



Gothenburg, Sweden, May 31, 2006
Interim Report January – March 2006
Fly Me Europe AB (publ)
CIN 556306-9847

FlyMe Has Successfully Completed Planned Expansion Investment

Financial information and significant events for the first quarter 2006

- Group net turnover for the period amounted to MSEK 150.7 (90.8).
- Profit/loss for the period amounted to MSEK -63.2 (-23.9) of which MSEK 51.5 is attributable to expense for the expansion investment planned to double turnover through organic growth.
- Profit/loss per share for the period amounted to SEK -0.01 (-0.03) estimated before the reverse split.
- Group non-restricted cash as of March 31, 2006 amounted to MSEK 261.4 (118.8).
- During the period FlyMe transported 206 070 (131 205) passengers, of which 963 (0) were international flights. The increase during the first quarter amounts to 57 percent compared with the same period the preceding year.
- On March 30, 2006, direct flights from Gothenburg/Landvetter to eleven major cities and vacation resorts in Europe began. The new destinations are London/Stansted, Paris/Beauvais, Nice, Amsterdam/Schiphol, Rome/Ciampino, Prague, Malaga, Alicante, Palma de Majorca, Crete/Chania and Rhodes. Direct flights from Gothenburg/Landvetter to Barcelona with start in June have been introduced.
- In February the issue of preference shares that was adopted by the extraordinary AGM held in December, 2005, was completed. The offer to subscribe for 10 new shares for each old one at a nominal amount of SEK 0.03 was registered by the Swedish Companies Registration Office in March, 2006. The issue brought the company approximately MSEK 272 before issue and guarantee costs which constituted approximately 11 percent (12 percent at the preceding issue).
- With the intention of acquiring 100 percent of the share of equity as well as votes in Lithuanian Airlines Fly Me Europe has signed an agreement with the owners of the airline company stating that FlyMe will gradually acquire the majority of shares in Lithuanian Airlines. The agreement is conditional to approval by Lithuanian authorities and the customary due diligence procedure, as well as approval by the board of Fly Me Europe AB not later than June 30, 2006.

Significant Events after the Close of the Period

- FlyMe drawn up a one-year leasing agreement with Lithuanian Airlines for the purpose, as of April 1, of increasing the fleet of aircraft to five planes which it will operate itself.
- May 3, 2006 was the settlement date for the adopted reverse split, in which for every hundred old shares a new one was issued. This meant that the final date for trade with old B shares on the Nya Marknaden market was April 27, 2006, and the first date for trade with the new shares was April 28, 2006. After the completed reverse split, the company has 2 488 921 A shares and 97 193 653 B shares.

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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. FlyMe is listed on the Stockholm stock exchange Nya Marknaden market.

The CEO Comments:

The first quarter has been characterized by a substantial restructuring of the entire company the purpose of which is to position ourselves for profitability in accordance with the new strategy that owners, the Board and management have adopted. A large part of the strategy is the twelve new European routes that have been introduced, as well as an increase in the utilization of aircraft capacity.

We succeeded with what was nearly impossible, starting eleven of the new routes at the same time. For this reason both ordinary and extra overhauls were made of our entire fleet of aircraft during a very short period of time and we had at least one aircraft in for overhaul during the entire period December to March. To be able to maintain our ordinary flight schedule during this dramatic expansion, aircraft maintenance has been scheduled for earlier than usual which has entailed extra expenses for leased plane capacity at an amount of approximately MSEK 25, an increase in maintenance costs and leased engines at an amount of MSEK 10.5 plus more. Expenses for new recruitments amounted to approximately MSEK 3 and training expenses amounted to MSEK 3. There were additional costs for the implemented expansion at an amount of around MSEK 3. More marketing in connection with the expansion amounts to approximately MSEK 7. All total, reported expenses for investment in the expansion amounted to around MSEK 51.5.

The new strategy for FlyMe increases the utilization of our aircraft capacity from approximately 4 hours to approximately 11 hours per aircraft and day beginning as of and including March 30. Additionally, we have grown organically by dry-leasing a fifth aircraft. Previously communicated plans for consolidation have been initiated with an acquisition now in progress with the owners of Lithuanian Airlines. We have also entered into an agreement with the brokerage firm Glitnir, which we chose as a partner to assist us with evaluating another acquisition in accordance with FlyMe's expansion plan.

As concerns our European investment, we have seen positive developments from the very beginning. During the first two days, approximately 1 000 passengers flew to the new destinations. The traffic report from April shows that we have a high cabin factor on both domestic and international routes.

Considering this and that the recent tough competition on the domestic market has begun to subside, the outlook for the future is positive. A couple major actors have reduced their capacity on the domestic market and this has given us greater potential to increase our domestic traffic. We increased our departures and at the same time succeeded in increasing our cabin factor.

The first quarter 2006 has been one of the most demanding and exciting periods in FlyMe's history. No other airline company has started eleven of twelve new routes at the same time as the entire fleet of aircraft were being overhauled. In connection with this expansion we have hired and trained slightly more than 50 people during the first quarter. We continue to achieve greater utilization of aircraft capacity, organic growth and participation in the consolidation of the airline industry as resolved by the Board and management - all with the purpose of attaining profitability.

Business Operations

FlyMe is Sweden's low price 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. The company, which began operating flights in 2004, consists of Fly Me Europe AB, with B shares listed on the Nya Marknaden market, and the wholly owned subsidiary Fly Me Sweden AB which runs all flight operations. The number of employees as of March 31, 2006 amounted to approximately 190 persons.

FlyMe's business model is built on a low cost structure with cost effective flight operations providing transport to the most frequent destinations. The primary domestic passengers are people who travel often and who previously were used to paying a high price for tickets. FlyMe offers these travelers an attractive ticket price, reservations that can be rescheduled and easy accessibility. Today FlyMe has at its disposal five leased Boeing 737, of which four are 737-300 and one is a 737-500.

FlyMe plans to gradually add domestic destinations to its routes as well as destinations in other Nordic countries and the rest of Europe.

Market and Sales

The number of passengers for the first quarter 2006 was 206 070 compared with 131 205 for the corresponding period last year which is an increase of 57 percent. The majority of all tickets are booked and paid for via FlyMe's website. To make it easier for companies and travel agencies to book reservations FlyMe is also available via the global booking system Amadeus.

On March 30, 2006, FlyMe began flying eleven new European routes from Gothenburg-Landvetter Airport, creating new potential for the company. During the first quarter 2006 more than 50 000 tickets were sold to the new European destinations. Demand has been greater than supply on a number of the routes, which is why departures have been increased. In June, direct flights from Gothenburg-Landvetter Airport to Barcelona will begin.

Competition on the domestic market, which has significantly toughened during the second half of 2005, has subsided somewhat during the first quarter 2006 as a result of a number of major actors reducing their capacity.

2005 was a new record year for Swedish aviation with nearly 25 million passengers. International flights have seen a dramatic upswing. The expected economic growth, the global liberalization of aviation currently underway along with low ticket prices are expected to lead to more direct flights, more routes and a greater number of passengers. The market share for low cost airlines is expected to continue to grow through new routes and price competition with conventional airlines on existing routes. In 2004, low cost airlines had approximately a 16 percent share of the European market. Forecasts indicate that the equivalent figure for 2007 will be around 20 percent. The market on which FlyMe operates consequently is showing steady growth.

Turnover and Profit/Loss

Group turnover for the period amounted to MSEK 150.7 (90.8). Group net profit/loss after tax amounted to MSEK -63.2 (-23.9). Group expenses amounted to MSEK -215.5 (-115.1), excluding net financial items. The profit/loss per share amounted to SEK -0.01 (-0.03) estimated before the reverse split.

In accordance with FlyMe's expansion plan for organic growth, FlyMe has during Q 1 2006 invested extensively in flight start on March 30, 2006 in the new European destinations from Gothenburg. The profit/loss for the first quarter is burdened with MSEK -51.5 attributable to expenses related to the implemented expansion.

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

	Jan- March 2006	Jan- March 2005	Jan-Dec 2005	Jan-Dec 2004
Operating flight expenses	-183.7 ¹	-97.6	-495.9	-266.9
Other payroll expenses	-8,9	-7,2	-31,0	-22,5
Marketing	-9,9	-2,8	-16,9	-21,3
Other expenses	-12,2	-6,4	-30,6	-22,9
Impairments	-0,8	-1,1	-3,2	-2,7

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.

The increase in operating flight expenses is attributed primarily to an increase in the traffic program during the first quarter 2006 of slightly more than 50 percent pertaining to the number of rotations compared with the same period of the preceding year.

Investments

Group investments during the period are mainly attributable to fixed assets in IT and office equipment.

Financing and Liquidity

Group liquid funds and short-term investments including frozen assets, amounted, as of March 31, 2006, to MSEK 274.8. As of the turn of the year, the adopted new share issue had not had any impact on liquidity, but during the first quarter the issue excluding issue costs has increased liquidity at the amount of MSEK 272.

All total the Group has had a positive cash flow of MSEK 231.6 for the period.

Current operations in the Group excluding changes in working capital have during the period generated a negative cash flow of MSEK -62.2. Changes in working capital and particularly in advances from customers have generated a positive cash flow of MSEK 39.5. The total cash flow from current operations for the period amounted to MSEK -22.7.

Group equity amounts to MSEK 110.2. The equity ratio amounts to 31.8 percent.

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. The number of permanent employees in the Group at the time of this report was 189 people, of which 89 men.

The Parent Company

The parent company's operating profit/loss during the period amounted to MSEK -2.1. The parent company's expenses for the financial year amounted to MSEK -2.1. Expenses are primarily attributable to payroll overhead. The parent company has also provided a guarantee for Fly Me Sweden AB's leasing commitments for a three-year period, of which MSEK 36 remains as of March 31, 2006, and has pledged a capital cover guarantee for Fly Me Sweden AB for the period up to the AGM in the spring, 2006. In accordance with the med capital cover guarantee a Group or shareholder contribution has been provided to Fly Me Sweden at the amount of MSEK 61.3. The capital contribution is reported by Fly Me Europe AB as an increase in shares in the subsidiary in accordance with URA 7.

There were 5 people employed by the parent company at the time of this report.

Loss Carried Forward for Tax Purposes

Accumulated loss carried forward in the parent company for the period amounts to approx. MSEK 450 excluding the loss of MSEK 173 in 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 losses 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.

Significant Events after Close of Report Period

As of and including April 1, FlyMe increased its fleet of aircraft to 5 planes that the company operates itself. A one-year leasing contract, a dry-lease, has been entered into with Lithuanian Airlines from which FlyMe leases a Boeing 737-500.

To ensure FlyMe's expansion plan and active participation in the airline industry's consolidation, FlyMe has signed a twelve-month exclusive agreement with Glitnir pertaining to financial transactions. Glitnir is a brokerage firm with 1 200 employees in Norway, Iceland, London, Luxemburg and Denmark. FlyMe needs an experienced financial advisor like Glitnir to deal with coming financial transactions in the European airline industry with the purpose of actively participating in the future consolidation of the European airline industry. The Norwegian and British Glitnir offices will be actively assisting FlyMe in the near future.

May 3, 2006, was the settlement date for the adopted reverse split of shares, in which every hundred old shares became a new share. This meant that the final date for trade with old B shares on the Nya Marknaden market was April 27, 2006, and the first date for trade with the new shares was April 28, 2006. After the completed reverse split,

the company has 2 488 921 A shares and 97 193 653 B shares.

Outlook for 2006

FlyMe's position on the market and continued strong growth indicate that low price flights have come to stay in Sweden. FlyMe has, since its start, taken a substantial share of the domestic traffic in Sweden. To attain sustainable profitability, the company has taken extensive action to increase volumes, organically as well as through acquisitions in 2006. This action is estimated to triple previous utilization ratio and to continuously develop routes and traffic programs. Extensive investments were made during this quarter to make possible the organic growth that during financial year 2006 is estimated to once again double turnover compared with the preceding year. On March 30, 2006, FlyMe started with direct flights from Gothenburg-Landvetter Airport to eleven attractive cities in Europe and in June, 2006, one more direct route will be opened. The planned acquisition of Lithuanian Airlines is also in line with the company's plan for acquired growth.

FlyMe has up to now built up a strong trademark and flight operations that function well. With the commercial measures recently put into effect and the growth strategy that the board has chosen to follow, the company appears to have the potential to show positive quarterly figures in the latter part of 2006.

The low price airline industry has an exciting year ahead and is expected to face major changes and continued total volume growth. The old high cost companies will be given tough competition for customers that tend to prefer to transport themselves safely from point A to point B, rather than pay for a brief "experience of luxury" during the trip itself. "Travel cheaply and treat yourself to other luxury" will be the motto of the future.

Increasingly more people in Sweden and Europe who had not flown much previously are now becoming used to traveling more frequently by air. This trend has been visible for a long time in the USA. The changes in price that have occurred owing to the low price airlines are so radical that the number of low price passengers will probably continue to grow regardless of tax increases or hikes in oil prices.

Actors on the Northern Europe low price airline market agree that we are facing consolidation in the low price branch. The driving force behind this consolidation is that a low price airline must attain a certain size within a limited time to attain sustainable profitability. With sufficient size and effect utilization of capacity the fixed costs can be spread over more travelers and result in continued low ticket prices. With the steps that FlyMe has taken, and the extensive investments that FlyMe has implemented primarily during this quarter the company is well equipped for the growth in volume that is necessary for the future thereby achieving sustainable profitability.

Shares and Shareholders

The number of shares, after the completed new issue in February and the reverse 100:1 in late April, amounts to 99 682 574 shares, of which 2 488 921 A shares and 97 193 653 B shares.

The company's B shares are traded on the Nya Marknaden market.

The number of shareholders as of March 31, 2006 was 17 825.

The ten largest shareholders as of March 31, 2006²:

Name	Share of votes %
Kaupthing Bank Luxembourg SA	26.8
Cognition AS	16.1
Raiffeisen Zentralbank Österreich	5.3
SEB Private Bank	3.7
Euroclear Bank	0.9
Provobis Holding AB	0.9
Islandsbanki FBA Custody Account	0.8
Landsbanki Luxembourg SA	0.7

² Source: VPC

Avenir Special Mutal Fund	0.5
Straumur-Burðarás Fjarfestinga Banki	0.5

Future Reports

- The interim report for the period January-June 2006 will be made public on August 31, 2006.
- Monthly traffic reports will be provided continuously shortly after the end of each month.

Accounting Policy, etc.

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

FLY ME EUROPE AB

CONSOLIDATED INCOME STATEMENT

(MSEK)	Jan-March	Jan-March	Jan-Dec
(Abridged)	2006	2005	2005
Net sales	150.7	90.8	402.0
Other external expenses	-192.0	-96.3	-494.4
Payroll expenses	-22.6	-17.7	-79.9
Depreciation	-0.8	-1.1	-3.2
Operating profit/loss	-64.8	-24.3	-175.5
Net financial income/expense	1.4	0.0	2.0
Profit/loss for the period before tax	-63.4	-24.3	-173.6
Tax	0.1	0.4	0.6
Profit/loss for the period after tax	-63.2	-23.9	-173.0
Profit/loss per share	-0.01	-0.03	-0.20

CONSOLIDATED BALANCE SHEET

(MSEK)	March 31,	March 31,	Dec. 31,
(Abridged)	2006	2005	2005
New issue in progress	0.0	0.0	126.5
Fixed assets			
Equipment	1.7	2.6	1.8
Manuals	6.2	8.0	6.8
Other intangible assets	0.1	0.1	0.1
Deposits	13.4	9.9	11.1
Current assets			
Current receivables	62.7	24.5	21.7
Derivative instrument	0.9	0.0	2.2
Cash and bank	261.4	118.8	29.9
TOTAL ASSETS	346.4	163.9	200.1
Equity	110.2	79.5	43.2
Long-term liabilities			
Deferred tax liability	1.7	2.2	1.9
Current liabilities			
Accounts payable - trade	81.9	24.0	46.5
Other noninterest-bearing liabilities	152.6	58.2	108.5
TOTAL EQUITY AND LIABILITIES	346.4	163.9	200.1
PLEDGED ASSETS			
Frozen bank funds	0	13.1	0

FLY ME EUROPE AB

CHANGE IN EQUITY (Abridged)	Jan-March 2006	Jan-March 2005	Jan-Dec 2005
Opening equity	43.2	103.7	103.7
Registered share issues	145.3	0.0	0.5
Non-registered new share issues	0.0	0.0	126.5
Expenses for new share issue in progress	-15.1	-0.3	-14.5
Profit/loss for the period	-63.2	-23.9	-173.0
Closing equity	110.2	79.5	43.2
CASH FLOW STATEMENT (Abridged)	Jan-March 2006	Jan-March 2005	Jan-Dec 2005
The period's operations			
Profit/loss after tax	-63.2	-23.9	-173.0
Adjustment for non-cash items, etc.	1.0	0.5	36.2
Cash flow from the period's operations			
Before changes in working capital	-62.2	-23.4	-136.8
Cash flow from changes in working capital	39.5	12.1	36.8
Cash flow from the period's operations	-22.7	-11.3	-100.0
Investment activities			
Acquisition of tangible fixed assets	-0.2	0.3	-0.5
Sales of tangible fixed assets	0.0	0.0	0.3
Deposits paid	-2.5	0.0	0.0
Cash flow from investment activities	-2.7	0.3	-0.2
Financing activities			
Payment pertaining to new share issue 05/06	257.0	70.2	70.6
Payment of financial liabilities	0.0	-1.1	-1.1
Cash flow from investment activities	257.0	69.1	69.5
Cash flow for the period	231.6	58.1	-30.8
DATA PER SHARE	March 31, 2006	March 31, 2005	Dec. 31, 2005
Number of shares (at close of period)	9 968 257 288	906 201 999	906 205 208
Number of shares (on average during the period)	6 947 573 261	798 320 809	879 232 771
Share price, SEK	0.06	0.17	0.13
Equity/share, SEK	0.02	0.09	0.05
Price/adjusted equity, times	3.78	1.89	2.65
Equity ratio %	31.8%	48.5%	21.6%

FLY ME EUROPE AB

KEY RATIOS	Jan-March 2006	Jan-March 2005	Jan-Dec 2005
Domestic			
ASK (millions)	165.3	110.8	433.7
RPK (millions)	100.0	65.1	256.2
Cabin factor (%)	60.5%	58.7%	59.1%
Number of passengers	205 107	131 205	507 472
International			
ASK (millions)	3.1	0.0	0.0
RPK (millions)	1.1	0.0	0.0
Cabin factor (%)	36.6%	0.0	0.0
Number of passengers	963.0	0.0	0.0

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 kilometer/available seat kilometer) = RPK/ASK

Gothenburg, Sweden, May 30, 2006
Fly Me Europe AB (publ)
Board and CEO

Review Report

We have reviewed this interim report for FlyMe Europe AB (publ) for the period from January 1, 2006 up to March 31, 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 in accordance with the Annual Accounts Act and IAS 34.

Gothenburg, Sweden, May 31, 2006

Öhrlings PricewaterhouseCoopers AB

Lennart Bertheden
Authorized Public Accountant