

Alitalia 4th Quarter 2003 Results

Wednesday 31 March 2004



Introduction

Piero Ceschia
(Corporate Finance and Strategy)



Alitalia

Update on the Company

▪ **NEW CEO**

On February 27, 2004 Alitalia Board of Directors appointed Marco Zanichelli Chief Executive Officer and confirmed his position as General Director of the Company. On the same date the new CEO appointed two Deputy General Directors Glen Hauenstein (Business) and Luca Egidi (Corporate). On March 8th Massimo Chieli was also appointed as new Head of the Human Resources Department.

▪ **TRADE UNION NEGOTIATIONS**

Negotiations with Company's unions restarted in a climate which appears to be more relaxed (March 5th, 2004 strike was frozen).

▪ **ITALIAN GOVERNMENT SUPPORT**

Italian Government is currently studying measures to support Italian Airline Industry including instruments to manage redundancies.

▪ **INDUSTRIAL PLAN UPDATE**

Alitalia Industrial Plan is being updated in order to take into account 1st quarter revenue trends and related forecasts as well as the developments concerning negotiations with unions and Government actions.

▪ **2003 FULL YEAR RESULTS POSTPONEMENT**

Taking into account the current uncertainty linked one hand to Government actions and negotiations with unions and, on the other hand, to the ongoing process aimed at updating the revenue forecast and the whole Industrial Plan, on March 23rd, 2004 Alitalia Board of Directors decided to use as much time as allowed by Italian law to postpone the approval of 2003 full year results (new date May 20th, 2004).

The Air Transport 4th Quarter 2003 results

Glen Hauenstein
(Business Deputy General Director)

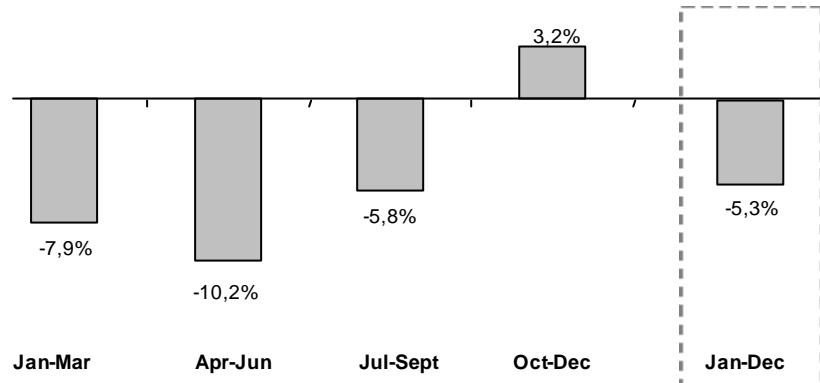


The Air Transport Business

Alitalia Total Network results

Revenues performance – Total network

Quarterly YoY change 2003 vs 2002



Oct-Dec total network passenger revenues change vs last year was positive for the first time in 2003.

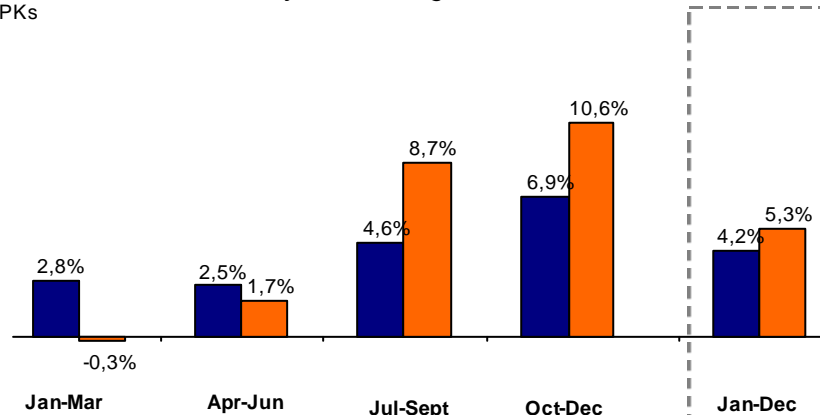
2H 2003 showed positive load factor changes vs negative 1H.

Oct-Dec yield and RASK changes vs 2002 improved by over 6 pp but full year figures remained approximately negative by 10%.

ASKs and RPKs performance – Total network

Quarterly YoY change 2003 vs 2002

■ ASKs
■ RPKs



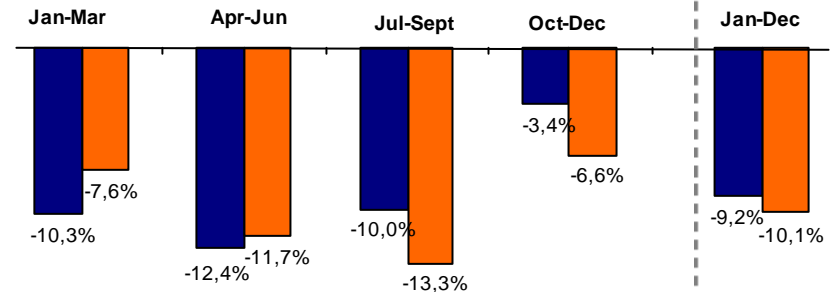
LF

Jan-Mar: -2,0 pp; Apr-Jun: -0,5 pp; Jul-Sept: +2,9 pp; Oct-Dec: +2,4 pp; Jan-Dec: +0,8 pp

RASK & YIELD performance – Total network

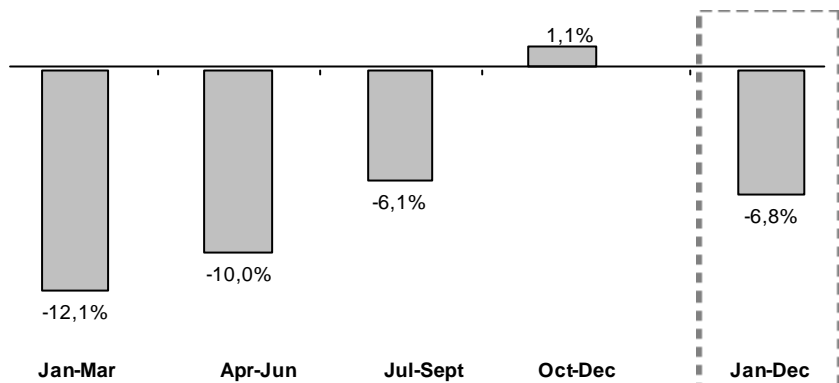
Quarterly YoY change 2003 vs 2002

■ RASK
■ YIELD



The Air Transport Business Alitalia Domestic Network

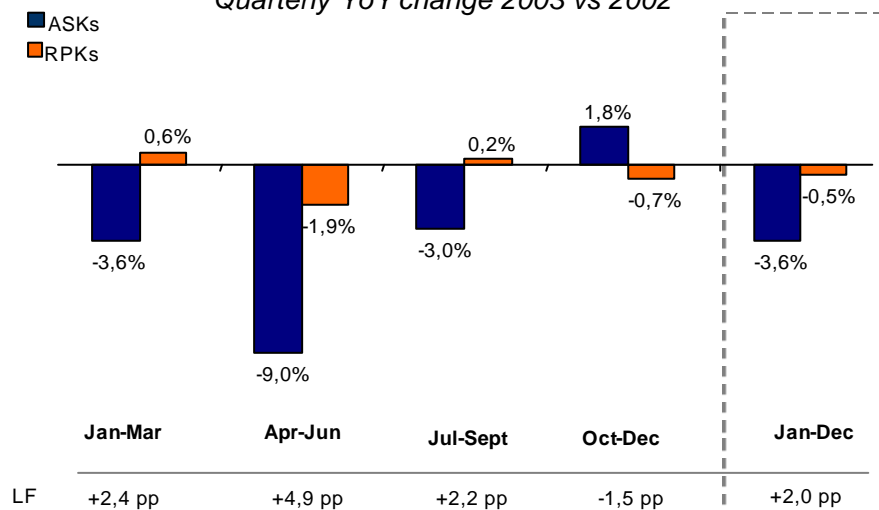
Revenues performance – Domestic network
Quarterly YoY change 2003 vs 2002



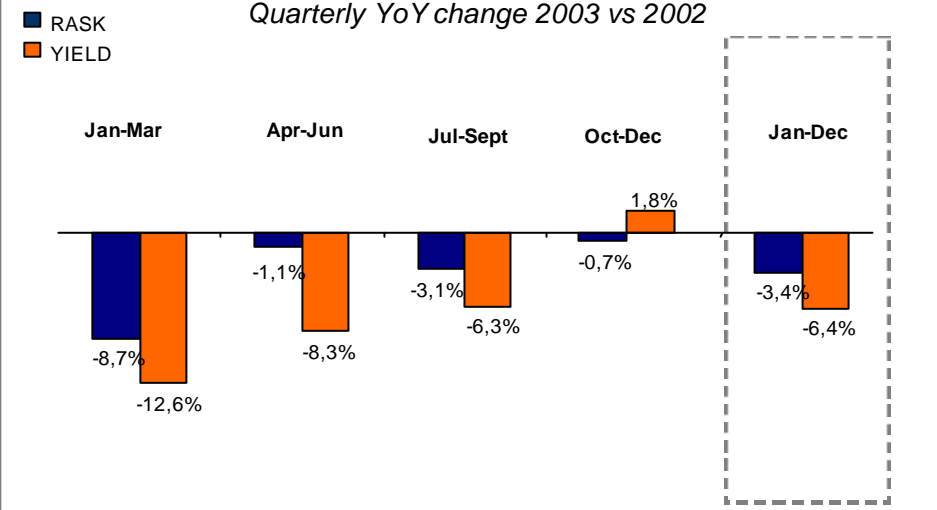
Domestic network still very much impacted by overcapacity putting pressure either on yields or load factors.

Oct-Dec revenues positively effected by changes in pricing structure (positive yields by 1,8%).

ASKs and RPKs performance – Domestic network
Quarterly YoY change 2003 vs 2002

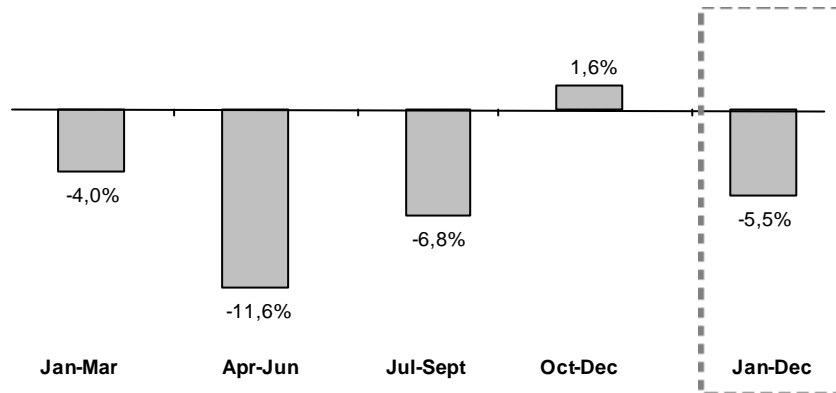


Yield and Rask performance – Domestic network
Quarterly YoY change 2003 vs 2002



The Air Transport Business Alitalia International Network

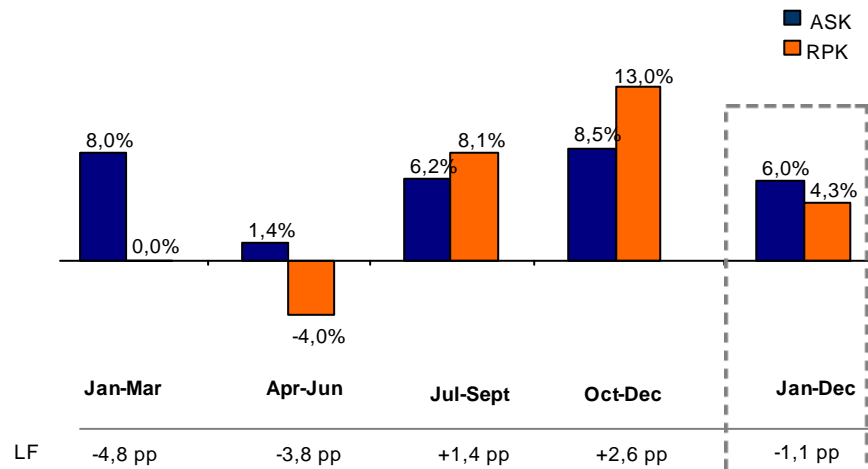
Revenues performance – International network
Quarterly YoY change 2003 vs 2002



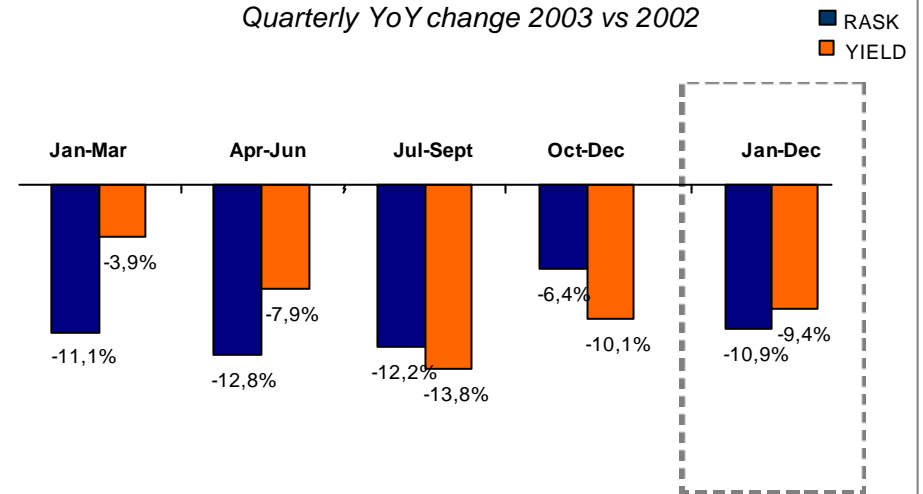
Oct-Dec 2003 had a good traffic recovery in traffic terms notwithstanding significant capacity investments.

2003 yield drop aligned to industry negative trends pushed by LCC growth in Europe (price war/ LCC overcapacity?).

ASKs and RPKs performance – International network
Quarterly YoY change 2003 vs 2002

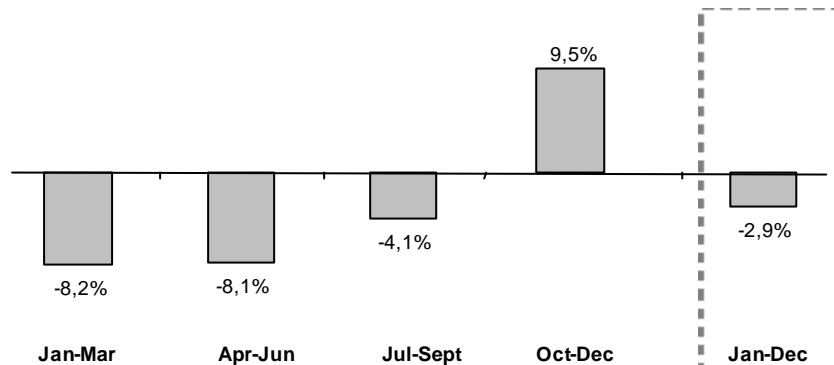


Yield and Rask performance – International network
Quarterly YoY change 2003 vs 2002



The Air Transport Business Alitalia Intercontinental Network

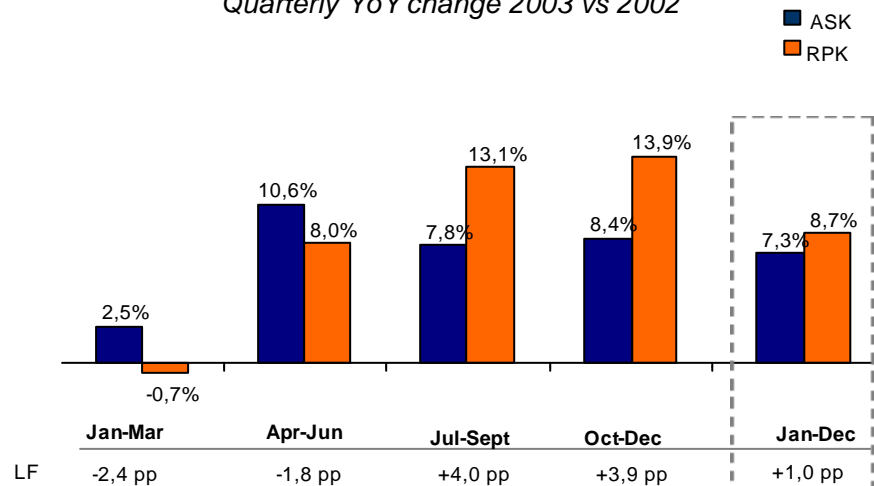
Revenues performance – Intercontinental network
Quarterly YoY change 2003 vs 2002



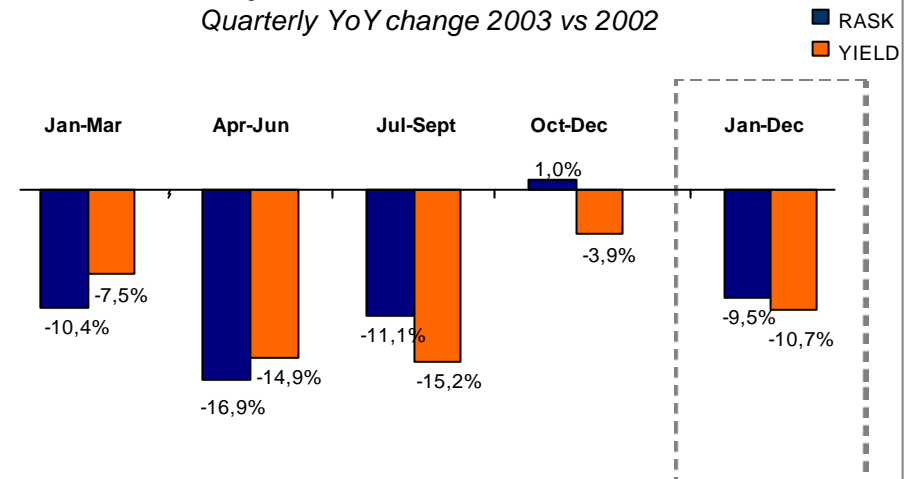
Long Haul was in Oct to Dec the best performing network within Alitalia's. (impressive load factor improvements in 2H notwithstanding growth).

Currency adjusted figures show even more positive results.

ASKs and RPKs performance – Intercontinental network
Quarterly YoY change 2003 vs 2002



Yield and Rask performance – Intercontinental network
Quarterly YoY change 2003 vs 2002



2003 Financial results

Luca Egidi
(Corporate Deputy General Director)



4th quarter 2003 main financial figures

Negative impact of growing labor expenses

	<u>Oct-Dec 2002*</u>	<u>Oct-Dec 2003</u>	<u>Change</u>
Revenues	1.157	1.084	-6%
Materials and Service Expenses	(840)	(788)	-6%
<i>% of Revenues</i>	73%	73%	
Labor Expenses	(288)	(297)	+3%
<i>% of Revenues</i>	25%	27%	
EBITDAR	29	(2)	
<i>% of Revenues</i>	2,5%	-0,2%	
EBITDA	0	(16)	
<i>% of Revenues</i>	0,0%	-1,5%	
EBIT	(103)	(83)	
<i>% of Revenues</i>	-8,9%	-7,7%	
Result Before Extraordinary Items & Taxes	(168)	(146)	
<i>% of Revenues</i>	-2,2%	-4,3%	

*2002 figures include Italiatour and Eurofly.

Note: Interest charges relating to financial leases are included in interest expenses (EUR 7 mln 4th quarter 2003). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges (-83-7 = -90); margins below EBIT level do not need reconciliation.

4th quarter 2003 main financial figures

Passenger traffic revenues growing

Revenues

- **Total revenues** show a year-on-year reduction of approximately 74 Euro million, mainly due on one side to smaller Group perimeter (-39 Euro million), yields decrease (-32 Euro million) and negative exchange rate of the US dollar and Japan Yen to Euro (-43 Euro million) partially offset by a traffic increase (+6,1% in terms of RTKs and equal to a +75 Euro million).
- **Passenger revenues** increased by approximately 2% mainly due to increased capacity and load factor.
- **Cargo revenues** decreased by approximately 7% mainly due to forex effect.

Costs

- **Materials and Service Expenses** notwithstanding an increase of capacity (+6,9% PAX ASKs) decreased by 52 Euro million (-6%) to 788 Euro million mainly due: on one side to a smaller Group perimeter (-27 Euro million) and on the other side for a positive forex impact (USD). Also to be noted first impact of actions aimed at cutting distribution costs.
- **Labor expenses** increased by 3% mainly due to the end of the solidarity contacts positive effects and to the development of regional flight activities (Alitalia Express) and related personnel costs partially offset by Group perimeter changes (See Appendix 3).

January to December 2003 main financial figures

Revenues very much impacted by decreasing yields

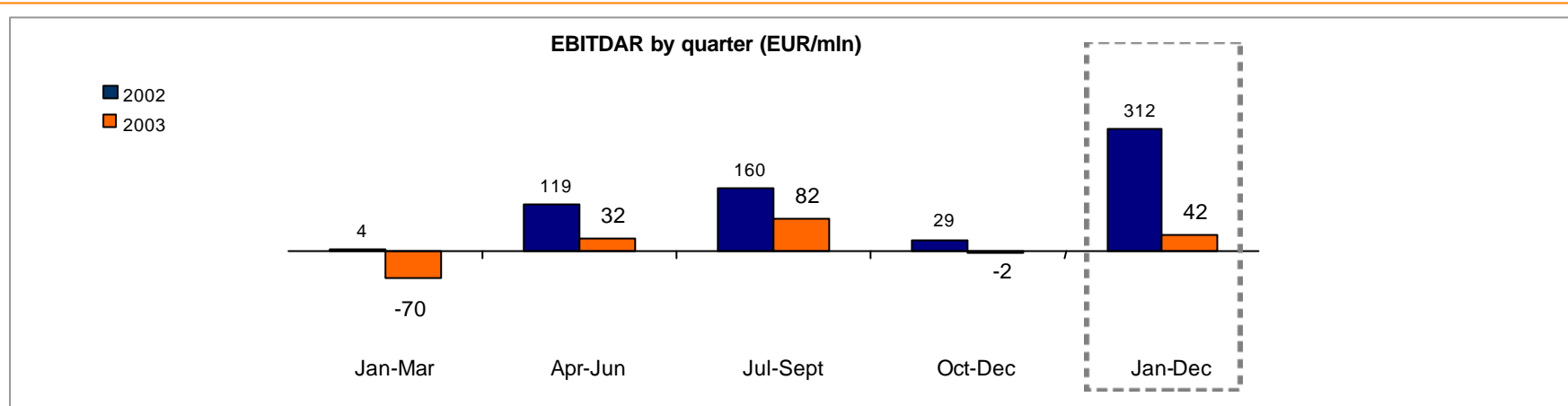
	<u>Jan-Dec 2002*</u>	<u>Jan-Dec 2003</u>	<u>Change</u>
Revenues	4.844	4.385	-9%
Materials and Service Expenses	(3.385)	(3.179)	-6%
<i>% of Revenues</i>	70%	73%	
Labor Expenses	(1.140)	(1.168)	+2%
<i>% of Revenues</i>	24%	27%	
EBITDAR	318	37	
<i>% of Revenues</i>	6,6%	0,9%	
EBITDA	220	(25)	
<i>% of Revenues</i>	4,5%	-0,6%	
EBIT	(82)	(346)	
<i>% of Revenues</i>	-1,7%	-7,9%	
Result Before Extraordinary Items & Taxes	(260)	(511)	
<i>% of Revenues</i>	-5,4%	-11,6%	

*2002 figures include Italiatour and Eurofly.

Note: Interest charges relating to financial leases are included in interest expenses (EUR 27 mln 12 months 2003). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges (-346-27 = -?); margins below EBIT level do not need reconciliation.

January to December 2003 main financial figures

Cumulative EBITDAR gap vs last year mainly in first 9 months (90%)



Revenues

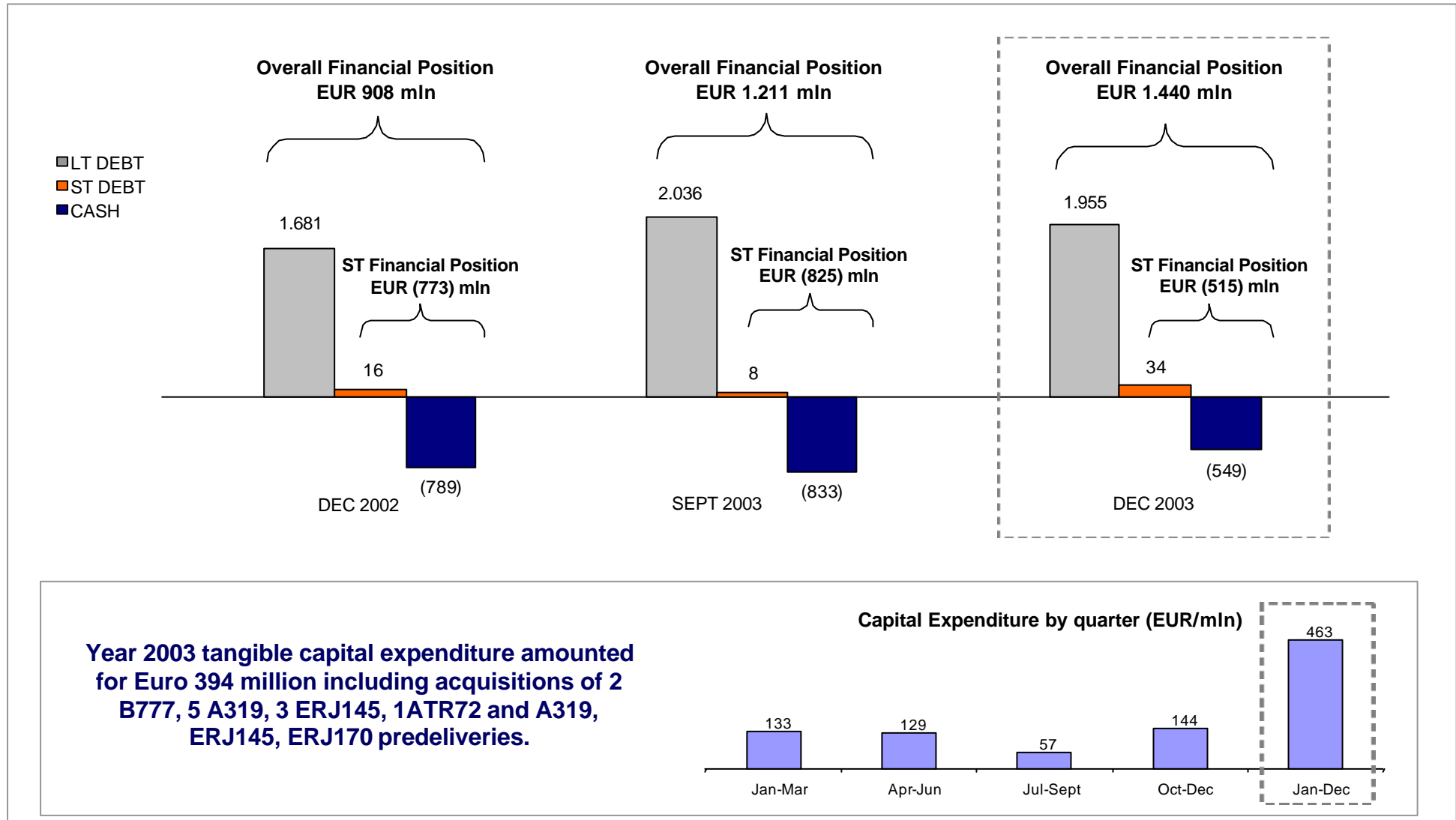
- **Total revenues** show a year-on-year reduction of approximately 460 Euro million, mainly due on one side to smaller Group perimeter (-231 Euro million), yields decrease (-180 Euro million) and negative exchange rate of the US dollar and Japan Yen to Euro (-187 Euro million) partially offset by a traffic increase (+3,5% in terms of RTKs and equal to a +160 Euro million).
- **Passenger revenues** decreased by approximately 6% mainly due to yield decline (approx -10%).
- **Cargo revenues** decreased by approximately 3% (mainly forex and yield).

Costs

- **Materials and Service Expenses** notwithstanding an increase of capacity (+4,2% PAX ASKs) decreased by 206 Euro million (-6%) to 3.179 Euro million mainly due: on one side to a smaller Group perimeter (-157 Euro million) and on the other side for a positive forex impact (USD).
- **Labor expenses** increased by 2% mainly due to the end of the solidarity contacts positive effects (See Appendix 6).

January to December 2003 main financial figures

Alitalia cash position over Company's targets



Alitalia Group

Industrial Plan implementation

As of today the following important Industrial Plan actions are being implemented:

- **Network strategy:** As previously announced new destinations are now (Summer 2004) being served such as:

Milan-Washington DC (daily)	Rome-Toronto (6 days a week)
Milan-New Delhi (6 days a week)	Rome-Boston (5 days a week)
Milan-Copenhagen (daily)	Rome-Copenhagen (daily)
Milan-Manchester (daily)	Rome-Zurich (daily)
Milan-Stockholm (daily)	Rome-Stockholm (daily)
Milan-Bilbao (daily)	Rome-Malaga (daily)

- **Punctuality:** Alitalia January Punctuality figures on Long Haul Departures showed Alitalia as the best performing carrier in Europe (74,3%) and as the second best on Short Medium Haul (AEA data).

- **Baggage Delivery:** Our target on baggage delivery, 70% to be delivered on time, was reached for the first time in 2003 in November (80,7%) and December (71,7%). January figures (85,1%) placed Alitalia at the top of all European Carriers.

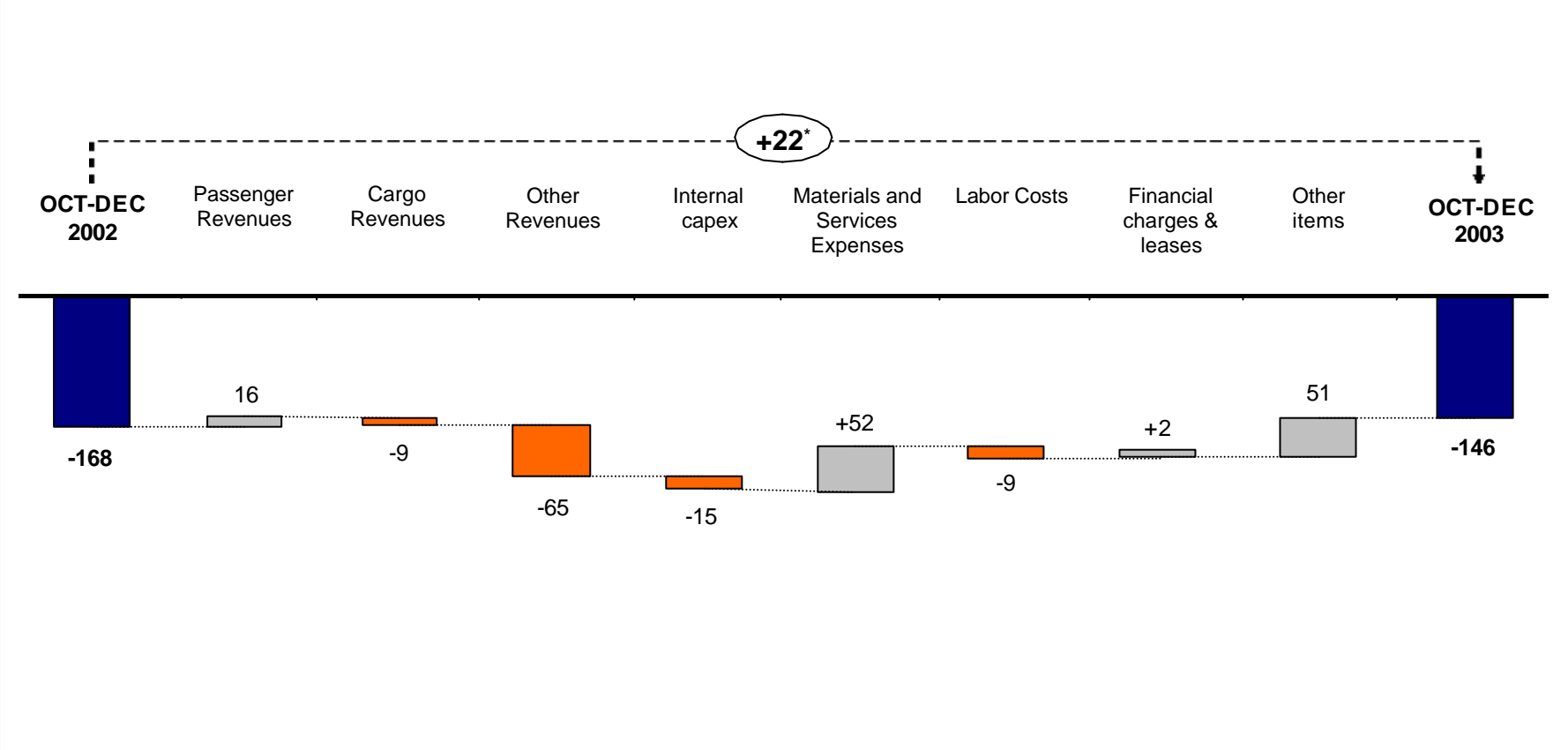
- **New direct sales channels:** from February 1st Alitalia launched its new website **Alitalia.com**. From approx. 6 weeks its launch visits to the website grew by 7% and sales have jumped February on January by an impressive 128%.

Appendix



4th Quarter 2003 Profit & Loss analysis (3 months)

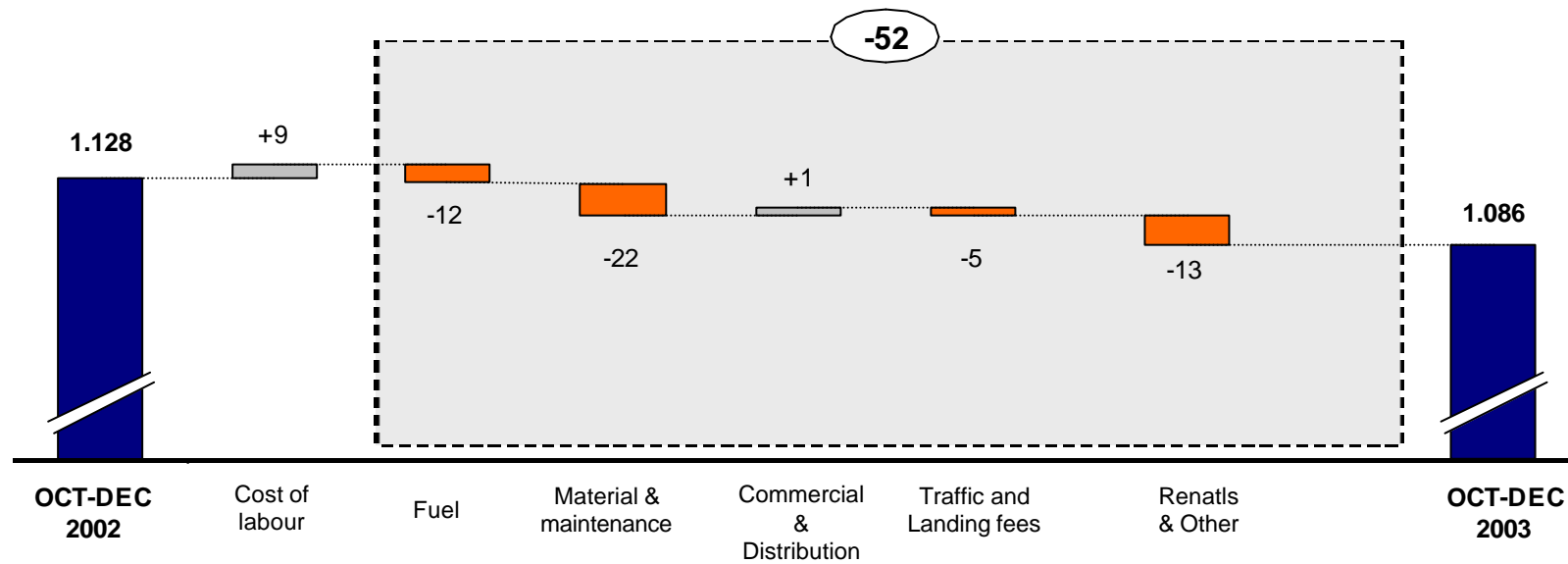
Main delta to 4th quarter result before extraordinary and taxes (2002 vs 2003)
(Euro/million)



* Including disposed companies (Italiatour, Eurofly)

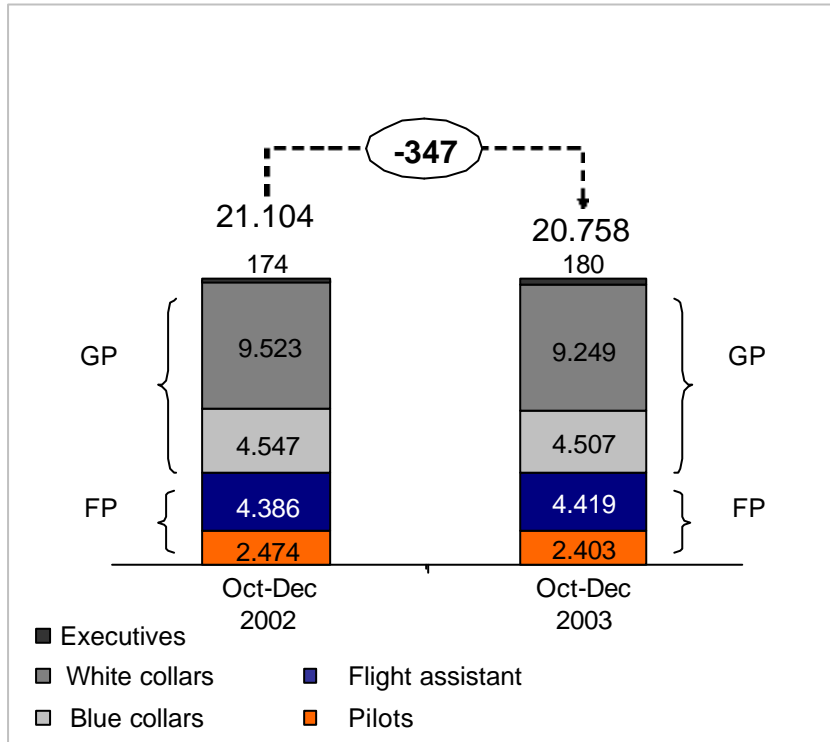
4th Quarter 2003 Profit & Loss analysis (3 months)

Main deltas to 12 months Material and Service Costs (2002 vs 2003)
(Euro/million)

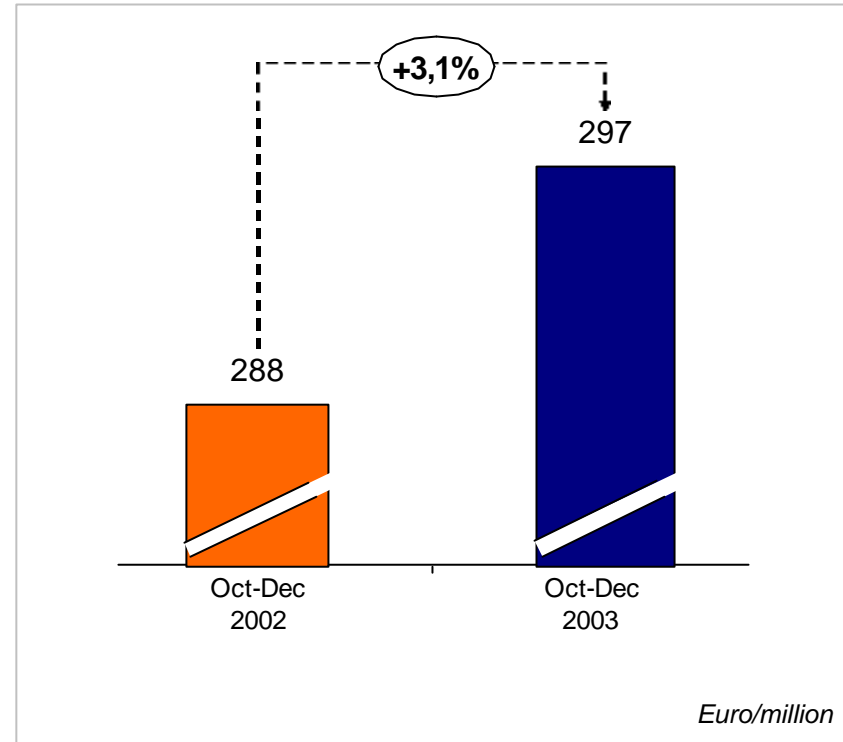


4th Quarter 2003 Profit & Loss analysis (3 months)

Average employees – Oct-Dec 2003 vs Oct-Dec 2002

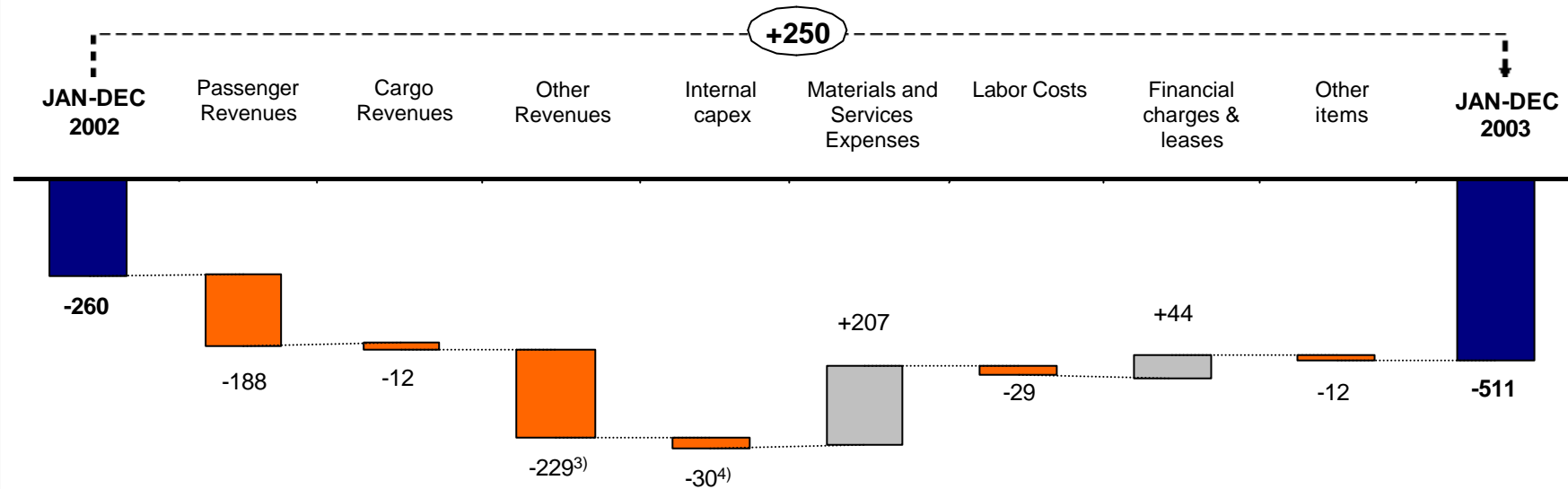


Labor Cost: Oct to Dec 2002 vs Oct to Dec 2003



12 months 2003 Profit & Loss analysis (3 months)

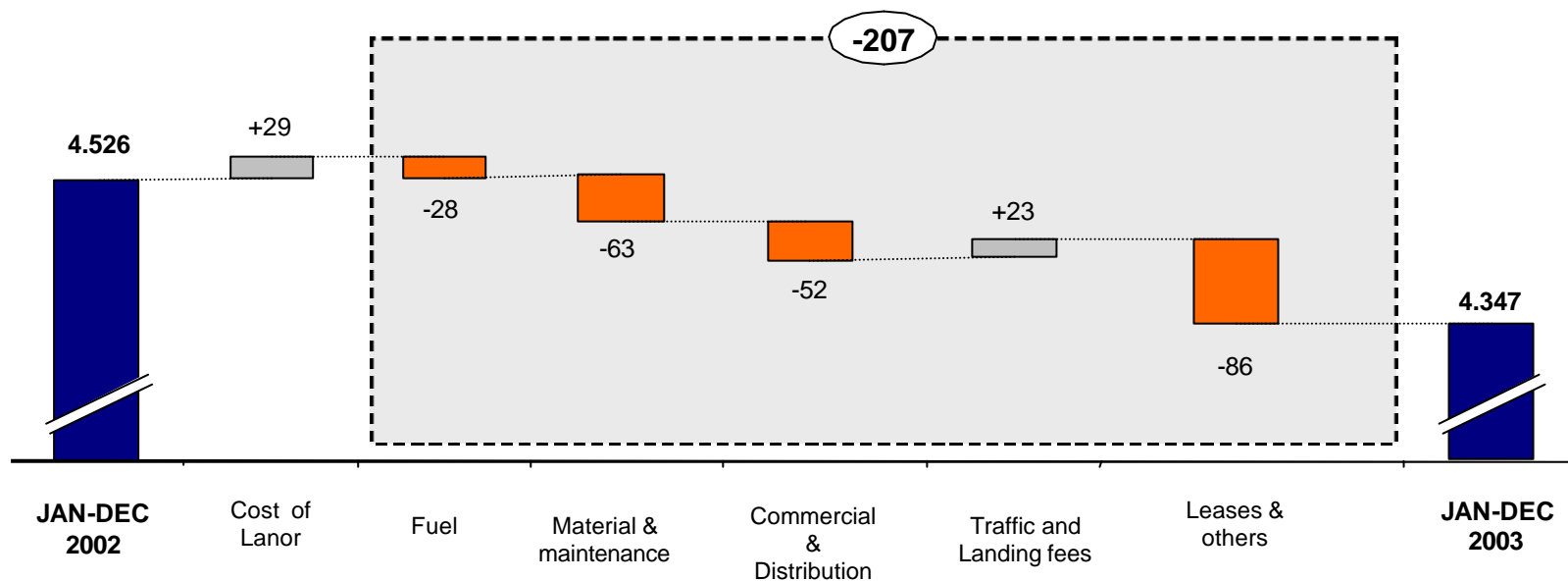
Main delta to 12 months result before extraordinary and taxes (2002 vs 2003)
(Euro/million)



* Including disposed companies (Italiatour, Eurofly)

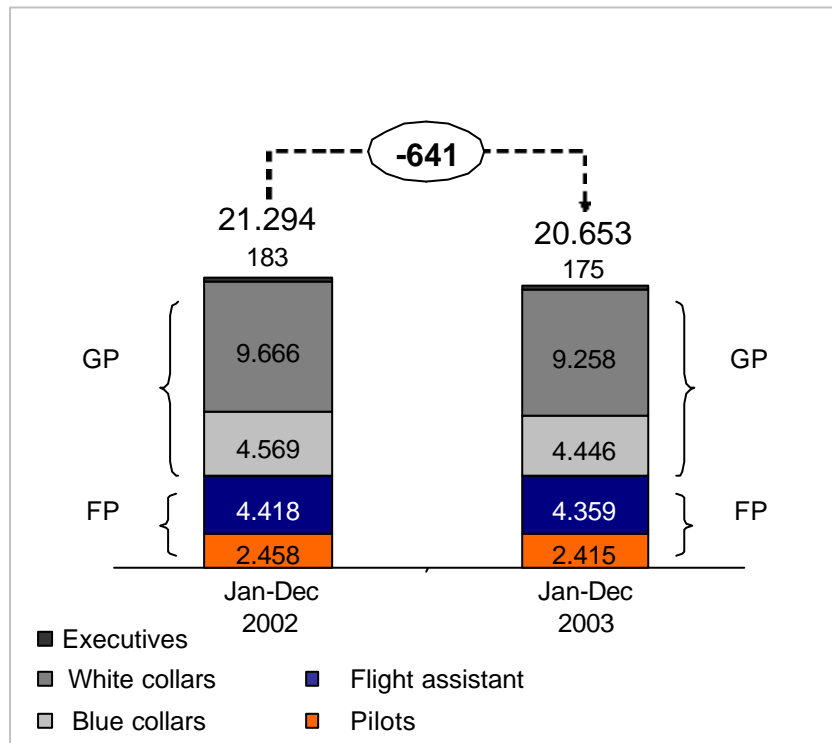
12 months 2003 Profit & Loss analysis (3 months)

Main deltas to 12 months quarter Material and Service Costs (2002 vs 2003)
(Euro/million)



12 months 2003 Profit & Loss analysis (3 months)

Average employees – Jan-Dec 2003 vs Jan-Dec 2002



Labor Cost: Jan-Dec 2002 vs Jan-Dec 2003

