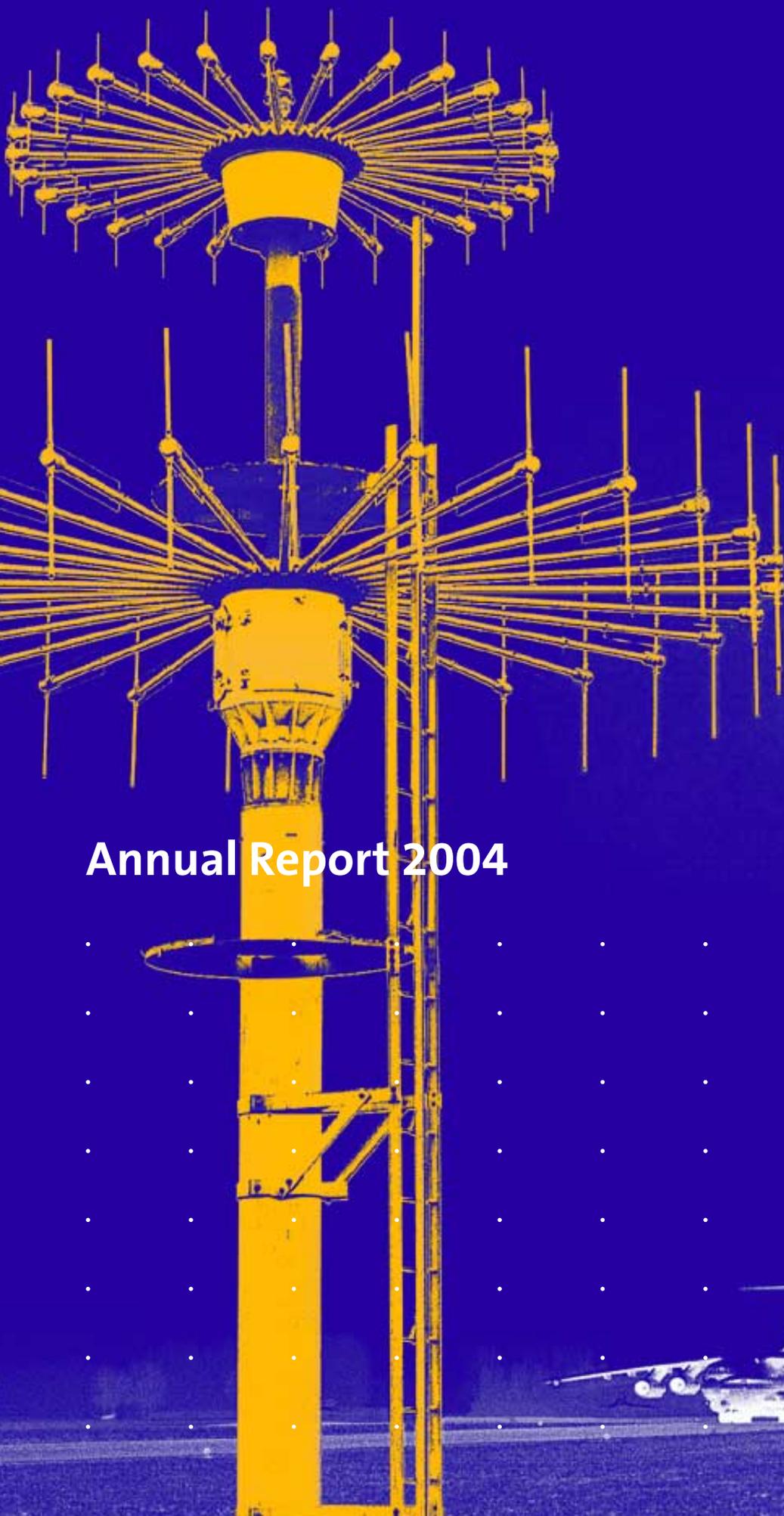


skyguide



Annual Report 2004



A note on the illustrations

Paul Klee (1879-1940) was one of the most influential avant-garde artists of the early 20th century. Born in Berne, he spent a large part of his artistic and creative life in Germany. After studying art in Munich he taught painting at the Bauhaus in Weimar and Dessau as well as at the Kunstakademie (National Academy of Fine Arts) in Düsseldorf. After the National Socialists seized power he returned to Switzerland, where he died in 1940.

With one exception, all the drawings reproduced here originate from his time at the Bauhaus. They show Klee to be a visionary who enjoyed experimenting, and who grappled intensively with spatial representation and with flying.

The most important worldwide collection of works by Klee will be on show to the public in the summer of 2005 at the Paul Klee Centre in Berne. 50 years on from the incorporation of the works formerly held at the Paul Klee Foundation into the Kunstmuseum (Museum of Art) in Berne, the most significant Klee collection in the world is now permanently housed at the centre in Berne designed by Italian architect Renzo Piano. The centre is entrusted with the cultural heritage of Paul Klee. It is the centre for research on all matters relating to the life and works of Paul Klee and his environment. Its new exhibition concept offers a fascinating approach to this artist.

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The 2004 Business Year



Chairman's Message

An important year

2004 was a landmark year for skyguide in a number of respects. It was a year of major events and decisions within and outside the company that will influence both its present and its future development. Worth noting are the following: the Swiss Federal Council's Report on Swiss Aviation Policy which includes the Federal Council's views on air navigation services; the issue of European legal norms connected with the reforms to help establish a Single European Sky; modifications to the financial structures of Swiss air navigation services; and preparatory work on skyguide's strategic objectives for 2005-2007 and the decision by the Board of Directors to cancel the major ATMAS project and continue work on our own system enhancements.

Continuous improvements

This report contains full details of these developments and decisions and the constantly-changing parameters within which skyguide provides its air navigation services. What remained unchanged, however, also in 2004, is skyguide's mission to perform those services as safely and efficiently as possible. To do so, we must continue to provide and further improve the various resources required. First and foremost, this means our own personnel, who continue to perform their extensive and demanding work day in and day out, even under increasingly difficult conditions and in an environment of constant challenge and change. And for this we owe them our acknowledgement and thanks.

Helping shape Europe's airspace

Active involvement in the endeavours to redesign Europe's airspace along the lines envisaged under the Single European Sky (SES) is a key skyguide concern. Skyguide is doing everything in its power to ensure that it will be able to administer a suitable "functional airspace block" as and when required. This will inevitably include areas of airspace outside Switzerland, if the air navigation services concerned are to be provided as efficiently as possible. It is encouraging for skyguide to note that the Swiss authorities have acknowledged the importance of the company's involvement in the SES and are prepared to offer the necessary official support.

Our role in the Swiss aviation system

The difficulties within the aviation sector and among its various participants did not disappear in 2004. In fact, the tendency to blame problems on the other partners involved actually increased during the year. Needless to say, skyguide remains ready and willing to help formulate constructive solutions and improvements wherever these seem feasible and wherever it is asked or instructed to do so.

A clear government mandate

Our Annual General Meeting of Shareholders elected me Chairman of the Board when it met in mid-2004. In assuming this office, I was also commissioned by the Swiss Federal Council, represented by the Department for the Environment, Transport, Energy and Communications (DETEC) and the Department of Defence, Civil Protection and Sports (VBS) to act in the best interests of our owners and:

- "ensure and maintain, through competent quality and safety management that is geared to a continuous improvement process, an exemplary standard of air navigation services and a high safety culture, and
- strive to ensure, as a paramount objective, the management of a block of airspace above Switzerland and adjacent border areas of neighbouring countries within the overall parameters of a Single European Sky".

(Source: *Swiss Federal Council's Report on Swiss Aviation Policy 2004*)

A successful future

In taking on this demanding task, I can count on a skilled and competent Board of Directors, a performance-driven Executive Management and a corps of highly-motivated personnel. And I am convinced that skyguide will continue to successfully perform its vital mission in both the near and the longer-term future.



Guy Emmenegger

Chairman of the Board of Directors

Message from the CEO

Course set for Europe

Our future is a European one. This cornerstone of skyguide's overall strategy shaped and guided our activities in 2004. With a view to the intended establishment of a Single European Sky, skyguide embarked on the planning for a common "functional airspace block" together with its French counterpart. We also joined the Coflight Franco-Italian development project; and we invested substantial funds in raising our performance over the longer term. The creation of our New AIM (Aeronautical Information Management) business unit and the continuation of our endeavours to assimilate our civil and military air navigation services were also designed to help enhance our overall performance, and should also be seen in the overall context of the broader European challenge.

A pioneering safety culture

Safety management has never been as paramount in our company's priorities as it is today. 2004 saw further progress in our development of this unit, for which I am personally responsible, and its continued expansion with the addition of further skilled personnel. Strengthening our safety culture – thoroughly and sustainably – remains our permanent concern.

No surprises in the Überlingen accident report

As expected, the findings presented in the report on the Überlingen accident, which was published in spring 2004, largely concurred with our own analyses, on which we had embarked back in 2002. So most of the recommendations listed in the report had already been implemented by our company. Once again, we attached great importance to expressing – personally, too – our deepest condolences to the bereaved and to asking them for forgiveness. We accept our share of the responsibility for this tragic accident; and we are pleased to note that the Compensation Fund has been able to settle the issue of compensation with most of the families concerned. We were shocked and deeply saddened by the murder in February 2004 of our colleague and co-worker who had been on duty on the night of the Überlingen accident. The senselessness of this act, one-and-a-half years after the accident, has left us all profoundly shaken.

Back to normality

After two years of crisis, the air transport sector seems to have returned to normal, with renewed impressive growth. Despite the increase in air traffic volumes, skyguide was able to keep the delays attributable to air traffic control in 2004 to the low levels of the previous year. Our achievement here is a source of great pride and an incentive to further improve our performance.

Still more capacity

Skyguide now faces a dual challenge. On the one hand, we should further reduce delays, by creating additional capacity and raising our performance to cope with the growing demand for airspace. On the other, we must lower our costs by enhancing our internal structures. We have already begun, in collaboration with our unions, to devise ways and means of achieving the cost reductions demanded by the Federal Council – improvements which will benefit our customers, too, in the form of lower charges and fees.

The people business

Skyguide is a service company, a "people business". Together, working as a single motivated team, we rose to the challenges of 2004. I offer my deepest thanks to all our employees for doing so; and I am confident that we will continue to meet and master the further challenges that await us in the years ahead.



Alain Rossier
CEO

Highlights of the Year

January

The "New AIM" organisation

With its pragmatically-aligned organisation, the new Aeronautical Information Management (AIM) business unit offers substantial promise and development potential. Under the new structure, all process-based production activities are subordinated as line functions to the Head of AIM. With Planning & Development as a staff function, "New AIM" is endowed with strategic planning and development authority and, together with Sales/Marketing, provides a clear structure for regulating internal relations and product care.

PRIMUS begins operations

The new PRIMUS radar chain becomes operational at the Geneva control centre on January 13. PRIMUS (the Programme for the Replacement and Improvement of Multiradar Systems) combines various subprojects to effect decisive improvements in the radar data field. Zurich operations also switch to PRIMUS on February 10.

February

Emergency organisation put through its paces

Skyguide conducts an eight-hour companywide exercise on February 3 to test its emergency organisation. The alerting process, the steps taken to deal with the perceived emergency and the associated communications all meet with the satisfaction of the emergency committee and the external observers. The findings and conclusions derived from the exercise are noted and subsequently incorporated into the company's processes and procedures.

Skyguide employee murdered

An air traffic controller is stabbed to death at his home in Kloten on February 24. Memorial services are held in Zurich and Geneva for skyguide employees. In the days following the incident, the Zurich cantonal police apprehend a strong suspect for the crime: a Russian national who lost his wife and two children in the Überlingen accident.

March

Memorial gestures

The funeral is held for the deceased air traffic controller in his home town in Denmark on March 5. It is attended by some 50 skyguide employees. At the same time, numerous gestures are made in various countries, coordinated by the international air traffic controllers' organisations, in memory of the deceased and of all those who lost their lives in the Überlingen tragedy, and to express solidarity with the bereaved.

April

Customer survey delivers satisfactory results

The evaluation of skyguide's first-ever Client Satisfaction Survey produces encouraging overall results. The survey's findings are used to devise a concrete action plan that will align the company's services even more closely to customer wishes and needs.

New sectorisation of upper airspace

The completion of the SEPAGE (Sectorisation Pré-ATMAS Genève) and NUAZ (New Upper Adaptation Zurich) projects completes the standardised sectorisation of Switzerland's upper airspace. The two projects are completed in an impressively short time, and pay due and full regard to projected traffic trends for the next five years.

May

Final Überlingen report published

The German Aircraft Accident Investigation Bureau (BFU) publishes its final report on the Überlingen accident on May 19. The report concludes that air traffic control was responsible for a series of factors which led to the accident. Skyguide accepts its errors and asks for forgiveness from all those affected by the tragedy. The BFU report presents the facts, but does not apportion blame. The criminal proceedings initiated in July 2002 against individual skyguide employees continue. The individuals concerned are accused of involuntary manslaughter and disruption of public transport services.

June

Swiss-Italian SETINET comes into operation

Following a safety case to validate the basic concepts and a limited trial run for about eight months, the SETINET (Skyguide ENAV International Network) binational telecommunications system is put into operation at the beginning of the month. The new network enhances the quality and safety of connections and permits additional cost savings.

July

A future without ATMAS

In line with a new policy of gearing its systems development programmes to next-generation technology, skyguide terminates the ATMAS project launched in 1999. The Board of Directors formally approves this decision upon the recommendation of Executive Management. More than half of the investments in ATMAS to date can be incorporated as envisaged into the company's operations.

August

"One Operation" for an enhanced management structure

Skyguide presents its new "One Operation" concept to improve the management structures within its operating units and better coordinate their workflows and procedures. Under the new concept, skyguide operates five production units each with its own production process: Upper Area Control Centre (UAC), Terminal Control Centre Geneva (TCG), Terminal Control Centre Zurich (TCZ), Military Air Traffic Management Operations and Aeronautical Information Management. Operational support processes are maintained by the Operational Training, Management Support and OPS Programme units, with the latter being responsible for all projects and developments. "One Operation" will be adopted gradually between January 2005 and 2007.

Expansion of Safety & Quality Management

Skyguide's safety and quality management activities are enlarged, assigned new additional duties, realigned and placed in a single organisation unit. The new structure will enable the unit to reorganise the duties and responsibilities concerned.

September

Coflight: the first step towards an FAB Alps

Skyguide joins Project Coflight, teaming up with its French (DSNA) and Italian (ENAV) counterparts to define, develop and establish a latest-generation flight plan processing system. The Coflight agreement paves the way to an even closer collaboration with skyguide's two partners in which the interoperability of the various systems should lay the foundation for a future European functional airspace block.

SAMAX commences operations

SAMAX, the Swiss Airport Movement Area Control System, is put into operation. Skyguide launched the SAMAX project together with Unique (Flughafen Zürich AG) and Aéroport International de Genève (AIG) back in 1999 to enhance runway and taxiway safety and efficiency. Under the new system, all aircraft and vehicles using runways or taxiways can be constantly detected, localised and identified in any weather conditions.

DFS Liaison Officer arrives

Skyguide also provides air navigation services in certain areas of Southern German airspace. The delegation of this airspace to skyguide's responsibility is subject to operating agreements with DFS, Germany's air navigation service provider; but no formal contractual agreement exists between the two countries. With the politicians concerned urging that the absence of such an agreement be offset by closer collaboration between the two providers, DFS assigns a liaison officer to skyguide to help coordinate these services for Southern German airspace and cultivate closer ties between the two partners.

October

Bond issue

Skyguide issues a seven-year CHF 200 million bond. With its high credit rating, skyguide is able to secure the long-term financing required for future major investments on favourable terms.

A positive error-reporting culture

Wishing to enhance its ability to learn from any incidents which occur, skyguide introduces its Occurrence Reporting Policy, creating a new framework for communications of this kind. The policy, which is designed to help promote a culture of reporting any incidents or errors which occur, is a fundamental declaration by the company on how incidents should be handled and reported in line with the relevant legal provisions.

ILS for southerly approaches to Zurich

Skyguide started work on providing an instrument landing system for approaches to Zurich Airport's Runway 34 back in 2002. With the subsequent imposition of restrictions on the use of Southern German airspace by the German authorities, such a system became essential. With the new ILS installed and operational, southerly approaches to Zurich can now be flown with greater precision and in poorer weather conditions than those permitted under the previous VOR procedure.

En route to Europe's first FAB

Skyguide and its DSNA French counterpart co-launch a feasibility study which is intended to confirm the benefits of creating a Swiss-French functional airspace block and possibly formulate a concrete proposal for submission to the relevant national authorities.

December

First air traffic controllers with Swiss UAC qualifications

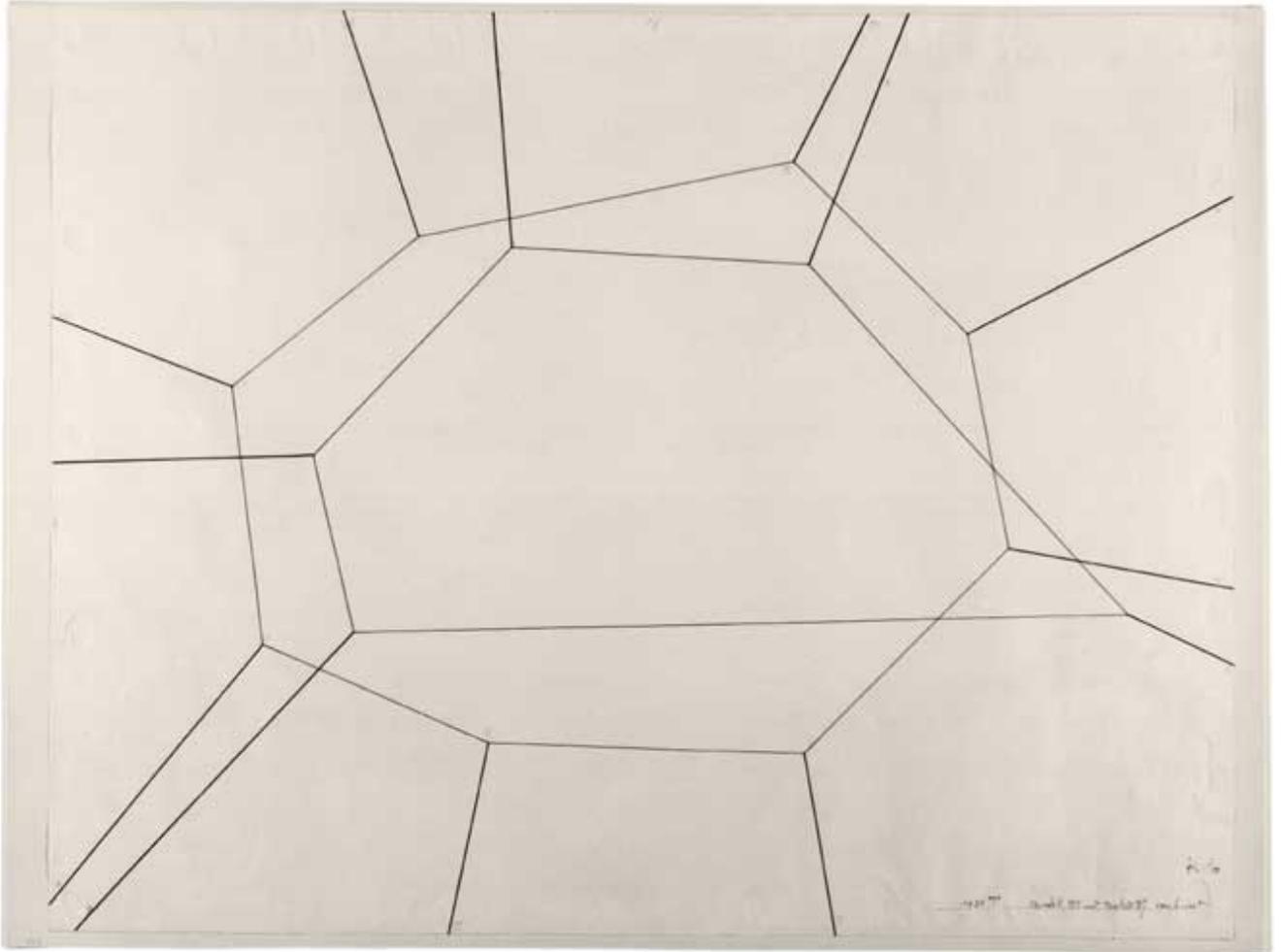
The first air traffic controllers gain their Swiss Upper Area Control Centre (UAC-CH) qualifications. Their achievement marks a further step towards establishing an Upper Area Control Centre for the airspace concerned. UAC-CH now no longer exists solely as a logical entity in telecommunications and sectorisation terms; with the first controllers now qualified to handle all Swiss upper airspace sectors, it now also exists at a human level.

I-Briefing to replace AMIE

Skyguide embarks on a key strategic collaboration with Austro Control, Austria's air navigation service provider, to introduce and maintain a new self-briefing infrastructure and associated customer services. Having been successfully operated at Swiss airports and aerodromes for over ten years, the AMIE self-briefing system will be replaced by the new facility. Working together with Austro Control, skyguide intends to create, develop and administer a web-based platform providing integrated self-briefing services. The partners sign a corresponding cooperation agreement on December 10.

First modifications to the air navigation services financing structure

With a view to ensuring greater financing transparency and apportioning costs more fairly to those who generate them, the Swiss parliament decides that the Swiss government should meet the costs incurred through Germany's politically-motivated airspace availability restrictions. Furthermore, skyguide should no longer be required to meet part of the regulator costs. The government's assumption of these cost items are two of 13 decisions contained in a redefinition of the financing of Swiss air navigation services which was approved by the Swiss Federal Council on December 19, 2003.



Paul Klee

Model 105 and model 107 combined, 1931
48.6 x 61.4 cm
Zentrum Paul Klee, Berne

Key Performance Statistics

The upward trend in international air transport activities was confirmed in 2004 by a substantial increase in air traffic volumes. Despite the additional workload entailed, skyguide can report a highly encouraging performance for the year, including a further reduction in delays.

IFR flights

The tendency seen the previous year in instrument flight rules (IFR) flights continued in 2004, and total traffic volume experienced a clear upward trend. Despite the steep increase in crude oil prices in the summer, which hit the aviation sector particularly hard, skyguide controlled over 1.1 million IFR flights in 2004, a 2.5% increase on the previous year. The rise in IFR volumes was especially strong in the overflights category (en-route), which saw year-on-year growth of almost 4%.

	2004	2003	Change 03/04
IFR flights	1 104 716	1 077 903	+2.5%
Of which overflights	677 350	651 988	+3.9%

Aircraft movements handled¹

One flight will usually generate aircraft movements at several air traffic management units. The strongest growth in 2004 was reported by the Zurich area control centre, which handled over 24 000 more movements than the previous year, followed by the Geneva area control centre, where the volumes handled saw a year-on-year increase of some 16 000 movements.

The number of flights to and from Zurich Airport fell only slightly – by a little more than 1 000 – from its 2003 level, a decline of less than half a percent. Geneva Airport, by contrast, recorded a year-on-year increase of some 4 000 flights. Air traffic volumes at the regional airports of Berne and Lugano suffered substantially stronger year-on-year declines.

	2004	2003	Change 03/04
Geneva ACC	631 183	615 298	+2.60%
Zurich ACC	751 832	727 733	+3.30%
Geneva TWR/APP	213 037	209 529	+1.70%
Zurich TWR/APP	256 190	257 333	-0.40%
Berne Belp	78 875	86 192	-8.50%
Lugano Agno	26 593	30 440	-12.60%
Total movements	1 957 710	1 926 525	+1.6%
of which IFR	1 835 203	1 795 344	+2.2%
of which VFR	122 507	131 191	-6.6%

Aeronautical Information Service (AIS): messages processed

The Aeronautical Information Service (AIS) is a centralised information and advisory centre whose services are used primarily by flight crews. The main duty of the AIS is to procure, evaluate and process the data which a flight will require such as airspace restrictions, meteorological reports, NOTAMs and similar. Skyguide operates an AIS at Zurich Airport, and also has four Aeronautical Reporting Offices which provide similar services but on a smaller scale at Berne, Geneva, Lugano and Zurich airports.

The AIS processed 408 990 NOTAMs in 2004 – a 5.9% increase on the previous year. NOTAMs were exchanged with some 150 international NOTAM units which are responsible for 175 countries. The year brought a particularly strong 28.9% increase – to 52 358 – in the number of SNOWTAMs (runway condition reports) processed.

The Swiss international NOTAM office (NOF) issued 1 554 NOTAMs in 2004, 3.4% fewer than in 2003. The total number of SNOWTAMs issued rose 37.1% to 277.

The total number of NOTAM products used at Swiss airports amounted to 164 750. These volumes saw a slight decline at most Swiss airports; but year-on-year comparisons cannot be made because a server migration effected in September resulted in a certain amount of transaction data failing to be recorded. In addition, the figures do not include NOTAM access by Swiss International Air Lines, which uses skyguide as its source.

AERMAC, the Swiss AFTN/CIDIN² centre, processed a total of 75 342 005 messages, a 20% increase on the previous year. The rise is attributable to the general growth in air traffic volumes, the connection of various new applications such as the Swiss Air Force's Flight Information System (FIS), the provision of a new NOTAM and AFPS³ server and the addition of new system users.

Military messages

On the military aviation front, skyguide processed a total of 19 NOMILs (notices to military pilots) in Category A (short-term or temporary modifications to airfield facilities or procedures), four in Category B (modifications to regulations of a legal character) and 64 in Category C (temporary technical information for pilots). The total is a 6% increase on 2003.

Traffic trends 1998-2004

The graph on the right shows the seasonal fluctuations in the volumes of IFR flights handled daily by skyguide between 1998 and 2004. Each point represents the number of IFR flights handled on a particular day.

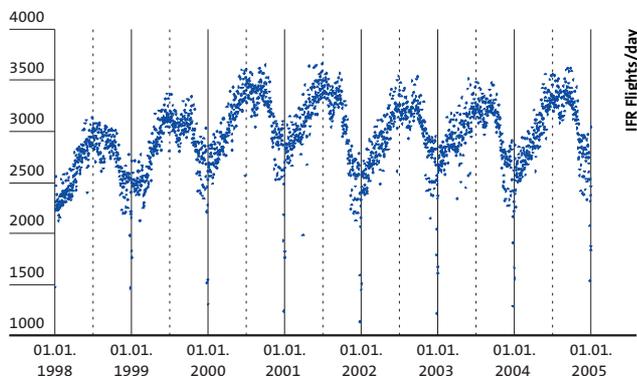
The graph reveals a steady increase in traffic volumes from 1998 to the first half of 2001, followed by a tangible decline in 2002.

The seasonal fluctuations in air traffic volumes are illustrated by the exceptionally low volumes during the public holidays at the end of the year. June and July generally provide the highest daily volumes, while August brings a slight volume decline.

In addition to these seasonal variations, the daily traffic volumes handled are also affected by various events. These include industrial action in neighbouring countries and the entry into service of new operating systems, which tends to result in a deliberate temporary reduction of airspace capacity in the interests of flight safety.

IFR Flights all skyguide centres

Source CFMU



Instrument flight rules (IFR) flights handled by all skyguide centres (January 1998 to January 2005)

Traffic flows further enhanced

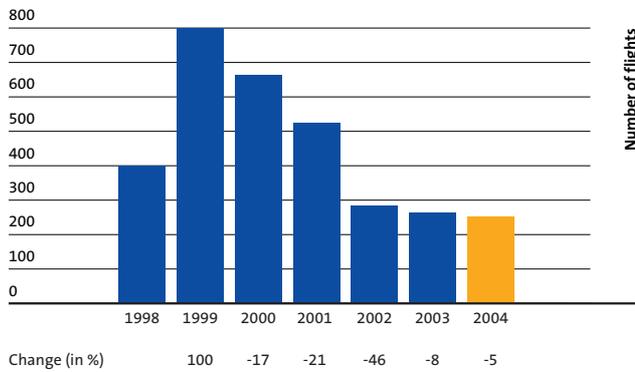
Once again in 2004, the steady improvements to both traffic flow management and tactical capacity management systems had a positive effect on skyguide's performance in delay terms. In addition to the dynamic adjustment of sector capacity to current traffic complexity and the assignment of specific flight levels to certain traffic flows, both of which were already established procedures, further progress was made in aligning personnel deployments more closely to expected traffic volumes.

At a European level, the green light was given at the end of 2004 for the implementation of the DMEAN⁴ dynamic airspace management programme. Skyguide and the Swiss Air Force will be actively involved in both the programme's development and its implementation.

1. Following the migration to the STARS 2000 database, movement figures have yet to be conclusively confirmed. But the figures shown in the table are sufficiently accurate to enable analysis of the underlying trends.
2. AFTN: Aeronautical Fixed Telecommunication Network; CIDIN: Common ICAO (International Civil Aviation Organization) Data Interchange Network.
3. AFPS: AIS/ARO Flight Plan Server, a database containing Swiss aeronautical information used to process flight plans and other data by the Aeronautical Reporting Offices (AROs) at Zurich, Geneva, Berne and Lugano.
4. DMEAN: Dynamic Management of the European Airspace Network

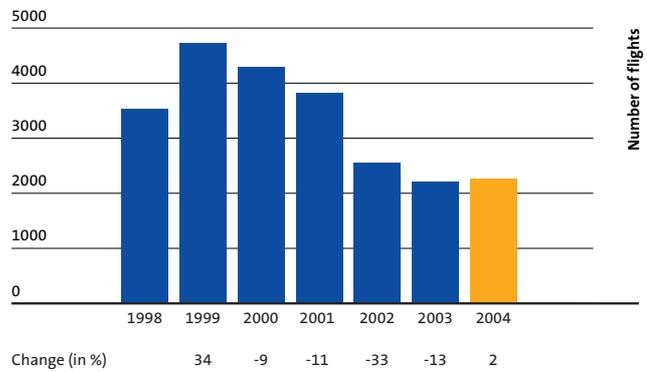
Average delayed flights per day (skyguide)

Source CFMU



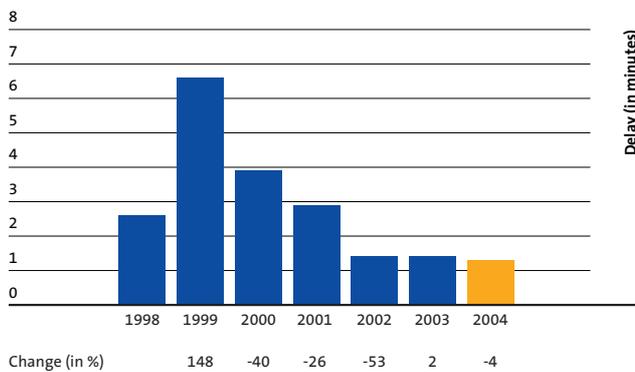
Average delayed flights per day (Europe)

Source CFMU



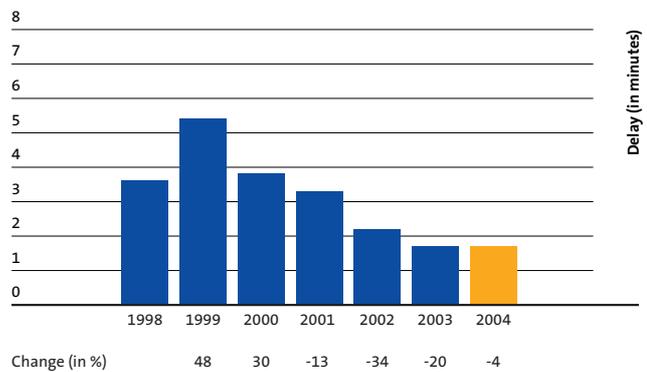
Average ATFM delay per flight (skyguide)

Source CFMU



Average ATFM delay per flight (Europe)

Source CFMU



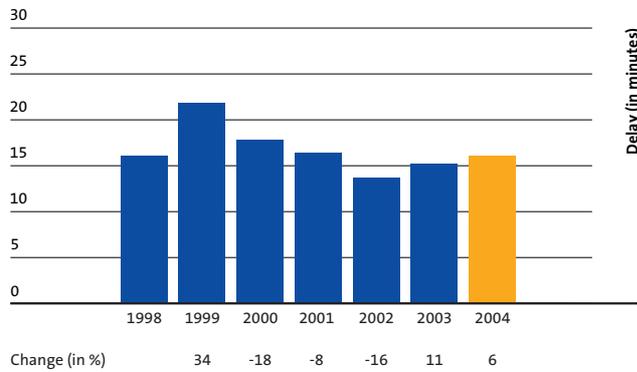
The air traffic flow management (ATFM) departure delays caused by air traffic control are a key criterion for assessing the performance of any air navigation service provider. ATFM departure delays occur whenever the number of flights scheduled to use a particular sector of airspace under their flight plans exceeds the capacity of the sector concerned. When this happens, the European Central Flow Management Unit (CFMU) intervenes to assign specific takeoff slots to the individual flights concerned.

Skyguide has steadily reduced the average length of the ATFM delays caused by its services since 2000. Despite the increase in traffic volume, the average delay per flight was reduced by a further 4% in 2004 compared to the previous year. For Switzerland, these delays have now been reduced by over 80% within the last five years.

In 2004, the number of flights delayed through skyguide declined 5% to an average of 251 flights per day. This represents only 8% of daily traffic volume. Throughout Europe as a whole, around 11% of all flights performed in 2004 suffered an ATFM delay.

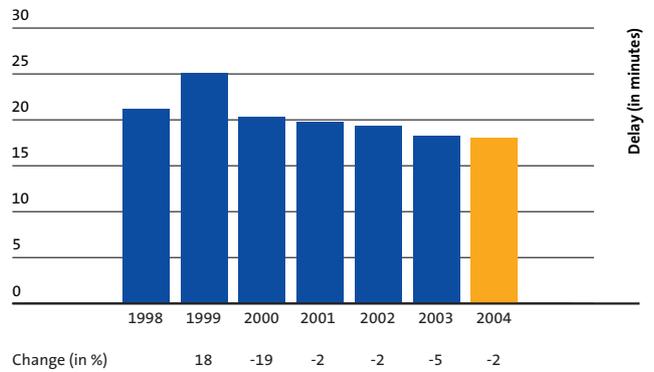
Average ATFM delay per delayed flight (skyguide)

Source CFMU



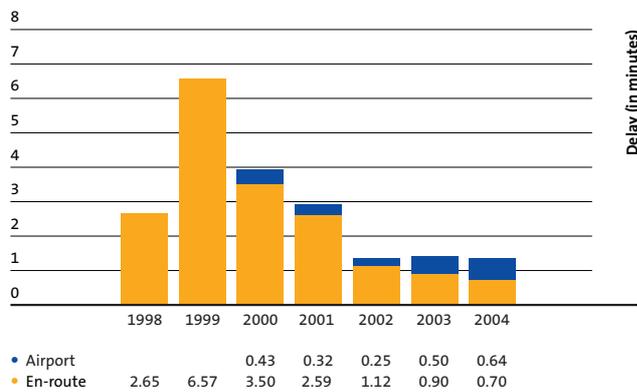
Average ATFM delay per delayed flight (Europe)

Source CFMU



Average ATFM delay per flight – airport/en-route (skyguide)

Source CFMU



ATFM delays can be incurred by both airport and en-route traffic. Skyguide reduced ATFM en-route delays by a further 22% in 2004 to an average of 0.7 minutes per flight. The improvement was due largely to a reorganisation of control sectors and the provision of more air traffic controllers.

At the same time, however, airport ATFM delays rose 28% to an average of 0.64 minutes per flight. The increase was attributable primarily to the many operating restrictions at Zurich Airport.

If delays for air traffic flow management reasons cannot be avoided, it is important to minimise their impact on the flights concerned. At 16 minutes, skyguide's performance here is a slight increase on its 2003 equivalent; but it is still 11% better than the European average.

The Structure of Air Traffic in Swiss Airspace

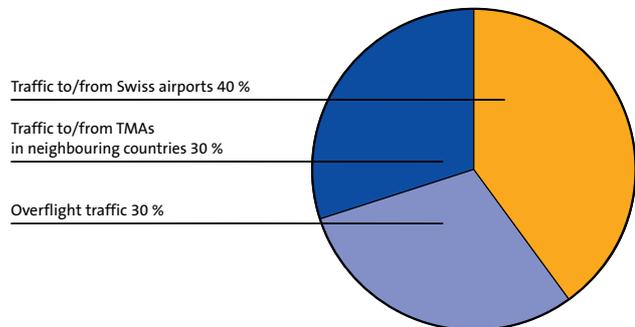
Swiss airspace not only contains the busiest airway crossing points anywhere in Europe. Switzerland's borders are also extremely close to several major airports in neighbouring countries. As a result, the aircraft using Swiss airspace are a complicated mix of climbing flights, descending flights and overflight traffic. This, along with the numerous sectors into which Swiss airspace is divided, makes Switzerland's air traffic management a highly complex undertaking.

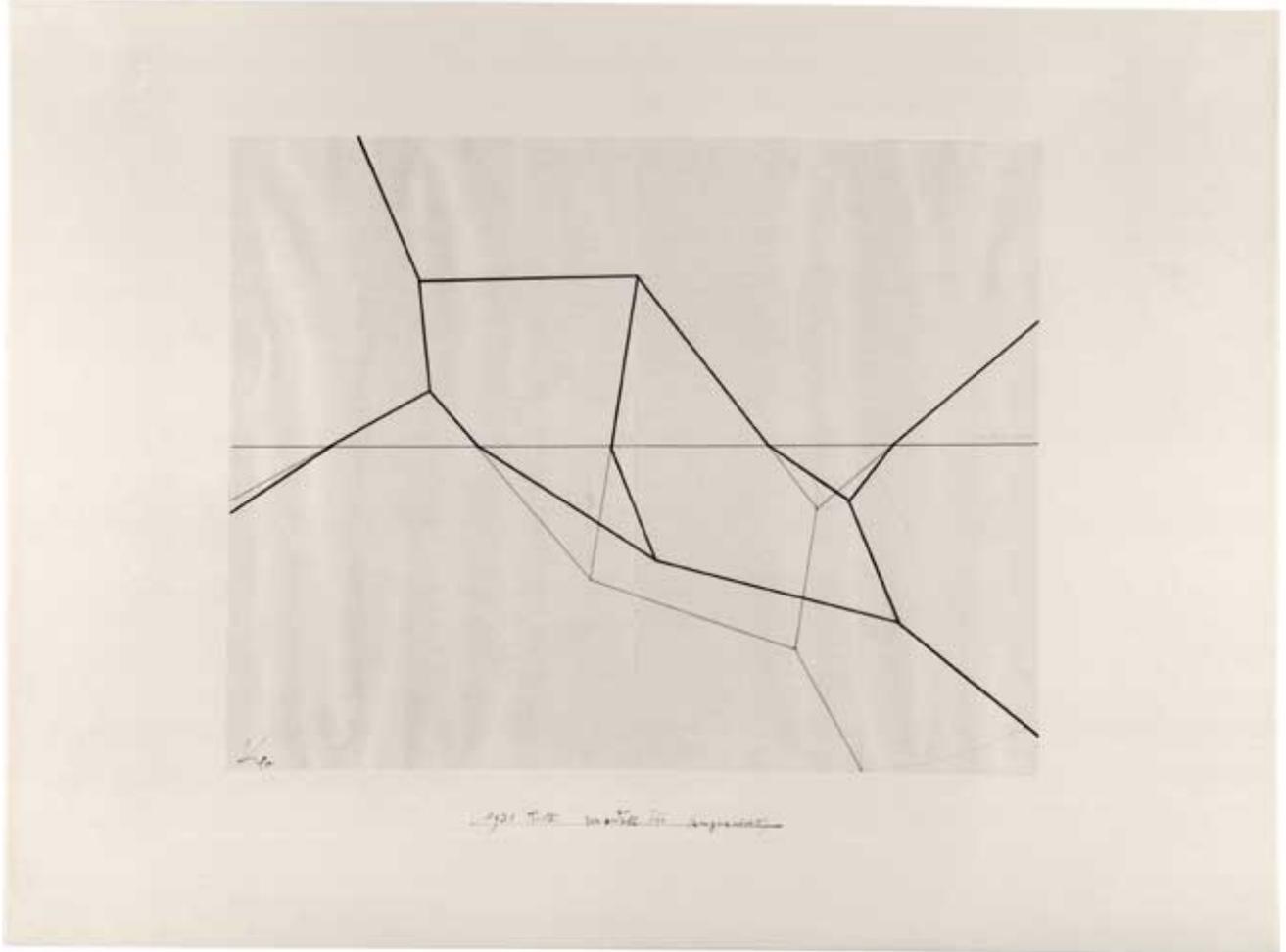
The air traffic controlled by skyguide can be divided into three types:

- traffic to and from Switzerland's airports, including Basel-Mulhouse
- traffic to and from airports in terminal manoeuvring areas (TMAs) in neighbouring countries, the most important of which are Milan, Stuttgart, Munich, Frankfurt, Lyon and Marseille
- overflight traffic.

A single instrument flight rules flight will pass through several air traffic control sectors. And, among other things, the complexity of the air traffic management it requires will depend on the number of sectors involved. The management of traffic to and from airports in TMAs in neighbouring countries is especially demanding: an aircraft taking off from one of these airports will enter the airspace controlled by skyguide at a low altitude and will have to be guided up to the flight level desired. The same procedure is required – in reverse – for aircraft heading for these airports. Such operations often involve the crossing of numerous airspace sectors, and thus a relatively high degree of coordination. Some 70% of all the flights handled by skyguide are to or from airports in or outside Switzerland.

Board distribution of IFR traffic by type





Paul Klee
Modell 111 (folded), 1931
32.9 x 41.9 cm
Zentrum Paul Klee, Berne

Foundations for a European Future

Enhanced performance and optimum safety are the way ahead for skyguide, whose strategy geared towards Europe demands an uncompromising commitment to a quality-minded approach. 2004 saw the company take further concrete steps in that direction.

Skyguide and Swiss aviation policy

The Swiss government's aviation policy is being adapted to current market conditions and demands under the overall auspices of the Department of the Environment, Transport, Energy and Communications (DETEC). Skyguide has been actively involved in these efforts, and in the compilation of the corresponding Federal Council report.

Financing system enhanced

Defining Swiss aviation policy is currently one of the more important undertakings within the DETEC. In doing so, the Swiss government aims to adapt its own approach and procedures to current and projected trends within the international air transport sector; and it intends to create a favourable political and economic environment for Switzerland's various market players for the next ten years. These activities have also included a reassessment of the way Switzerland's air navigation services are currently financed. The adoption of the various measures defined here should produce a pragmatic solution for addressing the weaknesses in the present financing system.

Of strategic importance for skyguide

This project is of vital importance to skyguide and its operations. The actions it entails will help determine and define the company's future position and situation at the centre of Europe's changing air transport landscape. Skyguide has been fully involved in the compilation of the Federal Council's report, and made key contributions to the relevant sections on air navigation services. Skyguide was also given the opportunity in August 2004 to study a draft version of the report and comment on its content and conclusions. The draft report was approved by the Federal Council in December 2004, and will be submitted to the Swiss parliament for ratification in 2005.

A clear "yes" to integration and the Single European Sky

In its Report on Swiss Aviation Policy, the Swiss Federal Council underlines its desire to see civil and military air navigation services integrated and provided under skyguide's overall responsibility. But what the draft report expresses above all is the Swiss government's aim of playing an active role in the project to establish the Single European Sky, a unified airspace structure throughout the European continent. In stating this objective, the government is laying the foundation for collaboration between skyguide and its European partners, with a view to their joint operation of a future cross-border functional airspace block or FAB. Swiss aviation policy is thus paving the way for the creation of an "FAB Alps", which is now the prime goal of skyguide's corporate strategy.

En Route to the Single European Sky

Skyguide is committed to helping secure a partnership approach to the management of Europe's unified airspace. With this aim in mind, the company joined the Franco-Italian Coflight procurement project in 2004.

The Coflight flight data processing system

Skyguide signed an agreement in September with France and Italy's air navigation service providers to co-develop a new flight data processing system for the Single European Sky. Cross-border systems for processing flight plan data are vital to the efficiency of air traffic management operations. With their full integration of radar data and their trajectory projection capabilities, they can provide controllers with precise and complete flight data. Coflight is intended to be one of the leading systems of this kind for the next 20 years. As such, it will make a major contribution to the harmonisation of Europe's air traffic management systems.

Gradual introduction to minimise risks

The new programme is being devised and developed in a series of clearly-defined steps. Keeping the extent of the changes limited at each stage of the process will ease the programme's integration into the national and European system architectures involved. The approach will also facilitate any corrective action required in the event of a malfunction, and will thus generally limit the associated risks.

A cornerstone of the Single European Sky

By the time the European Union introduces its Single European Sky (SES) programme, Coflight will already be established as one of the most important systems for European airspace organisation and design. One of the key elements in the SES initiative is the creation of new functional airspace blocks – units of airspace that can extend across multiple countries. By jointly developing their new flight data processing facility, the Swiss, French and Italian providers are raising the interoperability of their air traffic management systems, and are thus giving the European Union's SES endeavours significant added impetus.

Uniform accounting

In March 2004, the European Commission decreed that the accounts of the air navigation service providers comply with the international accounting standards recognised by the Community (or IFRS). The SES regulations will accordingly be directly affected by this decision. Skyguide has continued its conversion to the IAS/IFRS at the end of 2004. Only standard IAS 19, which relates to the financing of staff pensions, has not yet been introduced, because of the cost of some 120 million CHF that it would entail, situation as at 1.1.2004. It will be remembered that IAS/IFRS certification of the Financial Reports dictates that all the applicable standards be applied, without exception.

Safety: the Number-One Priority

Safety is always skyguide's paramount priority. In addition to its Safety & Quality Management unit, the company has numerous specialists who are constantly working on ways and means to further enhance safety. Progress was achieved on various fronts here in 2004.

Reporting incidents

Many incidents which occur in the course of air traffic management operations would remain unnoticed if they were not reported by the air traffic controllers themselves. This is why skyguide encourages its employees to report any incident which occurs in their area of responsibility, however unimportant it may seem. To facilitate the process, the company has now updated the Occurrence Reporting Policy which it established in 2004. One of the prime features of the programme is that it can guarantee the confidentiality of all the reports submitted by controllers without violating the relevant legal parameters. As a result, this constructively open approach can remain free of administrative sanctions, provided no severe negligence or wilful intent is involved.

Every incident investigated

Skyguide introduced a process back in 2003 which specifies that every operational incident must be followed up by an investigation. The process was further refined in 2004 with the result that, from 2005 onwards, specialists will be active in the company's safety and quality management to put a stronger focus on the "human factors" component. Human factors are one of the key elements – but also one of the hardest to predict – in any safety-critical working environment. Skyguide is making an active effort to seek, research and analyse the reasons incidents occur. Only by doing so are the right lessons learnt and similar incidents avoided in the future. Every incident investigation also results in a recommendation, which is then incorporated into the company's operations.

Runway radar for safer airport operations

Skyguide has also been pursuing a major project in collaboration with the operators of Geneva and Zurich airports that is designed to enhance the safety of airport ground operations. In the first project phase, which was completed in 2004, skyguide put its new runway monitoring radar facility, which is known as SAMAX (Swiss Airport Movement Area Control System), into operation. The new system, which meets the very latest technical requirements, will be supplemented by a Runway Incursion Monitoring and Conflict Alerting System (RIMCAS) in 2005 which will alert air traffic controllers to any aircraft or vehicle entering a runway without due authorisation. The new system will be one of the first of its kind in Europe.

Coordination on the safety front

Runway incursions – unauthorised runway entries by aircraft or vehicles – are one of the most dangerous occurrences in air transport operations. In view of this, the Swiss Federal Office for Civil Aviation (FOCA) has called for the creation of dedicated Runway Safety Teams at Geneva, Zurich, Berne and Lugano airports whose members are drawn from all the various operating partners. These teams and their members will focus solely on runway safety issues, monitoring safety in their own areas of responsibility and devising ways and means of enhancing safety levels. Skyguide is represented on each of these Runway Safety Teams, and is fully in charge of the team at Zurich Airport.

Emergency organisation

A companywide exercise was conducted in February 2004 to test the functioning and effectiveness of the skyguide emergency organisation. In addition to the processes themselves, the exercise was intended to assess the company's crisis management and crisis communications capabilities. The findings derived from the exercise were used to make appropriate modifications to the processes concerned. The exercise tested the alerting and mobilisation of the Emergency Committee, its operating, technical and management actions and the company's crisis communications activities. To conduct the exercise effectively, over 30 employees and outside partners were called upon to create the alleged emergency, generate the appropriate reports and instructions and field the corresponding phone calls, e-mails and media releases. Skyguide also conducted Crisis Communication Days with various partners at Geneva and Zurich airports in November and December, to promote an open exchange of views and experience in handling emergency situations.

What Do Our Customers Say?

Skyguide conducted its first-ever customer survey at the end of 2003 to determine how satisfied its customers were with the services the company provides in the air traffic management and air defence fields.

A clear focus on capacity, efficiency and flexibility

The survey was designed to enable skyguide to draw up an action plan to further enhance its performance in the key strategic areas for its three main customer segments: airlines, general aviation and the Swiss Air Force. Its results were presented in spring 2004. For the purposes of the survey, "performance" was considered to be a combination of capacity, delay levels, efficiency, flexibility and the availability of the services offered. In view of the addressees, cost-effectiveness was not included, though this is, of course, a further key element in an organisation's overall performance. The survey took the form of a questionnaire which was distributed to pilots of Alitalia, Air France, British Airways, KLM, Lufthansa, SAS and Swiss. In addition to commercial cockpit crews, military and VFR pilots were also approached.

Encouraging results

The evaluation of the questionnaires returned revealed that 70% of respondents were either "satisfied" or "very satisfied" with skyguide's services, while a further 16% remained neutral on the issue. Satisfaction levels among commercial pilots (65%) were slightly below those of military pilots (70%), while VFR pilots (83%) proved the most satisfied customer segment.

Many "good" and "very good" marks

Skyguide already appears to deliver a strong safety performance from a pilots' perspective. Some 82% of respondents described the company's safety performance as "good" or "very good". Skyguide's efficiency and flexibility earned "good" to "very good" grades from 58% of respondents. But the questionees did see room for improvement in its ability to respond at short notice to customer needs. The company was urged in particular to shorten its response times to changes in the conditions surrounding delays or airspace restrictions.

Partly false expectations

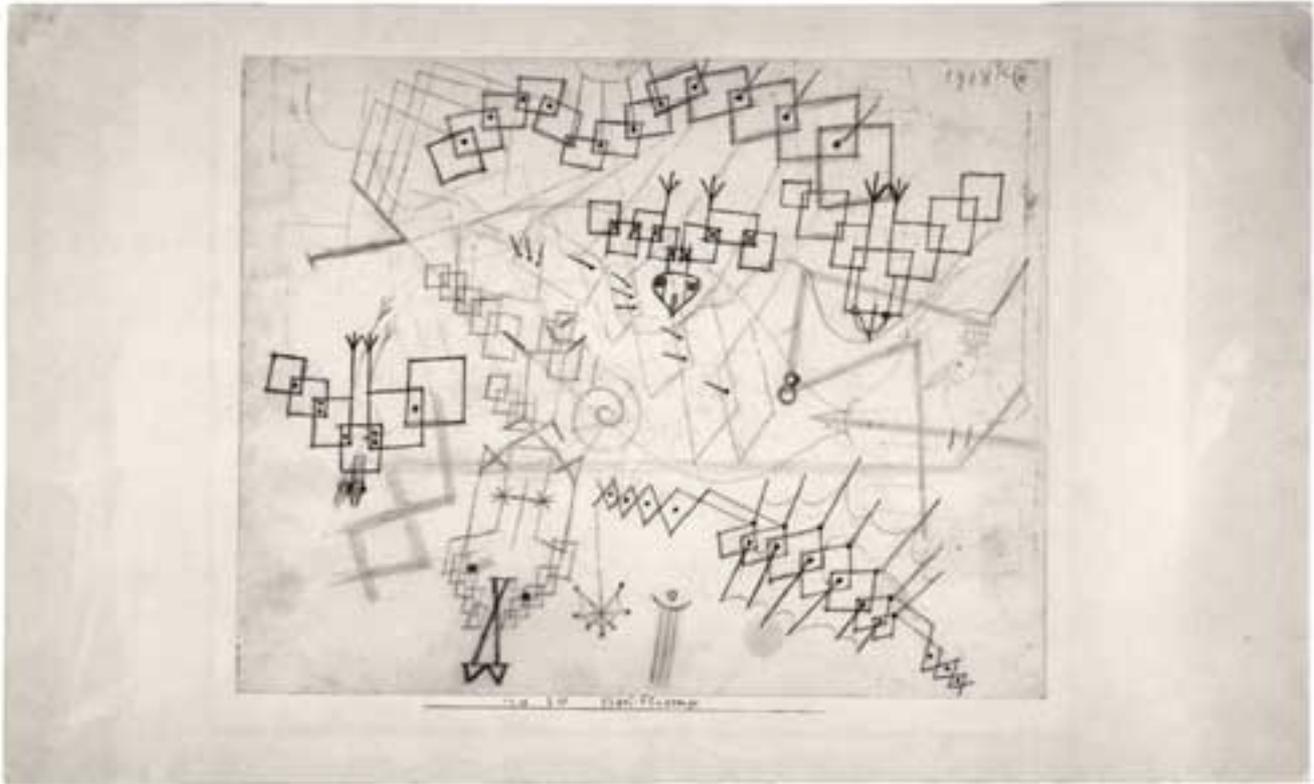
Only 45% of respondents described skyguide's performance as "good" on the delay front. This individual perception does not, however, correspond to the company's performance figures for 2004, where skyguide's delay record was substantially better than the European average. The survey result may be at least partly due to customer expectations which skyguide is simply unable to meet under its air navigation services mandate: slot allocations, for example, are beyond the company's authority or control.

Differentiated actions

Skyguide has carefully evaluated the customer survey questionnaires returned to create a specific package of actions for each customer segment. The company sees clear potential for improvement in the assignment of its air traffic controllers, by making daily roster adjustments, by automating certain control functions and by enhancing certain air traffic management processes and methods.

Customer satisfaction the goal

In conducting its first-ever customer survey, skyguide is underlining the importance it attaches to its customers' needs and expectations, and is showing its willingness and determination to take the action required to enhance customer satisfaction. In fact, the survey's results are not particularly new; but they do serve to confirm previous impressions that had been obtained from more isolated sources. So the survey now provides skyguide with a broader foundation of opinions which can be used to take thorough and effective action to enhance its performance of the services provided for its various customer groups.



Paul Klee

Bird-aeroplanes, 1918
21.7x27.4 cm
Zentrum Paul Klee, Berne,
loan from private collection

Operations

A unified Swiss airspace structure and greater efficiency in skyguide's air traffic management operations are two key essentials if Switzerland is to have a place in tomorrow's European air navigation services landscape.

“One Operation” for more efficient air navigation services

Today's air navigation service providers are required to offer safe, efficient and cost-effective services in an increasingly complex and demanding operating environment. The requirement to align the various processes involved to ISO norms and Eurocontrol's ESARR regulations is also creating sizeable challenges of its own. And it is to meet and master these that skyguide has devised its “One Operation” approach of adopting and maintaining a single standardised lean and efficient organisation. One Operation is not a revolutionary concept; it is a consistent development of a cultural change that was recently initiated and is derived from skyguide's basic strategy.

Development in 2004, implementation in 2005

Skyguide totally restructured its air navigation services operations in 2004. The new organisation, which will be adopted in 2005, consists of:

Production units:

- Upper Area Control Centre (UAC), Terminal Control Centre Geneva (TCG) and Terminal Control Centre Zurich (TCZ): civil air traffic management
- Military & Regional Aerodromes: military air traffic and approaches to Switzerland's regional aerodromes
- Aeronautical Information Management (AIM): preparing, processing and distributing aeronautical information.

Support units:

- Management Support: regulation, traffic flow management and capacity planning, operational safety management, etc.
- Development Programme: operational concept, development planning, ATM engineering, etc.
- Training: initial and further operational training.

A simplified structure

One Operation means a unified working approach, a unified regulatory framework and unified technical systems in all areas of Swiss air navigation services. In future, every service provided should be based on a process which is guaranteed to be standardised throughout the relevant area of activity. Skyguide expects the simplified structures which this should provide to have a positive effect on the complexity of its project management activities. The clear division between purely operational tasks and research & development should also raise efficiency in both these areas.

Forward-looking data management

Data management continues to gain in importance in air navigation services today. As such, it is also a high-potential area of activity for any service provider. In view of this, skyguide decided in 2004 to make Aeronautical Information Management (AIM) a core business within its overall strategy and develop a separate organisation and business unit to be devoted to these activities. The “New AIM” strategy represents a consistent implementation of the One Operation concept.

A twin-track development

Skyguide's future AIM services will have two prime emphases:

- data digitisation and
 - static data operation, i.e. processing information on airspace, airways, navigation aids, airports and similar.
- Skyguide intends to further expand its activities in both these areas.

A public mandate and enhanced processes

Skyguide has always attached great importance to both defining and fulfilling its public operating mandate. In line with this, skyguide is fully committed to both enhancing internal workflows when devising and developing its AIM services and to simultaneously reducing its operating costs. In addition to concentrating individual processes, such as incorporating ATS Reporting Office services and the flight radiotelephony service into the two AIM Service Centres in Zurich and Geneva, the new arrangement enables skyguide to take advantage of opportunities for collaboration with its sister organisations in neighbouring countries and adopt a more commercial approach to the provision of its AIM products and services.

Collaboration with Austro Control

Skyguide embarked on a partnership with Austro Control, which provides air navigation services in neighbouring Austria, in December 2004. The partnership relates to the planned introduction of a new self-briefing facility for pilots. The new system, which is being developed by Thales for Austro Control, should replace the present AMIE flight briefing terminals at Switzerland's airports and aerodromes by the end of 2005. In a later phase, the new application should be extended to provide a web-based “home briefing” facility available to pilots for a fee.

The Upper Area Control Centre (UAC)

Progress was also made in 2004 on the Upper Area Control Centre Switzerland (UAC-CH) project, which is intended to combine the present Zurich and Geneva upper airspace sectors into one unified airspace area and administer it from a single location in Geneva. This will entail various actions and adjustments, including the harmonisation of the air traffic management systems involved. The most striking feature of the new management systems is their abandonment of the traditional flight strips in favour of integrated digital solutions. Under current plans, UAC-CH is scheduled to be introduced in March 2006.

Upper airspace harmonisation

Various milestones were reached in this project in 2004. Having decided to set the boundary between upper (Upper Area Control) and lower (Terminal Control) airspace at Flight Level 285 (28 500 feet) in line with other European countries, skyguide commissioned its operations specialists to revise the segmentation of all of Switzerland's airspace. The re-segmentation, which was introduced in spring 2004, is intended to pay due regard to both projected traffic trends for the next five years and the creation of the new functional airspace block.

First UAC controllers trained

The first licences to manage all of skyguide's upper airspace were awarded to controllers in autumn 2004. From spring 2005 onwards, some 20 controllers will manage the traffic in Switzerland's upper airspace in Zurich or Geneva, according to needs.

A stripless system

The modification of technical systems is making good progress, too. The policy of gradually introducing the new functionalities offers benefits to both maintenance technicians and the air traffic controllers themselves, since it reduces the risks inherent in any such technological advance.

Army reforms extend to air traffic management

The harmonisation efforts that were such a feature of skyguide's operations and activities in 2004 also extended to its military operations. As part of the "Armee XXI" armed forces reforms, Air Force Operating Group 11 was formally replaced by the Skyguide Specialised Staff on January 1, 2004. Most of the skyguide employees performing their military service are assigned to this unit. Of the unit's 355 personnel, 40% are completing their military service and 60% are reservist staff.

Civilian and military combined

Almost 100 employees, largely from air traffic management operations and technical services, were transferred to the Skyguide Specialised Staff in 2004. With a few exceptions, most of these employees perform the same functions in their civilian as they do in their military capacity.

Prepared for war or disaster

The prime mission of the Skyguide Specialised Staff is to ensure that the company can continue to perform its duties even in exceptional circumstances. In addition to the mandate with which it is entrusted by the Swiss Confederation, these include the special duties which skyguide performs for the Swiss Air Force. The Specialised Staff is headed by Colonel Blaise Matthey. When on duty, he reports directly to Major General Markus Gyax, Chief of the Air Force Operations Staff.

Military duties with civilian controllers

A number of skyguide's military air traffic controllers saw service at the World Economic Forum in Davos and attended military refresher courses at air force bases during 2004. Their replacement during their airbase refresher courses by civilian air traffic controllers was an innovation during the year. Such deployments may well increase: the experience has generally proved positive, and assignments of this kind contribute to the closer integration of civil and military air traffic management activities.

New horizons for operational training

Providing the capacity demanded by the market is one of the greatest challenges facing air traffic management today. Among other things, the provision of such capacity requires well-trained and fully-licensed personnel who can guide the aircraft entrusted to them safely through their airspace sector. After two years in which air traffic volumes substantially declined, the demands on the Skyguide Training Center to produce sufficient numbers of qualified controllers capable of providing the air traffic management services needed are rising once again.

Training for success

With the overall aim of raising the proportion of its trainees who successfully complete their course, the Skyguide Training Center puts a strong emphasis on motivation and team spirit as early as the initial selection process. The Center also has a newly-created “Training for Success” workgroup which is tasked with analysing all leavers and devising improvements which are then consistently incorporated into the training programmes. In addition to technical and professional considerations, this workgroup – which consists of both Human Resources and Operations personnel – also looks into human factors which might raise the success rate of these ab-initio operational training activities.

State-of-the-art learning technology for greater flexibility

Providing a learning environment that meets all the international standards in technology terms is a further Skyguide Training Center concern. The Center is fully convinced of the major importance of the Internet in the learning process, and is currently working on ways of communicating and exchanging all learning content online. These efforts should enhance trainees’ individual learning opportunities in the not-too-distant future. And the Center’s “Briefing & Learning I-Net Platform” project will not only provide greater flexibility in the learning process; with its targeted application, it should also help effect sizeable cost savings.

New simulator facilities

Air traffic controller training requires extensive infrastructural resources. Skyguide again devoted substantial funds to expanding and updating its simulator facilities in 2004. In Geneva, the Training Center’s specialists installed the new SIMIFREG radar simulator; and in Zurich they added a new three-dimensional tower-view projection to the BASIM basic training simulator. The Zurich and Geneva simulators were also provided with new radio and telephone facilities.

Well on the way to ESARR 5 compatibility

A further innovation in 2004 was the completion of the controller’s licence renewal tests required throughout Europe by Eurocontrol (and known as ESARR 5) almost solely on skyguide’s simulator facilities. Simulator training in 2004 focused in particular on three main areas: familiarising trainees with the new procedures required following the transfer of certain sectors to Geneva; the new southerly approaches to Zurich; and the new airspace structure around Zurich Airport from April 2005. Simulator use in 2004 amounted to 12 758 hours, a 3.5% increase on the previous year.

Technics

One skyguide employee in four is involved in the company's technical services. The vast expertise and impressive commitment of skyguide's technicians and engineers are crucial to the smooth round-the-clock operation and availability of the company's air navigation facilities.

Radar systems

Radar systems and data processing facilities are the lifeblood of any air navigation service provider, and the data they provide are combined to create an overall visual image of the airspace administered. At the beginning of 2004, and following exhaustive tests, skyguide put a totally new radar data processing system into operation. The new facility is based on the ARTAS (Advanced Radar Tracker And Server) system developed by Eurocontrol, and presents a radar picture of the entire airspace under skyguide's control.

The current replacement of the radar facilities themselves continues on schedule. The associated introduction of Mode S – which enhances the exchange of information between aircraft and ground stations throughout Europe – has been postponed two years at Eurocontrol's instigation, after the first operational tests revealed that the corresponding on-board equipment needed to be improved by the aircraft operators.

After careful preparations, skyguide integrated the first of its military radar facilities into its civil system in December 2004. The facility is used to monitor skyguide's southern airspace.

Airport systems

Skyguide laid a firm foundation in 2004 for substantially enhancing safety in runway and taxiway areas. Working together with the operators of Zurich and Geneva airports, the company's engineers renewed the airports' runway and taxiway-monitoring radar installations and put the new SAMAX (Swiss Airport Movement Area Control System) into operation. With the system's formal adoption, skyguide will be the first air navigation service provider in Europe to apply multi-lateration technology for precise positioning purposes.

Navigation facilities

Thanks to extensive efforts on skyguide's part, Zurich Airport's Runway 34 is now equipped with instrument landing system (ILS) capabilities. Work has also begun on installing ILS for the airport's Runway 28. When this enters into operation at the end of 2005, the airport will be fully equipped to implement its new operating concept. Skyguide has also patented a new technical procedure to protect ILS facilities from outside interference – further proof of the exceptionally high skills and knowledge levels among the company's engineers and technicians.

Skyguide's technical services renewed the VOR/DME navigation beacons at Geneva and St. Prex in 2004. They also embarked on the development of a DME (distance measuring equipment) network, which will be required for the introduction of the planned P-RNAV (Precision Area Navigation) capability.

Communications systems

Skyguide's Zurich and Geneva area control centres were equipped with completely new emergency telephone facilities which can also be reached by neighbouring centres using normal telephone numbers when the main telephone system is unavailable. In installing the new system, skyguide has implemented one of the recommendations contained in the report by the German investigating authorities on the Überlingen accident.

Data processing and display systems

The controller's workstation is the key interface where all the technical systems meet the company's air traffic management operations. Each workstation is equipped with screens showing radar and flight plan data, plus further information on weather conditions and current airspace use and restrictions, all of which are shown in real time. Maintaining all these processing and display systems is one of the key duties of skyguide's technical services personnel. Reliable data are a key precondition for safety in the air. And a well-conceived and tried-and-trusted user interface is the best guarantee of high working efficiency and smooth air traffic management operations.

Having been successfully introduced in Geneva, a new data display system featuring additional functions was put into operation in Zurich in May 2004. The new system will be further enhanced with additional automated functions in 2005. The system is based on an innovative and commercially-successful product developed by skysoft-atm, in which skyguide has a 51% shareholding. High regard was paid to future possible applications when the new system was developed: the reassignment of responsibilities between the Geneva and Zurich area control centres and the relocation of the Zurich control centre from Zurich Airport to Dübendorf will entail substantial adjustments which are already beginning in 2005.

ATMAS project terminated

2004 also saw the termination of the ATMAS (Air Traffic Management System) project, which was launched back in 1999. This large-scale project was intended to replace many of the existing data processing and display systems, and was due for completion in 2005/06. But various factors, including delays to the project itself, but also the progress made in developing its own in-house system, prompted skyguide to reassess ATMAS at the beginning of 2004. Having thoroughly considered all the facts, the Board of Directors and Executive Management decided to terminate the project in July in favour of a closer international collaboration. Despite its premature termination, over 50% of the investment already made in ATMAS can be used as envisaged in skyguide's operating activities.

Buildings and other infrastructure

Construction of the new premises in Dübendorf is proceeding according to plan, and is now sufficiently advanced for selected units to relocate there in 2005. The transfer of the control centre is currently being planned. With the extreme complexity involved, substantial resources will have to be devoted to this in the next few years.

Interoperability between military and civil systems

Having successfully put its FLORAKO military air traffic monitoring system into operation, skyguide has now devised, in collaboration with the Swiss Air Force, a new interface and data exchange concept that pays due and full regard to all civil and military developments planned for the years ahead. As a result, skyguide's civil radar system is already providing FLORAKO with data to help present the fullest possible picture of current airspace use. These endeavours are aimed at ensuring optimum interoperability between the two systems.

Human Resources

Promoting an overall safety culture and developing management skills were two key concerns of skyguide's HR organisation in 2004. Prompted also by the cost reductions called for by the Confederation, the year saw intensive negotiations with the company's staff associations.

IREAP Phase 1

Safety is skyguide's paramount principle. So promoting and encouraging a safety culture is one of the most important objectives of the company's Human Resources organisation. All skyguide employees took part in a programme in the course of 2004 which was aimed at strengthening the corporate safety culture: the Individual Responsibility and Ethical Awareness Programme (IREAP). The programme included workshops to promote a safety-minded attitude and approach and raise awareness of the individual responsibility of each employee. The programme also promotes six specific courses of action, including open feedback: every employee is urged to communicate on all safety-related issues, regardless of hierarchy and however unpleasant such communications may be. IREAP will be continued in 2005.

Strengthening management skills

A high degree of specialisation and a strong identification with the company are the prime features of the relationship of skyguide's employees to their employer. In contrast to many companies, much of skyguide's middle management is made up of individuals who have been with the company throughout their working career. To ensure the adequate provision of the requisite management skills, all skyguide's managers were subjected to an appraisal by their superiors between November 2004 and February 2005. The appraisal was based on a set of management skills and abilities defined by Executive Management. Skyguide intends to make such appraisals an annual institution. To further cultivate management skills, the company is also devising specific training actions for groups and/or individual management staff. And to ensure the adequate provision of future management personnel and help develop and maintain a genuine management culture, the company has decided to launch a programme to identify, promote and deploy individuals with strong management potential.

A zero-tolerance policy on mobbing at the workplace

Conflicts will be encountered in any social environment, including the workplace. Skyguide practises an active conflict prevention policy to ensure that any such situations do not get out of hand. This policy, like the company's safety culture, is focused primarily on the responsibility borne by each individual employee. As a further measure, the company's Human Resources units inform employees actively on how to identify and cope with conflicts at work. Skyguide also provides neutral "conflict counsellors" whose services are available to any employee and who will also act as mediators if required. The aim of these endeavours is to make Human Resources itself a last resort in such situations, though such channels are also available if necessary. Skyguide also continues to reiterate its commitment to opposing any form of mobbing at the workplace in the strongest possible terms.

Ordinance on compensation for upper management staff

A new ordinance on the compensation payable and on further contractual conditions for the directors and top executives of companies of the Swiss Confederation entered into effect on February 1, 2004. Skyguide has implemented the terms of the ordinance in line with the overall framework prescribed by the Department of the Environment, Transport, Energy and Communications.

Cost savings for 2004

In view of the Federal Council's resolution of December 19, 2003 and the requirements communicated to the Board of Directors, skyguide must gradually and sustainably reduce its structural costs over a three-year period without compromising the capacity offered or the safety of its operations.

Finances, Controlling & Procurement

Skyguide continued to lobby for improvements in the existing financing system for ANS throughout 2004 – with success. The charge reductions in 2005 are the results of its own endeavours and the concessions made by the Swiss Confederation, passed on to the company's customers.

A positive overall result

Various factors, such as a conservative budgeting, contrived to ensure that skyguide posted only a slight deficit for the 2004 business year. The company had expected to see a substantial fall in traffic volumes at Zurich Airport, while the actual decline was less than anticipated. Operations at Geneva showed encouraging trends, with en-route traffic growing faster than predicted. Skyguide had also managed to renegotiate the terms and conditions of the ATMAS project with suppliers before the project was terminated; reaching a solution that was to the satisfaction of all the parties involved.

Transparent cost allocations

For several years, skyguide has been actively opposing the weaknesses in the existing financing system for Swiss air navigation services. These weaknesses include the lack of remuneration for the services provided for adjoining airspace outside Switzerland which is delegated to skyguide's control. There is no compensation for the net deficit incurred through the company's services at regional aerodromes and for general aviation, which it is required to provide under its government mandate. However, partial solutions were found with regard to the allocation of costs between skyguide and the Swiss government in 2004. These will benefit the users of skyguide's airspace, since costs which formerly had to be passed on to such users will now no longer be incurred.

To the customer's benefit

Skyguide, the Department of the Environment, Transport, Energy and Communications, the Federal Office for Civil Aviation, the Swiss Air Force and MeteoSwiss produced a report in 2003 on the shortcomings in the existing financing of Swiss air navigation services. The report has now prompted two resolutions from the Swiss parliament which are favourable to skyguide and its customers. First, as part of its deliberations on a proposal for 2005, the parliament agreed that the Swiss Confederation should assume the costs incurred as a result of the restrictions recently imposed by Germany on the use of Southern German airspace. As a result of the Swiss parliament's decision to reject the proposed new bilateral airspace agreement with Germany, skyguide has incurred substantial additional costs, which can now be passed on to the Confederation. The Swiss parliament also decided under its 2005 proposals that it should itself assume the regulator costs, a move which will have a further positive effect on skyguide's charge levels. In a further development, agreement was reached with the Swiss federal tax authorities on how to handle the value-added tax issue for delegated airspace areas, now and in the future. This will also result in lower costs for skyguide's customers.

Advantageous corporate financing

Skyguide issued a public bond in October 2004. Working with its prime bank partners, the company was able to obtain a seven-year CHF 200 million loan at an annual interest rate of 2.625%. The funds can be used to repay numerous earlier loans obtained at substantially higher interest rates. They can also be used to finance skyguide's contribution to the costs of the new Dübendorf complex (including the associated relocation costs) and to cover the company's liquidity needs. All in all, the loan strengthens skyguide's independence and will guarantee the company's financial stability for the next few years.

Lower charges for 2005

Skyguide informed its airspace users at their annual meeting that it had resolved to reduce its route charges by 6.5% to CHF 133.14 and to lower its approach charges (for most aircraft) by 10-15%. The company will also be implementing the final stage of the change of factor upon which it embarked in 2000.

Further IFRS norms introduced

Skyguide adopted a further international accounting norm in accordance with the International Financial Reporting Standards (IFRS) in 2004. The company now complies with IAS 16 regarding its property, plant and equipment. This means, among other things, that the company's own time spent on projects must now be capitalised. Current expenses are likely to decline as a result for a transitional period. These savings will be passed on to customers. In future, costs will only be passed on if they are incurred through depreciation on systems which are in operation and actually contribute to the services skyguide provides. The only remaining IAS requirement which skyguide must meet to comply with all IFRS norms is IAS 19, which relates to employee benefits: the financing of the provisions required for occupational pension schemes is not yet secured.

The Company



Corporate Profile

Skyguide is an advanced high-performance provider of air navigation services at the heart of Europe. The company currently has eleven operating locations in Switzerland and a workforce of some 1 400 employees. Its administrative head office is in Geneva.

Duties and mandate

Skyguide provides, in the public interest, high-quality customer-focused air navigation services in Swiss airspace and the airspace of neighbouring countries delegated to its control.

Core competence

With its many years of experience in handling the dense and demanding air traffic above Switzerland, skyguide is Europe's specialist in managing air traffic within complex airspace. The company is also a competence centre for aeronautical information management (AIM), radar and communications technology and data processing for the aviation sector. Its Aeronautical Information Service (AIS) is ISO 9002 and ISO DIS 9001-certified. And its integration of civil and military air traffic management under a single organisational roof is a pioneering achievement through which the company has demonstrated the many benefits that flexible airspace management can offer in terms of increasing overall airspace capacity.

Social importance

The safety and efficiency of its air transport services are fundamental to Switzerland, in terms of both its overall development as an attractive business location and the general mobility of its inhabitants and visitors. Skyguide also provides the services required by the Swiss Air Force to maintain the sovereignty of Switzerland's skies. The company further creates highly specialised jobs in a technically demanding field, helping nurture skills with strong future potential for the country as a whole. Skyguide is also an active member of various international organisations, and thereby helps enhance Switzerland's presence in European affairs.

Locations and responsibilities

The company has its head office in Geneva and operations at Zurich, Geneva, Berne and Lugano airports and at the country's largely military airfields of Alpnach, Dübendorf, Emmen, Locarno, Meiringen, Payerne and Sion (and occasionally Buochs, Lodrino and Mollis). A new operations centre is currently being built at Dübendorf, which will gradually come into use from summer 2005 onwards. At the regional aerodromes of Grenchen, St. Gallen Altenrhein and Les Eplatures, air navigation services are delegated by skyguide to the local airport operator. But skyguide still retains supervisory authority over air navigation services at these three aerodromes, and is also empowered to issue directives if required. Of the total flight kilometres managed by skyguide, just under 55% are in Swiss airspace, while some 45% are in foreign airspace delegated to its control by neighbouring countries.

History

Skyguide traces its origins back to Marconi Radio AG, a telegraphy company founded in 1922. Marconi Radio was renamed Radio Schweiz AG in 1928. Three years later, the Swiss Federal Air Office entrusted the company with responsibility for providing air navigation services in Switzerland. With a view to ensuring a clearer focus on its present-day core business, the company's air navigation services were spun off in 1988 into Swisscontrol, Swiss Air Navigation Services Ltd. Swisscontrol became a financially autonomous company in 1996. In 2001, the Swiss Confederation mandated Swisscontrol to provide military air navigation services – the first time in the history of European aviation that civil and military air navigation services have been provided by the same organisation. The company renamed itself skyguide to underline its new strategic thrust and provide a new common identity for its integration endeavours.

Annual Objectives and Strategy

Skyguide devotes its resources, its expertise and its energies to performing the mandate with which it has been entrusted of ensuring safe, smooth and cost-effective air traffic flows.

A review of the corporate objectives for 2004

Skyguide's strategic objective is to retain its skills and abilities, and to further expand these within its changing operating environment. Skyguide's annual objectives are traditionally focused on two strategic concerns: developing the company's core activities within a European operating environment, and raising corporate performance. The annual assessment of these two sets of objectives – which were largely achieved in 2004 – enables the company to measure its progress in implementing its overall corporate strategy.

Core activities

Skyguide's further development of its core activities is centred primarily on:

- the European Commission's intention to unify the continent's airspace by creating a Single European Sky and
- implementing the programme to harmonise national air navigation systems under the overall auspices of Eurocontrol.

Performance

The second set of annual corporate objectives focuses on the performance-enhancement component in the company's overall strategy. Skyguide regards "performance" as an optimum balance between safety, capacity and cost-efficiency; and the company sees performance as a vital determiner of its future role in the European air navigation services sector. By constantly enhancing its performance, skyguide is creating a sound foundation for its own operating future. And it aims to deliver an above-average performance in every area in which it wishes to play a major role.

Actions taken

This priority is itself associated with two clear actions.

Skyguide must:

- sharpen its competitive edge, by keeping delays down to levels that are acceptable to the airlines and simultaneously stabilising costs at their current levels while paying due and full regard to all safety requirements, and
- continue with the steps it has taken so far to reduce certain corporate risks, especially those relating to its customers, its services and its market's geographical limitations.

The Single European Sky

With the formal approval of the European ordinances on a single European airspace in March 2004, the Single European Sky initiative has now entered the implementation phase. The project, which is being headed by the European Commission, is intended to raise the overall performance of Europe's air navigation services – primarily by reorganising the continent's currently fragmented airspace into functional airspace blocks or FABs defined not along political lines but with maximum regard to operating requirements and technical possibilities. The European Commission is also keen to see the integration of civil and military air navigation services. The European bodies concerned used 2004 to define the "common requirements" of the continent's various air navigation service providers. These cover various areas such as safety, financial health, and organisation, medium-term planning and insurance cover. The service providers must meet the criteria specified in all these categories to receive the certification they will require to continue to offer their services within the unified European airspace structure.

Skyguide's pioneering role

Skyguide has supported the Single European Sky from the outset, and the project occupies a pivotal position in the company's overall strategy. With some 45% of the traffic it handles (in controlled kilometre terms) actually located in the adjacent airspace of neighbouring countries delegated to its control, skyguide's airspace is already largely modelled on the Single European Sky principle, albeit on a smaller scale. Skyguide sees these European aspirations as a unique opportunity to secure its long-term development, and supports a collaboration of a form to be devised and agreed with its national neighbours. Skyguide has already made a sizeable contribution to the development of the institutional and the political framework required to establish the new Single European Sky.

En route to an FAB Alps

The Functional Airspace Block Alps (FAB Alps) is skyguide's opportunity to play a substantial role in the new Single European Sky. The FAB Alps concept, an idea that was initially devised and developed within the skyguide organisation, reached a major milestone in October 2004 when Jean-Yves Delhayé, Director of France's air navigation service provider DSNA and Alain Rossier, CEO of skyguide, signed a memorandum of understanding under which the partners will conduct a joint feasibility study to assess the prospects of creating a large cross-border airspace block. FAB Alps should meet all the requirements of the Single European Sky, and should be administered using the means and resources currently available. The study's conclusions are expected to be available in 2005.

Financing air navigation services

The Swiss Federal Council has decided to rectify certain shortcomings in the current political structure for financing air navigation services. In doing so, the Federal Council is responding to the findings of "FinFluSy", an interdepartmental government workgroup commissioned by the Department of the Environment, Transport, Energy and Communications (DETEC) in 2003 which had identified various current financing practices that were to skyguide's disadvantage. The workgroup had drawn particular attention to the current lack of any remuneration for the services which skyguide provides in the adjacent airspace of several neighbouring countries, the debiting-on to skyguide of regulator costs and the deficits which skyguide currently incurs on the services it provides at regional aerodromes and for general aviation. In the light of these findings, the Federal Council instructed the DETEC to open negotiations with neighbouring countries with a view to formalising the operating agreements involved and the financial remuneration for the services provided by skyguide in the airspace of the countries concerned. In a further move, the Swiss government has decided that it will no longer debit skyguide for regulator costs.

Corporate Governance

Skyguide pursues a comprehensive and transparent information policy. The company aligns its financial reporting to the corporate governance guidelines issued by the SWX Swiss Exchange.

Legal status

Skyguide is a non-profit-oriented joint-stock company under Swiss law, and performs a legal mandate bestowed upon it by the Swiss Confederation. This mandate requires skyguide to ensure the safe, smooth and cost-effective management of Switzerland's air traffic. The mandate, which is specified in Article 40 of the Federal Aviation Act and Article 2 of the Ordinance on Air Navigation Services, extends to civil and military air traffic management, telecommunications services, the aeronautical information service and the technical services required to install, operate and maintain the company's air traffic management and air navigation systems.

Group structure and shareholding

The skyguide group includes skyguide subsidiaries skysoft-atm SA, Meyrin (founded on January 25, 2001 and 51%-owned), swisscontrol SA, Meyrin (founded on April 20, 2001 and 100%-owned) and skynav SA, Awans, Belgium (founded on January 3, 2001 and 100%-owned). All skyguide's subsidiaries are unlisted companies which are subject to civil law.

According to its bylaws, at least 51 % of skyguide's share capital must remain in the possession of the Swiss Confederation.

Structure of the capital

On February 6, 2004, the share capital of skyguide increased by CHF 50 million, bringing it to CHF 100 million. The majority underwriter of this increase (99.975%) is the Swiss Confederation. The capital was paid-in by conversion of loans from the Swiss Confederation (posted as "short-term debt" to liabilities on the balance sheet as at 31 December 2003) in the amount of CHF 49 987 500. The balance of the loan, i.e. CHF 12 500, was reimbursed to the Confederation on the same date. After this increase of share capital the Swiss Confederation holds now 99.91375% of the shares. (31 December 2003: 99.8525%).

The share capital is CHF 100 000 000 and is divided into 10 000 000 registered fully paid-up shares, with a par value of CHF 10 each. The structure of the capital remained unchanged in 2003 and 2004. No preferred share was issued.

No dividend was paid in 2003 and 2004.

The Board of Directors

Guy Emmenegger

Elected in 2004

Born in 1945. Guy Emmenegger is an attorney and a partner in a legal practice in Berne. He was elected Chairman of the Board in 2004.

Markus Gygax

Elected in 2003

Born in 1950. Major General Markus Gygax is Chief of the Air Force Operations Staff and Deputy Commander of the Swiss Air Force. He was elected Deputy Chairman of the Board in June 2003, and is a member of the Board's Projects Committee.

Urs Althaus

Elected in 2003

Born in 1946. Urs Althaus holds a doctorate in electrical engineering from the Zurich Federal Institute of Technology and the RWTH in Aachen. The owner of AMS Management Services GmbH and a member of the executive management of Förderagentur für Innovation KTI, he was elected to the Board of Directors in June 2003. He chairs the Board's Projects Committee.

Reto Hunger

Elected in 2003

Born in 1952. Reto Hunger joined the then Radio Schweiz AG in 1973. He was appointed Zurich Tower/Approach Duty Manager in 1994, and was further promoted to Head of Tower/Approach Safety & Quality Management in 2003. He was elected to serve as the employees' representative on the Board of Directors in June 2003, and is a member of the Board's Projects Committee.

Pierre Moreillon

Elected in 2000

Born in 1955. Pierre Moreillon holds a doctorate in law and is a partner in a legal practice. He was elected to the Board of Directors in June 2000, and is a member of the Board's Finance & Audit and Compensation committees.

Peter Saurer

Elected in 2002

Born in 1945. Peter Saurer, who holds a doctorate in economics, is deputy director of the Swiss Federal Finance Administration. He was elected to the Board of Directors in 2002, and chairs the Board's Finance & Audit Committee.

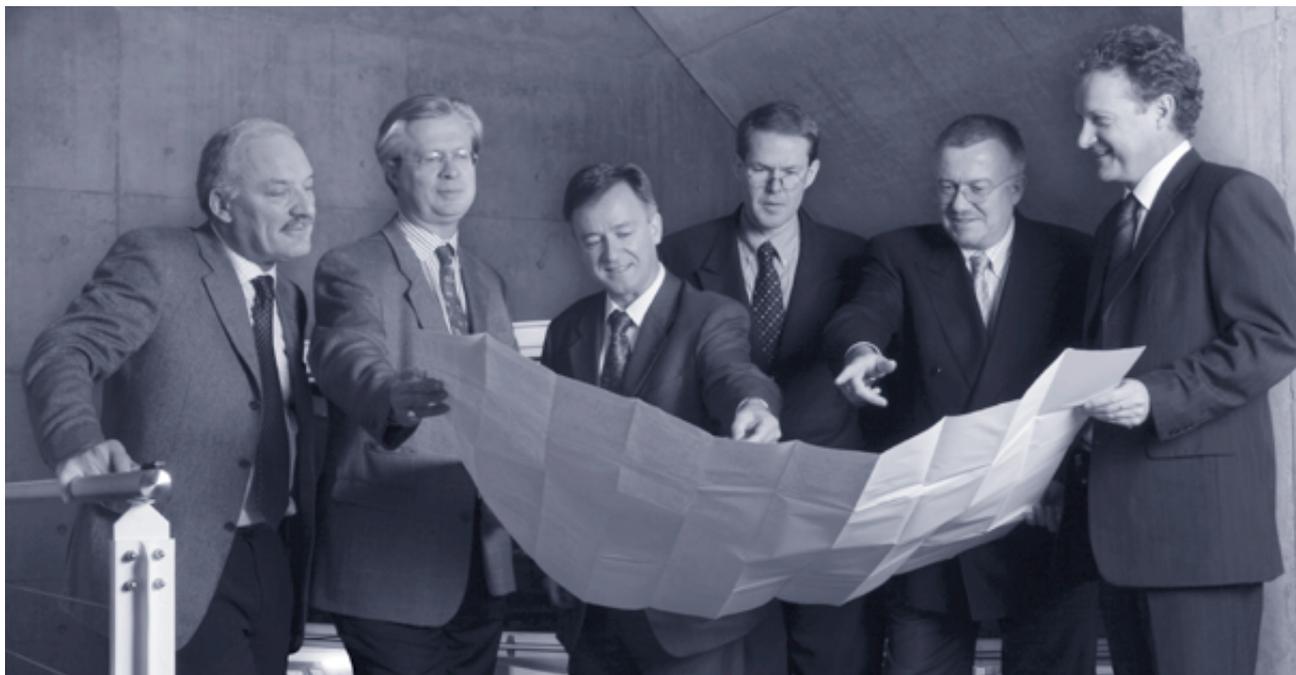
Urs M. Sieber

Elected in 2003

Born in 1948. Urs M. Sieber heads the Europe & Switzerland division of Swissport International Ltd. He was elected to the Board of Directors in June 2003. He is a member of the Board's Finance & Audit and Compensation committees.

Executive Management

Carlo Bernasconi
Philippe Chappuis
Alain Rossier
Francis Schubert
Marc Bohren
Yves-André Jeandupeux



Alain Rossier

CEO

Born in 1958. Alain Rossier, a graduate in economics, held various management positions at a number of major telecommunications companies in and outside Switzerland (most recently Swisscom) before he was appointed CEO of skyguide in 2001.

Philippe Chappuis

Technics and Deputy CEO

Born in 1957. Philippe Chappuis holds a doctorate in engineering from the Zurich Federal Institute of Technology. He previously served as a consultant on technical projects and held a number of management positions at Swissair. He has been Head of Technics and a member of Executive Management since 1996.

Carlo Bernasconi

ATC Operations

Born in 1949. After completing his air traffic controller training, Carlo Bernasconi went on to study educational science. He joined the company in 1971. He has been a member of Executive Management since 1999, initially as Head of Air Navigation Services Geneva and, since 2002, as Head of ATC Operations.

Marc Bohren

Finances, Controlling & Procurement

Born in 1956. Marc Bohren holds a master's degree from the CPCG together with various US commercial and stock exchange qualifications. After working in the banking sector in Switzerland and the USA for several years, he was appointed CFO of an international food corporation. He joined skyguide in 1999, and has been a member of Executive Management since 2000.

Yves-André Jeandupeux

Human Resources

Born in 1958. Yves-André Jeandupeux, a graduate in psychology, was formerly head of personnel for the Neuchâtel cantonal authorities. He joined Executive Management as Head of Human Resources in 2001.

Francis Schubert

Corporate Secretary

Born in 1961. Francis Schubert is a qualified air traffic controller and holds a doctorate in law. He joined the company in 1982 and has been a member of Executive Management since 2001. He also teaches aviation law at the Institute for Air and Space Law at McGill University in Montreal, Canada and at the John Molson Business School of Concordia University, Montreal, Canada; and he is president of the Swiss Air & Space Law Association.

Company Management

The General Assembly of Shareholders

The General Assembly of Shareholders is the highest body of the company and has the following non-transferrable powers and authorities: to adopt and amend the Articles of Incorporation; to elect and dismiss the Board of Directors, its Chairman and the statutory auditors; to approve the annual report and financial statements; to discharge the Board of Directors and Executive Management from their responsibility for the conduct of business during the previous financial year; to pass resolutions on any other issues which are assigned to its sole authority by law or under the company's Articles of Incorporation or are presented to it by the Board of Directors; to wind up the company. The General Assembly is quorate if a minimum of two-thirds of the company's shares are represented.

The Board of Directors

The Board of Directors comprises a maximum of seven members, who are each elected by the General Assembly of Shareholders to serve for a three-year term of office. They may be re-elected. Board members retire from the Board at age 65 or after serving for a maximum of twelve years. The majority of Board members must be Swiss nationals who are resident in Switzerland. The Board of Directors is empowered to take decisions on all business which is not the sole responsibility of the General Assembly of Shareholders or another corporate body. The Board is responsible for the ultimate management of the company.

Under the company's bylaws, the Board of Directors may delegate certain business to committees within its ranks. The Board currently has three such committees:

- the Projects Committee, which is commissioned, inter alia, to assist and support the company's technical and operations project teams and draw up corresponding recommendations for the consideration and decision of the full Board;
- the Finance & Audit Committee, which is tasked with preparing Board business in these fields (business development plan, budget, annual financial statements, financing issues, external auditors and analyses of internal controlling systems); and
- the Compensation Committee, which is empowered to determine the compensation paid to all Board members and the CEO. The Compensation Committee also considers the compensations proposed for Executive Management members and submits these for decision to the full Board.

Executive Management

Skyguide Executive Management consists of the CEO, the heads of the Technics, Operations, Human Resources and Finances, Controlling & Procurement divisions and the Corporate Secretary. The CEO may also appoint further management members to form an Enlarged Executive Management. Executive Management is responsible, under the leadership of its CEO, for the management of the company within the parameters of its statutory duties and authorities.

The CEO

The CEO is responsible for leading the company within the overall framework of the owner's objectives specified by the Board of Directors, the overall corporate strategy and the company's general business policy guidelines, and is thus responsible for the definition and the achievement of its corporate objectives. The CEO also represents the company towards the authorities, the public, its customers, its shareholders, its suppliers, its staff associations and similar parties.

Compensation policy

The Board's Compensation Committee fixes the compensations to be paid to all Board members and the CEO and submits these to the Board for decision. The compensations paid to Board members and members of Executive Management are presented here in accordance with the Management Salary Ordinance, which entered into effect on February 1, 2004.

The total compensation with meeting fees paid to all Board members including the Chairman for 2004 amounted to CHF 310 000. The highest compensation with meeting fees paid to an individual Board member amounted to CHF 108 000.

The total compensation paid to all members of Executive Management including the CEO for 2004 amounted to CHF 1 550 980, and CHF 417 405 was awarded as the performance-based compensation component and for other compensations. The highest single fixed compensation amounted to CHF 350 000, and the highest single performance-based compensation component including other compensations totalled CHF 99 186.

Cost control

Cost control is a permanent process for all employees with budgeting responsibility. To assist them in their work, all these employees have direct access to the company's SAP-based management information system, which features various reports with real-time accounting and budgeting information. These reports are compiled and updated by the Controlling & Charges unit.

Financial control, strategic control and reporting

Financial control is the responsibility of the Controlling unit. The unit monitors observance of the four-year finance plan (which is part of the overall business development plan), the annual budget and the executive information system (a quarterly budget reassessment) in collaboration with its partners within the various divisions. The annual budget is the prime foundation on which route and approach charge levels are set. A "balanced scorecard" approach is also adopted to monitor observance of the strategic guidelines set at all corporate levels.

Process enhancement and the quality management system

Skyguide has been developing a process-driven quality management system based on ISO 9000:2000 since the end of 2001, with the aim of securing the corresponding certification for the entire company in 2005. Parts of the company, such as the Aeronautical Information Service (AIS), have been certificated for several years. Measures to enhance processes within the company have been taken since 1991, based on the findings of the regular TriNET audits of its air traffic management activities. These audits were extended to the Technics division in 2003.

Auditors

PricewaterhouseCoopers AG have been skyguide's statutory auditors since 1996 and its group auditors since 2001. The head auditor is Mr. Felix Roth, who has held this position since 1998.

Audit and additional fees

PricewaterhouseCoopers AG charged skyguide around CHF 151 000 for the services associated with their statutory and group auditing mandate in 2004. This amount includes fees for examining the financial statements of skyguide and its subsidiaries and for auditing the skyguide group accounts. PricewaterhouseCoopers AG also performed further audit-related services in 2004, principally in connection with the issue and placement of a bond, for around CHF 180 000.

Personnel

Skyguide personnel numbers at January 1, 2005*

By division	Geneva	Zurich	Berne	Lugano	Military locations	Total
Directorate**	19.2	13.2				32.4
Operations	269.6	350.8	15.8	13.5	96.8	746.5
Technics	162.0	148.1	1.0			311.1
Corporate Secretariat	12.7					12.7
Finances, Controlling & Procurement	17.8	2.0				19.8
Human Resources	27.6	9.6				37.2
Total	508.9	523.7	16.8	13.5	96.8	1159.7
Apprentices and trainees	50.0	81.0			14.0	145.0
Temporary staff						28.3

* In full-time equivalents

** Including Safety & Quality Management and Communication

Safety Management

Skyguide's safety management is intended to identify and eliminate risks in the company's air traffic management system before these can cause damage or harm. The company reorganised and further expanded its safety management system in the course of 2004.

A four-pillar approach

Skyguide's safety management organisation is divided into four areas of safety assessment, safety auditing, safety monitoring and safety improvement. Safety assessment ensures that no compromises are made in safety terms when a new system is introduced or modifications are made to existing air traffic management systems. Safety auditing ensures that latent system risks are identified and rectified in good time. Safety monitoring analyses all incidents and ensures that the necessary lessons are learnt. And safety improvement consists of a reporting system which permits all employees to report any safety-relevant problems or issues.

Safety assessment

Skyguide's formalised safety assessment process has been an integral part of any modification to the company's air traffic management system involving major operational or technical issues for over two years now. The company made the necessary adjustments to the composition and organisation of its safety assessment team in the course of 2004, to ensure that all safety assessments are now conducted by qualified specialists working with the project managers concerned. The company has also further refined its safety assessment methods and worktools, providing the organisation with a sophistication which ensures that its risk assessment and mitigation are efficiently conducted. The Federal Office for Civil Aviation has confirmed the professionalism and the thoroughness of the skyguide safety management system in two successive audits. But the company still intends to further enhance its safety assessment workflows and procedures over the next few months.

Safety auditing

Skyguide has been successfully collaborating with its partner air navigation service providers DFS of Germany and Austro Control of Austria within the trinational TriNET audit management organisation since 1998. This close collaboration enables all three partners to acquire a wealth of experience and benefit from the interchange within this close specialist circle. TriNET conducted ten audits within skyguide's operations and technical services in 2004, while Skyguide's auditors applied their expertise by conducting new audits at its German and Austrian partners. The TriNET collaboration also helps ensure a harmonised and consistent further enhancement of skyguide's safety management system.

Safety monitoring

Errors must basically be avoided. But when they do occur, lessons must be learnt and corrective action taken. One of the key objects of safety monitoring is to promote a willingness to report all incidents and events. This error-reporting culture showed further positive trends at skyguide in the course of 2004. The number of incidents reported almost doubled. And the company approved a modified Occurrence Reporting Policy at the end of the year to further support these developments. The new policy states clearly and unequivocally that the aim of reporting an incident is not to blame an individual but to help further enhance the safety of the entire air traffic management system. Skyguide has also established a new organisation and new processes to increase the confidentiality of its internal reporting channels. In a further move, all the employees involved in evaluating the incidents that occur have received further training at Eurocontrol to raise the company's expertise in this area of its activities.

Safety improvement

Skyguide's safety improvement reporting (SIR) system, which had been introduced the previous year, saw the submission of over 100 reports to the relevant units in 2004. SIR is intended to identify weak points as quickly as possible and initiate appropriate actions in response. The system offers all employees the opportunity to play an active part in the company's continuous efforts to further enhance safety.

Safety awareness

Skyguide's regular Safety Bulletins and Safety Letters all have the same key objective of raising and maintaining safety awareness. Safety must be a topic on which every employee communicates openly throughout the corporate organisation.

The Safety Steering Group

The Safety Steering Group, which consists of members of Executive Management and holders of CEO staff functions, is responsible for defining skyguide's safety parameters, guidelines and regulations. These are then implemented by the company's Safety & Quality Management unit in collaboration with the various divisions. The Safety Steering Group also monitors the progress of all safety-related work and the observance of all processes, and performs a decision-making role in all safety assessments.

Environmental Care

Air navigation services are intended to ensure the safety of flight operations. Skyguide's mandate does not extend to environmental protection. And the company has few opportunities to play an influential role on the ecological front. Safety will always be the number-one concern.

No responsibility for noise issues

The Swiss Confederation assumes its responsibility for ensuring that air traffic operations are as easy on the environment as possible by imposing takeoff, landing and overflight restrictions in certain clearly-specified areas. When it assesses an airport's operating regulations, the Confederation will also consider the impact of air traffic on the local environment and population. Skyguide is a specialist in devising airport approach and departure regulations. But it only performs these activities when commissioned to do so, and has no decision-making authority in the approval of arrival or departure routes.

Despite this, however, some 50% of all the inquiries received by the company's Customer Services unit in Zurich are about aircraft noise. Over half of these are from organisations and residents to the south of Zurich Airport, while 13% come from Southern Germany. Skyguide refers most of these inquiries on to the persons responsible within the airport organisation.

Fuel dumping

Occasionally, an aircraft will need to jettison or "dump" large amounts of fuel into the air for safety reasons. This may be necessary, for example, if a heavy long-haul aircraft is forced to abort its flight shortly after takeoff and return to its airport of departure because it is not possible, for safety reasons, to land with full fuel tanks.

No danger for people or the environment

Fuel may only be dumped in this way at a certain altitude and at a certain speed. When it is jettisoned, the fuel concerned is atomised into minute droplets or aerosols. These aerosols sink very slowly to the ground or vaporise completely. Only 0.1% of the fuel jettisoned ever reaches the ground, where it is rapidly degraded by microbiological processes.

A rare occurrence

Despite the rise in air traffic volumes, the number of cases in which fuel has had to be dumped has not increased significantly over the past few years. Swiss airspace saw an average of five fuel dumps a year between 1990 and 2002, with an average of some 25 tonnes of fuel jettisoned each time. Skyguide always informs the relevant authorities whenever it has given a captain in its airspace permission to dump fuel.

Electrosmog

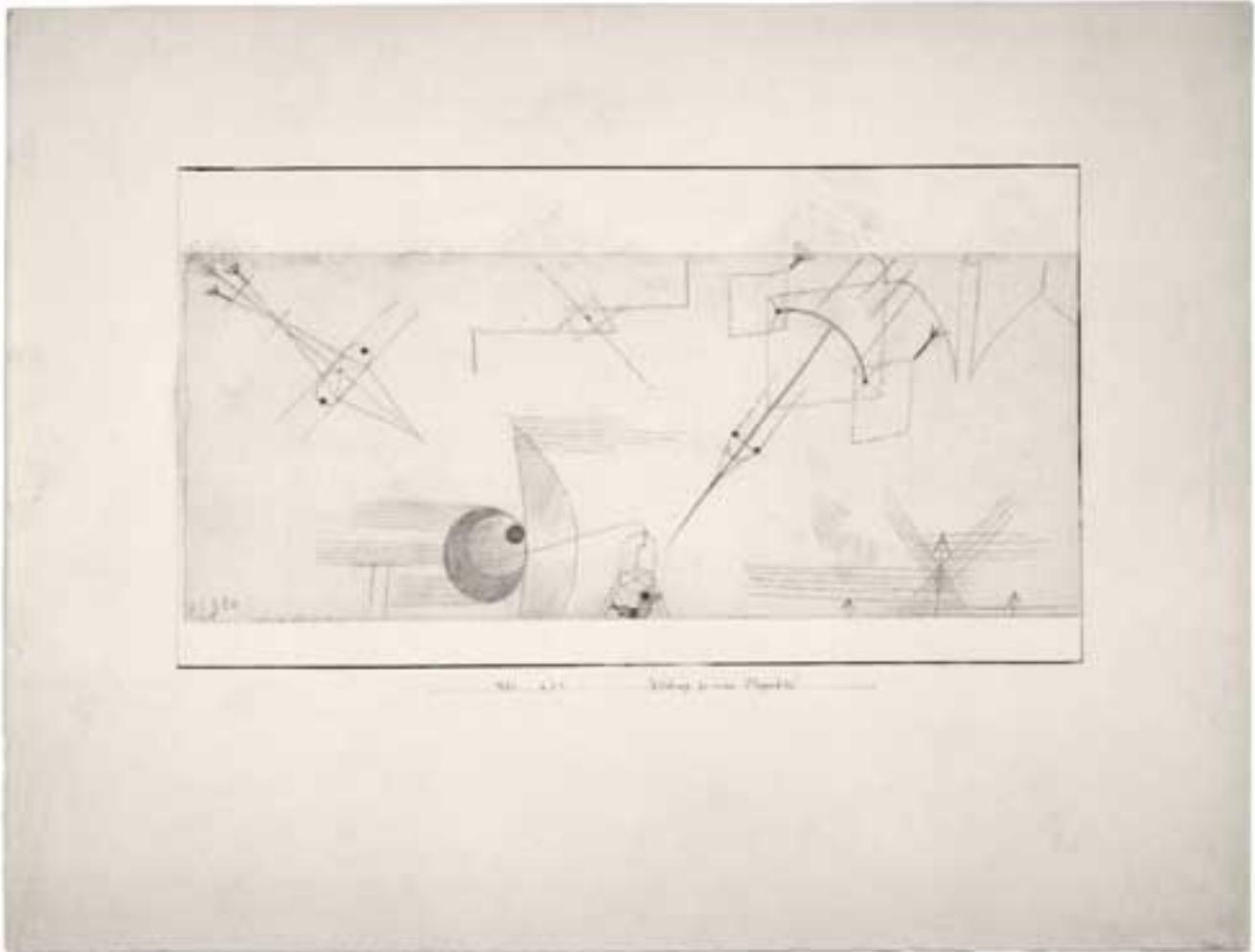
Radiation permanently monitored

Skyguide maintains numerous electronic installations that are designed to ensure flight safety. Radar facilities, radio and navigation systems and communications equipment all produce electromagnetic radiation – just like any mobile phone. The radiation emitted by these facilities is carefully measured and monitored.

To prevent such radiation causing ecological damage or (particularly) personal harm, the Swiss Federal Council introduced new environmental legislation on February 1, 2000 in the form of the Ordinance relating to Protection from Non-Ionising Radiation (NISV), which defined threshold emission levels above which such harm might be caused. The ordinance lays down rules and regulations for various types of equipment, and also applies to skyguide's transmitters and radar installations. Skyguide makes precise calculations for every one of its facilities which is subject to the NISV and its provisions. And these calculations provide the foundation for the proof of compliance that the company submits to the state regulator, the Federal Office for Civil Aviation, which is tasked with monitoring such compliance.

Protecting people and the environment

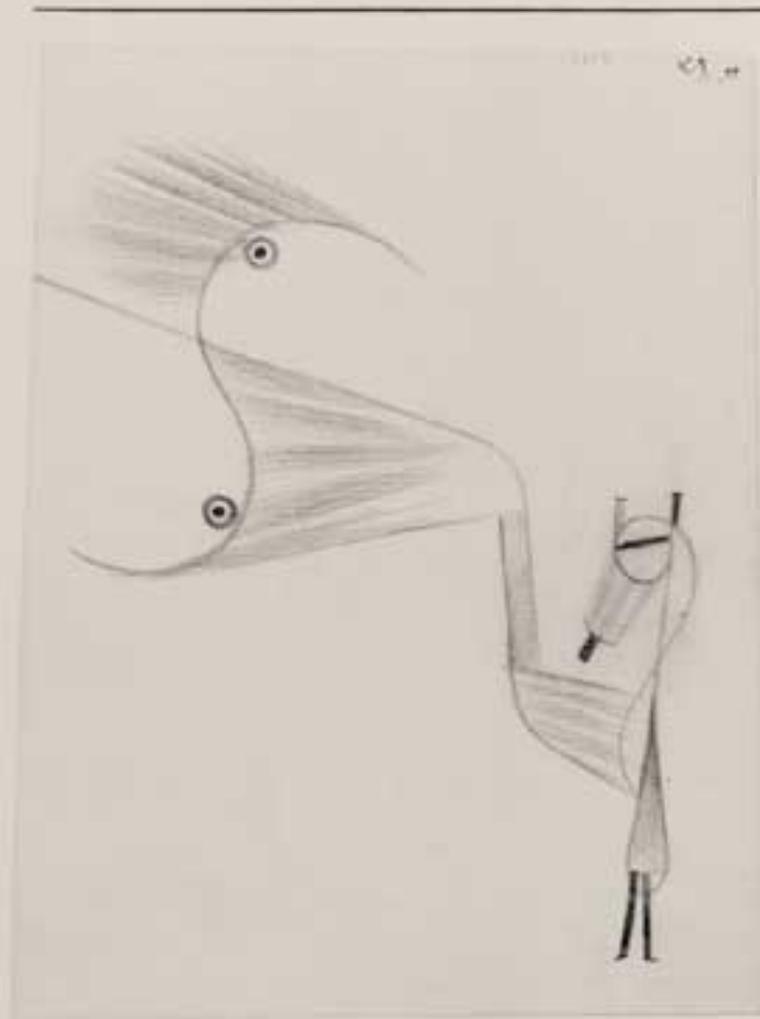
The radiation emission values used in Switzerland incorporate the internationally-recognised thresholds (which are also included in a new recommendation by the European Commission), and are further supplemented by the Swiss Environmental Protection Act, which adopts a preventive approach of prescribing even stricter radiation threshold levels. Skyguide strictly complies with these values, because it is convinced that not only the local population but also its own employees who are subjected to electronic radiation in their day-to-day work have an absolute right to maximum protection of their health and their working environment.



Paul Klee

Drawing for the picture of a plane, 1920
9.6 x 23.4 cm
Zentrum Paul Klee, Berne

A young fox would like to fly, 1922
18.8/18.5 x 13.7/14.4 cm
Zentrum Paul Klee, Berne



03.11.02 ein kleiner Vogel mit 2 Augen

Statutory Accounts

Income Statements for the Years Ended December 31, 2004 and 2003

in KCHF	2004	2003
Air navigation services revenue	362 721	341 263
Other operating revenue	2 674	1 998
Total operating revenue	365 395	343 261
Total personnel expenses	224 239	228 769
Eurocontrol contribution	16 223	15 736
Meteorological services contribution	18 332	17 780
Other external air navigation services	5 476	5 391
Leased communication lines	2 198	1 821
Material and supplies, maintenance	8 775	8 414
Property-related expenses	12 457	12 218
Energy	2 591	1 934
Administrative expenses	11 390	9 998
Allowance for bad debt (2003: reversal)	2 094	-20 674
Unplanned depreciation	28 580	5 997
Depreciation	29 434	29 219
Total other operating expenses	137 550	87 834
Total operating expenses	361 789	316 603
Operating result	3 606	26 658
Financial income	6 011	9 341
Financial expenses	9 148	10 470
Financial result	-3 137	-1 129
Gross result	469	25 529
RC over-recovery n-2 brought forward	4 569	0
AC under-recovery brought forward n-1	-16 388	-16 144
Balance brought forward	-11 819	-16 144
RC over-recovery n+2 carried forward	-6 923	-11 012
RC under-recovery carried forward n+1	19 000	0
AC under-recovery carried forward n+1	10 497	16 388
Balance carried forward	22 574	5 376
Net result	11 224	14 761

Balance Sheet as at December 31, 2004 and 2003

in KCHF	31.12.2004	31.12.2003
Assets		
Current assets		
Cash and cash equivalents	159 971	23 387
Intercompany receivables	34	294
Receivables and advances	40 900	58 757
Derivative assets	1	0
Prepaid expenses	53 672	39 613
Total current assets	254 578	122 051
Non-current assets		
Long-term advances and other long-term assets	10 660	6 613
Property, plant and equipment	371 431	299 241
Investments in affiliates	247	197
Securities	103	45
Total non-current assets	382 441	306 096
Total assets	637 019	428 147
Liabilities		
Current liabilities		
Trade and other payables	17 690	23 102
Short-term debt	537	51 092
Derivative liabilities	3 724	4 891
Intercompany payables	112	0
Advances and other short-term liabilities	5 713	4 715
Accrued liabilities	96 443	59 576
Short-term provisions	4 817	11 144
Total current liabilities	129 036	154 520
Non-current liabilities		
Long-term provisions	725	725
Long-term debt	260 530	92 500
Other long-term liabilities	31 692	26 590
Total non-current liabilities	292 947	119 815
Total liabilities	421 983	274 335
Shareholders' equity		
Share-capital	100 000	50 000
Legal reserve	12 900	12 900
Other reserves	90 899	76 026
Retained earnings brought forward	13	125
Result for the year	11 224	14 761
Total shareholders' equity	215 036	153 812
Total liabilities and shareholders' equity	637 019	428 147

Annex to the Statutory Accounts at December 31, 2004

Skyguide, swiss civil and military air navigation services ltd (hereinafter "skyguide"), operates under a mandate given by the Swiss Confederation. This mandate is governed by the Federal Aviation Act and the associated Ordinances. The company is domiciled at 15-17 route de Pré-Bois, in Meyrin (Switzerland).

Basis for the establishment of the accounts

The annual accounts are drawn up in accordance with the Swiss Code of Obligations. The accounting principles applied are in line with those described for the closure of the annual accounts at December 31, 2004.

Receivables and advances

in KCHF	2004	2003
Receivables from collecting organisations	31 595	31 036
Other receivable	7 863	25 610
Advances to the pension fund	2 539	4 803
Personnel related receivable	3 801	1 039
VAT Receivable	2 707	3 139
Allowance for bad debt	-7 605	-6 870
Total receivable and advances	40 900	58 757

Contingent liabilities

a) Guarantee deposits

in KCHF	2004	2003
Swiss customs and excise authority: surety for provisional customs duties	160	160
Zurich Chamber of Commerce and Industry: ATA booklets	33	33
Total	193	193

These have been deposited with the Cantonal Bank of Berne.

b) Other guarantee deposits

in KCHF	2004	2003
Rent guarantees in favor of employees	68	113
Total	68	113

These have been deposited with the Cantonal Banks of Berne and Geneva.

c) Other commitments and provisions

Skyguide has set up a provision of KCHF 54 linked to the lawyers' fees which are not covered by the legal protection insurance policies (non-ATC staff tried under the penal enquiry linked to the tragic accident that occurred on July 1, 2002 over Überlingen). No other provision has been set up in relation to this accident. This decision is based upon the legal protection and liability insurance cover (CHF 500 million) in force at the time of the accident. These insurance policies are renewed annually and the cover adapted to the trend in the market (the liability cover amounts to CHF 1 billion as at December 31, 2004).

Bond

Date of issue	19 October 2004
Date of reimbursement	19 October 2011
Amount in CHF	200 000 000
Interest rate	2.625 %
SWX listing N° value	1 957 462
SWX listing N° ISIN	CH0019574620

Other commitments not included in the balance sheet

Operating leases

The future maturities of the operating leases are as follows:	in KCHF 2004	in KCHF 2003
Within one year	263	241
In the second year	263	110
In the third to the fifth year inclusive	292	325
Total	818	676

The above table summarizes the company's commitments concerning operating leases.

These operating leasing arrangements relate only to the rental of photocopiers and office software and servers. Commitments are calculated based on current contracts, for the agreed contractual term.

Fire insurance value of property, plant and equipment

in MCHF	31.12.2004	31.12.2003
Fire insurance coverage – property, plant and equipment	552.86	530.46
Total	552.86	530.46

Pension fund

in KCHF	2004	2003
Short-term liabilities	9 000	3
Long-term liabilities	0	9 000

Skyguide subsidiaries

Name of subsidiary	Activity	Country	2004	2004	2003	2003
			% held	Paid-in capital by skyguide (KCHF)	% held	Paid-in capital by skyguide (KCHF)
skysoft-atm SA	Software development	Switzerland	51	51	51	51
skynav SA	Holding	Belgium	100	96	100	96
swisscontrol SA	Dormant	Switzerland	100	50	100	50
				197		197

The total of KCHF 247 on the balance sheet includes KCHF 50 of capital not paid up in favor of swisscontrol. For the above companies, the voting rights do not differ

from the rate of capital holding.

On April 1, 2005 skyguide increased its participation in skysoft-atm to 70% (KCHF 1350).

Share capital

On February 6, 2004, the share capital of skyguide was increased by CHF 50 million, bringing it to CHF 100 million. The majority underwriter of this increase (99.975%) was the Swiss Confederation. The capital was paid in by conversion of loans from the Swiss Confederation (recorded as "Short-term debt" on December 31, 2003) in the amount of CHF 49 987 500. The remainder of the loan, i.e. CHF 12 500, was reimbursed to the Confederation on the same date. After this capital increase, the Swiss Confederation holds 99.91375% of the company (December 31, 2003: 99.8525%). The share capital is CHF 100 000 000 and is divided into 10 000 000 registered fully paid-up shares, with a par value of CHF 10 each. The structure of the capital remained unchanged in 2003 and 2004. No preferred share was issued. The Federal Aviation Act specifies that the majority of the capital belongs to the Swiss Confederation. The bylaws of the company stipulate that this holding is a minimum of 51%. No dividend was paid in 2003 and 2004.

Over- and under-recovery

Amounts carried forward and brought forward from over- and under-recoveries are specific for our industry and governed by the "Principles for establishing the cost-base for route facility charges and the calculation of the unit rates" of Eurocontrol, as well as the Ordinance on air navigation services.

An under-recovery corresponds to a negative annual result on the air navigation services account. The amount of the under-recovery is reintegrated into the calculation of the rates for the following year (year n+1) for the approach activity (AC) and the second year following (year n+2) for the route activity (RC). These elements are added to the income statement and under the heading "Prepaid expenses" for the part to be recovered the next year, and under the heading "Advances and other long-term assets" for the second year following.

An over-recovery corresponds to a positive annual result on the air navigation services account. The amount of the over-recovery is reintegrated into the calculation of the rates for the following year (year n+1) for the approach activity and the second year following (year n+2) for the route activity. The over-recovery in respect of military activities is retroceded the following year (year n+1). These elements are deducted from the income statement and under the heading "Accrued liabilities" for the part due the following year and under the heading "Other long-term liabilities" for the second year following.

On October 8, 2004, the Eurocontrol Enlarged Commission decided that the deficit or surplus on route activity is to be recovered either in the year n+2 or spread over a maximum period of 6 years (for years n+1 to n+6).

Proposal of the Board of Directors

Proposal of the Board of Directors for appropriation of retained earnings

in KCHF	Proposal of the Board of Directors 2004	Resolution of the annual general meeting 2003
Appropriations to general legal reserve	600	0
Appropriations to other reserves	10 400	2 900
To be carried forward	237	13
Total	11 237	2 913

Report of the Statutory Auditors



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

As statutory auditors, we have audited the accounting records and the financial statements on pages 44 to 47 of SKYGUIDE, swiss civil and military air navigation services limited for the year ended 31 December 2004.

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

J Andenmatten

Lausanne, 15 April 2005

Consolidated Financial Statements

Consolidated Income Statements for the Years Ended December 31, 2004 and 2003

in KCHF	Note	2004	2003
Air navigation services revenue		362 721	341 263
Other operating revenue		3 380	3 212
Total operating revenue	1	366 101	344 475
Total personnel expenses	2	226 121	229 727
Eurocontrol contribution		16 223	15 736
Meteorological services contribution		18 332	17 780
Other external air navigation services		5 476	5 391
Leased communication lines		2 198	1 821
Material and supplies, maintenance		8 421	8 293
Property-related expenses		12 457	12 218
Energy		2 591	1 934
Administrative expenses		11 659	9 719
Allowance for bad debt (2003: reversal)	3	2 094	-20 674
Unplanned depreciation	4	28 580	6 356
Depreciation		29 120	29 130
Total other operating expenses		137 151	87 704
Total operating expenses		363 272	317 431
Operating result		2 829	27 044
Financial income	5	6 018	9 350
Financial expenses	6	9 134	10 475
Financial result		-3 116	-1 125
Before tax result		-287	25 919
Taxes	7	34	183
After tax result		-321	25 736
Minority interests		43	284
Result after minority interests		-364	25 452
RC over-recovery n-2 brought forward		4 569	0
AC under-recovery brought forward n-1		-16 388	-16 144
Balance brought forward	8	-11 819	-16 144
RC over-recovery n+2 carried forward		-6 923	-11 012
RC under-recovery carried forward n+1		19 000	0
AC under-recovery carried forward n+1		10 497	16 388
Balance carried forward	9	22 574	5 376
Net result		10 391	14 684

Consolidated Balance Sheet as at December 31, 2004 and 2003

in KCHF	Note	31.12.2004	31.12.2003
Assets			
Current assets			
Cash and cash equivalents	10	162 257	25 082
Receivables and advances	11	40 986	58 792
Derivative assets	16	1	0
Prepaid expenses	12	53 629	39 733
Total current assets		256 873	123 607
Non-current assets			
Long-term advances and other long-term assets	13	10 660	6 613
Property, plant and equipment	14	368 271	297 126
Securities		273	215
Intangible assets		38	0
Total non-current assets		379 242	303 954
Total assets		636 115	427 561
Liabilities			
Current liabilities			
Trade and other payables		17 703	23 286
Short-term debt	15	537	51 092
Derivative liabilities	16	3 724	4 891
Advances and other short-term liabilities	17	5 768	4 747
Accrued liabilities	18	97 349	59 614
Short-term provisions	19	4 808	9 490
Total current liabilities		129 889	153 120
Non-current liabilities			
Long-term provisions	20	725	725
Long-term debt	15	260 530	92 500
Other long-term liabilities	21	31 692	26 590
Total non-current liabilities		292 947	119 815
Total liabilities		422 836	272 935
Shareholders' equity			
Share capital	22	100 000	50 000
Legal reserve		12 920	12 920
Other reserves		89 410	74 601
Fair value reserve		9	1 842
Translation reserve		2	8
Retained earnings brought forward		7	126
Result for the year		10 391	14 684
Total shareholders' equity excl. minority interest		212 739	154 181
Minority interest		540	445
Total shareholders' equity		213 279	154 626
Total liabilities and shareholders' equity		636 115	427 561

Consolidated Cash Flow Statements for the Years Ended December 31, 2004 and 2003

in KCHF	2004	2003
Operating activities		
Result of the year	10 391	14 684
Depreciation	29 120	29 130
Unplanned depreciation	28 580	6 356
Interest income	-1 394	-1 965
Interest and interest instrument expenses	8 308	9 252
Taxes	34	183
Minority interest	43	284
Positive fair value on exchange rate or interest rate instruments	0	1 842
Negative fair value on exchange rate or interest rate instruments	-1 833	0
Positive fair value on available for sale securities	-58	0
Change in advances and other short-term receivables	17 806	-27 681
Change in prepaid expenses	-17 883	-7 295
Change in trade and other payables	-5 583	13 206
Change in advances and other short-term liabilities	1 021	-1 668
Change in accrued liabilities	15 965	-9 111
Change in short-term provisions	-3 623	-5 464
Over-recovery RC	13 687	11 012
Change in derivative assets	-1	0
Change in derivative liabilities	-1 167	-533
Cash flow from operating activities	93 413	32 232
Taxes paid	-216	0
Interest paid	-6 640	-6 289
Interest received	335	506
Net cash flow from operational activities	86 892	26 449

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in KCHF	2004	2003
Investing activities		
Net investment in property, plant and equipment	-128 846	-62 313
Net investment in intangible assets	-38	0
Purchase/sale of securities	0	-16
Net cash flow from investing activities	-128 884	-62 329
Financing activities		
(Decrease)/increase in short-term debt	-50 555	4 233
Long-term deferred revenues and advances received	11 698	4 752
Increase in long-term debt	208 030	22 500
Reimbursement of long-term debt	-40 000	0
Share capital increase	50 000	0
Net cash used in financing activities	179 173	31 485
Difference on foreign currency conversion	-6	12
Change in cash and cash equivalents	137 175	-4 383
Cash and cash equivalents at January 1	25 082	29 465
Cash and cash equivalents at December 31	162 257	25 082
Change in cash and cash equivalents	137 175	-4 383

Consolidated Statement of Changes in Shareholders' Equity, for the Years Ended December 31, 2004 and 2003

in KCHF	Share-capital	Legal reserve	Other reserves	Fair value reserve
Shareholders' equity at January 1, 2003	50 000	12 907	64 759	0
Cash flow hedges:				
– net fair value gains/(losses)				2 218
– reclassified and deducted from property, plant and equipment				-376
Currency translation difference				
Allocation to reserves		13	9 842	
Net result for the year				
Shareholders' equity at December 31, 2003	50 000	12 920	74 601	1 842
Cash flow hedges:				
– reclassified and reported in net profit				-760
– reclassified and deducted from property, plant and equipment				-1 058
Currency translation difference				
Minority interest variation			6	
Allocation to reserves			14 803	
Revaluation reserve for available for sale securities				
– reclassified and reported in net profit				-15
Issue of share capital	50 000			
Net result for the year				
Shareholders' equity at December 31, 2004	100 000	12 920	89 410	9

Translation reserve	Retained earnings brought forward	Net profit for the year	Total excluding minority interest	Minority interest	Total
-4	252	9 729	137 643	161	137 804
			2 218		2 218
			-376		-376
12			12		12
	-126	-9 729	0		0
		14 684	14 684	284	14 968
8	126	14 684	154 181	445	154 626
			-760		-760
			-1 058		-1 058
-6			0		0
			0	52	52
	-119	-14 684	0		0
			-15		-15
			50 000		50 000
		10 391	10 391	43	10 434
2	7	10 391	212 739	540	213 279

Annex to the Consolidated Accounts at December 31, 2004

General information

Skyguide, swiss civil and military air navigation services ltd (hereafter "skyguide"), operates under a mandate given by the Swiss Confederation. This mandate is governed by the Federal Aviation Act and the associated Ordinances. The company is domiciled at 15-17 route de Pré-Bois, in Meyrin (Switzerland).

Relations with the Confederation

The Swiss Confederation is the majority shareholder in skyguide. The Federal Aviation Act provides that the majority of the capital belongs to the Swiss Confederation. The bylaws of the company state that this holding must be at least 51%. A reduction in the holding of the Swiss Confederation would necessitate a modification of the law by the Federal Chambers, and such a decision might, under certain circumstances, be subject to a referendum. As the majority shareholder, the Swiss Confederation has the power to control all the decisions taken at the company's general meetings, including the election of the members of the Board of Directors.

Transactions with the Confederation

Skyguide entertains various business relationships with the Swiss Confederation or other companies in which it is the majority shareholder. These transactions include: loans from the Confederation, payment by the Confederation of exempted flights and advances from the Confederation for the construction of the new building complex at Dübendorf. These transactions are conducted under the usual market conditions.

Basis for the establishment of the consolidated accounts

The consolidated financial statements for the years ended December 31, 2004 and 2003 are prepared in accordance with the Swiss Accounting and Reporting Recommendations (Swiss GAAP-ARR) recommendations relating to the presentation of accounts and in accordance with the specific rules in force in our industry.

In accordance with the specific rules in force in this industry, skyguide applies the "Principles for establishing the cost base for route facility charges and the calculation of the unit rates" of Eurocontrol, as well as the Ordinance on air navigation services. These texts govern the handling of over- and under-recoveries.

The consolidated financial statements have been prepared under the historical cost convention, with the exception of the items "Derivative financial assets" and "Available for sale securities", both accounted for at their fair value. The consolidated financial statements have been prepared on an accrual basis. All the companies included in the consolidation draw up their accounts at December 31.

In order to allow comparability between the two periods, certain 2003 elements have been reclassified (changed headings) to bring them into line with the 2004 presentation.

Method of consolidation

The consolidated annual accounts include the accounts of skyguide and of its subsidiaries listed in the scope of consolidation.

Skyguide subsidiaries included in the scope of consolidation

Name of subsidiary	Activity	Country	2004 % held	2004 Paid-in capital by skyguide (KCHF)	2003 % held	2003 Paid-in capital by skyguide (KCHF)
skysoft-atm SA	Software development	Switzerland	51	51	51	51
skynav SA	Holding	Belgium	100	96	100	96
swisscontrol SA	Dormant	Switzerland	100	50	100	50

For the above companies, the voting rights do not differ from the rate of capital holding.

Skyguide fully consolidates subsidiaries in which it has a holding of more than 50% or exercises exclusive control, either directly or indirectly.

The assets and liabilities of its subsidiaries, together with the expenses and income, are included in full in the annual consolidated accounts. Any minority shareholdings in the

net equity and the result appear separately in the balance sheet and the consolidated income statement. Under the unity principle, the share of the minority shareholdings are included in the shareholders' equity.

Inter-company balances, expenses and income are eliminated upon consolidation.

On April 1, 2005 skyguide increased its participation in skysoft-atm to 70% (KCHF 1350).

Conversion into Swiss francs

The consolidated accounts are drawn up in Swiss francs (CHF) and presented in thousands of Swiss francs (KCHF). The subsidiaries of the Group express their financial statements in local currency. The conversion of the income statement of the foreign subsidiary (skynav SA) is carried out at the average exchange rate for the year, while the balance sheet is converted at the year-end rate. The translation difference resulting from the conversion of the balance sheet items is allocated to the shareholders' equity along with the translation differences on the income statement arising from the difference of the average and the year-end exchange rate.

Consolidation of the capital

The book value of the investments are eliminated with the share of the net assets at the time of the acquisition or foundation using the purchase method.

Authorization of the annual accounts

The annual accounts were authorized for publication by the Board of Directors in its meeting of April 15, 2005 and must still be approved by the general shareholders' meeting of June 23, 2005.

Accounting rules

The accounting rules of skysoft-atm SA and swisscontrol SA follow the rules described for skyguide. Skynav SA follows the Belgian accounting rules. The accounts of skynav SA are adjusted to the skyguide accounting principles. The main accounting rules used in the preparation of skyguide's consolidated financial statements are described below.

Foreign currencies

Functional currency

The elements included in the financial statements of skyguide are measured in the currency that best reflects the economic reality of the transaction. The accounts are presented in Swiss francs (CHF), which is the functional currency of skyguide.

Transactions in foreign currencies

Transactions in foreign currencies are converted to the functional currency at the closing rate of the prior month. The exchange losses and gains arising from the settlement of these transactions and from the reevaluation of the balance sheet items expressed in foreign currencies as at the balance sheet date are posted to the statement of income, unless the transactions qualify as "cash flow hedge" – in which case the exchange difference is posted to shareholders' equity.

Cash and cash equivalents

This item represents assets in current accounts as well as, if applicable, short-term deposits. These transactions are recorded at historical cost.

Receivables

Receivables are recorded at the amount originally billed. A provision for bad debts is established on the basis of a review of the open items at the end of the period, when there is high probability that the amounts will not be recovered by the company. Amounts which are definitely unrecoverable are written off.

Prepaid expenses

This caption includes the prepaid expenses relating to the following accounting period, as well as accrued income.

Securities

The securities are considered "available for sale" and, as such, are presented as non-current assets. They are valued at market rate at the closing date. Re-evaluations and losses and gains on the sales of such securities are accounted for under financial income or expense.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost, less accumulated depreciation. Depreciation method is straight-line and based on the following useful lives, by category of assets:

Nature of the assets	Depreciation term (years)
Buildings	7 to 33
Land	No depreciation
Fixed assets under construction	No depreciation
Building infrastructure	4 to 20
Vehicles	4 to 5
Air navigation facilities (ANF)	3 to 40
Furniture and equipment	1 to 8
Computer equipment (without ANF)	3 to 5
Measuring devices	8
Instruction and simulation equipment	1 to 8

Net losses or gains arising from the disposal of assets are posted to the statement of income, under "Unplanned depreciation". Interest on loans used to finance the acquisition of tangible assets is posted to the statement of income under "Financial expenses".

Expenses for repairs and maintenance are posted to the statement of income under "Material, repairs and maintenance". Expenses for major renovation are capitalised and amortised over the life of the element replaced, but never beyond the remaining useful life of the underlying asset.

Exchange losses and gains on transactions specifically attributable to a tangible asset are added to the value of the respective asset.

Costs of research for ongoing projects are not capitalised, but expensed as incurred.

Intangible assets created by the company (mainly software linked to air navigation) are not capitalised since the conditions required by the Swiss GAAP-ARR 9, Art. 4 are not all satisfied.

Intangible assets acquired by the company are included under this heading at their historical value, less accumulated depreciation. They are currently not separable from the value of the tangible assets.

Financial debts

All debts are recorded at their net proceeds received, on the date the funds are received.

The bond is initially recorded at the net proceeds received and then recognised in accordance with the amortised cost method.

Accrued liabilities

This item includes expenses payable relating to the current period, which will only be paid in the following period, as well as short- and long-term deferred income.

Provisions

A provision is constituted when the company has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow of resources representing economic benefits (liquidity) will be required to settle the obligation, and its amount can be reliably estimated.

Revenue

Revenue is recognised when the service is delivered. The amounts are posted to the statement of income, net of taxes.

Over- and under-recovery

Amounts carried forward and brought forward from over- and under-recoveries are specific for our industry and governed by the "Principles for establishing the cost-base for route facility charges and the calculation of the unit rates" of Eurocontrol, as well as the Ordinance on air navigation services.

An under-recovery corresponds to a negative annual result on the air navigation services account. The amount of the under-recovery is reintegrated into the calculation of the rates for the following year (year n+1) for the approach activity (AC) and the second year following (year n+2) for the route activity (RC). These elements are added to the income statement and under the heading "Prepaid expenses" for the part to be recovered the next year, and under the heading "Advances and other long-term assets" for the second year following.

An over-recovery corresponds to a positive annual result on the air navigation services account. The amount of the over-recovery is reintegrated into the calculation of the rates for the following year (year n+1) for the approach activity and the second year following (year n+2) for the route activity. The over-recovery in respect of military activities is retroceded the following year (year n+1). These elements are deducted from the income statement and under the heading "Accrued liabilities" for the part due the following year and under the heading "Other long-term liabilities" for the second year following.

On October 8, 2004, the Eurocontrol Enlarged Commission decided that the deficit or surplus on route activity is to be recovered either in the year n+2 or spread over a maximum period of 6 years (for years n+1 to n+6).

Financial and derivative instruments

Skyguide uses derivatives to hedge its exchange and interest rate risks, which are related to the normal course of its activities. These instruments are recorded on the basis of the “trade date”.

Derivative financial instruments consist of future exchange contracts, currency options, cross monetary swaps, swaps and interest rates swaptions.

Fair value hedging includes derivatives used to hedge the exchange risk and/or the interest rate risk. The profit or loss resulting from the revaluation of these fair value hedging instruments is booked to the income statement.

Cash flow hedging includes derivatives used to hedge the risk related to the cash flows resulting from future transactions (exchange and/or interest rate) and the risk related to the purchase of equipment in foreign currencies. The unrealised profit or loss arising from revaluation at the fair value of cash flow hedging instruments is posted to provisions, if the hedging of the risks is effective. This verification is performed regularly and at least quarterly. If the instrument is recognised as ineffective, the loss or gain arising from fair value revaluation is immediately posted to the statement of income. When the element covered by a hedging instrument is a fixed asset, the accrued gains and losses of such hedging instrument previously posted to provisions are charged to the cost of the fixed asset. When the element covered is a financing instrument, the accrued gains and losses of the hedging instrument relating to it are included in the amount of the loan.

Pension plan

The Group covers the costs relating to the professional pension of all its workers, as well as their assignees, under the legal prescriptions. All the pension plans are covered by Swiss law in accordance with skyguide’s bylaws. The pension obligations and the plan assets are managed by a legally independent pension fund. The organisation, the management and the financing of the pension plans are governed by the law (LPP), together with the deed of foundation and the regulations applicable to pensions in force.

The Group’s pension plans are defined contribution plans under the definition of Swiss GAAP-ARR 16. Accordingly, the employer’s contributions are recorded as current charges for the year and presented in the notes to the consolidated accounts under figure 2 “Personnel expenses”.

Transactions with related parties

According to Swiss GAAP-ARR 15, transactions with the Swiss Confederation, including the departments and other companies in which it is the majority shareholder, are not considered as related parties.

Risk management policy

Management of exchange risk exposure

The Swiss franc is the functional currency of the Group. Skyguide receives a significant part of its revenue in Euros. Most expenses are in Swiss francs and Euros. There are several contracts for acquisitions of property, plant and equipment items expressed in British pounds and US dollars. Exchange rate fluctuations versus the Swiss franc may have a significant impact on the company’s result. To reduce this risk, the company enters into certain instruments (options, forward exchange, swaps, etc.) on the currency market, within the limits of the rules set out by the Board of Directors.

The main objective of this risk management is:

- a) to avoid significant exchange losses on exposure to the functional currency; and
- b) to limit revenue volatility related to fluctuations in the exchange rate of foreign currencies.

Management of interest rate risk exposure

Skyguide mainly intends to protect itself against significant increases in net interest expenditure due to market fluctuations in interest rates. Given its position of net borrower, the interest rate risk is mainly addressed by managing the ratio of the fixed rate to the floating rate of the net debt. To limit the negative effects on the result of net interest expenditure linked to the potential rise in market interest rates, skyguide keeps at least 50% of the net debt at fixed interest rates.

Management of liquidity risk

Skyguide is exposed to this risk in the event of default of certain counterparts or a refinancing problem. The liquidity of the group is proactively supervised to ensure that the company can cover its obligations at all times.

Market risk

The company is exposed to market risk, primarily vis-à-vis the airlines, its major clients.

Dependence on the national carrier: swiss represents 24% of the total fees collected by skyguide (2003: 23%).

A reduction in the activity of swiss would have negative consequences on the company’s revenue. However, in light of the principle of full cost recovery (carry forward of over- and under-recoveries), skyguide is only temporarily exposed to this risk.

Notes to the consolidated financial statements as at December 31, 2004

1. Operating revenue

in KCHF	2004	2003
Route charges (RC)	229 376	216 094
Route charges received for free route services	3 859	3 829
Approach charges (AC)	96 494	88 062
Air Force compensation	28 745	29 026
Other air navigation services revenue	4 247	4 252
Total air navigation services revenue	362 721	341 263
Other operating revenue	3 380	3 212
Total other operating revenue	3 380	3 212
Total operating revenue	366 101	344 475

The item "Other air navigation revenue" includes revenue from maintenance and repair contracts, instruction, training and technical consulting.

The item "Other operating revenue" includes mainly revenue from property rentals and other services not related to air safety.

2. Personnel expenses

in KCHF	2004	2003
Salaries and social benefits	168 563	161 000
Duty and shift allowances	6 414	7 749
Social charges	47 258	49 192
Other personnel expenses	3 886	11 786
Total personnel expenses	226 121	229 727

The social charges include the employer's contributions in respect of pension benefits as indicated in the table below:

in KCHF	2004	2003
Employer's contribution	34 265	37 162

The average number of personnel, including personnel under training, was 1 326 in 2004, versus 1 296 in 2003.

3. Net allowance for bad debt

in KCHF	2004	2003
Allowance for bad debt (RC)	374	-3 613
Allowance for bad debt (AC)	1 655	-17 136
Allowance for bad debt (other)	65	75
Total allowance for bad debt (2003: reversal)	2 094	-20 674

In 2003, the allowance for bad debt represented principally the reversal of the provisions relating to the VAT dispute, settled in December 2003.

4. Scrapping of assets

On July 9, 2004, the Board of Directors decided to abandon the development of the ATMAS programme, which was supposed to contribute to raising the limit of the technical capacity of the air navigation services. Skyguide reached the conclusion that it is able to perfect its technical systems itself without ATMAS, and that skyguide will thus be able, until the arrival of the next generation of systems, to achieve the performance necessary (safety, capacity and effectiveness in terms of costs). In this regard, an unplanned depreciation of KCHF 25 739 was recorded in the heading "Unplanned depreciation" in the 2004 income statement (2003: KCHF 5 997). Other unplanned depreciation in an amount of KCHF 2 841 has also been recorded in 2004.

5. Financial income

in KCHF	2004	2003
Interest income	1 394	1 965
Net gain – foreign exchange transaction gains/losses	5	5 360
Revenue on foreign exchange instruments	2 521	0
QTE Lease revenue	2 025	2 025
Other financial revenue	73	0
Total financial income	6 018	9 350

6. Financial expenses

in KCHF	2004	2003
Interest expenses	7 397	8 585
Net loss – foreign exchange transaction gains/losses	822	35
Expenses on foreign exchange instruments	0	1 183
Expenses on interest instruments	911	667
Other financial expenses	4	5
Total financial expenses	9 134	10 475

7. Taxes

Skyguide is exempt from any federal, cantonal and municipal taxes according to Article 40, indent 3 of the Federal Aviation Act dated December 21, 1948.

The other companies are subject to taxes in their respective countries.

8. Balance brought forward

This item represents the amount brought forward in the current year (year n) of under-recovery of charges reported in the previous year (n-1) for approach fees and two years earlier (year n-2) for route activities.

9. Balance carried forward

This item represents the carrying forward to subsequent years of over- and/or under-recoveries on route and approach charges recorded for year n. The cumulative surplus of charges for the current year (year n) for the approach activity is carried forward to the airspace users over the following period (year n+1). The charges relating to the stoppage of the ATMAS programme will be recovered over 2 years (2005 and 2006). The income surplus for the current period (year n) for the route activity is carried forward to airspace users over the 2nd period following (year n+2). The income surplus for the military activity is retroceded the following year (year n+1).

10. Cash and cash equivalents

in KCHF	2004	2003
Cash and cash equivalents	54 544	25 082
Short-term cash deposits	107 713	0
Total cash and cash equivalents	162 257	25 082

Average interest rate on short-term deposits	1.70%	—
Average duration of short-term deposits (days)	37	—

11. Receivables and advances

in KCHF	2004	2003
Receivables from collecting organisations	31 595	31 036
Other receivable	7 934	25 632
Advances to the pension fund	2 550	4 803
Personnel related receivable	3 801	1 047
VAT receivable	2 711	3 144
Allowance for bad debt	-7 605	-6 870
Total receivable and advances	40 986	58 792

12. Prepaid expenses

in KCHF	2004	2003
Accrued income: under-recovery AC	10 497	16 388
Accrued income: under-recovery RC	19 000	0
Accrued income: other	20 538	19 525
Prepaid expenses	3 594	3 820
Total prepaid expenses	53 629	39 733

13. Advances and other long-term assets

in KCHF	2004	2003
Advances to the pension fund	3 875	6 578
Accrued income: under-recovery RC n+2	6 765	0
Other	20	35
Total long-term advances and other long-term assets	10 660	6 613

14. Property, plant and equipment

in KCHF	Buildings	Land	Total land and buildings
Acquisition value			
Status as at January 1, 2003	118 505	2 227	120 732
Additions	44	0	44
Reclassifications	-175	0	-175
Disposals	0	0	0
Status as at December 31, 2003	118 374	2 227	120 601
Depreciation			
Accumulated depreciation as at January 1, 2003	-28 013	0	-28 013
Depreciation	-4 020	0	-4 020
Unplanned depreciation	0	0	0
Reintegration	245	0	245
Accumulated depreciation of reclassifications	0	0	0
Accumulated depreciation of disposals	0	0	0
Accumulated depreciation as at December 31, 2003	-31 788	0	-31 788
Net book value as at December 31, 2003	86 586	2 227	88 813
Acquisition value			
Status as at January 1, 2004	118 374	2 227	120 601
Additions	1 891	0	1 891
Reclassifications	9 280	0	9 280
Disposals	0	0	0
Status as at December 31, 2004	129 545	2 227	131 772
Depreciation			
Accumulated depreciation as at January 1, 2004	-31 788	0	-31 788
Depreciation	-4 810	0	-4 810
Unplanned depreciation	0	0	0
Accumulated depreciation of reclassifications	-2 849	0	-2 849
Accumulated depreciation of disposals	0	0	0
Accumulated depreciation as at December 31, 2004	-39 447	0	-39 447
Net book value as at December 31, 2004	90 098	2 227	92 325

The amount of firm commitments at December 31, 2004 vis-à-vis suppliers for the acquisition of property, plant and equipment stood at KCHF 53 847 (December 31, 2003: KCHF 105 986).

Fixed assets under construction	Buildings infrastructure	Vehicles	Air navigation facilities (ANF)	Furniture and equipment	IT facilities (excl. ANF)	Measuring devices	Instrument and simulation facilities	Total plant and equipment excl. land and buildings	Total
92 683	32 657	1 539	176 566	12 472	29 968	9 667	13 074	368 626	489 358
52 794	2 113	336	4 399	324	1 707	519	77	62 269	62 313
-26 252	1 581	289	22 243	676	1 468	0	170	175	0
5	0	432	7 962	40	26	0	0	8 465	8 465
119 220	36 351	1 732	195 246	13 432	33 117	10 186	13 321	422 605	543 206
0	-11 264	-1 308	-123 558	-10 416	-25 640	-8 123	-10 742	-191 051	-219 064
0	-3 111	-146	-16 949	-804	-2 878	-335	-887	-25 110	-29 130
0	0	0	-5 997	0	0	0	0	-5 997	-5 997
0	-245	0	0	0	0	0	0	-245	0
0	0	0	0	0	0	0	0	0	0
0	0	427	7 641	34	9	0	0	8 111	8 111
0	-14 620	-1 027	-138 863	-11 186	-28 509	-8 458	-11 629	-214 292	-246 080
119 220	21 731	705	56 383	2 246	4 608	1 728	1 692	208 313	297 126
119 220	36 351	1 732	195 246	13 432	33 117	10 186	13 321	422 605	543 206
117 645	255	115	5 157	583	2 602	266	332	126 955	128 846
-21 565	-6 830	0	14 498	-29	3 073	-97	1 670	-9 280	0
26 091	0	41	25 640	46	22 876	0	0	74 694	74 694
189 209	29 776	1 806	189 261	13 940	15 916	10 355	15 323	465 586	597 358
0	-14 620	-1 027	-138 863	-11 186	-28 509	-8 458	-11 629	-214 292	-246 080
0	-3 242	-188	-15 765	-696	-3 156	-327	-936	-24 310	-29 120
0	0	0	-25 739	0	0	0	0	-25 739	-25 739
0	2 752	0	10	50	6	37	-6	2 849	0
0	0	41	48 907	45	22 859	0	0	71 852	71 852
0	-15 110	-1 174	-131 450	-11 787	-8 800	-8 748	-12 571	-189 640	-229 087
189 209	14 666	632	57 811	2 153	7 116	1 607	2 752	275 946	368 271

15. Short- and long-term debt

in KCHF	2004	2003
Short-term debt		
Bank overdraft	537	1 092
Borrowing from the Swiss Confederation	0	50 000
Total short-term debt	537	51 092

Long-term debt		
Bond	198 030	0
Borrowing from the Swiss Confederation	0	40 000
Borrowing from financial institutions	62 500	52 500
Total long-term debt	260 530	92 500

Maturity of long-term debt	2004	2003
In the second year	0	0
In the third to the fifth year inclusive	62 500	92 500
After the fifth year	198 030	0
	260 530	92 500

in %	2004	2003
Weighted average interest rate	3.9520	2.8871

in KCHF	2004	2003
Interest rate structure of borrowings		
Fixed interest rate debt	260 530	142 500
Variable interest rate debt	0	0
	260 530	142 500

In 2004, a penalty of KCHF 2 732 was paid for the early reimbursement of long-term loans amounting to a total of KCHF 40 000. This amount was posted in the interest charges but is not included in the calculation of the weighted average interest rate.

The fair value of the financial debts is not significantly different from their book value.

No guarantee or pledging of assets has been issued in relation to the financial debts.

Bond

Date of issue	19 October 2004
Date of reimbursement	19 October 2011
Amount in CHF	200 000 000
Interest rate	2.625 %
SWX listing N° value	1 957 462
SWX listing N° ISIN	CH0019574620

The issue price was 100.75 %.

An interest rate swap had been entered into before the issue of the bond, in order to fix a maximum rate on the loan.

This instrument had a cost of KCHF 1 451. With the instrument not ultimately having been exercised, the total cost of KCHF 1 451 will be amortised over the duration of the loan.

16. Derivative instruments

in KCHF	Contractual values – net		Positive fair value		Negative fair value	
	2004	2003	2004	2003	2004	2003
Fair value hedges						
Exchange rate instruments						
Forward foreign exchange contracts	6 326	24 000	0	0	44	410
Swaps	9 004	38 000	1	17	6	38
Total of exchange rate instruments	15 330	62 000	1	17	50	448
Interest rate instruments						
Interest rate swaps	50 000	45 000	0	0	3 674	4 206
Interest rate swaptions	0	10 000	0	0	0	254
Total of interest rate instruments	50 000	55 000	0	0	3 674	4 460
Cash flow hedges						
Exchange rate instruments						
Forward foreign exchange contracts	470	29 000	9	1 827	0	0
Total of exchange rate instruments	470	29 000	9	1 827	0	0
Total derivative financial instruments included in assets or liabilities	65 800	146 000	10	1 844	3 724	4 908

Derivative liabilities have the following maturities:	in KCHF 2004	in KCHF 2003
Within one year	20 800	101 000
Within the second year	20 000	5 000
Between the third to the fifth year inclusive	25 000	40 000
Total	65 800	146 000

17. Advances and other short-term liabilities

in KCHF	2004	2003
Other personnel related liabilities	1 550	610
VAT payable	3 875	4 107
Other liabilities	343	30
Total advances and other short-term liabilities	5 768	4 747

18. Accrued liabilities

in KCHF	2004	2003
Deferred revenue: over-recovery RC	11 012	4 569
Deferred revenue: QTE lease fees	24 300	26 325
Deferred revenue: other	46 300	11 214
Amount due to the pension fund	9 000	0
Charges to pay	6 737	17 506
Total accrued liabilities	97 349	59 614

In 2001 and 2002, skyguide concluded two “cross-border financial tax lease” agreements with a foreign investor and received net fees of CHF 30.9 million in this respect. Skyguide offset the underlying liability by irrevocably placing an equivalent quantity of financial assets with two high-quality

financial institutions. 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 from these two agreements are recognised as revenue over the fifteen-year life of the agreements (expiring in 2016). Accordingly, skyguide has recognised revenue of CHF 2 million for the current financial year. Certain amounts are payable only if skyguide violates contractual clauses.

19. Short-term provisions

in KCHF	Litigation	Personnel related	Other	Total short-term provisions
At January 1, 2003	11 848	3 005	101	14 954
Additional provisions	3 910	3 262	432	7 604
Utilised during the year	0	132	65	197
Unused provisions reversed	11 848	1 016	7	12 871
At December 31, 2003	3 910	5 119	461	9 490
At January 1, 2004	3 910	5 119	461	9 490
Additional provisions	153	755	250	1 158
Utilised during the year	2 851	1 713	175	4 739
Unused provisions reversed	1 059	42	0	1 101
At December 31, 2004	153	4 119	536	4 808

20. Long-term provisions

in KCHF	Site restoration	Total long-term provisions
At January 1, 2003	725	725
Additional provisions	0	0
Utilised during the year	0	0
Unused provisions reversed	0	0
At December 31, 2003	725	725
At January 1, 2004	725	725
Additional provisions	0	0
Utilised during the year	0	0
Unused provisions reversed	0	0
At December 31, 2004	725	725

The provision for site restoration concerns skyguide's commitments to renovate certain premises currently leased by the company to their initial occupancy condition when these premises are vacated.

21. Other long-term liabilities

in KCHF	2004	2003
Over-recovery RC (n+2)	13 687	11 011
Amount due to the pension fund	0	9 000
Advance received from the Swiss Confederation (construction Dübendorf), convertible in shares	16 178	4 752
Other	1 827	1 827
Total other long-term liabilities	31 692	26 590

22. Share capital

On February 6, 2004, the share capital of skyguide was increased by CHF 50 million, bringing it to CHF 100 million. The majority underwriter of this increase (99.975%) was the Swiss Confederation. The capital was paid-in by conversion of loans from the Swiss Confederation (recorded as "Short-term debt" at December 31, 2003) in the amount of CHF 49 987 500. The remainder of the loan, i.e. CHF 12 500, was reimbursed to the Confederation on the same date. After this increase in capital, the Swiss Confederation holds 99.91375% of the company (December 31, 2003: 99.8525%). The share capital is CHF 100 000 000 and is divided into 10 000 000 registered fully paid-up shares, with a par value of CHF 10 each. The structure of the capital remained unchanged in 2003 and 2004. No preferred share was issued. No dividend was paid in 2003 and 2004.

23. Contingent liabilities

a) Guarantee deposits

in KCHF	2004	2003
Swiss customs and excise authority: surety for provisional customs duties	160	160
Zurich Chamber of Commerce and Industry: ATA booklets	33	33
Total	193	193

These have been deposited with the Cantonal Bank of Berne.

b) Other guarantee deposits

in KCHF	2004	2003
Rent guarantees in favor of employees	68	113
Guarantees deposited on installments received	539	0
Total	607	113

These have been deposited with the Cantonal Banks of Berne and Geneva and with Crédit Suisse in Geneva.

c) Other commitments and provisions

Skyguide has set up a provision of KCHF 54 linked to the lawyers' fees which are not covered by the legal protection insurance policies (non-ATC staff tried under the penal enquiry linked to the tragic accident that occurred on July 1, 2002 over Überlingen). No other provision has been set up in relation to this accident. This decision is based upon the legal protection and liability insurance cover (CHF 500 million) in force at the time of the accident. These insurance policies are renewed annually and the cover adapted to the trend in the market (the liability cover amounts to CHF 1 billion as at December 31, 2004).

24. Fire insurance value of property, plant and equipment

in MCHF	2004	2003
Fire insurance coverage – property, plant and equipment	552.86	530.46
Total	552.86	530.46

25. Other commitments not included in the balance sheet

Operating leases

The future maturities of the operating leases are as follows:	in KCHF 2004	in KCHF 2003
Within one year	263	241
In the second year	263	110
In the third to the fifth year inclusive	292	325
Total	818	676

The above table summarises skyguide's commitments concerning operating leases. These operating leasing arrangements relate only to the rental of photocopiers and office software and servers. Commitments are calculated based on current contracts, for the agreed contractual term.

26. Pension funds

The patrimonial and financial position of skycare, the skyguide pension fund, according to the annual accounts, is as follows:

in KCHF	01.01.2004
Assets at market value	802 477
Pension obligations (liabilities)	794 069
Excess cover	8 408

% degree of cover: 101.1

On January 1, 2003, the air safety personnel pension fund (for controllers) took over the whole of the pension arrangements of the active and retired staff. On the same date, it was restructured and renamed "skycare". Previously, employees had been insured with two defined benefit pension schemes. In 2003, a net advance payment of CHF 11 380 735 was made to the pension fund to cover the transitional phase, which runs over 5 years, from 2003 to 2007.

Report of the Group Auditors



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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 on pages 50 to 68 of SKYGUIDE, swiss civil and military air navigation services limited for the year ended 31 December 2004.

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 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Swiss GAAP RPC and comply with Swiss law.

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

PricewaterhouseCoopers SA

F Roth

J Andenmatten

Lausanne, 15 April 2005

Statement for Air Navigation Services 2004

Principles

Skyguide provides its customers with two types of air navigation services:

- approach services at Swiss airports and airfields (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 each type of service, as well as estimated costs. The 2004 breakdown shows as follows: personnel (60%), operational costs (28%), depreciation (8%) and interest (4%). Operating costs include in particular the Swiss share of Eurocontrol (European Organisation for the Safety of Air Navigation) 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). Approach and route air navigation charges are calculated with the aim of covering all the costs incurred by skyguide for providing the service concerned. Should a year's operations result in an under-recovery or over-recovery, these results are passed on to users by raising or lowering the charges as appropriate. For approach charges the carryover occurs in the following year; with route charges it takes place two years later or over a maximum period of 6 years.

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 calculated on the basis of the kilometres covered and maximum take off weight. These two parameters are used to calculate the service units (SU), to which is applied the unit rate fixed for the year. Route charges are collected by a special unit at Eurocontrol and passed on to skyguide.

Cumulated cost coverage ratio

The negative impact of unplanned depreciation is not entirely offset by the evolution in the traffic expressed in SU of +5.2% compared to 2003. The result is an under-coverage of costs in the field of en-route services. It amounts to CHF 16 646 340 and the cumulated degree of coverage of the costs to 93.9%. The surplus coverage from 2002 is taken over in 2004.

As to the approaches, the cost coverage is achieved and stands at CHF 5 890 400 for 2004, thanks to the increase in the average rate of some 20% (in May 2003) and the positive evolution of the traffic. This is increased by the carry over of the under-coverage of the costs in 2003, which amounted to CHF 16 387 726, bringing the cumulated cost coverage to 88.6%. The estimated 2004 under-recovery was passed on to users in the determination of charges for 2005.

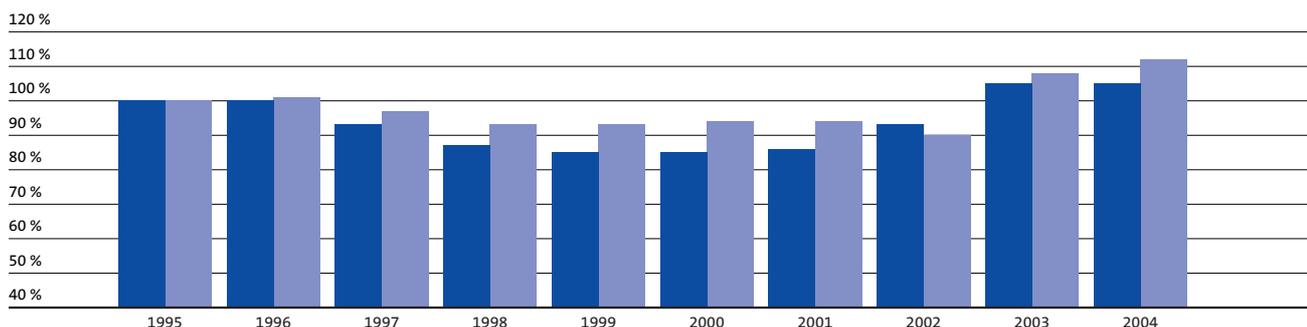
The precise over- /under-recoveries will be carried over into the statement for air navigation services for 2005.

Military result

The takeover of military air traffic control by skyguide yielded its first financial effects in 2002. In contrast to the en-route and approach results, which are financed via charges, the costs of military air traffic safety are fully covered by a flat-rate payment made quarterly by the Air Force to skyguide. This is established on the basis of the annual budget.

At the end of the accounting period, a breakdown is made and any balance is provisioned over the current year to be settled the following year. 2004 shows a balance of CHF 1 552 938 to the credit of the Air Force.

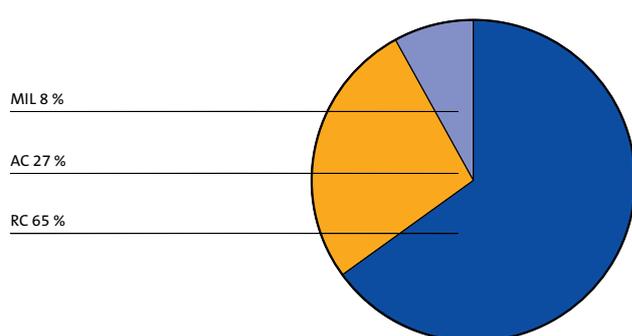
En-route and approach unit rate development 1995-2004



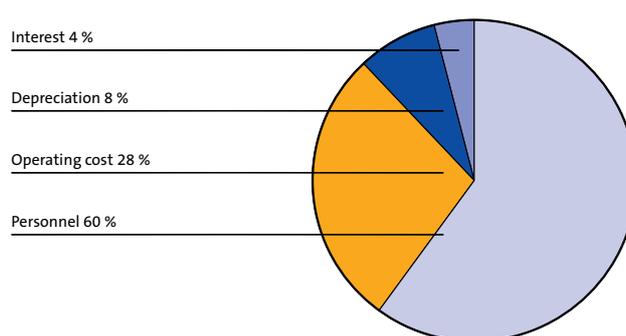
- En-route unit rate (in CHF)
- Average approach charge (in CHF) = Charges/Number of approaches

in CHF	Partial statement Route charges (RC)	Partial statement Approach charges (AC)	Partial statement MIL
Route charges RC	236 062 350		
Allowance for bad debt	-1 654 900	-374 193	
Approach charges AC		98 488 139	
Military compensation			28 744 460
Skyguide income	234 407 450	98 113 947	28 744 460
./. Income for airspace delegated by France	-51 484 063		
Swiss airspace income	182 923 388	98 113 947	28 744 460
Personnel charges	141 360 059	59 148 853	21 584 371
Operating expenses	77 427 520	21 118 050	6 487 901
Depreciation	20 934 248	7 763 838	453 727
Interests	11 331 964	4 192 806	218 461
Skyguide costs	251 053 790	92 223 547	28 744 460
./. Cost for airspace delegated by France	-51 484 063		
Swiss airspace cost	199 569 727	92 223 547	28 744 460
Operating result without carry-overs	-16 646 340	5 890 400	0
Cumulative cost coverage			
2004 income for Swiss airspace	182 923 388	98 113 947	28 744 460
+ Over-recovery RC 2002 (n-2)	4 569 083		
+ Over-recovery RA 2003 (n-1)			
2004 cost for Swiss airspace	199 569 727	92 223 547	28 744 460
+ Under-recovery RC 2002 (n-2)			
+ Under-recovery AC 2003 (n-1)		16 387 726	
Cumulative over-recovery / under-recovery	-12 077 257	-10 497 326	0
Cumulative cost coverage ratio	93.9%	88.6%	100.0%

Income structure ANS for 2004



Cost structure ANS for 2004



Glossary

AC Approach charges	DFS German Air Navigation Service Provider	SAMAX Swiss Airport Movement Area Control System
ACC Area Control Center	DMEAN Dynamic Management of the European Airspace Network	SEPAGE Sectorisation Pré-ATMAS Genève
AD Air Defence	DSNA French Air Navigation Service Provider	SES Single European Sky
AFPS Flightplan-Server for AIS/ARO services	DETEC Department of Environment, Transport, Energy and Communications	SIR Safety Improvement Reportings
AFTN Aeronautical Fixed Telecommunication Network	DVO German Implementing Regulation	SNOTAM NOTAM for airport conditions during the winter
AIG Aéroport International de Genève	EIS Executive Information System	SNTF Safety Net Task Force
AIM Aeronautical Information Management	ENAV Italian Air Navigation Service Provider	STARS Statistical Traffic Analysis Route Charges and Flight Plan Data Processing System
AIP Aeronautical Information Publication	ESARR Eurocontrol Safety Regulatory Requirements	STCA Short Term Conflict Alert
AIS Aeronautical Information Service	ETHZ Swiss Federal Institute of Technology Zurich	TCG Terminal Control Centre Geneva
AMIE AIS/MET Information Environment	Eurocontrol European Organisation for the Safety of Air Navigation	TCZ Terminal Control Centre Zurich
AIS/MET Information Environment	FAB Functional Airspace Block	TMA Terminal Area
ANZ Air Navigation Centre Zurich	FOCA Federal Office for Civil Aviation	TOSIM Tower Simulator
APP Approach	GPS Global Positioning System	TriNET Tri-national Audit Organisation of Germany, Austria and Switzerland
ARO ATS/AIS Reporting Office	ICAO International Civil Aviation Organisation	TWR Tower
ARTAS ATM Surveillance Tracker and Server	IFR Instrument Flight Rules	UAC Upper Area Control Center
ATM ATM Surveillance Tracker and Server	IFRS International Financial Reporting Standards	VFR Visual Flight Rules
ATCO Air Traffic Controller	ILS Instrument Landing System	VOR Very High Frequency Omnidirectional Radio Range
ATFM Air Traffic Flow Management	INFONET Information Network	
ATFCM Air Traffic Flow and Capacity Management	INAS Interface AFTN-SYCO	
ATM Air Traffic Management	INIS Interface Integrated Initial Flightplan Processing System-SYCO	
ATMAS Air Traffic Management System	IREAP Individual Responsibility and Ethical Awareness Programme	
ATS Air Traffic Services	NOTAM Notice to Airmen	
ATSIM ATMAS Simulator	NUAZ New Upper Adaptation Zurich	
AAIB Swiss Aircraft Accident Investigation Bureau	OANS Ordinance on Air Navigation Services	
BFU German Federal Bureau for Aircraft Accidents Investigation	PRIMUS Programme for Replacement and Improvement of Multiradar Processing System	
BSC Balanced Scorecard	PTC Proficiency- and Training Concept (assessments)	
CANSO Civil Air Navigation Services Organisation	RC Route charges	
CFMU Central Flow Management Unit	RIMCAS Runway Incursion Monitoring and Collision Avoidance Subsystem	
CIDIN Common ICAO Data Interchange Network	RVSM Reduced Vertical Separation Minima	
CIRP Critical Incident Reporting Program	RWTH Rheinisch-Westfälische Technische Hochschule	
CISM Critical Incident Stress Management		
CNS Communication, Navigation, Surveillance		
COMOS Common Procurement of Mode-S Radar		
CWA Collective Working Agreement		

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