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## SWISS reports solid business trends despite earnings decline

**Swiss International Air Lines (Group) achieved earnings before interest and taxes (EBIT) of CHF 389 million for the first nine months of 2008, a 15.8% decline on the prior-year period. Total income from operating activities for the period rose 10.6% to CHF 3 972 million. For the third quarter of 2008, SWISS reports an EBIT of CHF 127 million on total operating income of CHF 1 416 million.**

In a business environment marked by sizeable uncertainties and a general cooling of the economy, SWISS generated consolidated income from operating activities of CHF 3 972 million for the first nine months of 2008, a 10.6% improvement on the prior-year period. EBIT for the period declined, however, from the CHF 462 million of 2007 to CHF 389 million.

While growing global uncertainty, especially in the last three months, has also had its impact on demand structures, SWISS continued to build on its solid business performance of the first half of 2008 throughout the third-quarter period, posting an EBIT of CHF 127 million on operating income of CHF 1 416 million. "Our company faced strengthening headwinds in the third quarter," says CEO Christoph Franz. "But our overall business performance for 2008 still meets our expectations, especially when we compare it to the very good results of the previous year, and is well within what we feel can be achieved in the present difficult environment."

"The business risks and uncertainties that are deriving from the current state of the economy and volatile crude oil prices are likely to increase, and these will pose a major challenge in 2009 to SWISS and the entire air transport sector," Franz continues. "SWISS largely concluded its substantial expansion of the past two years with the start of the winter schedules. We now want to consolidate our services. At the same time, though, we will continue to invest as planned in our fleet, our product and our route network."

### Key figures from the income statement

in CHF million	1st -3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter		1 <sup>st</sup> -3 <sup>rd</sup> quarter
	2008	2007	2008	2007	2008 vs. 2007
Total income from operating activities	3 972	3 590	1 416	1 286	+ 10.6%
Earnings before interest and taxes (EBIT)*	389	462	127	151	- 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 three quarters of 2007 has been recalculated and restated for comparability purposes, and is now CHF 13 million lower than previously stated.

"We must expect the international financial crisis to have a growing impact on the real economy in the next few months, and next year in particular," adds Chief Financial Officer Marcel Klaus. "We must further raise our own efficiency, and we must work together with our partners to ease the pressures on the cost front. And to do so, we will be counting on the collaboration of all our partners in the value-adding chain."

### Traffic figures

SWISS carried 10.13 million customers in the first nine months of 2008 (compared to 9.10 million in the same period last year). The nine-month systemwide seat load factor of 80.9% was a slight improvement on the prior-year period, despite a 12.8% increase in capacity in available-seat-kilometre terms.

	1 <sup>st</sup> -3 <sup>rd</sup> quarter		3 <sup>rd</sup> quarter		1 <sup>st</sup> -3 <sup>rd</sup> quarter
	2008	2007	2008	2007	2008 vs. 2007
Seat load factor for European services	73.2%	72.4%	77.5%	77.6%	+ 0.8 points
Seat load factor for intercontinental services	84.5%	84.4%	88.3%	86.6%	+ 0.1 points
Seat load factor systemwide	80.9%	80.5%	84.9%	83.6%	+ 0.4 points

Some 3.68 million customers travelled on SWISS in the third-quarter period (which compares to 3.34 million for the third quarter of 2007). The additional third-quarter capacity (+13.4%) was fully absorbed by market demand: seat load factor for the period stood at 84.9%, a year-on-year increase of 1.3 percentage points.

Swiss WorldCargo largely maintained its cargo load factor for the first nine months at its high prior-year level, thanks in no small part to its continued specialisation in high-value niche-market services. Cargo load factor (by volume) for the period amounted to 83.5%, compared to 84.0% for the same period last year.

#### Personnel

SWISS bucked the industry trend to create 370 new jobs (in full-time-employee or FTE terms) in the first nine months of 2008, 130 of them in the third-quarter period. SWISS employed a total of 6 392 FTEs worldwide at the end of September (against 6 022 at the end of 2007). The full-time positions were distributed among 7 672 personnel (compared to 7 277 at the end of last year). Despite the general cooling of the economy, SWISS will continue to recruit new staff, to selectively alleviate current shortages in certain personnel groups.

#### Further company news

**SWISS Technical Services:** Some 500 former SWISS Technical Services personnel transferred to the newly-established Lufthansa Technik Switzerland on October 1. The new company strengthens the future prospects of these Basel-based maintenance, repair and overhaul operations. Lufthansa Technik Switzerland aims to create up to 70 further jobs in the next few years, depending on order volumes.

**Edelweiss Air:** SWISS customers can now book individual seats on leisure carrier Edelweiss Air. The seats can be booked without any land arrangement, and can also be combined with further flights from the SWISS network. The new facility, which came into effect with the new winter timetable on October 26, is the result of the strategic partnership concluded by Swiss International Air Lines and the Kuoni travel organisation at the beginning of the year. Under the accord, Kuoni now offers its hotels via SWISS.COM, while SWISS will acquire Edelweiss Air, Kuoni's former leisure airline, on November 1. Edelweiss Air will continue to operate as a separate company with its own management, fleet and crews. The Edelweiss Air brand will also be retained.

**Winter schedules:** SWISS raised its fares an average of a modest 3% with the start of the winter schedules. The new timetables see SWISS retaining its route network at its present extent and even adding further frequencies on certain routes. SWISS is also realigning its services to a few destinations in response to changed demand.

In Europe, SWISS has added a further daily frequency to the Zurich-London City route, so customers can now choose from nine daily flights to the conveniently-located City Airport. Service to Valencia switches from Geneva to Zurich in the new schedules in response to changed demand. Frequencies have also been added on the Zurich-Istanbul route, whose 11 weekly flights become a twice-daily service; and SWISS's Geneva-based network sees the addition of a four-times-weekly service to Budapest.

SWISS lowered its fuel surcharges on October 22. Fuel prices have been highly volatile in recent months, but declined over the last few weeks. As it had previously undertaken to do, SWISS has revoked the last two increases in its fuel surcharges in view of these declines.

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

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