Copenhagen Airports CPH

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Group Annual Report 2012 announcement

Passenger numbers at Copenhagen Airport increased by 2.7% to 23.3 million in 2012 despite the effects of the bankruptcies of five European airlines in 2012, which was a passenger record for the second consecutive year. Revenue rose 5.1% to DKK 3,515.8 million as a result of the increase in passenger numbers and an increased spend per passenger at the airport shopping centre. Excluding one-off items, profit after tax rose 11.3% to DKK 863.3 million.

In spite of tough market conditions, 2012 was a satisfactory year for CPH, in which CPH set a passenger record and achieved an improved financial result, thanks partly to the ambitious growth strategy, *World Class Hub*, which CPH rolled out a year ago. CPH have seen significant increases in both the number of intercontinental passengers and transfer passengers, and CPH continues to strengthen the Copenhagen Airports position as a northern European hub.

The number of intercontinental passengers rose by 10.2%, while the number of transfer passengers rose by 7.3%. The number of locally departing domestic passengers was down by 17.9%, which was caused by the bankruptcy of Cimber Sterling in May 2012. The growth in passenger numbers generated a 5.2% increase in aeronautical revenue to DKK 1,931.7 million.

Growth at the shopping centre

Non-aeronautical revenue from the shopping centre, hotel and parking rose 5.3% to DKK 1,563.0 million, mainly driven by growth in revenues from the shopping centre, which was primarily attributable to rising passenger numbers, increased spend per passenger and the full-year effect of the full occupancy of all space in the shopping centre. Parking revenue also grew.

The growing revenue is a result of CPH's optimisation of the brand and shop mix at the shopping centre, giving passengers what they want to a much greater extent than previously. That is also reflected in passengers' satisfaction, which was retained at a high level and improved in a number of areas.

The indication given by CPH's in-house passenger satisfaction surveys was confirmed by a number of third-party surveys. In April 2012, for example, Copenhagen Airport was again rated the best airport in northern Europe in the annual Skytrax survey, which covers 388 airports and surveys the level of satisfaction among 12 million travellers from 108 nations. In another international survey of passenger satisfaction among airports, Airport Service Quality (ASQ), Copenhagen Airport's shopping centre was rated Europe's best for the fifth consecutive year. Copenhagen Airport was also rated Europe's most efficient airport for the seventh time in nine years by the Air Transport Research Society (ATRS) in 2012.

A high level of capital investment

CPH made large investments in intangible assets and property, plant and equipment totalling DKK 1,068.9 million in 2012, which was significantly more than CPH is committed to investing annually under the current charges agreement. The largest investments include major changes to the check-in area of Terminal 2, optimisation and expansion of the baggage system, expansion of the Pier C arrivals capacity, maintenance of facilities, including work on the runways, taxiways and on IT systems.

The large-scale remodelling and expansion CPH started up in 2012 is to pave the way for continuing intercontinental growth. The investment is part of CPH's *World Class Hub* strategy, which includes measures to increase the airport's capacity to 30 million passengers per year. Also in 2012, CPH further accelerated the long-term planning to set the course for the future development of Copenhagen Airport to meet demands once Copenhagen Airport pass 30 million passengers annually.

International divestment

In the fourth quarter of the year, CPH sold its 49% ownership interest in NIAL Group Ltd. (NIAL), England, the parent company of Newcastle International Airport, to a fund managed by AMP Capital Investors Limited. The pre-tax profit on the divestment was DKK 759.1 million. The divestment completes the strategy of strengthening CPH's core business at Copenhagen Airports, as described in the *World Class Hub* strategy.

Following the divestment of NIAL, CPH International will solely be based on consulting revenue, and CPH will focus on continuing and expanding its consulting services to a number of airport projects, whenever such projects are considered profitable.

Outlook for 2013

With the anticipated traffic programme for 2013, we expect to see an increase in the total number of passengers. A positive full-year effect in 2013 is expected of the many new routes opened in 2012. In addition, traffic in 2013 is expected to be favourably affected by the full-year effect of the routes restored after the bankruptcy of Cimber Sterling in 2012. Traffic in 2013 could, however, be adversely affected by continuing financial uncertainty in the Eurozone and by any closure of routes due to airline cutbacks.

The increase in passenger numbers is expected to have a favourable impact on revenue. Operating costs are also expected to be higher than in 2012, primarily due to the expected increase in passenger numbers and cost inflation. This will partly be offset by the continuing focus on operating cost efficiencies.

Under the charges agreement, CPH must invest an average of DKK 500 million annually, but as in previous years, CPH expects to invest at a level significantly higher in 2013 than what we are committed to under the charges agreement. However, the investment level is subject to continuing growth in total passenger numbers. CPH will also be investing in other commercial projects for the benefit of airlines and passengers. Depreciation charges and financial costs are expected to be higher in 2013 than in 2012 as a result of the continuing very high investment level. Overall, a slightly lower profit before tax is expected for 2013, when excluding one-off items. Conversely, operating profit before depreciation is projected to be higher in 2013 than in 2012, when excluding one-off items.

The Group Annual Report is enclosed in Pdf-format

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