

Guidelines on route support

1 January 2011

1. Introduction to discounts on start-ups

Growth by attracting more traffic to the airport is an essential part of the strategy of Copenhagen Airports A/S (CPH). This strategy shall be carried out on commercial conditions. Discounts on start-ups are commonly offered by the airports in order to attract new companies and to make existing companies expand. It is, therefore, necessary for CPH as well to be able to offer our customers discounts on start-ups.

Applicable guidelines and legislation specify the requirements which ensure that discounts are provided on a non-discriminatory basis and that discounts are managed in an objective and consistent manner. The guidelines and procedures of Copenhagen Airports are developed in consideration of these matters.

Copenhagen Airports A/S shall grant a discount provided that, according to the criteria in these guidelines, a commercial basis for the granting of a discount exists. The size and extent of the discount shall be laid down on the basis of the parameters and guidelines, as mentioned below.

2. Clause 20 of the Charges Regulation

"Copenhagen Airports A/S may grant exemptions from the charges regulations in cases of neither fundamental nor great financial significance, or if the Copenhagen Airport A/S deems a temporary reduction of charges to be justified for business reasons. Copenhagen Airports A/S shall issue the principles regarding discounts on the start-up of new routes on Copenhagen Airports A/S' website, just as Copenhagen Airports A/S shall inform Statens Luftfartsvæsen when such principles are being changed."

3. Criteria for the granting of discounts

- The airport is not serviced by CPH at the time of start-up of the route. Reference is made to section 7, "Discount to other companies", below.
- The destination shall expand the network coverage of CPH. Reference is made to section 7, "Discount for other companies", below.
- The route may not have been served by the company or another company from the same business group within the previous 2 traffic programmes.
- Discount shall solely be granted for year-round routes.
- Discounts must be agreed upon before the start-up of the route, and the granting of a discount shall be contingent on an application from the airline. Information on parameters and criteria for the granting of discounts is included in these guidelines on route support which are also available at www.cph.dk. Reference is made to section 7, "Discount to other companies", below.
- Subsequent to a specific assessment, discounts shall be granted for a maximum period of 5 years and shall be reduced gradually during the discount period. The gradual reduction shall be carried out according to the guidelines mentioned in section 4, "Parameters relevant for the size and duration of the discount", and section 5, "Scope of discounts on start-ups of new routes as of 1 October 2009", below.

- CPH shall reassess the discounts granted and carry out the necessary adjustments in the event that changes in the operation of a route compared to the original circumstances occur during the discount period. CPH shall carry out this reassessment based on the same parameters applicable to the original decision made by CPH to grant a discount, and which, thus, are included in these guidelines on route support.
- A favourable forecast for an annual increase in sales (commercial profits included) throughout the discount period.

4. Parameters relevant for the size and duration of the discount

The parameters below shall be part of the estimation of size and duration of the discount:

- An assessment of whether or not the market essentially may be considered new.
- The size of the average total monthly capacity at the time of the start-up of the route/-s. *Total monthly capacity* shall mean the number of seats per month.
- Destination (EU/non-EU).

In the event that the criteria for granting of a discount are satisfied, the size of the discount and the term of the discount agreement shall be determined on the basis of an assessment of the above mentioned parameters and the following guidelines. According to the specific circumstances, the term of the discount agreement may be 1 to 5 years.

The route support shall be reduced gradually over time in accordance with section 5, "Scope of discounts on start-ups of new routes as of 1 October 2009", below.

5. Scope of discounts on start-ups of new routes as of 1 October 2009

The scope of discounts on start-ups shall be stipulated for a 12-months' period based on an estimation of the commercial conditions. The gradual reduction of a discount during the discount period shall comply with the schedule of discounts on take-off and passenger charges (per cent) as mentioned below.

Once a year CPH shall estimate whether or not the actual traffic corresponds to the circumstances regarding the operation of the route/-s, on which route support has been granted. If changes in the operation compared to the original circumstances have occurred during the discount period, CPH shall as previously noted carry out a reassessment of the discount and implement the necessary adjustments accordingly¹. The following scope of discounts shall be in force during 2009:

¹ Adjustments are only made, when the actual traffic is reduced materially compared to the original circumstances. The discount is given in order to reduce the risk associated with the start-up of a new route. If the route is performing better than expected the risk has been materially mitigated.

Discounts on take-off and passenger charges (per cent)

Year	MTOW		Pax	
	Low	High	Low	High
1	80	100	80	90
2	70	90	60	70
3	60	80	40	50
4	20	40	20	30
5	10	20	10	20

6. Which new routes may be entitled to discounts on start-ups?

- An airport which is not presently connected to a regular flight from CPH. The route shall expand the network coverage from Copenhagen.

7. Discount to other companies

In the event that other airlines subsequently wish to operate a route, on which a discount has been granted, these companies shall be offered equal discount conditions during the term of the discount agreement, however, modified due to objective variances in capacity, frequency etc. of the companies. Thus, on these conditions an airline may be granted a discount even though another company may already have started up a new route and receives discount on this route at the time of the signing of the agreement of route support. In general, the model of discounts shall be used for the calculation of discounts granted to other companies. However, the rate of the discount cannot exceed the rate which has been granted to the first company, just as the discount shall cease on the date when the discount granted to the first company ceases.

8. Reassessment of route support

CPH shall reassess the discounts granted and carry out the necessary adjustments in the event that changes in the operation of a route compared to the original circumstances occur during the discount period. Thus, the reassessment shall be carried out on the basis of available information on actual traffic, compared to information on the operation, on which CPH has based the original decision of granting of route support. In the event that a reassessment of an already granted route support shall be carried out, CPH shall take the same criteria and parameters into account, which were taken into account by the original decision of the granting of route support, and which are, therefore, included in these guidelines.