

BOARD OF DIRECTORS: FIRST HALF 2005 RESULTS APPROVAL

- **Consolidated production value for the first semester 2005 amounted to 2,157 million euros showing an increase of 209 million (+10%) compared to the same period last year.**
- **Consolidated cost of consumption of materials and external services during the first semester 2005 amounted to 1,600 million euros showing an increase of 148 million (+10%) compared to the same period last year, largely due to sharply rising fuel costs. It should be noted that, if the effect of higher fuel prices (+49% compared to the previous year) were to be ignored, the result would be an increase of a mere 3%, while overall capacity has risen by about 16%.**
- **Consolidated operating result for the first trimester 2005 was negative for the amount of 149 million euros, showing an improvement of 150 million compared to the same period last year, in spite of the marked effect of rising fuel prices.**
- **Alitalia Group net loss in the semester as of June 30, 2005, amounted to 122 million euros, showing an improvement of 497 million euros compared to the same semester last year.**
- **Net financial indebtedness on June 30, 2005, amounted to 1,758 million euros showing a reduction of 6 million euros compared to the situation on December 31, 2004.**
- **The number of passengers carried over the whole network (expressed in RPKs) rose by 16.2%, accompanied by an increased load factor of 68.4%, up by 0.4 percentage points.**
- **Following the decision taken by the Extraordinary Shareholders Assembly of ALITALIA – Linee Aeree Italiane S.p.A., held on July 29, 2005 on September 19, 2005 reverse stock split operations will start. Alitalia ordinary shares will be exchanged in the ratio of one (1) new ordinary share for every thirty (30) old ordinary shares held.**

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The Board of Directors of Alitalia - Linee Aeree Italiane S.p.A., chaired by Chairman and CEO Giancarlo Cimoli, met today at the company headquarters and approved the Company's **six-month report as of June 30, 2005**.

During the first semester 2005, the Alitalia Group's operating and economic performance showed a clear improvement compared to the same period last year, in accordance with the implementation of the measures to improve efficiency set out in the 2005-2008 Business Plan, updated in April, for the first two-year restructuring phase (2005-2006).

Worth noting is the fact that the Group's principal management indicators reflect the figures contained in the forecasts for the first semester 2005, showing a performance **in line with the targets and, in some respects, even improving on them** in spite of the marked setback due to rising fuel prices.

In more detail, the main economic and financial factors relating to the first semester 2005 can be summarized as follows:

The production value for the semester amounted to 2,157 million euros showing an increase of 209 million euros compared to the same period last year. This increase is mainly due to increased revenues from passengers carried (+15% circa) resulting from the significant rise in the capacity offered (with the same size fleet) more than matched by the increased passenger traffic.

The cost of consumption of materials and external services amounted to 1,600 million euros showing an increase of 148 million euros (+10%) compared to the same period last year. It should be noted that, if the effect of higher fuel prices (+49% compared to the previous year) were to be ignored, the result would be an increase of a mere 3%, while the overall capacity has risen by about 16%.

Consolidated labour costs during the first semester 2005 amounted to 576 million euros showing a decline of 46 million euros (-8%) compared to the same period last year.

The Group's average workforce on the payroll during the first semester 2005 was 19,015 people, showing a decrease of 1,646 compared to the same period last year (1,208 ground staff and 438 flight staff) due in part to benefits resulting from the introduction of the new contractual platform in terms of reducing unit costs and "per

diem" allowances, as well as the effects deriving from "diluting" labour costs as a result of the many redundancies and retirements that have taken place in this period.

The Group's workforce on June 30, 2005, amounted to 20,037 people showing a reduction of 1,814 compared to the consolidated figure at the end of the corresponding period in 2004.

The operating result for the semester showed a loss of 149 million euros with a significant improvement compared to the result for the first semester last year which showed a loss of 299 million euros. This improvement is even more significant if one considers that the semester was affected by higher fuel prices, compared to the same period last year, amounting to over 100 million euros. Moreover the expected benefits of Cassa Integrazione Guadagni (social security buffers already envisaged by 2004 legislation) have still not been felt.

Alitalia Group net loss in the semester as of June 30, 2005, amounted to 122 million euros, showing an improvement of 497 million euros compared to the same semester last year.

Net financial indebtedness improved slightly compared to December 31, 2004 (6 million euros) reaching **1,758 million euros** on June 30, 2005, (during the same period the Group's **cash-in-hand and short-term financial credits** rose by 194 million euros, increasing from 93 million euros to **287 million euros**).

From the financial point of view, compared to what happened in the past, it is important to note the improvement in the Group's overall cash flow (compared to the same period in 2004). Furthermore, during the second quarter, there was a gradual month by month improvement in the cash flow leading to an overall balance which was markedly positive during July, thus confirming the clear signs of a turnaround after a long period of constant burning of financial resources.

Total investments during the first semester 2005 amounted to **100 million euros** mainly for aircraft already being used on the Alitalia network, and for purchasing aeronautical equipment as well as modifying and servicing the Group's fleet.

The operative fleet on June 30, 2005, was made up of 184 aircraft, with an average age of 10.2 years, of which 156 are used on short/medium-haul routes and 28 on long-haul routes.

Regarding the **traffic and network performance in the passenger sector**, which constitutes the main part of Alitalia Group's activities, **15.7% additional capacity was added** from January to June (compared to the same semester last year).

Despite noticeable variations between the network sectors, this additional capacity was accompanied by a **16.2% rise in the number of passengers carried (expressed in tonne kilometres)** leading to an **increase in load factor of 0.4 percentage points, reaching 68.4%.**

Regarding the **domestic sector**, with a 7.6% increase in capacity offered during the semester, the Alitalia Group achieved significant growth in passenger traffic (+11.4%) together with a rise in the load factor of 2 percentage points.

For the **international sector** (Europe, North Africa and Middle East), the overall increase in capacity offered during the first semester, amounting to 13.2% (mainly in the European sector), was more than matched by a 15.2% increase in passenger traffic, accompanied by a rise in the load factor of 1.1 percentage points, compared to the same semester in 2004 (from 61.9% to 63%).

Regarding the **intercontinental sector** during the first semester 2005, the ongoing policy of investing heavily in additional capacity (+21%) which distinguished the previous trimesters, was matched by a satisfactory, though slightly lower, increase in the number of passengers carried (+18.5%), accompanied by a reduction in the load factor of 1.5 percentage points (from 76.6% to 75.1%).

As far as **future performance** is concerned, it should be noted that, within the macro-economic context outlined above, the negative impact of the exceptional rise in fuel prices, which started towards the end of the first semester, has caused a sharp increase in costs for the whole air transport sector, and these high costs seem likely to continue, given the medium-term prospects for fuel prices. For this reason, especially for Alitalia, the full effects of the situation will only become apparent in the second half of the year.

To deal with this deteriorating scenario, Alitalia's strategy is based on the positive signs of transformation and increased efficiency which have emerged in 2005 as described above, and the Company is taking action on three main fronts which should enable it to achieve the goals of the Business Plan in any case, as follows:

- bringing forward several steps relating to restructuring and increasing efficiency as required by the Business Plan;
- implementing a series of additional actions regarding the network, distribution channels, labour costs, etc (currently under study) to regain structural equilibrium in spite of high fuel prices;
- requesting immediate application of measures to rationalize the air transport sector which the Government is planning to introduce in the near future following in-depth discussions with all the parties concerned.

The combination of all these factors, together with some clearly positive signs during the first semester, make it possible to confirm the forecasts for the whole year 2005, in spite of problems caused by high fuel prices, leading to an economic result that should be significantly better than 2004.

Adopting international accounting methods (IAS/IFRS)

Regarding the changeover to international accounting methods IAS/IFRS, the Alitalia Group has followed the instructions issued by the Italian Stock Exchange Controller (CONSOB) as per article 81 bis of decision no. 14990 dated April 14, 2005, relating to drawing up the semester report according to the provisional method described in the instructions.

To comply with the instructions, a special appendix to the semester report (furnished separately) provides the following information:

- a quantitative reconciliation between the value of the net assets on the closure date for the semester and the previous year, calculated according to the criteria used for the previous year's balance sheet (Italian accounting methods), and that arising from the application of international accounting methods; a similar reconciliation is provided for the economic result on the semester closing date (these tables are also attached);
- the reconciliations set out in paragraphs 39 and 40 of the international accounting methods IFRS 1 (first application of the International Financial Reporting Standards), accompanied by explanatory notes relating to valuation criteria and the headings included in the reconciliation tables.

Very briefly, if the international accounting methods IAS/IFRS had been used to draw up this semester report, the net asset value would have been higher by about 208 million euros, and the net result (on June 30, 2005) would have been lower by about 2 million euros.

It should be noted that, in order to comply fully with the CONSOB instructions, the Alitalia Group will definitively adopt the international accounting methods IAS/IFRS as of September 30, 2005.

Alitalia ordinary shares reverse stock split

Following the decision taken by the Extraordinary Shareholders Assembly of ALITALIA – Linee Aeree Italiane S.p.A., held on July 29, 2005 on September 19, 2005

reverse stock split operations will start. Alitalia ordinary shares will be exchanged in the ratio of one (1) new ordinary share for every thirty (30) old ordinary shares held.

September 12, 2005

For more information, please contact:

Simone Cantagallo
Head of Media Relations
Telephone: 06-65627431
Email: cantagallo.simone@alitalia.it
Company website: www.alitalia.it

TABLES SHOWING ALITALIA GROUP RESULTS

The auditors are in the process of checking the accounts before issuing the final report.

RECLASSIFIED PROFIT AND LOSS STATEMENT ANALYSIS

(thousands of Euro)

	30.06.2005	30.06.2004	CHANGES	31.12.2004
A. REVENUES	2.126.955	1.927.710	199.245	4.075.320
<i>Change in inventory of work in progress semi-finished and finished goods</i>	96	(37)	133	(445)
<i>Capitalisation of internal costs</i>	29.772	20.345	9.426	44.341
B. VALUE OF "TYPICAL" PRODUCTION	2.156.823	1.948.018	208.804	4.119.215
<i>Consumption of materials and external services</i>	(1.599.581)	(1.451.438)	(148.144)	(3.036.734)
C. VALUE ADDED	557.241	496.580	60.661	1.082.481
<i>Personnel costs</i>	(576.072)	(622.554)	46.482	(1.179.792)
D. GROSS OPERATING MARGIN	(18.830)	(125.974)	107.143	(97.311)
<i>Amortisation, depreciation and writedowns</i>	(168.157)	(175.353)	7.197	(346.614)
<i>Other adjustments</i>	(3.404)	(12.776)	9.372	(26.842)
<i>Accruals to provisions for liabilities and charges</i>	(27.345)	(16.335)	(11.010)	(67.288)
<i>Sundry income and charges</i>	68.382	31.618	36.764	125.653
E. OPERATING LOSS	(149.354)	(298.820)	149.467	(412.402)
<i>Financial income and charges</i>	(19.257)	(30.673)	11.416	(57.148)
<i>Adjustments to value of financial assets</i>	345	132	213	218
F. LOSS BEFORE EXTRAORDINARY ITEMS AND TAXATION	(168.265)	(329.362)	161.096	(469.331)
<i>Extraordinary income and charges</i>	63.369	(272.779)	336.149	(308.605)
G. LOSS BEFORE TAXATION	(104.896)	(602.141)	497.245	(777.936)
<i>Taxes on income</i>	(17.513)	(17.558)	46	(34.090)
H. PROFIT (LOSS) FOR THE PERIOD	(122.409)	(619.699)	497.290	(812.027)
<i>incl:</i>				
- Parent company share	(122.150)	(619.791)	497.640	(812.833)
- Minority interests share	(259)	91	(350)	806

RECLASSIFIED CONSOLIDATED BALANCE SHEET ANALYSIS

(thousands of Euro)

	30.06.2005	31.12.2004	Changes	30.06.2004
A.- NET FIXED ASSETS				
Intangible assets	83.958	94.842	(10.884)	105.949
Tangible fixed assets	2.891.299	3.126.662	(235.363)	3.260.589
Financial fixed assets	237.220	222.287	14.933	222.099
	3.212.477	3.443.791	(231.314)	3.588.637
B.- WORKING CAPITAL				
Inventory	263.976	166.460	97.516	182.359
Trade receivables	189.195	165.944	23.250	197.329
Other assets	696.142	606.673	89.469	706.558
Trade payables	(535.201)	(442.481)	(92.719)	(497.224)
Provisions for liabilities and charges	(569.448)	(668.009)	98.561	(628.607)
Other liabilities	(857.525)	(707.179)	(150.347)	(867.877)
	(812.861)	(878.591)	65.731	(907.462)
C.- CAPITAL EMPLOYED, less current liabilities (A+B)	2.399.617	2.565.200	(165.583)	2.681.175
D.- PROVISION FOR EMPLOYEE SEVERANCE PAY	312.141	349.031	(36.891)	376.575
E.- CAPITAL EMPLOYED, less (C-D) current liabilities and employee severance pay	2.087.476	2.216.168	(128.692)	2.304.600
covered by:				
F.- NET EQUITY				
Parent company share	314.273	436.414	(122.142)	629.381
Minority interest share	15.664	15.958	(294)	15.243
	329.937	452.373	(122.436)	644.624
G.- MEDIUM/LONG TERM FINANCIAL INDEBTEDNESS	1.461.673	1.624.242	(162.568)	1.606.564
H.- NET SHORT-TERM FINANCIAL INDEBTEDNESS (CASH AND BANK BALANCES)				
-short-term financial payables (*)	582.527	232.673	349.854	236.437
-cash and bank and short term financial receivables	(286.661)	(93.119)	(193.542)	(183.024)
	295.866	139.554	156.312	53.413
FINANCIAL NET POSITION	1.757.539	1.763.796	(6.256)	1.659.977
I.- TOTAL	2.087.476	2.216.168	(128.692)	2.304.600

(*) of which share of the current medium/
long term loans (expiring within 12 months)

569.251 228.272 340.979 230.767

CONSOLIDATED CASH FLOW STATEMENTS

(thousands of Euro)

	30.06.2005	31.12.2004	30.06.2004
A.- OPENING NET CASH AND BANK BALANCES - (OPENING SHORT-TERM FINANCIAL INDEBTEDNESS)	<u>(139.554)</u>	<u>348.936</u>	<u>348.936</u>
B.- CASH FLOW FROM OPERATING ACTIVITIES			
Profit (Loss) for the period	(122.409)	(812.027)	(619.699)
Amortisation and depreciation	168.157	346.614	175.354
(Gain) or loss on disposal of fixed assets	(6.815)	(22.777)	(10.752)
(Revaluation) or writedown of fixed assets	(8.089)	3.465	(2.558)
Change in working capital	(65.731)	283.688	312.559
Net change in provision for employee severance pay	(36.891)	(29.035)	(1.491)
	<u>(71.778)</u>	<u>(230.072)</u>	<u>(146.587)</u>
C.- CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments in fixed assets:			
.intangible	(9.797)	(26.978)	(14.935)
.tangible	(67.902)	(140.900)	(93.525)
.financial	(22.194)	(34.271)	(13.418)
.Realisable value or redemption value of fixed assets	178.588	108.387	48.531
.(Increases) decreases in fixed assets resulting from change in consolidation area	(634)	5	
Other changes			
	<u>78.061</u>	<u>(93.757)</u>	<u>(73.347)</u>
D.- CASH FLOW FROM FINANCIAL ACTIVITIES			
.New loans	300.000	100.000	
.Payments from shareholders	20	114	66
.Refunds from third parties			
.Capital subsidies			
.Loan repayments	(131.091)	(197.572)	(122.197)
.Refund of own equity			
.Other changes in net equity	(47)	(116)	(142)
.Other financial changes	9.502	(4.745)	4.696
	<u>178.384</u>	<u>(102.319)</u>	<u>(117.577)</u>
E.- DISTRIBUTION OF PROFITS			
F.- CASH FLOW FOR THE PERIOD	<u>184.667</u>	<u>(426.148)</u>	<u>(337.511)</u>
reclassification of the shares of the current medium/long term loan	(340.979)	(62.342)	(64.838)
G.- CLOSING NET CASH AND BANK BALANCES - (NET SHORT TERM FINANCIAL INDEBTEDNESS)	<u>(295.866)</u>	<u>(139.554)</u>	<u>(53.413)</u>

ALITALIA GROUP RESULTS (Italian Accounting Principles)

The auditors are in the process of checking the accounts before issuing the final report.

CONSOLIDATED BALANCE SHEET

(amounts in thousands of Euro)

			30.06.2005			31.12.2004			30.06.2004
ASSETS									
A) AMOUNTS OWING BY SHAREHOLDERS FOR CAPITAL									
B) FIXED ASSETS									
I INTANGIBLE ASSETS									
1)	. Start-up and capital increase costs		9.745			12.068			14.761
3)	. Design rights, patents, copyrights and intellectual property		15.585			18.025			20.059
4)	. Concessions, licences, trademarks and similar rights		153			191			238
5)	. Goodwill		4.200			4.800			5.400
6)	. Assets under development and advances		3.204			2.892			3.973
7)	. Other		51.072			56.866			61.518
			83.958			94.842			105.949
II TANGIBLE FIXED ASSETS									
1)	. Land and buildings		68.496			70.352			67.341
2)	. Plant and machinery								
	a) Fleet	2.682.856				2.902.584			3.017.329
	b) Other	48.782	2.731.638			54.194	2.956.779		55.602
3)	. Industrial and commercial equipment		25.180			27.176			27.290
3bis)	. Assets subject to reversion free of charges		33.591			37.468			40.240
4)	. Other fixed assets		23.144			26.686			29.903
5)	. Assets under construction and payments on account		9.250	2.891.299		8.202	3.126.662		22.884
									3.260.589
III FINANCIAL FIXED ASSETS									
1)	. Equity investments in:								
	a) subsidiary companies	3.319				2.819			2.797
	b) associated companies	1.830				1.895			3.940
	d) other companies	59.992	65.141			64.240	68.954		66.527
									73.265
2)	. Receivables:	(*)			(*)			(*)	
	a) due from subsidiary companies								
	d) other	3.659	171.970	171.970	10.417	153.223	153.223	12.473	148.725
									148.725
3)	. Other securities		109	237.220		109	222.287		109
									222.099
	Total fixed assets		3.212.477			3.443.791			3.588.637
C) CURRENT ASSETS									
I INVENTORY									
1)	. Technical and consumable materials		261.052			162.803			175.865
2)	. Materials in progress		2.925	263.976		3.657	166.460		6.494
									182.359
II RECEIVABLES									
		(**)			(**)			(**)	
1)	. Trade accounts		188.366			165.644			191.489
2)	. Due from subsidiary companies		528						
3)	. Due from associated companies		300			418			7.175
4bis)	. Due from tax authorities		91.743			81.081			98.961
4ter)	. Deferred taxes		17.291			18.378			22.351
5)	. Other								
	a) Airline companies	46.613				50.701			54.397
	b) Travel agents	335.798				249.227			327.584
	c) Sundry receivables	350.129	732.541	1.030.769		170.694	470.622	736.143	629.526
								6.004	
									949.502
III CURRENT FINANCIAL ASSETS									
6)	. Securities					15	15		16
									16
IV CASH AND BANK									
1)	. Bank and post office accounts		81.579			76.384			73.599
2)	. Cheques					13			33
3)	. Cash and cash equivalents on hand		12.696	94.276		8.766	85.163		14.814
									88.446
	Total current assets		1.389.021			987.781			1.220.324
D) ACCRUED INCOME AND PREPAID EXPENSES									
			46.953	46.953		44.415	44.415		48.946</

(*) due after less than a year

(**) due after more than a year

CONSOLIDATED BALANCE SHEET

(amounts in thousands of Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2005	31.12.2004	30.06.2004
A) SHAREHOLDERS' EQUITY			
I . SHARE CAPITAL	1.433.278	1.433.258	1.433.210
II . SHARE PREMIUM RESERVE		227.907	227.907
IV . LEGAL RESERVES	()	4.740	4.740
VII . OTHER RESERVES			
1) . Reserve for translation differences	13	24	(3)
2) . Reserve for issue of shares under Art. 2349		1.182	1.182
3) . Reserve from reduction of share capital		1.432	1.432
4) . Consolidation reserves	29	29	29
VIII . RETAINED EARNINGS	(996.898)	(419.325)	(419.325)
IX . PROFIT (LOSS) FOR THE YEAR	(122.150)	(812.833)	(619.791)
Shareholders' equity of Group	314.273	436.414	629.381
X . Capital and reserves of minority interests	15.922	15.152	15.152
XI . Profit pertaining to minority interests	(259)	806	91
Shareholders' equity of minority interests	15.664	15.958	15.243
	329.937	452.373	644.624
B) PROVISIONS FOR LIABILITIES AND CHARGES			
2) . Taxation, also deferred	2.797	3.215	3.397
3) . Other:			
a) Provision for prize competitions	106.841	101.098	87.721
b) Provision for forward sale and purchase commitments			187
c) Restructuring provision	228.444	315.526	297.359
d) Early retirement provision	93.697	93.424	93.180
e) Provision for future B767 charges		4.149	17.234
f) sundry	137.669	150.597	129.529
	566.651	664.793	625.210
	569.448	668.009	628.607
C) PROVISION FOR EMPLOYEE SEVERANCE PAY	312.141	349.031	376.575
D) PAYABLES	(**)	(**)	(**)
2) . Convertible bonds	714.251	714.271	714.319
4) . Due to banks	323.024	829.095	1.020.989
5) . Due to other lenders	82.584	80.876	104.111
6) . Advances			7.936
7) . Trade accounts			487.521
9) . Due to subsidiary companies			3.210
10) . Due to associated companies			2.139
12) . Due to tax authorities	171	171	28.051
13) . Due to social security institutions			59.209
14) . Other payables:			
a) Prepaid tickets	353.908	225.515	321.535
b) Airline companies	93.590	70.471	86.292
c) Travel agents	64.070	54.735	61.476
d) Sundry payables	199.696	184.067	204.105
	711.264	534.788	673.408
	3.365.328	2.916.046	3.100.892
E) ACCRUED EXPENSES AND DEFERRED INCOME	71.598	90.529	107.210
Total liabilities and shareholders' equity	4.648.452	4.475.987	4.857.907

(*) due after less than a year

(**) due after more than a year

CONSOLIDATED MEMORANDUM ACCOUNTS
amounts in thousands of Euro

	<u>30.06.2005</u>		<u>31.12.2004</u>		<u>30.06.2004</u>
1. PERSONAL GUARANTEES GIVEN					
Sureties					
a) subsidiary companies	0		0		
b) associated companies	0		0		
c) others	320		480		1.464
Other, on behalf of others	0	<u>320</u>	0	<u>480</u>	0
					<u>1.464</u>
2. SECURED GUARANTEES GIVEN					
for debt in balance sheet	909.336	<u>909.336</u>	1.026.408	<u>1.026.408</u>	1.107.473
					<u>1.107.473</u>
3. SALE AND PURCHASE COMMITMENTS					
a) Of purchase	102.996		149.052		159.998
b) Of sale	40.651	<u>143.647</u>	187.819	<u>336.872</u>	178.018
					<u>338.016</u>
4. OTHER					
a) Sureties received	46.459		47.995		50.148
b) Assets held under purchase agreements	341.900		396.214		454.340
c) Third party assets on hand and on operating leases	1.063.841		1.019.365		1.148.557
d) Group assets in the hand of third party	57.759		65.691		49.144
e) Third party guarantees in respect of Group obligations	807.014		637.608		585.409
f) Derivative financial transactions	89.817		197.899		288.981
g) Other memorandum accounts	2.315	<u>2.409.105</u>	2.322	<u>2.367.094</u>	6.959
		<u>3.462.408</u>		<u>3.730.854</u>	<u>2.583.538</u>
					<u>4.030.491</u>

CONSOLIDATED PROFIT AND LOSS STATEMENT

(amounts in thousands of Euro)

	30.06.2005	30.06.2004	31.12.2004
A) VALUE OF PRODUCTION			
1.- Revenues from sales and services	2.127.438	1.921.403	4.071.053
2.- Change in inventory of work in progress	96	(37)	(445)
3.- Change in work in progress on orders	(828)	5.659	3.231
4.- Capitalisation of internal costs	29.772	20.345	44.341
5.- Other revenues and income			
a) operating subsidies	345	648	1.036
b) gains on disposals	1.742	352	1.024
c) other	<u>93.391</u>	<u>49.546</u>	<u>182.084</u>
Total	<u>2.251.955</u>	<u>1.997.916</u>	<u>4.302.323</u>
B) COST OF PRODUCTION			
6.- technical materials, fuel and consumables plus goods for resale	(448.116)	(323.690)	(762.444)
7.- services	(988.459)	(985.724)	(1.974.495)
8.- leases and rentals	(173.188)	(194.205)	(378.601)
9.- personnel			
a) wages and salaries	(421.260)	(443.667)	(854.665)
b) social contributions	(107.325)	(116.941)	(216.591)
c) employee severance pay	(28.476)	(30.081)	(55.969)
d) retirement benefits and similar rights	(4.450)	(11.122)	(14.685)
e) other personnel costs	<u>(14.562)</u>	<u>(20.743)</u>	<u>(37.881)</u>
10.- Amortisation, depreciation and writedowns			
a) amortisation of intangible assets	(18.917)	(22.372)	(42.984)
b) depreciation of tangible fixed assets	(149.239)	(152.982)	(303.630)
c) other fixed asset writedowns	(9)		(67)
d) writedown of current receivables and cash and bank	<u>(3.395)</u>	<u>(12.776)</u>	<u>(26.775)</u>
11.- Change in inventory of technical materials, consumables and goods for resale	(3.155)	(11.945)	(24.776)
12.- Provisions for risks	(10.837)	(67)	(16.460)
13.- Other provisions	(16.507)	(16.268)	(50.828)
14.- Sundry operating charges	<u>(26.751)</u>	<u>(18.280)</u>	<u>(56.933)</u>
Total	<u>(2.414.646)</u>	<u>(2.360.864)</u>	<u>(4.817.784)</u>
Difference between value and cost of production	<u>(162.691)</u>	<u>(362.948)</u>	<u>(515.461)</u>

CONSOLIDATED PROFIT AND LOSS STATEMENT
(amounts in thousands of Euro)

	30.06.2005	30.06.2004	31.12.2004
C) FINANCIAL INCOME AND CHARGES			
15.- Income from equity investments			
a) dividends from subsidiary companies		294	962
b) dividends from associated companies		248	609
c) dividends from other companies	146		
d) other income from investments	<u>146</u>	<u>542</u>	<u>1.571</u>
16.- Other financial income			
a) from receivables in financial fixed assets	894	1.200	3.379
b) from securities in financial fixed assets other than equity investments	2	2	3
c) from securities in current assets other than equity investments			
d) income other than the above	<u>11.732</u>	<u>29.094</u>	<u>47.678</u>
17.- Interest and other financial charges			
. Interest and charges to subsidiary companies	(32)	(32)	(65)
. Interest and charges to associated companies			
. Interest and charges to parent companies	(2.815)		(53)
. Other interest and charges	<u>(35.508)</u>	<u>(68.930)</u>	<u>(102.761)</u>
17bis.- Exchange gains and losses	<u>7.496</u>	<u>23.145</u>	<u>17.523</u>
Total financial income and charges	<u>(18.086)</u>	<u>(14.979)</u>	<u>(32.725)</u>
D) ADJUSTMENTS TO VALUE OF FINANCIAL ASSETS			
18.- Revaluations	612	800	1.826
19.- Writedowns	<u>(267)</u>	<u>(668)</u>	<u>(1.607)</u>
Total adjustments	345	132	218
E) EXTRAORDINARY INCOME AND CHARGES			
20.- Income			
a) gains on disposals	14.554	25.393	52.043
b) unaccrued prior year income	18.226	10.500	20.224
c) other extraordinary income	<u>46.854</u>	<u>33.954</u>	<u>53.881</u>
21.- Charges			
a) losses on disposals	(252)		
b) prior year taxation	(47)	(70)	(255)
c) unaccrued prior year charges	(3.525)	(5.047)	(11.848)
d) other extraordinary charges	<u>(274)</u>	<u>(289.076)</u>	<u>(344.013)</u>
Total extraordinary items	<u>75.536</u>	<u>(224.346)</u>	<u>(229.969)</u>
Profit (Loss) before taxation	(104.896)	(602.141)	(777.936)
22.- Taxes on income	<u>(17.513)</u>	<u>(17.558)</u>	<u>(34.090)</u>
23.- Net Profit (Loss) for the year pertaining to:	<u>(122.409)</u>	<u>(619.699)</u>	<u>(812.027)</u>
25.- parent company	(122.150)	(619.791)	(812.833)
26.- minority interests	<u>(259)</u>	<u>91</u>	<u>806</u>
	<u>(122.409)</u>	<u>(619.699)</u>	<u>(812.027)</u>

ALITALIA – LINEE AEREE ITALIANE SPA
RESULTS

The auditors are in the process of checking the accounts before issuing the final report.

BALANCE SHEET

(amounts in thousands of Euro)

ASSETS	30.06.2005		31.12.2004		30.06.2004	
A) AMOUNTS OWING BY SHAREHOLDERS FOR CAPITAL	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
B) FIXED ASSETS						
<i>I. INTANGIBLE ASSETS</i>						
1.- Start-up and capital increase costs	9.222		11.868		14.514	
3.- Design rights, patents and copyright	12.103		17.890		19.847	
5.- Goodwill	171					
6.- Assets under development and advances	2.821		2.892		3.900	
7.- Other	<u>45.529</u>	<u>69.846</u>	<u>56.250</u>	<u>88.900</u>	<u>60.810</u>	<u>99.071</u>
<i>II. TANGIBLE FIXED ASSETS</i>						
1.- Land and buildings	10.190		33.960		34.624	
2.- Plant and machinery						
a) Fleet	2.582.514			2.966.295		
b) Other	<u>9.768</u>	<u>2.592.282</u>	<u>2.877.770</u>	<u>25.033</u>	<u>2.991.328</u>	
3.- Industrial and commercial equipment	2.165		19.140		20.374	
3bis.- Assets subject to reversion free of charge	7.704		16.635		18.075	
4.- Other assets	3.669		25.304		27.994	
5.- Fixed assets under construction and advances	<u>2.113</u>	<u>2.618.124</u>	<u>2.647</u>	<u>2.975.456</u>	<u>14.514</u>	<u>3.106.909</u>
<i>III. FINANCIAL FIXED ASSETS</i>						
1.- Equity investments in:						
a) Subsidiary companies	133.628			101.099		
b) Associated companies	1.156			3.175		
d) Other companies	<u>58.252</u>	<u>193.036</u>	<u>174.269</u>	<u>66.475</u>	<u>170.749</u>	
1bis.- Payments for investments		2.400	2.400			2.482
2.- Receivables	(*) <u>3.659</u>	<u>154.359</u>	(*) <u>10.417</u>	(*) <u>12.473</u>	<u>136.994</u>	<u>136.994</u>
d) Other companies	<u>3.659</u>		<u>10.417</u>	<u>12.473</u>		
3.- Other securities	<u>109</u>	<u>349.904</u>	<u>109</u>	<u>317.206</u>	<u>109</u>	<u>310.333</u>
Total fixed assets		<u>3.037.873</u>		<u>3.381.563</u>		<u>3.516.313</u>
C) CURRENT ASSETS						
<i>I. INVENTORY</i>						
1.- Technical and other consumable materials	26.210		114.855		126.057	
2.- Materials in progress	<u>0</u>	<u>26.210</u>	<u>111</u>	<u>114.965</u>	<u>519</u>	<u>126.576</u>
<i>II. RECEIVABLES</i>	(**)		(**)	(**)		
1.- due from clients	161.057		144.553		176.487	
2.- due from subsidiary companies	56.083		44.281		69.117	
3.- due from associated companies	0		118		7.175	
4bis.- due from tax authorities	91.226		81.385		97.930	
4ter.- deferred taxes	8.373		10.700		15.705	
5.- other						
a) Airlines	44.623			51.550		
b) Travel agents	335.798			327.584		
c) Sundry	<u>343.221</u>	<u>723.643</u>	<u>473.065</u>	<u>754.101</u>	<u>630.572</u>	<u>996.987</u>
<i>IV. CASH AND BANK</i>						
1.- Bank and post office account	74.073		70.970		55.290	
2.- Cheques	0		11		20	
3.- Cash and cash equivalents	<u>12.590</u>	<u>86.662</u>	<u>8.531</u>	<u>79.512</u>	<u>14.060</u>	<u>69.370</u>
Total current assets		<u>1.153.255</u>		<u>948.578</u>		<u>1.192.933</u>
D) ACCRUED INCOME AND PREPAYMENTS		<u>45.645</u>		<u>43.056</u>		<u>47.926</u>
Total assets		<u>4.236.773</u>		<u>4.373.197</u>		<u>4.757.173</u>

BALANCE SHEET
(amounts in thousands of Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY		30.06.2005		31.12.2004		30.06.2004	
A) SHAREHOLDERS' EQUITY							
I. CAPITAL		1.433.278		1.433.258		1.433.210	
II. SHARE PREMIUM RESERVE		0		227.907		227.907	
IV. LEGAL RESERVE		0		4.740		4.740	
VII. OTHER RESERVES							
a) Reserve for issue of shares under art 2349 c.c.		0		1.182		1.182	
d) Reserve from reduction of share capital		0	0	1.432	2.614	1.432	2.614
			(1.002.163)		(426.990)		(426.990)
VIII. RETAINED PROFITS (ACCUMULATED LOSSES)			(121.701)		(810.434)		(618.234)
IX. NET PROFIT (LOSS) FOR THE YEAR							
B) PROVISION FOR LIABILITIES AND CHARGES							
2.- Taxation, also deferred		648		643		488	
3.- other							
a) Provision for prizes and promotion		106.841		101.098		87.721	
b) Provision for forward sale and purchase commitments		0		0		187	
c) Restructuring provision		88.711		315.526		297.359	
d) Provision for early retirement costs		93.697		93.424		93.180	
e) Provision for future B-767 costs		0		4.149		17.234	
f) Sundry		133.193	423.090	145.020	659.860	123.850	620.019
C) PROVISION FOR EMPLOYEE SEVERANCE PAY							
			167.643		267.479		294.992
D) DEBITI							
	(**)			(**)		(**)	
2.- Convertible bonds		714.251		714.271		714.319	
4.- Due to banks		662.974	1.231.459	829.095	1.048.672	797.699	1.020.913
5.- Due to other lenders		77.611	87.040	73.417	81.801	86.465	95.409
6.- Advances			14		5		13
7.- Due to suppliers			418.457		370.225		415.919
9.- Due to subsidiary companies			99.532		147.286		161.944
10.- Due to associated companies			1.296		994		2.139
12.- Due to tax authorities	171		20.628	171	29.350	509	20.499
13.- Due to social security institutions			27.791		35.832		47.518
14.- Other payables							
a) Prepaid tickets		353.908		225.515		321.535	
b) Airline companies		93.590		70.471		86.292	
c) Travel agents		64.070		54.735		61.470	
d) Sundry		0	154.221	0	147.765	0	166.920
		1.455.007	665.789	3.266.256	498.486	2.926.921	636.216
				0			3.114.889
				1.616.953		1.598.992	
E) ACCRUED EXPENSES AND DEFERRED INCOME							
			70.368		87.842		104.025
Total liabilities							
			4.236.773		4.373.197		4.757.173

(**) Amounts due after more than a year

MEMORANDUM ACCOUNTS

(amounts in thousands of Euro)

	30.06.2005		31.12.2004		30.06.2004	
1. PERSONAL GUARANTEES GIVEN						
a) Sureties						
- subsidiary companies	113.683		116.986		95.458	
- associated companies	-		-			
- others	320	114.004	480	117.466	1.464	96.922
2. SECURED GUARANTEES GIVEN						
c) for debt in balance sheet	900.633	900.633	1.017.706	1.017.706	1.098.771	1.098.771
3. SALE AND PURCHASE COMMITMENTS						
a) Of purchase	330.210		143.779		177.971	
b) Of sale	7.540	337.750	187.819	331.599	178.018	355.989
4. OTHER						
a) Sureties received	28.768		28.191		30.344	
b) Assets held under purchase agreements	305.627		333.155		386.950	
c) Third party assets on hand and on operating leases	1.052.217		988.396		1.095.099	
d) Group assets in the hand of third party	36.790		64.891		68.713	
e) Third party guarantees in respect of company obligations	799.850		625.723		573.252	
f) Derivative financial transactions	89.817		197.899		288.981	
g) Other memorandum accounts	304	2.313.372	311	2.238.566	4.948	2.448.287
		3.665.759		3.705.336		3.999.969

PROFIT AND LOSS STATEMENT
(amounts in thousands of Euro)

	30.06.2005		30.06.2004		31.12.2004
A) VALUE OF PRODUCTION					
1.- Revenues from sales and services	2.104.232		1.924.206		4.064.973
2.- Change in work in progress inventory	198		(37)		(445)
4.- Capitalization of internal construction costs	2.300		8.999		16.487
5.- Other revenues and income					
a) operating grants	345		648		1.036
b) gains on disposals	1.723		352		1.021
c) other	97.852		57.291		199.748
Total	2.206.851		1.991.458		4.282.820
B) COST OF PRODUCTION					
6.- Technical and other consumable materials and fuel	(405.147)		(299.973)		(709.667)
7.- Service expenses	(1.080.109)		(1.083.798)		(2.151.279)
8.- Leases and rentals	(231.109)		(242.194)		(488.204)
9.- Personnel costs					
a) wages and salaries	(321.994)		(362.269)		(694.032)
b) social security contributions	(79.356)		(94.006)		(171.834)
c) employee severance pay	(20.576)		(25.712)		(43.829)
d) retirement benefits and similar	(5.735)		(10.268)		(14.425)
e) other	(13.688)		(17.907)		(33.647)
10.- Amortizations, depreciations and writedowns					
a) intangible fixed assets	(17.289)		(21.408)		(41.074)
b) tangible fixed assets	(134.827)		(142.138)		(283.310)
c) other fixed assets writedowns	(9)		0		0
d) writedowns of current receivables and cash equivalents	(3.395)		(12.658)		(26.266)
11.- Changes in technical materials, spares and consumable inventories	(3.975)		(9.514)		(20.716)
12.- Provisions for liabilities and charges	(10.837)		(67)		(16.049)
13.- Other provisions	(16.454)		(16.268)		(50.828)
14.- Other operating expenses	(28.538)		(23.816)		(72.253)
Total	(2.371.038)		(2.360.291)		(4.817.414)
Value of production less cost of production	(164.187)		(368.833)		(534.594)
C) FINANCIAL INCOME AND CHARGES					
15.- Investment income					
a) dividends from associated companies	0		294		412
b) dividends from other companies	146		248		609
c) other investment income	0		0		0
16.- Other financial income	146		542		1.021
a) from long term receivables					
- Other	886		1.189		3.247
b) from securities in fixed assets not representing investments	2		2		3
d) other					
- Interests and commissions to subsidiaries	1.054		622		2.044
- Interests and commissions to associated companies	3		14		21
- Interests and commissions to others and sundry	11.449		28.499		46.660
17.- Interests and other financial charges	13.392		30.326		48.725
a) interests and commissions to subsidiaries	(639)		(860)		(1.639)
b) interests and commissions to associated companies	0		0		0
c) interests and commissions to parent companies	(2.815)		0		(53)
d) interests and commissions to others and sundry	(35.218)		(68.492)		(102.260)
17bis.- Exchange gains and losses	7.265		23.743		17.825
Total	(17.868)		(14.740)		(33.131)
Total financial income and expenses					
D) ADJUSTMENT TO FINANCIAL ASSETS					
18.- Revaluations					
a) investments	7.042		1.882		7.301
b) financial fixed assets other than equity investments	470		0		1.248
19.- Writedowns					
a) investments	(351)		(3.084)		(1.991)
Total adjustment to financial assets	7.161		(1.202)		6.558
E) EXTRAORDINARY INCOME AND EXPENSES					
20.- Income					
a) gains on disposals	14.897		25.393		52.807
b) incomes resulting from prior year adjustments	17.618		10.178		16.249
c) other income	32.621		33.954		53.881
21.- Expenses					
a) losses on disposals	(252)		0		0
b) prior year taxation	(47)		(21)		(245)
c) unaccrued prior year charges	(3.183)		(4.712)		(10.460)
d) other charges	(274)		(289.075)		(343.719)
Total extraordinary income and expenses	61.380		(224.283)		(231.487)
Profit (loss) before taxation	(113.515)		(609.058)		(792.655)
22.- Income taxes	(8.186)		(9.176)		(17.779)
26.- Net profit (loss) for the year	(121.701)		(618.234)		(810.434)

IAS/IFRS EFFECTS ON ALITALIA GROUP RESULTS AS OF JUNE 30 2005

Reconciliation of the Consolidated Net Equity at 30/06/2005

(amounts in thousands of Euros)

Net equity according to Italian accounting principles **329,9**
Effects IAS/IFRS

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-component 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 Assets (restructuring provision)	7,1
IAS 32 e 39	Financial Instruments	<u>59,4</u>

Total gross effect **213,7**

 Tax carried forward **(5,5)**
Total effects IAS/IFRS **208,2**
Net Equity IAS/IFRS **538,1**

Reconciliation of the Consolidated Result for the first six months of 2005

(amounts in thousand of Euros)

Net Result according to Italian accounting principles **(122,4)**
IAS/IFRS effects

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>
Total gross effect		(2,3)
Tax carried forward		<u>0,4</u>
Effects IAS/IFRS		(1,9)
Net Result IAS/IFRS		<u>(124,3)</u>