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## SWISS feels further-strengthening headwind

Swiss International Air Lines (Group) reports an operating profit of CHF 65 million for the first half of 2009, compared to CHF 254 million for the same period last year. Total income from operating activities for the period declined 17% to CHF 2 118 million.

The global economic climate and the corresponding falls in demand, especially in the premium segment, depressed yields more severely in the second-quarter period than they had at the start of the year. Despite taking early action on the cost front and realigning capacity to the new demand levels, SWISS was only partly able to offset the revenue declines. The situation was further exacerbated by an increase of some 50% in crude oil prices since the beginning of the year.

The present weakness of the Swiss home market and the drift away from the premium segment towards Economy Class travel were both reflected in SWISS's revenue results. The airfreight business of Swiss WorldCargo also continued its unfavourable development in response to general economic conditions. Overall, SWISS posted a slim operating profit of CHF 3 million for the second-quarter period.

"Although we have been practising rigorous cost management and flexibly adapting our capacity in response to the recent downturn in demand, SWISS cannot escape the present storms in the airline sector, and this is reflected in the broadly breakeven operating result that we achieved for the second-quarter period," says Chief Executive Officer Harry Hohmeister, commenting on this performance. "Our overall results for the first six months of 2009 are largely in line with our expectations," he continues. "And we will continue to pursue our goal of posting a black-ink bottom-line result even in challenging business times."

SWISS modified its capacity in the light of declining demand in the first-half period, especially on its intercontinental routes. This has largely entailed reducing certain frequencies while still maintaining non-stop service to the destinations concerned. Elsewhere, SWISS has been taking advantage of market opportunities: Lyon and Oslo have been added to the network in the summer schedules. SWISS customers continue to enjoy an extensive and attractive route and service network. "We are actively exploiting market opportunities," Hohmeister explains. "As soon as the economic recovery begins, we aim to use our strong position to gain a full share in the resulting growth. For the present, though, we have a rocky road ahead."

SWISS is keeping to its current investment programme, to ensure its long-term viability and further enhance its competitive credentials. The airline has already integrated two new Airbus A330-300s into its fleet this year, and two more of the twinjets will join them in the next few weeks.

"When it comes to responding to the present economic crisis, we can make extensive use of the experience we accumulated in our recent corporate turnaround," adds Chief Financial Officer Marcel Klaus. "We are constantly optimising our cost structures: to counter the persistent pricing pressure on the revenue front, we are taking various actions to further reduce our costs."

### Key figures from the income statement

in CHF million	1st + 2nd quarter		2nd quarter		1st + 2nd quarter
	2009	2008	2009	2008	2009 vs. 2008
Total income from operating activities*	2 118	2 551	1 038	1 383	-17%
Operating result*	65	254	3	188	-74%

\* In accordance with the accounting policies of the Lufthansa Group and International Accounting Standards, SWISS adopted the fair-value valuation method for its mileage bonus programme on 1 January 2009. The adoption of this method, replacing the previous marginal-cost method, reduces total operating income and the operating result for the first half of 2008 by CHF 5 million and CHF 8 million respectively.

### Traffic figures

SWISS achieved a systemwide seat load factor of 75.9% for the first six months of 2009, a decline of 2.9 percentage points on the same period a year ago. SWISS's seat load factors remain above the industry

average. First-half European seat load factor remained stable at 71.7% (2008: 70.9%), but the 77.9% intercontinental seat load factor was a 4.6-percentage-point decline on the 82.5% of the prior-year period. SWISS carried a total of 6.51 million passengers in the first six months of the year (2008: 6.49 million) and operated 66 752 flights, a 1.5% increase on the 65 774 of January-to-June 2008.

The first-half cargo load factor (by volume) of Swiss WorldCargo amounted to 65.4%, a decline of 18.6 percentage points on the same period last year.

	1st + 2nd quarter		2nd quarter		1st + 2nd quarter
	2009	2008	2009	2008	2009 vs. 2008
Seat load factor for European services	71.7%	70.9%	77.2%	73.8%	+ 0.8 points
Seat load factor for intercontinental services	77.9%	82.5%	79.2%	83.9%	- 4.6 points
Seat load factor systemwide	75.9%	78.8%	78.5%	80.6%	- 2.9 points

SWISS transported 3.56 million customers in the second-quarter period, 3.3% more than the 3.45 million of the prior-year period. With capacity realigned to reduced demand, total production (in available seat-kilometres) was 0.8% lower than for the second quarter of 2008. Total traffic volume (in revenue passenger-kilometres) was 3.4% down on its prior-year level.

### Personnel

SWISS employed 6 099 persons (in full-time-equivalent terms) at the end of June 2009 (compared to 6 026 at the end of December 2008). The positions were shared by 7 449 employees (31.12.2008: 7 337).

Short-time working was introduced at Swiss WorldCargo on 1 June. SWISS has also initiated various further actions on the personnel front, including top managers waiving part of their salaries and new incentives encouraging staff to take unpaid leave. All these measures are designed to help secure jobs.

### Further company news

**Product investments:** The new Airbus A330-300 fleet offers SWISS customers new comfort levels in all three seating classes. The first A330-300 made its first revenue flight – to New York – in mid-April. A second A330-300 has also been delivered, and has been operating services to Dubai and Muscat since mid-June. Customers to Chicago, too, will soon be enjoying more legroom in Economy Class, a two-metre-long lie-flat air-cushioned bed in SWISS Business or a “suite above the clouds” in First. And SWISS A330-300 services will be further extended to Delhi and Mumbai this autumn. The first customer feedback suggests that the new product is greatly appreciated, especially the lie-flat bed in Business Class and the state-of-the-art inflight entertainment system in the Economy Class cabin.

**Punctuality:** Having been more punctual than ever in its history in the first quarter of the year, SWISS further improved its own punctuality record in the second-quarter period: 87.3% of all SWISS flights departed within the permitted 15 minutes of their scheduled departure time, an outstanding performance for a network carrier.

**Network news:** SWISS plans to continue its present capacity reductions at broadly similar levels for the winter schedules: European capacity is likely to be lowered by 2%, while intercontinental services will be reduced by 12%. This will result in a total reduction of some 9% from the originally-published schedules (and a 6% reduction on prior-year levels). Two long-haul aircraft have been temporarily withdrawn.

**Leaner and simpler management structure:** Harry Hohmeister assumed his new duties as Chief Executive Officer on 1 July. Hohmeister, who was previously Chief Network & Distribution Officer, succeeded Christoph Franz, who has moved to Lufthansa. The SWISS Board of Directors has also approved a new distribution of duties on the Management Board effective 1 July. To streamline and simplify management structures, the Management Board has been reduced from five to four members: Harry Hohmeister (CEO), Gaudenz Ambühl (Chief Operating Officer), Marcel Klaus (Chief Financial Officer) and Holger Häty, who assumed his new position as Chief Commercial Officer on 1 July.

**Further news:** SWISS has earned the prestigious Skytrax 2009 World Airline Award as “Best Airline: Europe” for its short- and long-haul flights. The spring distinction was based on the latest survey of millions of air travellers by Skytrax, the reputed UK-based consultants. SWISS was also named “Best European Airline” in the airline ratings of Switzerland’s *Bilanz* business magazine, which cited its “calm and competent attentiveness” and offered particular praise for its “SWISS Taste of Switzerland” inflight catering concept.

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

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