

Press release

MERIDIANA FLY COMPLETES PURCHASE OF AIR ITALY

**New Italian air transport group created, with leading position in the leisure segment of the market
The new group retains its strategic focus on Sardinia and selected Italian Provinces
Operating bases in Milan, Cagliari, Olbia, Naples and Verona**

Olbia, 14 October 2011 – Meridiana fly has today completed its acquisition of Air Italy S.p.A., creating a new Italian air transport group Meridiana fly-Air Italy.

The transaction was completed upon satisfaction of the conditions precedent provided under the agreements entered into on 18 July, through the purchase of 100% of Air Italy Holding S.r.l.'s share capital, for a purchase price of Euro 82.65 million, plus an earn-out of up to Euro 7.25 million. The shareholders of Air Italy Holding S.r.l. will use the receivable resulting from the sale (excluding the earn-out) to subscribe for capital increases to be submitted for approval to the shareholders' meeting of Meridiana fly by 31 December 2011, and consequently will enter the Company's shareholding structure with an aggregate stake of approximately 37 per cent.

Meridiana S.p.A. (holding), the parent company that currently controls Meridiana fly, and the current shareholders of Air Italy Holding S.r.l. have already entered into a shareholders' agreement to regulate the company's governance. For more information on this, please refer to our previous notice, and for more information on the transaction as a whole, the press releases issued by Meridiana fly on 18 July and 30 September 2011.

The Meridiana fly-Air Italy group will be taking advantage of considerable industrial and operating synergies and thanks to the coordination of their workforces, networks, fleets and organisational structures, the group will be in a position to significantly improve the services provided to customers, as well as the range of flight connections offered.

Meridiana fly and Air Italy will retain separate Air Operator's Certificates, while their respective brands will be used in different markets depending on their relative renown and potential in such markets.

The industrial integration within the new group will facilitate rationalization of business costs, and increase flexibility in flight operations. These will be focused in five major bases (Cagliari, Olbia, Milan, Naples and Verona), two of which are in Sardinia, which will constitute the new group's strategic hub. The operating bases will be overseen by a team comprising aircrew and technicians, with services provided by Meridiana Maintenance, a company of the Meridiana S.p.A. group that provides maintenance services to the Meridiana fly's fleet and a number of other important clients.

The new network, which will be operative as early as the 2011-12 winter season, will be served by a fleet of 35 aircraft.

The group's services will essentially be structured under three main business divisions: a network dedicated to Sardinia; a network of medium- and long-haul leisure flights; and a range of national and international connections.

Sardinia remains central to the plans of new Meridiana fly-Air Italy group, which will further bolster its original mission of developing tourism on the island. In particular, the new group will be looking to those countries where tourist traffic to Sardinia is on the rise, such as Russia and the European markets. Wokita, the tour operator of the Group, will play an active role as the meeting point for tourism services offered in Sardinia, foreign customers from emerging markets and the airline. Through changes to timetables and flight frequencies, and to the dedicated fleet based at the airports of Olbia and Cagliari, the airline will have greater flexibility in meeting specific flight demands to and from Sardinia, including both charter and scheduled flights.

In terms of flights for holiday destinations, as a result of the two companies' integration of their offerings, the Meridiana fly-Air Italy group takes on a leading role in this segment of the market, providing direct flights Milan Malpensa, Verona, Bologna and Rome – an ideal fit with the requirements of customers and tour operators.

The new group will serve 14 intercontinental destinations, using seven long-range aircraft (Airbus 330s and Boeing 767s), with scheduled flights for the 2011-12 winter season to: East Africa (Kenya and Tanzania), the Indian Ocean (the Maldives and Mauritius), Madagascar and Mozambique, Northeast Brazil (Fortaleza, Maceiò, Natal, Porto Seguro, and Salvador de Baia); and the Caribbean (Cuba, the Dominican Republic, Honduras, Jamaica and Mexico). In terms of international leisure flights, the group will continue to fly to the Red Sea and the Canary Islands.

The new group's scheduled flight services will be rationalised and the services of both airlines combined, with a major emphasis upon some of the key domestic airports, who have agreed upon a shared strategy of consolidating and expanding passenger traffic. Milan Linate, in particular will provide services ideal for business traffic headed to Naples, Bari, Catania, Olbia and Cagliari. In particular, starting 14 November there will be a daily flight both to and from Bari, and three daily flights in each direction to and from Naples.

At Naples Airport, the range of direct flights offered by the new group is extensive and compelling: in addition to the three flights to Linate, there will be connections with Verona, Catania, Olbia, Cagliari and Turin, with frequencies and schedules designed specifically with the needs of Naples and the surrounding region in mind.

Flights will connect Verona and Turin with Rome Fiumicino, Cagliari, Olbia, Catania, Bari and Naples. From Verona's Catullo airport, the group will continue to provide flights to Chisinau, Pristina and Tel Aviv.

Structure of the Meridiana fly-Air Italy Group

Following completion of the transaction, the new Meridiana fly-Air Italy group of companies will be structured as follows:



Amendments to the agreements dated 18 July 2011

The parties to the agreements entered into on 18 July 2011 have agreed a number of amendments regarding the reduction of: (i) the maximum amount of the two share capital increases, the first being reduced from Euro 154 million to Euro 142.2 million, and the second from Euro 77 million to Euro 71.1 million, with the possibility for the parties to reach a written agreement on increasing this latter amount; and (ii) the Purchase Price, for the purchase of 100 per cent of the equity of Air Italy Holding, from Euro 89.9 million to Euro 82.65 million.

The parties also agreed to make a number of additional amendments to the agreements, including the following:

- postponement from 31 October 2011 to 31 December 2011 of the date by which the shareholders' meeting of Meridiana fly must be called and held to resolve upon: (i) the reverse split of the company's shares; and (ii) two capital increases (no longer delegated to the Board of Directors, as originally envisaged under the agreements dated 18 July 2011); this change in structure will allow for simplification and accelerate the timetables necessary for the various formalities and requirements to be perfected;
- the postponement from 15 November 2011 to 31 December 2011 of the date by which the shareholders' meeting of Meridiana fly must be called to resolve upon the two share capital increases, and by which the Board of Directors' meeting must be called and held for purposes of determining the details concerning the two capital increases on the basis of the resolutions already passed by the shareholders' meeting;
- the postponement from 31 March 2012 to 30 June 2012 of the date by which the first share capital increase must be subscribed.

The Minimum Underwriting Amount, or in other words the minimum amount which Meridiana (holding) has undertaken to subscribe for as part of the two share capital increases, was reduced from Euro 89.4 million to Euro 83.7 million due to the reduction in the overall amount of the capital increases. The parties further agreed that the cash paid by Meridiana (holding) in any form prior to the completion of the second capital increase up to the maximum amount of Euro 5.7 million (the "Outstanding Amount") and not used by the same for the subscription and payment of the capital increases will not need to be converted, over the period starting on the completion of the second capital increase and ending on the final expiry date of the shareholders' agreement entered into by Meridiana (holding) and by Air Italy Holding's shareholders on 18 July 2011 (the "**Shareholders' Agreement**"), into equity or used by Meridiana (holding) in order to subscribe and pay for further capital increases in Meridiana fly. The parties also undertook to agree upon good faith solutions which would allow for the exclusion of the Outstanding Amount from the calculation of the value of any shares being sold in the event of certain scenarios involving the sale of Meridiana fly shares by Air Italy Holding's shareholders in accordance with the Shareholders' Agreement.

The parties have also agreed upon a number of amendments to the condition precedent provided under the agreements dated 18 July 2011, concerning approvals on the part of Air Italy Holding's lending bank, in order to reflect the terms of the agreements reached with said bank.

For further information on these agreements and their terms, please refer to our press release of 18 July 2011.

As part of the transaction, Meridiana fly has agreed to pay the shareholders of Air Italy Holding: (i) a total of Euro 750 thousand, and (ii) a total amount equal to 50 per cent of the aggregate price paid by the market for subscriptions (i.e. by subscribers other than Meridiana (holding) and Air Italy Holding's shareholders) in connection with the two share capital increases (referred to as the "earn-out"), provided however that such amount shall not exceed Euro 6.5 million. In this case, Meridiana fly will pay to Air Italy Holding's shareholders a total amount of Euro 6.5 million, plus a total amount of Euro 750,000.

The Meridiana fly group and its controlling shareholder AKFED have been advised in connection with the drafting and negotiation of the aforementioned agreements by Studio Legale Clifford Chance, Bain & Company and BNP Paribas.

Air Italy was advised by financial advisor Corporate Finance Advisor and by the law firm BVR&Partners, UniCredit S.p.A. and C&A consulting.

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