

Ostend-Bruges International Airport



Annual Report 2012

Table of contents

Preface	3
Mission statement	5
Economic aspects and financial results	
Financial results	8
Airport's own investments	12
Environmental investments	14
Financial year 2012	
Balance sheet financial year 2012	16
Profit-and-loss account 2012	18
Colophon	20

Preface

Dear Reader,

The present annual report in English offers a summary of the Dutch language 2012 Sustainability and Annual report and deals exclusively with the economic and financial aspects of the 2012 calendar year. The airport's sustainability policy is not discussed in this report.

Although passenger traffic resisted fairly well, the airfreight sector was particularly hard hit by the crisis of recent years. Many of the smaller players went into liquidation or chose to continue their business with a strongly reduced fleet. Also, an increasing amount of freight is being shipped with large companies' passenger planes calling at large airports only (the so-called belly freight) instead of with full cargo planes.

Moreover, the many cargo airports in and around the Low Countries are engaged in an extremely tough competition. Imposed restrictions on night flights have put Ostend Airport at a serious competitive disadvantage. The fact that Ostend cannot receive DHL or TNT, who fly mainly at night, keeps away the companies who work together with these integrators.

The unbridled and unfair competitive battle is only worsened by the worldwide crisis and the resulting decrease in cargo volumes. Also, the demand for certain luxury goods that have to be shipped by plane has dropped. This has caused the number of flights to shrink, both for Ostend and for our competitors.

In a strongly shrinking market it is important to keep existing customers happy and avoid them accepting attractive competitor offers. That is precisely what we are and have been focusing on in this period of economic crisis.

We strongly believe that environment and sustainability are core values for companies, and airports in particular, that look towards the future. For this reason we started in 2012 the implementation of an environmental management system in conformity with ISO 14001:2004. On 24 May last the airport was awarded the ISO 14001:2004 certificate. The airport seeks to continuously improve its environmental performance and do even better than the legal obligations. To this end we are adopting a proactive, structured and policy-based approach. Once again last year's environmental results reveal a positive evolution in different areas as far as the environment and sustainability in general are concerned:

- a further reduction of the noise contours;
- a further reduction of water consumption;
- extra installation of a hydrocarbon separator for maximum reduction of rainwater pollution;
- purchase of extra means to reduce bird casualty numbers; improved registration of bird strikes;
- purchase of extra machines to guarantee airport safety in winter conditions.

The objective is to continue this trend in the coming years and as such improve our sustainability performance on a permanent basis.

Gino Vanspauwen,
Managing Director/CEO

Mission statement

We aim to be an attractive, efficient and sustainable airport. We wish to be a professional and profitable organisation which offers aviation-related services to consumers and business users. We intend to play an economic role and consequently generate an economic added value for the region, taking into account the social and ecological context. Hereby, we aim at a continuous improvement and an open communication with our stakeholders.

The economic added value of our airport resides among other things in the fact that it wants to function as an important driving force for regional development: thanks to its presence, the free entrepreneurship is stimulated and more opportunities are created to attract international companies and business. In this way, the airport creates more economic growth and development, more prosperity, more employment, extra income for the hotel and catering industry and the tourist sector without renouncing the principles of a good management and commercial approach.

Although the airport is principally considered to be a cargo airport, we should not forget that the airport also plays its role as passenger airport and as an airport for public services (pilotage, police, customs, pollution control of the North Sea, ...).

Airline companies for which it is temporarily not possible to make use of one of the other airports in Western Europe, can also make use of our infrastructure.

Finally, Ostend-Bruges International Airport wishes to support actively the training centres located in Ostend: Ostend Air College (OAC) (training centre for pilots of airliners), Katholieke Hogeschool Brugge-Oostende (KHBO) (Bachelor & Master aircraft techniques), Ben-Air Flight Academy (BAFA) (training centre for pilots of airliners, professional pilots and pilots of private aircraft), Noordzee Vliegclub (NZVC) (training centre for pilots of private aircraft).

Economic aspects and financial results

Ostend-Bruges International Airport operates the airport as a separate budgetary entity within the Flemish administration and has been established as a Separate Management Service (Dienst met Afzonderlijk Beheer/DAB). To finance its operating costs and investments, it uses its own revenues and income in addition to the funds it receives from the Flemish Region. These funds consist of an endowment for operating charges and an investment endowment. The largest share of the investment endowments is often absorbed by a number of large infrastructure works. These endowments cannot be transferred to the following years, which means that this has an impact on the planning and spread of investments. In all fairness it must be said that the current budget for investment projects is insufficient, taking account of necessary investments such as those imposed by the environmental permit.

The operation of the airport creates jobs for the airport's own personnel as well as for third parties. The direct employment includes¹:

- 1) passenger-related employment: this means persons who are responsible for passenger-related activities, such as passenger handling, flight attendants, catering, tax free shops, hotels and restaurants, public transport, taxis and car rental companies. The employment in this category is directly dependent on the volume of passengers.
- 2) cargo-related employment: this means persons who are responsible for cargo transport, such as couriers, cargo handling and forwarding agents. The employment in this category is directly dependent on the volume of cargo transport.
- 3) aircraft-related employment: this means persons who are responsible for aircraft-related activities, such as the technical staff (maintenance), pilots and flight engineers, fuel and oil companies, traffic control and aircraft handling companies.
- 4) other direct employment: this means any other persons who are active directly at the airport, but whose employment is less dependent on the volume of airport traffic, such as the administration, the police, cleaning companies, Customs, bank and exchange offices, travel agencies and tour operators, and the representation of industrial companies.

Up till now it is impossible to fully inventory the abovementioned employment. An initial assessment shows us that we can offer direct employment to about 400 people.

In terms of indirect economic effects we refer on the one hand to the activities in companies that supply directly to the airport. This includes the following activities, for instance:

- * construction: building companies, contractors, installation companies,...
- * advisors: engineers, architects, software consultants, organisation advisors, training institutions,...
- * purchases: food and beverages, other consumer goods, office appliances, IT: software and hardware, technical material, rolling equipment,...

¹ Sleuwaegen en De Backer, De luchthaven van Zaventem: een strategische groeipool in Tijdschrift voor Economie en Management, Vol. XLIII, 2, 1998

On the other hand, we also mean additional activities that arise due to the proximity of an airport and which can ideally ensure a high quality international investment climate and can generate additional activities. In this case the following economic activities can be mentioned:

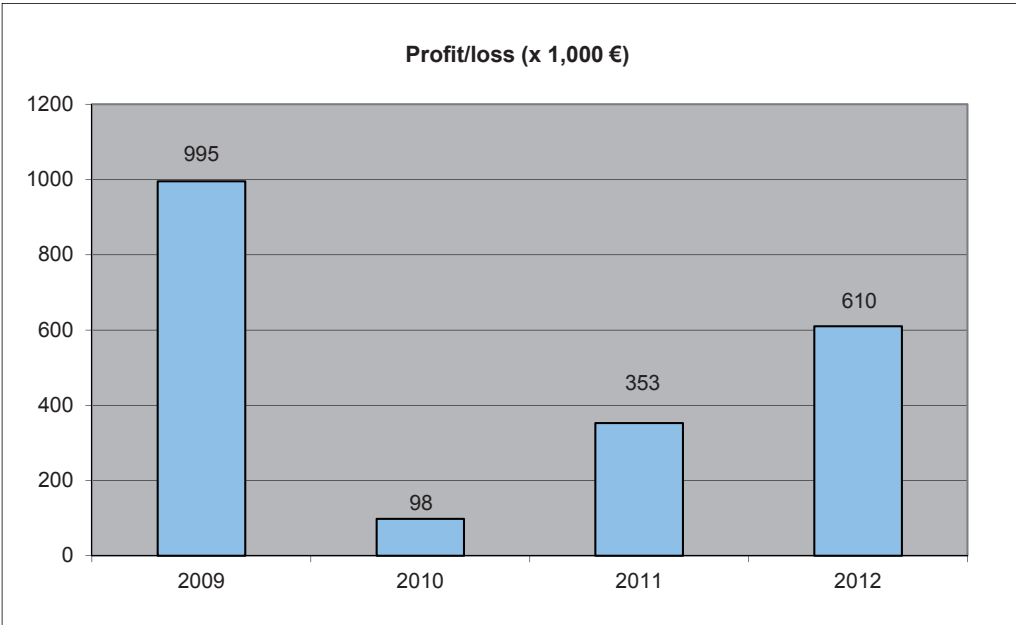
- * European distribution centres of non-European enterprises;
- * internationally oriented logistic service-providing activity;
- * internationally oriented tourism;
- * international commercial organisations.

Financial results

The financial results are analysed on the basis of the airport’s annual accounts. These annual accounts can be found on pages 16 to 19.

These annual accounts are the result of an economic accounting system. However, as the airport is a Separate Management Service coming under the Flemish Region, these economic accounts must be transposed into budget accounts at the end of the year.

Ostend-Bruges International Airport closed 2012 with a positive balance. Profits rose from 353,231.73 euros in 2011 to 609,646.42 euros in 2012 (each time after transfer to the legal reserve).



¹ Economic Importance of Air Transport and Airport Activities in Belgium, National Bank of Belgium, March 2009, no. 158

In 2012, the airport recorded a decrease in its operating income: the decrease in cargo traffic was reflected in declining aeronautical revenues.

In 2012 the operating endowment was raised considerably for the first time in years: from 4,892,000 euros in 2011 to 5,487,000 in 2012.

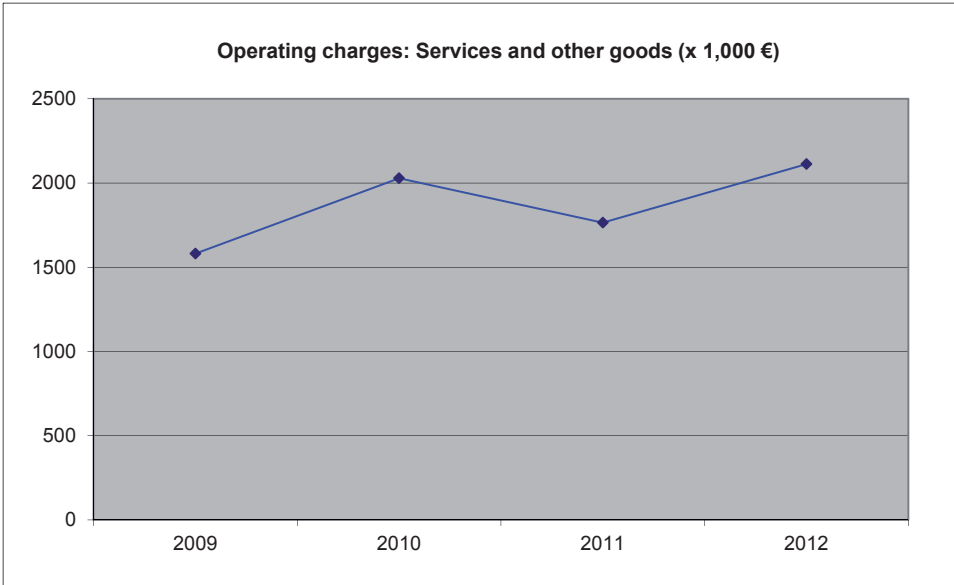
New (accelerating) accounting rules for the budget entered into force. These new budget rules resulted in extra income, since they take into account all revenue and expenditure related to the financial year, irrespective of their payment or receipt date.

Operating costs have risen in 2012:

- Maintenance costs have risen; in the course of 2012 more de-icing product had to be purchased; maintenance costs of the grass surfaces have risen; the installation of the new check-in counters and the new baggage scanners have also resulted in higher costs.
- Environmental consultancy costs have increased as a result of the airport’s decision to focus on its environmental policy. To this end the implementation of a new environmental management system (ISO 14001) was begun in 2012.
- The cost of other studies should also be taken into account: a new EIR study and soil decontamination studies performed in the framework of the AOC/ADC dossier.

Personnel costs have slightly decreased due to the fact that not all staff members who left the airport could and/or were allowed to be replaced.

We must remark in this context that the airport has still had to call in the services of a cleaning company and an external security firm in order to remedy the shortage of staff within the cleaning crew and the security department.



Direct economic value (euro)

Directly generated economic value	
a) Endowment for operating charges	5,487,000.00
b) Airport's own income	
a. Aeronautical income	2,767,269.96
b. Non-aeronautical income	1,109,255.41
c. Other operating income	74,105.80
Directly distributed economic value	
c) Operating charges	2,112,621.10
d) Personnel costs and benefits	6,355,073.44
e) Loans	0.00
f) Taxes:	
a. Real property tax	30,668.40
b. VAT (to be reclaimed)	-148,725.15
g) Investments in the community:	
a. Subscription for students from aviation schools that are located here: OAC, BAFA and NZVC (purchase of training cards for 46,000 euros for a value of 230,000 euros).	156,000.00
Retained profits	609,646.42

Each year the airport receives an endowment as a contribution towards the operating charges and investments. The Flemish government annually lays down these amounts by Flemish Parliament Act after the budget has been checked by the Flemish Parliament. The endowment from the Flemish government towards the operating charges does not suffice to cover all operating charges and must be complemented with the airport's own income from commercial activities. The investment endowment is invested in the airport's qualitative development, in particular in infrastructure, buildings and equipment.

Significant financial assistance Flemish Region

	2012	2011	2010
Endowment for operating charges (x 1,000 euros)	5,487	4,892	4,892
Endowment investment (x 1,000 euros)	2,908	2,908	2,908
Fixed investments (% endowment investment)	79.62	76.40	99.99

In 2012, Ostend-Bruges International Airport envisaged the following investment projects, amongst others:

- In 2013, maintenance works will be carried out on a continuous basis to pavements and road markings, as well as electricity works, both landside and airside.
Cost price: 931,000 euros
- The diversion of the service road around sensitive areas of the ILS system must be realised so as to ensure that these sensitive areas are safeguarded. As a result the old service road will be taken out of use. In order to realise the diversion of the service road, additional asphaltting is required.
Cost price: 268,000 euros
- Floor renovation in passenger building arrival and departure halls
Cost price: 168,000 euros
- Replacement of asphalt touchdown 26
Cost price: 152,000 euros
- Windows renovation in freight building
Cost price: 63,000 euros
- Delivery and installation of new balustrades and evacuation ladders
Cost price: 65,000 euros
- Purchase of rolling stock: 2 operational vehicles
Cost price: 44,000 euros
- Delivery and installation of new airco units in the transit halls
Cost price: 66,500 euros
- Study of sewer system and water drainage model (in the framework of the environmental licence)
Cost price: 56,000 euros
- Purchase of multidisc rotative mower combination in the framework of sustainable grass cutting
Cost price: 56,500 euros
- Adaptations to cold rooms and freezers
Cost price: 41,500 euros

- Obstacle Control Survey: compulsory study imposed by the Directorate-General of Aviation with a view to mapping obstacles around the airport
Cost price: 28,500 euros
- Gate replacement at airside
Cost price: 36,500 euros
- Legal inspections
Cost price: 20,000 euros
- Renewal of fibre optic cables
Cost price: 18,000 euros

To this end, the airport could count on the kind collaboration of Belgocontrol and several services of the Flemish government, such as:

- the Infrastructure Agency, Roads and Traffic Division for the Province of West Flanders;
- the Facility Management Agency, the Buildings Division for West Flanders;
- the Electromechanics and Telematics Division;
- the Airport Policy Division.

The General Policy Division, the General Technical Support Division, the Budget and Accounting Division, the Legal Services and the Human Resources and Logistics Divisions of the Department of Mobility and Public Works also assisted the airport in performing its operational task.

Airport's own investments

Besides the projects that are financed with the investment endowment, Ostend-Bruges International Airport also realised a number of investments of its own. These investments are necessary to guarantee the airport's daily operation.

	2012	2011	2010
Airport's own investments in euros	65,136	119,262	84,550

The airport's own funds were mainly used to purchase equipment goods. This mainly concerns office equipment, furniture and material that is typical of certain services, such as security equipment.

In 2012 we also invested in the installation of extra waste containers in the framework of separate waste collection as well as in containers for dead animals.

Environmental investments

The environmental investments can be extracted from an analysis of the investments of the past three years. Generally, these can be identified as follows:

Environmental investments

euro	2012	2011	2010
Costs related to waste collection and treatment	18,634.38	17,504	15,119
Costs related to emission treatment	2,927.92	700,074 (hydrocarbon separator apron 1 and cleaning of other hydrocarbon separators)	189,000 for hydrocarbon separator apron 3
Costs for repair and remediation (for instance in case of roof tile damage)	482.20	1,918	1,659
Costs related to prevention	79,892.53 (Intervention clothing, compressed air and O ₂ equipment, de-icing product)	11,279	70,158 (Intervention clothing, AED, compressed air and O ₂ equipment)
Costs related to environmental management and/or environmental advice	96,969.30 (including EIR drafting, preliminary and descriptive soil investigation, environmental management system implementation)	25,467 (including study wastewater)	29,230 (including external environmental coordinator contract)

Financial year 2012
01.01.2012– 31.12.2012

Balance sheet financial year 2012

ASSETS	2012	2011	2010	2009
FIXED ASSETS				
III. Tangible assets				
Plants, machinery and equipment	780,969.48	778,860.60	737,379.91	715,500.06
Installations, machinery and equipment	1,159,738.23	1,101,573.93	1,031,815.37	1,017,034.05
Furniture	337,110.39	330,899.90	322,877.45	312,330.79
Rolling stock	1,698,504.02	1,697,322.22	1,697,322.22	1,659,979.67
Endowment investments	50,478,033.19	48,358,863.93	46,201,817.55	43,355,496.00
Total fixed assets	54,454,355.31	52,267,520.58	49,991,212.50	47,060,340.57
Depreciations	41,158,141.46	37,932,311.75	35,030,082.31	31,784,994.04
CURRENT ASSETS				
VII. Amounts receivable within one year				
Trade debtors	635,907.83	421,835.43	444,773.45	651,605.38
Other debtors	4,239,334.87	4,240,349.82	4,892,162.27	4,832,816.70
IX. Liquid assets	9,747,118.78	9,139,211.05	9,893,793.54	8,696,814.18
X. Deferred charges and accrued income	48,861.63	53,219.84	47,923.21	25,247.15
Total current assets	14,671,208.11	13,854,616.14	15,278,652.47	14,206,483.41
TOTAL ASSETS	27,967,436.96	28,189,824.97	30,239,782.66	29,481,829.94

LIABILITIES	2012	2011	2010	2009
AIRPORT'S OWN CAPITAL				
IV. Reserves				
Legal reserve	1,137,545.03	1,137,545.03	1,129,449.64	1,075,365.32
<small>(cfr. Art.19 of Flemish Government Decree on the financial management of DAB Airports of June 8th, 1994)</small>				
V. Surplus brought forward	8,777,661.22	8,196,514.80	7,843,283.07	7,744,348.67
VI. Capital grants	12,847,347.02	13,735,048.11	14,350,079.95	14,655,888.79
Total capitals and reserves	22,762,553.27	23,069,107.94	23,322,812.66	23,475,602.78
PROVISIONS FOR LIABILITIES AND CHARGES				
VII. Other liabilities and charges	0.00	0.00	0.00	0.00
DEBTS				
IX. Amounts payable within one year				
Suppliers	593,777.72	662,203.96	595,176.81	775,779.05
Invoices payable	3,668,699.67	3,278,318.49	5,017,288.56	3,952,917.00
Subtotal trade accounts	4,262,477.39	3,940,522.45	5,612,465.37	4,728,696.05
Remuneration	647,606.33	877,484.12	896,422.93	944,454.60
Other debts				
Guarantees	191,117.36	179,852.36	182,693.99	185,264.63
X. Deferred income and accrued charges	103,682.61	122,858.10	225,387.71	147,811.88
Total amounts payable	5,204,883.69	5,120,717.03	6,916,970.00	6,006,227.16
TOTAL LIABILITIES	27,967,436.96	28,189,824.97	30,239,782.66	29,481,829.94

Profit-and-loss account 2012

	2012	2011	2010	2009
I. OPERATING INCOME				
Endowment				
Endowment for operating charges	5,487,000.00	4,892,000.00	4,892,000.00	4,884,065.27
Airport's own income				
Aeronautical income	2,767,269.96	2,858,587.11	3,110,798.31	3,196,203.73
Non-aeronautical income	1,109,255.41	1,143,657.88	1,088,423.48	1,274,966.96
Other operating income	74,105.80	87,966.90	113,033.00	74,823.28
Subtotal airport's own income	3,950,631.17	4,090,211.89	4,312,254.79	4,545,993.97
Total operating income	9,437,631.17	8,982,211.89	9,204,254.79	9,430,059.24
II. OPERATING CHARGES				
1. Services and other goods				
Costs rolling stock	129,226.48	158,635.23	140,192.27	89,629.82
Maintenance charges buildings + grounds+machinery	668,457.69	597,054.90	948,463.87	568,197.16
Electricity	291,016.63	289,382.18	243,698.64	215,161.87
Heating	143,172.75	167,370.15	121,286.17	135,398.10
Water	29,302.03	33,694.36	32,558.07	29,587.77
Telephony	21,361.18	20,878.10	23,179.09	23,495.50
Costs administration	50,308.41	59,236.41	51,658.28	40,469.64
Costs industrial clothing	72,996.75	37,741.14	88,290.22	73,524.38
Consultancy fees	67,940.16	19,761.25	29,230.27	37,667.36
Costs Sales & Marketing	188,743.59	162,843.01	164,796.38	181,300.53
Fees	86,281.89	38,572.72	20,448.57	35,143.06
Services provided by third parties	195,330.96	5,266.12	28,021.50	0.00
Cost ground rent	34,643.69	31,586.02	31,586.02	31,586.02
Miscellaneous expenses	133,838.89	143,444.80	105,225.53	120,023.32
Subtotal services and other goods	2,112,621.10	1,765,466.39	2,028,634.88	1,581,184.53
2. Remuneration and social security	6,355,073.44	6,506,778.83	6,525,674.61	6,585,289.59
3. Depreciation and amortisation	3,301,310.96	3,073,990.86	3,396,635.18	3,554,929.56
4. Other operating charges	32,561.43	38,984.57	42,796.78	48,794.42
Total operating charges	11,801,566.93	11,385,220.65	11,993,741.45	11,770,198.10

	2012	2011	2010	2009
III. OPERATING PROFIT / (LOSS)	-2,363,935.76	-2,403,008.76	-2,789,486.66	-2,340,138.86
IV. FINANCIAL INCOME	3,116,174.75	2,809,325.30	3,156,075.96	3,323,287.21
V. FINANCIAL CHARGES	16,876.78	9,143.99	123,958.63	4,586.58
VI. OPERATING RESULT	735,362.21	397,172.55	242,630.67	978,561.77
VII. EXTRAORDINARY INCOME	454.00	15,261.54	67,164.79	45,611.13
VIII. EXTRAORDINARY CHARGES	126,169.79	51,106.97	156,776.74	13,977.24
IX. NET RESULT : PROFIT / (LOSS)	609,646.42	361,327.12	153,018.72	1,010,195.66
CASHFLOW				
Profit / (loss) for financial year	609,646.42	361,327.12	153,018.72	1,010,195.66
Depreciation	3,301,310.96	3,073,990.86	3,396,635.18	3,554,929.56
Total	3,910,957.38	3,435,317.98	3,549,653.90	4,565,125.22
Appropriation to legal reserve	0	8,095.39	54,084.32	14,937.16
PROFIT / (LOSS) FOR FINANCIAL YEAR	609,646.42	353,231.73	98,934.40	995,258.50

Composition

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