



## PRESS RELEASE

### **2006 FIRST HALF RESULTS APPROVED**

Milan, 13th September 2006 – Eurofly's Board of Directors, which met today under the chairmanship of Mr Giuseppe Bonomi, approved Eurofly's first half results, prepared in accordance with the International Financial Reporting Standard (IFRS).

#### **Economic and financial results**

**Total revenues** grew to 135,5 million Euro (+5,3% versus first half 2005 data) in first half 2006. In detail, Long Haul posted an increase in sales (from 60,3 to 67,6 million Euro), thanks to the growth reported both in flight hours and in average revenue per flight hour. The All Business division started its operations with the A319 at the end of May 2006 and was not present in 2005. The contribution of this Business Unit to the Company's total revenues is still limited. The decrease in revenues of the Medium Haul (from 67,5 to 62,8 million Euro) is due to the shrink in available fleet (third party aircrafts have not been operated this summer) and the higher contribution of activity characterizer by lower yield (operations for other airlines). Fleet productivity was in line with last year.

**EBITDAR** grew both in absolute (from 9,8 million Euro in first half 2005 to 13,7 million Euro in first half 2006) and in relative (from 7,7% to 10,5%) value, mainly thanks to the savings on operating costs (the re-negotiations of some contracts with suppliers) and wet lease, more than offsetting the fuel price increase.

**EBITDA** was -3,8 million Euro, down vs the -2,1 level of the same period of 2005, for the increase in rental costs of the fleet (+47,1%).

**EBIT** amounted to -8,9 million Euro (-4,4 million in first half 2005) following the entry in fleet of the Airbus A319 (in financial lease) and provisions for write down of receivables.

**Net result** was -12 million Euro (vs 3,2 million loss in 2005) mainly due to financial charges.

**Net financial position** at June 2006 was negative for 10,9 million Euro. **Shareholders' equity** was 33,8 million Euro.

## **Main subsequent events**

On 31<sup>st</sup> August the exclusive period given by I Viaggi del Ventaglio to Eurofly in the acquisition project of Livingston came to dead line. I Viaggi del Ventaglio agreed to continue the negotiation, even if with no exclusivity, having also the possibility to share the project with potential future investors in the group. Taking this and the trend of the negotiation with I Viaggi del Ventaglio, Eurofly decided non to proceed with the project of the acquisition of Livingston.

Eurofly's Board of Directors, taking into consideration the critical situation in the Middle East region, decided not to go ahead with revision of the project related to the set up of a charter aircraft company based in Egypt in order not to increase the exposure to the region.

## **Foreseeable evolution**

In July and August 2006, the number of flight hours in Medium Haul decreased vs the same period of 2005, mainly due to the reduction in fleet available but also due to an unexpected weakness of the Egypt market also in the best seasonality period, following the Middle-East crisis. Flight hours in Long Haul was substantially in line with expectations. The growing A319 business suffered for the change in commercial strategy due the switch from Linate to Malpensa.

Eurofly does not expect a turn in the macro trend negatively affecting first half result. The slower than expected start up phase of the All Business flight will conduct to a lower than estimated result in terms of load factor and revenues. Taking the negative trend of the market and of the exogenous variables into consideration, Eurofly expects to close 2006 with a net loss.

Below the Profit and Loss, the Balance Sheet and the Cash Flow relative to the first half 2006, prepared in accordance with the International Financial Reporting Standard (IFRS).

| 2005            | % on revenues | Riclassified income statement    | I half 2006     | % on revenues | I half 2005    | % on revenues | Change         | Change %       |
|-----------------|---------------|----------------------------------|-----------------|---------------|----------------|---------------|----------------|----------------|
| <i>Euro/000</i> |               |                                  |                 |               |                |               |                |                |
| 271.475         | 100,0%        | Revenues from sales and service: | 130.872         | 100,0%        | 127.859        | 100,0%        | 3.013          | 2,4%           |
| 5.986           | 2,2%          | Other revenue                    | 4.616           | 3,5%          | 764            | 0,6%          | 3.852          | 504,4%         |
| <b>277.461</b>  | <b>102,2%</b> | <b>Total revenue</b>             | <b>135.488</b>  | <b>103,5%</b> | <b>128.623</b> | <b>100,6%</b> | <b>6.865</b>   | <b>5,3%</b>    |
| 2.674           | 1,0%          | Direct commercial costs          | 3.194           | 2,4%          | 1.444          | 1,1%          | 1.750          | 121,2%         |
| 72.535          | 26,7%         | Jet Fuel                         | 41.018          | 31,3%         | 32.748         | 25,6%         | 8.270          | 25,3%          |
| 39.143          | 14,4%         | Staff cos                        | 19.427          | 14,8%         | 19.319         | 15,1%         | 108            | 0,6%           |
| 33.137          | 12,2%         | Materials and maintenance servi  | 18.698          | 14,3%         | 16.297         | 12,7%         | 2.401          | 14,7%          |
| 84.156          | 31,0%         | Other operating costs and wet le | 31.311          | 23,9%         | 42.687         | 33,4%         | (11.377)       | -26,7%         |
| 14.280          | 5,3%          | Other commercial and corporate   | 8.147           | 6,2%          | 6.317          | 4,9%          | 1.830          | 29,0%          |
| 27.034          | 10,0%         | Renatals                         | 17.464          | 13,3%         | 11.875         | 9,3%          | 5.589          | 47,1%          |
| 4.836           | 1,8%          | Depreciation and amortization    | 3.278           | 2,5%          | 1.507          | 1,2%          | 1.771          | 117,6%         |
| 2.000           | 0,7%          | Other provisions                 | 1.487           | 1,1%          | 322            | 0,3%          | 1.165          | 362,0%         |
| 559             | 0,2%          | Provisions for risk and charges  | 436             | 0,3%          | 518            | 0,4%          | -82            | -15,8%         |
| <b>280.357</b>  | <b>103,3%</b> | <b>Subtotal costs</b>            | <b>144.459</b>  | <b>110,4%</b> | <b>133.034</b> | <b>104,0%</b> | <b>11.425</b>  | <b>8,6%</b>    |
| <b>(2.896)</b>  | <b>-1,1%</b>  | <b>Operating results</b>         | <b>(8.971)</b>  | <b>-6,9%</b>  | <b>(4.411)</b> | <b>-3,4%</b>  | <b>(4.560)</b> | <b>103,4%</b>  |
| (225)           | -0,1%         | Financial income /(charges)      | 3.623           | 2,8%          | (328)          | -0,3%         | 3.952          | 1204,3%        |
| <b>(2.671)</b>  | <b>-1,0%</b>  | <b>Pre tax profit</b>            | <b>(12.594)</b> | <b>-9,6%</b>  | <b>(4.083)</b> | <b>-3,2%</b>  | <b>(8.511)</b> | <b>-208,5%</b> |
| 1.685           | 0,6%          | Tax charges                      | (602)           | -0,5%         | 698            | 0,5%          | (1.300)        | -186,1%        |
| (1.581)         | -0,6%         | Profit on sales of assets        | 0               | 0,0%          | (1.580)        | -1,2%         | 1.580          | 100,0%         |
| <b>(2.775)</b>  | <b>-1,0%</b>  | <b>Net profit</b>                | <b>(11.992)</b> | <b>-9,2%</b>  | <b>(3.201)</b> | <b>-2,5%</b>  | <b>(8.791)</b> | <b>-274,6%</b> |

**Reclassified balance sheet**

| <b>30.06.05</b>                                  | <b>30.06.06</b> | <b>31.12.05</b> | <b>Change</b>  |
|--|-----------------|-----------------|----------------|
| 55.069 Tangible fixed assets                     | 58.198          | 59.902          | -1.704         |
| 4.788 Other intangibles                          | 4.874           | 5.240           | -365           |
| 34.249 Other long term and financial investments | 24.420          | 34.981          | -10.561        |
| 1.145 Deferred tax assets                        | 4.165           | 2.887           | 1.278          |
| <b>95.251 Total non current assets</b>           | <b>91.657</b>   | <b>103.009</b>  | <b>-11.352</b> |
| 2.151 Inventories                                | 2.778           | 2.140           | 638            |
| 42.205 Trade receivables and other receivables   | 47.839          | 45.978          | 1.861          |
| 6.491 Other assets                               | 9.920           | 6.415           | 3.505          |
| 11.246 Cash and cash equivalents                 | 35.029          | 40.749          | -5.719         |
| <b>62.094 Total current assets</b>               | <b>95.567</b>   | <b>95.282</b>   | <b>285</b>     |
| 0 Non current assted for disposal                | 0               | 0               | 0              |
| <b>157.345 Total assets</b>                      | <b>187.224</b>  | <b>198.291</b>  | <b>-11.067</b> |
| 6.667 Share capital                              | 13.355          | 12.965          | 390            |
| 4.557 Reserves                                   | 32.486          | 33.286          | -800           |
| -3.201 Profit / (losses)                         | -11.992         | -2.775          | -9.218         |
| <b>8.023 Total net equity</b>                    | <b>33.849</b>   | <b>43.476</b>   | <b>-9.627</b>  |
| 31.489 Long term loans                           | 33.731          | 34.874          | -1.143         |
| 26 Deffered taxes                                | 238             | 185             | 53             |
| 3.079 Long term provision for risk and charges   | 3.288           | 3.049           | 239            |
| <b>34.594 Total non current liabilities</b>      | <b>37.257</b>   | <b>38.108</b>   | <b>-851</b>    |
| 72.819 Trade receivables and other liabilities   | 83.141          | 80.590          | 2.552          |
| 32.638 Short term loans                          | 23.088          | 26.671          | -3.584         |
| 2.149 Current portion on long term loans         | 2.258           | 2.203           | 55             |
| 7.122 Short term provisions for risk and charges | 7.631           | 7.243           | 388            |
| <b>114.728 Total current liabilities</b>         | <b>116.118</b>  | <b>116.707</b>  | <b>-589</b>    |
| 0 Non current liabilities for disposal           | 0               | 0               | 0              |
| <b>157.345 Total net equity and liabilities</b>  | <b>187.224</b>  | <b>198.291</b>  | <b>-11.067</b> |

CASH FLOW STATEMENT

| 30 June 2005    |   | 30 June 2006    | 31 March 2006  | 31 December 2005 |
|-----------------|---|-----------------|----------------|------------------|
| <b>(4.863)</b>  | <b>A. - CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD</b>           | <b>14.077</b>   | <b>14.077</b>  | <b>(4.863)</b>   |
|                 | <b>B.- CASH FLOWS (TO)/FROM OPERATIONS</b>                                    |                 |                |                  |
| (3.201)         | Profit (loss) of the year   | (11.992)        | (4.392)        | (2.775)          |
| 1.507           | Depreciation and amortization   | 3.278           | 1.622          | 4.836            |
| (1.581)         | Gains from fixed assets disposal  | -               | -              | (1.581)          |
| -               | Write down of fixed assets  | -               | -              | -                |
| (9.268)         | Net change in working capital   | (4.354)         | (6.934)        | (7.820)          |
| 152             | Net variation of staff leaving indemnity                                      | 239             | 162            | 121              |
| <b>(12.392)</b> |   | <b>(12.830)</b> | <b>(9.541)</b> | <b>(7.218)</b>   |
|                 | <b>C.- CASH FLOWS FOR INVESTMENT IN FIXED ASSETS</b>                          |                 |                |                  |
|                 | Investments in fixed assets:  |                 |                |                  |
| (1.306)         | * Intangible  | (557)           | (270)          | (2.622)          |
| (39.394)        | * Tangible  | (759)           | (399)          | (46.710)         |
| (15.434)        | * Financial   | (5.660)         | (67)           | (17.290)         |
| 24.059          | Proceeds from the sales of fixed assets                                       | 5.489           | 1.675          | 25.199           |
| <b>(32.077)</b> |   | <b>(1.488)</b>  | <b>939</b>     | <b>(41.423)</b>  |
|                 | <b>D.- CASH FLOWS FROM FINANCIAL ACTIVITY</b>                                 |                 |                |                  |
| -               | Shareholders loan   | -               | -              | 4.500            |
| 28.773          | Withdrawal of the A319 financial loan   | -               | -              | 28.773           |
| 4.302           | Policy disposal   | 10.841          | 10.841         | 4.302            |
| -               | Sale of capitalization contracts  | (243)           | (243)          | (239)            |
| (135)           | Payment of A319 financial loan installments                                   | (845)           | (419)          | (957)            |
| <b>32.940</b>   |   | <b>9.753</b>    | <b>10.178</b>  | <b>36.379</b>    |
|                 | <b>E. - CASH FLOW FROM OPERATIONS ON EQUITY</b>                               |                 |                |                  |
| -               | Increase of share capital   | 390             | 390            | 5.900            |
| (5.000)         | Dividends   | -               | -              | (5.000)          |
| -               | Share capital variations connected to the finalization of the listing process | 2.039           | 2.039          | 30.303           |
| <b>(5.000)</b>  |   | <b>2.429</b>    | <b>2.429</b>   | <b>31.203</b>    |
| <b>(16.529)</b> | <b>F. - CASH FLOWS DURING THE PERIOD (B+C+D+E)</b>                            | <b>(2.136)</b>  | <b>4.005</b>   | <b>18.940</b>    |
| <b>(21.392)</b> | <b>G. - CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (A+F)</b>           | <b>11.941</b>   | <b>18.082</b>  | <b>14.077</b>    |

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