

# Annual Report 2019





<b>The Group's key figures and ratios</b>	(DKK mill.)	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
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%

<b>Statistical information</b>	Unit of measurement	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
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



## Content

04	Company information
04	Statement of Board of Directors and Executive Board
05	Independent Auditor's Report
08	Management's Report
	Group profile
	Highlights 2019
	Financial development
	Risk management
	Growth and development
	Charter in a league of its own
	Aviation in the Arctic
	HR and CSR
	Expectations for 2020
30	Board of Directors and skills
38	Accounting practices
44	Annual Report
	Income statement for 1 January – 31 December
	Balance sheet at 31 December
	Statement of changes in equity and reserves as of 31 December 2019
	Cash flow statement
	Notes to the Annual Report
62	Route Map
63	Fleet

# Company information

## Central Business Register

<b>(CVR) number:</b>	56996710
<b>Ownership:</b>	Wholly owned by the Government of Greenland, Nuuk, Greenland
<b>Share capital:</b>	DKK 24 million
<b>Auditors:</b>	PricewaterhouseCoopers Grønlands Revisionskontor A/S
<b>Executive Board:</b>	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 23<sup>th</sup>, 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 organisation. 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.

UNIVERSAL **RA/DA** **WX**  
 UNIVERSAL **TFC** **TERR** **EXT** **WX**

RAD ALT TEST 1 2 +  
 UNIVERSAL **ALERT CANCEL** **FT/M** **ALT**

EMER | EMER | ACTV | BRT  
**PRESET** **ACTIVE** **PG 1 OF 1**  
 1 BGSF TWR BGSF APP BGSF TWR RCL  
 118.300 COM1 126.200 25 118.300  
 12 SS ISF ISF-D MS RCL  
 108.15 NAV1 109.55 110.55  
 1 HB SF MA RCL  
 0328.0 ADF1 0382.0 0391.0  
 MODE TA/RA RCL  
 ALT AB/BL ATC1 0264 GRL264 2000  
 25 8.33  
 XTUNE ID  
 DETAIL DME HOLD

RCU DISABLE  
 [Buttons]

VHF 1 VHF 2 VHF 3 VHF 4 VHF 5 SERV/INT  
 1 - VOR 2 VHF1 - INT 1 - DMF 2  
 SPKR MKR MIC BOO MASK 1 - ADF 2  
 VOL HOT MIC ON

**TRIM**  
 AIR TRIM (LWD RWD)  
 RUDDER TRIM (L R)  
 AILERON (LWD RWD)

HF  
 FREQ KHZ CHANNEL MODE FREQ/CHAN  
 CLARIFIER SQUELCH VOL/DME STD PGM

**CABIN SECURE TAKE OFF** [Airplane Icon]

629L

# 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, Aasiiaat 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](http://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 world leaders 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.



air greenland

FOR MOUTH INFLATION  
USE THIS TUBE

**Beaufort**  
FASTEN TAPES  
AROUND BODY  
BEFORE INFLATING

**Beaufort**  
FASTEN TAPES AROUND BODY  
BEFORE INFLATING  
INFANT



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 Qaqortoq. 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 Zachø Jørgensen**

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

#### **Profession and board positions**

Zachø 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**

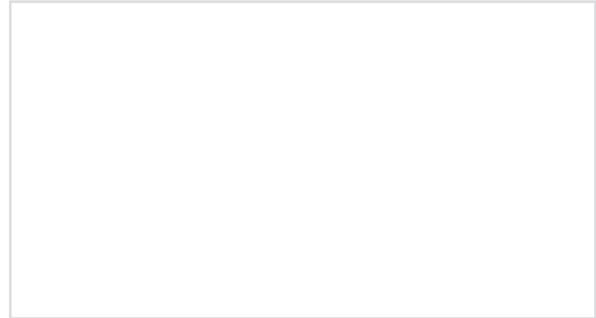
Chief Executive Officer, Illuut A/S (2017).  
Consul general of Finland

#### **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](http://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.

Financial 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)
<b>Profit or loss for the year</b>	<b>88,580</b>	<b>52,078</b>		<b>88,580</b>	<b>52,078</b>
<b>Proposal for distribution of profit:</b>			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
<b>Assets</b>	<b>1,053,106</b>	<b>1,163,665</b>		<b>1,130,197</b>	<b>1,244,059</b>

## 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
<b>Equity</b>	<b>488,823</b>	<b>717,852</b>		<b>488,823</b>	<b>717,852</b>
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
<b>Long-term debt</b>	<b>196,531</b>	<b>6,320</b>	<b>16</b>	<b>217,629</b>	<b>28,953</b>
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
<b>Short-term debt</b>	<b>321,463</b>	<b>307,055</b>		<b>363,861</b>	<b>350,081</b>
<b>Total debt</b>	<b>517,994</b>	<b>313,375</b>		<b>581,490</b>	<b>379,034</b>
<b>Liabilities</b>	<b>1,053,106</b>	<b>1,163,665</b>		<b>1,130,197</b>	<b>1,244,059</b>
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
<b>Equity 31.12.2019</b>	<b>24,000</b>	<b>81,936</b>	<b>382,887</b>	<b>-</b>	<b>488,823</b>

	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
<b>Equity 31.12.2019</b>	<b>24,000</b>	<b>10,203</b>	<b>454,620</b>	<b>-</b>	<b>488,823</b>

## 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
<b>1. Net revenue</b>				
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
<b>2. Other external expenses</b>				
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
<b>4. Depreciation, amortisation and impairment losses</b>				
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
<b>5. Other financial income</b>				
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
<b>6. Financial expenses</b>				
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
<b>7. Tax on the year's profit</b>				
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
<b>8. Intangible fixed assets</b>				
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
<b>9. Tangible fixed assets</b>						
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
<b>9. Tangible fixed assets</b>						
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
<b>10. Financial fixed assets</b>				
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
<b>Subsidiaries and associated companies (parent + group):</b>			
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

	<b>2019</b>	<b>2018</b>
Result of subsidiaries is made up as follows:		
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
<b>10. Financial fixed assets (continued)</b>					
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

	<b>Parent company</b>		<b>Group</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>11. Inventories</b>				
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
<b>12. Other receivables</b>				
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
<b>16. Long-term debt</b>				
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**

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>17. Other debt</b>				
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
<b>22. Fee to auditor elected at the Annual General Meeting (contd.)</b>				
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
<b>25. Distribution of profit</b>		
<b>Proposed distribution of profit</b>		
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

Air Greenland A/S  
A/S Reg. Nr. 30672  
CVR Nr. 56996710  
[www.airgreenland.com](http://www.airgreenland.com)  
Postboks 1012  
3900 Nuuk  
Grønland