

Company Announcement Copenhagen, 26 March 2021

Group Annual Report for 2020

A billion-kroner profit turned into a loss in 2020

For Copenhagen Airport, 2020 was the worst year since the Second World War. Passenger numbers plummeted from 30.3 million to 7.5 million – the lowest since 1970. In spring 2020, CPH reached a low point of just 424 passengers on 9 April. As a result of the drop in passenger numbers, revenue decreased by 71.2% to DKK 1,575.7 million in 2020 and a pre-tax profit of around DKK 1.3 billion in 2019 turned into a loss before tax of DKK 828 million in 2020.

2020 was also a year in which employees, management and owners, in partnership with CPH's other stakeholders, stood together to weather the storm. Amongst others, CPH's lenders have provided credit facilities of DKK 6 billion to help CPH through 2020 and given CPH the platform to restart and rebuild in 2021.

During the year, a united CPH was geared up to act quickly in an unpredictable reality of ever-changing travel and testing guidelines.

In 2020, CPH took significant actions with positive effect on performance including substantial cost reductions of DKK 200 million and actively use the crisis to simplify and identify new, effective solutions. In addition, planned investments were reduced by approximately DKK 800 million. Furthermore, CPH implemented organisational adjustments to the activity level expected for the foreseeable future. The adjustments will reduce yearly operational cost by approximately DKK 500 million.

As socially critical infrastructure and Denmark's gateway to the world, CPH could not simply shut down and wait for better times. CPH had to stay open for the very limited passenger traffic that remained, and not least for important air cargo. This has meant that expenditure has far exceeded revenue.

Collaboration to save jobs

Excellent collaboration with the authorities and the government brought flexibility to the salary compensation scheme, allowing CPH's employees to be put on rotation or furloughed.

Overall, CPH received DKK 348 million in compensation packages during the year of coronavirus. This gave CPH the breathing space to carry out the essential company adaptations and allowed CPH to protect the jobs of 2,600 employees until the end of August, when CPH had to make the first lay-offs. At the end of the year, there were 772 fewer full-time positions (FTEs).

As a consequence of the very low activity level at the airport, CPH and the unions worked together on, among other things, upskilling and division of labour. The joint effort and excellent collaboration meant that CPH was able to avoid cutting a further 300 jobs.

It is estimated that 10,000 jobs have been lost in the Danish aviation sector – the majority in the 1,000 or so companies in and around Copenhagen Airport. In summer 2020, CPH therefore joined with the unions, SAS, the Danish Ministry of Employment and Tårnby Municipality to open a job and advice centre at Copenhagen Airport, which has been a success.

The five must-win battles of the crisis

The coronavirus pandemic has put many of the activities of the *Architects of the Future Airport* strategy on hold. But the objective remains the same: to create a future-proof, innovative airport. During the crisis, the whole organisation came together to fight five must-win battles:

- To ensure a safe, comfortable and positive travel experience for passengers
- To safeguard teamwork and motivation in the organisation
- To simplify working processes and reduce bureaucracy for the future
- To focus on lower expenditure and minimise costs
- To protect and develop our revenue streams

Fear of becoming infected while travelling, complicated and differing coronavirus rules in every country, new travel restrictions every Thursday and the prospect of a long spell of quarantine – all this kept 75% of passengers at home in 2020. With the “Let’s travel with care” initiative, in the spring and summer CPH’s employees implemented everything from face masks, hand sanitiser, plexiglass, extra cleaning and distance markers in the terminals to extra security and service personnel guiding passengers through the airport.

CPH also closed 40% of the terminal area and combined operations to give passengers a better experience – and the airlines, ground handlers and authorities better working conditions.

CPH investing in the future

Before the coronavirus hit, CPH was investing around DKK 2 billion annually in developing the airport. The whole investment programme was revisited, not least the numerous building projects. Some were put on hold, while others went ahead because it would have been too costly to stop them.

This was the case, for example, with the second phase of Pier E, the opening of which in October marked the end of the single largest capacity project for decades. The new terminal building has flexible stands and gates, boarding bridges and flexible bus gates, taxiways and a brand-new passport control area.

The building is adorned with William Soya’s brilliant ceiling-installed sculpture, which was donated by the Danish Arts Foundation and Kolding Municipality. The new Pier E is not just a beautiful and efficient terminal. It has also proven particularly well suited to the safe processing and testing of passengers during the pandemic.

Overall, in 2020 CPH reduced the cost of investments and building projects by around DKK 800 million.

But CPH still has its eye on the future. In October 2020 CPH and Danish Netcompany founded the joint venture Smarter Airports A/S to develop a new, market-leading digital platform for efficient operation of the airports of the future. CPH and Netcompany will together invest up to DKK 200 million in the company. Once the solution has been incorporated in Copenhagen, the aim is to sell the system to airports all over the world and create a new revenue stream for CPH.

Collaboration with airlines and partners

There has been close contact and collaboration between CPH, the airlines and our partners throughout the corona crisis.

Before the crisis, 150 stores and food outlets were open in and around the terminals. At the end of the year, there were just nine. Throughout the year, CPH worked with our partners to get through the crisis as well as possible. Opening times were revised and new agreements negotiated with most partners. When the pandemic grounded aircrafts in the spring, the airport did not impose parking charges.

In the first quarter of 2021, CPH agreed with the airlines to focus on the restart and adjust the agreement for the period 2019-2023 on the charges paid to use the airport. The adjusted agreement addresses the unintended consequences that the corona crisis has had for the assumptions underlying the charges agreement. This has created calm and balance for both CPH and the airlines up to and including 2023.

CPH co-founder of Green Fuels for Denmark

Nobody knows the full extent of the corona crisis yet or how long it will last. Aviation was one of the first sectors to be hit by the crisis and will be among the last to come out on the other side. Yet climate change is a challenge that the aviation industry and society will have to deal with and find solutions to in the years ahead.

In 2020, CPH entered into several exciting partnerships that will ensure the development of sustainable fuels in Denmark and the zero-emissions airport of the future.

CPH helped to establish the innovative Green Fuels for Denmark partnership together with A.P. Møller - Mærsk, DSV Panalpina, DFDS, SAS, Nel, Everfuel, Haldor Topsøe, Ørsted and others. As part of the Danish government's climate partnership with the aviation industry, in 2020 CPH also presented an ambitious plan to achieve significant CO₂ reductions as early as 2030. As a result, the route to zero-emissions aviation in 2050 can be seen more clearly.

In October, a consortium led by Copenhagen Airport (CPH) with 14 European partners and the Danish Technological Institute won an EU tender of DKK 90 million to create the sustainable airport of the future. With the ALIGHT project, CPH will be the venue for the development of specific solutions and examples of how an airport can be set up to operate without any carbon emissions and deliver infrastructure for carbon-neutral aircraft.

Europe's best airport

On 9 March 2020 – just a few days before Denmark locked down – passengers voted CPH “Europe's best airport 2019” in the annual international survey of passenger satisfaction conducted by ACI, the international trade organisation for airports.

CPH can still be Europe's best airport on the other side of the coronavirus pandemic when we are able to once again travel on holiday or business and experience the world. CPH will still be an attractive, safe and efficient airport for passengers and customers. CPH will maintain CPH's important social role in the creation of growth and jobs through its position as an important Nordic transport hub that can connect Denmark to the rest of the world.

Dividend

Dividend to shareholders in 2020 and 2021 have been suspended because of the financial situation and conditions for receiving compensation from the Danish government's support packages.

Outlook for 2021

Global aviation continues to face significant uncertainty from the ongoing COVID-19 pandemic as well as other factors such as economic uncertainty and climate change.

The pandemic will continue to affect the number of flights and passengers in 2021, both for leisure and business travel. Airlines have announced that they will continue to operate with reduced capacity and will scale their business based on demand.

Due to the structural uncertainty that COVID-19 has created for air travel in Denmark and the rest of the world, and significant uncertainty about how long the situation will last, it is currently not possible to make a reasonable assessment of the financial outlook for CPH. There is still significant uncertainty as to how and when travel restrictions will be lifted, and it is not therefore possible to give an outlook for passenger numbers, revenue, pre-tax result and total investments.

As a consequence, CPH will continuously assess and adjust the level of operating costs and investments and will advise the market as and when a meaningful outlook can be provided.

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

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