



July 30, 2008

SWISS posts solid first-half EBIT result

With its fuel hedges partly offsetting substantially higher jet fuel prices, SWISS achieved a solid result for the first half of 2008. On total operating income that was a tangible improvement on the same period last year, Swiss International Air Lines (Group) reports earnings before interest and taxes (EBIT) of CHF 262 million for the first six months (prior-year period: CHF 311 million).

In a far-from-easy economic environment, SWISS generated total income from operating activities of CHF 2 556 million for the first half of 2008, a 10.9% increase on the CHF 2 304 million of the prior-year period. The additional revenue did little to raise earnings, however: higher fuel prices had a severely negative impact on EBIT levels, despite the mitigating effects of the fuel hedges held. As a result, EBIT for the first half-year amounted to CHF 262 million (compared to CHF 311 million for the same period in 2007), of which CHF 171 million (2007: CHF 193 million) was generated in the second-quarter period. Thus, while remaining solid, EBIT developments showed a downward year-on-year trend.

“Strong efforts from our sales teams helped keep our flights well utilised in both passenger and cargo terms,” comments CEO Christoph Franz. “But the increases in our fuel surcharges did not translate into higher yields to the extent required. Despite this, however, and despite the year-on-year decline, we have posted a solid EBIT result for the first half of 2008 that lies within our expectations.”

“We do see storm clouds on the horizon, though,” Franz continues. “The record price of jet fuel and the international financial crisis, which is now having a growing impact on the business economies in some of our foreign markets, are a major burden that poses a particular challenge to the entire air transport sector. But SWISS is not unprepared for the turbulence ahead. Our company today is solid to the core. And we will continue to make the strategic investments we have planned in our fleet and our product, to ensure that we can further maintain our market position.”

Key figures from the income statement

in CHF million	1st + 2nd quarter		2nd quarter		1st + 2nd quarter
	2008	2007	2008	2007	2008 vs. 2007
Total income from operating activities	2 556	2 304	1 337	1 216	+ 10.9%
Earnings before interest and taxes (EBIT)*	262	311	171	193	- 15.8%

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

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 half of 2007 has been recalculated and restated for comparability purposes, and is now CHF 26 million higher than previously stated.

The price of crude oil has more than doubled in the past 12 months, raising jet fuel prices to new record levels. As a result, fuel costs now account for around 30% of SWISS’s total expenses (compared to 12% back in 2003). SWISS is currently still deriving substantial benefit from its fuel hedging programme. But SWISS, too, will have to increasingly pay current market prices for its fuel from 2009 onwards.

“The latest record prices of aviation fuel will have their – if delayed – impact on our costs,” Chief Financial Officer Marcel Klaus concedes. “That’s why we are currently taking action on a number of fronts, to optimise our processes and further enhance our cost structure. The burden of higher fuel costs cannot be borne by the airlines alone, though, and we will also have to talk to our suppliers about how the cost savings needed can be achieved.”

Traffic figures

	1st + 2nd quarter		2nd quarter		1st + 2nd quarter
	2008	2007	2008	2007	2008 vs. 2007
Seat load factor for European services	70.9%	69.6%	73.8%	72.6%	+ 1.3 points
Seat load factor for intercontinental services	82.5%	83.2%	83.9%	84.5%	- 0.7 points
Seat load factor systemwide	78.8%	78.8%	80.6%	80.6%	-

SWISS carried 6.45 million passengers in the first half of 2008, more than in any previous first-half period (January-June 2007: 5.76 million). Total first-half capacity was a 12.5% increase on the prior-year period in available seat-kilometre terms. The additional capacity was fully absorbed by market demand: systemwide seat load factor for the period remained unchanged from 2007 at 78.8%. Swiss WorldCargo also largely maintained its high cargo load factor, thanks in no small part to its successful focusing on transporting goods in high-value niche markets: first-half cargo load factor by volume amounted to 84.0% (prior-year period: 84.7%).

Personnel

SWISS bucked the general industry trend to create over 240 new jobs (in full-time-equivalent or FTE terms) in the first half of 2008. The worldwide company workforce amounted to 6 266 FTEs on June 30, 2008, shared among 7 469 personnel (compared to 7 277 personnel at the end of 2007).

Further company news

Investments: SWISS continues to cement its position as a quality airline. The new Business Class seat which will be successively installed aboard all long-haul aircraft from spring 2009 onwards will set new benchmarks in inflight comfort terms. SWISS was also named joint number-one classic scheduled airline for Europe – together with Lufthansa – in April's "Airline of the Year" survey of the readers of Germany's *Capital* magazine. The award follows the further first places which the carriers earned in January, when the readers of *Business Traveller* magazine (also of Germany) voted SWISS "Best Airline for Europe" in the Cabin Comfort category.

Network and fleet: May saw the introduction of a new daily SWISS service between Zurich and Shanghai. Together with its Hong Kong route, SWISS now offers 14 frequencies a week to and from China. The main innovations in Europe in the SWISS 2008 summer schedules were new daily flights from Zurich to St. Petersburg and Sofia, and a new thrice-daily service between Zurich and Florence.

A further Airbus A340 was integrated into SWISS's operations this month, concluding the recent expansion of the intercontinental fleet, which now consists of 15 Airbus A340s and ten Airbus A330-200s. The first of nine brand-new Airbus A330-300s which will gradually supersede the present A330-200s will enter SWISS service next spring. The cutover to the more advanced and more efficient A330-300s should be completed by 2011.

Diversification into business travel: SWISS acquired Zurich-based Servair Private Charter AG on July 17. Servair will henceforth be operated as Swiss Private Aviation AG, a fully-owned subsidiary of Swiss International Air Lines AG. The new acquisition should establish the SWISS Group in the business aviation sector and provide a platform for operating the Lufthansa Private Jet fleet.

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

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