eurofly

PRESS RELEASE

HALF YEAR REPORT APPROVED TODAY

Improving results compared to firs half 2007

- **935.192 passengers carried (+21% vs first half 2007)**
- **Total revenues of €168,8 million (+12% vs first half 2007)**
- **EBITDAR of €13,5 million (8,3% on revenues vs 7,7% firs half 2007)**
- **EBIT of -€12,7 million (vs -€14,6 million first half of 2007)**
- **Net result -€14,9 million (vs -€16,3 million first half 2007)**
- **Net debt of €2,9 million (vs €17,1 million at 31 December 2007)**

Confirmed targets included in 2008/2012 Business Plan

Meridiana's commitment to subscribe € 20 million in the capital increase

Milan, 29 August 2008 – Eurofly's Board of Directors met today in order to approve 2008 first half report.

Economic and financial results

First half 2008 was characterized by some events in macroeconomic scenario among which the slowdown of economic growth in the main occidental countries, the increase in fuel costs, the weakening of the US$ vs € and political and civil disorders in Kenya, an important destination reached by Eurofly.

Despite the above mentioned events, 2008 first half results were better than those posted in the same period of 2007.

The **number of passengers** carried, including charter and scheduled flights, grew by 21% vs first half 2007, thanks to the medium range, that showed a 35,3% increase following the good results of new scheduled flights. Passengers in the long range decreased by 4,6%.
Total revenues amounted to €168.789 thousand. The 12% increase vs first half 2007 is to be

referred to the above mentioned good results of the scheduled flights from North to South Italy, started last November. On the contrary, long range activity was penalized by the disorders occurred in Kenya. Medium and long range revenues were also sustained by the adjustment in tariffs following the increase in fuel costs.

EBITDAR, equal to €13.516 thousand, grew by €2.137 thousand vs first half 2007, despite the 37% increase in fuel costs, only partially counterbalanced by the weakening in US $. The increase in EBITDAR is related to the better results posted by medium range, sustained both by increasing activity and marginality.

EBITDA amounted to - €7.441 thousand showing a €3.856 thousand improvement. Operative rentals costs decreased, despite the entry in fleet of the fifth A330 in March 2007, thanks to the positive effect of exchange rate.

The higher provisions to bed debt fund impacted on **operating loss**, that amounted to €12.735 thousand, vs €14.657 in first half of 2007.

Net loss amounted to €14.962 thousand, vs €16.298 thousand in first half of 2007.

Shareholders'equity at the end of June 2008 came to €2.137 thousand (to be compared with - €5.406 thousand at the end of December 2007). The improvement follows the capital increases occurred in first quarter 2008.

Following the loss posted in the period, at the end of June 2008 Eurofly was in the situation described by art 2446 civil code. The half year loss was also affected by the strong seasonality of Eurofly's activity and the consequent erosion of equity described by art 2446 civil code is currently overcame and today Eurofly is no longer in the situation described by art 2446 civil code.

Net debt fell from €17.065 thousand in December 2007 to €2.959 thousand at the end of June 2008, thanks to the flows of the capital increase in cash and to the positive variations of the working capital.

Taking the above described results into consideration, the covenants included in the agreement of the restructuring of the bank debts signed last 27 November 2007 are fulfilled.

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Main events occurred during first half 2008 and succeeding events

At the beginning of 2008 the cash capital increase for an overall amount of €15 million was completed with the entire subscription of the shares offered. The cash from the capital increase was €10,2 million as Meridiana subscribed part of the capital increase through compensation of a €4,3 million credit vs Eurofly.

In March 2008 the capital increase in kind of €8 million was completed. The capital increase was reserved to Meridiana (ex art. 2441, 4° paragraph, Civil Code). As included in 2008/2010 Business Plan, Meridiana assigned two participations in Wokita and Sameitaly, represented by 50% stake in the capital each, for an overall value of €8 million.

On 28 May 2008 Eurofly's Board of Directors announced the intention – confirmed on 8 July 2008 - to review 2008/2010 Business Plan approved last 27 October 2007, following the increasing in fuel cost, higher than the level used in the Plan, and the necessity to include the required corrective actions.

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2008/2012 Business Plan and new capital increase

On 30 July 2008 the new 2008/2012 Business Plan was approved. As already released, the main guidelines are the following:

• The consolidation of the current mix charter / scheduled activity, with attention to the opportunities from the possible re - settlement of the Italian air transport sector;

• The reinforcement of medium range, substantially in break even from 2008, with the rationalization and optimization of the destinations reached (Egypt, Greek, Spain) and of the operating logistic;

• The reduction of the long range operating fleet from 4 to 3 A330 aircrafts and the following rationalization of the activities focusing on the connections between Italy and Africa/Indian Ocean where Eurofly has a market share higher than 50%, with an improvement in yield and load factors;

• The reinforcement of the scheduled activity between Italy and New York, characterized by a reverse seasonality with respect to traditional long range destinations.

In accordance with the new strategic guidelines the medium range fleet will increase to 9 aircrafts in 2009, 10 aircrafts in 2010, while the long range fleet will decrease to 3 within 2009.

The recovery of the company will be pursued through the following projects:

1) improvement of the quality of the on - ground and in - flight services also with the cabin re fitting;

2) development of the ancillary revenues in consistency with the policy pursued by competitors;

3) prosecution of the commercial development integrated with Meridiana thanks to the development of the web site, to the growth and the expansion of Sameitaly (dealing with Meridiana and Eurofly sales) and Wokita (platform for the on - line sales of touristic products);

4) further development of the synergies with Meridiana Group, mainly referring to maintenance of the fleet, purchases, information system and operating logistic;

5) further reduction of general and overheads costs.

In line with 2008/2010 Business Plan, is forecasted the disposal of the building currently hosting the head office and the redemption of the loan.

The new Business Plan includes a capital increase in cash, with subscription rights ex art 2441 civil code, for a maximum amount of €55 million, in order to guarantee new cash flow to permit (i) the re balancing of the equity situation of Eurofly, (ii) the realization of the assumptions of the development of the Plan (iii) to gather further resources to be dedicated to the opportunities deriving from the re assessment of the Italian air transport sector.

Today Meridiana released the irrevocable commitment to subscribe a €20 million share in the capital increase.

Eurofly's Extraordinary shareholders' meeting has been called for 9 and 10 September 2008 in first and second call.

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Outlook

Considering the trend recorded in July and August and confirming the expectations regarding the evolution of the macroeconomic data included in 2008/2012 Business Plan, based on the data of August, the Board of Directors currently confirms the profitability targets included in 2008/2012 Business Plan.

The main targets are the following:

• In 2008 revenues of €376,3 million, EBIT of - €18,6 million and net profit of - €19,2 million;
• In 2009 revenues of €391,4 million, EBIT of - €0,2 million and net profit of – €2,1 million;
• In 2010 revenues of €403,2 million, EBIT of €5,8 million and net profit of €0,9 million;
• In 2011 revenues of €410,9 million, EBIT of €6,5 million and net profit of €1,6 million
• In 2012 revenues of €414,3 million, EBIT of €9,9 million and net profit of €4,6 million.

Following Eurofly's Income Statement, Balance Sheet and Cash flow Statement as of 30 June 2008.

2007	% on revenue	Ref.	Income Statement	1st half 08	% on revenue	1st half 07	% on revenue	Change	% change
			Euro/000						
322.290	100,0%	18	Revenue from sales and services	162.968	100,0%	147.312	100,0%	15.656	10,6%
9.405	2,9%	19	Other revenue	5.821	3,6%	3.436	2,3%	2.385	69,4%
331.695	**102,9%**		**Total revenue**	**168.789**	**103,6%**	**150.748**	**102,3%**	**18.041**	**12,0%**
7.671	2,4%	20	Direct commercial expenses	4.223	2,6%	2.786	1,9%	1.437	51,6%
98.243	30,5%	21	Jet fuel	60.695	37,2%	44.230	30,0%	16.464	37,2%
38.354	11,9%	22	Staff costs	18.220	11,2%	19.641	13,3%	-1.421	-7,2%
45.365	14,1%	23	Materials and maintenance services	21.423	13,1%	20.983	14,2%	440	2,1%
92.941	28,8%	24	Other operating costs and wet lease	41.608	25,5%	43.384	29,5%	-1.775	-4,1%
17.935	5,6%	25	Other commercial and corporate costs	9.105	5,6%	8.346	5,7%	759	9,1%
45.852	14,2%	26	Operative rentals	20.957	12,9%	22.676	15,4%	-1.719	-7,6%
3.951	1,2%	27	Depreciation and amortization	1.776	1,1%	1.909	1,3%	-133	-7,0%
2.820	0,9%	29	Other provisions	3.124	1,9%	899	0,6%	2.225	100,0%
852	0,3%	30	Provisions for risks and charges	394	0,2%	552	0,4%	-158	-28,5%
353.984	**109,8%**		**Total costs**	**181.524**	**111,4%**	**165.405**	**112,3%**	**16.119**	**9,7%**
(22.289)	**-6,9%**		**Operating result**	**(12.735)**	**-7,8%**	**(14.657)**	**-9,9%**	**1.922**	**-13,1%**
2.474	0,8%	31	Financial (income)/charges	1.287	0,8%	772	0,5%	515	66,8%
(24.763)	**-7,7%**		**Pre-tax profit**	**(14.022)**	**-8,6%**	**(15.429)**	**-10,5%**	**1.407**	**-9,1%**
3.006	0,9%	32	Tax charges	(939)	-0,6%	(514)	-0,3%	(425)	82,8%
1	0,0%	33	Profit/(loss) from sales of assets	0	0,0%	(355)	-0,2%	355	-100,0%
(21.757)	**-6,8%**		**Result of the period**	**(14.962)**	**-9,2%**	**(16.298)**	**-11,1%**	**1.336**	**-8,2%**

Balance sheet

30.06.07	Ref.	*Euro/000*	30.06.08	31.12.07	Change
20.462	1	Tangible fixed assets	13.666	19.567	(5.900)
3.253	2	Other intangibles	1.993	2.559	(566)
11.361	3	Other long-term and financial investments	11.621	10.945	676
0	4	Financial investments vs controlling company	1.294	0	1.294
0	5	Other credit	2.703	0	2.703
5.438	6	Deferred tax assets	8.598	9.072	(474)
0	7	partecipazioni	8.000	0	8.000
40.515		**Total non-current assets**	**47.875**	**42.142**	**5.732**
2.761	8	Stock	3.065	2.876	189
59.896	9	Trade receivables and other receivables	62.947	57.895	5.052
828	10	Trade receivables and other receivables vs controlling company	5.070	1.081	3.988
9.603	11	Other assets	7.891	12.334	(4.443)
13.297	12	Net cash and equivalents	15.585	6.955	8.630
86.385		**Total current assets**	**94.558**	**81.141**	**13.417**
126.900		**Total assets**	**142.433**	**123.283**	**19.149**
13.355	13	Share capital	6.503	1.023	5.480
3.347	13	Reserves	10.595	15.328	(4.732)
-16.298	13	Profit/(Loss)	(14.962)	(21.757)	6.795
404		**Total net equity**	**2.137**	**(5.406)**	**7.543**
3.528	14	Loans	3.018	3.275	(256)
0	15	Deferred tax liabilities	128	128	0
9.140	16	Provisions for risks and charges	6.776	8.163	(1.388)
12.668		**Total non-current liabilities**	**9.922**	**11.566**	**(1.644)**
97.327	17	Trade payables and other liabilities	110.315	92.761	17.553
522	18	Trade payables and other liabilities vs controlling company	2.146	1.939	207
8.815	19	Bank debt	15.000	15.914	(914)
503	20	Current portion of long-term loans	526	514	11
4.500	21	Loans	0	4.323	(4.323)
2.159	22	Provisions for risks and charges	2.388	1.672	716
113.827		**Total current liabilities**	**130.374**	**117.123**	**13.251**
126.900		**Total net equity and liabilities**	**142.433**	**123.283**	**19.149**

CASH FLOW STATEMENT

2007	*Euro/000*	I Half 08	I Half 07
(4.124)	**Net cash and equivalents at the beginning of the period**	**(8.960)**	**(4.124)**
(24.763)	Pre-tax loss	(14.022)	(15.429)
1	Profit/(loss) from sales of assets	-	(355)
593	Tax effect on sales of assets	-	593
	Adjustments for:	-	-
3.951	- Depreciation	1.776	1.909
1.115	- (Gain)/loss on exchange rates due to transactions in foreign currency	355	225
1.359	- Other financial charges	933	547
-	- Gains from sales of fixed assets	-	-
(9.737)	Change in trade receivables and other receivables	7.547	(3.025)
78	Change in stock	(189)	192
9.251	Change in trade payables and other liabilities (incl. current funds)	4.867	9.334
(1.582)	Interest and other financial charges paid	(1.020)	(730)
(946)	Taxes paid	-	(701)
1.420	Realized gain/(loss) on exchange rates due to transactions in foreign currency	(35)	1.462
(2.535)	Unrealized gain/(loss) on exchange rates due to transactions in foreign curren	(320)	(1.686)
-	Write-off of non-current assets	-	111
(916)	Net variation of staff leaving indemnity	(151)	173
254	Cash flow from the A319 BU operations	-	243
(22.458)	**Cash flow from operations**	**(261)**	**(7.136)**
	Investments in fixed assets:		
(148)	* Intangible	(64)	(61)
(1.236)	* Tangible	(183)	(857)
(867)	* Financial	(2.949)	(427)
223	Collected interests	87	182
16.849	Cash flow from the A319 BU disposal	-	16.849
1.185	Disposal value of other fixed assets	2.913	214
16.006	**Cash flow from/to investments**	**(195)**	**15.901**
3.000	Redemption of bank time deposits included in current assets	-	982
(486)	Payment of loan instalments	(245)	(243)
(898)	Payment of A319 loan instalments	-	(898)
1.616	Start of A319 loan	**(245)**	**(159)**
-	Increase of share capital	10.245	-
-	**Cash flow from operations on equity**	**10.245**	-
(4.836)	**Increase (decrease) of net cash and equivalents**	**9.544**	**8.605**
(8.960)	**Net cash and equivalents at the end of the period**	**585**	**4.481**

The Financial Reporting Officer, Maurizio Cancellieri, 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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