

Alitalia 1st Quarter 2004 Results

Friday May 14, 2004



Introduction

Piero Ceschia
(Corporate Finance and Strategy)



Alitalia

General Update on the Company

▪ **NEW CEO**

On May 6, 2004 Alitalia Board of Directors appointed Giancarlo Cimoli as Chief Executive Officer and Chairman of the Company.

▪ **MAY 13, 2004 BOARD OF DIRECTORS**

Yesterday Board of Directors, while approving the 1st Quarter 2004 results, discussed the following very relevant issues:

Company's going concern will be assured by :

- Quick financing through a bridge loan facility issued or backed by a state entity, fully compliant with current EU regulations and finalized to keep operations running while implementing the Business Plan;
- Guidelines for corporate reorganization of Alitalia to be developed within the next 3-4 months.

Guidelines general overview :

- Guidelines will address a new industrial and Group's structure to be achieved following market criteria and by creating companies completely focused on the industries they operate in. An Air Transport Company and other Service Companies supporting the airline business would be created;
- The Air Transport company – after starting all efficiency projects and defining the SLAs (Service Level Agreement) with Service Companies – would take part of the global alliances consolidation process now in progress;
- Efficiencies, synergies as well as growth in service activities would be reached through partnerships with private and state owned shareholders.

Alitalia

General Update on the Company

▪ **FOCUS ON DIRECT SALES & OPERATIONS**

Company strong focus on improving direct sales and operations quality has been showing first positive results confirming Alitalia is moving in the right direction.

This presentation provides some figures regarding what Alitalia has achieved in the first quarter 2004:

- direct sales development on the Italian market as well as worldwide e-ticketing increased significantly
- punctuality and baggage delivery performances year over year have had material improvements

Apart from what described above, today's conference call will be only focused on information regarding the first quarter 2004 results and on some operational achievements.

Any additional information regarding Company Guidelines for corporate reorganization or 2003 Full Year Financial Statements will be provided after the Board of Directors meeting to be held by the end of May.

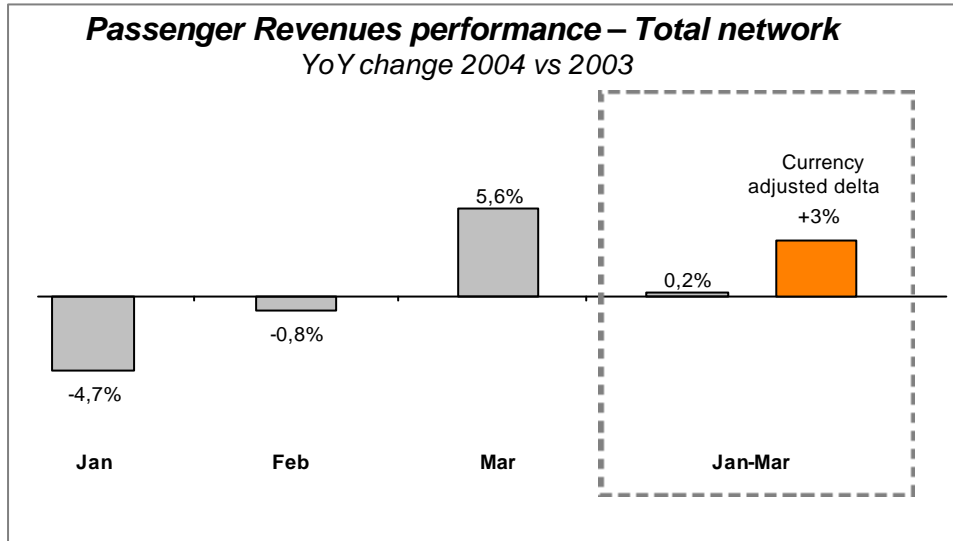
1st Quarter 2004 Air Transport Results

Glen Hauenstein
(Business Deputy General Director)



The Air Transport Business

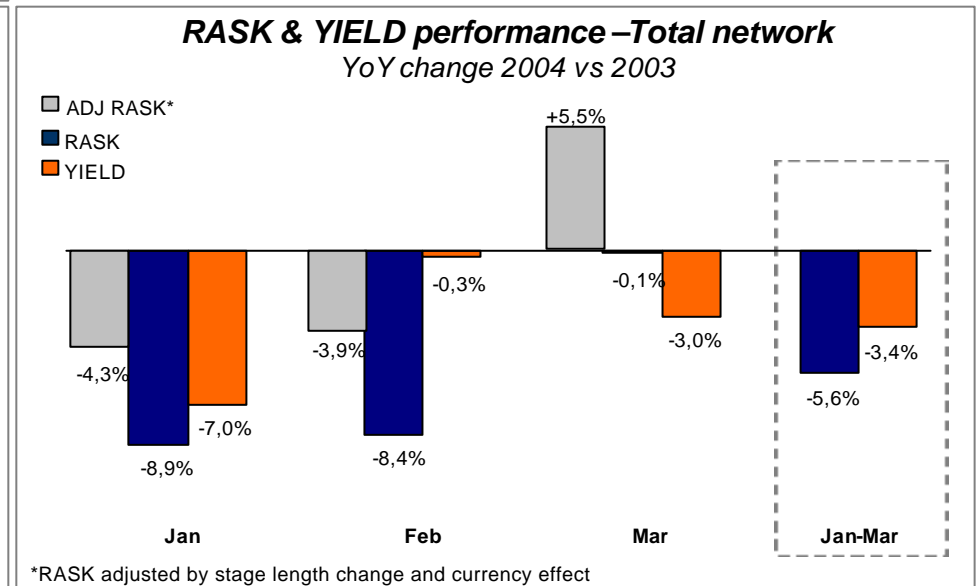
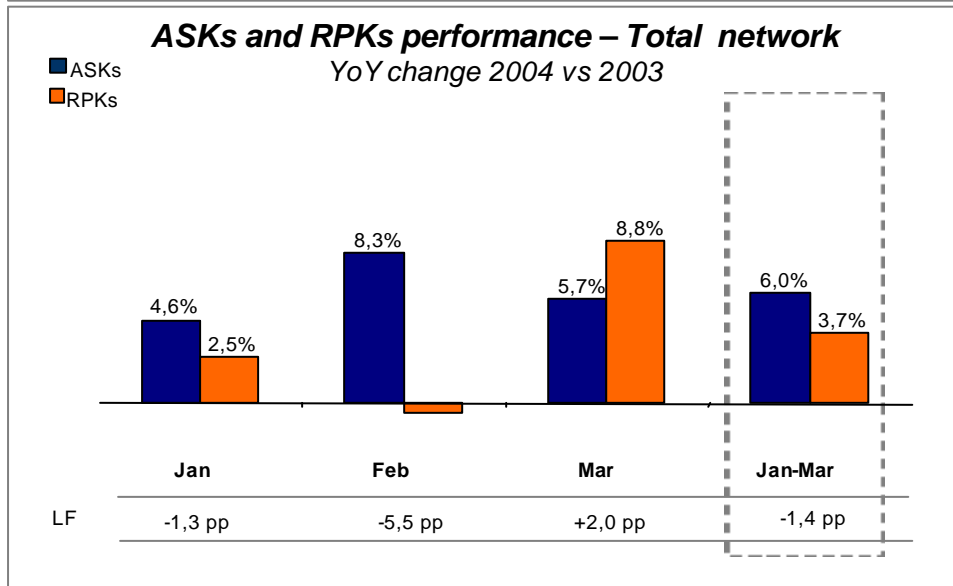
Alitalia Total Network results



First quarter performance was significantly impacted by social unrest (estimate of approx. Euro 25 mln negative impact on gross revenues) as well as travel agencies boycott.

Total network March figures show strong signs of recovery in terms of RASK and revenues.

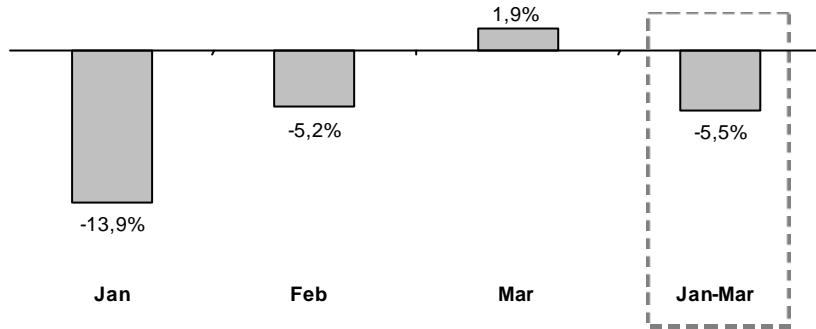
Negative currency effect still impacting Company's results on the revenue side.



The Air Transport Business

Alitalia Domestic Network results

Revenues performance – Domestic network
YoY change 2004 vs 2003

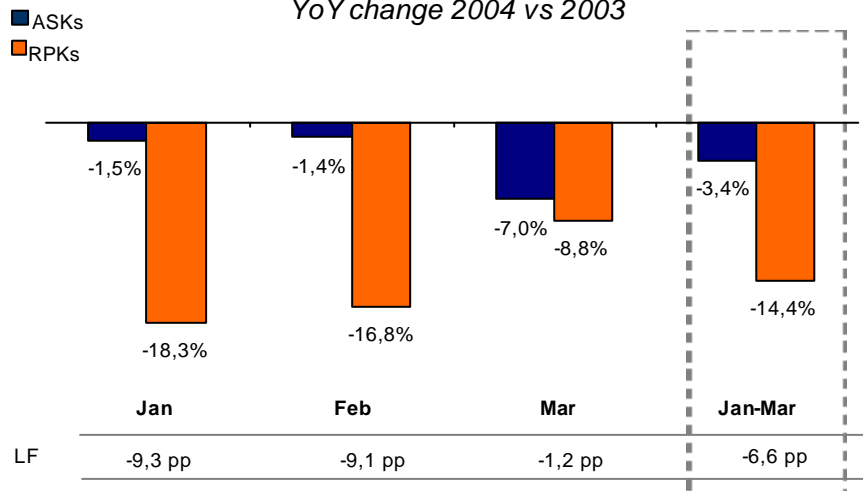


Domestic market was the most impacted by strikes and the temporary crisis with travel agencies.

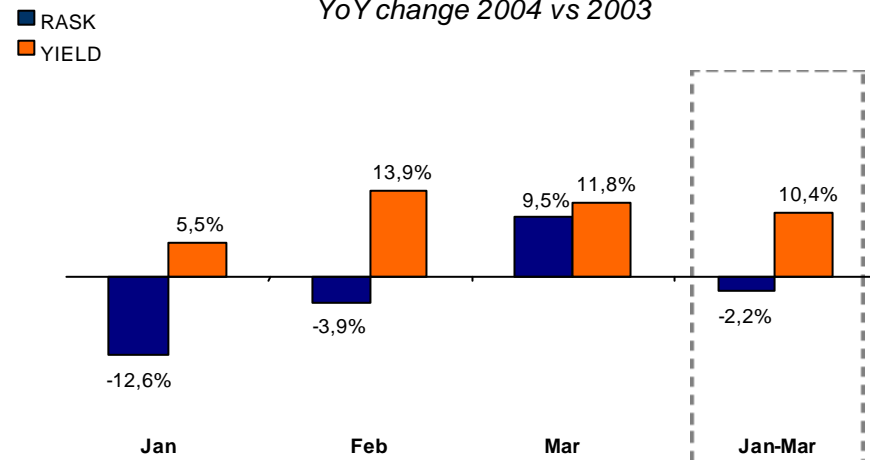
Network adjustments (to bring capacity in line with demand) were achieved in March and April.

New pricing actions designed to lead the domestic market upward were introduced in January.

ASKs and RPKs performance – Domestic network
YoY change 2004 vs 2003



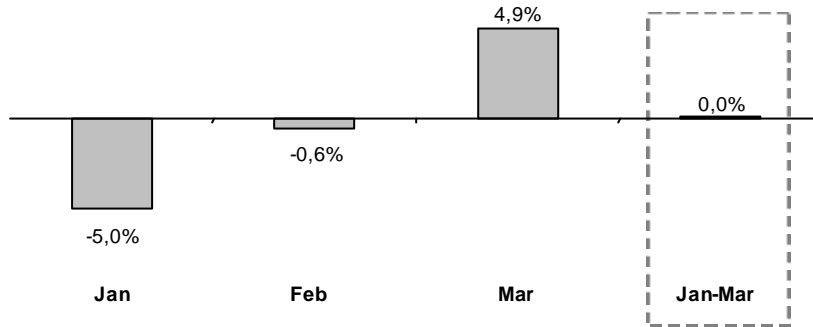
RASK & YIELD performance – Domestic network
YoY change 2004 vs 2003



The Air Transport Business

Alitalia International Network results

Revenues performance – International network
YoY change 2004 vs 2003

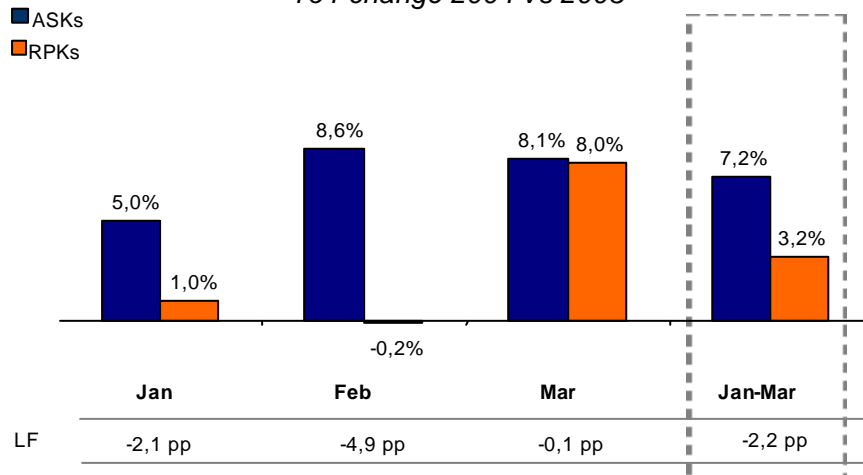


Yields remained under pressure especially on Eastern European routes.

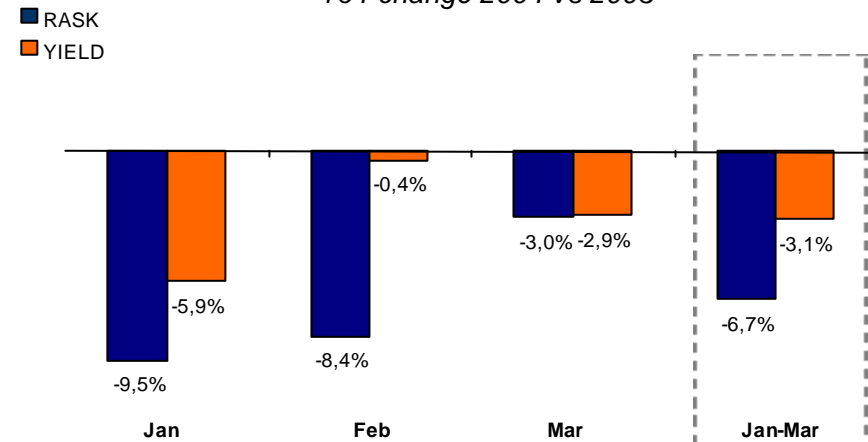
March figures show a good recovery in terms of RASK versus previous months.

Revenue management pricing policies are being restructured to improve peak demand performance and maximize the availability of competitive fare levels.

ASKs and RPKs performance – International network
YoY change 2004 vs 2003



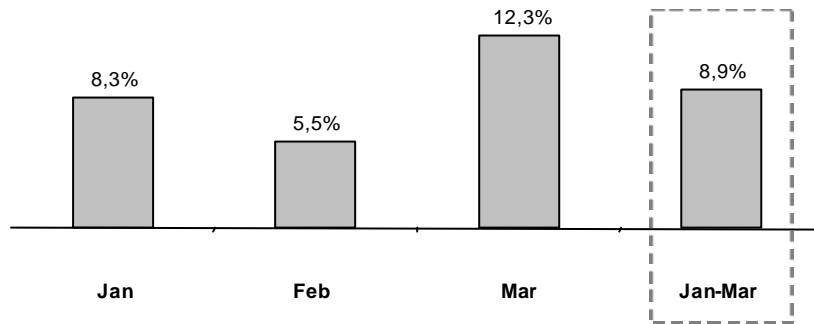
RASK & YIELD performance – International network
YoY change 2004 vs 2003



The Air Transport Business

Alitalia Intercontinental Network results

Revenues performance – Intercontinental network
YoY change 2004 vs 2003

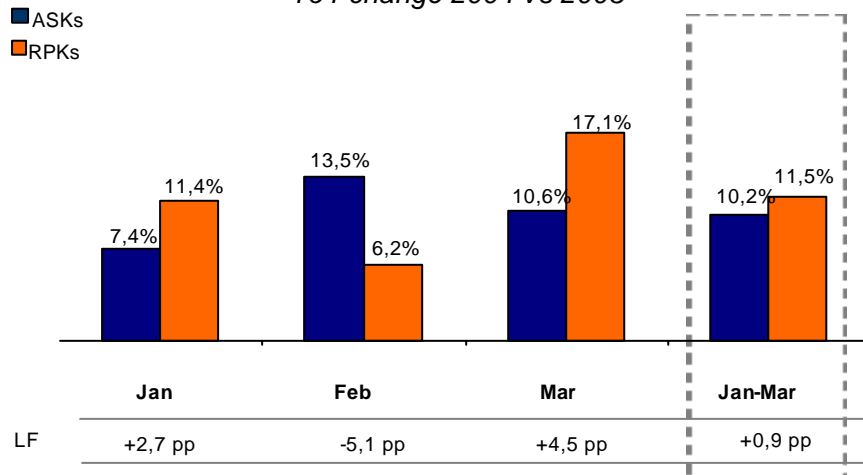


Significant capacity growth partially due to past year's schedule cancellations (Iraq war).

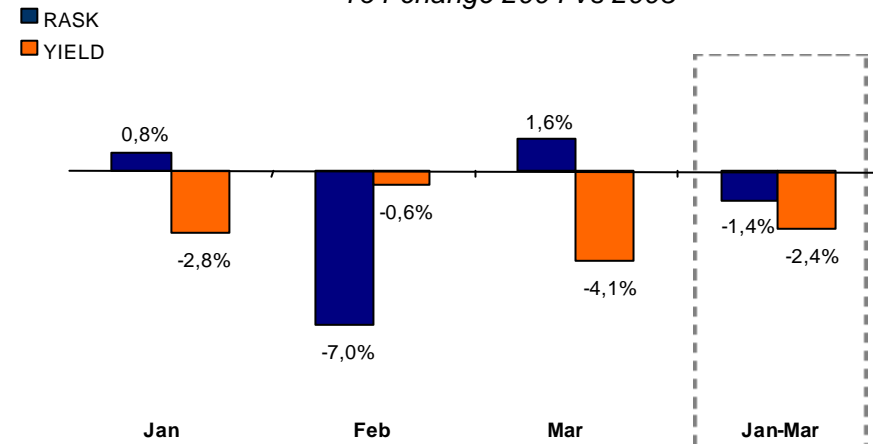
Strong traffic performance in all market sectors.

Yields negatively impacted by currency fluctuations (adjusted for currency yield +6,5% and RASK +6,8% for the quarter).

ASKs and RPKs performance – Intercontinental network
YoY change 2004 vs 2003

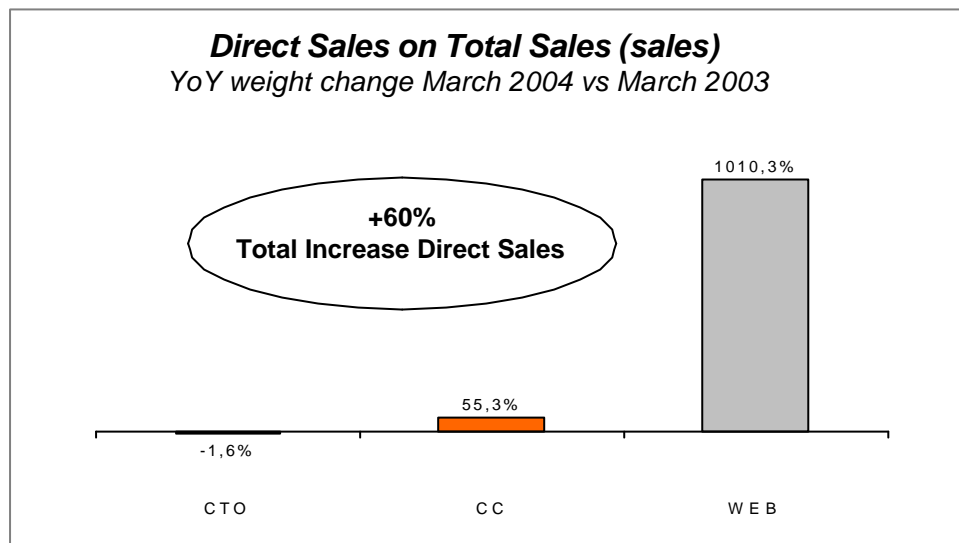


RASK & YIELD performance – Intercontinental network
YoY change 2004 vs 2003



Focus on Direct Sales improvement

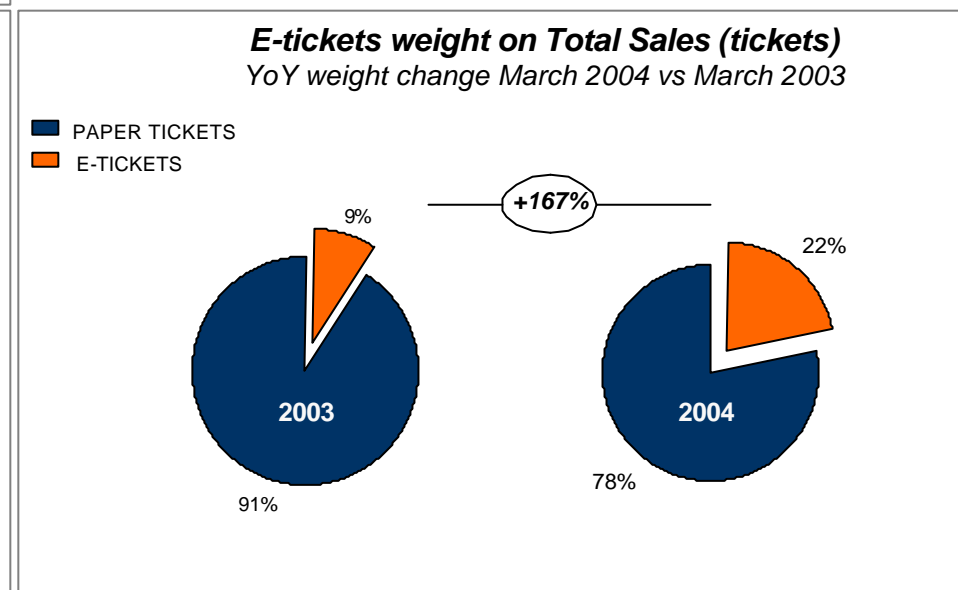
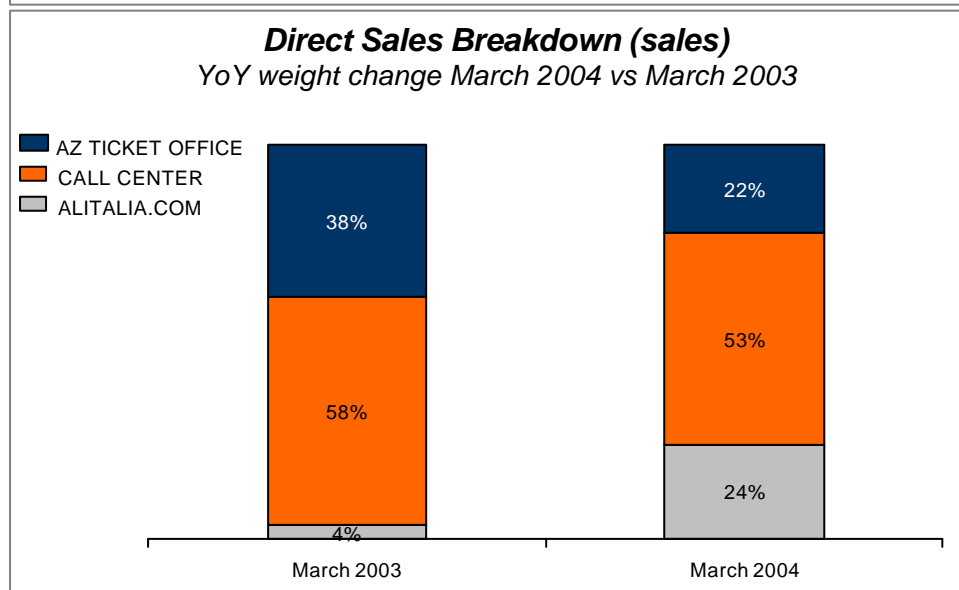
March 2004 direct sales results show a significant improvement vs last year



Direct sales have been growing significantly closing the gap vs some of our competitors.

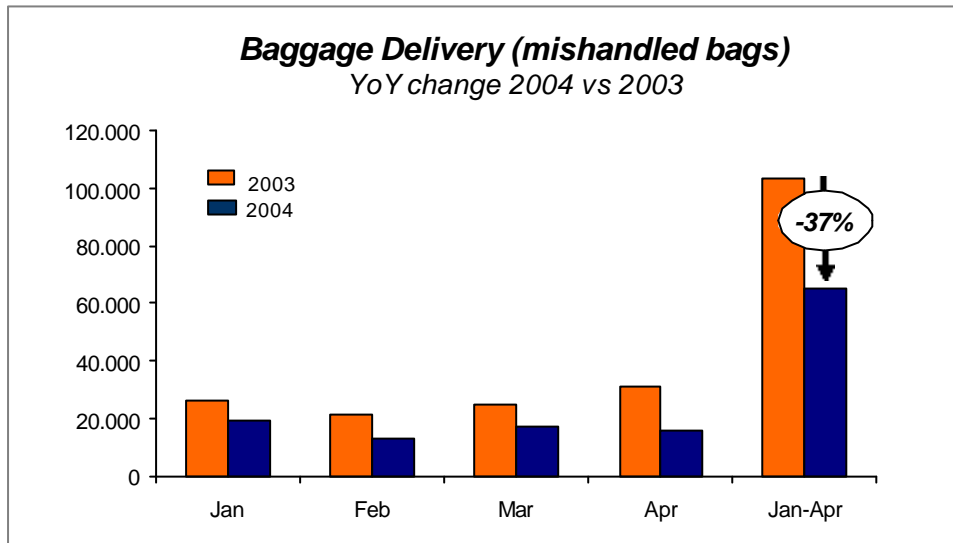
The new website Alitalia.com is growing and becoming a very important channel for Alitalia.

Worldwide e-ticketing in March '04 has reached 22% of total tickets sold by Company showing a very positive trend in all Company's channels.



Focus on Operational Improvements

Material improvement in all the major indicators

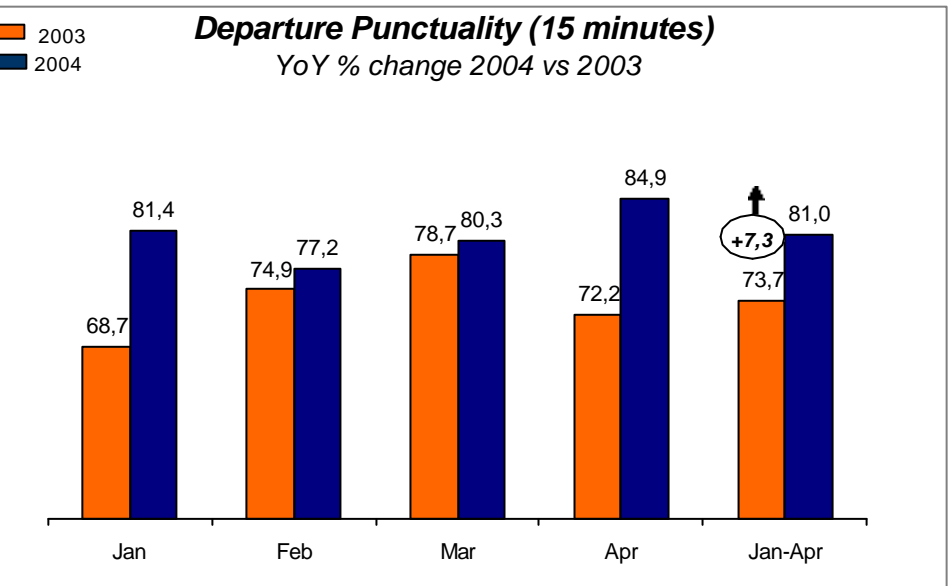
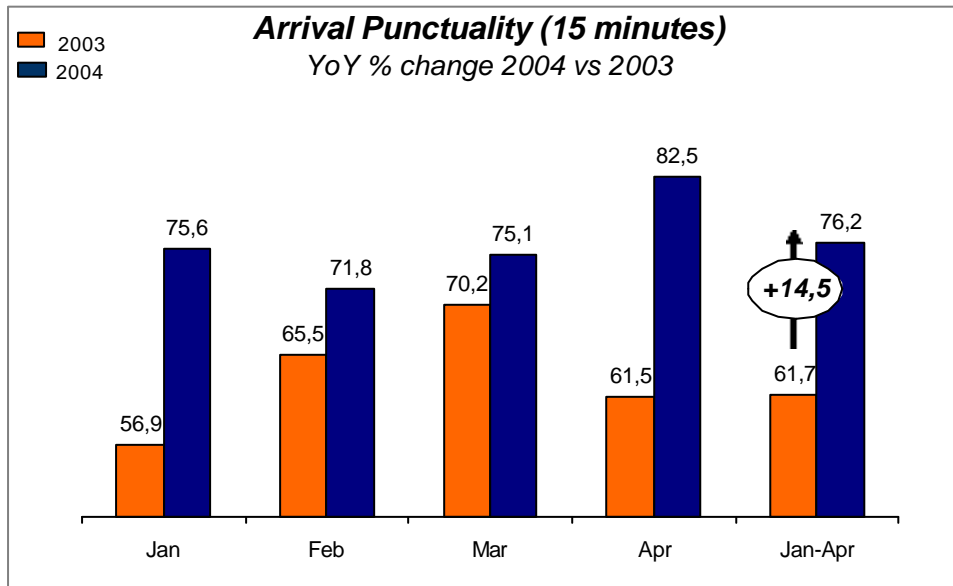


In the first quarter 2004 Alitalia baggage delivery performance ranked no. 2 amongst the 6 major European carriers.

On time performance January to April improved by 14,5 points year over year.

Alitalia's Milan MXP hub ranked no. 1 in on time departures for all major European hubs in first quarter 2004.

Alitalia is working hard to improve the "airport experience" at all its worldwide stations.



1st Quarter 2004 Financial Results

Luca Egidi
(Corporate Deputy General Director)



1st Quarter 2004 Main Financial Figures

Negative impact of growing labor expenses

	<u>Jan-Mar 2003*</u>	<u>Jan-Mar 2004</u>	<u>Change</u>
Revenues	1035	898	-13%
Materials and Service Expenses	(821)	(672)	-18%
<i>% of Revenues</i>	79%	75%	
Labor Expenses	(284)	(307)	+8%
<i>% of Revenues</i>	27%	34%	
EBITDAR	(70)	(80)	
<i>% of Revenues</i>	-6,8%	-8,9%	
EBITDA	(93)	(99)	
<i>% of Revenues</i>	-9,0%	-11,0%	
EBIT	(166)	(183)	
<i>% of Revenues</i>	-16,0%	-20,4%	
Result Before Extraordinary Items & Taxes	(198)	(206)	
<i>% of Revenues</i>	-19,1%	-23,0%	

**2003 figures include Eurofly and are do not net passenger boarding taxes (still included in Revenues and Material and Services Expenses).
Adjusted 2003 EBITDAR margin fully comparable to the 2004 one would be -7,9%.*

Note: Interest charges relating to financial leases are included in interest expenses (EUR 7 mln 1st quarter 2004). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges (-183-7 = -190); margins below EBIT level do not need reconciliation.

1st Quarter 2004 Main Financial Figures

Revenues reduction mainly driven by changes in accounting, different Group perimeter and negative currency exchange

Revenues

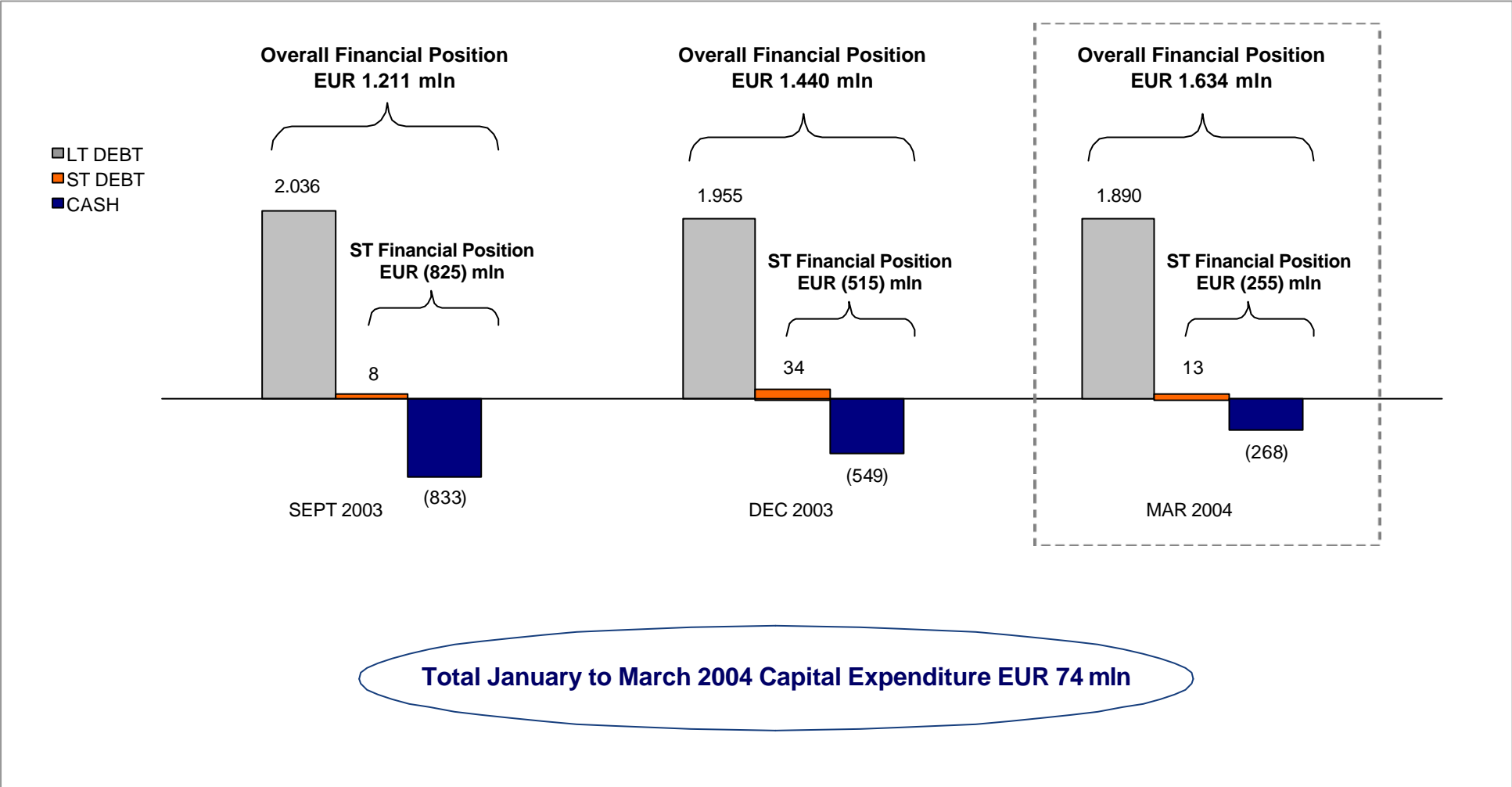
- **Total revenues** show a year-on-year reduction of approximately 136 Euro million, mainly due on one side to smaller Group perimeter (-30 Euro million), change in pax boarding taxes accounting (-60 Euro million) and negative exchange rate of the US dollar and Japan Yen to Euro (-28 Euro million).
- **Passenger revenues** were almost flat (+0,2%) even with an increased capacity (negative load factor and RASK change mainly due to social unrest and travel agency boycott).
- **Cargo revenues** decreased by approximately 6% mainly due to forex effect.

Costs

- **Materials and Service Expenses** notwithstanding an increase of capacity (+6,0% PAX ASKs) decreased by 149 Euro million (-18%) to 672 Euro million mainly due to: change in pax boarding taxes accounting (-60 million) a smaller Group perimeter (-24 Euro million) and a positive forex impact (-51 Euro million).
- **Labor expenses** increased by 8% mainly due to an inflation wages alignment and to the development of regional flight activities (Alitalia Express) and related personnel costs partially offset by Group perimeter changes (See Appendix 3).

1st Quarter 2004 Main Financial Figures

Cash position over Euro 250 million

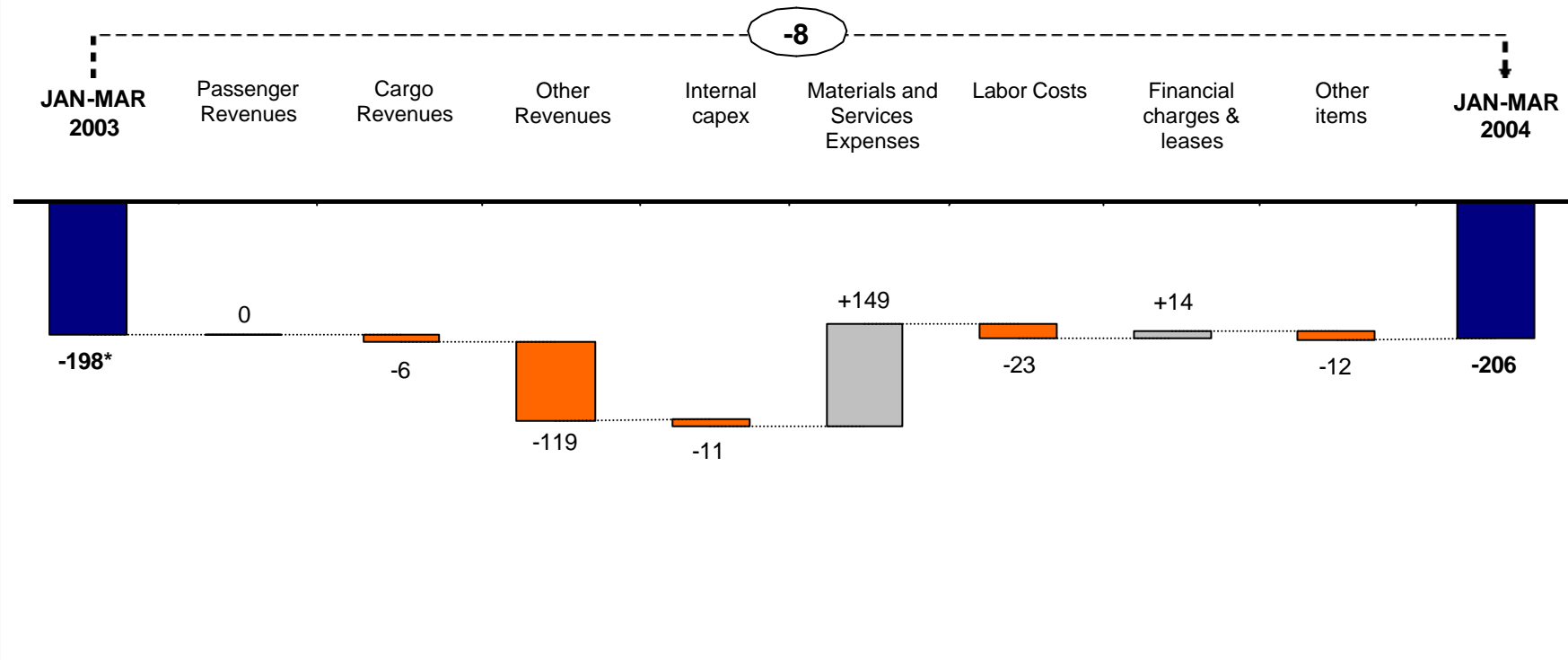


Appendix



1st Quarter 2004 Profit & Loss analysis

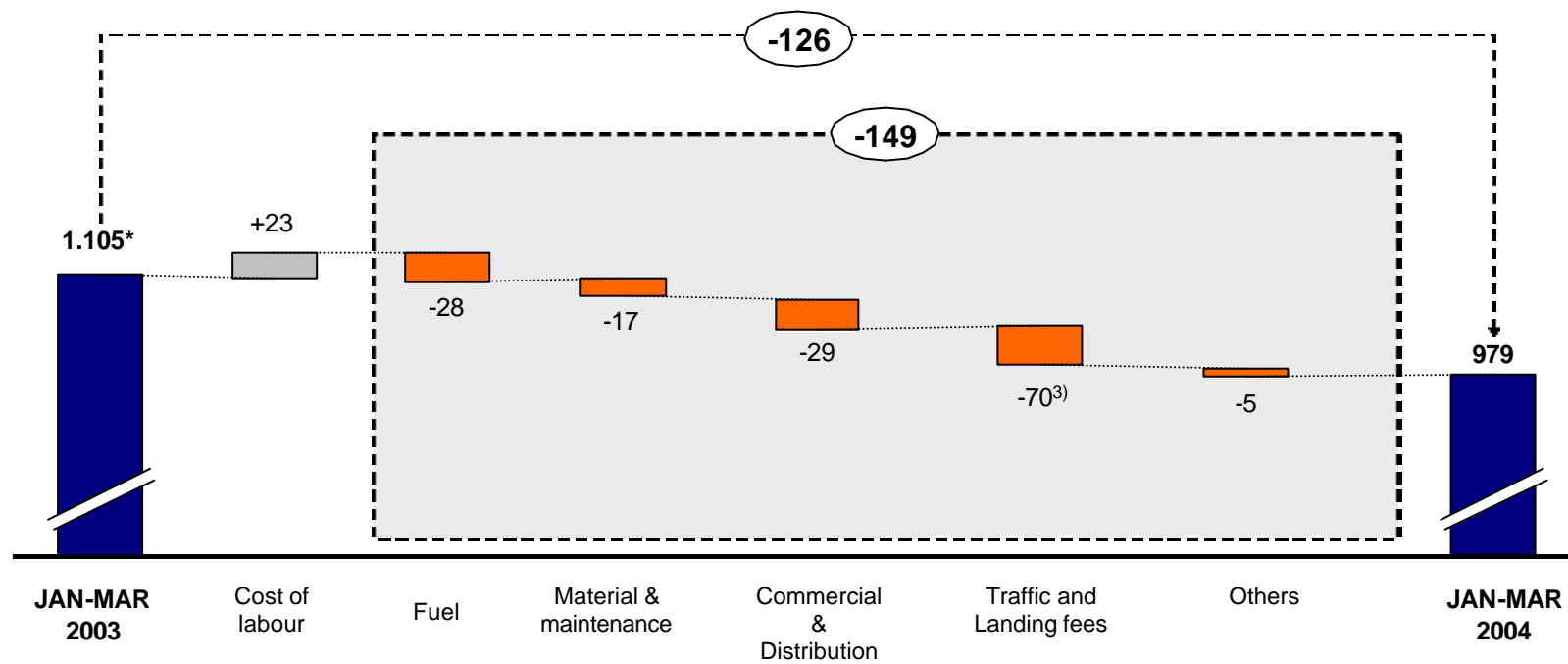
Main delta to 1st quarter Result Before Extraordinary and Taxes (2004 vs 2003)
(Euro/million)



* Including disposed company Eurofly

1st Quarter 2004 Profit & Loss analysis

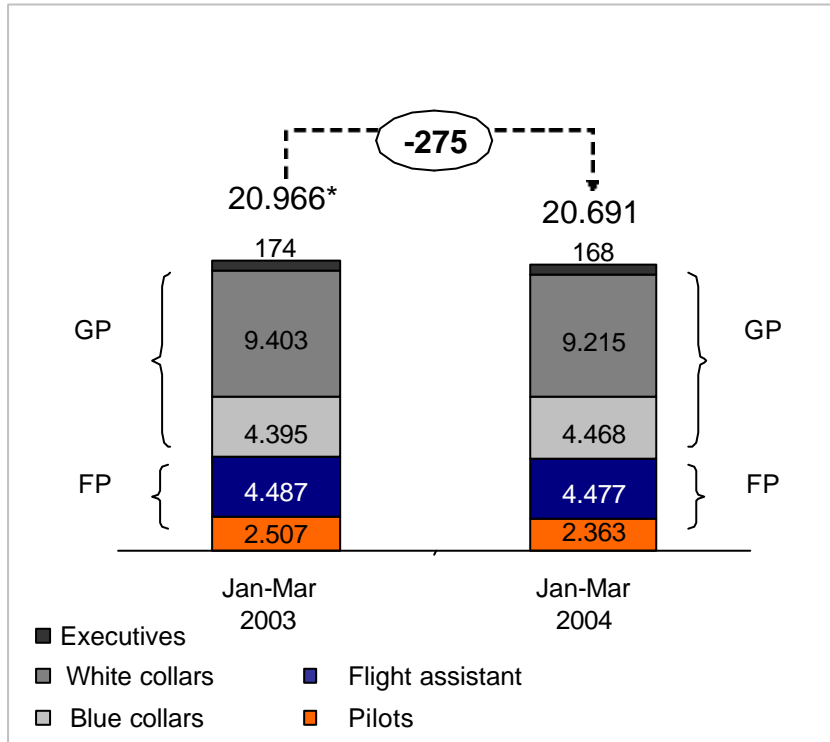
Main deltas to 1st quarter Material and Service Costs (2004 vs 2003)
(Euro/million)



* Including disposed company Eurofly

1st Quarter 2004 Profit & Loss analysis

Average employees: Jan-Mar 2004 vs Jan-Mar 2004



* Including disposed company Eurofly

Labor Cost: Jan-Mar 2004 vs Jan-Mar 2003

