MEDIA RELEASE

Alitalia Board approves 2017-2021 business plan

- €1 billion cost reductions by 2019
- Revenue to increase 30 per cent by 2019
- Profitability by 2019
- Fleet reduced by 20 narrow-body aircraft
- New competitive proposition for short and medium-haul aircraft fleet

Rome, 15 March 2017 - Alitalia’s Board of Directors today approved the airline’s turnaround business plan which includes a range of radical and necessary measures across the whole of the company to stabilise it and secure its long-term sustainability.

The plan’s funding by the company’s shareholders is subject to Alitalia’s trade unions agreeing to a new collective works agreement and headcount-related measures.

Airline management will soon present the board-approved plan to the Italian government and then meet with trade unions to explain the details of the business plan, headcount-related measures and resume talks on a new collective labour agreement.

Alitalia said it will reduce costs by €1 billion in the first three years of the plan by 2019 with reductions in operating costs and manpower. Alitalia will increase revenues, in the same timeframe to 2019, by 30 per cent from €2.9 billion to €3.7 billion.

These financial performance indicators are judged to be realistic and achievable by independent advisors and the projected figures would turn Alitalia into a profitable business by 2019.

The business plan actions are supported by ‘four pillars of change’; a recalibrated business model, costs reductions and enhanced productivity, optimisation of network and partnership, and develop commercial initiatives by utilising technology investments to drive revenue.

Cramer Ball, Alitalia CEO, said: “With the approval today by the Board of Directors of the second phase of our business plan we can now accelerate our actions towards turning around Alitalia.

We re-built our brand in the first phase and invested heavily in staff training and technology so we are now able to move ahead and implement wide-ranging changes.

The aviation industry is ferociously competitive and never stands still. Only through radical change will Alitalia’s fortunes be turned around.

We must transform this business into a dynamic entity that is attractive to customers who have plenty of choice for their air travel needs.

Consumers’ buying habits have been shaped by how low cost carriers sell their products. I am confident that the next phase of the industrial plan will represent the step forward needed, provided that all interested parties play their part.

The radical and necessary measures across the entire airline will secure our long-term sustainability which will only materialise if the airline is the right size, the right shape and with the right productivity and cost base.
We must do this, especially in our short and medium haul business in order to provide a platform to grow our profitable long-haul business further in the future. This is a critical aspect because most of our customers fly on our short and medium-haul planes to connect onto our long-haul services. If we can’t compete throughout Italy and Europe against low-cost carriers then we lose air travellers that connect onto intercontinental flights. Put simply, there is absolutely no alternative.”

Details of the four pillars of Alitalia’s second phase of its business plan are:

1. A recalibrated business model
Narrow body planes for the short and medium haul will see an increase in utilisation, extra seats are being fitted, buy-on-board and ancillaries services and more attractive air fares will be introduced in a concerted drive towards increasing revenue while stripping out existing costs.

Mr Ball said: “In the short and medium-haul markets – domestic flying in Italy and throughout Europe – passengers will be able to personalise their journey. We will simplify air fares and offer customers the opportunity to purchase products such as seat selection, checked-in luggage and priority boarding throughout the booking process, and all the way up to the airport gate. On flights that are four hours or less we will introduce the buy-on-board concept that is not only commonplace with low-cost carriers but is happening more and more at traditional, network airlines. We will offer our customers a choice of ‘made in Italy’ hot and cold food, snacks and drinks at competitive prices.”

Alitalia’s wide-body intercontinental flights will be based on a full-service model and maintain an intense focus on costs and efficiency. In addition to Alitalia’s A330 fleet, the carrier’s Boeing 777s will be fitted with new in-flight entertainment and Wi-Fi. Alitalia’s new flagship aircraft, a 382 seater Boeing 777-300ER, will join the long-haul fleet in August 2017

2. Cost reductions and increased productivity
Low cost carriers currently represent 47 per cent of the Italian air travel market, the highest market penetration in Europe.
Talks are already underway with a number of the airline’s suppliers to renegotiate contracts and drive down costs to levels comparable with the competition. Target companies are in sectors such as aircraft leasing, global distribution, in-flight catering, airport ground handling and airports themselves.

3. Network and partnership optimisation
Alitalia will rebalance its fleet of aircraft by 2018, reducing its narrow-body fleet by 20. The airline will increase aircraft utilisation with a particular focus on short and medium-haul aircraft. Alitalia plans to grow its number of flights from Italy to the Americas – one of its most underserved markets – and build its presence at Milan Linate, Sicily and Sardinia. The airline will re-evaluate its transatlantic options to try and fly more often on existing routes and to add new cities in the Americas.

4. Develop new commercial initiatives by utilising technology investments to drive revenue
Alitalia has invested €200 million in the last two years on new technology and it will now use the investment to improve efficiency and productivity to drive further revenue opportunities.

Mr Ball said: “Our investment in technology will enable us to develop new sales channels and this will contribute to increasing our revenue by 30 per cent by 2019. Consumers use tablet devices and mobile phones more than ever to manage their travel experiences, and we will make it easier for them to interact with the airline. About 20 per cent of our customers already use on-line ways to book their flights and we aim to increase that figure to more than 50 per
cent. Our customers will continue to notice our enhancements and realise that Alitalia has become a different airline from the past.”

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About Alitalia
Alitalia - Società Aerea Italiana (alitalia.com) is Italy’s largest airline and commenced operations on January 1, 2015 after acquiring the operational activities of Alitalia - Compagnia Aerea Italiana, now named CAI. CAI has a 51% controlling stake in Alitalia and the remaining 49% of shares are owned by Etihad Airways, the national airline of the United Arab Emirates (Airline of the Year 2016 by the prestigious US-based aviation industry publication Air Transport World). As part of its 2016/2017 winter schedule, Alitalia flies to 80 destinations, including 26 Italian and 54 international destinations, with 3,600 weekly flights and 106 routes. Alitalia boasts one of the most modern and efficient fleets in the world. It is a member of the SkyTeam alliance and is part of the Transatlantic Joint Venture alongside Air France-KLM and Delta Air Lines. Alitalia also collaborates with the other Etihad Airways Partners - airberlin, Air Serbia, Air Seychelles, Etihad Airways, Etihad Regional operated by Darwin Airline, Jet Airways and NIKI – in order to offer customers more choice through improved networks and schedules and enhanced frequent flyer benefits.