

The 2012 business year: Excellent operating and satisfactory financial performance despite a weak economy and declines in air traffic volumes

Geneva, 3 April 2013. Once again, skyguide delivered in 2012 a strong operating performance for the year as a whole. Punctuality levels in the most complex airspace in Europe have been kept at a very high level. The favourable results here are the direct product of various actions which the company had previously taken to eliminate personnel shortages and increase airspace capacity. These measures are paying off now. Skyguide generated an operating surplus of CHF 29.95 million in 2012 (compared to an operating surplus of CHF 27.97 million for the previous year). While it was below budgeted projections, the performance is a satisfactory one, given the continued weakness of the overall economy in 2012 and the year's 1.8% decline in air traffic volumes. The result was bolstered by skyguide's rigorous cost management; but the strength of the Swiss franc continues to put the company at a competitive disadvantage within Europe's air navigation services sector.

Declining traffic volumes, earnings below expectations

Last year, traffic within skyguide's controlled airspace experienced a decline by 1.8 percent. Accordingly, operating income also decreased. Nevertheless skyguide was able to increase the overall return again. This was mainly due to federal payments for unfunded services. Total operating revenue for 2012 amounted to CHF 440.18 million, a 3% improvement on the CHF 427.18 million of the previous year. Skyguide passed on part of these increased revenues to its customers, in the form of lower approach charges for Geneva and Zurich airports. Another part has been used to reduce the deficit which it had accumulated over the previous years. The cumulative deficit concerned now stands at CHF 84.5 million as of 31 December 2012. Total operating expense increased almost to the same extent as revenue increased by nearly 3 percent to CHF 410.23 million (2012: 399.21 million). The operating result for the year was a surplus of CHF 29.95 million – a slight improvement on the CHF 27.97 million of 2011. Continued consistent cost controls as well as the support of the company's suppliers contributed to this favourable result. The overall net result for the year amounted to a surplus of CHF 24.88 million, which compares to a surplus of CHF 28.35 million for 2011. "We are satisfied with our 2012 financial performance," says Guy Emmenegger, Chairman of the Board of Directors. "Despite the adverse economic conditions, skyguide has again posted a positive operating result. Our rigorous cost management and the government compensation to which we are now legally entitled were both major contributors here. But, given the continued weakness of the economy in general, we must remain extremely cautious in all our cost planning."

Still-adverse currency movements

As it had in 2011, the strength of the Swiss franc posed a major business challenge. Skyguide earns most of its revenues in euros, while almost all of its costs are incurred in Swiss francs. In addition to the resulting exchange-rate losses, these currency movement developments also artificially inflate skyguide's route charges; and this in turn damages the company's competitive credentials in broader European terms. "The Swiss franc's strength and the signs that we can already see of a further decline in air traffic volumes in 2013 put us in a difficult position," concedes Daniel Weder, skyguide's CEO. "And we will need to maintain an outstanding business and operational performance if we are to meet and master the challenges these pose. The development within the next two years will mark skyguide's course."

Insufficient progress with FABEC

Switzerland and skyguide continue to work together with Belgium, France, Germany, Luxembourg and the Netherlands to create Functional Airspace Block Europe Central (FABEC), one of the nine new "functional airspace blocks" of the planned Single European Sky. The new larger airspace blocks are intended to enhance the overall performance and efficiency of Europe's air traffic management system. The associated collaborative process achieved less-than-adequate progress last year. The states and air navigation service providers involved still have differing views and positions on the integration steps required. This to the dismay of customers who insist on extensive changes. "A desire for consolidation is not recognizable and innovative projects are being blocked," manifests skyguide CEO Daniel Weder in regard to skyguide's European situation.

Outlook for 2013

In view of the steep further decline in traffic volumes seen at the start of the year, skyguide expects 2013 to be a far tougher proposition than 2012 in business terms. Indeed, the company expects a decline within the next few years in en-route traffic which account for two thirds of the company's operating earnings. In this regard, the highly ambitious financial and capacity performance targets that have been set for the air navigation services sector by the European Commission are diametrically opposed to the present operating reality, because they are based on growth assumptions. And skyguide will need to consistently maintain the actions already taken to enhance its performance, practise pronounced financial prudence and promote and pursue innovative developments if it is to master the challenges ahead. It is heartened in its endeavours to do so, however, by its still excellent partnerships with its customers, and its partner Swiss Air Force in particular. Partnerships which skyguide wants to further foster.

The 2012 Skyguide Annual Report is available online at:
<http://www.skyguide.ch/en/company/facts-figures/annual-report/>

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Skyguide is responsible for providing air navigation services in Switzerland and in parts of neighbouring countries. It has 1400 employees working in 14 different locations and safely and efficiently guides around 3200 civil and military flights a day, or 1.2 million a year, through the busiest and most complex airspace in Europe. Skyguide focuses on continuous improvement, targeted innovation and creative cooperation. Together with its partner organisations in Belgium, France, Germany, Luxembourg and the Netherlands, the company forms part of the FABEC alliance, which is responsible for managing Central Europe's airspace. Skyguide is a non-profit limited company which has its head office in Geneva. It is majority-owned by the Swiss Confederation.
