

Company Announcement Copenhagen, 5 March 2019

Annual Report for 2018

2018 was a busy year for Copenhagen Airport, which exceeded a total of 30 million travellers for the first time in its history, 1.1 million more than the total recorded in 2017. CPH's focus on attracting new air routes bore fruit in 2018, particularly with the introduction of new long-distance routes. Routes to Hong Kong, Chengdu, Beijing and Amman were particularly instrumental, underscoring Copenhagen Airport's strong position as the leading international airport in the Nordic region. Passenger volume on the more than 40 intercontinental routes increased by 11%, clearly reflecting the strong, and growing market for long routes to and from CPH.

Aviation between China and Copenhagen increased, with a nearly two-fold increase in total seats available compared to 2017 and China holds a large potential. There are many Chinese who want to visit Europe, and it is now easier for them to include Denmark in these visits. Furthermore, many Danish companies have extensive engagements in China, and trade between China and Denmark is growing.

A larger airport

But it was not only the number of routes that increased in 2018 – the airport's terminals and buildings also expanded. Investments grew to just under DKK 2.1 billion, compared to DKK 1.5 billion in 2017.

In the past 10 years, CPH has invested more than DKK 11 billion in expanding and developing the airport. In 2017, CPH increased the already high investment level to DKK 1.5 billion, and in 2018 CPH increased the level by DKK 0.5 billion. In 2018, as a result of these investments, CPH saw the opening of a significantly expanded security screening area, an elevated pedestrian walkway from the Metro station directly to SAS Fast Track and Security, and, not least, the expansion of the premises after the security screening area, which now has an additional 4,000 square metres of space for passengers, new restaurants and new shops. In 2018, CPH also decided to launch construction of the second phase of Pier E. The first phase will be completed in the summer of 2019, followed by completion of the second phase in 2020.

Full focus on climate

CPH is part of the aviation industry, and thereby also part of the overall climate impact of air travel. Efforts to reduce CO₂ emissions have been on CPH's agenda for years – and CPH will further intensify these efforts in 2019. In 2018, CPH implemented energy saving measures totalling to 7.2 GWh. Since 2013, CPH's energy savings amount to 30.8 GWh. As a result, CO₂ emissions declined from 1.3 kg CO₂ per passenger in 2013 to 0.96 kg in 2018 – a 26% decrease.

In 2018, CPH continued the efforts to reduce the airport's carbon emissions. Many energy-saving activities are underway, including a transition to LED lighting and the installation of a new ventilation system. In Magleby, CPH replaced a large and old gas boiler with a modern new hybrid system with an integrated heat pump, which will eventually provide heat using clean, green solar power. The first major goal of CPH's new climate strategy is eliminating all carbon emissions from the airport – including land traffic to and from the airport – by 2030 at the latest. From 2019 until CPH realise this goal, CPH will make the airport's operations carbon-neutral by compensating for the emissions. CPH will uphold this policy until CPH reach the 2030 goal. CPH has a lot of progress to make, but in collaboration with the rest of the Danish aviation industry, we will take the lead in making Danish air travel climate-friendly.

Positive results and positive expectations

In April 2018, CPH reduced the airport charges paid by airlines by an average of 10%. This move was part of efforts to strengthen CPH as a hub for air traffic. The charge reduction was welcomed by the airlines that use the airport.

In 2018, CPH and the airlines negotiated a new charges agreement, which in January 2019 was approved by the authorities. The new charges agreement further reduces rates by approximately 5%, while implementing several incentive structures to support growth and strengthen CPH as a hub. The agreement runs until the end of 2023, providing some certainty in terms of the financial framework, which is particularly important for realising CPH's ambitious goals for continued expansion of the airport.

Passenger growth represents the basis for a satisfactory result. Revenue increased by 0.1%. In aeronautical business, revenue declined by 3.4% due to significantly reduced prices, while non-aeronautical business increased by 5.5%. The group's total revenue amounted to DKK 4,444.8 million. Profit before tax, excluding one-off items, amounted to DKK 1,451.5 million, corresponding to a decline of 12.7% compared to 2017, which is particularly due to the charge reduction implemented on 1 April 2018 and higher depreciation.

At the Annual General Meeting on 10 April 2019, the Board of Directors will recommend paying final dividends of DKK 678.1 million, the equivalent of DKK 86.40 per share. Total dividends for the year are, therefore, DKK 1,105.3 million, equivalent to DKK 140.83 per share, following interim dividends at the midyear of DKK 427.2 million.

Outlook for 2019

	REALISED 2018	Outlook for 2019
Revenue growth	0.1%	negative growth of 0-1%
Profit before tax, excluding one-off items, DKK million	1,451.5	1,250-1,350
Profit before tax, DKK million	1,417.3	
Total investments, DKK million	2,078.8	1,800 -2,100

Revenue growth

Based on the expected traffic programme for 2019, an increase in the total number of passengers is expected. The development in passenger numbers is a dynamic factor subject to both positive and negative influence from general economic developments, decisions on route and capacity changes by airlines, and isolated events in the aviation industry. The increase in passenger numbers is expected to have a positive impact on revenue, while growth is more than outweighed by the reduction of airport charges as of April 2018 and the new charges agreement valid as of April 2019, setting the prices for the use of airport runways, terminals and services, which initially are approx. 5% lower in 2019 compared with 2018. The 2018 charges reduction generally meant that the charges paid by all airlines for using the airport were reduced and at the same time a special incentive scheme was introduced, reducing charges by 35% for high-frequency feeder flights between regional airports and CPH. Overall, CPH's charges were 10% lower on average per year from April 2018.

Revenue development is expected to be negative in the range of 0-1%, primarily due to the reduction of charges in 2018 and the charges agreement with the airlines coming into effect on 1 April 2019.

Profit before tax

Operating costs are expected to be higher than in 2018, primarily due to the expected rise in passenger numbers, stricter security requirements and cost inflation. This will be partly offset by a continuing focus on operating cost efficiency.

Depreciation and financing costs are expected to be at the 2018 level. Profit before tax in 2019 is expected to be in the range of DKK 1,250-1,350 million, excluding one-off items. EBITDA is expected to be lower in 2019 than in 2018, excluding one-off items. The result is affected by the reduction of charges in 2018 and the new charges agreement concluded with the airlines.

Depending on the outcome of Brexit, the profit before tax may be impacted negatively by increased operating costs related to airport passport control, utilisation of Pier C capacity and aircraft stand management.

Capital investments

CPH expects to continue to invest for the benefit of passengers and airlines and is maintaining its growth plan, Expanding CPH, through which CPH will develop and expand the airport as passenger numbers increase.

CPH expects to maintain the investment level in 2019, expected to amount to approx. DKK 1.8-2.1 billion, in order to accommodate the growth plan. Investments include expansion of Terminal 3, wide-body capacity expansion, expanding Pier E, establishing Baggage Factory West, and new aircraft stands. CPH will also be investing in non-aeronautical projects.

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

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