

Announcement

5 August 2020

CPH adapts organisation to prolonged period with fewer passengers

In order to secure its long-term competitive strength, Copenhagen Airports (CPH) will align its organisation to the lower level of activity which the aviation industry is currently experiencing as a result of the coronavirus crisis and which is expected to continue for some time. As a result, CPH is contemplating cutting 650 full-time positions from the company's current approximate total of 2,600. Over the coming weeks, discussions will be held with CPH's union representatives to determine the expected redundancies. Copenhagen Airport CEO Thomas Woldbye says this is the saddest decision he has had to make during his nine years with CPH, but that it is necessary in order to safeguard the airport's future operations and financial position.

Although several countries have begun to reopen and allow travel, it has become clear that 2020 will be a year of sharply reduced air travel. Both business and leisure travel are expected to fall considerably short of prior-year levels for a very long period going forward. Based on, for example, international traffic forecasts, the CPH management believes that it will most likely be a while before global air traffic will return to pre-corona levels.

As a result, CPH has in recent months implemented a number of operational and investment cost cuts in order to align costs to the current level of activity. As mentioned in the company announcement of 25 June 2020, cost cuts initiated for the current year amount to approximately DKK 950 million. To put this into perspective, CPH had revenue of DKK 4.3 billion in 2019.

The coronavirus will cast a long shadow over the aviation industry

CPH has had a distinct goal during the crisis of maintaining as much activity and retaining as many jobs as possible. For example, CPH has made use of the wage compensation scheme agreed between the Danish government and the labour market parties. Almost 2,200 employees, corresponding to 1,600 full-time equivalents (FTEs), have been temporarily furloughed and called back to work in rotation, which has helped CPH retain its employees' skills and their affiliation with the airport. At the same time, the wage compensation scheme has been a means of giving CPH the time and the decision-making basis to align the organisation to this new reality.

It has now become clear, however, that the aviation industry will face a long-term crisis because of the coronavirus, whereas the wage compensation scheme will soon be phased

out. The current costs of keeping the airport operational are significantly higher than the limited monthly revenue being generated. CPH incurred an overall loss before tax of DKK 227.9 million for the first six months of 2020, and an even greater loss is expected in the second half of the year. Therefore, all things considered, the management of CPH believes that aligning the CPH organisation to the lower level of activity is the only responsible solution in order to secure the airport's long-term financial and operational sustainability.

"It's very sad that we'll have fewer employees at CPH. Our goal during the crisis has been to maintain as much activity and retain as many jobs as possible at the airport. The coronavirus support packages passed by the Danish parliament have made a big difference to us. In particular, thanks to the most recent extension of the wage compensation scheme, we now have more information about the travel patterns of the future and with that, we may not have to lay off as many people as would otherwise have been necessary, had the scheme not been extended. However, given the current trends in air traffic flows, I'm afraid we have to accept that we're not in a position to retain the number of employees we had in pre-corona times," says Woldbye. He emphasises that CPH anticipates a prolonged period with fewer passengers.

"All current figures and projections indicate that air traffic is unlikely to return to its previous levels within the foreseeable future. Many sources predict that the aviation industry will not be back to normal until some time between 2022 and 2024. That is why we're now commencing discussions with our trade union representatives to explore how we can best align the work force at the airport to the reality that we are now facing," explains Woldbye.

CPH is considering removing 650 jobs across airport functions as part of the cost cuts. If this number of jobs is cut as contemplated, it would contribute to reducing annual operating costs at the airport by approximately DKK 325 million, although due to the current terms of termination, it will have only a very limited effect on the results for 2020.

"We need to prepare for a period with reduced activity so that, as an airport, we can remain a competitive and attractive hub in northern Europe. We must be able to attract and retain routes so as to support growth and employment in Denmark. Moreover, it's absolutely crucial that we can continue to work on and pursue our high ambitions for contributing to the necessary green transition of Danish aviation," says Woldbye.

CPH's works council will be briefed later today on the situation and the decision made, including on the fact that adjustments need to be made to a number of local agreements, which are therefore expected to be terminated.

Together with CPH's other management representatives, CHRO Kirstine Bergenholtz will negotiate with union representatives over the coming weeks to agree how cost cuts and redundancies are to be implemented. During the talks, the parties will also consider how various mitigating measures may be applied, such as supplementary training and upskilling, in order to support the employees and the company as much as possible during this difficult period. CPH will announce the outcome of the negotiations once they have been concluded.

"We will do our utmost to ensure a proper redundancy process and will do everything in our power to help those of our colleagues affected to move on to new jobs. We are working with

the union representatives as well as the new job centre recently opened at the airport and the unions to find appropriate solutions for all those affected,” concludes Bergenholtz.

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