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SWISS reports favourable results but a weaker fourth quarter for 2008

Swiss International Air Lines (Group) achieved earnings before interest and taxes (EBIT) of CHF 507 million for 2008, a 6.5% decline on the prior-year result. Total income from operating activities was increased 7.6% to CHF 5 267 million over the same period. SWISS was unable to maintain the revenue growth of the earlier months in the fourth quarter of the year, whose CHF 1 295 million operating income remained broadly in line with the CHF 1 305 million of October-to-December 2007.

SWISS generated total income from operating activities of CHF 5 267 million for 2008, a 7.6% increase on the CHF 4 895 million of the prior year. Despite the revenue growth, earnings before interest and taxes (EBIT) declined 6.5% from CHF 542 million to CHF 507 million in the face of record fuel prices for the first nine months of 2008 and unfavourable currency movements.

SWISS saw a clear weakening in demand for its services in the fourth quarter of 2008 – initially in the cargo sector, but also on the passenger front. Seat load factor declined accordingly; and, having shown a 10.6% improvement for the first nine months, operating income for the fourth-quarter period was slightly down on its prior-year level. Some relief was afforded by the substantially lower fuel prices seen from autumn 2008 onwards. But while EBIT for the fourth quarter was above its prior-year equivalent, this was largely because the 2007 fourth-quarter EBIT result had been reduced by provisions and revaluations of balance-sheet items.

“All in all, 2008 was a good year for SWISS: our company is profitable, achieved growth that was well above the market average and was able to continue the success of the last few years,” says CEO Christoph Franz. “At the same time, though, the business developments in the last three months of the year have given us a taste of what we can expect in 2009. The 23.2% industrywide decline in cargo volumes that we saw in January of this year shows just how severe the current economic crisis is. And our passenger business is also feeling the effects of this more and more, especially in the business travel segment.”

SWISS has been responding to the weakening markets since the beginning of the year by adjusting capacity in line with demand. These actions have included reducing frequencies on some routes or deploying smaller-capacity aircraft. The company also resolved a raft of measures at the end of February that includes reducing outstanding overtime and prior-year vacation amounts and facilitating the taking of unpaid leave.

“SWISS has been pursuing strict cost management for years now, and took action as early as last autumn to further improve cost structures,” confirms Chief Financial Officer Marcel Klaus. “In times of crisis, cost efficiency is vital to maintaining market position.”

Key figures from the income statement

in CHF million	Full year		4 th quarter		Full year 2008 vs. 2007
	2008	2007	2008	2007	
Total income from operating activities	5 267	4 895	1 295	1 305	+7.6%
Earnings before interest and taxes (EBIT)*	507	542	118	80	-6.5%

* 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 1 January 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 2007 has been recalculated and restated for comparability purposes, and is now CHF 29 million lower than previously stated.

“We want to remain profitable in times of crisis, too, to continue to invest in our fleet, our product and our route network,” Christoph Franz emphasises. “Air transport is still a growth sector in the longer term. Market opportunities will arise again; and we aim to take full advantage of them, to strengthen and further expand SWISS’s market position.”

Traffic figures

SWISS carried a record 13.5 million passengers in 2008, compared to 12.2 million the previous year. Seat-kilometre capacity was increased by 12.0%. For the year as a whole, all the extra production was absorbed by market demand: systemwide seat load factor stood at 80.3%, virtually unchanged from the 80.2% of 2007 and well above the industry average.

	Full year		4 th quarter		Full year
	2008	2007	2008	2007	2008 vs. 2007
Seat load factor for European services	72.1%	71.8%	69.1%	69.9%	+0.3 points
Seat load factor for intercontinental services	84.2%	84.3%	83.2%	84.0%	-0.1 points
Seat load factor systemwide	80.3%	80.2%	78.6%	79.6%	+0.1 points

A total of 3.34 million passengers were carried by SWISS in the fourth quarter of 2008 (compared to 3.11 million in the prior-year period). The 9.5% seat-kilometre capacity increase for the quarter was not fully absorbed by demand; and with the premium segment seeing a particularly substantial volume decline towards year-end, seat load factor for the period slipped one percentage point.

Swiss WorldCargo experienced a sizeable decline in demand towards the end of the year, with cargo tonnage for December over 20% down on the same month in 2007. Cargo load factor for 2008 as a whole fell seven percentage points to 77.6%, while total cargo tonne-kilometres sold for the year were a 5.6% improvement on the 2007 result.

Personnel

SWISS created 471 new jobs (in full-time-equivalent or FTE terms) in 2008, primarily among its flying personnel. At the end of the year, the SWISS worldwide workforce numbered 6 026 FTEs (compared to 6 022 at the end of 2007). The 6 026 FTE positions were shared among 7 337 employees (compared to 7 277 employees at the end of the previous year). 467 employees (in FTE terms) of SWISS Technical Services transferred to the newly-founded Lufthansa Technik Switzerland on 1 October 2008. This is why, despite the new jobs created, the number of FTEs at year-end was virtually unchanged from the end of 2007.

Further news and developments

Product investments: SWISS continued its quality drive in the air and on the ground throughout 2008. After various ground investments (in new lounge, check-in and ticket office facilities), spring saw the company unveil its new SWISS Business Seat incorporating the exclusive Swiss-made innovation of an adjustable air cushion. The new seat will be installed on SWISS's new Airbus A330-300s, deliveries of which begin this spring. The centrepiece of the new SWISS First cabin is also a newly-developed seat that sets new comfort benchmarks. With its full complement of advanced Airbus A330-300s (which also boast a 13% better specific fuel consumption), SWISS will offer a First Class cabin throughout its long-haul fleet.

New destinations: Despite the challenging business environment, SWISS continues to selectively exploit market opportunities and expand its product in response to demand. One highlight here is the introduction of service to Lyon, France's second-biggest conurbation, which joins the SWISS worldwide network with the start of the summer schedules. SWISS will also launch twice-daily service to Oslo, Norway's capital, in mid-June.

Investments in Europe: SWISS is to replace its present Avro RJ100 fleet with new Bombardier CSeries aircraft from 2014 onwards. With their new powerplant technology and their advanced construction materials, the CSeries will set new operating standards in cost-efficiency and environmental terms. SWISS will be one of the first airlines in the world to operate these latest-generation transports. In investing over CHF 1 billion in this innovative aircraft type, SWISS is further underlining its responsibility to airport communities: the new CSeries will be twice as quiet as the aircraft they replace.

Punctuality: Some 81.7% of all SWISS scheduled services departed punctually (i.e. within 15 minutes of their scheduled time of departure) last year, the company's best-ever on-time performance since its foundation. As a result, SWISS rose from 15th to an outstanding 7th in the Association of European Airlines punctuality rankings.

This media release is also available on our SWISS.COM website under "About SWISS > Financial information".

SWISS Corporate Communications

Phone: +41 (0)848 773 773

Fax: +41 44 564 2127

Email: media@swiss.com

Internet: SWISS.COM