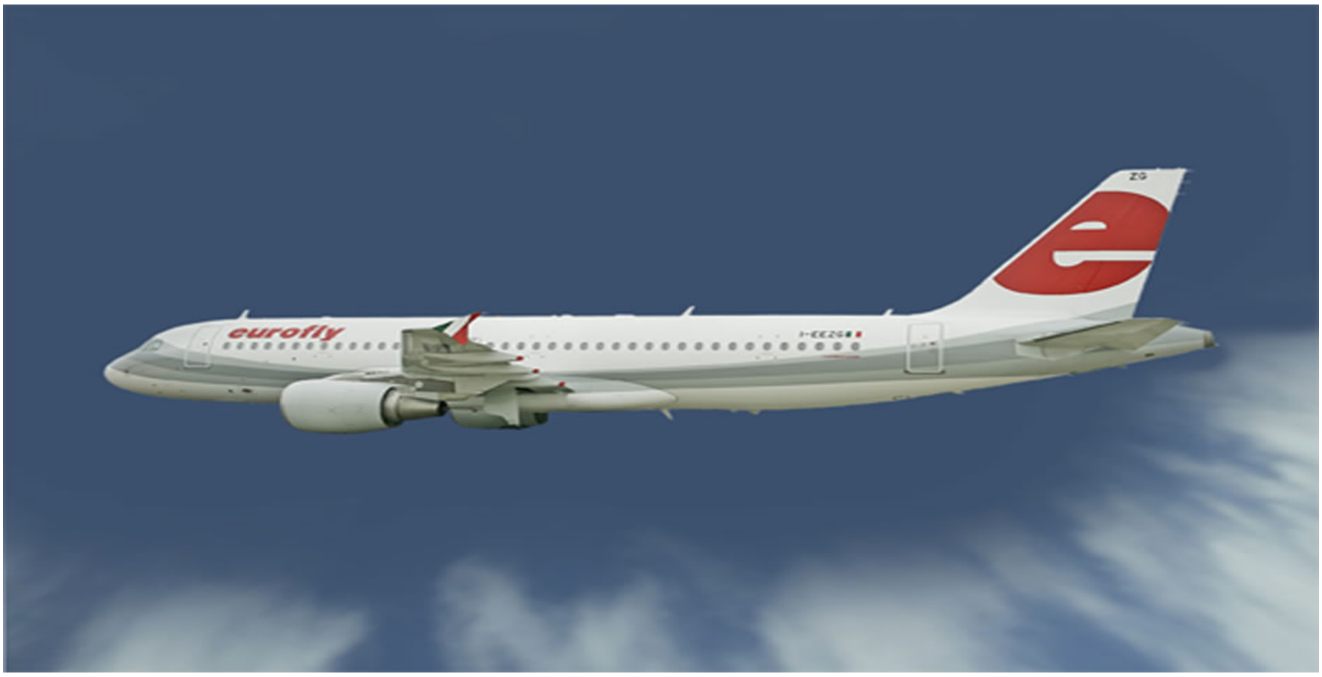

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Half-Yearly Financial Report as at 30 June 2009

Eurofly SpA - Registered office: Via Ettore Bugatti 15, Milan (Italy). Share cap. Euro 39,178,238.92

Milan REA no. 1336505 - Milan companies reg. no. 05763070017 – VAT no. 03184630964 - Italian tax code 05763070017

www.eurofly.it Subject to the management and co-ordination of Meridiana SpA under Art. 2497-bis of Italian Civil Code.

CONTENTS

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Introduction

This Half-Yearly Financial Report as at 30 June 2009 has been prepared pursuant to article 154-ter of the *TUF* (Italian Consolidated Finance act) as amended by Italian Legislative Decree no. 195, 6 November 2007, implementing Directive 2004/109/EC (also referred to as the "Transparency Directive"). The report aims to provide information on the Company's capital and profit/loss positions as well as an illustration of significant events and operations that took place during the period, together with their effect on the capital and financial position and on the Company's profits/losses as a whole. The Report was prepared in application of the IAS/IFRS international accounting standards, and IAS 34 in particular.

As it does not control any equity holding under Article 93 of the Italian Consolidated Financial Act, Eurofly SpA prepares only individual financial statement.

In the condensed half-yearly financial statements, the income statement and the cash flow statement for the half-year are compared to those of the same period of the previous year. The net financial position and balance sheet accounts as at 30 June 2009 are compared to the corresponding final figures as at 31 December 2008. Comparative financial data for the two second quarters as at 30 June 2009 and 2008 are also provided.

Unless indicated otherwise, the figures are given in thousands of Euro, with the values of the items rounded-off.

This report has been translated in English for the sole convenience of international readers.

The original Italian document should be considered the authoritative version.

We present below the financial highlights and business indicators as at 30 June 2009, compared to those of the same period of 2008 and the 2008 financial year.

Unless otherwise specified, Euro/000

2008	Key operating indicators	1Half 09	1Half 08
48,027	Total flight hours	20,641	22,691
1,965,948	Passengers carried	715,959	935,192
142	Fleet availability, rented and in wet lease (machine months)	63	73
4,857	Productivity of long-haul fleet (flight hours)	4,973	4,641
3,593	Productivity of medium-haul fleet (flight hours)	3,265	3,280
2008	**Summary Income Statement**	**1Half 09**	**1Half 08**
368,378	Revenue from sales and services	143,065	162,968
378,773	Total revenue	146,102	168,789
36,296	EBITDAR (1)	4,939	13,516
9.9%	As a % on revenue from sales and services	3.5%	8.3%
(6,443)	EBITDA (2)	(17,812)	(7,441)
-1.7%	As a % on revenue from sales and services	-12.5%	-4.6%
(16,752)	EBIT (3)	(21,887)	(12,735)
-4.5%	As a % on revenue from sales and services	-15.3%	-7.8%
(18,498)	Net profit (loss) for year	(23,278)	(14,962)
30.06.08	**Summary Balance Sheet**	**30.06.09**	**31.12.08**
47,875	Total non-current assets	52,327	48,327
94,558	Total current assets	76,326	91,732
142,433	Total assets	128,653	140,059
2,137	Equity	7,596	28,438
9,922	Total non-current liabilities	11,622	9,903
130,374	Total current liabilities	109,435	101,717
142,433	Total equity and liabilities	128,653	140,059
2008	**Investments**	**1Half 09**	**1Half 08**
795	Investments	6,039	247
30.06.08	**Other financial data**	**30.06.09**	**31.12.08**
(2,959)	Net financial position (4)	902	5,557
585	Net cash and cash equivalents	3,939	8,849
9,544	Cash flow for the period	(4,910)	17,809

EBITDAR (1): *Earnings Before Interest, Taxes, Depreciation, Amortization and aircraft Rentals* (or EBIT before the operating rental costs of the aircraft - excluding wet rentals - and depreciation, amortisation, provision for risks and charges, other adjustments and write-downs of non-current assets). EBITDA (2): *Earnings Before Interest, Taxes, Depreciation, Amortization.* EBIT (3): *Earnings Before Interest and Taxes.* (4) For the item "Net cash and cash equivalents", the Net financial position includes the elements described in more detail in the "Net financial position" paragraph.

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1. CORPORATE BODIES

BOARD OF DIRECTORS
(In office until shareholder approval of Annual Financial Report for year ended 31 December 2009)

President	Marco	**RIGOTTI (2) (3)**
Chief Executive Officer	Giovanni	**ROSSI (1)**
Vice President	Franco	**TRIVI (4)**
Directors	Luca	**RAGNEDDA (1)**
	Sergio	**ROSA (1)**
	Claudio	**ALLAIS**
	Salvatore	**VICARI (2) (3)**
	Gian Carlo	**ARDUINO (2) (4)**
	Giuseppe	**LOMONACO (2) (3) (4)**

BOARD OF STATUTORY AUDITORS
(In office until shareholder approval of Annual Financial Report for year ended 31 December 2011)

President	Luigi	**GUERRA**
Standing statutory auditors	Cesare	**CONTI**
	Antonio	**MELE**
Substitute statutory auditors	Luca	**BOCCI**
	Guido Giorgio	**ZAFFARONI**

INDEPENDENT AUDITOR **DELOITTE & TOUCHE S.p.A.**
(Mandate extended to 2008-13 by the AGM of 8 May 2007)

(1) Executive Director
(2) Independent Director
(3) Member of Internal Auditing Committee
(4) Member of Remuneration Committee

2. Interim report on operations

2.1. Operating performance

2.1.1. Half-year results

The serious downturn that affected the economy worldwide during 2008 continued into the first half of 2009. During this period the fall in confidence, reduction of net worth and credit constraints brought about a loss of consumer demand and a significant fall in industrial output and GDP both in the United States and in Europe. In this scenario the price of oil saw significant corrections in comparison with the record levels achieved during 2008 along with a strengthening of the US dollar against the Euro. Forecasts for the progress of the global economy continue to be negative for the remaining part of the year.

Progress of the first half of 2009 compared with expectations

Eurofly's results in the first half of 2009 were affected by the global economic problems described above. The numbers of passengers carried and hours flown were a reflection of consumer spending capacity. Scheduled long-haul flights to New York and Senegal in particular were lower than expected. To a less significant degree, neither did medium-haul flights to Tel Aviv reach expectations because of the Israel-Palestine situation in early 2009, along with the routes from Milan Linate to the southern Italian cities. The stability of the traditional leisure destinations (Egypt) only partly compensated for the lower levels described above. Total revenues for the first half of the year, specifically in the long-haul Business Unit were lower than estimated as described in more detail in paragraph 2.1.2. The trend was anticipated in the May and June monthly statements to the market. Operating and leasing costs exceeded estimates due the extended completion time of certain unexpected activities concerning aircraft leaving the fleet. Furthermore, as was foreseen in the business plan, three A320 aircraft entered the fleet under operating leases along with one A330 aircraft, as its sublease to Israir ended (as reported in paragraph 2.1.3). Lastly, the extended negotiations with the unions over the new solidarity agreement, finalised on 20 July with regard to flight attendants, generated higher than budgeted personnel costs for 2009. As a result, the operating result for the second quarter of 2009 and consequently for the half-year, was significantly lower than anticipated.

In consideration of the above, on 30 June 2009 the Board of Directors resolved to make revisions to the Company's business plan, a decision which was confirmed on 29 July 2009.

Progress of the first half of 2009 compared with first half of 2008

A total of 20,641 hours were flown in the first half of 2009, showing a 9.0% fall in comparison with the first half of 2008. This trend was more noticeable in medium than it was in long-haul, which had already been affected in the first half of 2008 by the civil unrest in Kenya. Revenues from sales and services amounted to Euro 143,065 thousand and showed a fall of 12.2% in comparison with the first half of 2008; the result of both lower volumes and lower prices (the first half of 2008 featured a surge in the cost of fuel, which was partially offset in the tariffs applied to tour operators). Revenues from sales and services in medium-haul flights amounted to Euro 64,810 thousand (-20.1% compared with 2008), and Euro 78,255 thousand for long-haul (-4.4% compared with 2008). These latter figures include income deriving from codesharing agreements with Lauda Livingston (offset by costs of equal amounts). Other revenues, amounting to Euro 3,036 thousand, a fall of 47.8% from the same period of 2008, were generated primarily by the subleasing of an aircraft.

The EBITDAR for the first half of 2009 came to Euro 4,939 thousand, a fall from the Euro 13,516 thousand of the first half of 2008. The savings made on the cost of fuel, following the falling price of oil, only partially offset the decrease in revenue and the increase of operating costs (associated with the strengthening Dollar against the Euro as well as the greater costs of the aircraft leaving the fleet and operating event that concerned one aircraft in January). The EBITDAR margin was 3.5%, compared with the 8.3% of the first half of 2008. To be more specific, the medium-haul EBITDAR was Euro 3,154 thousand (Euro 7,444 thousand in the first half of 2008) and the long-haul figure was Euro 1,785 thousand (down from Euro 6,073 thousand).

EBITDA, amounting to Euro -17,812 thousand, was down from the Euro -7,441 thousand in the first half of 2008. As well as the factors illustrated above, this was due to the higher leasing costs caused by the Euro/Dollar exchange rate. The EBITDA margin was -12.5%; -4.6 % of the first half of 2008. To be more specific, the medium-haul EBITDA was Euro -5,581 thousand (Euro -1,162 thousand in the first half of 2008) and the long-haul figure was Euro -12,231 thousand (down from Euro -6,279 thousand).

The EBIT figure for the half-year was Euro -21,887 thousand, showing a fall of Euro 9,152 thousand from the first half of 2008 (Euro -12,735 thousand). Depreciation, amortisation and provisions came to Euro 4,075 thousand, which was down from the first half of 2008 through the reduced provision, offset partially by greater provision for risks and charges. The EBIT margin was -15.3%, down from the -7.8% of the first half of 2008. For a breakdown by business area, the medium-haul EBIT was Euro -7,814 thousand (-106.2% from the same period of 2008) and the long-haul figure was Euro -14,073 thousand (-57.3% in comparison with the first half of 2008).

The first half of 2009 closed showing a loss of Euro 23,278 thousand (of which Euro 19,221 thousand related to the second quarter), which can be compared with the loss of Euro 14,962 thousand in the first half of 2008 (of which Euro 10,795 thousand related to the second quarter of that year).

2008	% on revenue	Reclassified income statement Euro/000	1Half 09	% on revenue	1Half 08	% on revenue	Change	% change
368,378	100.0%	Revenue from sales and services	143,065	100.0%	162,968	100.0%	(19,903)	-12.2%
10,395	2.8%	Other revenue	3,036	2.1%	5,821	3.6%	(2,785)	-47.8%
378,773	**102.8%**	**Total revenue**	**146,102**	**102.1%**	**168,789**	**103.6%**	**(22,687)**	**-13.4%**
10,315	2.8%	Direct commercial costs	1,933	1.4%	4,223	2.6%	(2,290)	-54.2%
368,458	**100.0%**	**Revenue net of direct commercial expens**	**144,168**	**100.8%**	**164,566**	**101.0%**	**(20,398)**	**-12.4%**
135,842	36.9%	Fuel	33,464	23.4%	60,695	37.2%	(27,231)	-44.9%
37,467	10.2%	Staff costs	20,160	14.1%	18,220	11.2%	1,940	10.6%
45,529	12.4%	Materials and maintenance services	25,099	17.5%	21,423	13.1%	3,677	17.2%
92,971	25.2%	Other operating costs and wet lease costs	49,863	34.9%	41,608	25.5%	8,254	19.8%
20,353	5.5%	Other commercial and overhead costs	10,644	7.4%	9,105	5.6%	1,539	16.9%
332,162	**90.2%**	**Sub-total costs**	**139,230**	**97.3%**	**151,050**	**92.7%**	**(11,821)**	**-7.8%**
36,296	**9.9%**	**EBITDAR**	**4,939**	**3.5%**	**13,516**	**8.3%**	**(8,577)**	**-63.5%**
42,739	11.6%	Operating lease rentals	22,751	15.9%	20,957	12.9%	1,794	8.6%
(6,443)	**-1.7%**	**EBITDA**	**(17,812)**	**-12.5%**	**(7,441)**	**-4.6%**	**(10,371)**	**-139.4%**
3,441	0.9%	Depreciation and amortization	1,623	1.1%	1,776	1.1%	(153)	-8.6%
122	0.0%	Write-off of non-current assets	0	0.0%	0	0.0%	0	0.0%
5,779	1.6%	Provision for doubtful receivables	1,145	0.8%	3,124	1.9%	(1,979)	-63.4%
967	0.3%	Provisions for liabilities and charges	1,307	0.9%	394	0.2%	913	231.5%
10,309	**2.8%**	**Total depreciation & amortization and prov**	**4,075**	**2.8%**	**5,294**	**3.2%**	**(1,219)**	**-23.0%**
(16,752)	**-4.5%**	**EBIT (operating profit (loss))**	**(21,887)**	**-15.3%**	**(12,735)**	**-7.8%**	**(9,152)**	**-71.9%**
(2,329)	-0.6%	Net finance income (expense)	(732)	-0.5%	(1,287)	-0.8%	555	43.1%
(19,082)	**-5.2%**	**Pre-tax profit (loss)**	**(22,619)**	**-15.8%**	**(14,022)**	**-8.6%**	**(8,597)**	**-61.3%**
584	0.2%	Income taxes	(659)	-0.5%	(939)	-0.6%	281	-29.9%
(18,498)	**-5.0%**	**Net profit (loss) for year**	**(23,278)**	**-16.3%**	**(14,962)**	**-9.2%**	**(8,316)**	**-55.6%**

Translated from the original version in Italian

As at 30 June 2009 net equity stood at Euro 7,596 thousand (compared with Euro 28,438 thousand as at 31 December 2008). Also due to the described seasonal effect and notwithstanding the

Share Capital of Euro 39,178 thousand reached through the last capital increase, the loss for the period gave rise to the company having a level of capitalisation lower than the threshold prescribed by article 2446 of the Italian civil code (losses equivalent to greater than one third of Capital). Such regulatory framework created the need for calling the Shareholders' meeting for 28 and 29 September 2009.

As at 30 June 2009 the net financial position showed a net cash of Euro 902 thousand vs the net cash of Euro 5,557 thousand at the end of December 2008.

2.1.2. Operations in the second quarter of 2009

As illustrated in paragraph 2.1.1, the fall in demand for air transport resulting from the difficult economic scenario, which affected all of the main operators in the industry, had a notable effect on the second quarter 2009 results. Results in April, May and in particular June were below expectations and below the corresponding quarter of the previous year following the reduction in Company's revenues and increase in operating as the Dollar strengthened against the Euro, the higher costs of wet leases as a result of the codesharing agreement with Lauda Livingston and the non-recurring expense of the extended period of aircraft being away from the fleet.

To be more specific, the second quarter of 2009 saw 10,936 hours flown, down 11.5% from the second quarter of 2008, mainly due to operations of long-haul flights (-25% difference between the two quarters). Revenues from sales and services amounted to Euro 63,508 thousand (-24% down from the second quarter of 2008); a consequence of the reduced volume of operations and tighter contractual constraints associated with the cost of fuel. EBITDAR amounted to Euro -4,178 thousand (compared with the Euro 3,108 thousand of the same period of 2008). EBITDA came to Euro -15,778 thousand and recorded a fall of Euro 8,993 thousand compared with the second quarter of 2008. The operating loss for the quarter was Euro 18,208 thousand, compared with Euro 9,632 thousand of the second quarter of 2008. The second quarter of 2009 therefore closed with a net loss of Euro 19,221 thousand (compared with Euro 10,975 thousand of the second half of 2008).

Unless otherwise specified, Euro/000

Key operating indicators	2Q 09	2Q 08	Change	% change
Total flight hours	10,396	11,745	(1,349)	-11.5%
Passengers carried	366,597	497,072	(130,475)	-26.2%

Summary Income Statement	2Q 09	2Q 08	Change	% change
Revenue from sales and services	63,508	83,523	(20,014)	-24.0%
Total revenue	64,276	85,688	(21,412)	-25.0%
EBITDAR	(4,178)	3,108	(7,286)	-234.4%
As a % on revenue from sales and services	*-6.6%*	*3.7%*		
EBITDA	(15,778)	(6,785)	(8,993)	132.5%
As a % on revenue from sales and services	*-24.8%*	*-8.1%*		
EBIT	(18,208)	(9,632)	(8,576)	89.0%
As a % on revenue from sales and services	*-28.7%*	*-11.5%*		
Net profit (loss) for year	(19,221)	(10,795)	(8,427)	78.1%

Translated from the original version in Italian

2.1.3. The fleet

The composition of our commercial fleet from January 2008 to June 2009 and the variations implemented during the period are described in the table below. During the first nine months of 2008 the fleet remained stable at eight A320 medium-haul aircraft and four A330 long-haul aircraft.

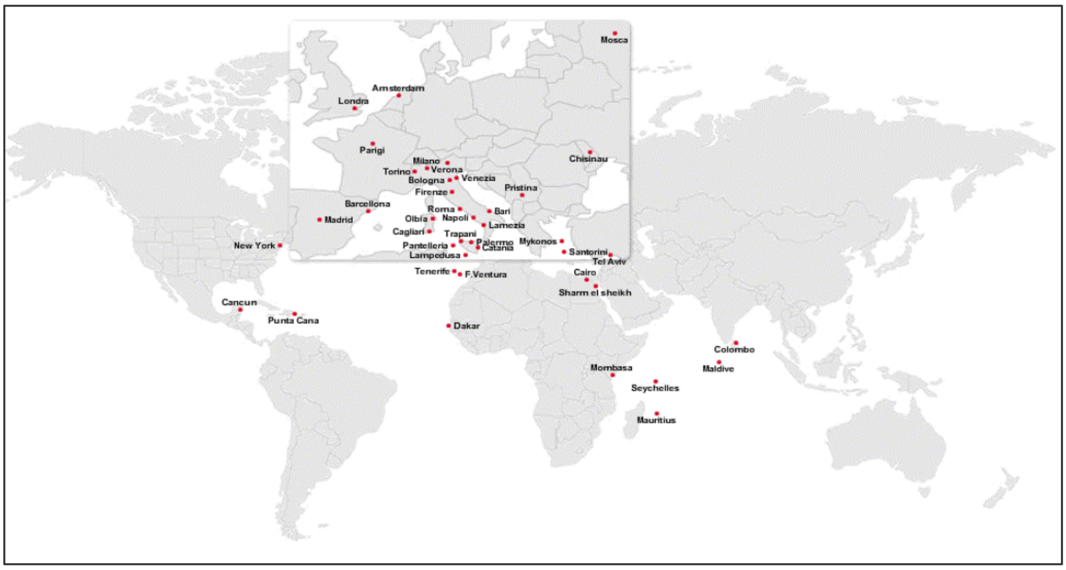
Two A320 aircraft (I-EEZC and I-EEZD) left the fleet in October 2008 and January 2009 through expiry of contract. In March 2009 one A330 aircraft (I-EEZM) returned to the fleet, having previously been subleased to third-party operators, to replace the aircraft I-EEZA, which left the fleet through expiry of contract. Again in March 2009 two A320 aircraft (I-EEZN and I-EEZO) joined the fleet, which only began operating however in the following month of April (and therefore appeared in the table from that month) after undergoing the prescribed phase-in procedures. In April 2009 another A330 aircraft (I-EEZB) left the fleet, bringing the long-haul fleet to three aircraft, as was envisaged in the business plan. In May another A320 aircraft (I-EEZP) joined the fleet, and began operating in mid June.

In total the commercial fleet was available in the first half of 2009 for 63 aircraft-months, compared with the 73 of the first half of 2008.

In consideration of the current market difficulties and the short and medium-term outlook, the Company decided not to include the anticipated tenth A320 aircraft but instead to enter into temporary wet lease agreements to expand the medium-haul capacity solely in the high season.

Registration mark	Type	Entry in fleet	gen-08	feb-08	mar-08	apr-08	mag-08	giu-08	lug-08	ago-08	set-08	ott-08	nov-08	dic-08	gen-09	feb-09	mar-09	apr-09	mag-09	giu-09
I-EEZB	A330	ago-02																		
I-EEZA	A330	set-02																		
I-EEZJ	A330	mag-05																		
I-EEZL	A330	dic-06																		
I-EEZM	A330	mar-09																		
I-EEZC	A320	ott-02																		
I-EEZD	A320	feb-03																		
I-EEZE	A320	mar-03																		
I-EEZF	A320	apr-03																		
I-EEZG	A320	mag-03																		
I-EEZH	A320	dic-04																		
I-EEZI	A320	dic-04																		
I-EEZK	A320	feb-05																		
I-EEZN	A320	mar-09																		
I-EEZO	A320	mar-09																		
I-ECJA	A319	apr-06																		

2.1.4. Commercial business



The national and international situation influenced commercial decisions taken for the first half of 2009, which featured intensification of the medium and long-haul charter programme and a slight reduction of scheduled flights, particularly long-haul.

This period of the year saw the continuation of the IATA winter season operations, which began in October and finished at the end of March. The summer programme follows and only gets into full swing halfway through June.

The first part of the half-year saw a confirmation of the positive trend in medium-haul charter output.

Routes to the Maldives peaked at eight flights during the week during the winter season, with departures from Milan Malpensa, Rome Fiumicino and Bologna. One specific anticipated route is a Tuesday flight to Colombo, Sri Lanka, which as well as serving tourist traffic, will also be carrying an element of the Sinhalese community in Italy.

The summer timetable, featuring the inverted seasonality of tropical destinations, saw a reduction of weekly departures to three (every Saturday, Sunday and Monday).

Flights to Kenya and Tanzania peaked at eight departures a week during the winter season, with six to Zanzibar, Tanzania departing from Milan Malpensa, Rome Fiumicino and Bologna.
As April-June is the rainy season in that area of east Africa, operations were suspended for the period.

We carried passengers to Mauritius and the Seychelles with three flights a week from Milan Malpensa and Rome for the entire half-year period.

For the first half of the year flights to Caribbean destinations (Mexico and the Dominican Republic) were operated by Lauda Livingston under the codesharing agreement, with Eurofly as the marketing carrier.

As regards international medium-haul scheduled flights using A320s, the Milan Malpensa–Tel Aviv route, initiated in December 2008 got up to speed during March 2009, with three flights a week (Monday, Wednesday and Thursday) with the inclusion of departures from Rome Fiumicino and Verona.

We enjoyed growing interest in our Bologna-Moscow and Milan Malpensa-Cairo routes, both twice-weekly.

As well as the early summer flights to Greece; to Mykonos from Milan Malpensa and Verona, Santorini from Milan Malpensa, weekly charters were added to the new destination of Athens, from Milan Malpensa, Naples, Rome Fiumicino, Bologna and Verona.

The codesharing with Meridiana continued on the following domestic routes, with alternating marketing and carrying carriers:

- Milan Linate-Naples with two flights a day;
- Milan Linate-Palermo with one flight a day;
- Milan Linate-Catania with two flights a day;

The greater part of operations on these routes was contributed by Meridiana, following the temporary reduction of the Eurofly A320 fleet in the first part of the year.

The final part of the half-year saw the reactivation of the summer destination of Olbia from Milan

Malpensa (as illustrated in the following paragraph) and the new routes to Lamezia Terme, Lampedusa and Pantelleria were launched from Verona.

The long-haul routes to North America (from/to New York JFK) felt the economic crisis in both markets with lower than anticipated results, such that they were subject to some rationalisation. The timetable from/to Rome Fiumicino stood at three per week (every Wednesday, Friday and Saturday). From mid May we were running connecting flights from Naples (every Thursday and Saturday) and from Palermo (every Sunday).

Sardinian territorial continuity

On 27 January 2009 Eurofly submitted formal acceptance of the Public Service Charges imposed by Ministerial Decree dated 5 August 2008 on the routes between Rome FCO and Milan LIN to Olbia/Alghero/Cagliari and *vice versa* with effect from the IATA summer season 2009 and for 12 consecutive months.

On 2 March 2009 ENAC illustrated the need to limit the number of flights on the routes operated, before inviting the designated carriers to share the permitted timetables. As a result of this recommendation, Eurofly chose not to include its own capacity on the routes already covered by Meridiana, for which we already act as marketing carrier.

With a communication dated 9 April 2009, ENAC formally acknowledged Eurofly as designated operating carrier on all the routes covered, informing the existing operators (Meridiana, Air One and Alitalia) of this decision and the Ministry of Transport, the Region of Sardinia and Assoclearance.

In line with our trading and operational position, supporting Meridiana in the Milan-North Sardinia market and at the same time avoiding wasting capacity in other markets, Eurofly scheduled three weekly flights between Milan MXP and Olbia.

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2.1.5. Operating statistics

Flight hours per type
flight hours

2008		1Half 09	1Half 08	Change	% change
46,249	Block hours (a)	19,974	22,082	(2,108)	-9.5%
652	ACMI (b)	244	352	(108)	-30.6%
1,126	Reprotection (c)	422	257	165	64.2%
48,027	**Total flight hours**	**20,641**	**22,691**	**(2,050)**	**-9.0%**

(a) flight hours operated by Eurofly with own aircraft
(b) flight hours operated for third parties with Eurofly's aircraft wet-leased to third parties
(c) flight hours operated for Eurofly with third parties' aircraft wet-leased by Eurofly

Flight hours by SBU
flight hours

2008		1Half 09	1Half 08	Change	% change
28,486	Medium-haul	11,951	13,388	(1,437)	-10.7%
19,541	Long-haul	8,690	9,303	(613)	-6.6%
48,027	**Total flight hours**	**20,641**	**22,691**	**(2,050)**	**-9.0%**

In the first half of 2009 Eurofly flew 20,641 hours, a fall of 9% in comparison with the 22,691 of the same period of 2008, as a result of both the reduced capacity (from the fleet availability analysed in paragraph 2.1.3) and the reduction in demand.

Medium-haul hours flown were down from 13,388 in the first half of 2008 to 11,951 in the first six months of 2009 (-10.7%). This trend is in the main due to scheduled operations (please note that, because of the reduction of the medium-haul fleet, certain flights between Milan Linate and southern Italian cities were operated by Meridiana). In the comparison with the first six months of the previous period, the first half of 2009 benefits from flights to Tel Aviv, which started at the end of 2008.

The fall in long-haul was less evident (-6.6% from the 9,303 hours of the first half of 2008 to 8,690 hours in the first six months of 2009). The situation with flights to New York, which was affected particularly by the economic crisis, was offset by the initiation of new routes to Senegal and the growth in flights to the Maldives.

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Fleet productivity *annualized flight hours*					
2008		1H 09	1H 08	Change	% change
3,539	**Fleet A320**	3,265	3,280	(15)	-0.5%
4,857	**Fleet A330**	4,973	4,641	332	7.2%

The reduction of capacity both of medium and long-haul enabled us to sustain fleet productivity levels (the ratio of hours flown to the availability of aircraft-months), in particular in long-haul, whose output grew, regardless of the fall in hours flown.

Passengers carried - Scheduled and charter					
2008		1H 09	1H 08	Change	% change
1,933,409	Eurofly	704,613	910,042	(205,429)	-22.6%
32,539	Other carriers	11,346	16,150	(4,804)	-29.7%
1,422,851	Medium-haul	496,332	682,027	(185,695)	-27.2%
543,097	Long-haul	219,627	253,165	(33,538)	-13.2%
1,965,948	**Total passengers**	**715,959**	**935,192**	**(219,233)**	**-23.4%**

The total number of scheduled and charter passengers, in the first half of 2009 from 2008 falls by more than 23% because of the reduction of medium-haul (-27.2%, primarily flights between Milan and southern Italy) and long-haul (-13.2%, this also relating primarily to scheduled flights).

2.2. Significant events during the first half of the year

2.2.1. Extraordinary call of the Shareholders' Meeting

As mentioned in paragraph 2.1.1, on 30 June 2009 the Board of Directors resolved to call an extraordinary shareholders' meeting on 28 and 29 September 2009, pursuant to article 2446 civil code, as the losses recorded in the first five months of the period amounted to more than one third of the share capital.

2.2.2. Review of the 2009 budget and business plan

On 30 June 2009 the Board of Directors, acknowledging that the results of the first five months of the period were less than forecast and that there were no signs of downturn for the forthcoming summer season, resolved to revise the budget and the business plan for the present year.

2.2.3. Appointment of the Board of Directors and the Board of Statutory Auditors

During the Shareholders' Meeting held on 30 April 2009 for the approval of the 2008 Annual Report, the new Board of Directors, comprising nine members in office until the approval of the financial statements as at 31 December 2009 and the new Board of Statutory Auditors, in office for the periods 2009-2011, were appointed to replace the previous corporate bodies, whose mandates expired upon the approval of the annual report as at 31 December 2008.

2.2.4. Approval of a memorandum of understanding on the maintenance operations spin-off

On 16 April 2009 the Eurofly Board of Directors approved a non-binding memorandum of understanding for the creation of a joint venture for integrated aircraft maintenance services (maintenance, repair & overhaul – MRO). The enterprise is to be created via the conferment to a new joint stock company (NewCo) by Eurofly and the parent Meridiana of their maintenance arms together with an injection of cash from the Spanish airline Iberia Lineas Aereas de Espana S.A. and a leading Sardinian financial company (Società Finanziaria Rinascita Sardegna - SFIRS).

The NewCo will be controlled by the Meridiana group and will offer maintenance services both to its group companies and third parties. An initial body of personnel of around 420 people is envisaged. The turnover for 2010 is expected to be around Euro 44 million and investment in the first two years will be around Euro 14 million (directly and via leasing). Eurofly will confer its maintenance business, which currently has around 90 employees (specialist maintenance technicians together with engineering and logistics staff), with the relative aircraft materials, technical equipment and existing contracts with third party suppliers. This move, which does not mean any direct investment by Eurofly over and above the initial conferment, will enable benefits in terms of both operational and financial efficiency in the long term, through specialisation, economies of scale and the development of the MRO services by the NewCo.
The formal incorporation of the Company and the initiation of operations are anticipated to take place during the fourth quarter of 2009, following the completion of the necessary legal, technical and administrative formalities.

2.2.5. Complaint to the European Commission

Eurofly filled a complaint with the European Commission concerning the application of EC rules, with special reference to those concerning abuse of dominant position and control of concentration deals to the Alitalia/AirOne/CAI deal.

On 15 April 2009 a meeting was held with the offices of the Directorate General for Competition, after which further information and data was requested in support of the complaint. The company is currently preparing these information. Meanwhile, at the end of March 2009 an appeal was submitted to the Court of First Instance against the decision by the European Commission (Directorate General - Transport and Energy) which found that the CAI operation does not form "State Aid" under the rules of the Treaty.

The Italian competition and market authority (*L'Autorità Garante della Concorrenza e del Mercato*) found that the CAI operation is compatible with competition rules, while identifying appropriate consumer protection measures. The hearing was held on 20 May 2009. The regional administrative court *(TAR*) referred the case to the Constitutional Court, suspending judgement on the previous appeals. The Constitutional Court will have to assess the legitimacy of the Alitalia decree of 28 August 2008, which expanded the sphere of application of the Marzano law, with which the focus of operations between the companies Alitalia and AirOne was permitted in derogation of antitrust rules.

2.2.6. Implementation of the procedure under law 223/91

On 27 March 2009 the Board of Directors mandated the Chief Executive Officer to undertake whatever is necessary to implement personnel restructuring *ex* Law 223/91 concerning 168 aircrew (pilots and flight attendants). On this matter two separate personnel restructuring procedures were opened (pilots and flight attendants) with the sending of the prescribed notifications to the Personnel concerned on 20 April 2009.

Negotiations were opened with the unions in order to seek possible ways of handling redundancies in the least traumatic way, which was effectively put into effect with the signature of a new solidarity agreement for cabin crew from 21 July 2009 (ref. paragraph 2.3 below). As regards pilots, with no such agreement having been reached, contracts were terminated and in the coming weeks following an appropriate management analysis, the procedure will proceed as prescribed.

2.2.7. Adoption of the organisation, management and control model ex *legislative decree 231*

Pursuant to Italian Legislative Decree 231/01, on 17 February 2009 Company adopted its organisation, management and control model by formal resolution of the Board of Directors. The Model is the result of a specific project initiated during the 2008 trading period and concluded definitively at the beginning of this period with the appointment of the members of the Oversight Committee by the Board of Directors on 27 March 2009.

2.2.8. Conclusion of the share capital increase

In January 2009 the share capital increase deliberated by the Shareholders' meeting on 10 September 2008 was concluded with the subscription of additional shares for an overall value of Euro 2.7 million. The operation saw the issue of shares for a total value of Euro 32.7 million. Meridiana's stock in the Eurofly capital grew from 46.10% to 60.73% (subsequently reducing to 59.58% following the sale of some shares). At the end of this operation share capital increased to Euro 39.2 million.

2.3. Significant events after the close of the period

2.3.1. Review of the 2009 budget and business plan

On 28 August 2009 the Board of Directors reviewed the 2009 budget and business plan, previously based on assumptions regarding external variables consistent with the macroeconomic scenario of the beginning of the year. These factors were reviewed in the spring by the financial institutions and IATA in order to take the new economic situation into account. The new forecasts for the period review those approved on 26 February 2009 and are based on the following:

1) Macroeconomic variables (specifically exchange rates and fuel costs) updated to current levels and the reduction of earnings per hour flown;
2) Reduction of the medium-haul fleet from 10 down to 8 A320 aircraft;
3) Reduction of scheduled long-haul operations;
4) Extension of the trade agreement with Lauda Livingston up to the end of the current period;
5) New solidarity agreement solely for cabin crew (ref. paragraph 2.2.6);
6) Termination of pilots' contracts with effect from November 2009.

As a consequence of the lower than expected results in the first six months of 2009 and of the reduced operations together with lower average unitary revenue expected for the second half of 2009, the new budget for the entire year forecasts revenues of around Euro 300 million, significantly lower than previously estimated. Operating and maintenance cost, fuel costs and operating leases will benefit from the planned reduction in operations and the trend in the Dollar, which will partially offset the lower revenues. Earnings from operations, broadly anticipated to break even in earlier forecasts, are now expected to be a loss of around Euro 20.9 million at the end of 2009. This takes into account the extraordinary non-recurring costs of Euro 3.5 million (previously calculated as at 30 June 2009) while the net loss is expected to be Euro 27.8 million.

On the same date the Board of Directors approved the new business plan for 2010-2015 (the "New Business Plan"), which envisages:

1) Long-haul fleet of 3 aircraft up to May 2010, reduced to 2 thereafter;
2) Medium-haul fleet comprising 9 aircraft between June and September, reduced to 7 for the remaining part of the year. Temporary wet leases of aircraft are anticipated for seasonal peaks for the domestic leisure and international routes, including via the use of MD80 aircraft whose greater availability on the market enables more competitive leasing rates. Leasing aircraft, both to and from Meridiana, will enable greater interaction with that company;
3) Long-haul operations to be rationalised via the concentration of flights to Africa and the Indian Ocean, on which Eurofly expects to maintain leadership of the Tour Operating market;
4) Medium-haul flights to Egypt will be reinforced and domestic flights between North and southern Italy will be rationalized;
5) The contribution of aircraft maintenance operations to the NewCo with effect from the fourth quarter of 2009;
6) The commercial distribution strategy to be strengthened across the traditional sales channels (agencies, Web, etc) and with the activities fulfilled by the associates Sameitaly and Wokita, by offering innovative services to the passenger;
7) Trends of uncontrollable variables (fuel costs, interest rates and exchange rates) aligned with forecasts provided by the financial institutions and IATA;
8) Passenger load factor trends and unitary revenues for charter and scheduled flights in line with the industry norms;
9) Reduction of catering costs from 2011 through reviews of existing contracts;

10) Review of general and overhead costs with progressive cost saving projects to be put into effect from 2010;
11) The benefit from the solidarity agreement with cabin crew until 2013. As regards pilots, a reduction of personnel costs is anticipated through the effect of the expiry of contracts without renewals with the consequent termination through age;
12) Quality of on-board service is anticipated to improve both by means of the reconfiguration of aircraft interiors and new catering programmes.

From a financial point of view, the New Business Plan envisages the following:

13) Disposal of the Company's headquarter building during 2010;
14) Maintaining customer payment and overdue to supplier terms in line with the programme put into effect in the first half of 2009;
15) Drawing credits from the Ministry of Labour for the solidarity agreements with a deferment of around 12 months from qualifying for the entitlement, and therefore broadly greater than the ordinary repayment times but in line with the delay period sustained thus far. In particular the drawing of the existing credit of around Euro 8 million is anticipated by June 2010;
16) The renewal, with effect from October 2010, of credit lines with banking institutions for equivalent amounts to those expiring at the same time and amounting to Euro 15 million.

Via the above measures the Company expects to have total revenues of Euro 290.0 million, an EBIT of Euro -9.2 million and a loss of around 13.0 million in 2010. This will give rise to an equity deficit from the first half of 2010, against which, as is described in more detail in paragraphs 2.3.2, "Commitments taken on by the shareholder Meridiana to ensure going concern" and 2.4. "Outlook on operations", interventions to recapitalise the Company are anticipated.
However, the forecasted results of the revised business plan depend significantly on uncontrollable variables - as demonstrated by the results of the second quarter of 2009, which illustrated clearly what has been often stated by the Directors. Moreover, in consideration of what is described in more detail in paragraphs 2.3.2. "Commitments taken on by the shareholder Meridiana to ensure going concern" and 2.4. "Outlook on operations", the completion in October 2009 of a feasibility study also regarding the financial convenience of Eurofly's integration with Meridiana’s air transport operations - which could render forecast data included in the New Business Plan under the "non integrated" scenario, irrelevant - it is not considered appropriate to provide detailed information on the levels of revenue, EBIT and profit forecasts for each year of the New Business Plan beyond 2010.

2.3.2. Commitments taken on by the shareholder Meridiana to ensure going concern

As mentioned in the previous paragraph 2.3.1, "Review of the 2009 budget and business plan", based on the forecast losses in the second half of 2009 and 2010 the Company's shareholders' equity appears likely to be entirely written off already in the first half of 2010. On 27 August 2009 the Board of Directors of Meridiana, Eurofly's main shareholder, informed the Company that - based on the possibility of developing structured feasibility studies in order to identify the opportunities related to the business combination of the air transport activities of Meridiana and Eurofly - has undertaken an irrevocable commitment to ensure Eurofly financial resources up to a maximum of Euro 20 million in order to ensure the going concern assumption - over the 12 months starting from July 2009 - based on the New Business Plan and considering the expected losses over that period. Such commitment is intended in order to allow the completion of the preliminary analyses for the preparation of the integrated Business Plan and the consequent realisation of the business combination for the purpose of creating value for the shareholders and stakeholders of Meridiana and Eurofly.

Specifically, Meridiana has undertaken an irrevocable commitment to ensure financial resources to Eurofly up to a maximum of Euro 20 million. This will ensure the going concern assumption over a period of 12 months starting from July 2009, based on the New Business Plan. An amount no less than Euro 15 million will be subscribed as cash capital increase - both with regard to Meridiana share and the rights that could not be subscribed by other shareholders on the market - and an amount up to Euro 5 million will be available in order to meet further liquidity requirements pursuant to the New Business Plan.

Such irrevocable commitment has been undertaken by Meridiana while reserving the right not to go ahead with the business integration if, after the completion of the feasibility studies, it does not appear to be financially advantageous for the two companies involved.

2.3.3. July and August trend

In July and August the long-haul fleet was reduced in comparison with the same two-month period of 2008 through the effect of one A330 aircraft leaving the fleet. Medium-haul fleet grew by one A320, which came into operation in June.

In line with more recent estimates, total revenues realised in the indicated period are lower than the previous year because of the reduced operations (in terms of hours flown) and the lower adjustment to agreed price associated with the fuel price trend.

As expected, the two-month period benefited from the seasonal effect, thanks to which the operating results were in profit, and for the month of July results were in line with the revised 2009 budget.

The net financial position as at 31 July 2009 was a negative value of Euro 5.2 million, while as at 30 June 2009 it was in the black by Euro 0.9 million. Cash and cash equivalents reduced from Euro 11.0 million as at 30 June 2009 to Euro 4.9 million as at 31 July 2009, through payments to suppliers. Current bank debt remained largely unchanged (Euro 7.3 million at the end of July in comparison with the Euro 7.1 million at the end of June). The current portion of non-current payables and non-current bank debt, both relating to the mortgage loan, amounted to Euro 0.6 million and Euro 2.5 million respectively; unchanged from 30 June 2009.
As at 31 July 2009 net banking availability was a negative figure of Euro 2.4 million. As at 30 June 2009 these were positive values of Euro 3.9 million.

2.3.4. Solidarity agreement update

On 20 July 2009 Eurofly and the unions/professional associations representing cabin crew signed an agreement to extend the employment contracts of Eurofly flight attendants up to 31 December 2014, and to provide solidarity agreements for the same period within the maximum limits allowed by law. On the same date Eurofly and all unions/professional associations representing cabin crew also formalised a Solidarity agreement having a duration of 12 months with effect from 21 July 2009 with the Italian Ministry of Employment, Health and Social Policy. This agreement supersedes the personnel restructuring procedure relating to Eurofly cabin crew implemented by the company on 20 April 2009 *ex* law 223/1991.

2.3.5. Programme for compliance with the Emission Trading Scheme directive

To meet the deadlines of European directive 2003/87/EC the Company implemented with the parent company Meridiana and with the help of external consultants, a specific project aimed at the implementation of a system of emissions monitoring and the definition of associated technical procedures. The Company is required to present its emissions monitoring plans to the presiding authorities. The plans must be approved before the end of the year, after which all operators will be required to apply them, and submit an annual report on their emissions.

2.4. Outlook on operations

As illustrated by the result of operations of the first half of the year (and in particular by the progress of the second quarter of the year) and in consideration of the uncertainties associated with the progress of the poor worldwide economic scenario, which has been shown to have significant effects on sales volumes and commercial risks/ratios, it is very difficult to make predictions with a good degree of accuracy on future data even if they relate to the short term. As described in more detail in the previous paragraph 2.3.1, "Review of the 2009 budget and business plan" the results anticipated for the second six months of 2009 and for 2010 outline the entire erosion of the Company's shareholders' equity in the early part of 2010. In addition, it has to be considered that the achievement of the targets for the 2009 Budget and New Business Plan for 2010 will be influenced significantly by the trend of variables such as the cost of fuel (with trends expected to rise for primarily financial reasons, unrelated to the effective demand for oil) and interest/exchange rates, passenger load factors, average revenue per passenger as well as revenues per hour flown relating to charter flights, whose trend is not under the Company's control and whose effect is particularly significant on achieving targets. Equally, other significant assumptions for the purposes of short term financial equilibrium (ref. paragraph 2.3.1) are also out of the Company's control. These include the finalization of the sale of the building, the collection of the receivables for Solidarity agreement, the level of working capital managed in line with that of the first six months of 2009 as well as the negotiation of the renewal of credit lines with the banking system up to a level equivalent to Euro 15 million of financing expiring in October 2010. Notwithstanding the various elements of uncertainty illustrated above, which could determine the achievement of results significantly different from those indicated in the forecast, that are significant for the evaluation of the going concern assumption, and could imply the reduction of shareholders' equity as well as financial needs both different from those assumed in the forecast - while there is an irrevocable commitment by Meridiana to support the Company up to a maximum of Euro 20 million under the conditions and for the purposes indicated in paragraph 2.3.2, "Commitments taken on by the shareholder Meridiana to ensure going concern" - the Directors consider appropriate the going concern assumption, although they state that there are material uncertainties that may cast significant doubts on the Company’s ability to continue as a going concern.

Moreover the failure to achieve taxable income in future years at least equal to those indicated in the New Business Plan, could determine the Company's inability to recover the deferred tax asset amounting to Euro 10,245 thousand recognized in the condensed half-yearly financial statements as of June 30, 2009, with the consequent further reduction of shareholders' equity.

In this uncertain scenario, the appropriateness of the going concern assumption comes from the consideration that the commitment taken on by the shareholder Meridiana ensure the Company's recapitalisation for an amount greater than the total losses expected as of December 31, 2010 and is suitable for financing operations regardless of the positive outcome from the negotiations with the banking system for the renewal of the credit lines as well as the sale of the building. As it is not likely that the banking system would stop supporting the Company as the Shareholders grantes financial support too and the successful completion of the sale of the building is possible, it should not be excluded therefore that further funds could be found to support possible new requirements deriving from the uncertainty not predicted in the New Business Plan. A further element supporting the going concern assumption is the prudence used for the predictions related to the trend of the above mentioned variables out of the control of the Company, that is aligned to the best information available on the market and, with reference to the management of the net working capital and the collection of receivables, is aligned to the conditions already tested and that can be reasonably expected.

As a consequence, as of today the Directors take the commitment to call a Shareholders' extraordinary meeting by the end of the year in order to grant the necessary level of net equity through capital increase operations..

As mentioned in the previous paragraph 2.3.1, "Review of the 2009 budget and business plan", the achievement of the strategies set out in the New Business Plan periods subsequent to 2010 may not be significant for the Company if in the coming months the feasibility studies are concluded positively for the integration of the air transport operations between Meridiana and Eurofly. The Directors will be informing the market in the prescribed manner of the progress of these studies and their impact on future strategies.

2.5. <u>Main risks and uncertainties concerning the current year</u>

In conduction its business, the Company is exposed to risks and uncertainties stemming from external factors relating to the general macroeconomic environment or sector-specific factors, as well as risks deriving from strategic decisions and internal management risks. In particular, the main risks identified concern the progress of the general economic framework, risks from dependence on uncontrollable external variables, competition risk and financial management risk. For an analysis of these risks please refer to the Management Report of the financial statements as at 31 December 2008.

The following is a summary illustration of the key risks that the Company could be exposed to in the coming months.

Risks relating to changes in the general economic scenario

Air transport, both in the business and leisure segment, is correlated with the overall economic scenario. After the acceleration of the difficulties in the early months of 2009, expectations of the progress of the economic framework in the second six months of the year remain negative. Confirmation of these predictions could influence Eurofly activities by bringing about a reduction of output and therefore revenue. This, together with the prevalence of fixed costs over variable costs in the Company's structure, would bring about pressure on margins and business profitability.

Risks dependent on external variables

The Company is exposed to external variables. In particular the cost of fuel represents a very significant element of business expenses. In spite of fuel price levels still being significantly lower than 2008, the cost of fuel has shown a rising trend during the first six months of 2009, which if it continues would have an influence on the results of the remaining part of the year. The first half of 2009 also featured the Euro strengthening against the American Dollar. If this trend were to be reversed, as many operating costs are in the US currency, this could give rise to higher costs and therefore reduced profitability. Please note however that charter contracts entered into by the Company with tour operators envisage the possibility of partially adjusting the agreed prices in function of the fuel cost and the Euro/USD exchange rate, as described in more detail in the Management Report of the financial statements as at 31 December 2008.

Risk relating to competition

In the current economic crisis scenario and associated lower consumer spending, competition in the air transport sector is becoming more fierce. The airline companies are seeking to protect their passenger volumes via the reduction of prices. Should the negative predictions of the progress of operations for the second part of the year be realised, this could be reflected in further pressure on prices and consequently on margins.

Risk relating to financial position management

The Company has a financial position featuring much higher current than long-term financial exposure. This combined with the pressure on profitability, together with negative net working capital and a significant amount of overdue payables, could give rise to financial tension.

Moreover, in consideration of the effect that the crisis has had on the package holiday industry and the specific difficulties of certain trade counterparties (tour operators, financial intermediaries that manage credit card payments, etc) it is easy to imagine a situation where Eurofly's trade receivables become overdue or unlikely to be settled.

2.6. Performance of associate companies

Eurofly does not control any companies pursuant to article 93 of the Consolidated Finance Act.

Eurofly owns shareholdings in associate companies, represented by 50% of the share capital of Wokita Srl and Sameitaly Srl contributed by Meridiana as part of the capital increase in kind completed in March 2008 and by a 49% equity interest in EF USA Inc.
Although they are 50% owned by Eurofly, pursuant to Article 25 of Italian Legislative Decree 127, 9 April 1991 Wokita and Sameitaly, are considered to be subsidiaries of Meridiana SpA for the purposes of the preparation of the latter’s consolidated financial statement.

Sameitaly, founded at the end of September 2007, provides the role of General sales agent throughout Italy for Meridiana, Eurofly and the tour operator Wokita, for travel businesses, entities and agencies with the objective of creating strong synergies across the group and optimising commercial distribution costs.

Wokita, founded in February 2006 to promote the development of the tour operating business via the Internet for the Meridiana group, creates and markets tourism packages and sells individual services direct to the end consumer via its web portal. Wokita's business model is primarily as an online tour operator and secondarily as an online travel agency. The strategy is based on the direct sale of holiday packages and individual services via its portal. Eurofly currently has trade relationships with Wokita for the sale of tickets and packages online.

EF USA Inc, founded in March 2008, is a company with an exclusive representation agreement, 51% owned by GCVA Inc. (a company not associated with Eurofly) and 49% owned by Eurofly, providing the sale of scheduled Eurofly tickets in the North American market for flights to Italy. EF USA operations consist of handling sales and providing customer care services on behalf of Eurofly in the North American territory, drawing an income through sales commissions. Based on agreements between the shareholders, members of Eurofly Management have a presence on the EF USA Board of Directors.

As regards the performance of equity investments for the six-month period, the current negative economic scenario has given rise to a general fall in sales both of holiday and business flights (falls at the industry level between 20 and 30% in comparison with the same period of 2008). In this general negative context, the Sameitaly results are also lower than expected. Specifically, the typical revenues from the operation amount to Euro 1,807 thousand (-22% in comparison with the first six months of 2008). Sameitaly are putting into effect all the appropriate commercial measures, by means of both the expansion of the client base and specific discounting and loyalty policies in agreement with the carriers. It is considered that these corrective actions will bring about improvements to the expected results such as to reduce the discrepancies by a limited amount in comparison with forecasts. For similar reasons Wokita has reported performance lower than expected in the first six months of 2009, including as a result of the fiercer competition by companies with advanced structures and marketing. Total gross revenues from operations carried out in the half-year were Euro 4,209 thousand (around -26% in comparison with the first half of 2008). In each case Wokita continued to invest in the development of the technological Web platform and increase trade coordination with the other companies of the Group according to the provisions of the Business Plan. In consideration of these latter development operations and the marked seasonality (the greater revenue is expected in the second half-year) it is considered that the discrepancies can be reduced within a range of limited variance in comparison with the Business Plan. In the light of what has been illustrated it is not considered that impairment indicators are necessary at this time.

The lower than expected performance of EF USA was taken into consideration in the assessment of the recoverability of the value of the stake.

2.7. Human Resources

As illustrated in the table below, a comparison between the average weight of salaries in the first half of 2009 and the same period of 2008 shows general stability in the Company's body of personnel. The main variance should be noted however in the ground-based personnel and not aircrew. More specifically, it should be noted that aircrew have decreased because of the reduction of the long-haul fleet, while ground crew has increased because of the need to reinforce certain functions and to run previously outsourced activities directly.

Categories	1Half 09	1Half 08	change 06.09/06.08
Managers	12.5	13.0	-0.5
Office workers	234.5	212.0	22.5
Total ground staff	**247.0**	**225.0**	**22.0**
Pilots	144.2	143.4	0.8
Flight attendants	352.0	375.8	-23.8
Total flight staff	**496.2**	**519.2**	**-23.0**
Total staff	**743.2**	**744.2**	**-1.0**

In March 2009 the Solidarity agreement terminated for all categories of personnel.
With a letter dated 20 April 2009 sent to the unions and the professional associations, two separate personnel restructuring procedures were initiated by the company for the reduction of the workforce (articles 4 and 24 of Law no. 223, 23 July 1991) for flight crew (43 employees) and cabin crew (125 employees). On 20 July 2009 an accord was entered into for the extension of the agreement for the cabin crew until 31 December 2014.

2.8. Company locations

Eurofly has its registered offices in Milan, via Ettore Bugatti, 15. The company also has secondary offices in New York (USA) at JFK airport and New Delhi, India. The latter office is no longer operational because of the suspension, in September 2007, of the Rome-New Delhi route operated during 2007.

2.9. Research and development activities

Through the nature of the operations carried out, the Company has not carried out any research and development in the strictest sense.

2.10. Macroeconomic picture

In the first part of the half-year period, the price of oil continued on its downward trend from the end of 2008, before then increasing slightly in the second quarter. The values recorded however remain lower than those of 2008. On average in the first half of 2009 the price of oil was around half that of 2008.

Interest rates (3-month)

	1Half 09	1Half 08	Jun-09	Dec-08
EURIBOR	1.714	4.730	1.261	3.431
LIBOR (US$)	1.044	3.007	0.621	1.829

Source British Bankers Association

During the course of the first half of 2009 the Dollar weakened against the Euro. In spite of this, the Euro/Dollar exchange rate for the period was on average lower than in the first half of 2008. Between the end of December 2008 and the end of June 2009 the exchange rate remained largely stable at around 1.40.

Exchange rate

	1Half 09	1Half 08	30-Jun-09	31-Dec-08
EUR/USD	1.3322	1.5309	1.4134	1.3917

Source: Il sole 24 ore

Interest rates, both in terms of average values in the first halves of 2009 and 2008 and spot rates in June 2009 and December 2008 recorded significant falls, as a result of the monetary policies put into effect by the central banks in order to tackle the economic crisis.

Crude Oil

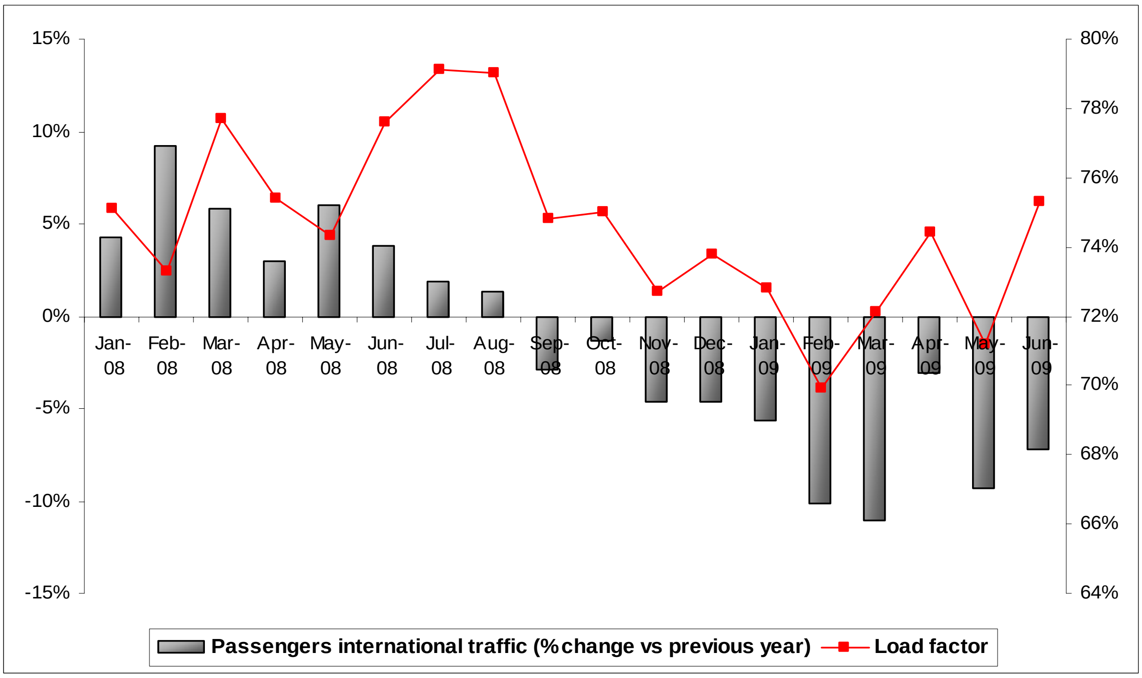
USD/barrel

Crude Oil	1Half 09	1Half 08	Jun-09	Dec-08
WTI - USA	51.2	110.9	69.6	41.7
Brent - Europe	51.5	109.0	68.6	43.4

Source Energy information administration - US Government

2.11. Industry scenario

The graph below illustrates the number of passengers transported worldwide and shows that all months of the first half of 2009 were down from the corresponding months of the first half of the previous year. In total the half-year period saw a fall of 7.6% in the number of passengers transported in comparison with the first six months of 2008. The recorded load factor was lower at 76% throughout the half-year period, falling below the 70% seen in February.



Source: International Air Transport Association

Similar figures can also be seen by analysing traffic in the main Italian airports. *Assareoporti* statistics in fact show a 7.7% fall in passengers from the first half of 2008 to the first half of 2009. The reduction was more noticeable in the first months of the half-year (more than 10% fall in the first quarter of 2009) and less in the second quarter (-3%).

Source: Assaeroporti

2.12. Management and co-ordination and related party transactions

Eurofly is subject to management and co-ordination of Meridiana which, following the capital increase resolved by the Shareholders' Meeting of 10 September 2008 and concluded in January 2009, increased its stock to 60.73%, and then reduced it by selling shares to 59.58%.

Operations carried out by Eurofly SpA with related parties primarily concerned the provision of services and, to a lesser extent, financial transactions with the parent Meridiana, with associated companies (Sameitaly Srl, Wokita Srl and EF USA Inc) and with the other companies forming part of the Meridiana Group.

These operations, completed at market conditions, fall within the ordinary management of the Company, and are not atypical or unusual and were carried out in the interest of the Company and the Group to which it belongs.

For greater detail on dealings with related parties please refer to the Explanatory Notes to the condensed half-year financial statements as at 30 June 2009 (ref. paragraph 4.10).

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2.13. Other information

As at the date of this half-yearly Financial Report there are no shareholders holding stock greater than 2% of the Capital with the exception of the parent company Meridiana, which directly holds 59.58% of the Eurofly share capital.

No atypical or unusual operations or transactions were put into effect.

During the course of the half-year period no transactions, neither directly nor indirectly,
for the purchase or sale of the Company's own shares were put into effect. As at 30 June 2009 the Company does not hold treasury shares. During the period holdings in unlisted companies greater than 10% of the voting rights remained unchanged and as at 30 June 2009 can be summarised in the following table.

Company name	Registered HQ	Share capital	% owned	Direct/indirect ownership	Equity /000	Profit (loss)/1000	Book Value /000
					As at 31.12.08		
Wokita Srl	Olbia	€ 35,000	50%	Direct	193	-9.8	€ 2,925
Sameitaly Srl	Olbia	€ 95,000	50%	Direct	563.1	221.1	€ 5,075
EF USA Inc	New Jersey USA	$1,000	49%	Direct	-$141	-$141	$0.490
							€ 0.352

The condensed half-yearly financial statements were subject to limited auditing by the Auditing Firm Deloitte & Touche.

Milan, 28 August 2009

For the Board of Directors

The Chairman

Marco Rigotti

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3. FINANCIAL STATEMENTS

3.1. Balance sheet

30.06.08	Ref.	Euro/000	30.06.09	31.12.08	Change
13,666	1	Property, plant and equipment	16,977	13,065	3,911
1,993	2	Intangible assets	1,859	1,354	505
11,621	3	Financial assets	9,404	8,793	611
1,294	4	Financial assets vs parent company	2,972	3,018	(46)
2,703	5	Other receivables	2,870	3,155	(285)
8,598	6	Deferred tax assets	10,245	10,941	(696)
8,000	7	Equity investments	8,000	8,000	0
47,875		**Total non-current assets**	**52,327**	**48,327**	**4,000**
3,065	8	Inventories	3,711	3,216	496
62,947	9	Trade and other receivables	57,024	59,225	(2,201)
5,070	10	Trade receivables and other receivables vs parent company	2,006	5,657	(3,651)
7,891	11	Other assets	2,545	10,459	(7,914)
15,585	12	Cash and cash equivalents	11,040	13,175	(2,135)
94,558		**Total current assets**	**76,326**	**91,732**	**(15,406)**
142,433		**Total assets**	**128,653**	**140,059**	**(11,406)**
6,503	13	Share capital	39,178	6,503	32,675
10,595	13	Reserves	(8,305)	40,433	(48,738)
(14,962)	13	Profit (Loss)	(23,278)	(18,498)	(4,780)
2,137		**Net equity**	**7,596**	**28,438**	**(20,843)**
3,018	14	Long term borrowings	2,474	2,758	(284)
128	15	Deferred tax liabilities	251	251	0
6,776	16	Provisions for risks and charges	8,897	6,894	2,003
9,922		**Total non-current liabilities**	**11,622**	**9,903**	**1,719**
110,315	17	Trade and other payables	93,800	91,719	2,081
2,146	18	Trade and other payables vs parent company	5,775	2,483	3,293
15,000	19	Bank debt	7,100	4,326	2,774
526	20	Current portion of long-term borrowings	563	533	30
0	21	Loans vs parent company	0	0	0
2,388	22	Provisions for risks and charges	2,197	2,657	(460)
130,374		**Total current liabilities**	**109,435**	**101,717**	**7,718**
142,433		**Total equity and liabilities**	**128,653**	**140,059**	**(11,406)**

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3.2. Comprehensive Income Statement

The comprehensive income statement for the first half of 2009 is provided below, with a comparison with the same period of 2008.

2008	% on revenue	Note	Income Statement	1Half 09	% on revenue	1Half 08	% on revenue	Change	% change
			Euro/000						
368,378	100.0%	23	Revenue from sales and services	143,065	100.0%	162,968	100.0%	-19,903	-12.2%
10,395	2.8%	24	Other revenue	3,036	2.1%	5,821	3.6%	-2,785	-47.8%
378,773	**102.8%**		**Total revenue**	**146,102**	**102.1%**	**168,789**	**103.6%**	**-22,687**	**-13.4%**
10,315	2.8%	25	Direct commercial costs	1,933	1.4%	4,223	2.6%	-2,290	-54.2%
135,842	36.9%	26	Fuel	33,464	23.4%	60,695	37.2%	-27,231	-44.9%
37,467	10.2%	27	Staff costs	20,160	14.1%	18,220	11.2%	1,940	10.6%
45,529	12.4%	28	Materials and maintenance services	25,099	17.5%	21,423	13.1%	3,677	17.2%
92,971	25.2%	29	Other operating costs and wet lease costs	49,863	34.9%	41,608	25.5%	8,254	19.8%
20,353	5.5%	30	Other commercial and overhead costs	10,644	7.4%	9,105	5.6%	1,539	16.9%
42,739	11.6%	31	Operating lease costs	22,751	15.9%	20,957	12.9%	1,794	8.6%
3,441	0.9%	32	Depreciation and amortization	1,623	1.1%	1,776	1.1%	-153	-8.6%
122	0.0%	33	Write-off of non-current assets	0	0.0%	0	0.0%	0	100.0%
5,779	1.6%	34	Provision for doubtful receivables	1,145	0.8%	3,124	1.9%	-1,979	-63.4%
967	0.3%	35	Provisions for liabilities and charges	1,307	0.9%	394	0.2%	913	231.5%
395,525	**107.4%**		**Total costs**	**167,989**	**117.4%**	**181,524**	**111.4%**	**-13,535**	**-7.5%**
(16,752)	**-4.5%**		**Operating profit (loss)**	**(21,887)**	**-15.3%**	**(12,735)**	**-7.8%**	**(9,152)**	**71.9%**
2,329	0.6%	36	Net finance income (expense)	732	0.5%	1,287	0.8%	(555)	-43.1%
(19,082)	**-5.2%**		**Pre-tax profit (loss)**	**(22,619)**	**-15.8%**	**(14,022)**	**-8.6%**	**(8,597)**	**61.3%**
584	0.2%	37	Income taxes	(659)	-0.5%	(939)	-0.6%	281	-29.9%
(18,498)	**-5.0%**		**Net profit (loss) for year**	**(23,278)**	**-16.3%**	**(14,962)**	**-9.2%**	**(8,316)**	**55.6%**
(96)	0.0%		Profit (losses) from actuarial valuations (IAS19)	0	0.0%	0	0.0%	0	0.0%
26	0.0%		actuarial valuations	0	0.0%	0	0.0%	0	0.0%
(18,567)	**-5.0%**		**Total profit (loss)**	**(23,278)**	**-16.3%**	**(14,962)**	**-9.2%**	**(8,316)**	**55.6%**

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Please refer to paragraph 4.1 for the reasons the addition of the actuarial evaluations necessary for the determination of the employee benefit fund as at 30 June in application of IAS 19 was not considered influential.

Below is the comprehensive income statement for the second quarter of 2009, compared with the same period of 2008. Please note that the income statements of the second quarters of 2008 and 2009 were not subject to auditing.

Income Statement	**2 Quarter 09**	**% on revenue**	**2 Quarter 08**	**% on revenue**	**Change**	**% change**
Euro/000						
Revenue from sales and services	63,508	100.0%	83,523	100.0%	(20,014)	-24.0%
Other revenue	768	1.2%	2,165	2.6%	(1,398)	-64.5%
Total revenue	**64,276**	**101.2%**	**85,688**	**102.6%**	**(21,412)**	**-25.0%**
Direct commercial costs	964	1.5%	2,837	3.4%	(1,872)	-66.0%
Fuel	15,470	24.4%	33,299	39.9%	(17,829)	-53.5%
Staff costs	11,046	17.4%	9,011	10.8%	2,035	22.6%
Materials and maintenance services	12,842	20.2%	10,952	13.1%	1,890	17.3%
Other operating costs and wet lease costs	23,145	36.4%	21,772	26.1%	1,372	6.3%
Other commercial and overhead costs	4,986	7.9%	4,709	5.6%	277	5.9%
Operating lease costs	11,600	18.3%	9,893	11.8%	1,707	17.3%
Depreciation and amortization	874	1.4%	827	1.0%	46	5.6%
Write-off of non-current assets	0	0.0%	0	0.0%	0	100.0%
Provision for doubtful receivables	641	1.0%	1,814	2.2%	(1,172)	-64.6%
Provisions for liabilities and charges	916	1.4%	206	0.2%	709	344.1%
Total costs	**82,484**	**129.9%**	**95,320**	**114.1%**	**(12,836)**	**-13.5%**
Operating profit (loss)	**(18,208)**	**-28.7%**	**(9,632)**	**-11.5%**	**(8,576)**	**89.0%**
Net finance income (expense)	662	1.0%	566	0.7%	96	16.9%
Pre-tax profit (loss)	**(18,870)**	**-29.7%**	**(10,199)**	**-12.2%**	**(8,672)**	**85.0%**
Income taxes	(351)	-0.6%	(596)	-0.7%	245	-41.1%
Net profit (loss) for year	**(19,221)**	**-30.3%**	**(10,795)**	**-12.9%**	**(8,427)**	**78.1%**
Profit (losses) from actuarial valuations (IAS19)	0	0.0%	0	0.0%	0	0.0%
Tax liability arising from profit (losses) from actuarial valuations	0	0.0%	0	0.0%	0	0.0%
Total profit (loss)	**(19,221)**	**-30.3%**	**(10,795)**	**-12.9%**	**(8,427)**	**78.1%**

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3.3. Statement of changes in equity

Euro/000	Share capital	Share premium reserve	Legal reserve	Other reserves	Statutory reserve	Retained earnings	Losses covered within the year	Payment for future capital increase	Profit (loss) for year	Total
Equity at 31 December 2006	**13,355**	**31,102**	**478**	**0**	**3,681**	**(2,775)**	**0**	**0**	**(29,139)**	**16,702**
Allocation of 2006 loss						(29,139)			29,139	**0**
Coverage of losses carried forward		(28,233)			(3,681)	31,914				**0**
Waiver of shareholder loan				177						**177**
January-September 2007 loss coverage	(7,088)	(2,869)	(478)				10,435			**(0)**
October 2007 loss coverage	(5,244)			(135)			5,379			**0**
Impact of deferred-tax adjustment on equity				(378)						**(378)**
Adjustment for actuarial losses (IAS19)				(150)						**(150)**
Profit (loss) for year									(21,757)	**(21,757)**
Equity at 31 December 2007	**1,023**	**(0)**	**0**	**(486)**	**0**	**0**	**15,814**	**0**	**(21,757)**	**(5,406)**
Allocation of 2007 loss						(5,943)	(15,814)		21,757	**0**
Capital increase in cash	5,231	9,438								**14,668**
Capital increase in kind	249	7,520								**7,769**
2nd capital increase in cash								29,974		**29,974**
Adjustment for actuarial losses (IAS19)				(69)						**(69)**
Profit (loss) for year									(18,498)	**(18,498)**
Equity at 31 December 2008	**6,503**	**16,958**	**0**	**(555)**	**0**	**(5,943)**	**0**	**29,974**	**(18,498)**	**28,438**
Allocation of 2008 loss						(18,498)			18,498	**0**
Designation of payment into future capital increase a/c	29,974							(29,974)		**0**
Completion of capital increase - January '09	2,701			(267)						**2,435**
Profit (loss) for the period									(23,278)	**(23,278)**
Equity at 30 June 2009	**39,178**	**16,958**	**0**	**(822)**	**0**	**(24,441)**	**0**	**0**	**(23,278)**	**7,595**

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3.4. Cash flow statement

1Half 08	Euro/000	1Half 09	2008
(8,960)	**Cash and cash equivalents at beginning of financial year**	8,849	(8,960)
(14,022)	Pre-tax loss	(22,619)	(19,082)
	Adjustments for:		
1,776	- Annual depreciation & amortization	1,623	3,441
355	- Foreign exchange (gain)/loss on transactions in foreign currency	501	320
934	- Other financial charges	231	2,009
(3,823)	Change in trade and other receivables	14,462	(5,900)
(189)	Change in inventory	(496)	(340)
16,236	Change in trade and other payables (incl. current provisions)	6,807	(161)
(1,021)	Interest and other financial charges paid	(263)	(2,177)
(35)	Realized foreign exchange (gain)/loss on transactions in foreign currency	(674)	337
(320)	Unrealized foreign exchange (gain)/loss on transactions in foreign currency	174	(657)
-	Write-down of non-current assets	-	122
(151)	Net change in post-employment benefit liability	(264)	(127)
(261)	**Cash flow generated (absorbed) by operating activities**	**(518)**	**(22,214)**
	Investments in non-current assets:		
(64)	* Intangible	(845)	(89)
(183)	* Property, plant and equipment	(5,194)	(706)
(2,949)	* Financial	(843)	(4,680)
87	* Equity investments	-	(0)
-	Interest received	32	168
2,913	Change in disposal value of other non-current assets	279	5,727
(195)	**Cash flow generated (absorbed) by investment activities**	**(6,572)**	**420**
(245)	Payment of loan instalments	(254)	(497)
(245)	**Cash flow generated (absorbed) by financing activities**	**(254)**	**(497)**
10,245	Proceeds from share capital increase	2,435	10,125
-	Other changes	-	-
-	Advance proceeds received for future share capital increase	-	29,974
10,245	**Cash flow generated by capital operations**	**2,435**	**40,099**
9,544	**Net increase (decrease) in cash and cash equivalents**	**(4,910)**	**17,809**
585	**Cash and cash equivalents at financial year-end**	**3,939**	**8,849**

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4. NOTES TO THE FINANCIAL STATEMENTS

4.1. Accounting standards and valuation criteria

The condensed half-yearly financial statements as at 30 June 2009 have been prepared pursuant to article 154-ter of the *TUF* as updated by Legislative Decree no. 195, 6 November 2007, enacting Directive 2004/109/EC (also referred to as the "Transparency Directive") and for the purposes of providing information on the Company's profit/loss, and financial position. The statements were prepared in application of the IAS/IFRS International accounting standards and accounting standard IAS 34 in particular. Therefore all information and the notes of the individual balance sheet have not been reported and therefore these condensed half-yearly financial statements must be read together with the individual financial statements as at 31 December 2008.

The condensed half-yearly financial statements are presented in thousands of Euro (unless expressly indicated otherwise) and comprise the Balance Sheet and the Comprehensive Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and these Explanatory Notes.

Please refer to the IAS/IFRS International accounting standards and valuation criteria adopted in the preparation of the individual financial statements as at 31 December 2008 for which the same standards and criteria were applied.

It should therefore be pointed out that the preparation of the condensed half-yearly financial statements required estimates and assumptions by the Directors that have a bearing on the values of the revenues, costs, assets and liabilities and the related information and potential assets and liabilities as at the date of reference. If in the future these estimates and assumptions, which are based on the best valuation possible by the Directors, are caused to vary by circumstances, they will be modified in an appropriate way for the period in which those circumstances change.

Below is a summary of the key valuation processes and assumptions used by the management in the application of the accounting standards, which may have significant effects on the values in the condensed half-yearly financial statements or for which there is the risk that adjustments to the book value of the assets and liabilities may emerge in the subsequent period.

Bad-debt provision

The bad debt provision reflects the Management's estimate of losses arising from the portfolio of accounts receivable from end customers.

The estimate for the bad debt provision is based on the losses expected by the Company, determined based on past experience for similar accounts, current and ageing receivables, losses and drawings, careful monitoring of credit quality and market and economic projections, with support from the opinions of legal consultants of the Company during pre-litigious and litigious phases. Please refer in particular to paragraph 4.3. "Note 9 - Trade and other receivables" of these explanatory notes for the considerations on the key cases of litigation in progress for credit recovery.

Recoverable value of non-current assets

The non-current assets include buildings, plant and machinery and other intangible assets including equity investments. The Management periodically reviews the book value of the non-current assets held and used and those assets that are to be disposed of, when circumstances require. This activity is carried out using estimates for anticipated cash flows and adjusted discount rates to calculate the current value and is therefore based on a collection of hypothetical assumptions relative to future events made by the Company's corporate bodies, which may not necessarily occur in the predicted times. In particular, as indicated in paragraph 2.4. "Outlook on operations", the predicted profitability of the Company and of its associated companies is influenced by the outcome of variables that are not controllable by the Company itself. These could include the trend in the Euro/Dollar exchange rate and interest rates, the cost of aircraft fuel, the passenger load factor rates, the average revenue per passenger and the revenue per charter hour flown. Equally, other assumptions relating to the short-term financial equilibrium (ref. paragraph 2.3.1) are also outside of the Company's control, such as the successful conclusion of the sale of the building, the drawing of the Solidarity agreement credits within 12 months, the management of the working capital in line with the first half of 2009 and the negotiation with the banks for the renewal of the credit lines up to a level equivalent to Euro 15 million of financing, which is expiring in October 2010. The failure to achieve results in line with those of the New Business Plan (drawn up on a standalone basis in particular without assuming any integration with Meridiana), could imply the inability of the Company to recover its assets at values corresponding to those recorded in the condensed half-yearly financial statements as at 30 June 2009.

Prepaid tax assets and deferred tax liabilities

The Company has reported on current and deferred/prepaid taxes pursuant to current legislation. The entry of taxes requires the use of estimates and assumptions concerning the methods with which to interpret, in relation to operations carried out during the course of the period, the applicable regulations and their effect on the company's tax situation. Moreover, the reporting of prepaid/deferred taxes requires the use of estimates of future taxable income and its progress as well as the tax rates effectively applicable. These activities are carried out via analysis of the transactions carried out and their tax status, including with the support, where necessary, of external consultants for the various issues tackled and by modelling the anticipated revenue streams and analysing their sensitivity. In particular, the recoverability of deferred taxes as at 30 June 2009, partly associated with the use of the tax losses that can be carried forward to future periods, depends on the achievement of a future taxable income in line with the profitability envisaged in the New Business Plan (drawn up on a standalone basis in particular without assuming any integration with Meridiana). The failure to achieve future taxable income at least equal to that indicated in the New Business Plan could determine the Company's inability to realize the deferred taxes recorded in the condensed half-yearly financial statements as at 30 June 2009 for Euro 10,245 thousand in total.

Potential liabilities

The Company is subject to legal and tax cases that can derive from difficult and complex problems, which carry a different level of uncertainty, including circumstances specific to each case, the jurisdiction and the different applicable laws.

In consideration of the uncertainties inherent in these problems, it is difficult to predict with any certainty the outcome of these disputes.

Consequently the Management, on the advice of their legal and tax experts and consultants, have determined a liability for these actions when a financial payout is considered likely and when the amount of such a payout can be reasonably estimated. In the case of a financial payout becoming possible without being able to determine the amount, this is reported in the explanatory notes to the condensed half-yearly financial statements.

Please note moreover that these evaluation processes, in particular the more complex ones such as the determination of any losses of the value of non-current assets, are generally only done comprehensively on the drafting of the annual financial statements, and when all information necessary is available. This excludes the cases in which there are impairment indicators that require an immediate valuation of any losses of value. Similarly, the actuarial valuations necessary for the valuation of employee benefit funds are normally carried out in the preparation of the annual financial statements.

The condensed half-yearly financial statements, while presenting information and set of financial figures suitable for comparison, do not include all the information that is required by the annual financial statements. The condensed half-yearly financial statements were subject to limited review audit procedures by the Independent Auditing Firm Deloitte & Touche.

Please refer to paragraph 2.4 "Outlook on operations" of this Half-Yearly Financial Report for a more detailed analysis of the reasons based on which the Directors, althought there are material uncertainties that may cast significant doubts on the Company's ability to continue as a going concern, concluded that the Company operates as going concern and, consequently, prepare the condensed half-yearly financial statements applying valuation criteria consistent with the going-concern assumption.

Below is an illustration of the new accounting standards, amendments and interpretations applicable from 1 January 2009. They include from this date the accounting standards used in the drawing up of the consolidated financial statements as at 31 December 2008.

The revised IAS 1 prohibits the reporting of income components such as earnings and charges (defined "changes generated by transactions with non-shareholders") in the Statement of changes of Equity, requiring them to be indicated separately to changes generated by transactions with shareholders.

In fact, according to the revised version of IAS 1, all changes generated by transactions with non-shareholders must be reported in their own separate statement that illustrates the trend for the period (a comprehensive statement of gains and losses) or in two separate statements (income statement and comprehensive statement of gains and losses). Consequently the Company modified the presentation of the Income Statement, calling it the "Comprehensive Income Statement" in which it also identified the "Profit (Loss) for the period", the "Comprehensive Profit (Loss) for the period" which also includes the comprehensive profits and losses which, in the specific case, are represented solely by the adjustment of actuarial gains and losses determined by the application of IAS 19. As previously indicated, as at 30 June 2009 this adjustment was not the subject of specific actuarial calculation, in consideration of its minor significance and consequently, the "Profit (Loss) for the period" and the "Comprehensive Profit (Loss) for the period" are the same.

The other IAS/IFRS standards subject to review and applicable from 1 January 2009 have not had an outcome on the presentation of the half-yearly financial report or on the valuation of capital, borrowing and profit/loss values.

In particular accounting standard IFRS 8 - Operating Segments, applicable from 1 January 2009, in replacement of IAS 14 - Segment reporting, has had no effect from the point of view of the values of the balance sheet items nor in the segment information provided by the Company in the financial statements, these being segments of operation identified for the purposes of IAS 14 corresponding to the definitions of segments envisaged by IFRS 8 (medium-haul/long-haul).

The revised version of IAS 23 provides that borrowing charges are directly attributable to the acquisition, on the construction of an asset which justifies capitalisation, and form part of the cost of the asset itself. The option is no longer valid that allowed charging borrowing costs sustained under investment in capitalised assets directly to the income statement. There have been no accounting effects in the first half of 2009 as a result of the adoption of the standard.

Below follows an illustration of the accounting standards, amendments and interpretations not yet applicable and not adopted by the Company in advance.

- On 10 January 2008 the IASB issued an updated version of IFRS 3 - Business combinations, and issued IAS 27 - Consolidated and separate financial statements. The key amendments applied to IFRS concern the elimination of the obligation to value the individual assets and liabilities of the subsidiary at fair value in any subsequent acquisition, in the case of partial acquisition of subsidiary companies. However in the amendment to IAS 27, the IASB set out that changes to the level of holding that do not form loss of control of the entity must be treated as an equity transaction and therefore must be reported as such. Moreover it is set out that when a parent company transfers its control of a subsidiary but continues to hold an interest in the entity, it must value the retained stockholding at fair value and any gains or losses deriving from the loss of control to the income statement. Lastly, the amendment to IAS 27 requires that all losses attributable to minority equity investments be allocated to third-party interests, including when they exceed the stock of the capital held in the subsidiary. The new provisions must be applied from 1 January 2010.

The IASB issued a collection of "improvement" amendments to the IFRS. The following are those indicated by the IASB as changes that will bring about a change in the presentation, recognition and valuation of balance sheet items, omitting those that give rise only to changes in terminology and have minimal accounting effects, or those that have an effect on the standards on the interpretations that are not applicable to Eurofly:

- IFRS 5 - Non-current assets held for sale and discontinued operations: The amendment must be applied from January 2010.

- IAS 17 – Leases: Following the modifications the general provisions of IAS 17 will also apply to leased land for the classification of the contract as a finance or operating lease regardless of whether the lessee obtains ownership at the end of the term. Prior to the amendments, the accounting standard prescribed that if ownership of the land subject to the lease was not transferred at the end of the term of the contract, it was classified as an operating lease as the asset had an indefinite useful life. The amendment is applicable from 1 January 2010. At that date all land subject to existing leasing contracts that have not expired will be valued separately, with any retrospective recognition of new leasing accounted as a finance lease.

4.2. Financial statement comparability and business seasonality

The demand for air transport, especially in the leisure/holiday segment, features significant seasonality. As regards Eurofly, operations are more concentrated in the third quarter of the year and are more limited in the second and fourth quarter, with the exception of the time around special holidays (Christmas/New Year, Easter and long weekends). In the first quarter, medium-haul operations are lower in comparison with the other months of the year, while exotic and tropical long-haul leisure destinations are particularly sought after.

4.3. Analysis of changes in the balance sheet

Non-current assets

As at 30 June 2009 non-current assets amounted to Euro 52,327 thousand, an increase of Euro 4,000 thousand over the Euro 48,327 thousand as at 31 December 2008.

Note 1. **Tangible assets**, for Euro 16,977 thousand, an increase from the Euro 13,065 thousand at the end of December 2008, include the offices in Milan, the Company's registered and administrative offices. Tangible assets recorded a net increase of Euro 3,911 thousand during the period, of which: investment of Euro 5,194 thousand relates primarily to the revision of the maintenance phase-out reserves (recognized as an increase in the value of the assets), the purchase of aeronautical components, improvement interventions on the aircraft (including the modernisation of the cabins), systems/furnishings/fittings and equipment for the refurbished base

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at Malpensa. Decreases for the period are represented primarily by the depreciation and amortisation of Euro 1,283 thousand. Please refer in particular to paragraph 4.1. "Accounting standards and valuation criteria" for the effects on the valuation of the recoverability of the book values of the tangible assets deriving from the significant dependence of the forecast results in the New Business Plan on uncontrollable variables.

Euro/000	**Historical cost**				**Cumulative depreciation**				**Net value**	**Net value**
	As at 31/12/08	Increases	Decreases /Write-down	As at 30.06.09	As at 31/12/08	Annual depreciation	Decreases	As at 30/06/09	30/06/09	31/12/08
Land and buildings	9,030	930	-	9,960	1,415	173	-	1,588	8,371	7,615
Plant and machinery	13,344	4,247	1,331	16,260	8,749	944	1,331	8,363	7,897	4,595
Equipment	819	10	-	829	627	48	-	675	154	191
Other assets	2,471	8	24	2,455	1,806	118	24	1,900	555	665
Total property, plant and equipment	**25,664**	**5,194**	**1,356**	**29,502**	**12,599**	**1,283**	**1,356**	**12,526**	**16,977**	**13,065**

Note 2. **Intangible assets**, amounting to Euro 1,859 thousand, have increased over the value of 31 December 2008 (Euro 1,354 thousand) following the investments of Euro 845 thousand made during the period, which relate primarily to the costs for the acquisition of new aircraft that entered the fleet during the six-month period, against amortisation allocated for a total of Euro 340 thousand. Please refer to paragraph 4.1. "Accounting standards and valuation criteria" for the effects on the valuation of the recoverability of the book values of the intangible assets deriving from the significant dependence of the forecast results in the New Business Plan on uncontrollable variables.

Euro/000	**Historical cost**				**Cumulative depreciation**			**Net value**	**Net value**
	As at 31/12/08	Increases	Decreases	As at 30/06/09	As at 31/12/08	Annual depreciation	As at 30/06/09	30/06/09	31/12/08
Star-up and expansion costs	5,634	53	-	5,687	5,267	121	5,388	298	366
Development costs	463	-	-	463	450	5	454	9	14
Concessions, licenses, trademarks and similar	2,130	-	-	2,130	1,504	106	1,610	520	626
Other intangible assets	1,847	792	963	1,676	1,499	108	644	1,032	348
Total intangible assets	**10,074**	**845**	**963**	**9,955**	**8,719**	**340**	**8,096**	**1,859**	**1,354**

Note 3. **Financial assets** amounts to Euro 9,404 thousand, an increase over the figure at the end of 2008 of Euro 8,793 thousand. The increase derives primarily from the placing of new security deposits with the lessors for the delivery of the new aircraft.

Euro/000	**30.06.09**	**31.12.08**	**Change**
Security deposits on oper	7,430	6,587	843
Other performance depos	1,973	2,206	(232)
Total financial assets	**9,404**	**8,793**	**611**

Note 4. The **Financial assets with parent company**, Meridiana of Euro 2,972 thousand relate to a security deposit for a pledge placed by the parent company to guarantee the issue by a bank of a guarantee for operating lease contracts for aircraft entered into by Eurofly SpA. This deposit has the same conditions as the pledge placed by the parent company with the bank. The change over the end of 2008 concerns solely the change in exchange rates as the deposit is in Dollars.

Note 5. The **Other receivables** amount to Euro 2,870 thousand and refer to the portion of the non-current receivables due from Airbus for the purchase of aeronautical goods and services arising from the termination of the contract for the acquisition of three A350 long-haul aircraft. The reduction from the value of Euro 3,155 thousand at the end of 2008 arises from the utilisation of that credit.

Note 6. **Deferred tax assets** amount to Euro 10,245 thousand, a fall from the figure at December 2008 (Euro 10,941 thousand) primarily through the effect of the recovery of funds and charges temporarily taxed and the review of the deferred tax assets on the taxable losses recoverable under the New Business Plan.

	Balance as at 31/12/08				**Balance as at 30/06/09**		
	Temporary differences	Statutory tax rate	Advance taxes paid	Movements	Temporary differences	Statutory tax rate	Advance taxes paid
Deferred tax assets for advance corporate tax (IRES)							
Risk provisions	2,919	27.5%	803	-1,514	1,405	27.5%	386
Write-downs / -offs of non-current assets	678	27.5%	187	-678	0	27.5%	0
Bad-debt provision	2,000	27.5%	550	-616	1,384	27.5%	381
Entertainment & gift expenses	13	27.5%	4	-8	5	27.5%	1
Net interest on arrears	0	27.5%	0		0	27.5%	0
Trademark amortisation	45	27.5%	12		45	27.5%	12
Unrealised foreign exchange gains and losses	887	27.5%	244		887	27.5%	244
2005 IPO costs (reducing equity)	1,531	27.5%	421	-1,527	4	27.5%	1
2008 capital-increase costs (reducing equity)	568	27.5%	156	-284	284	27.5%	78
2009 capital-increase costs (reducing equity)	0	27.5%	0	388	388	27.5%	107
Tax losses carried forward	30,166	27.5%	8,296	1,933	32,099	27.5%	8,827
Total advance corporate tax (IRES)	**38,806**		**10,672**	**-2,306**	**36,500**		**10,038**
Deferred tax assets for advance regional business tax (IRAP)							
Risk provisions	4,640	3.9%	181	-1,597	3,043	3.9%	119
Write-downs / -offs of non-current assets	678	3.9%	26	0	678	3.9%	26
Entertainment & gift expenses	13	3.9%	1	-3	10	3.9%	0
Trademark amortisation	45	3.9%	2	11	56	3.9%	2
IPO costs (reducing equity in compliance with IFRSs)	1,531	3.9%	60	1	1,531	3.9%	60
Total advance regional business tax (IRAP)	**6,906**		**269**	**-1,588**	**5,318**		**207**
Total deferred tax assets			**10,941**				**10,245**

In particular the deferred tax assets include the tax benefits associated with the recovery of the tax losses incurred in fiscal years 2006, 2007, 2008 and in the first half of 2009 for an amount of Euro 8,827 thousand, corresponding to tax losses of Euro 32,099 thousand compared with future taxable incomes for a total amount of Euro 39.5 million in the period in which such fiscal benefit can be carried forward, in order to take into consideration, through a prudent adjustment of the total of the benefits that could be recognized, the risk associated with the high exposure of the future incomes to uncontrollable variables, particularly the cost of jet fuel and the interest/exchange rates compared with the values assumed. Please refer to paragraph 4.1. "Accounting standards and valuation criteria" for the effects on the valuation of the deferred tax assets, in case of not realising of the taxable incomes assumed in the New Business Plan.
Please note that the total amount of tax losses that can be carried forward in those periods would amount to around Euro 84 million.

Note 7. The item **Equity investments**, amounting to Euro 8 million, relates to the 50% equity interests in the companies Wokita Srl and Sameitaly Srl, contributed by Meridiana at Euro 2,925 thousand and Euro 5,075 thousand respectively, as part of the capital increase in kind executed during the first quarter of 2008. The contribution, coming within the scope of those definable as “under common control”, was recognised at fair value in consideration of the additional flows of cash over those prior to the operations, stemming from synergies developed between the Company and its associates companies.
The associates’ business performance Wokita Srl and Sameitaly Srl during the course of the first half of 2009 illustrated in paragraph 2.6 above, and the business plans approved by the Wokita and Sameitaly Board of Directors during the first quarter of 2009 - in spite of realising lower revenues than expected as a consequence of the difficult market and economic scenario - still bear out the book values of the associates in the condensed half-yearly financial statements as at 30 June 2009, based on the considerations put into effect in paragraph 2.6. As already stated earlier, performance deviating from expectations by the investee companies, whose profitability is influenced by the same uncertainties in macroeconomic scenario as those to which the Company is subject, could cause recognition of impairment of these equity investments, which is not envisaged today.
In light of the results achieved and the corrective actions currently in effect it is considered that the predictions of the business plan for the equity investments and consequently their reported values can be confirmed.

The Directors will systematically monitor the companies' operational performance in order to detect any permanent discrepancies of the figures from those used in the plan for the conferment transaction. This will at the same time ensure adequate levels of capitalisation as prescribed by the provisions of the civil code.

Eurofly also owns a 49% equity interest in the US corporation EF USA Inc, which operates and directs sales and customer care services on behalf of Eurofly, on an exclusive basis in North America.

Current assets

As at 30 June 2009 **current assets** amounted to Euro 76,326 thousand, a decrease of Euro 15,406 thousand from the Euro 91,732 thousand as at 31 December 2008.

Note 8. **Inventories** amounting to Euro 3,711 thousand are up from the value of Euro 3,216 thousand of 31 December 2008 and primarily are consumable aeronautical materials.

Note 9. **Trade and other receivables**, amounting to Euro 57,024 thousand (net of provision for doubtful receivables of Euro 12,383 thousand), are down from the Euro 59,225 thousand of 31 December 2008 (net of provision for doubtful receivables of Euro 11,302 thousand). Against the reduction of customer receivables by around Euro 7.6 million associated with seasonality and pre-billing times, there is an increase by Euro 1,999 thousand of Contributory credits through the personnel solidarity agreement which at 30 June 2009 amounted to Euro 8,347 thousand.

The following key disputes with customers are currently in progress:

• Arbitrations proceedings vs. Teorema Tour SpA., regarding Eurofly's receivable vis-à-vis Teorema Tour SpA of some Euro 3 million and USD 3 million, as well as penalties of Euro 14.7 million for flight cancellations (the latter are not recognised in the balance sheet). Teorema Tour SpA has challenged Eurofly's demands and in return has claimed a receivable of some Euro 1.2 million.

On 20 May 2008 the arbitrators issued a partial ruling recognising Teorema Tour SpA's debt as regards the penalties, but at the same time reserving the right to decide on their amount.

The Panel made use of specialist advice therefore a Judge's Technical Assistant and Expert Witnesses were appointed. With an order dated 29 May 2009, the Arbitration Panel extended the term for the expert witness' submission to 24 July 2009 and assigned the parties the term of 10 September 2009 for their observations on the report.

Please note that during the course of 2007/2008 the Teorema Tour SpA Shareholders' meeting resolved to merge the company by incorporation into the company Essevi Srl and conferred its business to a new company, Teorema Srl then Teorema Sas.

During July 2009 a bankruptcy petition was presented against Teorema Sas. The appropriate actions pursuant to Eurofly's protection are being assessed.

In order to secure its rights to the receivables, Eurofly opened various legal actions during the year, first of all at the Court of Milan to preserve/reform Teorema's equity, in particular:

- On 24 September 2007 a writ of summons was served against Teorema SpA, BNP Paribas Lease Group SpA (Locafit) and Esse Real Estate Srl to achieve a declaration of inefficacy of the sale of a building, formerly owned by Teorema Tour SpA, to Locafit, and simultaneous financial leasing of the same by Locafit to Esse Real Estate Srl The next hearing is on 22 September 2009 in order to make a further attempt at conciliation;
- On 10 June 2008 a writ of summons was served aimed at nullifying or, on secondary basis, revoke the suretyship given by Teorema Tour SpA to BNP Paribas Lease Group SpA (Locafit) as a security of the finance leasing contract with Esse Real Estate Srl. The next hearing is on 29 September 2009;
- On 31 July 2008 a writ of summons was served to oppose the merger of Teorema Tour SpA and Essevi Srl. The Court, in the hearing of 5 March 2009, rejected Eurofly's applications ordering it to pay court costs.

• Arbitration proceedings with MG Viaggi Srl opened in 2006 by Eurofly for the recovery of a debt of around Euro 2 million. With a judgement dated 26 November 2008 the Arbitration Panel ordered MG Viaggi to pay Eurofly the total amount of Euro 1.1 million plus 75% of the procedural costs (currently 1.3 million in total). Executive procedures are currently underway for the recovery of the debt. MG Viaggi Srl went into voluntary liquidation on 23 June 2009 and therefore Eurofly is assessing further actions to be entered into to protect its interests. In April 2009 a second arbitration procedure was opened for the recovery of Euro 763 thousand (relating to a contract dated 2001), plus interest relating to fines for non-fulfilment by MG Viaggi.

• Petition against the Italian Defence Ministry concerning the commercial relationships – which started in July 2004 and ended in June 2006 – in relation to which differences emerged concerning interpretation of contractual clauses, the effects of which on Eurofly's credit position amount to about Euro 4.2 million.

For part of the above mentioned amount (around Euro 1.1 million), on 5 October 2007 Eurofly filled a petition for a first injunction which the Ministry of Defence opposed. With an order dated 17 February 2009 the judge appointed a Technical Assistant, which initiated on 15 July 2009. The case was adjourned to the hearing of 16 December 2009 for a discussion with the Technical Assistant. For the remaining amount (around Euro 3.1 million), on 26 November 2007 UniCredit Factoring SpA - to which Eurofly transferred part of the debts owed to it by the Ministry under a factoring agreement dated 11 July 2005 - submitted a second application for an injunction on which the Court of Rome issued the relative decree on 22 January 2008. The Judge is deciding whether to appoint a Technical Assistant and adjourned the case to 3 March 2010, to examine the two cases separately.

• Petition against the tour operator Maxitraveland SpA concerning Eurofly's receivable vis-a- vis the same of around Euro 5.5 million (for aircraft rentals and contractual penalties). Between June and July 2008 the Company served a writ based on disputed bank draft for the amount of Euro 78.3 thousand and the submission of two applications for an order for Euro 4,130 thousand (based on invoices issued) and Euro 1,250 thousand (based on bank drafts). In September 2008 the Court of Milan issued the injunctions Eurofly applied for against Maxitraveland SpA granting provisional execution for the amount supported by drafts in the amount of Euro 1,250 thousand.
Lastly on 15 October 2008 the judge declared Maxitraveland bankrupt. Eurofly submitted an application for recognition as a creditor, which was upheld in the amount of an unsecured Euro 2,977 thousand. On 27 March 2009 Eurofly submitted its opposition to the debt. The hearing for the examination of this opposition was set on 30 September 2009.

For the purposes of completeness of information there is the following litigation against other counterparties:

• Litigation with financial intermediaries for credit card sales in the USA, relating to Eurofly's receivable of USD 2.2 mn vis-à-vis financial intermediaries appointed to process sales via credit cards in the USA.
In the month of September 2007 the Company served a writ of summons against FIB/USBC/BOA and Mr Carl Smith, participating in the case opened during 2006 by FIB against USBC. The investigatory phase of the case is currently in progress.
In the month of September 2008 part of the above amount was recovered from the current account of Mr Carl Smith held at Affinity Bank in California (the bank into which he transferred the amounts drawn from BOA), in the amount of around USD 263 thousand.

• Arbitration proceedings with AIR COMET, relating to Eurofly's receivables vis-à-vis the same of USD 2.8 mn and Euro 580 thousand as per the lease contract signed by the parties on 26 March 2007. The arbitration procedure for the recovery of the amount was opened initially by Eurofly at the International Chamber of Commerce in London in August 2008. At the hearing of 2 July 2009 for the reading of Eurofly's applications, the arbitration panel deferred their order to September 2009.

• Litigation with the company Aertre - Aeroporto di Treviso S.p.A., relating to the damage caused on 6 August 2002. on 25 July 2008 the Venice courts handed down a judgement condemning Aertre and the Italian Defence Ministry jointly and severally to pay Eurofly damages for Euro 1,290 thousand. In relation to this judgement, on 3 October 2008 Aertre paid Eurofly the amount of Euro 685 thousand and on 15 June 2009 the additional amount of Euro 741 thousand on behalf of the Ministry. In October 2008 the Ministry of Defence served an appeal against the judgement of the Court of Venice. Eurofly, Aertre, Enac and Assicurazioni Generali entered into proceedings. With the order dated 17 March 2009, the Judge rejected the application for the temporary execution of the judgement applied for by the Ministry of Defence and adjourned the hearing to 11 February 2015 for the illustration of the conclusions.

• Litigation with the airport operator SEA, concerning the fee in excess of the amounts decided by the Malpensa Users' Committee for use of centralised infrastructures. With a writ of summons served on 17 June 2008, Eurofly entered into proceedings with Società Esercizi Aeroportuali S.p.A. (SEA) before the Civil Court of Milan requesting the airport operator be ordered to pay 35% of the amounts received between 2001 and 2006, the amount requested being Euro 1,938 thousand. At the hearing of 19 March 2009 the Judge granted the parties time to submit their memorandums and adjourned the hearing to 27 October 2009 for the discussion of any investigative applications. On 18 May 2009 the second memorandum was submitted with further documentation to support our case.

Against the disputes illustrated above, the Directors consider that the provision for doubtful receivables reported in the Half-Yearly Financial Report is an appropriate reflection of the likelihood of not receiving the amounts owed by the counterparties.

Lastly we report the existence of guarantees issued by trade counterparties comprising down payments of Euro 2,552 thousand and security guarantees of Euro 1,633 thousand.

Note 10. The **Trade receivables and other receivables with parent company** amounting to Euro 2,006 thousand are significantly lower than the Euro 5,657 thousand of 31 December 2008 through being the balance of open items. This item includes the amounts receivable from Meridiana for sales of scheduled flights purchased from Eurofly, as well as ACMI rentals. These amounts are settled at normal market conditions, as is illustrated in more detail below in paragraph 4.10. "Relations with related parties".

Note 11. The item **Other assets**, for Euro 2,545 thousand is showing a reduction of Euro 7,914 thousand from the figure of Euro 10,459 thousand reported at the end of 2008 as a result of the decrease in prepaid charges with particular reference to certain maintenance costs. This group of assets includes costs or amounts of charges deferred to future periods based on accrual-based accounting and relate primarily to maintenance, rental and insurance expenses.

Note 12. **Cash and cash equivalents** amount to Euro 11,040 thousand, which are down from the figure of Euro 13,175 thousand at the end of December 2008, which was benefiting from the revenues deriving from the portion of the capital increase completed in 2008.

Please refer to paragraphs 4.7.1 "Cash flow statement analysis" and 4.7.2 "Net financial position" for an analysis of the flows of cash during the period.

Note 13. **Equity** amounted to Euro 28,438 thousand, thanks to the input from the share capital increase. At the end of June it was reduced to Euro 7,596 as a result of the losses of the first half of 2009 of 23,278 thousand, which was partially offset by the second phase of the latest capital increase in January 2009, with an input of Euro 2,701 thousand. Accessory charges to the capital increase were also capitalised, net of the relative deferred taxes, in the amount of Euro 267 thousand.

Non-current liabilities

Non-current liabilities as at 30 June 2009 amounted to Euro 11,622 thousand, an increase over the Euro 9,903 reported as at 31 December 2008, as a result of the changes illustrated below.

Note 14. **Long term borrowings** stood at Euro 2,474 thousand and reflect the debt owed to Banca Profilo for the mortgage loan. The figure is down by Euro 284 thousand through the effect of the repayment of the half-yearly amount in January 2009. The loan was taken out in December

2003 for an original amount of Euro 5 million for the purchase of the property that now holds the company offices on via Ettore Bugatti, 15 in Milan. The debt is guaranteed by a first level mortgage on the property at a value of Euro 10 million. The annual repayments of the loan are set out below.

Annual repayments of principal	*Euro/000*
2009	279.0
2010	573.8
2011	595.5
2012	618.0
2013	641.4
2014	329.8

Note 15. **Deferred tax liabilities** amounted to Euro 251 thousand, which is in line with the figure as at 31 December 2008. They include the amount accounted for taxes on severance indemnities (*TFR*) calculated using the actuarial Projected Unit Credit Method.

Note 16. The long-term **Provisions for risks and charges**, comprising the severance indemnity fund, provision for the aircraft maintenance phase-out and other aircraft maintenance reserves, amount in total to Euro 8,897 thousand, an increase from the Euro 6,894 thousand of December 2008, largely through the increased estimates of the reserves which led to additional allocation in the half-year period of Euro 2,261 thousand, offset against the tangible assets, which were subject to the associated depreciation during the course of the operating leasing contracts on the aircraft.

The reserves' composition is illustrated in the following table:

Euro/000	**30.06.09**	**31.12.08**	**Change**
Restoration & handback	6,453	4,185	2,267
Post-employment benefit provision	2,444	2,708	(264)
Total provisions for liabilities and charges	**8,897**	**6,894**	**2,003**

Current liabilities

As at 30 June 2009 current liabilities stood at Euro 109,435 thousand (compared with Euro 101,717 thousand as at 31 December 2008).

The changes in current liabilities can be analysed as follows.

Note 17. **Trade and other payables** amounted to Euro 93,800 thousand. As illustrated in the table below, the increase over the figure of December 2008 (Euro 91,719 thousand) is due primarily to the increase of amounts payable to suppliers, which is only partially offset by the reduction of accrued charges associated with pre-billed scheduled and charter flights to be fulfilled following the closure of the accounting period.

This item's composition is illustrated in the following table.

Euro/000	**30.06.09**	**31.12.08**	**Change**
Payments received on account	2,788	2,889	(102)
Trade payables	51,443	43,709	7,734
Tax payables	903	1,941	(1,038)
Amounts due to social security & pension agencies	1,353	1,163	190
Other payables	6,295	5,312	982
Accrued expenses and deferred income	31,018	36,705	(5,686)
Total	**93,800**	**91,719**	**2,081**

The company is in litigation with the following suppliers for accounts payable:

• Legal dispute with the company ALITALIA, concerning ten curt payment orders in favour of Alitalia issued in March-September 2007 by the Court of Rome and Milan for a total amount of Euro 2.6 million.

As regards all the court payment orders served on, the Company has filled opposition to them objecting to the groundlessness of such demand in the amounts calculated by the counterparty and is counterclaiming that Alitalia be ordered to pay Eurofly SpA the total amount of Euro 2,259 thousand and Euro 5,000 thousand (compensation for violation of the right of first offer).

At the first hearings Eurofly requested a meeting of all cases. Following the Alitalia "bankruptcy" proceedings, all cases were interrupted and only one resumed, for which the next hearing is for 5 November 2009.

With an order dated 9 May 2008 the judge granted provisional execution of Euro 252 thousand. Negotiations are in progress relating to the payment method of this order.

Following the bankruptcy declaration of Alitalia SpA last year on 12 November 2008 an application for recognition as a creditor was made to the Court of Rome, Bankruptcy Section for a total amount of Euro 7,453 thousand. The hearing for the admission as a creditor, set for 16 June 2009, was adjourned for further examinations to the hearing of 16 December 2009.

• Legal dispute with the oil company ENI SpA. relating to the proceedings opened by ENI SpA against various airlines, including Eurofly (for an amount of Euro 242 thousand) to obtain an order for the cited companies to pay ENI SpA the amounts arising from the fee for the concession that the oil company is required to pay airport operators (so-called "fuel royalties"). On 20 April 2007, Eurofly responded with a counterclaim, requesting the Court to reject all applications made by ENI SpA and instead to order it to repay the fuel premiums it had received, as from 1997, for the supply of fuel at the airport, in the amount of around Euro 3.5 million. At the hearing of 1 July 2009, the Judge ordered ENI to exhibit all accounting documentation detailing the charging of premiums on the provision of fuel made from 1997 and adjourned the requested expert witness report to the next hearing (set at 3 February 2010).

• Litigation with the oil company Exxonmobil Petroleum&Chemical Bvba relates to the writ of summons served to Eurofly in May 2008 by the oil company, relating to fuel royalties in the amount of approximately Euro 173 thousand. Eurofly appeared and responded with a counterclaim, requesting that the Court reject all applications made by Exxonmobil and to order it to repay the fuel premiums it had received, as from 1998, for the supply of fuel at the airport, in the amount of around Euro 927 thousand. At the hearing of 22 April 2009 Eurofly submitted the recent order no. 14/16/2009, given on the matter of "fuel royalties" by the State Council. The Examining Magistrate adjourned the case for the admission of requested examinations to a hearing of 24 March 2010 in which to provide his conclusions.

• Litigation with the catering company Servair Air Chef relates to the injunction served to Eurofly in January 2008 for the recovery of an amount of approximately Euro 55 thousand for catering royalties. Eurofly appeared and responded with a counterclaim, requesting that the Court reject all applications made by Servair. The Examining Magistrate, in a hearing on 1 July 2009, rejected the application made by Servair to overturn the rejection of their application for provisional execution of the injunction and adjourned the case to 26 May 2010 for his conclusions.
We report that on 5 August 2009 Servair Air Chef, following Eurofly's withdrawal from the catering agreement entered into in 2005, applied for the issue of an emergency order *ex* article 700 of the Italian civil procedural code (cpc) aimed at declaring the withdrawal unlawful. In the hearing of 22 August 2009 the judge deferred the decision, then subsequently went back on the adjournment and rejected the claim submitted by Servair.

As at 30 June 2009 injunctions are pending for a total amount of Euro 2.7 million, Euro 2.6 of which concerns Alitalia and the remainder on four minor counterparties.

With a letter dated 7 August 2009 a lessor (CIT Aerospace International) served a default notice for the non-payment of two monthly fees relating to an A330 aircraft and relative maintenance payments for a total of USD 1.8 million. The same lessor holds a security deposit of USD 4.1 million paid by Eurofly on entering into the agreement.

As regards the legal dispute mentioned above, and based on the opinion of the Company's legal advisers and based on the intrinsic uncertainty of evaluation, explained above in more detail in paragraph 4.1. "Accounting standards and valuation criteria", it is considered that the Company should not fall into additional debts in addition to those already illustrated in the condensed half-yearly financial statements.

Note 18. **Trade and other payables with parent company,** Meridiana amount to Euro 5,775 thousand compared with the figure of Euro 2,483 thousand at the end of 2008 and comprise amounts for various services provided by the parent, in particular maintenance, port handling and consulting.

Note 19. The **Bank debt** amounting to Euro 7,100 thousand, has increased by Euro 2,774 thousand over the figure of Euro 4,326 thousand at the end of 2008 and primarily concerns standby revolving cash finance granted by the banks, which is the subject of the covenants described in paragraph 4.7.3 below.

Note 20. The **Current portion of long-term borrowings**, amounting to Euro 563 thousand (against the Euro 533 thousand at the end of 2008) includes the short term amount of the mortgage loan previously described in the notes relating to non-current liabilities.

Note 21. The **Provisions for risks and charges**, amounting to Euro 2,197 thousand, are down by Euro 460 thousand from the Euro 2,657 thousand at the end of 2008 through the greater utilisation during the half-year period. They primarily include the funds for the short term aircraft maintenance phase-out, the legal and labour disputes including those with the passengers, the charge for which was determined based on the best possible estimate in consideration of the past experience of such disputes. Moreover the item includes the allocation to a fund for the hedging of risk of the costs of reorganising long-haul operations.

Certain legal disputes are illustrated below:

• Legal dispute with the tour operator Metafelix relating to the writ of summons served by the tour operator on Eurofly for payment of some Euro 1.1 million for alleged non performance.
On 27 April 2009 the parties entered into an agreement for the amicable settlement of the case for an all-inclusive amount of Euro 100 thousand.

• Legal dispute with MyAir airline concerns the writ of summons served on Eurofly on 18 April 2008 for an amount of Euro 500 thousand. At the first hearing of 15 January 2009 the judge granted a term for the submission of memorandums and adjourned the hearing to 18 June 2009 for the judge to hear the parties' applications. With a hearing of 30 June 2009 to conclude the applications, the judge did not admit the parties' evidence (testimony and expert witness' report) and adjourned the hearing for further discussion to 8 April 2010.

• Legal dispute with the Corporate Aircraft company concerning the writ served by Corporate Aircraft for an amount of approximately Euro 1 million. This payment is being requested for mediation activities carried out with regard to the assigning of the finance leasing contract for the A319 aircraft in June 2007.
The writ was served in November 2007. At the hearing of 10 March 2009 the case was adjourned to 29 October 2009 for the taking of the depositions of witnesses.

• A partial tax audit, initiated in May 2006 with regard to corporation tax by the Regional Tax Authorities of Lombardy for the years 2002-2003-2004. In detail the tax liabilities disputed were Euro 0.6 million for the tax period 2002, Euro 2 million for the tax period 2003, Euro 1 million for the tax period 2004. As regards the year 2002, the Company acceded and paid an amount in taxes and fines of approximately Euro 10 thousand. As regards the 2003 tax year the Company paid greater taxes (solely *IRAP* - regional corporation tax, through the effect of existing tax losses), as well as fines and interest for a total of Euro 26 thousand.

• In August 2008 the US Customs and Border Agency notified the start of an audit of Eurofly's tax activities and fulfilment of related official obligations in North America in the period April 2004-March 2008, in particular as regards users (i.e. passenger) fees and other local taxes. Eurofly provided the requested information. At the end of January 2009 the final inspection statement was signed with the amounts yet to be paid in terms of taxes on tickets sold for a total of USD 356 thousand, for which the Company allocated the appropriate provisions for fines and interest in the 2008 financial statements. Eurofly paid fines and interest in the amount of USD 68 thousand during the course of the second quarter of 2009, using the funds allocated during the previous period.

4.4. Guarantees, commitments and other potential liabilities

As at 30 June 2009 Eurofly had provided security guarantees to third parties for a total amount of Euro 11.4 million. These were utilised primarily as guarantees for aircraft leasing contracts and for the financial intermediaries employed to process credit card payments. Please note that among the guarantees illustrated above there is an assignment of USD 4.2 million from a banking institution to guarantee operating lease contracts on aircraft, which is fully guaranteed by a pledge of cash by the parent company Meridiana.
Furthermore we report that the real estate used as the company offices was mortgaged for Euro 10 million with Banca Profilo on acquiring the building.

Future commitments of leasing fees as provided by the relative contracts are illustrated below.

Operating rentals	2009	2010	2011	2012	2013	Further	Total
US $ / 000	28,978	57,957	57,957	53,144	44,978	44,747	287,760
in Euro / 000	20,503	41,005	41,005	37,600	31,823	31,659	203,594

As described previously the Company is involved in litigation as both an applicant and a respondent. The Directors consider that the provisions for risk allocated in the condensed half-yearly financial statements are adequate for the potential liabilities that can be estimated as at the reference date of the report.

4.5. Analysis of financial performance

Revenues

Note 23. The **Revenue from sales and services** amounts to Euro 143,065 thousand and shows a fall of 12.2% over the Euro 162,968 thousand realised in the first half of 2008. The reduction was brought about by lower volumes (in terms of hours flown and passengers) and the price effect (lower margins associated with the cost of fuel) and was only partially offset by additional revenues arising from the codesharing agreement with Lauda Livingston (which generated additional cash of around Euro 9.7 million).

As previously illustrated, medium-haul operations were affected by lower capacities as a result of the temporary reduction of the fleet and the temporary operation by Meridiana of certain flights in Italy, previously operated by Eurofly. The long-haul revenue was sustained primarily by the restoration of operations to Kenya and the initiation of flights to Senegal, as well as the earnings deriving from the sale of seats for flights to the Indian Ocean/Africa deriving from the codesharing agreement with Lauda Livingston.
The revenues from sales and services include sales to related parties amounting to Euro 933 thousand, entirely to Meridiana and primarily are ACMI earnings.

Note 24. The **Other revenue** primarily represents earnings from subleasing aircraft (Euro 2,064 thousand). During the half-year period these amounted to a total of Euro 3,036 thousand and fell by 47.8% from the first half of 2008, when they were Euro 5,821 thousand and were primarily as a result of the shorter duration of the sublease of the A330 aircraft (terminated in March 2009).
This item includes revenue for intercompany chargebacks of Euro 440 thousand, of which Euro 376 thousand is to the parent Meridiana.

Costs

Note 25. The **Direct commercial expenses** amounted to Euro 1,933 thousand, which is down from the first half of 2008 (Euro 4,223 thousand) both in absolute value and in terms of incidence on turnover, as a result of fewer scheduled operations.
The item also includes the costs deriving from dealings with related parties for Euro 883 thousand, of which Euro 446 thousand was payable to the parent Meridiana mainly for sales commissions on scheduled flights.

Note 26. The **jet fuel** cost, Euro 33,464 thousand, showed a fall of 44.9% over the first half of 2008 where it was Euro 60,695 thousand, an incidence on revenue of 23.4% (37.2% in the first half of 2008). This trend is the result of the significant reduction of the cost of jet fuel per barrel (ref. paragraph 2.10) as well as the reduced operations during the period.

Note 27. **Staff costs** amounted to Euro 20,160 thousand in comparison with the Euro 18,220 thousand of the first half of 2008 and shows a growth of 10.6% as a result of the lower contributions deriving from the Solidarity agreement, which was terminated at the end of March 2009.

Euro/000	**1Half 09**	**1Half 08**	**Change**	**% change**
Wages and salaries	15,668	14,270	1,398	9.8%
Social security charges	3,661	3,296	366	11.1%
Post-employment benefits	830	654	177	27.0%
Total staff costs	**20,160**	**18,220**	**1,940**	**10.6%**

Note 28. Costs for **Materials and maintenance services**, of Euro 25,099 thousand grew 17.2% over the first half of 2008 (when they were Euro 21,423 thousand). As well as the strengthening of the Dollar, this cost increase was the result of the greater amount of engine maintenance as well as the additional extraordinary maintenance costs for the release of the aircraft leaving the fleet (phase-out) in the half year period. The item also includes the costs deriving from dealings with the parent Meridiana of Euro 2,232 thousand for aircraft maintenance services.

Euro/000	**1Half 09**	**1Half 08**	**Change**	**% change**
Aircraft maintenance	9,653	6,408	3,245	50.6%
Maintenance reserves	6,870	6,601	269	4.1%
Engineering and average	970	1,349	(379)	-28.1%
Rental of technical material	1,612	448	1,164	259.6%
Aircraft certification	296	296	(1)	-0.2%
Subtotal	**19,401**	**15,102**	**4,299**	**28.5%**
Aviation consumables	129	780	(651)	-83.5%
Subtotal aircraft maintenance	**19,530**	**15,883**	**3,647**	**23.0%**
Catering	5,303	5,415	(112)	-2.1%
Other costs	266	125	142	113.4%
Total maintenance materials and services	**25,099**	**21,423**	**3,677**	**17.2%**

Note 29. The **Operating costs and wet lease costs**, of Euro 49,863 thousand compared with the figure of Euro 41,608 thousand in the first half of 2008. The increase of 19.8% can be

attributed to the greater costs of wet leases through the purchase of seats on flights operated by Lauda Livingston, as a result of the codesharing agreement on flights to the Caribbean (offset by revenue from the sale of seats on flights to the Indian Ocean and Kenya).

Euro/000	1Half 09	1Half 08	Change	% change
Other operating costs	37,793	40,784	(2,991)	-7.3%
Wet lease	12,070	824	11,246	1364.0%
Total operating and wet lease costs	**49,863**	**41,608**	**8,254**	**19.8%**

This item also includes purchases by related parties amounting to Euro 282 thousand, of which Euro 247 thousand is from the parent Meridiana, primarily through port handling operations and ACMI amounts payable.

The fall of 7.3% in operating costs, primarily deriving from the reduced operations during the half-year period, is illustrated below.

Euro/000	1Half 09	1Half 08	Change	% change
Handling costs	9,771	11,654	(1,883)	-16.2%
Flight control assistance	9,374	9,658	(284)	-2.9%
Passenger fees	10,000	11,225	(1,225)	-10.9%
Landing fees	2,993	2,850	144	5.0%
Flight staff transport & accommodation	2,723	2,952	(229)	-7.8%
Passenger reprotection	1,890	1,567	323	20.6%
Aircraft insurance	432	345	87	25.1%
Flight staff insurance	239	258	(19)	-7.5%
Other operating costs	371	275	96	34.9%
Total operating costs	**37,793**	**40,784**	**(2,991)**	**-7.3%**

Note 30. **Commercial and corporate costs**, amounting to Euro 10,644 thousand, showed a growth of 16.9% over the first half of 2008 (when they were Euro 9,105 thousand), and were for greater use of consulting services, publicity and other minor services.
They include the costs for services provided by Meridiana of Euro 1,662 thousand, primarily for consulting and other central services provided by the parent.

Note 31. **Operating rentals**, which amounts to Euro 22,751 thousand, has increased by Euro 1,794 thousand from the figure of Euro 20,957 thousand of the first half of 2008. The detail by Business Unit is provided below:

Euro/000	1Half 09	1Half 08	Change	% change
Medium-haul	8,735	8,606	129	1.5%
Long-haul	14,016	12,352	1,664	13.5%
Total operating lease rentals	**22,751**	**20,957**	**1,794**	**8.6%**

The cost of operating leases on medium-haul increased by Euro 129 thousand (+1.5%), while for long-haul, the costs of operating leases grew by Euro 1,664 thousand (+13.5%) in comparison with the first half of 2008, as a result of a strengthening of the Dollar against the Euro.

Note 32. **Depreciation, amortisation, other provisions and provisions for risks and charges** amount to Euro 4,075 thousand and are down from the amount of Euro 5,294 thousand recorded in the first half of 2008 through the effect of the reduced depreciation and provision for doubtful receivables. Provision for doubtful receivables was allocated to specific and generic risks in the recovery of trade receivables, having taken past experience into account. Provisions for liabilities and charges amounted to Euro 1,307 thousand refer to periodic maintenance on aircraft, the risks associated with the reorganisation of operations to long-haul, labour disputes and other litigation.

Euro/000	1Half 09	1Half 08	Change	% change
Tangibles depreciation	1,283	1,153	130	11.3%
Intangibles amortisation	340	623	(283)	-45.4%
Total depreciation and amortisation	**1,623**	**1,776**	**(153)**	**-8.6%**

Euro/000	1Half 09	1Half 08	Change	% change
Write-down of receivables	1,145	3,124	(1,979)	-63.4%
Write-down of assets	0	0	0	0.0%
Total other provisions for adjustments	**1,145**	**3,124**	**(1,979)**	**-63.4%**

Euro/000	1Half 09	1Half 08	Change	% change
Maintenance reserves	187	207	(20)	-9.6%
Other provision for risk	1,120	187	933	497.6%
Total provision for risks and charges	**1,307**	**394**	**913**	**231.5%**

Note 33. **Financial (income)/charges** amounted to Euro 732 thousand, a decrease of Euro 556 thousand from the Euro 1,288 thousand in the first half of 2008. The change arose from less interest payable on bank debts through the improved financial position over the first half of 2008

and through the lower market interest rates, and lower interest on trade debts (included in the item "Other finance income (expense)").

Euro/000	1Half 09	1Half 08	Change	% change
Banking interest receivable	43	87	(44)	-50.7%
Banking interest payable	(81)	(457)	376	-82.3%
Interest payable on loan	(63)	(96)	33	-34.3%
Interest payable on factoring	0	(4)	4	-100.0%
Interest expense for post-employment benefits	0	0	0	0.0%
Commission on suretyships	(83)	(64)	(19)	29.3%
Other finance income (expense)	(48)	(401)	353	-88.0%
Foreign exchange gains (losses)	(501)	(355)	(146)	41.3%
Net finance income (expense)	**(732)**	**(1,288)**	**556**	**-43.2%**

Note 34. **Tax charges** amounted to Euro 659 thousand and mainly include the partial deferral of the taxes prepaid on the temporary differences in taxation and on the recoverable losses recalculated under the New Business Plan.

The net loss for the period amounts to Euro 23,278 thousand. As the Eurofly share capital comprises 354,795,770 shares, the figure per share is Euro 0.066.

4.6. Analysis of changes in net equity

During the course of the first half of 2009 the cash share capital increase deliberated by the Shareholders' meeting on 10 September 2008 was brought to a completion. In more detail, following the phase during which rights not taken up were put to auction, an additional 27,012,921 shares were subscribed for a total book value of Euro 2,701,292. In total on completion of the share capital increase 326,751,332 new shares were issued for a total value of Euro 32,675,133.2. Direct costs of Euro 389 thousand were accounted for the increase in share capital, net of deferred taxes of Euro 122 thousand.

Following the operations above and including the loss for the period, as at 30 June 2009 equity stood at Euro 7,596 thousand and is made up of the following:

- Share capital of Euro 39,178 thousand;
- Share premium reserve of Euro 16,958 thousand;
- Legal/Statutory and Other reserves totalling a negative value of Euro 822 thousand;
- Retained earnings of Euro 24,441 thousand;

- Net loss for the period of Euro 23,278 thousand.

As a result of the losses for the period, which are also a reflection of the notable seasonality of Eurofly's business, the Share capital is lower than the level envisaged by article 2446 civil code (Reduction of share capital for losses greater than one third).

For this reason the Board of Directors called a Shareholders' meeting for 28-29 September 2009 to deliberate the appropriate measures.

4.7. Financial position

4.7.1. Analysis of cash flow

As is illustrated in the cash flow statement, which depicts the change in cash and cash equivalents through the period using the indirect method, the first half of 2009 featured a decrease in cash availability of Euro 4,910 thousand. The flow of liquidity through the period is analysed below in both of its components.

- Cash flow from (used in) operating activities

During the period cash had a negative value of Euro 518 thousand. This absorption of liquidity is due primarily to the pre-tax loss of Euro 22,619 thousand, offset by the reduction of net floating capital. At the same time, depreciation and amortisation made a positive contribution of Euro 1,623 thousand.

- Cash flow from (used in) investing activities

During the half-year period investments were made amounting to Euro 6,572 thousand, which primarily were deposits to lessors for the supply of new aircraft (Euro 845 thousand) as well as other investments in tangible and intangible assets (Euro 6,039 thousand) as a result of the refurbishment of the warehouse at Malpensa, modifications for the improvement of on-board service quality and the inclusion of new aircraft into the fleet.

- Cash flow absorbed by financing activities

During the period, cash flows deriving from financing activities showed a negative value of Euro 254 thousand, and related to the payment of the instalments of the mortgage loan.

- Cash flow from equity transactions

Cash flows from equity transactions amounted to Euro 2,435 thousand during the period (net of the related direct expenses reported as a reduction of the capital increase, with the relative deferred taxes included). This cash flow was the effect of the cash capital increase deliberated by the Shareholders' meeting of 10 September 2008, completed in January 2009 with the phase during which rights not taken up were put to auction.

4.7.2. Net financial position

The net financial position as at 30 June 2009 was a positive value, Euro 902 thousand. The change from the positive figure of Euro 5,557 thousand reported as at 31 December 2008 are illustrated below.

30.06.08		*Euro/000*		30.06.09	31.12.08	Change
15,585	A.	Cash and banks	(1)	11,040	13,175	(2,135)
-	B.	Derivative contracts included in cash & cash equivalents	(1)	-	-	-
15,585	**C.**	**Cash & cash equivalents (A) + (B)**		**11,040**	**13,175**	**(2,135)**
-	**D.**	**Current financial receivables**		-	-	-
15,000	E.	Current bank debt	(1) (2)	7,100	4,326	2,774
-	F.	Derivative contracts included in bank debt	(1) (2)	-	-	-
526	G.	Current portion of non-current debt		563	533	30
-	H.	Other current financial debt		-	-	-
15,526	**I.**	**Current financial debt (E) + (F) + (G) + (H)**		**7,663**	**4,859**	**2,805**
(59)	**J.**	**Net current financial debt (I) - (C) - (D)**		**(3,376)**	**(8,316)**	**4,940**
-	**K.**	**Non-current financial receivables**		-	-	-
3,018	L.	Non-current bank debt		2,474	2,758	(284)
-	M.	Bonds issued		-	-	-
-	N.	Other non-current debt		-	-	-
3,018	**O.**	**Non-current financial debt (L) + (M) + (N)**		**2,474**	**2,758**	**(284)**
2,959	**P.**	**Net financial debt (J) - (K) + (O)**		**(902)**	**(5,557)**	**4,655**
		Reconciliation with cash flow statement and balance sheet:				
585	(1)	Cash and cash equivalents		3,939	8,849	(4,909)
15,000	(2)	Bank debt		7,100	4,326	2,774

For the letters C, D, I, K and O in particular the following can be illustrated:

<u>C - Cash and cash equivalents</u>

As at 30 June 2009 cash and cash equivalents amounted to Euro 11,040 thousand and comprises cash securities and positive current account balances.

<u>I - Current financial debt</u>

This value amounted to Euro 7,663 thousand and is made up of: i) debts with banks amounting to Euro 7,100 thousand, of current account overdrafts; ii) the current portion of non-current indebtedness for an amount of Euro 563 thousand.

O – Non-current financial debt

Non-current borrowings comprise non-current banking debts of Euro 2,474 thousand, and is the amount of the mortgage loan with Banca Profilo due in more than 12 months.

As at 30 June 2009 total credit lines amount to Euro 16,000 thousand, with 44% utilisation, security guarantees amount to Euro 11,394 thousand, with 89% utilised.

As at 30 June 2009 there were no past-due payables for tax and pension/welfare contributions. Furthermore there were no past-due payables to related parties or to employees. As regards trade payables, there were past-due trade debts amounting to approximately Euro 26.6 million, of which Euro 3.4 million has been overdue for more than one year (the greater part of which are subject to litigation). We can report no initiatives for the suspension of supplier relationships. We can report no demands for payment of past-due debts, other than those falling within normal management.

4.7.3. Confirmation of financial covenants

On 27 November 2007 the Company's bank debt restructuring programme was underwritten. Banca Nazionale del Lavoro SpA, Unicredit Banca d'Impresa SpA and Intesa San Paolo SpA, updated financing agreements entered into with Eurofly, substituting them with new agreements having the following terms and conditions: (i) the banks having joint shares committed to provide new standby revolving financing in cash in replacement of the existing financing up to a maximum of Euro 15 million with a spread lower than the previous one; (ii) the term for the repayment of the new financing was set at 36 months; (iii) the finance was accompanied by standard clauses envisaged for similar operations as well as by financing covenants. Specifically these latter conditions were given as the ratio between net financing indebtedness/EBITDAR and net financing indebtedness/equity, to be calculated based on the annual balance sheet and the half-yearly management report with effect from the balance sheet as at 31 December 2007.
The reference ratios are given below:

- Net financial debt/EBITDAR

- For 2007 no higher than (0.80)

- For 2008 no higher than (0.60)
- For 2009 no higher than (0.15)
  - Net financial debt /equity
- For 2007 no higher than (2.80)
- For 2008 no higher than (1.80)
- For 2009 no higher than (0.35).

As at 30 June 2009 the Company's net financial position was positive and the covenants illustrated above were fully complied with. However, based on the forecast data cited in paragraph 2.3.1 "Review of 2009 budget and business plan", it can be foreseen that by 31 December 2009, without the appropriate capital intervention, the covenants will not be complied with. Please refer to paragraph 2.4 "Anticipated management trends" for considerations provided on the neutrality of relations with the banking system on the Company's short-term financing equilibrium, bearing in mind the shareholder's commitment to sustain the Company and ensure its business continuity.

4.8. Significant non-recurring events

The following paragraph illustrates the main significant non-recurring events of the half-year period. For the sake of completeness of information please note that in the first quarter of 2009, because of a technical problem concerning one long-haul aircraft, costs were sustained to safeguard passenger safety and to manage the resulting delays. This had an effect on profits in the amount of approximately Euro 0.8 million.

4.8.1. Solidarity agreement

As the paragraph on personnel mentioned, the Solidarity agreement was applied to all grades of employees with effect from 1 April 2007, for a period of 24 months to March 2009. Such an agreement is envisaged among the instruments that law 223/91 provides in alternative to collective dismissal. The results for the half-year period had a positive contribution before tax amounting to approximately Euro 2 million. This amount is not reflected in the business' liquidity, as it was already required to be repaid by the relative Bodies.

4.8.2. Delays in the phase-out of the aircraft

The phase-out process for the aircraft I-EEZA and I-EEZB was complex and more costly than expected and gave rise to high extraordinary expenses, in particular as a result of the costs of

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refurbishing the aircraft to comply with the conditions of return, and the extra leasing costs from the delay in redelivery. The total expense unanticipated by the budget amounted to approximately Euro 3.5 million.

4.9. Segment reporting

Based on the rules of IAS 14, replaced by IFRS 8 from January 2009, Eurofly provides segment information according to the distinction between medium and long-haul, as the two operations have different business risks and benefits. The following are the main features of these two Business Areas.

1) Medium-haul: Includes flights having duration of less than five hours, and covering the European area and the Mediterranean basin, operated using the Company's A320 fleet or with aircraft temporarily acquired from third parties under wet leases. As well as Italy, medium-haul traffic is to and from Egypt, Greece, the Canary Islands, the Balearics and Israel. Medium-haul operations feature a high degree of seasonality, associated with summer tourism.
2) Long-haul: Includes flights having duration greater than five hours. The key destinations are the Maldives, Kenya, Mexico, the Dominican Republic, New York, Senegal and the Seychelles/Mauritius. Long-haul operations feature a lesser degree of seasonality.

The table below illustrates the revenue and profits (losses) divided between the two business areas.

Euro/000	Medium-haul 1Half 09	1Half 08	*Change*	*% change*	Long-haul 1Half 09	1Half 08	*Change*	*% change*	Total 1Half 09	1Half 08	*Change*	*% change*
Revenue from sales and services	64,810	81,079	-16,269	***-20.1%***	78,255	81,889	-3,634	***-4.4%***	143,065	162,968	-19,903	*-12.2%*
Other revenue	1,213	1,458	-245	***-16.8%***	1,823	4,363	-2,540	***-58.2%***	3,036	5,821	-2,785	*-47.8%*
Total revenue	**66,024**	**82,537**	**-16,513**	***-20.0%***	**80,078**	**86,252**	**-6,174**	***-7.2%***	**146,102**	**168,789**	**-22,687**	***-13.4%***
Direct commercial costs	938	2,452	-1,514	*-61.8%*	996	1,771	-775	*-43.8%*	1,933	4,223	-2,290	*-54.2%*
Revenue net of direct commercial expense	**65,086**	**80,085**	**-14,999**	***-18.7%***	**79,082**	**84,481**	**-5,399**	***-6.4%***	**144,168**	**164,566**	**-20,398**	***-12.4%***
Fuel	13,534	24,518	-10,984	*-44.8%*	19,929	36,177	-16,248	*-44.9%*	33,464	60,695	-27,231	*-44.9%*
Staff costs	10,288	8,548	1,740	*20.4%*	9,872	9,671	201	*2.1%*	20,160	18,219	1,941	*10.7%*
Materials and maintenance services	9,835	9,215	620	*6.7%*	15,264	12,208	3,056	*25.0%*	25,099	21,423	3,676	*17.2%*
Other operating costs and wet lease costs	22,728	24,996	-2,268	*-9.1%*	27,134	16,612	10,522	*63.3%*	49,863	41,608	8,255	*19.8%*
Other commercial and overhead costs	5,546	5,364	182	*3.4%*	5,098	3,740	1,358	*36.3%*	10,644	9,104	1,540	*16.9%*
Sub-total costs	**61,932**	**72,641**	**-10,709**	***-14.7%***	**77,298**	**78,408**	**-1,110**	***-1.4%***	**139,230**	**151,049**	**-11,819**	***-7.8%***
EBITDAR	**3,154**	**7,444**	**-4,290**	***-57.6%***	**1,785**	**6,073**	**-4,288**	***-70.6%***	**4,939**	**13,517**	**-8,578**	***-63.5%***
Operating lease rentals	8,735	8,606	129	*1.5%*	14,016	12,352	1,664	*13.5%*	22,751	20,958	1,793	*8.6%*
EBITDA	**-5,581**	**-1,162**	**-4,419**	***380.3%***	**-12,231**	**-6,279**	**-5,952**	***94.8%***	**-17,812**	**-7,441**	**-10,371**	***139.4%***
Depreciation and amortization	767	462	305	*66.1%*	855	1,313	-458	*-34.8%*	1,623	1,775	-152	*-8.6%*
Provision for doubtful receivables	911	2,059	-1,148	*n.m.*	234	1,064	-830	*n.m*	1,145	3,123	-1,978	*n.m*
Provisions for liabilities and charges	555	107	448	*419.1%*	752	288	464	*161.0%*	1,307	395	912	*230.9%*
EBIT	**-7,814**	**-3,790**	**-4,024**	***106.2%***	**-14,073**	**-8,944**	**-5,129**	***57.3%***	**-21,887**	**-12,734**	**-9,153**	***71.9%***
Finance (income) / expense									-732	-1,288	556	*-43.2%*
Pre-tax profit									**-22,619**	**-14,022**	**-8,597**	***61.3%***
Taxes for the period									-659	-939	280	*-29.8%*
Profit (loss) for the period									**-23,278**	**-14,961**	**-8,317**	***55.6%***

4.10. Transactions with related parties

As defined by IAS 24, Meridiana is a related party as it has the capacity to exercise a significant influence on Eurofly's financial and operational decisions. Meridiana is Eurofly's main shareholder with stock amounting to 59.58%. Eurofly is subject to the management and coordination of Meridiana. The table below illustrates the capital, financing and profit/loss ratios of the Meridiana group as at 30 June 2009.

Description (€/000)	Total	Meridiana		Same Italy		Wokita		EF USA		Others		Group total	
	30/06/09	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Trade receivables	59,030	2,006	3.4%	191	0.3%	109	0.2%	920	1.6%	0	0.0%	3,225	5.5%
Non-current financial assets	12,376	2,972	24.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,972	24.0%
Current financial assets	11,040	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Trade payables	99,575	5,775	5.8%	252	0.3%	223	0.2%	0	0.0%	53	0.1%	6,303	6.3%
Non-current financial liabilities	2,474	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Current financial liabilities	7,663	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Description	Total	Meridiana		Same Italy		Wokita		EF USA		Others		Group total	
	30/06/09	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Total revenue	146,102	1,309	0.9%	62	0.0%	2	0.0%	0	0.0%	0	0.0%	1,373	0.9%
Total costs	167,989	4,585	2.7%	351	0.2%	0	0.0%	87	0.1%	37	0.0%	5,059	3.0%
Finance (income) / expense	732	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Description	Total	Meridiana		Same Italy		Wokita		EF USA		Others		Group total	
	30/06/09	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cash flow from operating activities	(518)	6,944	n.m.	11	-2.2%	81	-15.7%	(728)	140.3%	(107)	20.6%	6,202	n.m.
Cash flow from investing activities	(6,572)	(2,972)	45.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	(2,972)	45.2%
Cash flow from financing activities	(254)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-	0.0%

Trade receivables include the amounts owed by Meridiana for the leasing of the Eurofly aircraft in ACMI mode and billing the parent for codesharing. Trade payables are associated with the services provided by the parent for maintenance, supervision, handling services and other consulting and the account for the agency services supplied by Sameitaly and EF-USA.

Long-term financial assets refer to a security deposit paid by Eurofly to Meridiana against collateral pledged by Meridiana with a lending institute for a security guarantee on the operating lease of aircraft.

The revenues refer primarily to the billing of Meridiana for flights in ACMI mode, while the expenses are associated primarily with maintenance, handling, supervision and consulting supplied by Meridiana as well as the commissions earned by Meridiana on codesharing sales on Eurofly flights, by Sameitaly on scheduled flights in Italy and by EF USA for agency operations in the USA.

For greater clarity the following is an illustration of the main operating and trade relationships with Meridiana, Wokita, Sameitaly and EF USA.

Transactions with Meridiana

Transactions with Meridiana concern the following activities:

1. The provision of customer support services by both telephone and other communication channels, using the Meridiana call centre;
2. Services for the optimisation of the capacity of the customer offer;
3. Consulting services in the pricing and distribution of products, market analysis, strategic positioning;
4. Accounting services relating to scheduled operations revenues;
5. Market analysis & commercial reporting services;
6. Pricing, distribution and e-ticketing services;
7. Revenue accounting services for scheduled operations;
8. Website integrated and exclusive management service;
9. Codesharing services and medium and long-haul interline sales on flights;
10. Aircraft maintenance service and technical support;
11. Port handling services in certain airports;
12. Meridiana personnel secondments to Eurofly and *vice versa*, to cover operational posts;
13. The granting of certain slots at Milan Linate, free of charge;
14. Wet lease agreements relating to the rental of aircraft;
15. A guarantee by means of a letter of patronage issued by Meridiana for the Eurofly debt restructuring.

Transactions with Sameitaly Srl

Eurofly has a general agency mandate with Sameitaly for the promotion of the sale of scheduled and charter air transport services throughout the national territory with travel agencies and tour operators against commissions calculated based on the margin component. The contract expires at the end of 2012 and is renewable.

Transactions with Wokita Srl

Eurofly currently has a trade relationship with Wokita for the sale of empty seats on charter flights. New agreements are under development for additional online ticket and package sales with the aim of enabling Eurofly to sell its flight products to leisure destinations directly and easily to the end customer, with significant savings through the lack of intermediaries.

Transactions with EF USA

EF USA operations consist of handling sales and providing customer care services on behalf of Eurofly in the North American territory, drawing an income through sales commissions. EF USA draws the revenue from sales generated in the USA Territory directly on behalf of Eurofly, periodically remitting these sums to Eurofly net of EF's commissions and sales expenses.

Transactions with other companies of the Meridiana group

These include handling services, other ground support and accessory services provided by Geasar SpA, the services franchisee at Olbia airport, Costa Smeralda.

4.11. List of equity investments

In application of article 126 of Consob Regulation 11971, the following is a list of shareholdings in unlisted companies greater than 10% of the voting rights as at 30 June 2009;

Company name	Registered HQ	Share capital	% owned	Direct/indirect ownership
Wokita Srl	Olbia	€ 35,000	50%	Direct
Sameitaly Srl	Olbia	€ 95,000	50%	Direct
EF USA Inc	New Jersey USA	$1,000	49%	Direct

4.12. Atypical or unusual operations

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, we report that the Company has put into effect no atypical and/or unusual operations, as defined by the cited Communication, during the course of the first half of 2009.

Milan, 28 August 2009

For the Board of Directors

The Chairman

Marco Rigotti

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5. First half Condensed Financial Statement Certification pursuant to article 154-bis of Italian Legislative decree 58/1998 (Italian consolidated finance act)

1.The undersigned, Giovanni Rossi, in his capacity as Chief Executive Officer, and Maurizio Cancellieri, in his capacity of Financial Reporting Officer of Eurofly SpA, also considering the requirements of article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58, 24 February 1998, herewith certify:

- the adequacy in relation to business characteristics and
- the effective application

of administrative and accounting procedures in the preparation of the condensed half-yearly financial statements, during the course of the period to 30 June 2009.

2. No significant aspects emerged in this respect.
3. It is also stated that the condensed half-yearly financial statements as at 30 June 2009:
   a) have been compiled in compliance with the applicable international accounting standards recognized in the European Union pursuant to Regulation (EC) no 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the entries of the account books;
   c) were compiled in compliance with the International Accounting Standards issued by the International Accounting Board (IASB) adopted by the European Union and, to our knowledge, provide a truthful and correct representation of the capital, profit/loss and borrowing position of Eurofly SpA.

The interim management report includes a reliable analysis of the significant events that took place in the first six months of the period and their effect on the condensed half-yearly financial statements, together with a description of the key risks and uncertainties for the remaining six months of the period. The interim management report also includes a reliable analysis of the information on significant operations with related parties.

Milan, 28 August 2009

Giovanni Rossi	Maurizio Cancellieri
Chief Executive Officer	Financial Reporting Officer
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