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Annual report for 2016

Copenhagen Airports A/S (CPH) set a new passenger record for a sixth consecutive year in 2016. Copenhagen Airport reached 29 million passengers for the year, representing growth of 9.1%, which was stronger than expected.

Passenger numbers at Copenhagen Airport in 2016 increased by 9.1%, or more than 2 million passengers, to 29.0 million, helping revenue to grow by 8.9% to DKK 4,421.9 million. Profit before tax climbed to DKK 1,620.1 million including one-off items and DKK 1,635.5 million excluding one-off items. This is in line with the guidance set out in the stock exchange announcement of 8 November 2016.

Growth was primarily driven by a higher number of international passengers, reaffirming Copenhagen Airport's strong competitive position as a Northern European hub. There was also increased revenue from the shopping centre, parking and the hotel operation.

A significant proportion of the passenger growth resulted from the rising number of tourists travelling to Denmark via CPH. In 2016, the number of international tourists flying to CPH increased by 11% compared to 2015. This was due to new air routes and greater capacity in the form of bigger aircraft and more departures.

DAMVAD Analytics has calculated that the growth at Copenhagen Airport in the period 2005 to 2015 contributed approx. DKK 31 billion to Denmark's gross domestic product (GDP). According to DAMVAD Analytics, the new routes, greater seating capacity and increased number of passengers travelling to Copenhagen Airport added a further DKK 5.7 billion in 2016.

The number of international departing passengers increased by 9.4%, while the number of domestic departing passengers increased by 5.8%. The total number of transfer passengers increased by 3.9%.

High investment level creating capacity for further growth

More routes and more passengers mean more demands on Copenhagen Airport, so at the end of 2016 Copenhagen Airports A/S presented a major general investment plan aimed at expanding the airport to handle 40 million passengers a year. In 2016, CPH invested DKK 1,033.5 million in, among other things, expansion projects, including the work with a major expansion of the central security checkpoint to double its current size and with five new lanes. CPH expects the new security checkpoint to open later in 2017. CPH also invest in increasing capacity for large wide-body aircraft, upgrading a number of bus gates and establishing a brand new Pier E to handle future intercontinental growth. Total investment level for 2017 is expected to amount to approximately DKK 1.3 billion.

Non-aeronautical growth

Revenue from the shopping centre increased by 4.3% in 2016. The main drivers were the increase in departing passengers and an improved shop and brand mix within specialty stores and restaurants. The TAX FREE shops were in line with 2015.

Parking revenue grew by 11.4% due to an ongoing stronger online presence and an increase in passenger numbers.

Hotel revenue increased by DKK 14.7 million, equivalent to 6.9%. In January 2017, CPH entered into an agreement with Petter Anker Stordalen and Nordic Choice Hotels, which from 1 April 2017 will take over the operation of the existing hotel as part of Clarion Hotel. The agreement also includes the construction and operation of a new Comfort Hotel with 500 rooms and a 3,000 m² conference facility, which is expected to open in 2020.

Financing

On 24 October 2016, CPH signed a new guaranteed loan agreement with the European Investment Bank (EIB). The agreement provides CPH with a project-financed credit limit of up to DKK 1,250 million. Within this framework, CPH can utilise the facility over the 10-year life of the loan, with the option to extend by up to 15 years. The new facility from EIB is a seal of approval for CPH's growth plan, Expanding CPH.

More international awards

CPH received a number of awards in 2016. By way of example, it was named most efficient airport in Europe by the Air Transport Research Society and won the Airport Food & Beverage Offer of the Year.

Outlook for 2017

Based on the expected traffic program for 2017, an increase in the total number of passengers is expected. The development in passenger numbers is a dynamic factor that is subject to both positive and negative influence from general economic developments, decisions by airlines relating to routes and capacity, and isolated events in the aviation industry. The increase in passenger numbers is expected to have a favourable impact on revenue.

Operating costs are expected to be higher than in 2016, primarily due to the expected rise in passenger numbers, stricter security requirements and cost inflation, although this will be partly offset by a continuing focus on operating cost efficiencies.

Overall, depreciation charges and financing costs are expected to be higher than in 2016, primarily as a result of a continued high investment level.

Profit before tax in 2017 is expected to be in the range of DKK 1,600-1,700 million, excluding one-off items. EBITDA is expected to be higher in 2017 than in 2016, excluding one-off items.

Investment outlook

CPH expects to continue to invest in growth for the benefit of passengers and airlines, and is therefore continuing with Expanding CPH, the plan to expand and develop the airport as passenger numbers increase. CPH expects capital investments to increase in 2017 from an already high level in 2016 in order to accommodate the high passenger growth, particularly during the past year. Planned investments include expansion of the central security checkpoint, expansion of wide-body facilities, establishing a brand new Pier E to handle future intercontinental growth and expansion of Terminal 2 airside. CPH will also be investing in non-aeronautical projects for the benefit of airlines and passengers.

The Group's Annual Report is attached in PDF format.

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