



Annual Report 2023

www.atlantic.fo

P/F Reg.no.:
1223

Financial year:
01.01.2023 – 31.12.2023

Chairman of AGM:
Christian F. Andreasen

Annual report was adopted at annual
general meeting on 18 April 2024

Statements and reports

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Management's Review

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Annual Consolidated Accounts 1 January 31 December 2023

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Photo: Nicolás Vera-Ortiz

The board of directors and the executive management have today presented the group and annual report of P/F Atlantic Airways for the financial year 1 January to 31 December 2023.

The group consolidated 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 group accounts and annual accounts provide a true and fair view of the group's and company's assets and liabilities and its financial position as on 31 December 2023 and of the company's results of its activities in the financial year 1 January to 31 December 2023.

The management's report contains, in our opinion, a fair account of the circumstances described in the report.

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

Sørvágur, the 22nd of March, 2024

EXECUTIVE MANAGEMENT

Jóhanna á Bergi
CEO

Marius Davidsen
CFO

BOARD OF DIRECTORS

Niels Mortensen
Chairman

Kaj Johannessen
Vice-chairman

Esther Dahl

Annika Larsen Black

Tommy Adrian H. Andreasen

Jens Eystein í Løðu



Photo: Nicolás Vera-Ontiz

To the shareholders of P/F Atlantic Airways

REPORT ON THE ANNUAL ACCOUNTS

We have audited the consolidated annual accounts of P/F Atlantic Airways for the financial year 1 January – 31 December 2023, which comprise accounting policies used, profit and loss account, balance sheet, statement of change in equity, cash flow statement and notes. The consolidated annual accounts are prepared in accordance with the Faroese Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2023 and of the results of the company's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with the Faroese Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual

accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- | Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- | Obtain an understanding of the internal control relevant to the audit 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 group's and the company's internal control.
- | Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- | Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern

principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- | Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- | Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

STATEMENT ON THE MANAGEMENT'S REVIEW

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Faroese Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Faroese Financial Statement Acts. We did not find any material misstatement in the management's review.

Tórshavn, 22nd of March 2024

P/F Januar

State Authorized Public Accountants

Hans Laksá

State Authorized Public Accountant

THE COMPANY

P/F Atlantic Airways
Vágur Airport
FO-380 Sørvágur

Tel.: +298 341000
Website: www.atlantic.fo
Reg. no.: 1223
Vaf-no: 379778
Fiscal year: 1 January – 31 December

THE BOARD

Niels Mortensen, chairman
Kaj Johannessen, vice-chairman
Esther Dahl
Annika Larsen Black
Tommy Adrian Helmar Andreassen
Jens Eystein í Løðu

MANAGEMENT

Jóhanna á Bergi, CEO
Marius Davidsen, CFO

AUDITOR

P/F Januar, State Authorized Public Accountants
Óðinshædd 13, PO-box 30, FO-110 Tórshavn
Tel.: 31 47 00
Telefax: 35 17 01
Email: januar@januar.fo
Website: www.januar.fo

SUBSIDIARY

P/F Hotel Atlantic, P/F,
Flogvøllurin, 380 Sørvágur

P/F Ognarfelagið matr nr. 406b, P/F,
Flogvøllurin, 380 Sørvágur

ASSOCIATED COMPANIES

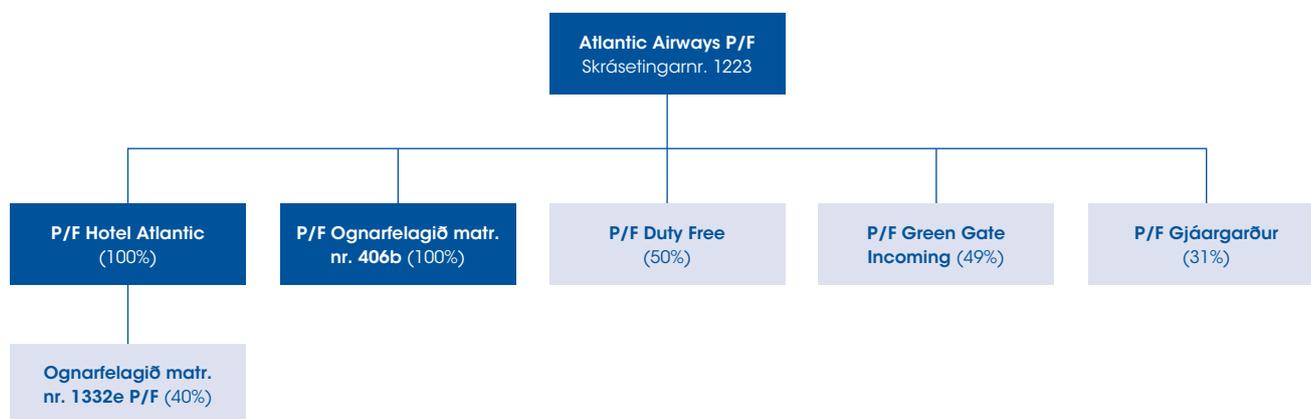
P/F Duty Free,
Flogvøllurin, 380 Sørvágur

P/F Greengate Incoming,
Niels Winthersgøta 5, 100 Tórshavn

P/F Gjáargarður, P/F
Dalavegur 20, 476 Gjógv

P/F Ognarfelagið matr. Nr. 1332e,
Kopargøta 1, 100 Tórshavn

GROUP OVERVIEW



| INCOME STATEMENT | 2023 (THOU.) | 2022 (THOU.) | 2021 (THOU.) | 2020 (THOU.) | 2019 (THOU.) |
|--|----------------|---------------|---------------|-----------------|---------------|
| Net sales | 885,015 | 740,135 | 446,822 | 292,818 | 570,692 |
| Result before financial items | 36,554 | 27,939 | -2,612 | -115,268 | 13,480 |
| Net financial items | 2,852 | -2,668 | -8,639 | -12,907 | -4,001 |
| Result after tax | 35,845 | 20,991 | -9,616 | -104,571 | 7,831 |
| BALANCE SHEET: | | | | | |
| Total assets | 756,239 | 714,414 | 742,520 | 764,939 | 572,227 |
| Equity | 313,905 | 278,852 | 254,876 | 245,734 | 258,630 |
| CASH FLOWS | | | | | |
| Net cash flow from operating activities | 80,121 | 90,464 | 53,678 | -72,912 | 47,625 |
| Net cash flow used in investing activities | -120,005 | 28,378 | -7,683 | -35,461 | -22,335 |
| Net cash flow from financing activities | -22,560 | -77,990 | -31,096 | 127,000 | -31,096 |
| Cash flows for the period | -62,444 | 40,852 | 14,899 | 18,627 | -5,806 |
| EMPLOYEES | | | | | |
| Number of full-time employees in average | 257 | 226 | 184 | 160 | 195 |
| FINANCIAL RATIOS IN % | | | | | |
| EBIT margin | 4.1 | 3.8 | -0.6 | -39.4 | 2.4 |
| Current ratio | 117.8 | 163.2 | 165.0 | 157.4 | 166.0 |
| Solvency ratio (%) | 41.5 | 39.0 | 34.3 | 32.1 | 45.2 |
| Return on equity (%) | 12.0 | 7.9 | -3.8 | -41.5 | 3.1 |

The Key Figures and ratios have mainly been calculated in accordance with recommendations from the Danish Society of Investment Professional and only deviate on a few counts.

| | |
|------------------|--|
| EBIT margin | $\frac{\text{EBIT} \times 100}{\text{Net sales}}$ |
| Current ratio | $\frac{\text{Total current assets} \times 100}{\text{Total current liabilities}}$ |
| Solvency ratio | $\frac{\text{Equity, end of period} \times 100}{\text{Total assets, end of period}}$ |
| Return on equity | $\frac{\text{Net result} \times 100}{\text{Average equity}}$ |



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 2023, Atlantic Airways operated 4 aircraft and 2 helicopters and had 204.

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.

The scheduled flights are divided into Denmark, NORTH and SUN routes, in addition to a new route to Paris, New York and London. The number of low price tickets has increased significantly both to Denmark 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, health services, sailors and other travellers.

Atlantic Airways also prioritizes being 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 and 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 five per day,

both morning and evening. Since 1995, the company has stepwise established flight connections to the neighbouring countries Norway, Iceland and UK and France as well as connections to southern Europe. This continued development has increased passenger numbers at the Vágur Airport from around 46,000 in 1994 to more than 370,000 in 2023. 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.

Since the airline began its operations, it has emphasized training local workforce in the Faroe Islands to undertake a range of jobs within the aviation industry. Over the years, Atlantic Airways has trained several hundred people as mechanics, pilots, flight attendants, and a host of other positions within the aviation industry.

Management's Review

OPERATIONS 2023

The full-year result for Atlantic Airways was a profit of DKK 35.8 million after tax, compared to a profit of DKK 21.0 million 2022. The pre-tax result was a profit of DKK 40.7 million in 2023 compared to a profit of DKK 25.6 million in 2022. Earnings before interest, depreciation and amortization (EBITDA) was a profit of DKK 76.7 million compared to a profit of DKK 77.8 million in 2022. Total revenue for the year was DKK 832.3 million, compared to DKK 689.3 million in 2022.

The Group result after tax was also a profit of DKK 35.7 million in 2023 compared to a profit of DKK 21.0 million in 2022. The Group earnings before interest, depreciation and amortization (EBITDA) was a profit of DKK 73.7 million in 2023 compared to a profit of DKK 80.0 million in 2022.

RECORD NUMBERS OF TRAVELLERS IN 2023

The number of passengers was a record high of 369,782 passengers, which is 4% higher than in 2022, and the airline maintained direct flights to 11 travel destinations from the Faroe Islands. The increase is particularly from people living in the Faroe Islands as well as Faroese people abroad.

ONLY AIRBUS A320NEO IN 2030

In March 2023, a long-term leased Airbus A320neo aircraft joined the fleet to replace the last Airbus A319 aircraft, which left the fleet in December 2022. Currently, Atlantic

Airways has four Airbus A320 aircraft and two AW139 helicopters. Two of the aircraft are of the Airbus A320neo type, which are the most energy-efficient of their kind. All aircraft are equipped with RNP AR 0.1 navigation technology.

The biggest initiative towards sustainability is the selection of the right aircraft, as the company aims to have all aircraft be of the Airbus A320neo type by 2030.

READY FOR FUTURE GROWTH IN THE AVIATION INDUSTRY

Interest in the Faroe Islands as a travel destination is great and it is expected that more travellers will arrive in the coming years, especially foreign travellers. That is why it is important all the time to ensure competitiveness and to make the necessary adjustments. Atlantic Airways has laid a course for the coming years, and work is underway to develop destinations and measure that will improve the airline's operations.

EMPHASISING SUSTAINABILITY

Atlantic Airways emphasises sustainability and its goal is to fly as environmentally sustainable as possible. Sustainability is on the agenda in all the airline's departments, which are working diligently and continuously along the sustainable line.

Ever since 2008, the CO₂-emission for each seat on the airline's route network has dropped by 46%, because of the new and improved larger and more environmentally friendly aircraft. Atlantic Airways also undertook new campaigns to reduce fuel consumption and CO₂-emissions. The airline is encompassed by three initiatives concerning CO₂-emission in aviation: the EU ETS - quotas for aviation within the EU and EFTA countries, CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), as well as the UK ETS quota initiative for Britain.

Atlantic Airways has initiated a process to register ESG metrics (key figures in the areas of sustainability, society, and governance), and will later in 2024 publish a report on sustainability for 2023.

Our goal is to fly with zero net emissions by 2050, a target approved by the International Air Transport Association (IATA), and we support IATA's long-term plan titled "Net Zero Roadmaps," detailing measures to achieve the goal of zero net emissions by 2050.

GOALS AND OBJECTIVES

Atlantic Airways exists to connect the Faroe Islands to the world for the benefit of the Faroese people and Faroese

society, all the while providing foreigners with more opportunities to visit the Faroe Islands, and to tie the islands closer together, as well as 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, we participate in the development of the tourism industry, cargo transportation and other forms of transportation, as well as other areas stemming from our core competences.

SVEIGGJ TICKETS FOR YOUTH AND STUDENTS

With SVEIGGJ travel tickets, Atlantic Airways offers youth and students flights at a special price. In this way, we connect students and young people living abroad closer to the Faroe Islands, while also making it more appealing for young Faroese to live and pursue education in the Faroe Islands. In 2023, more than 21,000 SVEIGGJ tickets were sold on the company's route network.

ATLANTIC AIRWAYS AVIATION ACADEMY

In December 2023, it was announced that Atlantic Airways was purchasing an A320 simulator with the latest technology for flight training. It is a regulatory requirement for pilots to receive regular simulator training. The A320 simulator will be part of the new centre for flight training, the Atlantic Airways Aviation Academy, which will also construct an AW139 helicopter simulator. Both the helicopter and flight simulators will commence operations in 2024.

With this new centre, the company will offer first-class simulator training, both to its own pilots and to pilots from around the world.

The building that will house both the helicopter and flight simulators is currently under construction and will be completed in late summer 2024.

CODESHARE CO-OPERATION

Atlantic Airways and KLM and Air France entered into a codeshare agreement, which means that several of Atlantic Airways' main scheduled flights also carry the KLM and Air France flight numbers, enabling travellers to travel all the

way to the Faroe Islands, and it entails that the Faroe Islands make the list of all KLM and Air France travel destinations around the world. In 2023, Atlantic Airways will have three weekly scheduled flights to Paris from March to October. Atlantic Airways is working to strengthen co-operation with other airlines intends to make more such codeshare agreements in the future.

HOTEL ACTIVITIES

In the spring of 2023, a subsidiary of Atlantic Airways, P/F Ognarfelagið matr. nr. 406b, purchased Hotel Vágar. The hotel is currently undergoing major renovations and modernization, and is set to open in the spring of 2024. The subsidiary, P/F Hotel Atlantic, which already operates the Hilton Garden Inn in Tórshavn, will also manage Hotel Vágar.

The Hilton Garden Inn has 130 rooms and five meeting and conference rooms, while Hotel Vágar will feature 25 rooms and two meeting rooms, in addition to a dining area that can also be used for parties and conferences. The hotel building on Staravegur in Tórshavn is leased by P/F Hotel Atlantic from P/F Ognarfelagið matr. nr. 1332e, which the company owns 40% of, along with the pension fund LÍV, which owns 60%.

Occupancy in Faroese hotels decreased by 4% in 2023. However, it is expected that occupancies in Faroese hotels will increase in the coming years.

FINANCIAL OUTLOOK 2024

Atlantic Airways væntar heldur fleiri ferðafólk og nakað Atlantic Airways expects slightly more passengers and somewhat higher leasing activity in 2024. The company anticipates roughly the same results in 2024 as in 2023. However, the outcome could be affected by the risk of economic downturn in the Faroe Islands and Europe, the competitive situation, price and wage growth, the war in Ukraine, environmental requirements, the cost of fuel, and other risks mentioned under risk management in the annual report.

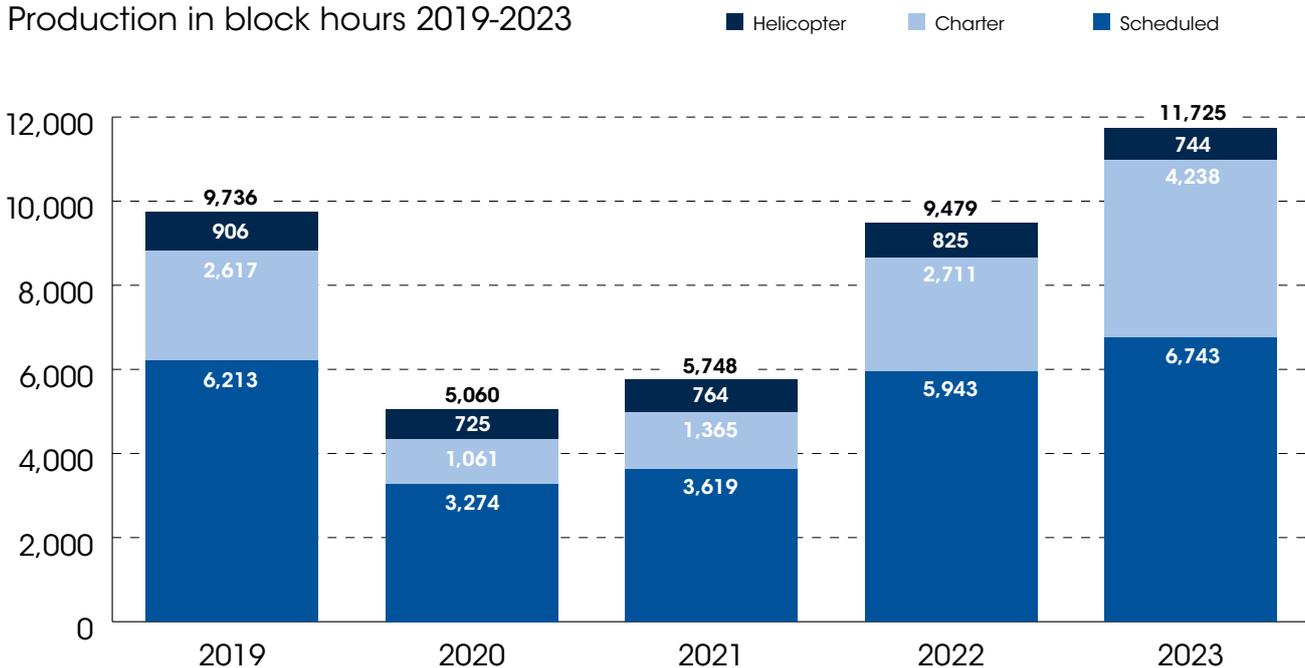
Operational Review

The total number of passengers on the company’s scheduled services increased from 350,599 passengers in 2022 to 369,782 passengers in 2023. The increase is 5%, which is 19,183 passengers.

The fixed-wing fleet was airborne for 10,980 block hours in 2023, compared to 8,654 block hours in 2022. The increase is 2,326 block hours, or 27%.

Aircraft and helicopters were airborne for a total of 11,725 block hours in 2023 compared to 9,479 block hours in 2022. The increase is 2,246 block hours, or 24%. Compared to 2019, the last year before the global pandemic, total production is 20% higher in 2023.

Production in block hours 2019-2023



| PASSENGERS | 2023 | 2022 | CHANGE | CHANGE % |
|-------------------|---------|---------|--------|----------|
| Scheduled service | 369,782 | 350,599 | 19,183 | 5% |
| Helicopter | 12,117 | 13,360 | -1,243 | -9% |
| Charter | 160,137 | 101,927 | 58,210 | 57% |

| BLOCK HOURS | HOURS | HOURS | HOURS | % |
|--------------------------|---------------|--------------|--------------|------------|
| Scheduled service | 6,743 | 5,943 | 800 | 13% |
| Charter | 4,238 | 2,711 | 1,526 | 56% |
| Total aircraft | 10,980 | 8,654 | 2,326 | 27% |
| Helicopter | 744 | 825 | -80 | -10% |
| Total block hours | 11,725 | 9,479 | 2,246 | 24% |

Scheduled services accounted for 58% of total fleet productions in 2023, CMI/charter operations for 36% and helicopter services accounted for 6%. In 2022 scheduled services accounted for 63% of fleet production ACMI/charter operations for 24%, and helicopter services accounted for 13%.

Scheduled services increased by 13% from 5,943 block hours in 2022 to 6,743 block hours in 2023. Compared to 2019, the last year before the global pandemic, scheduled services increased by 9% in 2023.

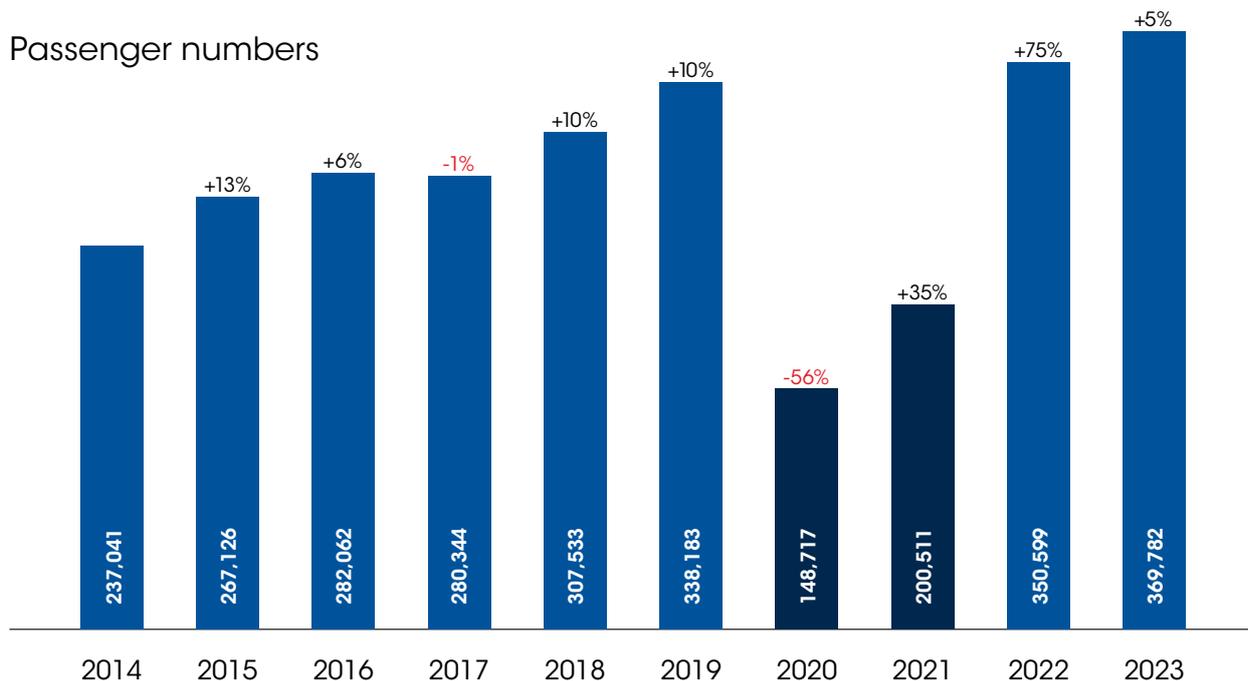
ACMI/charter operations increased by 56% in 2023, compared to 2022, from 2,711 block hours in 2022 to 4,238 block hours in 2023. Compared to 2019, ACMI/charter operations increased by 62% in 2023.

Helicopter operations decreased by 10% from 825 block hours in 2022 to 744 block hours in 2023. Compared to 2019, helicopter operations decreased by 18% in 2023.

SCHEDULED SERVICES

Passenger numbers on scheduled flights increased by 5% in 2023 from 350,599 passengers in 2022 to 369,782 passengers in 2023. The increase is 19,183 passengers. Compared to 2019, the last year before the global pandemic, passenger numbers have increased by 9%. The number of travel destinations in 2023 was 11 compared to 10 in 2022.

The seasonal fluctuations in scheduled traffic are usually high. Frequencies to Danish airports vary from 15 per week during the traditionally low-activity winter season to 35 per week during high season in the summer season.

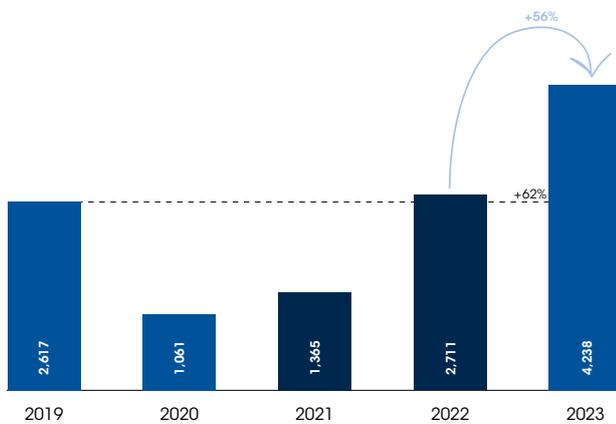


CHARTER OPERATIONS

With four aircraft in operations for most of the year, the charter operations increased from 2,711 block hours in 2022 to 4,238 block hours in 2023, which corresponds to a 56% increase.

The airline leases out excess capacity not needed for scheduled services is sold to Charter/ACMI activity in order to improve profitability. In 2023, the airline provided services such as charter series for various tour operators in Denmark and ad hoc flights in Europe.

Block hours

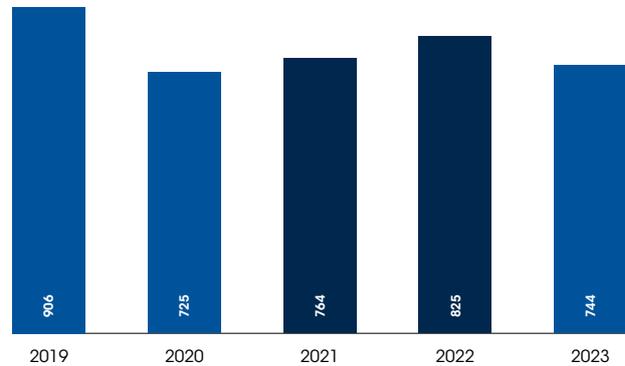


HELICOPTER OPERATIONS

In 2023, 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 modern AW 139 helicopters. The helicopters have been prepared for Search-and-Rescue (SAR) coverage 24 hours a day all year. The company's helicopters were airborne for 744 block hours in 2023 compared to 825 block hours in 2022. 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.

There is a 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. The contract is in effect from 2016-2025. The service has improved significantly with these two new AW 139 helicopters, which can reach the 200 nautical mile limit of Faroese territorial waters, where they can perform rescue operations for 30 minutes. The helicopters have 14 seats, compared with 9 seats on the old Bell 412 helicopters.

Block hours



The SAR service was called out on 44 occasions in 2023 compared to 58 occasions in 2022. The airline has provided domestic helicopter services in the Faroe Islands since 1994 and SAR operations since 2001.

OTHER INCOME

Together with Vágur airport, Atlantic Airways has established the company P/F Duty Free, which operates duty-free sales in the airport. Atlantic Airways also owns the subsidiary P/F Hotel Atlantic, which opened the new hotel Hilton Garden Inn Faroe Islands in Tórshavn in collaboration with the international hotel chain Hilton in October of 2020. This subsidiary will also take over operations of Hotel Vágur in spring of 2024.

Atlantic Airways also operates cargo and mail transportation between the Faroe Islands and the world on its scheduled flights.

THE FLEET

Three fixed-wing aircraft were in service at year-end 2023. Two Airbus A320neo and one Airbus A320.

One of them are in the airline's ownership, while the airline leases - on a long-term contract - the two A320neo aircraft, which have at least 15% lower oil usage and CO2 emissions than other Airbus aircraft of the same size. The average age is approximately seven years.

In March 2023, a long-term leased Airbus A320ceo aircraft joined the fleet, replacing the last Airbus A319 aircraft that had left the fleet in December of the previous year.

Atlantic Airways has signed a contract for the purchase of two new Airbus A320neo aircraft from the Airbus factory.

These aircraft will join the fleet in the summer of 2027 and the autumn of 2028, respectively. The aircraft were originally scheduled to join the fleet in 2023 and 2024, however, the reception of the aircraft was postponed due to the global pandemic.

Atlantic Airways flies the most advanced airspace technology in Europe, according to manufacturer Airbus. As the first airline in the world, 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 Vágar Airport with all the aircraft and as a result Atlantic Airways can land safely in Vágar airport in significantly poorer weather conditions than before. The RNP AR 0.1 procedures have enabled significantly higher on-time performance and flight regularity compared to the previous years.

| Fleet end of year | No | Own | Prod. year |
|-------------------|----|-----|------------|
| A320neo | 2 | 0 | 2019-2020 |
| A320 | 2 | 1 | 2012-2016 |
| AW139 | 2 | 2 | 2015-2016 |

At year-end 2023, the helicopter fleet consisted of two Agusta Westland AW 139 helicopters. The average age of the rotor wing fleet is approximately eight years.



OY-RCK (INGÁLVIÐUR) S/N 8918
Type: Airbus 320-251N



OY-RCL (TITA) S/N 10006
Type: Airbus 320-251N



OY-RCJ (WILLIAM) S/N 7465
Type: Airbus 320-214



OY-RCM (ELINBORG) S/N 05084
Type: Airbus 320-214



OY-HIH (RUTH) SN: 31718
Type: Agusta Westland 139



OY-HIL (SÁMAL) SN: 31722
Type: Agusta Westland 139



Photo: Björn Sigður Pálsson

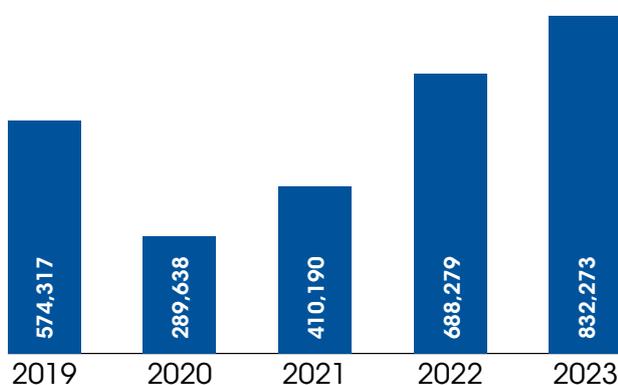
Financial Review

FINANCIAL STATEMENT, 1 JANUARY – 31 DECEMBER 2023

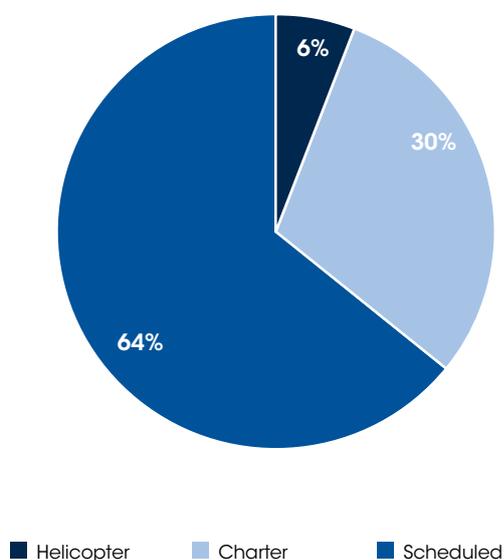
Revenue

Atlantic Airways' total revenues was DKK 832.3 million in 2023 compared to DKK 689.3 million in 2022. The increase was 143 million, which come from increased charter operations in particular.

Revenue (DKK 1.000)



Distribution



Operating expenses

Operating expenses increased by DKK 122 million in 2023 to DKK 613 million compared to 2022. The increase is from an increase in flight activities in 2023 compared to 2022.

Fuel is one of the main operating expenses in aviation. In 2023, fuel costs – including CO2 quota expenses – amounted to 28% of the total operating expenses, compared to 27% in 2022. The airline has a partial hedging policy for fuel expenses.

Employee expenses

Employee expenses amounted to DKK 142,3 million in 2023, compared to DKK 120,3 million in 2022. The number of full-time equivalent employees was 204 in 2023, compared to 176 in 2022.

Depreciations

Depreciation and impairment amounted to DKK 32.8 million in 2023, compared to DKK 48.0 million in 2022.

Financial items

Net financial items amounted to DKK -3.2 million including result from associated companies, compared to DKK -4.2 million in 2022.

The result before tax was a profit of DKK 40.7 million compared to DKK 25.6 million in 2022.

The result after tax was a profit of DKK 35.8 million compared to a profit of DKK 21.0 million in 2022.

Return on equity after tax was 12.0 per cent in 2023, compared to 7.9 per cent in 2022.

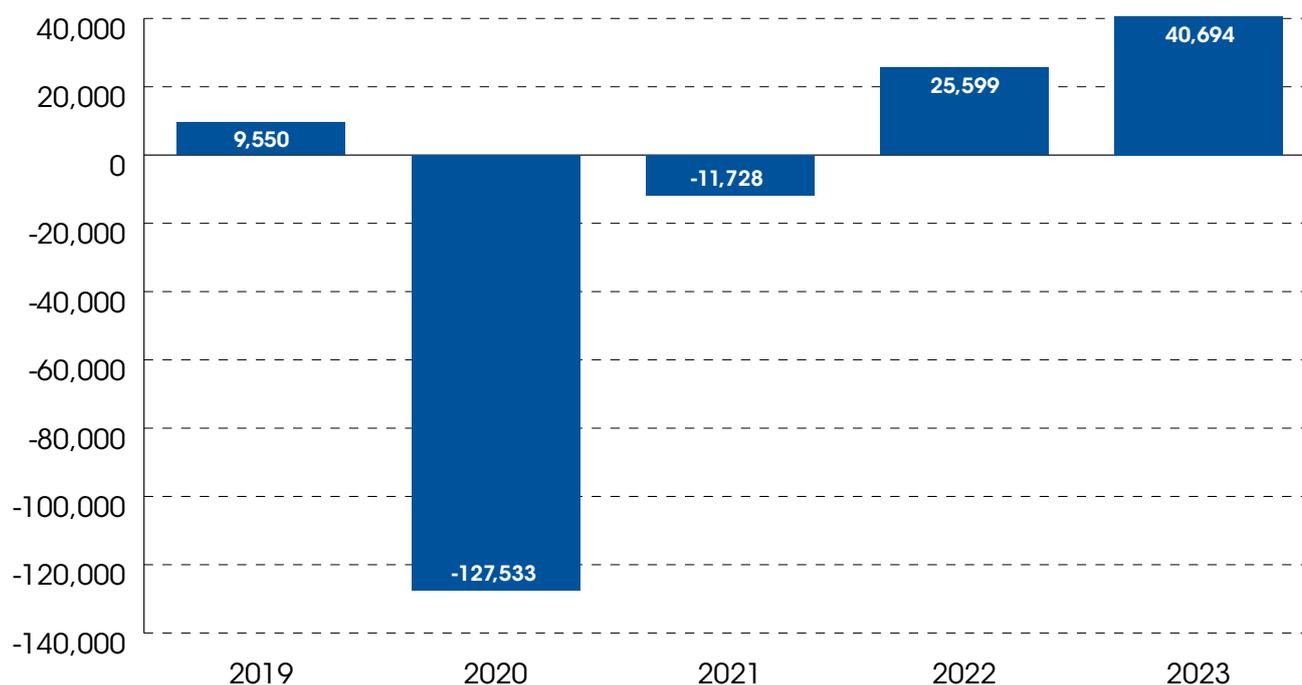
BALANCE SHEET

Assets

Total non-current assets increased by DKK 416 million in 2023 from DDK 468 million. The primary reason for the change is the prepayments related to the simulator project.

Available cash and cash equivalents at year-end 2023 were DKK 161 million compared to DKK 221 million at the start of the year. Available cash and cash equivalents for the Group at year-end DKK 163 million compared to DKK 225 million at the start of the year.

Result before tax (DKK 1.000)



Equity

Total equity as of 31 December was DKK 314 million and an equity ratio of 43.5%. Compared to the start of the year, equity has increased by DKK 35 million and the equity ratio increased by 3%.

Liabilities

The company's total liabilities as of 31 December was DKK 375 million compared to DKK 377 million at the end of the previous year. Long-term debt has increased from DKK 221 million to DKK 201 million by the end of 2023.

Balance sheet

The balance sheet total as of 31 December 2023 was DKK 722 million, which is DKK 38 million higher than the previous year.

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. Therefore, the financial report has been prepared in the reality of continued operations.

Allocation of profit/loss

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

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.

Outlook for 2024

AVIATION INDUSTRY AND THE GLOBAL ECONOMY

Global aviation increased by 37% in 2023 compared to 2022 and seems to be reaching the pre-Covid levels, according to International Air Transport Association (IATA). Global aviation was 6% lower in 2023 compared to 20129.

The progress in the aviation industry is expected to continue in, however the increase will be slower than in 2023. Competition in the aviation industry remains fierce, taking into consideration technological challenges, long-term goals concerning zero net emissions of greenhouse gasses in 2050.

The commercial airline industry is linked to the strength of the economy in the countries, from which the passengers come. IMF (The International Monetary Fund) expects a 3.1% economic increase in 2024 which is unchanged from 2023.

FAROESE ECONOMY

The Faroese Economic Council estimates that the Faroese GDP in current prices increased by 5.9 percent in 2023, compared with 8.1 percent in 2022. The majority of the growth in 2023 comes from price increases. The growth in 2024 is estimated to be 1.4 percent in current prices, which does not compensate for the price increase in the year. Therefore, there is a risk of economic recession in the Faroese economy in 2024. In other respects, the economy is characterized by historically low unemployment and increased cost of living, while the high price increase of the last two years seems to be abating.

The latest confidence index from Statistics Faroe Islands shows that there is less optimism in the Faroese business sector, while households consider their situation to be unchanged. It is particularly in the trade and service industries that optimism has declined. Although the confidence index for households remains unchanged, they do not expect to increase their purchases in the near future.

SCHEDULED SERVICE

In 2024, Atlantic Airways will fly directly from Faroe Islands to 13 different destinations: Copenhagen, Billund, Aalborg, Oslo, Reykjavík, Edinburgh, London, Paris, Barcelona and Mallorca, Gran Canaria, Tenerife and New York. Additionally, there were direct flights from the Faroe Islands to Berlin in January 2024 in connection with the Faroese men's handball team participating in a European Championship for the first time in history. It is expected that there will be slightly more passengers next year compared to 2023.

The airline operates a route with flights several times a day between the Faroe Islands and Copenhagen, in addition to regular flight connections to Billund, Reykjavik, and Oslo throughout the year, to Paris from March to October, to

Edinburgh from March to December, to Aalborg during the period from May to October, as well as during the Easter and Christmas holidays, and to London from June to August. Furthermore, there are direct flights to Barcelona and Mallorca in the peak season, to New York in September-October, to Tenerife in October, and to Gran Canaria in the winter season.

Interest in the Faroe Islands as a travel destination remains high, so it is expected that the number of travellers will gradually increase over the next few years, especially travellers from other countries. However, a potential resolution to regulated matters in the Faroese tourism industry could negatively impact the number of tourists.

CHARTER OPERATIONS

Atlantic Airways' charter activities are based on using excess capacity not needed for scheduled services in order to improve profitability. Charter activities in 2024 is expected to be slightly higher than in 2023 because the airline will have a fleet of four aircraft all year. Most of the charter activities comes from Denmark for Danish travel agents to various travel destinations in the south of Europe.

HELICOPTER OPERATIONS

Atlantic Airways connects the islands through scheduled helicopter flights to the remote islands and creates safety with helicopter Search and Rescue. As part of a ten-year contract with the Faroese Government, two relatively new AW139 helicopters provide domestic transport to the most remote islands and helicopter Search and Rescue (SAR) coverage 24 hours a day. Production in 2024 will be roughly the same as in 2023.

SIMULATOR OPERATIONS

The new international centre for flight training, Atlantic Airways Aviation Academy, is set to open in the second half of 2024. Initially, the advanced AW139 helicopter simulator will be operational, followed by the Airbus A320 flight simulator by the end of the year. Over time, this activity is expected to become a new industry that will strengthen the economic position of the company.

FINANCIAL FORECAST 2024

Atlantic Airways expects roughly the same results in 2024 as in 2023. There is expectation of slightly more passengers on scheduled flights and somewhat higher charter activity. However, the risk of a downturn in the Faroese and European economies, the competitive situation, ongoing high inflation, fuel prices, the war in Ukraine, environmental regulations, and other risks mentioned in the annual report under risk management, could impact the operational results and financial position of the company.



Ownership

SHARE CAPITAL

The share capital remains unchanged at DKK 104,500,000. The share capital consists of one class of shares distributed over 1,045,000 shares. All shares have the same rights. There is one vote per share.

SHAREHOLDER

The Faroese Government (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 shareholder at the Annual General Meeting in April 2024 in line with the proposal for the renationalization acts of the Faroese Parliament from February 2014. No dividend was paid out in 2023 for the financial year 2022.

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.

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 2022

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.

The Danish Recommendations on Corporate Governance were last updated in December 2020 and are valid from the fiscal year 2021. The full version of the Danish Recommendations on Corporate Governance can be found on the website.

The following subsections address main aspects of corporate governance in Atlantic Airways. 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 2023.

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. 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 every four years 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, in addition to being an active partner to the chairman.

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 management requests it.

The Board of Directors has held 8 meetings in 2023.

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 Hotel Atlantic (Chairman), P/F Ognarfelagið matr. nr. 1332e (CEO and board member), P/F Ognarfelagið matr. nr. 406b, Sørvágur, P/F Petur Larsen and P/F Duty Free

Education: Niels Brock Business School, Danske Bank

Expiry of the current election period: April 2024

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 2013

Chairman of the Audit Committee

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 and P/F Havborg.

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 College since 2009-2013. Previously on the board of directors of Norriq Holding A/S, Investeringsselskabet af 5. oktober 2012 Aps og P/F Atlantic Petroleum.

Other board duties: P/F Enniberg, P/F Farcod, P/F Havborg, P/F SMS, P/F Miðlon, P/F Dvøljan, P/F Necto and Maresco A/S.

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 2024

Considered dependent of the Company

Eystein í Løðu, Member of the Board

Born: 5 July 1973 (male)

Address: Smiðjuvegur 14, FO-386 Bøur

Joined the Board: April 2019

Special skills: Employee of Atlantic Airways

Chief Occupation: Safety Manager

Experience: Employee of Atlantic Airways since 1994, except 2000-2001.

Other board duties: None

Education: Flight mechanic and psychotherapist

Expiry of the current election period: April 2023

Considered dependent of the Company as employee representative

Esther Dahl, Member of the Board

Born: 20 September 1970 (female)

Address: Hornavegur 27, FO-450 Oyri, Faroe Islands

Joined the Board: May 2020

Special skills: Commercial experience, experience concerning the labour market

Chief Occupation: HR- & HTU- and communication manager, Faroe Ship

Experience: HR- & HTU- manager, Klaksvíkar sleipistöð, 2019-2022. Advisor in the Faroese Employer's Association 2005-2019 (particularly labour market, contract negotiations and shipping). Ad head of section, the Prime Minister's Office (foreign affairs) 2000-2005. Faroese ambassador to Bruxelles 1998-2000.

Other board duties: Council member Sunda municipality since 2020.

Member of the Council on working environment (since 2006), Competition Council of the Faroes (since 2006) and chairwoman of the government remuneration committee (since 2020).

Education: Cand. negot

Expiry of the current election period: April 2024

Considered independent of the Company

Annika Larsen Black, Member of the Board

Born: 11 June 1963 (female)

Address: Grønalfø 9, 100 Tórshavn, Faroe Islands

Joined the Board: April 2021

Special skills: Commercial experience in sales and marketing and project management, tourism

Chief Occupation: Manager of Hotel Djurhuus

Experience: Co-ordinator, Yrkisdepilin, 2021-2022, education co-ordinator Vestmanna upper secondary school 2017-2021, project management MICE Faroe Islands 2016-2020, sales manager, Smyril Line 2009-2013, sale and service 62N 2007-2008, sales and marketing manager Flogfelag Føroya 1995-2007.

Other board duties: None

Education: Master of project management and process optimisation (MPF)

Expiry of the current election period: April 2024

Considered dependent of the Company as employee representative

Tommy Andreasen, Member of the Board

Born: 9. November 1985 k

Address: Ryggstøta 13, 160 Argir

Joined the Board: April 2023

Special skills: Atlantic Airways employee

Chief Occupation: Pilot

Experience: Employee of Atlantic Airways

Other board duties: None

Education: Pilot

Expiry of the current election period: April 2027

Considered dependent of the Company as employee representative

AUDIT COMMITTEE

The Board has not formed a separate Audit Committee. 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 CEO is also "Accountable Manager" for the airline and as such has the ultimate responsibility to comply with the standards and requirements set by the aviation authorities.

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 Faroe Ship P/F 2006-2015, Sales and Marketing Director of JFK 1998-2006 and Sales Manager at Faroe Seafood 1994-1998.

Other board duties: P/F Hotel Atlantic, Visit Faroe Islands P/F, Føroya Grunnurin, Norðoya Íløgufelag, P/F Norðoyatunnilin av board member P/F Ognarfelagið matr. nr. 406b, Sørvágur.

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, Faroe Islands

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 was also CEO of Duty Free P/F from 2014-2018

Other board duties: P/F Hotel Atlantic and P/F Ognarfelagið matr. nr. 406b, Sørvágur.

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. Remuneration to Executive Management is currently only comprised of fixed pay and pension, corresponding to a pre-defined part of the fixed remuneration.

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.

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.

GENERAL AND SPECIFIC RISKS

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

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 a quarter of the operating expenses 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.

CO2 EMISSIONS

In 2012 aircraft operators became part of the European Emission Trading Scheme or EU ETS in short. Initially, the scheme encompassed all aviation in the EU and EFTA countries and to and from these countries. Later the EU restricted the scheme to only encompass aviation in the EU and EFTA countries in the years 2013 to 2023. Flights to and from the Faroe Islands are therefore not covered at the moment, however, the airline's flights in and between EU and EFTA countries, primarily charter flights, is encompassed by the EU ETS scheme. From January 1, 2024, flights between EU/EFTA countries and the Canary Islands, Madeira, etc., will also be covered by the EU quota system. In 2026, the EU plans to decide whether the EU ETS scheme for aviation should be expanded again to also include flights from the EU to other countries.

It is necessary for the company to purchase carbon emission permits for its flights in EU and EFTA countries. A minor quota of free CO2 emission allowances has been allocated to the company because of historical rights. The EU has decided that the system of free quotas will gradually decrease to zero over the next two years. Historically, the market for CO2 quotas has been volatile. The last five years, the price of CO2-quotas increased from 8 EUR/tCO2 to 90 EUR/tCO2.

The airline is also encompassed by the British UK ETS CO2 emission, which covers flights from Britain to EU and EFTA countries, in addition to CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which is a Global Market-Based Measure regarding carbon emission for international aviation. The CORSIA measure is primarily based on the notion that an increase in CO2 emissions from 2021 will be offset through purchase of so-called offsetting permissions "Carbon Offsetting." According to this new measure, Atlantic Airways must – from 2021 to 2029 – buy offsetting permissions in relation to how much the international flights exceed the emissions in the base year 2019. The offsetting will be based on own emissions in the base year times the percentage growth of emission from global aviation relative to the base year. After 2029, the measure will also take into account growth in emission from the individual airline itself. When global aviation will resume again, the CORSIA measure will start to have an effect on the airline's expenses.

WEATHER AND TRAFFIC DISRUPTIONS

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. The airline's cost of cancellations and disruption was DKK 9,9 million due to cancellations compared to DKK 14,3 million in 2022. The

modern RNP AR 0.1 navigational system has improved regularity significantly and expenses related to delays and cancellations.

CURRENCY RISK

Changes in exchange rates, especially changes between the Danish krone and the US dollar, can affect the economic performance of the company. Expenses for the purchase and lease of aircraft and insurance, as well as the majority of maintenance costs, are primarily in US dollars. The company assesses the currency risk regularly, especially between the Danish krone and the US dollar.

The company has a hedging policy that limits the risk associated with the use of US dollars for the leasing of aircraft.

INTEREST RATE RISK

The group is exposed to interest rate risks through investments and financing. As of 31 December 2023, the company had DKK 221 million in interest-bearing liabilities. The majority of the interest-bearing liabilities is in fixed interest. The group equity ratio was 39 at year-end.

LIQUIDITY RISK

The company aims to always have sufficient liquidity. The liquidity of the parent company on December 31, 2023, was 161 million DKK, and in the group, it was 163 million DKK. Additionally, the company has a credit facility of up to 30 million DKK. The company's credit was unused on December 31, 2023. The liquidity is considered to be adequate. Available cash is usually affected by seasonal fluctuations.

MARKET COMPETITION

The airline's main revenues stem from the scheduled flights between the Faroe Islands and Copenhagen. The competition with excess capacity has affected the income and result of the airline. Negative effect of the competitive situation on the airline's profitability is expected to be visible in 2024.

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 one of its kind in the Faroe Islands, and therefore places great emphasis on educating and training local workforce.

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 in addition to other staff with direct responsibilities towards the aviation authorities.

An addition to a high level of expertise on the production side, the company also emphasizes skills and skill development within administration and management of airline operations, such as in quality, safety, sales, service, organization, and planning.

Corporate Social Responsibility (CSR)

CSR IN ATLANTIC AIRWAYS 2022

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 provide competitive services to our passengers, and to manage our social and environmental footprints.

Atlantic Airways is one of the largest enterprises in the Faroe Islands with 204 employees. We are linking the Faroe Islands with the world through scheduled connections to several destinations. Atlantic Airways also runs a helicopter operation providing domestic services and SAR operations in Faroese territories. Also, we play an important role in developing tourism in the Faroe Islands.

It is the airline's policy that all activities be conducted in such a manner that commercial, societal and environmental considerations are taken. Thus, we have defined three key areas:

- | *Business operations:* Health & safety, environment, safety / compliance management
- | *Workplace:* Employee satisfaction, well-being, education and competence development
- | *Community:* Together we develop the Faroe Islands, sponsorships and donations

Business operations

ENVIRONMENT

The airline emphasises sustainability in all areas and works diligently and persistently on the course of sustainability. Several measures have been put into place. Wrappings from hospitality items onboard have been exchanged for environmentally friendly wrappings, passengers are offered the opportunity to order food before departure, which decrease the amount of waste on board the aircraft and greater usage of technology in the aircraft has decreased the paper usage on board the aircraft. In addition, the airline has updated its fleet, which means that the fuel usage has diminished for each seat and each passenger.

Atlantic Airways has initiated a process to register ESG metrics (key figures in the areas of sustainability, society, and governance), and will later in 2024 publish a sustainability report for 2023.

Our goal is to achieve zero net emissions by 2050, a target approved by the International Air Transport Association (IATA), and we also support IATA's long-term "Net Zero Roadmaps" plan, which outlines actions to achieve the goal of zero net emissions by 2050.

The most significant initiative for sustainable aviation is the selection of the right aircraft. The company aims for all its aircraft to be of the Airbus A320neo type, which are the most energy-efficient of their kind, by 2030. Two new Airbus A320neo aircraft will join the fleet in 2027 and 2028.

The airline industry relies heavily on fuel and consequently causes CO2 emissions, which are believed to be the main cause of climate change. With increasing fuel costs, it makes sense business-wise and for the environment to do what we can to reduce our fuel consumption and CO2 emissions.

The company has two new Airbus A320neo aircraft, which are the most energy-efficient of their kind, with at least 15%

lower fuel consumption and CO2 emissions than other Airbus aircraft of the same size. In 2023, the average CO2 emission per seat on scheduled flights was 68 kilograms lower compared to the average CO2 emission in scheduled flights in 2008. This reduction of 46% is related to the fleet being renewed over the last few years with larger and more environmentally friendly aircraft. In 2023, the total CO2 emissions from Atlantic Airways' scheduled flights were 43,421 tons, which is 3% higher than the total emissions from the company's scheduled flights in 2008, while the number of passengers increased by 72%. In 2022, the emissions were 37,807 tons, with an increase of 15%. Measures have also been implemented with the aim of reducing fuel consumption on each individual trip. In response to environmental regulations from EU authorities, Atlantic Airways has been recording all fuel consumption and CO2 emissions from its aircraft since 2010.

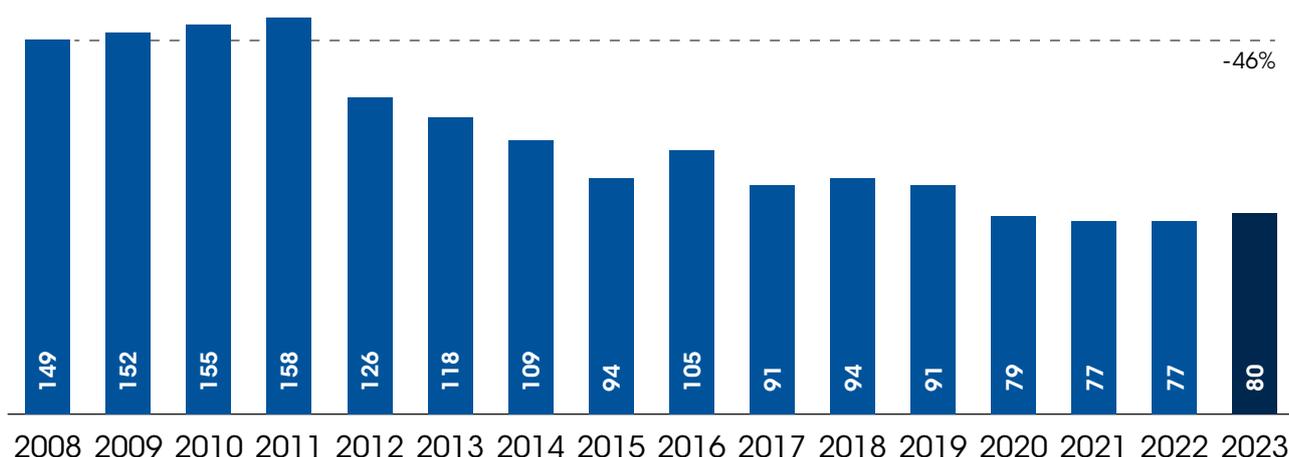
Finally, we are aware of our environmental impact in regard to the use of chemicals and toxic substances. These are required by aircraft manufacturers for maintenance, but we are very conscious of limiting our use to as little as possible. Also, we have procedures in place for the disposal of toxic materials. Waste is sorted between burning materials, nonburning 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.

Each work-related accident or incident will be evaluated and mitigating measures will be taken to avoid repetition of any such occurrences.

Fuel burn per seat 2008 – 2023



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).

In addition to encouraging every employee to report all incidents and potential hazards, the system includes a just safety culture, "Just Safety Culture," which ensures that the reporter or another person is not penalized for something that would not otherwise have come to light.

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 Behaviours 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 Behaviours 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.

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.

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 2021, a survey was conducted among all staff groups focusing on mental work environment and workplace environment. The survey showed that employee satisfaction is high. Based on the survey, we have developed action plans focusing on improvements of key areas.

EDUCATION

The airline is the only one of its kind in the Faroe Islands and we see this as a core responsibility to develop local talent in the Faroese work market. In a small society as the Faroese, 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.

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 and additional training. In 2023, the airline's expenses on mandatory and additional training was DKK 7,7 million.

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 allow 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 is 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.

In addition, 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.

The company supports all of the Faroe Islands and therefore backs national teams and sports associations rather than local teams, as it aims to nurture talented individuals who can make a mark for themselves and the Faroe Islands internationally. The company has been the main sponsor of the national football team since 1995. Atlantic Airways also supports national teams in handball, volleyball, swimming, and chess. An agreement has also been made with the Faroe Islands Sports Association to support smaller sports associations at an international level.

Atlantic Airways also supports culture and music festivals. In collaboration with the Nordic House in the Faroe Islands, Tórshavn Municipality, and the Ministry of Culture, Atlantic Airways has established Loftbrúgvín, which provides support for flights for artists in connection with cultural events abroad.

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.



Photo: Shutterstock, Nick Fox

RECOGNITION AND MEASUREMENT IN GENERAL

Income is recognized in the profit and loss account on currently with its realization, including the recognition of value adjustments of financial assets and liabilities. Similarly, all costs, these including depreciation, amortisation, write-downs, provisions, and reversals which are due to changes in estimated amounts previously recognized in the profit and loss account are recognized in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual accounting item.

At recognition and valuation, considerations are made for expected losses and risk that may appear before the annual report is completed and which concern circumstances that were present at the end of the accounting year.

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. Foreign currency differences arising on retranslation are recognised in the income statement.

Receivables, liabilities and other financial items in foreign currency that have not been settled at the end of the accounting period are recognised at currency rate at the end of the accounting period. The difference between the currency rate at the end of the accounting period and the rate, which was current at the acquisition date is recognised in the income statement under financial items.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Positive and negative current value is recognised in assets and liabilities, respectively.

Changes in current value of the derivative financial instruments that are intended for at fulfil the requirements of hedging the current value of a recognised asset or liability are recognised in the income statement together with any changes in current value of the hedged asset or liability.

The annual report of Atlantic Airways P/F for the period 1 of January to 31 of December 2023 has been prepared in

accordance with the Faroese Financial Statements Act, Class C large.

The annual report is prepared according to the same accounting principles as the previous year and in Danish Kroner (DKK).

Figures in the income statement, balance sheet and notes etc. are rounded off to whole figures and comparative figures from the previous year are rounded off to whole thousands. Because the figures are rounded separately, there may be differences between the additions and the sum of the underlying figures.

RECOGNITION AND VALUATION IN GENERAL

Changes in fair value of the derivative financial instruments that are intended for at fulfil the requirements of hedging future assets and liabilities are recognised in the receivables or liabilities and the equity.

Should future transactions end in recognition of either asset or liability, figures that are recognised in the equity, will be transferred from the equity and will be recognised at fair value for either the asset or liability. If future transactions end in income or expenses, the figures that are recognised in the equity, will be transferred to the income statement for the period when the hedging affects the income statement.

For any derivative financial instruments that do not meet the requirements to be treated as hedged instruments, changes in current value will be recognised are the incur in the income statement.

Changes in current value of derivative financial instruments that are used to hedge net investment in independent foreign subsidiaries or associated companies, are recognised directly in the equity.

CONSOLIDATION

The consolidated financial statements compromise the parent company, Atlantic Airways, and its subsidiaries, where Atlantic Airways directly or indirectly holds more than half of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Companies, where the Group own between 20% and 50% of the voting rights, and has significant influence, but not controlling power, are associated companies. See group structure.

The consolidated financial statements combine the financial statements of the parent and the individual subsidiaries in accordance with the Group's accounting policies, in which invoice and costs, shareholdings, balances and dividends as well as realised and unrealised gains and losses on intra-group transactions have been eliminated.

The assets of acquired subsidiaries, including identifiable intangible assets, as well as liabilities and contingent liabilities, are recognised at the date of the acquisition at fair value in accordance with the acquisition method.

Acquired or newly established companies are recognised from the day of procurement. Sold or divested companies are recognised up until the divestment date. Comparative figures are not corrected in relation to the acquired, sold or divested companies.

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the preacquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

The profit and loss account

NET TURNOVER

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

COST VALUE

Encompasses purchase of raw material and other material, discount and storage facilities deducted in the year.

OTHER OPERATING INCOME

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

OPERATING COSTS

Operating costs comprise purchase of raw material and other material, discount and storage facilities deducted in the year, in addition to cost for, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

STAFF COSTS

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

DEPRECIATION, AMORTISATION AND WRITE-DOWN

Depreciation, amortisation and write-down comprise depreciation on, amortisation of and write down relating to intangible and tangible fixed assets respectively.

NET FINANCIALS

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

RESULTS FROM EQUITY INVESTMENTS IN GROUP ENTERPRISE AND ASSOCIATE

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the group enterprise is recognised in the profit and loss account at a proportional share of the group enterprise's results after tax.

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the associated enterprise is recognised in the profit and loss account at a proportional share of the associated enterprise's results after tax.

TAX OF THE ANNUAL RESULT

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company has chosen to be jointly-taxed with associated companies. The company fulfils the conditions in the Faroese tax regulations concerning joint taxation of parent company and its subsidiaries.

The tax value of group taxation is distributed to the companies within the group in proportion to their taxable income or loss. Companies within the group taxation that utilize losses from others in the group are required to pay an amount to the parent company corresponding to the tax value of the utilized losses, and the parent company is obligated to pay a corresponding amount to the companies that have provided losses for the purpose of group taxation. Subsidiaries whose income tax is paid by the parent company are required to pay an amount corresponding to the income tax to the parent company.

The Balance Sheet

INTANGIBLE FIXED ASSETS

Development projects, patents, and licences

Intangible assets that is software are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a straight-line basis over 3-5 years.

TANGIBLE ASSETS

Land and buildings are measured at cost with addition of revaluations and with deduction of accrued depreciation and write-down. Land is not depreciated.

Land and buildings are revaluated on the basis of regular, independent evaluation of the fair value. The net revaluation at fair value adjustment is recognised directly on the equity after deduction of deferred tax and tied up in a particular revaluation reserve. Net impairment at fair value adjustments is recognised in the profit and loss account.

The basis of depreciation is cost with the addition of revaluations at fair value and with the deduction of expected residual value after the end of the useful life of the asset. The depreciation period is fixed at the acquisition date and re-evaluated annually. If the residual value exceeds the book value of the asset, the depreciation expires.

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and write-down.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

| | Useful life | Resid. value |
|--|-------------|--------------|
| Buildings | 5–25 years | mDKK |
| Aircraft and helicopters | 15–17 years | 0 |
| Onnur tól, Other machinery, material and furniture | 3–15 years | 0 |

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.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

LEASING CONTRACTS

Leases are regarded as operating leases. Payments in connection with operating leases and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operating leases and rental agreements are recognised under contingencies etc.

WRITE-DOWN OF FIXED ASSETS

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised write-down is reversed when the condition for the write-down no longer exist. Write-down relating to goodwill is not reversed.

INVESTMENT PROPERTY

Current value of hedging is based on market price if it is available. If there is no market price available, the current value is assessed to discount the difference between the

future price according to the hedging, and the current future price for the remaining amount by using a risk free interest rate based on government bonds.

FINANCIAL FIXED ASSETS

Equity investments in group enterprise and associate

Equity investments in group enterprise and associate recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprise and associate are transferred to the reserves under the equity for net revaluation as per the equity method. Dividend from group enterprise expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprise and associate.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprise and associate are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of

liability provisions for restructuring, are recognised under equity investments in group enterprise and associate, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

OTHER SECURITIES AND EQUITY INVESTMENTS

Other unlisted securities and equity investments are recognised at purchase price. If repurchase value is lower than purchase value, the unlisted securities and equity investments are depreciated to the lower value.

INVENTORIES

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, write-down takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

DEBTORS

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, write-down takes place at the net realisable value.

ACCRUED INCOME AND DEFERRED EXPENSES

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

SECURITIES AND EQUITY INVESTMENTS

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

AVAILABLE FUNDS

Available funds comprise cash at bank and in hand.

EQUITY**Revaluation reserves**

Revaluations of land and buildings with deduction of deferred tax are recognised under revaluation reserves. The reserves are reduced when the value of revalued buildings is reduced due to depreciation. The reserves are dissolved partly or totally in case of sale of land and buildings and reduced in case of write-down of land and property.

RESERVES FOR NET REVALUATION AS PER THE EQUITY METHOD

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

CORPORATE TAX AND DEFERRED TAX

Current tax liabilities are recognized in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus. This is settled based on the expected use of the asset or how the liability is expected to be repaid.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Possible deferred net tax assets are taken into account at net realizable value.

Deferred tax is valued based on the tax rules and tax rates that are applicable at the end of the fiscal period.

LIABILITIES

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs

incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

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

ACCRUED EXPENSES AND DEFERRED INCOME

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

CASH FLOW FROM INVESTMENT ACTIVITIES

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interest-bearing debt, and payment of dividend to the shareholders.

Segment information

Information on activity and geographical markets is provided. The segment information follows the consolidated accounting policies, risks and internal financial control systems.



| Note | (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|------|--|---------------|---------------|------------------|---------------|
| | | 2023 | 2022 | 2023 | 2022 |
| 1 | Net sales | 885,015 | 740,135 | 832,273 | 688,279 |
| | Other income | 0 | 995 | 0 | 995 |
| | Operating expenses | -648,117 | -520,407 | -613,288 | -491,215 |
| 3 | Employee expenditures | -163,154 | -140,718 | -142,296 | -120,292 |
| | Result before depreciation amort. and impairment (EBITDA) | 73,744 | 80,005 | 76,689 | 77,767 |
| | Depreciations, amort. and impairment | -37,190 | -52,066 | -32,757 | -47,989 |
| | Result before financial items (EBIT) | 36,554 | 27,939 | 43,932 | 29,778 |
| 4 | Other financial income | 2,594 | 983 | 2,515 | 146 |
| 5 | Other financial expenses | -12,240 | -15,327 | -11,636 | -14,590 |
| | Income from capital shares in associates | 0 | 0 | -4,322 | 1,502 |
| | Income from capital shares in associates | 12,498 | 11,676 | 10,205 | 8,763 |
| | Result before taxes (EBT) | 39,406 | 25,271 | 40,694 | 25,599 |
| 6 | Tax of result | -3,561 | -4,280 | -4,849 | -4,608 |
| | Annual result | 35,845 | 20,991 | 35,845 | 20,991 |
| | PROPOSED DISTRIBUTION OF THE RESULT: | | | | |
| | Result of the year brought forward | | | 35,845 | 20,991 |
| | Total | | | 35,845 | 20,991 |

| Note | Assets | (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|------|---------------------------------|-------------|----------------|----------------|------------------|----------------|
| | | | 2023 | 2022 | 2023 | 2022 |
| | Intangible assets | | | | | |
| 7 | Software | | 828 | 1,237 | 399 | 854 |
| | Total intangible asset | | 828 | 1,237 | 399 | 854 |
| 8 | Aircraft and maintenance | | 265,571 | 288,541 | 265,571 | 288,541 |
| 9 | Hangar, buildings and land | | 57,243 | 23,383 | 27,042 | 23,383 |
| 10 | Operating equipment | | 48,893 | 48,304 | 17,782 | 15,869 |
| 11 | Prepaid aircraft acquisitions | | 120,739 | 49,392 | 120,739 | 49,392 |
| 12 | Spare parts | | 1,456 | 1,059 | 1,456 | 1,059 |
| | Total tangible assets | | 493,902 | 410,679 | 432,590 | 378,244 |
| 13 | Investment in subsidiaries | | 0 | 0 | 21,096 | 24,918 |
| 14 | Investment in associates | | 22,756 | 18,258 | 14,267 | 12,062 |
| 16 | Other shares | | 0 | 213 | 0 | 213 |
| 15 | Subordinated loan | | 12,800 | 12,800 | 0 | 0 |
| | Total financial assets | | 35,556 | 31,271 | 35,363 | 37,193 |
| | Total non-current assets | | 530,286 | 443,187 | 468,352 | 416,291 |

| Note | Assets | (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|------|-----------------------------|-------------|----------------|----------------|------------------|----------------|
| | | | 2023 | 2022 | 2023 | 2022 |
| | Current assets | | | | | |
| | Inventories | | 547 | 690 | 187 | 260 |
| | Inventories in total | | 547 | 690 | 187 | 260 |
| | Trade receivables | | 19,417 | 19,245 | 17,084 | 16,603 |
| | Receivables subsidiaries | | 0 | 0 | 42,088 | 6,883 |
| | Receivables associates | | 255 | 34 | 255 | 34 |
| 17 | Deferred income tax | | 2,137 | 676 | 174 | 0 |
| | Other receivables | | 38,321 | 22,863 | 30,450 | 19,985 |
| 18 | Derivatives | | 2,434 | 2,427 | 2,254 | 2,388 |
| | Total receivables | | 62,564 | 45,245 | 92,305 | 45,893 |
| | Other shares | | 27 | 32 | 27 | 32 |
| | Shares in total | | 27 | 32 | 27 | 32 |
| | Cash and cash equivalents | | 162,815 | 225,260 | 161,012 | 221,211 |
| | Total current assets | | 225,953 | 271,227 | 253,531 | 267,396 |
| | TOTAL ASSETS | | 756,239 | 714,414 | 721,883 | 683,687 |

| Note | Liabilities | (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|------|--|-------------|----------------|----------------|------------------|----------------|
| | | | 2023 | 2022 | 2023 | 2022 |
| | Equity | | | | | |
| 19 | Share capital | | 104,500 | 104,500 | 104,500 | 104,500 |
| | Revaluation reserve | | 1,640 | 1,640 | 1,640 | 1,640 |
| | Reserve for net. val. acc- to the equity method | | 12,472 | 10,267 | 12,472 | 10,267 |
| | Value adjustm. of cash flow hedges | | -1,227 | -435 | -1,227 | -435 |
| | Retained earnings | | 196,520 | 162,880 | 196,520 | 162,880 |
| | Total equity | | 313,905 | 278,852 | 313,905 | 278,852 |
| | Provisions | | | | | |
| 20 | Deferred income tax liabilities | | 32,849 | 28,000 | 32,849 | 28,000 |
| | Total provisions | | 32,849 | 28,000 | 32,849 | 28,000 |
| | Debt | | | | | |
| | Mortgage loans | | 217,663 | 241,324 | 201,271 | 221,075 |
| 21 | Total long-term debt | | 217,663 | 241,324 | 201,271 | 221,075 |
| 21 | Short-term portion of long-term debt | | 28,055 | 26,953 | 23,096 | 23,096 |
| | Debt to financial institutions | | 57,689 | 32,058 | 49,985 | 29,729 |
| | Goods and services debt | | 0 | 0 | 77 | 0 |
| | Debt to subsidiaries | | 42,456 | 39,031 | 37,078 | 34,739 |
| 24 | Other debt | | 60,130 | 62,379 | 60,130 | 62,379 |
| 22 | Deferred income and accruals | | 3,492 | 5,817 | 3,492 | 5,817 |
| | Derivatives | | 191,822 | 166,238 | 173,858 | 155,760 |
| | Total liabilities | | 409,485 | 407,562 | 375,129 | 376,835 |
| | TOTAL EQUITY AND LIABILITIES | | 756,239 | 714,414 | 721,883 | 683,687 |
| 2 | Auditor's remuneration | | | | | |
| 25 | Mortgaging and contingent liabilities etc | | | | | |

STATEMENT OF CHANGES IN EQUITY

| | GROUP | | | | | |
|------------------------------------|----------------|----------------------|---|-----------------|-------------------|----------------|
| (DKK 1,000) | Share capital | Revaluation reserves | Reserve for net. val. acc. to the equity method | Hedging reserve | Retained earnings | Total |
| Equity 1 January 2022 | 104,500 | 1,640 | 6,587 | -3,419 | 145,569 | 254,877 |
| Result for the period | 0 | 0 | 0 | 0 | 20,991 | 20,991 |
| Result for the period | 0 | 0 | 8,763 | 0 | -8,763 | 0 |
| Dividend | 0 | 0 | -5,000 | 0 | 5,000 | 0 |
| Value adjustm. of cash flow hedges | 0 | 0 | 0 | 2,984 | 0 | 2,984 |
| Adjustment to 1 Jan. | 0 | 0 | -83 | 0 | 83 | 0 |
| Equity 1 January 2023 | 104,500 | 1,640 | 10,267 | -435 | 162,880 | 278,852 |
| Deferred result | 0 | 0 | 0 | 0 | 35,845 | 35,845 |
| Part of annual result | 0 | 0 | 10,205 | 0 | -10,205 | 0 |
| Dividend | 0 | 0 | -8,000 | 0 | 8,000 | 0 |
| Value adjustm. of derivatives | 0 | 0 | 0 | -792 | 0 | -792 |
| | 104,500 | 1,640 | 12,472 | -1,227 | 196,520 | 313,905 |

| | ATLANTIC AIRWAYS | | | | | |
|------------------------------------|------------------|----------------------|---|-----------------|-------------------|----------------|
| (DKK 1,000) | Share capital | Revaluation reserves | Reserve for net. val. acc. to the equity method | Hedging reserve | Retained earnings | Total |
| Equity 1 January 2022 | 104,500 | 1,640 | 6,504 | -3,418 | 145,652 | 254,878 |
| Result for the period | 0 | 0 | 0 | 0 | 20,991 | 20,991 |
| Part of annual result | 0 | 0 | 8,763 | 0 | -8,763 | 0 |
| Dividend | 0 | 0 | -5,000 | 0 | 5,000 | 0 |
| Value adjustm. of cash flow hedges | 0 | 0 | 0 | 2,983 | 0 | 2,983 |
| Eginogn 1. januar 2023 | 104,500 | 1,640 | 10,267 | -435 | 162,880 | 278,852 |
| Result of the year | 0 | 0 | 0 | 0 | 35,845 | 35,845 |
| Part of annual result | 0 | 0 | 10,205 | 0 | -10,205 | 0 |
| Dividend | 0 | 0 | -8,000 | 0 | 8,000 | 0 |
| Value adjustm. of cash flow hedges | 0 | 0 | 0 | -792 | 0 | -792 |
| | 104,500 | 1,640 | 12,472 | -1,227 | 196,520 | 313,905 |

| Note (DKK 1,000) | GROUP | |
|---|-----------------|----------------|
| | 2023 | 2022 |
| Net profit/loss for the period | 35,845 | 20,991 |
| 26 Adjustments | 36,079 | 49,670 |
| 27 Changes in operating assets and liabilities | 8,197 | 19,974 |
| Cash flow ordinary operations | 80,121 | 90,635 |
| Interest income etc | 0 | 2 |
| Cash flow ordinary operations | 80,121 | 90,637 |
| Cash flow ordinary operations | 0 | -173 |
| Cash flow ordinary operations | 80,121 | 90,464 |
| Cash flow ordinary operations | -456 | -618 |
| Purchase of tangible assets | -120,479 | -53,555 |
| Sale of intangible assets | 930 | 81,100 |
| Other cash flow from investment activities | 0 | 1,451 |
| Cash flows from investing activities | -120,005 | 28,378 |
| Repayments of long-term loans | -22,560 | -77,990 |
| Cash flows from financing activities | -22,560 | -77,990 |
| Change in cash flow | -62,444 | 40,852 |
| Cash and cash equivalents at the beginning of the period | 225,259 | 184,407 |
| Cash and cash equivalents at the end of the period | 162,815 | 225,259 |
| Cash and cash equivalents | | |
| Cash and cash equivalents | 162,815 | 225,259 |
| Cash and cash equivalents at the end of the period | 162,815 | 225,259 |

Notes

| | |
|--|----|
| 1. Segmentation and specification of numbers of passengers | 45 |
| 2. Auditor's remuneration | 46 |
| 3. Employee expenditures | |
| 4. Other financial income | 47 |
| 5. Other financial expenses | |
| 6. Income tax | |
| 7. Software | |
| 8. Aircraft and maintenance | 48 |
| 9. Hangar, buildings and land | |
| 10. Operating equipment | 49 |
| 11. Pre-paid aircraft acquisitions | |
| 12. Spare parts | |
| 13. Investment in subsidiaries | 50 |
| 14. Investment in associates | 51 |
| 15. Subordinated loan | |
| 16. Other shares | 52 |
| 17. Deferred income tax | |
| 18. Derivatives | |
| 19. Share capital | |
| 20. Deferred income tax liabilities | 53 |
| 21. Total long-term debt | |
| 22. Derivatives | |
| 23. Company tax | 54 |
| 24. Deferred income and accruals | |
| 25. Mortgaging and contingent liabilities etc | |
| 26. Adjustments | 55 |
| 27. Changes in operating assets and liabilities | |

| 1. SEGMENT INFORMATION - GROUP | AIRCRAFT | | HELICOPTER | | HOSPITALITY | | GROUP IN TOTAL | |
|---|----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
| (DKK 1,000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Net sales | 779,725 | 636,868 | 50,798 | 49,276 | 54,492 | 53,991 | 885,015 | 740,135 |
| Other income | 0 | 995 | 0 | 0 | 0 | 0 | 0 | 995 |
| Total revenue | 779,725 | 637,863 | 50,798 | 49,276 | 54,492 | 53,991 | 885,015 | 741,130 |
| Operating expenses | 736,061 | 608,136 | 50,604 | 49,227 | 61,796 | 55,828 | 848,461 | 713,191 |
| Operating result | 43,664 | 29,727 | 194 | 49 | -7,304 | -1,837 | 36,554 | 27,939 |
| Effects of subsidiaries | - | - | - | - | - | - | 0 | 0 |
| Effects of associated companies | 10,205 | 8,763 | - | - | 2,293 | 2,913 | 12,498 | 11,676 |
| Financial income | 1,543 | 0 | 0 | 0 | 1,051 | 983 | 2,594 | 983 |
| Financial expenses | -8,379 | -10,222 | -2,963 | -4,222 | -897 | -883 | -12,240 | -15,327 |
| Result before tax | 47,033 | 28,269 | -2,769 | -4,174 | -4,857 | 1,175 | 39,406 | 25,271 |
| Income tax | -5,347 | -5,359 | 499 | 751 | 1,287 | 328 | -3,562 | -4,280 |
| Profit | 41,686 | 22,910 | -2,271 | -3,423 | -3,570 | 1,503 | 35,845 | 20,991 |
| GEOGRAPHICAL SEGMENTS | FAROE ISLANDS | | EUROPE | | | | TOTAL | |
| <i>Net revenue comprises the following markets:</i> | 2023 | 2022 | 2023 | 2022 | | | 2023 | 2022 |
| Total revenue | 647,315 | 617,161 | 237,700 | 123,969 | | | 885,015 | 741,130 |

Income from Europe comprises from activity, which is not registered as activity in or with the Faroe Islands as destinations (Charter activity).

| 1. SEGMENT INFORMATION - ATLANTIC AIRWAYS | AIRCRAFT | | HELICOPTER | | ATLANTIC AIRWAYS | |
|---|----------------|----------------|----------------|----------------|------------------|----------------|
| (DKK 1,000) | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Net sales | 781,475 | 636,868 | 50,798 | 49,276 | 832,273 | 688,280 |
| Other income | 0 | 995 | 0 | 0 | 0 | 995 |
| Total revenue | 781,475 | 637,863 | 50,798 | 49,276 | 832,273 | 689,275 |
| Operating expenses | 737,737 | 608,136 | 50,604 | 49,227 | 788,341 | 659,497 |
| operating result | 43,738 | 29,727 | 194 | 49 | 43,932 | 29,778 |
| Effects of subsidiaries | -4,322 | - | - | - | -4,081 | 1,502 |
| Effects of associated companies | 10,205 | 8,763 | - | - | 10,205 | 8,763 |
| Financial income | 2,515 | 0 | 0 | 0 | 2,515 | 146 |
| Financial expenses | -8,673 | -10,222 | -2,963 | -4,222 | -11,636 | -14,591 |
| Result before tax | 43,463 | 28,269 | -2,769 | -4,174 | 30,089 | 25,599 |
| Income tax | | | | | -3,100 | -4,608 |
| Profit | | | | | 26,989 | 20,991 |
| GEOGRAPHICAL SEGMENTS | FAROE ISLANDS | | EUROPE | | TOTAL | |
| <i>Net revenue comprises the following markets:</i> | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Total revenue | 594,573 | 565,306 | 237,700 | 123,969 | 832,273 | 689,275 |

Income from Europe comprises from activity, which is not registered as activity in or with the Faroe Islands as destinations (Charter activity).

| | ATLANTIC AIRWAYS | |
|---|------------------|----------------|
| <i>Specification of numbers of passengers</i> | 2023 | 2022 |
| Passengers, scheduled services | 369,782 | 350,599 |
| Passengers, ACMI/charter operations | 160,137 | 101,927 |
| Passengers, fixed wing | 529,919 | 452,526 |
| Passengers, helicopter | 12,117 | 13,360 |
| Total passengers | 542,036 | 465,886 |
| Block hours | | |
| Block hours, scheduled services | 6,743 | 5,943 |
| Block hours, ACMI/charter operations | 4,238 | 2,711 |
| Block hours, fixed wing | 10,981 | 8,654 |
| Block hours, helicopter | 744 | 825 |
| Total block hours | 11,725 | 9,479 |

| | GROUP | | ATLANTIC AIRWAYS | |
|--|----------------|----------------|------------------|----------------|
| <i>(DKK 1,000)</i> | 2023 | 2022 | 2023 | 2022 |
| 2. Auditors' remuneration | | | | |
| Total remuneration to P/F Januar, State Authorized Public Accountants | 382 | 289 | 330 | 254 |
| Remuneration reg. the compulsory audit | 177 | 160 | 125 | 125 |
| Other services | 205 | 129 | 205 | 129 |
| | 382 | 289 | 330 | 254 |
| 3. Employee expenditures | | | | |
| Wages | 141,663 | 122,363 | 123,752 | 104,659 |
| Pensions | 14,860 | 12,691 | 12,812 | 10,830 |
| Other employee expenditures | 6,631 | 5,664 | 5,732 | 4,803 |
| | 163,154 | 140,718 | 142,296 | 120,292 |
| Management | 2,898 | 2,762 | 2,898 | 2,762 |
| Board | 1,300 | 1,060 | 1,060 | 1,060 |
| | 3,958 | 3,822 | 3,958 | 3,822 |
| Employees in average | 257 | 226 | 204 | 176 |

Remuneration of the Management comprises two managers.

| | GROUP | | ATLANTIC AIRWAYS | |
|---|----------------|----------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| (DKK 1,000) | | | | |
| 4. Other financial income | | | | |
| Other financial income | 2,594 | 983 | 1,667 | 0 |
| Financial income, subsidiaries | 0 | 0 | 848 | 146 |
| | 2,594 | 983 | 2,515 | 146 |
| 5. Other financial expenses | | | | |
| Other financial expenses | 12,240 | 15,327 | 11,636 | 14,590 |
| | 12,240 | 15,327 | 11,636 | 14,590 |
| 6. Income tax | | | | |
| Changes in deferred taxes | 3,561 | 4,280 | 4,849 | 4,608 |
| | 3,561 | 4,280 | 4,849 | 4,608 |
| 7. Software | | | | |
| Acquisition value as of Jan 1st | 21,504 | 20,886 | 21,015 | 20,397 |
| Additions during the period | 456 | 618 | 341 | 618 |
| Acquisition value as 31 December | 21,960 | 21,504 | 21,356 | 21,015 |
| Amortisations as of Jan 1st | -20,267 | -19,941 | -20,161 | -19,933 |
| Amortisations during the period | -865 | -326 | -796 | -228 |
| Amortisations 31 December | -21,132 | -20,267 | -20,957 | -20,161 |
| Book value 31 December 2023 | 828 | 1,237 | 399 | 854 |

| (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|--|-----------------|-----------------|------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 8. Aircraft and maintenance | | | | |
| Acquisition value as of Jan 1st | 471,107 | 708,216 | 471,107 | 708,216 |
| Additions during the period | 5,931 | 3,682 | 5,931 | 3,682 |
| Disposal during the period | 0 | -240,791 | 0 | -240,791 |
| Acquisition value 31 December | 477,038 | 471,107 | 477,038 | 471,107 |
| Depreciations and impairments as of Jan 1st | -182,566 | -303,504 | -182,566 | -303,504 |
| Depreciations and impairments during the period | -28,901 | -42,281 | -28,901 | -42,281 |
| Depreciations and impairments of disposal | 0 | 163,219 | 0 | 163,219 |
| Depreciations and impairments 31 December | -211,467 | -182,566 | -211,467 | -182,566 |
| Book value 31 December | 265,571 | 288,541 | 265,571 | 288,541 |
| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
| 9. Book value as at December | | | | |
| Acquisition value as of Jan 1st | 50,384 | 49,252 | 50,384 | 49,252 |
| Additions during the period | 32,501 | 4,807 | 2,300 | 4,807 |
| Disposal during the period | -507 | -3,675 | -507 | -3,675 |
| Acquisition value 31 December | 82,378 | 50,384 | 52,177 | 50,384 |
| Revaluations as of Jan 1st | 2,000 | 2,000 | 2,000 | 2,000 |
| Revaluations 31 December | 2,000 | 2,000 | 2,000 | 2,000 |
| Depreciations and impairments during the period | -29,001 | -27,030 | -29,001 | -27,030 |
| Depreciations and impairments of disposal | -57 | -2,118 | -57 | -2,118 |
| Depreciations and impairments as of December 31st | 0 | 147 | 0 | 147 |
| Flytingar | 1,923 | 0 | 1,923 | 0 |
| Depreciations and impairments as of December 31st | -27,135 | -29,001 | -27,135 | -29,001 |
| Book value as at December 31st | 57,243 | 23,383 | 27,042 | 23,383 |

| (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|--|----------------|----------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| 10. Operating equipment | | | | |
| Acquisition value as of Jan 1st | 90,031 | 86,167 | 49,071 | 47,020 |
| Additions during the period | 10,111 | 4,090 | 7,071 | 2,277 |
| Disposal during the period | -1,963 | -226 | -1,963 | -226 |
| Acquisition value 31 December | 98,179 | 90,031 | 54,179 | 49,071 |
| Depreciations and impairments as of Jan 1st | -41,727 | -34,248 | -33,202 | -29,751 |
| Depreciations and impairments during the period | -9,099 | -7,705 | -4,735 | -3,677 |
| Depreciations and impairments of disposal | 1,540 | 226 | 1,540 | 226 |
| Depreciations and impairments as of December 31st | -49,286 | -41,727 | -36,397 | -33,202 |
| Book value on December 31st | 48,893 | 48,304 | 17,782 | 15,869 |

| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
|---|----------------|---------------|----------------|---------------|
| 11. Pre-paid aircraft acquisitions | | | | |
| Acquisition value as of Jan 1st | 49,392 | 8,391 | 49,392 | 8,391 |
| Additions during the period | 71,347 | 41,001 | 71,347 | 41,001 |
| Acquisition value 31 December | 120,739 | 49,392 | 120,739 | 49,392 |
| Book value 31 December | 120,739 | 49,392 | 120,739 | 49,392 |

Prepaid aircraft acquisitions in the balance sheet for 2023, are for the purchase of two Airbus A320 aircraft, which will be delivered in 2027 and 2028, in addition to pre-payments for the helicopter simulator.

| | | | | |
|--|---------------|---------------|---------------|---------------|
| 12. Spare parts | | | | |
| Acquisition value as of Jan 1st | 3,354 | 3,354 | 3,354 | 3,354 |
| Additions during the period | 590 | 0 | 590 | 0 |
| Acquisition value 31 December | 3,944 | 3,354 | 3,944 | 3,354 |
| Amortisations as of Jan 1st | -2,295 | -2,095 | -2,295 | -2,095 |
| Amortisations during the period | -193 | -200 | -193 | -200 |
| Depreciations and impairments as of December 31st | -2,488 | -2,295 | -2,488 | -2,295 |
| Book value on December 31st | 1,456 | 1,059 | 1,456 | 1,059 |

| (DKK 1,000) | GROUP | | ATLANTIC AIRWAYS | |
|--|------------|------------|------------------|---------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
| 13. Investment in subsidiaries | | | | |
| Acquisition value as of Jan 1st | 0 | 0 | 25,000 | 26,500 |
| Additions during the period | 0 | 0 | 500 | 0 |
| Disposal during the period | 0 | 0 | 0 | -1,500 |
| Acquisition value 31 December | 0 | 0 | 25,500 | 25,000 |
| Revaluations as of Jan 1st | 0 | 0 | -82 | -1,556 |
| Adjustment of previous revaluations | 0 | 0 | 0 | -28 |
| Share of result before amortisations of goodwill | 0 | 0 | -4,322 | 1,502 |
| Revaluations 31 December | 0 | 0 | -4,404 | -82 |
| Book value 31 December | 0 | 0 | 21,096 | 24,918 |

Financials highlights of the subsidiaries according to the latest approved annual reports

| (DKK 1,000) | Equity portion | Equity | Result | Book value in Atlantic Airways P/F |
|---|----------------|---------------|---------------|------------------------------------|
| P/F Hotel Atlantic, Flogvøllurin, 380 Sørvágur | 100 % | 21,348 | -3,570 | 21,348 |
| P/F Ognarfelagið matr. nr. 406b, Flogvøllurin, 380 Sørvágur | 100 % | -252 | -752 | -252 |
| | | 21,096 | -4,322 | 21,096 |

| | GROUP | | ATLANTIC AIRWAYS | |
|--|---------------|---------------|------------------|---------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
| (DKK 1,000) | | | | |
| 14. Investment in associates | | | | |
| Acquisition value as of Jan 1st | 4,995 | 4,995 | 1,795 | 1,795 |
| Acquisition value 31 December | 4,995 | 4,995 | 1,795 | 1,795 |
| Revaluations as of Jan 1st | 13,263 | 6,587 | 10,267 | 6,504 |
| Share of result acc. to the latest financial statement | 12,498 | 11,676 | 10,205 | 8,763 |
| Dividends paid during the period | -8,000 | -5,000 | -8,000 | -5,000 |
| Revaluations as of December 31 | 17,761 | 13,263 | 12,472 | 10,267 |
| Revaluations as of December 31 | 22,756 | 18,258 | 14,267 | 12,062 |

Financials highlights of the associates according to the latest approved annual reports

| (DKK 1,000) | Equity portion | Equity | Result | Book value in Atlantic Airways P/F |
|---|----------------|---------------|---------------|------------------------------------|
| P/F Duty Free, Flogvöllurin, 380 Sörvágur | 50 % | 23,888 | 20,192 | 11,944 |
| P/F Greengate Incomming, Niels Winthersgøta 5, 100 Tórshavn | 49 % | 3,025 | 822 | 1,482 |
| P/F Gjáargarður, Dalavegur 20, 476 Gjógv | 30,5 % | 2,759 | -963 | 841 |
| | | 29,672 | 20,051 | 14,267 |

| | | | | |
|---|---------------|---------------|----------|----------|
| 15. Subordinated loan | | | | |
| Acquisition value as of Jan 1st | 12,800 | 12,800 | 0 | 0 |
| Acquisition value as of Jan 1st | 12,800 | 12,800 | 0 | 0 |
| Book value as at December 31 | 12,800 | 12,800 | 0 | 0 |
| The loan has no principal payments until 2035 | | | | |
| Comprised of: | | | | |
| Subordinated loan P/F Ognarfelagið matr.nr. 1332e | 12,800 | 12,800 | 0 | 0 |
| | 12,800 | 12,800 | 0 | 0 |

| | GROUP | | ATLANTIC AIRWAYS | |
|---|----------------|----------------|------------------|----------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2022 | 31/12 2022 |
| <i>(DKK 1,000)</i> | | | | |
| 16. Investment in other shares | | | | |
| Acquisition value as of Jan 1st | 1,213 | 1,213 | 1,213 | 1,213 |
| Disposal during the period | -213 | 0 | -213 | 0 |
| Acquisition 31 December | 1,000 | 1,213 | 1,000 | 1,213 |
| Acquisition value as of December | -1,000 | -1,000 | -1,000 | -1,000 |
| Revaluations 31 December | -1,000 | -1,000 | -1,000 | -1,000 |
| Book value 31 December | 0 | 213 | 0 | 213 |
| 17. Deferred income tax | | | | |
| Deferred income tax as of Jan 1st | 676 | 363 | 0 | 0 |
| Deferred income tax in the period | 1,287 | 313 | 0 | 0 |
| Deferred income tax booked directly to equity | 174 | 0 | 174 | 0 |
| | 2,137 | 676 | 174 | 0 |
| 18. Derivatives | | | | |
| Other derivatives | 2,434 | 2,427 | 2,254 | 2,388 |
| | 2,434 | 2,427 | 2,254 | 2,388 |
| 19. Share capital | | | | |
| Share capital as of Jan 1st | 104,500 | 104,500 | 104,500 | 104,500 |
| | 104,500 | 104,500 | 104,500 | 104,500 |

The share capital with the total of DKK 104,500,000 consists of one class of 1,045,000 shares with the same rights. Changes in share capital during the last five years:
2020: Increase of DKK 1,000,000.

| | GROUP | | ATLANTIC AIRWAYS | |
|---|---------------|---------------|------------------|---------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
| (DKK 1,000) | | | | |
| 20. Deferred income tax liabilities | | | | |
| Deferred income tax liabilities as of Jan 1st | 28,000 | 22,737 | 28,000 | 22,737 |
| Deferred income tax in the period | 4,849 | 4,608 | 4,849 | 4,608 |
| Income tax recognized in equity | 0 | 655 | 0 | 655 |
| | 32,849 | 28,000 | 32,849 | 28,000 |

| 21. Long-term debt | Liability Total 31/12 2023 | Short term debt | Long-term debt 31/12 2023 | Due for payment after 5 year |
|-------------------------|----------------------------------|--------------------|---------------------------------|------------------------------------|
| | GROUP | | | |
| Mortgage loans | 245,718 | 28,055 | 217,663 | 111,860 |
| | 245,718 | 28,055 | 217,663 | 111,860 |
| ATLANTIC AIRWAYS | | | | |
| Mortgage loans | 224,367 | 23,096 | 201,271 | 110,896 |
| | 224,367 | 23,096 | 201,271 | 110,896 |

| | GROUP | | ATLANTIC AIRWAYS | |
|--|--------------|--------------|------------------|--------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2022 | 31/12 2022 |
| (DKK 1,000) | | | | |
| 22. Derivative financial instruments, liabilities | | | | |
| Jet fuel swap transactions | 3,492 | 5,817 | 3,492 | 5,817 |
| | 3,492 | 5,817 | 3,492 | 5,817 |

| | GROUP | | ATLANTIC AIRWAYS | |
|----------------------------------|---------------|---------------|------------------|---------------|
| | 31/12 2023 | 31/12 2022 | 31/12 2023 | 31/12 2022 |
| (DKK 1,000) | | | | |
| 23. Company tax | | | | |
| Calculated tax during the period | 0 | 173 | 0 | 0 |
| Calculated tax last year | 0 | -173 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| 24. Prepayments | | | | |
| Prepayments, ticket fares | 60,130 | 62,379 | 60,130 | 62,379 |
| | 60,130 | 62,379 | 60,130 | 62,379 |

25. Mortgaging and contingent liabilities etc**ATLANTIC AIRWAYS**

Fixed-wing Aircraft and helicopters with a book value as at 31 of December 2022 of DKK 266 million are mortgaged for DKK 507 million.

As a lessee, the Company has in place three operating leases. Those are for two 2 A320 NEO aircraft and one A320.

The leasing obligations are:

In the year 2024: DKK 62.4 million.

After 5 years: 0 million

The company guarantees for mortgages for associated company for keep their operations going for 6 years from 1 January 2021.

The company has provided guarantees for DKK 2.1 million.

Of cash at hand DKK 2,5 million is guaranteed

The company has rented administration facilities from Vagar Airport in the new Terminal building. The yearly payment is 0.8 million.

The company has made an agreement with the Airbus factory concerning the purchase of two A320 neo aircraft. The first will arrive in 2027 and the second in 2028.

The airline has entered into an agreement to purchase a helicopter simulator and an Airbus simulator.

The company is the parent company in joint-taxation and is responsible for tax demands and interest in the jointly-taxed companies.

GROUP

P/F Hotel Atlantic has a rental agreement with Ognarfelagið matr. nr. 1332e, regarding a building in Torshavn. The rental agreement can be terminated by written notice with a time limit for 24 months, but not before 20 years after, the rental agreement takes place, expected in 2020.

As guarantee for debt to credit institutions, P/F Hotel Atlantic has given a DKK 30 million guarantee, in addition to goods and service assets, inventory, operating inventory and machinery and permits for an accounting value of DKK 35,504 thousand at 31 December 2023.

| (DKK 1,000) | GROUP | |
|---|---------------|---------------|
| | 2023 | 2022 |
| 26. Adjustments | | |
| Depreciation, amortisation and write-down of tangible and intangible assets | 41,036 | 52,066 |
| Income from equity investment in associate | -12,103 | -11,676 |
| Dividend from associate | 8,000 | 5,000 |
| Tax on ordinary results | 4,141 | 4,280 |
| | 41,074 | 49,670 |
| 27. Tax on ordinary results | | |
| Tax on ordinary results | 143 | -511 |
| Change in debtors | -7,853 | -9,104 |
| Change in trade creditors and other liabilities | 26,167 | 29,589 |
| Other changes in ordinary result | 389 | 0 |
| | 18.846 | 19.974 |

