Media release on 2009
first-quarter results

30 April 2009

# SWISS feels growing headwind

**Swiss International Air Lines (Group) reports an operating profit of CHF 63 million for the first quarter of 2009, compared to CHF 66 million for the same period last year. Total income from operating activities for the period declined 7.4% to CHF 1 081 million.**

In what proved a challenging first-quarter period in business terms, SWISS saw its total income from operating activities fall 7.4%, from the CHF 1 168 million of January-to-March 2008 to CHF 1 081 million. With demand declining, pressure on yields remained high. Revenues fell particularly steeply in the business travel segment – a trend that is also attributable to the current difficulties in the Swiss financial world. The airfreight business of Swiss WorldCargo sustained a particularly substantial decline. Lower crude oil prices and favourable currency movements brought some relief in cost terms; but these were unable to offset the revenue declines and, as a result, operating profit for the period was 4.5% down on its prior-year level.

“We are feeling the economic slowdown in our results more and more each month,” says SWISS CEO Christoph Franz. “Our first-quarter result is still within our expectations, though, and underlines our firm intention to remain profitable even in tough business times. The fact that we have done so is due in no small part to the sizeable flexibility we have shown towards market developments.”

SWISS responded swiftly and specifically to declines in demand by making various modifications to its network and schedules in the first-quarter period. Frequencies were reduced and smaller aircraft deployed on a number of routes. As a result, actual capacity for January to March was around 4% less than scheduled. At the same time, destinations such as Lyon and Oslo are being added to the SWISS network. “In difficult economic times, we must continue to expand our catchment area, to enable us to maintain our intercontinental network,” explains CEO-designate Harry Hohmeister. “And it’s also vitally important that we continue to keep our costs firmly under control.”

SWISS is also keeping to its long-term investment programme, to further strengthen its market position. As planned, the new Airbus A330-300 which recently entered service will be joined by three further examples of the type by the end of the year. An additional Airbus A320 will also enter revenue service in mid-May. And SWISS has further resolved to replace its present Avro RJ100 fleet with the state-of-the-art Bombardier CSeries from 2014 onwards.

## Key figures from the income statement

| | **1st quarter** | | 1st quarter |
|---|---|---|---|
| in CHF million | **2009** | **2008** | 2009 vs. 2008 |
| Total income from operating activities* | 1 081 | 1 168 | - 7.4% |
| Operating result* | 63 | 66 | - 4.5% |

* 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 both total operating income and the operating result for the first quarter of 2008 by CHF 25 million. In addition, a reclassification of the effects of currency movements in 2008 reduces prior-year operating income by a further CHF 26 million.

## Traffic figures

A total of 2.95 million customers travelled on SWISS in the first three months of 2009, 1.6% fewer than the 3.0 million of the prior-year period. The impact of the global financial crisis was felt increasingly on intercontinental services, where seat load factor declined 4.3 percentage points to a (still high) 76.7%. Seat load factor on European services slipped 1.8 percentage points. SWISS adjusted capacity early during the first quarter in anticipation of weakening demand. As a result, the total number of flights operated in the first three months of 2009 – 32 351 – was only slightly above the 31 943 of the prior-year period.

| | 1st quarter 2009 | 1st quarter 2008 | 1st quarter 2009 vs. 2008 |
|---|---|---|---|
| Seat load factor for European services | 65.8% | 67.6% | - 1.8 points |
| Seat load factor for intercontinental services | 76.7% | 81.0% | - 4.3 points |
| Seat load factor systemwide | 73.2% | 76.8% | - 3.6 points |

Intercontinental services saw a 3.0% decline in traffic in revenue-passenger-kilometre (RPK) terms on available-seat-kilometre (ASK) production that was 2.5% above its prior-year level. European ASK capacity was also raised, by 5.2%; and RPK traffic volumes increased too, by 2.4%.

The cargo load factor (by volume) of Swiss WorldCargo declined to 66.8% for the first-quarter period on capacity that was over 10% above its prior-year level. Thus, despite an increase in market share, cargo load factor for the period was 18.4 percentage points down on the 85.2% of January-to-March 2008.

## Personnel

SWISS bucked the industry trend and the economic slowdown to recruit 129 additional employees in the first three months of 2009. The company employed 6 072 personnel at the end of March in full-time-equivalent (FTE) terms, compared to 6 026 FTEs at the end of 2008. The FTE positions were shared among 7 466 employees (31.12.2008: 7 337). SWISS also continues to recruit and train flying personnel to ease specific shortages in certain personnel categories.

## Further news and developments

**Harry Hohmeister named new SWISS CEO:** Harry Hohmeister (45) was appointed by the SWISS Board of Directors on 23 April to succeed Christoph Franz as Chief Executive Officer on 1 July. Hohmeister, who is currently the company’s Chief Network & Distribution Officer, has been a member of the SWISS Management Board for more than four years, and has been a key architect of the company’s current success. Christoph Franz moves to become Chairman of the Lufthansa Passenger Airlines Board and Deputy Chairman of the Lufthansa Executive Board on 1 June.

**Punctuality:** SWISS produced its best-ever on-time performance in the first-quarter period. 83.6% of all flights left within 15 minutes of scheduled departure time – an excellent result for a network carrier that was a further 0.7-percentage-point improvement on the previous record, for the second quarter of 2008.

**Product investments:** Following the service entry of the first new Airbus A330-300, SWISS passengers now enjoy new comfort levels in all three cabin classes. Far more legroom in Economy, a two-metre fully-lie-flat air-cushioned bed in Business and a “suite above the clouds” in First are the key features of the new product.

**Network news:** SWISS now offers a wider range of non-stop services from Geneva, thanks to its partnership with Edelweiss Air and closer collaborations with fellow Star Alliance carriers. The new SWISS destinations now served from Geneva include Washington and Montreal, along with Sharm el Sheikh, Hurghada, Heraklion and Pristina. Service between São Paulo and Santiago de Chile is now provided by TAM Linhas Aereas, which will also join Star Alliance soon. SWISS’s onward service from Bangkok to Singapore was withdrawn on 26 April. Singapore can still be reached non-stop from Zurich, however, on codeshare services operated by Star Alliance partner Singapore Airlines.

SWISS’s summer schedules currently offer some 5% less capacity than was originally timetabled, in response to changed and changing levels of demand. As a result, one Airbus A340 will be temporarily withdrawn from service from the end of April until mid-October.

**Company news:** The proposed new collective labour agreements for SWISS’s cabin personnel, which were provisionally concluded by SWISS and the executive committee of the kapers flight attendants’ union, were approved by more than two-thirds of the union’s members earlier this month. The new accords will enter into effect on 1 May and will be valid for at least four years.

SWISS earned the prestigious Skytrax 2009 World Airline Award as “Best Airline: Europe” for its short- and long-haul services at the beginning of April. The award is based on the latest survey of several million air travellers by Skytrax, the reputed UK-based consultants.

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

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