Media release on 2010
first-quarter results

5 May 2010

SWISS feels the strong headwinds

Swiss International Air Lines (Group) sustained an operating loss of CHF 10 million for the first three months of 2010. Total income from operating activities for the period declined 0.5% to CHF 1 075 million. The airfreight business of Swiss WorldCargo showed encouraging first-quarter trends.

SWISS sustained an operating loss for the first three months of 2010, its first red-ink quarterly result since 2005. The strength of the Swiss franc, further steep rises in the price of jet fuel and low yields all combined to prevent SWISS from reporting a profit for the quarter. After a difficult beginning to the year, business steadily improved in the course of the first-quarter period. Yields, however, remained well below expectations.

The present structural transformations are posing major challenges for the entire airline sector. SWISS is not expecting any swift and sustainable recovery in yields to the levels seen in 2007 and 2008. The air transport industry needs to undergo a substantial recovery if it is to return to sound business health. But currency, yield and crude oil price trends all remain uncertain; and for the foreseeable future, SWISS sees only less-than-favourable developments.

“Our overall business performance is still broadly in line with our expectations,” says CEO Harry Hohmeister. “We faced strong headwinds in the first three months; but we expect to see a gradual recovery over the rest of the year. We want to improve on our 2009 earnings and post another positive annual result,” he continues. “And we want to do so not only by making further cost economies, but also – and above all – by generating higher revenues. Our results for March already showed the first signs of the improvements we are seeking.”

“The actions we initiated last year on the cost and the revenue fronts were continued throughout the first-quarter period,” adds Chief Financial Officer Marcel Klaus. “The high price of jet fuel depressed our bottom-line result. And our yields remained well below the levels we had seen before the current crisis. This is why we reduced our capacities, especially on intercontinental routes.”

Key figures from the income statement

	1st quarter		1st quarter
in CHF million	**2010**	**2009**	2010 vs. 2009
Total income from operating activities	1 075	1 081	-0.5%
Operating result	-10	63	-

As it had in the past, SWISS made selective adjustments to its capacities in the first-quarter period in response to trends in demand. European capacity was a 9% increase on the first three months of 2009, while intercontinental capacity was 5% down. All in all, this produced a year-on-year decline of around 1% in SWISS’s first-quarter capacity.

Traffic figures

SWISS carried 3.24 million passengers in the first three months of 2010, an increase of around 10% on the 2.95 million of the prior-year period. Systemwide seat load factor amounted to 78.3%, a 5.1-percentage-point improvement on the 73.2% of January-to-March 2009. SWISS operated 34 495 flights in the period, 6.6% more than the 32 351 it had operated in the same period last year.

	1st quarter		1st quarter
	2010	**2009**	2010 vs. 2009
Seat load factor for European services	68.4%	65.8%	+ 2.6 points
Seat load factor for intercontinental services	83.6%	76.7%	+ 6.9 points
Seat load factor systemwide	78.3%	73.2%	+ 5.1 points

On its intercontinental routes, SWISS achieved a 4% increase in total traffic volume in revenue-passenger-kilometre (RPK) terms, on capacity that was reduced by 5% in available-seat-kilometre (ASK) terms. Intercontinental seat load factor rose correspondingly substantially, to 83.6% (2009: 76.7%). On its European network, SWISS raised ASK capacity by 9% compared to the prior-year period. RPK traffic volumes also increased, by 13%. European seat load factor thus also improved: the 68.4% recorded was a slight 2.6-percentage-point increase on the previous year (2009: 65.8%). The airfreight business of Swiss WorldCargo saw a sizeable 16.3 percentage-point improvement in its cargo load factor (by volume) for the first-quarter period, which rose from the 66.8% of 2009 to 83.1%.

Personnel

SWISS continues to be a generator of business and jobs, and offers young people who are fascinated by flying the opportunity to pursue their career in the air transport sector. SWISS plans to recruit several hundred more cabin personnel in the course of 2010, and also recruits around 80 would-be pilots every year. At the end of March 2010, SWISS employed 6 016 personnel around the world in full-time-equivalent terms (31.12.2009: 5 945). The positions were distributed among 7 418 employees (31.12.2009: 7 342).

Further company news

Product investments: The entry into service of the new Airbus A330-300s provided customers with new inflight comfort levels in all three seating classes. Substantially more legroom in Economy Class, a two-metre-long lie-flat air-cushioned bed in SWISS Business and a “suite above the clouds” for First Class guests are the key features of the new product. The new Business Class is also being gradually installed on the entire SWISS Airbus A340 fleet, in a retrofit programme that will be completed by mid-2011.

Punctuality: Some 75.7% of all SWISS flights left within the permitted 15 minutes of their scheduled departure time in the first quarter of 2010 – a 7.9-percentage-point decline from the 83.6% of the prior-year period. Throughout Europe and on the US East Coast, flight operations were disrupted by several days of snow and extremely high winds during the first three months of the year. The resulting de-icing and approach restrictions at various airports led to delays.

Network news: SWISS constantly reappraises its route network and modifies its production in response to current circumstances and market demand. The capacity reductions effected for the 2009/10 winter period should now gradually be restored. European capacity for 2010 will be 4% above its 2009 level, while intercontinental routes will see a 6% year-on-year capacity increase.

SWISS now offers six daily frequencies between Geneva and London Heathrow. The new services, which were introduced on 10 January, further strengthen SWISS’s position in Geneva and, combined with the revised offering of four (previously six) daily flights to London City, have doubled the number of seats offered between Geneva and the key London market.

SWISS will also commence service to San Francisco, one of North America’s most important business and tourist travel destinations, on 2 June. The new flights will be initiated using existing aircraft capacity. SWISS will also be substantially increasing its services to Malaga to 14 flights a week from this month onwards.

Five years of SWISS/Lufthansa collaboration: It is five years now since SWISS embarked on its successful collaboration with Lufthansa. With a strong parent company behind it, SWISS is better equipped to face the current harsh business headwinds; and its integration into the Lufthansa Airline Group has proved highly beneficial for everyone concerned both within and outside the company – and for our customers in particular.

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

SWISS Corporate Communications
Phone: +41 (0)848 773 773
Email: media@swiss.com