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SWISS continues to climb: EBIT of CHF 199 million for the first nine months of 2006

Swiss International Air Lines (Group) increased its earnings before interest and taxes (EBIT) to CHF 199 million for the first nine months of 2006 (prior-year period: CHF 24 million). Consolidated net profit for the period amounted to CHF 174 million. In the prior-year period, SWISS posted a consolidated net loss of CHF 81 million. EBIT for the third quarter, which is traditionally the strongest of the year, rose to CHF 101 million for 2006 (prior-year period: CHF 33 million).

In a favourable economic climate, Swiss International Air Lines (Group) continued to increase its revenues in the third quarter of 2006. Sales were up year-on-year in all key markets. Total income from operating activities for the first nine months stood at CHF 3 074 million, an 11.1% improvement on the CHF 2 767 million of the prior-year period. EBIT for the period rose to CHF 199 million (prior-year period: CHF 24 million). Net profit for the first nine months of 2006 amounted to CHF 174 million (which compares to a net loss of CHF 81 million for the first nine months of 2005). For the third-quarter period, traditionally the strongest in traffic and revenue terms, EBIT amounted to CHF 101 million (prior-year period: CHF 33 million).

“SWISS continued to climb in the third quarter. A positive economic environment and an increase in our own production and productivity together with the successful teaming up with Lufthansa gave us additional lift,” says CEO Christoph Franz. “With this result to our credit, we can continue with confidence on our chosen path. Our EBIT margin for the first nine months of 2006 confirms that SWISS has substantially improved its competitive position. We are now approaching the altitude at which we need to fly.”

Key figures from the income statement

in CHF million	First nine months		3rd quarter		First nine months 2006 vs. 2005
	2006	2005	2006	2005	
Total income from operating activities	3 074	2 767	1 098	998	+11.1%
EBIT before restructuring costs	199	24	101	33	
Restructuring costs	0	-10	0	-4	
Profit/loss for the period	174	-81	98	8	

The improvement in the net result is due primarily to better loadings on flights and to higher yields (average revenue per passenger-kilometre). SWISS also made progress on the cost side: a new contract was concluded with inflight catering provider Gate Gourmet in the course of the third-quarter period. In October, SWISS's Airbus pilots agreed to a new Collective Labour Agreement. The accord, which will be valid from November 2006, pays due regard to the current corporate restructuring and the intensified competitive environment, and strengthens SWISS's foundation for future sustainable growth.

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 26 million for the first nine months of 2006. Excluding these non-cash currency exchange results, the net result for the first nine months of 2006 was a CHF 162 million improvement on the prior-year period.

Fuel prices rose to new record levels in the third-quarter period, eroding a further CHF 110 million from results for the first nine months 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. While the situation on the oil markets has eased in recent weeks, further developments remain difficult to predict.

Cash and cash equivalents trends

in CHF million	As of		Change over
	30.09.06	31.12.05	31.12.05
Cash and cash equivalents	771	558	+38.2%

SWISS held cash and cash equivalents of CHF 771 million on September 30, 2006 – around 38% more than the CHF 558 million it had held at the end of 2005. The earnings-related improvement in operating cash flow enabled SWISS to make repayments on outstanding liabilities in the third-quarter period. These repayments are the main reason why, despite the strong operating cash flow, cash and cash equivalents on September 30 were slightly below the CHF 779 million reported at the end of the second quarter. SWISS had an additional CHF 212 million in liquid funds available from existing banking credit facilities on September 30, 2006.

Traffic figures

	First nine months		3rd quarter		First nine months
	2006	2005	2006	2005	2006 vs. 2005
Seat load factor for European services	71.5%	66.8%	78.0%	72.4%	+4.7 points
Seat load factor for intercontinental services	83.8%	85.0%	86.7%	88.5%	-1.2 points
Seat load factor systemwide	79.8%	79.1%	83.9%	83.2%	+0.7 points

SWISS continued to improve the average loadings on its flights. Systemwide seat load factor for the first nine months of 2006 amounted to 79.8% (prior-year period: 79.1%). On its intercontinental services, SWISS achieved a seat load factor of 83.8% (prior-year period: 85.0%). Seat load factor for the European network amounted to 71.5% for the period, up 4.7 percentage points on January-to-September 2005. SWISS carried 7.85 million passengers on its scheduled services in the first nine months of 2006, 7.1% more than in the prior-year period. For the third quarter of 2006, SWISS achieved a systemwide seat load factor of 83.9%; and total passenger numbers for the quarter were 9.7% up on the same period last year.

Personnel numbers

	First nine months		3rd quarter		First nine months
	2006	2005	2006	2005	2006 vs. 2005
Average number of employees (full-time equivalents)	5 598	6 446	5 361	6 343	-13.2%

SWISS employed an average of 5 598 employees (in full-time-equivalent terms) in the first nine months of 2006, which was 848 fewer than in the same period a year ago. Average personnel numbers showed a further but smaller decline of 58 positions in the third-quarter period. On September 30, SWISS had a workforce of 5 337 full-time equivalents (757 fewer than at the end of 2005), shared among 6 473 employees.

Following a long phase of restructuring, SWISS is now placed to grow again in response to demand. A first additional long-haul Airbus A330 aircraft will enter service in November; and, over the next few months, SWISS will be creating around 250 new jobs among its flying personnel.

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

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