



**ATLANTIC  
AIRWAYS**

# Annual Report 2016

[www.atlantic.fo](http://www.atlantic.fo)

## 1.1 Company Information



### **P/F Atlantic Airways, Faroe Islands**

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### **Board of directions**

Niels Mortensen, *Chairman*  
Kaj Johannessen, *Vice Chairman*  
Laila Hentze  
Fróði Magnussen  
Janus P. Rein  
Hanna Svabo

### **Management**

Jóhanna á Bergi, *CEO*  
Marius Davidsen, *CFO*

### **Auditor**

P/F Januar,  
*State Authorized Public Accountants*

### **Associated companies**

P/F Duty Free  
P/F Greengate  
P/F Gjáargarður

## 1.2 Atlantic Airways in Brief



### Our origin and objective

Atlantic Airways was established in order to develop the Faroese airline industry and airline services, and through this establish a competent aviation environment in the Faroe Islands.

Since the company's establishment in 1987, it has grown from a small company with one aircraft and limited capabilities to a company, which operates several aircraft and helicopters. At year-end 2016 Atlantic Airways had 173 full-time equivalent employees, and operated 3 aircraft and 2 helicopters.

In 2016, the airline updated its goals and objectives. Atlantic Airways exists to connect the Faroe Islands to the world, to tie the islands closer together and for safety. Atlantic Airways operates a regular, flexible and diverse route network from the Faroe Islands with competitive prices. The airline uses state of the art technology and equipment, and it uses fully modern communication services. The customer is at the centre of all our activities. We work closely with customers and the community to better our services and experiences.

For Atlantic Airways safety comes first, regularity is a constant goal, the customer is at the centre of all matters, the employees are skilled and service-minded, and the results create value. The company's field of activities is scheduled flights and helicopter flights with the Faroe Islands as our cornerstone, as well as charter flights using excess capacity. In addition, the field of activities are developed from the airline's core competences and we participate in the development of the tourism industry, cargo transportation and other forms of transportation.

In the airline's stated objectives, the scheduled flights are divided into Denmark, NORTH and SUN routes and the number of low-price tickets has increased significantly, both on the Denmark routes and the NORTH routes. The NORTH routes have improved connection between the Faroe Islands and the neighbouring countries of Iceland, Norway and Scotland significantly. Helicopter rescue services and scheduled services are today conducted with modern helicopters, which has increased the service level significantly for the remoter parts of the islands, as well as for sailors and other travellers.

Atlantic Airways also prioritizes to be a valued and respected member of our local society, creating value, competences and jobs for the Faroese community.

### The history of Atlantic Airways in brief

Atlantic Airways was formed in 1987 shortly after the Faroese government finalized negotiations with the Danish government to allow a Faroese operator to provide air services in competition with Danish operators, who previously had monopoly on flights between the Faroe Islands and Denmark.

Atlantic Airways has continually developed airline travel to and from the Faroe Islands since the first operation in 1988 on 28 March. The number of departures to Copenhagen has increased to three per day during high season, and the company offers flight connections both morning and evening. Since 1995 the company has stepwise established flight connections to the neighbouring countries Iceland, Norway and UK as well as high season connections to southern Europe. This continued development has increased passenger numbers at the Vagar Airport from around 90,000 in 1995 to more than 282,000 in 2016. Additionally, the company has been at the forefront in promoting the Faroe Islands abroad as a tourist destination, as well as in developing local tourism.

The company has provided domestic helicopter services in the Faroe Islands since 1994 and Search and Rescue (SAR/HEMS) since 2001. In addition, Atlantic Airways has assisted all oil companies involved in oil exploration in Faroese waters.

Atlantic Airways has from day one focused on qualifying the work force in the Faroe Islands to conduct a range of jobs within the aviation industry. Atlantic Airways has trained hundreds of people as engineers, pilots, cabin crew as well as other jobs within the field of aviation.

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## 1.3 Financial highlights and key ratios



<b>INCOME STATEMENT (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net sales	518.413	501.540	573.736	541.314	501.303
Other income	5.120	3.486	0	0	0
Result before depr., amort. and impair. (EBITDA)	84.222	79.399	78.476	81.532	83.345
Result before financial items (EBIT)	38.249	21.042	26.103	18.890	25.145
Result before tax (EBT)	34.137	21.516	20.150	8.702	17.116
<b>Result after tax</b>	<b>27.993</b>	<b>17.643</b>	<b>16.523</b>	<b>7.085</b>	<b>14.035</b>
<b>BALANCE SHEET (DKK 1,000)</b>					
Non-current assets	670.818	439.827	296.035	331.828	370.474
Current assets	158.033	88.291	141.976	152.051	129.659
<b>Total assets</b>	<b>828.850</b>	<b>528.118</b>	<b>438.011</b>	<b>483.878</b>	<b>500.133</b>
Equity	223.754	189.974	183.663	248.206	247.293
Provisions	37.863	30.448	31.061	30.058	28.865
Long-term debt	436.386	169.764	96.594	111.406	135.554
Current liabilities	130.847	137.932	126.693	93.927	88.421
<b>Total equity and liabilities</b>	<b>828.850</b>	<b>528.118</b>	<b>438.011</b>	<b>483.597</b>	<b>500.133</b>
<b>CASH FLOWS (DKK 1,000)</b>					
Net cash flow from operating activities	106.329	55.041	88.654	73.898	85.961
Net cash flow used in investing activities*	-274.044	-199.786	-14.786	-24.043	-187.596
Net cash flow from financing activities	254.598	85.183	-87.309	-30.978	100.167
<b>Cash flows for the period</b>	<b>86.883</b>	<b>-59.561</b>	<b>-13.441</b>	<b>18.877</b>	<b>-1.468</b>
<i>*Of this purchase of property, plant and equipment</i>	<i>-284.648</i>	<i>-214.132</i>	<i>-18.219</i>	<i>-33.527</i>	<i>-187.896</i>
<b>FINANCIAL RATIOS</b>					
EBITDAR (DKK 1,000)	107.559	107.226	108.274	94.354	93.937
EBITDAR margin (%)	21%	21%	19%	17%	19%
Return on investment (%)	5%	4%	6%	4%	5%
Current ratio (%)	121%	64%	112%	162%	147%
Solvency ratio (%)	27%	36%	42%	51%	49%
Return on equity after tax (%)	13%	9%	9%	3%	6%
<b>TRAFFIC STATISTICS</b>					
Number of passengers - scheduled services	282.062	267.126	237.028	225.200	208.329
Number of passengers - fixed wing	328.001	309.534	349.827	299.782	266.953
Block hours - fixed wing	7.005	6.903	8.406	7.754	7.038
Capacity - scheduled flight (ASK) (1,000)	502.670	485.281	430.019	396.348	359.539
Traffic - scheduled flight (RPK) (1,000)	355.504	338.585	307.112	292.070	266.672
Load factor - scheduled services (%)	71%	70%	71%	74%	74%
<b>OTHER STATISTICS</b>					
Number of full-time employees	173	171	182	181	172
Aircraft operated as at 31 December	3	3	3	4	4
Helicopters operated as at 31 December	2	2	2	2	2

## 2.1 Management's Review



### Operations 2016

The financial year 2016 was satisfactory for Atlantic Airways. The full-year result for 2016 after tax was DKK 28 million, compared with DKK 17.6 million in 2015. Earnings were positively affected by increased passenger numbers, higher load factor, increased profit from the associated company Duty Free P/F, sale of one helicopter and lower fuel price. The result before tax was DKK 34.1 million in 2016, compared with DKK 21.5 million in 2015, an increase of 59%. Earnings before interest, depreciation and amortization (EBITDA) were DKK 84.2 million in 2016, compared with DKK 79.4 million in 2015, an increase of 6%. Total revenue for the year 2016 was DKK 523.5 million, compared with DKK 505.0 million in 2015, an increase of 4%.

### Goals and objectives

In 2016, the airline updated its goals and objectives. Atlantic Airways exists to connect the Faroe Islands to the world, to tie the islands closer together and for safety. Atlantic Airways operates a regular, flexible and diverse route network from the Faroe Islands with competitive prices. The airline uses state of the art technology and equipment, and it uses fully modern communication services. The customer is at the centre of all our activities. We work closely with customers and the community to better our services and experiences.

For Atlantic Airways safety comes first, regularity is a constant goal, the customer is at the centre of all matters, the employees are skilled and service-minded, and the results create value. The company's field of activities is scheduled flights and helicopter flights with the Faroe Islands as our cornerstone, as well as charter flights using spare capacity. In addition, the field of activities are developed from the airline's core competences and we participate in the development of the tourism industry, cargo transportation and other forms of transportation.

### New competition

With the arrival of two new competing airlines on the Faroese market in 2017 bringing increased supply, the airline expects lower average ticket prices and lower load factor.

### Continuous developments

The airline is constantly working to make necessary improvements for the benefit of our customers and the airline in a sensible manner. We will continue this in 2017.

In February of 2017, Atlantic Airways announced a new campaign to connect young people studying abroad closer to the Faroe Islands and it will make it more interesting for young people to live and get an education in the Faroe Islands. The name of the new line of tickets is SVEIGGJ and it can be purchased by young people under the age of 26 as well as fulltime students on the Faroe Islands over the age of 26.

A new frequent flyer benefit scheme and corporate customer discount was initiated in 2017. The digital frequent flyer system, Súlan, replaces the Eurobonus system, which Atlantic Airways was thrown out of by SAS. The new system will come into operation in late March 2017.

### Naming the fleet and Listaflog contribution to the arts

The airline's aircraft and helicopters were named at a celebration in December of 2016 coinciding with the introduction of the airline's new Airbus A320. The fixed-wing aircraft are now called William, Elinborg and Ingálvur, and the helicopters Sámal and Ruth. The fleet is named after five of the best renowned artists in the Faroe Islands. At the same event, the Listaflog art subsidy scheme was also initiated.

### On-time performance improved

In 2016, departure punctuality, measured as scheduled departures within 15 minutes of scheduled departure time, was 86%. This is two percentage points higher than in 2015. The airline's investment in the navigational system RNP AR 0.1 has been a main cause of the 11 percentage points improvement in departure punctuality these last 3 years. Using the most advanced airspace technology in Europe, all of Atlantic Airways' aircraft are capable of landing safely in significantly lower visibility than any other airline.

### Financial Outlook 2017

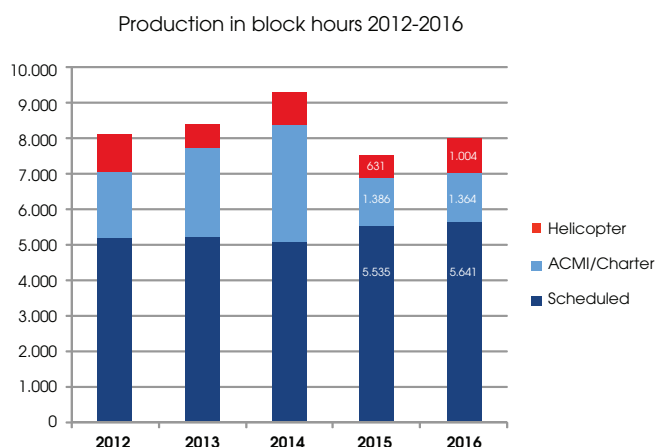
As a result of the new market competition, the airline expects a lower full-year result in 2017 compared to 2016.

## 2.2 Operational Review



The total number of passengers on the company's scheduled services amounted to 267,126 in 2016, compared with 282,062 in 2015, an increase of 6%. The fixed-wing fleet was airborne for 7,005 block hours, compared with 6,903 block hours in 2015. A production increase of 1%.

The total fleet production (the number of block hours) increased by 6% in 2016, compared with 2015. Fixed-wing and rotor-wing aircraft were airborne for a total of 8,009 block hours in 2016, compared with 7,534 block hours in 2015.



### Traffic information

Passengers	2016 pass.	2015 pass.	Change pass.	Change %
Scheduled services	282,062	267,126	14,936	6%
Helicopter services	11,804	6,042	5,762	5%

Block hours	2016 hours	2015 hours	Change hours	Change %
Scheduled services	5,641	5,535	106	2%
Charter operations	1,364	1,368	-4	0%
<b>Total fixed wing</b>	<b>7,005</b>	<b>6,903</b>	<b>102</b>	<b>1%</b>
Helicopter operations	1,004	631	372	59%
<b>Total production</b>	<b>8,009</b>	<b>7,534</b>	<b>475</b>	<b>6%</b>

Scheduled services accounted for 70% of fleet production in 2016, ACMI/charter operations for 17% and helicopter services accounted for 13%. In 2015, scheduled services accounted for 73%, ACMI/charter operations for 18% and helicopter services accounted for 8% of total fleet production.

Scheduled services increased by 2% from 5,535 block hours in 2015 to 5,641 block hours in 2016.

ACMI/charter operations was virtually unchanged compared to the previous year, 1,364 block hours in 2016 compared to 1,368 block hours in 2015.

Helicopter activity increased in 2016 from 631 hours in 2015 to 1,004 hours in 2016 in accordance with the new contract for helicopter rescue services and scheduled helicopter services to remote islands using modern helicopters.

## 2.2 Operational Review

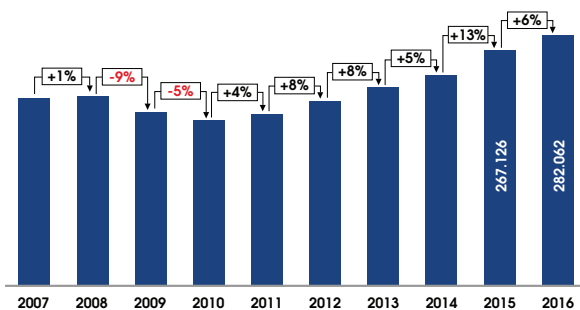


### Scheduled

The total number of passengers carried on scheduled services hit a record high in 2016 with 282,062 passengers. This is an increase of 14,936 passengers, which is 6%. The increase stems from an increase in the NORTH and Denmark routes. The main reasons for the increase is most likely improved market conditions, increased demand for cheap tickets, the phasing out of the loyalty program Súlan, in addition to increased capacity in the NORTH routes.

The seasonal fluctuations in scheduled traffic remains high. Frequencies to Danish airports vary from 15 per week during the traditionally low-activity winter season to 30 per week during high season in the summer season.

Scheduled: Number of passengers

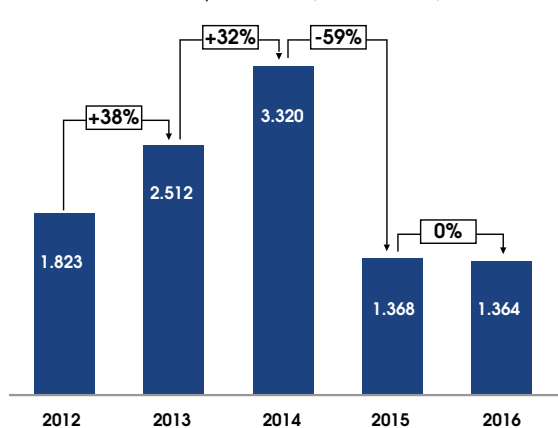


### Charter operations

Charter/ACMI activity was unchanged in 2016 compared to 2015. Block hours in 2016 were 1,364 compared to 1,368 in 2015.

In accordance with the airline's new objectives only excess capacity not needed for scheduled services is sold to Charter/ACMI activity in order to improve profitability. In 2016, the airline provided services such as charter series for various tour operators in Denmark and ad hoc flights in Europe. In addition to some block hours ACMI flights.

Charter operations (Block hours)



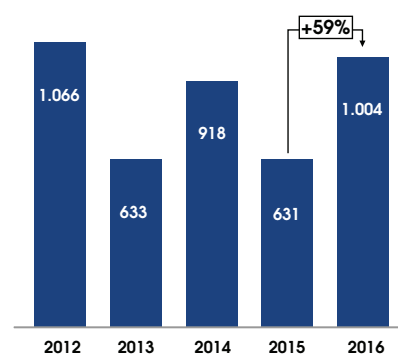
In 2016, Atlantic Airways signed a contract with the popular Danish tour operators FolkeFerie.dk regarding charter tours from Denmark to various destinations in the south using excess capacity the coming five years from 2017.

The contribution from ACMI/charter to the company's overall result is in general related to the number of hours sold and the average yield per hour, while turnover is significantly influenced by the type of charter operations. ACMI operations generate lower turnover as the customer (airline) carries a large proportion of flight expenses.

### Helicopter operations

In 2016, helicopter operations were predominantly Search-and-Rescue (SAR) on behalf of the Faroese Ministry of Fishery and domestic transport to the most remote islands on behalf of SSL, the National Faroese Transport Company using two new AW 139 helicopters. The helicopters have been prepared for Search-and-Rescue (SAR) coverage 24 hours a day. The company's helicopters were airborne for 1,004 block hours in 2016, compared with 631 block hours in 2015. The contribution in this segment is primarily reflected in the level of provided helicopter capacity agreements in terms of search and rescue and domestic flights.

Helicopter operations (Block hours)



A new ten-year contract with the Faroese Ministry of Fishery and the Ministry of Foreign Affairs and Trade to provide helicopter Search and Rescue (SAR) and domestic transport to the most remote islands came into effect on 1 January in 2016. The service has improved significantly with these two new AW 139 helicopters, which can reach the 200 nautical mile limit of Faroese territorial waters. The helicopters have 14 seats, compared with 9 seats on the old Bell 412 helicopters.

The SAR service was called out on 96 occasions in 2016, compared with 69 occasions in 2015. The company has provided domestic helicopter services in the Faroe Islands since 1994 and SAR operations since 2001.



## 2.2 Operational Review

Since 2001, the company has assisted all oil companies involved in oil exploration in the Faroe Islands. The last oil exploration took place in 2014.

### Other income areas

Together with Vagar airport, Atlantic Airways has established the company P/F Duty Free, which operates duty-free sales in the airport. Atlantic Airways also operates cargo and mail transportation between the Faroe Islands and the world on its scheduled flights.

### Fleet development

Three fixed-wing aircraft were in service at year-end 2016. One Airbus A320 and two Airbus A319. Two of them are in the company's ownership and one of the Airbus A319 is on lease contract. The average age of the fixed wing fleet is 4 years.

Atlantic Airways has entered into a 6-year agreement to lease another Airbus A320 from 2017. The aircraft will replace the leased Airbus A319, which will be redelivered in September 2017.

In addition, the company has had an Avro RJ-100 in the company's ownership from August 2014 to January 2017 when it was sold.

In September of 2016, a leased Airbus A319 was redelivered and the new Airbus A320 was presented to the airline in Airbus's Hamburg facilities in December of 2016. The A320 carries 168 passengers and the A319 carries 144 passengers.

During the summer of 2016, a decision was reached to continue operations with three Airbus aircraft. The decision is based on a full assessment, taking into account, e.g. the growing number of passengers and the fact that with the arrival of the Airbus aircraft, regularity and on-time departures have improved significantly. This means that the plans to use a smaller aircraft for the NORTH routes has been dropped.

Atlantic Airways flies the most advanced airspace technology in Europe, according to manufacturer Airbus. The company has since 2014 operated the world's first RNP AR 0.1 approach combined with ILS. Atlantic Airways is using this advanced navigation technology at Vagar Airport with all the three aircraft and as a result Atlantic Airways can land safely in Vagar airport in significantly poorer weather conditions than any other airline. The RNP AR 0.1 procedures have enabled significantly higher on-time performance and flight regularity for the benefit of the customers compared to the previous years.

Aircraft fleet as of December 31, 2016

Fleet in service, excluding aircraft leased out	No.	Owned	Manufact.
A320	1	1	2016
A319	2	1	2009-2012
AW139	2	2	2015-2016

At year-end 2016, the helicopter fleet consisted of two Agusta Westland AW 139 helicopters. The average age of the rotor wing fleet is approximately 1 year.

In April of 2016, the second of the Agusta Westland AW139 arrived and the remaining Bell 412 helicopter was sold.





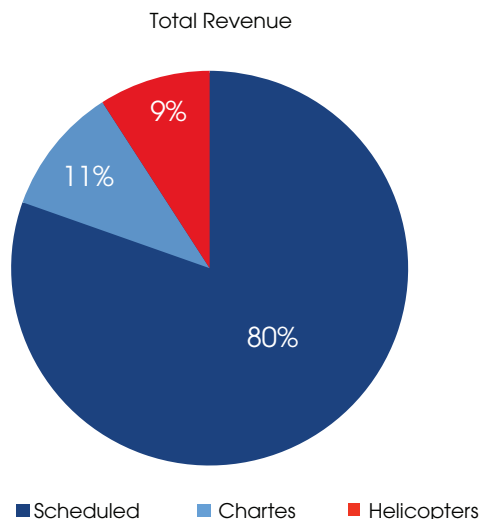
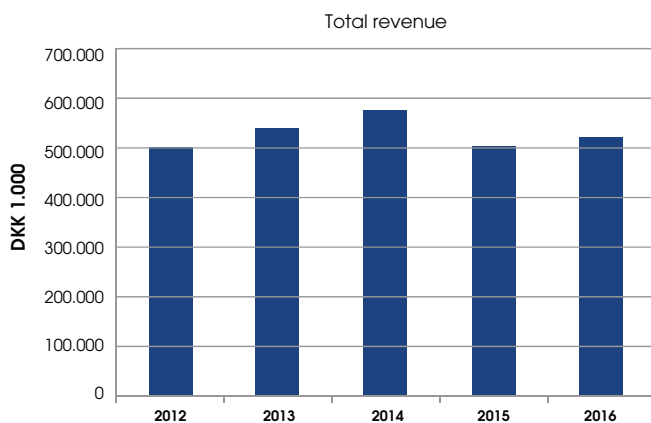
## 2.3 Financial Review



### Financial statement, 1 January – 31 December 2016

#### Revenue

Total revenue was DKK 523.5 million in 2016, compared with DKK 505.0 million in 2015. The increase was 18.5 million. Passenger revenue has increased due to increased passenger traffic and a new helicopter contract, while average price of tickets has decreased.



#### Operations expenses

Operating expenses increased by DKK 14.5 million in 2016 to DKK 332.6 million, compared with 2015. The increase is primarily due to higher helicopter activity and higher leasing costs.

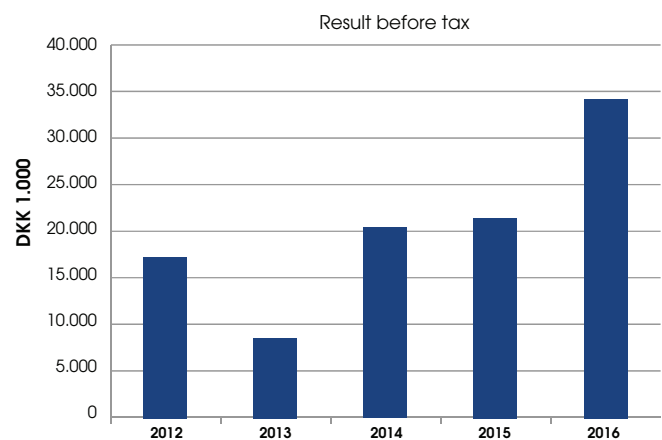
Fuel is one of the main operating expenses in aviation. In 2016, fuel costs accounted for 17% of the total operating expenses, compared with 18% in 2015. Changes in jet fuel price have a delayed effect on costs due to the hedging policy.

#### Employee costs

Employee costs amounted to DKK 106.7 million in 2016, compared with DKK 107.5 million the previous year. The number of full-time equivalent employees was 173 on average in 2016, compared with 173 in 2015.

#### Depreciations

Depreciation and impairment amounted to DKK 46 million in 2016, compared with DKK 58.4 million in 2015.



#### Financial items

Net financial items amounted to DKK 9.5 million in 2016, compared with DKK 2.8 million the previous year. The result before tax was a profit of DKK 34.1 million in 2016, compared with DKK 21.5 million in 2015.

The result after tax for the year was 28 million, compared with DKK 17.6 million in 2015.

Return on equity before tax in 2016 was 13%, compared with 9% in 2015.

## 2.3 Financial Review



### Balance sheet

#### Assets

Total non-current assets increased by DKK 321 million in 2016 from DKK 440 million at year-end 2015 to DKK 671 million at year-end 2016 due to the fleet renewal.

Total current assets decreased by DKK 70 million in 2016 from DKK 88 million at year-end 2015, to DKK 158 million at year-end 2016.

Available cash and cash equivalents at year-end 2016 was DKK 130 million, compared with DKK 43 million at year-end 2015.

#### Equity

Total equity as of 31 December 2016 was DKK 224 million, resulting in an equity ratio of 27%, compared with the same period 2015, equity has increased by 34 million and the equity ratio has decreased 9 percentage points.

#### Liabilities

The company's total liabilities as of 31 December 2016 were DKK 605 million, compared with 338 million at the end of 2015. At year-end 2015 total long-term debt were DKK 170 million, compared with DKK 436 million at year-end 2016.

### Balance sheet

The balance sheet total as of 31 December 2016 was DKK 829 million, which is DKK 301 million higher than at the end of 2015.

### Going concern disclosure

The Board of Directors and the Executive Management have in connection with the financial reporting process assessed, whether it is justified that the going concern assumption be upheld. The Board of Directors and the Executive Management have concluded that on the reporting date there are no factors that give rise to doubts, as to whether the company can or will continue operations until at least the next balance sheet date. It is thus reasonable, objective and justified to use the going concern assumption in connection with the financial reporting.

### Allocation of profit/loss

The recommendation regarding the allocation of net profit/loss is shown in the income statement.

## 2.4 Events after the End of the Financial Year



There have been no events from the balance sheet date until today that might affect the true and fair view of the annual report.

## 2.5 Outlook for 2017



### Aviation industry

The airline market in Europe is characterized by low yield, a competitive environment and high regulatory cost. According to the International Air Transport Association (IATA), the growth rate in the European airline market in terms of traffic is expected to be unchanged in 2017, compared with 2016. The expected growth in traffic is estimated to be 4.0% in 2017, compared with 3.8% in 2016. The expected growth in capacity is estimated to be 4.3% in 2017, compared with 3.8% in 2016. The European traffic growth in 2016 was significantly lower than expected because of terrorism and increased uncertainties.

The industry structure is changing with several airlines registering the staff in low tax countries, and low price airlines are reaping profits. The commercial airline industry is linked to the strength of the economy in the relevant markets.

Fuel prices increased in the last half of 2016 and is expected to increase even more in 2017.

### Faroese economy

According to the Faroese Economic Council, the Faroese economy is estimated to increase 6.9% in current prices in 2017, compared with an estimated increase of 7.8% in current prices in 2016. Faroese economic growth is not measured in fixed prices. Based on the consumer price index, the Faroese economy is currently characterized by a deflation of 0.8%. It is therefore likely that the economy is also growing in fixed prices. The confidence indicators by prepared by Statistics Faroes about the future development in the Faroese economy show that optimism has risen the last year.

### Scheduled

In 2017, Atlantic Airways offers its passengers flights between the Faroe Islands to 11 different destinations: Copenhagen, Billund, Bergen, Reykjavík, Edinburgh, Barcelona, Mallorca, Crete, Lisbon and Gran Canaria.

The airline's aircraft maintain frequent connections between the Faroe Islands and Copenhagen in addition to regular flight, summer and winter, to Billund and the NORTH routes: Reykjavík, Bergen and Edinburgh, except for a stop in flights to Scotland from January to March. The airline also offers the SUN routes with direct summer services from the Faroe Islands to Barcelona from May to October, to Mallorca from May to August, to Crete during July-August and to Lisbon from July through September.

Atlantic Airways has prepared itself for continued growth in Faroese tourism by acquiring bigger aircraft.

Consequently, the airline offers even more available seats on the scheduled service to and from the Faroe Islands compared to 2016. The airline connects the Faroe Islands to the surrounding world with regular, flexible and diverse route network and services for competitive prices.

Because of the competition on the scheduled services to Copenhagen in 2017, Atlantic Airways assesses that total supply of seats between Vágur and Copenhagen will increase by 120,000 available seats, which is an increase of 50%. In 2016, a total of 182,000 passengers travelled between Vágur and Copenhagen, so the increase in supply will most likely lead to a significant excess capacity on the scheduled services. This is why the airline expects lower ticket prices and lower load factor in 2017.

### Charter operations

Atlantic Airways's charter activities are based on using excess capacity not needed for scheduled services in order to improve profitability. In June of 2016, Atlantic Airways signed a 5-year contract with the popular Danish tour operators FolkeFerie.dk. The agreement entails that part of the excess capacity will be rented to FolkeFerie.dk for flights from Denmark to various destinations in the south in 2017 – the first year flights will be conducted to Malta, Madeira and Greece. In 2017, the airline will also provide services such as charter series for various tour operators in Denmark and ad hoc flights in Europe. There competition within charter activity is fierce.

The volume of charter operations is expected to be higher in 2017 than in 2016. As part of a more determined approach to charter activity, Atlantic Airways will seek an international IOSA approval, which will open the doors for more charter activities.

### Helicopter operations

Atlantic Airways connects the islands through scheduled helicopter flights to the remote islands and creates safety with helicopter Search and Rescue. Based on a ten-year contract with the Faroese Ministry of Fishery and the Ministry of Foreign Affairs and Trade, the two new AW139 helicopters provides domestic transport to the most remote islands and helicopter Search and Rescue (SAR) coverage 24 hours a day. Production in 2017 will be approximately the same as in 2016.

### Financial forecast for 2017

Based on this background, Atlantic Airways expects a lower full-year result after tax in 2017 compared to the full-year result in 2016 because of the new competition on the market. The risk factors mentioned in the section 'Risk management' may affect the financial performance and this guidance.

## 2.6 Ownership



The remaining shares were redeemed in 2014-2015, which means that the Faroese government (The Faroese Ministry of Foreign Affairs and Trade) now is the sole owner of the company.

### **Share capital**

Atlantic Airways' share capital remained unchanged at DKK 103,500,000. The share capital consists of one class of shares distributed over 1,035,000 shares, each with one vote per share.

### **Shareholders**

The Faroese Ministry of Foreign Affairs and Trade owns 67% of the shares and 33% are the company's own shares.

### **Dividend**

The board of directors propose that no dividend will be distributed to the shareholders at the Annual General Meeting in April 2017 in line with the proposal for the renationalization acts of the Faroese Parliament from February 2014. No dividend were paid out in 2016 regarding the financial year 2015.

### **Capital and share structure**

The Board of Directors considers that the company's capital and share structures, its strategy and long term value creation are in the best interest of the shareholder and the company. All shares have the same rights.

## 2.7 Corporate Governance



In this part is the statement on corporate governance. This statement forms part of the management's review in Atlantic Airways' Annual Report for the period 1 January – 31 December 2016. The section in this report on corporate governance is not comprised by the auditor's statement on the management's review in Atlantic Airways' Annual Report 2016. The section on the Internal Control and Risk Management relating to financial reporting and the Board of Directors are comprised by the auditors' statement on the management's review included in the annual report.

Atlantic Airways was delisted from the stock exchanges in Copenhagen and Reykjavik in 2014, which meant that the company is no longer subject to any recommendations on Corporate Governance. However, Atlantic Airways has nonetheless chosen to follow the Danish Recommendations on Corporate Governance and to comply with the recommendations where possible. A comprehensible table overview of the company's compliance with the Danish Recommendations, as well as explanations of departures, is provided on the company's website <https://www.atlantic.fo/en/about-us/the-company/governance/corporate-governance/>.

The Danish Recommendations on Corporate Governance was issued in May 2013 and last updated in November 2014. The full version of the Danish Recommendations on Corporate Governance can be found on the website [www.corporategovernance.dk](http://www.corporategovernance.dk)

The following subsections address main aspects of corporate governance in Atlantic Airways.

### Annual General Meeting

The Annual General Meeting represents the supreme authority in the affairs of the company, within the limits established by the Articles of Association, in the hands of the shareholders' meetings. The Annual General Meeting of Atlantic Airways shall be held before the end of April each year. Shareholders and their advisors may attend the Annual General Meeting, and the meetings are open to representatives of the press.

### Board of Directors

The Board ensures a prudent organization of the company's business and manages the company's general affairs as well as ensures that the best interests of the

company's shareholders are guarded. The Board seeks to promote the long-term development of the company and endeavours to keep the organization and operations consistent with the company's mission and strategy.

The Board of Directors consists of 6 members. Two of the members are elected by the employees. Election of board members among the staff is conducted in accordance with relevant legislation. The other 4 board members are elected at the Annual General Meeting.

All persons elected to the Board of Directors must be properly qualified, and be able to devote the time required by the duties involved. The specific requirements for the skills of board members should ideally take keen notice of the following preferred skills, competencies and characteristics: experience within the aviation industry or other related fields of transport, relevant commercial experience, personal management experience relevant to the company's scope and size, governmental relations and issues, financial management and investor relations, performance and cost management, legislative insight and/or professional experience and strategic expertise and/or change management experience. The listed skills are not only relevant skills and competencies of various members, but are also listed to ensure that the Board of Directors represents a diversity of relevant skills and knowledge.

The Chairman's role is to organize and chair the meetings, to act as a contact person to the executive management, prepare the meeting agenda and ensure timely release of meeting material to members before the meetings, ensure notice to the entire Board of meetings, ensure that the most significant issues of the company are addressed, ensure that legal requirements of the Board are met and to act as an external spokesman.

The main duty of the deputy chairman is to step in as acting Chairman of the Board, should this become necessary.

The Board of Directors appoints the CEO and other members of the Executive Management. The Board of Directors convene when the Chairman deems it necessary or when one of the members or the CEO requests it.

The Board of Directors has held 10 meetings in 2016.



## Board of Directors

### Niels Mortensen, Chairman of the Board

Born: 28 October 1966 (male)  
 Address: Traðavegur 12, FO-100 Tórshavn, Faroe Islands  
 Joined the Board: March 2013  
 Special skills: Commercial experience  
 Chief Occupation: CEO of SMS P/F and NM Holding  
 Experience: Danske Bank 1987-1992, P/F SMS 1992-  
 Other board duties: P/F Petur Larsen and P/F Duty Free  
 Education: Niels Brock Business School, Danske Bank  
 Expiry of the current election period: April 2017  
 Considered independent of the Company

### Kaj Johannessen, Vice-chairman of the Board

Chairman of the Board 1 January – 8 March 2013  
 Vice-chairman 2009-2012, and from 14 May 2013  
 Chairman of the Nomination Committee 20133  
 Chairman of the Audit Committee activities  
 Born: 8 November 1960 (male)  
 Address: Inni á Fløtum 13, FO-180 Kaldbak, Faroe Islands  
 Joined the Board: April 2009  
 Special skills: Expertise in financial and accounting matters,  
 Governmental matters  
 Chief Occupation: CEO of P/F Farcod, P/F Enniberg og P/F Ametyst  
 Experience: CEO of P/F Enniberg since 2016. Advisor in the Ministry  
 of Transport, Infrastructure and Labour 2015- 2016. Advisor in the  
 Ministry of Finance 2013-2015. Advisor in the Ministry of the Interior  
 2008-2013. Senior Bank clerk in Føroya Banki (Bank Nordik) 2000-  
 2008. Member of the chairmanship of the Faroese Council of Economic  
 Advisers 2006-2009. Economist at Landsbanki Føroya 1993-2000  
 and Managing Director of Menningargrunnur Ídnaðarins 1990-1993.  
 Examiner in economics at the Faroese University (Fróðskaparsetur  
 Føroya) since 2001. Examiner in managerial economics at the Faroese  
 Business Collage since 2009.  
 Other board duties: P/F Enniberg, P/F Farcod, P/F SMS og P/F Miðlon  
 Education: Mr. Johannessen has a MSc in Economics and Business  
 Administration from Copenhagen Business School 1990, specializing in  
 Financing, International Business and Management Accounting  
 Expiry of the current election period: April 2017  
 Considered independent of the Company

### Laila Ísheim Hentze, Member of the board

Born: 5 January 1972 (female)  
 Address: Gróthúsvegur 10, FO-188 Hoyvík, Faroe Islands  
 Joined the Board: April 2014  
 Special skills: Commercial experience  
 Chief Occupation: CEO Gallup Føroyar  
 Experience: Televarpið, CEO 2003-2011  
 Other board duties: None  
 Education: Mrs. Hentze has a MSc in Business, Language and Culture  
 from Copenhagen Business School Business School  
 Expiry of the current election period: April 2017  
 Considered independent of the Company

### Fróði Magnussen, Member of the Board

Born: 18 July 1969 (male)  
 Address: Oman Viðarlund 15, FO-100 Tórshavn, Faroe Islands  
 Joined the Board: April 2016  
 Special skills: Education and experience in commercial business.  
 Chief Occupation: CEO Formula P/F  
 Experience: CEO Formula P/F since July 2009. Head of Business  
 Development of Formula P/F, August 1996- July 2009. Project Manager,  
 Datacenter. Aarhus School of Business, August 1993 – August 1996.  
 Part time teacher at Føroya Handilsskúli since 1997 (HD) since 1997.  
 Other board duties: Board member Formula 1998-2003 and again 2015-.  
 Board member Formula Solution and chairman since foundation in  
 2003. Board member KT-felagið since 2010, Chairman in 2012-2014.  
 Board member Framtak, since 2014. Board member Faroese Employer's  
 Association since 2014. Substitute member Revenue Office Council  
 since 2012 to 2016 when it was dismantled. Substitute member The  
 Governmental Bank of the Faroe Islands 2016-.  
 Education: Cand. Merc; Aarhus School of Business.  
 Expiry of the current election period: April 2017  
 Considered independent of the Company

### Hanna Svabo, Member of the Board

Born: 11 April 1952 (female)  
 Address: Gerðisgøta 4, FO-370 Miðvágur, Faroe Islands  
 Joined the Board: May 2014  
 Special skills: Employee of Atlantic Airways  
 Chief Occupation: Head of Staff and industr Travel, Customer service  
 Experience: Employee of Atlantic Airways since 1988  
 Other board duties: None  
 Education: Office clerk, Medical secretary  
 Expiry of the current election period: April 2019  
 Considered dependent of the Company as employee representative

### Janus Rein, Member of the Board

Born: 29 May 1974 (male)  
 Address: Láarvegur 42, FO-100 Tórshavn, Faroe Islands  
 Joined the Board: June 2014  
 Special skills: Employee of Atlantic Airways  
 Chief Occupation: Captain at Atlantic Airways  
 Experience: Employee of Atlantic Airways since 2005, Member of the  
 Faroese Parliament (MP) 2011-2015  
 Aðrir nevndarsessir: None  
 Útbúgving: Lawyer LL.B BA Laws, Airline Pilot ATPL, Merkonoma,  
 Master Mariner  
 Expiry of the current election period: April 2019  
 Considered dependent of the Company as employee representative

### **Audit Committee**

The Board has not formed a separate Audit Committee. The Board does not find it necessary to establish a separate Audit Committee, considering the company's size and organizational structure. The Board of Directors decided at a board meeting in March 2010 in accordance with Article 29 of the Faroese Audit Act that the Board executes the activity of the Audit Committee. Kaj Johannesen is chairman of the audit committee.

### **Executive Management**

The Executive Management of Atlantic Airways is made up of the Chief Executive Officer and the Chief Financial Officer, who are responsible for the daily operations of the company.

The main duty of the CEO is to oversee daily operations and through this follow the board's policy and instructions. The CEO reports directly to the Board on the performance of the company on a regular basis. She must also provide the Board and the company auditors with any relevant information concerning Atlantic Airways' operations, which they may request. The CEO is responsible for the company's compliance with relevant law, with regard to accounts and finances, and is responsible for safeguarding the company's assets. In addition, the CEO is the Accountable Manager for the airline and as such has the ultimate responsibility to comply with the standards and requirements set by the aviation authorities.

The company's CFO is in charge of finance, administration, HR, technical department, rotor-wing department and IT.

### **Jóhanna á Bergi, CEO**

Born: 29 September 1970  
Address: Traðagøta 18, FO-700 Klaksvík, Faroe Islands  
Experience: Mrs. Á Bergi has been CEO of Atlantic Airways since September 2015. CEO of FaroeShip P/F 2006-2015, Sales and Marketing Director of JFK 1998-2006 and Sales Manager at Faroe Seafood 1994-1998.  
Other board duties: Visit Faroe Islands P/F, Føroya Grunnurin and Norðoya Íløgufelag, P/F Norðoyatunnilin.  
Education: Mrs. Á Bergi has a MSc in Management from Robert Gordon University 2004. Export and Marketing from the Danish School of Export and Marketing 1994

### **Marius Davidsen, CFO**

Born: 31 July 1958  
Address: Í Fornanum 3, FO-380 Sørvágur  
Experience: Mr. Davidsen has been CFO of Atlantic Airways since January 2005. Mr. Davidsen has been involved with Atlantic Airways since it commenced operations in 1987/88. Financial manager since 1988 and deputy for the CEO since June 1993. Mr. Davidsen is also CEO of Duty Free P/F  
Other board duties: Duty Free P/F  
Education: Mr. Davidsen is educated from Business School in Tórshavn

### **Authorized Signatories**

The company is bound by the joint signature of a Chief Executive Officer and the Chairman of the Board, or by the joint signatures of two members of the Board of Directors.

### **Remuneration of Board and Management**

The remuneration of the Board and Management are in accordance with the company's remuneration policy, available on the company's website. The remuneration policy was adopted by the Board of Directors and the General Meeting in April 2012.

The purpose of P/F Atlantic Airways' remuneration policy is to ensure appropriate corporate governance in the company and fulfil the long-term value creation for the company's shareholders.

The Board of Directors is remunerated with a fixed fee. The remuneration is not included in any sort of incentive or performance-related pay. The remuneration is set at DKK 120,000 a year. The chairman of the Board of Directors receives double the basic remuneration and the deputy chairman receives one and a half of the basic remuneration. Remuneration for the Auditing Committee is set at DKK 20,000 a year. The chairman of the auditing committee receives triple remuneration. If a board member assumes certain ad hoc tasks beyond the duty as board member, then the board sets a fixed remuneration for such tasks.

The remuneration reflects the competences, responsibility and efforts of the board members, the activity of the company, the scope of the workload and the number of board meetings.

Executive Management is contractually employed. The remuneration is reviewed and evaluated regularly. All adjustments to existing management contracts are made in writing and adopted by the Board of Directors.

Decisive to the remuneration to Executive Management is the objective to ensure the company's continued possibilities to attract and maintain the best qualified members of Executive Management. The details in the total remuneration to the Executive Management are comprised in consideration of market practice and the company's specific needs.

Remuneration of Executive Management may be comprised of fixed pay, value-based bonus and pension. The total level for the non-variable elements in the remuneration is established in consideration of market level, as e.g. the company's size and course of development are taken under consideration. Members of Executive Management receive defined contribution plans. There is currently no variable remuneration to members of the Executive Management.

### **Internal Control and Risk Management system relating to financial reporting**

The Board and Executive Management have the overall responsibility for the company's risk management and internal control procedures in connection with the financial reporting process, including the adherence to legal and other requirements for presentation. The company's control and risk management systems are intended to effectively identify, manage and minimize the risk of error in the financial reporting process, and provides an adequate degree of certainty; though not complete certainty, that erroneous use of assets, losses and/or material errors and omissions in connection with the presentation of the accounts are avoided. The Board and the Executive Management set out and approve overall policy, procedures, and control on important areas in connection with the presentation of accounts.

The Executive Management has the daily responsibility for legal and other requirements being adhered to as regarding the presentation of accounts, and regularly informs the Board on this matter.

The Board of Directors annually, and when it is deemed needed, reviews and discusses the applied accounting policies and changes in these, as well as significant estimates relating to the financial reporting.

The Board of Directors performs an annual assessment of the company's risk management and internal control procedures, including an overall assessment of risk in connection with presentation of accounts. Part of this assessment is to determine the risk of fraud, and possible changes required to reduce and/or eliminate such risk.

A reporting process has been established under which monthly reports are made to the Board of Directors, explaining deviations from the expected results and key figures for the business segments.

## 2.8 Risk management



Atlantic Airways is exposed to a number of significant risks, which may affect the business, financial results and long-term objectives. Both the Board of Directors and Executive Management incorporate the identification and management of risks as an integral part of their activities. By identifying substantial areas of risk, as well as areas of opportunity, at an early point, Atlantic Airways is able to act accordingly and take due measures in its operations. The Executive Management currently reports to the Board of Directors on the development within the most important areas of risk and compliance with adopted policies. The company's main operational risks are illustrated in the following sections.

### General and specific risk

The profit and loss account can be affected by the economic conditions in the Faroese and international markets. In addition, the profit and loss account and the balance sheet can be affected by increased competition, changes in oil prices, changes in the price of carbon emission permits, changes in the European Emissions Trading Scheme, demand for airline travel, demand for fixed-wing and rotor-wing charter operations, the general level of cost, the weather and traffic disruption, volcanic ash, operations and accidents, regulation, technology, financial risk, credit risk, and currency risk.

The airline industry has relatively high fixed costs in connection with each flight. These expenses are not directly influenced by the number of passengers carried on each flight, and thus changes in load factor influence the profitability of the company. Atlantic Airways monitors the load factor closely to ensure prudent operation of flights.

### Fuel price and the European Emissions Trading Scheme

As an essential and highly consumable resource in our operations, fuel is a material cost to the company. The volatility in the jet fuel price can significantly impact fuel costs and the operating results. Jet fuel costs represented around 17% of the operating expenses in 2016, and fuel is settled in USD. Historically, there have been significant changes in fuel prices and operations are affected differently from year to year.

In order to manage the risk exposure of fuel price volatility, and subsequent impacts on the company's expenses, the Board has approved a policy to hedge fuel

in DKK. Use of hedging means that the fuel cost per period is not as low as the spot-based price when prices decrease, however when spot prices increase the fuel cost also rises more slowly.

From 2012 aircraft operators who fly to and from, and within EU countries, Norway and Iceland were included in the European Emission Trading Scheme ETS. Following the outcome of the International Civil Aviation Organization (ICAO) Assembly in October 2013, the European Union has restricted the geographical scope of the EU ETS for aviation to intra-European flights only during the 2013-2016 periods. Flights between the EU/EFTA area and the Faroe Islands will therefore not be covered from 2013 to 2016.

ICAO plans to establish a Global Market-Based Measure regarding carbon emission for international aviation by 2020.

In connection with the European Emission Trading Scheme ETS, it is necessary for the company to purchase carbon emission permits to cover its shortfall. A minor quota of free CO<sub>2</sub> emission allowances has been allocated to the company. The CO<sub>2</sub> market has historically been volatile.

### Weather and traffic disruption

The company is exposed to various disruptive factors such as adverse weather conditions (crosswind, turbulence, fog, frost and snow), volcanic ash and congested airports. Especially weather conditions across the Faroe Islands hamper flight operations and increase costs. In 2016, the company's cost of cancellations and disruption was DKK 5 million, unchanged compared to 2015 due to the improved regularity following the continuously improved procedures of RNP AR 0.1.

### **Currency risk**

The financial performance of the company can be significantly affected by changes in foreign exchange rates, especially between DKK and USD. Aircraft purchases, aircraft leasing payments, aircraft insurance and maintenance expenditure are mainly in USD. Part of revenues and cost are in GBP. The company continually evaluates the exposure to exchange rate fluctuations, particularly between the Danish krone and the US dollar.

In order to manage the risk exposure of changes in foreign exchange rates, and subsequent impacts on the company's expenses, the Board has approved a policy to hedge USD currency exposure from aircraft leasing.

### **Interest rate risk**

The company is exposed to interest rate risks through investments and financing. As of 31 December 2016, the company had DKK 467 million in interest-bearing liabilities, of which 11% are at variable interest rates. The company's total equity is still high in proportion to total assets. The equity ratio was 28% at year-end 2015.

### **Liquidity risk**

The company aims to maintain sufficient reserves of cash and cash equivalents in order to meet its liquidity requirements. The company's liquidity as at 31 December 2016 was DKK 129 million and deemed to be sufficient. The liquidity is affected by seasonality. The company has in addition access to DKK 29 million in credit facilities. The company's credit facility was unused as of 31 December 2016.

### **Market competition**

The airline's main revenues stem from the scheduled flights between the Faroe Islands and the surrounding world. Ever since 2006, Atlantic Airways has been the sole operator on the Faroese route. In autumn of 2016, Scandinavian airline SAS announced that they were taking of regular scheduled flights between Copenhagen and Vágur, once a day starting in late March 2017. In addition to this, Scottish airline Loganair will take up summer flights between Aberdeen and Vágur in May of 2017. Atlantic Airways is ready for the competition, which will, however, affect the revenues and full-year result negatively.

## 2.9 Knowledge and Human resources



Atlantic Airways' knowledge resources, here in particular human resources, are vital for the competitiveness of the company. The company considers relevant knowledge and work experience of great importance in all core areas of airline activity. Our objective is to develop and retain our qualified personnel and to be the company of first choice among the best people on the Faroese job market. The company is the only airline in the Faroe Islands, and therefore places great emphasis on educating and training local workforce, as well as keeping its employees up to date and providing those opportunities for further career development.

Beyond the company's own internal regulations and requirements on employees' abilities and qualifications, the company also has to comply with strict demands from the authorities to train and maintain the skills of its personnel, such as those performing flight operations, maintenance and ground-handling.

Safety management, quality assurance, sales, service and planning are other core functions in the airline needed to be taken care of at a professional level. Atlantic Airways therefore places great emphasis on improving qualifications in all areas of its business.

### CSR in Atlantic Airways 2016

At Atlantic Airways, we are committed to conducting our business in a responsible and transparent manner, striving to serve the Faroese society and community as well as to manage our social and environmental footprints.

Atlantic Airways is one of the largest enterprises in the Faroe Islands with 173 employees. We are linking the Faroe Islands with the world through scheduled connections to Denmark, Iceland, Norway, Britain and Spain, in addition to other SUN-destination. Also, we play an important role in developing tourism and in facilitating business in the Faroe Islands. Atlantic Airways also runs a helicopter operation providing domestic services and SAR operations in Faroese territories.

It is important to us that our approach and activities make sense for both our business and for society. Thus, we have defined three key areas steering our CSR focus, including a number of issues related to each key area:

- **Business operations** including health, environment and safety / compliance management.
- **Workplace** including employee satisfaction, well-being, education and competence development
- **Community** including stakeholder engagement, sponsorships and donations

### BUSINESS OPERATIONS

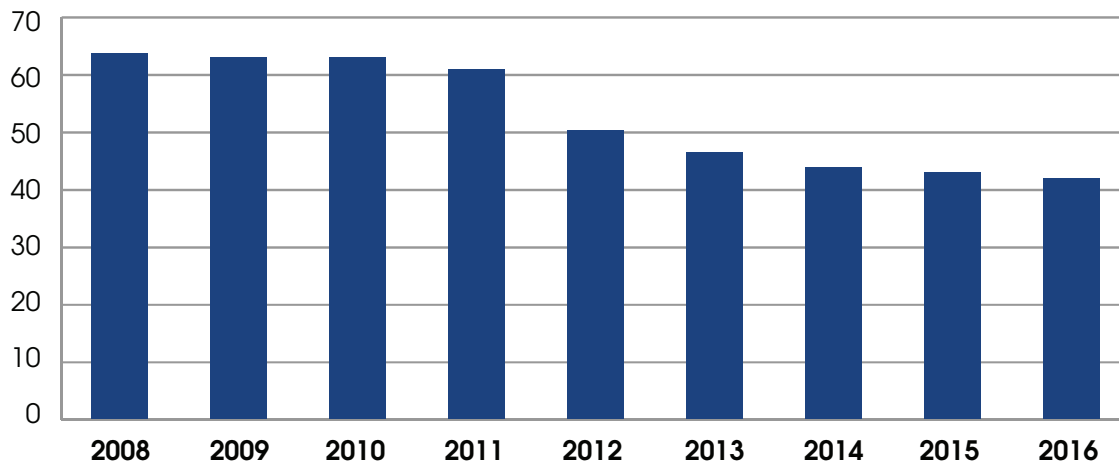
#### Environment

As an airline, our main environmental footprint stems from the fuel we use for our aircrafts. With increasing regulation and fuel costs as a significant portion of the company's operation costs it makes sense business wise, to do what we can to reduce our fuel consumption. With CO<sub>2</sub> emissions considered a cause of climate change, we also recognize our responsibility to constantly seek ways of lowering fuel consumption.

In early 2008, Atlantic Airways decided to reduce the fuel burn per hour through optimized operational procedures. Furthermore, our fixed-wing fleet has also been changed from Avro RJ to Airbus A319 with lower fuel burn per seat. In 2016, the average jet fuel burn per passenger on the scheduled services was 22 kg lower on average, compared with the average consumption per passenger on the scheduled services in 2008. Converted to CO<sub>2</sub> emission figures, this means that Atlantic Airways has reduced its emission by 68 kg/passenger on the scheduled services, equal to a decrease of 24% per passenger.

In line with the company's fuel-saving efforts, an intensified aircraft-washing program has been established by Atlantic Airways, as using clean aircrafts equals less fuel burn. However, the majority of the fuel-saving measures are related to the operation of the aircraft.

Fuel burn per passengers, scheduled service  
(Kilo/passangers)



Finally, we are aware of our environmental impact in regard to the use of chemicals and toxic substances. These are required by aircraft manufacturers for maintenance, but we are very conscious of limiting our use to as little as possible. Also, we have procedures in place for the disposal of toxic materials. Waste is sorted between burning materials, non-burning materials, paper, fuel, lubricants and organic waste, and these are recycled or disposed in a controlled manner in order to minimize harm to the environment.

### Health and Safety

It is central for our license to operate that we are in compliance with relevant legal and industry requirements in regard to health and safety issues. In addition, we are concerned about our employees, and do our utmost to ensure that they have a safe work environment. We are regularly conducting training in health & safety for our employees and have a health and safety organization in place as required by Faroese Law and Danish law related to aviation.

Each work-related accident or incident registered in 2016 has been evaluated, and mitigating measures have been taken to avoid repetition of these occurrences. In addition, we regularly evaluate the physical well-being of our employees, and work from a systematic action plan to improve the identified findings.

### Safety management

Safety management is a structured approach to manage identified hazards, and eliminate/mitigate associated risks in both the operational, ground and technical environment. This proactive approach to safety is implemented in the company in addition to the system reactive approach, where reported events are investigated to a level, where possible non-compliances are identified and control measures put in place to eliminate the risk of their reoccurrence. The goal is to identify all hazards, report all occurrences, assess associated risks and mitigate to a level as low as reasonably practicable (ALARP).

'Just Safety Culture' is part of the system, in which each employee is encouraged to provide safety-related information in a non-punitive environment, but where there is also a clear line between acceptable and unacceptable behaviour.

In addition to the operational reporting system, Flight Data Monitoring (FDM) is essential for the fixed-wing fleet. From FDM data, we are able to identify possible hazards, which are not within operating procedures. From statistical and trend data, we are able to identify and predict where to increase our focus.

Within the technical environment, there is a strong focus to learn from mistakes and reduce human error events, which

compromise the safety of the operating environment. This is systemized through the Maintenance Error Management System (MEMS), which encourages and facilitates incident reporting and investigation, utilizing human error events as learning tools. Based on several years of reporting and investigation, the company has identified five 'Key Behaviors' for Line and Base maintenance work, which is being fostered within the maintenance and inspection work processes to reduce mishaps and maintain safety.

These Key Behaviors are:

- Review maintenance instructions (before starting the work)
- Document job status (to ensure the next shift knows exactly, what has been done)
- Separate inspection (after critical tasks have been performed)
- A last set of eyes (after the job is done, just to make completely sure that the aircraft is left airworthy)

Take a moment to focus (before undertaking a critical or demanding task)

### Compliance management

Compliance management is the company's exercise to ensure that the outcome of the activities in operations and maintenance meets the regulatory, customer and company requirements. The quality policy is the foundation under the compliance management, and it is substantiated by the compliance management organization, the documented operational and technical procedures, the training arrangements for all personnel and the independent compliance monitoring process. The performance of the compliance management system is evaluated 4 times per year by senior management. The evaluation is based on Key Performance Indicators from all departments, as well as the independent compliance monitoring reports from both internal and external (e.g. the aviation authorities) audits.

## WORKPLACE

### Employee satisfaction and well-being

Atlantic Airways is a major employer in the Faroe Islands, offering our employees highly skilled and international careers in an interesting industry. We aim to recruit, train and develop local talent in the Faroe Islands to ensure good jobs and at the same time ensure the long-term sustainability of our workforce.

At Atlantic Airways, we focus on our employees' satisfaction and well-being. Knowing that satisfied and motivated



employees are more productive and efficient, we have initiated surveys among staff groups to measure job satisfaction and well-being. In 2016, a survey was conducted among all staff groups focusing on physical condition, communication and social environment. The survey showed that employee satisfaction is high. Based on the survey, we have developed action plans focusing on improvements of key areas.

We strive to be an inclusive workplace, and in addition to normal hiring procedures, we also work with the local job centre with an aim to offer unemployed people job opportunities and training where appropriate. In addition, we continuously employ people on special conditions to allow them to have a job despite shortcomings to fulfil a normal job – either temporarily or permanently. In the unfortunate event that we have to lay off an employee, we do our utmost to help the person in his or her future career.

### Education

Besides being a major employer, we also play a role in the Faroese educational system, and see this as a core responsibility to develop local talent. In a small society as the Faroeese, it is central to be able to make it attractive for young people to either stay in the Faroe Islands or to return after their education abroad. Thus, we offer several education opportunities and also reach out to Faroese students abroad to promote the idea of a career with us:

#### In 2016 we:

- Opened our doors to more than 20 students in elementary school for their practicum
- Offered Faroese students at home and abroad training and seasonal positions during high-activity seasons as cabin attendants and in other service functions
- provided Airbus type-rating to 6 young Faroese airline pilots

### Competence development

We have a significant focus on competence development of our employees. Our goal is to train and keep our competent employees on the Faroese work market. In addition, we are aware that this is a central parameter for employee satisfaction, ensuring the continuous development of each individual employee.

Our competence development activities can be divided into mandatory training (to maintain certificates, safety procedures etc.) and additional training (i.e. IT, management skills, communications etc.). In 2016, we spent around DKK 5.2 million on mandatory and additional training.

## COMMUNITY

### Developing the Faroe Islands together

As an active company in the Faroese community, Atlantic Airways exists to connect the Faroe Islands to the surrounding world and to tie the islands closer together and for safety. Atlantic Airways operates a regular, flexible and diverse route network from the Faroe Islands with competitive

prices. We work closely with customers and the community to better our services and experiences. The reliable scheduled services allows our passengers young & old, strong & weak, people & cargo to travel for purposes of business & culture, fun & serious and in joy & sadness. For us, it is of the utmost importance that The Faroe Islands are a good place to live and work. This is why we stay in regular contact with local interest groups to find solutions and ideas as to how we may improve our services and products.

Also, we are engaged with the broader development of business and the business community through the Faroese Employers' Association. A strong Faroese working market provides economic activity and jobs for people on the islands - and eventually business for us.

Finally, we are naturally engaged with tourism development and the international branding of the Faroe Islands abroad, as tourism is another potential growth opportunity for our business at the same time as it provides economic opportunity for the community.

### Sponsorships and donations

Atlantic Airways is an active participant in Faroese society and we support Faroese sport and culture through sponsorships and other supportive actions, because we believe in a healthy sports and cultural community.

In sports, most sponsorships are centered on national teams and national unions. The company has been the main sponsor of the Faroese National Football Team since 1995. Atlantic Airways also supports the national teams in handball, volleyball, swimming, chess. There is a general agreement in place with the ÍSF (National Sport Union) to support the smaller unions' international activities. Additionally, focus has been on supporting Faroese cultural life for many years.

Atlantic Airways has among other things sponsored various music festivals. The latest initiative has been the foundation "Loftbrúgv," which has been established together with the Nordic House, Tórshavn Municipality and The Ministry of Culture. This foundation will support cultural activities abroad with regard to air travel.

In late 2016, Atlantic Airways established the art subsidy scheme Listaflog, whose purpose is to support Faroese art financially and through flight tickets on the scheduled services in connection with work with art or specific art projects. The annual total subsidy amount is DKK 100,000, which is distributed once every year on 28 March, which is the anniversary of Atlantic Airways' first flight.



## 3.1 Management's Report



The board of directors and the executive management have today presented the annual report of P/F Atlantic Airways for the financial year 1 January to 31 December 2016.

The annual report has been presented in accordance with the Faroese Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the

company's results of its activities in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval at the general meeting.

Sørvágur the 9th of March 2017

### Executive Management:

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Jóhanna á Bergi  
*CEO*

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Marius Davidsen  
*CFO*

### Board of directors:

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Niels Mortensen  
*Chairman*

---

Kaj Johannessen  
*Vice-chairman*

---

Laila Hentze

---

Fróði Magnussen

---

Hanna Svabo \*

---

Janus Rein \*

This annual report was adopted at the Annual General Meeting on:

Chairman:

*\*employee representatives*

## 3.4 Independent Auditor's Report



### To the shareholders of P/F Atlantic Airways

#### Report on the annual accounts

We have audited the annual accounts of P/F Atlantic Airways for the financial year 1 January - 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet, statement of change in equity, cash flow statement and notes. The annual accounts are prepared in accordance with the Faroese Financial Statements Act.

#### The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Faroese Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Faroese audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

#### Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations, statement of change in equity and cash flows for the financial year 1 January to 31 December 2016 in accordance with the Faroese Financial Statements Act.

#### Statement on the management's review

Pursuant to the Faroese Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Tórshavn, 9th of March 2017

#### P/F JANUAR

State Authorized Public Accountants

Hans Laksá

*State Authorized Public Accountant*

## 4.1 Income Statement for the year 2016



(DKK 1,000)	Note	2016	2015
Net sales		518.413	501.540
Other income		5.120	3.486
<b>Total revenue</b>		<b>523.533</b>	<b>505.026</b>
Operating expenses		-332.607	-318.152
Employee expenditures	3	-106.704	-107.475
<b>Total operating expenses</b>		<b>-439.311</b>	<b>-425.627</b>
<b>Result before depreciation, amort. and impairment (EBITDA)</b>		<b>84.222</b>	<b>79.399</b>
Depreciations, amort. and impairment	4, 7, 8	-45.973	-58.356
<b>Result before financial items (EBIT)</b>		<b>38.249</b>	<b>21.042</b>
Financial income		88	1.508
Financial expenses		-9.618	-4.352
<b>Net financial items</b>		<b>-9.531</b>	<b>-2.844</b>
Share of profit/loss of associates	10	5.419	3.317
<b>Result before taxes (EBT)</b>		<b>34.137</b>	<b>21.516</b>
Income tax	6	-6.145	-3.873
<b>Net Profit / Loss for the year</b>		<b>27.993</b>	<b>17.643</b>
<b>Distribution of profit at year-end</b>			
Carried forward from previous year		108.293	93.590
Profit year-end		27.993	17.643
<b>Total</b>		<b>136.286</b>	<b>111.233</b>
<b>Proposed distribution</b>			
Moved to Reserve for net. val. acc. to the equity method		2.913	2.940
Carried forward to next year		133.373	108.293
<b>Total</b>		<b>136.286</b>	<b>111.233</b>

## 4.2 Balance Sheet as at 31 December 2016



ASSETS (DKK 1,000)	Note	31-12-2016	31-12-2015
<b>Intangible assets</b>	<b>7</b>	<b>3.213</b>	<b>3.240</b>
Aircraft and maintenance	8	611.133	278.991
Spare parts	8	2.188	2.219
Operating equipment	8	17.401	14.575
Hangar, buildings and land	8	28.236	30.139
Prepaid aircraft acquisitions	9	0	104.937
<b>Total tangible assets</b>		<b>658.958</b>	<b>430.860</b>
Investment in associates	10	8.376	5.457
Other shares	10	271	271
<b>Total financial assets</b>		<b>8.646</b>	<b>5.727</b>
<b>Total non-current assets</b>		<b>670.818</b>	<b>439.827</b>
<b>Inventories</b>		<b>621</b>	<b>353</b>
Trade receivables		14.116	16.380
Prepayments	11	1.246	18.438
Other receivables	12	10.474	10.115
Other shares		53	28
Derivatives	13	1.661	0
<b>Total receivables</b>	<b>14</b>	<b>27.552</b>	<b>44.960</b>
<b>Cash and cash equivalents</b>		<b>129.860</b>	<b>42.977</b>
<b>Total current assets</b>		<b>158.033</b>	<b>88.291</b>
<b>TOTAL ASSETS</b>		<b>828.850</b>	<b>528.118</b>

## 4.2 Balance Sheet as at 31 Desember 2016



<b>EQUITY AND LIABILITIES (DKK 1,000)</b>	<b>Note</b>	<b>31-12-2016</b>	<b>31-12-2015</b>
Share capital	20	103.500	103.500
Value adjustm. of cash flow hedges	20	-19.717	-25.504
Reserve for net. val. acc. to the equity method	20	6.597	3.684
Retained earnings	20	133.373	108.293
Proposed dividend	20	0	0
<b>Total equity</b>		<b>223.754</b>	<b>189.974</b>
Deferred income tax liabilities	6	37.863	30.448
<b>Total provisions</b>		<b>37.863</b>	<b>30.448</b>
Mortgage loans	17	436.386	169.764
<b>Total long-term debt</b>		<b>436.386</b>	<b>169.764</b>
Mortgage loans	17	31.096	12.781
Short-term debt		0	20.089
Trade payables		25.398	18.697
Current income tax liabilities	6	0	1.998
Deferred income and accruals	16	67.192	61.560
Derivatives	13	7.161	22.807
<b>Total short-term debt</b>		<b>130.847</b>	<b>137.932</b>
<b>Total liabilities</b>		<b>605.096</b>	<b>338.144</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>828.850</b>	<b>528.118</b>
Mortgaging and contingent liabilities etc.	18		

## 4.3 Statement of Changes in Equity



(DKK1,000)	Share-capital	Hedging reserve	Reserve for net. val. acc. to the equity method	Retained earnings	Proposed dividend	Total
<b>Equity at 01.01.2015</b>	<b>103.500</b>	<b>-14.171</b>	<b>744</b>	<b>93.590</b>	<b>-</b>	<b>183.663</b>
Result for the period	-	-	-	17.643	-	17.643
Value adjustm. of cash flow hedges	-	-11.333	-	-	-	-11.333
Revaluation reserve for net. val. acc. to the equity method	-	-	2.940	-2.940	-	-
Proposed dividend	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>Equity at 31.12.2015</b>	<b>103.500</b>	<b>-25.504</b>	<b>3.684</b>	<b>108.293</b>	<b>-</b>	<b>189.974</b>
<b>Equity at 01.01.2016</b>	<b>103.500</b>	<b>-25.504</b>	<b>3.684</b>	<b>108.293</b>	<b>-</b>	<b>189.974</b>
Result for the period	-	-	-	27.993	-	27.993
Value adjustm. of cash flow hedges	-	5.787	-	-	-	5.787
Revaluation reserve for net. val. acc. to the equity method	-	-	2.913	-2.913	-	-
Proposed dividend	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>Equity at 31.12.2016</b>	<b>103.500</b>	<b>-19.717</b>	<b>6.597</b>	<b>133.373</b>	<b>-</b>	<b>223.754</b>

There are no changes in the share capital.



## 4.4 Cash Flow Statement



(DKK 1,000)	Note	2016	2015
<b>Net profit/loss for the period</b>		<b>27.993</b>	<b>17.643</b>
Depreciations		45.973	58.356
Taxes		6.145	3.873
<b>Adjustments</b>		<b>52.118</b>	<b>62.229</b>
+/- trade receivables		2.263	-1.679
+/- prepayments		17.191	-5.400
+/- other receivables		-360	1.049
+/- Inventories		-268	-6
+/- investment in associates and other shares		-2.944	-2.202
+/- trade payables		6.701	-14.928
+/- deferred income and accruals		3.634	-1.664
Changes in operating assets and liabilities		26.218	-24.831
<b>Cash flow from operating activities</b>		<b>106.329</b>	<b>55.041</b>
Purchase of intangible, tangible assets and prepaid aircraft	7, 8	-284.648	-214.132
Sale of intangible and tangible assets	7, 8	10.604	14.347
<b>Cash flows from investing activities</b>		<b>-274.044</b>	<b>-199.786</b>
Proceeds from new loans		290.000	80.000
Changes of long-term loans		-15.313	-14.906
Credit lines		-20.089	20.089
<b>Cash flows from financing activities</b>		<b>254.598</b>	<b>85.183</b>
Total cash flows for the period		86.883	-59.561
Cash and cash equivalents at the beginning of the period		42.977	102.539
<b>Cash and cash equivalents at the end of the period</b>		<b>129.860</b>	<b>42.977</b>

The company has in addition to the cash equivalents access to DKK 29 million in credit facilities.

## 4.5 Overview of Notes



1. Segment information
2. Specification of numbers of passengers
3. Employee expenditures
4. Depreciation, amortisation impairments
5. Auditors remuneration
6. Income tax
7. Intangible assets
8. Tangible assets
9. Prepaid aircraft acquisitions
10. Non-current assets
11. Prepayments
12. Other receivables
13. Derivatives
14. Receivables
15. Own shares
16. Deferred income and accruals
17. Long-term debt
18. Mortgaging and contingent liabilities etc.
19. Related parties
20. Equity
21. Events after the end of the financial year
22. Accounting principles

## 4.6 Notes



1. Segment information (Kr. 1.000)	Aircraft Services		Helicopter Service		Total	
	2016	2015	2016	2015	2016	2015
<b>Income statement</b>						
Net sales	470.804	462.699	47.609	38.840	518.413	501.540
Other income	5.120	3.486	0	0	5.120	3.486
<b>Total revenue from external customers</b>	<b>475.924</b>	<b>466.185</b>	<b>47.609</b>	<b>38.840</b>	<b>523.533</b>	<b>505.026</b>
Operating expenses	441.295	445.417	43.989	38.567	485.284	483.983
Operating result	34.629	20.769	3.620	274	38.249	21.042
Effects of associated companies	-	-	-	-	5.419	3.317
Financial income	88	1.508	0	0	88	1.508
Financial expenses	-5.268	-4.140	-4.350	-212	-9.618	-4.352
<b>Result before tax</b>	<b>29.449</b>	<b>18.137</b>	<b>-730</b>	<b>62</b>	<b>34.137</b>	<b>21.516</b>
Income tax expenses	-	-	-	-	-6.145	-3.873
<b>Profit</b>					<b>27.993</b>	<b>17.643</b>

Geographical segments	Faroe Islands		Europe		Total	
	2016	2015	2016	2015	2016	2015
Revenue comprises the following markets:						
<b>Total revenue from external customers</b>	<b>283.293</b>	<b>281.129</b>	<b>240.240</b>	<b>223.897</b>	<b>523.533</b>	<b>505.026</b>

2. Specification of numbers of passengers:	2016	2015
Passengers scheduled services	282.062	267.126
Passengers ACMI/charter operations	45.939	42.408
<b>Passengers fixed wing</b>	<b>328.001</b>	<b>309.534</b>
Passengers helicopter	11.804	6.042
<b>Total passengers</b>	<b>339.805</b>	<b>315.576</b>
<b>Block hours</b>		
Block hours scheduled services	5.641	5.535
Block hours ACMI/charter operations	1.364	1.368
<b>Block hours fixed wing</b>	<b>7.005</b>	<b>6.903</b>
Block hours helicopter	1.004	631
<b>Total block hours</b>	<b>8.009</b>	<b>7.534</b>
<b>Income overseas:</b>		
Export value in DKK (1,000)	240.240	223.897
Export value in %	46%	45%

<b>3. Employee expenditures (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Wages	-92.101	-92.834
Pensions	-6.945	-6.828
Expenses for social security	-3.726	-3.817
Other employee expenditures	-3.933	-3.880
Bonus	0	-117
<b>Total</b>	<b>-106.704</b>	<b>-107.475</b>
<b>Remuneration Management and Board:</b>		
Management, Wages*	-2.253	-4.114
Management, Pensions*	-333	-461
Management, Bonus	0	-117
Board, Wages	-1.060	-1.060
<b>Total</b>	<b>-3.646</b>	<b>-5.752</b>
Number of employees	173	171
<i>*Wages to Management in 2016 are to two persons, CEO og CFO.</i>		
<b>4. Depreciation, amort. and impairments (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Amortisation of intangible assets	-1.804	-1.652
Depreciation of tangible assets	-44.169	-46.287
Impairments of tangible assets	0	-10.417
<b>Total depreciation, amortisation and impairments</b>	<b>-45.973</b>	<b>-58.356</b>
<b>5. Auditors remuneration (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Audit	-250	-250
Other services	-115	-60
<b>Total</b>	<b>-365</b>	<b>-310</b>

<b>6. Income tax (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Taxes	0	-1.998
Changes in deferred taxes during the period	-6.145	-1.875
<b>Total taxes</b>	<b>-6.145</b>	<b>-3.873</b>
Deferred income tax liabilities as of Jan 1st	30.448	31.061
Changes in deferred income taxes during the period	6.145	1.875
Taxes recognised in equity	1.270	-2.488
<b>Deferred income tax liabilities at the end of the period</b>	<b>37.863</b>	<b>30.448</b>

<b>7. Intangible assets (DKK 1,000)</b>	<b>Development- expenditures</b>	<b>Software</b>	<b>Total</b>
Acquisition value as of Jan 1st	1.037	19.023	20.060
Additions during the period	746	1.108	1.853
Disposal during the period	0	-608	-608
<b>Acquisition value as of December 31st</b>	<b>1.783</b>	<b>19.523</b>	<b>21.305</b>
Amortisations as of Jan 1st	-49	-16.771	-16.820
Amortisations during the period	-596	-1.208	-1.804
Amortisations of disposal	0	532	532
<b>Amortisations as of December 31st</b>	<b>-645</b>	<b>-17.447</b>	<b>-18.092</b>
<b>Book value as at December 31st 2016</b>	<b>1.138</b>	<b>2.075</b>	<b>3.213</b>
<i>Book value as at December 31st 2015</i>	<i>988</i>	<i>2.251</i>	<i>3.240</i>

**8. Tangible assets (DKK 1,000)**

	Aircraft and maintenance	Sparparts	Operating equipment	Hangar, buildings and land	Total
<b>2016</b>					
Acquisition value as of Jan 1st	463.034	2.877	31.770	45.577	543.258
Additions during the period	380.554	224	6.953	0	387.731
Disposal during the period	-62.285	0	-5.760	0	-68.045
<b>Acquisition value as of December 31st</b>	<b>781.303</b>	<b>3.100</b>	<b>32.963</b>	<b>45.577</b>	<b>862.944</b>
Depreciations and impairments as of Jan 1st	-184.043	-658	-17.195	-15.438	-217.334
Depreciations during the period	-37.982	-254	-4.029	-1.904	-44.169
Depreciations and impairments of disposal	51.855	0	5.662	0	57.517
<b>Depreciations and impairments as of December 31st</b>	<b>-170.170</b>	<b>-912</b>	<b>-15.562</b>	<b>-17.341</b>	<b>-203.986</b>
<b>Book value as at December 31st 2016</b>	<b>611.133</b>	<b>2.188</b>	<b>17.401</b>	<b>28.236</b>	<b>658.958</b>
<i>Book value as at December 31st 2015</i>	<i>278.991</i>	<i>2.219</i>	<i>14.575</i>	<i>30.139</i>	<i>325.924</i>

**9. Prepaid aircraft acquisitions**

Prepaid aircraft acquisitions in the balance sheet for 2015, are for the purchase of one Airbus A320 aircraft delivered in December 2016 and one AW139 helicopter delivered in April 2016.

**10. Non-current assets (DKK 1,000)**

	Investment in associates	Investment in other shares
<b>2016</b>		
Acquisition value as of Jan 1st	1.795	1.271
Additions during the period	0	0
Disposal during the period	0	0
<b>Acquisition value as of December 31st</b>	<b>1.795</b>	<b>1.271</b>
Revaluations as of Jan 1st	3.662	-1.000
Share of result acc. to the latest financial statement	5.419	0
Dividends paid during the period	-2.500	0
<b>Revaluations as of December 31st</b>	<b>6.581</b>	<b>-1.000</b>
<b>Book value as at December 31st 2016</b>	<b>8.376</b>	<b>271</b>
<i>Book value as at December 31st 2015</i>	<i>5.457</i>	<i>271</i>

The equity proportion in associated companies is divided as follows:

Name	Domicile	Equity portion*	Equity*	Net profit*
Duty Free P/F	Sørvágur	50%	14.327	10.162
Green Gate Incomming	Tórshavn	49%	1.385	675
P/F Gjáargarður P/F	Gjógv	31%	1.749	19

\* According to the latest financial statements

<b>11. Prepayments (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Prepaid rental expences	79	101
Other prepayments	1.167	18.336
<b>Prepayments total</b>	<b>1.246</b>	<b>18.438</b>

<b>12. Other receivables (DKK 1,000)</b>	<b>2016</b>	<b>2015</b>
Deposit	4.309	5.281
Other receivable	6.165	4.834
<b>Other receivables total</b>	<b>10.474</b>	<b>10.115</b>

<b>13. Derivative financial instrumetns (DKK 1,000)</b>	<b>2016</b>		<b>2015</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Forward exchange contracts	1.661	0	0	-445
Fuel oil swap transactions	0	7.161	0	23.252
<b>Derivatives total</b>	<b>1.661</b>	<b>7.161</b>	<b>0</b>	<b>22.807</b>

#### 14. Receivables

All receivables are due and payable within one year

#### 15. Own shares

	<b>Number</b>		<b>Nominal value (1,000 DKK)</b>		<b>% of Share capital</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Jan 1st	341.550	341.550	34.155	34.155	33%	33%
Addition	0	0	0	0	0%	0%
Disposal	0	0	0	0	0%	0%
<b>December 31st</b>	<b>341.550</b>	<b>341.550</b>	<b>34.155</b>	<b>34.155</b>	<b>33%</b>	<b>33%</b>

<b>16. Deferred income and accruals (DKK)</b>	<b>2016</b>	<b>2015</b>
Defered income, tickets	34.303	33.179
Holiday allowances	5.054	5.068
Accruals	27.834	23.313
<b>Total</b>	<b>67.192</b>	<b>61.560</b>

**17. Long-term debt (DKK 1,000)**

	<b>Liab. Dec. 31st 2016</b>	<b>Short-term debt 0-1 year</b>	<b>Due for payment after 5 years</b>	<b>Liab Dec. 31st 2015</b>
Mortgage loans	448.937	31.096	293.457	174.250
<b>Total long-term debt</b>	<b>448.937</b>	<b>31.096</b>	<b>293.457</b>	<b>174.250</b>

Total long-term debt includes interest swap liabilities.

The company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2015: the same).

**18. Mortgaging and contingent liabilities etc.**

Aircraft with a book value as at 31. December 2016 of DKK 611 million are mortgaged for 711 million.

As a lessee the Company has in place operating leases for 1 A319 and 1 A320 aircraft at the end of December 2016.

The leases are payable as following:

In the year 2017: DKK 19.1 million

After 5 years: DKK 15.1 million

The company has rented administration facilities from Vagar Airport in the new Terminal building. The agreement may not be terminated until 2022. The yearly payment is 0.8 million



## 19. Related parties

### Control:

Uttanríkis og Vinnuáráðið (Ministry of Foreign Affairs and Trade)  
Tinganes, 100 Majority shareholder Tórshavn

### Basis of influence

Majority shareholder

### Significant influence:

The Company has in 2016 provided helicopter services to the Faroese Ministry of Transport, Infrastructure and Labour amounted to DKK 14.3 million (2015: DKK 10.1 million) and to the Faroese Ministry of Fisheries amounted to DKK 30.1 million (2015: DKK 26 million). The Company has not granted loans, provided security, recourse guarantee or guarantee obligations to the principal shareholder.

All transactions are priced on an arm's length basis.

The Company has not traded with, granted loans, provided security, recourse guarantee or guarantee obligations to the Board of Directors, the Board of Executives or to non-group enterprises in which the parties concerned are interested.

### Associated company's

P/F Green Gate Incoming	(Note 10)
P/F Gjáargarður	(Note 10)
P/F Duty Free	(Note 10)

The Company has not been involved in trade of particular importance with associated companies

The Company has not granted loans, recourse guarantee or guarantee obligations to the associated companies.

Transactions with associates are priced on an arm's length basis.

## 20. Equity

### Share capital

The share capital amounting to DKK 103.500.000 is divided in 1.035.000 shares of DKK 100. The shares are not divided in different categories.

### Value adjustm. of cash flow hedges reserve

The value adjustm. of cash flow hedges reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

### Reserve for net value according to the equity method

Unrealised gains and losses arising from changes in the fair value of financial assets classified as associated companies are recognised in equity as reserve for net value according to the equity method.

### Retained earnings

Retained earnings from the year and previous years. Retained earnings include purchase of own shares for the total of 69.392 tkr. DKK.

### Proposed dividend

Proposed dividends for the year is disclosed as a separate item under equity named: Proposed dividend. Proposed dividends are recognised as a liability when the proposed dividends are adopted at the annual general meeting.

## 21. Events after the End of the Financial Year

There have been no events from the balance sheet date until today that might affect the true and fair view of the annual report.

## 22. Accounting Principles

P/F Atlantic Airways (the “Company”) is a limited liability company incorporated and domiciled in Faroe Islands. The address of the Company’s registered office is at Vágur Airport in Sørvágur, Faroe Islands. The financial statements of the Company for the period January 1, to December 31, 2016 comprise the Company and the Company’s interests in associates. Atlantic Airways is an airline company focused on passenger and cargo transportation and is formed of three business divisions: Schedule Services, Charter Services, and Helicopter Services. The Schedule Services and Charter Services had 3 aircraft in service as at 31 December 2016, excluding aircraft leased out, supported by 162 employees with the operational base at Vágur. In the Helicopter Services there were 2 helicopters in service as at 31 December 2016 supported by 11 people with the operational base at Vágur. Faroese Ministry of Foreign Affairs and Trade owns 67% of the total share capital of Atlantic Airways P/F and 33% are the company’s own shares.

### Basis of preparation

#### a. Statement of compliance

The annual report of Atlantic Airways P/F for the period 1 January – 31 December 2016 has been prepared in accordance with the Faroese Financial Statements Act, Class C large.

The annual report were approved by the board of directors on March 9, 2016. The board of directors can amend the annual report after issue up until the Annual General Meeting on April 4, 2017.

#### b. Basis of measurement

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The methods used to measure fair values are discussed further in note on page 55.

#### c. Functional and presentation currency

The financial statements have been prepared in Danish krona (DKK), which is the Company’s functional currency.

#### d. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The company does not think there is a significant risk that the estimates and assumptions used in preparing this financial statement will cause a materiel adjustments to the carrying amount of asset and liabilities within the next financial year.

### Changes in accounting principles

There have been no changes in accounting principles. The financial statement for the period 1 January to 31 December 2016 is presented in accordance with Faroese Financial Statements Act, Class C large.

## **a. Investment in associates**

### **(i) Associates**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Company's share of the total recognised gains and losses and equity movements of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount including any long-term investments is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has an obligations or made payments on behalf of the investee.

## **b. Foreign currency**

### **(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the income statement.

## **c. Financial instruments**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the assets.

### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise long-term receivables and deposits, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed later in note on page 48.

All other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

### **(ii) Derivative financial instruments**

The Company holds derivative financial instruments to hedge its foreign currency, fuel price exposures, and interest rate risk. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. The Company holds no trading derivatives.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

### **Cash flow hedges**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

### **Economic hedges**

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign currency gains and losses.

### **Other non-trading derivatives**

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

### **(iii) Securities**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the assets.

Securities are measured at fair value, which for listed securities is the market price, and estimated fair value for non-listed securities are calculated using generally recognised valuation methods.

Other shares comprises shares, where the company holds less than 20% of the the voting power of another entity.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of in within 12 months of the end of the reporting period.

Changes in the fair of securities classified as available for sale are recognised in financial items.

### **(iii) Share capital**

#### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## **d. Operating assets**

### **(i) Recognition and measurement**

Items of operating assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets

to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of operating assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of operating assets have different useful lives, they are accounted for as separate items (major components) of operating assets.

Gains and losses on disposal of an item of operating assets are determined by comparing the proceeds from disposal with the carrying amount of operating assets and are recognised net within “other operating revenue” in the income statement.

### **(ii) Aircrafts, helicopters, flight equipment, hangar, offices and house**

Aircrafts, helicopters and flight equipment, e.g. aircraft engines and aircraft spare parts, are measured at cost less accumulated depreciation and accumulated impairment losses. When aircrafts are acquired the purchase price is divided between the aircraft itself and engines. Aircrafts are depreciated over the estimated useful life of the relevant aircraft until a residual value is met. Engines are depreciated according to flown cycles. When an engine is overhauled the cost of the overhaul is capitalised and the remainder of the cost of the previous overhaul that has not already been depreciated, if there is any, is expensed in full.

### **(iii) Subsequent costs**

The cost of replacing part of an item of operating assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

#### (iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of operating assets. The estimated useful lives for the current and comparative periods are as follows:

	Useful life	Residual Value
Aircrafts	10-17 years	0
Helicopters	11-17 years	0
Spare parts	10-15 years	0
Operating equipment	3-10 years	0
Primary maintenance exp.	5-12 years	0
Hangar, buildings and land	5-25 years	0

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Land is not depreciated.

Minor assets with an expected useful life of less than 1 year are recognized as costs in the profit and loss account in the year of acquisition.

#### e. Intangible assets

##### (i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives as follows:

	Useful life	Residual Value
Software	3-5 years	0
Development expenditures	3 years	0

Development expenditures comprise pilot type rating costs.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### f. Leased assets

Leasing contracts where the terms of the lease transfer substantially all the risks and benefits of the asset to Atlantic Airways are reported as finance leases.

All other lease contracts are classified as operating leases.

All operating leases are not recognised on the Company's balance sheet.

#### g. Inventories

Goods for resale and supplies are measured at the lower of cost and net realisable value. The cost of inventories is based on first-in first-out principle and includes expenditure incurred in acquiring the inventories in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Aircraft equipment is capitalised at the foreign exchange rate ruling at the date of acquisition.

#### h. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### i. Cash and cash equivalent

Cash and cash equivalent includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### j. Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The Company assesses at the end of each reporting whether there is objective evidence that other assets “available-for-sale” is impaired.

#### **(ii) Non-financial assets**

The carrying amounts of the Company’s non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **k. Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### **(i) Overhaul commitments relating to aircrafts under operating lease**

With respect to the Company’s operating lease agreements, where the Company has a commitment to maintain the aircraft, provision is made during the lease term for the obligation based on estimated future cost of major airframe and certain engine maintenance checks by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the year.

Provisions are entered into the Balance Sheet among trade and other payables.

#### **l. Deferred income**

Sold unused tickets and other prepayments are presented as deferred income in the balance sheet.

#### **m. Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## **n. Operating income**

### **(i) Transport revenue**

Passenger ticket sales are not recognised as revenue until transportation has been provided. Sold refundable documents not used within twelve months from the month of sale are recognised as revenue. Sold not used, non-refundable documents are recognised as revenue two months after expected transport. Revenue from mail and cargo transportation is recognised in the income statement after transportation has been provided. Revenue is measured exclusive of VAT and discounts.

### **(ii) Aircraft and aircrew lease**

Revenue from aircraft and aircrew lease is recognised in the income statement when the service has been provided at the end of each charter flight.

### **(iii) Other operating revenue**

Revenue from other services rendered is recognised in the income statement when the service has been provided.

Gain on sale of operating assets is recognised in the income statement after the risks and rewards of ownership have been transferred to the buyer.

## **o. Lease payments**

### **(i) Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

The lease contracts require the aircraft to be returned at the end the lease in accordance with the specific redelivery conditions stated in the lease contracts. To meet this requirement, the company must conduct maintenance on these aircraft, both regularly and at the expiration of the leasing period. Provisions are made based on the estimated costs of overhauls and maintenances.

## **p. Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, exchange fluctuation and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

## **q. Income tax**

Income tax on the profit or loss for the year comprises only deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## **r. Segment reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segments) and which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The major revenue-earning assets of the Company are the aircraft and helicopter fleet, the majority of which are registered in Faroe Islands. Since the Company's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

Inter-segment pricing is determined on an arm's length basis.



Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

#### **Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **(i) Derivatives**

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

##### **(ii) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

#### **Segment reporting**

The segment information is presented in respect of the Company's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Company's management and internal reporting structure and is divided into two segments, Aircraft Services and Helicopter Services.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### **Aircraft Services**

This segment, which consists of the Schedule Services and Charter Services, had 3 aircraft in service as at 31 December 2016, supported by 162 employees with the operational base at Vágar.

#### **Helicopter Services**

In the Helicopter Services there were 2 helicopters in service as at 31 December 2016 supported by 11 people with the operational base at Vágar.

#### **Ratios**

The ratios have been computed in accordance with recommendations from the Danish Society of Investment Professionals (Den Danske Finansanalytikerforening).

#### **Cash Flow Statement**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities for the year as well as the year's changes in cash flows and cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise profit/loss for the period, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise purchase and sale of intangible assets, the addition and disposal of property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise financing from and dividend paid to shareholders as well as the arrangement and repayment of long-term liabilities other than provisions.

Cash at the beginning and end of the period comprise cash and short-term investments with no significant price risk which easily can be exchanged into cash.

## 5.1 Definitions



### **ACMI**

Leasing of Aircraft, Crew, Maintenance and Insurance. The lessee has to bear a significant portion of direct costs related to the charter – hereunder fuel cost and airport fees.

### **Airborne hours**

Number of flown hours.

### **ASK: Available seat kilometres**

The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

### **Block hours**

Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

### **C-checks**

Heavier maintenance checks.

### **Current ratio (%)**

Total current assets, end of period divided by total current liabilities.

### **EBT**

Earnings before tax.

### **EBIT**

Earnings before interest and tax.

### **EBITDAR**

Operating income before interest, tax, depreciations, amortizations and leasing cost.

### **EBITDAR margin**

Earnings before interest, tax, depreciations, amortizations and leasing cost as a percentage of revenue.

### **EBITDA**

Operating income before interest, tax, depreciations and amortizations.

### **ETS**

EU Emissions Trading Scheme

### **Great Circle Distance**

The shortest distance between any two points on the surface of the Earth in kilometer

### **Load factor**

RPK divided by ASK. Describes the utilisation of the available seats.

### **Minima**

Aerodrome operating minima

### **Return on equity (%)**

Profit/loss after tax, end of period divided by average equity.

### **Return on investment (%)**

Profit/loss before financial items divided by total assets.

### **RPK: Revenue Passenger Kilometres**

Number of paying passengers multiplied by the distance they are flown in kilometers.

### **Sale of Block hours**

ACMI/Charter hours (non-scheduled flights)

### **Equity ratio (%)**

Equity, end of period divided by total assets.

The ratios have been computed in accordance with recommendations from the Danish Society of Investment Professionals (Den Danske Finansanalytikerforening).

