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SWISS posts black-ink results despite harsh headwinds

Swiss International Air Lines (Group) achieved an operating profit of CHF 146 million for 2009, despite the still-difficult economic environment that prevailed throughout the year. The result compares to a CHF 472 million operating profit for the previous twelve months. Total income from operating activities declined 17% year-on-year to CHF 4 363 million. SWISS also posted a black-ink result for the fourth quarter of 2009, reporting an operating profit of CHF 33 million for the period. The airfreight business of the company's Swiss WorldCargo unit also showed signs of recovery towards year-end. SWISS invested some CHF 500 million in renewing its aircraft fleet and further refining its service product over the course of the year.

"We should be very satisfied with our results for 2009," says SWISS Chief Executive Officer Harry Hohmeister. "We achieved a black-ink result in all four quarters; and we were able to do so despite sizeable declines in our revenues and a tangible migration from higher to lower booking classes. With our selective adjustments to our capacity in response to demand, our strong focus on the customer and our rigorous cost management, we have maintained as much control as possible over the present economic crisis and its ramifications."

The crisis has substantially accelerated the structural changes that the airline industry is currently undergoing. Even if the global economy picks up, the aviation sector is unlikely to see any swift recovery. In response to the changed and changing demand, SWISS realigned its capacity in 2009 particularly to intercontinental destinations, reducing frequencies on certain routes. Total actual production was some 6% below that originally planned (and 4% down on the previous year), with a 3% reduction in Europe and an 8% reduction on the intercontinental network. SWISS has maintained its present range of destinations, but has temporarily withdrawn two aircraft from its fleet. Capacity in Europe has also been reassigned to meet the shifts in demand, a move which also saw Lyon and Oslo added to the SWISS network in the course of the year.

"We've set some ambitious objectives for 2010," Harry Hohmeister continues. "We want to substantially increase the revenues from our passenger and our cargo business, to ensure that we don't only improve our bottom line through further cost economies. We're especially pleased to be adding a further attractive destination – San Francisco – to our network," he continues. "SWISS continues to create new jobs and generally benefit the Swiss economy, too: and we expect to add several hundred more people to our workforce this year."

"Rigorous cost management has been instrumental in helping us post black-ink results throughout 2009," adds Chief Financial Officer Marcel Klaus. "Whether the economic recovery comes soon or not, maintaining a competitive cost structure is crucial to our continued success – especially given the present uncertainties over the costs we cannot influence, such as oil prices and the impact of currency movements."

Key figures from the income statement

in CHF million	Full year		4 th quarter		Full year 2009 vs. 2008
	2009	2008	2009	2008	
Total income from operating activities*	4 363	5 237	1 127	1 276	- 17%
Operating result*	146	472	33	98	- 69%

*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 prior year by CHF 30 million and CHF 36 million respectively.

Traffic figures

SWISS carried 13.8 million passengers in 2009, a record number and a 2.4% increase on the 13.5 million of the previous year. Systemwide seat load factor for the year slipped slightly, from 80.3% to 80.1%. The company operated a total of 136 536 flights (up 1.6%). Seat load factor for intercontinental routes (to which the reductions in capacity were almost exclusively limited) fell slightly from 84.2% to 83.2%. Seat load factor on SWISS's European network rose two percentage points, from 72.1% to 74.1%. Having seen a slight fourth-quarter recovery, the airfreight business of Swiss WorldCargo posted an annual cargo load factor (by volume) of 70.7%, some 6.9 percentage points down on the 77.6% of 2008.

	Full year		4 th quarter		Full year 2009 vs. 2008
	2009	2008	2009	2008	
Seat load factor for European services	74.1%	72.1%	73.0%	69.1%	+ 2.0 points
Seat load factor for intercontinental services	83.2%	84.2%	87.8%	83.2%	- 1.0 points
Seat load factor systemwide	80.1%	80.3%	82.6%	78.6%	- 0.2 points

Some 3.52 million travellers flew SWISS in the last quarter of 2009, a 5.6% increase on the same period a year before. Fourth-quarter cargo load factor (by volume) stood at 81.9%, an improvement of 12.4 percentage points on the prior-year period.

Personnel

The SWISS workforce consisted of 7 342 employees on 31 December 2009 (compared to 7 337 at the end of 2008). Total positions amounted to 5 945 full-time equivalents (compared to 6 026 at the end of the previous year). Short-time working was adopted by Swiss WorldCargo from June to October. SWISS also took various further actions on the personnel front including not filling vacant positions (or delaying such appointments), offering incentives for taking unpaid leave, and top managers waiving part of their salaries. All these actions helped secure jobs. SWISS also recruited around 600 new employees in 2009, largely to its flying crew corps.

Further company news

SWISS named “Best Airline Europe”: Spring 2009 saw SWISS earn the prestigious Skytrax 2009 World Airline Award as “Best Airline: Europe” for its short- and long-haul flights. The distinction was based on the latest survey of millions of air travellers by Skytrax, the reputed UK-based consultants. SWISS was also named “Best Airline for Europe” for the fourth year running in the annual Business Traveller Awards. The company further garnered distinctions here for “Best Direct and Connecting Flights to North and South America” and “Best Business Class to North and South America”. SWISS’s uniformed staff have been sporting a new look since the end of last year, the first standard uniform range for all personnel in the airline’s history.

Environmental concern: SWISS enjoys the best reputation of any airline among Swiss consumers in terms of its environmental credentials. This was revealed in the latest “European Trusted Brands 2010” study, which was conducted in February 2010 by *Reader’s Digest* magazine.

Product investments: SWISS continues to follow its planned comprehensive product and fleet investment programme, to maintain its competitive edge and secure its market position in the longer term. The total investments here will amount to over CHF 500 million this year. The company has added five new Airbus A330-300 aircraft to its fleet since April 2009. The new transports feature state-of-the-art inflight entertainment and Economy, Business and First Class cabins. SWISS also received the “Travel + Leisure Design Award” from a distinguished San Francisco jury in February for its First Class Suite. SWISS customers already enjoy the new comfort levels on services to New York JFK (from Zurich and Geneva), to Dubai/Muscat and to Mumbai and Delhi. Airbus A330-300 service will also be introduced to African destinations (Nairobi/Dar Es Salaam and Douala/Yaounde) from April 2010. And the SWISS Airbus A340 long-haul fleet will be fitted with the new Business Class cabin by 2011.

Record punctuality levels: SWISS achieved its best-ever punctuality performance in 2009, with 84.4% of services leaving within the officially-tolerated 15 minutes of their scheduled departure time. (This compares to 81.7% for the previous twelve months.) The improvement was partly due to enhanced operating processes at SWISS and better collaboration with airport partners; but it is also attributable to the general recent decline in air traffic volumes. SWISS’s 81.0% fourth-quarter punctuality performance was 1.6 percentage points below its prior-year equivalent, though the decline can be ascribed to the heavy snowfalls in Europe during the period concerned.

Network news: Having reduced its capacity in Winter 2009/2010, SWISS will be restoring some frequencies for the coming summer timetable period. Production in Europe will be raised 2%, while capacity on intercontinental routes will be increased by 8%. The new services to Lyon and Oslo introduced in 2009 have further enhanced the appeal of SWISS’s schedules. And this January saw the addition of a new six-times-daily service between Geneva and London (Heathrow). Two long-haul aircraft will remain withdrawn until the end of the winter schedules and will then be returned to service. The additional capacity will be used to provide the new San Francisco flights from 2 June, to restore daily service to various destinations including Los Angeles, Chicago and São Paulo, and to add a sixth weekly Delhi flight. SWISS will also substantially expand its services to Malaga from May onwards to provide 14 weekly flights to the Costa del Sol.

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

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