Media release on
2006 first-half results

July 27, 2006

SWISS improves its EBIT result

Swiss International Air Lines (Group) generated earnings before interest and taxes (EBIT) of CHF 98 million for the first half of 2006. The company reported a negative EBIT of CHF 9 million for the same period last year. The consolidated net result for the first six months also showed a year-on-year improvement, rising from the CHF 89 million net loss of 2005 to a net profit of CHF 76 million for the current year.

Reflecting positive economic trends in all main markets, Swiss International Air Lines (Group) substantially increased its revenue for the first half of 2006. Total income from operating activities rose 11.7% to CHF 1 976 million (prior year: CHF 1 769 million), and earnings before interest and taxes (EBIT) stood at CHF 98 million (prior year: minus CHF 9 million). The net result amounted to a profit of CHF 76 million (which compares with a net loss of CHF 89 million for the prior-year period).

Fuel prices reached new record highs in the second quarter of 2006, and eroded a further CHF 88 million from first-half results compared to the same period a year ago. With competition still intense, the additional expense could be only partially offset by the fuel surcharges levied on tickets. The revaluation of US dollar-denominated debt, which is effected at the end of each quarter, resulted in positive currency exchange value adjustments (non-cash book gains) of CHF 25 million for the first half-year. These are due to a relative weakening of the US dollar compared to its exchange rate on December 31, 2005. First-half results for 2005 had seen the opposite effect: with a strengthening US dollar, the currency exchange result included non-cash book losses amounting to CHF 58 million. Excluding these non-cash currency exchange results, the net result for the first half of 2006 was a CHF 82 million improvement on the prior-year period.

Key figures from the income statement

	1st half		**2nd quarter**		1st half
in CHF million	**2006**	**2005**	**2006**	**2005**	2006 vs. 2005
Total income from operating activities	1 976	1 769	1 047	916	+11.7%
EBIT before restructuring costs	98	- 9	75	1	-
Restructuring costs	0	- 6	0	0	-
Profit/loss for the period	76	- 89	72	- 45	-

"SWISS was able to operate in an economic environment that was extremely favourable to the airline sector in the first half of 2006, with rising passenger numbers and revenue growth," says Christoph Franz, President & Chief Executive Officer. "At the same time, the actions we have taken to consolidate our market position and enhance our cost structure are also making their mark. And on top of this, we have felt the benefits of teaming up with Lufthansa even sooner than planned. SWISS is in the climb; and that is a course we intend to maintain."

"The airline business is extremely cyclical," Franz continues. "But if we are to finance our long-term investments in our fleet and our product, we must achieve an average EBIT margin of between five and eight per cent. In order to maintain this perennial average EBIT margin, we must achieve a margin which is well above this figure in the present positive market environment. In a business as full of risks as the airline sector, posting a one-time EBIT margin of around five per cent is simply not enough. We need to batten down the hatches today. Only by doing so can we ensure that we will be able to weather the next market downturn without having to take radical action."

Cash and cash equivalents trends

	As of		Change over
in CHF million	**30.6.06**	**31.12.05**	31.12.05
Cash and cash equivalents	779	558	+39.6%

SWISS held cash and cash equivalents of CHF 779 million on June 30, 2006 – almost 40% more than the CHF 558 million which it had held at the end of 2005. Cash and cash equivalents had stood at CHF 632 million at the end of March 2006. In addition to positive first-half operating cash flow trends (which were themselves the product of higher earnings levels), a cash inflow of some CHF 65 million derived from the refinancing of part of the Airbus A340 fleet in the first-quarter period. SWISS had an additional CHF 230 million in liquid funds available from existing banking credit facilities on June 30, 2006.

Traffic figures

	1st half		2nd quarter		1st half
	2006	**2005**	**2006**	**2005**	2006 vs. 2005
Seat load factor for European services	68.1%	63.8%	74.3%	68.6%	+ 4.3 points
Seat load factor for intercontinental services	82.3%	83.2%	83.8%	84.8%	- 0.9 points
Seat load factor systemwide	77.7%	76.9%	80.7%	79.5%	+ 0.8 points

SWISS increased its systemwide seat load factor to 77.7% for the first six months of 2006 (prior-year period: 76.9%). First-half seat load factor on intercontinental services stood at 82.3% (prior-year period: 83.2%), while the 68.1% first-half seat load factor achieved for European services was 4.3 percentage points above its prior-year level. SWISS carried 4.95 million passengers in the first six months of 2006, 5.7% more than in the same period last year.

Personnel numbers

	1st half		2nd quarter		1st half
	2006	**2005**	**2006**	**2005**	2006 vs. 2005
Average number of employees (full-time equivalents)	5 717	6 497	5 419	6 482	- 16.4%

SWISS employed an average of 5 717 employees (in full-time-equivalent terms) in the first half of 2006, a decline of 780 positions from the 6 497 of the prior-year period. The total SWISS workforce on June 30, 2006 amounted to 5 438 full-time equivalents, 656 fewer than at the end of 2005. These 5 438 full-time positions are shared by 6 539 employees worldwide.

This media release is available on our swiss.com website at "About SWISS > Financial information".

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