

German airline Lufthansa signs deal for minority stake in Italy's struggling ITA Airways

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An ITA Airways passenger jet approaches to land at the Los Angeles International Airport in Los Angeles, on July 1, 2022. German airline Lufthansa on Thursday, May 25, 2023, signed a deal with the Italian government for a minority share in the long-struggling ITA Airways, formerly Alitalia. Lufthansa's industrial plan calls for revenues of 2.5 billion euros (\$2.68 billion) this year, growing to 4.1 billion euros in 2027, the Italian Finance Ministry said in a

statement. No financial terms were disclosed. Credit: AP Photo/Jae C. Hong, File

German airline Lufthansa on Thursday signed a deal with the Italian government for a 41-percent minority share in the long-struggling ITA Airways, formerly Alitalia.

The deal calls for investments of 575 million euros in capital increases, 325 million euros from Lufthansa and the rest from the Italian Finance Ministry, providing capital for growth. Lufthansa will also have the option of buying the remaining shares at a later date.

Lufthansa's industrial plan for the Italian carrier calls for revenues of 2.5 billion euros (\$2.68 billion) this year, growing to 4.1 billion euros in 2027, the Italian Finance Ministry said in a statement. During that period, Lufthansa plans to expand the ITA fleet from 71 aircraft to 94 and bring the workforce to 5,500 employees, from the current 4,000.

Once the deal is completed, ITA Airways would be Lufthansa Group's fifth carrier.

Under the strategy, Rome's Fiumicino airport will become one of the Lufthansa Group's hubs, as ITA Airways focuses on long-range flights. Lufthansa CEO Carsten Spohr also said Milan, Italy's business and finance hub, has potential for growth.

The deal must be approved by EU competition authorities.

ITA Airways and its Alitalia predecessor have long been searching for an industrial partner as the Italian airline lost out on domestic and European routes to low-cost carriers. A string deals with potential and real partners

had all fallen through over the last 15 years.

ITA officially launched in October 2021 after bankrupt flag carrier Alitalia landed its final flight, ending a 74-year run which in later years was characterized by financial uncertainty and slides into bankruptcy.

Lufthansa was the only airline that submitted an offer in the latest tender earlier this year. The German airline has identified Italy as its third most important market, after Germany and the United States, citing its business ties and strong export economy as well as its appeal as a tourist destination

The German airline already operates Air Dolomiti in northern Italy, funneling long-distance traffic from cities like Milan, Verona and Venice to connections in Munich and Frankfurt.

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