



Regulations

for the

Profit Participation Plan
(PPP)

for employees
with Swiss contracts of employment

of

Swiss International Air Lines Ltd.
and
Swiss European Air Lines Ltd.

(hereinafter collectively referred to as "SWISS")

effective July 1, 2007

(Version October 2007)

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0 Introductory remarks

The SWISS Management Board and staff associations have jointly developed an innovative and forward-looking profit participation plan (hereinafter referred to as the "PPP"). The PPP is intended to provide all SWISS employees with a fair, substantial and tangible share in the company's business success.

1 Applicability

The benefits of the PPP are available to:

- all Swiss-based SWISS employees who are subject to a valid Collective Labour Agreement and
- employees outside Switzerland with local contracts of employment¹ (excluding members of the SWISS middle management corps).

The Management Board may further extend the scope of the employees entitled to benefit from the PPP, in consultation with the Board of Directors.

2 General provisions

The text in italics below forms an integral part of the current Collective Labour Agreements (hereinafter referred to as "CLAs") for Swiss-based SWISS personnel. In the event of any deviation therefrom, the text of the relevant CLA shall prevail.

2.1 Introduction

SWISS maintains a PPP as defined in Article 322a of the Swiss Code of Obligations. The amount payable under this PPP is determined by the EBIT margin achieved by the company. SWISS will grant its staff associations the insight into its business activities required to verify PPP entitlements. The implementation provisions of the PPP are specified within these PPP Regulations. The PPP will automatically expire upon the expiration of the corresponding CLA (including any extension year), with no subsequent effects.

2.2 Entitlement

Employees shall be entitled to any PPP payments due from the moment they join the company. All such entitlements are bindingly specified below.

If an employee is prevented from working for more than 60 calendar days within a calendar year owing to sickness, accident, military service or similar, they shall not be entitled to any PPP payment for their absences exceeding 60 days.

All PPP payments will be based on the employee's basic annual salary actually paid (excluding any allowances). In the case of reduced working hours (owing to "TZV" part-time employment or similar), such PPP payments will be based on the correspondingly-reduced basic salary.

All PPP entitlements and payments will be based on the following table. The precise entitlements will be calculated using the straight-line method based on the actual EBIT margin achieved.

¹ Separate PPP regulations will be devised for employees based outside Switzerland.

	EBIT margin								
	<5%	5%	6%	7%	8%	9%	10%	11%	12%+
Payment in % of basic annual salary (excluding allowances)	0%	3%	4%	5%	6%	7%	8%	9%	10%
Minimum payment (CHF)	0	2 000	2 700	3 400	4 100	4 800	5 500	6 200	7 000
Maximum payment (CHF)	0	4 500	6 000	7 500	9 000	10 500	12 000	13 500	15 000

The minimum and maximum PPP payments shown are only applicable to the final annual PPP payment calculations, and will only apply to employees who have been employed throughout the calendar year concerned. These minimum and maximum PPP payments will be reduced on a pro rata basis for employees with reduced working hours (owing to "TZV" part-time employment, unpaid leave, unpaid maternity leave or similar) and for employees joining or leaving the company in the course of the calendar year.

Employees whose employment is terminated in the course of a calendar year will still be entitled to any PPP payment due on a pro rata basis, with the period concerned extending up until their leaving date or the date on which the event causing their employment to be terminated occurred. The final EBIT margin used for the corresponding PPP calculations will be based on the last available figures. Any PPP amount due will generally be paid in the month the employee leaves, or the following month at the latest.

Any employee who leaves the company or whose employment is terminated by SWISS during their probationary period, or who is dismissed by SWISS with immediate effect, shall not be entitled to any PPP payment for the calendar year concerned. Any employee who is released from their duties following notice to terminate their employment shall not be entitled to any PPP payment for the period of such release, regardless of whether such notice was served by SWISS or the employee.

2.3 Payment

An advance PPP payment will be made every quarter (based on the year-to-date EBIT margin from the second quarter onwards). Further details hereto are specified in Chapter 3.1 of the this regulations. The final PPP calculation for each year will be made following the conclusion of the financial year (January 1 to December 31) and on the basis of the SWISS annual financial statements approved by the auditors.

The final PPP payment for each calendar/financial year will be made the month after publication of the annual financial statements by Lufthansa and SWISS.

All PPP amounts paid are subject to income tax. Deductions will be made from the PPP amounts paid for the employee's compulsory social security contributions. PPP payments are not insured under the company pension scheme.

No quarterly advance PPP payment will be made if:

- a) EBIT margin declines by 50% or more from one quarter to the next, or*
- b) the EBIT margin for the latest quarter is less than 5%, or*
- c) current booking levels are 30% or more below budget (e.g. owing to epidemic or similar developments or events).*

Such non-payments will have no effect on final PPP calculations for the year as a whole.

PPP amounts that have already been paid out in advance cannot subsequently be reclaimed by the employer.

3 Supplementary implementation provisions

3.1 Payment provisions

Payment with salary for	Based on	Payment as percentage of full-year payment	Amount actually paid
May	Ø EBIT margin for January to March	25%	80%
August	Ø EBIT margin for January to June	25%	80%
November	Ø EBIT margin for January to September	25%	80%
April	Ø EBIT margin for January to December	The final PPP payment will be based on actual EBIT margin for the year and the advance PPP payments already made.	
		100%	100%

In the example below, an employee working full-time for a basic annual salary of CHF 60 000*) is awarded a total PPP payment of CHF 5 311.

Payment with salary for	Based on	Payment as percentage of full-year payment (CHF)	Amount actually paid (CHF)
May	Ø EBIT margin Jan–March = 10.00%	$60\,000^{*}) \times 8\% = 4\,800$, of which 25% = 1 200	Advance Payment 1 $1\,200 \times 80\% = 960$
August	Ø EBIT margin Jan–June = 8.50%	$60\,000 \times 6.5\% = 3\,900$, of which 25% = 975	Advance Payment 2 $975 \times 80\% = 780$
November	Ø EBIT margin Jan–Sep = 9.50%	$60\,000 \times 7.5\% = 4\,500$, of which 25% = 1 125	Advance Payment 3 $1\,125 \times 80\% = 900$
Total of Advance Payments 1 to 3			= 2 640
April	Ø EBIT margin Jan–Dec = 9.73%	$60\,000 \times 9.73\% = 4\,638$	Final payment for the year (before consideration of minimum/maximum payments): $4\,638 - 2\,640 = 1\,998$
	Minimum payment for EBIT margin Jan–Dec of 9.73%	5 311	Total payment for the year of CHF 4 638 is below the minimum CHF 5 311 for this annual EBIT margin, so final payment for the year: 5 311 – 2 640 = 2 671

*) Note: All PPP payment calculations are based on *basic salary actually paid*, excluding any allowances (see 2.2 above). The minimum and maximum payments shown in the table in 2.2 all refer to full-time (100%) employment.

From 2008 onwards, employees will also have the option of receiving a single annual PPP payment instead of the four quarterly payments. All requests for such a single annual payment must be received in writing by the end of January of the financial year concerned. Further details of this option and the corresponding procedures will be communicated in a separate HR information bulletin.

3.2 Further provisions

3.2.1 Prevalence of the German version

These PPP Regulations were devised and approved in German. In the event of any discrepancy between the original German version and any translations thereof, the original German shall prevail.

3.2.2 Applicable law

These PPP Regulations shall be subject solely to Swiss substantive law.

3.2.3 Entry into effect and validity

These PPP Regulations shall enter into retroactive effect on July 1, 2007, and shall remain in force until revoked or superseded. SWISS shall be entitled to unilaterally modify the supplementary implementation provisions specified in Section 3 above.

Swiss International Air Lines Ltd.

Basel, October 2007

Christoph Franz
Chief Executive Officer

Antonio Schulthess
Head of Human Resources