



ALITALIA AND ETIHAD AIRWAYS FINALISE €1,758 MILLION INVESTMENT DEAL TO BUILD A REINVIGORATED ALITALIA AS A COMPETITIVE, SUSTAINABLY PROFITABLE BUSINESS

- Transaction implementation agreement will see Etihad Airways invest €560 million in the Italian carrier, becoming a minority shareholder (subject to regulatory approval), with core Alitalia shareholders committing an additional €300 million
- Additionally, up to €598 million in financial restructuring of short and medium term debt provided by financial institutions and existing bank shareholders
- €300 million new loan facilities extended by Italian financial institutions
- Recapitalisation safeguards thousands of Italian jobs and will allow Alitalia to invest in new long-haul routes, a revitalized brand, and a greater focus on Italian tourism and trade promotion
- New international routes and flights from more Italian cities to Abu Dhabi and beyond
- Optimised network and increased frequencies will increase competition and choice, while supporting tourism, trade and economic development
- Alitalia to benefit from network integration and cost synergies with Etihad Airways and its equity partners
- Goal of sustainable profitability by 2017
- Alitalia revitalised to embody Italian culture, history, art, fashion and food as an Ambassador for Made in Italy

Etihad Airways and Alitalia today announced that they have signed the transaction implementation agreement which will result in a €1,758 million investment to build a reinvigorated Alitalia as a competitive, sustainably profitable business.

The recapitalised Italian national airline will now be able to invest in a comprehensive strategic business plan which will see new long-haul routes from Rome and Milan, a revitalized brand,



and a greater focus on Italian tourism and trade promotion. Italian travellers will be able to benefit from a wider choice of destinations while new global connections will boost inbound tourism.

Etihad Airways' investment of €560 million will be provided through a combination of equity injections, asset purchases and other financing facilities and funding arrangements to re-structure the airline's balance sheet. This is to be complemented by a further equity investment of €300 million from existing core Alitalia shareholders, including Intesa San Paolo (€88m), Poste Italiane (€75m), UniCredit (€63.5m), Atlantia (€51m), IMMSI (€10m), Pirelli (€10m) and Gavio (€2.5m).

Additionally, up to €598 million in financial restructuring of short and medium term debt provided by financial institutions and existing bank shareholders. €300 million of new loan facilities have also been extended by Italian financial institutions.

Etihad Airways will take a 49 per cent shareholding in Alitalia, for an investment of €387.5 million. Its total investment also includes €112.5 million to acquire a 75 per cent interest in Alitalia Loyalty Spa, which operates MilleMiglia, the airline's frequent flier programme, and the purchase by Etihad Airways of five pairs of slots at London's Heathrow Airport valued at €60 million. The slot pairs will be leased back to Alitalia on an arm's length basis. The transaction is due to be completed on 31 December 2014.

Completion of the equity investment remains subject to completion by Alitalia and its key private and public stakeholders of certain conditions precedent and is also subject to final regulatory approvals.

Etihad Airways President and Chief Executive Officer, James Hogan, said: "For Etihad Airways, this is a strategic, long-term commercial investment. On completion, we are committed, with the other shareholders, to build a reinvigorated Alitalia as a competitive, sustainable and profitable business that can operate successfully in the global air travel market.



“We believe in Alitalia. It is great brand with enormous potential. With the right level of capitalisation and a strong, strategic business plan, we have confidence the airline can be turned around and repositioned as a premium global airline once again.

“Alitalia is the perfect ambassador for Italy and all that it represents. As we revitalise the brand, the airline will increasingly embody all that we recognise as quintessentially Italian – the history, culture, food and fashion. It must be an airline of which Italians can be proud.

“However ultimately it has to work as a business and the goal is for sustainable profitability from 2017.”

Mr Hogan said he recognised that many steps had been taken by current Alitalia shareholders, management and workers to stabilise the business ahead of new investment.

“Alitalia can succeed and it can grow again but it needs to build from solid foundations. We have made it clear from the start that our entire investment should be focused on supporting the implementation of the new business plan, which will see this goal come to fruition.

“The winners from this successful strategy will be Italian and international travellers, who will see better service, new routes and greater competitive choice; Alitalia’s employees, who can look forward to a brighter future over the long term, in a business which will grow again; and the Italian people, who can be proud once again of their national airline.

“There is a long road ahead, first to complete the transaction and then to deliver this new vision. Today marks a critical step on that journey and we are proud to take our place as a strategic investor in the new Alitalia.”

Gabriele Del Torchio, Chief Executive Officer of Alitalia, said: “This is an excellent outcome for Alitalia. We have had to take some tough decisions in a very robust negotiation process but we have achieved the consensus we require to create the right shape and size for Alitalia in the future.



“This investment will provide financial stability and enable us to position Alitalia, and the travel and tourism industry in Italy, for long-term growth.

“And for this important result I’d like to thank all the Alitalia staff - men and women, managers and workers, pilots, crew and office staff – who have worked with passion and commitment for our new launch. The transition to a sustainable and profitable Alitalia has required tough decisions but we all share the conviction that this new beginning, oriented towards growth, will bring new opportunities for everyone.”

The comprehensive business plan provides for the revitalization of Alitalia’s brand, to embody all the things for which Italy is renowned – food, fashion, culture and lifestyle – in a ‘Made in Italy’ premium service concept and guest experience.

This will be accompanied by the implementation of measures to drive increased inbound tourism into Italy and to support the country’s economic growth.

While maintaining the relevance of short-haul routes, the proposed network plan focuses on the profitable growth of long-haul flying from both Rome Fiumicino and Milan Malpensa. This will include flights to new destinations, increased frequency in certain existing markets and an enhanced network to Abu Dhabi to capitalise on growing traffic between Italy and the UAE, and provide Alitalia’s passengers with seamless connectivity to Etihad Airways’ global network.

Starting from Winter 2014, Alitalia will increase frequency between Rome Fiumicino and Abu Dhabi from five per week to a daily service, and commence a new daily service between Milan Malpensa and Abu Dhabi. This flying will complement Etihad Airways’ existing daily services on these markets and open up a range of new connecting opportunities for passengers of both airlines.



From Summer 2015, Alitalia will also begin to implement connections between other Italian cities and Abu Dhabi, with plans for direct flights from markets such as Venice, Catania and Bologna.

Rome Fiumicino will emerge as a larger European intercontinental hub, with up to five new routes over the next four years, while long-haul flights from Milan Malpensa will more than double to 25 flights a week by 2018. Alitalia's widebody fleet is planned to grow by a third, while its narrowbody fleet will be rightsized to meet the requirements of the new network plan.

Members of the MilleMiglia frequent flier program will be able to 'earn and burn' on Etihad Airways and partner airlines, with future integration of the programmes planned.

While network integration and optimization will deliver top-line revenue growth for Alitalia, the cost synergies inherent in the partnership will provide substantial opportunities. These include streamlined hub operations, and joint procurement in the areas of aircraft, engines, maintenance-repair-operations, training, catering, ground-handling and fuel. The partnership will also pave the way for the redesigning and automating processes and working arrangements in line with best practice, and the adoption of leading IT platforms.

To better serve the Italian cargo market, which is the third largest in Europe, Alitalia's cargo business will be relaunched and expanded, with the establishment of a centre of excellence in Northern Italy, investment in handling capabilities at Italian airports, and the optimization of an integrated cargo network.

James Hogan said: "Italy is a hugely important market for Etihad Airways, from both trade and tourism points of view. The UAE is Italy's top trading partner in the Middle East and North Africa region, and is home to more than 10,000 Italian citizens and 300 Italian companies.

"The possibilities when we knit together our network with those of our existing equity partners, including airberlin, Air Serbia, Etihad Regional, Jet Airways, Virgin Australia, Air Seychelles and



Aer Lingus, and of course our strategic codeshare partner, KLM-Air France, will provide the most compelling customer offering.”

Etiihad Airways currently operates daily services from Abu Dhabi to Rome and Milan, which complement Alitalia’s five flights a week from Rome to Abu Dhabi. The two airlines also codeshare to a total of 31 other destinations.

Alitalia and Etihad Airways were last month named as *Official Global Airline Carriers for Expo 2015*, the upcoming universal Exposition which will be held in Milan from 1 may to 31 October 2015.

The advisors on the transaction were:

- Etihad Airways: JP Morgan (financial); DLA Piper and Chiomenti (legal); PricewaterhouseCoopers (due diligence)
- Alitalia: Citi (financial); Bonelli Erede Pappalardo (legal)

- Ends -

For B-roll television footage in high definition go to <http://tiny.cc/o4k9jx>

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About Etihad Airways

Etihad Airways began operations in 2003, and in 2013 carried 11.5 million passengers. From its Abu Dhabi base Etihad Airways flies to 108 existing or announced passenger and cargo destinations in the Middle East, Africa, Europe, Asia, Australia and the Americas. The airline has a fleet of 102 Airbus and Boeing aircraft, and more than 210 aircraft on firm order, including 71 Boeing 787s, 25 Boeing 777-X, 62 Airbus A350s and 10 Airbus A380s. Etihad Airways holds equity investments in airberlin, Air Seychelles, Virgin Australia, Aer Lingus, Air Serbia and Jet Airways, and is in the process of formalising its equity investment in Swiss-based Etihad Regional*. For more information, please visit: www.etihad.com

**Operated by Darwin Airline*

About Alitalia

Alitalia - Compagnia Aerea Italiana (www.alitalia.com) is a fully private company that started its operations on 13 January 2009. The Company's 2014 summer schedule offers 103 destinations, of which 26 in Italy and 77 for the rest of the world, 186 routes and more than 4,700 weekly flights. The Company carried 23.99 million passengers in 2013. Alitalia is a member of the SkyTeam global alliance and, since 2010, forms part with Air France-KLM and Delta Air Lines of the main air transport Transatlantic Joint Venture. Today, the fleet of Alitalia is one of the youngest in the world with an average age of only 7 years and is one of the most efficient thanks to a reduction in the number of aircraft types and low environmental impact. Alitalia has been recognised by the pollsters of the German Institute of Quality and Finance (ITQF) as "the best airline for the services offered to customers", winning the gold medal with an 82.6% percentage rate of satisfaction. In 2013, for the fourth year in a row, Alitalia, has been recognized as the best airline in the world for the quality of its innovative onboard dining program in Magnifica Business Class. The prize of "Best Airline Cuisine" has been awarded by the American magazine Global Traveler, which has been conducting research on the exceptional achievements of the travel and tourism industry for ten years. In 2013 Alitalia has also been awarded as with the prize Best In-Flight Wine Program at the SAVEUR Culinary Travel Awards.