

skyguide



swiss air navigation services ltd

2002

Annual Report

In memory of the 71 victims
of the aircraft collision on 1 July 2002
over Lake Constance.

Business Year 2002

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Chairman of Board of Directors' Foreword

Looking back over the past year, our first thoughts are for the victims of the tragic accident in Überlingen: we recall the suffering of the bereaved and we sympathise with their loss. The collision over Lake Constance affected us all very deeply. This utterly incomprehensible event and its causes will continue to occupy us well into the future.

The Board of Directors, the management and the executives have made huge efforts to help our staff to cope with their everyday duties again in spite of the strains of 1 July 2002. Skyguide quickly got back into its stride. It is ready to handle its day-to-day business and can look to the future with healthy self-confidence. This certainty is encouraging, because some major challenges lie ahead of us. First of all, the amalgamation of military and civil air traffic control, which was embarked upon with such vision and enthusiasm, still requires a great deal of work, but it is likely to be implemented quickly and genuinely to deliver the promised benefits to our customers. We are pleased that this pioneering project has received a positive response in parliament. The thorough groundwork has paid dividends. In addition, we are all expected to play our part if we are to succeed in asserting our place in Europe's "Single Sky". The survival of our company in the medium to long term requires us to direct our minds and deeds towards Europe for the sake of operating air traffic control in a rationally defined space. The diversity of our country provides ideal conditions for overcoming apparent ditches and hurdles – let's make the most of these opportunities!

Aviation today is undergoing a process of meteoric change. We cannot predict how it will end. In such circumstances, skyguide can survive only if internal continuity is upheld, if mutual trust runs through every area and all the hierarchical levels respect each other. It is my personal goal to contribute, together with my colleagues on the Board of Directors, towards building a climate of confidence.



Franz Kellerhals
Chairman of the Board

CEO's Foreword

The year 2002 was marked by the dreadful accident on the night of 1 July. In the airspace controlled by skyguide near Überlingen, there was a collision between a DHL Worldwide Express Boeing 757 and a Bashkirian Airlines Tupolev 154. All 71 people on board lost their lives. The crash of the two aircraft shocked all of us. Our thoughts are with the victims and those bereaved by this disaster.

Exactly what happened that night is still under investigation by the authorities at the time we go to press. We shall make every effort to discover the causes of this disaster, and we are striving to do this with the utmost transparency. Our heavily criticised statement in the first few hours following the accident has nothing to do with any effort to hush matters up, but is explained by the sheer size of a drama for which nobody was prepared. We were never seeking to apportion blame; the accusation that we reacted inhumanely to the accident therefore affected all of us.

Skyguide has been striving for years to improve all internal processes and safety-relevant systems. The consistent duplication in the technical installations and the maintenance of two operational centers are cost-intensive measures designed to raise the safety of aviation. In this connection, we feel heartened by the Swiss parliament, where a large majority came out in favour of the financing of the amalgamation of civil and military air traffic control. The decision by the two chambers shows that the Swiss Confederation as our owner, and the parliament, support our strategy and our safety policies.

International aviation has been plunged into crisis and even more so since 11 September 2001. A number of important airlines have gone to the wall, and some of the biggest are fighting for their survival. Skyguide, too, has now been in recession for two years. Because it is statutorily impossible for us to set aside reserves in profitable years, we now find ourselves obliged to react to the reduction in demand and the rise in costs by increasing our charges.

In conclusion, I should like to thank all of skyguide's staff for their tremendous dedication in this difficult year. It has been important for me and the Executive Management team to be able to count on the reliability of each and every staff member. The safety of international aviation is a worthy task. We at skyguide feel ourselves, more than ever, committed to this task.



Alain Rossier
CEO

Board of Directors

| | |
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| Franz Kellerhals Chairman of the Board 1995- | Born 1939, Swiss. Franz Kellerhals holds a doctorate in law, and is an attorney at law and a partner in a law firm as well as emeritus professor of civil law at the University of Berne. He was elected to the Board of Swisscontrol in June 1995 and is standing for a further term of office in 2003. |
| Josef Felder 2000-2003 | Born 1961, Swiss. Josef Felder holds a degree in accounting and is a Financial Controller. The Chairman and CEO of Unique (Flughafen Zürich AG) was elected to the Board of Swisscontrol in June 2000. He is standing down on 25 June 2003. |
| Christophe Keckeis 2000-2002 | Born 1945, Swiss. Christophe Keckeis is a military pilot by profession and chief of staff of the Swiss Army. He was elected to the Board of Swisscontrol in June 2000 and stood down at the end of 2002 as a result of his appointment as chief of staff. |
| Anton Menth 1998-2003 | Born 1939, Swiss. Anton Menth holds a doctorate in physics from the Swiss Federal Institute of Technology in Zurich (ETHZ). The current Chairman of the Board of the Swiss Post Office was elected to the Board of Swisscontrol in September 1998. He will be stepping down from the Board on 25 June 2003. |
| Pierre Moreillon 2000- | Born 1955, Swiss. Pierre Moreillon holds a doctorate in law and is an attorney at law. The Chairman of Aerosuisse, the umbrella organisation for Swiss aviation, was elected to the Board of Swisscontrol in June 2000 and is standing for a further term of office in 2003. |
| Peter Saurer 2002- | Born 1945, Swiss. Peter Saurer holds a doctorate in economics. The deputy director of the Swiss federal finance administration was elected to the Board of Directors of skyguide in June 2002. |
| Philippe Simon 1995-2002 | Born 1937, Swiss. Philippe Simon was the head of air traffic control operations in Geneva and was elected to the Board of Swisscontrol as staff representative in June 1995. He died suddenly on 24 July 2002. His post has been vacant since then. |

Executive Management



From left to right:

Carlo Bernasconi

ATC operations

Born 1949, Swiss. Carlo Bernasconi studied education after training as an air traffic controller. He joined the company in 1971 and has been a member of the Executive Management since 1999, first as head of air traffic control operations in Geneva and since 2002 in his present post.

Philippe Chappuis

Technics, Deputy CEO

Born 1957, Swiss. Philippe Chappuis holds a doctorate in engineering from the Swiss Federal Institute of Technology in Zurich (ETHZ). He formerly worked as a consultant on technical projects and occupied managerial functions at Swissair. Since 1996 he has been head of the Technics department and a member of the Executive Management.

Francis Schubert

General Secretariat

Born 1961, Swiss. Francis Schubert is an air traffic controller and holds a doctorate in law. In addition, he holds a teaching post in air law at McGill University in Montreal. He has been with the company since 1982 and a member of the Executive Management since 2001.

Alain Rossier

CEO

Born 1958, Swiss. Alain Rossier holds a degree in economics. Before he was appointed as skyguide CEO in 2001, he had occupied various management functions with major telecommunications firms and at Swisscom.

Yves-André Jeandupeux

Human Resources

Born 1958, Swiss. Yves-André Jeandupeux holds a degree in psychology. The former Human Resources Director of the cantonal administration in Neuchâtel has been in the Executive Management as Head of Human Resources since 2001.

Marc Bohren

Finances

Born 1956, Swiss. Marc Bohren holds a degree in management. After working for many years in the banking sector in Switzerland and the USA, he became CFO of an international food and nutrition company. He joined Swisscontrol in 1999 and has been a member of the Executive Management since 2000.

Key Dates

February

New head of air traffic control operations

The Board of Directors appoints Carlo Bernasconi with effect from 1 July to be the new head of air traffic control operations. Carlo Bernasconi joined what was the old Radio-Schweiz AG in 1971.

March

Virtual Upper Area Control Center (UAC)

On 21 March, the first phase of the UAC project is completed, representing an important step towards the harmonization of the upper airspace. In the whole upper airspace there is now a single call sign. The organisational units UAC Switzerland, TCZ (Terminal Center Zurich) and TCG (Terminal Center Geneva) are formally created.

April

New operating regulations for Zurich

In connection with the reorganisation of the operating regulations at Zurich airport, skyguide launches the Zurich Adaptation Program project (ZAP). It is designed for the development of new air traffic control procedures.

ATMAS: Completion of the definition phase

Skyguide and the supplier of ATMAS establish the technical and functional characteristics of the new air traffic control system. In compliance with the rigorous principles of quality and safety management, a coherent unit emerges with regard to the realisation, integration, testing and validation of the new system.

Aeronautical Information Management harmonised at European level

The Executive Management approves the European AIS Database System Interface Switzerland (ESI CH) project. The investment of CHF 3 million is used for the technical database infrastructure, for the operational process to maintain the static data in the core process of Aeronautical Information Management (AIM) and for a technical interface with the European Aeronautical Information Service (AIS) database.

May

UAC decision of principle confirmed

The results of the Business Case Upper Area Control Center confirm that the creation of a single control center for the upper airspace in Geneva is both strategically and economically correct. Crucial to this decision are the lower operating costs in the long term and the fact that it can be rapidly realised.

June

National Council against ratification of the international treaty between Switzerland and Germany

On 19 June the National Council rejects the ratification of the international treaty negotiated in 2001 between the German and Swiss Transport Ministers. Skyguide regrets that the question of the delegation of air traffic control in southern Germany has still not been decided.

“Skycare” independent pension fund

Following the formal dissolution of the Federal pension fund (PKB/CFP), retirement plans are

reorganised. In a ballot, the staff opts for the independent pension fund “Skycare”, into which the VKS/CPS (pension fund for ATCOs) is integrated.

July

Aircraft collision over Überlingen, Germany

On 1 July, two aircraft collide in the airspace controlled by skyguide in the south of Baden-Württemberg. At 2335, a Tupolev 154 operated by Bashkirian Airlines (BTC 2937) and a DHL Express Worldwide Boeing 757 (DHX 611) collide at 36’000 feet (12’000 meters) over Überlingen. All 71 people on board, including many children and teenagers, perish in the accident. The investigation of the causes of the collision is entrusted to the German Air Accident Investigation Bureau (BFU). It is supported by the Swiss Air Accident Investigation Bureau.

Skyguide mourns the victims of the disaster

Staff show their grief for the victims of the aircraft collision at various ceremonies of remembrance. On 6 and 7 July, ceremonies are held in Owingen and Überlingen, which are also attended by representatives from skyguide.

Co-ordination of information

In the aftermath of the aircraft collision, skyguide is thrown into the crossfire of criticism. The thirst for information could only be inadequately quenched in the first few hours after the accident. The crisis unit set up is responsible for co-ordination with DETEC (the Department of the Environment, Energy, Transport and Communications), the running of the call center, the psychological counselling of staff

affected, and contact with the authorities and partners. At the end of July, the crisis unit is superseded by a Lake Constance Co-ordination Group, which continues to be responsible for human resources, operational, legal, air safety and actuarial issues.

August

New functions for AERMAC

The AERMAC system is the Geneva-based national and international platform for fixed aeronautical telecommunications. It transmits some 150’000 messages every day. These are of interest for civil and military air traffic control and aeronautical information and meteorology services, as well as for aircraft operators. Through the upgrading, additional data formats are supported, rendering the system even more efficient.

October

Weekend Regulation comes into force

On 27 October, the so-called Weekend Regulation (WER) comes into force. Skyguide is convinced that in spite of the imposition of the new conditions, air traffic in Zurich can be handled safely and efficiently. The ban on night-time flying between 2200 and 0600 came into force a good year or so ago.

November

Important decisions for integration

The construction authorisation for the new skyguide building in Dübendorf, which is to house the future joint operational premises for the local civil and military air traffic control, came into effect on 27 November. The Swiss parliament gave its backing to the financing of the integration by an overwhelming majority.

December

Safety Improvement Reporting (SIR)

The preliminary work before the introduction of the Safety Improvement Reporting (SIR) is completed. As from 1 January 2003, all staff from air traffic control operations and Technics can address their suggestions for the further improvement of safety direct to the Safety Manager. SIR is the first stage in the company-wide CIRP (Critical Incident Reporting Program) and is being further developed within the framework of existing legal requirements.

Swiss Air Traffic Control in Transition

While the changes, which have occurred over recent years in civil aviation, will not have escaped anyone's notice, the transformation in air traffic control has been proceeding virtually imperceptibly to the outsider. Nevertheless, it is a far-reaching process and one which in the long term will change the face of air traffic control in Switzerland.

Unified upper airspace for Switzerland

The historical development of air traffic control services in Switzerland has led to a situation where two virtually autonomous operating centers have grown up in Geneva and Zurich. As long ago as the mid-1990s, it was pointed out that this type of organisation is not rational in the long term. Accordingly, the Board of Directors took the decision in 1997 to create a single Swiss center for the upper airspace. By 2005, the complete integration of the upper air traffic control sectors should make it possible for air traffic in the airspace above flight level 285 (approximately 9'000 m) to be controlled flexibly and efficiently from one single location.

The reasons for the creation of UAC Switzerland are of a strategic and operational nature. The running of UAC Switzerland creates the necessary conditions for the position of skyguide at the heart of Europe to be maintained and expanded. This prospect is important when it comes to the "Single European Sky" concept being promoted by the European Commission. The operating costs are lower if only a single center is controlling the upper airspace; at the most, by 2008 they will amount to a total of CHF 5.1 million as opposed to CHF 15.2 million for two centers. The creation of the UAC Switzerland in Geneva also alleviates the strained staffing situation at the control center in Zurich.

What in the future will be the roughly equally sized units at Zurich and Geneva will concentrate on particular areas. Zurich will have the complex Terminal

Center Zurich (TCZ), which will handle the heavy traffic around Zurich Airport at Kloten and military air traffic control, while the Terminal Center Geneva (TCG) in Geneva will service the needs of Geneva Airport and the UAC for transit traffic in the upper airspace.

The UAC Switzerland came on stream in a virtual form as early as March 2002. For the airspace users, this brought initial benefits such as the use of a single call sign for the entire upper airspace.

New ATMAS air traffic control system

In the future, the reorganisation of air traffic control with the three focal points UAC, TCG and TCZ will rely upon a new system, of which various elements are combined under the name ATMAS (Air Traffic Management System).

ATMAS will mean that in the future, unified and euro-compatible facilities will be available to support harmonised operational procedures. The traffic control capacities are expanded thanks to improved air traffic control instruments. This delivers crucial benefits for airspace users: quality and continuity of service provision, redundancy and thus safety and cost curbing and efficiency.

In the first stage of this programme to modernise the systems, skyguide put into effect the radar tracking system ARTAS (ATM Surveillance Tracker and Server) developed under the aegis of Eurocontrol, the European organisation for the safety of air navigation.

In the next stage, skyguide, in collaboration with the German and Dutch ATC authorities, is putting into operation the latest generation of radar stations (COMOS project: Common Procurement of Mode-S Radar).

Integration of civil and military air traffic control

There are various forms of collaboration between civil and military air traffic control authorities in Europe. Switzerland goes the furthest. Since 2001, the control of military aircraft has in fact been entrusted to a private-law company, skyguide.

Since 1948, Article 40 of the Federal Aviation Act has stated that Swiss civil and military air traffic control services are combined. This integration was finally achieved in the year 2001. In this way, an institutionalised regulation superseded the previous co-operation practices. On 1 January 2002 the military air traffic controllers previously employed by the Air Force were given private-law employment contracts on a par with their civil colleagues. The Parliament decided that the Swiss Confederation should bear the costs of the integration.

The versatility achieved by skyguide thanks to the integration will constitute a strategic advantage for its development in Europe. Even today, benefits can already be detected across various operational areas in terms of synergies, interoperability and economies of scale. The outcome from the Air Force's activities is also positive. While certain individual deployments have had to be shifted in temporal or geographical terms, there have been no cancellations. The scale of the services by the military operations center in Dübendorf is in line with the forecasts. Out of a total of about 3'000 deploy-

ments, only 250 (8.3%) could not be carried out as planned. This result is within the tolerance limits set by the Air Force.

In the summer of 2003, work began on the building of the new air traffic control center in Dübendorf. As from 2007, it will house the Terminal Center Zurich (TCZ) and the air defence control center under the same roof. Switzerland will be the first country to comply so comprehensively with the recommendations issued by ICAO (the International Civil Aviation Organization) and the European "Single European Sky" project.

Performance

Performance is a complex factor which results from the correlation between safety, capacity and costs. Studies show that an imbalance between the three parameters has a negative impact on performance in the long term. Skyguide is striving to achieve a balanced and sustainable development in performance.

Safety, capacity, costs

The mandate of air traffic control involves not simply the safety of air traffic, but also its economic efficiency. Skyguide has significantly improved its performance here, too. In guaranteeing a sustained increase in performance, skyguide regards safety, capacity and costs as cornerstones which have to be equally considered and optimised.

Performance indicators

The performance indicators include flights under instrument flight rules (IFR) and flight movements for the ATC traffic service units, NOTAMs/SNOWTAMs¹ for the Aeronautical Information Service and processed ATS reports² for the aeronautical transmission service. Every aircraft flying under instrument flight rules and using services of one or more of the skyguide ATC units is counted as an IFR flight. An IFR flight may generate several flight movements; a flight from Zurich to Geneva, four: one each at Zurich TWR/APP³, Zurich ACC⁴, Geneva ACC and Geneva TWR/APP.

IFR flights

skyguide has recorded a drop in traffic for the second consecutive year. While the number of IFR flights fell by 1.55 % between 2000 and 2001, the drop in the year 2002 was a substantial 3.5 %. This state of affairs, which is exceptional in the recent history of aviation, is explained by the global recession, which is hitting national and international civil aviation particularly hard.

| | 2001 | 2002 | Comparison 01/02 |
|--------------------------|-----------|-----------|---------------------|
| IFR flights | 1'097'511 | 1'059'555 | -3.5 % |
| Of which transit flights | 639'437 | 626'791 | -2.0 % |

Flight movements

There has been a particularly striking decline in flight movements at TWR/APP Zurich, which can be attributed to the grounding of Swissair in 2001 and the subsequent reduction in the fleet by the new national carrier Swiss International Airlines.

| | 2001 | 2002 | Comparison 01/02 |
|------------------------------|------------------|------------------|---------------------|
| ACC Geneva | 592'100 | 596'194 | +0.7 % |
| ACC Zurich | 773'137 | 735'506 | -4.9 % |
| TWR/APP Geneva | 218'682 | 213'754 | -2.3 % |
| TWR/APP Zurich | 298'398 | 270'207 | -9.4 % |
| Bern-Belp | 90'540 | 88'086 | -2.7 % |
| Lugano-Agno | 35'518 | 33'811 | -4.8 % |
| Total IFR | 1'877'621 | 1,805'308 | -3.9 % |
| Total VFR⁵ | 130'754 | 132'259 | +1.2 % |
| Total movements | 2'008'375 | 1'937'567 | -3.5 % |

Processed messages

In the Aeronautical Information Service, 352'358 NOTAM messages were processed. This represents an increase of 6.9 %. The number of NOTAM products called up at the Swiss airports rose to 232'603 (+21.1 %). AERMAC, the Swiss AFTN/CIDIN⁶ center, processed a total of 47'308'736 messages (+84 %). The massive rise in data traffic is accounted for by the entry into service of various new databases, in particular the

1. NOTAM: Notice to Airmen. SNOWTAMs are NOTAMs giving details of runways at airports in the winter (snow and ice cover).

2. ATS: Air Traffic Services. Includes all ATC units and the flight information centers.

3. TWR/APP: Tower/Approach Control.

4. ACC: Area Control Center.

5. VFR: Visual Flight Rules.

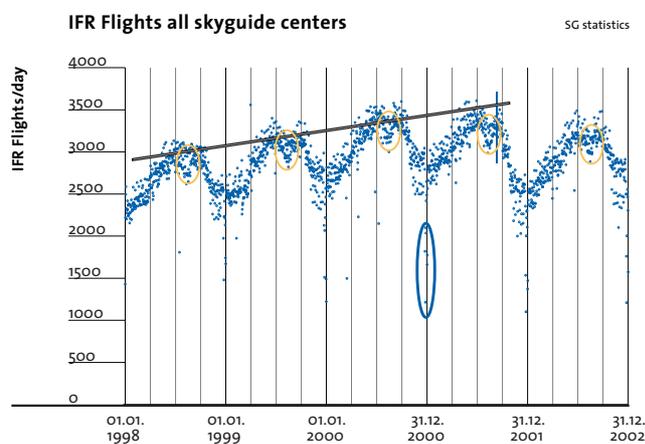
6. AFTN: Aeronautical Fixed Telecommunication Network; CIDIN: Common ICAO (International Civil Aviation Organisation) Data Interchange Network.

AFPS (flight plan server for the AIS/ARO⁷ services), STARS⁸ Geneva and INIS⁹ Geneva. Another factor influencing this figure has been the two-month test phase during which the network handled flight plans with the CFMU¹⁰ in the ADEXP¹¹ format.

Trend in traffic 1998–2002

The graph below shows the flights controlled by skyguide under instrument flight rules between 1998 and 2002. Each point represents the total IFR flights controlled on one day by skyguide. The figures rely on flight plans. (Source: skyguide Flight Data Processing System)

Between 1998 and 2000, the traffic increases constantly (rising line). In the year 2001, the progression tapers off even before 11 September (vertical line). The slump in 2002 is clear to see. Low traffic volumes usually occur over the holidays at the end of the year (blue ellipse). The highest traffic volume occurs between mid-June and early July and between late September and early October. Between mid-July and mid-September a slight drop in the traffic curve can be observed (yellow ellipses).



Various events may affect the volume of traffic, for example union actions in neighbouring countries or the entry into service of new procedures, sectorisation measures and systems, in which cases the capacity is deliberately lowered for the sake of safety.

Capacity increase thanks to RVSM (Reduced Vertical Separation Minima)

On 24 January 2002, the vertical separation minima in Europe and in neighbouring countries were reduced in the airspace between flight levels (FL) 290 and 410 (9'100 and 12'500 m) from the previous 2'000 feet (600 m) to 1'000 feet (300 m). Thanks to this measure, six new flight levels could be created in the corresponding airspace.

Thanks to RVSM, the number of flight levels above 9'100 m was doubled, and sector productivity increased by 15%. In addition, it proved possible to reduce the labour input for the airspace above FL 150 by approximately 25%. The global capacity increase amounts to +8%.

Fewer delays

In determining the performance of air traffic control providers, Eurocontrol's European air traffic flow management center records the ATFM (Air Traffic Flow Management) en-route delays caused. In 2002, the average ATFM delay caused by skyguide was only 1.1 minutes per flight, compared to 2.6 minutes the previous year. This drop in delays is partly explained by the lower traffic volume, but also results from various measures to increase capacity. The resounding success of these can be seen particularly clearly in the international comparison. The delays caused by skyguide fell

7. ARO: ATS/AIS Reporting Office.

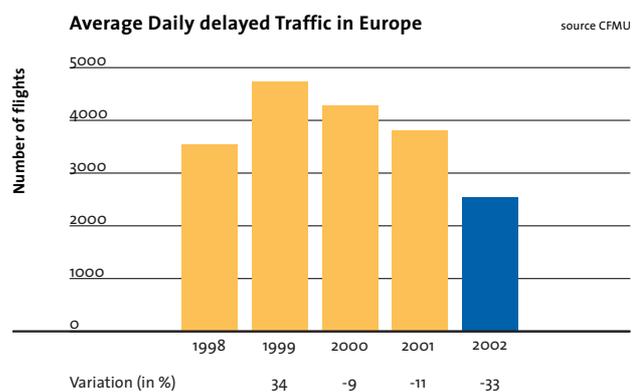
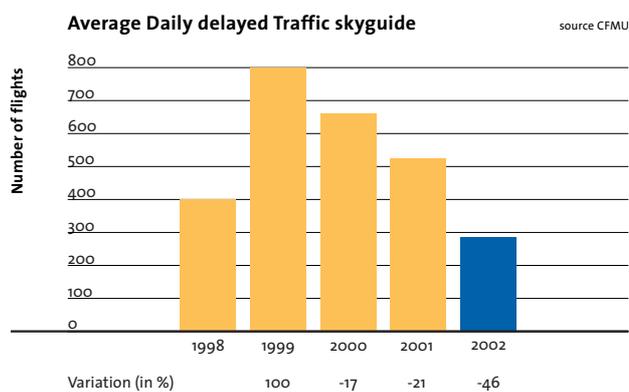
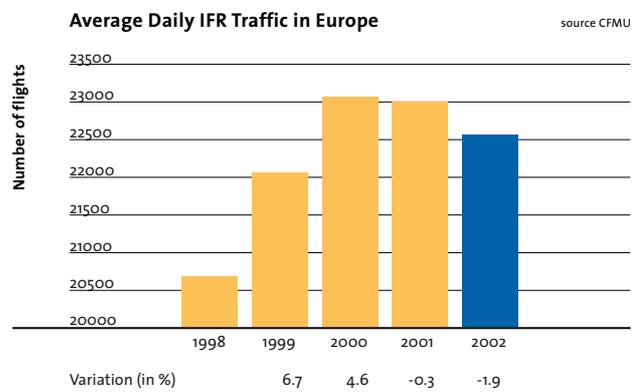
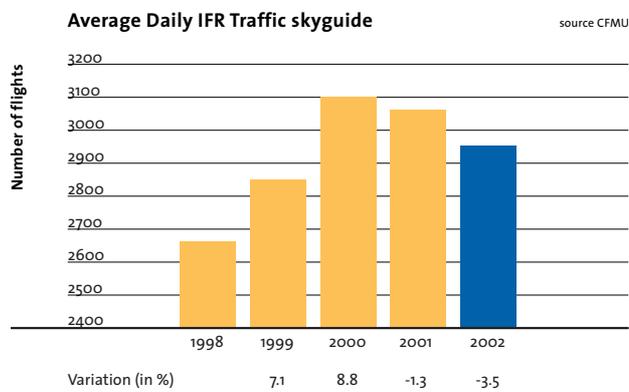
8. STARS: Statistical Traffic Analysis Route Charges and Flight Plan Data Processing System.

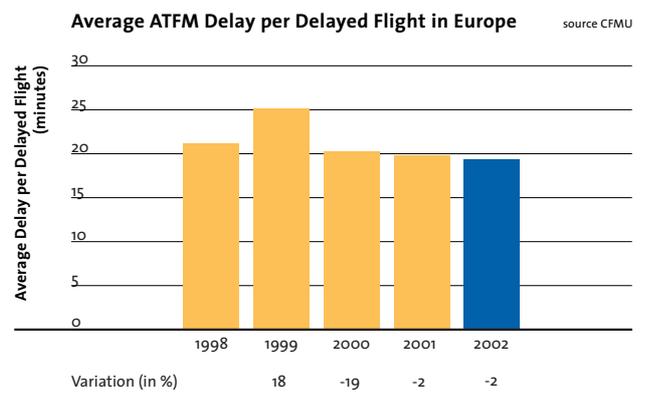
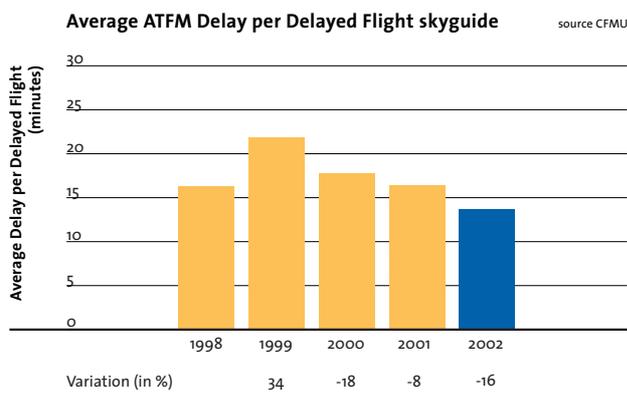
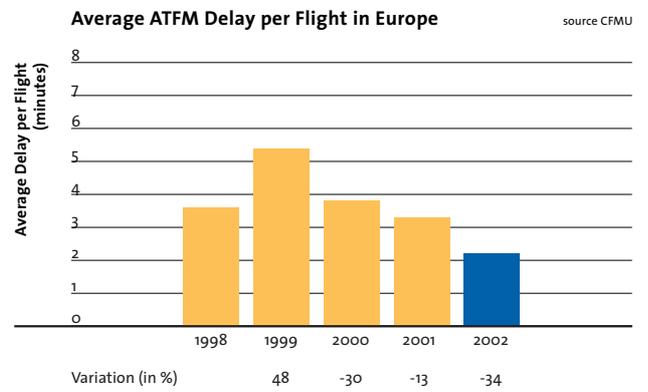
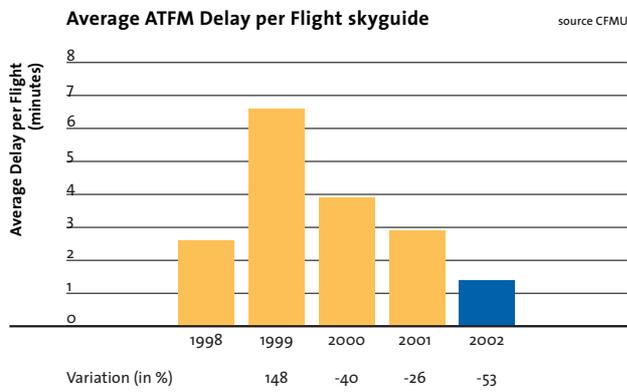
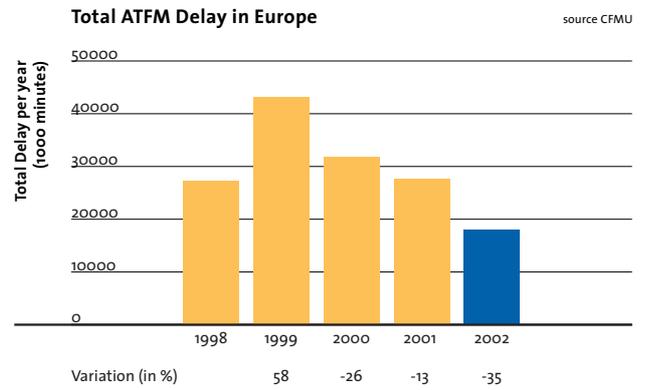
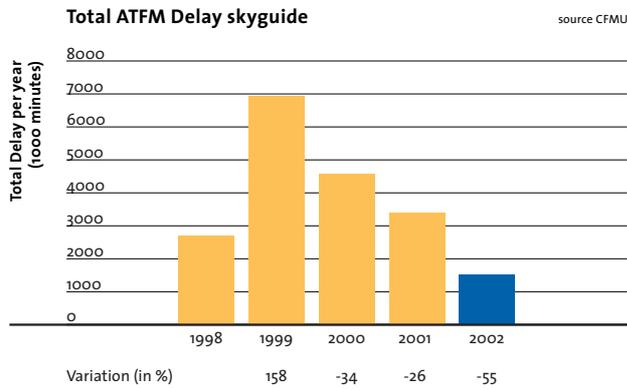
9. INIS: Interface between Integrated Initial Flight Plan Processing System and SYCO, a system for data exchange.

10. CFMU: Central Flow Management Unit in Brussels.

11. ADEXP: ATS Data EXchange Protocol.

by almost 90% in the first half of the year. After the accident over Überlingen, the capacity in all sectors in Zurich was temporarily reduced, which led to an increase in delays in July to 4 minutes per flight. From August, it was possible to increase the capacity again, and delays fell back to 2 minutes per flight. This corresponds to a reduction of 50% compared to the previous year.





Structure of the air traffic in Swiss airspace

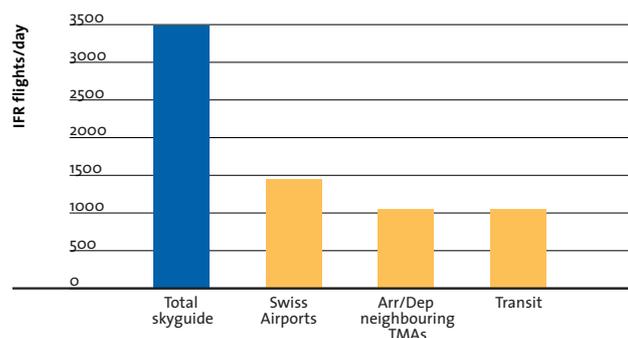
Not only does Swiss airspace contain the most dense crossing points in the European airways, but Switzerland is also in the immediate vicinity of numerous intercontinental airports. These involve heavy crossing traffic between climbing, descending and transit flights. Given the small size of Swiss airspace, this makes air traffic control exceedingly complex.

The flight traffic controlled by skyguide can be divided into three categories:

1. Traffic to and from the various Swiss airports, including Basel-Mülhausen.
2. Traffic to and from airports located in terminal areas (TMAs) in neighbouring countries. The most important of these are TMA Milan, TMA Stuttgart, TMA Munich, TMA Lyons and TMA Marseilles.
3. Transit traffic.

Every IFR flight crosses several control sectors. The complexity of the air traffic control task depends upon the number of sectors crossed. The second category is especially demanding. An aircraft taking off from an airport in a TMA in a neighbouring country enters the airspace controlled by skyguide at a low level and is directed to its requested cruising height. The same naturally applies in the case of landings. This entails crossing various sectors with a relatively high co-ordination input. Thirty per cent of all flights handled by skyguide fall into this category.

Rough distribution of IFR flights by type



Air traffic control needs safe, reliable and modern technical systems. These range from relatively simple radio installations for regional airports to highly complex radar and flight plan data processing systems integrated internationally with the systems of the neighbouring countries and the Air Force.

Radar systems

This year, skyguide brought into service the first station from the COMOS (Common Procurement of Mode-S Radar) programme in Geneva. The radar data generated – initially still for test purposes – fully satisfy the requirements defined by Eurocontrol for dense air-spaces. After the completion of the project, a total of six of skyguide's secondary radar facilities will operate in Mode-S. Mode-S means that the precise position of an aircraft, its unique identity and later also other parameters of relevance to the flight can be determined.

A team of skyguide engineers have replaced the radome, which protects the radar antenna against the weather, at the mountain-top station on La Dôle. At the same time they replaced the antenna system and prepared the station for the installation of a new radar system. This installation will be completed within the framework of the said COMOS project in 2004.

At Zurich Airport, a new, additional short-distance radar has been brought into service. It monitors the taxi traffic on the ground and avoids interference with the previous radar facility at the midfield terminal. A newly installed system uses the data from the two radar facilities to calculate a composite picture, which is displayed in the control tower.

Navigation equipment

The implementation of the international treaty between Switzerland and Germany required, inter alia, the installation of two new instrument landing systems

(ILS) at Zurich Airport. The planning work for these has been completed, and the implementation is scheduled for 2003/2004.

In the framework of the European EGNOS (European Geostationary Overlay System) programme, a system to monitor and improve the existing American satellite navigation system GPS (Global Positioning System), a monitoring station has been set up at Zurich Airport. This is linked to the overall EGNOS system. It is hoped that EGNOS will deliver a significant improvement in the quality of navigation; initial very promising tests in Sion confirm this.

Communications systems

In the effort to set up a reliable, cost-efficient broad-band link between the two centers in Geneva and Zurich, the final missing piece of skyguide's own fibre-optic link was laid.

Data processing and display systems

The realisation of the major ATMAS (Air Traffic Management System) project on the basis of Eurocat will be delayed by approximately four months. ATMAS/Eurocat will supersede many of the data processing systems currently in service. The manufacturer has incorporated skyguide's stringent demands in the design of its product Eurocat. Before ATMAS/Eurocat comes on stream, interim solutions are still required for a few technical systems; these are currently being implemented.

Human Resources

The prime task of Human Resources is to support the staff members and provide help where necessary. This year, this role in the company has been of particular importance.

Support after Überlingen

The aftermath of the aircraft collision over Überlingen brought unprecedented pressure on Human Resources. In order to keep the company running in spite of what had happened, it concentrated on providing support for the many staff affected directly and indirectly. It offered psychological counselling to allow those affected to express their feelings in the wake of the accident and work through them. In this connection, a special debt of thanks is owed to the colleagues from the German air traffic control authority DFS for the help offered spontaneously in the setting up of a support structure.

Safety in the workplace

Safety is not just a matter for Technics and air traffic control operations. Various staff committees are responsible for the optimisation of working processes and conditions. Specific regulations about breaks, regular changes of workplace, the maximum two-hour spell at the radar, as well as the setting up of rest areas, should guarantee that air traffic controllers can carry out their responsible duties under the best possible conditions. All staff members have once again benefited from health programmes such as back relaxation techniques, relaxation exercises and flu jabs.

Setting up of the Critical Incident Stress Management (CISM) program

The Critical Incident Stress Management (CISM) program is an effective instrument for caring for employees from all staff categories who are con-

fronted directly or indirectly with an incident. The concept, developed in 2002, plans in the first instance to entrust it to specially trained colleagues (peers). If necessary, these are supported by the company doctor and, in the event of more serious medical care, by outside specialists. The first training courses are scheduled for early 2003.

Executive training and further training

To strengthen the middle management, skyguide has carried out a "Basis Management Program", in which 25 participants from all departments were familiarised with the rudiments of management. The program, which was well received, is also to be run in 2003. Great importance was also attached this year to training and further training. Training courses in a variety of fields were given to almost 1'000 participants.

New "Skycare" pension fund

Following the formal dissolution of the Federal pension fund (PKB/CFP), to which skyguide staff was previously affiliated, the opportunity arose to re-organise our retirement plans in the future. In the original ballot, 84% of the staff voted for "Skycare". This independent pension fund, into which the VKS/CPS (pension fund for ATCOs) is integrated, takes account of the needs of both the staff and the company. The project, carried out jointly with the staff associations, illustrates the good social partnership at skyguide.

Skyguide Training Center

The skyguide Training Center in Zurich has a twofold task: it trains civil and military air traffic controllers and air navigation staff, and it also runs further training courses for the operational staff.

Recruitment and training

Every year, the skyguide Training Center carries out training courses with up to 47 Air Traffic Controller (ATCO) trainees. This is a way of combating the chronic staff shortage in air traffic control. The trainees are recruited from all over Switzerland and from areas close to the borders abroad. Only about 10% of those applying pass the strict selection process and are admitted to the training courses. By the end of 2002, there were some 200 people under training. Thirty-three candidates were taken on for the two-year training for air navigation staff. Air navigation staff performs a basic function in air traffic control operations. Their job is to be reassessed with a new training concept.

facilities were in operation for over 10'000 hours in 2002, on occasion in three shifts. Availability was particularly high at over 98%. In Geneva, a new simulator room has been set up for the ATMAS/Eurocat simulator ATSIM and brought into service. Another new feature is the fitting of the tower simulator TOSIM with a module to allow training for the tower at Emmen.

Euro-compatible training concept

The training concept for air traffic control operations relies upon theoretical instruction, training in simulators and on-the-job training at the future work location. This tried and tested concept fully satisfies the requirements laid down by Eurocontrol. The conditions for the issue of an international licence as from 1 January 2004 by the skyguide Training Center are thus in place.

Simulator facilities

The operation and maintenance of simulator facilities is a key task at the Training Center. In training and further training, they allow real situations to be replicated and thus serve to test out new procedures or regulations before they are introduced. The simulator

The radical events of the recent past have plunged aviation into a financial crisis, which is also affecting skyguide. Nevertheless, the year 2002 can be considered to be a year of consolidation.

No financial equilibrium

Swiss air traffic control is directly affected by the crisis in aviation. Because its most important customers have significantly scaled down their fleets of aircraft, income has declined while operating costs have remained unchanged.

The federal government has defined financial equilibrium as the objective for skyguide. For the second time in succession, this proved impossible to achieve in 2002. The wage freeze accepted by all the staff in 2002 at the 2001 level did, nevertheless, permit a substantial saving in costs, supplemented by various measures by the Executive Management relating to the general overheads to the tune of over CHF 4 million.

Disadvantages of the financing system

Skyguide is nevertheless obliged to make a massive adjustment in its charges for 2003. This is the result of the structural inadequacies of the financing system for air traffic control. The system of carry-overs in fact means that the company is prohibited from building up reserves in good years. In profitable years, the profits are reimbursed to the customers. This means that deficits have to be passed on to the users. All measures to increase capacity are extremely costly. Generally speaking, the development and replacement of facilities generate costs that have to be spread across a number of accounting periods. However, air traffic control is only able to adjust to the market late in the day, and it is also forced to make substantial investments in years with low income.

Shortfall in remuneration

Without a valid aviation agreement with Germany, skyguide has been unable thus far to start any negotiations on the remuneration for services in the airspace over southern Germany. It continues, as before, to provide these services free of charge. Added to this lack of income is the partial deficient cover of the services of general interest at the regional airports and VFR flights. Both factors have a negative impact on the overall company result.

International Accounting Standards as from 2003

The parliament decided in the spring of 2003 on the recapitalisation of skyguide in the framework of the amalgamation of civil and military air traffic control. This means that the introduction of the International Accounting Standards (IAS) can be completed by the end of 2003. With these standards, skyguide will find it easier to obtain funding for investments on the capital market. They also mean better cover of the company's liabilities vis-à-vis the staff in the retirement funds. The implementation of these standards likewise ensures greater transparency in the figures and better comparability between the various suppliers. This is consistent with the needs of the users and the supervisory authorities.

The Company

Corporate Profile

Skyguide – integrated air traffic control for greater flexibility

Skyguide is a high-performing supplier of air traffic control services in the heart of Europe. The company is represented in ten bases in Switzerland and employs some 1400 people. The administrative headquarters is located in Geneva. Since its foundation in 1922, the company has been involved in air traffic control. In 1931, it was awarded the federal mandate to provide safe, smooth air traffic in Switzerland. In 1996 it gained financial autonomy. Today, skyguide is a modern company oriented towards Europe.

Task and mandate

Skyguide provides high-quality customer-oriented air traffic control services in the general interest in Swiss airspace and in foreign airspace delegated to it. Skyguide implements a legal mandate entrusted to it by the Swiss Confederation. This includes the task of guaranteeing the safe, smooth and economic handling of air traffic. The mandate, defined under Article 40 of the Aviation Act and Article 2 of the Regulation on Air Traffic Control Services (VFSD), embraces civil and military air traffic control, telecommunications, the aeronautical information service and the technical service for the installation, operation and maintenance of the air traffic control systems.

Core competence

Skyguide is the European specialist in air traffic control in complex airspaces. It has long years of experience with the challenging and dense traffic volumes in Swiss airspace. The company is a center of competence for Aeronautical Information Management (AIM), radar

and communication technology and data processing for aviation. The Aeronautical Information Service (AIS) arm is certified to ISO 9002 and ISO DIS 9001. The integration of civil and military air traffic control is a pioneering achievement, through which skyguide demonstrates the advantages accruing from the flexible management of airspace in terms of capacity.

Social role

Safety and efficiency in aviation are a basic condition for the development of Switzerland as an economic base and for mobility in general. Skyguide provides services for the Air Force which are required for the sake of maintaining air sovereignty. Skyguide creates highly specialised jobs in a technically demanding field, thereby ensuring that future-oriented skills are further developed in Switzerland. Skyguide works in many international bodies and thereby helps to strengthen Switzerland's international profile.

Locations and area of responsibility

The company, with its headquarters in Geneva, is active at the airports in Zurich, Geneva, Bern-Belp and Lugano-Agno, and at the military airports. The military deployment center is situated in Dübendorf, where a new operations center is due to be opened in 2007. At the regional airports in Grenchen, St. Gallen Altenrhein and Les Éplatures, local air traffic control services are delegated by skyguide to the respective airport operators.

Fifty-three per cent of the airspace controlled by skyguide is situated inside the Swiss borders; the delegated foreign airspace accounts for 47% of skyguide's entire activities.

History

Skyguide goes back to the telegraphy company Marconi Radio AG, founded in 1922. This changed its name to Radio Schweiz AG (RSAG) in 1928, and in 1931 was entrusted by the Federal Air Administration with responsibility for air traffic control in Switzerland. In the wake of a stronger focus towards today's core business, the sectors specifically involved with air traffic control were spun off in 1988 and amalgamated into Swiss-

control, the Swiss air traffic control company ltd. In 1996, the Swiss Federation allowed Swisscontrol to achieve financial autonomy. In 2001, the Swiss Federation transferred to the company the mandate for military air traffic control. For the first time in the history of European aviation, a single company was providing civil and military air traffic control. To commemorate this fresh strategic thrust and to strengthen the drive towards integration, the firm adopted the name skyguide.

Staff

| | Geneva | Zurich | Lugano | Bern | Mil. bases | Total |
|--|--------|--------|--------|------|---------------|--------|
| skyguide staff* establishment as at 01.01.2003 | | | | | | |
| Management | 66.7 | 39.9 | 1.0 | 1.0 | 2.0 | 110.6 |
| Support and administration | 113.8 | 74.4 | 0.4 | 1.0 | 8.0 | 197.6 |
| Air traffic controllers | 159.3 | 172.4 | 7.6 | 8.0 | 87.6 | 434.9 |
| Operational staff | 53.3 | 84.5 | 4.7 | 3.0 | | 145.5 |
| Technical Staff | 110.6 | 97.9 | | 1.0 | | 209.5 |
| Trainee air traffic controllers | 35.0 | 69.0 | | | 8.0 | 112.0 |
| Trainee air navigation staff and administrative staff | 13.0 | 43.0 | | | | 56.0 |
| | 551.7 | 581.1 | 13.7 | 14.0 | 105.6 | 1266.1 |

* Rounded up to full time

Strategy

Skyguide manages one of the most complex airspaces on the whole continent. Skyguide has a clear strategy, with which it can guarantee safe, smooth and economic air traffic under exceptionally challenging framework conditions and with due regard to the development of the traffic.

Looking to Europe

Skyguide's strategy develops along two complementary thrusts. On the one hand, the company has for many years been looking outward to Europe and tending to go beyond the present institutional boundaries. On the other, skyguide is concentrating on constantly improving its processes and technical systems in line with the needs of its complex airspace. In this way, skyguide is consolidating its position as a powerful provider of air traffic control services at the heart of Europe.

Reinforced international co-operation

Air traffic control in Europe is pursuing the goal of markedly improving its performance. This requires that flight operations should be able to proceed in larger, coherent blocks of airspace. This in turn means that airspace must be organised not, as in the past, by reference to political criteria, but in line with the needs of the users. The strict separation between civil and military airspaces also has to be relinquished. Skyguide is currently playing a pioneering role. This means that, thanks to the integration in 2001 of civil and military air traffic control, skyguide can make its sectors of airspace available to the various users in a flexible and dynamic way. Skyguide also profits from contracts with neighbouring countries, which provide that control sectors may be managed irrespective of national borders. These agreements, some of which go back decades, allow skyguide to fulfil its mandate in an optimal way. Skyguide is anxious

to further strengthen this type of co-operation across national borders. Already, 47% of the airspace controlled by skyguide lies outside the national borders.

The aim: One centre UAC Alps

Skyguide welcomes the European Commission's "Single European Sky" initiative. Skyguide has been actively involved with this since the European Commission's first deliberations back in 1999, and renewed its pledge to it in 2002. Although Switzerland is not an EU Member State, it supports the European air traffic control concept. Skyguide is convinced that the "Single European Sky" project paves the way for European airspace to be organised in a more rational and more efficient way.

The European Commission has not changed the original planning for the start of the implementation of the project (31 December 2002). The concept itself, however, has been modified as a result of differences of opinion between the partners involved. skyguide supports a co-operative model of the "Single European Sky", under which various air traffic control providers combine to define Functional Block of Airspace (FBA) which they manage jointly and in line with the criteria set by the European Commission. This alternative to a situation of pure competition is also to be encouraged from the point of view of skyguide. With this in mind, skyguide aims, in conjunction with other interested service providers, to manage one of the future European control centers, the alpine center UAC Alps.

Three main thrusts in development

In light of the increased pressure of costs, it is necessary today to draw up a clear definition of the scope of air traffic control provision. Skyguide is focusing its activity on three areas: Air Traffic Management (ATM), the operation of the infrastructures for communication, navigation and surveillance (CNS) and aeronautical information management (AIM). The air defence (AD) tasks which have been transferred to the company in the framework of integration are a fixed part of the ATM services. Experience and skills in this area, which are unique in Europe, represent added value for the company, which skyguide is keen to market appropriately. Skyguide is also stepping up its research with regard to the active operation of the future European satellite navigation system. In this area, too, in view of the cost and scale of the project, skyguide advocates a co-operative approach. Skyguide has therefore joined a consortium of air traffic control providers named ESSP (European Satellite Service Provider), which will bid for the operation of the future GALILEO system.

Future of air traffic control

In the field of performance, skyguide is committed to further improving safety wherever possible. Skyguide is working on a sustainable reduction in delays by improving the organisation of the airspace and deploying the most modern tried and tested technology. Cost stability is another objective, insofar as this does not compromise safety, which is always the top priority.

Skyguide is directing all its performance objectives, which determine its activity, towards programs and projects by competent organisations active worldwide (ICAO) or regional organisations (Eurocontrol).

More than in any other area, it is crucial in aviation to strive for the highest degree of international harmonisation. Local characteristics represent a complicating factor with unpredictable consequences. This is why skyguide is actively involved in all the important organisations and constantly devoting itself to the implementation of international provisions. The company is also a founder member of CANSO (Civil Air Navigation Services Organisation), the global umbrella organisation representing the corporatised air navigation services industry.

Safety

Eurocontrol defines safety as “freedom from unacceptable risk”. This means it is not an absolute value. Nevertheless, safety has been skyguide’s ultimate priority for eighty years.

Permanent supervision...

Skyguide’s safety concept rests upon three pillars: Safety Case, Safety Reporting and Safety Improvement. All safety-relevant processes in air traffic control operations and all technical systems are monitored and tested by in-house and external Risk and Safety Management experts, and if necessary improved. These guarantee a balance between the three safety-relevant categories of man, process and equipment. They conduct so-called Safety Cases with operational and technical projects, which are designed to reveal what risks might arise with the introduction of new processes or systems.

Every process used by skyguide has to be first checked and approved by the Federal Office for Civil Aviation (FOCA), the State regulator. Safety aspects are always the main concern, and are given priority over capacity or cost aspects.

... and registration

If, in the course of operations, an event occurs such as an airprox, an infringement of instructions by the air traffic control body or something similar, skyguide is obliged to report it to the regulator and the Air Accident Investigation Bureau. Skyguide initiates its own internal audits in the case of all incidents. The skyguide system for the measurement and improvement of safety provides that all safety-relevant incidents are consistently recorded and reported. In addition, all aspects in technical systems or operational processes which might have a negative impact on safety are pictured and analysed. These reports are collected with the

Eurocontrol database tool TOKAI (Tool Kit for ATM Investigations). This creates an international comparison basis for all safety issues.

Within TriNET, the audit organisation of which it is co-founder, skyguide carries out regular controls in the operational and technical area in order to identify any safety failings. TriNET includes the ATC bodies from Switzerland, Germany and Austria. The organisation commissions experts to verify compliance with the criteria set by ICAO, Eurocontrol and national regulators.

European safety management system

Eurocontrol defines safety standards which must be complied with by all Member States. Skyguide has always abided by these criteria and been instrumental in their framing. Since the end of 2001, the company has been setting up a safety management system in line with the Eurocontrol requirements (Eurocontrol Safety Regulatory Requirements, ESARRs). The ESARRs are regulations which have to be implemented for the sake of raising and harmonising the safety of the national air traffic control service providers, and are thus also binding upon skyguide. So far, there are four ESARR programmes for the construction and maintenance of safety management, reporting and assessment of incidents, risk management in the introduction of new systems and procedures and the evaluation of the competence of staff with regard to training and licensing.

Corporate Management

General assembly

The general assembly is the highest body in the company and has the following non-transferable powers: the establishment and amendment of the statutes; the election and destitution of the Board of Directors, its Chairman and the Auditors; the acceptance of the annual report and the financial review; discharge of the Board of Directors and the Executive Management; decision-making on further issues entrusted to the general assembly by law or the statutes or submitted to it by the Board of Directors; winding-up of the company. Meetings of the general assembly are quorate if at least 2/3 of all the shares are represented.

Board of Directors

The Board of Directors consists of a maximum of seven members who are elected by the general assembly for a three-year term of office. Re-election is permissible. Directors reaching the age of 65 or completing 12 years in office shall leave the Board. The majority of the members of the Board must be Swiss citizens.

The Board of Directors shall decide on all matters not reserved for the general assembly or another company body. The Board of Directors shall be finally responsible for the management of the company.

Executive Management

The Executive Management of skyguide consists of the Chief Executive Officer (CEO) and the Heads of the Technical, ATC operations, Human Resources and Finance departments, together with the General Secretary. The Chief Executive Officer may appoint further executive staff to form an extended executive management body. The Executive Management is responsible,

under the leadership of its Chairman, within its field of competence and tasks, for the running of the company.

The Chief Executive Officer

In the framework of the owner's objectives laid down by the Board of Directors, the corporate strategy and the general guidelines governing policy, the CEO is responsible for the running of the company and thus for the drafting and achievement of the corporate objectives. He represents the company vis-à-vis the authorities, the public, customers, shareholders, suppliers, associations, etc.

Safety Steering Group

Safety measures at skyguide are defined by a Safety Steering Group consisting of members of the management and the executive staff. These measures are implemented by the Quality and Safety Management department, to which Risk Management also belongs, in collaboration with the individual areas.

Cost control

Cost control is an on-going process which affects all staff with budgetary responsibilities. To alleviate this task, they have direct access to the Management Information System, which holds various reports containing full accounting and budget information in real time. These reports are produced and updated by the Controlling and Charges unit.

Financial Control and Reporting

The Controlling unit is responsible for Financial Control. Together with its partners in the departments, it monitors compliance with the four-year finance

plan as part of the Business Development Plan, the annual budget and the Executive Information System, which consists of a quarterly verification of the budget. The annual budget serves to underpin the decisions regarding the establishment of the route charges. The recently introduced Balanced Scorecard is used to control the strategic criteria at all hierarchical levels in the company.

**Process improvement, quality
management system**

Since the end of 2001, skyguide has been constructing a process-oriented quality management system under ISO 9000-2000, the aim being to secure certification for the entire company by spring 2004. Parts of the company, e.g. the Aeronautical Information Service (AIS), have already been certified for some years. Measures to improve processes have been in place since 1991, on the basis of the results of regular audits in the field of air traffic control. These audits are to be extended to Technics in 2003.

Finances

CFO's Introduction

The real situation

After the financially most difficult year in its history in 2001, skyguide has taken some drastic measures (a wage freeze) and reinforced the strict control of its other costs, which has enabled it to regain a financial balance in 2002.

| In million CHF | Actual 2001 | Actual 2002 |
|---------------------|-------------|-------------|
| Revenue | 271 | 306 |
| Staff costs* | 176 | 192 |
| Operating costs | 69 | 66 |
| Depreciation | 23 | 27 |
| Financial costs | 3 | 4 |
| Exceptional costs | 16 | 3 |
| Gross income | -16 | 14 |

* The military air traffic controllers joined skyguide only on 1 January 2002 and accordingly do not appear in the 2001 accounts

The specific situation

The present system for the financing of air navigation services was set up at a time of high traffic growth. This system, which is laid down by decree, requires skyguide to carry any profit or loss forward to the next year. When a loss is incurred (as in 2001), the situation takes a much more serious turn, and its consequences may endure over several years.

| In million CHF | Actual 2001 | Actual 2002 |
|-------------------------|-------------|-------------|
| Gross earnings | -16 | 14 |
| Balance brought forward | 10 | -14 |
| Balance carried forward | -14 | -11 |
| Net earnings | 8 | 11 |

The year 2002 therefore began with a loss of CHF 14 million from 2001. Part of this loss of income has been able to be offset by a result that has been marginally better than anticipated in the budget.

Skyguide continues its efforts to bring its accounts into line with IAS (International Accounting Standards).

Skyguide's strategic positioning with a resolute focus on Europe naturally implies the conversion of its accounts to IAS International Accounting Standards. This choice has been strongly supported by skyguide's regulator FOCA.

As from the next accounting period, skyguide's accounts will be presented in a new format, corresponding to that prescribed by the IAS.



Marc R. Bohren
CFO

Income Statement

| | Notes | 2002 KCHF | 2001 KCHF |
|--|-------|----------------|----------------|
| Route charges (RC) | 1 | 192'135 | 177'576 |
| Route charges received for free route services | | 3'900 | 3'870 |
| Allowance for bad debt (RC) | 2 | -181 | -517 |
| Approach charges (AC) | 3 | 76'421 | 83'104 |
| Allowance for bad debt (AC) | 4 | -100 | - |
| Total air navigation services revenue | | 272'175 | 264'033 |
| Other air navigation services revenue | 5 | 31'655 | 3'810 |
| Other operating revenue | 6 | 1'942 | 3'403 |
| Total other operating revenue | | 33'597 | 7'213 |
| Total operating revenue | | 305'772 | 271'246 |
| Salaries, social benefits and social compensation | | 149'451 | 135'259 |
| Duty and shift allowances | | 5'488 | 4'993 |
| Personnel insurance contribution | | 27'839 | 26'311 |
| Other personnel expenses | | 9'797 | 9'412 |
| Total personnel expenses | 7 | 192'575 | 175'975 |
| Eurocontrol Contribution | 8 | 11'988 | 12'581 |
| Meteorological services contribution | 9 | 17'862 | 17'407 |
| Other external air navigation services | 10 | 5 043 | 5'791 |
| Leased communication lines | 11 | 1'632 | 1'954 |
| Material and supplies | | 2 132 | 2'533 |
| Maintenance | 12 | 5'942 | 4'761 |
| Property-related | 13 | 12'021 | 10'177 |
| Energy | | 1'546 | 1'643 |
| Operating liability insurance | 14 | 902 | 488 |
| Administrative expenses | 15 | 6'769 | 9'082 |
| Depreciation | 16 | 27'174 | 22'503 |
| Total other operating expenses | | 93'011 | 88'920 |
| Total operating expenses | | 285'586 | 264'895 |
| Operating surplus | | 20'186 | 6'351 |
| Financial revenue | | 408 | 464 |
| Financial expenses | 17 | 4'120 | 6'740 |
| Financial result | | -3'712 | -6'276 |
| Extraordinary revenue | 18 | 10'301 | 10'805 |
| Extraordinary expenses | 19 | 13'049 | 27'137 |
| Windfall result | | -2'748 | -16'332 |
| Gross result | | 13'726 | -16'257 |
| RC over-recovery brought forward n-2 | | - | 4'182 |
| RC under-recovery / over-recovery brought forward n-1 | | -3'573 | 7'147 |
| AC under-recovery brought forward n-1 | | -10'848 | -1'842 |
| Balance brought forward | 20 | -14'421 | 9'487 |
| RC over-recovery n+2 / under-recovery n+1 carried forward | | -4'569 | 3'573 |
| AC under-recovery carried forward n+1 | | 16'144 | 10'848 |
| Balance carried forward | 21 | 11'575 | 14'421 |
| Net earnings | | 10'880 | 7'651 |

Balance Sheet

| | Notes | 31.12.2002 KCHF | 31.12.2001 KCHF |
|--|-------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | | 26'891 | 6'003 |
| Receivables from collecting organisations | | 24'640 | 23'175 |
| Receivables from customers | 22 | 14'271 | 16'315 |
| Other receivables | 23 | 3'029 | 9'663 |
| Prepaid expenses | | 21'354 | 18'043 |
| Total current assets | | 90'185 | 73'199 |
| Property, plant and equipment | | 270'599 | 251'257 |
| Financial assets | | 305 | 475 |
| Total non-current assets | | 270'904 | 251'732 |
| Total assets | | 361'089 | 324'931 |
| Liabilities | | | |
| Account payable | | 10'059 | 10'556 |
| Short-term liabilities relating to pension fund | 24 | 10'556 | 8'007 |
| Long-term liabilities relating to pension fund | | 9'000 | 9'000 |
| Other short-term liabilities | 25 | 50'945 | 5'950 |
| Accrued liabilities | | 8'643 | 11'234 |
| Provisions | 26 | 22'512 | 20'760 |
| Long-term liabilities | 27 | 98'350 | 119'280 |
| Total liabilities | | 210'065 | 184'787 |
| Share-capital | | 50'000 | 50'000 |
| Legal reserve | | 12'900 | 10'500 |
| Other reserve | 28 | 76'999 | 32'436 |
| Adjustment to the tangible fixed assets | | — | 39'191 |
| Retained profit from previous year | | 245 | 366 |
| Net profit for the year | | 10'880 | 7'651 |
| Total shareholders' equity | | 151'024 | 140'144 |
| Total liabilities and shareholders' equity | | 361'089 | 324'931 |

Appendix to the Financial Statements

1. Contingent liabilities

a) General sureties

The overall total of the sureties comprises a guarantee of CHF 160'000 (CHF 160'000 as at 31 December 2001) in favour of the Swiss Customs and Excise Authority as a surety for provisional customs duties and a further surety of CHF 33'000 (CHF 33'000 as at 31 December 2001) in favour of the Chamber of Commerce and Industry in Zurich in respect of ATA booklets. These two sureties have been deposited with the Cantonal Bank of Berne.

b) Rent liabilities

The total amount of rent guarantees in favour of employees is CHF 88'411 (CHF 98'302 as at 31 December 2001). These guarantees have been deposited with the Cantonal Banks of Geneva and Berne.

c) Other obligations and provisions

Skyguide has not set up a provision to cover any claims against it arising from the tragic accident which happened on July 1, 2002 over Überlingen. This decision is based on the legal and operating liability insurance cover (CHF 500 million) in force at the time of the accident. This cover is renewed annually.

2. Fire insurance value

The fire insurance value of tangible fixed assets amounts to CHF 470.22 million on 31 December 2002 (CHF 491.30 million as at 31 December 2001).

3. Pension fund

Liabilities to occupational pension funds stood at CHF 1'403'509 on 31 December 2002 (CHF 2'822'817 as at 31 December 2001).

4. Long-term commitments

In 2002, skyguide concluded a second "cross-border financial tax lease" agreement with a foreign investor and received net fees of CHF 6.1 million under this heading. Skyguide offset the underlying liability by irrevocably placing an equivalent quantity of financial assets with a high quality financial institution. Consequently, the liability and the corresponding financial assets were offset in the balance sheet. Skyguide is not required to provide any particular service under this agreement, except for the normal performance of current business. Skyguide covers all the risks, retains all the profits related to ownership of the underlying assets and benefits substantially from the same rights of use as before the conclusion of the agreement.

All the fees are identified as revenue spread over the fifteen-year life of the agreements. Accordingly, skyguide has recognised revenue of 2 million for the current financial year.

Moreover, two loans (totalling CHF 45 million) maturing in 2003 have been reclassified as "other short-term liabilities".

5. Detailed breakdown of the balance sheet profit

| KCHF | 2002 | 2001 |
|---|---------------|---------------|
| Opening balance sheet profit | 47'208* | 7'366 |
| Appropriation to general reserve | -2'400 | -500 |
| Appropriation to other reserves | -44'563 | -6'500 |
| Profit for the financial year | 10'880 | 7'651 |
| IAS 16 result | – | 39'191 |
| Balance sheet profit at year-end | 11'125 | 47'208 |

* includes the "IAS 16 result" – 2001 of KCHF 39'191.

6. Extraordinary revenue

This item mostly comprises the writing back of the balance of the VAT provision relating to revenue received in respect of services provided in the delegated French area between 1996 and 2000 (CHF 8.3 million).

7. Extraordinary expenditure

This item comprises 3 main expenditure items:

- pursuit of the setting up of a provision for VAT relating to revenue received in respect of services provided in the delegated French area as from 2001 (CHF 3.4 million);

- a provision for a 1 % increase in pensions for retirees after January 1, 2003 in line with a decision taken by the Federal Council in December 2002 (CHF 3.2 million);

- an extraordinary depreciation of CHF 2.4 million following the decision not to pursue a project for the temporary replacement of part of the air navigation information system. Another part of the costs invested has been used against other projects underway.

8. Writing back amounts brought forward from previous years

This item represents compensation for under-/over-recovery of route and approach fees for year n-1. For route fees, the compensation covers under-recovery for 2001 (CHF 3.6 million). For approach fees, this item represents the under-recovery for 2001 (CHF 10.8 million).

9. Amounts carried forward to subsequent years

This item represents under-/over-recovery of route and approach fees reported in year n and carried forward to subsequent years. The cumulative over-recovery of expenditure for the financial year 2002 in respect of approach fees (CHF 16.1 million) is carried forward to airspace users in 2003 (n+1). Over-recovery of 2002 revenue for route fees (CHF 4.6 million) is carried forward to airspace users in 2004 (n+2).

Proposal of the Board of Directors

Proposal of the Board of Directors for appropriation of retained earnings (in KCHF)

| | 2002 Proposal of the Board of Directors | 2001 Resolution of the annual general meeting |
|---|---|---|
| Appropriations to general legal reserve | 0 | 2'400 |
| Appropriations to other reserves | 11'000 | 44'563 |
| To be carried forward | 125 | 245 |
| | <hr/> | <hr/> |
| | 11'125 | 47'208 |

Report of the Auditors



Report of the statutory auditors
to the general meeting of
SKYGUIDE
swiss civil and military air
navigation services limited
Meyrin

PricewaterhouseCoopers SA
Avenue C.F.Ramuz 45
Case postale 1172
1001 Lausanne
Switzerland
Telephone +41 (21) 711 81 11
Fax +41 (21) 711 81 15

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of SKYGUIDE swiss civil and military air navigation services limited for the year ended December 31, 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

F Roth

L Schulthess

Lausanne, 22 April 2003

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

Movements in Property, Plant and Equipment

| All figures in KCHF | Buildings | Land | Total buildings and land | Fixed assets under construction |
|---|---------------|--------------|--------------------------------|---------------------------------------|
| Acquisition value | | | | |
| Opening balance at 01.01. 2002 | 117'726 | 2'227 | 119'953 | 79'395 |
| Additions | | | | 43'162 |
| Reclassifications | 779 | | 779 | -29'854 |
| Disposals | | | | |
| Closing balance at 31.12. 2002 | 118'505 | 2'227 | 120'732 | 92'703 |
| Depreciation | | | | |
| Accumulated depreciation at 01.01. 2002 | -24'005 | | -24'005 | |
| Depreciation | -4'009 | | -4'009 | |
| Reintegration of accum. depreciation arising on adjustment to tangible asset | 1 | | 1 | |
| Value adjustments for disposals | | | | |
| Accumulated depreciation at 31.12. 2002 | -28'013 | | -28'013 | |
| Net book value at 31.12.2002 | 90'492 | 2'227 | 92'719 | 92'703 |

| Building infrastructure | Vehicles | Air Navigation Facilities | Furnishing and equipment | IT facilities (excl. ANS facilities) | Measuring devices and tools | Instrument. and simul. facilities | Total plant and equipment | Total |
|-------------------------|----------|---------------------------|--------------------------|--------------------------------------|-----------------------------|-----------------------------------|---------------------------|----------|
| 23'731 | 1'649 | 158'375 | 10'976 | 26'251 | 8'988 | 11'543 | 320'908 | 440'861 |
| 740 | 71 | 3'224 | 421 | 934 | 422 | 75 | 49'049 | 49'049 |
| 8'186 | 12 | 15'311 | 1'075 | 2'778 | 257 | 1'456 | -779 | 0 |
| | -193 | | | | | | -193 | -193 |
| 32'657 | 1'539 | 176'907 | 12'472 | 29'963 | 9'667 | 13'074 | 368'985 | 489'717 |
| -8'827 | -1'393 | -105'022 | -9'620 | -23'062 | -7'800 | -9'875 | -165'599 | -189'604 |
| -2'437 | -108 | -18'590 | -796 | -2'578 | -323 | -867 | -25'699 | -29'708 |
| | 193 | | | | | | 193 | 1 |
| -11'264 | -1'308 | -123'612 | -10'416 | -25'640 | -8'123 | -10'742 | -191'105 | -219'118 |
| 21'393 | 231 | 53'295 | 2'056 | 4'323 | 1'544 | 2'332 | 177'877 | 270'599 |

Notes to the Financial Statements

Income statement

1. Route charges (RC)

Total revenue from route charges increased by 8.2% despite a drop in service units of 4.1% offset by the increase in the unit rate of 8.2% in 2002 and the increase in the amount collected from the delegated French airspace.

2. Allowance for bad debts (RC)

The allowance for bad debts reflects potential losses from route charge claims, which have been revised downwards (CHF 0.2 million) in 2002.

3. Approach charges (AC)

Total approach fees fell by 8%, due to the effect of the 8% drop in traffic combined with the fall in the weight coefficient (MTOW) which the 4.1% increase in the unit rate was not enough to offset. The point is that the maximum take-off weight (MTOW) represents one of the most important variables in the determination of the charges. The more widespread use of lighter aircraft is having a major negative effect on the company's revenue.

4. Allowance for bad debts (AC)

The allowance for bad debts reflects potential losses from approach charge claims, which have been revised upwards (CHF 0.1 million) in 2002.

5. Other air navigation services revenue

This item basically covers the compensation of the Air Forces for the military air navigation services, the integration of which came into force on 1 January 2002. Furthermore, this item also covers income from maintenance and upkeep, training and technical consultancy contracts.

6. Other operating revenue

Represents the income on cross-border financial tax leases reduced by the surplus of income on the military side, which will be reimbursed to the Air Forces in 2003.

7. Personnel expenses

The increase in personnel expenses is largely explained by the incorporation of the staff with responsibility for military air traffic control. This charge is offset by an equivalent income (see "Other air navigation services revenue").

8. Eurocontrol contribution

This item represents the Swiss Confederation's costs of participation in Eurocontrol. The fall is due to the appreciation of the Swiss franc compared to the euro.

9. Meteorological services contribution

Skyguide buys civil and military aviation meteorological services from MeteoSwiss.

10. Other external air navigation services

This item includes the costs of the Aeronautical Information Service (AIS), the operating expenditure on air navigation services provided at the three regional airports and flight calibration costs.

11. Leased communication lines

The drop is the result of the operation of the new internal networks and the review of the contracts with our main partner.

12. Maintenance

The increase is due to the growth in the costs of removing and disposing of waste and recycling and the costs linked to the maintenance of the buildings.

13 Real property costs

The increase is mainly accounted for by the rental of additional floor space following the incorporation of the staff with responsibility for military air

traffic control. This charge is offset by an equivalent income (see “Other air navigation services revenue”).

14. Operating liability insurance

Operating liability insurance premiums in the air transport field have undergone a very significant increase, following the events of 11 September 2001.

15. Administrative expenses

The rise in the acquisition of expertise internally and the pursuit of economy measures contribute to the reduction in this item.

16. Depreciation

The increase is due to the volume of the new systems coming on stream in the course of 2002.

17. Financial costs

The increase in interest costs is directly tied to the increase in external financing. This is partly offset by the profits from treasury operations.

18. Extraordinary revenue

See item 6 in the appendix to the financial statements.

19. Extraordinary expenditure

See item 7 in the appendix to the financial statements.

20. Writing back amounts brought forward from previous years

See item 8 in the appendix to the financial statements.

21. Amounts carried forward to subsequent years

See item 9 in the appendix to the financial statements.

Balance sheet

22. Receivables from customers

Partial recovery of the VAT charged on the delegated French airspace.

23. Other receivables

The fall is explained by VAT amounts owed in 2001, paid in 2002.

24. Short-term liabilities relating to the pension fund

The short-term commitment to the pension fund has been increased. This provision corresponds to the sum of the amounts for adaptation of pensions for the years 2001, 2002 and 2003.

25. Other short-term liabilities

Reclassification of the loan from the Swiss Confederation dating from 1996 (CHF 25 million) and terminating in 2003, as well as the conclusion of a short-term cash loan (CHF 20 million).

26. Provisions

Adjustment of the commitments to the staff and carry-over of the over-recovery in favour of military air traffic control.

27. Long-term liabilities

Reclassification of the loan from the Swiss Confederation terminating in 2003 to the other short-term liabilities (CHF 25 million).

Conclusion of a second cross-border financial tax lease agreement – see item 4 in the appendix to the financial statements.

28. Other reserves

Includes the “IAS 16 result” for the year 2001 of KCHF 39'191.

Statement for Air Navigation Services

Principles

Skyguide provides its customers two types of air navigation services:

- approach services at Swiss airports and air-fields (except Basel-Mulhouse) for instrument flight rules (IFR) flights;
- en-route services for the overflight of Swiss airspace.

Air navigation charges are billed to the users for these services provided by skyguide.

Calculation of the air navigation charges

The calculation of air navigation charges is based on the volume of traffic expected to use the service and the assumed costs of providing it. The 2002 breakdown shows as follows: personnel (65%), operating costs (21%), depreciation (9%) and interest (5%). Operating costs include the Swiss share to Eurocontrol (EC) costs, skyguide's contribution to the operating costs of MeteoSwiss, and the costs skyguide pays for the regulatory and advisory activities of the Swiss Federal Office for Civil Aviation (FOCA). The charges are intended to cover all the costs. Should a year's operations result in an under-recovery or over-recovery, these results are passed on to users in subsequent years by raising or lowering the charges as appropriate. For approach charges the carry-over occurs in the following year; with route charges it takes place two years later.

Two different methods are used to calculate air navigation charges:

Approach charges are based on maximum take-off weight. Nowadays approach charges are collected by the airports or directly by skyguide. Route charges are based on the kilometres flown and the aircraft's

maximum take-off weight. These two parameters are used to calculate the number of service units, to which is applied the annually fixed unit rate. It should be noted that despite a rise of 8.2% as compared with the previous financial year, the unit rate is still lower than that in force when skyguide became financially independent in 1996. Route charges are collected by a special recovery unit at Eurocontrol, the European organisation for the safety of air navigation, and passed on to skyguide.

Cumulative cost coverage ratio

Despite a decrease in air traffic in terms of service units, -4.1% compared to 2001, the increase in the rate has made it possible to achieve an over-recovery of costs in the field of route charges. This amounts to CHF 4'569'083, corresponding to a cumulative cost coverage ratio of 103.2%.

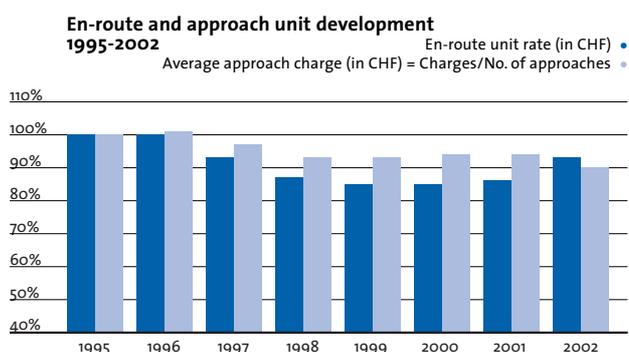
As for approach services, the statement shows an unsatisfactory cumulative cost coverage for 2002 at CHF -16'144'428, i.e. a cumulative cost coverage ratio of 80.2%. The estimated 2002 under-recovery was passed on to users in the determination of approach charges for 2003.

The precise over-/under-recoveries will be carried over into the statement for air navigation services for 2003.

Military result

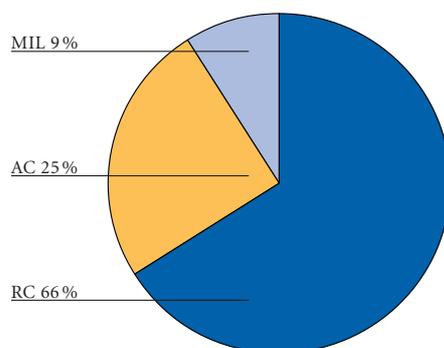
The handover of military air traffic control to skyguide yielded its first financial effects in 2002. In contrast to the results for en-route and approach services, which are financed through charges, the costs of military air traffic control are entirely covered by a flat-rate fee paid quarterly by the Air Forces to skyguide. This fee is established on the basis of the annual budget.

At the end of the financial year, a breakdown is made and any balance, whether over or under, is funded against the current year and settled the following year. In 2002, we see a balance of CHF 581'632 in favour of the Air Forces.

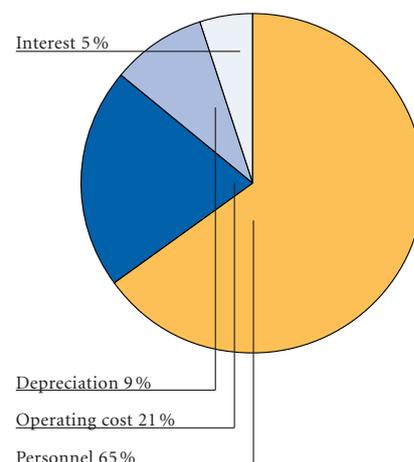


| CHF | Partial statement Route charges (RC) | Partial statement Approach charges (AC) | Partial statement MIL |
|--|--|---|--------------------------|
| Route charges RC | 196'034'624 | – | – |
| Allowance for bad debt | -181'269 | -99'878 | – |
| Approach charges AC | – | 76'420'974 | – |
| Military compensation skyguide income | – | – | 27'881'041 |
| | <u>195'853'355</u> | <u>76'321'096</u> | <u>27'881'041</u> |
| ./. Income for airspace delegated by France | -44'593'703 | | |
| Swiss airspace income | <u>151'259'652</u> | <u>76'321'096</u> | <u>27'881'041</u> |
| Personnel expenses | 120'007'079 | 52'179'506 | 20'452'425 |
| Operating expenses | 39'955'104 | 17'372'622 | 6'329'751 |
| Depreciation | 18'512'062 | 8'049'111 | 734'839 |
| Interest | 9'237'383 | 4'016'447 | 364'026 |
| skyguide cost | <u>187'711'628</u> | <u>81'617'686</u> | <u>27'881'041</u> |
| ./. Cost for airspace delegated by France | -44'593'703 | – | – |
| Swiss airspace cost | <u>143'117'925</u> | <u>81'617'686</u> | <u>27'881'041</u> |
| Operating result without carry-overs | 8'141'727 | -5'296'590 | 0 |
| Cumulative cost coverage | | | |
| 2002 income for Swiss airspace | 151'259'652 | 76'321'096 | 27'881'041 |
| + Over-recovery RC 2001 (n-1) | – | – | – |
| + Over-recovery AC 2001 (n-1) | – | – | – |
| 2002 cost for Swiss airspace | 143'117'925 | 81'617'686 | 27'881'041 |
| + Under-recovery RC 2001 (n-1) | 3'572'644 | – | – |
| + Under-recovery AC 2001 (n-1) | – | 10'847'838 | – |
| Cumulative over-recovery / under-recovery | 4'569'083 | -16'144'428 | 0 |
| Cumulative cost coverage ratio | 103,2 % | 80,2 % | 100,0 % |

Income structure ANS for 2002



Cost structure ANS for 2002



Consolidated Income Statement

| | 2002 KCHF | 2001 KCHF |
|--|----------------|----------------|
| Route charges (RC) | 192'135 | 177'576 |
| Route charges received for free route services | 3'900 | 3'870 |
| Allowance for bad debt (RC) | -181 | -517 |
| Approach charges (AC) | 76'421 | 83'104 |
| Allowance for bad debt (AC) | -100 | - |
| Total air navigation services revenue | 272'175 | 264'033 |
| Other air navigation services revenue | 31'655 | 3'810 |
| Other operating revenue | 1'610 | 3'386 |
| Total other operating revenue | 33'265 | 7'196 |
| Total operating revenue | 305'440 | 271'229 |
| Salaries, social benefits and social compensation | 150'019 | 135'564 |
| Duty and shift allowances | 5'531 | 5'059 |
| Personnel insurance contribution | 27'932 | 26'352 |
| Other personnel expenses | 9'891 | 9'552 |
| Total personnel expenses | 193'373 | 176'527 |
| Eurocontrol Contribution | 11'988 | 12'581 |
| Meteorological services contribution | 17'862 | 17'407 |
| Other external air navigation services | 5'043 | 5'791 |
| Leased communication lines | 1'632 | 1'954 |
| Material and supplies | 2'134 | 2'582 |
| Maintenance | 5'852 | 4'761 |
| Property-related | 12'021 | 10'177 |
| Energy | 1'546 | 1'643 |
| Operating liability insurance | 902 | 488 |
| Administrative expenses | 6'858 | 9'215 |
| Depreciation | 27'083 | 22'512 |
| Total other operating expenses | 92'921 | 89'111 |
| Total operating expenses | 286'294 | 265'638 |
| Operating surplus | 19'146 | 5'591 |
| Financial revenue | 411 | 466 |
| Financial expenses | -4'122 | -6'767 |
| Financial result | -3'711 | -6'301 |
| Extraordinary revenue | 10'301 | 10'805 |
| Extraordinary expenses | -13'049 | -27'137 |
| Windfall result | -2'748 | -16'332 |
| Gross Result | 12'687 | -17'042 |
| Minority interests | -112 | -66 |
| Gross earnings after minority interests | 12'575 | -17'108 |
| RC over-recovery brought forward n-2 | - | 4'182 |
| RC under-recovery / over-recovery brought forward n-1 | -3'573 | 7'147 |
| AC under-recovery brought forward n-1 | -10'848 | -1'842 |
| Balance brought forward | -14'421 | 9'487 |
| RC over-recovery n+2 / under-recovery n+1 carried forward | -4'569 | 3'573 |
| AC under-recovery carried forward n+1 | 16'144 | 10'848 |
| Balance carried forward | 11'575 | 14'421 |
| Net Earnings | 9'729 | 6'800 |

Consolidated Balance Sheet

| | 31.12.2002 KCHF | 31.12.2001 KCHF |
|--|--------------------|--------------------|
| Assets | | |
| Cash and cash equivalents | 27'606 | 6'268 |
| Receivables from collecting organisations | 24'639 | 23'175 |
| Receivables from customers | 14'279 | 16'203 |
| Other receivables | 3'085 | 9'693 |
| Prepaid expenses | 21'369 | 18'227 |
| Total current assets | 90'978 | 73'566 |
| Property, plant and equipment | 268'390 | 250'312 |
| Financial assets | 129 | 318 |
| Total non-current assets | 268'519 | 250'630 |
| Total assets | 359'497 | 324'196 |
| Liabilities | | |
| Account payable | 10'098 | 10'466 |
| Short-term liabilities relating to pension fund | 10'556 | 8'007 |
| Long-term liabilities relating to pension fund | 9'000 | 9'000 |
| Other short-term liabilities | 50'941 | 5'950 |
| Accrued liabilities | 8'714 | 11'244 |
| Provisions | 22'656 | 20'818 |
| Long-term liabilities | 98'350 | 119'280 |
| Total liabilities | 210'315 | 184'765 |
| Share-capital | 50'000 | 50'000 |
| Legal reserve | 12'907 | 10'500 |
| Other reserve | 76'134 | 32'436 |
| Minority interest | 160 | 138 |
| Adjustment to the tangible fixed assets | – | 39'191 |
| Retained profit from previous year | 252 | 366 |
| Net profit for the year | 9'729 | 6'800 |
| Total shareholders' equity | 149'182 | 139'431 |
| Total liabilities and shareholders' equity | 359'497 | 324'196 |

Appendix to the Consolidated Financial Statements

1. Consolidation and evaluation rules

The 2002 consolidated financial statements include SKYGUIDE SA and its subsidiaries SKYSOFT-ATM SA, Meyrin (founded on 25 January 2001, rate of participation 51%), SWISSCONTROL SA, Meyrin (founded on 20 April 2001, rate of participation 100%) and SKYNAV SA, Awans, Belgium (founded on 3 January 2001, rate of participation 100%). They have been drawn up on the basis of the statutory accounts of the four companies in the group. The minority interests are shown separately in the group's equity. The intercompany receivables, debts, income and expenditures have been eliminated in the consolidation process.

The receivables are taken into account at their nominal value, after deduction of the provision for doubtful accounts. Property, plant and equipment has been evaluated at its acquisition cost less cumulative depreciation. In 2001, the re-estimation of the useful life of the property, plant and equipment resulted in an adjustment to the value for accounting purposes (see note 6). The provisions are made up for obligations resulting from past events and where a reliable estimate of the amount can be made.

2. Contingent liabilities

a) General sureties

The overall total of the sureties comprises a guarantee of CHF 160'000 (CHF 160'000 as at 31 December 2001) in favour of the Swiss Customs and Excise Authority as a surety for provisional customs duties and a further surety of CHF 33'000 (CHF 33'000 as at 31 December 2001) in favour of the Chamber of Commerce and Industry in Zurich in respect of ATA booklets. These two sureties have been deposited with the Cantonal Bank of Berne.

b) Rent liabilities

The total amount of rent guarantees in favour of employees is CHF 88'411 (CHF 98'302 as at 31 December 2001). These guarantees have been deposited with the Cantonal Bank of Geneva and Berne.

c) Other obligations and provisions

Skyguide has not set up a provision to cover any claims against it arising from the tragic accident which happened on July 1, 2002 over Überlingen. This decision is based on the legal and operating liability insurance cover (CHF 500 million) in force at the time of the accident. This cover is renewed annually.

3. Fire insurance value

The fire insurance value of tangible fixed assets amounts to CHF 470.22 million on 31 December 2002 (CHF 491.30 million as at 31 December 2001).

4. Pension fund

Liabilities to occupational pension funds stood at CHF 1'403'509 on 31 December 2002 (CHF 2'822'817 as at 31 December 2001).

5. Long-term commitments

In 2002, skyguide concluded a second "cross-border financial tax lease" agreement with a foreign investor and received net fees of CHF 6.1 million under this heading. Skyguide offset the underlying liability by irrevocably placing an equivalent quantity of financial assets with a high quality financial institution. Consequently, the liability and the corresponding financial assets were offset from the balance sheet. Skyguide is not required to provide any particular service under this agreement, except for the normal performance of cur-

rent business. Skyguide covers all the risks, retains all the profits related to ownership of the underlying assets and benefits substantially from the same rights of use as before the conclusion of the agreement.

All the fees are identified as revenue spread over the fifteen-year life of the agreements. Accordingly, skyguide has recognised revenue of 2 million for the current financial year.

Moreover, two loans (totalling CHF 45 million) maturing in 2003 have been reclassified as “other short-term liabilities”.

6. Detailed breakdown of the balance sheet profit

| KCHF | 2002 | 2001 |
|---|--------------|---------------|
| Opening balance sheet profit | 46'357* | 7'366 |
| Appropriation to general reserve | -2'407 | -500 |
| Appropriation to other reserves | -43'698 | -6'500 |
| Profit for the financial year | 9'729 | 6'800 |
| IAS 16 result | – | 39'191 |
| Balance sheet profit at year-end | 9'981 | 46'357 |

* includes the “IAS 16 result” – 2001 of KCHF 39'191.

7. Extraordinary revenue

This item mostly comprises the writing back of the balance of the VAT provision relating to revenue received in respect of services provided in the delegated French area between 1996 and 2000 (CHF 8.3 million).

8. Extraordinary expenditure

This item comprises 3 main expenditure items:

- pursuit of the setting up of a provision for VAT relating to revenue received in respect of services

provided in the delegated French area as from 2001 (CHF 3.4 million);

- a provision for a 1% increase in pensions for retirees after January 1, 2003 in line with a decision taken by the Federal Council in December 2002 (CHF 3.2 million);

- an extraordinary depreciation of CHF 2.4 million following the decision not to pursue a project for the temporary replacement of part of the air navigation information system. Another part of the costs invested has been used against other projects underway.

9. Writing back amounts brought forward from previous years

This item represents compensation for under- / over-recovery of route and approach fees for year n-1. For route fees, the compensation covers under-recovery for 2001 (CHF 3.6 million). For approach fees, this item represents the under-recovery for 2001 (CHF 10.8 million).

10. Amounts carried forward to subsequent years

This item represents under- / over-recovery of route and approach fees reported in year n and carried forward to subsequent years. The cumulative over-recovery of expenditure for the financial year 2002 in respect of approach fees (CHF 16.1 million) is carried forward to airspace users in 2003 (n+1). Over-recovery of 2002 revenue for route fees (CHF 4.6 million) is carried forward to airspace users in 2004 (n+2).

Report of the Auditors



PricewaterhouseCoopers SA
Avenue C.-F. Ramuz 45
Case postale 1172
1001 Lausanne
Telephone 021 711 81 11
Fax 021 711 81 17

Report of the group auditors
to the general meeting of
SKYGUIDE
swiss civil and military air
navigation services limited
Meyrin

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement and notes) of SKYGUIDE swiss civil and military air navigation services limited for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements comply with Swiss law and the consolidation and valuation principles as set out in the notes.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to be 'F. Roth'.

F Roth

A handwritten signature in black ink, appearing to be 'L. Schulthess'.

L Schulthess

Lausanne, 22 April 2003

Enclosure:

- Consolidated financial statements (balance sheet, income statement and notes)

Glossary

| | | | | |
|---|---|---|---|--|
| AAIB Aircraft Accident Investigation Office (Switzerland) | ATMAS Air Traffic Management System | ESARR Eurocontrol Safety Regulatory Requirement | OANS Ordinance on Air Navigation Services | TWR Tower |
| ACC Area Control Center | ATS Air Traffic Services | ESI CH European AIS Database System Interface Switzerland | PKB Federal Pension Scheme | UAC Upper Area Control Center |
| AD Air Defence | ATSIM ATMAS Simulator | ESSP European Satellite Service Provider | RVSM Reduced Vertical Separation Minima | VFR Visual Flight Rules |
| ADEXP ATS Data Exchange Protocol | BFU German Federal Bureau of Aircraft Accidents Investigation | Eurocontrol European Organisation for the Safety of Air Navigation | SES Single European Sky | VKS/CPS Pension Fund for Air Traffic Controllers |
| AFPS Flightplan-Server for AIS/ARO-Services | CANSO Civil Air Navigation Services Organisation | FBA Functional Block of Airspace | SIR Safety Improvement Reportings | WER Weekend Regulation |
| AFTN/CIDIN Aeronautical Fixed Telecommunication Network | CFMU Central Flow Management Unit | FDA Flight Data Assistant | SNOWTAM NOTAM for Airport Conditions during the winter | ZAP Zurich Adaptation Program |
| AIM Aeronautical Information Management | CIDIN Common ICAO Data Interchange Network | FOCA Federal Office for Civil Aviation | STARS Statistical Traffic Analysis Route Charges and Flight Plan Data Processing System | |
| AIS Aeronautical Information Service | CIRP Critical Incident Reporting Program | GPS Global Positioning System | TCG Terminal Center Geneva | |
| APP Approach | CISM Critical Incident Stress Management | ICAO International Civil Aviation Organisation | TCZ Terminal Center Zurich | |
| ARO ATS/AIS Reporting Office | CNS Communication, Navigation, Surveillance | IFR Instrument Flight Rules | TMA Terminal Area | |
| ARTAS ATM Surveillance Tracker and Server | COMOS Common Procurement of Mode-S Radar | ILS Instrument Landing System | TOKAI Tool Kit for ATM Investigations | |
| ATCO Air Traffic Controller | DETEC Federal Department of Environment, Transport, Energy and Communications | INIS Interface Integrated Initial Flightplan Processing System-SYCO | TOSIM Tower Simulator | |
| ATFM Air Traffic Flow Management | EGNOS European Geostationary Overlay System | NOTAM Notice to Airmen | TriNET Tri-national Audit Organisation of Germany, Austria and Switzerland | |

Information

Contact adress

Media

Patrick Herr
Telephone +41 22 417 40 08
Fax +41 22 417 45 86
E-Mail: presse@skyguide.ch

Corporate Communications

Rosemarie Rotzetter
Telephone +41 22 417 40 11
Fax +41 22 417 45 86
E-Mail: rosemarie.rotzetter@skyguide.ch

Original report in German.

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Editing and project supervision

Raimund Fridrich
Corporate Communications

Translations

Lynn Loader, Baildon, GB
Pascal Bouquet, Bern

Design and layout

Valérie Giroud, Lausanne

Photography

© Luc Chessex

© Mario del Curto

Philipp Giegel, © Berne, Swiss Federal Archive
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Steeve Iuncker, © skyguide

Edouard Mouriquand, © Musée de l'Élysée, Lausanne

Lithography

RS Solutions, Carouge

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skyguide



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swiss air navigation services ltd

p.o. box 796
ch - 1215 geneva 15
tel + 41 (0)22 417 41 11
fax + 41 (0)22 417 45 47
www.skyguide.ch