eurofly

PRESS RELEASE

BOARD OF DIRECTORS MET TODAY

REVIEW OF THE 2008-2010 INDUSTRIAL PLAN

INCREASES OF CAPITAL

further increase in capital in cash, divisible, offered as an option to shareholders, for a total amount of up to €40,000,000 (based on the resolutions related to the divisible increase in share capital, offered as an option to shareholders, for a total amount of up to €15,000,000 at the extraordinary meetings of shareholders of 6, 8 and 9 November) to be approved at the extraordinary meetings of shareholders to be held on 29 and 30 November and 3 December

increase in capital in kind, reserved for Meridiana shareholders for the transfer of shares in conjunction with the extraordinary meeting of shareholders to be held on 18, 19 and 20 February 2008.

QUARTERLY REPORT AS AT 30 SEPTEMBER 2007 APPROVED

revenues of €262,357 thousand (compared with the €230,932 thousand for the same period of 2006)

EBITDAR of €32,084 thousand (compared with the €33,922 thousand for the same period of 2006)

REPORT ON FINANCIAL STANDING (AS PER ARTICLE 2446 OF THE ITALIAN CIVIL CODE) APPROVED

criteria set to determine the price for the new share issue

PRESS RELEASE PURSUANT TO ARTICLE 114(5) OF ITALIAN LEG. DEC. 58/98 APPROVED

RESIGNATION OF THREE BOARD MEMBERS

two new independent directors co-opted

Milan, 27 October 2007 – Because not all items on the agenda were discussed and the board was unable to pass resolutions in their meeting of yesterday, 26 October 2007, the Eurofly Board of Directors met again today to examine the new 2008-2010 Industrial Plan and to approve, *inter alia*, the quarterly results as at 30 September 2007 and the report on financial standing pursuant to Article 2446 of the Italian Civil Code.

Review of the 2008-2010 Industrial Plan

In its meeting of today, the Board of Directors reviewed the 2007-2009 Industrial Plan approved on 28 June 2007 and subsequently modified on 12 September 2007, extending the forecasts to the 2010 financial year.

Following an analysis of the results, costs and necessary extension of the start-up times, in September, the company decided to interrupt the Rome-Delhi connection. Therefore, the Winter 07-08 season will see lower capacity available due to the reduced use of the fourth A330 aircraft, which was being used for this route.

Although better than in 2006, financial performance for the New York connections was lower than expected, due in particular to a decline in average income resulting from a weakening of the euro-dollar exchange rate, which penalises the US market, from which 70% of the revenues from these lines arise.

The lower-than-expected performance was also due to higher costs connected with trends in macro- and microeconomic variables that were beyond the company's control. As revised, the plan covers the period 2008-2010 and confirms the previous strategic guidelines for the reorganisation of Eurofly, with a repositioning of the company from a charter airline to a mixed (scheduled and charter) airline, which is to be achieved primarily through an extensive integration with Meridiana and by achieving important targets in terms of cost optimisation, improvements in service quality, and revenue growth.

The projects to turn the company around, which have been under way since early 2007, also include corporate reorganisation projects related to two main areas:

1) the development of commercial synergies with Meridiana with the integration of scheduled flights, unification of the websites, development of SameItaly S.r.l. as the company dedicated to Eurofly and Meridiana sales in Italy, development of Wokita S.r.l. as an innovative platform for the online sale of tourism products, etc.);

2) increasing the company's efficiency and productivity by concentrating the network on the Milan airports (MXP and LIN), simplifying the rotation of aircraft and crews, restructuring and improving the catering services, better management of stopover activities to support the customer, reorganisation of maintenance activities, etc.).

In the area of long-haul flights, the company expects to continue the startup (which began this January) of the fourth A330 aircraft, given, in part, the potential opportunities resulting from the Alitalia reorganisation and the likely reorganisation of the offering to and from northern Italy. In particular, the connections with New York are expected to be enhanced, extending the Rome connection to the winter season and signing a code-sharing agreement with Meridiana in order to improve commercial distribution to the consumer and to travel agencies.

For mid-range flights, the key aspect will be the gradual increase in capacity for scheduled flights, both domestically (north-south connections from Milan) and internationally (from the

south to other European capitals), through code sharing with Meridiana.
The organisation of the company has been simplified, and a number of key positions have been replaced in both the commercial area and in operations.
For 2007, the company is forecasting a net loss of roughly €24 million. Operating losses are expected to continue in 2008, although with a significant improvement over the prior year. In 2009, the company is expecting to achieve profitability at the level of operating income, increasing significantly in 2010 and achieving a profitable bottom line.

Fleet-related initiatives over the medium term

The company's Board of Directors has approved the letter of intent concerning the operating lease of an A320 aircraft. It is to be a six-year lease beginning on 15 March 2008 and will replace the rental of an A320 expiring in October 2008.
The company has also extended, for 5 years, the lease agreements for two other A320s currently in the fleet, which are expiring in April and May 2008.

Recapitalisation

Given the greater losses as at 30 September 2007 and the greater losses expected for this year and the next, the plan, which was approved today, redefined the company's recapitalisation process as previously approved, calling for:

- an initial divisible increase in capital, offered as an option to shareholders, as per the extraordinary meeting of shareholders to be held on 6, 8 and 9 November 2007 for a total of up to €15 million;
- a second divisible increase in capital, offered as an option to shareholders, as per the extraordinary meeting of shareholders to be held on 29 and 30 November and 3 December 2007 for a total of up to €40 million, based on what is to be approved for the aforementioned first increase in capital in cash;
- an increase in capital in kind, as per the extraordinary meeting of shareholders to be held on 18, 19 and 20 February 2008 for a total value of up to €12 million, reserved for Meridiana shareholders in accordance with Article 2441(4) of the Italian Civil Code, which will transfer a share (i) in the wholly-owned subsidiary Wokita S.r.l. equal to 50% of the company's share capital and (ii) in the company SameItaly S.r.l., to which the Meridiana business unit related to sales in Italy has already been transferred. It should also be noted that Meridiana's subscribing to this increase in capital was conditioned upon the granting of the so-called "bailout exemption" (*"esenzione da salvataggio"*), which was granted by CONSOB on 3 October 2007.

Furthermore, Meridiana has guaranteed the *pro quota* subscription, including as an offset of its receivable resulting from shareholder financing against the payable for the subscription, of up to €12 million.
Based on the 2008-2010 Industrial Plan, which incorporates the effects of the company's

capitalisation resulting from these increases in capital in cash and in kind – subject to the risk inherent in such recapitalisation transactions – and the company's earnings forecasts – which are significantly affected by trends in macro- and microeconomic variables that are beyond the company's control, which, for the period concerned, the Board of Directors feels will not be sufficient to cause permanent capitalisation at levels below those allowed by law for financial years 2007 and 2008 – the Board of Directors believes that the uncertainty related to the company's outlook which existed at the time of approval of the half-year report has been reasonably overcome and has confirmed the company's viability and the use of assumptions of going concern in measuring the companies assets (particularly deferred tax assets) and liabilities.

The possibility of using a consortium as guarantee, even if just partial, of the increases in capital in cash is being studied.

Approval of the quarterly report as at 30 September 2007

The Board of Directors has approved the quarterly report for the period ending 30 September 2007.

Total revenues at the end of the first nine months of 2007 came to €262,357 thousand, as compared with the €230,932 thousand of the same period of 2006. This increase was due primarily to the increase in the capacity and offering of long-haul flights.

EBITDAR, in the amount of €32,084 thousand, declined from the €33,922 thousand as at September 2006, with decreases in both business units, but in that of long-haul flight in particular. Contributing to this decline in EBITDAR on long-haul flights were the following: the start-up of new connections at the end of 2006 and beginning of 2007 to India (interrupted in September) and Mauritius; and the increase in the item "other operating costs and wet lease", in part connected with the costs for purchasing seats resulting from the trade agreement with Livingston S.p.A. and costs related to the operating events in April. For mid-range flights, EBITDAR was penalised by lower penalty revenues and increases in certain operating costs.

The €10,384 thousand decline in EBITDA was due both to the factors mentioned above and to increased leasing costs resulting from the increase in the A330 fleet, as well as to the cessation by Airbus of contributions related to the fleet which were a part of performance for the first nine months of 2006. EBITDA was not affected by the €1.5 million in costs related to the damage to the A330 due to the recognition of an insurance policy gain estimated to equal the costs incurred.

The operating loss came to €7,485 thousand, as compared with €2,704 thousand in 2006. At the end of June, the lease contract for the A319 aircraft was sold. The disposal of the asset, including the result on operations and the gain from its disposal, led to a €238-thousand decline in net income for the period. As a result, the net loss came to €10,435 thousand, as compared with the loss of €6,565 thousand for the first nine months of 2006.

Earnings per share came to a negative €0.78.
In the third quarter of 2007, the company posted revenues of €111,609 thousand, which was an increase of 13% over those of the same period of the prior year.
Net income for the quarter came to €5.8 million, for an increase of 5.6% over the third quarter of 2006.
Net debt fell from €27,857 thousand in December 2006 to €16,545 thousand in September 2007 due, primarily, to the sale of the lease on the A319 aircraft. Cash and cash equivalents went from a net overdraft position of €4,124 thousand at the end of the prior year to a net overdraft of €8,256 thousand.
Shareholders' equity at the end of September came to €6,267 thousand, declining from the €16,702 thousand posted at the end of December 2006.

Approval of the directors' report pursuant to Article 2446 of the Italian Civil Code

The Board of Directors has approved the directors' report on financial standing in accordance with Article 2446 of the Italian Civil Code, which has been published in accordance with applicable law and to which the reader is referred for more information.
The Board of Directors resolved to recommend to shareholders, at the extraordinary meeting to be held on 6, 8 and 9 November 2007, (i) to not set the price for the new share issue directly, but to delegate this task to the Board of Directors based on the following criteria: the offering price must be determined by applying a 30% discount to the theoretical ex right price (TERP), which is the theoretical price of the share after the increase in capital, while the TERP is to be calculated based on the lower of (a) the average of the official stock price over the 6 months prior to determining the offering price and (b) the average of the official stock price over a period of at least five trading days prior to determining the issue price; and (ii) to authorise the Board of Directors to set, near the time of launching the offering, the number of shares to be issued and the related fee ratio.

Approval of the financial statements as at 30 September 2007 pursuant to Article 114(5) of Italian legislative decree 58/98

The Board of Directors has approved the financial statements as at 30 September 2007 in accordance with Article 114(5) of Italian legislative decree 58/98. For more information, see the related press release issued today.

Resignation of directors and consequent co-opting of new members of the board

The Board of Directors has acknowledged the notices of resignation received today from the board chairman, Sandro Capotosti, and board member Laura Sanvito – both of which due to disagreement with the proposed Industrial Plan presented by senior management and with the transactions to recapitalise the company that the plan entailed – as well as of board member

Ruggeromassimo Jannuzzelli. None of the outgoing directors had executive powers and were not independent.
The Board of Directors has taken steps to co-opt two new board members, whose appointment will be subject to shareholder approval in the ordinary meeting of shareholders to be held on 29 and 30 November and 3 December 2007. Specifically, Alessandro Giusti and Antonio Romani have been nominated, both of whom have already accepted their nominations and have declared that they meet the requirements of independence.
As a result, the board is currently comprised of eight members, four of which are independent.

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Included below are the balance sheet, statement of profit and loss, and statement of cash flows as at 30 September 2007, which have been prepared in compliance with the IFRSs.

Euro/000

2006	% on revenue	Income statement	Jan-Sep 07	% on revenue	Jan-Sep 06	% on revenue	Delta	Delta %
		Euro/000						
282.731	100,0%	Revenue from sales and services	255.837	100,0%	227.517	100,0%	28.320	12,4%
4.324	1,5%	Other revenue	6.520	2,5%	3.415	1,5%	3.105	90,9%
287.055	**101,5%**	**Total revenue**	**262.357**	**102,5%**	**230.932**	**101,5%**	**31.426**	**13,6%**
5.056	1,8%	Direct commercial expenses	5.934	2,3%	3.226	1,4%	2.708	84,0%
85.084	30,1%	Jet fuel	74.644	29,2%	68.675	30,2%	5.969	8,7%
40.947	14,5%	Staff costs	29.637	11,6%	29.102	12,8%	534	1,8%
38.554	13,6%	Materials and maintenance services	34.477	13,5%	29.873	13,1%	4.604	15,4%
68.717	24,3%	Other operating costs and wet lease	72.022	28,2%	53.723	23,6%	18.299	34,1%
18.226	6,4%	Other commercial and corporate costs	13.559	5,3%	12.409	5,5%	1.149	9,3%
35.120	12,4%	Operative rentals	34.555	13,5%	26.014	11,4%	8.541	32,8%
4.108	1,5%	Depreciation and amortization	2.894	1,1%	3.067	1,3%	(173)	-5,6%
512	0,2%	Write-off of non-current assets	0	0,0%	0	0,0%	0	0,0%
5.346	1,9%	Other provisions	1.541	0,6%	1.479	0,7%	62	100,0%
1.758	0,6%	Provisions for risks and charges	579	0,2%	659	0,3%	(79)	-12,1%
303.428	**107,3%**	**Total costs**	**269.842**	**105,5%**	**228.228**	**100,3%**	**41.614**	**18,2%**
(16.374)	**-5,8%**	**Operating result**	**(7.485)**	**-2,9%**	**2.704**	**1,2%**	**(10.189)**	**-376,9%**
3.294	1,2%	Financial (income)/charges	1.180	0,5%	2.336	1,0%	(1.156)	-49,5%
(19.667)	**-7,0%**	**Pre-tax profit**	**(8.665)**	**-3,4%**	**368**	**0,2%**	**(9.033)**	**-2457,1%**
1.728	0,6%	Tax charges	(1.531)	-0,6%	(281)	-0,1%	(1.251)	445,3%
(11.200)	-4,0%	Profit/(loss) from sales of assets	(238)	-0,1%	(6.652)	-2,9%	6.413	0,0%
(29.139)	**-10,3%**	**Result of the period**	**(10.435)**	**-4,1%**	**(6.565)**	**-2,9%**	**(3.870)**	**58,9%**

Balance sheet

30.09.06	*Euro/000*	30.09.07	31.12.06	Delta
57.662	Tangible fixed assets	19.915	55.408	(35.493)
4.484	Intangibles	2.902	4.023	(1.121)
19.635	Other long-term and financial investments	11.144	19.259	(8.115)
3.922	Deferred tax assets	5.228	6.573	(1.345)
85.703	**Total non-current assets**	**39.190**	**85.264**	**(46.074)**
2.782	Stock	2.743	2.954	(211)
50.372	Trade receivables and other receivables	68.133	55.496	12.637
15.385	Other assets	8.059	11.174	(3.115)
38.558	Net cash and equivalents	2.205	5.149	(2.944)
107.097	**Total current assets**	**81.139**	**74.772**	**6.367**
192.800	**Total assets**	**120.329**	**160.036**	**(39.707)**
13.355	Share capital	13.355	13.355	0
32.486	Reserves	3.347	32.486	(29.139)
(6.565)	Profit / (Loss)	(10.435)	(29.139)	18.704
39.277	**Total net equity**	**6.267**	**16.702**	**(10.435)**
32.869	Loans	3.286	27.921	(24.635)
357	Deferred tax liabilities	0	398	(398)
7.630	Provisions for risks and charges	8.987	8.372	616
40.857	**Total non current liabilities**	**12.273**	**36.690**	**(24.417)**
81.040	Trade payables and other liabilities	84.793	86.873	(2.080)
26.013	Bank debt	10.461	9.273	1.188
2.304	Current portions of long-term loans	503	2.312	(1.809)
0	Loans	4.500	4.500	0
3.309	Provisions for risks and charges	1.532	3.686	(2.154)
112.667	**Total current liabilities**	**101.789**	**106.644**	**(4.855)**
192.800	**Total net equity and liabilities**	**120.329**	**160.036**	**(39.707)**

Cash flows statement

2006	*Euro/000*	Jan-Sep 07	Jan-Sep 07
14.077	**Net cash and equivalents at the beginning of the period**	**(4.124)**	**14.077**
(19.667)	Pre-tax loss	(8.665)	368
(11.200)	Profit/(loss) from sales of assets	(238)	(6.652)
(395)	Tax effects on sales of assets	593	223
	Provisions for:		
6.260	- Depreciation	2.894	3.067
2.336	- (Gain)/Loss on exchange rates due to transactions in foreign currency	471	1.882
2.986	- Other financial charges	710	454
-	- Gains from sales of fixed assets	-	-
(9.422)	Change in trade receivables and other receivables	(11.236)	(12.443)
(814)	Change in stock	211	(642)
6.282	Change in trade payables and other liabilities (incl. current funds)	(5.382)	664
(3.809)	Interest and other financial charges paid	(925)	(1.098)
(1.933)	Taxes paid	(163)	(486)
(1.441)	Realized gain/(loss) on exchange rates due to transactions in foreign currency	1.288	(1.538)
(895)	Unrealized gain/(loss) on exchange rates due to transactions in foreign currency	(1.759)	(344)
2.465	Write-offs of non-current assets	111	-
496	Net variation of staff leaving indemnity	35	434
-	Cash flow from the A319 BU operations	245	
(28.751)	**Cash flow from operations**	**(21.809)**	**(16.109)**
	Investments in fixed assets		
(659)	* intangible	(69)	(623)
(1.952)	* tangible	(938)	(1.248)
(506)	* financial	(718)	(921)
822	Collected interests	216	644
-	Cash flow from the A319 BU disposal	16.849	-
4.984	Disposal value of other fixed assets	722	5.534
2.688	**Cash flow from investments**	**16.061**	**3.386**
-	Shareholders' loan	-	-
-	Financial loans for LAG acquisition deposit	-	
(3.000)	Creation of bank time deposits included in current assets	-	-
-	Raising of A319 loan	-	-
-	Expiration of bank time deposits included in current assets	3.000	-
10.841	Cash flow from the insurance policy assignment	-	10.841
(486)	Payment of loan instalments	(486)	(486)
(1.857)	Payment of A319 loan instalments	(898)	(1.417)
5.497	**Cash flow from financial activity**	**1.616**	**8.937**
390	Increase of share capital	-	390
-	Dividend	-	-
1.975	Share capital variations connected with the finalization of the listing process	-	2.039
2.365	**Cash flow from operations on equity**	-	**2.429**
(18.201)	**Increase (decrease) of net cash and equivalents**	**(4.132)**	**(1.357)**
(4.124)	**Net cash and equivalents at the end of the period**	**(8.256)**	**12.720**

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The Financial Reporting Officer, Mauro Pasquali, has stated in accordance with Article 154 bis, paragraph 2 of the Consolidated Finance Act (Testo Unico della Finanza) that the accounting information contained in this press release is consistent with the documentary findings, and the accounting entries and records.

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