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SWISS posts a solid first-quarter performance

Swiss International Air Lines (Group) reports further strong revenue growth in the first quarter of 2008 and earnings before interest and taxes (EBIT) for the period of CHF 91 million (compared to CHF 118 million for January-to-March 2007).

SWISS continued its present demand-driven and risk-conscious growth in the first quarter of 2008. Total income from operating activities amounted to CHF 1 219 million, a 12.0% increase on the CHF 1 088 million of the same period last year. But with substantial increases in fuel prices, the sizeable impact of currency movements and the fact that the traditionally low-margin Easter traffic fell within this year's first-quarter period, first-quarter earnings before interest and taxes (EBIT) declined 22.9% to CHF 91 million.

(Note: To align its accounting principles to those of its parent company Lufthansa, SWISS adopted a new accounting policy on January 1, 2008 of including the impact of currency movements on the end-of-period valuation of its net working capital in its EBIT result. EBIT for the first quarter of 2007 has been recalculated and restated for comparability purposes, and is now CHF 4 million less than was previously stated.)

"Given the current difficulties in our industry, SWISS has taken off well into 2008," says CEO Christoph Franz. "We are still ahead of our own expectations on our organic-growth path, both in our passenger business and with Swiss WorldCargo. The high price of jet fuel and sizeable exchange-rate fluctuations are major current burdens, whose impact we were largely able to offset through our first-quarter performance. Our investments in our network and our product are also being very well received by the market. And our memberships of the Lufthansa Group and of Star Alliance are both contributing to our solid overall development."

Key figures from the income statement

in CHF million	1st quarter		1st quarter
	2008	2007	2008 vs. 2007
Total income from operating activities	1 219	1 088	+12.0%
Earnings before interest and taxes (EBIT)*	91	118	-22.9%

* including end-of-period valuation of the short-term net working capital

"SWISS has put itself in a strong market position and is maintaining a conservative financial policy," adds Chief Financial Officer Marcel Klaus. "This gives us the foundation we need to maintain our chosen course, despite the clouds on the business horizon. The turmoil on the international financial markets and the continuing fuel price rises are a major challenge for us and our industry. This makes it all the more vital and valuable that SWISS has developed the capability over the past few years to respond more swiftly and flexibly to changing conditions. And we will keep to our endeavours to further enhance our market and cost positions, to enable us to remain on our present profitable course."

Traffic figures

	1st quarter		1st quarter
	2008	2007	2008 vs. 2007
Seat load factor for European services	67.6%	66.3%	+1.3 points
Seat load factor for intercontinental services	81.0%	81.9%	-0.9 points
Seat load factor systemwide	76.8%	76.9%	-0.1 points

SWISS welcomed three million customers aboard its services in the first quarter of 2008 – 11.8% more than in the same period last year. The company's flights registered a systemwide seat load factor of a high 76.8% for the period, virtually unchanged from its prior-year level.

Production (in available-seat-kilometre terms) was raised 11.3% in the first-quarter period, largely in line with the increase in traffic volume. The additional capacity was absorbed by market demand. Seat load factor on SWISS's European services rose 1.3 percentage points to 67.6%, and seat load factor on SWISS intercontinental services remained high at 81.0% (compared to 81.9% for the prior-year period). The airfreight business of Swiss WorldCargo also posted encouraging first-quarter trends: despite the first indications of a cooling of the economy, the 85.1% cargo load factor (by volume) was virtually unchanged from the 85.0% of the same period last year.

Personnel

SWISS created several further jobs in the first quarter of 2008, reporting a net increase of 86 positions (in full-time equivalents) for the period. At the end of March 2008, the worldwide SWISS workforce comprised 6 108 full-time-equivalent positions. Excluding the decline in employee numbers prompted by the sale of the company's Mindpearl subsidiary, this is over 10% more than a year ago. The 6 108 positions were shared by 7 359 employees around the world.

Further company news

Product investments: SWISS continues to strengthen its positioning as a quality airline. Early April saw the completion of the programme to provide new seats for the entire 52-aircraft European fleet. The new cabin interior is proving very popular with customers: the company earned top place among Europe's carriers for cabin comfort in January in a poll of the readers of *Business Traveller* magazine. SWISS is investing in its product on the ground, too. The modernisation and expansion of the lounge facilities at Zurich Airport will be completed in time for this summer's European Football Championships; and the new lounges in Geneva and New York are already providing greater customer comfort and convenience.

Network expansions: SWISS also continues to expand its range of services in Europe and farther afield. Recent milestones for the European network include new daily services from Zurich to St. Petersburg and Sofia and new thrice-daily Zurich-Florence flights. SWISS's Geneva-based route network has been extended to Bucharest, Istanbul and Palma de Mallorca, and Basel now has direct Belgrade flights. The biggest recent network highlight will be the introduction of a new daily service between Zurich and Shanghai on May 9.

Star Alliance partners SWISS and US Airways are intensifying their collaboration through a new codeshare agreement which offers both carriers' customers an even wider range of destinations. SWISS customers will enjoy service from Zurich to Philadelphia, operated by US Airways, from April 26; and customers of US Airways will be able to fly from Zurich to ten new points in Europe.

Company news: The WEKO, Switzerland's competition commission, approved the team-up of SWISS and Edelweiss Air on April 17, and did so without any provisos. The approval clears the way for an intensified collaboration between the two carriers. Edelweiss Air will continue to operate as an autonomous company within the SWISS Group.

Following the payment of some CHF 70 million (around EUR 45 million) to private shareholders in 2005, the former major SWISS shareholders received a payout on their outperformance options at the end of March. In exchange for their SWISS shares, these shareholders were paid a total of some CHF 269 million (around EUR 172 million). Under the outperformance option arrangement, the amount to be paid out to former major shareholders at the end of March 2008 depended on the performance of the Lufthansa share compared with those of various airline competitors over a specified period. The Lufthansa share outperformed its benchmark share basket by 44.67%. And SWISS's own success, which was rendered possible by its integration into the Lufthansa Group, made its contribution thereto. The payout on these outperformance options brings the total payment for SWISS to around CHF 339 million (around EUR 217 million).

This media release is also available online at SWISS.COM under "About SWISS > Financial information".

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