

Annual Report 2019





| The Group's key figures and ratios | (DKK mill.) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Net revenue | | 1,225.6 | 1,307.1 | 1,304.8 | 1,401.3 | 1,397.7 |
| Profit or loss before financial items | | 90.5 | 35.6 | 75.8 | 79.1 | 112.9 |
| Profit before tax | | 90.3 | 40.8 | 71.1 | 80.8 | 106.6 |
| Profit or loss for the year | | 60.0 | 25.6 | 44.9 | 52.1 | 88.6 |
| Tangible fixed assets | | 865.0 | 745.4 | 764.3 | 737.2 | 688.4 |
| Equity | | 903.6 | 683.6 | 700.7 | 717.9 | 488.8 |
| Balance sheet total | | 1,379.3 | 1,121.7 | 1,170.2 | 1,244.1 | 1,130.2 |
| Dividends for the financial year | | 274.0 | 37.0 | 22.5 | - | 461.0 |
| Investments in tangible fixed assets | | 129.9 | 78.7 | 148.0 | 126.2 | 95.6 |
| Number of employees (year-end) | | 634 | 621 | 614 | 631 | 637 |
| Profit margin | | 7.4% | 2.7% | 5.8% | 5.6% | 8.1% |
| Return on invested capital after tax incl. goodwill | | 10.0% | 4.1% | 9.4% | 10.8% | 11.2% |
| Financial gearing | | -0.2 | -0.2 | -0.2 | -0.4 | 0.0 |
| Return on equity | | 7.1% | 3.2% | 6.5% | 7.3% | 14.7% |
| Equity ratio | | 65.5% | 60.9% | 59.9% | 57.7% | 43.3% |

| Statistical information | Unit of measurement | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------------|-------------|-------------|-------------|-------------|-------------|
| Route network length | Km | 16,879 | 18,340 | 17,603 | 17,603 | 17,603 |
| Number of towns serviced | Towns | 22 | 22 | 16 | 16 | 16 |
| Flown km in regular traffic | 1000 | 5,620 | 6,025 | 5,903 | 6,201 | 5,933 |
| Flying hours in the air, total | Hours | 22,693 | 23,176 | 23,189 | 23,486 | 21,527 |
| Flying hours in the air, regular | Hours | 13,191 | 13,911 | 12,648 | 13,064 | 12,845 |
| Offered tonne-km, regular traffic | 1000 | 75,318 | 81,369 | 85,233 | 91,793 | 88,989 |
| Sold tonne-km, regular traffic | 1000 | 50,514 | 54,713 | 56,922 | 58,971 | 59,792 |
| Total load factor, regular traffic | Percent | 67.1% | 67.2% | 66.8% | 64.2% | 67.2% |
| Number of passengers | 1000 | 395 | 426 | 419 | 431 | 438 |
| Offered seats-km, regular traffic | 1000 | 600,859 | 650,059 | 678,174 | 733,328 | 717,180 |
| Sold seats-km, regular traffic | 1000 | 482,002 | 523,656 | 548,252 | 568,316 | 579,841 |
| Cabin factor, regular traffic | Percent | 80.2% | 80.6% | 80.8% | 77.5% | 80.9% |
| Average travel distance for regular traffic | Km | 1,221 | 1,229 | 1,310 | 1,319 | 1,323 |



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Company information

Central Business Register

| | |
|-------------------------|--|
| (CVR) number: | 56996710 |
| Ownership: | Wholly owned by the Government of Greenland, Nuuk, Greenland |
| Share capital: | DKK 24 million |
| Auditors: | PricewaterhouseCoopers Grønlands Revisionskontor A/S |
| Executive Board: | Jacob Nitter Sørensen, Chief Executive Officer |

Statement of the Board of Directors and Executive Board

We have on this day presented the annual report for the financial year 1 January – 31 December 2019 for Air Greenland A/S.

The annual report has been prepared in accordance with the Greenlandic Financial Statements Act. We consider the accounting policies employed to be appropriate, such that the annual report provides a true

and fair view of the Group and Parent Company's assets, liabilities and financial position as at 31 December 2019 and the result of the Group and Parent Company's operating activities and cash flow in 2019.

The annual report is recommended for adoption at the Annual General Meeting.

Nuuk, March 23th, 2020

Management Jacob Nitter Sørensen
Chief Executive Officer

Board of Directors Kjeld Zacho Jørgensen
Chairman of the Board

Annette Pia Brøndholt
Sørensen

Henrik Maule
Steinbacher

Bodil Marie Damgaard
Vice Chair

Steen Jensen

Claus Martin
Motzfeldt

Jette Larsen

Malik Peter Hegelund
Olsen

Sam Grønvold

The Independent Auditor's Report

To the owner of capital in Air Greenland A/S

Opinion

In our opinion, the consolidated accounts and financial statements give a true and fair view of the Group and the Company's assets, liabilities and financial position as of 31 December 2019, as well as the result of the Group and the Company's activities and cash flow for the financial year 1 January – 31 December 2019, in accordance with the Greenlandic Financial Statements Act.

We have audited the consolidated accounts and financial statements of Air Greenland A/S for the financial year 1 January – 31 December 2019, which comprise the income statement, balance sheet, statement of changes in equity, notes, including accounting policies, and cash flow statement for both the Group and the Company ("financial statements").

Basis for opinion

We have conducted our audit in accordance with international standards for audits and the additional requirements that are applicable in Greenland. Our responsibility under these standards and requirements is further described in the section "Auditor's responsibility for auditing the financial statements". We are independent of the Group pursuant to the international ethical rules for auditors (IESBA Code of Ethics) and the additional requirements that are applicable in Greenland, just as we have fulfilled our other ethical obligations in compliance with these standards and requirements. It is our opinion that the audit evidence obtained is sufficient and suitable as a basis for our opinion.

Significant uncertainty concerning continued operations

We refer to note 0 in the financial statements, which describes the fact that the Group and Company earnings and liquidity are substantially affected by the COVID-19 pandemic. As described in note 0, the situation entails that there is a considerable degree of uncertainty, which can raise significant doubts about the ability of the Group and the Company to continue operations.

Our opinion has not been modified concerning this matter.

Statement on the Management's Report

The Management is responsible for the Management's Report.

Our opinion regarding the financial statements does not include the Management's Report and we express no form of definitive opinion on the Management's Report.

In connection with our audit of the financial statements, it is our responsibility to read the Management's Report and in that regard consider whether the Management's Report is substantially inconsistent with the financial statements or in any other way seems to contain significant misinformation.

In addition, it is our responsibility to consider whether the Management's Report contains the required information in accordance with the Greenlandic Financial Statements Act.

Based on our audit work, it is our opinion that the Management's Report is consistent with the consolidated accounts and financial statements and has been prepared in accordance with requirements of the Greenlandic Financial Statements Act. We have not found any significant error or misinformation in the Management's Report.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that provide a true and fair view in accordance with the Greenlandic Financial Statements Act. Furthermore, Management is responsible for those internal controls that it considers necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

With the preparation of the financial statements, Management is responsible for evaluating the Group and the Company's ability to continue operating, to provide information concerning continued operations,

where relevant, and to prepare financial statements on the basis of the accounting principle of continued operation, unless Management either intends to liquidate the Group or the Company, cease operations or does not have any realistic alternative other than to do this.

Auditor's responsibility for auditing the financial statements

Our aim is to achieve a high degree of certainty as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report with a conclusion. A high degree of certainty is a high level of certainty, but it is not a guarantee that an audit that is conducted in accordance with international standards for audits and the additional requirements that apply to Greenland will always reveal material misstatements when such are present. Material misstatements can occur due to fraud or error and may be considered to be significant if they can reasonably be expected to have an influence, individually or collectively, on the financial decisions that are made by the users based on the financial statements.

As part of an audit conducted in accordance with international standards for audits and the additional requirements that apply to Greenland, we undertake professional evaluations and maintain professional scepticism during the audit. In addition:

- We identify and evaluate the risk for material misstatements in the financial statements, regardless of whether this is due to fraud or error, plan and conduct audit procedures as a consequence of these risks and obtain evidence that is sufficient and suitable upon which to base our conclusion.

The risk of not discovering material misstatement resulting from fraud is higher than with material misstatement resulting from error, since fraud may involve conspiracy, falsification, deliberate omissions, deception or breach of internal controls.

- We gain an understanding of the internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group and Company's internal controls.
- We consider whether the accounting principles adopted by Management are suitable and whether the accounting estimates and related information prepared by Management are reasonable.
- We evaluate whether Management's preparation of the financial statements based on the accounting principle for continued operation is appropriate and whether, on the basis of the audit evidence acquired, there is significant uncertainty associated with events or circumstances that could cause considerable doubt concerning the Company's ability to continue operations. If we conclude that there is significant uncertainty, we will provide information about this in the auditor's report for the consolidated accounts and the financial statements or, if this information is not sufficient, we will modify our opinion. Our opinion is based on the audit evidence that is obtained up to the date of our auditor's report. Future events or circumstances, however, may result in the Group or the Company being unable to continue operations.
- We evaluate the total presentation, structure and content of the financial statements, including infor-

mation in the notes, and whether the financial statements reflect the underlying transactions and events in such a way that they present a true and fair view.

- We achieve appropriate audit evidence regarding the financial information for the companies or business activities in the Group in order to express an opinion with regard to the consolidated accounts. It is our responsibility to lead, supervise and conduct an audit of the Group. We are solely responsible for our audit opinion.

We communicate with senior management regarding, among other things, the planned scope and date of the audit, as well as significant audit observations, including any significant deficiencies in internal controls which we identify during our audit.

Nuuk, 23 March 2020

PricewaterhouseCoopers

Partnership of State Authorised Public Accountants
Central Business Register (CVR) no. 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
mne30141

Grønlands Revisionskontor A/S

State Authorised Public Accountants
Central Business Register (CVR) no. 12 24 49 67

Per Jansen
State Authorised Public Accountant
mne21323

Management's Report

Group profile

2019 was the year in which the ownership of Air Greenland was wholly transferred to the Government of Greenland, when SAS and the Danish government sold their shares in the company to the Government of Greenland.

The change in ownership structure was desired by all three owners and had been planned through an extensive period of painstaking work. Air Greenland's Management and current Board of Directors would like to take the opportunity presented in the annual report to thank both SAS and the Danish government for many years of fruitful collaboration and active participation in the development of the company.

With the new sole owner, work is well underway on the development of a clear-cut strategy for the years ahead with the declared goal of "lifting Greenland" into a new reality with an enhanced infrastructure with new airports and runways at several locations in the country.

Air Greenland is now a publicly owned company with two main objectives: one of these objectives is a commercial aim, whereby money is to be earned and invested in continued development and adaptation to the market; the second objective is a social obligation to provide support and collaboration for the growth and development of Greenlandic society.

When we in Air Greenland talk about lifting Greenland and connecting people, we mean that our entire fleet is involved in providing solutions to an important societal issue. We carry everything from passengers to foodstuffs, medicine, spare parts and much more. We are proud of this responsibility and we know the obligations that it entails.

Safety Always is the foundation upon which the company is built. Professional and systematic work with safety helps to underpin our customers' perception of and confidence in Air Greenland as an airline with which it is always safe to fly.

Customer focus is the point around which we revolve. We are in continuous dialogue with our customers, whether these be private individuals or business cli-

ents. The feedback we receive from our customers is a crucial tool in our quest to develop both new and existing products.

Sustainability is another key element in Air Greenland's way of working. Since 2010, we have been a member of UN Global Compact, whose ten principles concerning human rights and employee rights, climate, environment and anticorruption, combined with the company's business strategy, have created the basis for the priority that the Company gives to corporate social responsibility (CSR). Within the past couple of years we have begun to work with and contribute to the 17 Global Goals that world leaders adopted at the UN summit in New York in 2015. We wish to boost our efforts to support the 17 Sustainable Development Goals and have therefore embarked on analyses and interviews that are designed to result in a sustainability strategy that supersedes our current CSR strategy.

Development in its broadest sense is what keeps us competitive. We develop our products for our customers, we develop skills and satisfaction amongst our employees, and we develop our focus on reducing costs and streamlining operations, such that we can maintain our competitiveness and remain the preferred choice for our customers for many years to come.

Subsequent events

The consequences of COVID-19 are considered to be an event that has occurred subsequent to the balance sheet date of 31 December 2019, and is therefore deemed to be a non-adjusting event. Air traffic to and from Greenland (Atlantic route) stopped on 20 March 2020 for an indefinite period, in addition to which domestic traffic in Greenland has also been grounded. Air Greenland is flying an emergency service on behalf of the Government of Greenland with regard to internal flights in Greenland and to Copenhagen via Iceland during the lockdown of normal operations. Activities in Hotel Arctic and Greenland Travel are also expected to be negatively affected to a considerable extent in 2020. Management is following developments closely, but it is too early to say which tangible effects COVID-19 will have on overall revenue and earnings in 2020.





Highlights 2019

- The Air Greenland Group's profit before tax was DKK 106.6 million, which is better than expectations for the year, and an improvement of DKK 25.8 million on 2018. The positive result is in part due to savings on external costs of DKK 35 million.
- We have flown with 2% more passengers than last year, whilst production has been reduced by 2.2%. These two factors mean a better utilisation of seats, with the cabin factor increasing from 77.5% in 2018 to 80.9% in 2019, thus making a significant contribution to the improved result.
- In May, Air Greenland became a wholly Greenlandic-owned company for the first time, when SAS and the Danish government sold their shares in the company to the Government of Greenland.
- In 2019 we took the final decision concerning the biggest-ever investment in the company's history – the purchase of a new Airbus 330-800 neo to replace the current Atlantic aircraft, Norsaq. The new aircraft has room for more passengers and greater cargo capacity, yet at the same time is more economical in terms of fuel and thus has a smaller impact on the environment than its predecessor.
- The contract with the Greenlandic healthcare system with regard to medical evacuations has made it possible to invest in a new aircraft, a Super King Air, which was taken delivery of in the autumn and is now fully implemented.
- We have purchased two H225 helicopters in order to be prepared with the best equipment when the next bidding round for Search and Rescue (SAR) commences.
- Our customer loyalty club, Club Timmisa, has been launched with expected success. Members receive information about campaigns and events before this information is marketed to a wider audience, in addition to which an app has been developed containing information about each member's flights, etc. Development will continue in order to give customers even more benefits.
- Several customer events on the coast were once again held in 2019, whereby customers were invited to coffee and cake, entertainment and a number of stands offering everything from face-painting to information about pilot training. These events are popular with customers, as evidenced



The new Super King Air

by the fact that several hundred guests have attended each time.

- At a workshop in the autumn, 5 of the UN's 17 Sustainable Development Goals were chosen to make up the backbone of the upcoming sustainability strategy. The goals were chosen on the basis of criteria such that the work had to make sense in the local community of which Air Greenland is a part so that together we can give Greenland a boost. The goals chosen were: no. 4 – Quality Education; no. 9 – Industry, Innovation and Infrastructure; no. 12 – Responsible Consumption and Production; no. 13 – Climate Action; and no. 17 – Partnerships for the Goals.
- Our Lean initiative is now a pivotal part of our business strategy, and by the end of 2019 its implementation encompassed the majority of the orga-

nisation. Optimisation of processes across the organisation (value streams), including integrated visual management and standardisation, has resulted in greater stability in day-to-day operations. This is underlined by an increase in customer satisfaction compared to 2018. At the same time, employee satisfaction has received a considerable boost in the technical department.

- In 2019, we were in contact with around 1000 young people from primary schools, lower and upper secondary schools and institutions of further education through education fairs, job fairs, visits from schools, visits to schools, and through trainees.



Financial development

Pre-tax profits for the year are DKK 106.6 million, which exceed expectations for the year and are an increase of DKK 25.8 million in relation to 2018. The positive result is in part due to savings on external costs of DKK 35 million. This reduction in costs includes an additional cost for fuel of DKK 12.4 million, and thus savings in terms of other external expenses amount to DKK 47.4 million.

These cost savings have been made possible through modifications to the timetable, better planning and management in the event of interruptions to planned traffic, as well as a constant focus on costs.

Timetable and planning

The timetable in 2019 was adapted to meet demand, which has meant that production was reduced by 2.2%. At the same time, 2.0% more passengers travelled with us in 2019, and the combination of less traffic and more customers led to the cabin factor increasing from 77.5% in 2018 to 80.9% in 2019, which is a significant factor in the improved result.

Net revenue

The Group's net revenue has fallen by DKK 3.7 million, whereas passenger revenue, including fuel surcharge, has increased by DKK 45.7 million. This is due to 2% more passengers and the full-year effect of the fuel surcharge.

Charter revenue has been reduced by DKK 42.4 million, and has been negatively affected by a reduced level of research activity during the year, which is in turn due to projects that needed to be evaluated and projects that have suffered delays in funding appro-

val. 2018 was a year which saw a lot of charter activity, unlike the case in 2019.

Other income has reduced by DKK 8.7 million.

Technical maintenance

Air Greenland's fleet consists of several types of aircraft that are required to cover transport needs. This diversity also means that the Company is vulnerable when unplanned maintenance is required or we are delayed after an inspection.

Air Greenland has had less unplanned maintenance in 2019, and this, combined with focus through Lean initiatives, has meant that aircraft are ready on time. Overall, this has resulted in a considerable reduction in costs related to technical maintenance.

The derived effect of less unplanned maintenance has also had a positive effect on other operational costs, amongst other things on purchase of capacity, but also on irregularity costs.

Subsidiaries

All companies in the Group delivered a positive result in 2019 with excellent utilisation and attractive offers. Investment in Greenland's reception apparatus is a high priority at Air Greenland because it is vital to our collective future as a tourist destination.

Greenland Travel's profit for the year was DKK 9.5 million before tax and DKK 6.9 million after tax. The result for 2019 is very satisfactory in the wake of the growth strategies that Greenland Travel has been working on during the past year. Greenland Travel



has continued its growth of recent years and in 2019 saw an increase in activity of 20% compared to 2018. This increase stems primarily from business-related activities.

In 2018, Greenland Travel won 3 of 4 subcontracts which the Government of Greenland put out to tender. The majority of the increase in activity in 2019 comes from the contract with the Government of Greenland, but there continues to be an intake of new business customers who are looking to enjoy the benefits of Greenland Travel's service, accessibility and competitive prices.

The main activity in leisure is the production and sale of tourism-based products primarily for Greenland. Greenland Travel sells both directly to customers and through agents. The high season in 2019 has seen a similar level to the high season in 2018, whilst there

was a modest increase in the number of products sold in the low seasons. Overall, the leisure segment is at the same level as in 2018.

There is close collaboration with subsidiary World of Greenland with regard to the development of new tourism products that can attract more tourists to Greenland. The most recent of these products is Igloo Lodge, which is situated half an hour by snowmobile from Ilulissat. Igloo Lodge offers the adventurous tourist the chance to spend the night in an igloo, whilst the affiliated lodge means that tourists can also stay inside in warm and comfortable surroundings.

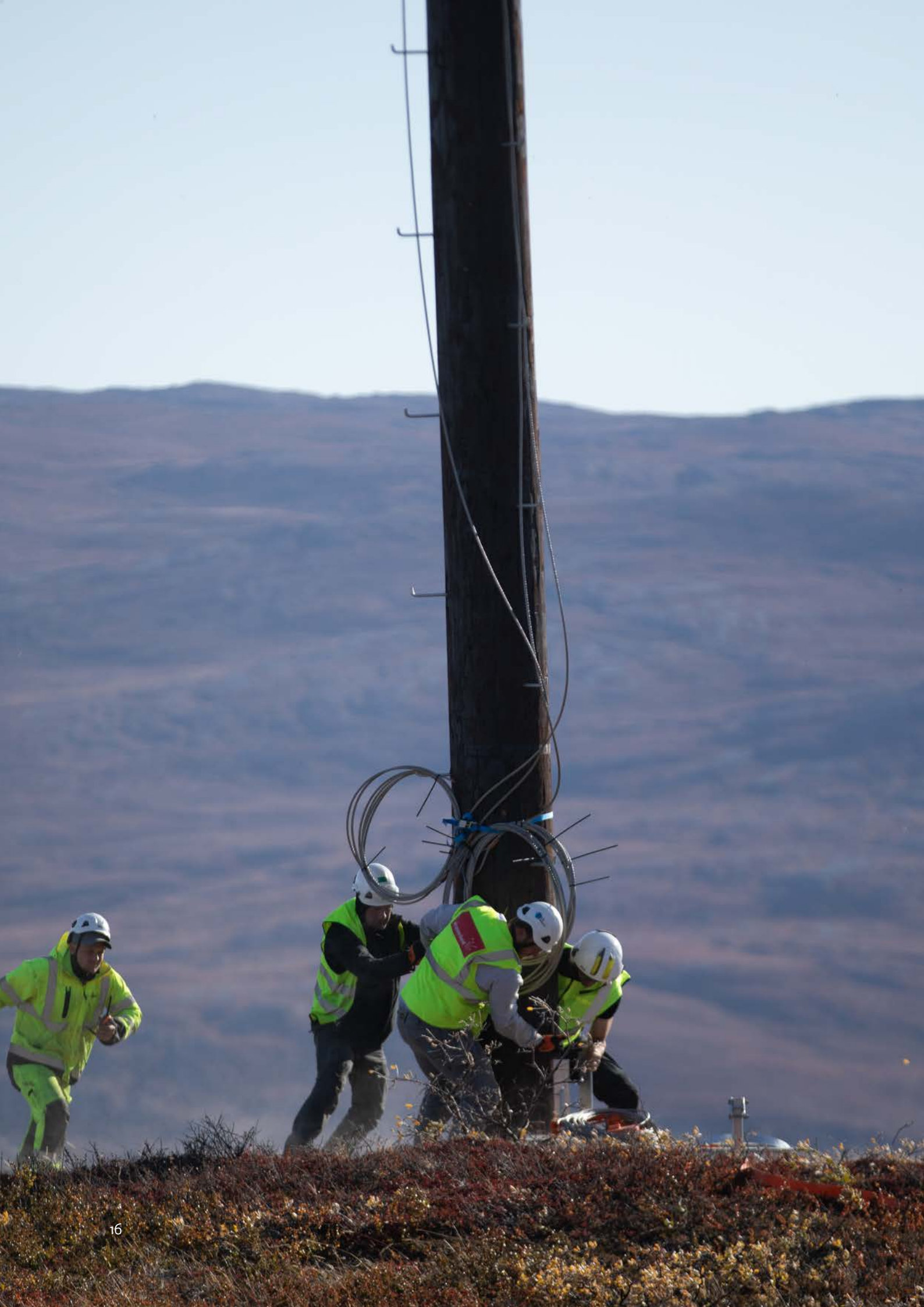
Hotel Arctic ended the year with a profit of DKK 5.0 million before tax and 6.1 million after tax. The positive tax in 2019 is due to a change in corporation tax for 2020, which has already had an influence on the value of deferred tax in 2019. Expectations concer-



ning the result in 2019 have not quite been met, but in spite of fewer guests than expected and a decline in restaurant turnover, the company has managed to deliver a satisfactory result.

In March, the hotel implemented a new booking system and modern website with booking portal, which, along with the refurbishment and extension of 2 places to eat at the hotel, are designed to ensure good accessibility and service that match – and preferably exceed – the expectations of customers.

Air Greenland has had a good working relationship with our partner companies, **Nordurflug**, of which we own 30%, and **Norlandair**, of which we own 25%. The companies have together achieved a satisfactory share of the result of DKK 0.8 million.



Risk management

A reliable and competitive operator

The primary purpose of risk management is to ensure the best possible conditions such that Management can make decisions for the greatest benefit of our owners and the society in which we operate. Management in Air Greenland identifies business-specific and more general risks on an ongoing basis that can affect the Company to both a positive and negative extent. Identified risks are discussed and followed up in the Company's senior management, such that the most significant risks are tackled through policies and investments.

Risk identification, and the management hereof, is thus a key management tool that assures Air Greenland, our owners and the society around us the greatest possible return on the strategic priorities and objectives that the Company works with.

Strategic risks

The new infrastructure consistently appears to represent one of the most significant strategic risks for Air Greenland in recent years. Changes in the market will lead to considerable changes in the make-up of the fleet, which will have considerable operational and economic consequences, including the retraining of pilots and implementation of new types of aircraft and equipment.

The aviation industry is characterised by very high and specialised requirements in terms of safety, operational performance and technical knowledge. Air Greenland never compromises on these requirements. Work therefore continues to focus on identifying and developing skills at all levels in the Company. The annual employee satisfaction survey contributes to identifying wishes and needs with regard to upgrading of qualifications amongst the employees, whilst at the same time drawing the attention of Management to matters that may have a negative influence on retention of employees.

Financial risks

Air Greenland has invested in two modern H225 helicopters for Search and Rescue (SAR) operations in order to put itself in the strongest possible position in the upcoming invitation to submit bids for SAR from 1

January 2021, which is expected to be announced during the course of spring 2020, thereby superseding the current agreement between Air Greenland and Danish Defence. The SAR tender is crucial in terms of maintaining a differentiated revenue base for the Company, but equally with regard to maintaining and offering specialist skills for this type of operation locally in Greenland.

The Company traditionally exercises a hedging policy in order to minimise risks in the event of price and exchange rate increases on fuel.

Operational risks

Air Greenland has one of the most complex operations in the industry due to the diversity of the aircraft fleet and its operations. Great focus is thus necessary to always have the right competences at the right time, in addition to ensuring that the Company's unit costs are not increased unnecessarily.

The construction phase of the new airport in Nuuk has commenced. Steering committees and exercises have been set up with the participation of the relevant parties, such that a safe traffic programme can be employed with as little inconvenience to travellers as possible.

There is also a generally increased risk of being exposed to cyber crime, with attacks having taken place against Air Greenland during the course of the year. There is major focus from Management on securing both sensitive personal information and operationally critical data and systems. For example, an add-in to employees' mail is now being rolled out that will help to identify threats such as ransomware. A Management report on IT operation and security threats against the Company is drawn up on an annual basis, whilst tests are carried out on an ongoing basis by the IT department in collaboration with external partners in order to ensure optimum levels of security.



Growth and Development

Dialogue with customers on needs, products and capacity

2019 has seen an overall growth in passenger numbers in regular traffic of 2% in relation to 2018. There has been growth in both international and domestic routes, although the rate of growth has been smaller than in 2018.

In line with 2018, the growth in foreign traffic has come from Copenhagen, whilst there has been a modest fall in traffic from Iceland. The cruise ship changes between Kangerlussuaq and Keflavik have not lived up to expectations, and there has been a slight decline on the Ilulissat – Keflavik route, which is due to a reduction in frequency, whilst there has been minor growth in the market between Nuuk and Keflavik. The Icelandic market as a whole, which is served by both Air Greenland and our competitor, has stagnated and is exhibiting a downward trend.

Air Greenland has, on the other hand, managed to increase its market share in the overall market for international traffic to 87%.

The mean coefficient of utilisation of aircraft capacity deployed in the Atlantic has risen by 4 percentage points to 83%. However, growth has followed the familiar seasonal profile with high demand in the summer months and lower demand in spring, autumn and winter. Encouraging greater demand outside the high season thus remains a challenge.

Domestic traffic is primarily driven by growth on Atlantic flights. Dedicated domestic traffic has grown by 1%, where the traffic to and from Nuuk has been the driving force.

In a market that is in constant development, and where competition will intensify in the years ahead, it is more important than ever to be enterprising and, not least, to have a close dialogue with the customers. Air Greenland gives this dialogue priority and sees customer feedback as an essential tool in its efforts to deliver the capacity and service that is needed.

Club Timmisa

2019 was the year in which the Company launched its new customer loyalty club, Club Timmisa. The aim of this initiative is to offer members more relevant and focused marketing. The members receive information

concerning campaigns and events, and they can take part in prize draws in which they can win travel gift vouchers. An app has been developed that can be used to purchase airline tickets and keep tabs on any changes to itineraries. In an upcoming version, it will also be possible to check-in via the app and download newspapers, magazines and other reading matter for the journey.

Dialogue with our customers is practised in many ways. This year we have once again put on a number of customer events in places such as Qaqortoq, Aasiaat and Tasiilaq, where several hundred guests visited our stands that featured various departments and entertainment, virtual reality with films of flights and much more besides.

We hold regular meetings with our key customers and generally focus on openness and communication with our stakeholders.

Our participation in travel trade shows and exhibitions is a vital means of maintaining and developing markets. In 2019 we were represented at ITB in Berlin, Pre-tour Vestnorden in Greenland, Vestnorden Travel Mart on the Faroe Islands, 5 Country Workshop in London, Mid Atlantic in Reykjavik and ATWS in Gothenburg.

We constantly measure customer satisfaction, which has generally risen from 4.1 in 2018 to 4.2 in 2019. We are ahead of our targets in the following areas:

- Online booking system
- Check-in and boarding
- Onboard experience
- Baggage reclaim
- Air Greenland compared to other airlines

The areas in which we have not yet met our targets are in dealing with irregularities and customer enquiries, which of course we are focusing on, in particular at weekly whiteboard meetings.

Our customers have generally given positive feedback on one of this year's changes – the revamping of the entertainment system on our Atlantic aircraft, Norsaq. With the new system, passengers now have a lot more



options to interactively choose between a number of films, music and games.

Intensive customer dialogue combined with available charter capacity in the traditional low season and an overall wish to extend the season for the benefit of the Group as a whole have meant that we are now able to enjoy much greater success with products such as heli-skiing and flightseeing, often in collaboration with one or more of our subsidiaries.

In conjunction with Air Greenland, our subsidiaries are able to develop attractive and competitive Group products in the low seasons with flights, overnight accommodation and activities.

Other initiatives worth mentioning include Ilik group travel for schools and associations. We wish to contribute to Greenlandic schoolchildren and clubs and associations being able to get out and travel, for instance to Greenlandic championships, on theatre and exhibition tours, study trips and similar. These groups can enjoy favourable prices in certain periods when there is spare capacity.

Charter

The charter department has had a challenging year in which activity levels neither lived up to the success enjoyed in 2018 nor met budget expectations for 2019.

The number of hours was approximately halved in relation to the previous year, with the Company's biggest summer contract customer in 2018 completely absent. The demand from customers within raw materials and mineral research was generally low in 2019.

SAR

Our current contract with the Danish Ministry of Defence with regard to Search and Rescue (SAR) operations is valid until 2020. The Ministry of Defence's Acquisition and Logistics Organisation is expected to invite tenders for SAR for the period after 2020. With the purchase of two H225 helicopters, we have taken an important step towards being prepared for the bidding round with the best and most suitable equipment. We have a strong position due to our experience and the excellent collaboration we have historically enjoyed with the Danish government with regard to this important task. In our favour, we can also count our very experienced pilots that service the Greenlandic population on a daily basis with a high degree of safety and quality.

A concrete example of this experience and expertise was the performance of the SAR services in a rescue

operation in July near the settlement of Ikerasak in northwest Greenland. A young man was on a hike through the fells on his own, lost his way and ended up on a steep mountainside. Three people with local knowledge managed to locate him, but had to give up trying to help him down. The local police were contacted and they implemented a rescue operation supported by an SAR helicopter from Air Greenland. Due to the particularly difficult conditions with loose stones on the mountainside on which the four people were stranded, the helicopter had to fly very close to the fell. After concentrated efforts with a hoist, those in need of help were taken off the mountainside. The crew were later honoured for their extraordinary efforts.

Healthcare Service

We continue to have a good working relationship with Greenlandic healthcare services on the transport of patients needing medical evacuation. The current 3-year agreement has made it possible for us to raise the level of service and quality by investing in a brand new Super King Air, which was delivered and put into service in autumn 2019.

US Air Force

In 2018, Air Greenland won the US Air Force contract to operate Thule Air Base, and we have recently been rated as "very good" by the American customer.

The US Air Force is a vital customer for Air Greenland, and we are proud to be able to continue to handle tasks until 31 December 2023, when the contract expires.

Service contracts

The service contracts with the Government of Greenland are applicable until 30 June 2021.

Cargo and mail

Overall turnover with regard to cargo and mail is in line with the budget and DKK 0.4 million higher than in 2018.

The modest increase in turnover has been realised despite a continued fall in mail volumes, although this is outweighed by the fact that customers choose priority products to a greater extent, thus ensuring a higher yield.

Many shipments require special handling, which requires plenty of logistics to redistribute the cargo from our Airbus 330-200 to the Dash 8 fleet, and occasionally on to the Bell 212 fleet – often in difficult conditions.



LEAN – Systematic streamlining

Operations are optimised, and customers and employees express greater satisfaction

We launched the Lean initiative in 2018 with focus on creating a solid foundation for a business culture that accommodates, understands and adapts to greater globalisation and actively contributes to development in Greenland.

The transformation process consists of 5 levels, of which the first 3 (the foundation) have been established as of the end of 2019. The creation of results has as expected materialised in relation to the start of the initiative in the technical department.

With Lean as a business system, the results of the initiative in one part of the business are also seen in other parts of the value chain. The number of unplanned repairs on our aircraft has fallen by 17%, and repair time has been reduced by 30%. The initiative in the technical department has thus contributed to greater customer satisfaction compared with 2018.

Lean is about people and what we can achieve together. Development of skills and understanding of connections are key elements. The managers in the technical department have worked for years with standards, visual management and problem solving,

which has raised skill level by a factor of 4, based on our behavioural model.

Employee satisfaction – measured in the annual employee satisfaction survey – has risen from 72 to 78 during the period 2017-2019, whilst sick leave has fallen from 4.6% to 2.9% in the same period.

Visual management has been further boosted in 2019 by the fact that our value stream board has been revised and now focuses on the complete customer experience. There is weekly measurement of customer satisfaction and the Key Performance Indicators (KPIs) that have direct influence on this. We evaluate how things have gone in the previous week and implement the changes that ensure maintenance or further improvement of the performance level.

The value stream whiteboard meeting is attended by all the organisational areas in Air Greenland, and this coordination amongst the operating departments has meant that from autumn 2019 we have been able to operate with 6 Dash 8 aircraft – although we have 7 – at the same time as which we have improved our punctuality. This is yet another example of when the



Lean toolbox is used correctly it can result in a boost to quality, customer and employee satisfaction without incurring extra costs. In other words, we have become better at planning, predicting and dealing with the issues that naturally occur in an operational region that is challenging both technically and in terms of the weather.

There are now visual management boards in all parts of the organisation with daily and weekly 15-minute meetings, in which the participants review status and agree on the activities that have to be carried out before the next whiteboard meeting. Senior management meets every week in the canteen in Nuuk at Air Greenland's overall Lean whiteboard. Here the overall and combined KPIs for the business are reviewed, and decisions and info are taken back to the respective Lean whiteboards in the rest of the Company.

Air Greenland's Lean initiative will continue in the years to come, and in 2020 efforts will focus on maintenance and further development in the technical department, at the same time as which the flying department and the commercial department will also be involved.

Lean management principles will be implemented throughout the organisation, such that visual transparency and focus on value streams are increased. We will implement the next level of Lean KPIs, balanced scorecard and Lean governance in our projects. Formal Lean training with certification will be integrated into our employee development portfolio and competence plans, in addition to which we will continue working on the culture of continuous improvements and direct creation of results. The goal is that all changes will be validated in relation to the needs of the customers, such that the customer takes precedence over any organisational ties.



Sustainability

A separate CSR report describes in more detail our objectives and initiatives in 2019, and this can be read at www.airgreenland.dk/om-os/organisation.

In 2020, Air Greenland put its signature to the UN Global Compact's ten principles for responsible business operation, which we have been working with ever since. The principles concern human rights and employee rights, climate, environment and anticorruption, and make up, along with the Company's business strategy, the basis for our prioritisation of corporate social responsibility.

During recent years we have been working with the 17 Sustainable Development Goals, which were adopted at the UN summit in New York in 2015. We wish to bolster our efforts to support the 17 Global Goals and have therefore begun analyses and interviews that will result in a sustainability strategy that will supersede the current CSR strategy.

In the current CSR strategy we have described eight themes as the foundation for Air Greenland's strategy

for corporate social responsibility.

- a) Access to transport
- b) Involvement in the local community
- c) Skills development and education & training
- d) Climate change and the environment
- e) Human rights and employee rights
- f) Working environment and health & safety
- g) Anticorruption and business ethics
- h) Responsible supplier management

Of the eight themes, we have chosen to apply particular focus to three: access to transport; involvement in the local community; and competence development and education & training. These themes underpin our business strategy to a particular extent, in addition to which we can make a marked difference in society in these areas.

Access to transport is about ensuring that stakeholders experience Air Greenland as a fair enterprise that solves a societal task in a proper manner. This means that Air Greenland must be transparent in



relation to stakeholders and be proactive in its dialogue with them.

In 2019, for example, we held meetings with customers and business partners such as Joint Arctic Command, the US Embassy and several local and national politicians and interest groups, we have participated in infrastructure seminars, job fairs at home and abroad, we have organised several customer events and much more besides. In keeping with tradition, we have also opened our doors on Culture Night, when 90 Air Greenland volunteers gave no less than 3300 guests a good experience.

Involvement in the local community takes place, among other things, through Air Greenland helping to support development both in Greenlandic society as a whole and locally in the towns in which the enterprise operates. We do this by getting involved and actively contributing to social tasks in collaboration with relevant stakeholders.

We demonstrate our commitment and involvement

through sponsorships and donations in relation to many different projects and activities, as well as participation in CSR Greenland initiatives. Among sponsorships in 2019 was a tour of Greenland with opera singer Josef Lund Josefsen, an anniversary tour with Hinnarik, as well as agreements with the National Theatre, Greenland's National Gallery, Red Cross Youth fundraising, Nanu Children's "Children's Christmas" and the big Greenland fundraiser for the Danish Cancer Society.

Furthermore, Air Greenland has a long-term commitment in the Foundation for Entrepreneurship – Kalaallit Nunaat. During the last two years, the Foundation has offered in-service training in entrepreneurship to teachers and instructors, held two major competitions for entrepreneurs and in general made efforts to promote entrepreneurship and innovation as part of teaching, in addition to which several teaching materials have been translated into Greenlandic. In 2019, Air Greenland's CEO, Jacob Nitter Sørensen, became Chairman of the Foundation.



As usual, we have had a number of company visits from schools, 28 pupils have had a period of work experience with us, and we have participated in education fairs in both Greenland and Denmark.

Skills development and education & training have had particular focus on the implementation of Lean in 2019. The initiative was launched in 2018 with focus on creating a solid foundation for a business culture that accommodates, understands and adapts to greater globalisation and actively contributes to development in Greenland. Read more in the section on Lean in the Management's Report.

Air Greenland aims to be an attractive employer with carefully targeted recruitment and competence development. Therefore 2019 has seen, in addition to statutory courses, courses being held in first aid, cultural understanding, conflict management and IT-related topics, etc.

We take on an average of 34 students and trainees every year, with 45 trainees from Air Greenland completing their qualifications in 2019.

Climate change and the environment will become an area of focus in the forthcoming sustainability strategy, as Air Greenland wishes to take even more responsibility and contribute to paving the way towards more sustainable development for Greenland, mankind and the planet we all share.

Human rights and employee rights are for us a question of attracting and retaining capable and conscientious employees. We do this through carefully targeted recruitment and competence development, in addition to which the annual employee satisfaction survey provides important input into how we can strengthen the organisation.

Working environment and health & safety – initiatives and actions plans are adapted to each different working area.

Workplace injuries and near-miss events are a fixed item on the agenda at all meetings in the working en-

vironment organisation, with near-miss events being a particular area of focus.

A function in the ReportIT system has been developed which means that all employees have the chance to report an injury or near-miss event electronically and easily. This makes it possible to quickly see the extent and types of workplace injuries, and thereby also give the best starting point for focused and preventive action.

Anticorruption and business ethics make up the background for the policy on gifts which for the last 10 years has represented the framework for giving and receiving gifts at Air Greenland.

Responsible supplier management forms the basis of our purchasing policy, which provides the framework for responsible supplier management in which social, environmental and ethical aspects in the supplier chain are taken into account.

In its work involving the forthcoming sustainability strategy, Management has held a workshop in order to choose and prioritise the most relevant of the UN's Sustainable Development Goals. This led to the following goals being allocated the greatest weight in the future:

- 4/ Quality education
- 9/ Industry, innovation and infrastructure
- 12/ Responsible consumption and production
- 13/ Climate action
- 17/ Partnerships for the goals

In 2020, this prioritisation will be further defined in terms of more specific goals and initiatives, in addition to which workshops will be carried out for the employees with presentations of the 5 chosen goals.

Expectations for 2020

- The COVID-19 pandemic and the measures that governments throughout most of the world have implemented in order to combat the effects of the outbreak are expected to have major consequences with regard to the financial statements for the Group's operations in 2020, cf. the discussion of events subsequent to the balance sheet date in note 26.
- Air traffic to and from Greenland (Atlantic route) stopped on 20 March 2020 for an indefinite period, in addition to which domestic traffic in Greenland has also been grounded. Air Greenland is flying an emergency service on behalf of the Government of Greenland within Greenland and to Copenhagen via Iceland during lockdown of normal operations. Activities in Hotel Arctic and Greenland Travel are also expected to suffer a considerable negative impact in 2020.
- Management is following developments closely, but it is too soon to predict which actual effect COVID-19 will have on overall revenue and earnings in 2020. Management does not therefore feel it is able to provide any information concerning future expectations at the current time.
- The implementation of Lean, as a systematic working method to reduce costs and streamline operations, will continue.
- At the end of 2020, the current contract with the Danish Ministry of Defence on Search and Rescue (SAR) will expire. Today we operate with an S61 helicopter 24 hours a day, 7 days a week from its base in Kangerlussuaq and a Bell 212 helicopter 12 hours a day, 6 days a week in Qaortoq. We have purchased two H225 helicopters in preparation for bidding for the task for a new period that is expected to be the subject of an invitation to tender during the course of 2020.
- The cabin layout and entertainment system will be determined for the newly purchased Airbus 330-800 neo.
- We will continue to develop Club Timmisa with more services and benefits for the customers that subscribe to the club. The related app will be released in a new version with enhanced information concerning any delays and changes to travel itineraries.
- We are ready for an active dialogue with the Government of Greenland on the future of service contracts when the current contracts expire.
- A new sustainability strategy is expected to be adopted with focus on 5 areas chosen from the UN's Sustainable Development Goals.
- Air Greenland will celebrate its 60th anniversary in 2020, and this will of course be marked in relation to the current situation.



Board of Directors and skills



Kjeld Zacho Jørgensen

Chairman of the Board. Appointed by the Government of Greenland in 2018.

Profession and board positions

Zacho Advice (2018), Owner and management consultant.

Chairman of the Board, Danish Travel Guarantee Fund.

Chairman of the Board, Dansk Kyst- og Naturturisme.

Board member, Det Nationale Turismeforum, Denmark.

Board member, Helse Bergen, Norway.

Board member, Niras A/S.

Educational background

MA in Danish literature and physical education. Aarhus University and University of Copenhagen (1986).

Skills and experience

Management, strategy, business development, project development, coaching, aviation, health, public sector.



Bodil Marie Damgaard

Vice Chair. Appointed by the Government of Greenland in 2016.

Profession and board positions

HR Director, Greenland Airports (2016)

Educational background

Master of Arts in Communication Studies from Roskilde University.

Bachelor degree in Business Studies.

Skills and experience

Communication, marketing, HR, management and strategy.



Jette Larsen

Board member. Appointed by the Government of Greenland in 2019.

Profession and board positions as well as positions of trust

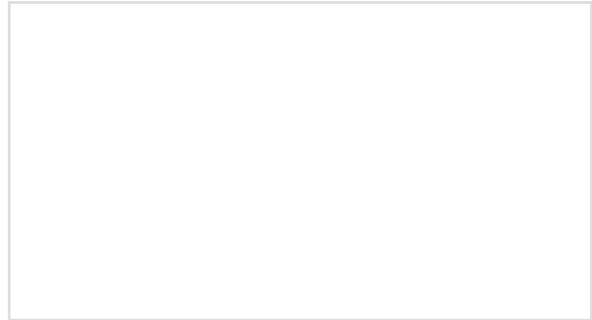
Chief Executive Officer, Illuut A/S (2017).
Consul general of Finland

Educational background

Board Leadership, Masterclass, CBS.
Advanced Business Leadership, Cfl.
HK Ikast and Mommark Business College.

Skills and experience

Management, communication, strategy and traffic conditions



Annette Pia Brøndholt Sørensen

Board member. Appointed by the Government of Greenland in 2019.

Profession and board positions

Professional board member and investor (2014).
Chairman of the Board, Syncorder.
Chairman of the Board, MapDiet.
Chairman of the Board, Offspring A/S (Wheat).
Board member, Scandinavian Cosmetics Group.
Board member, SOS Children's Villages DK.

Educational background

MBA, Business Administration, CBS (2011).
Graduate Diploma in Business Administration – International Business, CBS (1988).

Skills and experience

Management, strategy, economy, aviation

**Steen Jensen**

Board member. Appointed by the Government of Greenland in 2019.

Profession and board positions

Solicitor and partner, Bech-Bruun.
Vice Chairman, Bech-Bruun Advokatpartnerskab.
Board member, Ikano Property FE A/S.

Educational background

LLM, University of London.
Master in Law, University of Copenhagen.

Skills and experience

Stock exchange and capital markets, financing, regulatory conditions, company law, strategy and corporate governance.

**Malik Peter Hegelund Olsen**

Board member. Appointed by the Government of Greenland in 2019.

Profession and board positions

Head of Sales, Royal Greenland A/S (2014).
Chairman of the Board, Inuk Hostels A/S.
Board member, University of Greenland.
Employee-elected member of the board, Royal Greenland A/S.

Educational background

Graduate Diploma in Business Administration – Organisation, University of Greenland.
Production engineer, Copenhagen University College of Engineering.

Skills and experience

Economic exploitation, personnel management, project management.



Henrik Maule Steinbacher

Employee-elected since 2013.

Profession

Pilot, Dash 8 (1997).
Flight instructor (2004).

Educational background

Pilot (1997).

Skills and experience

Management and strategy, aviation, engineering.



Claus Martin Motzfeldt

Employee-elected since 2017.
(Employee-elected 2005-2014).

Profession

Chief Mechanic (1996).

Educational background

Flight mechanic, Civil Aviation School in Dragør.

Skills and experience

Engineering, aviation, management and charter.



Sam Grønvold

Employee-elected since 2017.

Profession and board positions

Traffic Assistant (2009).

Souvenir shop Kangerlussuaq.

Chairman of the Board, SILAGIK (Air Greenland personnel association Kangerlussuaq).

Chairman of the Board, KALIF (Kangerlussuaq sports club).

Educational background

Traffic assistant.

Plumber (pipe fitter).

Skills and experience

Aviation and management.



Corporate Governance

In 2012, the Government of Greenland published guidelines for corporate governance in government-owned limited liability companies. In addition, Air Greenland has drawn up a detailed report, which can be found at the Company's website, www.airgreenland.gl

The Company's Board of Directors holds six ordinary meetings a year, which are evenly distributed and agreed for one year at a time. This procedure ensures attendance at the meetings and ongoing dialogue between the Board of Directors and Executive Board. In the event that it is necessary, extraordinary meetings can be held.

The Board of Directors and Executive Board review the company's capital structure, which, along with a number of other factors, such as fiscal policy, insurance issues and strategies, is discussed at least once a year.

Air Greenland and its stakeholders

Air Greenland plays an active role in social responsibility, which is reflected in, among other things, the company's mission, where it is declared that "we are aware of our social responsibility and take it seriously." The Company's stakeholder policy supports this focus on developing and maintaining the Company's relationships.

Openness and transparency

Air Greenland attaches importance to openness and transparency through its website and other relevant channels, including annual reports, newsletters, press releases, social media, etc., to ensure public access to relevant information about the Company, including information about the skills of the Executive Board and the Board of Directors.

In 2018, the Company's whistle-blower scheme came into effect, which ensures that customers, business partners and employees can report any irregularities in the Group to an impartial and independent party.

The Board's duties, responsibilities and work

The Board of Directors has organised itself with a chairman, who, according to the Company's Articles of Association, is elected at the constituent meeting. Furthermore, according to the Board's rules of procedure, the Board organises itself with a vice chairman.

The duties and responsibilities of the Board appear in the Company's rules of procedure. In addition to the issues which have to be dealt with, the Board works based on a range of established themes that are dealt with each year, including:

- Developing and/or revising strategies.
- Evaluating collaboration frameworks and skills, and taking possible corrective measures, including a review of the rules of procedure, Articles of Association and Management instructions, evaluation of the Board of Directors and Executive Board.
- Determining and evaluating economic frameworks and results, including the budget, annual accounts, audits, long-term budget, finance policy, risk assessment and insurance policy.

The Board works on the premise that all relevant matters and areas are dealt with by the entire Board.

Composition and organisation of the Board of Directors

Air Greenland is wholly owned by the Government of Greenland, which appoints the Chairman of the Board and five members of the board. The employees at Air Greenland also elect three employees to the Board. The election of employees to the Board took place in 2017 for a four-year term.

In accordance with the rules of procedure, the Board meets at least [xxx](#) times per year. The rules of procedure ensure that the Board acts independently of any private interests.

The Board carries out self-regulation on a regular basis. This involves aspects such as the Board's overall competences, any educational needs, mutual cooper-

ation and collaboration with the Executive Board. The results are reviewed with the owner.

Presentation of the financial statements (financial reporting)

In accordance with its rules of procedure, the Board holds an annual meeting in which the annual report with the auditor's draft report is presented to the Board for approval. The Board is also presented with monthly reports, interim financial statements and forecasts, in addition to approving the budget. Budgets and budget follow-up on major investments are also presented to the Board.

Risk management, internal control and audit

The Executive Board regularly reports to the Board of Directors on developments in key areas of risk, and ensures that the Board is informed of any business-related risks and which corrective measures are underway. Furthermore, regular dialogue and exchange of information is ensured between the auditor and the Board, in part through audit minutes and in part through the auditor's annual participation at the board meeting in March.

Accounting policies

This year the Company has changed reporting class from Reporting class C (large) to Reporting class D, pursuant to the rules on Government-owned limited liability companies. The change has occurred as a result of the Government of Greenland's acquisition of 100% of the share capital in the Company. The annual report is thus presented in accordance with the rules governing Reporting class D, c.f. the rules in the latest Consolidated Act on the Greenlandic Financial Statements Act no. 806 of 19 June 2018.

The change of reporting class has not led to changes to recognition and measurement in the annual report, but has solely had an effect in relation to increased information requirements.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Group, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year, including depreciation, amortisation, impairment losses and provisions, as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise Air Greenland A/S (Parent Company) and the Group enterprises (subsidiaries) that are controlled by the Parent Company. Control is achieved by the Parent Company, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising a controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not a controlling, influence are regarded as associated companies.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of Air Greenland A/S and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends, as well as profits and losses on transactions between the consolidated enterprises, are eliminated. The financial statements used for consolidation have been prepared by applying the Group's accounting policies.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Newly acquired or newly established subsidiaries are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up subsidiaries are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The Group has changed its method for elimination of intra-group sales, which has increased the Net revenue and Other external expenses by DKK 33 million. The comparative figures are adjusted. This matter has not resulted in changes to the profit or loss for the year or the equity.

Foreign currency translation

Danish kroner (DKK) is used as the presentation cur-

rency. All other currencies are regarded as a foreign currency.

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial items. Fixed tangible assets, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates. If the exchange positions are considered to safeguard future cash flows, the value adjustments are recognised directly in equity.

When recognising foreign associated companies, the share of the profit is translated using the average exchange rate for the year, and the share of the book value is translated using the currency exchange rate at the balance sheet date. Exchange rate differences resulting from the conversion of the book value at the beginning of the year to the balance sheet date exchange rate, as well as for the conversion of the share of the profit from the average rate to the exchange rate on the balance sheet date are recognised directly on equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables and other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recorded directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of the cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial items.

Segment information on net revenue

The Group has divided its income into various business segments. Reference is made to the division in the note for net revenue.

Income statement

Net revenue

Net revenue from the sale of tickets, cargo, mail and charter traffic is recognised in the income statement when the transport has taken place.

Passenger taxes on domestic flights in Greenland collected from passengers on behalf of third parties are not included in income.

Tickets sold that are not used before they are out-dated are recognised as income.

Service contracts are recognised as income in the period covered by the contract payment.

Other operating income and expenses

Other operating income comprises income of a secondary nature viewed in relation to the Group's primary activities, including rental of business premises, handling income, etc.

Other external expenses

Other external expenditure comprises expenses for aircraft maintenance, fuel, purchase of capacity, provision to agents, taxes and costs in connection with passenger accommodation, premises, administration, sales and marketing, etc.

Staff costs

Staff costs include costs for salaries and wages and social contributions, pensions, etc., for the Company's employees.

Financial income and expenses

Financial items include interest income and expenses, the interest portion of financial lease instalments, exchange rate gains and losses, amortisation charges and deductions on mortgage debt, etc.

Taxation

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

In Greenland, tax deductibility is allowed for dividends paid during the year. The tax value of allocated dividends in the annual report is therefore recorded directly in equity, in accordance with the above.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be triggered as current tax.

Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Tangible fixed assets

Buildings, aircraft, including essential components, other aircraft components, as well as other plant, operating equipment and inventory are measured at cost price less accumulated depreciation and impairment losses.

Cost includes purchase price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be taken into use. For Group-manufactured assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and the present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made, cf. below for essential aircraft components based on the following estimate of the assets' expected useful lives and scrap values, however.

Air Greenland's aircraft can be separated in part into the aircraft/helicopter itself and in part into essential components. The aircraft/helicopter is depreciated on a straight-line basis according to the principles mentioned above.

The essential components are depreciated at the rate in which they are used, up to the next maintenance check. When a component is sent for a maintenance check, it will be written off, and costs of the maintenance check will be capitalised and amortised up to

the next maintenance check. This method ensures that maintenance costs are accrued at the same rate as the components are used.

Tangible fixed assets are written down to the lower of recoverable value and book value.

Profits and losses from the sale of tangible fixed assets are calculated as the difference between the selling price less selling costs and book value at the time of sale. Profits or losses are recognised in the income statement as an adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds the original cost.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recorded and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less unamortised positive, or negative, goodwill plus or less unrealised intra-group profits or losses.

The Parent Company's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and less or plus amortisation of positive, or negative, goodwill is recognised in the income statement.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries and associated companies is transferred to the reserve for net revaluation according to the equity method.

| | Depreciation period | Scrap value |
|--|---------------------|-------------|
| Buildings | 20-35 years | 0-25 % |
| Aircraft/helicopters | 6-12 years | 0-25 % |
| Other components | 6-12 years | 20 % |
| Other plant, operating equipment and inventory | 3-10 years | 0 % |

Inventories

Inventories are measured at cost using the FIFO method or net realisable value when this is lower.

Cost of spare parts comprises the purchase price with the addition of delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

Prepayments and accrued income (assets)

Prepayments recognised under assets comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Mortgage debt

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Leasing

Leasing commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities and, at the time of inception of the lease, measured at the present value of the future lease payments. After initial recognition, lease commitments are measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised in the profit

and loss statement over the term of the contract as a financial cost.

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are recognised at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income (liabilities)

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement of the Parent Company and the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities, as well as the Parent Company and the Group's cash and cash equivalents at the beginning and end of the financial year.

The cash flow impact of the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the cash flow statement, Group cash flows from acquired companies are recognised from the date of acquisition, and cash flows from divested companies are recognised until the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and corporation taxes paid.

Cash flow from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, as well as purchase, development, improvement and sale, etc., of intangible assets and tangible fixed assets.

Cash flow from financing activities comprises changes

in the size or composition of the Parent Company's share capital and related costs, as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of own shares and payment of dividend.

Cash and cash equivalents comprise cash at bank and in hand.

Financial highlights

Key figures are drawn up on the basis of CFA Society Denmark's recommendations and guidelines.

NOPLAT (Net Operating Profit Less Adjusted Taxes) is defined as the profit/loss before interest (EBIT) adjusted for operational leasing costs, cf. note 4, less calculated depreciation of operational leased aircraft less 31.8% tax.

Invested capital including goodwill is defined as equity plus net interest-bearing debt.

Net interest-bearing debt is defined as interest-bearing liabilities, net of interest-bearing assets, including cash and corporation tax receivable. Operational leasing is included in net interest-bearing debts by a factor 7 times the year's operational leasing costs.

| Financiell highlights | Calculation formula | Key figures express |
|---|--|---|
| Profit margin (EBIT-margin) (%) | $\frac{\text{Operating result (EBIT)}}{\text{Revenue}}$ | The company's operational profitability |
| Return on invested capital after tax including goodwill (%) | $\frac{\text{NOPLAT}}{\text{Average invested capital including goodwill}}$ | The return the company generates from investors' funds |
| Finansiell gearing | $\frac{\text{Net interest-bearing debt}}{\text{Equity}}$ | The company's financial leverage |
| Return on equity (%) | $\frac{\text{Profit or loss for the year}}{\text{Average equity}}$ | The Company's rate of return on the capital the owners have invested in the company |
| Equity ratio (%) | $\frac{\text{Equity}}{\text{Total assets}}$ | The company's financial strength |

Annual Report

Income statement for 1 January to 31 December

(in 1.000 DKK)

| | Parent company | | | Group | |
|---|----------------|-----------|------|-----------|-----------|
| | 2019 | 2018 | Note | 2019 | 2018 |
| Net revenue | | | | | |
| Other external expenses | 1,265,686 | 1,268,226 | 1 | 1,397,686 | 1,401,347 |
| Staff costs | (613,305) | (647,524) | 2 | (680,701) | (715,983) |
| Depreciation, amortisation and impairment losses | (418,665) | (416,201) | 3 | (463,224) | (460,882) |
| | (135,551) | (141,422) | 4 | (140,902) | (145,367) |
| Profit or loss before financial items | 98,165 | 63,079 | | 112,859 | 79,115 |
| Income from equity holdings in subsidiaries | 12,977 | 10,858 | 10 | - | - |
| Income from equity holdings in associated companies | 848 | (32) | 10 | 1,874 | 646 |
| Other financial income | 1,579 | 3,992 | 5 | 1,921 | 4,420 |
| Financial expenses | (8,453) | (1,536) | 6 | (10,053) | (3,396) |
| Profit before tax | 105,116 | 76,361 | | 106,601 | 80,786 |
| Tax on the year's profit | (16,536) | (24,283) | 7 | (18,021) | (28,708) |
| Profit or loss for the year | 88,580 | 52,078 | | 88,580 | 52,078 |
| Proposal for distribution of profit: | | | 25 | | |
| Dividends for the financial year | - | - | | | |
| Transferred to net revaluation reserve according to the equity method | 13,213 | 10,528 | | | |
| Extraordinary dividends paid out during financial year | 461,044 | - | | | |
| Retained earnings | (385,677) | 41,550 | | | |
| | 88,580 | 52,078 | | | |

Balance sheet at 31 December

(in 1.000 DKK)

| | Parent company | | | Group | |
|--|------------------|------------------|------|------------------|------------------|
| | 2019 | 2018 | Note | 2019 | 2018 |
| Software | - | - | | - | - |
| Intangible fixed assets | - | - | 8 | - | - |
| Buildings | 133,693 | 144,794 | | 218,429 | 229,257 |
| Aircraft equipment, incl. essential aircraft components | 404,083 | 457,868 | | 404,083 | 457,868 |
| Other aircraft components | 20,879 | 24,425 | | 20,879 | 24,425 |
| Other plant, operating equipment and inventory | 13,636 | 15,877 | | 21,307 | 23,626 |
| Prepayments and tangible fixed assets under construction | 19,999 | - | | 23,677 | 2,056 |
| Tangible fixed assets | 592,290 | 642,964 | 9 | 688,375 | 737,233 |
| Equity holdings in subsidiaries | 116,460 | 103,483 | 10 | - | - |
| Equity holdings in associated companies | 17,211 | 17,449 | 10 | 23,868 | 23,080 |
| Receivables in associated companies | - | - | 10 | 1,181 | 1,575 |
| Other securities and equity holdings | - | - | 10 | 36 | 36 |
| Other receivables | 1,218 | 1,179 | 10 | 1,610 | 1,568 |
| Deferred tax assets | - | - | 15 | 140 | 168 |
| Financial fixed assets | 134,889 | 122,111 | | 26,835 | 26,427 |
| Fixed assets | 727,179 | 765,075 | | 715,210 | 763,660 |
| Inventories | 30,317 | 31,984 | 11 | 34,356 | 35,614 |
| Receivables from sales and services | 73,200 | 73,813 | | 92,169 | 91,894 |
| Receivables from subsidiaries | 366 | 757 | | - | - |
| Receivables from associated companies | 8 | - | | 8 | - |
| Other receivables | 13,613 | 9,274 | 12 | 14,627 | 10,663 |
| Prepayments and accrued income | 11,324 | 8,300 | 13 | 13,652 | 9,680 |
| Receivables | 98,511 | 92,144 | | 120,456 | 112,237 |
| Cash and cash equivalents | 197,099 | 274,462 | | 260,175 | 332,548 |
| Total current assets | 325,927 | 398,590 | | 414,987 | 480,399 |
| Assets | 1,053,106 | 1,163,665 | | 1,130,197 | 1,244,059 |

Balance sheet at 31 December (contd.)

(in 1.000 DKK)

| | Parent company | | | Group | |
|---|------------------|------------------|-----------|------------------|------------------|
| | 2019 | 2018 | Note | 2019 | 2018 |
| Share capital | 24,000 | 24,000 | 14 | 24,000 | 24,000 |
| Reserve for net revaluation of equity holdings according to the equity method | 81,936 | 69,197 | | 10,203 | 9,223 |
| Retained earnings | 382,887 | 624,655 | | 454,620 | 684,629 |
| Equity | 488,823 | 717,852 | | 488,823 | 717,852 |
| Deferred tax liabilities | 46,289 | 132,438 | 15 | 59,884 | 147,173 |
| Provisions for liabilities and charges | 46,289 | 132,438 | | 59,884 | 147,173 |
| Mortgage debt | 195,000 | 6,320 | | 195,567 | 7,167 |
| Other debt | 1,531 | - | | 1,973 | - |
| Bank debt | - | - | | 20,089 | 21,786 |
| Long-term debt | 196,531 | 6,320 | 16 | 217,629 | 28,953 |
| Short-term share of long-term debt | 64,369 | - | 16 | 66,039 | 2,061 |
| Supplier debts | 50,713 | 68,572 | | 74,151 | 89,452 |
| Debts to subsidiaries | 338 | 570 | | - | - |
| Debts to associated companies | 455 | 14 | | 489 | 188 |
| Corporation tax | - | 28,909 | | 1,075 | 31,341 |
| Other debt | 107,884 | 124,376 | 17 | 114,994 | 130,585 |
| Accruals and deferred income | 97,704 | 84,614 | 18 | 107,113 | 96,455 |
| Short-term debt | 321,463 | 307,055 | | 363,861 | 350,081 |
| Total debt | 517,994 | 313,375 | | 581,490 | 379,034 |
| Liabilities | 1,053,106 | 1,163,665 | | 1,130,197 | 1,244,059 |
| Mortgages and contingent liabilities, etc. | | | 19-21 | | |
| Other notes | | | 21-25 | | |

Statement of changes in equity as of 31 December 2019

(in 1.000 DKK)

| Parent company | | | | | |
|--|---------------|---|-------------------|---|----------------|
| | Share capital | Reserve for net revaluation of equity holdings according to equity method | Retained earnings | Proposed dividends for the financial year | Total |
| Equity 01.01.2018 | 24,000 | 59,851 | 594,365 | 22,500 | 700,716 |
| Dividend paid to shareholders | | | | (22,500) | (22,500) |
| Revaluation of derivative financial instruments | | | | (17,062) | (17,062) |
| Profit or loss for the year | | 10,152 | 41,926 | | 52,078 |
| Exchange rate adjustment of foreign associated company | | (1,182) | | | (1,182) |
| Tax on equity movements | | 376 | 5,426 | | 5,802 |
| Equity 31.12.2018 | 24,000 | 69,197 | 624,655 | - | 717,852 |
| Extraordinary dividend paid to shareholders | | | (461,044) | | (461,044) |
| Revaluation of derivative financial instruments | | | 12,536 | | 12,536 |
| Profit or loss for the year | | 13,213 | 75,367 | | 88,580 |
| Exchange rate adjustment of foreign associated company | | (694) | | | (694) |
| Tax on equity movements | | 220 | 131,373 | - | 131,593 |
| Equity 31.12.2019 | 24,000 | 81,936 | 382,887 | - | 488,823 |

| Group | | | | | |
|--|---------------|---|-------------------|---|----------------|
| | Share capital | Reserve for net revaluation of equity holdings according to equity method | Retained earnings | Proposed dividends for the financial year | Total |
| Equity 01.01.2018 | 24,000 | 10,939 | 643,277 | 22,500 | 700,716 |
| Dividend paid to shareholders | | | | (22,500) | (22,500) |
| Revaluation of derivative financial instruments | | | (17,062) | | (17,062) |
| Profit or loss for the year | | (910) | 52,988 | | 52,078 |
| Exchange rate adjustment of foreign associated company | | (1,182) | | | (1,182) |
| Deferred tax on the year's dividends | | 376 | 5,426 | | 5,802 |
| Tax on equity movements | | | | | |
| Equity 31.12.2018 | 24,000 | 9,223 | 684,629 | - | 717,852 |
| Extraordinary dividend paid to shareholders | | | (461,044) | | (461,044) |
| Revaluation of derivative financial instruments | | | 12,536 | | 12,536 |
| Profit or loss for the year | | 1,454 | 87,126 | | 88,580 |
| Exchange rate adjustment of foreign associated company | | (694) | | | (694) |
| Tax on equity movements | | 220 | 131,373 | | 131,593 |
| Equity 31.12.2019 | 24,000 | 10,203 | 454,620 | - | 488,823 |

Cash flow statement

(in 1.000 DKK)

| | Parent company | | Note | Group | |
|--|----------------|-----------|------|-----------|-----------|
| | 2019 | 2018 | | 2019 | 2018 |
| Profit or loss before financial items | 98,165 | 63,079 | | 112,859 | 79,115 |
| Depreciation, amortisation and impairment losses | 135,551 | 141,422 | | 140,902 | 145,367 |
| Change in working capital | (11,686) | 34,939 | 21 | (12,387) | 36,973 |
| | 222,030 | 239,440 | | 241,374 | 261,455 |
| Received financial income | 1,579 | 3,992 | | 1,921 | 4,420 |
| Paid financial expenses | (8,453) | (1,536) | | (10,053) | (3,396) |
| Tax paid | - | - | | (3,952) | (2,572) |
| Cash flow regarding operations | 215,156 | 241,896 | | 229,290 | 259,907 |
| Addition of tangible fixed assets | (88,317) | (121,310) | | (95,558) | (127,641) |
| Disposal of tangible fixed assets | 3,440 | 10,317 | | 3,514 | 10,147 |
| Addition of financial fixed assets | (39) | (6) | | (42) | (194) |
| Disposal of financial fixed assets | - | 3,051 | | 394 | 8 |
| Cash flow regarding investments | (84,916) | (107,948) | | (91,692) | (117,680) |
| Obtaining of long-term debt | 260,000 | 935 | | 260,000 | 935 |
| Repayment and instalments on long-term debt | (6,951) | - | | (9,319) | (2,353) |
| Received dividends from associated companies | 392 | 298 | | 392 | 298 |
| Dividend paid | (461,044) | (22,500) | | (461,044) | (22,500) |
| Cash flow regarding financing | (207,603) | (21,267) | | (209,971) | (23,620) |
| Change in cash and cash equivalents | (77,363) | 112,681 | | (72,373) | 118,607 |
| Cash at 1 January | 274,462 | 161,781 | | 332,548 | 213,940 |
| Cash at 31 December | 197,099 | 274,462 | | 260,175 | 332,548 |

Notes to the Annual Report

O. Capital resources and liquidity

The Group's equity stood at DKK 489 million at 31 December 2019, whilst the Group's cash and cash equivalents amounted to DKK 260 million. In addition to its cash funds, the Group has a credit line of DKK 100 million with external creditors.

As described in the Management's Report under "Expectations for 2020" and in note 26 "Subsequent events", the Group's activities have been significantly impacted by the outbreak of the COVID-19 pandemic.

With effect from 20 March 2020, air traffic to and from Greenland (Atlantic route) has stopped for an indefinite period, in addition to which domestic traffic in Greenland has been grounded. Air Greenland is flying an emergency service on behalf of the Government of Greenland, but at a level considerably below normal capacity. Activities in Hotel Arctic and Greenland Travel are also negatively affected to a considerable extent.

The above will have a negative effect on the Group's revenue and earnings in 2020, but it is not possible to accurately assess the impact at present.

There is considerable uncertainty as to the duration of the current situation, including the total liquidity requirements as a consequence hereof. If a prolonged lockdown on air traffic occurs, the Group's capital resources may be put under pressure.

A significant and prolonged decline in the Group's earnings can result in a need to refinance the Group's current credit facilities. It is Management's expectation that if needed, the Company's sole shareholder, the Government of Greenland, will help provide the capital required to continue operations.

Management is following developments closely and expects that Air Greenland will be able to put a number of measures in place that will be able to reduce costs and protect liquidity if the current situation becomes drawn out. This involves the possibility of adaptation and reorganisation of timetables, postponement of current investments, savings, etc.

On the basis of the above, there is a considerable degree of uncertainty that can raise significant doubts as to the Company's ability to continue operations throughout 2020. It is, however, Management's expectation that the Group's capital resources will be sufficient to continue operations throughout 2020. On the basis hereof, the financial statements for 2019 have been presented on the assumption of continued operations.

(in 1.000 DKK)

| | Parent company | | Group | |
|-------------------------------|----------------|-----------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| 1. Net revenue | | | | |
| Passenger income | 768,704 | 723,036 | 768,704 | 723,036 |
| Charter income | 241,698 | 284,075 | 241,698 | 284,075 |
| Cargo income | 81,443 | 80,537 | 81,443 | 80,537 |
| Mail income | 24,497 | 25,009 | 24,497 | 25,009 |
| Payment for service contracts | 72,565 | 72,856 | 72,565 | 72,856 |
| Income from hotel operations | - | - | 51,015 | 56,102 |
| Income from ticket sales | 3,697 | 4,010 | 84,130 | 80,609 |
| Other traffic income | 63,369 | 67,126 | 63,369 | 67,126 |
| Other operational income | 9,713 | 11,577 | 10,265 | 11,997 |
| | 1,265,686 | 1,268,226 | 1,397,686 | 1,401,347 |

(contd.)

(in 1.000 DKK)

| | Parent company | | Group | |
|--|----------------|----------|----------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| 2. Other external expenses | | | | |
| As a result of operating in Greenland: | | | | |
| - Fees to third parties in connection with air traffic | 127,213 | 131,835 | 127,213 | 131,835 |
| - Distribution costs | 16,298 | 16,855 | 16,298 | 16,855 |
| - Taxes charged to passengers | (65,523) | (64,971) | (65,523) | (64,971) |
| | 77,988 | 83,719 | 77,988 | 83,719 |

3. Staff costs

| | | | | |
|-----------------------------|---------|---------|---------|---------|
| Wages and salaries | 362,700 | 360,675 | 405,477 | 401,185 |
| Pension costs | 14,363 | 13,930 | 15,842 | 15,381 |
| Other social security costs | 41,602 | 41,596 | 41,905 | 44,315 |
| | 418,665 | 416,201 | 463,224 | 460,882 |

Of this, total remuneration to the Parent company's:

| | | |
|----------------------|-------|-------|
| - Executive Board | 3,760 | 3,025 |
| - Board of Directors | 1,400 | 1,400 |
| | 5,160 | 4,425 |

| | | | | |
|-----------------------------|-----|-----|-----|-----|
| Average number of employees | 568 | 553 | 677 | 661 |
|-----------------------------|-----|-----|-----|-----|

The Executive Board is remunerated pursuant to a contract with a fixed monthly salary incl. pension, as well as accommodation and company car in accordance with applicable rules.

Employment may be terminated by either party with 12 months' notice.

If the company terminates the Executive Board without citing breach as cause, an agreement has been entered into with the Executive Board of severance pay of 12 months' salary.

The annual remuneration of the Executive Board of the parent company can be specified as follows:

| | 2019 | 2018 |
|------------------|-------|-------|
| Fixed salary | 2,820 | 2,790 |
| Retention scheme | 940 | 235 |
| | 3,760 | 3,025 |

No incentive schemes have been set up for the company's Board of Directors

(contd.)

(in 1.000 DKK)

| | Parent company | | Group | |
|--|----------------|---------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| 4. Depreciation, amortisation and impairment losses | | | | |
| Software | - | 816 | - | 816 |
| Buildings | 8,480 | 8,443 | 12,042 | 12,036 |
| Aircraft equipment, incl. essential aircraft components | 112,546 | 109,429 | 112,546 | 109,429 |
| Other aircraft components | 4,010 | 12,065 | 4,010 | 12,065 |
| Other plant, operating equipment and inventory | 7,947 | 6,608 | 9,771 | 8,283 |
| Profit from the sale of tangible fixed assets | 2,568 | 4,061 | 2,533 | 2,738 |
| | 135,551 | 141,422 | 140,902 | 145,367 |
| 5. Other financial income | | | | |
| Interest on bank deposits | - | - | 285 | 405 |
| Interest from subsidiaries | - | 62 | - | - |
| Interest from associated companies | - | - | 57 | 55 |
| Currency gains | 1,551 | 3,882 | 1,551 | 3,912 |
| Other interest | 28 | 48 | 28 | 48 |
| | 1,579 | 3,992 | 1,921 | 4,420 |
| 6. Financial expenses | | | | |
| Interest on bank debt | 1,381 | 1,402 | 1,730 | 1,971 |
| Interest and amortisation of mortgage debt | 7,012 | - | 8,204 | 1,285 |
| Exchange rate losses | 1 | - | 55 | 6 |
| Other interest | 59 | 134 | 64 | 134 |
| | 8,453 | 1,536 | 10,053 | 3,396 |
| 7. Tax on the year's profit | | | | |
| Current tax | - | 28,909 | 2,590 | 31,342 |
| Deferred tax on the year's profit | 16,536 | (4,626) | 15,431 | (2,634) |
| | 16,536 | 24,283 | 18,021 | 28,708 |

(contd.)

(in 1.000 DKK)

| | Parent company | | Group | |
|--|----------------|---------|----------|---------|
| | Software | Total | Software | Total |
| 8. Intangible fixed assets | | | | |
| Cost 01.01.2019 | 39.012 | 39.012 | 39.012 | 39.012 |
| Additions | - | - | - | - |
| Disposals | (1.039) | (1.039) | (1.039) | (1.039) |
| Cost 31.12.2019 | 37.973 | 37.973 | 37.973 | 37.973 |
| Depreciation and amortisation 01.01.2019 | 39.012 | 39.012 | 39.012 | 39.012 |
| Depreciation for the year | - | - | - | - |
| Depreciation at year-end, reversed | (1.039) | (1.039) | (1.039) | (1.039) |
| Depreciation and amortisation 31.12.2019 | 37.973 | 37.973 | 37.973 | 37.973 |
| Book value 31.12.2019 | - | - | - | - |

(contd.)

(in 1.000 DKK)

Parent company

| | Buildings | Aircraft equipment and essential components | Other aircraft components | Other plant, operating equipment & inventory | Prepayments for tangible fixed assets | Total |
|------------------------------------|-----------|--|---------------------------------|---|--|-----------|
| 9. Tangible fixed assets | | | | | | |
| Cost 01.01.2019 | 358,946 | 1,097,766 | 95,229 | 116,238 | - | 1,668,179 |
| Additions | - | 62,010 | 464 | 5,844 | 19,999 | 88,317 |
| Disposals | (4,013) | (13,704) | - | (6,879) | - | (24,596) |
| Cost 31.12.2019 | 354,933 | 1,146,072 | 95,693 | 115,203 | 19,999 | 1,731,900 |
| Depreciation and amortisation | | | | | | |
| 01.01.2019 | 214,152 | 639,898 | 70,804 | 100,361 | - | 1,025,215 |
| Depreciation for the year | 8,480 | 112,546 | 4,010 | 7,947 | - | 132,983 |
| Transferred to other items | | | | | | |
| Depreciation at year-end, reversed | (1,392) | (10,455) | - | (6,741) | - | (18,588) |
| Depreciation and amortisation | | | | | | |
| 31.12.2019 | 221,240 | 741,989 | 74,814 | 101,567 | - | 1,139,610 |
| Book value 31.12.2019 | 133,693 | 404,083 | 20,879 | 13,636 | 19,999 | 592,290 |

(in 1.000 DKK)

Group

| | Buildings | Aircraft equipment and essential components | Other aircraft components | Other plant, operating equipment & inventory | Prepayments for tangible fixed assets | Total |
|------------------------------------|-----------|--|---------------------------------|---|--|-----------|
| 9. Tangible fixed assets | | | | | | |
| Cost 01.01.2019 | 494,054 | 1,097,766 | 95,229 | 167,931 | 2,056 | 1,857,036 |
| Additions | 1,778 | 62,010 | 464 | 7,629 | 23,677 | 95,558 |
| Disposals | (4,013) | (13,704) | - | (7,155) | - | (24,872) |
| Transferred | 2,056 | - | - | - | (2,056) | - |
| Cost 31.12.2019 | 493,875 | 1,146,072 | 95,693 | 168,405 | 23,677 | 1,927,722 |
| Depreciation and amortisation | | | | | | |
| 01.01.2019 | 264,796 | 639,898 | 70,804 | 144,305 | - | 1,119,803 |
| Depreciation for the year | 12,042 | 112,546 | 4,010 | 9,771 | - | 138,369 |
| Transferred to other items | | | | | | |
| Depreciation at year-end, reversed | (1,392) | (10,455) | - | (6,978) | - | (18,825) |
| Depreciation and amortisation | | | | | | |
| 31.12.2019 | 275,446 | 741,989 | 74,814 | 147,098 | - | 1,239,347 |
| Book value 31.12.2019 | 218,429 | 404,083 | 20,879 | 21,307 | 23,677 | 688,375 |

(contd.)

(in 1.000 DKK)

Parent company

| | Equity holdings in subsidiaries | Equity holdings in associated companies | Other re- ceivables | Total |
|-----------------------------------|---------------------------------------|---|---------------------------|---------|
| 10. Financial fixed assets | | | | |
| Cost 01.01.2019 | 38,851 | 12,884 | 1,179 | 52,914 |
| Additions | - | - | 39 | 39 |
| Disposals | - | - | - | - |
| Cost 31.12.2019 | 38,851 | 12,884 | 1,218 | 52,953 |
| Net revaluation 01.01.2019 | 64,632 | 4,565 | - | 69,197 |
| Exchange rate adjustment | - | (694) | - | (694) |
| Share of the year's profit | 12,977 | 848 | - | 13,825 |
| Dividend paid to parent | - | (392) | - | (392) |
| Net revaluation 31.12.2019 | 77,609 | 4,327 | - | 81,936 |
| Book value 31.12.2019 | 116,460 | 17,211 | 1,218 | 134,889 |

| | percent | Nominal value | Equity |
|--|---------|------------------|--------|
| Subsidiaries and associated companies (parent + group): | | | |
| A/S Hotel Arctic, Ilulissat | 100% | 30,000 | 73,693 |
| Greenland Travel A/S, Copenhagen | 100% | 1,500 | 42,295 |
| Air Greenland ATO A/S, Copenhagen | 100% | 500 | 472 |
| Nordurflug ehf., Reykjavik | 30% | 5,249 | 17,756 |
| Norlandair ehf., Akureyri | 25% | 8,988 | 47,535 |
| World of Greenland A/S | 50% | 2,000 | 13,644 |

| | | |
|---|-------------|-------------|
| Result of subsidiaries is made up as follows: | 2019 | 2018 |
| Profit before tax Air Greenland ATO A/S, Copenhagen | (7) | (29) |
| Profit before tax Hotel Arctic A/S, Ilulissat | 4,964 | 6,125 |
| Profit before tax Greenland Travel A/S | 9,507 | 9,187 |
| Profit before tax of subsidiaries | 14,464 | 15,283 |
| Tax in subsidiaries | (1,487) | (4,425) |
| Profit of subsidiaries after tax | 12,977 | 10,858 |

(contd.)

(in 1.000 DKK)

Group

| | Equity holdings in associated companies | Receivables in associated companies | Other securities and equity holdings | Other re- ceivables | Total |
|---|---|---|---|---------------------------|--------|
| 10. Financial fixed assets (continued) | | | | | |
| Cost 01.01.2019 | 13,884 | 1,575 | 9 | 1,568 | 17,036 |
| Additions | - | - | - | 42 | 42 |
| Disposals | - | (394) | - | - | (394) |
| Cost 31.12.2019 | 13,884 | 1,181 | 9 | 1,610 | 16,684 |
| Net revaluation 01.01.2019 | 9,196 | - | 27 | - | 9,223 |
| Exchange rate adjustment | (694) | - | - | - | (694) |
| Share of the year's profit | 1,874 | - | - | - | 1,874 |
| Dividend paid to parent | (392) | - | - | - | (392) |
| Net revaluation 31.12.2019 | 9,984 | - | 27 | - | 10,011 |
| Book value 31.12.2019 | 23,868 | 1,181 | 36 | 1,610 | 26,695 |

| | Parent company | | Group | |
|--|-----------------------|-------------|--------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| 11. Inventories | | | | |
| Spare parts stock | 30,192 | 31,875 | 30,192 | 31,875 |
| Other stock | 125 | 109 | 4,164 | 3,739 |
| | 30,317 | 31,984 | 34,356 | 35,614 |
| 12. Other receivables | | | | |
| Positive fair value of hedging instruments | 1,589 | 1,838 | 1,589 | 1,838 |
| Deposit on goods purchased | - | 119 | - | 119 |
| Other receivables | 12,024 | 7,317 | 13,038 | 8,705 |
| | 13,613 | 9,274 | 14,627 | 10,663 |

13. Prepayments and accrued income

Prepayments and accrued income consist of prepaid costs concerning subscriptions, etc.

(contd.)

14. Share capital

The share capital of DKK 24 million consists of 40 shares of DKK 500,000, 384 shares of DKK 10,000 and 160 shares of DKK 1,000.

The shares are not divided into classes with special rights. Each share of DKK 1,000 has one vote.

There has been no change in the share capital during the past 5 years.

| (in 1.000 DKK) | Parent company | | Group | |
|----------------|----------------|------|-------|------|
| | 2019 | 2018 | 2019 | 2018 |

15. Deferred tax

Provision for deferred tax is based on the following items:

| | | | | |
|----------------------------|----------|---------|----------|---------|
| Intangible fixed assets | - | - | - | - |
| Tangible fixed assets | 81,965 | 117,460 | 95,667 | 132,387 |
| Financial fixed assets | 21,713 | 22,005 | 21,713 | 22,005 |
| Current assets | (1,121) | (1,602) | (1,204) | (1,761) |
| Short-term debt | - | (5,425) | (150) | (5,606) |
| Other receivables | 3,322 | - | 3,322 | - |
| Tax losses carried forward | (59,590) | - | (59,604) | (20) |
| | 46,289 | 132,438 | 59,744 | 147,005 |

Net value is recognised in the balance sheet:

| | | | | |
|--------------------------|--------|---------|--------|---------|
| Deferred tax assets | - | - | (140) | (168) |
| Deferred tax liabilities | 46,289 | 132,438 | 59,884 | 147,173 |
| | 46,289 | 132,438 | 59,744 | 147,005 |

The year's movement can be specified as follows:

| | | | | |
|--|-----------|---------|-----------|---------|
| Deferred tax 1 January | 132,438 | 142,866 | 147,005 | 155,441 |
| Tax value of extraordinary dividend | (146,612) | - | (146,612) | - |
| Deductible dividend 2018 | 28,909 | - | 28,909 | - |
| Corrected deferred tax 1 January | 14,735 | 142,866 | 29,302 | 155,441 |
| Deferred tax on year's profit | (12,767) | (4,626) | (13,879) | (2,634) |
| Tax on movements in equity | 3,765 | (5,802) | 3,765 | (5,802) |
| Deductible dividend concerning 2018, utilised in 2019 | 46,195 | - | 46,195 | - |
| Effect of reduced corporation tax rate, effect on profit | (16,892) | - | (16,892) | - |
| Effect of reduced corporation tax rate, equity movements | 11,253 | - | 11,253 | - |
| Deferred tax 31 December | 46,289 | 132,438 | 59,744 | 147,005 |

(contd.)

(in 1.000 DKK)

Parent company

| | Due within 1 year | Due 2-5 years | Due after 5 years | Nominal debt, total |
|---------------------------|----------------------|------------------|----------------------|------------------------|
| 16. Long-term debt | | | | |
| Mortgage debt | 64,369 | 195,000 | - | 259,369 |
| Other debt | - | 1,531 | - | 1,531 |
| Long-term debt 31.12.2019 | 64,369 | 196,531 | - | 260,900 |

Group

| | Due within 1 year | Due 2-5 years | Due after 5 years | Nominal debt, total |
|---------------------------|----------------------|------------------|----------------------|------------------------|
| Mortgage debt | 64,369 | 195,567 | - | 259,936 |
| Other debt | - | 1,973 | - | 1,973 |
| Bank debt | 1,670 | 6,652 | 13,437 | 21,759 |
| Long-term debt 31.12.2019 | 66,039 | 204,192 | 13,437 | 283,668 |

(in 1.000 DKK)

Parent company

Group

| | 2019 | 2018 | 2019 | 2018 |
|---|-------------|-------------|-------------|-------------|
| 17. Other debt | | | | |
| Salaries payable, social security contributions, etc. | 12,380 | 10,893 | 14,044 | 12,147 |
| Holiday payment obligations | 32,448 | 29,299 | 37,422 | 33,737 |
| Other expenses payable | 62,411 | 70,754 | 62,883 | 71,271 |
| Negative fair value hedging instruments | 645 | 13,430 | 645 | 13,430 |
| | 107,884 | 124,376 | 114,994 | 130,585 |

18. Accruals and deferred income

Accruals and deferred income are made up of expenses payable concerning sold tickets that have yet to be recognised as revenue.

(contd.)

(in 1.000 DKK)

| | Parent company | | Group | |
|--|----------------|--------|----------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| 19. Mortgages | | | | |
| Mortgage loans are secured by mortgages on real estate. | | | | |
| As security for bank debt and mortgage debt, there are deposited mortgage deeds in properties for nominal book value of mortgaged real estate. | | | | |
| | 86,250 | 92,570 | 116,467 | 92,600 |
| Book value of mortgaged real estate | 64,307 | 84,354 | 148,769 | 168,816 |
| Cash and cash equivalents deposited for the benefit of the Travel Guarantee Fund and supplier credits in general | | | | |
| | 1,200 | 1,200 | 2,788 | 2,789 |
| 20. Leasing obligations | | | | |
| For the years 2019 - 2022, operational leasing agreements have been entered into for aircraft | | | | |
| | 7,511 | 7,291 | 7,511 | 7,291 |
| Of which, due within 1 year | 3,730 | 4,023 | 3,730 | 4,023 |
| Other operational leasing agreements | - | - | 959 | 1,215 |
| Of which, due within 1 year | - | - | - | 144 |
| 21. Change in working capital | | | | |
| Change in inventories | 1,667 | 1,496 | 1,258 | 3,138 |
| Change in receivables | (6,616) | 10,219 | (8,468) | 9,459 |
| Change in supplier debt, etc. | (6,737) | 23,224 | (5,177) | 24,376 |
| Change in working capital, total | (11,686) | 34,939 | (12,387) | 36,973 |
| 22. Fee to auditor elected at the Annual General Meeting | | | | |
| Fee to parent company's auditor, PwC, elected at the Annual General Meeting for the financial year: | | | | |
| Statutory audit | 501 | 501 | 650 | 651 |
| Other declarations of security | 118 | 761 | 125 | 769 |
| Tax consultancy | - | - | - | - |
| Other services | 54 | 55 | 96 | 83 |
| | 673 | 1,317 | 871 | 1,503 |

(contd.)

(in 1.000 DKK)

| | Parent company | | Group | |
|---|----------------|------|-------|------|
| | 2019 | 2018 | 2019 | 2018 |
| 22. Fee to auditor elected at the Annual General Meeting (contd.) | | | | |
| Fee to parent company's auditor, GRK, elected at the Annual General Meeting for the financial year: | | | | |
| Statutory audit | 215 | 215 | 291 | 295 |
| Other declarations of security | 18 | 372 | 55 | 372 |
| Tax consultancy | 108 | - | 108 | - |
| Other services | 26 | 78 | 65 | 105 |
| | 367 | 665 | 519 | 772 |

23. Related parties

Related parties are deemed to be members of the company's Board of Directors, Executive Board, the company's sole shareholder, Government of Greenland, and the group's subsidiaries and associated companies.

Significant transactions executed with the company's owner, Government of Greenland, are based on service contracts drawn up between the company and the Government of Greenland. Transactions comprise patient transport for the Health-care Service, sale of tickets, settlement of traffic fees and operation of heliports/airports with Greenland Airports, etc.

Transactions executed with the Board of Directors and Executive Board consist of remuneration, cf. note 3.

All transactions with related parties are executed on market terms and conditions.

24. Shareholders

The following shareholder owns more than 5% of the company's share capital:

- Government of Greenland (100%)

(in 1.000 DKK)

| | Parent company | |
|---|----------------|--------|
| | 2019 | 2018 |
| 25. Distribution of profit | | |
| Proposed distribution of profit | | |
| Dividend for the financial year | - | - |
| Transferred to net revaluation reserve according to the equity method | 13,213 | 10,528 |
| Extraordinary dividend paid out during the year | 461,044 | - |
| Retained earnings | (385,677) | 41,550 |
| | 88,580 | 52,078 |

(contd.)

26. Subsequent events

The consequences of COVID-19 are considered to be an event that has occurred subsequent to the balance sheet date of 31 December 2019, and is therefore deemed to be a non-adjusting event. Air traffic to and from Greenland (Atlantic route) stopped on 20 March 2020 for an indefinite period, in addition to which domestic traffic in Greenland has also been grounded. Air Greenland is flying an emergency service on behalf of the Government of Greenland with regard to internal flights in Greenland and to Copenhagen via Iceland during the lockdown of normal operations. Activities in Hotel Arctic and Greenland Travel are also expected to be negatively affected to a considerable extent in 2020. Management is following developments closely, but it is too early to say which tangible effects COVID-19 will have on overall revenue and earnings in 2020.

✈ All year
..... Seasonal

✈ All year
..... Seasonal



Fleet



Airbus 330-200

In fleet: 1
Seats: 278
Average speed: 870 km/t
Max altitude: 13,666 m
Engines: 2x Pratt & Whitney
Total Engine power: 68,000 hp



Dash 8-200

In fleet: 7
Seats: 37
Average speed: 537 km/t
Max altitude: 7,620 m
Engines: 2x Pratt & Whitney, type PW123D
Total Engine power: 2x2150hp. 4,300 hp



Beech Super King Air B200

In fleet: 1
Seats: 8
Average speed: 480 km/t
Max altitude: 10,670 m
Engines: 2x Pratt & Whitney type PT6A-41
Total Engine power: 1,700 hp



Sikorsky S-61N

In fleet: 2
Seats: 25
Average speed: 220 km/t
Max altitude: 3,650 m
Engines: 2x 2 x General Electric CT58-140-2
Total Engine power: 3,000 hp



Bell 212

In fleet: 7
Seats: 13
Average speed: 185 km/t
Max altitude: 3,000 m
Engines: 2x Pratt & Whitney type PT6T-3B
Total Engine power: 1,800 hp



AS 350 B2 Ecureuil

In fleet: 9
Seats: 5
Average speed: 234 km/t
Max altitude: 7,000 m
Engines: 1 x Turbomeca Arriel 2B1
Total Engine power: 732/847hp

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