SWISS POSTS 2015 OPERATING PROFIT OF CHF 453 MILLION

News /

Swiss International Air Lines (SWISS) achieved an operating profit (adjusted EBIT) of CHF 453 million for 2015, a 34% improvement on the previous year (2014: CHF 337 million) and the third-best operating result in the company's history. With market conditions still challenging and fares continuing to fall, total annual income from operating activities suffered a 3.5% decline to CHF 5,035 million (2014: CHF 5,219 million). Operating profit for the fourth quarter of 2015 amounted to CHF52 million, 39% down on the prior-year period (Q4 2014: CHF 86 million). The decline is primarily attributable to non-recurring items which had boosted fourth-quarter operating profit in 2014. Total fourth-quarter income from operating activities amounted to CHF 1,212 million, a 6% decline (Q4 2014: CHF 1,296 million).

SWISS performed well in its markets in 2015 and raised its annual operating profit (adjusted EBIT) by 34% to CHF 453 million (2014: CHF 337 million), the third-best operating result in the company's history. Key contributors to the favourable operating result included the vigorous pursuit of the "Next-Generation Airline of Switzerland" strategy, under which SWISS continued to invest in its fleet, product and services, particularly in its Business Class product, whose quality was substantially further enhanced. The company's consistently load-factor-driven capacity management and its continued actions under the Lufthansa Group's broader SCORE results enhancement programme also impacted positively on earnings, as of course did the low oil price.

Total annual income from operating activities, by contrast, suffered a 3.5% decline, standing at

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CHF5,035 million for the year (2014: CHF 5,219 million). Operating income was depressed by the still-high competitive pressures and the resulting yield declines. And revenues were further eroded by the Swiss National Bank's abolition in January of its previous minimum Swiss franc/euro exchange rate.

"SWISS is well positioned and equipped, and this enabled us to respond successfully to the high competitive pressures," says CEO Thomas Klühr. "But the challenges of last year will also accompany us throughout the year ahead. This is why we will align ourselves even more closely with our partners within the Lufthansa Group, to even better meet our customers' needs and tap further synergic potential."

Operating profit down for the fourth-quarter period

Total income from operating activities for the fourth quarter of 2015 amounted to CHF 1,212 million, 6% down on the prior-year period (Q4 2014: CHF 1,296 million). Fourth-quarter operating profit fell 39% to CHF 52 million (Q4 2014: CHF 86 million). The lower operating profit is largely attributable to the non-recurring effect of the release of provisions and a change to mileage valuations in the fourth quarter of 2014, both of which had a positive impact on the period's earnings results.

Outlook

SWISS is well positioned and equipped, and will continue to realign its organization and processes as part of the broader drive to sustainably enhance the competitive credentials of the Lufthansa Group. The competitive environment will remain extremely challenging. And SWISS is also strongly affected by oil price trends and currency movements. In view of this and of Swiss-franc exchange rates in particular, SWISS expects to report an operating profit for 2016 that is slightly below its prior-year level.

Another record year in passenger volume terms

SWISS carried 16.308 million passengers in 2015, a 0.9% increase on the 16.169 million of the previous year and another new passenger volume record. The company offered 1.1% more capacity systemwide in available seat-kilometre (ASK) terms, and saw its total traffic volume rise 0.8% in revenue passenger-kilometre (RPK) terms. Systemwide seat load factor for the year amounted to 83.4%, a 0.3-percentage point decline from the 83.7% of 2014. A total of 145,146 flights were operated, up 0.7% from the 144,116 of the previous year. Total cargo sales fell 4.3% in revenue tonne-kilometre terms, while cargo load factor (by volume) declined 3.5 percentage points.

Systemwide seat load factor for the fourth quarter of 2015 stood at 81.9%, a decline of 0.7 percentage points. Total ASK capacity for the period was reduced by 0.3%, while total RPK traffic volume saw a 1.2% decline. Total revenue tonne-kilometre cargo sales were 10.2% down, while cargo load factor was 3.3 percentage points below its prior-year level.

Fleet renewal on track

The fleet renewal planned for 2016 is well on track. The new SWISS flagship, the Boeing 777-300ER, entered revenue service at the beginning of the year. A total of nine Boeing 777-300ERs will be joining the fleet. In SWISS configuration the long-haul twinjet seats 340 passengers and offers travellers a state-of-the-art cabin product that includes new wireless internet connectivity in all three seating classes. The 777s will be primarily deployed on services to Asia, South America

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and the US West Coast. SWISS also expects to take delivery of the first of its new Bombardier CSeries aircraft in mid-2016. The new short- and medium-haul twinjets will replace the present Avro RJ100 fleet. A total of 30 CSeries aircraft are on order. SWISS will have one of the youngest European fleets by 2018.

New lounges added to the premium offer

SWISS has also invested in three new lounges at Zurich Airport for its First Class, Business Class and Senator guests, to offer its business travellers and frequent flyers an even more attractive and comfortable travel experience. The new lounges, which are located in Terminal E, were opened in early February 2016. The new lounge complex extends over some 3,000 square metres and includes a terrace with views of the runways, the airport and the Alps beyond. The Business Class and Senator Lounges offer a wide range of fresh meals, and the Senator Lounge also features a staffed Whisky Bar serving 120 different whiskies. The First Class Lounge boasts a wine rack with 1,000 bottles.

New European fare concept for greater transparency

SWISS adopted a totally new fare system offering customers greater flexibility and choice for all its European services in early summer 2015. The new system's three Economy Class fares, together with the Business Class fare, are intended to better address each customer's individual travel needs. The new system enables the customer to pay for only those services that they wish to make use of. They can then add – for a supplementary fee – any further services they require, such as checked baggage or a seat reservation.

Management changes

As part of the realignment of the Lufthansa Group announced in September 2015, Thomas Klühr was appointed to succeed Harry Hohmeister as CEO of SWISS. He assumed his new duties on 1 February 2016. Reto Francioni, former CEO of Deutsche Börse AG, was newly elected to the SWISSBoard of Directors in November 2015. He is also envisaged to succeed Bruno Gehrig as Chairman of the Board this May, when Mr. Gehrig steps down after reaching the statutory retirement age. There was also a change at the top at Swiss WorldCargo, where Ashwin Bhat took over as Chief Cargo Officer, succeeding Oliver Evans, on 1 October 2015.

Personnel

The SWISS Management Board and the kapers cabin staff association reached agreement on the parameters for a new cabin crew collective labour agreement on 1 May 2015. With similar agreements having already been reached with the company's ground and cockpit personnel, new collective labour agreements have thus been concluded with all three employee groups.

With the arrival and assimilation of its new Boeing 777-300ERs and Bombardier CSeries aircraft,SWISS will have created around 500 new jobs by the end of 2018.

As of 31 December 2015 the company employed 8,564 personnel (31.12.2014: 8,245 personnel), or 7,197 full-time equivalents (2014: 6,965 FTEs).

18 MARCH 2016

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