



PRESS RELEASE

BUSINESS COMBINATION MERIDIANA EUROFLY Meridiana FLY is born

**Approved the proposal of business contribution by means of a contribution in kind
of the aviation business of Meridiana in Eurofly**

Capital increase of Euro 52.56 million through contribution in kind

**Share capital increase by way of rights option equal to Euro 40 million to be
executed after the business contribution**

Full support of the major shareholder to the deal

Extraordinary shareholders' meeting of Eurofly called for December 21 and 22, 2009

Ongoing renewal of the banking facilities

Milan, November 19, 2009 - The Board of the Directors of Meridiana S.p.A. and Eurofly S.p.A. (hereinafter "Eurofly" or the "Company"), held today, upon positive conclusion of the feasibility assessment regarding the combination of the aviation business of Meridiana into Eurofly (the "Business Combination"), disclosed to the market on August 28, 2009, resolved upon the Business Combination by way of the contribution in kind to Eurofly (the "Contribution in Kind") of the business branch of Meridiana pertaining to the aviation business carried out by such company (the "Aviation Business").

The Business Combination will result in a sole aviation company, called "Meridiana fly S.p.A." made up of Eurofly and of the Aviation Business, will operate its business with new generation long and medium range aircrafts on the national and international market.

The Business Combination is the final stage of a business process started in 2007 and distinguished for the development of significant commercial synergies and quality improvement of services provided.

The combined business plan, approved by the Board of Directors of Eurofly and Meridiana today (the "Business Plan"), points out that, though the Business Combination, the strategic and competitive positioning of the Meridiana Group in the *Aviation* sector will be strengthened by way of major dimensions, an increase rationalization of the fleet of aircrafts, a higher operating seasonal flexibility and industrial synergies, with a significant costs decrease.

The Business Plan provides for, *inter alia*, the incorporation, presumably by means of a contribution in kind to be executed following the Business Combination, of a new company ("Meridiana Express"), entirely owned by Meridiana fly and aimed to furnish means for charter and scheduled line activities for short and medium range during summer, in order to reach a wider target of passengers during the peak of the touristic season, to reduce costs and to enhance the operational flexibility.

As provided in the Business Plan, the aim of the Business Combination is to increase the business added value for all the involved parties (by means of the above mentioned cost savings, higher revenues, synergies development, etc., as summarized below), leading to positive significant variations of the cash flows.

In order to evaluate the Aviation Business, Meridiana has appointed Professor Enrico Laghi as independent appraiser pursuant to Article 2342-ter paragraph two, subsection b) of the Italian Civil Code, in view of the possible Contribution in Kind of the Business Aviation to Eurofly. According to the appraiser, the value of the Aviation Business is equal to Euro 52,56 million.

Considering that Meridiana is the controlling shareholder of Eurofly pursuant to Article 93 of the legislative Decree no. 58 of 1998 (and that Eurofly is subject to Meridiana's direction and coordination activity), and considering that therefore the Business Combination is a related parties transaction, the Board of Directors of Eurofly has appointed an independent financial advisor, Centrobanca, in order to be supported within the autonomous evaluation of the Aviation Business to be contributed in kind, to obtain confirmation that the results obtained by the independent appraiser pursuant to Article 2342-ter, paragraph two, item b) of the Italian Civil Code are not unreasonable or arbitrary, and to be supported within the determination of the issue price of the shares to be issued within the share capital increase by way of the Contribution in Kind.

Following this evaluation, the Board of Directors of Eurofly has resolved to have the extraordinary shareholders' meeting resolve upon the share capital increase, pursuant to Article 2440 and 2441, paragraph four of the Italian Civil Code, for an aggregate amount of Euro 52,559,998.87 (including Euro 6,504,950.48 for "implied book parity" of the newly issued shares, Euro 46,055,049.40 as share premium), with the issue of no. 325,247,524 of ordinary shares, with no par value, with a price of Euro 0.1616 each (including Euro 0.02 for the coverage of the "implied book parity" and Euro 0.1416 as share premium), to be subscribed and paid-in no later than February 28, 2010, by way of a Contribution in Kind of the Business Aviation by Meridiana ("Share Capital Increase through Contribution in Kind").

Meridiana's Commitment

Within the Business Combination Meridiana has sent a notice to Eurofly's Board of Directors, stating, *inter alia*, that:

- a) the execution of the Business Combination is subject to the condition precedent that financial institutions currently financing Meridiana and Eurofly and/or other financial institutions of primary standing (hereinafter the "Financing Institutions") commit to finance Eurofly (following the Business Combination) for an aggregate amount of Euro 30,000,000 (including the current financing to Eurofly for Euro 15,000,000 to be renewed on a medium-long term basis) and confirm and/or renew the necessary guarantees relating to the aviation business;
- b) considering that, as set forth under the Business Plan, Eurofly, as a result of the Business Combination, will need financial resources for at least Euro 70,000,000, of which Euro 30,000,000 should be represented by the financing above mentioned under (a) and Euro 40,000,000 should be obtained by way of a share capital increase through a rights issue that will be placed on the market following the execution of the Business Combination, Meridiana is available to guarantee the whole subscription of the a share capital increase of Eurofly (after the Business Combination) for an amount not exceeding Euro 40,000,000 under the terms and conditions set forth under a letter attached to the above mentioned notice, with the understanding that such a commitment on behalf of Meridiana is conditioned upon Eurofly's acceptance of the terms and conditions set forth within said letter (the "Meridiana Letter").



Under the Meridiana Letter, Meridiana irrevocably undertook to provide Eurofly with financial resources up to a maximum aggregate amount of Euro 40,000,000 (the "Meridiana Commitment"), Such resources will be furnished through the subscription of new shares issued pursuant to the share capital increase to be executed according to the Delegation for a Capital Increase (the "Rights Issue")

The Meridiana Letter provides that the Rights Issue will be subscribed so as to ensure that, after completion of the Rights Issue, Meridiana will hold a stake of no less than 50.1% and not greater than 90% of Eurofly's share capital. In particular, the Meridiana Letter provides that Meridiana, also in order to support the preservation of an adequate public free float, will allow the market to subscribe in whole or in part, the shares that the same Meridiana would be entitled to subscribe under its rights issues – being it understood that, upon completion of the Rights Issue Meridiana shall hold a stake of no less than 50.1% – and that Meridiana undertakes to subscribe the unexercised rights issues for an aggregate maximum amount of Euro 40,000,000 (forty million) and subject to the condition that, upon execution of the Rights issue, Meridiana's stake in Eurofly does not exceed the 90% threshold.

The Meridiana Letter provides, moreover, that starting January 15, 2010, a part of the financial resources within the Meridiana Commitment, for an aggregate maximum amount of Euro 25 million, will be made available to Eurofly as a non interest bearing financing, being it understood that the account payable towards Meridiana for the drawn down financing amount, will be set-off against Meridiana's debt for the subscription of Eurofly shares within the Rights Issue, that will be subscribed by Meridiana according to the Meridiana Letter, which also provides that the amount remained outstanding, if any, shall be repaid to Meridiana once the Rights Issue is completed.

The Meridiana Commitment is subject to the following conditions precedent, that are provide in the sole interest of Meridiana and that may be therefore discretionally waived by Meridiana:

- (i) approval of the Business Combination by Eurofly Board of Directors (approval resolved upon on the date hereof);
- (ii) obtaining from the Financing Institutions, to provide Eurofly (post Business Combination) financial resources for an aggregate maximum amount of at least Euro 30 million, including in such amount the financing for Euro 15 million already granted to Eurofly and still in place, for which an extension of current October 2010 maturity date shall be obtained, as already set forth under the Business Plan;
- (iii) confirmation and/or renewal of the guarantees currently in place in relation to the aviation business, in favor of Eurofly (post Business Combination), to be obtained from the Financing Institutions by January 31, 2010;
- (iv) full execution of the Contribution in Kind by January 31, 2010.

The Meridiana Commitment is not additional to the irrevocable commitment previously assumed by Meridiana on August 27, 2009 under which Meridiana undertook to provide to Eurofly of financial resources for an aggregate maximum amount of Euro 20 million, to be applied, as to a minimum amount of Euro 15 million, to the subscription of a share capital increase through a rights issue and, as to a maximum amount of Euro 5 million, to meet Eurofly's liquidity needs in connection with its stand-alone business plan. (the "Initial Commitment"). In fact, the Meridiana Commitment clarifies that (i) should Eurofly benefit, in whole or in part, from financial resources drawn down under the Initial Commitment, the aggregate amount of the Meridiana Commitment would be accordingly reduce and (ii) the Initial commitment would cease and will be wholly substituted by the Meridiana commitment should the Business Combination be completed by the above mentioned deadline of January 31, 2010.

Finally, under a further letter dated November 19, 2009, addressed to the Board of Directors of Eurofly (“Meridiana Second Letter”), Meridiana irrevocably undertook to provide Eurofly with a portion of the above mentioned Euro 25,000,000 financing, up to a maximum amount of Euro 10,000,000, once the Business Combination is approved by the Board of Directors of Eurofly, but not before December 21, 2009, provided, however that, should a drawdown of such Euro 10,000,000 amount occur – in whole or in part – the commitment to finance Eurofly for up to Euro 25,000,000 according to the Meridiana Letter will be reduced of the amount already drawn down.

Under the Second Meridiana Letter, moreover:

- if the Contribution in Kind will be executed by January 31, 2010, the financed amount will be considered as part of the account payable that will be set-off against Meridiana’s debt for the subscription of Eurofly shares within the Rights Issue that will be subscribed by Meridiana according to the Meridiana Letter, and the amount remained outstanding, if any, will be repaid to Meridiana once the Rights Issue is completed;
- if the Contribution in Kind will not take place by January 31, 2010, the anticipated financing will be deemed to be drawn down according to the provisions of the Initial Commitment and, therefore, will be subject to the terms and conditions set forth therein.

AKFED Commitment

In order to issue the Meridiana Commitment, Meridiana has asked and obtained from the Aga Khan Fund for Economic Development S.A. (“AKFED”) an irrevocable commitment to make available to Meridiana financial resources up to an aggregate maximum amount of Euro 30,000,000 with the purpose to provide the necessary funds to grant the Rights Issue (the “AKFED Commitment”)

The amount provided from AKFED will be automatically converted into share capital of Meridiana on its maturity date of December 31, 2015. However, should Meridiana proceed to sell any relevant assets before such maturity date, the proceeds from such sale would be used to prepay in part the financing.

At any time, however, AKFED will be entitled to obtain the conversion into share capital of the drawn down amount within the financing and of the accrued interests.

Meridiana will be entitled to request that AKFED provides funds for the sole amount requested in order to allow Meridiana to subscribe the portion of the Rights Issue that is necessary to maintain a stake equal to 50.1% of the share capital of Eurofly and under the condition that Meridiana has subscribed the Rights Issue for Euro 10,000,000. A further drawdown may subsequently occur to the extent necessary to allow Meridiana to subscribe shares unsubscribed by the market within the Rights Issue.

AKFED Commitment is subject to conditions precedent similar to those provided for under the Meridiana Commitment (i.e. approval of the Business combination by the Boards of Directors; obtainment of financing and confirmation/renewal of the guarantees currently in place in relation to the aviation business and approval of the share capital increase in connection with the Business Combination and of the amendment to the delegation of powers in connection with the Rights Issue.

As provided by the Meridiana Commitment, prior to the offering of the shares issued within the Rights Option, but not before than January 15, 2010, in the event that every condition precedent above mentioned has been

met, AKFED may anticipate to Meridiana a maximum amount of Euro 15,000,000 in order to meet the liquidity needs of Eurofly after the Contribution in Kind.

Execution of the Contribution in-Kind

Also in light of the terms and conditions of the Meridiana Commitment, the Contribution in Kind will be executed once all the necessary commitments, obligations, consents and/or authorizations, recognitions or requirements of any other nature will be obtained. In any case, the Contribution in Kind will be executed only as long as the conditions required by law are met, as well as the conditions that are necessary in order not to substantially and irrevocably prejudice the going concern of the Aviation Business subject to the Contribution in Kind and/or the Company's going concern.

The Board of Directors of Eurofly, In order to execute the Business Combination and to provide the Company with the necessary financial resources to implement the Business Plan, also in light of the terms and conditions of the Meridiana Commitment, has resolved to have the Extraordinary shareholders' meeting of Eurofly – to be called for December 21, 2009 (first call) and December 22, 2009 (second call) – approve the proposal concerning the Capital Share Capital Increase through Contribution in Kind, and also to have it:

- ✓ preliminarily approve, prior to the proposal concerning the Share Capital Increase through Contribution in Kind, a proposal concerning a share capital reduction for losses, in accordance with article 2446 of the Italian Civil Code, and the subsequent amendment of article 5, first section, of the Company By-laws, based on a balance sheet as of October 31, 2009, which is currently being drafted;
- ✓ approve an amendment of the aggregate maximum amount of the delegation to carry out the Rights Issue, equal to Euro 26,000,000 (including a possible share premium) increasing such amount to the new maximum aggregate amount of Euro 40,000,000 (including a possible share premium);
- ✓ approve a modification of Eurofly denomination, to be changed into Meridiana fly S.p.A., starting on the effective date of the Contribution in Kind.

According to current estimations, the Share Capital Increase through Contribution in Kind should be executed, depending on the necessary technical timing, immediately after the resolutions to be possibly passed by the extraordinary meeting are filed with the relevant Companies' Register, possibly by December 31, 2009 and in any case no later than 28 February 2010, also having regard to article 2343-ter of the Italian Civil Code in connection with the utilization of an appraisal dated no more than six month prior to the contribution in kind. This being the case, the Rights Issue will be carried out following the execution of the Contribution in Kind.

On the contrary, should the Business Combination not being executed, the Delegation for the Rights Issue will be exercised to collect the necessary or useful financial resources to implement Eurofly's *stand alone* business plan – in connection to which Board of Directors has some amendments as well as its term extension to 2018 – with no prejudice to the Initial Commitment.

As a consequence of the Share Capital Increase through Contribution in Kind, Meridiana will own a stake of 78,91% in the share capital of Eurofly. Therefore, article 108 of the Legislative Decree No. 58/98 shall not apply and, on the other side, considering that the Meridiana Commitment is structured to support the preservation of an adequate public free float, Eurofly shares will remain listed.

As a subsequent phase of the Business Combination, it is currently envisaged that the Company Board of Directors will be called to resolve upon the transfer of Eurofly registered office from Milan to Olbia, starting from the effective date of the Contribution in Kind.

Finally, it is to remember that, as far as the Business Combination is a related parties transaction, as clarified above, Eurofly will make publicly available, at least ten days before the date of the extraordinary shareholders' meeting convened to resolved upon the above mentioned proposals, an information document concerning the Share Capital Increase through Contribution in Kind that will be drafted according to applicable laws and to article 71-*bis* of the Consob Regulation no. 11971/99.

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