

# Alitalia Analyst Presentation

## 3<sup>rd</sup> Quarter 2003 Results

Tuesday 11 November 2003



## Introduction

*Andrea Andorno  
(Investor Relator)*



# Alitalia

## 3<sup>rd</sup> Quarter 2003 Conference Call

### Agenda

■ Air Transport January to September 2003 traffic results in Passenger Business

**Glen Hauenstein**  
**(Core Business Coordinator & Chief Production Officer)**

■ Alitalia Group 3rd Quarter 2003 Financial Results

■ Highlights on Alitalia 2004-2006 Plan main restructuring actions

**Luca Egidi**  
**(Chief Financial Officer)**

## The Air Transport 3<sup>rd</sup> Quarter 2003 results

*Glen Hauenstein*

*(Core Business Coordinator & Chief Production Officer)*

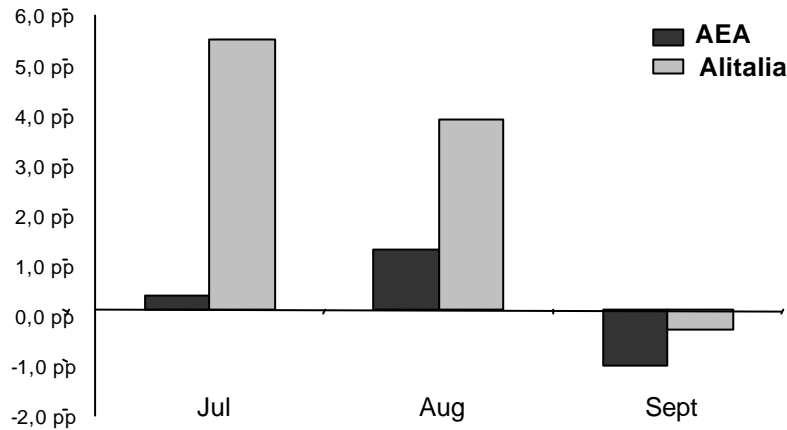


# The Air Transport Business

## Alitalia Total Network results

**Alitalia LF performance vs AEA (Total International)**

July to September 2003 vs 2002 (change in pp)

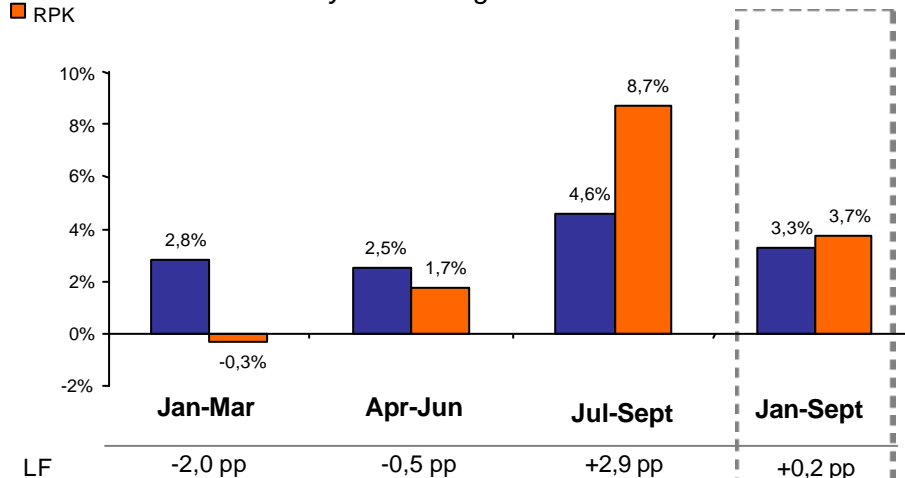


In July to September 2003 Alitalia grew at approximately twice the ratio of other AEA carriers while maintaining a premium in international traffic levels.

Total network third quarter results show a good recovery in traffic still strongly effected by negative yields.

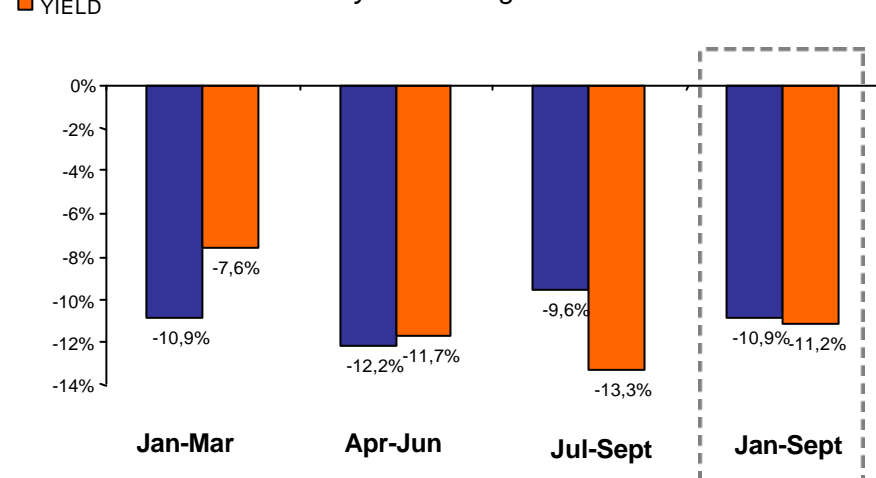
**ASKs and RPKs performance – Total network**

Quarterly YoY change 2003 vs 2002



**RASK & YIELD performance – Total network**

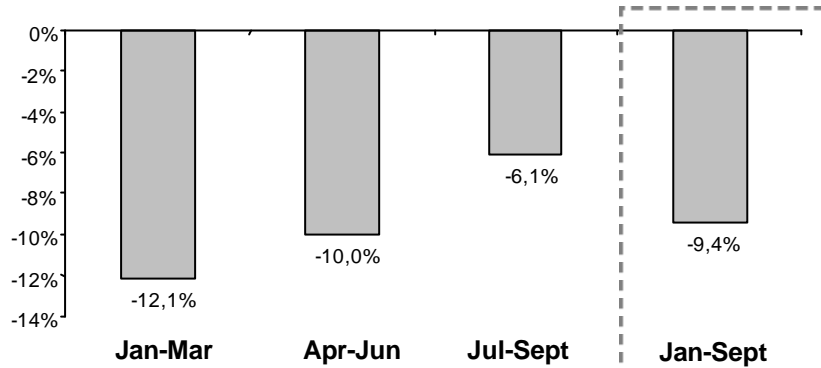
Quarterly YoY change 2003 vs 2002



# The Air Transport Business

## Alitalia Domestic Network

**Revenues performance – Domestic network**  
Quarterly YoY change 2003 vs 2002

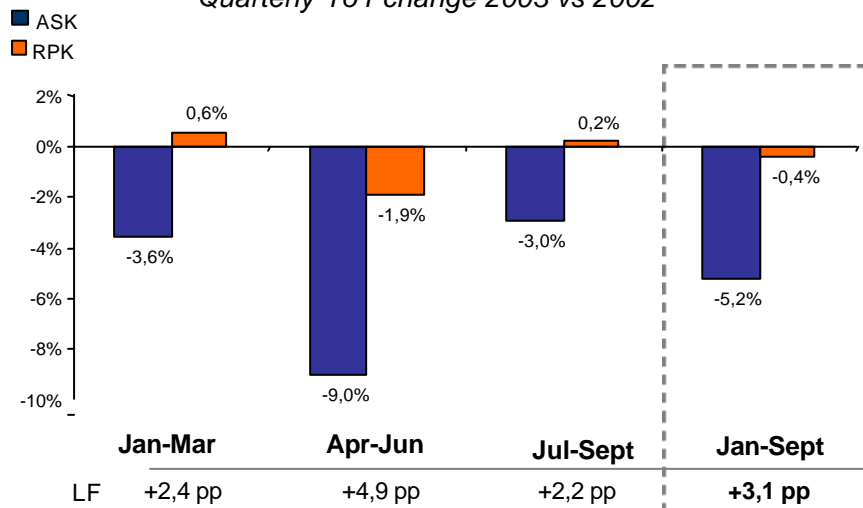


Performance in revenues vs prior quarter shows some signs of recovery.

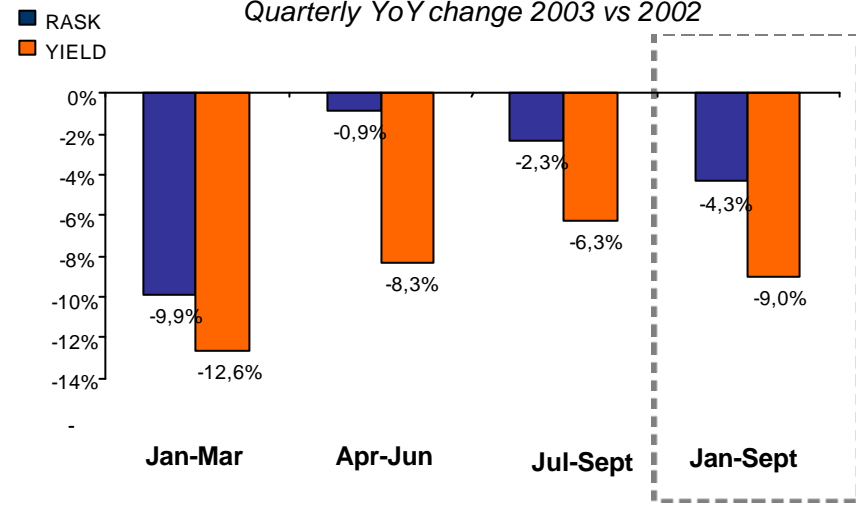
Notwithstanding capacity growth over second quarter levels load factor remained positive.

Yield demonstrated some strength vs depressed first half results.

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



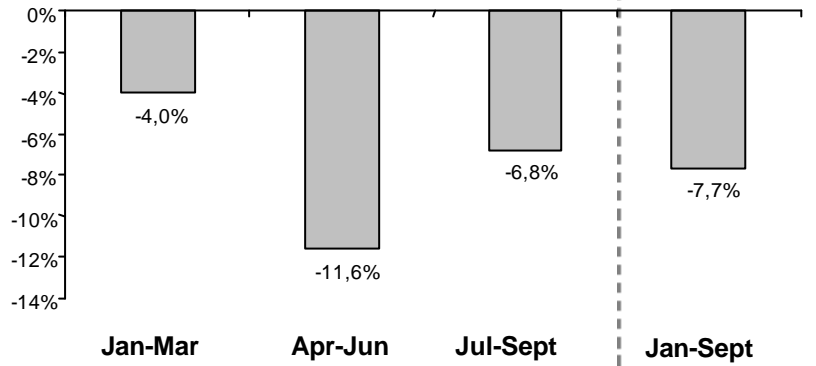
**Yield and Rask performance – Domestic network**  
Quarterly YoY change 2003 vs 2002



# The Air Transport Business

## Alitalia International Network

**Revenues performance – International network**  
Quarterly YoY change 2003 vs 2002

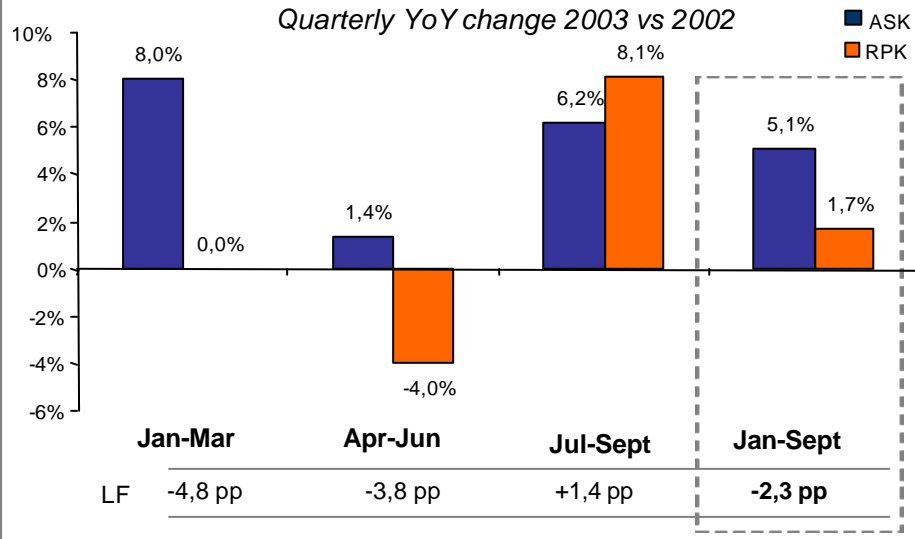


Capacity growth mainly on North Africa, Middle East and Eastern Europe.

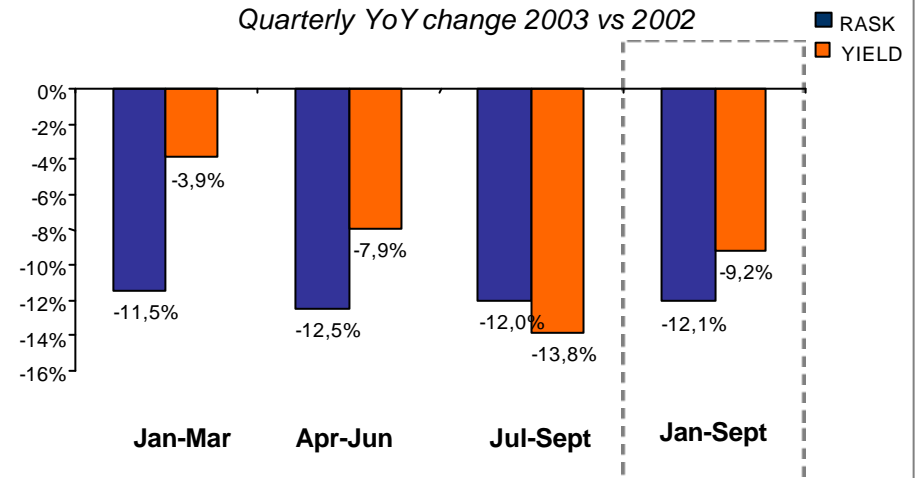
Slight recovery in quarterly RASK (still very negative) due to sharp negative yield drop.

Western Europe experienced greatest yield decrease as Alitalia was forced to match dramatically lower fares offered by other carriers.

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

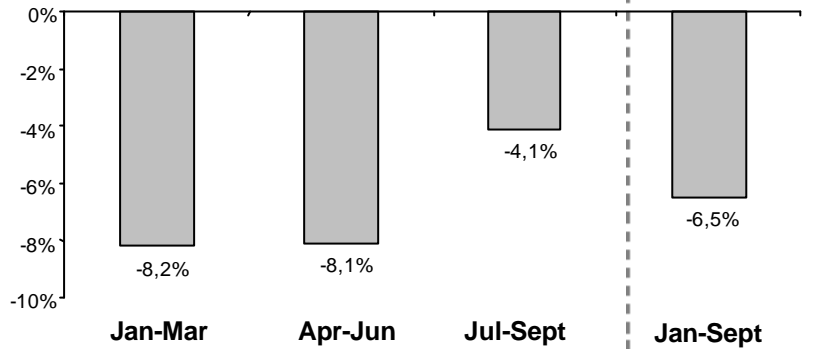


**Yield and Rask performance – International network**  
Quarterly YoY change 2003 vs 2002



## The Air Transport Business Alitalia Intercontinental Network

**Revenues performance – Intercontinental network**  
Quarterly YoY change 2003 vs 2002

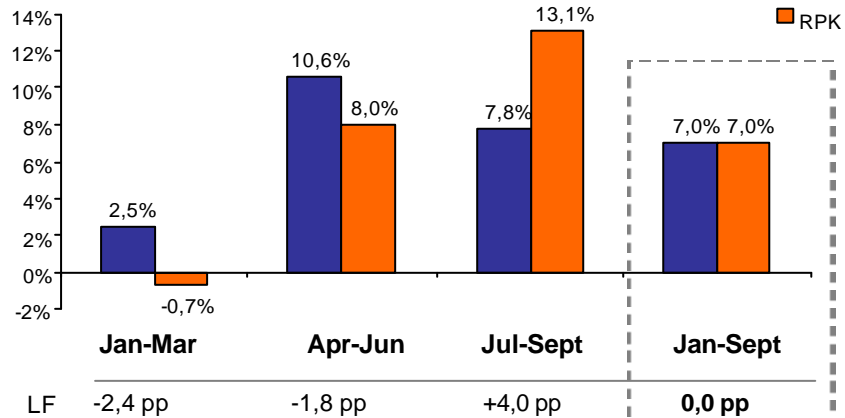


**Very good July to September load factor performance (+4.0 pp) hitting a record 86,8% on North American routes.**

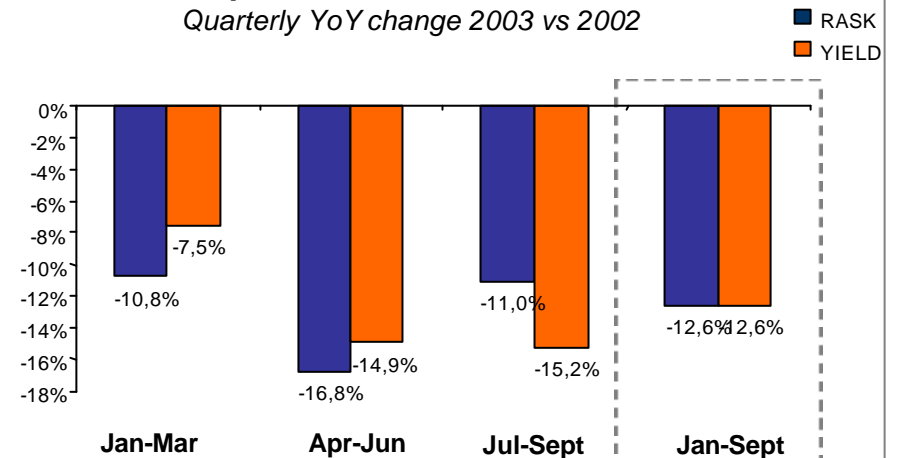
**Currency fluctuations still hurting yield performance .**

**Improved business class traffic at more than offsetting business yield declines.**

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



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





## Financial results – January to September 2003

*Luca Egidi*  
*(Chief Financial Officer)*



## Alitalia 3<sup>rd</sup> quarter 2003 main financial figures

*Revenues still very much impacted by decreasing yields*

	<u>Jul-Sept 2002*</u>	<u>Jul-Sept 2003</u>	<u>Change</u>
Revenues	1.308	1.169	-11%
Materials and Service Expenses	(875)	(795)	-9%
<i>% of Revenues</i>	67%	68%	
Labor Expenses	(273)	(292)	+7%
<i>% of Revenues</i>	21%	25%	
EBITDAR	160	82	
<i>% of Revenues</i>	12,2%	7,0%	
EBITDA	135	72	
<i>% of Revenues</i>	10,3%	6,1%	
EBIT	66	(15)	
<i>% of Revenues</i>	5,0%	-1,3%	
Result Before Extraordinary Items & Taxes	26	(47)	
<i>% of Revenues</i>	2,0%	-4,0%	

\*2002 figures include Italiatour and Eurofly.

Note: Interest charges relating to financial leases are included in interest expenses (EUR 7 mln 3<sup>rd</sup> quarter 2003). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges ( -15-7 = -22 ); margins below EBIT level do not need reconciliation.

## Alitalia 3<sup>rd</sup> quarter 2003 main financial figures

*Margins were effected the most by a drop in revenues*

### Revenues

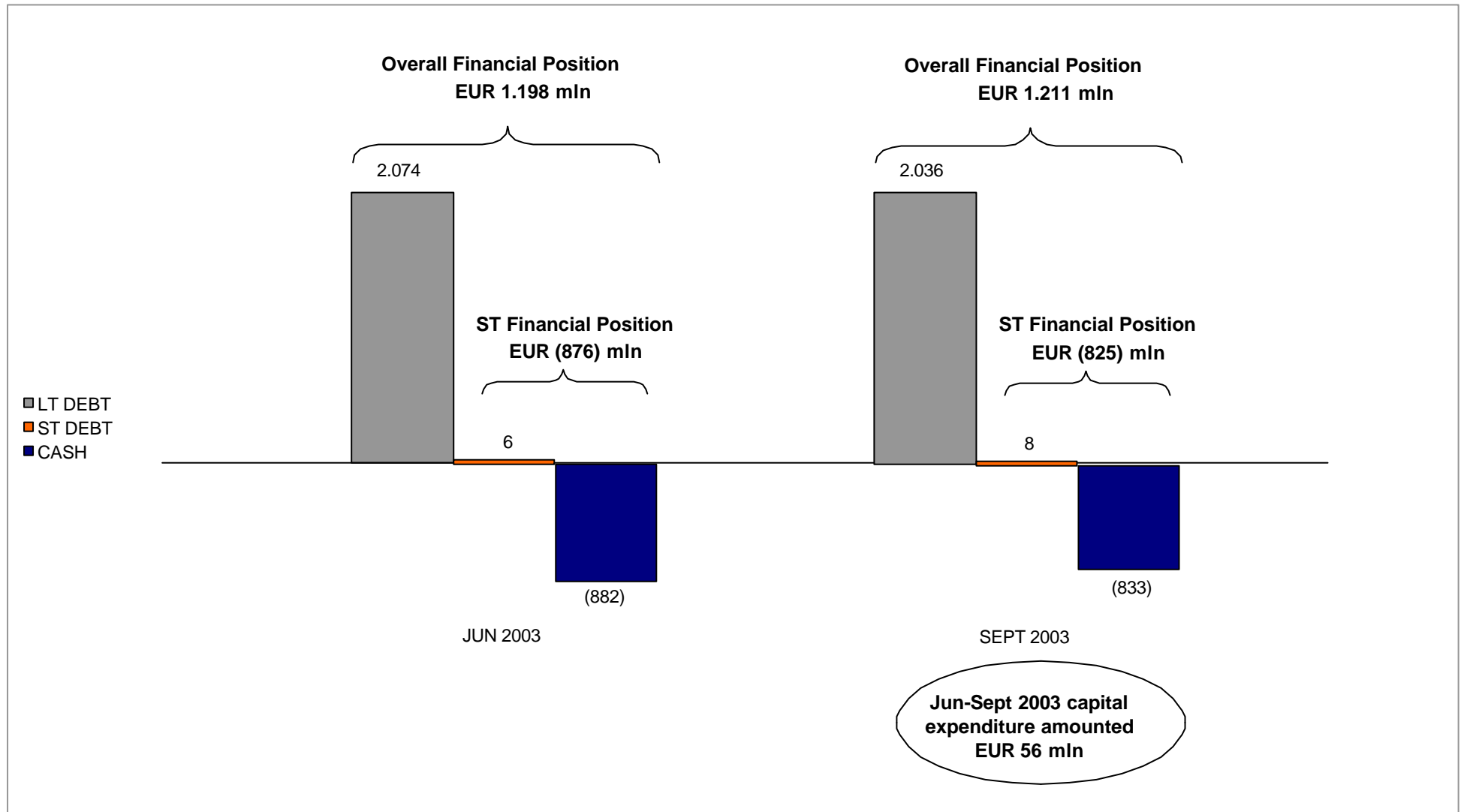
- **Total revenues** show a year-on-year reduction of approximately 139 Euro million, mainly due on one side to smaller Group perimeter (-57 Euro million), yields decrease (-68 Euro million) and negative exchange rate of the US dollar and Japan Yen to Euro (-48 Euro million) partially offset by a traffic increase (+8,7% in terms of RPKs and equal to a +56 Euro million).
- **Passenger revenues** declined by approximately 6% mainly due to drop a 13% in yields.
- **Cargo revenues** decreased by approximately 5% mainly due to forex effect.

### Costs

- **Materials and Service Expenses** notwithstanding an increase of capacity (+4,6% PAX ASKs) decreased by 80 Euro million (-9%) to 795 Euro million due: on one side to a smaller Group perimeter (-44 Euro million) and on the other side for a positive forex impact (USD). First results of the lower commission policy to travel agents were also offset by negative changes in air traffic control fees and landing charges.
- **Labor expenses** increased by 7% mainly due to the end of the solidarity contacts positive effects (See Appendix 3).

# Alitalia 3<sup>rd</sup> quarter 2003 main financial figures

## *Alitalia still very strong financially*



# Alitalia Group

## *Highlights on 2004-2006 Industrial Plan*

### **October 30th Alitalia Board Of Directors approved 2004-2006 Industrial Plan main actions**

In detail the Board of Directors has approved:

- **Network strategy:** overall yearly capacity increase by approx. 9% (in order to keep Italian market leadership through investing on underserved top destination to/from Italy and better achieve productivity targets).
- **Capital expenditure** program for new fleet of approx. Euro 1.200 million for the Plan period.
- **Unit cost cutting measures:**
  - 1.500 redundancies identified amongst not front line workforce;
  - Significant productivity increase;
  - Commercial and distribution costs further cuts;
  - New contractual conditions with suppliers;
  - Higher cost structure flexibility and efficiency through the outsourcing of 1.200 units.
- The already announced **EBITDAR target of 15%/17%** has been fully confirmed as well as the **full economic balance by 2005**.

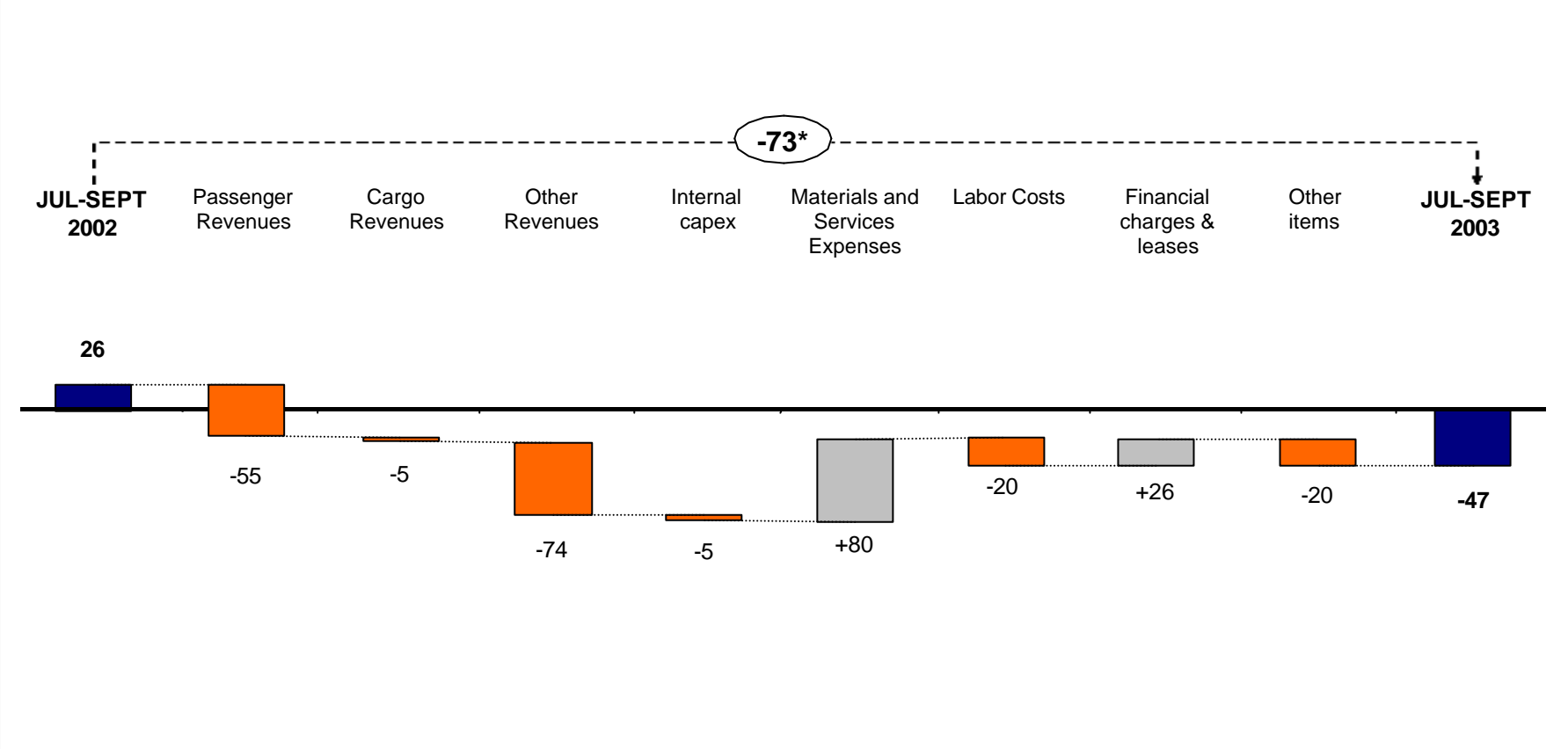
**Further details of Alitalia Industrial Plan will be presented by Company's top management in the coming Alitalia Analyst Presentation in our Rome Headquarters (date and details will be soon sent to you)**

# Appendix



### 3<sup>rd</sup> Quarter 2003 Profit & Loss analysis (3 months)

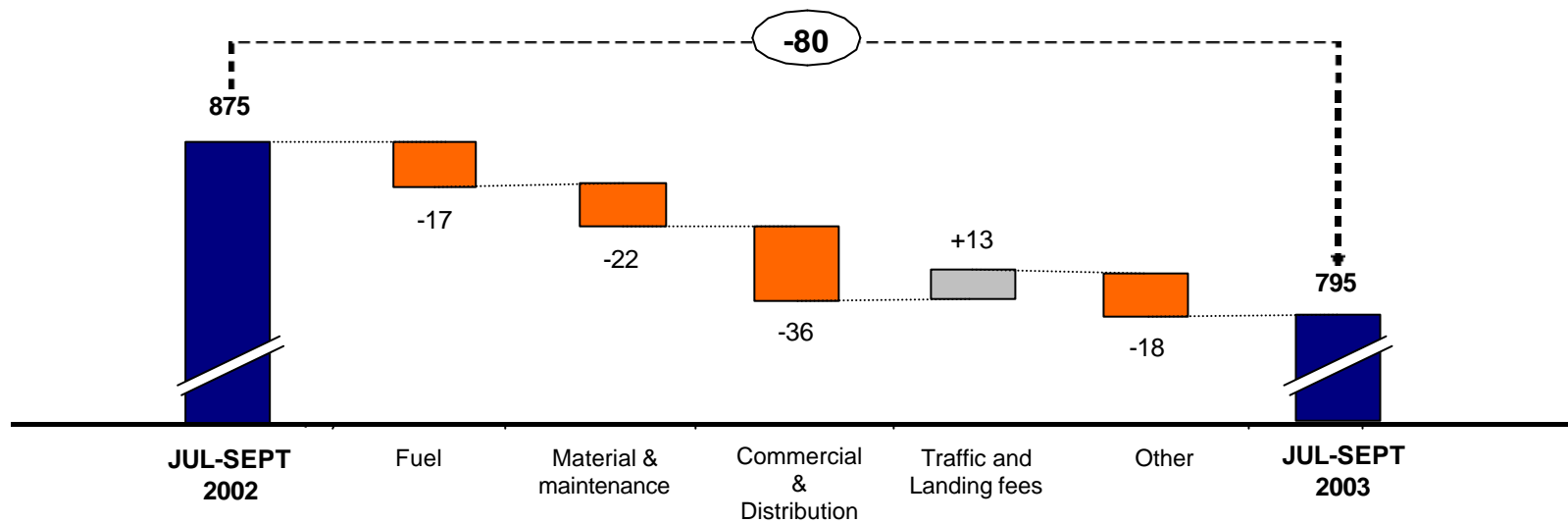
Main delta to 3rd quarter result before extraordinary and taxes (2002 vs 2003)  
(Euro/million)



\* Including disposed companies (Italiatour, Eurofly)

### 3<sup>rd</sup> Quarter 2003 Profit & Loss analysis (3 months)

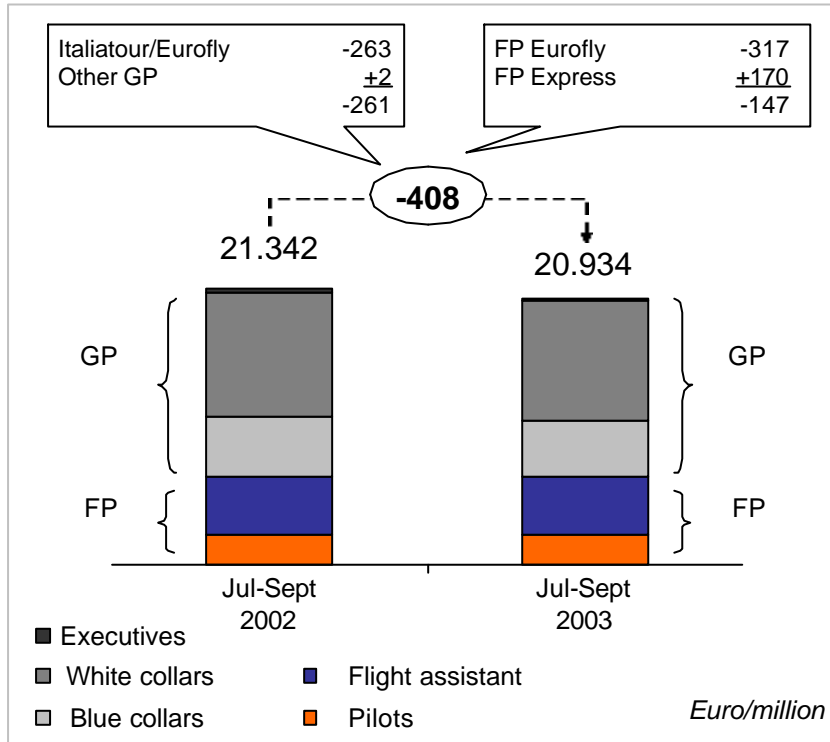
Main deltas to 3<sup>rd</sup> quarter Materials & Services Costs (2002 vs 2003)  
(Euro/million)



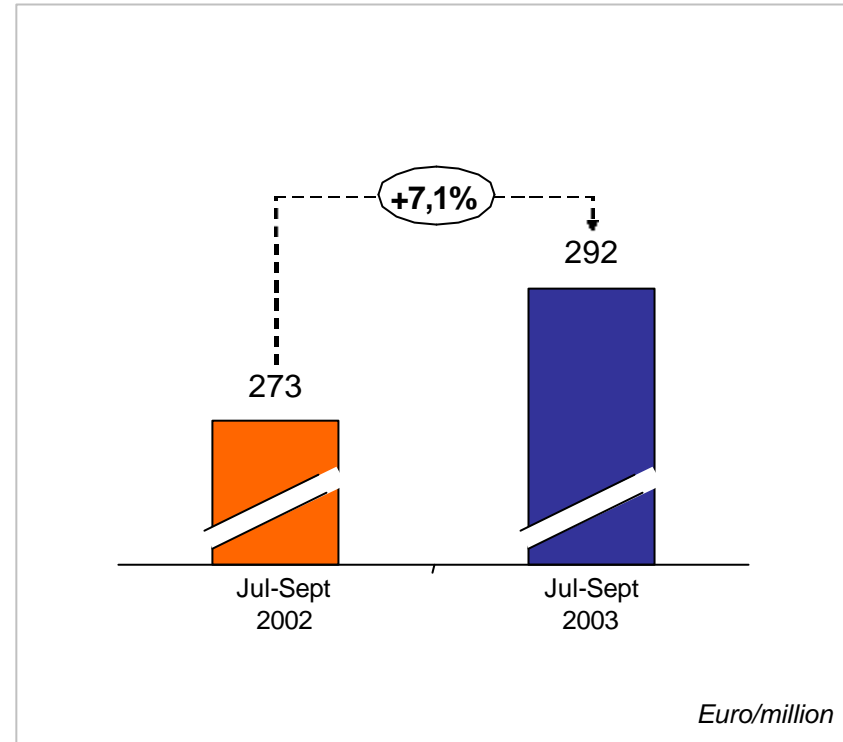


### 3rd Quarter 2003 Profit & Loss analysis (3 months)

Average employees<sup>1)</sup> – Jul-Sept 2003 vs Jul-Sept 2002



Labor Cost: Jul to Sept 2002 vs Jul to Sept 2003



<sup>1)</sup> In the third quarter of 2003 there was a drop in personnel of 122 units (of which 83 ground units caused by synergies with Air France in Paris where Alitalia gave to the French carrier its pax assistance at the airport).

## Alitalia first 9 months 2003 main financial figures

*2003 cumulative result show very much effected by negative first half performance*

	<u>9M 2002*</u>	<u>9M 2003</u>	<u>Change</u>
Revenues	3.687	3.301	-10%
Materials and Service Expenses	(2.547)	(2.394)	-6%
<i>% of Revenues</i>	69%	73%	
Labor Expenses	(851)	(871)	+2%
<i>% of Revenues</i>	23%	26%	
EBITDAR	289	36	
<i>% of Revenues</i>	7,8%	1,1%	
EBITDA	220	(15)	
<i>% of Revenues</i>	6,0%	-0,4%	
EBIT	21	(269)	
<i>% of Revenues</i>	0,6%	-8,1%	
Result Before Extraordinary Items & Taxes	(93)	(365)	
<i>% of Revenues</i>	-2,5%	-11,1%	

\*2002 figures include Italiatour and Eurofly.

Note: Interest charges relating to financial leases are included in interest expenses (EUR 15 mln 3<sup>rd</sup> quarter 2003). To reconcile with Operating Result in Statutory Accounts: EBIT+leases interest charges ( -269-15 = -284 ); margins below EBIT level do not need reconciliation.