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**Air Berlin acquires LTU to add long-haul destinations**

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FRANKFURT: Air Berlin, a discount carrier, said Tuesday that it had bought the unprofitable German charter carrier LTU for €140 million in cash to begin offering long-haul flights and expand in Germany.

Air Berlin, which began as a small charter carrier 29 years ago, sold shares to the public last May to fund expansion and match market growth. The company bought British Airways' former German unit, DBA, in August to gain routes and business travelers and has ordered 120 planes to upgrade and add to its fleet. Low-cost airlines raised their market share in Europe to 24 percent last year from 15 percent in 2005, industry figures show.

"The deal should be very attractive for Air Berlin," Michael Benedikt, an analyst at Commerzbank in Frankfurt who is reviewing his "hold" recommendation on Air Berlin, wrote in a note to investors. "If the DBA integration is the blueprint for the LTU integration, we think additional synergies could be achieved in 2009."

The company will issue 250 million, or \$333 million, in new shares and convertible bonds "in the near future" to finance the LTU purchase, which includes between €190 million and €200 million of debt, the chief executive officer, Joachim Hunold, said. Combining systems and route networks will help earnings by between €70 million and €100 million through 2008.

Shares of Air Berlin in Frankfurt rose 20 cents, or 1.2 percent, to €16.40. The stock has fallen 0.6 percent this year, valuing the carrier at €979.8 million.

Expanding in Düsseldorf, where LTU is based, was one of the primary motivations for taking over the charter carrier, Hunold said. About 18 million people live within 100 kilometers, or 60 miles, of Düsseldorf.

"The catchment area of Düsseldorf airport is the most important market in Germany and the second most important in Europe, behind London," said Hunold, who was LTU's sales chief in the 1980s. The takeover will give Air Berlin access to 380 takeoff and landing slots a week at the airport.

Düsseldorf is the capital of North Rhine-Westphalia, Germany's most populous state, and is home to ThyssenKrupp, the country's largest steel maker; E.ON, its biggest utility, and Metro, its biggest retailer. Lufthansa, the largest German carrier, added discount flights from the city in 2005.

Ryanair Holdings, the largest discount carrier in Europe, is opening its 19th base at Weeze airport, 78 kilometers northwest of Düsseldorf. EasyJet, the region's No. 2 low-fare airline, flies from airports in Dortmund and Cologne-Bonn, which are both in the same state.

Air Berlin, set up in West Berlin in 1978 by a U.S. pilot, has evolved since Germany's reunification in 1990 from a charter carrier into an airline with scheduled flights focused on taking northern Europeans to Spain's Mediterranean and Canary Islands.