

AIR BERLIN FLIES DEEPER IN THE RED



For Germany's second largest airline, the year 2014 is not developing according to the plan. In the current year Air Berlin, will slide even deeper into the red despite intensive restructuring steps. After the bitter drop in profits in the summer and high accruals thanks to the austerity measures, it is possible that in 2014 there will be a bottom line loss of more than 350 million euros.

The forecast was reported by CFO Ulf Hüttmeyer when he presented the quarterly figures. The Austrian CEO Wolfgang Prock-Schauer, who will be replaced in February by former Lufthansa manager Stefan Pichler, informed about another austerity package to be launched before the end of the restructuring program, "Turbine".

As already announced by Air Berlin at the end of October, further 200 jobs will be lost. The previous austerity program was responsible for the loss of 850 positions. The employee representatives will discuss the socially acceptable solutions, said the company spokesman. Before the "Turbine Program" Air Berlin had 8,400 employees, with the new package, the number of employees will drop to 7,400.

Last year, Lufthansa's rival already had a loss of about 316 million euros. This time severance payments in the wake of increased job cuts and other restructuring costs should reduce earnings by about 100 million euros. The lion's share of the sum will be booked in the fourth quarter.

With the new restructuring program, Air Berlin wants to improve the results by 400 million euros by 2016 and thus return to the black numbers. With approximately 200 million euros, half of the improvements should be achieved in the coming year. Hüttmeyer did not want to provide a reliable profit forecast for 2014 nor 2015.

During the high travel season from July to September, the ticket price war made it difficult for Air Berlin to cope. Although the airline offered more flights, revenue fell by nearly three percent to 1.3 billion euros. The operating profit (EBIT) slipped in the third quarter compared with the same period last year by more than a third to 75 million euros. The bottom line stood at just under 50 million euros only half as much profit as a year earlier.

The new restructuring program should have its full effect in 2016. **The management wants about 60 percent of the planned 400 million euros to be achieved through savings, efficiency gains and a modification of the route network.** The remainder would be achieved from improved sales and additional income. Mr. Prock-Schauer will stay even after the management change, which Air Berlin announced in early November. He will be on the Board and assist the new manager in implementing the restructuring plan.

Air Berlin has been in financial turmoil for many years. In addition to a reduction of fleet and flights there were million-dollar cash injections from the major shareholder Etihad that holds the company in the air. The Arab state-owned airline bought access to Europe as they were unable to meet the expectations with their own aircrafts due to the government aviation convention. The Italian airline Alitalia recently joined the Alliance as well and Etihad also helped the company with the much needed money.

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