

**Alitalia**

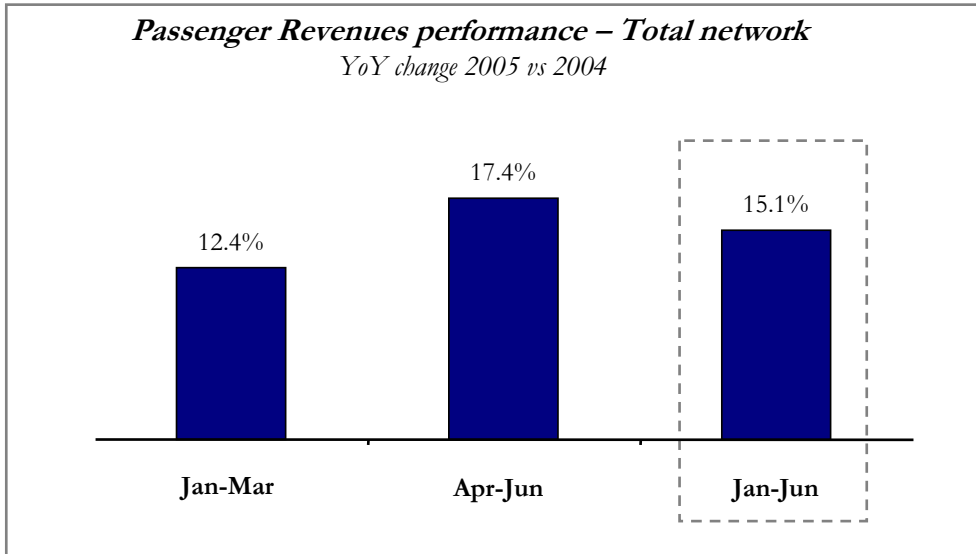
**1<sup>st</sup> Half 2005 Results**

- **1<sup>st</sup> HALF 2005 NETWORK RESULTS**
  
- **1<sup>st</sup> HALF 2005 FINANCIAL RESULTS**
  
- **APPENDIX**
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  - IAS/IFRS IMPLEMENTATION EFFECTS
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  - 1<sup>st</sup> HALF 2005 PUNCTUALITY STATISTICS
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# 1<sup>st</sup> Half 2005 Network Results

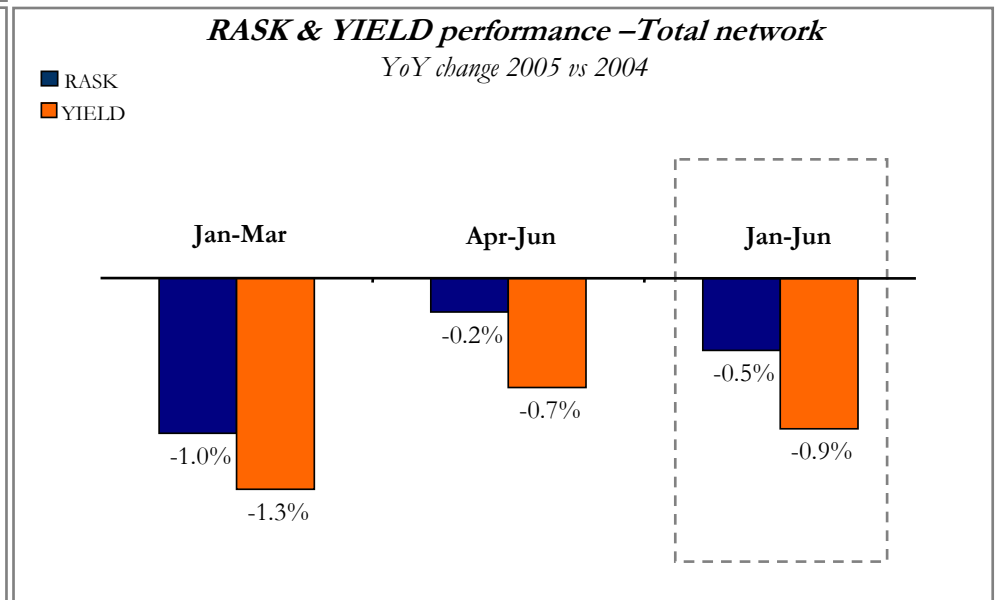
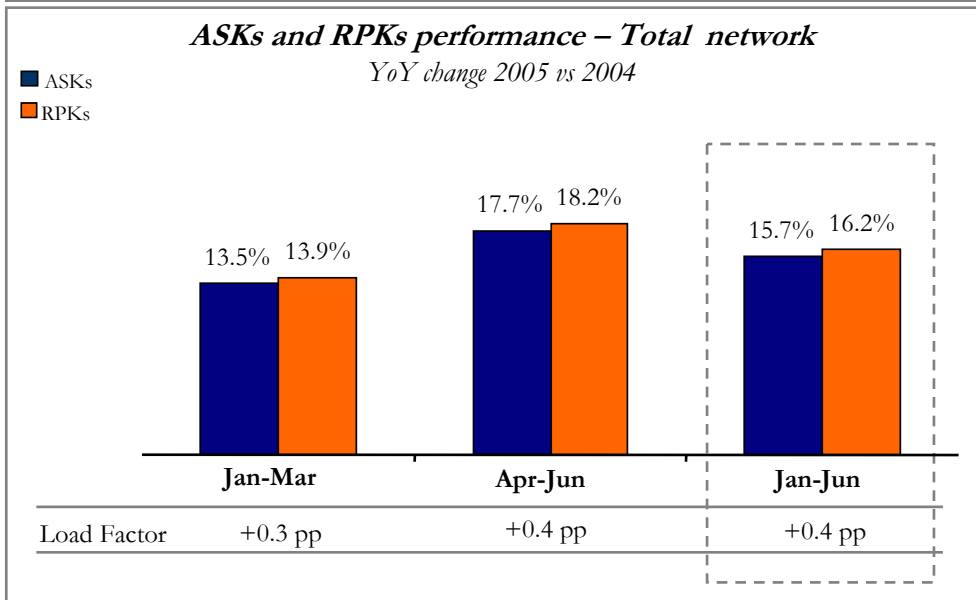
# Air Transport Business

## Alitalia Total Network results



Second quarter 2005 total network performance fully confirms first quarter 2005 traffic figures vs. last year's therefore first half 2005 shows a very good traffic response to capacity growth (+15.7%) in terms of total revenues (+15.1%) and RPKs (+16.2%).

Yield and RASKs changes are still negative but showing first signs of improvement.

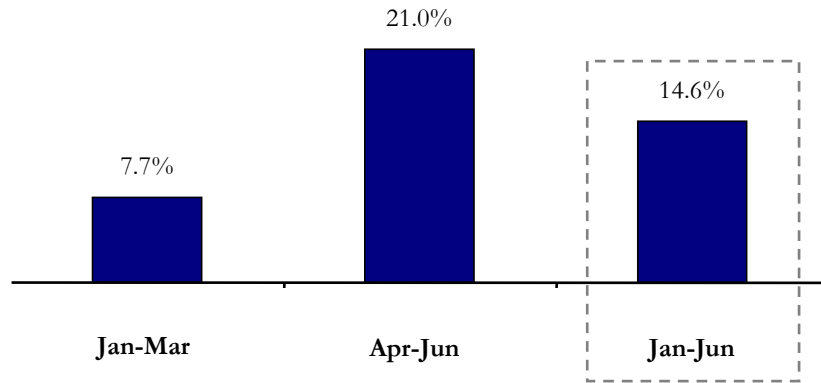


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## Alitalia Domestic Network results

### Revenues performance – Domestic network

YoY change 2005 vs 2004

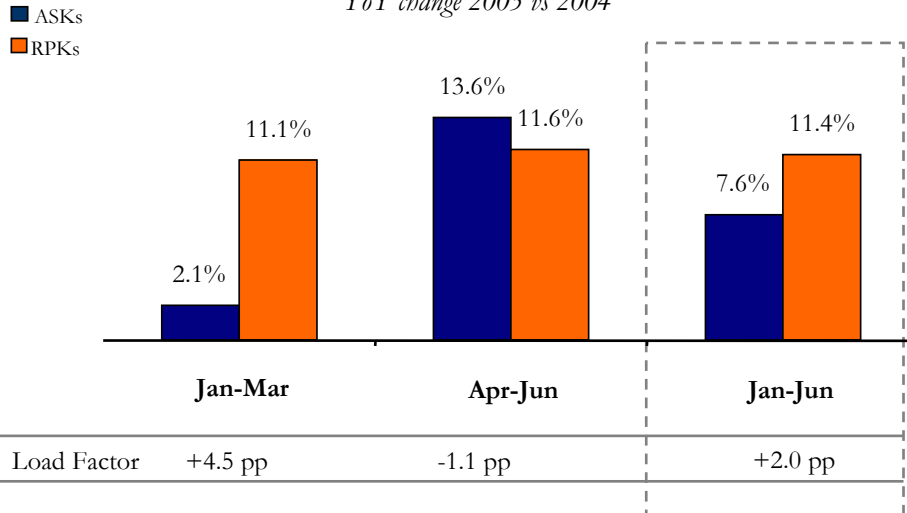


On the domestic network Alitalia capacity increased in the semester by 7.6% while traffic (RPKs) was up 11.4% vs. last year's performance (to be reminded first quarter 2004 suffered materially from various strikes and travel agents boycotts).

Second quarter yields were up significantly by 8.4% vs last year's.

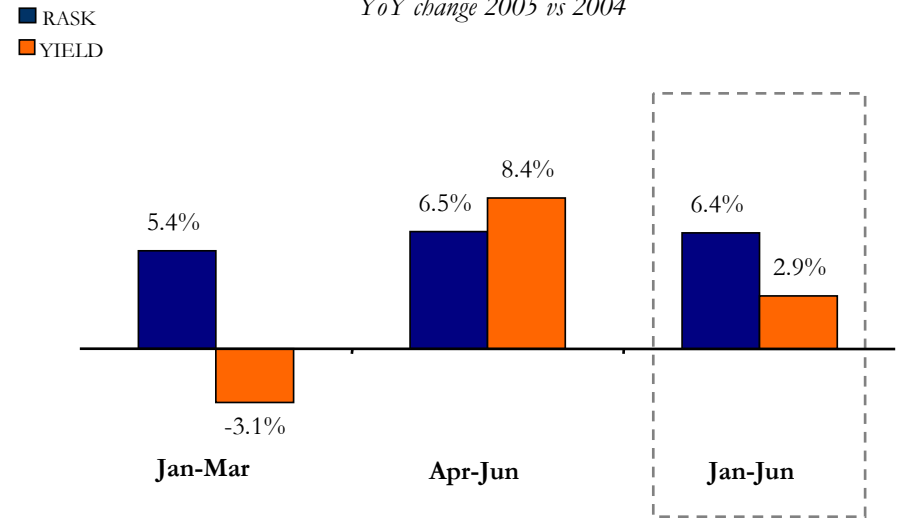
### ASKs and RPKs performance – Domestic network

YoY change 2005 vs 2004



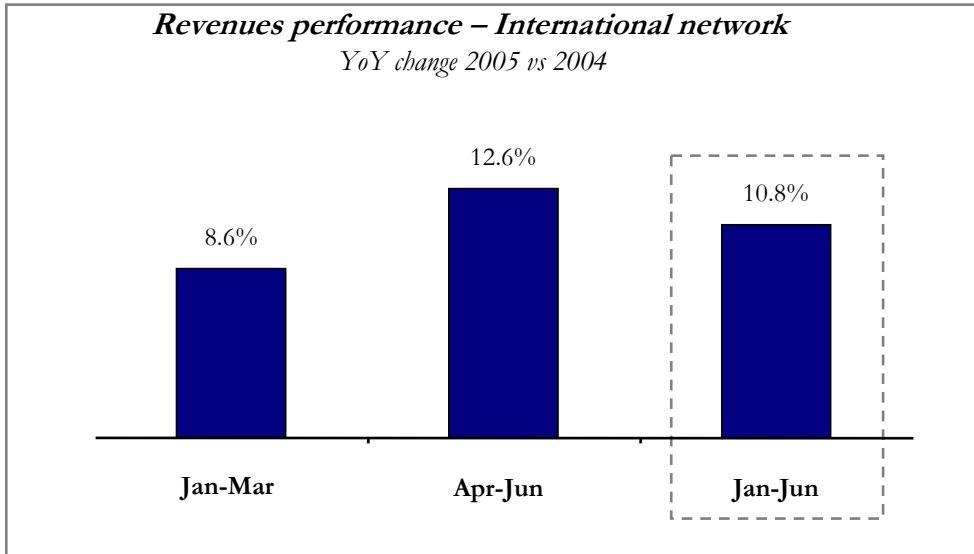
### RASK & YIELD performance – Domestic network

YoY change 2005 vs 2004



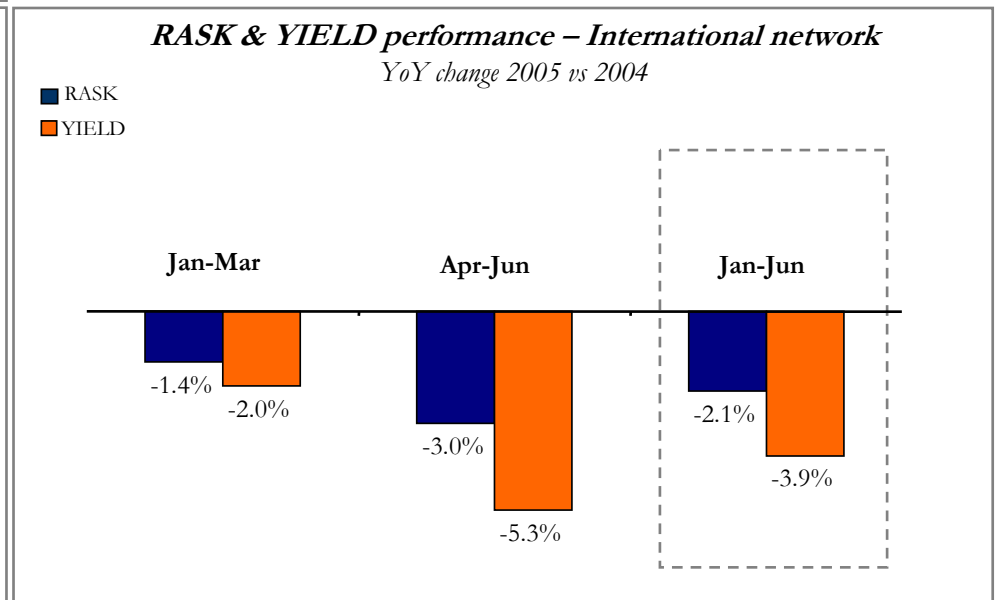
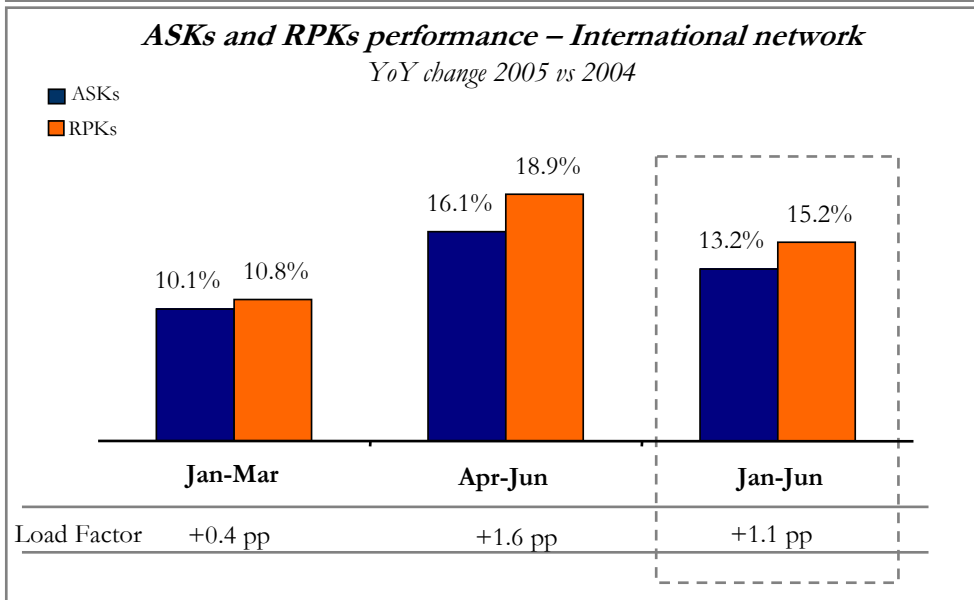
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## *Alitalia International Network results*



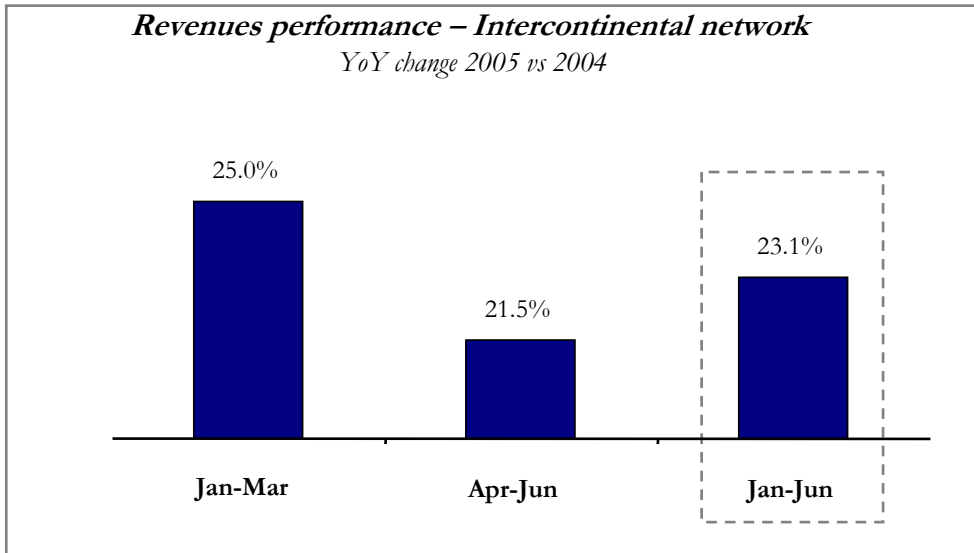
In the international network (Europe, North Africa and Middle East), the overall increase in capacity in the first half by 13.2% was led by the new routes and additional frequencies to Eastern European.

Increase in RPKs by 15.2% generated an increase in load factor of approx. 1.1 p.p. (from 61.9% in first half 2004 to 63.0% in first half 2005).



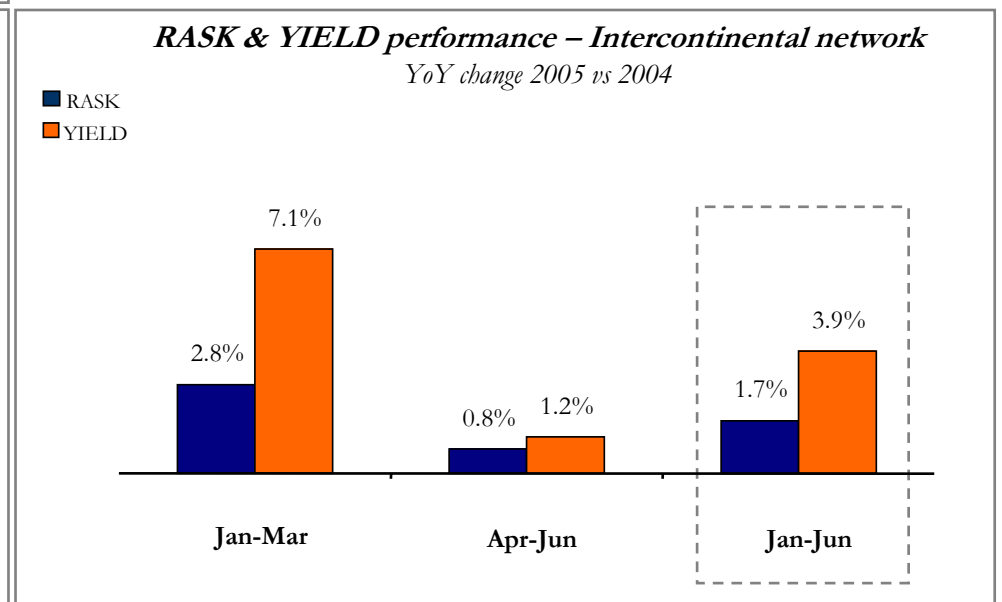
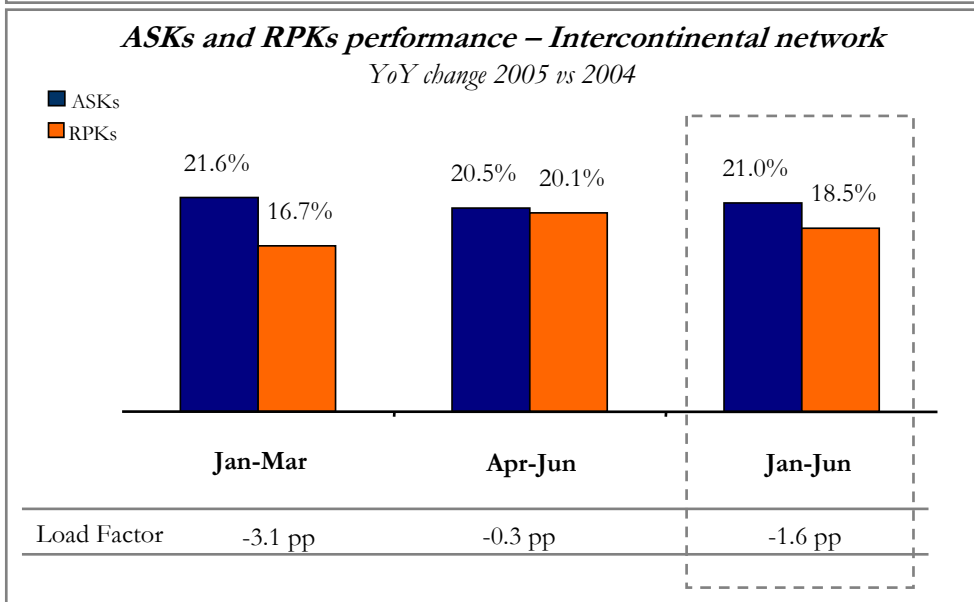
# Air Transport Business

## Alitalia Intercontinental Network results



In second quarter 2005 the strong growth in capacity vs. last year (ASKs up 21.0%) continued as in the previous quarter while RPKs did not increase quite as much (+18.5%) because of the time required to get the new routes completely up and running.

First half 2005 intercontinental revenues grew by an impressive 23.1%.



# 1<sup>st</sup> Half 2005 Financial Results

## 1<sup>st</sup> Half 2005 Main Financial Figures

*Positive EBITDAR margin with approx. EUR 130 million improvement*

	<u>Jan-Jun 2004</u>	<u>Jan-Jun 2005</u>	<u>Change</u>
Revenues	1,948	2,157	+10.7%
Materials and Service Expenses	(1,395)	(1,522)	+9.1%
<i>% of Revenues</i>	<i>71.6%</i>	<i>70.6%</i>	
Labor Expenses	(623)	(576)	-7.5%
<i>% of Revenues</i>	<i>32.0%</i>	<i>26.7%</i>	
<b>EBITDAR</b>	<b>(70)</b>	<b>59</b>	
<b><i>% of Revenues</i></b>	<b><i>-3.6%</i></b>	<b><i>2.7%</i></b>	
EBITDA	(115)	(9)	
<i>% of Revenues</i>	<i>-5.9%</i>	<i>-0.4%</i>	
EBIT	(287)	(140)	
<i>% of Revenues</i>	<i>-14.8%</i>	<i>-6.5%</i>	
Result Before Extraordinary Items & Taxes	(329)	(168)	
<i>% of Revenues</i>	<i>-16.9%</i>	<i>-7.8%</i>	
<b>Net Result</b>	<b>(620)</b>	<b>(122)</b>	
<b><i>% of Revenues</i></b>	<b><i>-31.8%</i></b>	<b><i>-5.7%</i></b>	

(figures in EUR/mln)

*Note: Interest charges relating to financial leases are included in interest expenses (EUR 9 mln 1<sup>st</sup> half 2005). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges (-140-9 = -149); margins below EBIT level do not need reconciliation.*

# 1<sup>st</sup> Half 2005 Main Financial Figures

## *Margin improvement driven by lower unit costs*

### Revenues

- **Total revenues** show a year-on-year increase of EUR 209 million
- **Passenger revenues** grew by 15.1% driven by an impressive traffic increase (approximately +16.2% in RPKs terms on total network). Negative currency exchange effect on the period was approx. EUR 17 million.
- **Cargo revenues** were down by approx. EUR 6 million. Overall capacity offered increase positive effect on cargo revenue were completely offset by negative load factor and yield performances. Negative currency exchange effect accounted for EUR 4 million.

### Costs

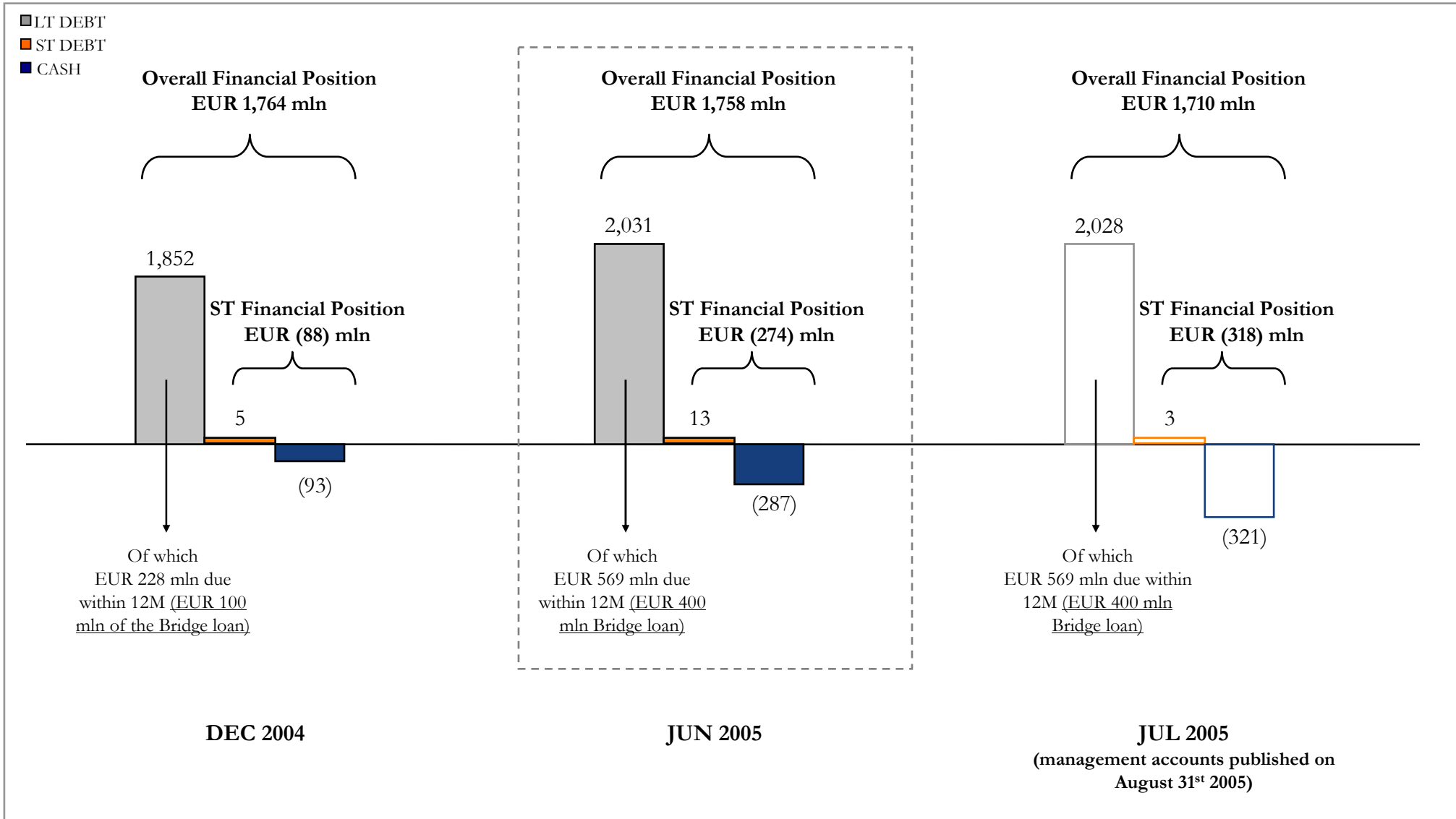
- **Materials and Service Expenses\*** grew by EUR 126 million (+9.1%) to EUR 1,522 million mainly due to higher capacity offered on the Alitalia network (passengers ASKs were up +15.7%). Positive currency exchange effect for the period was EUR 40 million. Among all cost items fuel was the one that most affected the semester results with a material increase vs. last year (EUR 133 million increase of which approximately EUR 100 million due just to price increase).
- **Labor expenses** were down 7.5% in the semester due to a smaller average workforce with respect of last year's (from 20,661 to 19,015 average employees) and due to the effect on salaries by the new labor contracts (for more details see workforce analysis in the appendix).
- **Unit costs** (total costs at EBIT level/total cargo and passengers ATK) were therefore down approximately 9% (-13% ex fuel price increase)

\*Excluding the cost of aircraft rentals

If not otherwise stated comments are related to the comparison of the 1<sup>st</sup> half 2005 results vs. the 1<sup>st</sup> half 2004 results.

# 1<sup>st</sup> Half 2005 Main Financial Figures

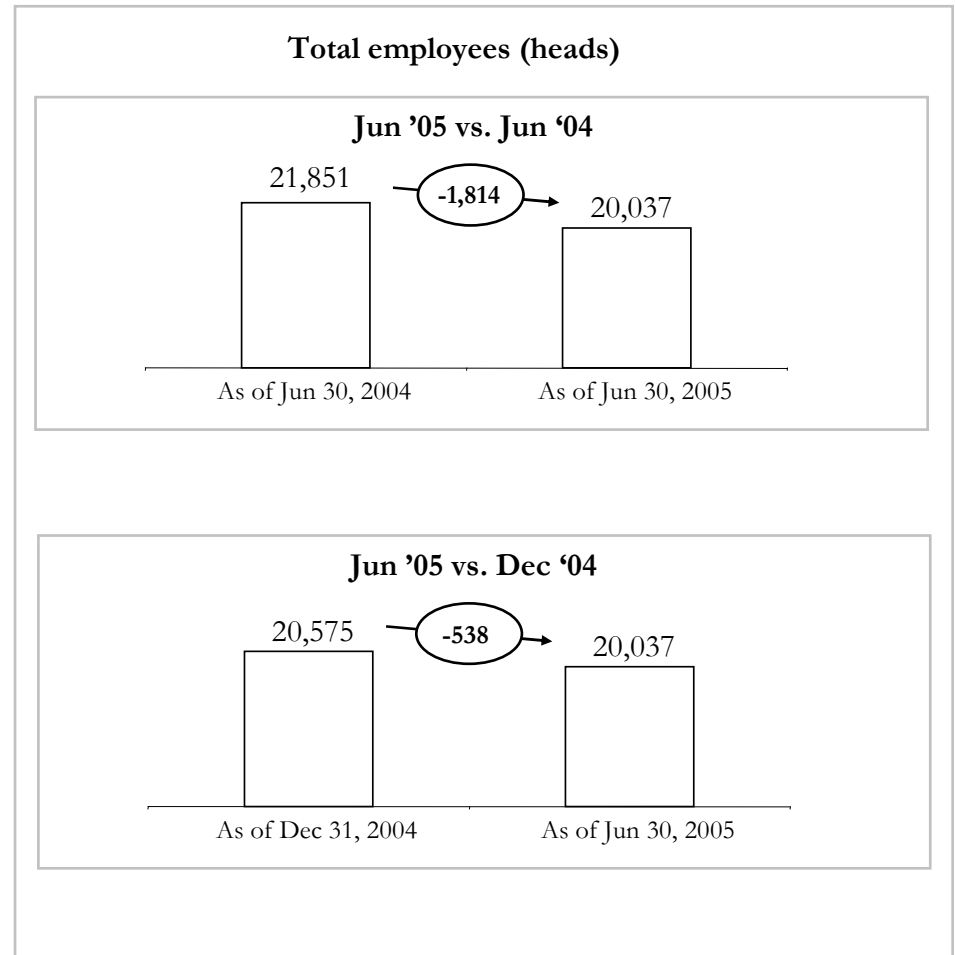
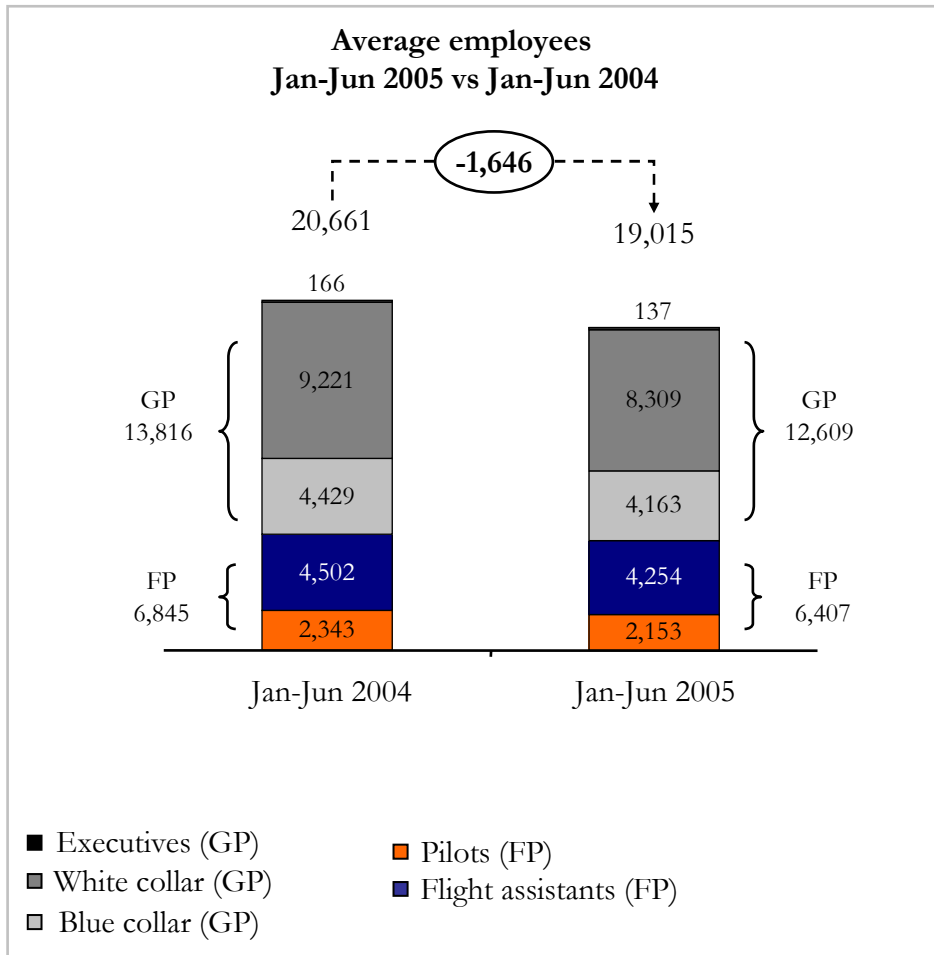
*June and July 2005 figures show a good improvement in Alitalia summer cash flows*



# Appendix

# 1<sup>st</sup> Half 2005 Workforce Analysis

*Staff reduction in the first half 2005 drove a 7.5% decrease in labor costs vs last year's despite a significant capacity increase (+15.7% ASKs)*



# IAS/IFRS IMPLEMENTATION EFFECTS

## *Impact on First Half 2005 Net Equity*

<b>Reconciliation of the Consolidated Net Equity at 30/06/2005</b>		
(amounts in thousands of Euros)		
<b>Net equity according to Italian accounting principles</b>		<b>329,9</b>
<b>Effects IAS/IFRS</b>		
IAS 38	Intangible Assets (start up and capital increase costs)	(9,8)
IAS 38	Intangible Assets ( goodwill )	1,8
IAS 16	Property, Plant and Equipment (fleet-component approach)	118,5
IAS 16	Property, Plant and Equipment (land-componet approach)	0,3
IAS 16	Property, Plant and Equipment (revaluation reserve)	(4,0)
IAS 17	Leases ( leaseback MD80 )	20,2
IAS 17	Leases	(1,9)
IAS 19	Employee Benefits ( saverance)	37,2
IAS 19	Employee Benefits (industry discount tickets)	(15,2)
IAS 37	Provisions, Contingent Liabilities and Contingent Assc (restructuring provision)	7,1
IAS 32 e 39	Financial Instruments	<u>59,4</u>
<b>Total gross effect</b>		<b>213,7</b>
Tax carried forward		<u>(5,5)</u>
<b>Total effects IAS/IFRS</b>		<b>208,2</b>
<b>Net Equity IAS/IFRS</b>		<u><b>538,1</b></u>

# IAS/IFRS IMPLEMENTATION EFFECTS

## *Impact on First Half 2005 P&L*

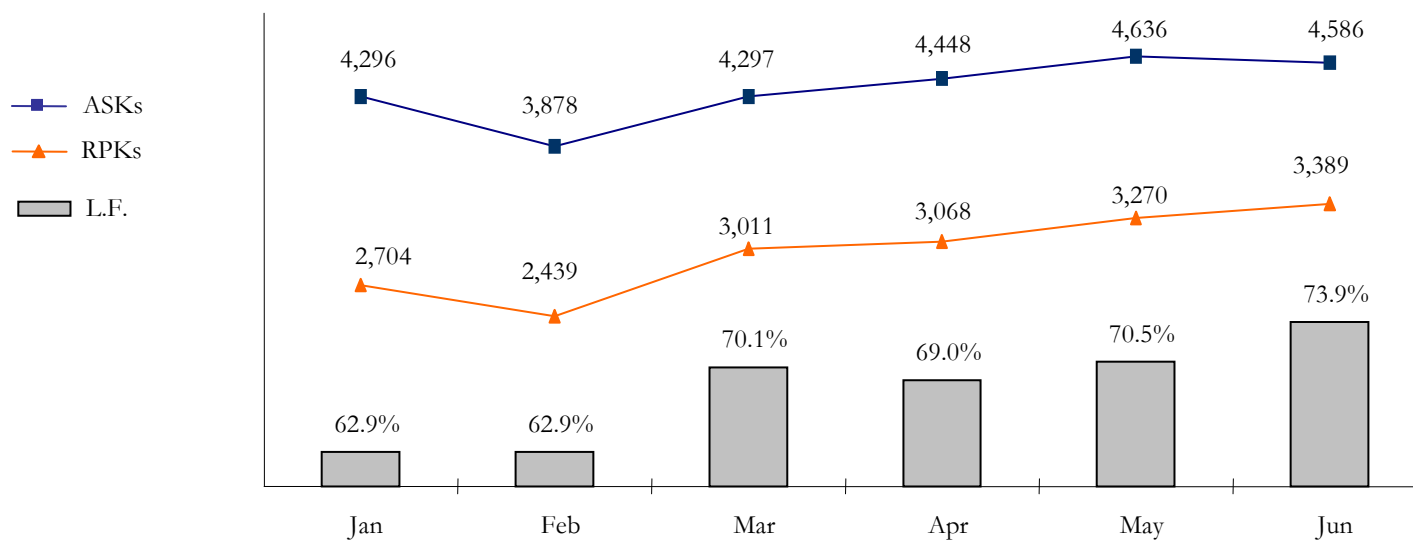
**Reconciliation of the Consolidated Result for the first six months of 2005**  
(amounts in thousand of Euros))

<b>Net Result according to Italian accounting principles</b>		<b>(122,4)</b>
<b>IAS/IFRS effects</b>		
IAS 38	Intangible Assets (start up and capital increase costs)	2,3
IAS 38	Intangible Assets ( goodwill )	0,6
IAS 16	Property, Plant and Equipment (fleet-component approach)	15,3
IAS 16	Property, Plant and Equipment (land-component approach)	0,0
IAS 16	Property, Plant and Equipment (revaluation reserve)	0,1
IAS 17	Leases ( leaseback MD80 )	(9,7)
IAS 17	Leases	(1,7)
IAS 19	Employee Benefits ( severance )	8,2
IAS 19	Employee Benefits (industry discount tickets)	0,9
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (restructuring provision)	(3,9)
IAS 32 e 39	Financial Instruments	<u>(14,5)</u>
<b>Total gross effect</b>		<b>(2,3)</b>
Tax carried forward		<u>0,4</u>
<b>Effects IAS/IFRS</b>		<b>(1,9)</b>
<b>Net Result IAS/IFRS</b>		<b><u>(124,3)</u></b>

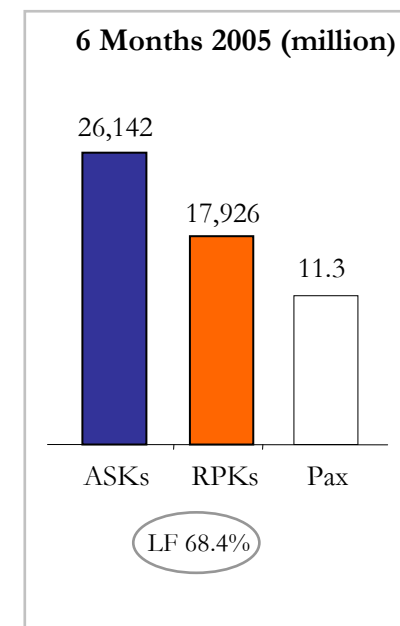
# 1<sup>st</sup> Half 2005 Traffic Statistics

## Total semester passengers up to 11.3 million

6 Months 2005 main traffic figures by month

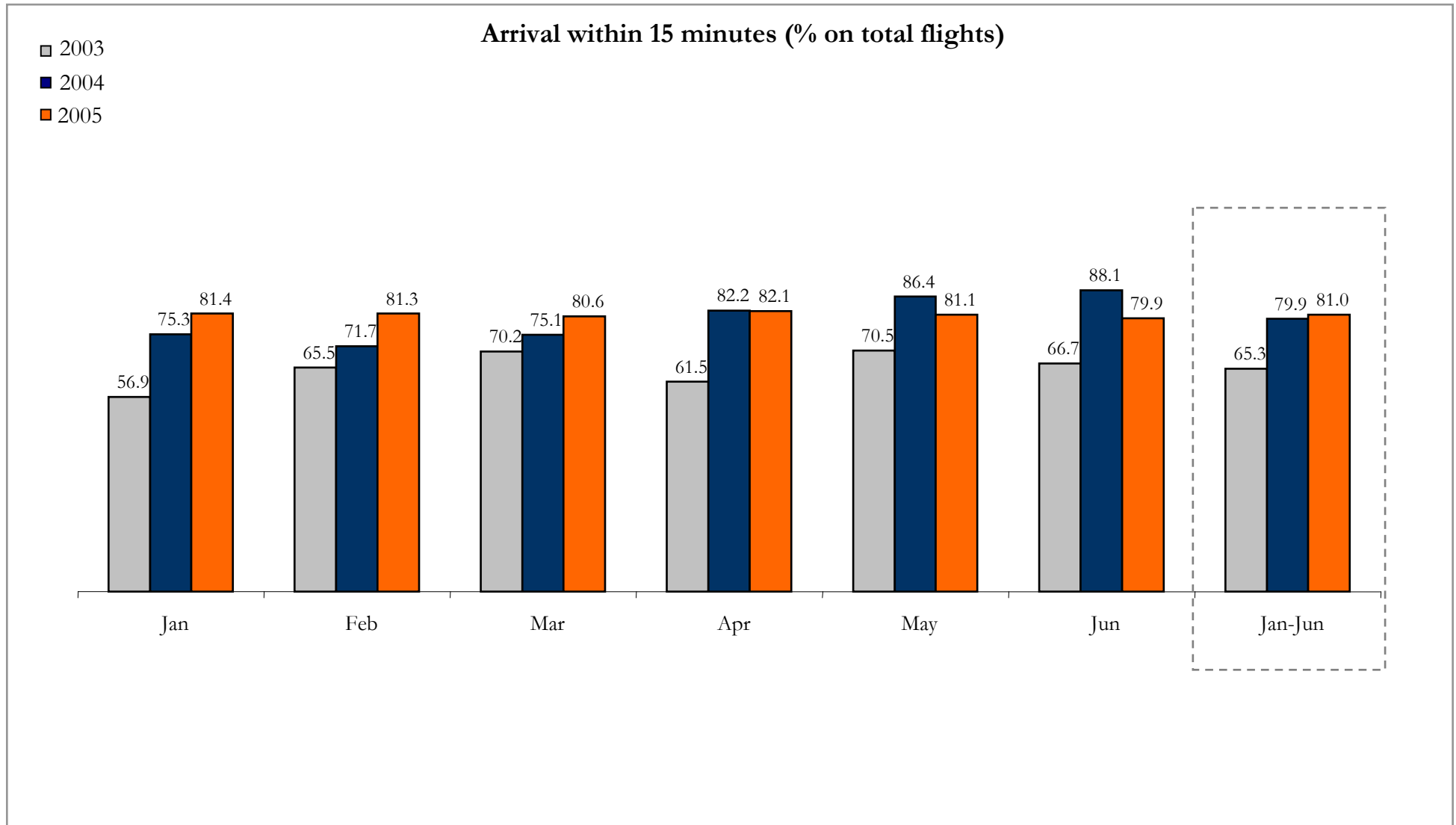


ASKs	DOM	802	741	774	794	816	830
	INT	1,445	1,288	1,435	1,535	1,582	1,602
	INC	2,049	1,848	2,089	2,120	2,238	2,154
	<b>Total</b>	<b>4,296</b>	<b>3,878</b>	<b>4,297</b>	<b>4,448</b>	<b>4,636</b>	<b>4,586</b>
RPKs	DOM	436	411	460	501	538	545
	INT	784	723	917	1,038	1,057	1,083
	INC	1,484	1,304	1,634	1,530	1,676	1,761
	<b>Total</b>	<b>2,704</b>	<b>2,439</b>	<b>3,011</b>	<b>3,068</b>	<b>3,270</b>	<b>3,389</b>
Passengers	DOM	824	785	886	925	1,000	1,015
	INT	643	600	754	860	886	893
	INC	191	166	209	198	219	228
	<b>Total</b>	<b>1,658</b>	<b>1,551</b>	<b>1,849</b>	<b>1,984</b>	<b>2,105</b>	<b>2,136</b>



# 1<sup>st</sup> Half 2005 Punctuality Statistics

*Punctuality performance fully confirms improvements so far achieved vs. year 2003 performance*



## Alitalia

### *2005 Corporate Events Calendar*

From September 19 <sup>th</sup> 2005	<b>Reverse Stock Split.</b> 1 new Alitalia share to be exchanged with 30 old Alitalia shares.
By September 30 <sup>th</sup> 2005	<u>Press release:</u> <b>Net Debt as of August 31<sup>st</sup> 2005</b> (management figures)
By October 31 <sup>st</sup> 2005	<u>Press release:</u> <b>Net Debt as of September 30<sup>th</sup> 2005</b> (management figures)
November 11 <sup>th</sup> 2005	<u>Board of Directors meeting:</u> Approval of <b>Third Quarter 2005 Report as of September 30, 2005.</b>
By November 30 <sup>th</sup> 2005	<u>Press release:</u> <b>Net Debt as of October 31<sup>st</sup> 2005</b> (management figures)
By December 31 <sup>st</sup> 2005	<u>Press release:</u> <b>Net Debt as of November 30<sup>th</sup> 2005</b> (management figures)