equity attributable to the hybrid capital investors		**325,686**	309,356
Total equity		**342,239**	449,425
Non-current liabilities			
Interest-bearing liabilities		**600,558**	467,732
Other liabilities to subsidiaries	34i	**138,085**	137,602
Deferred tax liabilities	34c	**2,553**	250
Pension liabilites		**862**	0
Negative market value of derivatives		**0**	33
Non-current liabilities		**742,058**	605,617
Current liabilities			
Interest-bearing liabilities		**6,248**	203,653
Tax liabilities		**150**	1,705
Provisions		**3,854**	0
Trade and other payables		**18,072**	3,753
Payables to subsidiaries	34k	**268,338**	60,020
Negative market value of derivatives		**45,292**	60,480
Advances received		**20,000**	0
Current liabilities		**361,954**	329,611
Total equity and liabilities		**1,446,251**	1,384,653

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2016 and signed on behalf of the Board:



Stefan Pichler
Chief Executive Officer

Air Berlin PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

EURk	Share capital	Share premium	Equity component of convertible bonds	Retained earnings	Reasure-ment of the net defined benefit obligation	Equity attribut able to the share-holders of the Company	Equity attribut able to the hybrid capital investors	Total equity
Balances at 31 December 2013	**29,273**	**435,085**	**597**	**(167,869)**	**(1,277)**	**295,809**	**0**	**295,809**
Issue of hybrid capital							300,000	300,000
Total transactions with share-holders and hybrid capital investors	**0**	**0**	**0**	**0**	**0**	**0**	**300,000**	**300,000**
Loss for the period				(153,232)		(153,232)	9,356	(143,876)
Other comprehensive income					(2,508)	(2,508)		(2,508)
Total comprehensive income				**(153,232)**	**(2,508)**	**(155,740)**	**9,356**	**(146,384)**
Balances at 31 December 2014	**29,273**	**435,085**	**597**	**(321,101)**	**(3,785)**	**140,069**	**309,356**	**449,425**
Distribution to hybrid capital investors							(8,000)	(8,000)
Total transactions with share-holders and hybrid capital investors	**0**	**0**	**0**	**0**	**0**	**0**	**(8,000)**	**(8,000)**
Loss for the period				(121,516)		(121,516)	24,330	(97,186)
Other comprehensive income					(2,000)	(2,000)		(2,000)
Total comprehensive income				**(121,516)**	**(2,000)**	**(123,516)**	**24,330**	**(99,186)**
Balances at 31 December 2015	**29,273**	**435,085**	**597**	**(442,617)**	**(5,785)**	**16,553**	**325,686**	**342,239**

Air Berlin PLC

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

EURk	Note	**31/12/2015**	31/12/2014
Loss for the period		**(97,186)**	(143,876)
Adjustments to reconcile profit or loss to cash flows from operating activities:			
Decrease (Increase) in receivables from subsidiaries		**32,773**	(54,417)
Decrease in other assets and prepaid expenses		**2,881**	9,527
Deferred tax expense (benefit)	34c	**2,303**	(391)
Increase (Decrease) in trade accounts payable and other liabilities		**37,555**	(3,741)
Increase in net defined obligation		**(461)**	(466)
Increase in payables to subsidiaries	34k	**112,045**	12,934
Result on foreign exchange and derivatives, net		**3,593**	31,428
Interest expense		**67,065**	76,185
Interest income		**(9,669)**	(9,258)
Cash generated from operations		**150,899**	(82,075)
Interest paid		**(63,619)**	(66,533)
Distribution to hybrid capital investors		**(8,000)**	0
Interest received		**19**	68
Income taxes paid		**(952)**	(122)
Net cash flows from operating activities		**78,347**	(148,662)
Disposal of investments in subsidiaries		**0**	1,182
Loans given to subsidiaries	34d	**0**	(318,395)
Loans issued		**(2,047)**	0
Cash flow from investing activities		**(2,047)**	(317,213)
Redemption of corporate bonds	16	**(195,888)**	(154,070)
Proceeds from issue of interest-bearing liabilities	16	**118,104**	328,083
Payment of transaction costs related to issue of interest bearing liabilities	16	**(1,184)**	(10,326)
Proceeds from issue of hybrid capital		**0**	300,000
Cash flow from financing activities		**(78,968)**	463,687
Change in cash and cash equivalents		**(2,668)**	(2,188)
Cash and cash equivalents at beginning of period		**3,738**	4,321
Foreign exchange (losses) gains on cash balances		**(800)**	1,605
Cash and cash equivalents at end of period		**270**	3,738
thereof cash and cash equivalents in the statement of financial position		**270**	3,738

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

1. Introduction

The consolidated financial statements of Air Berlin PLC for the year ended 31 December 2015 comprise Air Berlin PLC and its subsidiaries (together referred to as "airberlin" or the "group") and the group's interest in at equity investments. Air Berlin PLC is a public limited company incorporated in England and Wales with its registered office in London. The corporate headquarters of airberlin are located in Berlin. The Company's ordinary shares are traded on the Frankfurt Stock Exchange.

2. Basic principles and preparation of financial statements

Both the parent Company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union. On publishing the parent Company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements. The Company financial statements are presented on pages 102 to 105.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all group entities. The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The consolidated financial statements have been prepared in Euro. The European Central Bank year end exchange rate was GBP 0.7340 to the Euro. All financial figures presented have been rounded to the nearest thousand currency units, except for share data and subsequent events. The financial statements were authorised and approved for issue by the Board of Directors on 27 April 2016.

GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, perfor-mance and position are set out in the Report on Forecasts and Outlook for the group on pages 54 to 56.

The financial position of the group, its cash flows, and liquidity position are described in the Development in Financial Figures on pages 28 to 31. Details for the group's borrowings are set out in note 16 and 30 of the financial statements. In addition, notes 4t and 30 to the financial statements include the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risk.

The group meets its day to day working capital requirements through its cash holdings. As discussed in the Report on Forecasts and Outlook for the group on pages 54 to 56, the current economic conditions create uncertainty particularly in respect of fluctuating currency rates, fluctuating jet fuel prices, passenger demand and yield.

In April 2016 a bank loan with a maturity of two years amounting to AED 726,425 and a revolving loan with a maturity of one year amounting to EUR 75,000 was agreed. In respect of the EUR 75,000 revolving loan, the Directors have received assurance from the bank that it is in principle prepared to extend the facility subject to credit approvals and a guarantee from Etihad Airways PJSC. In January 2016 Etihad Airways has provided a further loan of EUR 75,000. In addition, there is still USD 30,000 undrawn from the current shareholder loan.

The group's forecasts and projections sensitised for significant deviations from the forecast currency rate, jet fuel price, passenger demand and yield, show that with this financing in place the group will have sufficient cash to meet its liabilities in the foreseeable future. In the event that actual trading performance falls below the sensitised forecast levels, the directors believe that there are other actions available to them to provide further alleviation.

Taking into account the above factors and the ability to renew the revolving loan, the directors have concluded that there is a reasonable expectation that the group has adequate resources to continue as a going concern for the foreseeable future. The going concern basis is used in preparing the financial statements.

USE OF ESTIMATES

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRS as adopted by the European Union that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relate primarily to the estimate of residual values of fixed assets, the impairment test for goodwill and other intangible assets with indefinite lives and the expected utilisation of deferred tax assets and are discussed in note 4b, 4d and 5.

3. Basis of consolidation

A) SUBSIDIARIES

All subsidiaries under control of airberlin are included in the consolidated financial statements. The group controls an entity when the group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

All subsidiaries listed in note 35 are included in the consolidated financial statements.

Several of the Company's subsidiaries prepare their financial statements in a currency other than Euro (CHF and USD). The assets and liabilities of these subsidiaries are translated to Euro at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to Euro at the average exchange rate for the period. Foreign currency differences resulting are recognised directly in equity. Since 1 January 2003, the group's date of transition to IFRS, such differences have been recognised in the foreign currency translation reserve.

All of the German subsidiaries identified in note 35 are required to present financial statements under German statutory law except for the following companies, as they are exempt due to Article 264b German Commercial Code:

- Air Berlin PLC & Co. Luftverkehrs KG
- Air Berlin Ltd. & Co. Service Center KG

Air Berlin Finance GmbH and Air Berlin Finance II GmbH are exempt due to Article 291(1) German Commercial Code for the presentation of consolidated financial statements under German statutory law.

B) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (AT EQUITY INVESTMENTS)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of another entity. Joint ventures arise where the group has rights to the net assets of the arrangement.

The consolidated financial statements include the group's share of the profit or loss and other comprehensive income of at equity investments using the equity method and are initially recognised at cost, from the date that significant influence commences until the date that significant influence ceases.

When the group's share of losses exceeds its interest in an at equity investment, the group's carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee.

C) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

4. Significant accounting policies

A) INTANGIBLE ASSETS

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

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

The estimated useful lives of intangible assets are as follows:

Software, licenses	3–5 years
Trademarks	indefinite
Landing rights (slots)	indefinite

Landing rights are determined to have indefinite lives, as they do not expire and are not subject to a regular loss in value over time. airberlin intends to use the trademark NIKI for an unpredictable time and therefore the trademark is determined to have an indefinite life.

B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at their acquisition or production costs less accumulated depreciation and accumulated impairment losses. Depreciation is based on the group's accounting policies and calculated according to the straight-line method over the estimated useful lives. Judgement is required in estimating the residual values and useful lives of property, plant and equipment. Uncertainty exists in the useful life of aircraft and in the amounts which can be realised through future disposals.

Aircraft

The group owns aircraft of the type Airbus A321. The depreciation period is ten years taking into account estimated residual values. The residual values and useful lives are reviewed at the end of each period.

Portions of the cost of an aircraft are attributed on acquisition to major inspection and overhaul costs of its engines and airframe and are depreciated separately over a period of five to seven years, at which time the new overhaul is capitalised and depreciated over its useful life.

Aircraft are purchased in stages with the payment of initial and subsequent prepayments.

Other tangible assets

The estimated useful lives of other tangible assets are as follows:

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

C) SUBSEQUENT EXPENDITURE

Expenditure incurred to replace a component of an aircraft, engine and other equipment, including major inspection and overhaul expenditure, is capitalised as a separate item. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the items of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as an expense when incurred.

D) IMPAIRMENT

Non-financial assets

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

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Financial assets

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

E) INVENTORIES

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

F) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method less impairment loss, which approximates their fair value. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables for which collection is doubtful are written down to their realisable value in a separate account. Further details to the allowance for impairment losses are found in note 30b. The allowance for impairment losses is used to record impairment losses until the group determines that the receivable is irrecoverable. Financial assets are derecognised directly when they are expected to be irrecoverable.

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

G) DERIVATIVES

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

Forward exchange transactions are used to mitigate exchange rate exposure. Commodity swaps and options are used to limit the fuel price risk. Interest collars and swaps are used to mitigate interest rate change risks. For further information see note 29.

H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits with an initial maturity of less than three months. Cash and cash equivalents are valued at cost. Bank overdrafts used for cash management purposes are included in cash and cash equivalents for purposes of the cash flow statement. Cash and cash equivalents also include restricted cash as set out in note 28.

I) SHARE CAPITAL

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

Ordinary shares

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

Redeemable "class a" preference shares

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

Treasury shares

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

Hybrid Capital

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

J) INCOME TAXES

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

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

Deferred taxes are calculated in accordance with IAS 12 on the basis of temporary differences between the tax base at the level of the individual company and the respective IFRS book value.

No deferred tax is recognised on the initial recognition of goodwill arising from acquisitions. A deferred tax asset is recognised for tax losses carried forward and other temporary differences resulting in an expected tax benefit in future periods to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the period. Judgement is required in estimating the probability of utilisation of deferred tax assets; uncertainty exists in the amount and timing of future taxable income.

K) PROVISIONS

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

L) INTEREST-BEARING LIABILITIES

Interest-bearing liabilities are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost using the effective interest method. The fair value option is not applied.

M) TRADE AND OTHER PAYABLES

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

N) FOREIGN CURRENCY

Transactions in foreign currencies are translated into the respective functional currencies of group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the end of the period. Any differences resulting from the currency translation are recognised in the statement of comprehensive income. Further details of currency risk are provided in note 30d.

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

O) RECOGNITION OF INCOME AND EXPENSES

Revenue relates primarily to transportation services provided and duty-free sales. Flight revenue is recognised at the point where the flight is flown whilst a return portion of the ticket is deferred until the return flight is flown. Revenue on unclaimed tickets is recognised when the ticket expires. Other revenue and operating income is recognised when the corresponding service has been provided or when the risks and rewards associated with the right of ownership are transferred to the buyer (for example in-flight sales). Revenue is measured at the fair value of the consideration received taking into account the amount of any sales deductions (for example air passenger duty, VAT and discounts). Rebates and discounts offered are deducted from revenue and are recognised at the point when the flight to which the rebate or discount relates is flown.

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

The liability to provide awards to the passengers under the frequent flyer plan (topbonus) rests with topbonus Ltd in return for a payment from the Group.

P) DEFERRED INCOME AND EXPENSES

Deferred expenses in the statement of financial position relate mainly to prepayments. They include aircraft lease costs, insurances and other contracts and deferred losses on the sale and leaseback of aircraft.

When the fare is for a round-trip and the return flight has not been taken at year end, the unearned revenue is deferred in the consolidated statement of financial position under "deferred income" until such time the transportation is provided.

Q) LEASING

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

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

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

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

The group carries out sale and leaseback transactions. If the leaseback transaction is an operating lease, and the sale price is below fair value of the asset, any profit or loss is recognised immediately in the statement of comprehensive income in accordance with IAS 17. Except if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the lease term (see note 4p).

R) PENSIONS

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

The group's net obligation or asset in connection with defined benefit plans is calculated separately for each plan. The amount of future benefits that employees have earned in return for their service in current and prior periods is estimated and discounted to present value using an appropriate discount rate based on AA-credit rated bonds with maturities approximating the maturities of the group's obligations under the pension plans. The calculation is performed by a qualified actuary using the projected unit credit method. The fair value of plan assets as of the end of the period are deducted from the obligation.

Actuarial gains and losses are recognised in other comprehensive income in the period in which they are incurred.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit and loss in the period in which they are due.

S) NEW PRONOUNCEMENTS – NOT YET ADOPTED

Some new standards, alignments of standards and interpretations were issued and endorsed by the EU for the financial years beginning on or after 1 January 2016 but have not been applied by the group in preparing the financial statements. The group is currently assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9 and IFRS 15.

T) FINANCIAL RISK MANAGEMENT

The group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has an established risk management system, which monitors the group's risk management policies. Any significant risks are reported to the Board.

Risk reporting includes the review and assessment of all risks in the individual departments. This includes the registration of new risks and the reassessment of existing risks regarding their probability of occurrence and potential effect on earnings. Where possible 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 Management Board.

There were no changes in the group's exposures to risk or its objectives, policies and processes for identifying, measuring and managing risks since the previous period.

Credit risk

Single-seat tickets are sold subject to payment up front. Credit risk is very low and limited to payments made from overdrawn bank accounts shortly before the flight. Credit risk relating to bulk ticket sales to charter and package tour operators is also limited, as tour operators make regular pre-payments during the month based on the expected monthly sales.

The sale of passage and freight documents is handled via agencies and the internet within the guidelines of the International Air Transport Association (IATA). Agencies are connected with country-specific clearing systems for the settlement of passage or freight sales. Individual agents are subject to controls by appropriate clearing houses. The credit risk from an individual sales agent is relatively low due to worldwide dispersion. Where the agreement upon which a payment is based does not explicitly state otherwise, claims and liabilities arising between the airlines are usually settled on a bilateral basis or via a clearing house of IATA. Settlement takes place principally through the balancing of all receivables and liabilities in mainly weekly and be-weekly 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 or that are known to be reliable based on past experience the risk of non-payment is extremely low. Cash in bank is held only at banks with the highest credit ratings. The group considers its net position in determining its impairment risk on bank balances and positive market values of derivatives.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Liquidity in the group is protected by appropriate liquidity planning and adequate financing structures.

The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the airberlin reputation.

A group-wide treasury management system is implemented. It covers and evaluates all matters associated with interest and exchange rates. All substantial airberlin companies are fully incorporated into the airberlin treasury management system. In addition the group has enhanced its liquidity management through the development of a liquidity management tool which incorporates expected operational, financing and investing cash flows on a weekly basis. The primary focus is on sufficient liquidity, based on comprehensive financial and liquidity planning.

Market risk

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

As an airline airberlin is exposed to currency, interest rate and fuel price risks as well as credit and liquidity risks. airberlin uses derivatives to limit these risks. A detailed description of the group's exposure to market risks and the hedging activities to limit these risks is presented in note 29.

Capital management

The group considers bonds, equity (excluding hedge accounting reserves and foreign currency reserves), hybrid capital, traditional bank financing and finance leases to be capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board seeks to maintain a balance between higher returns that might be possible with a higher level of borrowings and the advantages and security afforded by a sound capital position. In particular, in reviewing the Company's financing alternatives, the Board, always bearing in mind the shareholders' return on equity, balances a variety of financing options, including share issues, bond issues and traditional bank financing.

The group is not subject to any externally imposed capital requirements.

U) FINANCIAL INSTRUMENTS

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

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

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

The categories of financial assets and financial liabilities are further detailed in note 30g.

airberlin has defined the following classes of financial assets and financial liabilities:

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

5. Intangible assets

EURk	Software, licenses	Goodwill	Landing rights	Trademarks	**Total**
Acquisition cost					
Balance 1 January 2014	83,507	196,695	176,249	8,500	**464,951**
Additions	4,422	0	0	0	**4,422**
Currency translation adjustments	0	157	0	0	**157**
Disposals	(2)	0	0	0	**(2)**
Balance 31 December 2014	87,927	196,852	176,249	8,500	**469,528**
Additions	8,712	0	0	0	**8,712**
Currency translation adjustments	0	293	0	0	**293**
Disposals	(120)	0	0	0	**(120)**
Balance 31 December 2015	96,519	197,145	176,249	8,500	**478,413**
Amortisation					
Balance 1 January 2014	49,058	0	0	0	**49,058**
Amortisation charge for the year	11,672	0	0	0	**11,672**
Balance 31 December 2014	60,730	0	0	0	**60,730**
Amortisation charge for the year	12,772	0	0	0	**12,772**
Disposals	(120)	0	0	0	**(120)**
Balance 31 December 2015	73,382	0	0	0	**73,382**
Carrying Amount					
At 1 January 2014	34,449	196,695	176,249	8,500	**415,893**
At 31 December 2014	27,197	196,852	176,249	8,500	**408,798**
At 31 December 2015	23,137	197,145	176,249	8,500	**405,031**

The group performed an impairment test on landing rights, goodwill and trademarks in the fourth quarter of 2015 based on a variety of assumptions and concluded that as the estimated recoverable amount exceeds the carrying amounts, no impairment was required. The recoverable amount was determined for the cash-generating unit to which the landing rights, the goodwill and the trademarks belong.

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

EURk	Freight	Technical Services	Flight Services	Total
Goodwill	31,000	0	166,145	197,145
Landing rights	0	0	176,249	176,249
Trademarks	0	0	8,500	8,500

Flight Services is the most significant cash-generating unit with significant intangible assets allocated to it. For Flight Services, the future cash flows were estimated using the value-in use method based on the most recent three year cash flow plan (including the benefits and expenses committed to in the recent restructuring plan) approved by management, sensitised for the purposes of the Impairment test and extrapolated to perpetuity using a 0.5% growth rate and discounted to their present value (2014: five year cash flow plan, growth rate 0.5%). The pre-tax peer-group discount rate was 6.53% (2014: 8.55%). The discount rate reflects management's estimate of the risks associated for the cash-generating unit. The underlying management cash flow forecast is most sensitive to the assumptions of seat load factor, yield, fuel price and USD exchange rate. A compound adjustment to reduce the projected seat load factor by 4% and reduction by 50% of expected yield growth does not result in an impairment of the carrying value.

Due to the recent operating losses the value-in-use valuation has been sense checked by also estimating the value of the Flight Services CGU using the valuation techniques allowed under fair value less costs of disposal methodology. This estimate confirmed there is no impairment. The management is therefore satisfied that the recoverable amount of the Flight Services CGU is greater than the carrying value of the related assets.

6. Property, plant and equipment

EURk	Land and buildings	Aircraft and engines	Technical equipment and machinery	Office equipment	**Total**
Acquisition cost					
Balance at 1 January 2014	14,177	680,670	158,225	15,998	**869,070**
Additions	683	41,680	26,943	1,648	**70,954**
Disposals	0	(69,565)	(8,829)	(512)	**(78,906)**
Reclassification held for sale	0	(428,428)	0	0	**(428,428)**
Balance at 31 December 2014	14,860	224,357	176,339	17,134	**432,690**
Additions	470	4,674	31,290	2,668	**39,102**
Disposals	(14)	(124,967)	(15,995)	(2,078)	**(143,054)**
Reclassification held for sale	0	(36,131)	0	0	**(36,131)**
Balance at 31 December 2015	15,316	67,933	191,634	17,724	**292,607**
Depreciation					
Balance at 1 January 2014	10,916	301,980	50,855	7,474	**371,225**
Depreciation charge for the year	901	38,708	16,736	3,700	**60,045**
Disposals	0	(35,265)	(4,711)	(391)	**(40,367)**
Impairment loss	0	25,233	0	0	**25,233**
Reclassification held for sale	0	(285,622)	0	0	**(285,622)**
Balance at 31 December 2014	11,817	45,034	62,880	10,783	**130,514**
Depreciation charge for the year	821	7,979	18,603	3,337	**30,740**
Disposals	(14)	(30,476)	(8,895)	(1,978)	**(41,363)**
Impairment loss	0	2,472	0	0	**2,472**
Reclassification held for sale	0	(12,712)	0	0	**(12,712)**
Balance at 31 December 2015	12,624	12,297	72,588	12,142	**109,651**
Carrying amount					
At 1 January 2014	3,261	378,691	107,370	8,524	**497,846**
At 31 December 2014	3,043	179,323	113,459	6,351	**302,176**
At 31 December 2015	2,692	55,636	119,046	5,582	**182,956**

Impairment loss of EUR 2,472 was recognised for one aircraft upon the classification as assets held for sale in accordance with IFRS 5.

Aircraft are pledged as security in connection with the group's interest-bearing liabilities due to aircraft financing.

Capital commitments for property, plant and equipment amount to 0.2 bn USD (2014: 0.7 bn USD).

Tangible assets include aircraft and technical equipment and machinery which have been capitalised as a result of finance leases. The finance lease agreements relating to the aircraft were terminated in 2015 and the respective aircraft was disposed.

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

EURk	2015	2014
Aircraft	**0**	32,436
Technical equipment and machinery	**30,845**	34,668
	30,845	67,104

ASSETS HELD FOR SALE

Assets held for sale position includes one aircraft, which is expected to be sold by the group. When publishing these financial statements the sale has been finally settled. The aircraft held for sale was written down to their fair value less costs to sell, based upon sales contracts and letters of intent from prospective purchasers.

Non-current liabilities relating to aircraft financing of the aircraft held for sale have been classified to current liabilities.

7. At equity investments

EURk	2015	2014
Acquisition cost		
Balance at 1 January	**6,762**	6,666
Impairment	**(3,913)**	0
Reclassification from other assets to at equity investments	**(700)**	(431)
Share of profit	**699**	527
Balance at 31 December	**2,848**	6,762

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

Impairment loss of EUR 3,913 relates to the share in IHY IZMIR HAVAYOLLARI A.S. and is calculated according to the equity method.

8. Inventories

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

EURk	2015	2014
Supplies and spares	**64,248**	64,442
Purchased merchandise	**406**	487
	64,654	64,929

Inventories are measured at the lower of cost and net realisable value. In 2015 the impairment of inventories was EUR 11,544 (2014: EUR 9,883). The amount of inventories expensed directly in the statement of comprehensive income is reported in note 22 (fuel for aircraft and catering cost).

9. Trade and other receivables

	2015			2014		
EURk	Current	Non-current	**Total**	Current	Non-current	Total
Trade receivables	170,398	0	**170,398**	181,024	0	181,024
Receivables from related parties	8,124	0	**8,124**	12,746	2,930	15,676
Loans receivable	0	6,000	**6,000**	0	0	0
Loans receivable from related parties	0	5,119	**5,119**	0	0	0
Security deposits and deposits with suppliers	34,765	45,078	**79,843**	47,070	33,391	80,461
Receivables for bonus and claims	17,298	0	**17,298**	42,946	0	42,946
Other receivables	20,472	76	**20,548**	30,929	1,828	32,757
Loans and receivables	**251,057**	**56,273**	**307,330**	**314,715**	**38,149**	**352,864**
Receivables from tax authorities	10,135	0	**10,135**	9,619	0	9,619
Advanced payments	108,610	0	**108,610**	36,686	47,154	83,840
Other assets	18,092	0	**18,092**	35,463	0	35,463
	387,894	**56,273**	**444,167**	**396,483**	**85,303**	**481,786**

Security deposits and deposits with suppliers relate primarily to amounts which are held as deposit according to supplier agreements and which are repaid after all obligations from the supplier agreement have been fulfilled. The amounts are carried at amortised cost using the effective interest method.

Other assets include suppliers with debit balances of EUR 13,016 (2014: EUR 10,180).

Advanced payments relate primarily to advanced payments, deposits and commitment fees made under the group's various agreements for the purchase of aircraft of EUR 18,553 and advanced payments associated with the software implementation contract of EUR 90,057. The prepayments include the capitalized interest of EUR 4,316 calculated using interest rate of 8.95%.

Net payments of EUR 39,498 (2014: EUR 3,614) were made during the period and EUR 14,728 was capitalised (2014: EUR 11,318).

The group's exposure to credit and currency risks and impairment losses related to trade receivables and other financial assets are disclosed in note 30.

10. Deferred expenses

	2015			2014		
EURk	Current	Non-current	**Total**	Current	Non-current	Total
Lease rate prepayments	23,382	9,010	**32,392**	19,586	7,037	26,623
Deferred losses from sale-and-leaseback transactions and smoothing of leasing rates	6,563	38,789	**45,352**	9,138	37,088	46,226
Other deferred expenses	20,911	4,969	**25,880**	19,212	4,992	24,204
	50,856	52,768	**103,624**	47,936	49,117	97,053

Other deferred expenses consist of prepayments and a participation fee in a rotable-pool for aircraft spare parts.

11. Share capital and reserves

SHARE CAPITAL AND SHARE PREMIUM

Share capital of 116,800,508 ordinary shares of EUR 0.25 each and 50,000 A shares of GBP 1.00 each is issued and fully paid up. Included in this amount are 177,600 treasury shares held by airberlin (through the Air Berlin Employee Share Trust) in connection with an expired employee share plan. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders.

The A shares are redeemable at the option of airberlin only, and the holders of A shares shall not be entitled to any participation in the profits or assets of airberlin save on a distribution of assets of airberlin among its members on a winding up or other return of capital (other than a redemption or purchase by airberlin of its own shares), in which case the holders of A shares shall be entitled, in priority of any holder of ordinary shares, to receive an amount equal to the aggregate of the capital paid up or credited as paid up on each A share.

OTHER CAPITAL RESERVES

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

TREASURY SHARES

In connection with an expired share-based payment scheme, the Company repurchased the beneficial interest (and limited all significant legal aspects of the ownership, such as voting rights) in 177,600 shares of its stock. The purchase price was EUR 0.25 per share (par value).

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.

12. Hybrid capital

On 27 April 2014 the group issued a perpetual bond to its shareholder Etihad Airways PJSC in the total amount of EUR 300,000. The drawdown of the bond was divided in three tranches of EUR 100,000 and paid on 20 May 2014, 28 August 2014 and 23 October 2014. The perpetual bond has no maturity, is repayable only at the discretion of the group and bears an interest coupon of 8.0% per annum. Interest coupons can be deferred indefinitely at the discretion of the group. Settlement of all arrears of interest is payable only in the event that group declares or pays a dividend or repurchases its own ordinary shares. The perpetual bond bears a conversion right to convert the bonds to ordinary shares at conversion price of EUR 1.79 per ordinary share. Conversion to ordinary shares is at the discretion of the bond holder and can be exercised from the date of issue but is subject to the limitations imposed by the Articles of Association that the group must at all times be controlled or majority owned by nationals of the European Community or European Economic Area. As there is no obligation on the group to repay the capital and can indefinitely defer payments of interest until a dividend is declared (which is at the discretion of the group), the perpetual bond is recognized as equity in the group’s consolidated statement of financial position. An amount of EUR 33,686 was transferred from retained earnings to hybrid capital to reflect the amount of interest payable in such an event, thereof EUR 24,330 in the reporting period (2014: EUR 9,356) and EUR 8,000 has been distributed to the hybrid capital investors.

13. Earnings per share

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

In EURk and thousands of shares, except EPS	2015	2014
Result for the period	**(446,636)**	(376,669)
Result attributable to hybrid capital investors	**24,330**	9,356
Result attributable to ordinary shareholders (basic and diluted)	**(470,966)**	(386,025)
Issued ordinary shares at 1 January	**116,801**	116,801
Effect of treasury shares held	**(178)**	(178)
Weighted average number of ordinary shares outstanding (basic)	**116,623**	116,623
Weighted average number of ordinary shares outstanding (diluted)	**116,623**	116,623
Basic earnings per share (in EUR)	**(4.04)**	(3.31)
Diluted earnings per share (in EUR)	**(4.04)**	(3.31)

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

The conversion of convertible bonds would have had a dilutive effect on earnings per share and is therefore considered in the calculation of diluted earnings per share. Due to the amount outstanding and the related conversion price, the dilution is not substantial.

14. Pension liabilities/employee benefits

The group held provisions for the following employee benefits at 31 December 2015:

EURk	2015	2014
Provision for anniversary bonuses	**701**	1,245
Provision for old age part time programme	**196**	0
Pension liabilities	**5,306**	4,850
Total employee benefits	**6,203**	6,095

The provisions for anniversary bonuses and old age part time programme are described in note 15.

DEFINED BENEFIT PLANS

In 2007, the Company entered into a defined benefit pension plan for its Executive Directors. In addition the group has a defined benefit pension plan for certain employees of AB Finance II GmbH (former: dba). Both pension plans are funded through payments to qualified insurance contracts.

The group's defined benefit obligation at the year end was as follows:

EURk	2015	2014
Present value of funded obligations	**26,654**	23,820
Fair value of plan assets	**(21,524)**	(19,679)
Total funded status deficit	**5,130**	4,141
Pension liabilities	**5,306**	4,850
Net defined benefit asset	**(176)**	(709)

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

EURk	2015	2014
Defined benefit obligation at 1 January	**23,820**	25,520
Current service cost	**980**	787
Benefits paid	**(317)**	(9,167)
Interest on obligation	**477**	741
Actuarial losses	**1,694**	5,939
Defined benefit obligation at 31 December	**26,654**	23,820

Sensitivities of the defined benefit obligation are as follows:

EURk	2015
Defined benefit obligation at 31 December 2015	**26,654**
Defined benefit obligation at 0.5 percentage points lower interest rate	**29,647**
Defined benefit obligation at 0.5 percentage points higher interest rate	**24,065**

The effect of inflation on the defined benefit obligation is seen to be immaterial.

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

EURk	2015	2014
Fair value of plan assets at 1 January	**19,679**	26,555
Contribution	**1,545**	1,413
Benefits paid	**(317)**	(9,167)
Interest income on plan assets	**398**	727
Actual gain on plan assets	**219**	151
Fair value of plan assets at 31 December	**21,524**	19,679

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

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

EURk	**2015**	2014
Current service cost	**980**	787
Net interest on defined benefit pension plan	**79**	14
Pension expense recognized in profit and loss	**1,059**	801
Actuarial loss on defined benefit obligation	**1,694**	5,939
Actual gain on plan assets	**(219)**	(151)
Net loss recognised in other comprehensive income	**1,475**	5,788

The group expects to contribute EUR 425 to its defined benefit pension plans in 2016.

Principal actuarial assumptions at the reporting date are as follows:

Percent	**2015**	2014
Discount rate at 31 December	**2.08 – 2.25**	1.86 – 2.17
Future salary increases	**0.00 – 2.00**	0.00 – 2.00
Cost of living adjustment (future pension increases)	**1.00**	1.00

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

DEFINED CONTRIBUTION PLANS

Through the acquisition of AB Finance II GmbH (former: dba) in 2006, the group acquired a defined contribution pension plan covering all employees of AB Finance II GmbH (former: dba), to which the group makes contributions. Furthermore Air Berlin PLC & Co. Luftverkehrs KG contracted a defined contribution plan with its pilots and cabin crew. The net pension expense recorded in profit and loss in 2015 as a result of the defined contribution plans is EUR 8,268 (2014: EUR 8,816). There is no contribution outstanding as at year end.

As employees in Germany are covered by and required to contribute to the German social security system, airberlin does not have any other employee benefit plans at the end of the period. The group paid contributions into the German social security system of EUR 29,296 in 2015 (2014: EUR 29,379).

15. Provisions

EURk	Balance at 1/1/2015	Additions	Utilisation	Released	**Balance at 31/12/2015**
Provision for onerous contracts	26,748	11,868	(10,622)	(16,345)	**11,649**
Provision for anniversary bonuses	1,245	72	(556)	(60)	**701**
Provision for old age part time programme	0	2,175	(1,979)	0	**196**
Provision for redundancy costs	15,602	36,177	(15,834)	(168)	**35,777**
Provision for pensions	4,850	456	0	0	**5,306**
	48,445	50,748	(28,991)	(16,573)	**53,629**

Thereof EUR 6,203 relating to the provision for pensions and anniversary bonuses was classified as non-current as of 31 December 2015 (2014: EUR 6,095).

The group set up a provision for several onerous contracts in the amount of which unavoidable costs of meeting the obligations under the contract exceed the economic benefits. The provision includes EUR 4,153 obligations on maintenance service agreements, EUR 3,684 and EUR 3,382 relating to the onerous lease contract on aircraft and on a hangar respectively.

Older employees (age 55 and above) have the opportunity to take part in an old age part time programme. The programme is a form of early retirement in which the employee works full time during the first few years and not at all in the following years until reaching the official age of retirement. Sixty (2014: 39) employees have signed such agreements as of the end of the period. A discount rate of 0.75% (2014: 0.45%) and an expected salary increase of 2.0% (2014: 2.0%) were used to calculate the provision. Uncertainties exist as to the life expectancy of the employees and as to the future salary at the time the contract takes effect. The provision of EUR 3,110 was compensated by security funds of EUR 2,914 (2014: EUR 1,752).

The provision for anniversary bonuses was calculated using a discount rate of 0.35% (2014: 0.68%) and an expected yearly salary increase of 2.0% (2014: 2.0%). Uncertainties exist in the probability that the employees will remain with the group until they are entitled to receive their anniversary bonus and as to their salaries at that time. In 2013 the group renegotiated the anniversary bonus agreements. They agreed to limit the agreement to the next five years and to terminate the agreement afterwards. The provision was accounted for in accordance with IAS 19.

The provision for redundancy costs includes EUR 26,350 which relate to the in 2015 announced extension of the restructuring program of the group. The remaining amount of the provision relates to redundancy payments in the normal course of business.

16. Interest-bearing liabilities and interest-bearing liabilities due to aircraft financing

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

INTEREST-BEARING LIABILITIES

The group has entered into various interest-bearing liabilities. The carrying amounts for the years 2015 and 2014 are as follows:

EURk	Secured/ unsecured	Currency	Maturity	**Carrying amount 31/12/2015**	Carrying amount 31/12/2014
Corporate bonds I	Unsecured	EUR	2015	**0**	196,896
Corporate bonds II	Unsecured	EUR	2018	**225,990**	225,689
Corporate bonds IV	Unsecured	EUR	2019	**168,504**	167,121
Corporate bonds V	Unsecured	CHF	2019	**91,066**	81,679
Convertible bonds I	Unsecured	EUR	2017*	**4,852**	4,852
Convertible bonds III	Unsecured	EUR	2019*	**132,616**	130,884
Finance lease liabilities	Secured	EUR	2016 – 2024	**41,183**	40,038
Loans from related parties I	Unsecured	USD	2020	**120,061**	0
Loans from related parties II	Unsecured	USD	2021	**206,761**	0
Loans	Unsecured	USD	2015	**0**	16,473
Bank overdrafts	Unsecured	EUR		**25**	49
				991,058	863,681

* first option to redeem the bonds

Of this amount EUR 10,181 (2014: EUR 223,714) is classified within current liabilities in the statement of financial position.

The bank overdrafts are due in the following year respectively. The finance lease liabilities and Loans from related parties are detailed in note 17 and 31 respectively.

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

EURk	**2015**	2014
Less than one year	**10,181**	223,714
Between one and five years	**753,259**	616,546
More than five years	**227,618**	23,421
	991,058	863,681

Corporate bonds I

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

In the second quarter of 2014 the group partially repurchased bonds with a total nominal value of EUR 4,112. The corporate bonds were fully repaid in 2015.

Corporate bonds II

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

On 21 January 2014 the group increased the aggregate principal amount of that bond by EUR 75,000 to aggregate principal amount of EUR 225,000. The notes were issued at 101.50% of their principal amount. Transaction costs incurred were EUR 2,333. The bonds are measured at amortized cost.

Corporate bonds IV & V

On 8 May 2014 the group issued two corporate bonds amounting to EUR 170,000 and respectively CHF 100,000 due for repayment in 2019. The bond issue is made up of 170,000 bonds with a principal amount of EUR 1 each, earning yearly interest of 6.75% and respectively 100,000 bonds with a principal amount of CHF 1 each, earning yearly interest of 5.625%. Thereof EUR 162,706 and CHF 92,725 was a cash inflow, whereas EUR 7,294 and CHF 7,275 will be a conversion of the corporate bonds with a maturity 2014 and 2015 into the new issued corporate bond. Transactions costs incurred were EUR 8,203. The bonds are measured at amortized cost.

Convertible bonds I

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

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

In 2011 the group redeemed 1,252 convertible bonds with a principal amount of EUR 125,200 in total.

In the second quarter of 2012 the bondholders of 60 convertible bonds with a principal amount of EUR 6,000 have exercised the option to require the company to repurchase the bonds. The payments related to the repurchase amounts to EUR 6,162. The equity component of the redeemed convertible bonds less transaction costs net of tax was transferred to the retained earnings within equity. As at 31 December 2015, 48 convertible bonds with a principal amount of EUR 4,800 are still in the market (2014: EUR 4,800).

The equity component in the statement of financial position totalled EUR 597 (2014: EUR 597).

The bonds are convertible into 4,450 ordinary shares per bond at the option of the bondholder at any time beginning 40 days following closing and ending 14 days before maturity (21 May 2007 to

25 March 2027). In addition, the bondholder has the option to require the Company to repurchase the bonds at principal amount plus accrued interest on 11 April 2012, 11 April 2017 and 11 April 2022 or upon change in control. The Company has the option to redeem the bonds in whole at their principal amount plus accrued interest at any time, so long as the trading price of the airberlin share exceeds 150% of the conversion price.

Convertible bonds III

On 6 March 2013 the group issued EUR 140,000 convertible bond due in 2019 years. The bond issue was made up of 1,400 bonds with a principal amount of EUR 100 each, earning yearly interest of 6.0%. The initial conversion price is EUR 2.82 which results in an initial conversion ratio of 35,460 ordinary shares per bond. Proceeds from the bond issue amounted to EUR 140,000. Transactions costs incurred were EUR 3,263.

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

EURk	**31/12/2015**
Carrying amount on 1 January 2015	**130,884**
Accrued interest	1,732
Fair valuation on the embedded derivative	0
Carrying amount on 31 December 2015	**132,616**
thereof the host contract	132,616
thereof the embedded derivative	0

INTEREST-BEARING LIABILITIES DUE TO AIRCRAFT FINANCING

The group entered into various financing agreements with commercial banks to finance aircraft. The loans are secured over aircraft. The carrying amounts are as follows:

EURk	Secured/ unsecured	Currency	Maturity	**Carrying amount 31/12/2015**	Carrying amount 31/12/2014
Interest rate					
Variable rate	Secured	EUR	2016 – 2023	**33,452**	54,712
Variable rate	Secured	USD	2016	**18,619**	52,467
Fixed rate	Secured	EUR	2015	**0**	16,583
Fixed rate	Secured	USD	2015	**0**	44,366
Finance lease liabilities	Secured	USD	2015	**0**	31,591
				52,071	199,719

Of this amount EUR 23,323 (2014: EUR 109,758) is classified within current liabilities in the statement of financial position. The finance lease liabilities are detailed in note 17.

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

EURk	**2015**	2014
Less than one year	23,323	109,758
Between one and five years	18,162	66,239
More than five years	10,586	23,722
	52,071	199,719

17. Leasing

OPERATING LEASES

The group leases various aircraft, engines, some warehouse and office facilities and other assets under leasing agreements which qualify as operating lease agreements. The leases typically run for a period of up to 11 years and terminate upon expiry of the lease term. The leases expire between 2015 and 2029, with an option to renew the leases after these dates. No restrictions have been placed on the group as a result of these leases.

Non-cancellable operating lease rentals are payable as follows:

EURk	**2015**	2014
Less than one year	**655,921**	523,105
Between one and five years	**2,118,513**	1,703,253
More than five years	**1,012,352**	712,103
	3,786,786	2,938,461

No contingent leasing payments were recognised as lease payments in the period.

During the year ended 31 December 2015, EUR 499,804 (2014: EUR 448,673) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

The group also leases assets as lessor under agreements which qualify as operating leases. The contracts expire in 2016 and 2017.

Future minimum lease payments are receivable as follows:

EURk	**2015**	2014
Less than one year	**6,550**	8,619
Between one and five years	**708**	0
	7,258	8,619

FINANCE LEASES

The group leases certain technical equipment for aircraft under various agreements which qualify as a finance lease. The lease agreements are for various terms, the latest of which expires in 2024.

The group also leased two aircraft under finance lease agreements which were terminated in 2015.

The net book value of assets capitalised at 31 December 2015 as a result of finance leases is detailed in note 6.

No contingent leasing payments were recorded in profit and loss in 2015 (2014: EUR 0).

Future minimum lease payments are as follows:

	At 31 December 2015		At 31 December 2014	
EURk	**Future minimum lease payments**	**Discounted to present value**	Future minimum lease payments	Discounted to present value
Less than one year	**7,814**	**3,199**	11,927	7,268
Between one and five years	**31,120**	**17,035**	63,281	40,940
More than five years	**25,285**	**20,949**	29,942	23,421
	64,219	**41,183**	105,150	71,629

18. Trade and other payables

	2015			2014		
EURk	Current	Non-current	**Total**	Current	Non-current	Total
Trade payables	137,470	0	**137,470**	116,962	0	116,962
Trade payables to related parties	49,200	0	**49,200**	4,365	0	4,365
Other financial liabilities	12,577	0	**12,577**	7,614	0	7,614
Trade payables and other financial liabilities	**199,247**	**0**	**199,247**	**128,941**	**0**	**128,941**
Accrued liabilities	296,085	54,406	**350,491**	303,625	37,201	340,826
Receivables with credit balances	2,913	0	**2,913**	1,538	0	1,538
Payroll tax	6,930	0	**6,930**	7,056	0	7,056
VAT	1,323	0	**1,323**	949	0	949
Social insurance contributions	2,350	0	**2,350**	1,718	0	1,718
Other non-financial liabilities	2,496	0	**2,496**	2,463	0	2,463
	511,344	**54,406**	**565,750**	**446,290**	**37,201**	**483,491**

Accrued liabilities include expenses for services provided and goods received before the end of the period but not yet invoiced, credit notes and commissions to travel agencies in connection with the sale of tickets, accrued vacation and payroll and accruals for aircraft and engine maintenance checks and overhauls.

Information about the group’s exposure to foreign currency and liquidity risk related to trade payables and other financial liabilities is provided in note 30.

19. Advanced payments received

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

20. Revenue

EURk	**2015**	2014
Flight revenue	**3,709,408**	3,808,230
Ground and other services	**343,949**	323,493
Duty-free/in-flight sales	**28,399**	28,431
	4,081,756	4,160,154

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

SEGMENT INFORMATION

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

21. Other operating income

EURk	**2015**	2014
Gain on disposal of long-term assets, net	**30,088**	0
Income from insurance claims	**1,950**	2,860
Other	**18,785**	8,776
	50,823	11,636

Other income includes EUR 9,637 income from consulting services.

22. Expenses for materials and services

EURk	**2015**	2014
Fuel for aircraft	**929,726**	1,028,629
Airport and handling charges	**838,143**	837,770
Operating leases for aircraft and equipment	**619,821**	548,027
Navigation charges	**260,439**	265,205
Air transportation tax	**154,980**	148,636
Catering costs and cost of materials for in-flight sales	**121,279**	124,532
Other	**139,867**	171,565
	3,064,255	3,124,364

The expenses for operating leases for aircraft and equipment include expenses of EUR 157,831 (2014: EUR 141,939) that do not directly relate to the lease of assets and EUR 0 (2014: EUR 5,188) relating to the early terminations fees for lease contracts (note 15).

23. Personnel expenses and staff numbers

The aggregate payroll costs were as follows:

EURk	**2015**	2014
Wages and salaries	**499,563**	444,281
Pension expense	**37,999**	38,759
Social security	**51,742**	41,439
	589,304	524,479

The Wages and salaries include EUR 26,350 (2014: EUR 12,863) of redundancy costs which relate to the announced extension of the restructuring program of the group (note 15).

Pension expense relates to the defined benefit plan for the Executive Directors and senior management of EUR 914 (2014: EUR 691) and the AB Finance II GmbH (former: dba) pension plan of EUR 92 (2014: EUR 73), contributions paid to defined contribution plans of EUR 8,268 (2014: EUR 8,816) and to social security systems of EUR 29,296 (2014: EUR 29,379) during the period. Further details regarding the pension plans are found in note 14.

Remuneration of the Executive Directors is as follows:

EURk	**2015**	2014
Basic remuneration	**1,005**	800
Other	**41**	30
	1,046	830

The highest paid Director received EUR 908 in total remuneration in 2015 (2014: EUR 830). Directors' Remuneration is detailed in the Directors' Remuneration Report on pages 74 to 86.

Since October 2012 the operative management of the company is entrusted to a newly established body, the Management Board. The total remuneration for the management board in the reporting period was EUR 4,669 (2014: 3,759), of which EUR 947 (2014: EUR 766) related to pension schemes.

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	**Annual average 2015**	Annual average 2014	**At 31 December 2015**	At 31 December 2014
Flight and cabin crew	**5,019**	4,590	**4,926**	4,435
Sales, operations and administration	**4,046**	4,022	**3,943**	4,005
	9,065	8,612	**8,869***	8,440

* The increase in head count is related to the intergration of the employees for the Austrian Labor Pool (819 heads) into NIKI Luftfahrt GmbH during the reporting period

24. Other operating expenses

EURk	2015	2014
Repairs and maintenance of technical equipment	**268,593**	233,058
Sales and distribution expenses (incl. commissions)	**128,385**	121,820
Advertising	**48,639**	56,271
Expenses for premises and vehicles	**42,750**	46,898
Travel expenses for cabin crews	**28,495**	28,405
Bank charges	**28,675**	31,852
Consulting fees	**16,541**	29,506
Insurance	**14,522**	14,432
Training and other personnel expenses	**18,828**	19,590
Net loss on disposal of non-current assets and related expenses	**0**	19,156
IT related expenses	**15,494**	16,103
Phone and postage	**3,574**	4,070
Allowances for receivables	**2,446**	6,218
Remuneration of the auditor	**2,097**	2,087
Other	**120,950**	90,298
	739,989	719,764

The Other operating expenses include EUR 0 (2014: EUR 39,918) arisen in context of the announced restructuring programme of the group.

The Other operating expenses include EUR 40,674 from de-recognition of other receivables arisen from joint procurement program with Etihad Airways in 2013 and 2012.

Remuneration of the auditor is as follows:

EURk	2015	2014
Audit of the annual accounts	**380**	292
Audit of accounts of subsidiaries of the Company	**1,071**	1,077
Audit related services	**366**	360
Taxation advisory services	**106**	33
Other services	**174**	325
	2,097	2,087

25. Net financing costs

EURk	2015	2014
Interest expense on interest-bearing liabilities	**(86,457)**	(96,538)
Other financial expenses	**(3,491)**	(3,195)
Financial expenses	**(89,948)**	(99,733)
Interest income on fixed deposits	**86**	388
Interest income on loans and receivables	**18**	62
Other financial income	**872**	3,717
Financial income	**976**	4,167
(Loss) Gain on foreign exchange and derivatives, net	**(31,529)**	9,944
Net financing costs	**(120,501)**	(85,622)

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

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

EURk	2015	2014
Total net foreign exchange gain recognised in profit or loss	**132,996**	17,699
Thereof reclassified to operating expenses	**(163,322)**	(24,042)
Foreign exchange loss in financial result	**(30,326)**	(6,343)

26. Share of profit/loss of at equity investments

EURk	2015	2014
airberlin holidays GmbH (primary: Binoli GmbH)	**688**	95
THBG BBI GmbH	**11**	432
IHY IZMIR HAVAYOLLARI A.S.	**(3,913)**	0
	(3,214)	527

27. Income tax expenses and deferred taxes

Loss before tax is primarily attributable to Germany and Austria.

Income tax expense is as follows:

EURk	2015	2014
Current income tax expense	**(3,143)**	(1,595)
Deferred income tax (expense) benefit	**(12,825)**	3,788
Total income tax (expense) benefit	**(15,968)**	2,193

The current income tax expense of the airberlin group includes corporate tax, a solidarity charge in addition to corporate tax, trade tax and foreign income taxes. The current income tax expense of EUR 3,143 (2014: EUR 1,595) includes EUR 415 of prior year income tax expenses (2014: benefit of EUR 1).

The tax rate for the airberlin group equals 30.18% (2014: 30.18%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.35%. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

As a result of variations in the tax rate in different jurisdictions, several subsidiaries have tax rates which differ from the airberlin group tax rate. The difference to the group tax rate is shown as "effect of tax rates in different jurisdictions" in the tax rate reconciliation in the amount of EUR (5,445) (2014: EUR (7,940)).

As at 31 December 2015, it is still the management's view that certain tax losses can be utilised by either future profits or using adequate tax structuring strategies. Nevertheless, deferred tax assets on tax losses were only recognised up to the extent of recognised deferred tax liabilities.

The group accounts for the market value of derivatives, which have been designated for hedge accounting purposes, net of deferred tax within the other comprehensive income. As in the previous year, no deferred tax assets have been recognised on the negative market value of fuel hedge contracts as at 31 December 2015, since the conditions for the recognition have not been met.

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

EURk	**2015**	2014
Loss before tax	**(430,668)**	(378,862)
Expected income tax benefit at 30.18% (2014: 30.18%)	**129,975**	114,341
Effect of tax rates in different jurisdictions	**(5,445)**	(7,940)
Movement in deferred tax assets on tax loss carry forwards	**(114,079)**	(79,015)
Tax-free income and non-tax deductible expenses	**(26,603)**	(26,717)
Current tax (expense) benefit for previous years	**(415)**	1
Other	**599**	1,523
Total income tax (expense) benefit	**(15,968)**	2,193

As of 31 December 2015, total tax loss carry forwards for which deferred tax assets were recognised amounted to EUR 73,720 for trade tax purposes and EUR 164,627 for corporate tax purposes (2014: EUR 349,831 and EUR 222,534 respectively). Thereof EUR 73,720 (2014: EUR 310,633) for trade tax purposes and EUR 164,627 (2014: EUR 163,293) for corporate tax purposes have been recognised to offset deferred tax liabilities. As of 31 December 2014, it was expected that tax loss carry forwards amounting to EUR 39,199 for trade tax purposes and EUR 59,242 for corporate tax purposes could be recovered through future taxable profits or by using adequate tax structuring strategies. As of 31 December 2015, additional deferred tax assets have not been recognised for further loss carry forwards of EUR 1,237,154 for trade tax and EUR 1,267,767 for corporate tax (2014: EUR 741,852 and EUR 894,633). The tax loss carry forwards are not subject to expiration.

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

EURk	**2015**	2014
Deferred tax assets		
Foreign currency receivables and derivatives	**3,263**	6,251
Intangible assets	**864**	977
Technical equipment	**3,585**	2,254
Accrued liabilities and provisions	**15,074**	5,653
Tax loss carry forwards	**36,616**	85,388
	59,402	100,523
Deferred tax liabilities		
Finance lease liabilities and deferred income	**(9,218)**	(4,916)
Aircraft and related liabilities	**(5,879)**	(34,794)
Intangible assets	**(50,247)**	(50,477)
Leasehold improvements	**(33)**	(44)
Accrued liabilities and provisions	**(8,772)**	(8,032)
Convertible bonds, corporate bonds	**(6,040)**	(7,335)
Foreign currency liabilities and derivatives	**(879)**	(1,906)
	(81,068)	(107,504)
Offsetting	**59,402**	100,523
Deferred tax liabilities, net	**(21,666)**	(6,981)
Deferred tax liabilities, net beginning of period	**(6,981)**	(12,644)
Change in deferred tax position	**(14,685)**	5,663
Thereof related to cash flow hedges and items recorded in equity	**1,860**	(1,875)
Deferred income tax (expense) benefit	**(12,825)**	3,788

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

EURk	**2015**	2014
Deferred tax asset	**0**	16,835
Deferred tax liabilities	**(21,666)**	(23,817)
	(21,666)	(6,982)

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

INCOME TAX RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

	2015			2014		
EURk	Before tax	Tax result	**Net of tax**	Before tax	Tax result	Net of tax
Foreign currency translation differences for foreign operations	1,434	0	**1,434**	462	0	462
Fair value of hedging instruments	72,739	(1,860)	**70,879**	(149,404)	1,875	(147,529)
	74,173	(1,860)	**72,313**	(148,942)	1,875	(147,067)

28. Cash flow statement

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

EURk	**2015**	2014
Cash	**105**	117
Bank balances	**51,655**	157,323
Fixed-term deposits	**113,475**	101,789
Cash and cash equivalents	**165,235**	259,229
Bank overdrafts used for cash management purposes	**(25)**	(49)
Cash and cash equivalents in the statement of cash flows	**165,210**	259,180

Cash and cash equivalents include restricted cash of EUR 113,475 as at 31 December 2015 (2014: EUR 101,699).

29. Derivatives

Positive and negative market values of derivatives are as follows:

	2015			2014		
EURk	Current	Non-current	**Total**	Current	Non-current	Total
Derivatives classified as hedge accounting						
Positive market values	25,125	0	**25,125**	82,445	0	82,445
Negative market values	(108,221)	0	**(108,221)**	(240,248)	0	(240,248)
	(83,096)	0	**(83,096)**	(157,803)	0	(157,803)
related underlying						
Fuel price	(108,039)	0	**(108,039)**	(239,417)	0	(239,417)
Foreign exchange rate	24,943	0	**24,943**	81,614	0	81,614
	(83,096)	0	**(83,096)**	(157,803)	0	(157,803)
Derivatives classified as held for trading						
Positive market values	1,186	0	**1,186**	22	8	30
Negative market values	(5,996)	0	**(5,996)**	(300)	(93)	(393)
	(4,810)	0	**(4,810)**	(278)	(85)	(363)
related underlying						
Fuel price	(5,477)	0	**(5,477)**	0	0	0
Foreign exchange rate	690	0	**690**	22	0	22
Interest rate	(23)	0	**(23)**	(300)	(85)	(385)
	(4,810)	0	**(4,810)**	(278)	(85)	(363)

HEDGE ACCOUNTING

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

airberlin applies cashflow hedge accounting for its hedges of future foreign currency denominated cash flows and its hedges of future cash flows related to the purchase of jet fuel that satisfy the criteria under IAS 39, thus reducing income statement volatility.

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

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

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

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

MASTER NETTING OR SIMILAR AGREEMENTS

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

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

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements as at 31 December 2015:

Description	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Cash collateral received/pledged	Net amount
Derivatives with positive market value	**26,311**	**0**	**26,311**	**(23,251)**	**0**	**3,060**
Derivatives with negative market value	**(114,217)**	**0**	**(114,217)**	**23,251**	**0**	**(90,966)**

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements as at 31 December 2014:

Description	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Cash collateral received/pledged	Net amount
Derivatives with positive market value	84,038	(1,563)	82,475	(69,523)	0	12,952
Derivatives with negative market value	(242,204)	1,563	(240,641)	69,523	0	(171,118)

30. Financial risk management

A) CREDIT RISK

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

The maximum exposure to credit at the reporting date was:

EURk	Note	**2015**	2014
Loans and receivables	9	**307,330**	352,864
Positive market values of derivatives classified as held for trading	29	**1,186**	30
Positive market values of derivatives classified as hedge accounting	29	**25,125**	82,445
Cash and cash equivalents	28	**165,235**	259,229
		498,876	694,568

B) IMPAIRMENT LOSSES

Trade receivables

The aging of trade receivables at the reporting date was:

	2015		2014	
EURk	**Gross**	**Impairment**	Gross	Impairment
Not past due	**150,315**	**0**	163,137	0
Past due 1 – 30 days	**11,637**	**55**	5,287	84
Past due 31 – 120 days	**6,586**	**228**	8,380	228
Past due 121 – 365 days	**11,955**	**3,683**	9,155	4,990
More than one year past due	**15,852**	**13,857**	14,478	14,111
	196,345	**17,823**	200,437	19,413

Trade receivables are analysed for a possible impairment loss according to historical data on impairment losses as discussed below. Receivables which are neither past due nor impaired are generally considered to contain only a small risk of impairment based on past experience. The consideration is the same for receivables that are 1 – 30 days overdue.

The movement in the impairment allowance is as follows:

EURk	2015	2014
Balance at 1 January	**19,413**	12,564
Increase in allowance for impairment losses	**1,803**	7,349
Utilisation of allowance for impairment losses	**(29)**	0
Release of allowance for impairment losses	**(3,364)**	(500)
Balance at 31 December	**17,823**	19,413

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

The allowance for impairment losses is based on estimates and judgements regarding the creditworthiness of individual receivables, the actual customer structure and an analysis of historical impairment losses. A company-wide credit control process is implemented. Once the third notice is issued along with a court order, an allowance for impairment losses of 60% is recorded on the receivable. This percentage represents the probability of impairment loss based on past experience. At the balance sheet date the allowance for impairment losses is EUR 17,823 (2014: EUR 19,413).

Other loans and receivables

None of the other loans and receivables were past due as of 31 December 2015 (2014: none), and there were no renegotiations of payment terms during the period which would otherwise have resulted in overdue receivables. No impairment losses have been recorded on other financial assets (2014: EUR none).

These receivables relate primarily to amounts due from suppliers (deposits, bonus and claims). The group only enters into contracts with suppliers of high quality and as such does not consider there to be a significant impairment risk relating to these amounts.

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 2015:

EURk	Note	Contractual cash flows	12 months	1 – 5 years	More than 5 years
Non-derivative financial liabilities					
Interest-bearing liabilities due to aircraft financing	16	(53,348)	(23,481)	(19,217)	(10,650)
Interest bearing liabilities	16	(1,311,012)	(80,887)	(976,139)	(253,986)
Trade payables and other financial liabilities	18	(199,247)	(199,247)	0	0
Total non-derivative financial liabilities		**(1,563,607)**	**(303,615)**	**(995,356)**	**(264,636)**
Derivatives					
Derivatives with positive market values	29				
Outflow		(759,676)	(759,676)	0	0
Inflow		784,217	784,217	0	0
Derivatives with negative market values	29				
Outflow		(184,772)	(184,772)	0	0
Inflow		65,855	65,855	0	0
Total derivatives		**(94,376)**	**(94,376)**	**0**	**0**

For 31 December 2014, the maturities were as follows:

EURk	Note	Contractual cash flows	12 months	1 – 5 years	More than 5 years
Non-derivative financial liabilities					
Interest-bearing liabilities due to aircraft financing	16	(210,672)	(110,825)	(75,760)	(24,087)
Interest bearing liabilities	16	(1,082,125)	(276,469)	(770,392)	(35,264)
Trade payables and other financial liabilities	18	(128,941)	(128,941)	0	0
Total non-derivative financial liabilities		**(1,421,738)**	**(516,235)**	**(846,152)**	**(59,351)**
Derivatives					
Derivatives with positive market values	29				
Outflow		(875,830)	(875,830)	0	0
Inflow		955,929	955,929	0	0
Derivatives with negative market values	29				
Outflow		(296,339)	(296,264)	(75)	0
Inflow		51,665	51,665	0	0
Total derivatives		**(164,575)**	**(164,500)**	**(75)**	**0**

The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows, including future interest payments. Amounts in USD are translated at the relevant year-end exchange rate, and variable interest payments are calculated using the year-end basis rates.

The group intends to meet its obligations primarily through cash balances held and cash inflows from operations and in the case of purchases of new aircraft (not included above) through future borrowings which are already in place for aircraft deliveries in 2016.

D) CURRENCY RISK

The group has significant transactions in USD as well as smaller transactions in GBP and CHF. airberlin enters into USD currency forwards and options in order to manage functional currency risk which arises on operating costs (e.g. payments regarding aircraft financing and leasing, fuel, maintenance etc.) denominated in USD. The group applies cashflow hedge accounting for most foreign exchange derivatives. airberlin generally hedges at least 75% of the expected cash flow on a 1 – 3 month revolving basis and at least 35% of the expected cash flow on a 4 – 12 month revolving basis (2014: identical).

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

	2015			2014		
In thousands of currency units	**USD**	**GBP**	**CHF**	USD	GBP	CHF
Loans and receivables	**105,483**	**663**	**969**	88,580	840	465
Cash and cash equivalents	**61,942**	**230**	**6,497**	61,850	135	6,680
Interest-bearing liabilities due to aircraft financing	**(20,270)**	**0**	**0**	(156,467)	0	0
Interest-bearing liabilities	**(44,798)**	**0**	**(100,815)**	(67,928)	0	(100,990)
Trade payables and other financial liabilities	**(158,711)**	**(1,008)**	**(5,672)**	(105,462)	(1,018)	(5,026)
Total exposure of balance positions	**(56,354)**	**(115)**	**(99,021)**	(179,427)	(43)	(98,871)
Estimated forecast purchases	**(1,412,685)**	**11,889**	**(55,318)**	(2,028,474)	17,974	(51,149)
Gross exposure	**(1,469,039)**	**11,774**	**(154,339)**	(2,207,901)	17,931	(150,020)
Hedged volume	**1,019,000**	**0**	**0**	1,196,260	0	0
Net exposure	**(450,039)**	**11,774**	**(154,339)**	(1,011,641)	17,931	(150,020)

The estimated forecast purchases shown above are for a twelve-month period. The volume hedged through forward exchange contracts and forward exchange options is for estimated forecast purchases for up to two years.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
Currency units to the EUR	**2015**	2014	**2015**	2014
USD	**1.1095**	1.3285	**1.0887**	1.2141
GBP	**0.7258**	0.8061	**0.7340**	0.7789
CHF	**1.0679**	1.2146	**1.0835**	1.2024

Sensitivity analysis

A sensitivity analysis was performed on the year-end balances of foreign currency financial assets and liabilities and the fair values of derivative financial instruments existing at year-end. The assumptions used in the calculation of currency risk were the same as those used in the prior year. Due to options used for hedging purposes the sensitivity is not a linear function of the underlying foreign exchange rates. Assuming that all other variables, in particular interest rates, remain constant, a 10 per cent strengthening of the Euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the following amounts:

	2015			2014		
Effect in EURk	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	1,269	14	6,181	13,435	5	2,887
Equity	(68,845)	0	0	(76,181)	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:

	2015			2014		
Effect in EURk	USD	GBP	CHF	USD	GBP	CHF
Profit or loss	(438)	(17)	(7,621)	(16,420)	(6)	(3,479)
Equity	88,299	0	0	90,114	0	0

E) INTEREST RATE RISK

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

	Carrying amount	
EURk	2015	2014
Fixed rate instruments		
Financial assets	11,119	2,930
Financial liabilities	(984,042)	(930,043)
Interest rate instruments	(23)	(385)
	(972,946)	(927,498)
Variable rate instruments		
Financial liabilities	(52,752)	(107,228)
	(52,752)	(107,228)

Fair value sensitivity analysis

The group does not account for any fixed rate financial instruments at fair value through profit or loss, and the group does not designate any of its interest rate derivatives as fair value hedge accounting instruments. Due to the use of options for hedging purposes the sensitivity is not a linear function of the interest rate. A change of +/– 100 basis points in interest rates would have increased or decreased equity by EUR 0 (2014: EUR 0) and increased profit or loss by EUR 0 (2014: EUR 363) respectively decreased by EUR 0 (2014: 1,150) based on a one year impact.

Cash flow sensitivity analysis

Assuming that all other variables, in particular foreign currency rates, remain constant, a change of +/– 100 basis points in interest rates would have increased respectively decreased profit or loss (financial result) by EUR 0 (2014: EUR 619 respectively decreased by EUR 512) and had no effect on equity over the twelve-month period, based on the balance sheet amounts at the reporting date and taking into consideration the effect of interest rate derivatives.

F) FUEL PRICE RISK

The fuel price (jet fuel) plays an important role as far as the business performance of the group is concerned. Fuel expense amounted to 21.0% (2014: 22.9%) of the group's entire operating expenses. airberlin uses commodity swaps as well as commodity options to hedge the exposure to fuel price increases. airberlin applies cashflow hedge accounting for most of its commodity derivatives. At the end of the period 2015, the hedged volume was 756,000 tons for the 2016 financial year (2014: 952,000 tons for 2015). The hedging quota was 58.0% for 2016 (2014: 71.5% for 2015).

Sensitivity analysis

Due to options used for hedging purposes the sensitivity is not a linear function of the underlying fuel price.

Assuming that all other variables, in particular foreign currency rates, remain constant, a 10% increase/decrease in the fuel price at the reporting date would have increased (decreased) equity and profit or loss by the following amounts:

	2015		2014	
Effect in EURk	**+10%**	**–10%**	+10%	–10%
Profit or loss	**748**	**(1,057)**	(683)	384
Equity	**22,124**	**(22,228)**	42,477	(42,477)

G) CATEGORIES AND FAIR VALUES

The fair values of the financial assets and liabilities, the carrying amount disclosed and the relevant category as of 31 December 2015 are as follows:

EURk	Note	Loans & receivables	Held for trading	Hedge-Accounting	Financial liablities at amortised costs/at fair value	Total carrying amount	Fair value
Trade receivables and other assets	9	307,330	0	0	0	307,330	307,330
Derivatives classified as held for trading with positive market values	29	0	1,186	0	0	1,186	1,186
Derivatives classified as hedge accounting with positive market values	29	0	0	25,125	0	25,125	25,125
Cash and cash equivalents	28	165,235	0	0	0	165,235	165,235
		472,565	1,186	25,125	0	498,876	498,876
Derivatives classified as held for trading with negative market values	29	0	(5,996)	0	0	(5,996)	(5,996)
Derivatives classified as hedge accounting with negative market values	29	0	0	(108,221)	0	(108,221)	(108,221)
Financial liabilities at amortised costs	16	0	0	0	(1,237,370)	(1,237,370)	(1,179,722)
Finance lease liabilities	17	0	0	0	(41,183)	(41,183)	(41,183)
Bank overdrafts used for cash management purposes	28	0	0	0	(25)	(25)	(25)
		0	(5,996)	(108,221)	(1,278,578)	(1,392,795)	(1,335,147)

The fair values of the financial assets and liabilities, the carrying amount disclosed and the relevant category as of 31 December 2014 were as follows:

EURk	Note	Loans & receivables	Held for trading	Hedge-Accounting	Financial liablities at amortised costs/at fair value	Total carrying amount	Fair value
Trade receivables and other assets	9	352,864	0	0	0	352,864	352,864
Derivatives classified as held for trading with positive market values	29	0	30	0	0	30	30
Derivatives classified as hedge accounting with positive market values	29	0	0	82,445	0	82,445	82,445
Cash and cash equivalents	28	259,229	0	0	0	259,229	259,229
		612,093	30	82,445	0	694,568	694,568
Derivatives classified as held for trading with negative market values	29	0	(393)	0	0	(393)	(393)
Derivatives classified as hedge accounting with negative market values	29	0	0	(240,248)	0	(240,248)	(240,248)
Financial liabilities at amortised costs	16	0	0	0	(1,160,790)	(1,160,790)	(1,184,800)
Finance lease liabilities	17	0	0	0	(71,629)	(71,629)	(70,748)
Bank overdrafts used for cash management purposes	28	0	0	0	(49)	(49)	(49)
		0	(393)	(240,248)	(1,232,468)	(1,473,109)	(1,496,238)

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

Derivatives

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

Convertible bond embedded derivative

The group identified an embedded derivative in the convertible bond issued 6 March 2013. The embedded derivative is classified as a level 2 of the three level-hierarchy as defined in IFRS 13.93. The fair value of the embedded derivative as of 31 December 2015 was EUR 0 (2014: EUR 0).

Financial liabilities

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

Trade and other receivables/payables

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

Cash and cash equivalents

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

H) NET GAIN OR LOSS

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

EURk	**2015**	2014
Loans and receivables	**5,975**	6,015
Cash and cash equivalents	**5,944**	12,013
Derivatives	**(176,800)**	(3,923)
Financial liabilities measured at amortised cost	**(43,706)**	(21,678)
Financial liabilities measured at fair value	**0**	15,900
	(208,587)	8,327

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

No interest income, fee income and fee expense was accrued on impaired financial assets during the period (2014: none). Interest income/expense is disclosed in note 25.

31. Related party transactions

TRANSACTIONS WITH DIRECTORS OF THE GROUP

The group has related party relationships with its Directors and its at equity investments (see note 9). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 74 to 86).

Members of the Board of Directors control a voting share of 3.13% of Air Berlin PLC (2014: 4.31%).

One of the non-executive directors, also a shareholder of the Company, is the controlling shareholder of Phoenix Reisen GmbH. The group had revenues from ticket sales with Phoenix Reisen GmbH of EUR 3,815 (2014: EUR 3,586). At 31 December 2015, EUR 19 (2014: EUR 48) are included in the trade receivables line.

TRANSACTIONS WITH MAJOR SHAREHOLDER AND RESPECTIVE RELATED PARTIES

EURk	**2015**	2014
Etihad Airways PJSC		
Long-term secured loans including accrued interest	**206,761**	0
Interest expense	**3,042**	4,100
Commission expense from code-share-agreement	**13,776**	8,476
Commission income from code-share-agreement	**13,169**	8,166
Other income	**633**	0
Purchases of fixed assets	**11,140**	0
Trade and other accounts receivable	**4,342**	13,496
Trade and other accounts payable	**43,184**	972
Advances received	**20,000**	0
Etihad Airways Engineering LLC		
Revenue from other services	**21**	37
Repairs and maintenance of technical equipment	**7,485**	2,385
Trade and other accounts receivable	**0**	1
Trade and other accounts payable	**1,145**	260
Etihad Airport Services - Catering LLC		
Catering	**3,239**	2,320
Trade and other accounts receivable	**611**	850
Trade and other accounts payable	**42**	0
Etihad Airport Services - Ground LLC		
Revenue from ground services	**10**	0
Handling expense	**3,210**	1,928
Trade and other accounts receivable	**592**	47
Trade and other accounts payable	**26**	0
Etihad Airport Services - Cargo LLC		
Revenue from other services	**2,145**	1,704
Other operating expense	**11**	0
Trade and other accounts receivable	**48**	68
Trade and other accounts payable	**1**	0

EURk	2015	2014
EA Partners I B.V.		
Long-term loans including accrued interest	**120,061**	0
Deposit	**7,182**	0
Interest expense	**3,330**	0
Stichting EA Partners I		
Long-term loans receivable including accrued interest	**2,047**	0
Air Serbia A.D.		
Commission expense from code-share-agreement	**61**	5
Air Seychelles Ltd.		
Commission expense from code-share-agreement	**17**	9
Commission income from code-share-agreement	**40**	33
Alitalia Societa Aerea Italiana S.P.A. (inclusive special purposes entities)		
Purchases of aircraft	**215,456**	0
Darwin Airline SA		
Operating leasing for aircraft	**7,624**	0
Jet Airways Ltd		
Commission expense from code-share-agreement	**31**	0
Commission income from code-share-agreement	**0**	0

Transactions with at equity investments

During the year ended 31 December 2015 respectively 2014 the group had transactions with associates as follows:

EURk	2015	2014
THBG BBI GmbH		
Loans receivable from related parties	**3,072**	2,930
Interest Income	**134**	137
Income from other services	**50**	105
airberlin holidays GmbH (primary: Binoli GmbH)		
Receivables from related parties	**150**	88
Revenues from ticket sales	**12,390**	1,401
Other operating expenses	**16**	5
E190 Flugzeugvermietung GmbH		
Receivables from related parties	**0**	553
Expenses for leasing	**533**	6,698
Income from other services	**2,335**	
IHY IZMIR HAVAYOLLARI A.S.		
Income from leasing	**0**	1,085
Topbonus Ltd		
Receivables from related parties	**2,362**	1,312
Payables to related parties	**4,802**	4,072
Revenues from ticket sales	**7,856**	6,898
Expenses for miles	**29,566**	25,417

EURk	2015	2014
AuSoCon Berlin Call Center GmbH		
Payables to related parties	**0**	1,963
Expenses for services	**2,909**	2,234

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

In 2015 EUR 686 dividends have been received from at equity investments (2014: EUR 0).

32. Executive Board of Directors

Stefan Pichler	Chief Executive Officer	(since 2 February 2015)
Wolfgang Prock-Schauer	Chief Executive Officer	(until 2 February 2015)

33. Subsequent events

15 January 2016: The Higher Administrative Court of Lüneburg decided that 26 of the 31 codeshare routes with Etihad Airways under discussion are entitled to approval from the German Federal Office of Civil Aviation (Luftfahrt-Bundesamt; LBA) for the applied for winter season.

25 January 2016: Etihad Airways is granting a shareholder loan of EUR 75,000,000 to the Company.

15 March 2016: The Federal Office of Civil Aviation approved the codeshare connections for the 2016 summer schedule which had already been approved for the winter schedule in January 2016 by the Higher Administrative Court of Luneburg.

24 April 2016: Abu Dhabi Commercial Bank PJSC is granting a loan of AED 726,425,000 to the Company. The loan is guaranteed by Etihad Airways PJSC.

24 April 2016: National Bank of Abu Dhabi PJSC is granting a revolving loan of EUR 75,000,000 to the Company. The loan is guaranteed by Etihad Airways PJSC.

34. Notes to the company's statement of financial position

A) SIGNIFICANT ACCOUNTING POLICIES

The accounting framework and significant accounting policies described in notes 3 and 4 above also apply to the Company financial statements. In addition the following accounting policies were applied:

Investments in subsidiaries and in at equity investments are recorded at cost less accumulated impairment losses and are tested for impairment if an indication of impairment exists.

Receivables from subsidiaries and payables to subsidiaries and to at equity investments are initially measured on the basis of their fair value. Subsequently they are carried at amortised cost using the effective interest method.

The Company has recorded financial assets and liabilities in the statement of financial position.

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

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

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

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

B) INVESTMENTS IN SUBSIDIARIES

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

In 2015 the group streamlined its structure. As part of the reorganisation, intercompany receivables and payables previously made by the company were capitalised. In 2014 EUR 200,000 intercompany loans have been capitalised.

To assess the recoverable amount of investments, management has performed an impairment test to derive a value for the recoverable amount of the Company investments using the methodology and the assumptions described in note 5 to the consolidated financial statements. The management are therefore satisfied that the recoverable amount of the investments in subsidiaries is greater than the carrying value.

EURk	2015	2014
Acquisition cost		
Balance at 1 January	**1,165,018**	966,200
Contribution of intercompany loans to subsidiaries' equity	**0**	200,000
Contribution of intercompany receivables and payables into to subsidiaries' equity, net	**94,989**	0
Disposals	**0**	(1,182)
Balance at 31 December	**1,260,007**	1,165,018

C) DEFERRED TAX ASSETS

Profit or loss before tax is completely attributable to Germany.

Income tax expense (benefit) is as follows:

EURk	2015	2014
Current income tax benefit	**404**	122
Deferred income tax (expense) benefit	**(2,303)**	391
Total income tax (expense) benefit	**(1,899)**	513

Current income taxes of the Company include corporate tax, a solidarity charge in addition to corporate tax and trade tax. The current income tax benefit includes EUR 404 of prior year income tax benefit (2014: EUR 122). The tax rate of the Company equals 30.03% (2014: 30.03%). It consists of corporate tax rate and solidarity charge of 15.83% and trade tax of 14.20%. The calculation of the trade tax rate includes the effect of the different trade tax rates depending on the municipality in which the Company operates.

As at 31 December 2015, it is still the management's view that that certain tax losses can be utilised by either future profits or using adequate tax structuring strategies. Nevertheless, deferred tax assets on tax losses were only recognised up to the extent of recognised deferred tax liabilities.

The company accounts for the market values of derivatives, which have been designated for hedge accounting purposes, net of deferred tax within the other comprehensive income. As in the previous year, no deferred tax assets have been recognised on the negative market value hedge contracts as at 31 December 2015, since the conditions for the recognition have not been met.

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

EURk	2015	2014
Loss before tax	**(95,288)**	(142,044)
Expected income tax benefit at 30.03% (2014: 30.03%)	**28,615**	42,656
Effect of tax pooling agreements with subsidiaries	**2,479**	(1,218)
Derecognition of deferred tax assets on tax loss carry forwards	**(10,398)**	(3,631)
Non-recognition of deferred tax assets on negative market values of derivatives	**2,083**	(10,676)
Effect of differences in tax base (from non-deductible expenses)	**(25,907)**	(27,696)

EURk	2015	2014
Current tax benefit (expense) for previous years	**404**	(122)
Other	**825**	1,200
Total income tax (expense) benefit	**(1,899)**	513

As of 31 December 2015, total tax loss carry forwards for which deferred tax assets were recognised amounted to EUR 10,963 (2014: EUR 20,382) for trade tax purposes and EUR 10,963 (2014: EUR 20,382) for corporate tax purposes. Thereof EUR 10,963 (2014: EUR 20,382) for trade tax purposes and EUR 10,963 (2014: EUR 20,382) for corporate tax purposes have been recognised to offset deferred tax liabilities.

As of 31 December 2015, no additional deferred tax assets were capitalised for further loss carry forwards of EUR 155,877 for trade tax and EUR 459,093 for corporate tax (2014: EUR 59,764 for trade tax and EUR 390,575 for corporate tax). The tax loss carry forwards are not subject to expiration.

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

EURk	2015	2014
Deferred tax assets		
Accrued liabilities and provisions	**3,291**	963
Negative market values of derivatives	**0**	0
Tax loss carry forwards	**3,293**	6,122
	6,584	7,085
Deferred tax liabilities		
Convertible bonds, corporate bonds	**(3,097)**	(7,335)
Positive market values of derivatives	**(6,040)**	0
	(9,137)	(7,335)
Offsetting	**6,584**	7,085
Deferred tax assets, net	**(2,553)**	(250)
Deferred tax assets, net beginning of period	**(250)**	(641)
Change in deferred tax position	**(2,303)**	391
Thereof related to items recorded in equity	**0**	0
Deferred income tax (expense) benefit	**(2,303)**	391

D) LOANS TO SUBSIDIARIES

During 2014 Air Berlin PLC gave EUR 318,395 loans to Air Berlin PLC & Co. Luftverkehrs KG, of which EUR 200,000 have been contributed to equity of the subsidiary (note 34b). As of 31 December 2015 loans were outstanding to Air Berlin PLC & Co. Luftverkehrs KG of EUR 122,383 (2014: EUR 118,395).

E) RECEIVABLES FROM SUBSIDIARIES

Receivables from subsidiaries include EUR 0 (2014: EUR 7,825) in relation to due to profit and loss transfer agreements.

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

F) DEFERRED EXPENSES

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

G) SHARE CAPITAL AND RESERVES

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

A full description of the Company's share capital and reserves and hybrid capital is detailed in note 11 and note 12 to the consolidated financial statements.

H) PENSIONS

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

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

EURk	**2015**	2014
Present value of funded obligations	**7,797**	5,179
Fair value of plan assets	**(6,936)**	(5,856)
Funded status	**861**	(677)
Net defined benefit asset	**0**	(677)

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

EURk	**2015**	2014
Defined benefit obligation at 1 January	**5,179**	10,717
Current service cost	**521**	400
Benefits paid	**0**	(8,853)
Interest on obligation	**96**	294
Actuarial losses	**2,001**	2,621
Defined benefit obligation at 31 December	**7,797**	5,179

Sensitivities of the defined benefit obligation are as follows:

EURk	**2015**
Defined benefit obligation at 31 December 2015	**7,797**
Defined benefit obligation at 0.5 percentage points lower interest rate	**8,876**
Defined benefit obligation at 0.5 percentage points higher interest rate	**6,879**

The effect of inflation on the defined benefit obligation is seen to be immaterial.

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

EURk	2015	2014
Fair value of plan assets at 1 January	**5,856**	13,436
Contribution	**963**	821
Benefits paid	**0**	(8,853)
Expected return on plan assets	**116**	339
Actual gain on plan assets	**1**	113
Fair value of plan assets at 31 December	**6,936**	5,856

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

The actual gain on plan assets was EUR 1 during the period (2014: EUR 113).

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

EURk	2015	2014
Current service cost	**521**	400
Net interest on defined benefit pension plan obligation	**(20)**	(45)
Pension expense recognised in profit and loss	**501**	355
Net actuarial losses recognised in the period	**2,001**	2,621
Actuarial gain on plan assets	**(1)**	(113)
Loss recognized in other comprehensive income	**2,000**	2,508

The Company expects to contribute EUR 190 to its defined benefit pension plans in 2016.

Principal actuarial assumptions at the reporting date are as follows:

Percent	2015	2014
Discount rate at 31 December	**2.08**	1.86
Future salary increases	**0.00**	0.00
Cost of living adjustment (future pension increases)	**1.00**	1.00

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

I) OTHER LIABILITIES TO SUBSIDIARIES

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

The convertible bonds were issued by AB Finance B.V., and the proceeds were transferred to Air Berlin PLC with the same conditions as the bonds.

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

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

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

J) ACCRUED LIABILITIES AND PROVISIONS

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

Provisions include EUR 3,684 relating to an obligation on operate lease agreements for aircraft (2014: EUR 0).

K) PAYABLES TO SUBSIDIARIES

Payables to subsidiaries include EUR 66,771 (2014: EUR 40,427) regarding profit and loss transfers, EUR 384 (2014: 384) regarding cash pooling agreements, EUR 10,006 (2014: EUR 17,908) related to deferred purchase price payments of aircraft.

L) FAIR VALUES

The carrying amounts of financial assets and liabilities approximate their fair values. The fair values of financial assets and liabilities, together with their carrying amounts as at 31 December shown in the statement of financial position, are as follows:

		2015		2014	
EURk	Note	Carrying amount	Fair value	Carrying amount	Fair value
Loans to subsidiaries	34d	**122,383**	**122,383**	118,395	118,395
Receivables from subsidiaries	34e	**31,459**	**31,459**	64,219	64,219
Total loans and receivables		**153,842**	**153,842**	182,614	182,614
Positive market values of derivatives classified as held for trading		**3,637**	**3,637**	12,929	12,929
Cash and cash equivalents		**270**	**270**	3,738	3,738
Interest-bearing liabilities	16	**(606,806)**	**(573,805)**	(671,385)	(681,297)
Payables to subsidiaries	34k, i	**(406,423)**	**(406,423)**	(197,622)	(197,622)
Trade and other payables		**(9,382)**	**(9,382)**	(3,753)	(3,753)
Total financial liabilities measured at amortised cost		**(1,022,611)**	**(989,610)**	(872,760)	(882,672)
Negative market values of derivatives classified as held for trading		**(45,292)**	**(45,292)**	(60,513)	(60,513)
		(910,154)	**(877,153)**	(733,992)	(743,904)

M) RELATED PARTY TRANSACTIONS

The Company has related party relationships with its Directors and subsidiaries (see note 31 to the consolidated financial statements). Total remuneration of Directors is included in the Directors' Remuneration Report (see pages 74 to 86).

Members of the Board of Directors control a voting share of 3.13% of Air Berlin PLC (2014: 4.31%).

The Company had the following transactions with one major shareholder and respective related parties during the years ending 31 December:

EURk	2015	2014
Etihad Airways PJSC		
Other income	**633**	0
Advances received	**20,000**	0
Other receivables	**633**	0
EA Partners I B.V.		
Long-term financing liabilities including interest accrued	**120,061**	0
Deposit	**7,182**	0
Interest expense	**3,330**	0
Stichting EA Partners I		
Long-term loans receivable including interest	**2,047**	0

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

EURk	2015	2014
Air Berlin PLC & Co. Luftverkehrs KG		
Revenues	**21,600**	20,380
Loans given	**122,383**	118,395
Interest income	**9,484**	9,521
Other operating expenses	**1,733**	680
Receivables from subsidiaries	**164,866**	173,951
Payables to subsidiaries	**142,723**	878
Pegasus 1. – 7. Luftfahrtbeteiligungsgesellschaft mbH		
Revenues	**24**	24
Receivables from subsidiaries	**47**	0
Payables to subsidiaries	**1,310**	0
airberlin technik GmbH		
Revenues	**291**	386
Interest income	**0**	0
Expense from profit and loss transfer agreement	**26,162**	15,047
Receivables from subsidiaries	**61**	46
Payables to subsidiaries	**66,771**	40,427
Leisure Cargo GmbH		
Revenues	**26**	34
Receivables from subsidiaries	**5**	7,829
Payables to subsidiaries	**1**	0
Air Berlin 1. – 9. LeaseLux Sàrl		
Revenues	**105**	152
Receivables from subsidiaries	**1,711**	164
Payables to subsidiaries	**8,535**	8,535
Air Berlin Finance B.V.		
Revenues	**54**	69
Expenses from convertible bonds	**332**	218
Interest expense on convertible bond	**32,924**	17,738
Payables to subsidiaries	**165,388**	165,224
Air Berlin Holding Ltd.		
Receivables from subsidiaries	**5,485**	0
Payables to subsidiaries	**46,654**	140
Air Berlin Fünfte Flugzeug GmbH		
Revenues	**1**	1
Receivables from subsidiaries	**242**	1
Payables to subsidiaries	**0**	2
Air Berlin Sechste Flugzeug GmbH		
Revenues	**4**	1
Receivables from subsidiaries	**8**	0
Payables to subsidiaries	**0**	1

EURk	2015	2014
Air Berlin Siebte Flugzeug GmbH		
Revenues	**4**	0
Interest income	**0**	1
Receivables from subsidiaries	**7**	1
Air Berlin Zwölfte Flugzeug GmbH		
Revenues	**0**	1
Receivables from subsidiaries	**0**	1
Air Berlin Dritte Flugzeugvermietungs GmbH		
Revenues	**4**	4
Receivables from subsidiaries	**75**	5
Air Berlin Vierte Flugzeugvermietungs GmbH		
Revenues	**0**	4
Receivables from subsidiaries	**0**	5
Air Berlin Finance GmbH		
Revenues	**2**	2
Receivables from subsidiaries	**39**	115
AB Finance II GmbH (former: dba)		
Revenues	**50**	61
Receivables from subsidiaries	**144**	12
Belair Airlines AG		
Dividends received	**464**	833
Revenues	**3,821**	2,940
Receivables from subsidiaries	**433**	257
CHS Holding Service GmbH		
Revenues	**12**	21
Receivables from subsidiaries	**0**	3
Air Berlin PLC & Co. Verwaltungs KG		
Revenues	**0**	42
Receivables from subsidiaries	**0**	21
Air Berlin PLC & Co. Service Center KG		
Revenues	**67**	101
Receivables from subsidiaries	**17**	28
Niki Luftfahrt GmbH		
Revenues	**7,178**	6,514
Interest expenses	**52**	57
Receivables from subsidiaries	**1,340**	138
Payables to subsidiaries	**1,470**	9,372

N) EMPLOYEES

The Company employed one Director (2014: one Director). The Directors remuneration is included in note 23 to the consolidated financial statements above as well as in the Directors' Remuneration Report on pages 74 to 86.

Additionally the company employs the established Management Board (note 23). Furthermore the company employs 9 non-director employees (2014:11).

35. Consolidated entities

The following subsidiaries are included in the consolidated financial statements:

Subsidiaries[1]	Country of incorporation	**2015**	2014
AB Dritte Flugzeugvermietungs GmbH	Germany	**0**	**0**
AB Vierte Flugzeugvermietungs GmbH (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
Air Berlin Finance B.V. [2]	Netherlands	**0**	**0**
Air Berlin Finance GmbH [2]	Germany	**0**	**0**
Air Berlin Finance II GmbH	Germany	**0**	**0**
Air Berlin PLC & Co. Luftverkehrs KG	Germany	**0**	**0**
Air Berlin Ltd. & Co. Verwaltungs KG (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
Air Berlin Ltd. & Co. Service Center KG	Germany	**0**	**0**
airberlin technik GmbH	Germany	**0**	**0**
airberlin technik Slovakia s.r.o.	Slovakia	**0**	**0**
Air Berlin Holding Limited	United Kingdom	**0**	**0**
Air Berlin 1. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 2. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 3. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 4. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 5. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 6. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 7. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 8. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin 9. LeaseLux Sàrl	Luxembourg	**0**	**0**
Air Berlin Fünfte Flugzeug GmbH	Germany	**0**	**0**
Air Berlin Sechste Flugzeug GmbH	Germany	**0**	**0**
Air Berlin Siebte Flugzeug GmbH	Germany	**0**	**0**
Air Berlin Zwölfte Flugzeug GmbH (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
AB Sechste Flugzeugvermietungs GmbH & Co. KG (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
AB Siebte Flugzeugvermietungs GmbH & Co. KG (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
AB Zwölfte Flugzeugvermietungs GmbH & Co. KG (merged to Air Berlin PLC & Co. Luftverkehrs KG)	Germany	0	**0**
Air Berlin Americas Inc.	USA	**0**	**0**
Belair Airlines AG	Switzerland	**0**	**0**
Air Berlin Bermuda Co. Ltd.	Bermuda	**0**	**0**
CHS Switzerland AG	Switzerland	**0**	**0**
CHS Holding & Services GmbH	Germany	**0**	**0**
ELB - Luftverkehrs-Beteiligungs GmbH	Austria	**0**	**0**
ELB - Luftverkehrs-Beteiligungs GmbH & Co. KG	Austria	**0**	**0**
ELG - Luftverkehrsholding GmbH	Austria	**0**	**0**
Gehuba Beteiligungs-Verwaltungs GmbH	Austria	**0**	**0**
Gemuris Beteiligungsverwaltungs GmbH	Austria	**0**	**0**
JFK Stiftung	Switzerland	**0**	**0**

Subsidiaries[1]	Country of incorporation	2015	2014
Leisure Cargo GmbH	Germany	0	0
NIKI Luftfahrt GmbH	Austria	0	0
NIKI Luftfahrt Limited	United Kingdom	0	0
NL AB Beteiligungs GmbH	Austria	0	0
Pegasus Erste Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Zweite Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Dritte Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Vierte Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Fünfte Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Sechste Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Pegasus Siebte Luftfahrtbeteiligungsgesellschaft mbH	Germany	0	0
Air Berlin Employee Share Trust	United Kingdom	0	0

1 The list contains all subsidiaries of Air Berlin PLC.

2 Shares held directly by Air Berlin PLC (the remaining subsidiaries are held indirectly through other group companies).

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

Furthermore the group holds the following at equity investments:

At equity investments	Country of incorporation	Shares	2015	2014
Airberlin holidays GmbH (primary: Binoli GmbH)	Germany	49.0%	0	0
THBG BBI GmbH	Germany	35.0%	0	0
IHY IZMIR HAVAYOLLARI A.S.	Turkey	29.5%	0	0
AuSoCon Berlin Call Center GmbH[1]	Germany	20.0%	0	0
Topbonus Ltd.	United Kingdom	30.0%	0	0
Flughafen Düsseldorf Tanklager GmbH	Germany	20.0%	0	0
E190 Flugzeugvermietung GmbH	Austria	24.0%	0	0

1 in liquidation.

OTHER INFORMATION

AVIATION GLOSSARY

ANCILLARY REVENUE
Supplementary revenue beyond ticket sales.

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

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

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

DRY LEASE
Leasing of an aircraft without personnel.

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

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

IATA
International Air Transport Association.

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

PAX
Passenger.

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

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

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

WET LEASE
Leasing an aircraft including personnel.

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

YIELD MANAGEMENT
Price management system to increase average earnings.

IMPRINT

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FINANCIAL CALENDAR

2016

REPORTING DATES

28 April 2016	Publication of Annual Report 2015
12 May 2016	Publication of the Interim Report as of 31 March 2016 (Q1) Analyst & Investor Conference Call
15 June 2016	Annual General Meeting (AGM) Air Berlin PLC, London Heathrow
11 August 2016	Publication of the Interim Report as of 30 June 2016 (Q2) Analyst & Investor Conference Call
16 November 2016	Publication of the Interim Report as of 30 September 2016 (Q3) Analyst & Investor Conference Call

RELEASE OF TRAFFIC FIGURES

4 May 2016	Traffic figures April 2016
8 June 2016	Traffic figures May 2016
7 July 2016	Traffic figures June 2016
5 August 2016	Traffic figures July 2016
8 September 2016	Traffic figures August 2016
7 October 2016	Traffic figures September 2016
4 November 2016	Traffic figures October 2016
8 December 2016	Traffic figures November 2016