Report of the First Half (H1) of FY 2009

SkyEurope's Q2 and H1 2009 operating results improve significantly; new aircraft deliveries in progress

- Network maturity and elimination of poor performing routes results in improved operational performance, Q2 and H1 adjusted operating loss reduced by 41.5% and 26.7% respectively versus Q2 and H1 2008 before non-recurring items;

- Revenue per seat increased by 7.2% in Q2 and 13.1% in H1 2009 versus Q2 and H1 2008;

- Average revenue per passenger increased 1.7% and 11.2% in Q2 and H1 2009 respectively, despite a weakened economy, the effect lower fuel prices normally have on airfare pricing, and Easter not falling within the reporting period in 2009;

- Load factor up 3.6% and 1.1% in Q2 and H1 2009 respectively; load factors improved consistently in the four consecutive months to 31 March 2009;

- Ancillary revenue per passenger increased by 125.1% in Q2 2009 (up 135.2% for H1 2009 versus H1 2008)

- Benefits of lower fuel costs realised in Q2 and H1 2009, fuel per seat dropping 36.2% versus Q2 2008 (9.8% in H1 2009 versus H1 2008). Benefits of lower fuel prices versus 2008 are expected for the remainder of the fiscal year;

- The capacity reduction program put in place for the winter period to address macroeconomic factors, impacted overall utilization and resulted in less sectors produced and, therefore, higher unit costs.

- Redelivery of leased aircraft, as announced on 9 January, resulted in EUR 3.2 million of non-recurring expenses recorded during Q2 (a total of EUR 5.4 million during H1).

- Replacement fleet plan to substitute the aircraft returned in January already in place: three Boeing 737 classics already delivered and flying with an additional three leases signed and expected for delivery before the end of May 2009.

Nick Manoudakis, Chief Financial Officer of SkyEurope, said, "SkyEurope offers very competitive pricing on attractive routes and, despite the difficult global economy, we have managed to improve our operating result for the first half of the financial year. We have eliminated much of the downside risk in our business and have seen benefits coming through from greater network maturity and the consolidation of routes from our bases in Vienna, Prague and Bratislava. We look forward to further improvement in the second half of the year and beyond."

FINANCIAL CALENDAR

Quarter 3 - ending 30 June 2009	31 August 2009
Full year - ending 30 September 2009 (preliminary)	30 November 2009
Full year - ending 30 September 2009 (audited)	29 January 2010

COMPARATIVE FINANCIAL HIGHLIGHTS for Q2 and H1 2009

In thousands of EUR						
	31 March 2009	31 March 2008	Change %	31 March 2009	31 March 2008	Change %
	3 months	3 months		6 months	6 months	
Financial data						
Operating revenue	31,974	47,513	(32.7%)	84,807	100,571	(15.7%)
EBITDAR (excluding non-recurring items)	(3,880)	(13,181)	70.6%	(8,785)	(19,697)	55.4%
EBITDAR margin (excluding non-recurring items)	(12.1%)	(27.7%)	+15.6 pp	(10.4%)	(19.6%)	+9.2 pp
EBIT (excluding non-recurring items)	(12,489)	(21,355)	41.5%	(26,540)	(36,194)	26.7%
EBIT margin (excluding non-recurring items)	(39.1%)	(44.9%)	+5.9 pp	(31.3%)	(36.0%)	+4.7 pp
Net result (excluding non-recurring items)	(15,125)	(17,198)	12.1%	(26,571)	(28,530)	6.9%
Net margin (excluding non-recurring items)	(47.3%)	(36.2%)	(11.1 pp)	(31.3%)	(28.4%)	(3.0 pp)
Equity	(97,584)	(38,583)	n.m.	(97,584)	(38,583)	n.m.
Cash and cash equivalents	460	13,053	(96.5%)	460	13,053	(96.5%)
Operating data						
No. aircraft at period end (including wet-lease)	10	14	(28.6%)	10.0	14.0	(28.6%)
Passengers	521,966	789,200	(33.9%)	1,248,622	1,647,153	(24.2%)
Aircraft utilisation (BH per day)	10:17	10:23	(0.9%)	9:49	10:27	(6.0%)
ASK (million)	721	1,058	(31.8%)	1,745	2,156	(19.1%)
RPK (million)	520	742	(29.9%)	1,247	1,539	(19.0%)
Seats flown	743,983	1,185,494	(37.2%)	1,788,519	2,398,305	(25.4%)
Seat Load factor (Passengers/Seats)	70.2%	66.6%	+3.6 pp	69.8%	68.7%	+1.1 pp
Revenue per ASK (EURc)	4.43	4.49	(1.3%)	4.86	4.67	4.2%
Revenue per seat (EUR)	43.0	40.1	7.2%	47.4	41.9	13.1%
Yield in EURc (Rev./RPK)	6.15	6.41	(4.0%)	6.80	6.54	4.1%
Average revenue per PAX (EUR)	61.3	60.2	1.7%	67.9	61.1	11.2%
Cost per ASK (EURc) (excluding non-recurring items)	6.17	6.51	(5.3%)	6.38	6.34	0.6%
Cost per ASK ex fuel (EURc) (excluding non-recurring items)	5.61	4.79	17.0%	5.01	4.70	6.7%
Cost per seat (EUR) (excluding non-recurring items)	59.8	58.1	2.9%	62.3	57.0	9.2%
Cost per seat ex fuel (EUR) (excluding non-recurring items)	50.0	42.7	16.9%	48.9	42.2	15.8%
Sectors	5,111	7,980	(36.0%)	12,146	16,135	(24.7%)
Average stage length	960	896	7.1%	975	902	8.1%
Total staff at period end	548	694	(21.1%)	548	694	(21.1%)
Staff per aircraft at period end	55	50	10.4%	55	50	10.4%

Operating and financial review

Overview

Following the capacity reduction actions taken in Q1 2009, we continued with our efforts to cut under-performing routes in Q2 2009 to address the impact of the overall weak global environment. We reduced the sectors flown during the quarter by approximately 36% (H1: 24.7% reduction) which resulted in fewer passengers flown during the quarter and lower aircraft utilisation, down by 33.6% and 0.9% respectively (H1: 24.2% and 6% improvements respectively) which had a negative impact on unit costs.

However, despite the weak economic environment, SkyEurope began to see encouraging signs, as the fundamentals of our business continue to improve due to maturity of the new route network introduced in 2008 and adjustments made at the start of the winter timetable. We were able to improve load factors and average revenue per passenger for four months of H1 2009 consecutively versus the same months of the previous year.

Although we carried fewer passengers as a result of targeted capacity reductions, our overall unit revenues improved. During the quarter we improved our average revenue per seat by 7.2% which was driven primarily by a 1.7% increase in the average fare we charge per customer and a 5.4% increase in load factor (H1 2009: 13.1% increase in revenue per seat from a 11.2% increase in average revenue per passenger and a 1.7% increase in load factor). We were also able to increase the average ancillary revenue per passenger by 125.1% during the quarter. The improvements in revenue from our maturing network were even more significant than what the H1 results indicate since last year includes results for October 2007 relating to our previous network, which was highly seasonal.

The high fuel prices continued to negatively impact SkyEurope and the industry during October 2009, however we began to realise the benefits of the lower fuel prices in the following months of H1. Due to reduced aircraft and crew utilisation our costs per seat excluding fuel and non-recurring items, increased. We are taking steps to reduce our overall cost base to the new fleet size and we expect to see the benefits in future periods.

Overall, we were able to improve our EBITDAR and EBIT margins excluding non-recurring items in Q2 by 15.6 and 5.9 percentage points during the quarter respectively and by 9.2 and 4.7 percentage points respectively for the H1 2009.

Network and fleet

In consideration of the current weak economic environment, we reduced our flying activities during the winter period and our flying programme was reduced from 14 to 10 aircraft with a focus on our core performing routes. In H1 2009, we were required to return 7 aircraft (6 to GECAS and 1 to Chishima) unexpectedly (in addition to 4 planned redeliveries) requiring us to source temporary “wet-leased aircraft" to replace this capacity. This event has resulted in certain non-recurring redelivery expenses and higher aircraft rental costs for the period ended 31 March 2009.

During Q2 we began replacing the lost capacity with less expensive 737 Classic aircraft which will benefit us during periods of low utilisation. We have now taken delivery of three Boeing Classic Aircraft and expect to take delivery of the remaining 3 Classic aircraft in May 2009 to fully phase out fully the wet-leased aircraft and reducing our leasing costs considerably.

Outlook

We expect the fundamental improvements seen in Q2 and H1 2009 resulting from an improved and maturing base network, elimination of underperforming routes and an expanded portfolio of ancillary revenue products in Q1 2009 to continue through out the remainder of the financial year and beyond. We expect our network going forward to be more resilient, less seasonal and price-sensitive and better able to cope with higher fuel prices and the results of a slowing global economy. The investments made in re-setting our business model and establishing our new home markets have been made and we are seeing the positive effects.

Further to this, fuel prices have also returned to relatively low levels which will lead to improvements to our overall costs base thereby offsetting the increase in unit costs caused by reductions in efficiencies. We are actively making reductions in our cost base to reflect our current capacity and we expect to see the benefits in future periods.

With a low cost base and maturity in the route network, despite the impact the economic slow down will have on air travel, SkyEurope's management is optimistic that the financial performance of Airline will continue to improve over the remaining months of 2009 and beyond.

Statement from the statutory bodies

The Management Board confirms to the best of its knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Key performance indicators

Available seats

The capacity reduction program put in place for the winter period resulted in less sectors flown during the quarter, 5,111 sectors in Q2 2009 vs. 7,980 sectors in Q2 2008 (12,146 sectors in H1 2009 vs. 16,135 sectors in H1 2008) and a corresponding decrease in the seat capacity we offered by 37.2% in Q2 2009 vs Q2 2008 (a decrease of 25.4% H1 2009 vs H1 2008). As will be seen, this decrease in seat capacity has had a negative impact on cost per seat as it takes time to adjust the overall Company cost structure to the newly consolidated schedule.

Revenue per seat

Revenue per seat was higher by 7.2% in Q2 2009 increasing from EUR 40.1 in Q2 2008 to EUR 43.0 in Q2 2009 despite Easter being in Q3 in 2009 where it was in Q2 in 2008 (increasing in H1 2009 vs H1 2008 from EUR 41.9 to 47.4 or 13.1%). This was mainly caused by the benefits of a more mature and improved route network and by cutting underperforming routes. We expect further benefits from maturity going forward.

Cost per seat

Cost per seat increased in Q2 2009 versus Q2 2008 due primarily to the efficiency penalty realized as a result of decreasing capacity offered and the results of non-recurring items (primarily wet lease and redelivery costs). The cost per seat increased by 10.4% in Q2 2009 vs Q2 2008 and by 27.1% excluding fuel and non-recurring items (increased by 14.4% in H1 2009 vs H1 2008) and 16.9% excluding fuel and non-recurring items.

Load factor

Load factor increased by 3.6 percentage points in Q2 2009 versus Q1 2008 (1.1 percentage point improvement in H1 2009 vs H1 2008). This was primarily a result of a maturing route network and the reduction of under-performing routes.

Income statement

Revenue

SkyEurope’s total revenue was down in Q2 2009 vs Q2 2008 by approximately EUR 15.5 million or 32.7% as underperforming capacity was cut in response to the global economic weakness (down 15.7% in H1 2009 vs H1 2008).

The 41.7% decrease in scheduled revenue was driven by the 37.2% decrease in seats flown (27.1% in H1 2009 due to a 25.4% decrease in seats flown versus H1 2008). The decrease in passenger revenue was partially offset by a significant increase in ancillary revenue of 48.9% or 125.1% per passenger (78.3% increase in H1 2009 vs H1 2008 or 135.2% per passenger) and a slight increase in charter revenue.

The growth in ancillary revenue resulted from the implementation of additional ancillary revenue products and the increase in fees charged for existing products within the ancillary revenue portfolio. Our current ancillary revenue portfolio now includes a newly implemented baggage fee, credit card processing, service fees, change fees, seat assignment, priority check-in, excess baggage and other ticket and non-ticket related fees.

Yield was down slightly during the quarter by 3.3% but remained 4.4% higher in H1 2009 vs H1 2008 as a result of a new revenue management system implemented and new pricing policies designed to increase the average fares charged by SkyEurope.

Crew costs

Crew costs were down in Q2 2009 vs. Q2 2008 by EUR 0.7 million due to a reduction in overall crew numbers and a reduction in the variable portion of crew pay as the wet-lease capacity resulted in reduced crew flying time. However on a per seat basis, crew costs increased by 33.8% (25.6% in H1 2009 vs H1 2008) as seat capacity has been reduced more quickly than the overall crew numbers. The elimination of wet-leasing will improve this significantly.

Aircraft fuel

SkyEurope's fuel costs have decreased 60% from EUR 18.2 million to EUR 7.3 million and by 36.2% on a per seat basis (from EUR 35.5 million to EUR 23.9 million in H1 2009 vs H1 2008 or 9.8% on a per seat basis). Fuel costs remained at high levels in October 2008 however we have benefitted from lower fuel prices from November onwards and reduced our overall flying activities. We expect further benefits to our cost base during the remainder of the year due to fuel prices being significantly off their 2008 peaks.

Aircraft rental

The increase in aircraft rental expense by 4.6% from EUR 7.2 million to EUR 7.5 million (7.3% from EUR 14.6 million to EUR 15.6 million in H1 2009 vs H1 2008) was due primarily to the higher costs of wet-leased capacity.

On a per seat basis, aircraft rental costs have increased by 66.7% from EUR 6.1 to EUR 10.1(43.8% from EUR 6.1 to EUR 8.7 in H1 2008 vs. H1 2009) due to reduced aircraft utilisation and the impact of wet leasing required while we replaced our lost GECAS capacity with less expensive long-term dry leases.

Higher aircraft rental as a result of wet-leasing capacity was partially offset by savings in maintenance, insurance, and crew costs.

Sales and marketing

Sales and marketing costs have decreased by 72.6% from EUR 2.3 million to EUR 0.6 million and on a per seat basis by 56.4% from EUR 1.9 to EUR 0.8 (decreased by 61.7% from EUR 6.0 million to EUR 2.3 million in H1 2008 vs H1 2009 or 48.7% on a per seat basis).

Liquidity constraints resulting from the current weak economic climate have resulted in a reduced advertising and marketing budget and more emphasis being put on less expensive and more efficient on-line advertising.

Ground handling charges

During Q2 2009, Ground handling charges have decreased from EUR 6.1 million in Q2 2008 to EUR 4.7 million or 23.1% in Q2 2009 (down in H1 2009 vs H1 2008 by 13.0% from EUR 12.5 million to EUR 10.8 million). This is primarily due to a 36% (24.7% in H1 2009 vs H1 2008) decrease in sectors flown during the period offset by higher charges applied by our ground handling suppliers due to a more expensive mix of airports served.

On a cost per seat basis, ground handling charges have increased by 22.6% from EUR 5.1 to EUR 6.3 (up by 16.6% from EUR 5.2 in H1 2008 to EUR 6.1 in H1 2009). We are actively engaged in a programme of reducing ground handling costs.

Airport charges

Airport charges, which represent landing fees (fixed turnaround charges) and per passenger fees charged by airports have decreased in Q2 2009 vs Q2 2008 by 32.2% from EUR 13.6 million to EUR 9.2 million (down from EUR 25.4 million in H1 2008 to EUR 22.0 million in H1 2009 or 13.7%) due to a decrease in flying activities offset partially by higher fees charged by a more expensive mix of airports . Airport charges per seat increased during the period by 8% from EUR 11.5 in Q2 2008 to EUR 12.4 in Q2 2009 (15.8% increase in H1 2009 vs H1 2008 from EUR 10.6 to EUR 12.2). We are in on-going discussions with the airports we serve to lower our airport-related costs.

Navigation charges

SkyEurope's navigation charges which include over-flight fees, air traffic control and approach fees decreased by 33.7% from EUR 6.2 million to EUR 4.1 million due to less sectors flown (down from EUR 12.3 million in H1 2008 versus EUR 10.2 million in H1 2009) and a shorter average stage length. On a per seat basis, navigation charges have increased by 5.7% from EUR 5.2 to EUR 5.5 (an increase by 10.6% in H1 2008 vs H1 2009 from EUR 5.1 to EUR 5.7). We expect the lighter-weight 737 Classics to lower these costs slightly.

Maintenance, materials and repairs

Lower maintenance costs during the period have resulted from a decrease in aircraft utilisation and the effects of capacity wet-leased capacity on a temporary basis thereby decreasing the variable maintenance costs. Maintenance costs have dropped by 55.3% from EUR 4.6 million in Q2 2009 to EUR 2.1 in Q2 2008 (dropping by 30.3% in H1 2009 vs H1 2008 from EUR 8.9 million to EUR 6.2 million). Maintenance costs have decreased on a unit basis from EUR 3.9 to EUR 2.8 or by 28.7% (decreased by 6.5% from EUR 3.7 to EUR 3.5 in H1 2009 vs H1 2008).

Lower maintenance costs are offset by increased leasing costs from the temporary wet-leased aircraft.

Aircraft and passenger insurance

Aircraft and passenger insurance costs decreased by 67.4% (29.2% for the half-year) primarily due to the effects of wet leased aircraft.

On a per seat basis, aircraft and passenger insurance costs have decreased by 48.1% from EUR 0.3 to EUR 0.2 (5.1% in H1 2009 vs H1 2008).

Savings in insurance costs are offset by higher lease costs from the wet-leased aircraft.

Administrative expenses

Administrative expenses have increased by 2.1% (4.7% in H1 2009 vs H1 2008) and on a per seat basis have increased by 62.8% from EUR 2.2 to EUR 3.7 (up 40.4% from EUR 2.3 to EUR 3.3 in H1 2008 to H1 2009). The increase is due to legal and professional fees incurred during the periods due to efforts to raise financing and reduced overall seat capacity flown during the periods.

Further efforts are being made to reduce the overall overhead structure in proportion to the reduction in fleet size or capacity offered.

Redelivery costs

SkyEurope returned a total of 11 aircraft (10 to GECAS and 1 to Chishima) in H1 2009. As a result of this, redelivery costs of EUR 5.4 million relating to the redeliveries were incurred at 31 March 2009 of which EUR 3.2 related to Q2 2009 and EUR 2.2 related to Q1 2009.

Depreciation and amortization

Depreciation relates to charges taken on depreciable fixed assets consisting of aircraft, software, office equipment, and leasehold improvements.

Other income (expenses)

Interest and other financing charges relate predominantly to interest expense on convertible bonds issued in connection with the Company's secondary public offering, interest expense incurred on the loan we received from York Global Finance S.a.rl and interest expenses on long-term aircraft loans.

Gain on sale of assets

During the period, we sold a spare engine upon delivery in October 2008 and a non-operating Hungarian subsidiary in November 2008.

Tax expense

Tax expense in H1 2009 consists of the value of the deferred tax asset recorded in the non-operating Hungarian subsidiary sold during the period.

Balance sheet

Property, plant and equipment

Property, plant and equipment includes principally two Boeing 737-700 aircraft, pre-delivery payments made to Boeing for aircraft to be delivered in future periods and other depreciable assets including software, office equipment and leasehold improvements.

The net book value of property, plant and equipment decreased from EUR 68.1 million at 30 September 2008 to EUR 66.8 million at 31 March 2009 due to the depreciation taken on the aircraft during the period.

Deposits and other long-term receivables

Long-term deposits consist of deposits paid to lessors for aircraft under operating lease and other long-term deposits paid to suppliers. The US dollar denominated deposits decreased from EUR 11 million at 30 September 2008 to EUR 4.9 million at 31 March 2009 as we redelivered.

Deferred tax assets

Deferred tax assets result primarily from the value of tax losses incurred in previous years available to carry-forward. The decrease in the deferred tax asset versus 30

September 2008 is a result of the disposal of our non-operating subsidiary SkyEurope Hungary Kft where certain tax assets were recorded.

Trade and other receivables

Trade receivables represent receivables from credit card payments, tour operators, outsourced sales desks at airports, lessors, and other miscellaneous receivables arising in the normal course of operations. The decrease in trade and other receivables during the period is a result of a collection of a certain portion of receivables from the Company's former credit card supplier. There remains a significant portion of credit card receivables overdue that we are diligently pursuing to collect.

Prepaid expenses

In accordance with industry practices, we pay many suppliers such as fuel suppliers and airports in advance and therefore we have a significant amount of prepaid expenses. Prepaid expenses decreased from EUR 6.6 million at 30 September 2008 to EUR 1.1 million at 31 March 2009 due to efforts made to reduce required prepayments and conserve cash.

Cash and cash equivalents

Cash and cash equivalents has not changed significantly from 30 September 2008.

The Company's liquidity continues to be impacted by the withholding of credit card sales by SkyEurope's former credit card acquirer, e-Clear (UK) PLC.

Interest-bearing loans and borrowings

Interest bearing loans and borrowings represent term-loan financing of two Aircraft and pre-delivery payment financing obtained from the Bank of Scotland (BOS) for three aircraft to be delivered in 2009.

The portion of interest-bearing loans and borrowings due within the next twelve months has been classified as short-term.

Subsequent to 31 March 2009, SkyEurope entered into an agreement with The Boeing Company ("Boeing") to terminate the Purchase Agreement between SkyEurope and Boeing relating to three 737-700 aircraft in August 2009. Under the agreement, Boeing shall return to BOS those advance payments received by Boeing which were funded by BOS for these 3 aircraft and recorded under short-term loans and borrowings. The agreement is conditional on Boeing's ability to remarket the aircraft.

Convertible bonds

The amount recorded as convertible bonds at 31 March 2009 represents the carrying value of the Tranche A convertible bond issued to shareholder York Global Finance S.a.r.l, net of the portion of the convertible bond recognized directly in equity.

Maintenance provisions

Provisions represent primarily liabilities recorded for future aircraft maintenance expenses. Amounts classified as current are provisions for liabilities which will be settled within 12 months of the balance sheet date and are classified as non-current if settlement is expected after a 12 month period.

The decrease in current provisions is a result of the fleet reductions undertaken and the associated aircraft redeliveries.

Unearned revenue

Unearned revenue represents advance ticket sales made and has increased as expected during the period ended 31 March 2009 due to seasonality aspects of the Company’s business.

Trade and other payables

Trade and other payables represent trade debt owed to our suppliers that arise in the normal course of business. The decrease from EUR 60 million at 30 September 2008 to EUR 59.4 million at 31 March 2009 is related to settlement of liabilities to our suppliers and a reduction in our overall activity.

Loans from Shareholder

During the H1 period ended 31 March 2009, the Company’s shareholder, York Global Finance S.a.r.l provided the remaining amount outstanding of a EUR 10 million loan granted in September 2008. In addition, they granted an additional short term $1.5 million dollar loan in November 2008.

The balance also includes the EUR 15 million financing facility received from York Global Finance S.a.r.l. in December 2007.

All of the Company's shares in SkyEurope Airlines a.s have been granted in favor of York Global Finance II S.á.r.l. as security for (i) the company's guarantee of SkyEurope Airlines a.s.' repayment of principal and interest under the EUR 15,000,000 term loan facility of December 21, 2007 respectively granted by York Global Finance II S.á.r.l. and (ii) the company's obligations under the Tranche A Convertible Bonds pursuant to the resolution of the shareholders' meeting of 20 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

In thousands of EUR (IFRS)	31 March 2009 3 months (unaudited)	31 March 2008 3 months (unaudited)	31 March 2009 6 months (unaudited)	31 March 2008 6 months (unaudited)
Operating revenue				
Scheduled revenue	24,709	42,418	65,193	89,468
Ancillary revenue	6,320	4,245	15,163	8,505
Charter revenue	945	850	4,451	2,598
	31,974	**47,513**	**84,807**	**100,571**
Operating expenses				
Aircraft fuel	(7,284)	(18,196)	(23,870)	(35,487)
Sales and marketing	(621)	(2,267)	(2,282)	(5,964)
Merchant fees and incentive pay	(1,267)	(2,196)	(3,081)	(3,948)
Ground handling charges	(4,650)	(6,045)	(10,837)	(12,460)
Maintenance, materials and repairs	(2,069)	(4,626)	(6,191)	(8,878)
Crew costs	(3,761)	(4,478)	(8,782)	(9,379)
Navigation charges	(4,115)	(6,202)	(10,159)	(12,321)
Aircraft and passenger insurance	(127)	(390)	(565)	(798)
Airport charges	(9,243)	(13,634)	(21,926)	(25,398)
Administrative expenses	(2,717)	(2,660)	(5,899)	(5,635)
	(35,854)	**(60,694)**	**(93,592)**	**(120,268)**
EBITDAR*	**(3,880)**	**(13,181)**	**(8,785)**	**(19,697)**
Depreciation and amortisation	(1,077)	(973)	(2,126)	(1,925)
Aircraft rental	(7,532)	(7,201)	(15,629)	(14,572)
Operating loss (EBIT) before non-recurring items	**(12,489)**	**(21,355)**	**(26,540)**	**(36,194)**
Redelivery costs	(3,239)	-	(5,359)	-
Operating loss (EBIT) after non-recurring items	**(15,728)**	**(21,355)**	**(31,899)**	**(36,194)**
Gain on sale of assets	-	2,802	4,858	6,479
Other income (expenses)				
Interest and other financing income	-	142	595	186
Interest and other financing charges	(1,521)	(1,790)	(3,717)	(3,035)
Foreign exchange gains (losses)	(810)	3,078	(65)	4,160
Loss before income taxes	**(18,059)**	**(17,123)**	**(30,228)**	**(28,404)**
Income tax expense	(305)	(75)	(1,702)	(126)
Net loss for the period after tax	**(18,364)**	**(17,198)**	**(31,930)**	**(28,530)**
Weighted average number of ordinary shares at end of period	42,796,000	42,796,000	42,796,000	42,796,000
Basic and diluted loss per share (EUR)	(0.43)	(0.40)	(0.75)	(0.67)

CONDENSED CONSOLIDATED BALANCE SHEET

In thousands of EUR (IFRS)	31 March 2009 (unaudited)	30 September 2008 (audited)
Assets		
Property, plant and equipment	66,811	68,104
Long-term receivables	4,865	11,050
Deferred tax asset	-	1,400
Total non-current assets	**71,676**	**80,554**
Expandable spare parts and inventories	1,576	1,560
Trade and other receivables	19,345	23,001
Prepaid expenses	1,116	6,641
Cash and cash equivalents	460	1,341
Total current assets	**22,497**	**32,543**
Total assets	**94,173**	**113,097**
Equity		
Issued capital	42,796	42,796
Share premium	84,148	84,148
Reserves - cash flow hedges	-	338
Retained losses	(189,006)	(127,407)
Loss in current period	(31,930)	(61,600)
Currency translation adjustment	(3,592)	(1,892)
Total equity	**(97,584)**	**(63,617)**
Liabilities		
Provisions	110	435
Other non-current liabilities	179	186
Interest-bearing loans and borrowings	41,479	42,338
Convertible bonds	6,691	6,742
Total non-current liabilities	**48,459**	**49,701**
Provisions - current	713	984
Unearned transport income	32,562	25,096
Deferred tax liability	524	220
Trade and other payables	59,392	59,963
Interest-bearing loans and borrowings	21,066	19,401
Loans from shareholder	29,041	21,349
Total current liabilities	**143,298**	**127,013**
Total equity and liabilities	**94,173**	**113,097**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

In thousands of EUR (IFRS)	31 March 2009 3 months (unaudited)	31 March 2008 3 months (unaudited)	31 March 2009 6 months (unaudited)	31 March 2008 6 months (unaudited)
Net result	**(18,364)**	**(17,198)**	**(31,930)**	**(28,530)**
Adjustments				
Depreciation and amortization	1,077	973	2,126	1,925
Deferred income tax	305	75	1,702	126
Interest income	-	(131)	(595)	(167)
Interest expense	1,807	1,780	3,617	3,015
Impact of foreign exchange rates	1,667	(5,293)	938	(6,563)
Gain on sale of assets	-	(2,940)	(2,288)	(4,665)
Gain on sale of subsidiary	-	(29)	(2,570)	(1,813)
Changes in working capital				
Change in inventories	(33)	(47)	(16)	(85)
Change in trade and other receivables	8,326	(2,245)	9,837	433
Change in other assets	1,624	(943)	5,529	(1,338)
Change in Unearned transport income	10,074	18,717	7,466	14,238
Change in trade and other payables	(2,368)	(4,036)	(572)	1,680
Change in other non-current liabilities	6	1	(4)	128
Change increase in provisions	(2,787)	(372)	(596)	(1,163)
Interest received	-	54	6	128
Interest paid	(87)	(200)	(145)	(269)
Net cash generated from operating activities	**1,247**	**(11,835)**	**(7,495)**	**(22,920)**
Cash flows from investing actitivies				
Purchase of property, plant and equipment	-	(641)	-	(283)
Predelivery payments for aircraft paid	-	1,728	-	(7,382)
Purchase of aircraft	-	(1,188)	-	(29,312)
Proceeds from sale of assets	-	9,785	1,847	62,727
Proceeds from sale of subsidiary	-	-	1,000	2,425
Net cash flow from investing activities	**-**	**9,684**	**2,847**	**28,175**
Cash flow from financing activities				
Loans raised for PDP payments	-	-	-	7,381
Loans raised for aircraft purchases	-	-	-	-
Loans from shareholder	-	-	6,163	14,900
Term loan interest paid	(1,133)	(787)	(1,133)	(1,646)
Repayment of PDP loans	-	(5,446)	-	(23,689)
Repayment of Term loans	(754)	(485)	(1,263)	(727)
Net cash flow from financing activities	**(1,887)**	**(6,717)**	**3,767**	**(3,781)**
Net cash flow	**(640)**	**(8,869)**	**(881)**	**1,474**
Cash at the beginning of the period	**1,100**	**21,922**	**1,341**	**11,579**
Cash at end of the period	**460**	**13,054**	**460**	**13,054**

SKY EUROPE

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of EUR

(IFRS, audited)	Issued capital	Share premium	Cash flow hedge reserve	Retained losses	Translation reserve	Total
At 1 October 2008	42,796	84,148	338	(189,007)	(1,892)	(63,617)
Results from cash flow hedges taken to equity	-	-	(338)	-	-	(338)
Translation reserve	-	-	-	-	(1,700)	(1,700)
Loss for the period	-	-	-	(31,929)	-	(31,929)
At 31 March 2009	**42,796**	**84,148**	**-**	**(220,936)**	**(3,592)**	**(97,584)**
At 1 October 2007	42,796	84,148	(2,159)	(127,407)	(116)	(2,738)
Results from cash flow hedges taken to equity	-	-	(4,147)	-	-	
Translation reserve	-	-	-	-	(3,168)	(3,168)
Loss for the period	-	-	-	(28,530)	-	(28,530)
At 31 March 2008	**42,796**	**84,148**	**(6,306)**	**(155,937)**	**(3284)**	**(38,583)**

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

SkyEurope Holding AG is a Group domiciled in Austria. The condensed consolidated interim financial statements of the Group as at and for the period ended 31 March 2009 comprise the Group and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 September 2008 are available upon request from the Group's operational headquarters at Ivanská cesta 30/B, P.O.Box 24, 820 01 Bratislava 21, Slovakia, or at www.skyeurope.com.

2. Going Concern

These consolidated financial statements have been prepared on the basis of International Financial Reporting Standards applicable to a “going concern” which assumes that the Group will continue its operations in the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

At the date of these financial statements, material uncertainties exist regarding the Group’s ability to continue as a going concern. These material uncertainties relate to ability of the Group to raise additional financing to meet its short and medium term liquidity needs and to reverse historical operating losses as indicated in the consolidated financial statements. Furthermore, in January 2009, the Group returned 7 aircraft scheduled in the Groups winter and summer 2009 operations with immediate effect as the respective aircraft lease agreements were terminated and has to date, only replaced 3 aircraft with the remaining capacity being sourced on a “wet lease” basis. The Group was also issued notification from York Global Finance S.a.r.l that the shareholder loans will be due for repayment. This repayment has been extended for the sixth time and is now due on 15 June 2009.

The Group’s “wet leased aircraft” are sourced at a marginally higher cost in the short term to fill the immediate capacity needs and management is confident that less expensive long term capacity will be found in the near future to replace this capacity. Marginal increases in the cost base are expected from the temporary “wet leased aircraft” however these will be offset by significantly reduced oil prices from the Company’s operations.

The Group expects short-term liquidity needs will be adequately financed through supplier credit arrangements, from the new credit card provider arrangement put in place, and from the recovery of a receivable from the Groups former credit card provider. Medium term liquidity will be financed from a share capital increase whereby all or part of the 18 million authorised capital will be used to raise financing.

Management expects operating income and related cash flows to improve significantly from previous years due to the recent drop in fuel prices, improved revenues from route maturity, elimination of poor performing routes, and slowed capacity growth in future periods.

Should the Group be unable to secure equity or debt financing or secure aircraft capacity as outlined above, the going concern assumption may not be applicable, and adjustments would be necessary to the carrying value of assets, liabilities and the reported expenses. There can be no assurance that these adjustments will not be material. Furthermore, the effect of any change in this assumption could be so pervasive that a fundamental change in the basis of accounting would be required, rather than only an adjustment to the amounts recognised within the original basis of accounting. Were this to be the case, this would have a significant effect on the Group's financial condition, and would be likely to lead to a further deterioration in respect of the Group's equity position and impact on working capital commitments.

3. Significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards as they relate to interim financial reports (IAS 34).

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2008.

4. Contingencies

The Group has agreements with DAE for the operating lease of two Boeing 737s aircraft. In order to meet the lease conditions for the aircraft, the Group must maintain certain liquidity and net worth thresholds.

At 31 March 2009, the Group failed to comply with these financial covenants. An event of default allows the Lessor to terminate the leases with immediate effect and either claim damages and/or require immediate redelivery of the aircraft.

At 31 March 2009, the Group was in technical default on its loans from BOS. The Group is working with BOS to remedy the defaults.

5. Post balance sheet events

On 14 April 2009, SkyEurope entered into an agreement with The Boeing Company ("Boeing") to terminate the Purchase Agreement between SkyEurope and Boeing relating to three 737-700 aircraft in August 2009. Under the agreement, Boeing shall return to BOS those advance payments received by Boeing which were funded by BOS for these 3 aircraft. The agreement is conditional on Boeing's ability to remarket the aircraft.

On 4 and 19 May 2009, the Group signed operating lease agreements with Aurora Aviation for the lease of two 737-300 aircraft both with a term of thirty months. One of these aircraft has been delivered and is currently in operation and the other is scheduled for delivery on approximately the 22 May 2009.

On 22 May 2009, the Group signed operating lease agreements with Galaxy Aviation Ireland for the lease of two 737-300 aircraft both with a term of twenty-four months. These aircraft are scheduled for delivery before the end of May 2009.

GLOSSARY

Administrative expenses	Includes principally administrative costs and operational costs not included elsewhere, including some salary expenses, compensation paid to passengers and certain other items such as the profit or loss on the disposal of fixed assets.
Aircraft rental	Aircraft rental includes the fixed monthly operating leasing expense paid to the Company's lessors (excluding maintenance reserves).
Aircraft utilisation	Represents the average number of block hours per day per aircraft operated during the relevant period.
Ancillary revenue	Ancillary revenue includes fees and charges (including credit card surcharges, baggage charges, seat assignment fees, sporting equipment charges, infant fees, change fees), profit share from in-flight sales (including food, beverages, and boutique items), cargo, and commissions received from products and services sold (such as hotel bookings, car rental bookings and travel insurance).
ASK	Available seat kilometre is an indicator used by management to measure units of productive output. It represents the seating capacity of our aircraft multiplied by the number of kilometres flown.
Cost per Seat	Cost per available seat represents total operating expenses divided by seats and management considers movements in cost per available seat kilometre to be the best indicator of management's performance in keeping unit costs low.
EBIT	Earnings before interest, taxes, depreciation, amortisation
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, and lease payments (excluding the maintenance reserve component of operating lease payments). Maintenance reserve costs are charged to the cost heading "maintenance".
FY	Fiscal year starting 1 October and ending 30 September.
Charter revenue	Charter revenue consists of aircraft capacity sold to third parties or tour operators
Seat Load Factor	Load factor represents the average percentage of aircraft seating capacity that is actually utilised, calculated by dividing revenue passenger kilometres by available seat kilometres.
Maintenance, materials and repairs	Maintenance, materials and repairs consists primarily of the cost of routine maintenance and spare parts; provisions for the estimated future cost of heavy maintenance and engine overhauls on aircraft; and advance maintenance payments made to operating lessors charged based on the number of flight hours and cycles flown during the month.
Revenue per Seat	Revenue per available seat represents total passenger revenue divided by Seats and is considered by management one of the best measures of revenue. It is a compensating indicator between load factor and average revenue per passenger.
Sales and Marketing	Sales and marketing expenditures include marketing costs, fees paid to credit card providers, external call centres, reservation system providers, and other sales and marketing related costs.

Sectors	Represents the number of one-way revenue flights.
Scheduled revenue	Scheduled revenue includes the base fare and booking fees/surcharges net of any implied government taxes.
Stage length	Stage length refers to the length of the average flight.
Q1 (Q2, Q3, Q4)	First (second, third, fourth) quarter of SkyEurope's financial year
Yield	Represents the passenger revenue divided by the number of passengers carried.