
ALITALIA: NEW NETWORK FOR 2008**PRESENTATION OF NEW NETWORK FOR 2008 SUMMER SEASON*****Press Conference on Tuesday 5 February 2008 at 11.00 hrs***

On 31 March 2008, Alitalia's new summer schedule will come into force. The network for the 2008 summer season has been drawn up according to the guidelines set out in the 2008-2010 Business Plan approved by the Board of Directors in September. The new network design is the first action, that can't be deferred, envisaged by the Plan.

The actions contained in it are the result of compulsory choices, dictated by:

- a trend of accumulated losses together with prospects which are less and less sustainable under the current situation;
- the impossibility for the Company, as things stand, to manage two hubs efficiently and productively, from the competitive and economic points of view;
- the resulting urgent need to redefine Alitalia's positioning and business approach, through radical changes to the network, the quality of the product, operating costs, and Company organisation.

New strategic positioning for Alitalia

Alitalia chooses to return to its traditional mission, as a carrier serving Italy, placing Italy at the centre of its network, by offering better schedules and connections between all the main Italian cities and the rest of the world and viceversa.

With the new Alitalia network, Italy is no longer a transit point for passengers coming from other routes and travelling towards other destinations.

With the current network, most of the intercontinental traffic on Malpensa is made up of connecting flights – passengers for whom Milan is neither the origin nor the destination of their journeys; direct flights from/to Malpensa, less than half the traffic (38%), are used by Milanese customers, while most of the flights are operated by foreign airlines.

Currently, most Alitalia flights on Malpensa from the rest of Italy are required not so much for passengers travelling from/to Milan, as to channel passengers (travelling beyond Milan) to Malpensa airport, which does not have a natural catchment area. For Alitalia, this system represents a burdensome and unsustainable duplication of flights for traffic from/to Milan, which is already served by the conveniently central airport of Milan Linate.

The new business mission for Alitalia is based on:

1. choosing Rome Fiumicino as the main reference hub, in the middle of Italy and a “natural” catchment area for traffic, in order to take maximum advantage of Rome’s special feature as a large destination market and natural point of inter-connection for Italian traffic and North-South routes;
2. suspending flights on non-remunerative routes and increasing connecting flights and frequencies;
3. relaunching the Alitalia brand in Italy and worldwide, in line with the new network positioning;
4. focusing product and marketing investments on the main markets of origin/destination from/to Italy: United States, Canada, Japan, South America and the Mediterranean area.

Fiumicino as the main reference hub

The reasons for choosing Fiumicino as the main reference hub are as follows:

1. under current conditions, it is impossible to run a dual-hub system efficiently because of the continuing accumulation of business losses, most of which are related to Malpensa airport;
2. focusing on Fiumicino radically improves service from the main Italian cities in north and south Italy, with more flights and better connections compared to the current situation at Malpensa;
3. Rome is the largest natural catchment area in Italy for air traffic demand from/to Italy; in Europe it is the third largest, after London and Paris;
4. 62% of passengers originating from the Milan area and 92% of passengers originating from north Italy do not use Malpensa as their departure airport for intercontinental flights;
5. Malpensa airport is difficult to get to (by car or train).

Suspending Alitalia flights on non-remunerative destinations

Destinations where the Company operated at a loss have been suspended for the 2008 network. These routes involve the following airports:

- in Italy, Rimini, Olbia (currently operated by Air Alps) and Perugia;
- Zagreb, Sarajevo, Skopje; Minsk, Lyons, Copenhagen and Stockholm on the international market (service to Krakow and Timisoara is operated by the Group's low-cost company Volareweb; service to Copenhagen and Stockholm may also be operated by Volareweb);
- Dakar, Shanghai, Mumbai and Delhi, on the intercontinental market.

These destinations will be re-instated as soon as conditions make it possible.

Increasing the number of flights

Alitalia's 2008 network, while reducing the number of destinations, is strengthened in terms of the number of flights, with growth concentrated on Rome. Weekly frequencies from Fiumicino will go up from 1,406 to 1,601. Overall, the Company's network will be as follows:

- **domestic market:** 24 destinations, 44 routes, 1,265 frequencies a week;
- **international market:** 45 destinations, 73 routes, 928 frequencies a week;
- **intercontinental market:** 14 destinations, 17 routes, 101 frequencies a week.

Quicker connections

Optimising the network makes it possible to reduce considerably the connecting time on the hub for flights departing from Italian cities to intercontinental destinations, with transit via Fiumicino. Some examples: Turin-Buenos Aires: -30 minutes, Turin-Miami: -15 minutes, Verona-New York: -60 minutes, Verona-Tunis: -95 minutes, Bari-Miami: -70 minutes, Catania-São Paulo: -60 minutes. Connectivity also improves for people from abroad who want to get to an Italian city, passing through Rome.

Main reasons: Italian market

1. Developing an international and intercontinental product from Rome with more destinations and flights.
2. Improving flight schedules leaving from Rome, with more opportunities to use Alitalia for roundtrip flights in one day from Fiumicino to destinations in Italy.
3. Increasing the offer of flights from all over Italy to Rome, and increasing the opportunities of international connections from Italy to the rest of the world, and vice versa.
4. Increasing the number and frequency of flights from Milan Linate to destinations in Italy and Europe.
5. Improving schedules and flight times for the Milanese market both from Linate and from Malpensa for the routes served.
6. Improving the quality of the product offered by means of redefining “feeder” operations previously carried out mainly by small aircraft of the regional type (turbo-props and small jets), now using larger and more comfortable aircraft (MD80 and Airbus).
7. Launching the low-cost Volareweb product for flights from/to Malpensa and domestic north-south flights.

Main reasons: foreign market

1. Focusing the network on the main originating markets for travel from/to Italy: United States, Canada, Japan, South America and the Mediterranean area.
2. Valorising Rome as a natural gateway destination for traffic to Italy and the Mediterranean area.
3. Re-opening the historical Rome-Los Angeles route (also under study, boosting service to Brazil, as of the 2008 winter season).
4. Malpensa remains a key airport for Alitalia passenger transport, with a network design which, for the first time, is devoted to the needs of passengers travelling from/to Milan. Malpensa also becomes a focal point for cargo transport.

A new marketing approach re-instating the traditional link with Italy

Alitalia's market positioning also depends on relaunching the Alitalia brand, to be carried out by a number of actions.

In **Italy**, the main ones are:

1. national and regional advertising campaign, multimedia and multi-channel, aimed at telling customers about the features of the Alitalia network;
2. more commercial agreements with the regions;
3. commercial events in all Italian airports;
4. recreating the link with Italy by means of producing a new set of images to complete the brand design system, focused on the three-colour flag;
5. relaunching the MilleMiglia programme in its new edition, as of January 1, which is more advantageous for frequent flyers, confirming its reputation as "top generous programme".

In the **World**, the main actions are:

1. advertising campaigns in the main countries served by Alitalia aimed at promoting the offer of flights to Rome and the many connections to the rest of Italy;
2. press conferences abroad on the new network;
3. broadening commercial agreements with foreign markets.

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