Media release

Zurich Airport, 12 March 2015

Annual results

SWISS achieves 2014 operating profit of CHF 347 million

Swiss International Air Lines (SWISS) generated total income from operating activities of CHF 5,212 million in 2014, a slight 1% increase on the previous year. Operating profit amounted to CHF 347 million, up 31% year-on-year, though the improvement is attributable primarily to changes in depreciation policy within the Lufthansa Group. SWISS will be adding numerous new destinations to its network at the end of March, and this summer will see the introduction of a new fare concept for its European routes that is better aligned to today’s customer needs.

Swiss International Air Lines generated total income from operating activities of CHF 5,212 million for 2014, a 1.0% increase on the CHF 5,167 million of the previous year. Revenues felt the adverse impact of continuing tough competition, which resulted in overcapacities and steady further yield declines. The strength of the Swiss franc was another negative factor.

On a positive note, further consistent progress was made in conducting the Lufthansa Group-wide SCORE earnings enhancement programme. On the revenue front, the additional services introduced under the “SWISS Choice” concept in mid-2014 proved very popular, and will be further expanded in 2015. And on the cost side both savings and efficiency gains were achieved, especially on the fuel management front.

SWISS currently has 314 SCORE projects under way, and contributed CHF 55 million to the programme’s overall gains in 2014 (compared to CHF 98 million the previous year). SWISS expects to contribute a further high double-digit million-franc amount in 2015, not least through a number of further initiatives.

Operating profit for 2014 amounted to CHF 347 million, compared to CHF 264 million for 2013. The 31% year-on-year increase is due primarily to the changes to the Lufthansa Group's depreciation policy that were adopted last year. Without this effect, operating profit for 2014 would have been slightly below its prior-year level.

Fourth-quarter revenues and earnings increased

Total income from operating activities for the fourth quarter of 2014 amounted to CHF 1,296 million, a 3.0% increase on the CHF 1,262 million of the prior-year period.
Operating profit for the quarter totalled CHF 87 million. The 59% improvement on the CHF 55 million of October-to-December 2013 was also largely attributable to the changed depreciation policy.

### Key figures from the income statement

<table>
<thead>
<tr>
<th>in CHF million</th>
<th>1st to 4th quarter</th>
<th>4th quarter</th>
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<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
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<tr>
<td>Total income from operating activities</td>
<td>5,212</td>
<td>5,167</td>
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<tr>
<td>Operating result</td>
<td>347</td>
<td>264</td>
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### More record passenger numbers and consistently high load factors

SWISS transported 16.17 million passengers in 2014, a 1.3% increase on the 15.97 million of the previous year and another passenger record. Systemwide available seat-kilometre (ASK) capacity was raised 1.8% year-on-year, and total traffic volume was also increased 1.8% in revenue passenger-kilometre (RPK) terms. Systemwide seat load factor remained unchanged at its high 83.7% prior-year level. SWISS operated 144,116 flights in 2014, 1.6% fewer than the 146,436 of the previous year.

### Traffic figures

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<th>1st to 4th quarter</th>
<th>4th quarter</th>
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<tr>
<td></td>
<td>2014</td>
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<tr>
<td>Seat load factor for European services</td>
<td>77.6%</td>
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<tr>
<td>Seat load factor for intercontinental services</td>
<td>86.5%</td>
</tr>
<tr>
<td>Seat load factor systemwide</td>
<td>83.7%</td>
</tr>
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### Numerous new points and a new fare concept tailored better to customer needs

SWISS will be aligning its destination portfolio, its products and its fares even more closely to changed customer needs as part of its “Next-Generation Airline of Switzerland” strategy. Services will be introduced between Zurich and no fewer than 22 new European destinations at the end of this month, while 12 new destinations will be added to the Geneva-based network.

SWISS will also be adopting a fundamentally new fare concept for its European network this summer. The new concept will apply to all European services from Zurich and Geneva, and is specifically tailored to the needs of travellers today. The choice of three
types of fare in Economy Class, along with the Business Class fare, offers customers more transparency and more travel options, as they can now select precisely the fare that meets their individual needs and pay just for the services they actually require.

The services included in the four fare options are immediately evident, and the fare options themselves are both clear and always available. The popular one-way fares introduced in 2014 will also be retained. And with the additional services offered under the “SWISS Choice” programme, travellers can further individualize the fare option they have chosen.

The new fare options will be known as “Light”, “Classic”, “Flex” and “Business”. The “Light” fare is already a well-established and popular option for SWISS travellers from Geneva, and will now be extended Europewide. The new fare types can also be combined for outward and return travel. All four options include the price of the flight, one item of carry-on baggage, a snack and drinks on board, an assigned seat when checking in within 23 hours of departure and Miles & More award and status miles. So all SWISS customers will continue to enjoy SWISS’s renowned inflight service with its regional Swiss products.

The new “Light” fare is the most inexpensive option, for travellers who only have carry-on baggage and do not need to be flexible in their travel plans.

The “Classic” fare entitles the holder to all the services currently offered to Economy Class travellers. This is the best option for customers wishing to continue to enjoy the all-in services such as one piece of free checked baggage and reserving their seat in advance.

The “Flex” fare is aimed primarily at customers such as business travellers who need to keep their travel plans as flexible as possible and who also wish to enjoy an expanded product offer. The Flex fare also includes advance seat reservation in the “preferred” seating zone at the front of the Economy Class section.

For an even more relaxed flight and optimum travel comfort, both business and leisure travellers can continue to take the Business Class option. The Business Class fare includes lounge access, a higher checked baggage allowance and more Miles & More miles. SWISS Business guests will also enjoy a further-enhanced and more consistent service product from the start of the summer schedules on 29 March. As well as at Zurich, inbound Business Class travellers arriving at non-pier stands will be provided with their own exclusive arrival bus at further major European destinations. And the neighbouring seat will be consistently kept free in Business Class on all European services.

SWISS is adopting its new European fare concept jointly with Lufthansa and Austrian Airlines, to offer customers more consistency for their bookings throughout the Lufthansa Group. The new concept will be introduced this summer. Further details are currently being fleshed out, and will be communicated in the next few months.
Workforce

SWISS has succeeded, together with its IPG and AEROPERS pilots’ associations and its kapers cabin crew association, in laying the foundation for new collective labour agreements that should help secure long-term jobs and provide prospects for further growth. The new collective labour agreements for the company’s pilots and its cabin personnel are still subject to the approval of the members of their staff associations.

The arrival of the new Bombardier CSeries and the Boeing 777-300ERs will see a further 1,000 new positions added to the SWISS workforce between 2015 and 2017.

SWISS employed 8,245 personnel or 6,965 full-time equivalents at the end of 2014 (compared to 8,250 personnel or 6,956 FTEs at the end of the previous year).

Outlook

The declines in the values of the euro, the US dollar and other currencies against the Swiss franc will impact negatively on SWISS’s earnings results, since a large part of the carrier’s revenues are generated in foreign currencies. The recent currency movements also adversely affect SWISS’s business operations and its competitive credentials, both within Europe and farther afield.

“SWISS is well equipped and positioned,” says CEO Harry Hohmeister. “And we intend to counter the increasing headwinds of a strong Swiss franc and substantial competitive pressures by making further investments in our fleet, our product and our services. At the same time, we will need to further raise our efficiency and optimize our costs.”

The net impact of a strong Swiss franc and low fuel prices on this year’s earnings is currently unclear. But, given the increasingly tough business and operating environment that it is likely to face, SWISS expects to post an operating result for 2015 that is broadly in line with the previous year.

Swiss International Air Lines (SWISS) is Switzerland’s national airline, serving 106 destinations in 49 countries from Zurich, Geneva and Basel and carrying over 16 million passengers a year with its 95-aircraft fleet. The company’s Swiss WorldCargo division provides a comprehensive range of airport-to-airport airfreight services for high-value and care-intensive consignments to some 120 destinations in over 80 countries.

As “The Airline of Switzerland”, SWISS embodies the country’s traditional values, and is committed to delivering the highest product and service quality. With its workforce of 8,245 personnel, SWISS generated total operating income of CHF 5.2 billion in 2014. SWISS is part of the Lufthansa Group, and is also a member of Star Alliance, the world’s biggest airline network.
A media conference will be held today at 10:00 at SWISS’s operational head office at Obstgartenstrasse 25, Kloten.

This media release will be found at www.swiss.com > Media > Newsroom > Financial reports

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