

## BOARD OF DIRECTORS OF 15 MARCH 2008

- **Alitalia – Linee Aeree Italiane S.p.A.’s Board of Directors resolved unanimously in favour of accepting Air France-KLM’s Binding Offer and to execute the Agreement.**
- **The Agreement envisages, among other things, the launch by Air France-KLM, after formal notification (in accordance with article 102 of T.U.F.) of:**
  - **A public exchange offer on 100% of the Alitalia shares at a parity of 160 Alitalia shares for 1 share of Air France-KLM;**
  - **A public cash tender offer on 100% on Alitalia’s convertible bonds at a unit price of Euro 0.3145, equal to the market price as of the 14<sup>th</sup> of March 2008.**
- **After the integration with the Air France-KLM Group, Alitalia will benefit from a wide, competitive and efficient market coverage that will strengthen its positioning as the leading global airline group, offering its customers an unmatched network.**
- **Within the new industrial set up, Alitalia will continue to benefit from the global alliance SkyTeam, will provide a wide range of services in the best interest of its customers, and will acquire certain activities currently carried out by Alitalia Servizi.**
- **Similarly to Air France and KLM, Alitalia, in addition to retaining its Italian identity, will keep its own brand, livery and logo which will develop alongside with the products of the enlarged Group. It is in the commercial interest of the Enlarged Group to give to the brand of each carrier the appropriate standing consistent to the customers expectations.**
- **In addition, the Board of Directors has also approved a new three year plan (the “Industrial Plan 2008-2010”), which for Air France-KLM is an essential requisite to the realization of the integration project.**
- **The Agreement is subject to certain effectiveness conditions which have to be fulfilled by the 31<sup>st</sup> of March 2008.**
- **Following the success of the exchange and tender offers, Alitalia will approve a one billion Euro rights issue fully guaranteed by Air France-KLM and open to all shareholders and convertible bondholders, at a price to be defined.**

- **The Industrial Plan 2008-2010, an evolution of the Plan for Survival/Transition approved in September 2007, envisages an initial restructuring phase followed by a phase of re-launch and development from 2010 through the renewal of the fleet.**
- **The Industrial Plan 2008-2010, prepared on a stand alone basis, assumes a relevant economic turn around, with a positive operating margin in 2010.**
- **The synergies arising from the integration with the Air France-KLM Group will allow the Company to improve the plan operating results and, in the medium-long term, to achieve EBITDAR and EBIT margins in line with those of the main European carriers.**

\*\*\*\*

Alitalia – Linee Aeree Italiane S.p.A.'s Board of Directors, met today chaired by Mr. Maurizio Prato to evaluate the Binding Offer sent to the Company by Air France-KLM's on the 14<sup>th</sup> of March 2008. Such Offer is subject to a number of effectiveness conditions to be fulfilled by the 31<sup>st</sup> of March 2008. The strategic rationale and the technical and financial characteristics of the Offer are represented hereinafter.

The Board of Directors has undertaken a in-depth and comprehensive evaluation of the Offer and it has acknowledged the considerations formulated by the Advisors. More specifically, the Board has carried out its evaluation of the Binding Offer also in light of the worsened airline sector and macro economic scenario, as well as considering the critical situation of the Company and available alternatives.

In this context the Board of Directors has resolved unanimously in favour of Air France-KLM's proposal and has decided to give the mandate to the Chairman to sign the acceptance letter. In fact the Board believes that such proposal offers to the Company the appropriate solution to preserve the Company's assets and to promote its rapid and stable restructuring and its development in the long-term, also in light of the benefits coming from the synergies deriving from the integration with the global leader of the airline industry.

The Board of Directors also subsequently approved a new three year industrial plan (the "Industrial Plan 2008-2010"). This plan was prepared by Alitalia starting from the *Plan for Survival Transition* as a basis and incorporating the outcomes of the exclusivity negotiations completed with Air France-KLM for the Company's restructuring and re-launch in the context of the integration with the Franco-Dutch group.

Consistently with the resolution taken, the Chairman signed the acceptance letter of the Agreement.

\*\*\*\*

## **STRATEGIC PREMISES OF THE OPERATION**

The scenario and the competitive environment of the air transport sector are rapidly moving towards forms of integration and consolidation involving a very limited number of hub carriers, which enable the achievement of some important benefits:

- Higher critical mass, which allows to benefit from relevant economies of scale in terms of costs and revenues, and decreases the carrier's vulnerability to the high cyclicity and volatility that characterize the industry;
- Access to very significant and stable synergies, which cannot be achieved through traditional alliances amongst airlines.

In this environment, there is an emerging trend in the industry to leave only niche positioning to traditional carriers, which although operating efficiently, have a limited size and operate on a stand-alone basis.

Today, the airline industry is facing a cyclical downturn, worsened by the steep increase in fuel costs during these last months and by the general deterioration of the macro economic scenario.

Alitalia is going through a highly critical situation, causing a progressive erosion of its liquidity position worsened by the aforementioned economic and industrial scenario. The Company has confirmed on a number of occasions, including when it approved the 2008 Budget, the need of a significant capital increase and to reduce in a sizeable manner its losses and the erosion of its equity through strategic actions marked by strong discontinuity with the past.

The *Plan for Survival/Transition*, approved by the Company in September 2007, already included such actions of discontinuity through the new network design, the suspension of flights recording significantly negative economic results, and the subsequent downsizing of the fleet. Key strategic premise to that plan was the impossibility to pursue a stand alone positioning of the Company outside an industrial and financial integration with a strong carrier able to generate synergies.

Following the approval of the Plan, the Company initiated a process aimed at identifying a partner who would share the need to favour the restructuring, the re-launch and the development of the Company.

The 6th of December 2007, Air France-KLM presented a non binding offer for the potential integration with Alitalia.

The 21<sup>st</sup> December 2007 the Board of Directors resolved in favour of Air France-KLM's proposal considering it appropriate to offer to the Company the adequate solution to preserve the Company's assets and to promote its rapid and stable restructuring, giving mandate to the Chairman to start a period of exclusive negotiations.

The Industrial Plan 2008-2010, prepared during the exclusivity period (started on the 18<sup>th</sup> of January 2008 and ended the 14<sup>th</sup> of March 2008), is built on a stand alone basis, and assumes the execution of a one billion euros rights issue. Such Plan is the platform on which to add the synergies deriving from the integration of the Company with the Air France-KLM group.

For Air France-KLM the approval of such plan represents an essential condition for the the integration of Alitalia in the French-Dutch Group.

\*\*\*\*

### **AIR FRANCE-KLM'S BINDING OFFER**

#### *Strategic Rational of the Transaction*

The new group (the "Enlarged Group") will benefit from the comprehensive, competitive and efficient market coverage that will strengthen its position as the leading global airline group, offering its customers an unmatched network.

The network design of the three companies rests upon jointly defined principles and on three main intercontinental hubs (Amsterdam, Paris and Rome). It will be based on natural flows having regards to the respective size of the hubs.

With the new industrial set up Alitalia

- 1) Will continue to play an autonomous role with Air France and KLM;
- 2) Will benefit from the global alliance SkyTeam;
- 3) Will provide a wide range of services in the best interest of its customers;
- 4) Will directly manage certain activities currently carried out by Alitalia Servizi.

Alitalia's integration with the Air France-KLM Group will enable:

- A product offering in line with Italy's economic and industrial features consistent with the country's economic strength and of its successful exports;
- A complete offer of services for Italian corporate clients;

- The possibility of access for every Alitalia client to a single fare structure for all the groups' airlines ("fare combinability");
- The access to all the clients to the world's most powerful frequent-flyer program characterized by a growing number of partners;
- The improvement on board and ground services.

In terms of integration, Alitalia will pursue the recovery of its leading positioning in the Italian market and in the international traffic flows to/from Italy, developing a strategy of profitable growth.

With the full support of Air France-KLM, Alitalia is expected to strengthen its position as the Italian flag carrier benefiting from synergies in the principle areas of its business model (Sales and Distribution, Network and Revenue Management, FFP, Fleet and Procurement).

Alitalia's brand and Italian identity are core and valuable assets of the Company and will be further developed for the benefits of the new group.

The new industrial set up envisages the re-internalization by Alitalia of certain activities included in the areas of ground handling and maintenance (including expertise and technologies) currently in Alitalia Servizi's perimeter. These activities are considered key in the day to day management of the business operations and in the direct relationships with the clients.

This restructuring is consistent with the goal to significantly improve the quality of the service which is the base of Alitalia's re-launch within the new Air France-KLM group.

#### *Technical Characteristics of the Offer*

The agreement following the acceptance of the Offer cannot be executed immediately as it is subject to certain effectiveness conditions which have to be fulfilled by the 31st of March 2008. Such agreement, once executed, will entail, subject to certain additional conditions, the launch of an exchange public offer on 100% of the Alitalia shares and a public cash tender offer on 100% of the 2010 Alitalia convertible bond. The formal notification (in accordance to article 102 of T.U.F.) of the decision to launch the offers is therefore subject to the fulfilment of the aforementioned additional conditions.

As customary when the control of a company receiving such offers is in the hands of a single subject, the Ministry of Economy and Finance ("MEF") has been requested to give its commitment to tender its shares and convertible bonds to the offers before these are launched, as it would be not useful to proceed with the such offers knowing already

that they would not be successful. In line with the T.U.F. provisions and in order to comply with the principles of transparency and non-discrimination that the MEF has to adhere to, the pre-emptive commitment of the MEF shall become void should a better competing public offer be pursued by the MEF.

Aside from the aforementioned conditions, there are other relevant effectiveness conditions:

- Finalisation of an agreement with trade unions, for Alitalia and Alitalia Servizi's employees, as their full cooperation is key to the re-launch of the Company;
- Formal written undertaking from the competent Italian governmental authority to maintain the current portfolio of Alitalia's air traffic rights, continue to address in a transparent and non-discriminatory manner any future requests from Alitalia for air traffic rights and provide cooperation and assistance in the case of any major difficulties with non-European countries; such conditions should be deemed satisfied by the agreement underwritten with ENAC on the 14<sup>th</sup> of March 2008;
- An agreement signed between Alitalia and Aeroporti di Roma S.p.A. on the service standards required for the implementation of the Industrial Plan 2008-2010;
- The finalization of an agreement between Alitalia, Fintecna and Alitalia Servizi, for what concerns each's own interest, to re-internalize in Alitalia certain sector of activities and to renegotiate certain clauses of the service agreements. In order to underline the value of the re-internalization proposal, the finalization of an Unions agreement relative to Alitalia Servizi employees represents an effectiveness condition in the interest of both parties;
- The identification of an applicable solution to definitely remove the risk connected to the SEA claim.

In addition, in the context of the finalisation of the negotiation with Air France-KLM it emerged the need to ensure the necessary financial flexibility to face the longer expected timing for the integration and the subsequent capital increase, and the delay in the disposal of non core assets planned in the budget. Consequently, is a further effectiveness condition is envisaged relies on the MEF's granting to Alitalia a credit line to be repaid immediately after the capital increase.

After contacts held with the main shareholder, the MEF itself has expressed its intention to consider the possibility to promote the necessary steps to grant such credit line only in case the Binding Offer from Air France-KLM becomes effective in its entirety even after a positive assessment expressed by the MEF itself.

Subject to the satisfactory achievement of the all the effectiveness conditions set out and subject to filing conditions set out below, Air France-KLM shall formally notify (in accordance to article 102 of the T.U.F.) the decision to launch two separate public offers to all the shareholders and all the bondholders of Alitalia respectively and shall proceed to file all the required documentation with Consob for:

- 1) A voluntary exchange offer on all the Alitalia shares (the “Exchange Offer”) with a parity of **1 Air France-KLM share for 160 Alitalia** shares; and
- 2) A voluntary cash offer on all the Alitalia convertible bonds (the “Tender Offer” and together with the Exchange Offer, the “Offers”) at the market price of the 14<sup>th</sup> of March 2008, equal to **a unit price of Euro 0.3145**.

The Air France-KLM decision to launch the Offers will become executable and hence the Offers will only take place only when all the filing conditions listed below are fulfilled:

- There shall be no material breach by Alitalia of its obligations under the Agreement that is not remedied within four weeks of Air France-KLM’s having notified Alitalia thereof in writing;
- There shall have been no material adverse change in respect of Alitalia;
- The Italian government taken as a whole shall not have taken any formal decision or made any official public statement, which is materially against the transaction;
- The EU Commission shall have issued a positive decision on the transaction, even if subject to conditions deemed reasonably acceptable for Air France-KLM;
- Any applicable waiting period under the US antitrust law shall have expired;
- All the agreements and effectiveness conditions in the Agreement shall have been fulfilled;
- If, with respect to the SEA claim, the solution to definitely remove the risk should come from the enactment of an appropriate law decree, such law decree shall have been converted into law.

The mentioned conditions shall remain in force until clearance to publish the offer documents is received; in case these conditions will not be duly executed, the Offers can be withdrawn. After receiving clearance to publish the offer documents the filing conditions shall become effectiveness conditions to the Offers.

The Offer documents, both with respect to the Exchange Offer and Cash Offer, will include customary effectiveness conditions. In addition, the Exchange Offer and the Cash Offer will include respectively a minimum acceptance threshold condition of

49.9% and 62%. It is noted that such thresholds can be achieved through the acceptance to the offers by the MEF.

The Cash Offer is conditional to the successful completion of the Exchange Offer.

The agreement foresees that, following the completion of the Offers, Alitalia will approve a **1,000,000,000 Euro rights issue (one billion)** to be offered for subscription to all shareholders and convertible bondholders, at a price to be determined closer to the offer considering the price for the public exchange offer. Air France-KLM undertakes to exercise all subscription rights of the Alitalia shares owned by Air France-KLM or any and all subscription rights not exercised by the other Alitalia shareholders.

Should the Offers be successful, and as a consequence, Air France-KLM becomes the owner of a controlling stake in Alitalia, a series of transactions will be completed to create a structure adequate to allow Alitalia, also within the Enlarged Group, to be considered as an Italian airline company and preserve its traffic rights on extra European routes.

As part of the Agreement, Air France-KLM committed to grant for a 5 years period as from the completion date, certain assurances (the "Assurances") with the objective to preserve the long term interest of the Company. Such Assurances are granted by Air France-KLM in favour of the Italian State and/or Alitalia.

The obligation of Air France-KLM to comply with certain Assurances is subject to the fact that the Italian state maintain the current air traffic rights portfolio, continue to address in a transparent and non discriminatory manner any future request from Alitalia for new air traffic rights, provide cooperation and assistance in the case of any major difficulties with non-European Union countries, particularly in cases where air traffic rights of Alitalia could be jeopardized and/or where commercial access is hindered (it is being provided however that such condition shall lapse upon the expiration of the initial period should the controlling structure, described above, be dissolved at that time). Certain Assurances regarding the network will also be suspended in case of a non adequate development, by Aeroporti di Roma S.p.A. and the air traffic control, of the required infrastructures and facilities in Rome Fiumicino.

A Foundation will be in charge of verifying the compliance with the Assurances. The Foundation will be managed by a board comprising 3 independent directors appointed as follows: one shall be designated by Air France-KLM, one shall be designated by Alitalia (before being controlled by Air France-KLM), and one director jointly by the parties. The directors will render binding advice to Alitalia in order to ensure the compliance of the Assurances.

The Assurances, granted by Air France- KLM to the Italian State considering at all times the best interest of the Alitalia and the Enlarged Group and its shareholders, include:

*Corporate Governance*

- Appointment in the Air France-KLM Board of Directors of an additional member of Italian nationality, with significant business experience, and who shall fulfil the independence criteria, to be proposed to the nominating committee, after consultation and upon indication of the MEF. Such board member will be appointed for a 6 year term. Following the expiration of such term of appointment, the Chairman of the Board of Director shall do its reasonable efforts to propose to the Board's nominating committee a member who shall replace the Italian director and who shall be Italian with a significant business experience, who shall fulfil the independence criteria.
- Commitment by AF-KLM to a 3 years lock up period from the date of completion of the transaction on the directly/indirectly held shares.

*On the airline Status*

- AF-KLM agrees that Alitalia shall remain an airline company established in and operating from its home base in Italy
- AF-KLM agrees that Alitalia shall retain its air operation certificate and its operating licences and shall continue to fulfil the conditions necessary for that purpose

*Network and hubs*

- The Enlarged Group will operate a multi-hub system leveraging on the natural flows based on the intercontinental hubs of Amsterdam, Paris and Rome with a development fair and consistent with the identified growth opportunities.
- The parties confirm that the infrastructural potential for growth at the respective hubs (Schiphol, Fiumicino and Charles de Gaulle airports) are fundamental requirements to the success of the Enlarged Group.
- Air France-KLM will strive to maintain, in an harmoniously and financially sound way, and taking into account the economic rationale of overall profitability of Alitalia and the Enlarged Group:
  - An adequate coverage of the Italian territory and appropriate level of service;
  - A long term development of international and intercontinental services to/from Fiumicino hub (in the first instance to/from North America and South America, Far East, Middle East, North Africa and Europe);

- A product offering in Fiumicino in line with Italy's economic and industrial features.
- The business operations at the airports of Malpensa and Linate will be re-organised to foster its long term development in an harmonious and financially sound way having due considerations to traffic demand, economic conditions of the respective routes and the business customers request. This having regards to the economic rationale and targets of overall profitability and financial soundness of Alitalia and the Enlarged Group.
- Air France-KLM will evaluate restarting the services to India and China (in particular, as a top priority to Shanghai) as soon as those operations can be profitable for both Alitalia and the Enlarged Group.

*Safeguarding national identity and brands*

- Air France-KLM recognises that the Alitalia brand, trademark and logo have an established value and heritage and is intending to build on it. Air France-KLM also recognises that the Alitalia brand benefits from a significant influence and visibility on the Italian market and that the Enlarged Group will work towards strengthening it.
- As in the case of Air France and KLM, Alitalia will keep its own brand, livery and logo and will, alongside with the products of the Enlarged Group also develop its own customer experience giving the Enlarged Group a wide and diversified offer. It is in the commercial interest of the Enlarged Group to give to the brand of each carrier the appropriate standing corresponding to the customers' expectations.
- Air France-KLM, is ready to consider amending the holding company name in order to include the name Alitalia at a second stage once it has acquired 100% of the share capital.

\*\*\*\*\*

**INDUSTRIAL PLAN 2008-2010**

*Assumptions*

The Industrial Plan 2008-2010, which maintains a close continuity with the *Plan of Survival/Transition* approved in September 2007 and is in line with the 2008 Budget, envisages:

- An initial restructuring phase (pursued through a shrinking of the fleet, suspend flights with strongly negative economic results, an increase in the efficiency of the cost structure and a significant recovery in productivity)
- A re-launch and development phase from 2010, through the renewal of the fleet.

*The new strategic positioning*

Alitalia confirms its historical mission: a carrier which serves Italy, focusing on Italy as the centre of its network, offering better schedules and connections from all the most important Italian cities to the rest of the world and vice versa.

The new Alitalia's industrial mission hinges on:

- 1) Choosing Roma Fiumicino as reference hub, pivotal to the Italian market and a natural traffic basin, to maximise exploitation of Fiumicino's characteristics;
- 2) Focusing on Milan as a key gateway, with point-to-point activity from/to international and intercontinental destinations
- 3) Suspending flights with negative economic results and increasing connections and frequencies;
- 4) Re-launching Alitalia's brand in Italy and all over the world, in line with the new network positioning;
- 5) Focusing product and marketing investments on the most important origin/destination markets from and to Italy: United States, Canada, Japan, South America and Mediterranean basin.

*Key Strategic Actions of the Plan*

- **A single "hub and spoke" network organization**, offering a financially sound portfolio of international and intercontinental destinations to Italian customers as well as to customers from foreign countries. The choice of Rome as Alitalia's single hub is consistent with the features of point-to-point traffic to Rome, mainly inbound, which is better and more efficiently served with a hub and spoke network organization, on a single airport concentrating strong services to major medium and short haul destinations.
- **Milan as a strong gateway, with services to and from international cities and selected intercontinental destinations** characterized by consistent traffic flows.

The network strategy for the Milanese airports platform will be organised to recover Alitalia's market share in Milan through:

- Meeting business travellers needs through morning departures and late afternoon return flights to targeted domestic and international destinations;
  - Additional developments within the SkyTeam alliance;
  - Development of low-cost activities of Volare as done by Transavia Netherlands from Amsterdam and Rotterdam and more recently by Transavia France from Orly.
- **Suspend flights with strongly negative economic results and with no prospects for recovery in the short term** and, in light of the sharp increase of fuel cost, preserve group profitability by further rationalizing the network compared to the Plan for Survival/Transition

It is important to note that the implementation of such network adjustments will begin from the 2008 summer season and therefore the network's structure envisaged in the Industrial Plan 2008-2010 is already reflected on the Alitalia's offer as of March 31<sup>st</sup>, 2008. Such plan does not envisage any additional relevant changes to the network for 2009 and 2010, maintaining a nearly constant product offering over the three years.

Therefore it becomes relevant to highlight the key characteristics of the product on offer during the 2008 summer season, comparing it with the 2007 summer season:

- Destinations where the Company operated at a loss in Italy and in Europe (Zagreb, Sarajevo, etc) and in the rest of the world (Dakar, Shanghai, Mumbai and Delhi) have been suspended;
- Increase of the number of connections, with a focus on Rome, which in terms of weekly frequencies increase from 1,406 to 1,601.
- The new Company's network sizing synthetically envisages for the domestic market 24 destinations (served by 44 routes and 1,265 weekly frequencies), for the international market 45 destinations (served by 73 routes and 928 weekly frequencies) and for the intercontinental market 14 destinations (served by 17 routes and 101 weekly frequencies), considering the opening from the 1st of June 2008 of the new destination of Los Angeles.
- Turin, Verona, Cagliari and Brindisi will be connected again to Alitalia's intercontinental network.
- Significant improvement of connectivity between Italian cities and intercontinental destinations, with transit via Fiumicino reducing connection timing.

- The connectivity also improves for foreign customers who want to get to an Italian city, passing through the Alitalia hub, thanks to the wide offering of domestic connections throughout the day for each destination (for example: flights to Genoa increase from 3 to 6, to Catania from 3 to 11, to Venice from 3 to 8, etc.).

Until 2010, as a result of the network redesign, the Industrial Plan 2008-2010 considers a decrease in activity and passengers, with a strong increase in the load factor (increase of 1.5 percentage points without considering Volare).

In summary, the overall passenger capacity reduction in 2010 as compared to 2007 in terms of Average Seats Kilometres offered, excluding Volare, will be approx. 10% with a 1% reduction in the domestic network, 19% in the international network and 6% in the intercontinental one.

The rationalization of the passenger network will lead to an increased yield stemming from the targeted cuts on the worse performing routes and from a renewed revenue management strategy able to improve the traffic mix (total increase of average revenues in passenger business in 2010 for approx. 9%)

Once the results of the new network structure are consolidated in 2009 and 2010, the Industrial Plan 2008-2010 envisages a return to activity growth and to development starting from 2011.

The fleet plan foresees as a consequence a decrease in the short term, with fewer MD80 and regional aircraft, with growth from 2011 with the entrance of new generation aircrafts.

In 2010 the passenger fleet, excluding Volare, will consist of 137 aircrafts, of which 20 are long haul aircrafts, 101 medium/short haul and 16 regional (of which 4 of the new generation).

Starting from 2011 the Company will start expanding with the addition of new generation aircrafts and the complete phase out of the B767 fleet by 2016 and of the MD80 fleet by 2020.

The 2008-2010 Industrial Plan envisages total investments in the 3 years of approx. 850 Euro millions mainly related to the renewal of the fleet and to marketing initiatives aimed to the product re-launch.

- **Implement specific commercial actions aimed at improving Alitalia revenue and distribution cost performance through:**

- Strengthening Alitalia's leadership on the Italian domestic market with an improved focus on high value customers and an easier access to product;

- Increasing direct sales through a more effective web proposition to customers;
- GDS (Global Distribution System) cost reduction;
- Leveraging direct marketing strategies.
- **Implement specific actions to improve the quality of service to the client, both on the ground and in the air, through:**
  - The renewal of the Fiumicino-Linate shuttle brand, with dedicated services at the airports and new services on board;
  - The improvement of services for higher value customers (check-in, transit desk, fast track at airport security, etc.);
  - The improvement of VIP airport lounges with a new design and improvement of services (catering, magazine, free WI-FI, etc.);
  - The launch of a new policy for punctuality recovery, decrease cancellations and baggage handling;
  - The Airbus fleet cabin reconfiguration, with new high comfort solutions;
  - The bng-haul aircraft cabin reconfiguration with the introduction of the Lie-Flat seats in the Magnifica class;
  - The aircraft cabin style refurbishment (colours and materials) with a continuous focus on cabin maintenance and cleaning;
  - The in flight entertainment improvements in line with the Air France-KLM standards;
  - The launch of new catering concept for the Business Class and the Magnifica class leveraging on Italian style and heritage;
  - The overall brand re-launch, also through new image and communication guidelines.

- **Implement specific actions to streamline cost structure:**

Concerning labour cost the plan identifies an efficient sizing of labour force with an overall personnel reduction of approx. 1,600 units in line with the *Plan of Survival/Transition* in 2010 compared to 2007. Redundancies will be managed via normal staff turnover, incentives for voluntary leaves, utilization of social tools;

Reduction of costs related to services provided by Alitalia Servizi, thanks to the revision of service tariffs to market levels.

In short, the increase in the total cost structure efficiency generates a decrease in the passenger area unit costs which, without considering the fuel cost evolution, is in the order of 2% despite the activities reduction versus 2007 earlier described.

• **Cargo Business**

The Cargo business continues to show extremely critical economic performances due to a series of reasons:

- Excess capacity due to constant increase in gap between offer and demand;
- Consequent yield reduction;
- Rising fuel cost;
- Unfavourable exchange rates evolution (Euro/dollar)
- MD11 operating features which combines a high level of fuel consumption with constraints on transportable load, especially on long-haul routes over 9 hours

Therefore, as in the passenger business, the Industrial Plan 2008-2010 assumes that the cargo bellies activity will continue its normal operations, whereas in 2008 and 2009 the activity of the all-cargo fleet will focus on those routes with higher operating margins, towards the Far East and North America, to decrease progressively until closure in 2010.

*Expected results from the 2008-2010 Business Plan*

The Industrial Plan prepared by Alitalia and Air France-KLM does not include the synergies generated from the integration. The plan is, in fact, developed on a stand alone basis and envisages an important economic turn around, which will enable the Company to achieve a positive operating result in 2010.

The synergies arising from the integration with the Air France-KLM Group will allow the Company to improve the Plan operating result and, in the medium-long term, to achieve EBITDAR and EBIT margins in line with those of the main European carriers. In particular, thanks to the industrial agreement with Air France-KLM, Alitalia will be able to obtain significant economic benefits which, as already experienced in the past in other similar integrations, will involve many business areas, like: revenue management, network, sales, distribution, purchases, IT, fleet, etc.

The path aimed at achieving these results requires a capital increase without which the goals set out in the Industrial Plan 2008-2010 would surely not be achievable. Thus, the capital increase of 1 billion euros, fully guaranteed by Air France-KLM, is an essential element for the successful implementation of the new plan. The resources given by Air

France-KLM will allow Alitalia to re-balance its financial structure, as well as providing the Company with the necessary resources to face an important investment plan.

March 16, 2008

*For more information, please contact:*

*Simone Cantagallo*

*Head of Media Relations*

*Phone: 06-65627431*

*E-mail: [cantagallo.simone@alitalia.it](mailto:cantagallo.simone@alitalia.it)*

*Company Website: [www.alitalia.com](http://www.alitalia.com)*