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Report on Review of Consolidated Interim Financial Statements

To the Board of Directors of
Alitalia – Società Aerea Italiana S.p.A.

Introduction

We have reviewed the accompanying consolidated interim financial statements of Alitalia – Società Aerea Italiana S.p.A. ("Company") and subsidiaries ("Alitalia Group"), which comprise the balance sheet as of March 31, 2015 and the income statement for the three-month period then ended and the related explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the Italian Accounting Standard OIC 30. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Alitalia Group as of March 31, 2015 are not prepared, in all material respects, in accordance with the Italian Accounting Standard OIC 30.

Other Matters

Comparative figures for the corresponding prior year period are not presented in the consolidated interim financial statements, since this is the first year of operation for the Company and the Alitalia Group.

Signed by
Domenico Falcone
Partner

Rome, Italy
July 22, 2015

This report has been translated into the English language solely for the convenience of international readers.

Alitalia Group

Interim Financial Report at 31 March 2015

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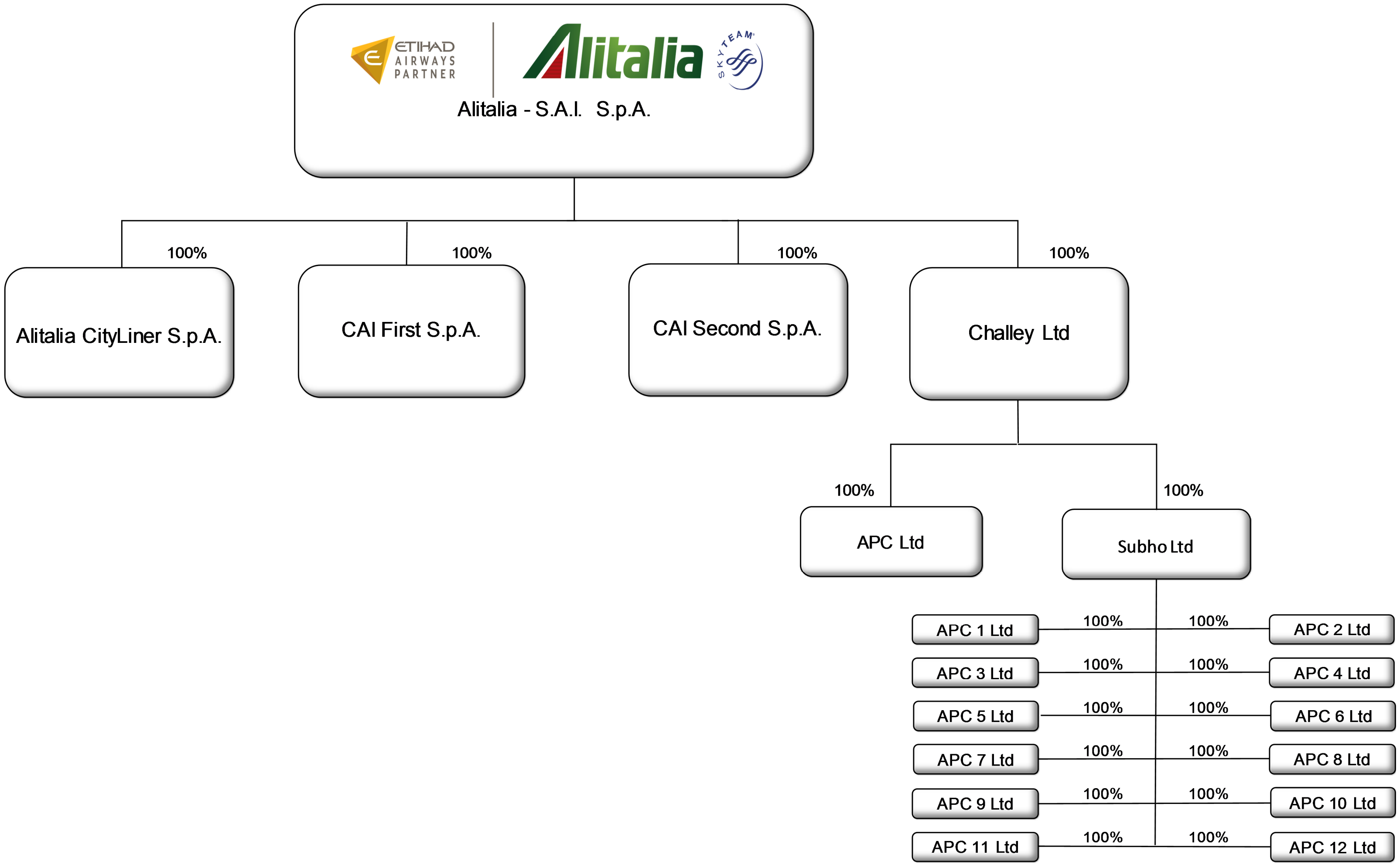
REPORT ON OPERATIONS

Introduction

The Alitalia Group



The Group in numbers

Alitalia Group in numbers		*I q. 2015*
Aircraft fleet in operation (N°of aircraft)		118
N°of Flighs of the period		46,978
Departure Punctuality (within 15 minutes) period average		86.6
Arrival Punctuality (within 15 minutes) period average		82.2
Regularity period average		99.6
Block Hours of the period		91,073
Passengers carried in period (fare-paying scheduled)		4,553,594
Load Factor period average		72.5
Workforce at the end of period		12,023
Average Workforce on the payroll		9,668.4
€/mgl	incidenza %sui ricavi	
Revenue		589,534
EBITDA	-28.6%	(168,726)
EBIT	-34.3%	(202,434)
Net profit/ (loss)	-17.0%	(100,183)
€/mgl	as at 31 March	
Equity		554,669
Net debt		43,516
Net invested capital		598,186

The Group's performance

At the end of a quarter forming part of the low season for airline travel, the Alitalia Group ("the Group") reports an operating loss of €202 million for the three months ended 31 March 2015, and a loss for the period of approximately €100 million.

In terms of the balance sheet, the Group's equity as at 31 March 2015 amounts to € 555 million.

The Parent Company, Alitalia - Società Aerea Italiana S.p.A. ("Alitalia SAI" or "Alitalia"), established on 24 September 2014, commenced operations from 1 January 2015, following the closing and effectiveness of the strategic transaction (1 January 2015) between its indirect parent, Compagnia Aerea Italiana S.p.A. (formerly "Alitalia - Compagnia Aerea Italiana S.p.A.", also referred to below as "CAI") and Etihad Airways P.J.S.C. ("Etihad"). The transaction was based on:

- CAI's contribution to Alitalia SAI (deed executed on 22 December 2014, effective 1 January 2015), of its airline business, with a value of €403.3 million, in subscription and as full in-kind payment for the new shares issued in accordance with the capital increase approved by the Extraordinary Shareholders' Meeting held on 19 December 2014.

  The business transferred did not include, among other things, borrowings from banks and other financial institutions totalling €531 million, which have remained with CAI (€354 million converted into equity as a result of the corresponding capital increase carried out by CAI and €137 million in restructured ex "factoring & pool" debt consolidated into a 10-year loan), in addition to all current and potential disputes pending not related to airline operations. This debt and potential liabilities continued to be attributable to CAI.

  The business transferred included CAI's 100% interests in Alitalia CityLiner S.p.A., Cai First S.p.A., Cai Second S.p.A., Challey LTD and Alitalia Loyalty S.p.A..
- Etihad Airways' subscription (again on 22 December 2014, effective 1 January 2015), for new shares issued in accordance with the capital increase carried out by Alitalia SAI, amounting to €387.5 million, with immediate payment of the related sum to the Company.
- The subsequent contribution (on 23 December 2014, effective 1 January 2015), of CAI's entire equity interest in Alitalia - SAI to MidCo (a wholly owned subsidiary of CAI).

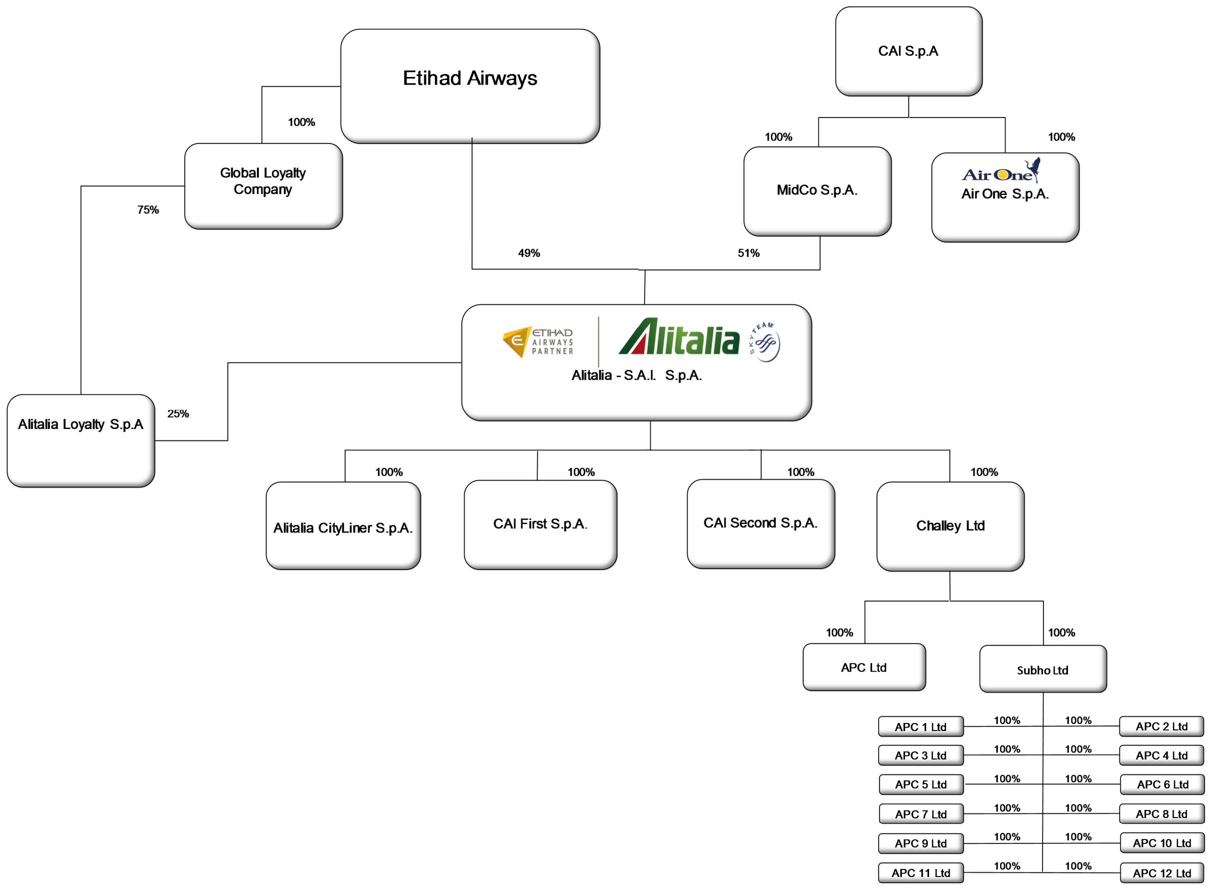
Following the above transactions, 51% of Alitalia is held by CAI, through the subsidiary, MidCo S.p.A., and the remaining 49% is held by Etihad.

As part of a complete review of the Alitalia Group's strategy, and again within the scope of the above agreement between CAI and Etihad, on 21 January 2015 Alitalia completed the sale of a 75% equity interest in Alitalia Loyalty to Global Loyalty Company LLC[1].

The transaction, which means that Alitalia Loyalty will form part of the much bigger loyalty programme run by GLC, will allow MilleMiglia members to receive and spend miles throughout the world.

[1] Global Loyalty Company (GLC) is an Etihad company specializing in loyalty-building and lifestyle programs. GLC helps Etihad and its partners to act more effectively in the global market of loyalty-building schemes, through the development of significant technological and management synergies. GLC also manages such programs as "Etihad Guest" for Etihad Airways, "topbonus" for Air Berlin and "JetPrivilege" for Jet Airways. Together, Etihad Guest, topbonus, JetPrivilege and MilleMiglia have a total of 14 million members worldwide.

The ownership structure that includes the new Alitalia Group and its subsidiaries at 31 March 2015 is as follows:



From a strictly operational viewpoint, on 23 December 2014, ENAC, the Italian Civil Aviation Authority, formally announced the issuance of an air carrier operating licence and certificate of airworthiness to Nuova Alitalia, effective as of 00:01am on 1 January 2015.

From 1 January 2015, the Alitalia SAI Group thus provides air transport services on domestic, international and intercontinental routes, using Rome's Leonardo da Vinci International Airport (Fiumicino) as its hub airport. The Group's operations are based on a well-balanced and extensive route network, which, as a result of directly operated flights and alliances and code sharing agreements, connects 339 destinations in 108 countries around the world (at 30 April 2015).

The Group has drawn up a three-year plan based on the reorganisation of its activities and a revisited customer offering, designed to take advantage of its strengths, with the aim of creating a sustainable and profitable business, reinforcing its competitive position.

This process will include repositioning the Group's brand and leveraging Italy's reputation for high quality and style.

The Group expects to benefit substantially from the exploitation of network and operational synergies with Etihad and Etihad's partners, in terms of the increased number of destinations served (in this sense, the new services connecting the Abu Dhabi hub with Milan, Venice, Bologna and Catania are expected to significantly boost traffic to the Middle East, Africa, Asia and Australia), and facilitate access to new markets and greater exploitation of economies of scale in dealings with suppliers and lessors.

Following closing of the partnership agreement between the Alitalia Group and Etihad Airways, the role and purpose of CAI First and CAI Second were also revisited. At the beginning of the year, the companies redelivered the aircraft operated[2] to Alitalia (the sub lessor), requesting ENAC to revoke the related operating licence. In the first half of February[3], ENAC thus informed the companies that their Air Operator Certificates and Operating Licences had been suspended.

At the end of March, Alitalia's Board of Directors and the Sole Director of the now dormant companies, CAI First and CAI Second, prepared and approved the plan to merge the two companies with and into Alitalia. The plan was filed with Rome Companies' Register on 9 April 2015.
The Sole Director of CAI First and CAI Second and Alitalia's shareholders subsequently approved the above merger on 15 April and 16 April 2015, respectively.

The merger is part of a wider process, initiated by the acquirer, designed to simplify and reorganise the structure of the Group, with the aim of streamlining internal processes and reducing overheads.
The proposed reorganisation will, in fact, result in a simplified ownership structure and the optimised management of resources and the financial flows generated by the activities of the two companies.
The above operational improvements will be accompanied by a number of not insignificant synergies, resulting in cost savings. Given that the two acquirees are wholly owned by the acquirer, the merger will take place without any share exchange and thus without having to issue new shares in the acquirer.

Whilst greater details are provided below, it should be noted that the Alitalia Group carried over 4.5 million passengers in the first quarter of 2015, compared with more than 6.5 million available seats. This results in a load factor, based on the ratio of RPKs to ASKs, of 72.5%.
The best performance was registered in March, with over 2.3 million passengers carried and a load factor of 77.3%.
Alitalia's market share[4] stands at 20.4% for the quarter, recording overall growth during the three months (19.9% - 20.4% - 20.7%). The domestic market share is 43.7%, whilst the Group's share of the international market is 12.4%.

During the summer season, Alitalia operates its own flights (thus excluding those operated by its partners) to 102 destinations, 27 in Italy and 75 in the rest of the world, making a total of 164 routes served with more than 4,500 flights a week.

[2] Airbus A320 – EI – DSC for CAI First and A320 –EI – IKB for CAI Second.
[3] ENAC notifications to CAI First : 5 February 2015, suspension of Air Operator Certificate and 6 February 2015 suspension of Operating Licence; to CAI Second: 10 February 2015 suspension of Air Operator Certificate and 11 February 2015 suspension of Operating Licence.

[4] Source: Assaeroporti/ENAC

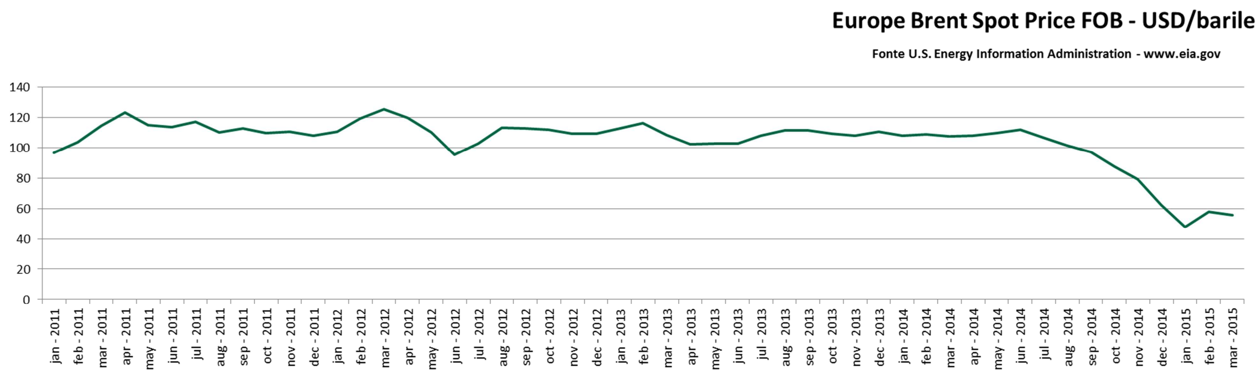
The Group carried over 2.5 million passengers on domestic flights during the first quarter, compared with available seats of more than 3.6 million (a load factor of 69.2%). Over 1.6 million passengers were carried on international flights, mainly within Europe, compared with available seats of approximately 2.4 million (a load factor of 68.6%). The number of passengers carried on intercontinental flights was 402,000, compared with 534,000 available seats (a load factor of 76.4%).
Average revenue fell during the period, in part reflecting competition from low-cost carriers, above all throughout Europe.
Passenger revenue, which was down in February, showed signs of picking up in March, driven by the increase in traffic.
In the cargo business, Alitalia transported 14,400 tonnes of freight and mail during the first quarter of the year, with 82% concentrated in the intercontinental segment and essentially relating to North and South America. The average load factor was 54% (60% on intercontinental routes, 18% on domestic and international routes).

Customer satisfaction among the passengers hosted by Alitalia stands at 82.8%, based on interviewees adjudging the service to be excellent, very good and good. The slight fall over the three months is mainly due to a reduction in satisfaction with punctuality.
99.6% of flights operated normally in the first quarter of 2015. 86.6% of the flights operated during the period under review departed within 15 minutes of the scheduled time and the arrival punctuality indicator standing at 82.2%. Both indicators are down over the three months, reflecting adverse weather conditions during the quarter.
Mislaid baggage items amounted to an average of 7.3 every 1,000 passengers carried. January registered the worse performance (10.8 per thousand), whilst February and March saw a significant improvement (5.9 and 5.6 per thousand, respectively). At the Fiumicino hub, the average was 13.3 mislaid items every 1,000 passengers carried.

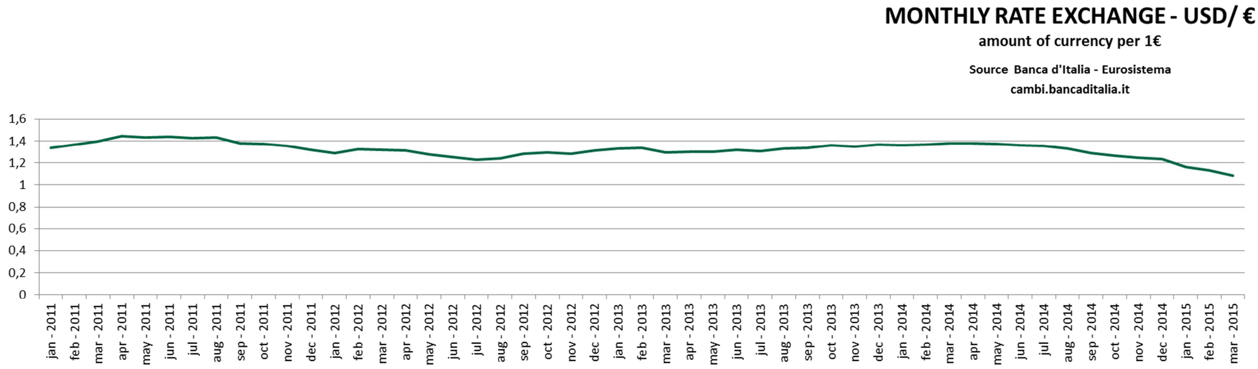
The Alitalia Group’s fleet in operation at 31 March 2015 consists of 118 aircraft, including 22 long-haul, 76 medium-haul and 20 short-haul, with an average age of 8 years.
The Alitalia Group’s Security Management System (SeMS) is fully compliant with the relevant regulations, IATA standards and industry best practices.
As at 31 March 2015, the Group's workforce amounts to 12,023. The average number of employees on the payroll amounts to 9,668.4.

Macroeconomic environment - Highlights

Oil price trends



US$/€ exchange rate



GDP – estimates and forecasts

Macroeconomic Scenario
(percentage point's changes)

Item	Outlook january 2015		Outlook april 2015		Variations apr. 2015 on jan. 2015	
	2015	2016	2015	2016	2015	2016
GDP						
World	**3,5**	**3,7**	**3,5**	**3,8**	**0**	**0,1**
Advanced Economies	**2,4**	**2,4**	**2,4**	**2,4**	**0**	**0**
euro area	1,2	1,4	1,5	1,6	0,3	0,2
Japan	0,6	0,8	1	1,2	0,4	0,4
UK	2,7	2,7	2,7	2,3	0	-0,1
USA	3,6	3,3	3,1	3,1	-0,5	-0,2
Emerging Economies	**4,3**	**4,7**	**4,3**	**4,7**	**0**	**0**
Brazil	0,3	1,5	-1	1	-1,3	-0,5
China	6,8	6,3	6,8	6,3	0	0
India	6,3	6,5	7,5	7,5	1,2	1
Russia	-3	-1	-3,8	-1,1	-0,8	-0,1
World Trade	**3,8**	**5,3**	**3,7**	**4,7**	**-0,1**	**-0,6**

Source: FMI, World Economic Outlook

Extract from: Banca d'Italia - Economic Bullettin n.2/2015 - April 2015

Traffic

Background - Highlights

World – source: IATA

	Year on Year Comparison						Month on Month Comparison		
	Mar 2015 vs. Mar 2014			YTD 2015 vs. YTD 2014			Mar 2015 vs. Feb 2015		
	RPK	*ASK*	*PLF*	*RPK*	*ASK*	*PLF*	*RPK*	*ASK*	*PLFpt*
International	7.0%	5.4%	78.9%	6.3%	5.7%	78.1%	0.0%	0.2%	-0.1%
Domestic	8.0%	6.0%	82.0%	5.7%	5.0%	80.0%	1.5%	1.1%	0.3%
Total Market	7.4%	5.6%	80.0%	6.1%	5.4%	78.8%	0.5%	0.5%	0.0%

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor. All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

Year on Year Comparison	Mar 2015 vs Mar 2014			YTD 2015 vs. YTD 2014		
	RPK	*ASK*	*PLF*	*RPK*	*ASK*	*PLF*
Africa	-1.1%	-3.2%	65.7%	-1.2%	-1.4%	65.9%
Asia/Pacific	11.1%	7.1%	78.5%	8.7%	7.1%	78.0%
Europe	5.4%	3.6%	80.8%	5.2%	4.0%	78.9%
Latin America	4.3%	5.5%	77.4%	6.1%	5.9%	79.5%
Middle East	9.8%	11.9%	77.1%	9.1%	11.3%	78.0%
North America	2.7%	2.1%	80.4%	3.0%	2.9%	79.0%
International	7.0%	5.4%	78.9%	6.3%	5.7%	78.1%
Australia	2.9%	-0.9%	77.6%	1.4%	-0.5%	76.9%
Brazil	2.0%	2.8%	77.1%	5.3%	3.8%	80.8%
China P.R.	22.0%	16.5%	83.4%	11.0%	11.2%	81.5%
India	17.9%	5.2%	80.3%	20.5%	3.5%	83.7%
Japan	2.3%	1.8%	70.8%	3.7%	2.8%	65.8%
Russian Federation	2.7%	3.7%	69.7%	4.8%	3.7%	68.5%
US	3.0%	2.6%	86.2%	3.0%	3.5%	82.8%
Domestic	8.0%	6.0%	82.0%	5.7%	5.0%	80.0%
Africa	-0.1%	-2.1%	67.1%	-0.9%	-0.9%	66.9%
Asia/Pacific	13.5%	8.9%	79.4%	9.0%	7.4%	78.5%
Europe	5.2%	3.4%	79.8%	5.0%	3.6%	78.0%
Latin America	4.4%	5.1%	77.5%	6.2%	5.5%	79.9%
Middle East	9.2%	11.3%	77.4%	8.6%	10.7%	78.3%
North America	2.9%	2.5%	84.1%	3.0%	3.2%	81.4%
Total Market	7.4%	5.6%	80.0%	6.1%	5.4%	78.8%

RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor;
All Figures are expressed in % change Year on Year except PLFwhich are the load factors for the specific month.

Italy – Source: Assaeroporti / Enac

Passengers Traffic

	Italy	fco	lin	mxp
Domestic	**2,9%**	10,1%	-5,1%	-9,5%
Intern./Intercont.	**8,4%**	7,7%	11,6%	-1,2%
Total	**6,9%**	**8,5%**	**2,1%**	**-2,3%**

Source Assaeroporti/Enac

Network

Alitalia's network provides optimal connections between the Italian provinces and major international and intercontinental destinations.

Alitalia's network ensures widespread coverage of the country and offers direct connections to the leading European capitals, countries in the Mediterranean area and fast-growing intercontinental tourist and business destinations.

Underperforming routes were either withdrawn or cut back during the quarter, whilst the start of the summer season, on 29 March, saw the introduction of many new services, including the following:

- new direct flights between Milan Malpensa and Shanghai, three times a week, throughout the duration of Milan Expo 2015;
- new direct flights between Rome Fiumicino and Seoul, three times a week;
- new direct daily flights to Abu Dhabi from Milan Malpensa and Venice which, when added to flights from Rome Fiumicino, bring the number of flights to the capital of the United Arab Emirates to 42; from here it is possible to connect with Etihad Airways flights to over 30 destinations in the Middle East, Africa, the Indian subcontinent, the Far East and Australia;
- increased flights to Brazil (1 more per week to Rio de Janeiro);
- intensification of the agreement between Alitalia and Air Berlin, Germany's second biggest airline, with 547 flights a week operated in code sharing. This includes direct connections between Italy and Germany/Austria/Switzerland, linking the Italian airports of Rome Fiumicino, Milan Linate, Venice, Rimini, Pisa, Florence, Naples, Lamezia Terme, Catania, Cagliari, Olbia and the German, Austrian and Swiss airports of Berlin, Dusseldorf, Stuttgart, Munich, Nuremberg, Baden, Vienna and Zurich;
- new seasonal flights from Milan Linate to Ibizia, Minorca, Palma di Maiorca, Bordeaux, Dubrovnik, Split, Corfu, Mikonos, Rhodes and Santorini;
- increased flights on the network to the Netherlands (7 more Linate-Amsterdam flights a week), Denmark (6 more Linate-Copenhagen, 3 more Rome-Copenhagen flights) and the UK (1 additional Linate-London City flight);
- a renewed commitment to Albania, with a total of 49 flights a week to Tirana from 8 Italian airports: Rome Fiumicino, Milan Malpensa, Turin, Genoa, Bologna, Venice, Pisa and Bari;
- a renewed commitment to Russia, with a total of 31 flights a week, linking Moscow with Rome Fiumicino, Milan Malpensa, Catania, Palermo and Pisa (new flight), and San Petersburg and Rome Fiumicino;
- new flights from Perugia and Pescara to Rome Fiumicino and from Ancona to Milan Linate;
- a renewed commitment to flights ensuring territorial continuity, linking Lampedusa with Palermo and Catania and Pantelleria with Palermo and Trapani, making it easier for people from Lampedusa and Pantelleria to travel to Sicily, the rest of Italy and all the international and intercontinental destinations in Alitalia's network.

Overall, during the summer season, Alitalia offers flights to 102 destinations, 27 in Italy and 75 in the rest of the world, making a total of 164 routes served with more than 4,500 flights a week.
The synergies obtained with the partner, Etihad Airways, and the new connections with the major Abu Dhabi hub - from Milan, Venice, Bologna and Catania – are expected to result in significant growth in traffic to the Middle East, Africa, Asia and Australia.
Finally, the Group has entered into a major agreement with Trenitalia, benefitting the customers of both companies and offering advantages to members of their respective loyalty programmes (MilleMiglia and CartaFreccia). This partnership between the two companies, who are only apparently competitors, is all the more important in view of major events such as Expo 2015 and the upcoming Jubilee.

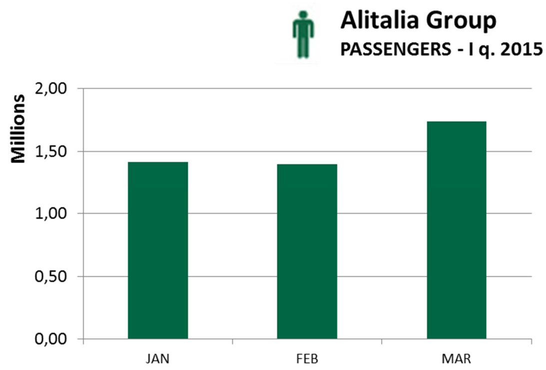
Passenger business

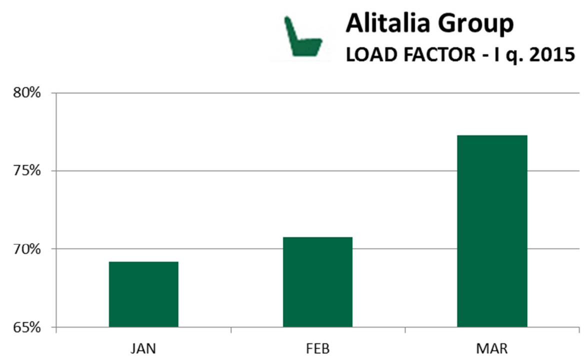
Quarterly performance

The Alitalia Group carried a total of over 4.5 million passengers in the first quarter of 2015, compared with more than 6.5 million available seats.

This results in a load factor, based on the ratio of RPKs to ASKs, of 72.5%.

The best performance was registered in March, with over 2.3 million passengers carried and a load factor of 77.3%.

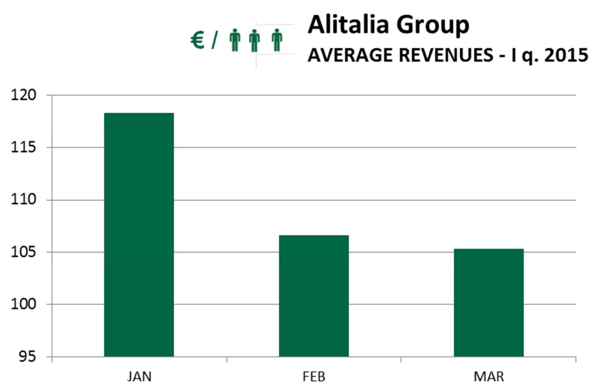


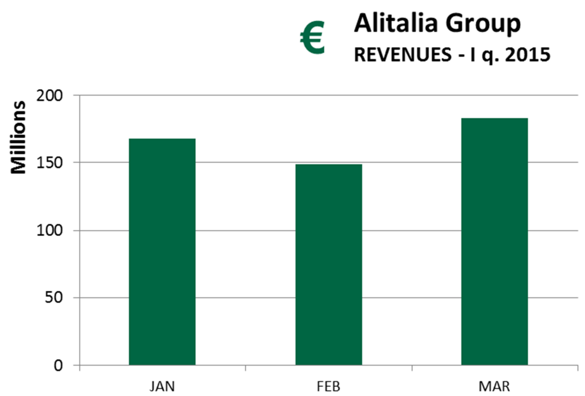


Alitalia's market share[5] stands at 20.4% for the quarter, with a domestic market share of 43.7% and a Group's share of the international market of 12.4%. The Group recorded overall growth during the three months (19.9% - 20.4% - 20.7%).

Average revenue fell during the period, in part reflecting competition from low-cost carriers, above all throughout Europe.

Passenger revenue, which was down in February, showed signs of picking up in March, driven by the increase in traffic.

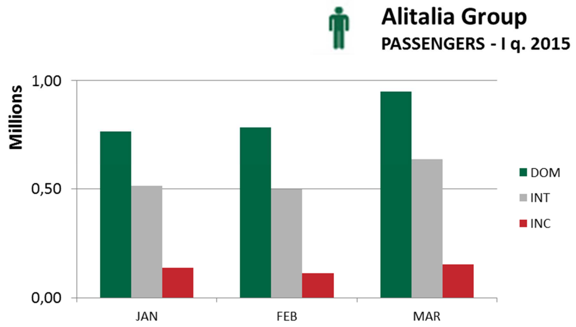


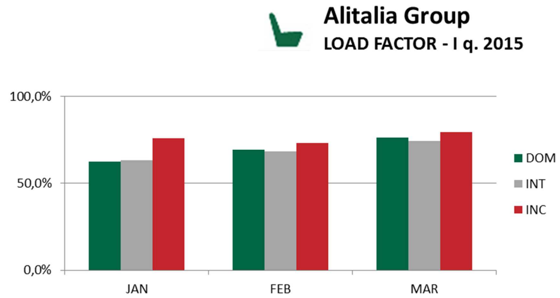


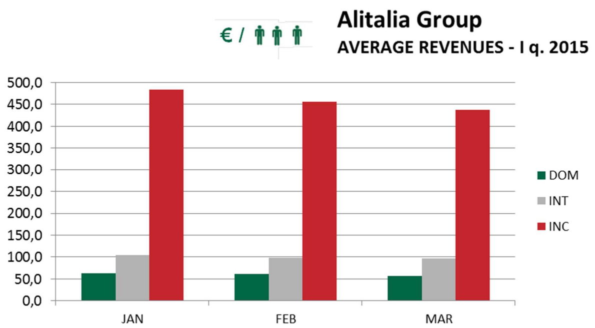
[5] Source: Assaeroporti/ENAC

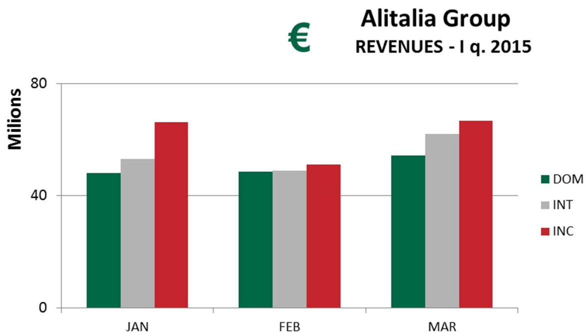
The Alitalia Group's strategy is based on competitive pricing, quality of service and a network of domestic, international and intercontinental destinations. This is reflected in the promotional campaign launched across all segments in February, which brought immediate and encouraging results in terms of volumes.

The charts show the monthly performance in each segment during the period.

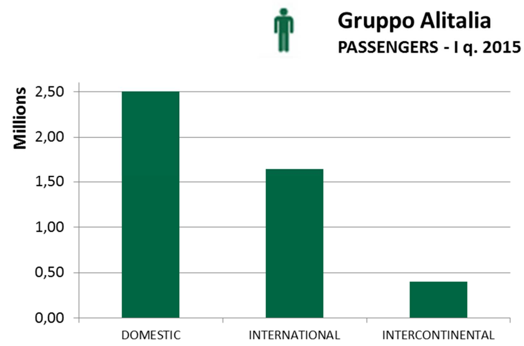


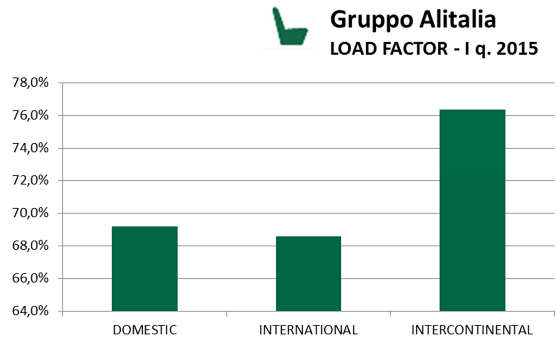


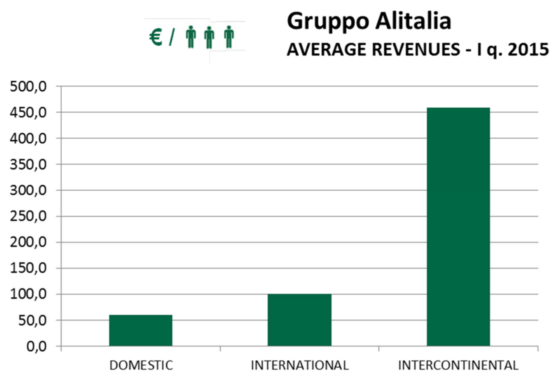


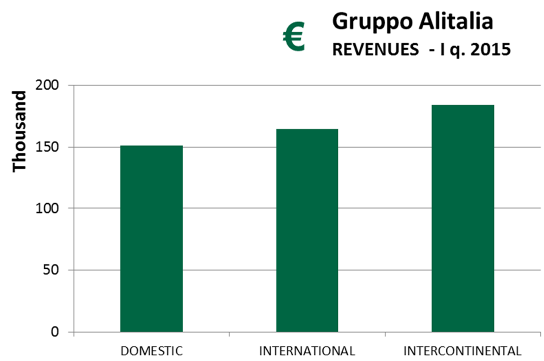


Performance by segment



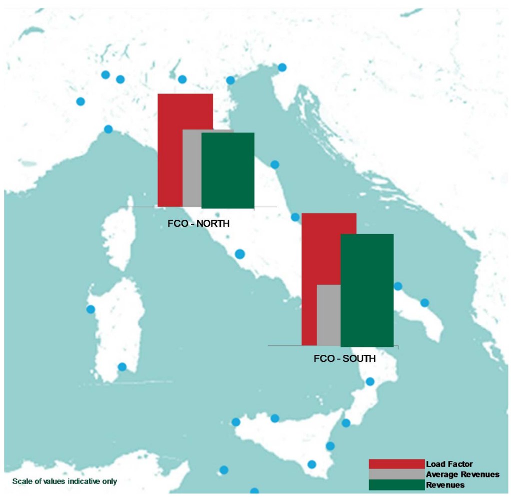






Domestic

The Group carried over 2.5 million passengers on domestic flights during the first quarter, compared with available seats of more than 3.6 million.



The load factor, based on the ratio of RPKs to ASKs, is 69.2%.

The load factor on routes from Rome to southern Italy is 73.9%, whilst the figure for routes from Rome to northern Italy is 67.5%. The Rome-Milan route recorded a load factor of 64.7%.

So-called high-spending passengers accounted for a small proportion of traffic and this is reflected in average revenue for the segment, which continued to be on the low side. Passenger spend on routes to southern Italy is slightly lower than on those to northern Italy. This includes the Rome-Milan route, where the figure is noticeably higher.

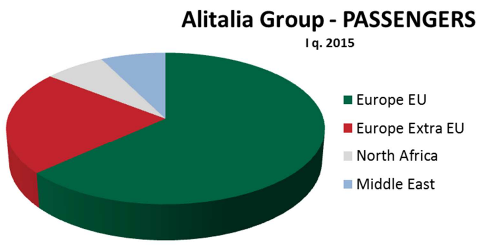
The expansion of low-cost competitors, above all Vueling, which has begun flying both between Rome and southern Italy (Catania and Palermo), and between Rome and the north of the country (Turin and Genoa), has further depressed fares. As a result, revenue in this segment was weaker, accounting for 30% of total passenger revenue.

A series of promotions was launched in January, February and March, supported by ATL campaigns[6], with the aim of boosting traffic in the period from February to June. Promotional initiatives targeting customers who had cut their use of Alitalia in the preceding months were also introduced with success.

Finally, airport fees have increased year-on-year by approximately €1 per route from both Rome Fiumicino and Milan Linate.

International

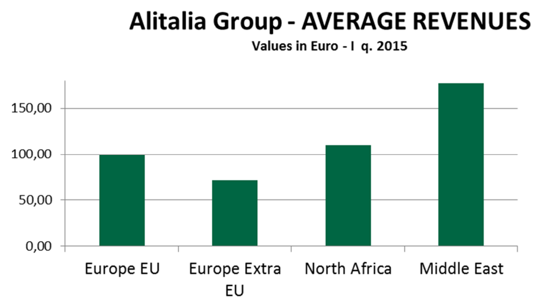
The Alitalia Group carried over 1.6 million passengers on international flights, mainly within Europe, compared with available seats of approximately 2.4 million.



The load factor of 68.6% was substantially the same for the different European segments (EU 70.1% - Outside the EU 69.4%). Load factors on routes to the Middle East (64.8%) and North Africa (66.3%) were slightly lower.

The market environment was marked by limited economic growth across the Eurozone, clearly impacting demand for air transport in the business/high-yield segment. The socio-political situations in Russia and Libya also had a negative impact on the performance.

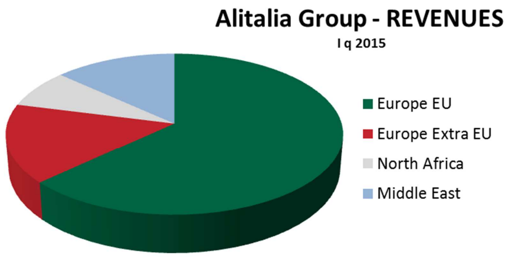
Average revenue per passenger was on the whole modest, with evident differences in the various components of the segment.



[6] **Above The Line** (ATL) campaigns use traditional media, such as TV, radio, daily newspapers and periodicals, posters, and, more recently, web advertising and temporary websites, etc. **Below The Line** (BTL) campaigns do not make use of traditional media, focusing on sponsorship, public relations, direct marketing, promotions, etc..

Pricing policies were influenced by increased competition from low-cost carriers, above all from Ryanair and Vueling at the Fiumicino hub. This has led the Group to adopt a more aggressive commercial approach in order to boost traffic.

Revenue in the international segment was generated essentially in Europe, where the majority of traffic is concentrated. The Middle East also performed well, essentially thanks to high average revenue.

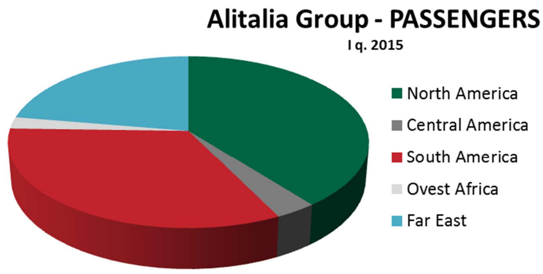


Overall, revenue in this segment accounted for 33% of the Alitalia Group’s total passenger revenue in the first quarter.

Intercontinental

The number of passengers carried on the Alitalia Group's intercontinental flights was 402,000 in the first quarter of 2015, compared with 534,000 available seats. Traffic was primarily concentrated in the areas of North and South America and the Far East. The load factor is 76.4%.

The market environment was characterised by a recovery in demand in certain overseas markets, driven partly by exchange rate movements.

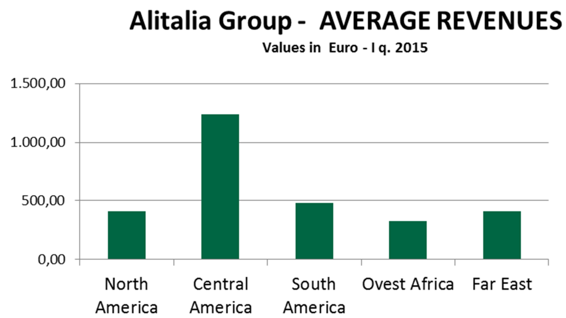


Reconfiguration of the A330 fleet has increased the number of Economy seats available and reduced those in the Premium Economy and Magnifica classes.

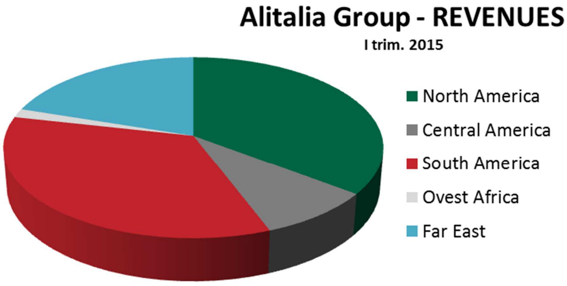
The load factors in these classes are 53.6% and 62.7%, respectively.

The overall load factor for this segment is 76.4%, with the figure rising on routes to South America (81.7%), followed by North America (75.2%), the Far East (73.6%), Central America (69.6%) and then West Africa (47.3%).

The Group's strategy aims to achieve a pick-up in traffic volumes, whilst also boosting average revenue. The latter was highest on routes to Central America, whilst average revenue on Far Eastern routes remained modest.



There were satisfactory contributions to passenger revenue from North and South America and the Far East, the latter component supported essentially by traffic growth. The results recorded for Central America were in part offset by difficulties in repatriating cash from Venezuela, to which Alitalia has suspended flights since April 2015.



Cargo business

Alitalia transported 14,400 tonnes of freight and mail during the first quarter of the year, with 82% concentrated in the intercontinental segment and essentially relating to North and South America. The average load factor was 54% (60% on intercontinental routes, 18% on domestic and international routes).

The overall market situation reflects the slow pace of economic recovery. This has hit the transport sector particularly hard, above all in terms of yields. This is primarily due to excess cargo capacity in the market and a slowdown in output in emerging countries.

Alitalia's revenue was driven by volumes, given that average revenue was fairly modest. 88% of revenue was generated by the intercontinental segment and 12% by domestic and international traffic, where average revenue fell still further.

Night mail flights (a service operated by Alitalia on behalf of Mistral Air, a wholly owned subsidiary of the Poste Italiane group) generated revenue of €2.4 million during the quarter.

Alitalia also operated a total of 13 charter flights, primarily for the Bank of Italy and other European banks (Spain's central bank from Madrid and Austria's central bank from Vienna) to European destinations. In conclusion, total charter revenue for the first quarter of 2015 amounts to approximately €10 million.

Financial review

Reclassified Consolidated Income Statement

(Euro thousands)

	at 31.03.2015
A. REVENUES	*589,534*
of which Passengers	**499,967**
Self-constructed assets	*3,796*
Grants related to income	*10,529*
B. VALUE OF "TYPICAL" PRODUCTION	***603,859***
Cost of external material and services	*(623,048)*
C. ADDED VALUE	***(19,189)***
Personnel costs	*(143,474)*
D. GROSS OPERATING MARGIN	***(162,663)***
Other allowances	*(2,344)*
Provisions for liabilities and charges	*(1,163)*
Other income (expenses)	*(2,556)*
E. EBITDA	***(168,726)***
Amortization and depreciation	*(33,709)*
F. OPERATING PROFIT (LOSS) - EBIT	***(202,434)***
Financial income/(expenses)	*5,748*
G. PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAXATION	***(196,687)***
Extraordinary income/(expenses)	*94,132*
H. PROFIT (LOSS) BEFORE TAXATION	***(102,555)***
Income tax expense for the period	*2,372*
I. PROFIT (LOSS) FOR THE PERIOD	***(100,183)***

The consolidated interim financial statements report an operating loss of €202 million for the three months ended 31 March 2015.

The **net loss for the year**, after net financial income of €6 million, net extraordinary income of €94 million and tax income of €2 million, amounts to €100 million.

The main items in the consolidated income statement for the three months ended 31 March 2015 are as follows:

Revenue of €590 million, with approximately 85% generated by traffic, consists of the following:

- ✓ passenger revenue of €500 million, with 70% generated by the international and intercontinental segments and the remaining portion by domestic traffic; the number of passengers carried in the three months ended 31 March 2015 stands at 4,553,594;
- ✓ other revenue of €90 million, primarily reflecting change fees and distribution charges (€24 million), revenue from freight services (€23 million), passenger and freight charter revenue (€11 million), services supplied to third parties, such as advertisements and IT services (€9 million), ground handling (€7 million), technical assistance (€3 million), income from night mail flights operated on behalf of Mistral Air (€2.5 million), ancillary revenue, such as fee income and penalties (€6 million) and block space revenue (€1.5 million).

The **increase in self-constructed assets,** amounting to €4 million refers to the capitalisation of costs incurred for leasehold improvements to owned or leased aircraft, such as work on engines, overhauls and landing gear (€3 million) and the cost of employees employed in the development of software and fleet maintenance (totalling €1 million).

Grants related to income (territorial continuity), amounting to €10.5 million, reflect payments received for air transport services provided on routes subject to public subsidies, primarily in relation to flights operated between Fiumicino and Linate, on the one hand, and Sardinia, on the other.

The **value of production from ordinary activities** thus amounts to €604 million.

The **cost of purchasing materials and external services** amounts to €623 million and regards:

- ✓ fuel costs of €199 million, (after the cost of price and foreign currency hedges, amounting to €51 million);
- ✓ traffic expenses and airport fees, totalling €156 million, including handling expenses (€48 million), radio and weather services (€52 million), airport fees (€29 million), assistance and transportation of passengers and freight (€16 million), onboard catering and sundries (€8 million) and flyover fees (€3 million);
- ✓ selling expenses of €43 million, including reservation services (€19 million), passenger and cargo fees (€9 million), advertising expenses (€6 million), promotional campaigns (€5 million), call centre services (€2 million) and fare promotions and other costs (€2 million);

- ✓ the cost of materials, totalling €15 million, including maintenance materials (€9 million) and other sundry materials, such as those for in-flight services (€6 million);
- ✓ the cost of fleet maintenance, totalling €41 million, reflecting the balance of provisions to and releases from the maintenance reserve (€19 million) and maintenance expenses and technical assistance (€22 million);
- ✓ the cost of using third-party property of €103 million, reflecting aircraft operating leases (€80 million), fleet lease expense (€11 million), block space costs (€3 million), rental expenses (€5 million), concession fees and utilities (€2 million) and other lease expenses (€2 million);
- ✓ the cost of financial services, totalling €10 million;
- ✓ the cost of other services, totalling €52 million, referring to general expenses, such as water, electricity and gas and sundry expenses (€14 million), the cost of services for personnel, including catering, transport and hotel accommodation, medical assistance, parking and training (€15 million), consulting and professional services (€9 million), data and telecommunications (€4 million), insurance (€2 million) and maintenance and overhauls of sundry plant and equipment (€8 million);
- ✓ the cost of joint traffic operations with other carriers, totalling €4 million.

As a result of the above, the **Group's added value** amounts to €19 million.

Personnel costs, amounting to 23% of the value of production, total €143 million; the average number of employees on the payroll amounts to 9,668 for the first quarter of 2015.

The **gross operating loss** thus amounts to €163 million.

Other allowances of €2 million reflect adjustments to the carrying amount of certain trade receivables to align them with their estimated realisable value.

Provisions for liabilities and charges, totalling €1 million, regard the risks relating to regulatory/transportation issues.

Net other expenses of €3 million consist of:

- ✓ losses on maintenance reserve receivables (€11 million), fully offset by the release of an equal amount from the maintenance reserve;
- ✓ costs relating to the MilleMiglia partnership, totalling €2 million;
- ✓ the gain realised by the Irish companies (€10 million), following the sale of 3 Airbus 321s to GA Telesys and the first 3 Airbus 320s to Air Berlin, aircraft already grounded as of 31 December 2014;

As a result, after amortisation and depreciation of €34 million, **negative EBIT** totals €202 million.

Net financial income of €6 million essentially reflects the positive effect of exchange rates, linked to both realised and unrealised gains on the translation of balance sheet items using closing rates as at 31 March 2015 (€9 million), partially offset by the interest and commissions paid to banks (€3 million).

Net extraordinary income of €94 million substantially regards the gain realised by the Group following the sale of SAI's 75% equity interest in Alitalia Loyalty to Global Loyalty Company LLC, completed on 21 January 2015, at a price of €102 million.

As a result of the above, the Group reports a **loss before taxes** for the three months ended 31 March 2015 of €102 million, which after the recognition of tax income for the period of €2 million, reflecting deferred tax income, results in a **loss for the period** of €100 million.

Reclassified Consolidated Balance Sheet

(Euro thousands)		
		31.03.2015
A.- NET FIXED ASSETS		
Intangible fixed assets		*412,881*
Tangible fixed assets		*607,691*
Financial fixed assets		*626,481*
		1,647,053
B.- WORKING CAPITAL		
Inventory		*251,718*
Trade receivables		*342,534*
Sundry assets		*140,420*
Trade payables		*(674,135)*
Provisions for liabilities and charges		*(676,711)*
Sundry liabilities		*(424,118)*
		(1,040,291)
C.- INVESTED CAPITAL (A+B)		***606,762***
D.- EMPLOYEES' SEVERANCE PAY FUND		*(8,576)*
E.- INVESTED CAPITAL , less (C+D)		
current liabilities and severance pay		***598,186***
covered by:		
F.- NET EQUITY		
Paid-in share capital		*103,105*
Reserves and profits carried forward		*551,747*
Profit (loss) for the period		*(100,183)*
F.- NET EQUITY		***554,669***
G.- MEDIUM/LONG TERM FINANCIAL DEBT		*130,934*
H.- SHORT TERM NET FINANCIAL DEBT		
(NET LIQUIDITY)		
-short-term financial debts		*265,547*
-short-term financial resources and credits		*(352,965)*
		(87,418)
NET FINANCIAL POSITION	***(G+H)***	***43,516***
I.- TOTAL	***(F+G+H)***	***598,186***

As described in more detail above, the strategic transaction between Compagnia Aerea Italiana S.p.A. and Etihad closed in December 2014 and, with effect from 1 January 2015, the airline business was transferred in subscription and as full in-kind payment for the new shares issued in accordance with the capital increase approved by the Extraordinary Meeting of the shareholders of the newly established Alitalia – Società Aerea Italiana S.p.A..

Alitalia – SAI was thus established on 24 September 2014 and, therefore, prepared its first statutory financial statements for the year ended 31 December 2014. In addition, given that it commenced operations from 1 January 2015, the effective date of the above contribution (which included the investment previously held by CAI in CAI First S.p.A., CAI Second S.p.A., Alitalia CityLiner S.p.A. and Challey Limited), it did not prepare consolidated financial statements for the year ended 31 December 2014.

As a result, the Alitalia Group's consolidated interim financial statements for the three months ended 31 March 2015 do not present comparative amounts, as these are the first consolidated financial statements to be prepared by the Group.

The Group's **invested capital** as at 31 March 2015 amounts to €607 million, being the balance of net fixed assets of €1,602 million, less negative working capital of €995 million and the employees' severance pay fund of €9 million.

Net fixed assets, as noted above, amount to €1,602 and consist of the following:

Intangible fixed assets of €413 million, which include:

- software licences and development, totalling €29 million, including Microsoft programmes and projects such as "Web 2014" and "E-motion 2014";
- the value of trademarks, totalling €2.5 million, and the "Alitalia" brand, amounting to €143.6 million. This item was recognised at 1 January 2015, following the allocation of goodwill arising as a result of the contribution of the airline business;
- goodwill of €161 million, relating to the residual amount arising as a result of the contribution of the airline business, having allocated the relevant value to the brand;
- capitalised maintenance expenses incurred for leased aircraft, totalling €36 million, including capitalisation of the cost of C-1, 5C and 2C maintenance checks (€10 million), the reconfiguration of A330 aircraft, called "densification", (€8 million), shop visits for engines (€7 million), maintenance of thrust reversers and jet intakes (€1 million), and other works (€10 million);
- improvements and modifications to properties and plant on public land, amounting to €15.5 million;
- implementation work carried out at agencies and offices, totalling €2 million;
- capitalised borrowing costs, totalling €2 million;
- assets under construction and advances for projects in progress at 31 March 2015, totalling €21 million, including implementation fees for the Sabre project (for reservations and ticketing, totalling €8 million) and improvements to leased aircraft, totalling €2 million.

Tangible fixed assets of €607 million consist of the following:

- the fleet, totalling €565 million, including aircraft (€503 million), spare engines (€19 million), rotable material (€26 million) and aircraft fittings (€17 million);
- other flight equipment, such as simulators, access and security control systems, totalling €3 million;
- industrial equipment, including test benches, landing gear and tools, totalling €8 million;
- other assets, amounting to €7 million, including servers, computers and printers (€1.5 million), office furniture and fittings (€0.5 million) and runway vehicles (€5 million);
- prepayments for overhauls, shop visits for engines and cyclical ILO, RED and C checks on airframes, APUs and landing gear still in progress at 31 March 2015, totalling €16.5 million;
- prepayments for work in progress, such as the modification and overhaul of ground equipment and the upgrade of fire alarm and security systems, totalling €8.5 million.

Financial fixed assets of €626 million consist of the following:

- maintenance reserve receivables linked to rentals paid for leased aircraft, totalling €476 million;
- security deposits (€90 million) for lease agreements (€84 million) and other types of contract (€6 million);
- medium/long-term financial receivables due to the Irish companies from the holding company, CAI, totalling €29.5 million, and relating to the charges deriving from the latter's direct assumption of these companies' tax liabilities, as described in greater detail in the section on "Pending litigation";
- investments in associates, totalling €26.7 million, regarding the 25% interest in Alitalia Loyalty S.p.A.;
- investments in other companies, totalling €2.3 million, including Atitech, AMS Holding, Sita Group Foundation Ciga Terminal Equipment Corporation and Wheel Tug;
- other financial receivables, totalling €1 million, including the "cash deposit agreement" with Unicredit.

Working capital is a negative €995 million. The main components are as follows.

Inventories, totalling €252 million, include:
- assets held for sale, totalling €202 million, connected to the residual value of the 12 grounded A320 aircraft owned by the Irish companies and included in the sale to Air Berlin, which will be completed in 2015 (€198 million), and an A321 (€4 million);
- spare parts and maintenance material, totalling €45 million;
- other materials, totalling €5 million, primarily regarding in-flight services.

Trade receivables of €343 million include credit card sales to customers (€150 million), transactions with other airlines (€51 million), travel agents (€117 million), amounts due from the holding company, CAI (€6 million) and prepayments to suppliers, primarily for maintenance services (€19 million).

To take account of the portion of the above receivables deemed not to be recoverable, an allowance for bad debts has been established which, as at 31 March 2015, amounts to €18 million.

Other assets, totalling €140 million, which consist of:
- tax assets and deferred tax assets, totalling €35 million, the former relating to refundable IRAP, the latter to losses on which IRES is refundable and temporary differences for the purposes of IRAP. The Group participates in the tax consolidation arrangement headed by the holding company, CAI;

- amounts due from third parties, totalling €62 million, primarily relating to payments for signing bonuses, advertising and maintenance services to be received as at 31 March;
- prepayments of €38 million, relating to leases and rentals (€26 million), personnel (€3 million) and other general services (€9 million);
- amounts due from staff for sums to be recovered, totalling €5 million.

To take account of the portion of the above receivables deemed not to be recoverable, an allowance for bad debts has been established which, at 31 March 2015, amounts to €5 million.

Trade payables of €674 million regards amounts due to suppliers (€598 million), to airlines (€48 million), travel agents (€19 million) and associates (€5 million), relating entirely to Alitalia Loyalty, and amounts due to customers as a result of payment for tickets in advance (€3 million).

Provisions for liabilities and charges, totalling €677 million, regard the following:

- ✓ provisions for taxes, including deferred tax liabilities, totalling €53 million, relating to taxes payable by the Irish companies (€8 million) and deferred tax liabilities attributable to the brand (€45 million);
- ✓ the maintenance reserve, which includes sums set aside in relation to maintenance activities to be performed on leased aircraft, amounting to €480 million and which has increased as a result of provisions for the period of €34 million, the negative effect of the alignment to closing exchange rates (€53 million), direct uses (€9 million) and releases of €13 million;
- ✓ provisions for restructuring, which amount to €2 million, after uses during the period, totalling €1 million, to cover the cost of aircraft in the process of being withdrawn from service;
- ✓ provisions for miscellaneous risks, amounting to €142 million, which regard risks relating to the following:
  - (i) provisions for sundry risks (€89 million), (ii) for disputes with suppliers (€31 million), (iii) provisions made following a tax assessment by the Italian tax authorities after a tax audit in relation to the tax residence of the Irish companies for fiscal year 2009 (€13 million), as described in the section "Pending litigation", (iv) overseas disputes regarding air transport (€3.3 million), regulatory/transportation issues in Italy (€3.2 million), (v) the cost of excess CO2 emissions (€1 million), and (vi) consulting and other expenses related to the early repayment of debt financing the fleet (€1 million).

Other liabilities of €424 million relate to:

- ✓ prepaid tickets, totalling €355 million, reflecting air transportation services to be rendered as at 31 March 2015;
- ✓ amounts due to employees (€42 million) in the form of accrued but unpaid wages and salaries;
- ✓ social security contributions payable (€16 million), consisting of amounts payable by the Group to INPS and INAIL, as payments to supplementary pension funds and on accrued amounts payable to employees as holiday pay and as thirteenth and fourteenth month salaries;
- ✓ tax payables of €4 million, in the form of IRPEF on wages and salaries (€3 million) and IRAP (€1 million);
- ✓ accrued expenses and deferred income of €7 million.

The employees' severance pay fund (SPF) amounts to €9 million.

Net equity amounts to €555 million and consists of the following:

- ✓ share capital of €103 million which, from 1 January 2015, is held by the two shareholders as follows: Mid.Co. S.p.A. (51%) and Etihad Airways P.J.S.C. (49%);
- ✓ the share premium reserve of €688 million;
- ✓ negative goodwill, totalling €135 million, primarily reflecting the effect of measurement, as at 1 January 2015, in the consolidated financial statements of the subsidiary, Alitalia Loyalty;
- ✓ the loss for the period of €100 million.

The **net financial position** amounts to €43 million and consists of:

Medium/long-term financial debts, amounting to €131 million and including €121 million in bank borrowings financing the fleet, €9 million in tax payable by the Irish companies and €1 million regarding aircraft held under finance leases (recognised in the consolidated financial statements in accordance with finance lease accounting, in line with the requirements of Italian Accounting Standard OIC 17).

Short-term financial debts (falling due within 12 months) amount to €265 million and consist of:

- ✓ the current portion of borrowings financing the fleet (€223 million, including the effect of aligning the dollar-denominated loans obtained by the Irish company, APC12, with closing exchange rates, totalling €43 million, which is fully offset by the matching amount included in short-term financial receivables);
- ✓ the amount payable by the Irish companies to the holding company, CAI, as a result of the cash surplus that will result from the sale of aircraft (€34 million);
- ✓ the current portion of the above tax payable, accounted for in medium/long-term financial debts (€6 million);
- ✓ the current portion of the above amount payable for aircraft held under finance leases (€2 million).

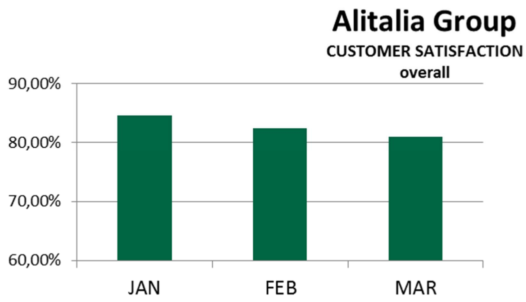
Cash and short-term financial receivables of €353 million consist of:

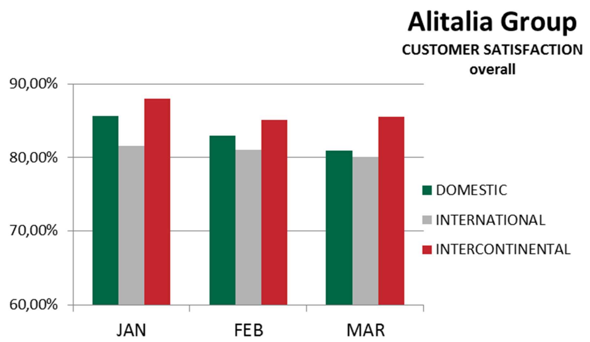
- ✓ bank and post office deposits and cash, totalling €242 million;
- ✓ deposits in countries with restrictions on when they may be transferred, totalling €39 million (after the allowance for bad debts of €32 million, including €30 million linked to cash held in Venezuela);
- ✓ short-term financial receivables of €43 million, reflecting alignment of the period-end value of the derivative hedging the dollar-denominated loans obtained by the Irish company, APC12 (fully offset by the matching amount included in short-term bank borrowings and relating to the offsetting adverse effect of the exchange rate on the borrowing itself);
- ✓ the cash collateral held at Banca IMI, linked to financial instruments entered into to hedge fuel purchases, totalling €20 million;
- ✓ the current portion of non-current maintenance reserve receivables and security deposits, totalling €9 million.

Customers

Customer satisfaction

Customer satisfaction among the passengers hosted by Alitalia in the first quarter of 2015 stands at 82.6%, based on interviewees adjudging the service to be excellent, very good and good. The slight fall over the three months in the segments in which the Group operates is mainly due to a reduction in satisfaction with punctuality, due to delays caused by adverse weather events in February and March.
In terms of service component, the worst performances related to the comfort of seating in long-haul Economy and food and beverages on domestic and international flights (above all flights of less than 3 hours), whilst the best scores were given to in-flight service, ticket sales and the boarding process.





A more detailed breakdown for the quarter shows the following:

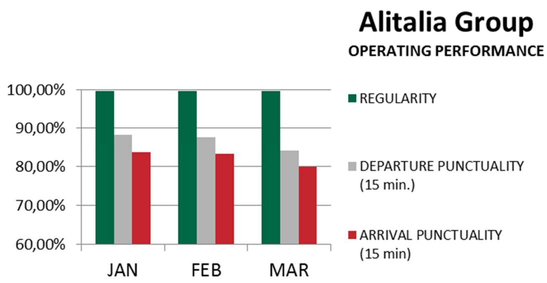
- 71.7% of passengers judged the value for money provided as excellent, very good and good (negative scores were given by around 6% of passengers);
- 36.4% of passengers will certainly buy another ticket with Alitalia (less than 6% said probably not and certainly not);
- 34.5% will recommend Alitalia to their friends and acquaintances (less than 10% said probably not and certainly not);
- 37.4% found Alitalia to be the best compared with other airlines (20% found it the worst);
- 18% of passengers were more satisfied with the overall service received than they had expected (around 8% were less satisfied).

Baggage

Mislaid baggage items amounted to an average of 7.3 every 1,000 passengers carried. January registered the worse performance (10.8 per thousand), whilst February and March saw a significant improvement (5.9 and 5.6 per thousand, respectively).
At the Fiumicino hub, the average was 13.3 mislaid items every 1,000 passengers carried, but also in this case the high figure for January (20.8 per thousand) declined significantly to 10.5 per thousand in February to 9.5 per thousand in March.

Regularity and punctuality

99.6% of flights operated normally in the first quarter of 2015.
There were 191 cancellations during the period, with 130 caused by the weather, 36 for technical reasons, 9 due to damage to aircraft (8 in flight and 1 on the ground), and 15 due to the withdrawal of routes following airport closures.



86.6% of the flights operated during the period under review departed within 15 minutes of the scheduled time: from 88.2% in January, the indicator progressively decreased over the following two months (87.6% in February and 84.2% in March).

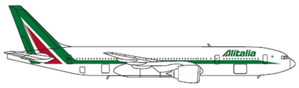
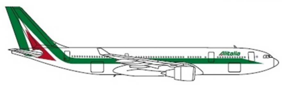
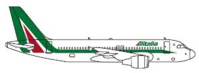
The arrival punctuality indicator stands at 82.2%. This indicator also decline over the period, falling from 83.6% in January to 83.3% in February and 79.9% in March.

Adverse weather conditions led to a general deterioration in the performance, with low temperatures, wind and snow causing disruption at airports. The worst weather conditions were seen at the Italian airports of Florence, Pisa, Linate, Turin and Verona, but also around Europe at Frankfurt, Amsterdam, London, Paris and Orly.

Bad weather also hit Fiumicino airport, reflecting limitations on runway use due to strong winds, but also as an indirect effect of accumulated delays resulting in flight crews running over their permitted hours on duty. The Roman airport was also affected by handling problems, caused by the inefficiency of certain providers (aircraft cleaning, PRM assistance, lack of vehicles) and delays at security checks.

The fleet

The Group’s aircraft

FLEET - Alitalia Group	Number of Operating Aircrafts at 31 03 2015
 Boeing 777	10
 Airbus A330	12
Long - Haul	**22**
 Airbus A321	12
 Airbus A320	42
 Airbus A319	22
Medium - Haul	**76**
 Embraer 190	5
 Embraer 175	15
Regional	**20**
Total Operating Fleet	***118***

Other Aircraft in the Fleet	*al 31 03 2015*
A320	12
A321	3
TOTAL - Other Aircraft in the Fleet	*15*
TOTAL Fleet	***133***

The Alitalia Group's fleet in operation at 31 March 2015 consists of 118 aircraft, including 22 long-haul, 76 medium-haul and 20 short-haul, with an average age of 8 years.

The Boeing B777s and Airbus A330s in the long-haul fleet are divided into three classes: Business ("Ottima" and "Magnifica"), Premium Economy ("Classica Plus") and Economy ("Classica").

The medium-haul fleet consists of Airbus A321s, A320s and A319s.

The regional fleet, operated by Alitalia CityLiner, consists of Embraer E190s and E175s, the latest generation of Brazilian-made airplanes offering high standards of design and comfort.

The Alitalia Group's fleet contains just 4 types of aircraft, enabling the Company to make highly efficient and flexible use of its resources.

In terms of the fleet of aircraft operated by the Group, it should be noted that the sale of 3 A321 aircraft to GA TELESIS LLC was completed during the first quarter of 2015, in accordance with the aircraft sale agreement concluded by the Transferor, CAI, on 6 November 2014. All the aircraft covered by the agreement with GA TELESIS LLC have been delivered to the buyer.
In addition, the sale of 3 A320s to Air Berlin was also completed during the first quarter of 2015, in accordance with the binding framework aircraft sale agreement concluded by CAI on 1 October 2014. A further 4 aircraft were delivered to the buyer, Air Berlin, during period from 1 April 2015 and the date of preparation of this document. The total number of aircraft delivered to the buyers amounts to 7 out of 14 that the Group has agreed to sell. As previously noted, the phase-out of the 14 A320 aircraft will be completed in 2015.

Safety

The Alitalia Group's Security Management System (SeMS) is fully compliant with the relevant regulations, IATA standards and industry best practices.
A Fatigue Risk Management System (FRMS) is being progressively implemented. The FRMS is a method for managing operational fatigue among flight crew, which enables fatigue-related risks to be monitored, based on modern methodologies and scientific knowledge and recently developed technologies.

In response to the initial findings of the aviation authorities' investigation of the accident involving Germanwings flight 4U-9525, which crashed in the French Alps on 24 March 2015, operating procedures for access to the flight deck have been revised. This has resulted in immediate adoption of a number of precautionary measures designed to reduce the risk of such an event. The Safety authority is taking part in a working group set up by the Italian aviation authority to identify and recommend potential improvements to the procedures to the European regulator (EASA).

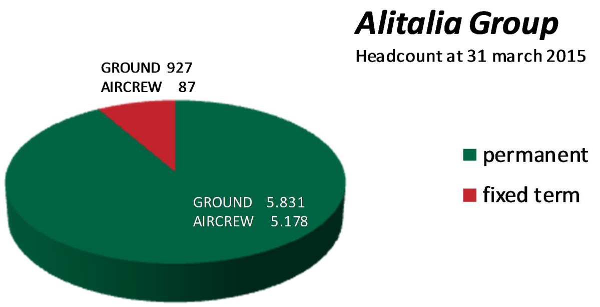
Human resources

Alitalia Group 31 march 2015 *Headcount*	Alitalia	Alitalia City Liner	Cai First	Cai Second	**Alitalia Group**
Executives	53	-			**53**
Middle managers and Clerks	4.441	7			**4.448**
Workers	2.257				**2.257**
Total Ground Staff	*6.751*	*7*	*-*	*-*	***6.758***
Pilots	1.383	173			**1.556**
Cabin Attendants	3.518	191			**3.709**
Total AirCrew	*4.901*	*364*	*-*	*-*	***5.265***
TOTAL	11.652	371	-	-	**12.023**
				of which :	
				part-time ground	*1.489*
				part-time aircrew	*2.250*
				permanent	*11.009*
				fixed-term	*1.014*

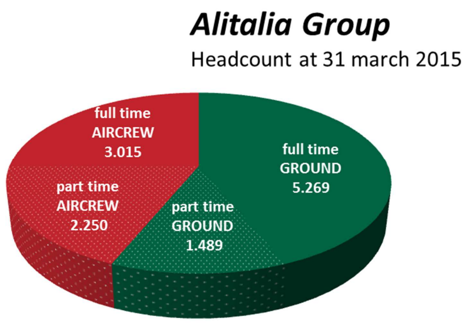
Alitalia Group January - March 2015 *Average employees on payroll*	Alitalia	Alitalia City Liner	Cai First	Cai Second	**Alitalia Group**
Executives	51,5				**51,5**
Middle managers and Clerks	3.940,9	7,7	2,0	1,3	**3.951,9**
Workers	2.004,4				**2.004,4**
Total Ground Staff	*5.996,7*	*7,7*	*2,0*	*1,3*	***6.007,7***
Pilots	1.036,1	169,2			**1.205,3**
Cabin Attendants	2.273,9	172,5	4,1	4,9	**2.455,4**
Total AirCrew	*3.310,0*	*341,6*	*4,1*	*4,9*	***3.660,7***
TOTAL	9.306,8	349,3	6,1	6,2	**9.668,4**

Our staff

As at 31 March 2015, the Group's workforce amounts to 12,023, including 11,009 on permanent contracts and 1,014 on fixed-term contracts. Most of the Group's workforce is employed by the Parent Company, Alitalia. At the same date, Alitalia CityLiner employed 371 people, whilst Cai First and Cai Second have no employees.

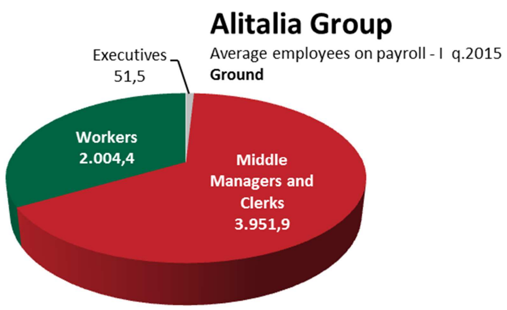


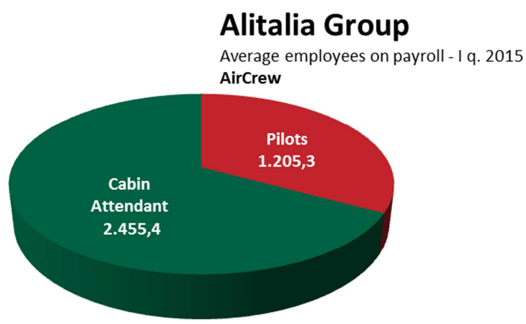
Part-time staff number 3,739 at the end of the period (1,489 ground staff and 2,250 aircrew), whilst full-time staff total 8,284 (5,269 ground staff and 3,015 aircrew).



The average number of employees on the payroll amounts to 9,668.4 for the first quarter of 2015, including 9,306.8 employed by the Parent Company, Alitalia, 349.3 by Alitalia City Liner, 6.1 by Cai First and 6.2 by Cai Second.

Aircrew total 3,660.7, whilst ground staff number 6,007.7.





Industrial relations and occupational health and safety

During the first quarter of 2015, dialogue with the labour unions and professional associations was conducted against a backdrop marked by specific demands from the unions, for the most part linked to the agreements of July 2014 regarding CAI's operations and issues relating the employment of aircrew. Talks requested by the Company focused on efforts to introduce greater operational flexibility, streamline processes and, more generally, to put in place organisational and operational procedures in line with Alitalia's new strategies.

The a national strike of Alitalia Group's aircrew was called by the unions, Uiltrasporti and Anpav, during the period (8 hours on 20 March), but the level of participation was low (17 flight crew and 5 cabin crew).

Merely from an operational viewpoint, union negotiations regarding aircrew, which are continuing, focused on a series of specific issues (e.g. the distribution of personnel between the Linate and Malpensa bases, hotel accommodation, distance learning, "must go" obligations on long-haul flights, etc.) and a number of issues relating to CAI's operations as a result of the structural measures adopted in 2014 (application of the Agreement of 16 July 2014).
In addition, in accordance with what was agreed at the time of contract renewal, talks began with the unions with a view to harmonising the terms and salary structure for Alitalia Cityliner personnel and career advancement.
Finally, on 3 March 2015, an agreement governing the transfer of staff between bases was signed.

With regard to ground staff, the principal area of discussion was the adoption of mechanisms designed to boost flexibility. If implemented, these would bring the shifts worked by Ground Operations personnel more into line with operational requirements: the aim is to organise work so as to assign people multiple roles, thereby ensuring flexibility and greater availability. The mechanisms for assigning holidays to operating personnel and the handling of individual needs are also under discussion, with the aim of ensuring greater efficiency and effectiveness during peak periods of activity.

Outlook and events after 31 March 2015

Alitalia's performance during the first quarter of 2015 is in line with the Group's established objectives.
Our financial and operating performance in the coming months is also due to be in line with expectations. However, a number of events that are likely to have an impact on the airline's performance and operations are described below:

- increased competition from low-cost carriers, beyond anything that had been predicted for the Italian market, who continue to add capacity despite, in some cases, this resulting in low load factors and poor performance;
- the consequences of the fire that struck Fiumicino airport, Alitalia's hub, which seriously hit the Group's operating performance in terms of regularity, punctuality, late cancellations and missed connections, with a negative impact on the customer experience provided by Alitalia and on ticket sales, above all in overseas markets where travellers looked to avoid the need to transit through Rome. During the period of the emergency, a total of 1,077 flights were cancelled and 5,652 flights were delayed as a result of the fire;
- continued difficulties in certain specific markets, affecting Russia, where the widely reported geo-political problems have added to those caused by the performance of the rouble, and Amman, Tel Aviv and North African markets as a result of ongoing conflicts in the region.

Finally, the Group is engaged in implementing an ambitious turnaround plan, involving renewal of its fleet, the development of new intercontinental routes, the introduction of new technologies and new training programmes for staff. To fund the Group's development, Alitalia is working on a bond issue that will give us greater financial flexibility and enable us to diversify our sources of capital.

Additional information

Corporate information

At the Extraordinary Shareholders' Meeting held on 19 December 2014, the shareholders of Alitalia-SAI approved the following, among other things:

- to issue new shares at a premium with a nominal value of €52,533,614.60, with a total share premium of €350,732,709.40, thus amounting to a total of €403,266,324.00, via the issue of 52,533,614 ordinary shares with no par value, to be paid for through CAI's in-kind contribution of its airline business (deed executed on 22 December 2014 and effective 1 January 2015);

- to carry out a further capital increase to enable Etihad Investment Holding Company LLC to acquire an interest in the Transferee, amounting to a nominal value of €50,521,512.39, with a total share premium of €336,978,478.61, thus amounting to a total of €387,500,000.00.

Subsequently, on 23 December 2014, CAI contributed its entire interest in Alitalia SAI to the subsidiary, MidCo. S.p.A., effective 1 January 2015.

Following the above transactions, which were effective 1 January 2015, Alitalia – SAI's share capital, with a nominal value of €103,105,126.99, is held by the two shareholders as follows: Mid.Co. S.p.A. (51%) and Etihad Airways P.J.S.C. (49%).

GOVERNANCE MODEL

Alitalia – S.A.I. S.p.A.'s governance system is the traditional one. Under this model, the body of shareholders has the powers provided for by law, the board of directors manages the company and the board of statutory auditors exercises control. Responsibility for auditing the accounts is assigned to the independent auditors, where engaged, or the board of statutory auditors.

Governance bodies and officers

Shareholders

Extraordinary and ordinary general meetings of shareholders are convened in accordance with the law. General meetings may take place also in venues other than the registered office, provided that they are in Italy.

Board of Directors

The Company is managed by a Board of Directors, which is vested with the widest powers for the ordinary and extraordinary administration of the company, provided that they are not attributed, by law or by the articles of association, to the body of shareholders.

The Ordinary Shareholders' Meeting held on 26 November 2014 elected a Board of Directors, with nine members, to serve until the date of the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2016. The members of the Board are: Luca Cordero di Montezemolo (Chairman), Roberto Colaninno, James Reginald Hogan, Silvano Cassano, James Denis Rigney, Giovanni Bisignani, Jean Pierre Mustier, Paolo Andrea Pio Colombo and Antonella Mansi.

At the meeting held on 26 November 2014, the Board of Directors appointed Silvano Cassano as Chief Executive Officer, Roberto Colaninno as Honorary Chairman and James R. Hogan as Deputy Chairman.

Subsequently, the Shareholders' Meeting of 4 December 2014, following approval of the Company's transformation into a joint-stock company, acknowledged the fact that expiry of the term of office of the Board of Directors – consisting of the nine members elected by the Shareholders' Meeting of 26 November 2014 – was to remain the date of the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2016. It was understand that, in the event of closing of the transaction between Alitalia – Compagnia Aerea Italiana S.p.A. (now Compagnia Aerea Italiana S.p.A.) and Etihad Airways LLC, the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2014 would confirm the term of office of the above Directors for a period of three years from 1 January 2015 (thus until the date of the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2017).

Board of Statutory Auditors

The Board of Statutory Auditors consists of 3 Standing Auditors and 2 Alternate Auditors.

At the Shareholders' Meeting held on 4 December 2014, the shareholders appointed Corrado Gatti as Chairman of the Board of Statutory Auditors, Gianluca Ponzellini and Prof. Alessandro Cortesi as Standing Auditors and Giovanni Ghelfi and Maurizio Longhi as Alternate Auditors. The term of office of the Board of Statutory Auditors will expire on the date of the Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2017.

Remuneration of Directors and Statutory Auditors

At the Shareholders' Meeting held on 4 December 2014, the shareholders assigned annual compensation of €50,000 to the Chairman of the Board of Statutory Auditors and €37,500 a year to each Standing Auditor.

At the Shareholders' Meeting held on 4 May 2015, the shareholders resolved to fix at 50 thousand euros the gross annual amount to be recognised to each Director by way of Director's fee, to be increased to the gross annual amount of 20 thousand euros for Directors who are members of one or more of the Committees envisaged by the Company's Articles, the above with effect from 1 January 2015.

At the Shareholders' Meeting held on 4 May 2015, the shareholders also resolved to increase by 15 thousand euros the gross annual amount to be recognised in favour of the Chairman of the Auditing board and by 12,5 thousand euros the gross annual amount to be recognised in favour of each Regular Auditor, thus bringing the gross annual fees for those offices to 65 thousand euros for the Chairman of the Auditing Board and to 50 thousand euros for each Regular Auditor respectively, the above with effect from 1 January 2015.

Independent auditors

The Shareholders' Meeting held on 4 December 2014 assigned responsibility for auditing the company's accounts to the Board of Statutory Auditors until the engagement of an auditor or audit firm. The Meeting of

Alitalia-SAI’s shareholders, held on 20 March 2015, approved the engagement of Deloitte & Touche S.p.A. as independent auditors for the financial years 2015-2017.

PLEDGES

It should be noted that, with effect from 1 January 2015, 52,583,614 of Alitalia – Società Aerea Italiana S.p.A.’s ordinary no-par shares owned by MidCo S.p.A, and representing a total of 51% of the Company’s voting shares, are subject to a first ranking pledge in favour of Intesa Sanpaolo S.p.A., UniCredit Factoring S.p.A., Banca Monte dei Paschi di Siena S.p.A., MPS Leasing & Factoring, Banca per i servizi finanziari alle Imprese S.p.A. and Factorit S.p.A..

Approval of the financial statements for the year ended 31 December 2014

On 31 March 2015, Alitalia’s Board of Directors approved the Company’s financial statements for the year ended 31 December 2014, which were to be presented to shareholders with the following proposals:

- to approve Alitalia’s financial statements for the year ended 31 December 2014, reporting a loss for the year of €262,148 and negative equity after the loss of €212,148, automatically recapitalised from 1 January 2015, the effective date of the capital increases approved on 19 December 2014 and fully subscribed and paid in on 22 December 2014;
- to carry forward the above loss;
- to acknowledge that art. 2447 of the Italian Civil Code does not apply, given that both capital increases were fully subscribed and paid in by the shareholders (the resulting cash was received by the Company on 23 December) before the end of the year and from 1 January 2015 the Company had net assets as a result of the capital increases.

RESERVE RESTRICTIONS UNDER THE ARTICLES

Article 11.1 of the Articles of Association in force prevents shareholders from distributing annual profits and available reserves without the favourable vote of a majority of the holders of Class B shares.

Pending litigation

A description of the Group's main legal disputes and the related expected outcomes is provided in the following section.

Regarding the transfer of the airline business from CAI to Alitalia SAI with effect from 1 January 2015, it should be noted that disputes and liabilities related to the airline business have been included in the contribution, including among others (i) civil cases regarding transportation, (ii) administrative and regulatory disputes and (iii) disputes with suppliers.

In contrast, the Transferor, CAI, has retained responsibility for disputes and liabilities not strictly related to the airline business, including among others: (i) the liabilities, including contingent liabilities, deriving from the contractual relationships existing between CAI, on the one hand, and Toto Holding S.r.l., Aircraft Purchase Fleet Ltd. and their subsidiaries and associates (the "Toto Group"); (ii) disputes between CAI and Wind Jet S.p.A. or between CAI and G&C Holding S.r.l.; and (iii) certain tax liabilities under review/dispute related to fiscal years preceding the contribution date.

CIVIL CASES REGARDING TRANSPORTATION

Litigation for passenger, baggage and cargo service failures in Italy and abroad

There are approximately 2,400 pending civil cases brought against Alitalia in Italy. The Company received a total of 450 new writs of summons during the period.

A total of approximately 220 cases were closed during the period, with around 50 settled out of court, at a cost of approximately €50,000, and approximately 170 cases settled on the basis of a court decision, at a cost of approximately €300,000.

Abroad, especially in certain countries, the number of disputes for transportation service failures and related matters (injuries, agency claims) is very large. The overall risk is estimated to amount to approximately 30% of the requested amount, equal to a total of €12 million.

Based on the analyses performed, with support from counsel, the likely risk of loss for transportation disputes in Italy (including the risk related to proceedings by the competition authority, see below) and abroad is estimated to amount to €6,569,000 (see section on provisions in the Explanatory Notes).

There are no transportation disputes of a nature or amount other than those analysed above.

1. Altro Consumo versus Alitalia

With a writ of summons at the Court of Civitavecchia, Altroconsumo initiated cease-and-desist action and declaration of nullity for the unconscionable nature of a large number of clauses under the Terms and Conditions of Transportation.

The first hearing was held on 15 January 2014, while the hearing for the submission of pleadings was scheduled for 30 June 2016. The value of this case is undefined. The Company is likely to lose in relation to certain clauses, may lose regarding others, while the risk of loss for the remaining ones is remote. A decision against the Company may be detrimental in terms of legal costs and corporate image. So far, no request for compensation has been put forth, nor could it be.

2. Litigation in the USA – Class action Gurevich & others vs Alitalia

In March 2011, a class action was initiated in the Court of Chicago against Alitalia and other European and US airlines (Delta, Continental, Lufthansa, Iberia, British Airways) to provide compensation, under European Regulation 261/2004 for cancellations, delays and overbookings, to US citizens who claim that they are entitled to it. The complex legal case has been reviewed by different parallel jurisdictions and by the US DOT, which was involved in the case.

Most courts that have handled cases against the various companies involved in similar actions have dismissed them, including the case brought against Alitalia. The plaintiffs appealed these decisions but the outcome should be in favour of the carriers.

The Group's legal team regards as remote the risk of losses in this case.

ADMINISTRATIVE DISPUTES

1) New Livingstone administrative dispute against the cancellation of the award of the Alghero-Fiumicino route under a public service obligation regime**.**

With a measure dated 24 April 2014, Sardinia Regional Authority cancelled the award of the Alghero-Fiumicino route to New Livingston, due to this company's failure to post a surety, assigning it simultaneously to Alitalia as the bidder ranked second in the tender process.

New Livingston filed various appeals against the Regional Authority's decision with the Regional Administrative Court ("TAR") of the Lazio Region, the Regional Administrative Court ("TAR") of the Sardinia Region and the Council of State. The appeals were rejected. New Livingston ceased operating in October 2014.

New Livingston has withdrawn its challenge before the Council of State, but filed appeal against the decision of the TAR of the Sardinia Region. Alitalia is third-party counterparty.

The Group's legal team regards as remote the risk of losses in this case.

2) Appeal to the Regional Administrative Court of the Lazio Region and the Tax Tribunal for cancellation of the IRESA tax

IRESA (regional tax on aircraft noise) was introduced in Italy with Law no. 342 dated 21 November 2000. Effective 1 January 2013, this became a "regional tax" and is administered by the different regions in widely diverse manners. Lazio Regional Authority introduced it with Regional Law no. 2 of 29 April 2013 (2013 Budget Act, annex 2), applying amounts much higher than those of other regions. Following reports by Alitalia to the Competition Authority (AGM) and a recommendation from the AGM to the Italian State, the law was amended by article 13, paragraph 15-bis, of Law no. 9/14 which converted into Law Decree 145/2013 (so-called "*Destinazione Italia*" legislation), which introduced significant changes in terms of both maximum applicable tax rates (introduction of a cap of 0.5) and determination criteria, "to prevent distortions in competition among airports".

Despite the changes introduced by Law no. 9/14, Lazio Regional Authority requested Aeroporti di Roma (ADR), in its capacity as Rome's airport operator, to collect the tax from airlines operating from Rome's airports, as calculated on the basis of the rates provided for by the Regional Law, also for the periods following the entry into force of the national legislation, disregarding the maximum applicable tax rate established by the latter.

In this regard, in 2014 both Alitalia and Air One filed a total of 16 complaints with the Regional Administrative Court and with the Tax Tribunal against Lazio Regional Authority and ADR, to have the tax levied by Lazio Regional Authority declared illegal and for the cancellation of the payment orders sent to Alitalia and Air One. In April 2014, Lazio Regional Authority filed an appeal with the Constitutional Court to void article 13, paragraph 15-bis, of Law no. 9/14, which converted Law Decree no. 145/2013 into law.
In 2015, the Constitutional Court published the decision whereby it rejected in its entirety the appeal brought by Lazio Regional Authority, thus confirming that national legislation should prevail over regional laws.
At the date of preparation of this document (April 2015), a ruling is awaited from the Tax Tribunal for the Province of Rome in relation to cancellation of the payment orders sent to Alitalia and Air One in excess of the tax rate contained in the "*Destinazione Italia*" legislation.

3) Complaint to the TAR Lazio - Ryanair/ENAC - versus Alitalia as third-party counterparty

On 18 November 2014, Ryanair filed a complaint with the Regional Administrative Court ("TAR") of the Lazio Region against the measure adopted by ENAC on 7 August 2014, whereby Alitalia was assigned, starting from the 2015 summer season, three weekly flights on the Rome – Tel Aviv route, at the end of a procedure in which Ryanair ranked fourth. On 19 March 2015, the Court requested the complainant to join as a party and postponed the hearing to review the merits of the case until July 2015. Considering the timing of the proceeding, Alitalia began to operate the routes assigned and will most likely continue to operate them for the entire summer season.
However, the risk of a negative outcome at the TAR is possible, especially in view of a binding opinion expressed by Italy's Competition Authority (*AGCM*), which reproached the Commission overseeing the ENAC tender with respect to discrimination against the competing airlines, with reasons similar to those adopted in the Ryanair complaint.
The damage is related to a possible cancellation by ENAC or voidance by the TAR of the assignment of the route to Alitalia, though only with respect to the final months of the summer season, given the timing of the proceeding.

4) Complaint filed with the TAR by Germanwings and Air Dolomiti against the Linate Decree

On 10 December 2014, notice was served in relation to the complaints filed by Germanwings and Air Dolomiti before the TAR of the Lazio Region against the Ministry of Transportation and ENAC, Assoclearance and Alitalia, for the voidance, after a stay, of Ministerial Decree 395 dated 1 October 2014 (the so-called "Linate Decree"). Eventually, Swiss notified that it had joined the proceeding in the form of a supporting joinder.
At the hearing for the stay held on 19 February 2015, the TAR of the Lazio Region declared its lack of jurisdiction, in favour of the TAR of the Lombardy Region. Accordingly, the case was resumed in that venue

and at the hearing for the stay, held on 16 April 2015, the TAR of the Lombardy Region postponed the hearing on the merits of the case without granting the stay. The new hearing will be probably scheduled in July or September 2015.

Voidance of the Decree would have very significant consequences for Alitalia, considering that the current network plan for Linate and Northern Italy is based on the organization of traffic from/for Linate established by the Decree.

Attention is called also to the EU Pilot[7] procedure against Italy, initiated by the DG MOVE[8], due to its failure to notify the Decree to the Commission.

Currently, it is hard to assess the risk of voidance of the decree, though this outcome cannot be ruled out.

COMPETITION AUTHORITY PROCEEDINGS: COMPETITION AND THE CONSUMER CODE

1. IP222/2015: failure to comply with the ruling of 27 November 2013, relating to the no-show rule

In 2013, notification was served on the opening of a procedure for unfair commercial practices regarding three different cases, which resulted in fines totalling €120,000.

Alitalia appealed the decision before the Regional Administrative Court ("TAR") in relation to the no-show rule and the identification of the carrier (Carpatair wet lease).

Regarding commercial practices on the no-show rule, Alitalia adopted AGCM's recommendations on the improvement of the levels of information provided to passengers, but did not accept to implement steps intended in essence to counter the effects of application of the rule.

Accordingly, on 20 June 2014, the Authority notified the opening of a non-compliance procedure (IP207/2014), which ended on 7 December 2014 with a fine of €60,000.

The non-compliance decision was appealed before the TAR.

Following significant pressure exercised with regard to the pending appeal before the TAR Lazio, a hearing on the merits was scheduled for 3 June 2015.

On 12 March 2015, the Authority sent a further request for information (IP222/2015) on the measures adopted to achieve compliance, which is indicative of the intention to inflict additional fines.

Accordingly, Alitalia communicated to the Authority its intention to implement several measures to change the way the no-show rule is currently applied – which the Authority considered suitable when they were applied by other carriers (Air France and Lufthansa) – to thwart any punitive intentions and to show, during the hearing before the TAR, a conduct respectful of the AGCM's rulings.

However, it cannot be ruled out that the measures proposed by Alitalia might be considered partially insufficient, thus resulting in an additional fine, or, if considered sufficient, a fine may be inflicted for the period of non-compliance with the measures required by the AGCM.

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[7] EU Pilot is the tool that the European Commission has available to communicate with member states on issues concerning the proper application of EU laws or the compliance of national legislation with EU laws in an initial phase, before the formal opening of the infringement procedure.

[8] Directorate-General for Mobility and Transport (DG MOVE) – European Commission: responsible for transportation within the European Union.

The risk of additional fines has been quantified as €60,000.
Loss in the proceedings before the TAR is probable.

EU COMPETITION PROCEDURES

1. Case Comp:/39.964 AF-KL/DL/AZ on the Transatlantic JV

On 27 January 2012, the European Commission opened a procedure on the Transatlantic JV among Air France-KLM, Delta and Alitalia, to determine whether cooperation among these carriers, on the routes between Europe and the United States, was such as to restrict competition to the detriment of consumers, in breach of article 101 TFEU (Treaty on the Functioning of the European Union).
A decision was made with the partners to enter into the procedure provided for by article 9 of Regulation no. 1/2003, which makes it possible, through a negotiation process with the Commission, to avoid formal charges and the subsequent imposition of commitments and fines. Pursuant to article 9, the procedure requires that the parties present the commitments negotiated with the Commission, to offset any restriction on competition created by the arrangements.
All the partners are represented by the law firm of WSGR-Wilson Sonsini Goodrich & Rosati, LLP, Brussels.
Following submission of defence briefs and protracted negotiations, the Commission confirmed the request of a package of commitments for the Fiumicino-New York, Paris-New York and Amsterdam-New York routes, similar to those provided by the other Alliances operating on Europe/US routes, namely previous procedures regarding One World, which ended in 2010, and Star Alliance, which ended in 2013.
The commitment packages offered by the parties involve, briefly:

1) Offer to release slots on the Fiumicino-New York and on the Amsterdam-New York routes to allow a new entrant to schedule up to 7 flights per week;
2) Allow "fare combinability", upon request of an airline that starts operating or increases its flight frequency on the three routes without having a hub at these airports. This concession has been requested in relation to all fare levels for the Rome-NYC and Paris-NYC routes and only on Premium fares for the Paris-NYC route;
3) Sign Special Prorate Agreements, upon request, with a carrier that does not have a hub and starts operating on the routes;
4) Allow entry into the Parties' FFP - Frequent Flyer Programs to a carrier that does not have one or does not participate in one of the FFPs run by Alitalia, Air France-KLM and Delta on the routes in question.

The negotiation procedure is headed for the expected outcome of a decision accepting the commitments presented and should be completed in the next few months.

Therefore, the risk that the Commission starts a procedure with charges, fines and/or a prohibition to continue working with the Partners appears very remote.

2. Commitments deriving from the Decision of the European Commission of 14 December 2014 on the Alitalia-Etihad merger

With the decision to authorise the purchase of 49% of Alitalia by Etihad, the European Commission imposed a package of commitments to offset any restrictions to competition on the Rome-Belgrade route. On 9 December 2014, the Serbian Competition Authority cleared the merger, adopting the same commitments as those contained in the European Commission' decision.

The commitment package – for an operator that intends to operate on the route – involves:

1) An offer to release slots on the route to allow a new entrant to operate up to two flights a day;
2) To allow "fare combinability" upon request of the carrier that starts to operate or increases its flights on the route. Such fare combinability applies to all fare levels;
3) To sign a Special Prorate Agreement with the new entrant;
4) An Interline Agreement with the new entrant;
5) To allow a new entrant that does not have one to join the Parties' FFP - Frequent Flyer Programs.

The procedure to assign the benefits under the commitment package to any new entrants is managed by a Monitoring Trustee appointed by the parties and approved by the Commission.

For the 2015/2016 winter season, no carrier requested any slot on the basis of the commitment package.

TAX LITIGATION

1. Tax audit of the Group's Irish companies

For the fifteen **Irish companies** wholly owned by Compagnia Aerea Italiana S.p.A., on 13 May 2013 the tax authorities began a tax audit for the fiscal years 2002 to 2008 on tax residence.

This audit resulted from the seizure of documents at the offices of Alitalia on 7 November 2012 during a search carried out by the Prosecutor's Office in Rome at the request of magistrates in Catania in relation to a criminal investigation.

This audit was completed on 9 July 2013. The tax audit reports related to tax residence in Italy were served on Challey, Subho, APC11 and APC12 on 13 June 2013; APC, APC1, APC2 and APC3 on 27 June 2013 and APC4, APC5, APC6, APC7, APC8, APC9 and APC10 on 4 July 2013. The formal and substantive violations attributed to the companies related to IRES, IRAP and VAT. The companies began a discussion with the tax authorities before the issue of the relevant tax assessments.

At the end of those discussions, on 10 December 2013 the tax authorities and the companies agreed to draw up a Tax Audit report with the overall amount claimed by the tax authorities, setting out the following proposed settlements, totalling €38.4 million:

- IRPEG/IRES: tax assessment €6.2 million + penalties of €1.3 million
- IRAP: tax assessment €3.6 million + penalties of €0.7 million
- VAT: penalties of €9 million; regarding the tax, the tax deductible from the users of the aircraft could be deducted immediately from the tax payable;
- Withholdings: amount assessed €4.1 million + penalties of €2.2 million
- Legal interest €11.3 million.

On 16 December, the company submitted a settlement request on the basis of the above-mentioned tax audit report.

The Irish companies signed a settlement on the dates indicated below with payment of the sums indicated by the repayment schedules in the individual assessments:

1. 11 December 2013 : €0.3 million
2. 13 December 2013: €1.9 million
3. 19 December 2013: €2.2 million.

As of 31 March 2015, the balance of the amount due under the above settlement is approximately €15,462,000.

With reference to the tax residence issue for the Irish companies, on 16 October 2014, the tax authorities notified the fifteen companies of the start of a tax audit for fiscal year 2009. This audit was completed on 24 April 2015 with notification of the tax audit report for APC LTD, APC1 LTD, APC2 LTD, APC3 LTD, APC4 LTD, APC5 LTD, APC6 LTD, APC7 LTD, APC8 LTD, APC9 LTD and APC10 LTD, while the tax audit report for CHALLEY, SUBHO LTD, APC11 LTD and APC12 LTD was notified on 24 February 2015. Also with reference to fiscal year 2009, the Italian tax authorities claimed that the Irish companies resided in Italy for most of the fiscal period in question, while recognising that, as of 2010, changes were made to the Irish structure, following CAI's acquisition of the Challey group. The authorities also noted CAI's submissions, presented in accordance with art. 167, paragraph 8-*bis* of the Consolidated Tax Act, in relation to the Irish subsidiaries, APC, APC 2, APC 3, APC 10, APC 11 and APC 12, meaning the companies that, with regard to fiscal year 2010, were adjudged to qualify for application of so-called CFC (Controlled Foreign Companies) regulations. These submission, according to the tax auditors, "produces similar substantive effects as the national laws on 'tax residence'".

The companies began talks, through the tax and law firm retained by the companies, with the office that performed the audit before the relevant conclusion(s) are issued. Discussions are still under way. As at 31 December 2014, the Group has made provisions of €13,250,000 in relation to the audit findings regarding fiscal year 2009. The provisions were based on the opinion of the counsel who retained to represent the Company.

2. Tax audit of CAI Second S.p.A.

A general audit of CAI Second S.p.A., carried out by the tax authorities in the Lazio region and which began on 19 February 2015, regarded direct and indirect taxation for 2012. The audit was then concluded with notification of a final tax assessment on 25 June 2015.

The above assessment contains 3 findings regarding taxation for 2010, 2011 and 2012, relating to recognition in the financial statements and subsequent amortisation of slot rights, goodwill and licences and trademarks resulting from the acquisition of assets and contractual rights from Volare Spa, an airline placed in extraordinary administration, in 2009.

The company intends to contest the tax authorities' findings, as set out in the above tax assessment.

3. Tax audit of Alitalia Cityliner S.p.A.

The tax audit relating to customs-related matters conducted by the tax authorities in Rome, which began on 6 November 2013 and was completed on 6 December 2013, regarded imports, export sales and similar transactions, international services and services provided outside the EU for fiscal year 2011. On 28 January 2014, the company submitted a defence brief to the tax authorities, requesting dismissal of the final tax assessment notified on completion of the above audit, which found that VAT of €35,000 had been erroneously deducted at the time of the periodic payment for May 2013. The VAT, which related to goods purchased from suppliers outside the EU, had been deducted due to erroneous completion of two import duty invoices. No further contact has been had with the tax authorities in relation to this matter.

It is worthy of note that these matters are not covered by the agreement governing contribution of the business from CAI to Alitalia – Società Aerea Italiana, where it is clearly indicated that the liabilities excluded from the contribution include “tax liabilities arising from facts, events or circumstances occurring prior to the Contribution Date”.

Research and development activities

In the period under review, the Company did not perform any research and development activities falling within the purview of Italian Accounting Standard OIC 24.

CONSOLIDATED INTERIM FINANCIAL STATEMENS AND EXPLANATORY NOTES AT 31 march 2015

Consolidated Interim Financial Statements

Consolidated Balance Sheet

(in thousand of euro)

				31.03.2015	
	ASSETS				
A)	**DUE FROM SHAREHOLDERS**				
B)	**FIXED ASSETS**				
I	**INTANGIBLE ASSETS**				
3)	. Industrial patents and other intellectual property rights		28,848		
4)	.Trademarks and licences		146,161		
5)	. Goodwill		161,444		
6)	. Intangible fixed assets in progress and advance payments		20,941		
7)	. Other intangible fixed assets		55,487		
8)	. Consolidation differences			412,881	
II	**TANGIBLE FIXED ASSETS**				
2)	. Machinery and equipment:				
	a) Fleet	*564,654*			
	b) Other machinery and equipment	*3,434*	568,088		
3)	. Industrial and commercial equipment		7,724		
4)	. Other fixed assets		7,134		
5)	. Tangible fixed assets in progress and advance payments		24,746	607,691	
III	**FINANCIAL FIXED ASSETS**				
1)	. Investments in:				
	b) associated companies	*26,677*			
	d) other companies	*2,242*	28,919		
2)	. Receivables:				
	c) due from holding	*29,581*			
	d) due from other	*577,128*	606,709		
3)	. Other financial assets			635,628	
	Total fixed assets			**1,656,200**	
C)	**CURRENT ASSETS**				
I	**INVENTORIES**				
1)	. Technical and consumable materials		50,126		
6)	. Goods for sale		201,592	251,718	
II	**RECEIVABLES**				
1)	. Trade receivables		317,902		
4)	. Due from Holding		5,618		
4bis)	. Tax credits		504		
4ter)	. Deferred tax assets		34,623		
5)	. Other receivables		148,989	507,636	
III	**CURRENT FINANCIAL ASSETS**				
IV	**CASH AND BANK**				
1)	. Bank and post office accounts		280,620		
3)	. Cash and cash equivalents on hand			280,620	
	Total current assets			**1,039,974**	
D)	**ACCRUED INCOME AND PREPAID EXPENSES**		38,516	**38,516**	
	TOTAL ASSETS			**2,734,690**	

(*) due after less than a year
(**) due after more than a year

Consolidated Balance Sheet

(in thousand of euro)

				31.03.2015	
	LIABILITIES AND SHAREHOLDERS' EQUITY				
A)	**SHAREHOLDERS' EQUITY**				
I	. SHARE CAPITAL				103,105
II	. SHARE PREMIUM RESERVE				687,711
III	. REVALUATION RESERVES				
IV	. LEGAL RESERVE				
V	. STATUTORY RESERVE				
VII	. OTHER RESERVES				
	6 .Other reserves				(135,702)
VIII	. RETAINED EARNINGS (Accumulated losses)				(262)
IX	. NET PROFIT (LOSS) FOR THE PERIOD				(100,183)
	Losses rescheduled during period				
	Consolidated shareholders' equity of Group				554,669
	Total Equity				**554,669**
B)	**PROVISIONS FOR LIABILITIES AND CHARGES**				
	2.- Taxation, included deferred tax			53,155	
	3.- Other:				
	a) MilleMiglia provision				
	b) Technical area provision		*480,035*		
	c) Provision for restructuring		*1,626*		
	d) Other provisions		*141,895*	623,556	**676,711**
	Total Provisions				
C)	**PROVISION FOR EMPLOYEE SEVERANCE PAY (TFR)**				**8,576**
D)	**DEBTS**				
4)	*Due to banks*	*** 120,338*		343,086	
5)	*Due to other lenders*	*** 1,320*		3,832	
6)	*Payments on account*			3,158	
7)	*Trade payables*			665,539	
10)	*Due to associated companies*			5,438	
11)	*Due to holding*			34,102	
12)	*Due to tax autorities*	*** 9,277*		19,795	
13)	*Due to social istitutions*			15,825	
14)	*Other Liabilities*				
	a) Prepaid ticket		*355,597*		
	b) Due to other		*41,362*	396,959	
	Total debts				**1,487,734**
E)	**E) ACCRUED EXPENSES AND DEFERRED INCOME**			7,000	**7,000**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				**2,734,690**

(*) due after less than a year

(**) due after more than a year

CONSOLIDATED INCOME STATEMENT

(amounts in thousands of Euro)

		31.03.2015
A) PRODUCTION VALUE		
1.- Revenues from sales and services		589,534
2.- Change in inventory of work in progress		
3.- Change in work in progress on orders		
4.- Capitalisation of internal costs		3,796
5.- Other operating revenues		31,393
Total production value		624,723
B) PRODUCTION COSTS		
6.- for technical materials, fuel and other consumables and goods		(216,964)
7.- for services		(305,935)
8.- for leases and rentals		(102,908)
9.- for employees		
a) wages and salaries	(113,982)	
b) social contributions	(19,835)	
c) employee severance pays	(5,672)	
d) pensions and similar benefits	(773)	
e) other costs	(3,212)	(143,474)
10.- Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	(16,483)	
b) depreciation of tangible fixed assets	(17,225)	
c) other devaluations of fixed assets		
d) writedown of current receivables included in working capital and cash and bank	(2,344)	(36,052)
11.- Change in inventory of technical materials, consumables and goods		2,759
12.- Provisions for risks		(1,163)
13.- Other provisions		
14.- Other operating costs		(23,420)
Total production costs		(827,158)
Difference between production value and costs		**(202,434)**
C) FINANCIAL REVENUES AND LOSSES		
16.- Other financial revenues		
d) miscellaneous financial revenues	287	287
17.- Interest and other financial charges		
d) income other than the above		(4,006)
17bis.- Currency translation gains or losses		9,466
Total financial revenues and losses		**5,748**
D) FINANCIAL-ACTIVITY VALUE ADJUSTMENTS		
18.- Write-ups		
19.- Write-downs		
Total adjustments		
E) EXTRAORDINARY REVENUES AND CHARGES		
20.- Revenues		183,685
21.- Charges		(89,553)
Total extraordinary items		**94,132**
Profit (Loss) before taxation		(102,555)
22.- Income taxes for the period		2,372
23.- Net Profit (Loss) for the period		**(100,183)**

CONSOLIDATED MEMORANDUM ACCOUNTS

(in thousand euros)

		31.03.2015
1) PERSONAL GUARANTEES		
2) COLLATERALS		
3) PURCHASE AND SALE COMMITMENTS		
a) Purchase commitments		
For miscellaneous service procurement	1,603,961	
For derivative instruments	1,868,123	
		3,472,084
4) OTHER MEMORANDUM ACCOUNTS		
a) Third-party properties held on deposit or under lease	2,540,989	
b) Own properties held by third parties	94,357	
c) Risks	60,564	
d) Guarantees received from third parties	1,492	
e) Third-party guarantees for company commitments	198,810	**2,896,211**
TOTAL		**6,368,295**

Explanatory Notes

Part A–Group's activities, financial statement layouts and accounting principles

As mentioned several times previously, the Alitalia – SAI Group commenced operations on 1 January 2015, following the effectiveness a complex corporate transaction between Compagnia Aerea Italiana and Etihad Airways, completed in 2014. This aimed to create a major strategic partnership, guaranteeing the Group a sound financial position and a solid earnings outlook.

With reference to the information provided in the CAI Group's consolidated financial statements for the year ended 31 December 2014, and information provided in the previous pages, the SAI Group's opening balance sheet as at 1 January 2015 is shown below. This results from CAI's contribution of the airline business previously operated by CAI itself, and the cash payment made by Etihad in the form of a capital contribution.

Very briefly, following completion of the above transactions, based on a value of €403 million for the business transferred and Etihad's cash injection of €387 million, the SAI Group's consolidated balance sheet as at 1 January 2015 shows the following:

- total assets of €2,646 million, including the value of the "Alitalia" brand, amounting to €145 million, and goodwill of €165 million;
- payables and provisions totalling €1,977 million;
- net equity of €669 million.

To aid readers of the consolidated interim financial statements for the three months ended 31 March 2015, the following balance sheet shows the assets and liabilities accounted for in Alitalia SAI's consolidated financial statements following effectiveness of the capital increase on 1 January 2015.

Consolidated Balance Sheet

(in thousand of euro)

	ASSETS			Opening Balance 1.01.2015
A)	**DUE FROM SHAREHOLDERS**			
B)	**FIXED ASSETS**			
I	**INTANGIBLE ASSETS**			
3)	. Industrial patents and other intellectual property rights		29,744	
4)	.Trademarks and licences		148,023	
5)	. Goodwill		164,541	
6)	. Intangible fixed assets in progress and advance payments		17,091	
7)	. Other intangible fixed assets		54,265	
8)	. Consolidation differences			413,664
II	**TANGIBLE FIXED ASSETS**			
2)	. Machinery and equipment:			
	a) Fleet	*698,426*		
	b) Other machinery and equipment	*3,384*	701,810	
3)	. Industrial and commercial equipment		7,279	
4)	. Other fixed assets		6,310	
5)	. Tangible fixed assets in progress and advance payments		16,772	732,170
III	**FINANCIAL FIXED ASSETS**			
1)	. Investments in:			
	b) associated companies			
	d) other companies		2,242	
2)	. Receivables:			
	c) due from holding	*29,581*		
	d) due from other	*502,802*	532,383	
3)	. Other financial assets			534,625
	Total fixed assets			**1,680,459**
C)	**CURRENT ASSETS**			
I	**INVENTORIES**			
1)	. Technical and consumable materials		47,367	
6)	. Goods for sale		143,018	190,385
II	**RECEIVABLES**			
1)	. Trade receivables		221,958	
4)	. Due from Holding			
4bis)	. Tax credits		2,140	
4ter)	. Deferred tax assets		35,467	
5)	. Other receivables		118,316	377,881
III	**CURRENT FINANCIAL ASSETS**			
IV	**CASH AND BANK**			
1)	. Bank and post office accounts		377,560	
3)	. Cash and cash equivalents on hand		403	377,963
	Total current assets			**946,229**
D)	**ACCRUED INCOME AND PREPAID EXPENSES**		19,194	**19,194**
	TOTAL ASSETS			**2,645,882**

(*) due after less than a year
(**) due after more than a year

Consolidated Balance Sheet

(in thousand of euro)

						Opening Balance 1.01.2015
	LIABILITIES AND SHAREHOLDERS' EQUITY					
A)	**SHAREHOLDERS' EQUITY**					
I	. SHARE CAPITAL					103,105
II	. SHARE PREMIUM RESERVE					687,711
III	. REVALUATION RESERVES					
IV	. LEGAL RESERVE					
V	. STATUTORY RESERVE					
VII	. OTHER RESERVES					
	6 .Other reserves					(121,595)
VIII	. RETAINED EARNINGS (Accumulated losses)					(262)
IX	. NET PROFIT (LOSS) FOR THE PERIOD					
	Losses rescheduled during period					
	Consolidated shareholders' equity of Group					668,959
	Total Equity					**668,959**
B)	**PROVISIONS FOR LIABILITIES AND CHARGES**					
	2.- Taxation, included deferred tax				55,265	
	3.- Other:					
	a) MilleMiglia Provision			*35,530*		
	b) Technical area provision			*414,875*		
	c) Provision restructuring			*3,021*		
	d) Other provisions			*52,136*	505,562	**560,827**
	Total Provisions					
C)	**PROVISION FOR EMPLOYEE SEVERANCE PAY (TFR)**					**8,582**
D)	**DEBTS**					
4)	*Due to banks*	**	*133,248*		407,550	
5)	*Due to other lenders*	**	*1,963*		4,434	
6)	*Payments on account*				343	
7)	*Trade payables*	**	*189*		626,889	
10)	*Due to associated companies*					
11)	*Due to holding*				34,102	
12)	*Due to tax autorities*	**	*9,277*		29,528	
13)	*Due to social istitutions*	**	*738*		20,541	
14)	*Other Liabilities*					
	a) Prepaid ticket			*223,371*		
	b) Due to other			*51,282*	274,653	
	Total debts					**1,398,038**
E)	**E) ACCRUED EXPENSES AND DEFERRED INCOME**				9,476	**9,476**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					**2,645,882**

(*) due after less than a year

(**) due after more than a year

Consolidation area

The consolidation area is shown in the following table, showing the Group companies controlled by Alitalia S.A.I. S.p.A. as at 31 March 2015:

Subsidiary	***Parent Company***	***% shareholding***
CAI FIRST S.p.A. – Fiumicino (RM) Share capital: €1,120,000.00 fully paid-in	Alitalia – Società Aerea Italiana S.p.A.	100%
CAI SECOND S.p.A. – Fiumicino (RM) Share capital: €1,120,000.00 fully paid-in	Alitalia – Società Aerea Italiana S.p.A.	100%
Alitalia CityLiner S.p.A. – Fiumicino (RM) Share capital: €1,000,000.00 fully paid-in	Alitalia – Società Aerea Italiana S.p.A.	100%
Challey Ltd – Dublin (Eire) Share capital: €25,704,500.00 fully paid-in	Alitalia – Società Aerea Italiana S.p.A.	100%
Aircraft Purchase Company Ltd – Dublin (Eire) Share capital: approved €5,500,000.00 of which €50,000,00 paid-in	Challey Ltd	100%
SubHo Ltd - Dublin (Eire) Share capital: €100,000.00 fully paid-in	Challey Ltd	100%
Aircraft Purchase Company 1 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 2 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 3 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 4 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 5 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 6 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 7 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 8 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 9 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 10 Ltd – Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 11 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%
Aircraft Purchase Company 12 Ltd - Dublin (Eire) Share capital: €50,000.00 fully paid-in	SubHo Ltd	100%

All the consolidated companies end their financial year on 31 December.

Consolidation criteria

Control is deemed to exist when the Parent Company can govern the financial and operating policies of another company, a subsidiary, to gain benefits from its operations.
Where necessary, adjustments are made to the subsidiaries' financial statements to align their accounting policies to those adopted by the Group.

The accounts of consolidated subsidiaries are combined on a line-by-line basis, as follows:

- assets, liabilities, costs and revenues are added for their full amount, regardless of the percentage of ownership held and attributing to non-controlling interests, in the designated balance sheet and income statement line items, the share of equity and profit attributable to them;
- investments held by the Parent Company in the subsidiaries are eliminated against the corresponding portions of the subsidiaries' equity;
- receivables, payables, costs and revenues, including dividends, arising from transactions between consolidated companies are eliminated;
- profits and losses arising from transactions between consolidated companies are eliminated, recording the relevant taxation.

Any difference between the carrying amount of investments and the corresponding equity portions arising on the acquisition date are allocated, where possible, to assets and liabilities, while any unallocated amount is recognised, if positive, in assets as "Goodwill arising from consolidation"; if negative, the amount is recognised either as "Provisions for future risks and charges" or directly in equity as "Negative goodwill", depending on whether the company's earnings projections are favourable.

All consolidated subsidiaries have the same presentation currency as the Parent Company (i.e., the euro).

Structure and content of the financial statements

As described in more detail above, the strategic transaction between Compagnia Aerea Italiana S.p.A. (formerly "Alitalia - Compagnia Aerea Italiana S.p.A.") and Etihad Airways P.J.S.C. ("Etihad") closed in December 2014 and, with effect from 1 January 2015, the airline business was transferred in subscription and as full in-kind payment for the new shares issued in accordance with the capital increase approved by the Extraordinary Meeting of the shareholders of the newly established Alitalia – Società Aerea Italiana S.p.A..

The above contribution, effective 1 January 2015, included the investments in CAI First S.p.A., CAI Second S.p.A., Alitalia CityLiner S.p.A., Challey Limited and Alitalia Loyalty S.p.A., the latter deconsolidated during the period following a loss of control due to the sale described above.

Alitalia – SAI was thus established on 24 September 2014 and, therefore, prepared its first statutory financial statements for the year ended 31 December 2014. In addition, given that it commenced operations from 1 January 2015, the effective date of the above contribution, it did not prepare consolidated financial statements for the year ended 31 December 2014.
As a result, the Alitalia Group's consolidated interim financial statements for the three months ended 31 March 2015 do not present comparative amounts, as these are the first consolidated financial statements to be prepared by the Group.

The consolidated financial statements for the three months ended 31 March 2015 have been prepared in accordance with the provisions and the formats provided for by Legislative Decree 127/91 and are shown in thousands of euros.

Accounting principles

The accounting principles used to prepare the consolidated interim financial statements are those provided for by the Italian Civil Code as applicable to the preparation of interim accounts, which require the adoption of the accrual basis of accounting, a prudent approach, the going concern assumption, consistency of accounting policies and prevalence of the economic substance of transactions over their formal aspects. Such principles are interpreted and supplemented with those recommended by the Italian Accounting Standards Setter (the OIC). In particular, these consolidated interim financial statements have been prepared in accordance with OIC 30.

Preparation of the consolidated interim financial statements requires management to make estimates and assumptions affecting the value of the recognised revenue, costs, assets and liabilities and of disclosures of contingent assets and liabilities at the end of the reporting period.

Should, in the future, the estimates and assumptions used by management differ from the actual circumstances, they are adjusted accordingly in the year in which the difference in circumstances occurs.

Certain measurement processes are generally carried out in full only during preparation of the annual financial statements, when all the necessary information is available, unless there are indications that immediate measurement of an impairment is required.

Internal procedures, the availability of management accounts and their close monitoring ensure that disclosures are, in any event, reliable.

Accounting policies

The main accounting policies adopted to prepare the consolidated interim financial statements are illustrated below.

INTANGIBLE FIXED ASSETS

Intangible assets are entered at cost, inclusive of ancillary charges directly attributable to them.

Intangible assets with finite useful lives are amortised on a straight line basis over their useful lives.

In the presence of any impairment, regardless of any accumulated amortisation, the impaired intangible asset is written down. If, in subsequent years, the reason for the impairment no longer applies, the original amount is reinstated, as adjusted solely for any accumulated amortisation.

Capitalised costs

These are recognised with the consent of the Board of Statutory Auditors and are amortised over a period of up to five years.

Goodwill

Goodwill arising from acquisitions is recognised as a fixed asset and amortised on a straight-line basis over a period of up to twenty years.

Goodwill is tested for impairment at least once a year to determine the recoverable amount of net invested capital.

Other intangible assets

- Patents

Industrial patent rights are recognised initially at cost and are amortised on a straight-line basis over their useful lives (5-10 years).

- Trademarks

Trademarks purchased for consideration or obtained as a result of a business combination are recognised as intangible assets, if they can be distinguished from goodwill.

The amortisation period is typically the shorter of the period to produce and sell on an exclusive basis the goods and services to which the trademark refers and twenty years.

- Leasehold improvements

Leasehold improvements by the Group are capitalised and recognised as intangible assets if the improvements and the value-accretive expenditures cannot be separated from the assets (i.e. they cannot function separately), otherwise they are recognised as “Tangible assets” in the category to which they belong.

Capitalised costs incurred for leasehold improvements are amortised at the earlier of the lease’s expiration date (considering any renewals) and the end of the useful life of the expenses incurred.

In particular, capitalised expenses include those incurred for:

- changes and improvements, other than heavy maintenance costs on aircraft and engines, to leased aircraft;
- changes and improvements to buildings or facilities owned by third parties.

TANGIBLE FIXED ASSETS

Tangible assets are recognised at cost, including any revaluation thereof pursuant to applicable special laws, minus any write-downs. Cost includes directly attributable ancillary charges and the cost of improvements, upgrades and conversions.

Tangible assets with a finite life are depreciated on a straight-line basis in accordance with their remaining useful lives.

The depreciable amount of a tangible asset is its original carrying amount minus the expected residual value at the end of their useful lives. According to OIC 16, the useful life of a tangible asset is the estimated amount that the Group expects to recover from the sale of the asset, minus any removal costs. Such amount is updated regularly, after it is estimated when the depreciation schedule is prepared on the basis of market prices for similar assets, in accordance with their characteristics and the manner in which they are utilised.

In case of impairment, regardless of any accumulated depreciation, the asset is written down. However, if the reasons for the impairment no longer apply, the original amount is reinstated as adjusted for any depreciation.

Plant, machinery, equipment and other tangible fixed assets

The Group has adopted, as a residual value of aircraft and engines, an amount equal to a percentage of their historical cost, in line with prevailing practices in the airline industry. More specifically, the percentage adopted for B777, A319, A320, A321 aircraft is 10%.

Useful life means the period in which the asset is deemed to be available for use by the Group.

Heavy maintenance costs for aircraft (D and IL checks) and engines (shop visits and APU overhauls), as well as maintenance costs for landing gear, are depreciated over the expected useful life of such activity, which is typically the time between two checks or overhauls.

Routine maintenance costs are expensed as incurred.

Phase-out costs for owned or leased aircraft are expensed in the year in which the aircraft is dismissed.

If the different components of a complex piece of equipment have different useful lives, they are recognised separately on the basis of such useful lives (the "component approach").

In particular, aircraft, which constitute a type of complex piece of equipment, have been broken down into the following components:

- airframe;
- heavy maintenance on the airframe (D and IL checks);
- heavy maintenance on the airframe (C, 2C checks)
- overhaul of thrust reversers;
- heavy maintenance on jet intakes;
- engine;
- heavy maintenance on the engine (shop visits);
- APU (auxiliary power unit) overhauls;
- landing gear maintenance.

Tangible assets are depreciated on a straight-line basis in accordance with their remaining useful lives.

More specifically, for the fleet, whose depreciation is in line with practices adopted in the airline industry, the following useful lives are used:

Useful lives of aircraft components (no. of years)							
Family	**Airframe**	**Cyclical ILO check**	**Landing gear maintenance**	**Engine**	**Thrust reversers and jet intakes**	**Shop visits**	**APU**
B777	20	8	10	20	6	5	5
A319, A320 and A321	20	6	10	20	6	5	5

Aircraft interior fittings are depreciated over 12 years.

Rotable components and spare engines

Rotables are large-value aircraft parts which can be rebuilt/overhauled and put back in stock to use again.

The Group capitalises rotables and depreciates them over a useful life that takes account of the period of time the relevant family of aircraft will remain in the fleet (whether owned or leased).

The table below shows the useful lives of other tangible assets:

Asset	Useful life (no. of years)
Plant	7-10
Flight simulators	10
Equipment	5-10
Test benches	10
Furniture, fittings and office equipment	8.5
Computers	5
Cars for civilian use	4
Internal transportation vehicles	5-10
Communication systems	5

Finance leases

Finance leases are accounted for in accordance with OIC 17, which requires consolidated financial statements to report all leases as finance leases.

FINANCIAL FIXED ASSETS

Securities and investments recorded as fixed assets

These are entered at cost and are written down in case of impairment. If the reasons for the impairment no longer apply, the value of the financial assets in question is reinstated for up to the original amount.

Investments in associates are measured using the equity method. They are initially recognised in the financial statements at the pro rata share of equity resulting from the latest financial statements prepared in accordance with articles 2423 and 2423-*bis* of the Italian Civil Code, after deducting dividends and making any adjustments required by the accounting standards governing the preparation of consolidated financial statements. In the first year of application, any goodwill resulting from the positive difference between the acquisition cost and the net assets acquired is allocated to the investment to the extent attributable to amortisable and depreciable assets or to goodwill attributable to investees. The difference allocated to amortisable and depreciable assets or to goodwill is amortised on the basis of the rates applicable to these assets. In future years, increases (decreases) in value resulting from application of this method are taken to profit or loss.

Financial receivables and cautionary deposits

These are recognised at the lower of their nominal value and the expected realisable/reimbursement value.

- Maintenance reserve receivables

Lease contracts may provide for the payment of an additional sum (i.e. Maintenance Reserve) to be held by the lessor as collateral against the credit risk arising from the lessee’s failure to perform the required maintenance during the term of the contract or otherwise before the aircraft is returned upon expiration of the contract.

The maintenance reserve is paid to the lessor on the basis of flight hours of the aircraft/engine.

IMPAIRMENT (“Impairment testing”)

The recoverability of the carrying amounts of tangible and intangible assets (including goodwill) is verified in accordance with the requirements of OIC 9.
At least once a year, the CAI Group assesses whether there are any indications of impairment of the carrying amounts of tangible and intangible assets. In evidence of such impairment is found, the recoverable amount of the asset is estimated in order to verify the recoverability of the carrying amount. Such carrying amount is tested by reference to the asset or the cash generating unit (CGU) to which the asset belongs, such CGU being "the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets".
The recoverable amount is the higher of fair value, minus selling costs, and value in use. In determining value in use, estimated future cash flows are discounted at a rate that reflects the time value of money and risks specific to the asset (WACC), to calculate their present value.
If the recoverable amount of an asset (or a CGU) is lower than the carrying amount, the latter must be written down to the recoverable amount. The relevant impairment losses are recognised in the income statement at the reporting date.

INVENTORIES

Inventories, which consist of spare parts and various materials, are classified into classes of similar items and measured at the lower of cost and replacement value.
Cost means weighted average cost.

- Assets held for sale

This item includes also goods to be sold; in fact, the characteristic of tangible assets to be associated with long-lasting factors and conditions is not intrinsic to the assets but to their purpose. Accordingly, if, as a result of a resolution by the Board of Directors or the Executive Committee, assets, such as aircraft, are no longer considered as fit for long-term use, they are reclassified from non-current assets to current assets, under the above caption. Therefore, as of the date of the resolution authorizing the reclassification, depreciation stops accruing and these assets are measured at the lower of cost, less accumulated depreciation, and expected realisable value.

SHORT-TERM RECEIVABLES

Short-term receivables are recognised at their expected realizable value, as resulting from the difference between their face value and the allowance for bad debts, which is deducted from the balance of the assets to which it refers.

CASH AND CASH EQUIVALENTS LIQUID ASSETS

Cash and cash equivalents are initially recognised, and subsequently measured, at their nominal value. In the presence of collection difficulties, they are reported at their expected realisable value.
They include:

- cash and stamps in hand, which are measured at their nominal value;
- "items in transit" reflect cash that at the end of the reporting period is being transferred from Alitalia's secondary places of business to headquarters; these items are recognised at their nominal value;
- bank deposits, post office deposits and cheques are recognised at their expected realisable value, since

they are considered receivables;

- foreign cash balances subject to restrictions are recorded at their expected realisable value.

EMPLOYEES' SEVERANCE PAY FUND

The employees' severance pay fund (SPF) has been established to cover the debt accrued towards employees in accordance with the applicable law and collective and company labour agreements. Where applicable, the fund reflects any applicable regulatory changes.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are made to meet losses or liabilities of a given nature, which are certain or likely, of which both the amount and the date of occurrence could not be determined at year-end. Provisions reflect the best possible estimate on the basis of the available information. The risks associated with contingent liabilities are indicated in the Explanatory Notes, without any provisions for liabilities and charges being made.

Maintenance reserve

This reserve reflects provisions made in connection with significant expenses incurred for maintenance activities performed regularly after a certain number of years or hours of operation, on the basis of a finance or operating lease agreement.

In fact, when the Group is required under a lease agreement to perform cyclical maintenance activities throughout the term of the lease agreement, it has to report this obligation in the balance sheet by establishing a specific reserve.

Provisions to this reserve are designed to allocate, according to the matching principle, costs incurred for maintenance activities that, even though they are performed after a certain number of years, relate to the asset's wear and tear occurred in the years preceding that in which maintenance is performed. Maintenance expenses are estimated on the basis of: (i) a price per unit and (ii) the number of hours or cycles necessary to reach the stage where specific maintenance is required in relation to the following components: (a) airframe, (b) engines, (c) APUs, and (d) landing gear.

In defining the number of flight hours or cycles necessary for a maintenance event, account is taken of the following:

- the expected date of the maintenance event;
- scheduled costs on the basis of the maintenance agreements in place;
- conditions of the component at the time of the maintenance event;
- the likely use of the asset in terms of flight hours or cycles until the date of the maintenance event.

In defining the price per unit of the maintenance reserve, account is taken, among others, of the terms and conditions applicable to the refundable maintenance reserve. In particular:

- if the maintenance event must take place before redelivery of the aircraft:
    - in the presence of the so-called refundable maintenance deposit clause - which allows the lessee to recover refundable maintenance reserve payments made also in case the cost of the maintenance event is lower than the balance of the maintenance reserve - the price per unit

will be equal to the estimated cost of the specific maintenance activity, regardless of the refundable maintenance reserve payments made;

  - in the absence of a refundable maintenance deposit provision, the price per unit will be at least equal to that equivalent to the refundable deposit maintenance payments made to the lessor, to offset any loss arising from the inability to collect the balance of the maintenance reserve held by the lessor;

- if no maintenance event must take place before redelivery of the aircraft, the price per unit will be equal to at least the refundable maintenance reserve payments made to the lessor, to offset any loss on the refundable amount that will take place by the expiration date of the lease agreement, via greater provisions to the maintenance reserve.

At each reporting date, the estimate of the provisions is reviewed and updated, in the event that the assumptions underlying it should change.

Provisions to and uses of this reserve are accounted for, on the basis of the principle of substance over form, in maintenance costs.

PAYABLES

Payables are recognised at their nominal value, which is deemed to reflect their expected extinguishment value.

Trade payables are discounted to their present value only if their nominal value exceeds by a substantial amount the market price of goods purchased for immediate payment and if the credit term extended exceeds to a significant extent the next twelve months. Amounts due to employees for unused holidays and for deferred compensation, including sums due to social security institutions, are set aside on the basis of the amount that should be paid in case of employment termination at the reporting date.

Payables arising from prepaid tickets refer to the Group’s exposure to third parties for air transportation services to be rendered.

ACCRUED EXPENSES AND DEFERRED INCOME

These items include costs and revenues which are recognised on an accrual basis.

Accruals and deferrals measure costs and revenues that are recognised in a year other than that in which the associated cash outlay or collection takes place.

FINANCIAL DERIVATIVES

The Group uses derivative financial instruments to hedge the risks of changes in commodity prices, exchange rates and interest rates.

A derivative is designated as a hedge when:

a) the Group intends to hedge;

b) there is a high correlation between the terms and conditions of the hedged asset/liability (maturity, interest rate, exchange rate, etc.) and those of the hedging contract;

c) the conditions under a) and b) above are supported by internal evidence.

Hedging derivatives are measured in keeping with the hedged assets, liabilities or commitments. Consequently, derivatives are recognised in the memorandum accounts at their notional value.
Changes in the realised portions of derivatives are recognised through profit or loss; changes related to the unrealised portions are recognised through profit or loss when the hedged risk materialises and has an impact on the income statement. Financial instruments that do not qualify for hedge accounting are measured at their fair value and the difference with the contract value, if negative, is recognised through profit or loss under "Financial income and expenses", in accordance with the prudence principle.
In the event that the Group changes the designation of a derivative contract as an effective hedge, and eventually sells it, hedge effectiveness is no longer tested on a prospective basis, as long as the hedged transaction takes place or is reasonably expected not to take place. In this sense, based on International Financial Reporting Standards, the replacement or rollover of a hedging instrument into another instrument does not signal extinguishment or termination, if this replacement or rollover is part of the Group's documented hedging strategy.

FOREIGN CURRENCY ENTRIES OR SUBJECT TO EXCHANGE RATE RISK

Assets and liabilities originally denominated in foreign currency are translated at the spot exchange rates prevailing at the reporting date. At year-end, foreign-denominated assets and liabilities, except non-current assets, are reported at the spot exchange rate quoted in the market at the reporting date, taking account of any hedging instrument. Foreign exchange gains and losses are recognised in a specific reserve and cannot be distributed unless they are realised.
Foreign currency non-current assets and liabilities are recognised at the lower of the exchange rate prevailing when they were purchased and the spot rate at the reporting date, if the negative change has determined an impairment of the non-current assets and liabilities.

Revenue recognition

Passenger and freight revenue is recognised in profit and loss when the passenger or cargo has been transported.
Revenue from sales is recognised when the goods are shipped and the Group has transferred to the buyer the risks and rewards of ownership.
Dividends are recognised when the right of the shareholders to collect them is declared.
Self-constructed assets reflect costs incurred internally by the Group, mainly personnel costs, that are capitalised as tangible and intangible assets. Specifically, the Group includes in this item also employee training and development costs, if such costs are related to implementation of a retraining programme or a restructuring of the business, with significant consequences for the operational and commercial structure, and are also intended to achieve future economic benefits.

GREENHOUSE GAS EMISSION ALLOWANCES

Costs for the obligation to deliver emission allowances to the competent national authorities are recognised on an accrual basis and entered under "Other operating costs" in the period in which the relevant obligation arises, in proportion to the greenhouse gas emissions produced in the period and the market value of the emission allowances at the reporting date.

INCOME TAXES

Income taxes are recognised on the estimated taxable income in accordance with the laws in force, taking into account applicable exemptions and tax credits.

Deferred tax liabilities and assets are calculated on the basis of temporary differences between the book value and the tax base of assets and liabilities. Also, use is made of the likely tax rate applicable to the Group in the year in which such differences will contribute to the formation of the taxable result, considering the tax rates in force or already issued at the reporting date. Deferred tax liabilities are recognised in the provisions for liabilities and charges, while deferred tax assets are recognised in sub-item 4 ter) in current assets.

Deferred tax assets are recognised for all deductible temporary differences, in accordance with the prudence principle, to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

By contrast, deferred tax liabilities are recognised on all taxable temporary differences.

Deferred tax liabilities in connection with tax-deferred reserves are not recognised if such reserves are not very likely to be distributed to shareholders.

MEMORANDUM ACCOUNTS

These items are recognised at their nominal value, considering the commitments and risks existing at the end of the period. Memorandum accounts include commitments that, by their nature and amount, can affect the company’s financial condition and operating performance; as such, awareness of their existence is helpful in determining the Company’s situation.

Part B – Explanatory Notes to the Balance Sheet

Below, information is provided on the Group's main balance sheet items. To aid readers in understanding the composition of changes in the various items, it should be noted that amounts as at 1 January 2015 regard the value at contribution, as previously mentioned.

ASSETS:

A) *RECEIVABLES FROM SHAREHOLDERS FOR AMOUNTS STILL DUE* has a zero balance in both comparative periods.

B) *FIXED ASSETS* amount to €1,656,200,000, compared with €1,680,459,000 as at the effective date of the contribution (1 January 2015). They consist of:

I) INTANGIBLE FIXED ASSETS, amounting to €412,881,000, which are down €783,000 over the first quarter of 2015. The table below provides a breakdown:

INTANGIBLE FIXED ASSETS	Industrial patents and other intellectual property rights	Concessions, licences, trademarks	Goodwill	Intangible assets under construction and advances	Other	Total
Carryng at 01/01/2015	**29,744**	**148,023**	**164,541**	**17,091**	**54,265**	**413,664**
of which :Cost	*44,218*	*149,710*	*164,541*	*17,091*	*115,725*	*491,285*
Accumulated amortisation	*(14,474)*	*(1,687)*			*(61,460)*	*(77,621)*
Cost at 1 January 2015	**44,218**	**149,710**	**164,541**	**17,091**	**115,725**	**491,285**
Increases	118			5,588	3,838	9,544
Reclassifications	329			(1,737)	970	(438)
Decreases					(297)	(297)
Cost atl 31/03/2015	**44,666**	**149,710**	**164,541**	**20,941**	**120,236**	**500,093**
Amortisation at 1 January 2015	**(14,474)**	**(1,687)**	**0**	**0**	**(61,460)**	**(77,621)**
Amortisation for the period	(1,344)	(1,863)	(3,096)		(4,408)	(10,711)
Reclassifications					821	821
Decrease in accumulated amortisation					297	297
Amortisation at 31/03/2015	**(15,818)**	**(3,550)**	**(3,096)**	**0**	**(64,750)**	**(87,213)**
Carryng at 31/03/2015	**28,848**	**146,161**	**161,444**	**20,941**	**55,487**	**412,881**

Specifically:

3. Industrial patents and intellectual property rights, amounting to €28,848,000, have recorded a net decrease of €896,000, due to:

- the capitalisation of investment in software licences and development for the period, totalling €118,000;
- the positive reclassification from Intangibles assets under construction and advances, totalling €329,000;

- amortisation for the period of €1,344,000.

4. **Concessions, licences, trademarks and similar rights**, amounting to €146,161,000, are down €1,862,000 due entirely to amortisation for the first quarter of 2015. This item primarily consists of the value of the "Alitalia" brand, amounting to €144 million, before deferred tax liabilities – recognised in the liabilities in the Balance Sheet – totalling €45 million. This item was recognised at 1 January 2015, following the allocation of goodwill arising as a result of the contribution of the airline business. The value of the brand was determined with the support of an independent expert, using estimates based on assumptions deemed to be reasonable.

5. **Goodwill**, amounting to €161,444,000, is down €3,097,000 compared with 1 January 2015, due entirely to amortisation for the period. This goodwill relates to the residual amount arising as a result of contribution of the airline business, after allocating the above amount to the brand. Tangible and intangible fixed assets (including goodwill) have not been tested for impairment as at 31 March 2015, given that – in the absence of any indications of impairment – the value of the airlines businesses transferred was determined, as part of the appraisal conducted in accordance with art. 2343-*ter*, paragraph 2.b) of the Italian Civil Code, to be at least equal to the value of the capital increase and the related share premium approved and carried out by the Transferee, amounting to €403.3 million, and that the results for the first quarter of 2015 are in line with the forecasts in the plan used in the above appraisal..

6. ***Fixed assets in progress and advance payments*** amount to €20,941,000, reflecting an increase of €3,850,000. This change was primarily due to new investment of €5,587,000 associated with the capitalisation of:

   - projects in the progress of implementation, including the Pros project relating to implementation of a new revenue management system (€2,326,000), WEB (€238,000) and other software (€924,000);

   - leasehold improvements to the fleet (€2,100,000), such as C-1, 5C and 2C checks and other changes;

   all of the above was partly offset by:

   - negative reclassifications of €1,737,000, primarily to "Leased aircraft" (€1,408,000) and "Industrial patents and intellectual property rights" (€329,000);

7. ***Other intangible fixed assets***, amounting to €55,487,000, have increased by €1,222,000 compared with 1 January 2015, due to:

   - total investment in the period of €3,838,000, attributable to maintenance of leased aircraft, such as C-1, 5C and 2C checks (€3,070,000), modifications to aircraft (€390,000), the overhaul of APUs (€163,000), overhauls of thrust reversers and jet intakes (€215,000);

- a positive reclassification from "Work in progress", amounting to €2,193,000, due to work on leased aircraft, such as C-1, 5C and 2C checks (€664,000) and other modifications (€1,529,000), offset by the negative reclassification of €402,000 in financial charges on financing;

- amortisation for the period of €4,407,000.

II) TANGIBLE FIXED ASSETS, amounting to €607,691,000, are down €124,479,000 from the comparable amount. The table below shows changes in this item:

TANGIBLE FIXED ASSETS	Plant and machinery	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Carryng at 01/01/2015	**698,426**	**3,384**	**7,279**	**6,310**	**16,772**	**732,170**
of which :Cost	*1,117,820*	*9,853*	*13,449*	*28,284*	*16,772*	*1,186,178*
Accumulated amortisation	*(419,394)*	*(6,469)*	*(6,171)*	*(21,974)*	*-*	*(454,008)*
Cost at 1 January 2015	**1,117,820**	**9,853**	**13,449**	**28,284**	**16,772**	**1,186,178**
Purchases	9,051	0	162	530	14,828	24,571
Cost reclassifications	(218,301)	280	680	894	(6,854)	(223,301)
Sales/disposals	(756)		(17)	(42)		(815)
Cost atl 31/03/2015	**907,814**	**10,133**	**14,274**	**29,666**	**24,746**	**986,633**
Amortisation at 1 January 2015	**(419,394)**	**(6,469)**	**(6,171)**	**(21,974)**	**0**	**(454,008)**
Depreciation for the period	(21,777)	(230)	(391)	(600)		(22,999)
Reclassifications	97,574					97,574
Decreases in accumulated depreciation (sales/disposals)	438		12	42		492
Amortisation at 31/03/2015	**(343,159)**	**(6,699)**	**(6,550)**	**(22,532)**	**-**	**(378,941)**
Carryng at 31/03/2015	**564,655**	**3,433**	**7,723**	**7,134**	**24,746**	**607,691**

Details of changes in each category during the period are as follows:

2. ***Machinery and equipment*****,** amounting to €568,088,000, is down €133,722,000 on 1 January 2015. Changes are as follows:

a) the **fleet**, amounting to €564,655,000, is down €133,772,000 due to:
   - depreciation for the period of €21,777,000;
   - divestments of €756,000 (net of accumulated depreciation of €438,000), related to the sale and obsolescence of spare parts;
   - investment during the period, totalling €9,051,000, represented by cyclical airframe checks, such as C checks, amounting to €2,995,000, and ILO/RED checks, totalling €689,000, shop visits for engines (€1,658 thousand), purchases of spare parts (€3,364,000), the cyclical overhaul of landing gear (€133,000), the overhaul of other parts, such as thrust reversers and jet intakes (€75,000) and other modifications to owned aircraft (€137,000);
   - negative reclassifications of €120,727,000 related to:

- ✓ reclassification of 7 A320 aircraft (Registration Marks EI-DSF/ DSG/ DSL/ DSJ/ DSM/ DSN/ DSP) to "Assets held for sale", totalling €125,008,000, given that they were part of the package covered by the Binding framework aircraft sale agreement signed on 1 October 2014 by certain Irish subsidiaries and Air Berlin;

- ✓ positive reclassifications, totalling €4,839,000, from "Fixed assets in progress and advances", related to cyclical airframe checks (€1,688,000), shop visits for engines (€2,446,000) and other maintenance activities (€705,000);

- ✓ reclassification of spare parts, amounting to €1,054,000, used for the fleet's maintenance and reclassification to inventories of rotable material (€496,000) as a result of various changes to inventories.

Attention is called to the fact that the Group's own aircraft have been mortgaged to secure the bank loans obtained to purchase them.

b) **other machinery and equipment,** amounting to €3,434,000, is down €50,000, due to depreciation for the period (€230,000), partially offset by investment of €280,000.

3. Industrial and commercial equipment, amounting to €7,724,000, is up €445,000, due to new purchases, mainly of ground equipment, totalling €162,000, and reclassifications from *"Fixed assets in progress and advances*", totalling €680,000, offset by depreciation for the period of €391,000 and the sale and disposal of ground equipment, totalling €5,000.

4. Other tangible fixed assets of €7,134,000 are up €824,000 on 1 January 2015, primarily due to new purchases of €530,000 and reclassifications from *"Fixed assets in progress and advances*", totalling €894,000, partially offset by depreciation for the period of €600,000*.*

5. **Fixed assets in progress and advances** amount to €24,746,000, down €7,974,000. This is due to:

- an overall increase of €14,828,000, related to advances for maintenance activities, still under way at the reporting date, on aircraft and engines, totalling €12,018,000 (such as shop visits for engines, totalling €9,598,000, cyclical ILO, RED and C airframe checks, amounting to €1,679,000, other improvements of €741000 and other work in progress, totalling €2,810,000 (including the modification and overhaul of security systems for aircraft hangars, totalling €1,068,000);

- negative reclassifications of €6,854,000, relating to the *"Fleet"* (€4,864,000) and other components of "*Tangible fixed assets"* (€1,990,000).

III) FINANCIAL FIXED ASSETS amount to €635,628,000, reflecting an increase of €101,033,000. These consist of:

1. **Investments,** amounting to €28,919,000 and regarding:

a) **investments in associates,** totalling €26,677, representing the value, measured using the equity method, of the Parent Company's 25% interest in Alitalia Loyalty S.p.A., following the loss of control on 21 January 2015 after the sale of 75% of the company to Global loyalty Company LLC;

b) **investments in other companies,** totalling €2,242,000, shown below:

Equity holding in other companies *in euros*	SITA SC	SITA Group Foundation	Atitech	AMS Holding S.r.l.	CICA Terminal Equipment Corporation	Wheel Tug PLC	Total
Location	*Bruxelles*	*Amsterdam*	*Napoli*	*Roma*	*Chicago*	*Gibraltar*	
Percentage interest	*1.48%*	*1.34%*	*15.0%*	*15.0%*	*3.03%*		
Value at at 1 January 2015	**92**	**308,027**	**1,875,002**	**0**	**58,901**	**0**	**2,242,022**
Changes during the period						0	**0**
Value at at 31 March 2015	**92**	**308,027**	**1,875,002**	**0**	**58,901**	**0**	**2,242,022**

2. **Receivables** amount to €606,709,000 (including the current portion of €9,147,000), compared with €532,383,000 as at 1 January 2015. The table below shows the main changes:

Financial fixed assets: financial credits from others	**01.01.2015**	Disbursements	Reclassifications	Reimbursements	Perdite su crediti	Foreign exchange adjustments	**31.03.2015**
Holding							
Compagnia Aerea Italiana	***29,581***						***29,581***
Other							
Security deposits	82,047	1,854	156	(2,404)		9,363	91,017
Financial receivables for payments into maintenance reserve	418,233	27,553		(5,564)	(10,573)	53,922	483,571
Financial receivables: other	2,522		19				2,541
	502,802	***29,407***	***175***	***(7,968)***	***(10,573)***	***63,285***	***577,128***
Total	**532,383**	**29,407**	**175**	**(7,968)**	**(10,573)**	**63,285**	**606,709**

Total receivables include:

c) **receivables due from parents**, totalling €29,581,000, relating to the direct assumption by the parent, CAI (i) of the Irish companies existing tax liabilities (€16,331,000), and (ii) of the risk to which these companies are exposed following remarks made on their "tax residence" by the Italian tax authorities, which on 16 October 2016 notified commencement of an audit of fiscal year 2009 (€13,250,000);

d) **other financial receivables** of €577,128,000, compared with €502,802,000 as at 1 January 2015; the net increase of €74,326,000 reflects:

- additions for the year, amounting to €29,407,000, due to an increase in medium/long-term maintenance reserve receivables, totalling €27,553,000, and the posting of security deposits of €1,854,000;

- the alignment of foreign currency items at closing exchange rates, totalling €63,285,000 (to this end, attention is called to the 11% fall in the value of the euro against the US dollar (the reference currency for security deposits and the maintenance reserve) from 1.2141 as at 1 January 2015 to 1.0759 as at 31 March 2015);

- total refunds received of €7,968,000, due to: maintenance reserve receivables collected, totalling €5,564,000, in relation to maintenance activities performed during in the period; the release of security deposits of €2,404,000 on expired lease agreements;

- losses on maintenance reserve receivables, totalling €10,573,000 (fully offset by the release of an equal amount from the maintenance reserve).

C) ***CURRENT ASSETS,*** amounting to €1,039,974,000, are up €93,795,000 on 1 January 2015, and consist of the following:

I) INVENTORIES of €251,718,000, as shown in the following table:

Inventories	31.03.2015	01.01.2015	Increase/ (Decrease)
1. Raw materials:			
Spare parts and maintenance materials	44,670	41,938	2,731
Sundry materials	5,457	5,429	28
Sub-total	*50,126*	*47,367*	*2,759*
6. Assets held for sale	201,592	143,018	58,574
Total	**251,718**	**190,385**	**61,333**

This item is up €61,333,000 due to:

- a net increase of €58,574,000 in assets held for sale, reflecting reclassification from the item "*Fleet*" of the remaining value of seven A320 aircraft, withdrawn from service during the quarter and owned by the Irish companies, included in the sale to Air Berlin, which will be completed in 2015 (€125,008,000), partially offset by sales completed during the quarter, including 3 A321s sold to GA Telesys and 3 A320s sold to Air Berlin (totalling €66,434,000);

- an increase in fleet spare parts and other maintenance materials (€2,759,000). These inventories are shown net of allowances for obsolete inventory, totalling €2,871,000, related to the obsolescence of maintenance materials (€2,330,000) and the allowance that reflects the valuation of maintenance materials at the lower of cost and market value, totalling €541,000.

As at 31 March 2015, "Assets held for sale", totalling €201,592,000, break down as follows:

Assets held for sale	31.03.2015	01.01.2015	Increase/ (Decrease)
- N° 1 a/m A321	3,900	14,914	(11,014)
- N° 11 aa/mm A320	197,692	128,104	69,588
Totali	**201,592**	**143,018**	**58,574**

II) RECEIVABLES of €507,636,000 as at 31 March 2015 are up €129,755,000 on the figure for 1 January 2015.

This item consists of:

1) **Due from customers,** amounting to €317,902,000, as shown in the following table:

RECEIVABLES:	31.03.2015	01.01.2015	Increase/ (Decrease)
Due from Customers:			
Ordinary customers	157,492	102,045	55,447
Allowance for bad debts	(7,669)	(6,175)	(1,495)
Allowance for late-payment interest	(12)	(1)	(11)
Airlines	52,975	48,650	4,325
Allowance for bad debts	(1,657)	(2,695)	1,038
Travel agents	125,843	88,946	36,897
Allowance for bad debts	(9,070)	(8,813)	(257)
Total	**317,902**	**221,958**	**95,945**

This change is essentially due to:

- an increase in amounts due from customers, totalling €53,942,000, due mainly to higher credit card sales;
- an increase in amounts to be collected from travel agents as at 31 March 2015, totalling €36,640,000, due to higher sales;
- an increase in amounts due from airlines, totalling €5,363,000, due to higher amounts to be settled with other carriers.

To take account of the portion of the above receivables deemed not to be recoverable, an allowance for bad debts has been established which, at 31 March 2015, amounts to €18,378,000 (€17,661,000 as at 1 January 2015), following provisions for the quarter of €2,247,000, uses and releases of €1,523,000 and reclassifications of €7,000.

4) **Due from the parent,** amounting to €5,618,000 and representing amounts due from Compagnia Aerea Italiana S.p.A. for Group VAT, recovery of the amount paid to Ap Fleet as rental expenses, and the expenses incurred by Alitalia in order to ensure the agreed level of serviceability of the aircraft being sold by the Irish companies to Air Berlin (both attributable to CAI, in line with agreements between the parties).

4bis. – **Tax credits,** amounting to €504,000, are down €1,637,000, due mainly to lower tax (IRAP) prepayments for the period.

4ter – Deferred tax assets, totalling €34,623,000, are down €844,000 on 1 January 2015, reflecting the combined effect of the deconsolidation of Alitalia Loyalty and the above temporary differences for the first quarter of 2015.

Deferred tax assets reflect €18,224,000 in tax loss carryforwards (IRES) recognised in previous years, with the remaining €16,399,000 relating to in temporary tax differences (IRAP), attributable mainly to the maintenance reserve and provisions for sundry risks.

The deferred tax assets related to the above tax loss carryforwards (IRES) are deemed to be recoverable through the "Tax consolidation" mechanism, in view of the taxable income projected in Alitalia S.A.I.'s 2015-2018 business plan.

. **5.** **Other receivables,** amounting to €148,989,000 (of which €13,610,000 falling due beyond 12 months), is up €30,673,000, as shown in the following table:

RECEIVABLES:	**31.03.2015**	**01.01.2015**	**Increase/ (Decrease)**
5. Due from others:			
Due from associated companies	89	0	89
Sundry receivables: invoices issued	35,536	25,393	10,143
Sundry receivables: provisions	19,178	19,102	76
Allowance for bad debts	(4,507)	(4,423)	(85)
Allowance for late-payment interest	(86)	(65)	(21)
Other receivables	11,650	26,891	(15,242)
Insurance companies	65	50	15
Due from staff	4,854	4,465	389
Advances to suppliers	19,015	14,975	4,040
Short-term financial receivables	63,197	31,927	31,270
Total	**148,989**	**118,316**	**30,673**

This change was due mainly to an increase of €31,270,000 in financial receivables, reflecting alignment of the period-end value of the derivative hedging the dollar-denominated loans obtained by the Irish company, APC12 (up €12,910,000, fully offset by the matching amount included in short-term bank borrowings and relating to the offsetting adverse effect of the exchange rate on the borrowing itself) and the cash collateral held at Banca IMI, linked to purchases of fuel (up €20,175,000), partially offset by a reduction in the current portion of security deposits (down €1,100,000) and other items (down €715,000).

To take account of the portion of the above receivables deemed not to be recoverable, an allowance for bad debts has been established which, as at 31 March 2015, amounts to €4,507,000.

Sundry receivables includes, among other things, remaining amounts receivable for the signing bonuses contributed, whose collection is to take place in instalments over time, as per the relevant agreements.

III) FINANCIAL ASSETS HELD FOR TRADING amount to zero for both comparative periods.

IV) CASH AND CASH EQUIVALENTS LIQUID ASSETS amount to €280,620,000, reflecting a decrease of €97,342,000 in the first quarter of 2015 (for further details, reference should be made to the cash flow statement included in Part D "Additional information" in this document).

Specifically:

IV. LIQUIDITY	31.03.2015	01.01.2015	Increase/ (Decrease)
Bank and post office deposits	242,120	352,714	(110,594)
Cash and other valuables in hand	0	403	(403)
Restricted bank deposits	70,106	52,794	17,312
Provision for losses on liquidity	(31,607)	(27,948)	(3,659)
Total	**280,620**	**377,963**	**(97,342)**

An allowance for bad debts has been established for the cash trapped in Venezuela and Iran, amounting to €31,607,000. This has been done to adjust the relevant nominal value to their expected realisable value, following the restrictions in place in the two countries. Bank deposits subject to restrictions, amounting to €70,106,000 as at 31 March 2015, before the related allowance for bad debts, are shown in the table below by country:

RESTRICTED BANK DEPOSITS	31.03.2015	01.01.2015	Increase/ (Decrease)
Iran	*3,373*	*2,868*	505
Venezuela	*60,516*	*44,190*	16,326
Libia	2,638	2,236	402
Algeria	3,579	3,500	79
Totali	**70,106**	**52,794**	**17,312**

D) ***ACCRUED INCOME AND PREPAID EXPENSES*** amount to €38,516,000, reflecting a decrease of €19,322,000 on the comparable amount as at 1 January 2015, as shown in the following table:

D) ACCRUED INCOME AND PREPAID EXPENSES	31.03.2015	01.01.2015	Increase/ (Decrease)
Accrued income:	48	25	24
Prepaid expenses:			
staff	2,588	2,581	7
leased assets	25,122	10,746	14,376
services	10,377	5,274	5,103
other	380	568	(188)
Totali	**38,516**	**19,194**	**19,322**

This item does not include any amount that extends beyond five years.

NET EQUITY AND LIABILITIES:

A) The Group's **NET EQUITY** is €554,669,000 and consists of the following:

I. **SHARE CAPITAL**, fully paid-in and amounting to €103,105,000 as at 31 March 2015, is represented by 103,105,127 no-par shares. The share capital is held by the two shareholders as follows as at 1 January 2015: Mid.Co. S.p.A. (51%) and Etihad Airways P.J.S.C. (49%).

For more details, reference is made to "Corporate information" in the Report on Operations accompanying these consolidated interim financial statements.

II. The **SHARE PREMIUM RESERVE**, which amounts to €687,711,000, is unchanged with respect to 1 January 2015.

VII. **OTHER RESERVES**, amounting to a negative €135,702,000, reflect the effect of measurement in the consolidated financial statements of the subsidiary, Alitalia Loyalty, as at the date of contribution.

VIII. **RETAINED EARNINGS/(ACCUMULATED LOSSES)**, which consist of accumulated losses of €262,000, reflect the loss reported by the Parent Company, Alitalia SAI, for the year ended 31 December 2014.

IX. The **LOSS FOR THE PERIOD** of €100,183,000.

The table below shows changes in net equity during the comparative periods:

STATEMENT OF CHANGES IN EQUITY OF THE GROUP

€000	Share capital	Share premium reserve	Other reserves	Retained earnings/ (accumulated losses)	Net profit/(loss) for the period	Total
Balance at 1 gennaio 2015	**103,105**	**687,711**	**(121,595)**	**(262)**	**0**	**668,959**
Consolidation area change			(14,107)			(14,107)
Other increases and decreases						0
Net profit/(loss) for the period					(100,183)	(100,183)
Balance at 31 March 2015	**103,105**	**687,711**	**(135,702)**	**(262)**	**(100,183)**	**554,669**

B) **PROVISIONS FOR LIABILITIES AND CHARGES** amount to €676,711,000, reflecting an increase of €115,884,000 on the comparable amount as at 1 January 2015.

The table below provides a breakdown of this item:

€000	Provisions as at 31 march 2015						
Provisions	01.01.2015	Provisions for the period	Consolidation area change	Uses	Releases to income statement	Exchange rate adjustment	31.03.2015
2) Provisions for taxes, including deferred tax liabilities	**55,265**				-2,110		**53,156**
3) Other provisions:							
a) MilleMiglia provision	**35,530**		**-35,530**				**0**
b) Technical Area provision	**414,875**	**34,142**		**-9,080**	**-13,065**	**53,163**	**480,035**
c) Provisions for restructuring	**3,021**	**0**		**-1,395**			**1,626**
d) Other provisions:							
Coverage of losses of investees	**16**			**0**			**16**
Sundry risks	**52,120**	**90,938**	**0**	**-1,179**	**0**		**141,879**
of which							
. Supplier disputes	*30,802*	*0*		*0*	*0*		*30,802*
. Labour disputes	*24*	*0*		*0*	*0*		*24*
. Foreign transportation disputes	*3,050*	*1,000*		*-739*	*0*		*3,311*
. Foreign tax disputes	*173*	*76*		*0*	*0*		*249*
. Transport and regulatory disputes	*3,589*	*87*		*-418*	*0*		*3,258*
. Tax audits	*13,250*	*0*		*0*	*0*		*13,250*
. Fleet phase-out	*1,027*	*0*		*-22*	*0*		*1,005*
. Emission trade scheme CO2	*0*	*698*		*0*	*0*		*698*
. Sundry disputes	*204*	*89,077*		*0*	*0*		*89,281*
TOTAL PROVISIONS FOR RISKS AND CHARGES	**560,827**	125,080	-35,530	-11,654	-15,174	53,163	**676,711**

Specifically:

2. **Provisions for taxes, including deferred tax liabilities,** amounting to €53,156,000, are down €2,110,000 on the amount for 1 January 2015, entirely related to the amount released for deferred tax expense payable for the period and provisions made by the Parent Company as a result of the sale of 75% of Alitalia Loyalty on 21 January 2015. The provisions for deferred tax liabilities also include €45,093,000 in provisions made on allocation of €145,400,000 to the value of the "Alitalia" brand, in accordance with OIC 25, and amounts set aside made by the Irish companies.

3. **Other provisions**, amounting to €623,556,000, are up €117,994,000. This item consists of:

   a) **Millemiglia provisions**, amounting to €35,530,000 as at 1 January 2015 and which amount to zero, following the deconsolidation of Alitalia Loyalty;

   b) the **technical area provision,** which includes sums set aside in relation to certain maintenance activities to be performed on leased aircraft, amounting to €480,035,000, representing an increase of €65,160,000; the increase is due to provisions for the period of €34,142,000 and the effect of the alignment to closing exchange rates, totalling €53,163,000, partially offset by uses and releases during the period of €22,145,000;

   c) **provisions for restructuring**, amounting to €3,021,000 as at 1 January 2015 and which amount to €1,626,000, after uses to cover the cost of the phase-out of aircraft;

d) **other provisions**, amounting to €141,895,000, representing an increase of €89,759,000. These include:

- **provisions for the coverage of investees' losses**, amounting to €16,000 as at both comparable dates and relating to residual provisions in relation to Alitalia's commitment to cover the losses of AMS Holding;

- **provisions for miscellaneous risks**, amounting to €141,879,000, having increased by €89,759,000 compared with 1 January 2015; this reflects the following:

  - provisions of €90,938,000 made primarily (i) as a result of the assessment of risks that have emerged during the period in relation to the phase-out of aircraft, the cost of rebranding, risks connected with the situation in a number of countries in which the Group operates (€89,077,000, allocated for extraordinary expenses), (ii) transport and regulatory issues (€1,000,000) and (iii) the cost of excess CO_2 emissions (€698,000);
  - the use of pre-existing provisions, totalling €1,179,000, relating to air transport overseas (€739,000), transport and regulatory issues (€418,000) and sundry risks (€22,000).

C) The **EMPLOYEES'SEVERANCE PAY FUND**, amounting to €8,576,000, has decreased by €6,000 compared with 1 January 2015; This item represents the Group's debt towards its employees as at 31 March 2015, less any advances and in accordance with the Finance Act (Law no. 296 of 27 December 2006).

D) PAYABLES amount to €1,487,734,000, having increased by €89,696,000, as shown in the following table:

D) Payables	**31.03.2015**	**01.01.2015**	**Increase/ (Decrease)**
Bank borrow ings	343,086	407,550	(64,463)
Other borrow ings	3,832	4,434	(602)
Advances	3,158	343	2,816
Trade payables	665,539	626,889	38,649
Due to associated company	5,438	0	5,438
Due to holding	34,102	34,102	0
Tax liabilities	19,795	29,528	(9,732)
Social security contributions payable	15,825	20,541	(4,716)
Other payables:			
Prepaid tickets	355,597	223,371	132,226
Sundry payables	41,362	51,282	(9,920)
Other payables	*396,959*	*274,653*	122,306
Total	**1,487,734**	**1,398,038**	**89,696**

Specifically:

4. **Payables to banks**, amounting to €343,086,000 (including €120,338,000 falling due beyond 12 months), are down €64,463, as the following table shows:

4. Due to Banks	31.03.2015	01.01.2015	Increase/ (Decrease)
a) medium/long-term			
portion maturing w ithn 12 months	*222,549*	*263,104*	*(40,555)*
portion maturing beyond 12 months	*120,338*	*133,248*	*(12,911)*
	342,887	396,353	(53,466)
b) short-term			
payable to banks	200	11,197	(10,997)
Total	**343,086**	**407,550**	**(64,463)**

The reduction of €64,463,000 primarily reflects:

- a decrease in medium/long-term debt of €53,466,000, following repayments during the quarter (€66,536,000) and alignment of the period-end value of the derivative hedging the dollar-denominated loans obtained by the Irish company, APC12 (€13,070,000, with a matching amount included in short-term financial receivables);
- a reduction in short-term debt of €10,997,000.

As at 31 March 2015, there are no obligations deriving from financial covenants.
The new RCF and Factoring finance will be subject to financial covenants from 31 December 2016.

5. **Payables to other financers,** amounting to €3,832,000 (including €1,320,000 falling due beyond 12 months), are down €602,000, as shown in the following table and entirely attributable to repayment of the Group's finance lease liabilities, accounted for in accordance with OIC 17:

5. Due to othe lenders	31.03.2015	01.01.2015	Increase/ (Decrease)
portion maturing w ithn 12 months	2,512	2,471	41
portion maturing beyond 12 months	1,320	1,963	(644)
Total	**3,832**	**4,434**	**(602)**

6. **Advances received**, amounting to €3,158,000, are up €2,816,000 and relate to advance payments received from Public Sector entities for tickets yet to be issued.

7. **Trade payables,** totalling €665,539,000, are up €38,649,000 on 1 January 2015, as shown in the following table:

7. Trade payables	31.03.2015	01.01.2015	Increase/ (Decrease)
Sundry suppliers	598,236	552,730	45,507
Airlines	48,189	50,055	(1,866)
Travel agents	19,113	24,104	(4,991)
Total	**665,539**	**626,889**	**38,649**

The increased exposure is due essentially to the increase in amounts payable to Italian and foreign suppliers, amounting to €45,507,000, offset by reductions in amounts payable to airlines (€1,866,000) and travel agents (€4,991,000).

10. **Due to associates**, amounting to €5,438,000, refers entirely to the amount payable to Alitalia Loyalty to cover the costs of managing the “MilleMiglia” prize competition.
11. **Due to the parent**, amounting to €34,102,000 as at both comparative dates, refers to the amount payable by the Irish companies to the holding company, CAI, as a result of the sale of A320 aircraft to Air Berlin.

12. **Tax payables,** amounting to €19,795,000 (including €9,277,000 falling due beyond 12 months), are down €9,732,000 compared with 1 January 2015, primarily reflecting reductions in IRAP payable for the period and IRPEF on wages and salaries.

13. **Social security contributions payable**, totalling €15,825,000, are down €4,716,000, primarily due to the reduced amount payable to INPS, reflecting the receivable due from the latter as a result of advance payments made to aircrew under job security agreements, recouped by the Group from the second quarter of 2015, and lower social security contributions payable on salaries compared with the amount payable as at 1 January 2015.

14. **Other payables,** amounting to €396,959,000, are up €122,306,000, substantially due to an increase in the value of prepaid tickets (up €132,226,000), reflecting higher ticket sales and a lower volume of tickets used compared with 1 January 2015.

E) **ACCRUED EXPENSES AND DEFERRED INCOME,** amounting to €7,000,000, are down €2,476,000, as shown in the following table:

Accrued expenses and deferred income	**31.03.2015**	**01.01.2015**	**Increase/ (Decrease)**
Accrued expenses	1,265	4,530	(3,265)
Deferred income	5,735	4,946	789
Total	**7,000**	**9,476**	**(2,476)**

Deferred income does not include amounts falling due beyond five years.

MEMORANDUM ACCOUNTS

As at 31 March 2015, the **memorandum accounts** amount to €6,368,295,000 and regard the following:

3. **Purchase and sale commitments**, totalling €3,472,084,000, referring to:

   - purchase commitments of €1,603,961,000 entered into with Air France, Bedeck, Atitech and AMS for maintenance activities to be carried out on aircraft and engines (€1,590,207,000), for improvements to buildings and plant (€9,942,000) and for in-flight services (€1,755,000), as well as in relation to the capital increase for the investee company, Atitech (€1,875,000) and the commitment to contribute €182,000 to AMS Holding S.r.l.;

   - derivative contracts, totalling €1,868,123,000, related to: i) transactions to hedge EUR/US$ exchange rate risk, in connection with fuel payments and the sale of aircraft in dollars, and, to a more limited extent, the EUR/GBP/JPY exchange rate risk associated with sales in the United Kingdom and Japan, totalling €818,119,000; ii) transactions hedging the risk associated with movements in fuel prices, totalling €892,948,000; iii) transactions hedging the EUR/US$ exchange rate risk in connection with loans to the Irish company, APC12, totalling €152,562,000; and iv) transactions hedging the interest rate risk on the loan to APC1, totalling €4,494,000.

     As indicated in the section, "Additional information", in the Explanatory Notes, changes in the fair value of derivative financial instruments as at 31 March 2015 has resulted in: i) fair value losses of €190.9 million, with reference to hedges of fuel price risk; ii) fair value gains of €56.1 million, with reference to the exchange rate hedges; and iii) fair value losses of €0.4 million, with reference to interest rate hedges. In keeping with the "Accounting policies" described in the Explanatory Notes, considering that such instruments qualify for hedge accounting, these changes in fair value have not been recognised through profit or loss. The derivatives have instead been reported in the memorandum accounts at their notional amount.

4. **other memorandum accounts,** amounting to €2,896,211,000, consist of:

   - **third-party assets on deposit, in custody or leased**, amounting to €2,540,989,000 and represented by leased assets, such as aircraft (€2,454,201,000), spare parts, engine parts and flight simulator parts (€27,996,000), property (€53,155,000) and leased vehicles (€5,637,000);

   - **Group assets on deposit with third parties**, amounting to €94,357,000 and relating mainly to aircraft and engines undergoing repair at third parties' facilities as at 31 March 2015 (€68,549,000), spare parts (€10,375,000) and other assets leased to third parties (€14,695,000);

   - **risks,** amounting to €60,564,000, reflect penalties that the Group will have to pay in the event of the termination of contracts with suppliers;

- **guarantees received from third parties**, totalling €1,492,000 and referring essentially to the guarantees posted by agents;

- **third-party collateral for company commitments**, amounting to €198,810,000. These relate to certain guarantees provided by banks and insurance companies to secure the Group's obligations related to operations and to the tax authorities, following the adoption of a Group-wide VAT arrangement.

  The above amount includes a guarantee provided by Banca Popolare di Sondrio to Air France in the interests of Alitalia, totalling €12,083,000.

Part C – Explanatory Notes to the Income Statement

The main items in the consolidated interim income statement for the three months ended 31 March 2015 are discussed below.

Amounts for the first quarter of 2015 are not comparable, given that the SAI Group (which commenced operations on 1 January 2015) did not exist at the same date one year earlier. The percentage breakdown of the value of production is shown alongside income statement amounts.

A) The **VALUE OF PRODUCTION** is €624,723,000 and consists of the following:

1 a. Revenue from services	31.03.2015	% on revenues
Revenue from traffic		
Passengers	499,967	80.0
Other passenger revenue	24,303	3.9
Cargo	23,208	3.7
Mail	1,034	0.2
Income from joint operations with other carriers	873	0.1
Total	***549,386***	**87.9**
Other revenue from traffic		
Passenger charters	10,237	1.6
Freight charters	1,011	0.2
Night mail flights	2,398	0.4
Block space	1,438	0.2
Total	***15,083***	**2.4**
Total revenue from traffic	**564,469**	**90.4**
a.Revenue from other services		
Commission income passengers	2,605	0.4
Traffic and re-start penalties	1,895	0.3
Other ancillary income	1,356	0.2
Technical and airline assistance	3,045	0.5
Ground handling	6,785	1.1
Maintenance services	216	0.0
Seconded personnel	56	0.0
Sundry services	8,817	1.4
Total other services	**24,775**	**4.0**
1. b)Sales		
Technical materials sales revenues	233	0.0
Other material sales revenues	12	0.0
Other sales	45	0.0
Total for sales	**290**	**0.0**
4. Capitalisation of internal work		
On fleet	3,038	0.5
Long-time costs	758	0.1
Total	**3,796**	**0.6**
5. Other revenue and income		
Grants related to income	10,529	1.7
Gains on disposal of aircraft	10,145	1.6
Release from provisions for risks	422	0.1
Active Difference from traffic activities	3	0.0
Propety income	12	0.0
Employee withholdings for canteen and other expenses	60	0.0
Insurance claims	28	0.0
Commercial allowances	397	0.1
Grants from third parties	9	0.0
Penalties for contract breaches	582	0.1
Sundry income	3,657	0.6
Chargeback of sundry expenses	5,551	0.9
Total other revenue and income	**31,393**	**5.0**
TOTAL PRODUCTION VALUE	**624,723**	**100.0**

The value of production include passenger revenue of €499,967,000, with 70% generated by the international and intercontinental segments and the remaining portion by domestic traffic; the number of passengers carried in the three months ended 31 March 2015 stands at 4,553,594.

B) COSTS OF PRODUCTION amount to €827,158,000 and consist of:

6. **Maintenance materials, fuel and other consumables and goods,** amounting to €216,964,000, as shown below:

6. for technical materials, fuel and other goods	31.03.2015	% on revenues
Aircraft technical materials and stock	(12,278)	-2.0
Other materials (on-board services, uniforms, etc)	(5,958)	-1.0
Aircraft fuel	(148,083)	-23.7
Gains/(Losses) on fuel hedges	(50,645)	-8.1
Total raw materials	**(216,964)**	**-34.7**

7. **Service costs**, amounting to €305,935,000:

7. for services	31.03.2015	% on revenues
Sales expenses	(42,862)	-6.9
Traffic expenses and airport fees	(156,193)	-25.0
Fleet maintenance and overhaul	(41,048)	-6.6
Losses on joint traffic	(3,781)	-0.6
Financial service costs	(9,665)	-1.5
Other professional services, personnel costs, telecomunications, insurance and overheads	(52,385)	-8.4
Total services	**(305,935)**	**-49.0**

Service costs are described in greater detail below:

- selling expenses of €42,862,000 primarily regard passenger commissions (€6,052,000), cargo fees (€2,700,000), advertising and promotional expenses (€6,095,000), promotional campaigns (€5,086,000) and reservation and call centre services (€21,396,000);

- traffic expenses and airport fees total €156,193,000, including handling expenses (€48,055,000), radio and weather services (€51,835,000), airport fees (€28,648,000), assistance and transportation of passengers and freight (€15,558,000), onboard catering (€7,376,000) and flyover fees (€3,066,000);

- the cost of other services, totalling €52,385,000, referring to general expenses for internal transport equipment and miscellaneous administrative expenses (€14,121,000), the cost of services for personnel, including transportation, hotel accommodation and training (€15,478,000), data and telecommunications (€4,092,000), consulting and professional services (€8,690,000), maintenance activities and overhauls of electronic equipment, vehicles, machinery and equipment (€7,773,000), insurance (€2,142,000) and the fees paid to Directors and Statutory Auditors (€89,000).

8. The **cost for using third-party property**, amounting to €102,908,000, consists of the following:

8. for using third-party properties	31.03.2015	% on revenues
Fleet rental costs	(10,920)	-1.7
Operating leases	(80,239)	-12.8
Block space	(2,620)	-0.4
Rental expenses	(5,223)	-0.8
Concession fees for utilities and other expenses	(3,907)	-0.6
Total lease expense	**(102,908)**	**-16.5**

Fleet rental costs regard the amount paid for wet leases, whilst operating leases relate to periodic rentals for dry leases.

Concession fees and utilities essentially regard amounts paid for software programmes, data processing equipment, airport equipment, vehicles and other operating assets.

9. **Personnel costs**, totalling €143,474,000, relate to the average number of employees on the Group's payroll as at 31 March 2015, amounting to 9,668. Specifically:

9. for personnel	31.03.2015	% on revenues
Wages and salaries	(113,982)	-18.2
Social insurance contributions	(19,835)	-3.2
Post-employment benefits	(5,672)	-0.9
Pension costs	(773)	-0.1
Other costs (personnel insurance, temporary staff)	(3,212)	-0.5
Total staff costs	**(143,474)**	**-23.0**

10. **Amortisation, depreciation and impairments**, amounting to €36,052,000, break down as follows:

10. Amortisation, depreciation and impairments	31.03.2015	% on revenues
Amortisation:		
industrial patent and intellectal property rights	(1,344)	-0.2
concessions, licences and trademarks	(1,862)	-0.3
goodw ill	(3,108)	-0.5
improvements to third-party fleet	(9,137)	-1.5
other capitalised costs	(1,033)	-0.2
	(16,483)	***-2.6***
Depreciation:		
fleet	(16,003)	-2.6
other plant and equipment	(622)	-0.1
other assets	(445)	-0.1
electronic systems	(155)	0.0
	(17,225)	***-2.8***
Allow ance for bad debts	**(2,344)**	**-0.4**
Total amortisation, depreciation and impairments	**(36,052)**	**-5.8**

11. **Changes in Inventories of raw, ancillary and consumable materials and goods for resale** are a positive €2,759,000, as shown below:

11. Change in inventory of tech materials, consumables	31.03.2015	% on revenues
Final Stock Inventories		
. Spares and technical inventories	44,670	7.2
.Other material	5,457	0.9
Initial Stock Inventories		
. Spares and technical inventories	(41,938)	-6.7
.Other material	(5,429)	-0.9
Total	**2,759**	**0.4**

12. **Provisions for liabilities** amount to €1,163,000 and regard regulatory and transportation issues.

14. **Miscellaneous operating costs**, totalling €23,420,000, are shown below:

14. Miscellaneous operating costs	31.03.2015	% on revenues
Losses on fleet disposal	(316)	-0.1
Losses on other fixed asset disposal	(5)	0.0
Other taxes for the period	(2,290)	-0.4
Membership fees and aviation manuals	(1,250)	-0.2
MilleMiglia partnership charges	(1,882)	-0.3
Expenses to be charged back	(5,550)	-0.9
Losses on bad debts	(10,572)	-1.7
Other charges	(1,554)	-0.2
Total sundry operating charges	**(23,420)**	**-3.7**

Based on the above, **negative EBIT**, i.e. the difference between value of production and production costs, is €202,434,000.

C) FINANCIAL INCOME AND EXPENSES have resulted in net financial income of €5,748,000, as shown below:

Financial income and expenses	31.03.2015	% on revenues
16. Other financial income		
Bank interest and commissions	42	0.0
Interest income on other receivables	245	0.0
Total financial income	***287***	***0.0***
17. Interest and other financial charges		
Bank interest and commission expenses	(3,197)	-0.5
Interest on trade payables	(1)	0.0
Interest on other payables	(197)	0.0
Financial expenses on derivative transactions	(44)	0.0
Other financial expenses	(567)	-0.1
Total financial expenses	**(4,006)**	**-0.6**
Foreign exchange gains/(losses)	***9,466***	***1.5***
Total financial (income)/expenses	**5,748**	**0.9**

D) VALUE ADJUSTMENTS FOR FINANCIAL FIXED ASSETS amount to zero.

E) EXTRAORDINARY INCOME AND EXPENSES have resulted in net income of €94,132,000, essentially linked to the gain of €182,940,000 realised by the Group on SAI's sale of a 75% equity interest in Alitalia Loyalty to Global Loyalty Company LLC, completed on 21 January 2015, at a price of €112.5 million, after measurement of the remaining interest in the company. This was partially offset by provisions for liabilities of €89,076,000, as previously described in these Explanatory Notes.

Based on the above, the Group has posted a loss before taxes of €102,555,000 for the three months ended 31 March 2015.

22. **Tax income for the period** amounts to €2,372,000, following the release of prior provisions for deferred tax liabilities and deferred tax income, both in the form of IRAP, after IRAP payable for the period, as shown below:

22. Income tax expense for the period	31.03.2015	% on revenues
current IRES for the period	-	
current IRAP for the period	(173)	0.0
deferred tax expense	2,110	0.3
deferred tax income	466	0.1
tax expense of foreign branches	(30)	0.0
Total tax expense	**2,372**	**0.4**

Consequently, the Group reports a **loss for the period** of €100,183,000.

Part D – Additional Information

Consolidated Cash Flow Statement

	31.03.2015
A) Cash flows from (for) operating activities	
Net profit/(loss) for the period	**(100,183)**
Income tax expense	(2,372)
Interest expense/interest income	3,718
Gains/(losses) on disposal of assets	(112,055)
1. **Profit (loss) for the period before income tax, interest, dividends and gains/losses on disposals**	**(210,892)**
Adjustments for non-cash items that did not have a matching entry in working capital	
Provisions/(Releases from provisions)	74,933
Amortisation and depreciation	33,146
Other adjustments for non-cash items	10,573
Total adjustments for non-cash items	**118,652**
2. Cash inflows (outflows) before changes in working capital	**(92,239)**
Changes in working capital	
Decrease/(increase) in inventories	(61,333)
Increase/(decrease) in trade receivables	(95,945)
Increase/(decrease) in trade payables	38,649
Decrease/(increase) in accrued income and prepaid expenses	(19,322)
Increase/(decrease) in accrued expenses and deferred income	(2,476)
Other changes in working capital (negative)+	84,675
Total changes in working capital	**(55,751)**
3. Cash flow after changes in working capital	**(147,991)**
Other adjustments	
Interest collected/(paid)	(3,718)
(Use of provisions)	(11,654)
Adjustment to foreign currency items	699
Total other adjustments	**(14,674)**
4. Cash flow after other adjustments	
Cash flow from (for) operating activities (A)	**(162,665)**
B. Cash flows from (for) investing activity	
Tangible assets	
(Additions)	(24,571)
Proceeds from disposals	135,875
Intangible assets	
(Additions)	(9,544)
Proceeds from disposals	(383)
Non-current financial assets	
(Additions)	(66,927)
Proceeds from disposals	7,813
Activity disposal	102,231
Cash flow from (for) investing activities (B)	**144,495**
C. Cash flows from (for) financing activities	
Debt	
Increase (decrease) in short-term bank borrowings	(65,066)
Equity	
Other changes in equity	(14,107)
Cash flow from (for) financing activities (C)	**(79,173)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(97,343)**
Cash and cash equivalents at 1 January 2015	**377,963**
Cash and cash equivalents at 31 March 2015	**280,620**

Average employees on payroll

Alitalia Group Jan - Mar Average employees on payroll	2015
Executives	51.7
Middle managers	434.5
Clerks	3,840.1
Workers	2,171.8
totale TERRA	***6,498.1***
Flight Crew	1,557.7
Cabin Crew	3,712.7
totale VOLO	***5,270.4***
TOTALE	11,768.5

Information on the fair value of financial instruments (Art. 2427– bis)

As at 31 March 2015, the Group had the following derivative contracts in place merely for hedging purposes.

Hedges of fuel price risk:

The Group has entered into swap contracts to manage the price risk related to jet fuel purchases.

To calculate the fair value of these derivatives, account was taken of Brent forward prices as quoted by primary external information providers. This valuation showed fair value losses of €190,927,000.

As at 31 March 2015, these derivative contracts were tested, and found to be effective, in accordance with IAS 39. The test was performed through a regression analysis of Brent prices underlying the derivative contracts and jet fuel prices.

Financial instrument	Purpose	Expiry	Notional value*	Underlying risk	FV 31/03/2015 **	Underlying asset or liability	Test of effectiveness	Underlyng commodity	underlyng quantity (tonns)
FORWARD TRANSACTIONS	hedge	monthly froma apr 2015 to dic 2016	EUR 892,948,319 USD 960,723,096	price of jet fuel	EUR (190,926,837)	purchases of jet fuel	100%	jet fuel	1,278,192

* Prices x quantity; in the case of collars and synthetic forwards, the hedged amount purchased and sold is shown. In the case of JPY and GBP versus US$ hedges, the notional US$ amount is shown translated at the ECB rate at 31 March 2015.

** For fuel, given that the Company is not have the suitable means to price commodity derivatives, the FV based on the mark-to-market value provided by counterparties is shown.

In the case of exchange rates, CCSs and interest rates, FV is calculated internally using pricing models and data from Bloomberg/Reuters.

Foreign currency hedges:

The derivative contracts shown in the table below were entered into to hedge exchange rate risk and record overall fair value gains of €56,126,000.

Particularly, attention is called to:

- options qualifying as cash flow hedges for fuel purchases, where payments in euros indexed to the dollar;
- options qualifying as cash flow hedges for sales in the United Kingdom and Japan;
- options qualifying as cash flow hedges for the dollar proceeds from the sale of certain aircraft to Air Berlin;
- cross currency swaps hedging payments of principal and interest on dollar-denominated loans.

The fair value of derivatives is calculated through the use of software using pricing models of proven and well-known reliability.

The derivative contracts were tested successfully for effectiveness as at 31 March 2015, as required by IAS 39, by applying the dollar-offset method on a period-by-period and cumulative basis.

Instrument	Purpose	Expiry	Notional value*	Underlying risk	FV 31/03/2015 **	Underlying asset or liability	Outcome of effectiveness test
YNTHETIC US$ FORWAR	hedge	monthly from apr to dic 2016	EUR 573,241,466 USD 659,547,000	€/USD exchange rate	EUR 35,502,021	euro indexed to dollar for fuel payments	-100%
FORWARD USD ***	hedge	may 2015	EUR 136,119,048 USD 171,510,000	€/USD exchange rate	EUR (23,212,060)	collection of proceeds of sale of 14 A320s	-100%
FORWARD GBP	hedge	monthly from apr to dic 2015	EUR 11,322,140 GBP 9,000,000	€/GBP exchange rate	EUR (1,013,789)	proceeds from UK sales	-100%
JPY COLLAR	hedge	monthly from apr to dic 2015	EUR 38,640,553 JPY 5,400,000,000	€/JPY exchange rate	EUR (1,757,875)	proceeds from Japanese sales	-100%
FORWARD GBP vs USD	hedge	monthly from apr to dic 2015	EUR 11,467,302 GBP 8,150,000	USD/GBP exchange rate	EUR 270,394	proceeds from UK sales for payment fuel in usd	-100%
FORWARD JPY vs USD	hedge	monthly from apr to dic 2015	EUR 47,328,310 JPY 6,150,000,000	USD/JPY exchange rate	EUR (460,078)	proceeds from JPY sales for payment fuel in usd	-100%
CROSS CURRENCY SWA	hedge	nov 2016	EUR 65,620,385 USD 93,312,187	€/USD exchange rate	EUR 22,041,251	principal and interest on US$ loan to APC no. 12	-100%
CROSS CURRENCY SWA	hedge	Jul 2017	EUR 14,640,119 USD 20,625,000	€/USD exchange rate	EUR 5,121,884	principal and interest on US$ loan to APC no. 12	-100%
CROSS CURRENCY SWA	hedge	Jul 2017	EUR 8,872,651 USD 12,750,000	€/USD exchange rate	EUR 3,384,055	principal and interest on US$ loan to APC no. 12	-100%
ROSS CURRENCY SWAP	hedge	Jul 2017	EUR 18,885,536 USD 24,857,143	€/USD exchange rate	EUR 4,855,542	principal and interest on US$ loan to APC no. 12	-100%
CROSS CURRENCY SWA	hedge	Jul 2017	EUR 14,767,280 USD 19,583,333	€/USD exchange rate	EUR 3,881,237	quote capitale e interessi su finanziamento in USD relativo alla società APC n°12	-100%
CROSS CURRENCY SWA	hedge	Jul 2017	EUR 14,996,044 USD 19,583,333	€/USD exchange rate	EUR 3,632,390	principal and interest on US$ loan to APC no. 12	-100%
CROSS CURRENCY SWA	hedge	Jul 2017	EUR 14,779,874 USD 19,583,333	€/USD exchange rate	EUR 3,881,237	principal and interest on US$ loan to APC no. 12	-100%
					EUR 56,126,209		

* Prices x quantity; in the case of collars and synthetic forwards, the hedged amount purchased and sold is shown. In the case of JPY and GBP versus US$ hedges, the notional US$ amount is shown translated at the ECB rate at 31 March 2015.

** For fuel, given that the Company is not have the suitable means to price commodity derivatives, the FV based on the mark-to-market value provided by counterparties is shown.

In the case of exchange rates, CCSs and interest rates, FV is calculated internally using pricing models and data from Bloomberg/Reuters.

*** Derivatives hedging specific risks are therefore measured and tested separately, but contained in a single contract.

Interest rate hedges:

The derivative contract shown in the table below was entered into to mitigate the interest rate risk associated with a floating-rate loan obtained by APC 1. More specifically, this is an interest rate swap which is used to hedge 50% of the interest payments on the above loan.

As at 31 March 2015, the derivative has generated a fair value loss of €364,000. This derivative contract was tested for effectiveness, as required by IAS 39, by applying the dollar-offset method on a period-by-period and cumulative basis, without showing any degree of ineffectiveness.

Instrument	Purpose	Expiry	Notional value*	Underlying risk	FV 31/03/2015 **	Underlying asset or liability	Outcome of effectiveness test
IRS	hedge	ott 2018	EUR 4,493,868	interest rate	EUR (363,792)	interest payable on 50% of outstanding APC no. 1 mortage	-96%

** For fuel, given that the Company is not have the suitable means to price commodity derivatives, the FV based on the mark-to-market value provided by counterparties is shown.

In the case of exchange rates, CCSs and interest rates, FV is calculated internally using pricing models and data from Bloomberg/Reuters.

Glossary

ACARS	A system used for ground-air communications.
ACMI	Aircraft, Crew, Maintenance & Insurance. A term normally used in wet lease contracts.
AEA	Association of European Airlines.
AFTK	Available Freight Tonne Kilometres.
ALIS	Autonomic Logistics Information System (used to manage aircraft and crew, etc.)
AEP	Average Employees on Payroll – Indicates the average number of employees paid during the year (or the period).
APU	Auxiliary Power Unit: this supplies the electricity used to start up the aircraft engines and to power on board systems and lighting when the aircraft is on the ground.
ARCO	An IT system used for managing reservations.
ASK	Available Seats Kilometres.
Assaereo	Italian Association of Air Carriers and Air Transport Operators - established in 1997, it has been part of Confindustria in its capacity as the trade association for airlines and air transport operators since July 1999.
Assaeroporti	Italian Association of Airport Operators – established in 1967 it represents the 45 largest airport operators in Italy.
ATA	Air Transport Association - founded in 1936, it represents the major US airlines.
ASK	Available Seats Kilometres.
ATK	Available Tonne Kilometres.
Belly	The part of an aircraft used to transport cargo.
BLOCK hours	The total flight time, including the aircraft's movements on the ground.
Block space	The purchase, in return for payment of a fee, of capacity (seats or cargo space) on another carrier's aircraft, to be used to sell transport services.
BRS	An IT system used for the management and reconciliation of baggage.
BSP	Billing and Settlement Plan, a centralised system for managing sales that simplifies relations between the travel agencies and the airlines.
Cabin Factor	The ratio of seats occupied to seats available.
Capability	The skills, resources, qualifications and know-how needed to operate.
Catchment Area	Potential market.
Catering	On board provision of food and beverages.
Capacity Provider	The carrier providing aircraft and crew under wet lease contracts.
CASS	Cargo Accounts Settlement Systems, an IT system for managing the billing process and simplifying financial relations between airlines and shipping agents.

CCAL	The Company's Collective Labour Agreement.
CCL	The National Collective Labour Agreement.
CCM	(Cabin Crew Members) Flight Attendants
CER	Certified Emission Reductions – emission credits generated through the Clean Development Mechanism, i.e. through the development of highly energy efficient industrial projects or projects intended to use renewable energies carried out in developing countries not admitted to emission trading. One CER credit attributes the right to emit one ton of CO2.
Chapter 11	US form of bankruptcy offering a company protection from its creditors.
Charter flights	Flights, other than scheduled, operated under charter agreements with a single customer – generally a tour operator, a travel agency, an association, a company or other entity – who charters the entire aircraft (this must be over 12 seats), on an irregular or occasional basis, normally to meet infrequent or seasonal demands.
Check-in	A series of ground procedures (ticket and document checks, baggage inspection and baggage drop, etc.) that passengers must undergo before travelling by plane.
Code sharing	An agreement between two carriers under which a certain flight, operated with the aircraft of one of the two parties (the "operating carrier") and also sold by the other (the "marketing carrier"), is assigned the trademark, IATA code and flight number of both airlines.
COA	Certificate of Airworthiness issued by ENAC, the Italian Civil Aviation Authority. This certifies that the airline possesses the professional expertise and organisational structure needed to ensure that its aircraft operate safely in providing the airline services specific in the certificate.
Convertible bond	Convertible bond – instrument that can be converted into shares in accordance with the terms and conditions set at the time of issue, where the bondholder waives his rights as creditor of the company to become a shareholder, taking on all the risks incident to ownership.
Core business	A company's main area of business.
CRS	Computer Reservation System.
D.B.C.	Denied Boarding Compensation paid to passengers who are refused permission to board an aircraft.
Domestic flights	Flights within Italy.
Dry lease	Lease of the aircraft alone.
ENAC	Italy's Civil Aviation Authority.
ENAV	Italy's Air Traffic Control Authority.
EBITDA	Earnings Before Interest, Taxes, Depreciation, Amortization.
EBITDAR	Earnings Before Interest, Taxes, Depreciation, Amortization and Rentals, a typical performance indicator for airlines. It reflects EBITDA inclusive of aircraft lease expenses.
ERU	Emission Reduction Units – Emission Reduction Units represent the common currency used by manufacturers and airlines to comply with the Kyoto Protocol. (ETS- Emission Trading Scheme)
EU	European Union .
EUROCONTROL	European Organization for the Safety Air Navigation, an international organisation whose role is to standardise and integrate European air traffic control services by creating a single Air Traffic Management – ATM system for civil and military use.

ETS	EU ETS (European Emission Trading Scheme) is a system whereby European companies are required to reduce greenhouse gas emissions in the atmosphere through the purchase of Emission Units.
F.A.A.	Federal Aviation Authority
Feed traffic	Traffic from feeder airports directed to a hub airport, from which passengers can connect to international and intercontinental flights.
Fifth freedom rights	The Chicago Convention of 1944 (ratified in Italy with law decree no. 616 of 1948) indicates the "five freedoms of the air". The fifth freedom calls for the right or privilege, in respect of scheduled international air services, granted by one State to another State to put down and to take on, in the territory of the first State, traffic coming from or destined to a third State.
Frequent flyer	Someone who flies regularly.
FTE	Full Time Equivalent **–** Indicates the number of human resources for the period as standardized on the basis of full-time hours required. The FTE makes part-time and full-time resources comparable, in accordance with a common measure.
FTK	Freight Tonne Kilometres – Cargo transported measured in tonnes per kilometre.
Fuel Surcharge	A surcharge added to the price of airline tickets to cover the additional costs resulting from increase in the price of fuel.
Galley	The area of the aircraft used by cabin crew.
Go Show	A passenger who arrives at the gate without a reservation.
GDS	(Global Distribution System) IT system to manage booking of airline tickets, as well as hotels, car rentals etc.
GPS	Global Positioning System.
GRAMS	An IT system used in managing ramp operations (also UFIS)
Grounding	The withdrawal of aircraft from service.
GSA	General Sales Agent.
Handling	The group of services provided by a company operating at the airport and consisting in ground assistance for passengers, baggage, cargo and aircraft.
Hub	A hub airport, generally located at the heart of a network of feeder airports channelling traffic to the hub. Such a system is used by airlines to centralise and coordinate a high number of arriving and departing flights at one airport, according to a "wave" mechanism that concentrates flights in certain time bands (normally from 4 to 8 over the course of a day, depending on the airport) and offering a large network of connecting flights. All airline alliances currently compete with each other globally for control of intercontinental passenger and cargo traffic, using their respective hub and spoke systems. These are used to connect short- and long-haul flights, channelling short-haul traffic from the so-called catchment areas to connect with other ongoing medium/long-haul flights.
IAS	International Accounting Standards.
IATA	International Air Transport Association.
ICAO	The International Civil Aviation Organisation, the leading authority overseeing the regulation of the global airline industry.
IFRS	International Financial Reporting Standards.
INVENTORY	A tool for managing different fare classes.

Intercontinental flights Flights leaving Italy for destinations outside Europe and the Mediterranean area.

Interlining An agreement under which an airline accepts passengers with tickets issued by another airline on to its aircraft.

International flights Flights leaving Italy for destinations within Europe and the Mediterranean area.

Finance lease A method of purchasing an aircraft financed by third parties, to whom rent is paid over a fixed period of time. At the end of the lease term the asset can normally be purchased outright.

Operating lease The lease of an aircraft for a fixed period of time in return for the payment of rent. At the end of the lease term ownership of the aircraft reverts to the original owner.

Load factor A measure of the capacity utilisation of the services operated by a carrier, expressed as the ratio of RPK to ASK and/or TKT to TKO.

Prorate Manual Establishes the terms on which passengers are exchanged under interlining agreements.

Gross operating margin This indicates the profit or loss from the company's ordinary activities. It represents the value of production from ordinary activities after deducting the cost of external materials and services and staff costs.

Narrow Body Aircraft with one aisle, normally used for short- and medium-haul flights.

Net Invested Capital This consists of the value of fixed assets, less the short-term portion of non-current financial assets, working capital and provisions for post-employment benefits.

Network A network of connections operated by an airline.

No Show A passenger who has made a reservation, but does not turn up at the gate.

OGEU Official Gazette of the European Union.

Operating base The designated base for each crew member, from which the crew member usually begins and ends their period of service or a series of periods of service and in which, under normal conditions, the operator is not responsible for providing board and lodging for the relevant crew members.

Operating lease The lease of an aircraft for a fixed period of time in return for the payment of rent. At the end of the lease term ownership of the aircraft reverts to the original owner.

Operating result The operating result represents earnings before interest, extraordinary items and tax. It consists of the gross operating margin plus amortization, depreciation, other adjustments, provisions for risks and charges and the balance of other income and expenses.

Outsourcing The process by which a company transfers certain activities previously carried out in-house to an external provider, resulting in the direct purchase of the related goods or services from the provider.

PAX Passengers.

Phase in An aircraft's entry into a fleet.

Phase out An aircraft's withdrawal from a fleet.

Point-to-point Flights serving a specific connection between two airports and not feeding traffic into other connecting flights.

RASK	**Revenue per Available Seats Kilometre**
RATK	Revenue per Available Tonne Kilometre.
RP	Average Revenue per Passenger
RPK	Revenue Passengers Kilometres .
SAT	A system for managing transits (also VOR)
Scheduled flights	Flights operated with such frequency and regularity that they constitute a systematic series of flights with the following characteristics: pre-established times; repeated provision of the service between the same two or more points or areas; the possibility to make reservations in advance by using booking systems.
Seat Share	Market share in terms of seats offered.
Service Provider	A company that provides ancillary services to airlines (e.g. handling, wet lease).
Slot	Period of time granted to an airline at an airport for the take-off or landing of a certain flight.
SPA	Special Prorate Agreement agreement between airlines regarding the allocation of ticket revenues in the presence of interlining agreements.
STICK hours	The flight time from take-off to landing.
Sub-holding	A company controlled by a parent that in turn holds interests in other subsidiaries.
TAXI	This phase consists of the movement of the aircraft on the ground from the apron to the runway.
Taxiing	The movement of an aircraft on the ground at an airport, during take-off and landing and on the taxiways.
TCM	(Technical Crew Members**)** Pilots
TCV	Ticket Credit Voucher – cash compensation offered to passengers in the event of disruption to their flight.
TFTK	Total Freight Tonne Kilometres – Freight transported in terms of tonnes per km on aircraft and all cargo flights, excluding post.
TFUE	**Treaty on the functioning of the European Union (TFUE) –** It is in addition to the Treaty on the European Union one of the fundamental Treaties of the European Union. Together they constitute the legal basis of the UE's political system. With its 358 articles, the TFUE explains in a detailed manner the functioning of the organs of the EU and established their powers and responsibilities.
TKO	Tonne Kilometres Offered – Measures the capacity offered by a carrier (conversion of ASK into weight/distance, using conventional rates of conversion).
TKT	Tonne Kilometres Transported – Measures the traffic transported by a carrier (conversion of RPK into weight/distance, using conventional rates of conversion).
UFIS	An IT system for managing ramp operations (also GRAMS)
VOR	A system for managing transits (also SAT)
Wet lease	An aircraft lease contract that also includes the flight and cabin crew, maintenance and insurance cover.
Wide Body	Aircraft with a number of aisles, normally used for long-haul flights.

Working capital This consists of inventories, receivables and other trading assets, less payables, other trading liabilities and provisions.

Yield The average revenue per unit transported based on the number of kilometres.