



Gothenburg, Sweden, November 30, 2006
Interim Report January – September 2006
Fly Me Europe AB (publ)
CIN 556306-9847

Interim Report for FlyMe Pertaining to January to September 2006 Financial Information and Significant Events for the Third Quarter 2006

- Group turnover for the period January to September amounted to MSEK 513.1 (303.8) of which MSEK 175.3 (111.0) pertains to the third quarter.
- Profit/loss after tax for the period January to September amounted to MSEK -177.5 (-84.8) of which MSEK -61.7 (-25.5) pertains to the third quarter.
- Profit/loss per share for the period January to September amounted to SEK -1.78 (-0.85).
- Group unrestricted cash equivalents as of September 30, 2006 amounted to MSEK 53.2 (60.4).
- During the period January to September FlyMe transported 661 938 (347 891) passengers on regular flights, of which 215 172 (79 256) pertained to the third quarter. The increase during the third quarter amounts to 171 % compared with the same period the preceding year. Of the total number of passengers during the third quarter, 55 % were domestic and 45 % were international. In order to give a fair comparison, FlyMe has in its traffic reports since Q2 2006 only reported comparisons between current regular flights and the regularly scheduled flights of the preceding year.
- During the year 2006 FlyMe has refined the LCC concept (low cost carriers). In a comparison of previous periods, it should be noted that during the first three quarters of 2006, approximately MSEK 16 or approximately 3% of turnover (MSEK 87 or approximately 29% of turnover) was comprised of charter revenue.
- At the extraordinary AGM held on August 31, shareholders voted unanimously for a preferential issue limited to a maximum of MSEK 194. The subscription period for the adopted new share issue was October 2 to November 2, 2006.
- At the extraordinary AGM held on August 31, a decision was adopted to lower the existing share price SEK 1.30 to SEK 0.65 by reducing share capital from approximately MSEK 130 to approximately MSEK 65 which does not affect the number of outstanding shares. The lowering of share price is an effect of the reduction of share capital.
- The acquisition projects concerning Lithuanian Airlines and Astraeus were terminated. Instead FlyMe will dry lease a total of 3 Boeing aircraft from these companies, which promotes planned organic expansion. Two of these aircraft will be put into production during Q4 2006 or Q1 2007.
- Finn Thaulow with more than 30 years of experience of management in the airline industry began as CEO on September 1, 2006. He replaces the former CEO Fredrik Skanselid. Skanselid remains as Accountable Manager in the subsidiary Fly Me Sweden AB.
- Ownership structure was changed when the largest owner Talden Holding SA sold its shareholdings to the Norwegian company Cognition Capital AS.

Significant Events after the Close of the Period

- Subscribers for the new share issue in progress had, at the end of the subscription period on November 2, subscribed for shares equivalent to an increase in share capital of approximately MSEK 148, comprising 227 486 420 newly issued shares in Fly Me Europe AB.
- The Company has started direct flights to Nice and Alicante from Arlanda as of November 18, 2006. The decision to expand international flights for the summer 2007 was adopted, which means that more destinations will be introduced from Gothenburg-Landvetter Airport, Stockholm-Arlanda and Malmö-Sturup beginning on March 25, 2007.
- FlyMe has entered into an agreement on the unilateral right to acquire approximately 50 % of River Don Ltd, which comprises the parent company (51%) of Global Supply Systems Ltd (GSS). The agreement is conditional to the customary due diligence procedure, authorization by government agencies and by FlyMe's AGM. The acquisition is planned to be presented to the AGM for a decision during December, following other authorizations.

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FlyMe is Sweden's low fare airline. With Gothenburg-Landvetter Airport as a hub, FlyMe offers direct flights to and from twelve major European cities and vacation resorts. With Stockholm-Arlanda Airport as a hub, FlyMe also flies to and from Gothenburg and Malmö and to Nice and Alicante. As of and including March 25, 2007, flights from Stockholm-Arlanda will also have the destinations Luleå and Rome. Malmö-Sturup will be expanded at the same time with the destinations Nice, Alicante and Bologna. FlyMe is listed on the Stockholm stock exchange First North market.

The CEO Comments:

In general

Q3 has been eventful for FlyMe in that we are going through a process from being a small airline company to developing into a long-term, European actor in the airline industry. I began as CEO during the last month of Q3 and can say that we will continue to move our positions forward.

Since the fall 2005, Fly Me has worked hard with the expansion that was communicated in the winter 2005. The goal of the expansion is to attain sufficient size to be able to reach the necessary benefits of scale and thereby sustainable profitability. The expansion includes the ambition to grow through acquisition as well as through organic growth.

Fly Me will continue to invest in its trademark, the market and additional volume growth to attain profitability in 2007. The recently subscribed share issue amount of approximately MSEK 148 is estimated to cover the capital needs required to attain our goal of sufficient size for profitable operations.

During the fall 2006, FlyMe has terminated 2 acquisitions that were in progress in which agreements had been signed, (FlyLAL and Astraeus). Additionally, FlyMe has entered into an agreement on the acquisition of shares in the parent company River Don Ltd, 51% shareholder in the successful British airline company Global Supply Systems Ltd. In the event the acquisition of River Don Ltd is completed following approval by FlyMe's Board, FlyMe's shareholders and the concerned government authorities, FlyMe together with Global Supply Systems Ltd will be in a position to develop, in the long-term, FlyMe's low cost carrier model, not just from Sweden to Europe, but also between Sweden and inter-continental destinations.

To reinforce and secure organic expansion, FlyMe has entered into dry lease agreements for 3 Boeing 737 aircraft from Astreus and FlyLaL.

Domestic

Compared with FlyMe's regularly scheduled flights in the domestic market during the same period the preceding year, FlyMe transported more than twice as many passengers at the same time as the cabin factor has increased. This is the result of a goal-oriented investment in our domestic production which now holds a good position in competition in terms of timetables, frequency, service and prices. FlyMe aims for continuous improvement in its products and has during the fourth quarter introduced a new price structure with more flexibility.

According to LFFV's official statistics, FlyMe's market share during Q3 on the routes Stockholm/Arlanda – Malmö/Sturup amounted to 38% and on the route Stockholm/Arlanda – Gothenburg/Landvetter amounted to 34%. FlyMe has thereby in a short time become established as a significant actor in the domestic market, which creates a good base for further domestic expansion.

International

This spring's unique investment in twelve international destinations from Gothenburg has received good response from the market. This is confirmed by the fact that FlyMe's low-fare flights meet a pent-up need for direct flights from West Sweden and in the creation of new flights. Similar to domestic flights, we will continue to expand internationally and have during Q4 begun to fly to Europe even from Stockholm. Next year FlyMe will introduce international flights from Malmö and will continue to expand from Gothenburg and Stockholm at the same time.

Market and Sales

FlyMe's business idea is based on a low-fare structure which through efficient flight operations serves a domestic market with frequent flyers and an international market with a primary focus on private travelers.

The majority of all tickets are booked and paid for via FlyMe's website. To facilitate for business enterprises and travel agencies, FlyMe is also available by means of the global booking system Amadeus.

Competition in the domestic market continues to be tough even if competitors have periodically reduced capacity. In October FlyMe launched a new price structure for domestic flights that creates potential for more flexibility for the frequent flyer. This in combination with our low prices, our timetables, service and treatment and a broader distribution means that FlyMe has created a very competitive domestic product.

FlyMe plans to gradually introduce additional routes to destinations domestically as well as in the Nordic countries and the rest of Europe. To attain sustainable profitability, additional expansion is necessary.

FlyMe operates in an expansive market. Forecasts for the future indicate that the share of passengers who choose to fly with a low-fare airline will continue to increase. During 2007, it is estimated that the low-fare airlines' share of the European market will amount to 20 percent.

I look forward to contributing to the development of FlyMe so that it becomes a profitable and expansive airline company during 2007.

Finn Thaulow
CEO

Turnover and Profit/Loss

In accordance with the adopted expansion plan, Group turnover for the period January to September, compared with the preceding year, increased by MSEK 513.1 (303.8) of which MSEK 175.3 (111.0) pertains to Q3. Group net income after tax amounted to MSEK -177.5 (-84.8) of which MSEK -61.7 (-25.5) pertains to Q3. Group operating expenses amounted to MSEK -691.0 (-391.5) of which MSEK -237.7 (-137.5) pertains to Q3. Profit/loss per share for the period January to September amounted to SEK -1.78 (-0.85).

Group expenses were attributed to the following main items for each period:

| | July-Sept 2006 | July-Sept 2005 | Jan-Sept 2006 | Jan-Sept 2005 |
|--|-------------------|-------------------|------------------|------------------|
| Operating flight expenses ¹ | -206.0 | -117.5 | -601.8 | -332.1 |
| Other payroll expenses | -11.2 | -8.8 | -29.3 | -23.5 |
| Marketing | -8.7 | -2.8 | -24.4 | -11.4 |
| Other expenses | -10.9 | -7.6 | -35,5 | -22.1 |
| Impairments | -0.9 | -0.8 | -2.3 | -2.4 |

¹ Operating flight expenses consist primarily of fuel expenses, start and landing fees, expenses for "handling," variable leasing fees, expenses for technical maintenance, charges incurred during transit (for using airspace) and payroll expenses for "flight personnel," as well as fixed leasing and insurance expenses..

Similar to the preceding quarter, the increase in operating flight expenses is primarily attributable to the dramatic increase in the traffic program during the period as part of the adopted expansion investment. Besides the increase in the number of rotations, the flight distances have become longer, which impacts fuel costs as well as costs incurred during transit, for using airspace. Start and landing fees are higher at European airports than at domestic airports. The increase in the flight program has also entailed new-hires of pilots and cabin crew with a subsequent increase in payroll expenses.

During the year 2006 FlyMe has refined the LCC concept (low cost carriers). In a comparison of previous periods, it should be noted that during the first three quarters of 2006, approximately MSEK 16 or approximately 3% of turnover (MSEK 87 or approximately 29% of turnover) was comprised of charter revenue.

The profit/loss of MSEK -61.7 for Q3 is attributable to FlyMe's expansion plan and consists of the expense for planned volume expansion domestically and internationally.

The company is in the final phase of the investment in expansion that began in 2005. During Q2 2007 the company estimates attaining sufficient volume in production for domestic as well as international flights to obtain benefits of scale. During the fall 2006 a program to reinforce various processes and management functions in the Company was implemented to make possible efficient handling of the production volume the Company will achieve in the end of Q1 2007. By achieving scale benefits during 2007, the expenses per unit will be reduced and with the completed market investment, the Cabin Factor and Yield will increase.

Investments

Group reported investments for the period are mainly attributable to IT and office equipment.

The expenses for the completed expansion investment are reported in accordance with valid accounting standards and thus are not allocated to a particular period.

Financing and Liquidity

Group cash equivalents including frozen assets of MSEK 8.8 as of September 30 amounted to MSEK 53.2. All total, the Group has during the period January to September had a positive cash flow of MSEK 23.3 following the new issue.

Current operations in the Group excluding changes in working capital have during the period generated a negative cash flow of MSEK -174.5. The change in working capital has generated a negative cash flow of MSEK -9.8. The total cash flow from current operations for the period January to September amounted to MSEK -184.3.

Booked investments primarily in computer equipment amounted to MSEK 1.0 (0.4).

Deposits to suppliers amount to MSEK 12.7, and have thereby increased by MSEK 1.6 during the period. During Q3, MSEK 40 has been deposited attributable to the possible acquisition of 50 percent of the company River Don Ltd. All total, financial assets have increased by MSEK 41.6.

Net contributions from the new issue have been received during the beginning of the period at the amount of MSEK 251.5 (70.6).

Group Equity amounts to MSEK -9.5. The Group equity ratio amounts to - 5.8 percent. As of November 2, 2006 (Q4) subscribers, in accordance with the adopted preferential issue at share price, had subscribed for shares equivalent to an increase in share capital of approximately MSEK 148 that will benefit business activities in Q4 2006.

FlyMe continuously evaluates the need of ensuring future rates for fuel and USD. The Company has not had any outstanding hedging instruments during the recent dramatic price drop in USD and aviation fuel which would mean that FlyMe in the future could benefit from the drop.

Group Structure and Personnel

The Group consists of the parent company Fly Me Europe AB, an operating wholly owned subsidiary, Fly Me Sweden AB, and two dormant subsidiaries and the newly formed Me Trademark AB that shall operate activities that promote the trademark. The number of permanent employees in the Group was at the time of the report 212 people, of which 114 men.

Trading

FlyMe Europe AB's series B shares are listed on Stockholm Stock Exchange's First North (the former Nya Marknaden). First North is an alternative market for smaller growth companies. First North is part of the OMX Nordic Exchange. This means that companies on First North have the same potential to trade shares as large companies, but are not subject to the legal requirements for admission to trading on a regulated market. When the company is ready for the Nordic Exchange, the step to complete listing on the stock exchange is shorter, if the company has prepared by listing on First North.

The Parent Company

The parent company's net profit/loss during the period amounted to MSEK -5.1. The parent company's expenses for the period January to September amounted to MSEK -7.3. Expenses are primarily attributable to payroll expenses. The parent company has also provided a guarantee for Fly Me Sweden AB's leasing commitments for a three-year period, of which MSEK 18 remains as of September 30, 2006, and has pledged a capital cover guarantee for Fly Me Sweden AB for the period up to the AGM in the spring 2007. In accordance with the capital cover guarantee, a Group or shareholder contributed has been provided to the subsidiary Fly Me Sweden during the period at the amount of MSEK 171.2. The capital contribution is reported by Fly Me Europe AB as an increase in shares in the subsidiary in accordance with URA 7. During Q3, share capital was lowered in accordance with the decision adopted by the AGM to cover loss in accordance with the Board proposal, at the amount of MSEK 64.8. Profit/loss for the period amounts to MSEK -70.1.

The Equity in the Parent Company as of September 30, 2006 is distributed as follows:

| | |
|---------------------|-------|
| Share capital | 64.8 |
| Statutory reserve | 46.9 |
| Accumulated deficit | -12.4 |
| | <hr/> |
| | 99.3 |

No investments have been made. The parent company has no loans.

The number of employees in the parent company at the time of the report was seven people.

Loss Carried Forward for Tax Purposes

Accumulated loss carried forward in the parent company at the time of the report amounts to approximately MSEK 450 excluding the loss of MSEK 173 for 2005. The loss carried forward has not been assigned any value on the Balance Sheet. The value of the loss carried forward depends on the potential to use the loss to reduce future tax burdens. Taxation legislation has regulations that govern limitations. For example, a major change in ownership can limit and/or eliminate the potential to utilize loss carried forward.

Outlook

The Company is in the final phase of an investment in expansion that was begun in 2005. During 2006, some months in Q2 had figures in the black for domestic flights. During Q2 2007 the Company estimates to achieve sufficient volumes in production for domestic as well as international flights that scale benefits can be attained.

During the fall 2006, a program to reinforce various processes and management functions in the Company was implemented to make possible efficient handling of the increase in production volume the Company will achieve by the end of Q1 2007.

Shares and Shareholders

The number of shares as of reporting date amounted to 99 682 574, of which 2 488 921 are series A and 97 193 653 are series B.

The Company's series B shares are traded on First North (formerly Nya Marknaden).

The number of shareholders as of September 30, 2006 was 17 002.

The ten largest shareholders as of September 30, 2006 are as follows:

| Name | Share of votes % |
|-------------------------------------|-------------------------|
| Cognition Capital AS | 17.4 |
| Cognition AS | 11.4 |
| Kaupthing Bank Luxembourg (SA m.fl) | 10.5 |
| Raiffeisen Zentralbank Österreich | 5.2 |
| SEB Private Bank SA | 3.7 |
| Prioritet Capital AB | 2.2 |
| Skandinaviska Enskilda Banken AB | 1.2 |
| Provobis Holding AB | 0.9 |
| Landsbanki Luxembourg SA | 0.7 |
| Glitnir Banki | 0.7 |

Future Reports

- The press release of unaudited annual earnings, figures, etc. for financial year 2006 will be made public on February 28, 2007.
- Monthly traffic reports will be provided continuously shortly after the end of each month.

Accounting Policy

The interim report was prepared in accordance with IAS no. 34 for interim reporting. The accounting policy used in the Group to prepare this interim report does not divert from the policy of the Annual Report for 2005.

FLY ME EUROPE AB

**CONSOLIDATED INCOME
STATEMENT (MSEK)
(Abridged)**

| | July- Sept 2006 | July- Sept 2005 | Jan- Sept 2006 | Jan- Sept 2005 | Jan-Dec 2005 |
|--|----------------------------|----------------------------|---------------------------|---------------------------|-------------------------|
| Net sales | 175.3 | 111.0 | 513.1 | 303.8 | 402.0 |
| Other external expenses | -205.9 | -112.8 | -608.3 | -329.0 | -494.4 |
| Payroll expenses | -31.0 | -23.9 | -82.4 | -60.1 | -79.9 |
| Depreciation | -0.9 | -0.8 | -2.6 | -2.4 | -3.2 |
| Operating profit/loss | -62.4 | -26.5 | -180.2 | -87.7 | -175.5 |
| Net financial income/expense | 0.6 | 0.9 | 2.3 | 2.5 | 2.0 |
| Profit/loss for the period before tax | -61.8 | -25.6 | -177.9 | -85.2 | -173.6 |
| Tax | 0.1 | 0.1 | 0.4 | 0.4 | 0.6 |
| Profit/loss for the period after tax | -61.7 | -25.5 | -177.5 | -84.8 | -173.0 |
| Profit/loss per share adjusted for reverse split | -0.62 | -0.26 | -1.78 | -0.85 | -1.74 |

**CONSOLIDATED BALANCE SHEET
(MSEK)
(Abridged)**

| | Sept 30, 2006 | Sept 30, 2005 | Dec 31, 2005 |
|---------------------------------------|--------------------------|--------------------------|---------------------|
| Subscribed capital unpaid | - | - | 126.5 |
| Fixed assets | | | |
| Equipment | 1.8 | 2.1 | 1.8 |
| Manuals | 5.1 | 7.3 | 6.8 |
| Other intangible assets | 0.5 | 0.1 | 0.1 |
| Deposits | 52.7 | 10.9 | 11.1 |
| Current assets | | | |
| Current receivables | 51.4 | 26.1 | 21.7 |
| Derivative instruments | 0.0 | 0.0 | 2.2 |
| Cash equivalents | 53.2 | 60.4 | 29.9 |
| TOTAL ASSETS | 164.7 | 106.9 | 200.1 |
| Equity | -9.5 | 19.5 | 43.2 |
| Long-term liabilities | | | |
| Deferred tax liability | 1.4 | 2.0 | 1.9 |
| Current liabilities | | | |
| Accounts payable - trade | 63.8 | 29.1 | 46.5 |
| Other noninterest-bearing liabilities | 109.0 | 56.3 | 108.5 |
| TOTAL EQUITY AND LIABILITIES | 164.7 | 106.9 | 200.1 |
| PLEDGED ASSETS | | | |
| Frozen bank funds | 8.8 | 10.8 | 0.0 |

| CHANGE IN EQUITY | Jan-Sept 2006 | Jan-Sept 2005 | Jan-Dec 2005 |
|---|--------------------------|--------------------------|-------------------------|
| Opening equity | 43.2 | 103.7 | 103.7 |
| Registered share issues | 145.4 | 0.6 | 0.5 |
| Issue expenses | -15.5 | 0.0 | 0.0 |
| Non-registered new share issues | 0.0 | 0.0 | 126.5 |
| Expenses for new share issue in progress | -5.1 | 0.0 | -14.5 |
| Profit/loss for the period | -177.5 | -84.8 | -173.0 |
| Closing equity | -9.5 | 19.5 | 43.2 |
| | | | |
| CASH FLOW STATEMENT ABRIDGED | Jan-Sept 2006 | Jan-Sept 2005 | Jan-Dec 2005 |
| The period's operations | | | |
| Profit/loss after tax | -177.5 | -84.8 | -173.0 |
| Adjustment for non-cash items, etc. | 3.0 | 1.7 | 36.2 |
| Cash flow from the period's operations before changes in working capital | -174.5 | -83.1 | -136.8 |
| Cash flow from changes in working capital | -9.8 | 13.7 | 36.8 |
| Cash flow from the period's operations Investment activities | -184.3 | -69.4 | -100.0 |
| Purchase of intangible assets | -0.5 | 0.0 | 0.0 |
| Purchase of tangible assets | -1.0 | -0.4 | -0.5 |
| Sales of tangible assets | 0.0 | 0.0 | 0.3 |
| Purchase of financial assets | -42.5 | 0.0 | 0.0 |
| Cash flow from investment activities | -44.0 | -0.4 | -0.2 |
| Financing activities | | | |
| Payment pertaining to new share issue in progress 05/06 | 251.5 | 70.6 | 70.6 |
| Payment of financial liabilities | 0.0 | -1.1 | -1.1 |
| Cash flow from financing activities | 251.5 | 69.5 | 69.4 |
| | | | |
| Cash flow for the period | 23.3 | -0.3 | -30.8 |
| | | | |
| DATA PER SHARE | Sept 30,2006 | Sept30,2005 | Dec 31, 2005 |
| Number of shares (at close of period) | 99 682 574 | 906 205 208 | 906 205 208 |
| Number of share (on average during year) | 79 544 680 | 8 702 420 | 8 792 328 |
| Share price, SEK | 0.79 | 11 | 13 |
| Equity/share, SEK | -0.12 | 0.02 | 4.91 |
| Price/adjusted equity, times | -6.61 | 4.91 | 2.65 |
| Equity ratio % | -5.8% | 18.2% | 21.6% |

| | July-Sept 2006 | July - Sept 2005 | Jan-Sept 2006 | Jan-Sept 2005 | Jan-Dec 2005 |
|----------------------|---------------------------|-----------------------------|--------------------------|--------------------------|-------------------------|
| KEY RATIOS | | | | | |
| Domestic | | | | | |
| ASK (millions) | 99,3 | 51,8 | 348.4 | 245.5 | 342.9 |
| RPK (millions) | 60,2 | 29,9 | 222.8 | 141.7 | 209.1 |
| Cabin factor (%) | 60,6% | 57,7% | 63.9% | 57.7% | 61.0% |
| Number of passengers | 118 477 | 56 155 | 439 291 | 276 134 | 408 097 |
| International | | | | | |
| ASK (millions) | 257,7 | 26,6 | 506.5 | 69.0 | 90.8 |
| RPK (millions) | 176,2 | 14,2 | 317.6 | 35.6 | 47.1 |
| Cabin factor (%) | 68,4% | 53,4% | 62.7% | 51.6% | 51.9% |
| Number of passengers | 96 695 | 23 101 | 222 647 | 71 757 | 99 375 |

Explanation of Key Ratios

ASK (Available Seat Kilometer) = Available passenger capacity expressed as seat kilometers

RPK (Revenue Passengers Kilometer) = Sold passenger capacity expressed as seat kilometers

Cabin factor (Sold seat kilometers/available seat kilometers) = RPK/ASK

Gothenburg, Sweden, November 30, 2006

Fly Me Europe AB (publ)

CEO

Finn Thaulow

Review Report

We have reviewed this interim report for FlyMe Europe AB (publ) for the period from January 1, 2006 up to September 30, 2006. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as of September 30, 2006, and of the entity's financial outcome and cash flow for the six-month period that closed as of this date in accordance with IAS 34.

Gothenburg, Sweden, November 30, 2006

Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorized Public Accountant