eurofly

Interim management statement as at 30 September 2008

Eurofly S.p.A. - Registered office at Via Ettore Bugatti, 15 – Milan (MI) – Share capital Euro 6,503,105.72 – www.eurofly.it

Company subject to management and coordination activities by Meridiana S.p.A.

Milan Economic and Administrative Index no. 1336505 – Milan Companies Register 05763070017 - VAT no. 03184630964 – Tax Code 05763070017

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Introduction

This interim management statement at 30 September 2008 has been prepared pursuant to Article 154–ter of the Consolidated Finance Act as amended by Italian Legislative Decree no. 195 of 6 November 2007, implementing Directive 2004/109/EC (also known as the "Transparency Directive"), in order to provide information on the Company's financial performance and standing, and an illustration of significant events and transactions that took place during the reporting period, together with their impact on the Company's financial performance. The interim management statement has been prepared in accordance with IASs and IFRSs, and with IAS 34 in particular, as better described in section 3.1 of this report.

In the interim management statement, the income statements for the first nine months of 2008 and the third quarter of 2008 are compared with those for the same periods of the previous year. The net financial position and balance sheet accounts at 30 September 2008 are compared with the corresponding final figures as at 31 December 2007.

We present below the financial highlights and business indicators for the first nine months of 2008, compared with those for the same period of 2007 and the 2007 financial year, as well as the financial highlights for 3rd quarter 2008 in comparison with 3rd quarter 2007.

Unless otherwise specified, Euro/000

2007	Significant data	Jan-Sept 08	Jan-Sept 07	Change	% change
47,144	Total flight hours	37,963	37,143	820	2.2%
1,879,289	Passengers carried	1,570,758	1,341,814	228,944	17.1%
156	Fleet availability, rented and in wet lease (machine months)	113	117	(4)	-3.4%
5,015	Productivity Long Range fleet (flight hours)	5,034	5,302	(268)	-5.1%
3,255	Productivity Medium Range fleet (flight hours)	3,619	3,387	232	6.8%

2007	Summary Income Statement	Jan-Sept 08	Jan-Sept 07	Change	% change
322,290	Revenue from sales and services	293,937	255,837	38,100	14.9%
331,695	Total revenue	303,389	262,357	41,032	15.6%
31,186	EBITDAR (1)	34,689	32,084	2,605	8.1%
9.7%	Percentage weight on revenue from sales and services	11.8%	12.5%		
(14,666)	EBITDA (2)	3,596	(2,471)	6,067	-245.5%
-4.6%	Percentage weight on revenue from sales and services	1.2%	-1.0%		
(22,289)	EBIT (3)	(5,920)	(7,485)	1,565	-20.9%
-6.9%	Percentage weight on revenue from sales and services	-2.0%	-2.9%		
(21,757)	Result of the period	(9,217)	(10,435)	1,218	-11.7%

30.09.07	Summary Balance Sheet	30.09.08	31.12.07	Change	% change
39,190	Total non-current assets	49,294	42,142	7,151	17.0%
81,139	Total current assets	92,475	81,141	11,333	14.0%
120,329	Total assets	141,768	123,283	18,485	15.0%
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6,267	Net equity	7,881	(5,406)	13,287	-245.8%
12,273	Total non-current liabilities	9,635	11,566	(1,931)	-16.7%
101,789	Total current liabilities	124,252	117,123	7,128	6.1%
120,329	Total net equity and liabilities	141,768	123,283	18,485	15.0%

2007	Investments	Jan-Sept 08	Jan-Sept 07	Change	% change
2,251	Investments	4,230	1,726	2,504	145.1%

30.09.07	Other financial data	30.09.08	31.12.07	Change	% change
(16,545)	Net financial position (4)	(14,312)	(17,065)	2,752	16.1%
(8,256)	Net cash and equivalents	(11,021)	(8,960)	(2,061)	-23.0%
(4,132)	Cash flow of the period	(2,062)	(4,836)	2,774	57.4%

Unless otherwise specified, Euro/000

Significant data	**III quarter 08**	**III quarter 07**	**Change**	**% change**
Total flight hours	15,272	14,404	868	6.0%
Passengers carried	635,566	569,794	65,772	11.5%
Fleet availability, rented and in wet lease (machine months)	40	39	1	2.6%
Productivity Long Range fleet (flight hours)	5,820	5,723	97	1.7%
Productivity Medium Range fleet (flight hours)	4,298	4,242	56	1.3%

Summary Income Statement	**Jan-Sept**	**Jan-Sept**	**Change**	**% change**
Revenue from sales and services	130,969	108,525	22,444	20.7%
Total revenue	134,600	111,609	22,991	20.6%
EBITDAR (1)	21,173	20,705	468	2.3%
Percentage weight on revenue from sales and services	16.2%	19.1%		
EBITDA (2)	11,037	8,827	2,211	25.0%
Percentage weight on revenue from sales and services	8.4%	8.1%		
EBIT (3)	6,815	7,172	(357)	-5.0%
Percentage weight on revenue from sales and services	5.2%	6.6%		
Result of the period	5,745	5,863	(118)	-2.0%

(1) EBITDAR: *Earnings Before Interest, Taxes, Depreciation, Amortisation and Aircraft Rentals* (aircraft operating leases – or “rentals” – do not include wet leases). EBITDAR also excludes provisions for risks and charges, other provisions for adjustments, and the impairment of non-current assets. (2) EBITDA: *Earnings Before Interest, Taxes, Depreciation, Amortisation.* (3) EBIT: *Earnings Before Interest and Taxes.* (4) With regard to the item “Net cash and equivalents”, the net financial position includes the items described in section 3.5.2.

1. OPERATING PERFORMANCE AND BUSINESS LANDSCAPE

1.1. Operating performance and activity

1.1.1. Results for the first nine months of 2008 and 3rd quarter 2008

To clarify operating performance, the income statements reclassified on the basis of operating criteria are illustrated as follows.

2007	% on revenue	*Euro/000*	Jan-Sept 08	% on revenue	Jan-Sept 07	% on revenue	Change	% change
322,290	100.0%	Revenue from sales and services	293,937	100.0%	255,837	100.0%	38,100	14.9%
9,405	2.9%	Other revenue	9,452	3.2%	6,520	2.5%	2,933	45.0%
331,695	**102.9%**	**Total revenue**	**303,389**	**103.2%**	**262,357**	**102.5%**	**41,032**	**15.6%**
7,671	2.4%	Direct commercial expenses	9,182	3.1%	5,934	2.3%	3,248	54.7%
324,023	**100.5%**	**Revenue net of direct commercial expenses**	**294,207**	**100.1%**	**256,423**	**100.2%**	**37,784**	**14.7%**
98,243	30.5%	Jet fuel	109,385	37.2%	74,644	29.2%	34,741	46.5%
38,354	11.9%	Staff costs	28,422	9.7%	29,637	11.6%	(1,215)	-4.1%
45,365	14.1%	Materials and maintenance services	34,678	11.8%	34,477	13.5%	201	0.6%
92,941	28.8%	Other operating costs and wet lease	73,064	24.9%	72,022	28.2%	1,042	1.4%
17,935	5.6%	Other commercial and corporate costs	13,969	4.8%	13,559	5.3%	410	3.0%
292,838	**90.9%**	**Sub-total costs**	**259,518**	**88.3%**	**224,339**	**87.7%**	**35,179**	**15.7%**
31,186	**9.7%**	**EBITDAR**	**34,689**	**11.8%**	**32,084**	**12.5%**	**2,605**	**8.1%**
45,852	14.2%	Operative rentals	31,093	10.6%	34,555	13.5%	(3,462)	-10.0%
(14,666)	**-4.6%**	**EBITDA**	**3,596**	**1.2%**	**(2,471)**	**-1.0%**	**6,067**	**245.5%**
3,951	1.2%	Depreciation and amortization	2,602	0.9%	2,894	1.1%	(292)	-10.1%
0	0.0%	Write-off of non-current assets	0	0.0%	0	0.0%	0	0.0%
2,820	0.9%	Other provisions	6,007	2.0%	1,541	0.6%	4,466	289.8%
852	0.3%	Provisions for risks and charges	907	0.3%	579	0.2%	328	56.5%
7,623	**2.4%**	**Total depreciation and provisions**	**9,515**	**3.2%**	**5,014**	**2.0%**	**4,501**	**89.8%**
(22,289)	**-6.9%**	**EBIT (operating result)**	**(5,920)**	**-2.0%**	**(7,485)**	**-2.9%**	**1,565**	**20.9%**
(2,474)	-0.8%	Financial income/(charges)	(1,664)	-0.6%	(1,180)	-0.5%	(484)	-41.0%
(24,763)	**-7.7%**	**Pre-tax profit**	**(7,584)**	**-2.6%**	**(8,665)**	**-3.4%**	**1,081**	**12.5%**
3,006	0.9%	Tax charges	(1,633)	-0.6%	(1,531)	-0.6%	(102)	6.6%
1	0.0%	Profit/(loss) from discontinued operations	0	0.0%	(238)	-0.1%	238	100.0%
(21,757)	**-6.8%**	**Result of the period**	**(9,217)**	**-3.1%**	**(10,435)**	**-4.1%**	**1,218**	**11.7%**

% on revenue	Reclassified income statement *Euro/000*	III quarter 08	% on revenue	III quarter 07	% on revenue	Change	% change
100.0%	Revenue from sales and services	130,969	100.0%	108,525	100.0%	22,444	20.7%
2.9%	Other revenue	3,631	2.8%	3,084	2.8%	548	17.8%
102.9%	**Total revenue**	**134,600**	**102.8%**	**111,609**	**102.8%**	**22,991**	**20.6%**
2.4%	Direct commercial expenses	4,959	3.8%	3,148	2.9%	1,811	57.5%
100.5%	**Revenue net of direct commercial expenses**	**129,641**	**99.0%**	**108,461**	**99.9%**	**21,180**	**19.5%**
30.5%	Jet fuel	48,690	37.2%	30,414	28.0%	18,276	60.1%
11.9%	Staff costs	10,202	7.8%	9,996	9.2%	206	2.1%
14.1%	Materials and maintenance services	13,256	10.1%	13,495	12.4%	(239)	-1.8%
28.8%	Other operating costs and wet lease	31,456	24.0%	28,638	26.4%	2,817	9.8%
5.6%	Other commercial and corporate costs	4,865	3.7%	5,213	4.8%	(349)	-6.7%
90.9%	**Sub-total costs**	**108,468**	**82.8%**	**87,756**	**80.9%**	**20,712**	**23.6%**
9.7%	**EBITDAR**	**21,173**	**16.2%**	**20,705**	**19.1%**	**468**	**2.3%**
14.2%	Operative rentals	10,136	7.7%	11,879	10.9%	(1,743)	-14.7%
-4.6%	**EBITDA**	**11,037**	**8.4%**	**8,827**	**8.1%**	**2,211**	**25.0%**
1.2%	Depreciation and amortization	826	0.6%	985	0.9%	(159)	-16.1%
0.0%	Write-off of non-current assets	0	0.0%	0	0.0%	0	0.0%
0.9%	Other provisions	2,883	2.2%	642	0.6%	2,241	349.2%
0.3%	Provisions for risks and charges	512	0.4%	27	0.0%	485	1769.2%
2.4%	**Total depreciation and provisions**	**4,222**	**3.2%**	**1,654**	**1.5%**	**2,567**	**155.2%**
-6.9%	**EBIT (operating result)**	**6,815**	**5.2%**	**7,172**	**6.6%**	**(357)**	**-5.0%**
-0.8%	Financial income/(charges)	(377)	-0.3%	(408)	-0.4%	31	7.7%
-7.7%	**Pre-tax profit**	**6,439**	**4.9%**	**6,764**	**6.2%**	**(325)**	**-4.8%**
0.9%	Tax charges	(694)	-0.5%	(1,017)	-0.9%	324	31.8%
0.0%	Profit/(loss) from discontinued operations	0	0.0%	117	0.1%	(117)	-100.0%
-6.8%	**Result of the period**	**5,745**	**4.4%**	**5,863**	**5.4%**	**(118)**	**-2.0%**

The first nine months of 2008 were characterised by major macroeconomic events that must be considered when analysing Eurofly results. The world’s leading economies, whose growth slowed down in the first half, were hit by a severe crisis at the end of the third quarter, particularly on the financial markets. In the first nine months of 2008, the price of oil rose by about 70% from the same period of 2007, and the Euro appreciated significantly against the U.S. dollar. However, these trends reversed course during the third quarter, with the price of oil falling and the Euro weakening.

Although they were penalised by major allowances to provisions for bad debts, which were largely concentrated in 3rd quarter 2008, the results for the first nine months of 2008 showed an improvement from the same period of the previous year (while dipping only slightly in 3rd quarter 2008 due to the previously mentioned provisions for bad debts). **Revenue from sales and services**, which totalled Euro 293,937 thousand in the first nine months, was up 14.9% from the first nine months of 2007. This was due to an increase in the income per flight hour, partly due to the adjustments implemented for higher fuel costs (in 3rd quarter 2008, this revenue increased by 20.7%, to Euro 130,969 thousand)

The growth in revenue is mainly attributable to the medium-range scheduled connections from Milano Linate to Naples, Catania and Palermo started in November 2007 by way of code sharing with Meridiana. Compared with the first nine months of 2007, the long-range business was penalised by political unrest in Kenya. However, it should also be noted that the Rome-Delhi connection operated in 2007 was interrupted in September 2007. As previously mentioned, medium and long-range revenues benefited from price adjustments resulting from the increase in fuel costs, which made it possible to attenuate the effect of the increase in the price of crude oil described in connection with the key macroeconomic variables. The growth in other revenues (+45% during the first nine months of the year) stems largely from sublease of the fifth A330 aircraft that joined the fleet at the end of March 2007 and was immediately leased to other companies.

Due to the major increase in crude oil prices on the market, which could not be fully recovered through sales revenues and in spite of its being attenuated by depreciation of the U.S. dollar, the cost of fuel increased by Euro 34,741 thousand during the first nine months of the year, or +46.5% (+ Euro 18,276 thousand, or +60.1% in the third quarter). As a percentage of revenues, the cost of fuel reached 37.2% in the first nine months of 2008, up from 29.2% in the first nine months of 2007 (37.2% in 3rd quarter 2008, compared with 28% in 3rd quarter 2007).

Despite the increase in the cost of fuel, **EBITDAR**, which totalled Euro 34,689 thousand, rose by 8.1% as compared with the first nine months of 2007 (+2.3% in 3rd quarter 2008), although its percentage in terms of revenues fell from 12.5% in the first nine months of 2007 to 11.8% in 2008 (it fell from 19.1% to 16.2% in 3 rd quarter 2008). The absolute increase in earnings during the first nine months of the year was also achieved through the savings realised on staff costs (which were equal to 9.7% of revenues in the first nine months of 2008, compared with 11.6% in the first nine months of 2007) due to implementation of the solidarity agreement (which came into effect in April 2007). In contrast, operating and wet lease costs increased due to greater recourse to subleases of aircraft on an ACMI basis, particularly in 3rd quarter 2008, to meet seasonal demand.

The improvement can be attributed to **medium-range routes** (EBITDAR in the first nine months of 2008 was Euro 21,991 thousand, against EBITDAR of Euro 16,359 thousand in the previous year), which benefited both from the higher level of activity during the period and improved margins.

EBITDAR for long-range routes totalled Euro 12,697 thousand, down Euro 3,027 thousand from the same period of 2007. This business unit was penalised to a greater degree by the increase in crude oil prices, whose cost has a major impact on revenues.

The weakening of the dollar against the Euro had a positive impact on the cost of operating leases, which were down despite the addition of the fifth A330 aircraft to the fleet.

As a result of the above, **EBITDA** was a positive Euro 3,596 thousand, compared with a negative Euro 2,471 thousand in the first nine months of 2007 (Euro 11,037 thousand in 3rd quarter 2008 as compared with Euro 8,827 thousand in 3rd quarter 2007). In this case as well, the positive change is attributable to the **medium-range routes,** which posted EBITDA of Euro 9,366 thousand in the first nine months of 2008, in contrast with EBITDA of Euro 934 thousand in the previous period, while the performance of **long-range routes** was worse than in 2007 (negative EBITDA of Euro 5,770 thousand, in comparison with negative Euro 3,404 thousand in the same period of 2007), partly on account of addition of a new A330 aircraft in April 2007.

As previously mentioned, the improvement of EBITDA in absolute terms and as a percentage of revenues contrasted with the downturn in **EBIT**, due to the significant increase in provisions for bad debts, which increased by Euro 4,466 thousand during the two periods analysed here (+Euro 2,241 thousand in 3rd quarter 2008), equal to over 2% of revenues. These higher costs are largely connected with the bankruptcy of a tour operator (Maxitraveland), declared on 15 October 2008, and the declaration of insolvency of the Alitalia Group on 29 August 2008. The writedowns connected with these two accounts had a negative impact of Euro 4,953 thousand on EBIT for the first nine months of 2008 (of which Euro 2,234 thousand in 3rd quarter 2008 alone).

Although the operating result (**EBIT**) was a negative Euro 5,920 thousand in the first nine months, it improved from the previous year by Euro 1,565 thousand (+20.9%), and was equal to 2.0% of revenues (-2.9% in the first nine months of 2007). In 3rd quarter 2008, EBIT was a positive Euro 6,815 thousand, equal to 5.2% of revenues, down from 3rd quarter 2007, when it was Euro 7,172 thousand (6.6% of revenues).

After financial expenses and taxes for the period, the net loss for the first nine months was Euro 9,217 thousand, compared with a net loss of Euro 10,435 thousand in the first nine months of 2007 (due to the seasonal nature of the Company’s business, 3rd quarter 2008 closed with a net profit of Euro 5,745 thousand, compared with Euro 5,863 thousand in 3rd quarter 2007).

During the first nine months of 2007, operations of the A319 business unit, recognised under “profit/(loss) from discontinued operations”, caused a loss of Euro 238 thousand. However, conclusion of the agreement with Alba – Servizi Aerotrasporti S.p.A. for temporary operation of the aircraft by Eurofly until the end of January 2008 made it possible to realise income of Euro 217 thousand in the first nine months of 2008, which was recognised under the result for continuing operations.

Net equity at 30 September 2008 was Euro 7,881 thousand, compared with the equity deficit of Euro 5,406 thousand at 31 December 2007. The increase resulted from the favourable conclusion of the capital increases in cash (Euro 14,991 thousand) and in kind (Euro 8,000 thousand) carried out during 1st quarter 2008, net of charges connected with the capital increases themselves (Euro 710 thousand) and the loss of Euro 9,217 thousand recognised during the period.

At 30 June 2008, the Company came under the provisions of Article 2446 of the Italian Civil Code (which mandates a reduction in capital due to losses exceeding one-third of capital, net of reserves), due to the losses of Euro 14,962 thousand recognised during the six-month period as at 30 June 2008, against available reserves of Euro 10,595 thousand, with a consequent erosion of more than one-third of share capital (totalling Euro 6,503 thousand).

This loss, which stemmed from the extremely seasonal nature of the Company's business, with sharp differences from quarter to quarter, was partially reversed during the third quarter, thereby allowing the Company to move out of the situation pursuant to Article 2446 of the Italian Civil Code (losses exceeding one-third of capital) from 31 August 2008. In particular, the aggregate loss accumulated over the eight months as at 31 August 2008 was Euro 7,723 thousand according to internal operating data (following profits of Euro 7,239 thousand in the two-month period of July-August), less than existing reserves (which totalled Euro 10,595 thousand) and thus not causing any erosion in capital. At 30 September 2008, the accumulated loss for the nine-month period was reduced to Euro 9,217 thousand (after net profits for the period of Euro 5,745 thousand), and was still entirely covered by reserves (which totalled Euro 10,595 thousand). Consequently, just as at 31 August, the share capital was not affected at 30 September 2008, with net equity being Euro 7,881 thousand, or more than the share capital of Euro 6,503 thousand.

Net financial debt at 30 September 2008 totalled Euro 14,312 thousand, against Euro 17,065 thousand at 31 December 2007 and Euro 2,959 thousand at 30 June 2008.

1.1.2. *The fleet*

During the first nine months of 2008, the Eurofly fleet remained unchanged from the same period of 2007. The long-range fleet consists of four A330 aircraft and the medium-range fleet of eight A320 aircraft.

At the end of March 2007, a fifth A330 aircraft joined the fleet. It was transferred under an operating lease to the Spanish company Air Comet until March 2008 and then to the Israeli company Israir Airlines & Tourism LTD until March 2009.

The Airbus A319 was in the fleet until January 2008, when it was definitively transferred to Alba – Servizi Aerotrasporti S.p.A., which had taken over the finance lease for the aircraft in June 2007, temporarily leaving operation of the aircraft with Eurofly.

The following table provides a summary of the Eurofly fleet from January 2007 to September 2008.

Registration mark	Type	Entry in fleet	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
I-EEZB	A330	Aug-02																					
I-EEZA	A330	Sep-02																					
I-EEZJ	A330	May-05																					
I-EEZL	A330	Dec-06																					
I-EEZC	A320	Oct-02																					
I-EEZD	A320	Feb-03																					
I-EEZE	A320	Mar-03																					
I-EEZF	A320	Apr-03																					
I-EEZG	A320	May-03																					
I-EEZH	A320	Dec-04																					
I-EEZI	A320	Dec-04																					
I-EEZK	A320	Feb-05																					
I-ECJA	A319	Apr-06																					

In line with the industry practise of acquiring or transferring operating capacity by means of wet leases, typically in the form of ACMI[1], Eurofly acquired additional capacity from June by means of a wet lease on an MD-80 aircraft from ItAli Airlines for the summer season.

[1] Aircraft, Crew, Maintenance and Insurance. This is a contractual form of leasing aircraft from third parties or to third parties that envisages payment of a fee covering the costs of the aircraft, crew, maintenance and insurance.

At the end of January 2008, Eurofly and Airbus decided to cancel the agreement signed on 30 December 2005 for the purchase of three long-range A350 aircraft, with refund and settlement of the advances paid.
New operating lease agreements on medium-range Airbus A320 aircraft are currently being reviewed within the scope of the approved business plan.

1.1.3. Commercial business

The **medium-range** charter/leisure schedule (to destinations that can be reached within five hours or less) is characterised by considerable annual planning of flights to Egypt (the Red Sea), the Canary Islands and traditional religious destinations (Lourdes, Tel Aviv), with an intensification during the summer months of flights to the traditional seaside destinations of the Mediterranean basin – Spain (Balearic and Canary Islands), Greece (Rhodes, Kos, Samos, Santorini and Mykonos), Tunisia (Monastir, Djerba), Jordan (Aqaba, Taba) and Turkey (Bodrum, Antalya).
Flights to Sharm El Sheik are also planned as scheduled flights and, following establishment of a mini-hub at Sharm El Sheik, connect 11 regional airports in Italy (Ancona, Bari, Bergamo, Bologna, Milano Malpensa, Naples, Pisa, Rome, Turin, Venice and Verona).
Its designation as a scheduled carrier for the Malpensa-Cairo route has also provided an incentive for scheduled traffic with Egypt, including two direct flights weekly since 16 June, while the charter programme includes direct flights from and to Hurgada, Marsa Alam and El Alamein, as well as scheduled domestic flights to archaeological sites (Abu Simbel, Luxor and Cairo) for excursions included in the tour operator packages.

The following domestic routes were confirmed for the Summer 2008 season by way of code sharing with Meridiana:
- Milano Linate - Naples (two flights daily as marketing carrier);
- Milano Linate - Catania (two flights daily as operating carrier);
- Milano Linate - Palermo (one flight daily as operating carrier);
- Milano Linate - Rome (two flights daily as marketing carrier);
- Milano Malpensa - Olbia - Milano Malpensa (three flights weekly as operating carrier)
- Bergamo - Olbia - Bergamo (one flight weekly as operating carrier).

These are complemented by a series of medium-range international flights with a mixed focus on business and leisure incoming traffic:

• two Bologna - Moscow - Bologna flights weekly (every Tuesday and Friday);
• one Naples - Moscow - Naples flight per week (every Friday);
• one Naples – Paris flight (code-sharing with Meridiana, as marketing carrier);
• two Milano Linate – Paris flights daily (code sharing with Meridiana, as marketing carrier);
• two Milano Malpensa - Cairo - Milano Malpensa flights weekly (every Monday and Thursday, inaugurated on 16 June 2008);
• two Milano Malpensa – Dakar - Milano Malpensa flights weekly (every Wednesday and Friday, inaugurated on 18 June 2008).

Finally, the following traditional outgoing scheduled flights are also operated:
• one Milano Malpensa - Fuerteventura - Milano Malpensa and Verona - Fuerteventura - Verona flight per week (every Monday);
• three Milano Malpensa - Mykonos - Milano Malpensa flights weekly (Monday, Friday and Sunday) and one Verona - Mykonos flight (Sunday);
• two Milano Malpensa - Santorini - Milano Malpensa flights weekly (every Monday and Thursday).

On **long-range routes,** commercial efforts have concentrated on:
i) resumption of Italy - New York scheduled flights, with intensified scheduling from mid-May 2008 from and to seven regional airports (Bari – new in 2008 – Bologna, Lamezia Terme, Naples, Pescara, Palermo and Rome) for a maximum of 12 flights weekly to JFK.

ii) resumption of scheduled and charter flights to Mombassa from 23 July, once a week (Friday from Milano Malpensa via Rome) and another three charter flights via Zanzibar from Milano Malpensa and Rome (Wednesday and Thursday). The flight programme returned to the levels that prevailed before the political unrest at the beginning of the year;

iii) confirmation of the focus on the Indian Ocean, with four scheduled flights a week to Malè (Maldives), including one via Fiumicino and one via Colombo, and consolidation of the Milan – Seychelles route, operating from mid-February 2008 via Mauritius with a frequency of one flight a week (Saturday) and programming of a scheduled Milan-Rome-Mauritius flight every Sunday.

These flights complete the major long-range scheduled and charter programme, with the Caribbean served by one flight to Cancun, Mexico and one flight to Punta Cana, Dominican Republic.

Statistics

Flight hours by type

flight hours

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
46,085	**Block hours (a)**	36,367	36,305	62	0.2%
591	**ACMI (b)**	484	462	21	4.6%
468	**REPRO ©**	1,112	375	737	196.2%
47,144	**Total flight hours**	**37,963**	**37,143**	**820**	**2.2%**

(a) flight hours operated by Eurofly with own aircraft

(b) flight hours operated for third parties with Eurofly's aircraft rented in wet lease to third parties

(c) flight hours operated for Eurofly with third parties' aircraft rented in wet lease by Eurofly

Flight hours by SBU

flight hours

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
26,259	**Medium Range**	22,747	20,484	2,263	11.0%
20,308	**Long Range**	15,216	16,118	(903)	-5.6%
577	**All Business**	0	540	(540)	-100.0%
47,144	**Total flight hours**	**37,963**	**37,143**	**820**	**2.2%**

During the first nine months of 2008, the number of flight hours was 37,963, compared with 37,143 in the same period of 2007. Medium-range flight hours rose from 20,484 in 2007 to 22,747 (including the flight hours carried out with the A319 aircraft) in the first nine months of 2008, as a result of the new scheduled flights between Italian cities. Instead, long-range flight hours fell from 16,118 hours in 2007 to 15,216 hours in 2008, due to the previously mentioned decline of business to Kenya, which was only partially offset by the new connections to Mauritius / Seychelles and the new flights to New York – JFK.

Fleet productivity

annualized flight hours

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
3,255	**Medium Range**	3,619	3,387	233	6.9%
5,015	**Long Range**	5,034	5,302	(268)	-5.1%

Fleet productivity increased significantly on medium-range routes, where it rose by 6.9%, while it fell by 5.1% on long-range routes. Once again, this was largely due to the reduction in capacity offered to Kenya.

Passengers carried

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
1,851,288	Eurofly	1,546,238	1,319,204	227,034	17.2%
28,001	Other carriers	24,520	22,610	1,910	8.4%
1,154,601	Medium Range	1,154,720	905,971	248,749	27.5%
721,403	Long Range	416,038	432,964	(16,926)	-3.9%
3,285	All Business	0	2,879	(2,879)	-100.0%
1,879,289	**Total passengers**	**1,570,758**	**1,341,814**	**228,944**	**17.1%**

The aggregate number of passengers carried by Eurofly, including both scheduled and charter flights, rose from 1,341,814 in the first nine months of 2007 to 1,570,758 in the same period of 2008. This was due to the contribution made by medium-range routes, on which the number of passengers grew by 27.5%, mainly due to the new scheduled flights. The volume of passengers carried on long-range flights fell by 3.9%.

Passengers carried - NY

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
133,051	Passengers carried	110,973	106,438	4,535	4.26%
186,804	Seat offered	151,998	148,614	3,384	2.28%
71.2%	Load factor	73.0%	71.6%	0.01	1.94%

Passengers carried - Milan Linate - Palermo, Catania, Naples and Naples Paris

2007		Jan-Sept 2008	Jan-Sept 2007	Change	% change
67,146	Passengers carried	313,833	-	-	-
115,200	Seat offer	445,080	-	-	-
58.3%	Load factor	70.5%	-	-	-

In 2008 the flights to New York were also operated during the winter months. During the first nine months of 2008, 110,973 passengers flew on this route. The average load factor was 73%, up from the same period of 2007. On medium-range routes, which include the flights between Milano Linate and Naples, Palermo and Catania and the route between Naples and Paris Charles de Gaulle, the load factor was over 70% and 313,833 passengers were carried.

1.2. Significant events during the first nine months of 2008

- **Capital increase in cash and in kind**

In February 2008 a capital increase in cash was carried out for a countervalue of about Euro 15 million, including Euro 5.2 million for share capital and Euro 9.7 million for reserves. The liquidity generated by this capital increase was Euro 10.2 million, since Meridiana subscribed for some of its own shares by offsetting the amount receivable from a shareholder loan of Euro 4.3 million. Meridiana, which was exempted from making a mandatory public offering pursuant to the CONSOB memorandum of 26 November 2007, also subscribed for more shares than those on which it originally had an option, and its shareholding in Eurofly consequently rose from 29.95% to 38.27%.

In March 2008 a capital increase in kind was carried out for a countervalue of Euro 8 million, including Euro 0.2 million for share capital and Euro 7.7 million for reserves. The operation was reserved to Meridiana pursuant to Article 2441(4) of the Italian Civil Code and, pursuant to the 2008-2010 Business Plan, was carried out through contribution of two equity investments in the companies Wokita S.r.l. and Sameitaly S.r.l., each representing 50% of the capital.

The shareholding of Meridiana in the capital of Eurofly subsequently rose from 38.27% to 46.10%.

For more information about these operations, reference is made to the half-yearly financial report as at 30 June 2008 and to the interim management statement as at 31 March 2008.

- **Developments in shareholdings**

Eurofly does not exercise control over any companies as defined in Article 93 of the Italian Consolidated Finance Act.

The Company does have equity interests in associated companies, holding 50% of Wokita S.r.l. and Sameitaly S.r.l. and 49% of EF USA.

Within the scope of the capital increase in kind concluded in March 2008, Meridiana S.p.A. granted Eurofly S.p.A. a 50% interest in the companies Wokita S.r.l. and Sameitaly S.r.l.

Although Eurofly has a 50% interest in Wokita and Sameitaly, for the purposes of preparing the consolidated financial statements pursuant to Article 25 of Legislative Decree no. 127 of 9 April 1991, these companies are controlled by Meridiana S.p.A., which directly owns 50% through its own shareholding and indirectly owns 23% through its shareholding in Eurofly S.p.A.

Sameitaly S.r.l., which was founded at the end of September 2007, operates as the general sales agent in Italy for Meridiana and Eurofly and the tour operator Wokita in the trade (travel agencies) and business segment, in view of creating powerful group synergies and streamlining commercial distribution costs.

Wokita S.r.l., founded in February 2006 to promote development of the online tour operating business within the Meridiana Group, creates and markets tour packages and sells individual services through its own portal. Eurofly currently has commercial relations with Wokita for the sale of “dead-freight” space.

EF-USA Inc., a new company with commercial representation, of which 51% is owned by GCVA Inc. (a company not related to Eurofly S.p.A.) and 49% by Eurofly S.p.A., was incorporated in March 2008 to replace the previous general sales agent as from 1 April 2008 on the North American market, upon expiration of its contract at the end of March 2008.

The activities of EF-USA consist of the operation and management of sales and customer care services on behalf of Eurofly in North America, with fees in the form of sales commissions. The activities of this company make it possible to contain agency costs and exercise greater control over activities in North America. The establishment of adequate information flows and the membership of Eurofly S.p.A. managers on the Board of Directors of EF-USA ensure adequate monitoring of decision-making and operating processes.

All relationships between the shareholdings and Eurofly are governed by commercial agreements.

In response to the current economic situation and difficulties faced by the travel and air transport industry, the management of the shareholdings and the shareholders are jointly reviewing all appropriate corrective measures regarding organisation, capital expenditure and training in order to adjust short-term operating and financial performance to the forecasts made in their own business growth plans. In particular, the Board of Directors of Sameitaly S.r.l. has revised its business plan, by reorganising its sales organisation, in order to respond better to market demand and increase the number of customers to be represented on the Italian market.

- **New business plan**

On 30 July 2008, the Board of Directors revised the 2008-2010 Business Plan approved on 27 October 2007 and extended its analysis to the 2011 and 2012 financial years (see Section 1.4 Outlook on operations).

In light of the unforeseeable fuel price levels that had been reached, far higher than those used to prepare the 2008-2010 Business Plan, the Board of Directors decided to revise its previous Business Plan by adjusting the macroeconomic variables (principally fuel cost and Euro/dollar ratio) to current price levels, in order to determine and consolidate all corrective measures necessary to offset the increase of operating costs in a multi-year perspective.

The revised Business Plan covers the years 2008-2012 and contains modifications to certain of the strategic guidelines that were previously indicated for the restructuring of Eurofly. In particular, it envisages:

• consolidation of the current mix of scheduled and charter flights net of any opportunities resulting from reorganisation of the Italian air transportation system;

• consolidation of medium-range activities, which have already reached substantial economic balance in 2008, through further rationalisation and streamlining of Company flight destinations and operating logistics;

• reduction of the long-range operating fleet from four to three A330 aircraft and consequent streamlining of activities, concentrating on routes between Italy and Africa/Indian Ocean destinations, where Eurofly has market shares of over 50%;

• consolidation of scheduled flight service between Italy and New York;

• further improvement in the quality of ground and in-flight services, including refitting of aircraft cabins.

In accordance with the new strategic guidelines, plans call for increasing the number of medium-range aircraft to nine in 2009 and ten in 2010, while long-range aircraft will be reduced to three in 2009.

The plans for restructuring the Company, some of which have already been implemented, also envisage:

- completion of the cash capital increase resolved by the Shareholders' Meeting on 10 September 2008, for an amount of Euro 20 million irrevocably guaranteed by Meridiana and by some of the other shareholders and/or the market at least in the amount envisaged in the New Business Plan for 2008-2012 (Euro 7.5 million);
- further improvement in the quality of ground and in-flight services, including refitting of aircraft cabins;
- the development of other revenue (cargo, in-flight sales, supplemental sales services) consistently with the policies implemented by competitors;
- the continuation of integrated commercial development with Meridiana through development of the website, growth and expansion of Sameitaly and Wokita;
- further development of synergies with the Meridiana Group, particularly in regard to aircraft maintenance activity, purchasing, information system platforms and operating logistics;

- continuation of projects to streamline and reduce general costs and overhead;
- renewal of the solidarity agreement with employees for another 12 months;
- possible disposal of the building used as the Issuer's registered office (as an alternative to subscription by other shareholders and/or the market for Euro 7.5 million) by 30 June 2009 for the amount of Euro 7.5 million. In regard to this transaction, the Company is currently assessing and contacting possible sales channels, and has accordingly initiated confidential negotiations that have not yet been defined or made. On the basis of a market appraisal, and considering its characteristics, size and location, its disposal value is reasonably estimated to be at least Euro 7.5 million, as indicated in the Business Plan.

- **New capital increase in cash**

The 2008-2012 Business Plan envisages a new cash recapitalisation operation, to be carried out as a rights offering to shareholders pursuant to Article 2441(1) of the Italian Civil Code. The original amount of this capital increase is for a maximum of Euro 55 million, aimed at guaranteeing a new flow of financial resources in order to: (i) restore the capitalisation of the Company to adequate levels (including a positive impact on the assumption that the Company is a going concern, associated with the obligation to comply with the financial covenants for 2008-2009 agreed to in connection with the revolving line of bank credit for a maximum of Euro 15 million), (ii) permit realisation of the conditions for development of the Business Plan and (iii) permit the raising of possible additional resources in order to seize the market opportunities that will presumably result from reorganisation of the air transport system.

The shareholders' meeting of 10 September 2008 resolved in favour of the cash capital increase for a countervalue of Euro 44 million. The Prospectus is currently undergoing review by Consob.

On 29 August 2008 Meridiana irrevocably committed itself to subscribing Euro 20 million in this recapitalisation operation. The amount not guaranteed by Meridiana for subscription of this capital increase is subject to the typical risk involved in recapitalisation operations. Failure by the market to subscribe the portion of the capital increase that is not guaranteed, which appears particularly uncertain given the current macroeconomic situation and financial market conditions, might render it impossible to implement further measures to reinforce the Company's financial structure (reduction of the amount of overdue trade payables) and/or seize the market opportunities resulting from the current reorganisation of the Italian air transport system (see the following section on “Manifestation of interest in the assets of Alitalia in a.s.”).

- **Manifestation of interest in the assets of Alitalia under extraordinary administration (in a.s.)**

In response to the invitation made by the Special Commissioner Augusto Fantozzi, Eurofly submitted a manifestation of interest on 29 September 2008 for purchase of the corporate assets of Alitalia in a.s. and other companies belonging to the Alitalia in a.s. Group, specifically but not exclusively in regard to slots. Following a specific letter received from the Special Commissioner, on 2 October 2008 Eurofly submitted an amendment to the aforementioned manifestation of interest. Appraisal of the assets of Alitalia in a.s. and the companies belonging to the Alitalia in a.s. Group by the advisor retained by the Minister for Productive Activities and the advisor retained by the Special Commissioner has not been concluded. Therefore, neither the nature nor the amount of the capital expenditures that might be dedicated to this operation can be quantified at this time. Moreover, the Special Commissioner has not yet responded to the manifestation of interest of Eurofly.

The new 2008-2012 Business Plan does not include any specific investment connected with the aforementioned manifestation of interest, and realisation of the objectives of the new 2008-2012 Business Plan is in no way conditioned on such investments.

- **Developments in outstanding disputes**

During the first nine months of the year, significant developments were seen in the main disputes outstanding at the end of the previous year, including those with Alitalia, Teorema Tour, Verona's Valerio Catullo Airport and the former managing director Augusto Angioletti. These are examined in the explanatory notes relating to trade and other receivables, trade and other payables, and provisions for risks and charges. As a result of the worsening condition of certain commercial counterparties, and particularly after the declaration of bankruptcy of a tour operator (Maxitraveland) on 15 October 2008 and the declaration of insolvency of the Alitalia Group on 29 August 2008, it was decided to make further allocations to the provision for bad debts during the period.

- **Agreements concerning A350 aircraft**

At the end of January 2008 Eurofly and Airbus decided to cancel the agreement signed on 30 December 2005 for the purchase of three long-range A350 aircraft, with refund and settlement of the deposits paid. This agreement envisages the refund of Euro 1,926 thousand, which was paid during the first half, and recovery of the residual receivable of Euro 4,066 thousand through purchases of aeronautical goods and services, without any negative impact on the income statement or funding requirements.

- **New traffic rights**

In early 2008 Eurofly began to offer scheduled flights to the Seychelles. The Company was also designated by ENAC to provide direct flights to the Ukraine, Cairo, Senegal and Israel.

Eurofly will start operating flights from the Milano-Malpensa airport to Tel Aviv on 17 December 2008.

- **Expansion of the operating premises at Milano Malpensa**

Expansion and reorganisation of the operating facilities at the Milano Malpensa airport were completed at the beginning of June 2008, with the consequent transfer of non-crew personnel from offices in the city of Milan in order to render maintenance, supervision and control, planning and operating activity management more integrated and efficient. As a result of this move and expansion, this facility employed about 150 persons at 30 September 2008.

- **Audit by U.S. tax authorities**

On 11 August 2008, U.S. Customs and Border Protection gave notice of the commencement of an audit of tax activities and related measures carried out by Eurofly in North America during the period April 2004-March 2008, particularly in regard to passenger taxes and other local taxes. Eurofly is taking measures to satisfy the requirement for information and reports indicated by the authority, which has not yet notified the Company of any penalties.

1.3. Significant events after the close of the period

1.3.1. Call for tenders for domestic routes in public service obligation

At the beginning of October 2008, Eurofly and its parent company Meridiana participated in the tender for scheduled domestic airline service in public service obligation between the airports of Sardinia and the airports Milano Linate and Roma Fiumicino, with assumption of the public service charges imposed by Ministerial Decree. A standby letter of credit issued in the name of Meridiana on behalf of Eurofly was submitted together with that tender. However, it is not expected that the domestic airline services referred to above will be provided during the Winter 2008-2009 season.
Furthermore, a commercial agreement was reached with the airline Livingston S.p.A. (a subsidiary of the Viaggi del Ventaglio Group) for code sharing of winter charter season routes (Caribbean Sea and the Indian Ocean/Africa), with the expectation of improvements in customer service and streamlined operating costs.

1.4. Outlook on operations

On 30 July 2008 the Company Board of Directors, in response to the increased cost of fuel, approved the 2008-2012 Business Plan, which envisages another cash increase in capital. The targets defined in the new plan are as follows:

- in 2008, revenues of Euro 376.3 million, EBIT loss of Euro 18.6 million and a net loss of Euro 19.2 million;
- in 2009, revenues of Euro 391.4 million, EBIT of Euro 0.2 million and a net loss of Euro 2.1 million;
- in 2010, revenues of Euro 403.2 million, EBIT of Euro 5.8 million and a net profit of Euro 0.9 million;
- in 2011, revenues of Euro 410.9 million, EBIT of Euro 6.5 million and a net profit of Euro 1.6 million;
- in 2012, revenues of Euro 414.3 million, EBIT of Euro 9.9 million and a net profit of Euro 4.6 million.

In light of business performance during the first nine months of the year and the forecasts for 4th quarter 2008, the Company believes that the expected revenue and earnings results for 2008 – given the uncertainty of exogenous variables beyond the control of the Company itself, including the Euro/U.S. dollar exchange rate, interest rates and the cost of fuel for aircraft, the aircraft load factor and the level of average revenues – will not differ significantly from the 2008 targets set out in the Business Plan.

The Company is approaching the last quarter of the financial year with a clear perception of the risks connected with various macroeconomic factors, including the general economic slowdown caused by the current financial crisis, which might have an impact on sales volumes, the volatility of fuel costs (although they have fallen to more favourable levels) and exchange rates and interest rates, which have a major impact on achievement of the results forecast in the Business Plan.

Moreover, in view of the current restructuring of competing airlines, the outlook for the Italian air transportation industry could limit the operations of airport infrastructure over the short-term and increase competitive pressures over the medium term.

Also in consideration of the losses expected in 2008, a sufficient level of capitalisation could be guaranteed only by completion of the cash capital increase by the end of 2008, in the amount guaranteed by Meridiana. Considering the losses forecast for the current year, a delay in the recapitalisation programme would place the Company in the conditions envisaged in Articles 2446-2447 of the Italian Civil Code, and specifically in regard to its capitalisation at the end of 2008.

Completion of the cash capital increase is also essential in view of the financial imbalance resulting from (i) the cash flows from operations at 30 September 2008 and (ii) the cash flows over the next several months due to operating losses, as well as (iii) the investments envisaged in the New

2008-2012 Business Plan. Failure to complete the cash capital increase in the amount envisaged in the 2008-2012 Business Plan might also make it impossible for the Company to satisfy its obligations and comply with the financial covenants envisaged in the bank debt restructuring agreement. This would cause a liquidity crisis that would prevent the Company from meeting its commitments and continuing its activity, undermining the premise of business continuity on which the interim management statement at 30 September 2008 has been prepared.

If the Company were no longer considered a going concern, it would no longer be able to realise its own assets, particularly its deferred tax assets, and satisfy its liabilities during the normal course of business at values corresponding to those recognised in the interim management statement at 30 September 2008.

1.5. Human Resources

On 3 June 2008 Maurizio Cancellieri was appointed Chief Financial Officer of the Company (replacing Mauro Pasquali, who resigned on 31 January 2008) and, by decision of the Board of Directors and with the favourable opinion of the Board of Statutory Auditors, Financial Reporting Manager pursuant to Article 154-bis of Legislative Decree 58/98.

As shown in the table below, the comparison between the average workforce paid in the first nine months of 2007 and the same period of 2008 shows an increase of 56.7 employees. In regard to flight-crew personnel, the increase in employees reflected the need to adjust the organisation of work in compliance with new regulatory limits on employment and an increase in medium-range and long-range business (the latter was only partially realised due to extraordinary events, i.e. the political unrest in Kenya). On the other hand, the increase in ground crew stemmed from the upgrading of certain operating centres, whose operating hours were extended from 16 hours to 24 hours a day, and the need to reorganise several staff functions as necessary for improved functioning of control processes.

31.12.07	Categories	Jan-Sept 08	Jan-Sept 07	Change
11	Managers	13.0	10.9	2.1
191	Office Workers	212.4	187.8	24.6
202	**Total ground staff**	**225.4**	**198.7**	**26.7**
139	Pilots	142.8	137.8	5.0
354	Flight assistants	384.7	359.6	25.1
494	**Total flight staff**	**527.5**	**497.4**	**30.0**
696	**Total staff**	**752.9**	**696.2**	**56.7**

Under a labour agreement signed under ministerial auspices on 15 March 2007, Eurofly is implementing the solidarity agreement for a period of 24 months as from 1 April 2007.

1.6. Macroeconomic context

During the period examined here, the price of oil rose until July, when it reached a price of USD 150, and then fell in August and September. In the first nine months of 2008, the price of oil was about 70% higher than in 2007.

Crude Oil

USD/barrel

Crude Oil	Jan-Sept 2008	Jan-Sept 2007	Sept 08	Sept 07
WTI - USA	113.3	66.2	104.1	79.91
Brent - Europa	110.8	67.1	97.2	77.17

Source: Energy Information Administration – US Government

The average Euro/U.S. dollar exchange rate in the first nine months of 2008 was far higher than in the same period of 2007. Instead, the exact exchange rate fell between 31 December 2007 and 30 September 2008, with the downward trend accelerating in the following months.

Exchange rate

	Jan-Sept 2008	Jan-Sept 2007	Sept 08	Jan 08
EUR/USD	1.5219	1.3444	1.4303	1.4721

Source: Il Sole 24 Ore

Comparing the first nine months of 2007 and 2008 and the levels reached in January 2008 and September 2008, interest rates were up sharply. They fell instead in the United States during the two periods analysed.

Interest rates (3m)

	Jan-Sept 2008	Jan-Sept 2007	Sept 08	Jan 08
EURIBOR	4.8%	4.2%	5.1%	4.5%
LIBOR (US$)	3.0%	5.4%	3.1%	3.8%

Source: British Bankers Association

1.7. Industry landscape

Between January and September 2008, the number of transported passengers was penalised by a contraction in the third quarter of the year, while posting a small increase over the number for the same period in 2007. The statistics released by Assoaeroporti show that traffic at the main Italian airports rose by only 1% during the first nine months of 2008 from the same period of 2007.

1.8. Certification pursuant to Articles 37 and 39 of the Consob Market Regulation and pursuant to Article 2.6.2(13) of the Regulation of Markets Organised and Operated by Borsa Italiana S.p.A.

Pursuant to Articles 37 and 39 of the Regulation entitled “Regulations for implementation of Legislative Decree no. 58 of 24 February 1998 on financial markets (adopted by Consob with Resolution no. 16191 of 29 October 2007 and subsequently amended by Resolution no. 16530 of 25 June 2008) and Article 2.6.2(13) of the Regulation of Markets Organised and Operated by Borsa Italiana S.p.A., the Company, which is subject to management and coordination activities by S.p.A., certifies:

a) compliance with the public notice obligations pursuant to Article 2497-bis Italian Civil Code;

b) that it has the capacity to negotiate relations with customers and suppliers on an arm's length basis;

c) that it has no centralised cash pooling relationship outstanding with the company that exercises group management or with other companies of the group to which it belongs;

d) that it has a sufficient number of independent directors to ensure that their opinions have a material impact on decisions by the board of directors.

2. FINANCIAL STATEMENTS

2.1. Balance Sheet

30.09.07	*Euro/000*	30.09.08	31.12.07	Change
19,915	Property, plant and equipment	13,284	19,567	(6,283)
2,902	Intangible assets	1,711	2,559	(848)
11,144	Financial assets	11,188	10,945	243
0	Financial assets with parent company	2,936	0	2,936
0	Other receivables	3,660	0	3,660
5,228	Deferred tax assets	8,514	9,072	(557)
0	Equity investments	8,000	0	8,000
39,190	**Total non-current assets**	**49,294**	**42,142**	**7,151**
2,743	Inventories	3,300	2,876	424
66,922	Trade and other receivables	68,130	57,895	10,235
1,211	Trade receivables and other receivables vs partent company	9,191	1,081	8,110
8,059	Other assets	7,382	12,334	(4,952)
2,205	Cash and cash equivalents	4,472	6,955	(2,483)
81,139	**Total current assets**	**92,475**	**81,141**	**11,333**
120,329	**Total assets**	**141,768**	**123,283**	**18,485**
13,355	Share capital	6,503	1,023	5,480
3,347	Reserves	10,595	15,328	(4,732)
(10,435)	Profit/(Loss)	(9,217)	(21,757)	12,540
6,267	**Net equity**	**7,881**	**(5,406)**	**13,287**
3,286	Long term borrowings	2,754	3,275	(520)
0	Deferred tax liabilities	128	128	0
8,987	Provisions for risks and charges	6,753	8,163	(1,410)
12,273	**Total non-current liabilities**	**9,635**	**11,566**	**(1,931)**
84,597	Trade and other payables	101,491	92,761	8,729
196	Trade and other payables vs parent company	4,056	1,939	2,117
10,461	Bank debt	15,493	15,914	(421)
503	Current portion of long-term borrowings	537	514	23
4,500	Short term borrowings	0	4,323	(4,323)
1,532	Provisions for risks and charges	2,675	1,672	1,003
101,789	**Total current liabilities**	**124,252**	**117,123**	**7,128**
120,329	**Total equity and liabilities**	**141,768**	**123,283**	**18,485**

2.2. Income Statement

The income statement for the first nine months of 2008 is compared as follows with the same period of 2007:

2007	% on revenue	Income Statement	Jan-Sept 08	% on revenue	Jan-Sept 07	% on revenue	Change	% change
		Euro/000						
322,290	100.0%	Revenue from sales and services	293,937	100.0%	255,837	100.0%	38,100	14.9%
9,405	2.9%	Other revenue	9,452	3.2%	6,520	2.5%	2,933	45.0%
331,695	**102.9%**	**Total revenue**	**303,389**	**103.2%**	**262,357**	**102.5%**	**41,032**	**15.6%**
7,671	2.4%	Direct commercial expenses	9,182	3.1%	5,934	2.3%	3,248	54.7%
98,243	30.5%	Jet fuel	109,385	37.2%	74,644	29.2%	34,741	46.5%
38,354	11.9%	Staff costs	28,422	9.7%	29,637	11.6%	-1,215	-4.1%
45,365	14.1%	Materials and maintenance services	34,678	11.8%	34,477	13.5%	201	0.6%
92,941	28.8%	Other operating costs and wet lease	73,064	24.9%	72,022	28.2%	1,042	1.4%
17,935	5.6%	Other commercial and corporate costs	13,969	4.8%	13,559	5.3%	410	3.0%
45,852	14.2%	Operative rentals	31,093	10.6%	34,555	13.5%	-3,462	-10.0%
3,951	1.2%	Depreciation and amortization	2,602	0.9%	2,894	1.1%	-292	-10.1%
2,820	0.9%	Other provisions	6,007	2.0%	1,541	0.6%	4,466	289.8%
852	0.3%	Provisions for risks and charges	907	0.3%	579	0.2%	328	56.5%
353,984	**109.8%**	**Total costs**	**309,309**	**105.2%**	**269,842**	**105.5%**	**39,467**	**14.6%**
(22,289)	**-6.9%**	**Operating result**	**(5,920)**	**-2.0%**	**(7,485)**	**-2.9%**	**1,565**	**-20.9%**
2,474	0.8%	Financial (income)/charges	1,664	0.6%	1,180	0.5%	484	41.0%
3,006	0.9%	Tax charges	(1,633)	-0.6%	(1,531)	-0.6%	(102)	6.6%
1	0.0%	Profit/(loss) from discontinued operations	0	0.0%	(238)	-0.1%	238	-100.0%
(21,757)	**-6.8%**	**Result of the period**	**(9,217)**	**-3.1%**	**(10,435)**	**-4.1%**	**1,218**	**-11.7%**

The income statement for the third quarter of 2008 is compared as follows with the same period of 2007:

Income Statement	III quarter 08	% on revenue	III quarter 07	% on revenue	Change	% change
Euro/000						
Revenue from sales and services	130,969	100.0%	108,525	100.0%	22,444	20.7%
Other revenue	3,631	2.8%	3,084	2.8%	548	17.8%
Total revenue	**134,600**	**102.8%**	**111,609**	**102.8%**	**22,991**	**20.6%**
Direct commercial expenses	4,959	3.8%	3,148	2.9%	1,811	57.5%
Jet fuel	48,690	37.2%	30,414	28.0%	18,276	60.1%
Staff costs	10,202	7.8%	9,996	9.2%	206	2.1%
Materials and maintenance services	13,256	10.1%	13,495	12.4%	(239)	-1.8%
Other operating costs and wet lease	31,456	24.0%	28,638	26.4%	2,817	9.8%
Other commercial and corporate costs	4,865	3.7%	5,213	4.8%	(349)	-6.7%
Operative rentals	10,136	7.7%	11,879	10.9%	(1,743)	-14.7%
Depreciation and amortization	826	0.6%	985	0.9%	(159)	-16.1%
Other provisions	2,883	2.2%	642	0.6%	2,241	349.2%
Provisions for risks and charges	512	0.4%	27	0.0%	485	1769.2%
Total costs	**127,785**	**97.6%**	**104,437**	**96.2%**	**23,348**	**22.4%**
Operating result	**6,815**	**5.2%**	**7,172**	**6.6%**	**(357)**	**-5.0%**
Financial (income)/charges	377	0.3%	408	0.4%	(31)	-7.7%
Tax charges	(694)	-0.5%	(1,017)	-0.9%	324	-31.8%
Profit/(loss) from discontinued operation	0	0.0%	117	0.1%	(117)	-100.0%
Result of the period	**5,745**	**4.4%**	**5,863**	**5.4%**	**(118)**	**-2.0%**

2.3. Statement of changes in net equity

Euro/000	**Share capital**	**Share premium reserve**	**Legal reserve**	**Other reserves**	**Statutory reserve**	**Losses carried forward**	**Losses covered within the year**	**Result of the period**	**Total**
Net equity at 31st December 2006	**13,355**	**31,102**	**478**	**0**	**3,681**	**(2,775)**	**0**	**(29,139)**	**16,702**
Allocation of 2006 result						(29,139)		29,139	**0**
Coverage of loss carried forward		(28,233)			(3,681)	31,914			**0**
Renounce of shareholders loan				177					**177**
Jan - Sept 07 loss coverage	(7,088)	(2,869)	(478)				10,435		**(0)**
Oct 07 loss coverage	(5,244)			(135)			5,379		**0**
Impact of adjustment of deferred taxes on equity				(378)					**(378)**
Adjustment for actuarial loss (IAS 19)				(150)					**(150)**
Result of the period				0				(21,757)	**(21,757)**
Net equity at 31st December 2007	**1,023**	**(0)**	**0**	**(486)**	**0**	**0**	**15,814**	**(21,757)**	**(5,406)**
Allocation of 2007 result						(5,943)	(15,814)	21,757	**0**
Capital increase in cash	5,231	9,476							**14,707**
Capital increase in kind	249	7,548							**7,797**
Result of the period								(9,217)	**(9,217)**
Net equity at 30th September 2008	**6,503**	**17,025**	**0**	**(486)**	**0**	**(5,943)**	**0**	**(9,217)**	**7,881**

2.4. Cash flow statement

2007	Euro/000	Jan-Sept 08	Jan-Sept 07
(4,124)	**Net cash and equivalents at the beginning of the period**	**(8,960)**	**(4,124)**
(24,763)	Pre-tax loss	(7,584)	(8,665)
1	Profit/(loss) from sales of assets	-	(238)
593	Tax effect on sales of assets	-	593
	Adjustments for:	-	-
3,951	- Depreciation	2,602	2,894
1,115	- (Gain)/loss on exchange rates due to transactions in foreign currency	174	471
1,359	- Other financial charges	1,490	710
-	- Gains from sales of fixed assets	-	-
(9,737)	Change in trade receivables and other receivables	(12,835)	(11,236)
78	Change in stock	(424)	211
9,251	Change in trade payables and other liabilities (incl. current funds)	8,258	(5,382)
(1,582)	Interest and other financial charges paid	(1,611)	(925)
(946)	Taxes paid	-	(163)
1,420	Realized gain/(loss) on exchange rates due to transactions in foreign currency	483	1,288
(2,535)	Unrealized gain/(loss) on exchange rates due to transactions in foreign currency	(657)	(1,759)
-	Write-off of non-current assets	-	111
(916)	Net variation of staff leaving indemnity	(173)	35
254	Cash flow from the A319 BU operations	-	245
(22,458)	**Cash flow from (used in) operating activities**	**(10,277)**	**(21,809)**
	Investments in fixed assets:	-	-
(148)	* Intangible	(64)	(69)
(1,236)	* Tangible	(345)	(938)
(867)	* Financial	(3,821)	(718)
223	Collected interests	121	216
16,849	Cash flow from the A319 BU disposal	-	16,849
1,185	Disposal value of other fixed assets	2,575	722
16,006	**Cash flow from (used in) investing activities**	**(1,533)**	**16,061**
3,000	Redemption of bank time deposits included in current assets	-	3,000
(486)	Payment of loan instalments	(497)	(486)
(898)	Payment of A319 loan instalments	-	(898)
1,616	**Cash flow from (used in) financing activities**	**(497)**	**1,616**
		-	
-	Increase of share capital	10,245	-
-	**Cash flow from equity transactions**	**10,245**	**-**
		-	-
(4,836)	**Increase (decrease) of net cash and cash equivalents**	**(2,062)**	**(4,132)**
		-	-
(8,960)	**Net cash and equivalents at the end of the period**	**(11,021)**	**(8,256)**

3. NOTES TO THE FINANCIAL STATEMENTS

3.1. Accounting standards

The same accounting standards used for the annual report as at 31 December 2007 and the half-yearly financial report as at 30 June 2008 have been applied to this interim management statement at 30 September 2008 (please see the half-yearly report for more information).

Preparation of the interim financial statements requires that the members of the board of directors make estimates and assumptions that impact the values of reported revenues, costs, assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim statement. Should these estimates and assumptions, which are based on the board members' best estimates, differ in the future from the actual situation, they would be modified accordingly for the period when the circumstances change.

It should also be noted that complete measurements, and particularly complex ones, such as the assessment of potential impairment of non-current assets, are generally carried out only for the annual report, when the necessary information is available, except when indicators should require immediate impairment tests. Similarly, the actuarial measurements needed to determine employee benefit provisions are normally carried out when the annual report is prepared.

As indicated hereinabove in Section 1.4. "Outlook on operations", the interim management statement has been prepared on a going-concern basis, on the presumption of achievement of the targets set out in the 2008-2012 Business Plan. This plan was prepared on the basis of prospective earnings for the Company that are materially impacted by the trends of macroeconomic and economic variables beyond the Company's control, and completion of the cash capital increase.

On 13 October 2008 the IASB issued an amendment to IAS 39 – Financial Instruments: Recognition and Measurement, and to IFRS 7 – Financial Instruments: supplemental disclosures that in particular circumstances permit reclassification of certain financial assets other than derivatives from the category "available for sale" to the category "held until maturity", by changing the principle of measurement used. The changes (which were approved by the European Commission in EC Regulation no. 1004/2008 of 15 October 2008), and applicable from 1 July 2008, did not have any impact on this interim management statement.

3.2. Financial statement comparability and business seasonality

The income statement accounts at 30 September 2007 regarding the "All Business" business unit that were included for comparative purposes were reported pursuant to IAS / IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, consequent upon termination in June 2007 of the finance lease agreement for the A319 aircraft.

Given their increased importance, the trade receivables and payables vis-à-vis the parent company Meridiana S.p.A. have been shown separately on the balance sheet under "trade and other receivables with parent company" and "trade and other payables with parent company". Consequently, the receivables and payables with Meridiana as at 31 December 2007 and 30 September 2007 have also been reclassified in the same line items for the sake of comparison.

The international leisure flight segment, especially in Italy, is typically characterised by seasonal trends with contractions in demand in certain periods of the year.

In particular, Eurofly operations normally peak in the third quarter of the year and hit their low points in the second and fourth quarter, with the exception of periods near the holidays (Christmas/New Year, Easter and long weekends). In order to streamline the use of aircraft during the first half of 2008, scheduled flights were gradually complemented by the traditional charter business commissioned by tour operators, both for long-range and medium and short-range flights.

3.3. Analysis of changes in the balance sheet

Non-current assets

Non-current assets at 30 September 2008 totalled Euro 49,294 thousand, up Euro 7,151 thousand from 31 December 2007, largely in consequence of the following changes:

1) the Euro 6,283 thousand decrease in **tangible fixed assets,** principally due to return of the deposits paid to the supplier Airbus following the agreement to terminate the contract for three A350 aircraft. Net capital expenditures were limited to Euro 345 thousand, principally for the purchase of aeronautical components and furniture/furnishings and information system equipment;
2) the Euro 243 thousand increase in **other long-term and financial investments** from the Euro 10,945 thousand reported at 31 December 2007. This increase is represented by new security deposits paid to the lessors of aircraft;
3) the Euro 2,936 thousand increase in **financial investments vs. parent company** Meridiana S.p.A., represented by an interest-bearing security deposit for the pledge established by the parent company on one of its current accounts, as a guarantee to a credit institution in exchange for a standby letter of credit securing operating leases on aircraft made by Eurofly S.p.A.;

4) the Euro 8 million growth in **equity investments**, regarding the 50% shareholdings in Wokita s.r.l. and Sameitaly s.r.l., which were granted by Meridiana in the amounts of Euro 2,925 thousand and Euro 5,075 thousand, as part of the capital increase in kind carried out during 1st quarter 2008;
5) the Euro 3,660 thousand growth in **other receivables** for the non-current portion of the receivable from Airbus for the purchase of aeronautical goods and services based on the amicable termination of the agreement to acquire three A350 long-range aircraft;
6) the Euro 848 thousand reduction in **intangible assets** in consequence of allowances for amortisation and writedowns, net of Euro 64 thousand in capital spending;
7) the Euro 557 thousand decrease in **deferred tax assets,** primarily due to a revision of the losses and taxed reserves that are likely to be recovered under the new 2008-2012 Business Plan.

Current assets

Non-current assets at 30 September 2008 totalled Euro 92,475 thousand, up from the Euro 81,141 thousand reported at 31 December 2007.

The increase is mainly due to the following factors:

1) the Euro 10,235 thousand increase in **trade receivables and other receivables**, which totalled Euro 68,130 thousand, compared with Euro 57,895 thousand at 31 December 2007. These receivables are shown net of the **allowances for doubtful accounts**, totalling Euro 16,785 thousand, which is Euro 4,578 thousand higher than at 31 December 2007 due to the provision recognised in the first nine months of the year after a deterioration in the assessment of certain positions undergoing litigation, particularly for the bankruptcy of the tour operator Maxitraveland and the insolvency of Alitalia. In contrast, the increase resulted from:

- the slowdown in scheduled flight ticket sales receipts on international United States credit cards, which apply worse conditions for transfer of the intermediated funds and security deposits;
- the Euro 3,998 thousand increase in receivables for advances to personnel under solidarity agreements, resulting in a total of Euro 7,492 thousand that is being reimbursed; in October 2008, this receivable shrank by Euro 1,977 for the payments received;

2) the Euro 424 thousand increase in **stock,** related primarily to aeronautical receivables;

3) the Euro 8,110 thousand increase in **trade receivables and other receivables vs. parent company** for the growth in scheduled flight sales that it realised in favour of Eurofly;

4) the Euro 4,952 thousand reduction in **other assets**, stemming in particular from the decrease in prepaid expenses for maintenance, rentals and insurance;

5) the Euro 2,483 thousand reduction in **net cash and equivalents,** which totalled Euro 4,472 thousand at 30 September 2008 in contrast with Euro 6,955 thousand at 31 December 2007.

The following information is provided in regard to the principal litigation:

- Arbitration proceeding with Teorema Tour S.p.A. over the receivable claimed by Eurofly against Teorema Tour S.p.A. for about Euro 3 million and USD 3 million, and penalties for flight cancellations totalling Euro 14.7 million (the latter are not recognised on the balance sheet). Teorema Tour S.p.A. has challenged Eurofly claims and claimed a receivable of about Euro 1.2 million.

  Eurofly initiated the contractually envisaged arbitration proceeding on 19 April 2006, and the first hearing was held on 12 July 2006. Several preliminary hearings were held in 2006 and 2007 in an attempt to reach a settlement agreement. On 2 October 2007 the board of arbitration re-examined a number of preliminary issues on the merits (in order to clarify whether or not the penalties were applicable).

  Following the hearing held on 11 March 2008 that was dedicated to discussion and clarifications, the arbitrators issued a partial award on 20 May 2008 that confirmed the liability of Teorema Tour S.p.A. for the penalties, but deferred its decision on the amount of these penalties. At the following hearing held on 13 June 2008, the deadline was issued for deposit of pleadings and, in a subsequent order, the board of arbitration postponed the deadline for filing those pleadings until 25 September 2008. In an order issued on 8 October 2008 the arbitrators gave the parties a deadline for filing their answers and any exhibits, which they did on 28 October 2008.

In the meantime, Eurofly filed various lawsuits before the Court of Milan in order to secure its credit claims and to preserve/reconstitute the capital of Teorema Tour S.p.A. More specifically, Eurofly:

- served a writ of summons on Teorema Tour S.p.A., BNP Paribas Lease Group S.p.A. (Locafit) and Esse Real Estate s.r.l. on 24 September 2007 for a ruling that the sale of a building formerly owned by Teorema Tour S.p.A. to Locafit and the consequent finance lease of that building by Locafit to Esse Real Estate S.r.l. were unenforceable. At the most recent hearing on 15 July 2008, the judge deferred his decision on the admission of evidence for discovery. This decision has not yet been issued;
- on 10 June 2008, it served a writ of summons to nullify or, alternatively, revoke the suretyship granted by Teorema Tour S.p.a. to BNP Paribas Lease Group S.p.A. (Locafit) as security for the finance lease granted by the latter to Esse Reale Estate s.r.l. The summons scheduled the hearing for 3 December 2008;

- on 31 July 2008, it served a writ of summons to oppose the merger of Teorema Tour S.p.A. and Essevi s.r.l. No hearing has yet been scheduled, and the opponents have until 13 November 2008 to answer our writ of summons.

On 3 July 2008 Teorema Tour S.p.A. proposed a general settlement for all the outstanding disputes between the parties, but no agreement has yet been reached.

- An arbitration proceeding against MG Viaggi S.p.A. for a receivable claimed by Eurofly against the latter for approximately Euro 2 million. The arbitration proceeding began in October 2006. In 2007 several preliminary hearings were held, with the deposit of pleadings and the appointment of an expert to determine the accuracy of the amounts claimed by Eurofly. At the hearing on 19 March 2008, it was requested that a decision be made on the case or, alternatively, that a partial ruling be issued. The Board of Arbitration then scheduled a hearing on 18 June 2008, and postponed the case until 5 September 2008 for clarification of the conclusions. It extended the deadline until 30 September for deposit of the concluding arguments and 24 October for deposit of the answers. These filings were made by that deadline.

- Appeal against the Ministry of Defence concerning commercial relations commenced in July 2004 and concluded in June 2006. Differences of interpretation emerged over the clauses of the relevant contract, on the basis of which Eurofly is owed trade receivables of about Euro 4.2 million.
  On 5 October 2007 Eurofly filed a motion for a summary judgement ordering payment of part of this amount (about Euro 1.1 million) against the Ministry of Defence. The Court of Rome issued its order in regard to that motion in early November 2007. On 11 January 2008 the Ministry of Defence filed its appeal against the summary judgement. At the 24 September 2008 hearing, the judge granted a deadline of 24 October 2008 for the deposit of pleadings, scheduling the next hearing for 6 February 2009. On 26 November 2007, a second motion was filed for a summary judgement on the remaining amount (about Euro 3.1 million). The Court of Rome issued its summary judgement in response to that motion on 22 January 2008. On 21 March 2008 the Ministry of Defence filed its appeal against this second summary judgement as well. At the initial hearing held on 4 November 2008, the judge deferred his decision on summary execution of the order.

- An appeal against the tour operator Maxitraveland S.p.A. for a Eurofly receivable claimed against that company for about Euro 5.5 million (both for aircraft rental and contractual penalties). Between June and July 2008 the Company served a writ of execution based on a bank cheque in the amount of Euro 78 thousand and the deposit of two motions for a summary judgement totalling Euro 5,380 thousand. The tour operator was declared bankrupt on 15 October 2008. The hearing for review of creditors will be held at the Court of Rome on 13 February 2009. In response to that declaration of bankruptcy, the Company has prudently set aside provisions for the amount of the receivables indicated above.

In the interest of full disclosure, mention is also made of the following disputes with other opponents:

- The Company has filed a lawsuit in the United States regarding the receivable of USD 2.2 million claimed by Eurofly against financial intermediaries that were commissioned to process credit card sales in the United States. On 27 July 2008, the judge hearing the case ordered the seizure of USD 0.3 million, with release of that amount to Eurofly on 3 October 2008. The Company has filed pleadings and documents in support of its credit claims for recovery of the additional amounts.
- On 6 August 2008 an application for an international arbitration proceeding against Air Comet was filed for failure to make full payment on the sublease of an A330 aircraft and related maintenance costs. The total amount claimed is about USD 3.6 million, including the security deposit of USD 2.0 million. At the 24 October 2008 hearing, the proceeding continued with appointment of the entire Board of Arbitration, in spite of the fact that the opponent failed to enter an appearance.
- Following the declaration of bankruptcy of Alitalia S.p.A., which is now subject to extraordinary administration, the claim for proving in bankruptcy is being prepared. The hearing for review of creditors will be held at the Court of Rome on 16 December 2008. The receivables from the Alitalia in a.s. Group carried on the Company books total Euro 1.6 million, which are owed for code sharing, flights, marketing contributions and late interest on expired agreements. Eurofly also has payables owed to the Alitalia in a.s. Group (primarily for the provision of operating technical support services, maintenance services, equipment rental, catering and other services) of higher amounts for which summary judgements have been issued (see the note on trade payables), against which Eurofly has opposed the receivables mentioned above, and other amounts for compensatory damages. The possibility of setting off these amounts will be decided in court. These receivables have been fully covered by bad debt provisions against the risk of total loss.

The Directors believe that the allowances to the provisions for bad debts reported on the interim management statement at 30 September 2008 and regarding the litigation illustrated above adequately reflect the risk that these credit claims against counterparties not be collectible.

Net equity

Net equity, which was a negative Euro 5,406 thousand at 31 December 2007, was a positive Euro 7,881 thousand at 30 September 2008 due to the capital increases in kind and in cash carried out in 1st quarter 2008 (total Euro 22,504 thousand), net of the loss accrued in the first nine months (Euro 9,217 thousand). For more details, please refer to sections 1.1.1. and 3.5.

Non-current liabilities

Non-current liabilities totalled Euro 9,635 thousand at 30 September 2008, down from Euro 11,566 thousand at 31 December 2007, following reclassification of the mortgage loan under short-term borrowings and reclassification of the provisions and charges for maintenance of the scheduled phase-out of aircraft to be carried out within 12 months, and uses of other medium-/long-term provisions.

Current liabilities

Current liabilities at 30 September 2008 totalled Euro 124,252 thousand, Euro 7,128 thousand higher than the amount of Euro 117,123 thousand reported at 31 December 2007.
This growth is mainly due to the increase in trade and other payables (Euro 8,729 thousand), the greater short-term provisions for maintenance of the scheduled phase-out of aircraft, and other minor provisions (Euro 1,003 thousand), offset by the elimination of loans in the amount of Euro 4,323 thousand from the parent company as part of the capital increase (section 1.2.).

Trade payables and other liabilities totalled Euro 101,491 thousand. The increase of Euro 8,729 thousand from the December figure is due primarily to the growth in trade payables (Euro 6,857 thousand) and the increase in accrued expenses and deferred income (Euro 3,761 thousand).

The following information is provided in regard to the Company's principal disputes with suppliers over trade payables:

- Litigation with the oil company ENI S.p.A. stemming from a writ of summons served by ENI S.p.A. on various airlines, including Eurofly (for Euro 242 thousand), to appear before the Court of Rome. ENI S.p.A. has asked the court to find and rule that these airlines must pay ENI S.p.A. the amounts for the concession fee that the oil company is required to pay to airport management companies. On 20 April 2007, Eurofly filed its entry of appearance and answer with a cross-complaint, asking the court to reject all the claims made by ENI S.p.A. and to order that company to refund the amounts paid to it since 1997 as a surcharge on airport fuel supplies for an amount of approximately Euro 3.5 million. At the hearing held on 7 November 2007, the judge adjourned the hearing until 30 January 2008, due to the failure by ENI S.p.A. to appear. At this hearing, the judge sent the deadline of 31 March 2008 for depositing discovery pleadings. The next hearing is scheduled for 19 November 2008.

As at 30 September 2008, summary judgements for a total of Euro 2.7 million were outstanding. These orders primarily concerned Alitalia, in extraordinary administration (10 summary judgements for a total of Euro 2.6 million). In regard to these summary judgements in favour of Alitalia, the court issued an order on 9 May 2008 for provisional execution of the opposing judgement (for Euro 252 thousand) and remitted the case to the Presiding Judge for rulings as necessary on the motion for consolidation of all pending actions (seven summary judgements), which was discussed at the hearing held on 29 May 2008. At that hearing the judge withheld judgement and adjourned the hearing until 14 January 2009. The hearings for another three summary judgements were held on 9 and 29 October 2008 and on 5 November 2008, at which Eurofly requested the consolidation of all lawsuits. The hearings were adjourned until 14 January 2009 for a decision on consolidation of these cases.

Finally, mention is made of the following litigation where the Company is defendant:

- In August 2005 the Company was served with a writ of summons by a tour operator for payment of about Euro 1.1 million due to alleged breaches and violations by the Company. At the hearing held on 1 January 2008, the case was decided, with the operating part of the judgement being served on 5 June 2008. In this provisional judgement, the Court of Naples accepted the objection to its venue jurisdiction, ruling that the plaintiff's claims could not be made in regard to certain aspects and deferring discovery for the other aspects to the 6 October 2008 hearing. At this hearing, the judge deferred his decision on the admission of evidence for discovery.

- A petition filed by an airline to which the Company had rented aircraft under a wet lease, for payment of about Euro 0.5 million for alleged breaches of contract. The 18 September 2008 hearing for the entry of appearance as indicated in the writ of summons was postponed until 15 January 2009.

- A writ of summons was served in November 2007 for about Euro 1 million, for alleged failure to pay consideration for brokerage of transfer of the A319 aircraft finance lease, which took place in June 2007. Eurofly entered its appearance at the hearing held on 30 April 2008, and the judge scheduled the initial hearing for 15 October 2008. At this hearing, the judge set the deadline for depositing discovery pleadings and scheduled the hearing for 10 March 2009.

- On 23 May 2006 the Lombardy regional office of the inland revenue authority began a partial audit of income tax for the 2004 tax year. The audit was subsequently extended to the 2002 and 2003 tax years. The audit report was prepared on 16 January 2007 and included several tax findings – all rejected and appealed by Eurofly – which will be the object of further analysis and defensive action. The items contested by the auditors of the Guardia di Finanza (Tax Police) regard transactions with low-tax countries, excessive provisions for future invoices payable and, to a lesser extent, costs incorrectly allocated to the wrong fiscal years. The taxable income contested against Eurofly is Euro 0.6 million for the 2002 tax year, Euro 2 million for the 2003 tax year and Euro 1 million for the 2004 tax year. On 17 April 2007 Eurofly filed a petition for assessment pursuant to Legislative Decree no. 218/97. In regard to the 2002 tax year, the Company settled the issue with the inland revenue office by paying taxes and penalties in the amount of about Euro 10 thousand. For the other years, no notices of assessment have been received thus far.

- On 11 August 2008, U.S. Customs and Border Protection gave notice of the commencement of an audit of tax activities and related measures carried out by Eurofly in North America during the period April 2004-March 2008, particularly in regard to passenger taxes and other local taxes. Eurofly is taking measures to satisfy the requirement for information and reports indicated by the authority, which has not yet notified the Company of any penalties.

- On 7 October 2008 Eurofly was served with a writ of summons by 59 passengers who claimed payment of Euro 385 thousand for operating errors that occurred in February 2008 on a charter flight to the Maldives. The Company is preparing to enter its appearance in this lawsuit.

The Directors believe that the provisions for risks and charges indicated in the interim management statement at 30 September 2008 are adequate to cover the liabilities that could be estimated at the reporting date.

Trade payables and other liabilities vs. parent company Meridiana S.p.A. totalled Euro 4,056 thousand, with a change of Euro 2,117 thousand from the end of 2007 and consist of payables for various services provided by it, particularly for maintenance, airport supervision and consulting services.

Bank debt, totalling Euro 15,493 thousand, was reduced by Euro 421 thousand and consists principally of the standby revolving line of credit granted by a pool of banks.

3.4. <u>Analysis of financial performance</u>

3.4.1. Performance in the first nine months of 2008

<u>**Revenues**</u>

Revenues from sales and services totalled Euro 293,937 thousand, for an increase of 14.9% from the same period of the previous year. With a slight increase in total flight hours (+2.2%) during the two periods examined, the increase in revenues stems primarily from the impact of price adjustments tied to rising fuel costs – net of the change in the Euro-dollar exchange rate – pursuant to the agreements made with tour operators.

The following table illustrates the strong performance of medium-range route revenues, which rose in consequence of the performance of scheduled flights between Italian cities beginning in November 2007. Long-range route revenues grew less instead, due to the decreased business to Kenya during the first half of 2008 and interruption of the route to India, which was operational in 2007.

This account includes sales of Euro 1,338 thousand to related parties, including Euro 1,194 thousand to the parent company Meridiana S.p.A., mainly for ACMI revenues.

Revenue from sales and services
Euro / 000

	Jan-Sept 2008	Jan-Sept 2007	Change	% change
Medium Range	149,273	115,717	33,556	29.0%
Long Range	144,664	140,120	4,544	3.2%
Total	**293,937**	**255,837**	**38,100**	**14.9%**

Other revenue, in the amount of Euro 9,452 thousand for the first nine months of 2008, was up Euro 2,933 thousand from the same period of 2007 due to greater income from aircraft leases, stemming from the sublease of an A330 aircraft to other airlines beginning in April 2007.
This item also includes revenues from intercompany rebilling for Euro 172 thousand, including Euro 84 thousand to the parent company Meridiana S.p.A.

Costs

Direct commercial expenses totalled Euro 9,182 thousand, for an increase over the first nine months of 2007 both in absolute and relative terms due to the increase in scheduled flights, which entail higher direct commercial and intermediation costs than charter flights.
This account also includes costs connected with related party transactions in the amount of Euro 3,968 thousand, of which Euro 2,735 thousand to the parent company primarily for scheduled flight sales commissions.

The cost of **jet fuel,** in the amount of Euro 109,385 thousand, rose by 46.5% from the same period of the previous year, with its ratio to sales rising to 37.2% (29.2% in the first nine months of 2007). This was caused by the major increase in the cost of jet fuel, which was only partially offset by the more favourable Euro-dollar exchange rate during the period.

Despite the increase in Company employees by about 57 persons, **staff costs** declined in both absolute terms (Euro 1,215 thousand) and relative terms (the ratio to revenues fell from 11.6% in 2007 to 9.7% in 2008) as compared with the first nine months of 2007, primarily due to application of the solidarity agreement since April 2007.

The costs for **materials and maintenance services,** Euro 34,678 thousand were substantially the same as in the first nine months of 2007. These costs benefited from the favourable Euro-dollar exchange rate trend. However, maintenance services expanded following the addition of the fifth A330 aircraft to the fleet at the end of March 2007. This aircraft has been subleased to third parties.
This account includes costs for maintenance performed by the parent company, Meridiana S.p.A., in the amount of Euro 534 thousand.

Operating costs and wet leases totalled Euro 73,064 thousand, up Euro 1,042 thousand from the first nine months of 2007 (for a 1.4% increase). Wet lease costs in the first nine months of 2007 also included the charges for acquisition of seats pursuant to commercial agreements with the airline Livingston. In the third quarter, Eurofly acquired additional capacity for the summer season through wet lease of an MD-80 aircraft from the airline ItAli Airlines.

Euro/000	**Jan-Sept 2008**	**Jan-Sept 2007**	**Change**	**% change**
Other operating costs	69,659	65,012	4,647	7.1%
Wet lease	3,405	7,010	(3,605)	-51.4%
Total operating costs and wet leas	**73,064**	**72,022**	**1,042**	**1.4%**

This account includes purchases of Euro 781 thousand from related parties, including Euro 644 thousand from the parent company Meridiana S.p.A., principally for airport supervision and ACMI expenses.

Commercial and corporate costs, totalling Euro 13,969 thousand, rose by 3.0% from the first nine months of 2007, due in part to the greater use of external consultants and other minor services.
This account includes costs for consulting services provided by Meridiana totalling Euro 476 thousand.

Operating rentals, which totalled Euro 31,093 thousand, are broken down in the following table:

Euro/000	**Jan-Sept 2008**	**Jan-Sept 2007**	**Change**	**% change**
Medium range	12,625	15,426	(2,801)	-18.2%
Long range	18,468	19,129	(661)	-3.5%
Total operating rentals	**31,093**	**34,555**	**(1,719)**	**-10.0%**

Lease payments for the A320 fleet fell, primarily as a result of the favourable trend in Euro-dollar exchange rates, as the lease agreements are stated in dollars. In regard to the long-range fleet, the positive effect of exchange rates was offset by the addition of the fifth A330 at the end of March 2007, which was immediately subleased to other airlines.

Depreciation, amortisation, other provisions and provisions for risks and charges totalled Euro 9,516 thousand, rising by Euro 4,502 thousand from the first nine months of 2007 due to greater allowances to the provisions for bad debts and, to a lesser extent, to the other provisions for risks and charges.

The amounts allocated to the provisions for bad debts during the period largely reflected the deterioration of certain receivables, particularly in certain lawsuits with tour operators for overdue accounts, including the litigation with Maxitraveland, which was declared bankrupt in October, and the current lawsuit against a credit card processor in the United States through which a portion of scheduled flight sales were channelled in North America, and the declaration of bankruptcy of the Alitalia in a.s. Group, now in extraordinary administration, at the end of August. The increased provisions set aside to cover the credit risk stemming from the bankruptcy of Maxitraveland and the insolvency of Alitalia totalled Euro 4,953 thousand in the first nine months of 2008.

Financial (income)/charges totalled Euro 1,664 thousand, up from the amount for the first nine months of 2007, when they totalled Euro 1,180 thousand. The change in this account reflects higher income expenses for trade payables, as well as a reduction in other interest income.
This account also includes interest income from Meridiana S.p.A. for Euro 14 thousand.

Tax charges for the period totalled Euro 1,633 thousand and include current IRAP (the Italian regional business tax) for Euro 853 thousand and the reversal of deferred IRAP and IRES (corporate income tax) for Euro 780 thousand, including Euro 697 thousand following recalculation of the amount of recoverable tax assets according to the taxable income forecast in the new 2008-2012 Business Plan.

The **(profit)/loss from sales of assets**, which had a zero balance for the first nine months of 2008, was a negative Euro 238 thousand in the first nine months of 2007 and referred to the terminated “All Business” business unit using an A319 aircraft, the lease for which was transferred last year to the company Alba.

3.4.2. Performance in the third quarter of 2008

As previously mentioned in section 1.6., during the 3rd quarter new trends appeared in contrast with those that had characterised the previous months, particularly the falling price of oil and weakening of the Euro against the U.S. dollar.
In 3rd quarter 2008 the aggregate number of flight hours rose by 6% from the same period of 2007. This performance was mainly due to the medium-range segment, in which the number of flight hours rose from 8,634 in 2007 to 9,359 in 2008.

Flight hours by SBU				
Flight hours				
	III quarter 2008	**III quarter 2007**	**Change**	**% change**
Medium Range	9,359	8,634	725	8.4%
Long Range	5,913	5,728	185	3.2%
All Business	0	42	(42)	-100.0%
Total flight hours	**15,272**	**14,404**	**868**	**6.0%**

Revenue from sales and services totalled Euro 130,969 thousand, rising by 20.7% from 3rd quarter 2007, due to the higher average revenue per flight hour resulting from the fuel price adjustment clause applied to agreements with tour operators and the higher number of passengers transported (+11.5%).

At the business unit level, the medium-range segment performed very well during the quarter. This reflected the greater number of flights (principally scheduled flights) offered in 3rd quarter 2008 than in the same period of 2007.

Revenue from sales and services				
Euro/ 000				
	III quarter 2008	**III quarter 2007**	**Change**	**% change**
Medium Range	68,194	53,756	14,438	26.9%
Long Range	62,775	54,769	8,006	14.6%
Total	**130,969**	**108,525**	**22,444**	**20.7%**

The growth in **other revenue** between 3rd quarter 2007 and 3rd quarter 2008 stems primarily from the billing of penalties to tour operators for cancellations and other compensation.

To facilitate comprehension of performance during the third quarter, EBITDAR and EBITDA figures for the period are shown below.

Euro/ 000	**III quarter 2008**	**III quarter 2007**	**Change**	**% change**
EBITDAR	21,173	20,705	468	2.3%
Percentage on revenue	*16.2%*	*19.1%*		
EBITDA	11,037	8,827	2,210	25.0%
Percentage on revenue	*8.4%*	*8.1%*		

EBITDAR in 3rd quarter 2008 totalled Euro 21,173 thousand, up slightly from 2007. This performance was impacted by the operating events previously described in regard to Company performance during the first nine months of the year.

In particular, **jet fuel** jumped (+60.1%) due to the sharp increase in its unit price, pushing the weight of this cost item as a percentage of revenues from 28% to 37.2%.

In contrast, **staff costs** reflected the savings realised in 3rd quarter 2008, with their weight as a percentage of revenues reduced to 7.8% from 9.2% in 3rd quarter 2007, in spite of the higher number of employees. These savings were achieved as a result of the solidarity agreement and improved management of operating resources.

Other operating costs and wet lease were up significantly from 3rd quarter 2007 (+9.8%), in consequence of lease of an MD80 aircraft from ItAli Airlines at ACMI terms for the entire quarter to meet the peak in demand for air passenger transport in Italy.

The costs for **operative rentals** were down by 14.7%, with their weight as a percentage of revenues also falling to 7.7% (10.9% in 3rd quarter 2007), mainly due to the savings generated by the low value of the U.S. dollar against the Euro (the operating leases for fleet aircraft are denominated in dollars).

Consequently, **EBITDA** was Euro 11,037 thousand, against Euro 8,827 thousand in 3rd quarter 2007, with an improvement of Euro 2,210 thousand and an impact of 8.4% on revenues (8.1% in 3rd quarter 2007).

Depreciation, amortisation, other provisions and provisions for risks and charges totalled Euro 4,221 thousand, rising by Euro 2,567 thousand from 3rd quarter 2007 due to greater allowances to the provisions for bad debts (+Euro 2,241 thousand) and, to a lesser extent, to the other provisions for risks and charges. In particular, the bankruptcy of a tour operator (Maxitraveland) and the insolvency of Alitalia Group companies had a non-recurring impact of Euro 2,234 thousand on 3rd quarter 2008 results.

EBIT in 3rd quarter 2008 was Euro 6,815 thousand (compared with Euro 7,172 thousand in 3rd quarter 2007), and **net profit** was Euro 5,745 thousand (Euro 5,863 thousand in 3rd quarter 2007).

3.5. Analysis of changes in net equity

During the first nine months of 2008, the Company completed the capital increases in cash and in kind. More specifically:

- as part of the capital increase in cash, 11,129,418 shares were issued at a price of Euro 1.347 each (of which Euro 0.47 as the implicit par value and Euro 0.877 as the share premium). Following this transaction, share capital totalled Euro 6,253,995.46 for 24,484,720 shares with no explicit par value;

- as part of the capital increase in kind, 3,558,718 shares were issued at a price of Euro 2.248 each (of which Euro 0.07 as the implicit par value and Euro 2.178 as the share premium). Following this transaction, share capital totalled Euro 6,503,105.72 for 28,043,438 shares with no explicit par value.

The charges related to these capital increases, which are recognised as a direct reduction in the amount of the capital increases themselves pursuant to IFRSs, totalled about Euro 710 thousand.

Following these transactions and the net loss of Euro 9,217 thousand for the period, net equity at 30 September 2008 was Euro 7,881 thousand, comprised by share capital of Euro 6,503 thousand and reserves (net of accumulated losses) of Euro 1,378 thousand.

For this reason, the Company is no longer in the situation envisaged in Article 2446 of the Italian Civil Code (i.e. reduction of capital for losses exceeding one-third of its value), as reported instead in the half-yearly financial report at 30 June 2008.

3.6. <u>Financial position</u>

3.6.1. Analysis of cash flow

As shown in the cash flow statement, which illustrates the change in cash and cash equivalents for the period using the indirect method, the first nine months of 2008 were characterised by a Euro 2,062 thousand decrease in liquidity. Cash flow during the period is broken down and analysed as follows.

- Cash flow from (used in) operations.

During the period, these cash flows were negative in the amount of Euro 10,277 thousand. This use of liquidity was due primarily to the pre-tax loss for the period of Euro 7,584 thousand, the increase in trade and other receivables by Euro 12,835 thousand, mainly due to the growth in scheduled flight business, the slowdown in cash flow from credit cards and the recognition of increased receivables for solidarity advances to staff, which were partially offset by the increase in trade and other payables of Euro 8,258 thousand. In contrast, depreciation and amortisation had a positive impact of Euro 2,602 thousand.

- Cash flow from (to) investments.

This item used Euro 1,533 thousand, primarily due to the posting of a new security deposit in favour of the parent company Meridiana S.p.A. for issuance of a standby letter of credit in favour of a lessor and for other capital expenditure on property, plant and equipment and intangible assets totalling Euro 409 thousand, net of refund of the deposits paid to Airbus.

- Cash flow from (used in) financing activities

During the period, the cash flow used in financing activities was Euro 497 thousand, due to payment of mortgage loan instalments.

- Cash flow from operations on equity

During the period, cash flows generated from operations on equity totalled Euro 10,245 thousand and concerned net cash flows resulting from the capital increase in cash completed in February 2008.

3.6.2. Net financial position

At 30 September 2008, net debt totalled Euro 14,312 thousand, down from Euro 17,065 thousand at 31 December 2007, but up from the Euro 2,959 thousand reported at 30 June 2008. It is broken down as follows:

30 Sept 07	30 June 08	*Euro/000*		30 Sept 08	2007	Change
2,205	15,585	A. Cash	(1)	4,472	6,955	(2,483)
-	-	B. Derivative contracts included in cash	(1)	-	-	-
2,205	**15,585**	**C. Cash and cash equivalents (A) + (B)**		**4,472**	**6,955**	**(2,483)**
-	-	**D. Current financial receivables**		-	-	-
10,461	15,000	E. Current bank debt	(1) (2)	15,493	15,914	(421)
-	-	F. Derivative contracts included in bank debt	(1) (2)	-	-	-
503	526	G. Current portion of non-current debt		537	514	23
4,500	-	H. Current financial debt		-	4,323	(4,323)
15,464	**15,526**	**I. Current financial debt (E) + (F) + (G) + (H)**		**16,030**	**20,751**	**(4,721)**
13,259	**(59)**	**J. Net current financial debt (I) - (C) - (D)**		**11,558**	**13,797**	**(2,238)**
-	-	**K. Non-current financial receivables**		-	-	-
3,286	3,018	L. Non-current bank debt		2,754	3,268	(514)
-	-	M. Bonds issued		-	-	-
-	-	N. Other non-current debt		-	-	-
3,286	**3,018**	**O. Non-current financial debt (L) + (M) + (N)**		**2,754**	**3,268**	**(514)**
16,545	**2,959**	**P. Net financial debt (J) - (K) + (O)**		**14,312**	**17,065**	**(2,752)**
		Reconciliation with cash flow and balance sheet tables:				
(8,256)	585	(1) Net cash and equivalents		(11,021)	(8,960)	(11,606)
10,461	15,000	(2) Bank debts		15,493	15,914	493

The following notes refer specifically to the components indicated at letters C, D, I, K and O in the table above:

C – Net cash and equivalents

Net cash and equivalents at 30 September 2008 totalled Euro 4,472 thousand, and were represented by the balances of current bank accounts.

I – Current financial debt

This item totalled Euro 16,030 thousand and was comprised of: i) bank debt in the amount of Euro 15,493 thousand, for current account overdrafts; ii) the current portion of non-current debt in the amount of Euro 537 thousand.

O – Non-current financial debt

Non-current financial debt is comprised of non-current bank debt in the amount of Euro 2,754 thousand, represented by the portion due after 12 months on the mortgage loan received from Banca Profilo.

3.7. Significant non-recurring events

The following table shows a breakdown of a number of significant non-recurring events, the consequences of which affected financial performance and standing for the period.

Description	**Net equity**		**Result of the period**		**Debt**		**Cash flow (*)**	
Euro/000	**Abs. value**	**%**	**Abs. value**	**%**	**Abs. value**	**%**	**Abs. value**	**%**
Balance sheet values (A)	**7,881**		**-9,217**		**-14,312**		**-11,021**	
Solidarity agreement	-6,061	-76.9%	-6,061	65.8%	-2,043	14%	-2,043	18.50%
Tax charges due to events abov	*0*	0.0%	*0*	0.0%	*0*	0.0%	*0*	0.0%
Total non-recurring operati	**-6,061**	**76.9%**	**-6,061**	**65.8%**	**-2,043**	**14.3%**	**-2,043**	**18.5%**
Gross imputed balance shee	**1,820**		**-15,278**		**-16,355**		**-13,064**	

(*) from increase or decrease of net cash and equivalents in the period

(**) no tax charged due losses cartried forward accrual

Furthermore, in the first nine months of 2008, Euro 6,007 thousand were set aside in the provision for bad debts, primarily in consequence of the declaration of bankruptcy of a tour operator (Maxitraveland) in October and the declaration of insolvency of the Alitalia Group, which is now in extraordinary administration, at the end of August. The recognised impact of the provisions set aside for these two accounts on the result for the first nine months of 2008 is Euro 4,953 thousand.

In addition to the items shown in this table and detailed below, it should also be noted that the results for the period were impacted by the political unrest in Kenya, which caused a reduction in revenues by about Euro 5.9 million and a reduction in EBITDA by about Euro 1.5 million from what had been forecast, and the extremely negative impact of rising fuel costs, which eroded Company EBITDA.

The cost of fuel during the first nine months of 2008 amounted to 37.2% of revenues, compared with 29.2% in the first nine months of 2007, for an increase of Euro 34,741 thousand between the first nine months of 2007 and the first nine months of 2008.

3.7.1. Solidarity agreement

As previously mentioned in the section on human resources, the solidarity agreement, which is one of the alternative instruments to collective dismissal provided for by Law 223/91, has been applied to all employee categories since 1 April 2007 and continuing for a period of 24 months. The result for the first nine months of 2008 had a positive impact of about Euro 6.1 million gross of taxes, which is not entirely reflected in Company liquidity, since most of this amount must still be refunded by the crediting entities.

3.8. Segment reporting

Pursuant to IAS 14, Eurofly provides segment information broken down into medium-range and long-range business, since business risks and benefits are materially impacted by the differences between these two segments. The principal features of each business segment are summarised as follows.

1) medium-range: this segment comprises flights lasting less than five hours, covering Europe and the Mediterranean basin; they are operated with the Company's A320 fleet or aircraft temporarily acquired from third parties under wet leases. The Company's principal destinations outside Italy are Egypt, Greece, the Canary Islands and the Balearic Islands. The medium-range business is highly seasonal, being tied to summer tourist travel. These routes are operated with the Company’s A320 fleet.
2) long-range: this segment comprises flights lasting more than five hours. The principal destinations are the Maldives, Kenya, Mexico, Santo Domingo, New York and Seychelles/Mauritius. The long-range segment is less subject to seasonal variations. Scheduled flights to New York, which were concentrated in the summer season of 2008, further offset the winter peak of charter flights to exotic beach destinations. These routes are operated with the Company’s A330 fleet.

The following table shows a breakdown of revenues and results for the medium and long-range business segments.

	Medium Range				Long Range				Total			
Euro/000	Jan-Sept 2008	Jan-Sept 2007	*Change*	*% change*	Jan-Sept 2008	Jan-Sept 2007	*Change*	*% change*	Jan-Sept 2008	Jan-Sept 2007	*Change*	*% change*
Total revenue	**151,790**	**117,042**	**34,748**	*29.7%*	**151,599**	**145,315**	**6,284**	*4.3%*	**303,389**	**262,357**	**41,032**	*15.6%*
Direct commercial expenses	3,972	1,994	1,978	*99.2%*	5,210	3,940	1,270	*32.2%*	9,182	5,934	3,248	*54.7%*
Revenue net of direct commercial expenses	**147,818**	**115,048**	**32,770**	*28.5%*	**146,389**	**141,375**	**5,014**	*3.5%*	**294,207**	**256,423**	**37,784**	*14.7%*
Jet fuel	45,626	28,565	17,061	*59.7%*	63,759	46,079	17,680	*38.4%*	109,385	74,644	34,741	*46.5%*
Staff costs	13,490	13,440	50	*0.4%*	14,931	16,196	(1,265)	*-7.8%*	28,421	29,636	(1,215)	*-4.1%*
Materials and maintenance services	14,613	14,285	328	*2.3%*	20,065	20,192	(127)	*-0.6%*	34,678	34,477	201	*0.6%*
Other operating costs and wet lease	43,855	35,722	8,132	*22.8%*	29,210	36,300	(7,090)	*-19.5%*	73,065	72,022	1,043	*1.4%*
Other commercial and corporate costs	8,242	6,676	1,566	*23.5%*	5,727	6,883	(1,156)	*-16.8%*	13,969	13,559	410	*3.0%*
Subtotal costs	**125,826**	**98,688**	**27,139**	*27.5%*	**133,692**	**125,650**	**8,041**	*6.4%*	**259,518**	**224,338**	**35,379**	*15.7%*
EBITDAR	**21,992**	**16,359**	**5,632**	*34.4%*	**12,697**	**15,725**	**(3,027)**	*-19.3%*	**34,689**	**32,084**	**2,605**	*8.1%*
Operative rentals	12,625	15,426	(2,801)	*-18.2%*	18,468	19,129	(661)	*-3.5%*	31,093	34,555	(3,462)	*-10.0%*
EBITDA	**9,366**	**933**	**8,432**	*903.9%*	**(5,771)**	**(3,404)**	**(2,367)**	*69.5%*	**3,595**	**(2,471)**	**6,066**	*-245.5%*
Depreciation and amortization	753	978	(225)	*-23.0%*	1,849	1,916	(67)	*-3.5%*	2,602	2,894	(292)	*-10.1%*
Other provisions	3,930	1,321	2,609	*197.5%*	2,076	220	1,856	*844.3%*	6,006	1,541	4,465	*289.8%*
Provisions for risks and charges	220	72	148	*205.6%*	687	507	180	*35.5%*	907	579	328	*56.6%*
EBIT (operating result)	**4,462**	**(1,438)**	**5,900**	*-410.3%*	**(10,383)**	**(6,047)**	**(4,336)**	*71.7%*	**(5,921)**	**(7,485)**	**1,564**	*-20.9%*
Financial (income)/charges									(1,664)	(1,180)	(484)	*41.0%*
Pre-tax profit									**(7,585)**	**(8,665)**	**1,080**	*-12.5%*
Tax charges									(1,633)	(1,531)	(102)	*6.7%*
Profit/(loss) from discontinued operations									0	(238)	238	*-100.0%*
Result of the period									**(9,218)**	**(10,434)**	**1,216**	*-11.7%*

3.9. Transactions with related parties

Pursuant to IAS 24, Meridiana is a related party, since it can exercise significant influence over the operating and financial decisions of Eurofly. Meridiana is the principal shareholder of Eurofly, with an equity interest of 46.10%. It should also be noted that Eurofly is subject to management and coordination by Meridiana. The following table summarises asset, liability, financial and income relations with the Meridiana Group.

Euro/000

Description	Total 30/09/08	Meridiana group	
		Absolute value	%
Trade receivables	77,321	9,222	11.9%
Non-current financial assets	14,124	2,936	20.8%
Current financial assets	4,472	-	0.0%
Trade payables	105,546	5,330	5.0%
Non-current financial liabilities	2,754	-	0.0%
Current financial liabilities	16,030	-	0.0%

Description	Total 30/09/08	Meridiana group	
		Absolute value	%
Total revenue	168,789	1,510	0.9%
Total costs	181,524	5,758	3.2%
Financial (income)/charges	1,287	14	1.1%

Description	Total 30/09/08	Meridiana group	
		Absolute value	%
Cash flow from operating activities	(10,090)	(4,725)	46.8%
Cash flow from investing activities	(1,720)	(2,936)	170.0%
Cash flow from financial activities	(497)	-	0.0%

Trade receivables include the receivables from Meridiana S.p.A. for the lease of Eurofly aircraft at ACMI terms and invoicing of scheduled flight sales by Meridiana on behalf of Eurofly, for which Meridiana receives a sales commission. The trade payables regard services provided by the parent company for maintenance, supervision, handling and various consulting services.

Non-current financial assets are related to a security deposit paid by Eurofly to Meridiana for a Meridiana pledge to a credit institution as part of granting a standby letter of credit for an aircraft operating lease.

Revenues are related primarily to the invoicing of flights on ACMI terms to Meridiana S.p.A., whereas costs, which are related principally to maintenance, handling, supervision and consulting services provided by Meridiana S.p.A., as well as commissions payable to Meridiana for code-sharing sales for Eurofly flights and commissions payable to Sameitaly S.r.l., Wokita S.r.l. and EF USA for commercial brokering.

The principal operating and trade relationships with Meridiana, Wokita, Sameitaly and EF USA are illustrated below.

Relations with Meridiana

<u>The relations with Meridiana concerned the following activities:</u>

1. the provision of contact centre services (through Meridiana's call centre);
2. the provision of space control and inventory management services;
3. the provision of market analysis and commercial reporting services;
4. the provision of pricing, distribution and e-ticketing services;
5. the provision of revenue accounting and web management services;
6. code sharing and interlines sales agreement for medium and long-range flights;
7. grant of the free use of a number of slots at Milano Linate airport;
8. the wet lease of a Meridiana A320 for the Moldova route;
9. secondment of Meridiana employees and vice-versa in order to cover positions in operations and sales;
10. sporadic consulting services concerning labour relations, purchasing, maintenance, operations, network planning, marketing and sales;
11. a letter of patronage issued by Meridiana for the restructuring of Eurofly debt.

Relations with Sameitaly S.r.l.

Eurofly has commissioned Sameitaly to promote the sale of scheduled and chartered air transportation services to travel agencies and tour operators.

Relations with Wokita S.r.l.

Eurofly currently has commercial relations with Wokita for the sale of "dead-freight" space.

Relations with EF USA.

The activities of EF-USA consist of the operation and management of sales and customer care services on behalf of Eurofly in North America, with fees in the form of sales commissions.

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The Financial Reporting Manager, Maurizio Cancellieri, certifies pursuant to Article 154-bis (2) of the Consolidated Finance Act that, to the best of his knowledge, the disclosures set out in this interim management statement at 30 September 2008, approved on 10 November 2008, are consistent with the company accounting records and books.