

air greenland 



ANNUAL
REPORT 2010

FINANCIAL HIGHLIGHTS (million DKK)

	2006	2007	2008	2009	2010
Operating	1,011.7	1,074.7	1,152.1	1,112.9	1,134.5
Primary operating income	94.8	70.7	74.6	50.0	60.2
Income before taxes	90.8	73.2	83.1	52.8	62.5
Profit/loss for the year	75.0	49.3	56.7	36.8	41.1
Assets	566.8	554.8	568.2	611.7	538.2
Equity	408.9	458.2	514.9	551.7	592.7
Equity and reserves	865.0	972.9	1,011.3	1,043.7	1,071.0
Investments in fixed assets	108.8	83.4	115.6	147.9	131.8
Number of employees (December 31th)	613	620	669	668	643
Net profit ratio	9.4%	6.6%	6.5%	4.4%	5.3%
Rate of invested	11.0%	7.3%	7.4%	4.8%	5.6%
Return of invested	20.2%	11.4%	11.6%	6.9%	7.2%
Solvency ratio	47.3%	47.1%	50.9%	52.9%	55.3%

STATISTICS

	Unit	2006	2007	2008	2009	2010
Length of the scheduled service network	Km	13,527	17,922	14,235	14,235	16,400
Number of towns served	Towns	22	22	21	21	21
Kilometres flown, scheduled	1000	4,806	5,247	5,195	4,972	5,073
Airborn hours, total	Hours	21,084	23,136	24,056	22,583	22,453
Airborn hours, scheduled	Hours	10,877	11,738	11,696	11,076	11,276
Available tonne-kilometre, scheduled	1000	77,993	86,322	82,185	74,539	78,584
Revenue tonne-kilometre, scheduled	1000	49,485	51,301	53,542	49,934	48,843
Total load factor, scheduled	Percent	63.4%	59.4%	65.1%	67.0%	62.2%
Number of passenges carried	1000	372	403	421	399	393
Available seat-kilometre, scheduled	1000	573,325	641,339	604,333	578,207	585,143
Revenue seat-kilometre, scheduled	1000	441,422	468,752	485,351	458,534	450,883
Cabin factor, scheduled	Percent	77.0%	73.1%	80.3%	79.3%	77.1%
Average length og passenger flight	Km	1,188	1,162	1,154	1,149	1,147

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The Board of Directors and Management

BOARD OF DIRECTORS



Julia Pars
Chairman of the board, director
Katuaq Cultural Centre
(Government of Greenland)



Lars Tybjerg
Former director
Ministry of Economic &
Business Affairs
(Danish State)



Mads Kofod
Director
Campus Bornholm
(Danish State)



Lars Lindgren
SAS
(SAS)



Benny Zakrisson
Vice President
SAS
(SAS)



Bjarne Eklund
Director
Eklund Consult
(Government of Greenland)



Claus Motzfeldt
Flight Technician
Air Greenland Inc.
(Employee Representative)



Niels C. Frederiksen
Dep. Manager, Charter
Air Greenland Inc.
(Employee Representative)



Elisabeth Fisker
Station Manager
Air Greenland Inc.
(Employee Representative)



MANAGEMENT

Michael Binzer
Chief Executive Officer
(Air Greenland)



Endorsement

We have this day presented the annual report and statement of accounts for January 1st – December 31st 2010 for Air Greenland Inc.

The annual report and statement of accounts have been prepared in accordance with The Danish Company Accounts Act. We deem the accounting principles employed to be appropriate, accurately reflecting the concern and the parent company's assets and liabilities, financial situation, result and cash flow.

The annual report and accounts are recommended for adoption by the general meeting.

Nuuk, 10. March 2011

MANAGEMENT

Michael Binzer
Chief Executive Officer

BOARD OF DIRECTORS

Julia Pars
Chairman of the board

Lars Lindgren

Claus Motzfeldt

Lars Tybjerg

Benny Zakrisson

Niels C. Frederiksen

Mads Kofod

Bjarne Eklund

Elisabeth Fisker

The Independent Auditor's Endorsement

To the shareholders of Air Greenland Inc.

We have audited the annual report of Air Greenland Inc. for the financial year January 1st – December 31st 2010 consisting of management review, management report, profit and loss statement, balance sheet, statement of changes in equity, cash flow analysis and notes for both the group and the parent company.

The annual report and statement of accounts have been prepared in accordance with The Danish Company Accounts Act.

Management's responsibility for the annual report

It is the responsibility of the management to prepare and present an annual report that provides a fair representation that is consistent with legal requirements. This responsibility includes the design, implementation and maintenance of internal controls that are relevant for preparing and presenting an annual report that provides a fair representation without significant incorrect information, regardless of whether the incorrect information derives from fraud or error, and selection and utilization of proper accounting practices and execution of accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and the audit

It is our responsibility to express an opinion on the annual report based on our audit. We have conducted our audit in accordance with Danish audit standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement.

An audit includes examinations to acquire evidence to support the amounts and disclosures in the annual report. The examinations chosen are dependent on the auditor's evaluation, including evaluation of the risk of misstatement, regardless of whether the misstatement is the result of fraudulent intention or not. An audit also includes risk assessment, where the auditor considers the internal controls relevant for the company's preparation and presentation of a financial report that provides a fair presentation with an end to developing auditing procedures that are suitable in the circumstances, but not with the purpose of expressing an opinion about the efficiency of the company's internal controls. An audit includes in addition an evaluation of the suitability of the accounting policies used by the management and the significant estimates made by the management as well as an evaluation of the overall presentation of the annual report.

We believe we have acquired suitable and sufficient evidence on which to base our opinion.

Our audit has not resulted in any qualification.

Conclusion

We deem the accounting principles employed to be appropriate, accurately reflecting the concern and the assets and liabilities, financial situation and result at December 31st 2010. In our opinion, the financial statements give a true and fair view of the company's activities and cash flow for the year 2010 in accordance with the accounting provisions laid out in the legislation.

Nuuk, March 10th 2011

Deloitte

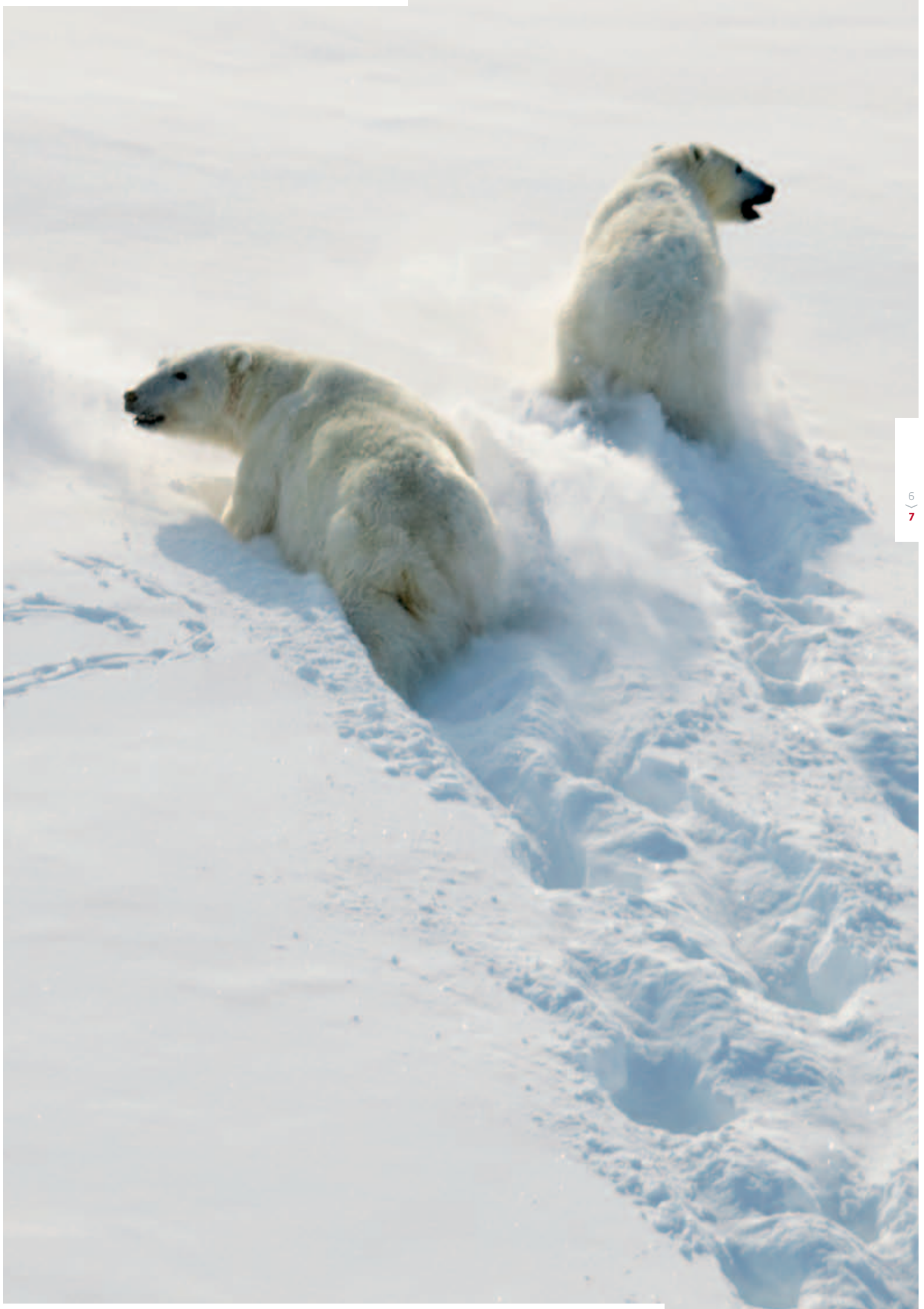
State Authorized Public Accountants

Per Jansen

State Authorized Public Accountant

Ole Sonntag

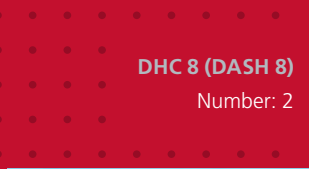
State Authorized Public Accountant



The Fleet



Airbus 330-200
Number: 1



DHC 8 (DASH 8)
Number: 2



DHC 7 (DASH 7)
Number: 6



Beech Super King Air B200
Number: 1



Sikorsky S-61N
Number: 2



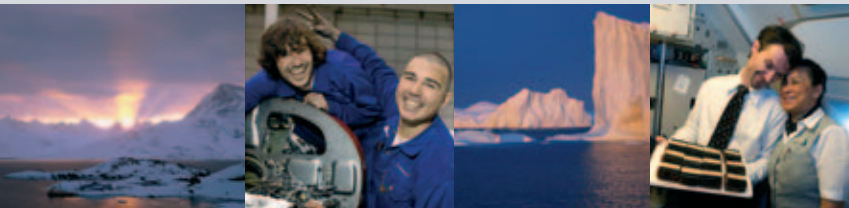
Bell 212
Number: 8



AS 350 B2/B3 Ecureuil
Number: 10



Management Report



Air Greenland and society

2010 was both a good and a challenging year for the Air Greenland group. The number of passengers on scheduled routes was on a level with expectations for the year, with a slightly negative tendency measured in passengers, which was balanced by a higher, average ticket price. For charter business, it was a year with high activity in mineral exploration, including sub-contracting for Cairn Energy. There is a completely new, budding offshore field of business for which Air Greenland has high expectations in the long term.

It was also a landmark year in the history of Air Greenland, where the company celebrated its 50th anniversary and carried out extensive replacements in the fleet. Specifically, the company phased out three types of aircraft (B757, B222 and DHC-6) as well as a partial type (AS350 B3-), which will result in considerable savings on type checks, maintenance, procurement of spare parts, maintenance of manuals as well as staffing and simulator time for pilots. At the same time, Air Greenland has phased in a new aircraft type, the DHC 8/200 in the form of two aircraft with identical configurations. At the beginning of 2011, Air Greenland purchased another one which is being re-configured at the moment, so that it matches the other DHC 8/200s. These steps are a direct consequence of the company's five year strategic plan, Qarsoq 2012, which is aimed at minimising the number of aircraft and helicopters in order to reduce costs.

Status of the strategic plan, Qarsoq 2012

Air Greenland's strategic plan Qarsoq 2012 is under constant revision and it is adjusted to handle the new challenges the company meets within all four areas of business: CAO (commercial airline operations), CPO (charter), SCO (service contracts) and OBA (other business areas). The basic elements in Qarsoq 2012 remain unchanged, since the main purpose still is to move on from being a "protected monopoly" to being an "investment-ready, competitive and commercially-oriented airline". This transformation will take place through replacement of the company's aircraft and helicopter fleet, investments in a new IT infrastructure and, not least, development of competences of the company's most important resource: its employees.

In Figure 1 there is an overview of projects that were completed in 2010 and this gives an indication of the company's priorities.

Compared to the targets set out in Qarsoq 2012, the company is well on the way to realising its goals. The work with developing the company and the work with the next strategy period will therefore start at the beginning of 2011, so there is a natural bridge between Qarsoq 2012 and the coming strategy period.

RESULTS FOR 2010

- Two DHC 8s implemented in record time
- Opening of new route to Iceland: passenger success but a challenge with regard to prices
- B757, B222 and DHC 6 out of the fleet = fewer types of aircraft/less complexity
- Decision to replace two of the AS350 B3s – with two AS350 B3+ (one type less)
- New timetable – not so popular with customers; will be changed again from March 2011
- New price system with dynamic prices
- Sub-contractor to Cairn Energy through Cougar Helicopters – new field of business
- Implementation of a new financial system, AX 2009
- Preparation for Business Intelligence
- Take-over of IT operations in Greenland Travel
- Adoption of UN's Global Compact and preparation of a strategy for corporate social responsibility
- Employee satisfaction survey (MTU)
- Streamlining the data handling in charter
- Cargo system RRS Cargo upgrade to new platform
- Establishment of back-up server room with mirror of the server park

Figure 1

The Transport Commission and the infrastructure

Air Greenland has made an active contribution with input and data concerning traffic to the Transport Commission which is expected to bring its report in the spring of 2011. For several years now Air Greenland has called for a long-term plan for expansion and adaptation of the infrastructure in Greenland, because such a plan would give the company an opportunity to undertake the necessary investments in new aircraft and helicopters. Air Greenland is therefore looking forward to concrete political decisions concerning the future of Greenland's infrastructure. Let there be no doubt that Air Greenland also wants to contribute in the future to a well-functioning infrastructure that can be regularly modified to suit the settlement pattern and the requirements of Greenlandic society. Air Greenland's ownership of Arctic Umiaq Line will be taken up to revision in connection with the Transport Commission's recommendations. Air Greenland is still of the opinion that it is not appropriate with a competing, subsidised transport system along Greenland's west coast, when the coastal services provided by aircraft are able to absorb the passenger quantities in question.

Investment plans

Based on a commercial evaluation of the company's future investment needs, an ambitious list has been prepared of the investments that will be evaluated economically in 2011. The total sum for investments in 2012-2017 is estimated to exceed one billion DKK. A review of the company's capital structure will help to provide clarity over how these investments can be financed. The concrete elements in Air Greenland's investment overview consist primarily of investments in new aircraft, helicopters and hangars plus replacement of IT systems. In 2011 Air Greenland expects to make a decision concerning replacing or investing in an Airbus 330 when the company's present lease on the A330 expires at the end of 2012.

In the present circumstances, it is Air Greenland's intention to keep phasing in DHC 8/200s in step with phasing out the company's aging fleet of DHC 7s. This will occur at a ratio of 1:1, so that new DHC 8s replace DHC 7s. The company expects to keep only a couple of DHC 7s with cargo doors, provided it is considered to be commercially profitable, in order to maintain the option in connection with charter offers to the mineral sector and for combination flights with passengers, cargo and mail to a series of the smaller airports. It is here that the DHC 8 has significant payload limitations - capacity that can be sold, when weather and runway conditions, etc. are taken into account.

Offshore

2010 was the year when the offshore industry returned to Greenland. The Scottish oil company, Cairn Energy, came to Greenland to carry out test drilling. Three out of four planned holes were drilled west of Disko Island. The results from some of the holes had a positive outcome and this could indicate deposits of hitherto unknown amounts of oil. Both Air Greenland and Greenlandic society have great interest in the development of this industry which could generate new sources of income and, even more important, build competences and create new workplaces in Greenland.

The Air Greenland Group was a sub-contractor to the oil company and its Canadian partner, Cougar Helicopters. In addition to the focus on earnings, this has ensured an accumulation of competences. Four of the company's pilots have been trained for offshore flying and flew actively on the offshore program during the entire drilling season. The group's services included a dedicated DHC 7, handling, rent of office space, modification of helicopter operations to Arctic conditions, assistance with authority approval, coordination assistance and hotel accommodation as well as a long series of smaller jobs that enabled completion of the operation.

Air Greenland intends to take an active part in offshore projects again in 2011 and will continue to participate in the debate about safeguarding Greenlandic jobs within the industry. It is vital for the development of the country that the opportunities offered by a new industry are actively nurtured and rendered visible. Not least in the SAR area (Search & Rescue) there is a need to upgrade the new preparedness and the offshore program has helped to illustrate this. The general level of competence in Greenland must also be raised so that the industry can be sure of acquiring local, qualified labour and a long term, sustainable development can be initiated, based on the oil and mineral industries, among others.

It is the company's dedicated goal for the future to be able to provide more of the services which Air Greenland cannot provide today, especially with regard to helicopters. This presupposes both new investments and relevant partnerships. Air Greenland's strategy for the future includes offshore as a natural area of business. This area is expected to hold considerable potential earnings for Air Greenland which could counteract falling earnings on the commercial route net.



Air Greenland's stakeholders

Air Greenland often thinks about its relationship with its stakeholders. During 2010 the company increased its efforts with regard to keeping the major stakeholders informed. Among the stakeholders Air Greenland has elected to hold dialogue meetings are the financial and infrastructure commission, members of Inatsisartut, the health authorities, the police and major business customers.

With regard to the government of Greenland, meetings are held on a regular basis, both with the Minister for Traffic, the Traffic Department and the Ministry for Housing, Infrastructure and Traffic. In addition, there are regular management meetings between Air Greenland and the Airport Authorities (Mittarfeqarfiit) regarding operations and future initiatives.

Subsidiaries

Group synergy is a key word with regards to the investments Air Greenland has in the group's subsidiaries. They must all be thought of as long term, strategic investments aimed at growing the number of passengers on the scheduled, commercial routes. This is the case, whether it is Hotel Arctic, Greenland Travel, World of Greenland or World of Greenland Arctic Circle. The complete tourist or conference product, including the experience and the ticket sale, the hotel accommodation, the conference and the flight, are all one, cohesive chain of value, where the customer's satisfaction is to a high degree dependent upon a close integration of the different elements. Therefore, in 2010 the Air Greenland Group developed a series of group products, where the value chain is to a high degree integrated in the different links of the product. This concerns e.g. conference products to Greenland, where both the group and the surrounding community benefits when international meetings are held in Greenland in a five-star conference centre at Hotel Arctic.

FOCUS AREAS 2011

- Continual adjustment of Air Greenland's commercial route network
- Increased focus on sales to markets abroad
- Charter of the Airbus
- Extra production for the DHC 8
- Better exploitation of personnel resources
- Management of regularity
- More and better communication in connection with irregularity, including PASNGR-system with e-mail and text-message services to affected passengers
- Fleet strategy – decision concerning the replacement for the A330, phasing in the third DHC 8
- Implementation of the Business Intelligence solution
- Taking over the IT and financial management system for AX 2009 for Hotel Arctic
- Implementation of the Prophix reporting and budget system
- The settlement system with the Airport Authorities (Mittarfeqarfiit) is to be scrutinized
- Development of talent
- Registration system for sick leave / absence
- Offshore preparations
- SAR-preparedness (efforts to establish the basis for investment in a new, bigger helicopter to replace the S-61 from 2012)
- Social responsibility

Figure 2

Economic Development

The group made a profit before tax of DKK 62.5 million and DKK 41.1 million after tax. Compared to 2009, profits were DKK 9.7 million and DKK 4.3 million higher.

The profit for the year was satisfactory and overall met the expectations for the year. Especially phasing in the two DHC 8s went better than expected. On the other hand, the total market fell more than expected.

The parent company

Profits for 2010 before income from capital investments in subsidiary and associated companies and tax were at the same level as in 2009.

The parent company's turnover of DKK 1,063.5 million was DKK 0.2 million lower compared to 2009. Selling the sales offices to Greenland Travel had a negative effect on turnover, but this was counterbalanced by increased charter sales in Greenland due to higher activity in connection with oil and mineral exploration. Passenger, cargo and mail revenue is overall on a level with previous years which, seen in light of the increasing competition, is satisfactory.

Compared to previous years, there was a negative effect on total costs caused by the Icelandic ash cloud, as well as by the on-going replacements in the fleet. In 2010 the company's Boeing 757 was put up for sale and several buyers showed interest. The sale was therefore initiated sooner than expected, but due to solvency issues with the buyer, the deal was cancelled at a late stage of the proceedings. There is still some interest in the aircraft and it is expected to be sold in 2011.

The total wage costs have fallen by DKK 18.5 million as a result of selling the sales offices to Greenland Travel, initiation of phasing out the Boeing 757, a round of layoffs in 2009, where wages for employees on garden leave were accrued in 2009, and not least a general attempt to keep wages stable, and this procedure is maintained in 2011.

Subsidiaries

On January 1st, 2010 Greenland Travel took over Air Greenland Travel's three offices in Greenland and these were integrated as a part of Greenland Travel. The three branches focus on sales to private travellers and business customers on the Greenlandic market.

Turnover in the branch in Copenhagen attained the same level as in 2009. Sales of MICE products have increased, the level of sales of tourist trips to Greenland was unchanged and there was a slight fall in sales to business customers and direct ticket sales.

In 2010 Greenland Travel initiated specific products to ensure optimisation of the administrative and sales processes in order to create a greater profitability in Greenland Travel. Looking to the future, Greenland Travel will focus on online sales to the leisure segment and especially to the business segment.

These years, there is a break in the traditional sales pattern regarding to private customers and public business customers and especially in Greenland, more and more customers want the opportunity to use on-line services.

The two World of Greenland (WOG) companies which Greenland Travel is joint-owner of, both had a really good year - World of Greenland Arctic Circle in Kangerlussuaq and Sisimiut succeeded in turning two years negative earnings to a good profit in 2010.

The total profits of DKK 4.2 million before tax were satisfactory.

The fall which Hotel Arctic experienced in 2009 in overnight accommodation in the tourist, transit and business segments was turned in 2010 into a considerable success due to activities associated with oil exploration. The segment for courses and conferences experienced fewer accommodation days, although the level of activity regarding arrangements was on a par 2009.

The percentage of guests resident in Greenland was 49% (2009: 55%), in Denmark 23% (2009: 24%), in other European countries 12% (2009: 13%) and from the rest of the world 16% (2009: 8%).

Because of its high standard, its location and its fine service the hotel has managed to position itself as one of Greenland's leading hotels. The hotel's standard and level of service are fully competitive on an international level.

In addition, investments were made in 2010 in initiatives to protect the environment which should also result in reduced running costs in the future. The overall profit for 2010 of DKK 1.6 million before tax was satisfactory.

Associated companies

Ownership of Arctic Umiaq Line A/S is shared equally with Royal Arctic Line A/S and the company's loss for 2010 before tax and deficit guarantee was DKK -3.3 million. The deficit was covered by the Government of Greenland, bringing the profit/loss to DKK 0.

Rederifvilkingselskabet af 1. april 2006 A/S has provided a deficit guarantee for the years 2007, 2008 and 2009 covering a total of DKK 15.0 million, with a maximum of DKK 5.0 million annually, against Arctic Umiaq Line A/S' guarantee to operate commercial passenger shipping on the coast during these years. Royal Arctic Line A/S and Air Greenland estimate that it is not possible to operate coastal passenger shipping on a commercial basis without subsidies. Divestment of Arctic Umiaq Line A/S will therefore be initiated in 2010 if the Government of Greenland does not provide a deficit guarantee for 2010 and 2011 for DKK 6.8 million and 12 million.

Financing and liquidity

Liquidity in the parent company has been reduced by DKK 16.8 million and the operating income in 2010 contributed with DKK 120.1 million. This liquidity has been used to invest in fixed assets for the net sum of DKK 95.3 million and repayments on loans of DKK 41.7 million. The on-going sale of the company's Boeing 757 and other aircraft has, in accordance with Note 11 regarding stock, tied up DKK 75.8 million of the company's liquidity.



Report Regarding the Company's Corporate, Social Responsibility

Businesses can't succeed in societies that fail

(World Business Council for Sustainable Development)

It is essential for Air Greenland that Greenland develops in a positive direction, both socially and economically. This is why Corporate Social Responsibility (CSR) is an obvious focus area for the group. It is very important for the company that work with Corporate Social Responsibility has a commercial effect for Air Greenland.

- Air Greenland will be a responsive company in constant dialogue with its stakeholders.
- Air Greenland will, through its work with corporate social responsibility, improve the company's image amongst its stakeholders.
- Air Greenland will incorporate social and environmental considerations into its business decisions.
- Air Greenland will be a pioneer among companies in Greenland in the field of corporate social responsibility and help to lift other companies and players in this area.
- Air Greenland is working towards compliance with the ten principles of the UN's Global Compact regarding human rights, employee rights, the environment and anti-corruption. The company adopted these principles in September 2010. Find more information about them on www.unglobalcompact.org.

Implementation of the Corporate Social Responsibility policy

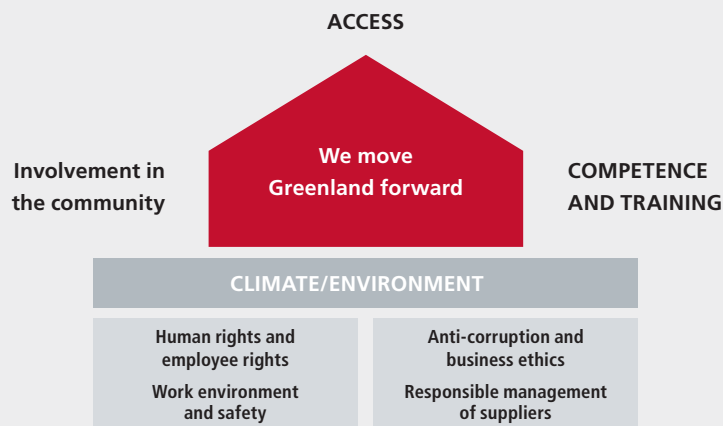
Air Greenland carried out a survey in 2010, in preparation for the development of a strategy and policy for Corporate Social Responsibility:

- Gap analysis, where the company's work, policies, processes, business practices and strategy are held up against UN's ten Global Compact principles.
- A risk assessment of what Air Greenland needs to be aware of, in connection with CSR. It was interesting to discover that the most important risks were increased demands from international customers in the mineral resource sector, increased demands for reduction of CO₂ emissions, recruiting and holding on to talent.

- Carrying out an analysis of external stakeholders with qualitative interviews of agents, authorities, media, NGO's and others with a focus on the stakeholders' demands and expectations to Air Greenland. The most important conclusion from the stakeholder dialogue was that Air Greenland needs to work on ensuring access to transportation – and a big communication task lies ahead with regard to conveying the background for our price levels.
- An in-house, interview-based employee survey. The interviews with the employees indicated, among other things, the importance of Air Greenland's work in the local community – and that it is important for the employees, that the company takes part in social and charitable projects.
- A comparative investigation (peer review) of both Greenlandic businesses and international airlines. The peer review showed that Air Greenland is at the forefront of development in Greenland, but also that there is a need to work with the climate and the environment in order to live up to standards in other international airlines.
- Charting the existing activities in the group with regard to social, environmental and ethical areas. A series of initiatives regarding corporate social responsibility were collected and systematized. The charting provided a good overview of the long series of initiatives Air Greenland has already taken regarding corporate social responsibility, not least in the social area.

On the basis of Air Greenland's business strategy, Qarsoq 2012, the Corporate Social Responsibility survey and the preliminary work in connection with Global Compact, Air Greenland has prepared its Corporate Social Responsibility policy which can be found on the homepage www.airgreenland.com/csr. To ensure implementation of the policy, a Corporate Social Responsibility strategy has been prepared with associated implementation and handling plans. Both the strategy and the policy will apply to most of the group.

The analysis work has identified eight areas where a response from Air Greenland would be particularly relevant. They are based on areas which are most important, partly for the major stakeholders and partly for the company's business success.



The strategic focus of Air Greenland's social responsibility strategy

The eight areas of focus have been prioritized, so that there are three primary areas where Air Greenland communicates actively and also has a series of activities and initiatives. Furthermore, the environment and climate are focus areas that require a special effort.

Access and availability

Access is about ensuring that stakeholders experience Air Greenland as a fair company that carries out an important, social task in a proper manner. This means that Air Greenland must be open and transparent with regard to the stakeholders and be willing to enter into a dialogue with the stakeholders – even those who are critical. Access is closely connected with Air Greenland's target to be a responsive company.

One of the areas where Air Greenland has had a particular need for dialogue with stakeholders is with regard to the prices of flights in Greenland. A critical Facebook group resulted in considerable publicity and Air Greenland elected to take up a dialogue with the critical stakeholders, both via Facebook and through an evening arrangement in the company where members of the group had the opportunity to meet the CEO. Air Greenland's communication department takes an active part in various debates both in the printed and in the online media when there are topics that are directly linked to the company. The department's focus is always on facts and the contributions are concrete information and often corrections of misunderstandings or mistakes.

In 2010 Air Greenland also prepared an annual cycle for stakeholders for the company which will ensure a dialogue with the stakeholders. The idea with the annual cycle is to ensure the stakeholders are heard on a regular and systematic basis. The outcome of the dialogue will be measured through evaluation forms from the participants.

In 2011, Air Greenland will work to:

- develop stakeholder dialogue based on the annual cycle principle
- be pro-active in the dialogue with all stakeholders, including communicating actively regarding the price structure and terms of business for the company

Involvement in the local community

Involvement in the local community means that Air Greenland helps to support development, both in Greenlandic society and locally where the company operates, by being engaged and actively contributing to social tasks in cooperation with relevant stakeholders (authorities, civil society, etc.).

Special initiatives in 2010 included the country-wide fundraising campaign for Nanu Children, a charity in Greenland, where Air Greenland provided a hangar for a gala show in Nuuk and also supplied volunteers. Another initiative in 2010 concerned considerable involvement in "Make May Healthy" in Nuuk. Here, employees from Air Greenland were given the opportunity to do voluntary work during working hours, e.g. arranging a school race.

In 2010 Air Greenland focused on systematising and rendering visible the company's activities with social involvement. Cooperation with a thesis student led to uncovering the possibility of entering into strategic partnerships with voluntary organizations. Furthermore, Air Greenland held a series of meetings with relevant voluntary organizations with a view to finding an appropriate partner.

Finally, Air Greenland sponsored a wide range of organisations such as the Sports Confederation of Greenland, Elite Sport Greenland, the culture centres of Katuaq, Taseralik and Sermermiut, Nanu Children and Atlantic Music. In general, priority is given to sponsorships with objectives involving children and young people, sports and culture.

In 2011, Air Greenland will work with:

- Further organisation of the involvement in the local community
- Active involvement of employees in this work
- Ensuring greater visibility of Air Greenland's involvement, not least to the employees

Training and development of competences

Development of competences is a central focus area for Air Greenland. A new initiative in 2010 involved measuring our contribution to the development of the competences of each employee. The result was DKK 13,029 per employee. This figure covers both mandatory and non-mandatory development of competences.

All the customer services personnel (frontline), personnel from administration and Mittarfeqarfi-it's frontline personnel have undergone a two-day service course. Nine trained members of staff selected in-house undertook the teaching of the 400 participants at the end of 2009 and throughout 2010. The concept has subsequently been integrated in the introduction days for new employees. All members of management underwent a line communication course in 2010. The course was held by in-house trained instructors and spanned two days. The in-house instructors function in the future as sparring-partners and provide assistance in special communication tasks.

HR FACTS

(for Air Greenland)

Employee turnover in 2010 was 17 %

On December 31st, 2010 there were 571 employees (incl. 29 trainees)

In 2010 the following qualified:

1 flight mechanic

1 auto mechanic

4 traffic trainees

1 MCC buyer

1 canteen assistant

1 terminal assistant

1 NI-2 student

Figure 6

Nine employees from all levels have undergone project management training with subsequent certification (IPMA level D). Thus the company's in-house resources are able to operate inter-disciplinary projects have increased significantly.

In 2010, a university student who was writing a thesis on communication spent a six-month internship at Air Greenland. Four employees are taking the second part of a diploma course in business administration and more are ready to step in, if new courses start up.

The focus again in 2010 was on job-satisfaction and employee health. The various arrangements with fruit in the workplace, fitness centres, ski-lift, swimming baths and local initiatives along the coast were supplemented with a special arrangement for employees in Copenhagen. The first, introductory lectures were held in connection with a project concerning lifestyle changes for employees.

In 2011 Air Greenland will work with:

- Continued focus on development of competences, including development of talent
- Special focus on improving the evaluation from the employee job satisfaction survey concerning professional and personal development from 64 points to 70 points
- Registration and handling of sick leave for the company in general.

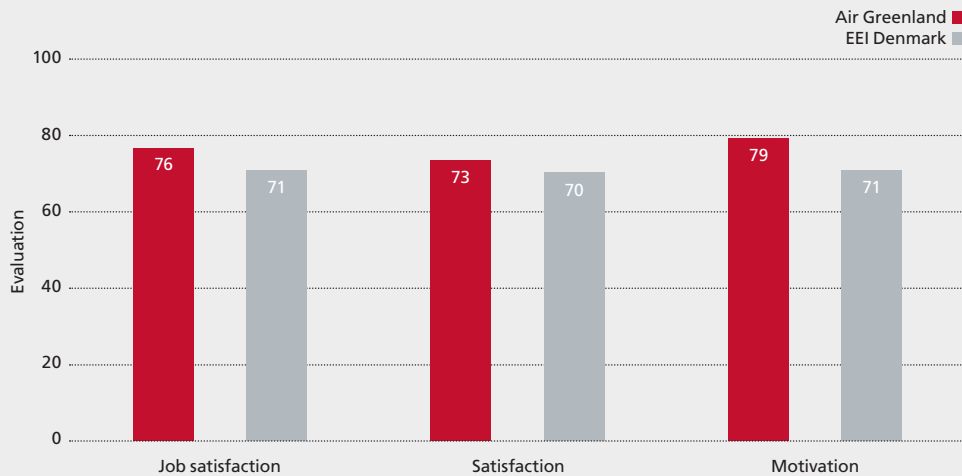


Figure 3

Job satisfaction

A strategic project was carried out in 2010 consisting of a major job satisfaction survey (MTU), where more than 80 per cent of the employees responded. The results of the survey were positive.

The overall result was a job satisfaction score of 76, compared to EEI Denmark (average for Danish companies) of 71, see Figure 3.

The distribution of employee groups also gave a fine result compared to the Danish average. Air Greenland has a high proportion of enthusiasts and core employees and very few in the category “on-the-way-out employees”, see Figure 4:

The evaluation of managers in the company shows that last year’s strategic project concerning leadership development has paid off, see Figure 5.

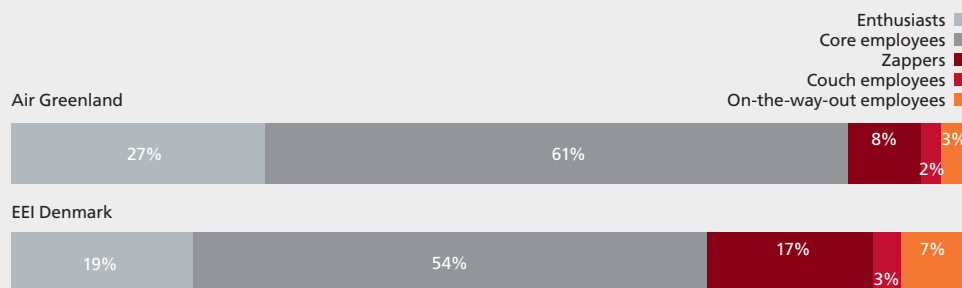


Figure 4

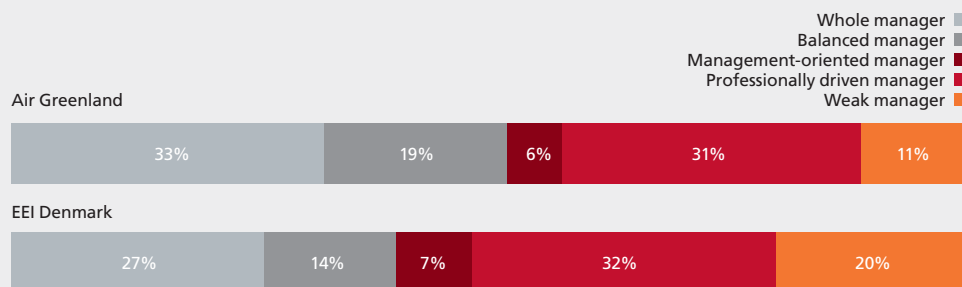


Figure 5

In a follow up to the MTU, all the managers were brought together for a two-day seminar, where consultants went through the results for the managers, the individual fields were interpreted and suggestions were prepared for plans of action.

All the managers were then given the task of preparing plans of action for their fields with the aim of achieving next year's target – an increase in job satisfaction of four points up to 80 points.

Compliance with the rules

With regard to human rights and employee rights, the work environment and safety, Air Greenland's approach is that legislation already ensures very high standards in Greenland and there are also very high branch standards. The aim is, therefore, that these laws, regulations and standards are complied with and followed, as a minimum.

Air Greenland works with topics such as corruption, business ethics and responsible management of suppliers from a risk perspective – how much can it harm the company, if we do not live up to these principles? The focus in 2010 was on uncovering these risks.

Expected benefits from work with corporate social responsibility

Air Greenland's approach to work with corporate social responsibility is, as we mentioned, commercial and there is a close connection between the company's business strategy and its strategy for social responsibility.

The following benefits are expected from the work with corporate social responsibility:

- Better image, reputation and creation of loyalty in Greenland
- Stronger base for recruitment in the local community
- Retaining employees
- Motivation and commitment of the employees
- Savings in relation to reduction of resource consumption

CSR Greenland

In 2010 Air Greenland helped to establish and develop CSR Greenland, which is an organisation of Greenlandic businesses that work with corporate social responsibility. For Air Greenland it means being part of forming the development of CSR in Greenland and creating positive change.

CSR Greenland works with four core areas:

- to raise the level of competence in Greenland regarding social responsibility through, e.g. courses, conferences and business networks.
- to draw attention to social responsibility in Greenland through media and arrangements
- to work on concrete projects regarding social responsibility together with other businesses
- to develop a reporting module for reports regarding social responsibility

CSR Greenland was launched in October 2010.



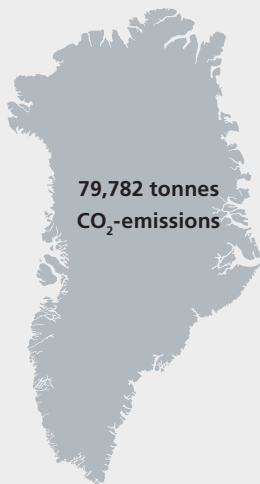
Climate and environment

For Air Greenland, climate and environment are first and foremost about reducing Air Greenland's CO₂ emissions from aircraft operations (CO₂ carbon footprint), measured per available seat kilometre (ASK). Aircraft operations are the major cause of the company's impact on the environment. In addition, environmental efforts have been focused on reducing resource consumption (electricity, water, heating, paper etc.) in the office facilities and in the company's housing and reducing the impact on the environment with regard to e.g. waste.

In 2010 Air Greenland calculated the group's CO₂ emissions as a total footprint. Emissions from aircraft constituted 97 per cent of the total CO₂ emissions, causing by far the most significant impact. In 2010 Air Greenland helped to reduce the company's emissions by replacing two DHC 7 aircraft with the newer DHC 8 model, which uses less fuel and therefore emits less CO₂. Overall, Air Greenland's options for reducing CO₂ emissions are closely connected to the company's strategy for the fleet.

Hotel Arctic worked in 2010 on reducing its energy consumption and compared to 2009 it achieved a reduction in its energy consumption alone for hotel and housing of 25 per cent.

2010:



In 2011 Air Greenland is going to work on:

- Charting the company's impact on the environment to a broader extent than CO₂
- Preparing a strategy for the environment and the climate
- Involving the employees in work with the environment and the climate through campaigns and competitions.

Human rights and employee rights

Air Greenland lives up to all the major areas within human rights and employee rights as defined in the UN's Global Compact principles. Relevant topics were dealt with in 2010. They included possible discriminatory treatment between locally rooted employees and employees from outside with regard to access to competence development, courses etc.

In 2011 all Air Greenland's policies and processes will be examined to ensure that the company complies with all regulations and standards for human rights and employee rights.

The work environment and safety

In 2010 Air Greenland continued to carry out an APV (work place evaluation) throughout the entire group to disclose any shortcomings and requirements with relation to the work environment. Air Greenland is considered to live up to all relevant legal requirements in the area, not least seen in the light of branch standards. The final APV is expected to be ready in 2011.

Anti-corruption and business ethics

In 2010, risk assessment was carried out for the company with regard to corruption and related areas. Risk assessment was carried out as a form of workshop with the management group and the financial department. To follow up, Air Greenland has prepared a policy for giving gifts which defines guidelines for receipt and presentation of gifts.

Responsible supplier management

Responsible supplier management is a comparatively new area in Greenland so a risk assessment process was carried out with regard to Air Greenland's purchasing procedures. On the basis of this, a risk assessment of the company's suppliers was made and a draft Code of Conduct was prepared for the relevant suppliers. In 2011 the finished Code of Conduct will be sent to suppliers who will sign it and commit themselves to following it.

Market Development

Many customers have asked for a greater differentiation between Air Greenland's prices. At the beginning of 2010 a new series of price points was introduced, both flexible and restrictive. The lowest prices fell, the highest prices were more expensive and there are now many more price points in between.

Air Greenland also implemented a new timetable in January 2010. It meant a longer stay of the transatlantic aircraft in Kangerlussuaq and therefore a later arrival in Copenhagen. This new timetable enabled a better exploitation of the domestic capacity and the company was therefore able to offer shorter travel time from most towns on the coast to and from Copenhagen. The timetable has given savings of around DKK 20 million in one year.

The market has given the new timetable a mixed reception. The shorter travel time was good, but the later arrival has also been a challenge for those passengers who continue to other destinations in Denmark on the same evening, especially in the winter, when there have often been delays in Greenland and Copenhagen due to the weather. From the summer of 2011 customers will have a choice. On some days we will fly with the late arrival in Copenhagen and on Mondays/Wednesdays/Fridays we will have the early arrival in Copenhagen.

Checking Baggage through

Since 2009 Air Greenland has had an agreement with SAS concerning checking through baggage to Aalborg and Aarhus. In 2010 Air Greenland signed a similar agreement with Cimber Sterling to Aalborg, Aarhus, Karup, Billund, Sønderborg and Rønne. There is a similar agreement with Icelandair for Air Greenland's passengers between Nuuk and Keflavik with connecting flights with Icelandair to Europe and North America. Work will continue to secure agreements for more routes and airlines.

The Ash Cloud

In the middle of April 2010 an Icelandic volcano erupted, bringing air traffic throughout most of Europe to a standstill. It also had an effect on Air Greenland's flights where first the route to Copenhagen was closed down for over a week and later domestic flights were stopped in Greenland. When flights were resumed, Air Greenland chartered three transatlantic aircraft and together with the company's own A330 waiting passengers were quickly carried to their destinations in Greenland, Denmark and Iceland. The extraordinarily high expenses incurred for overnight accommodation and meals in connection with the ash cloud

have resulted in a re-evaluation of Air Greenland's obligations in this area.

Iceland

Immediately following the delivery of Air Greenland's first DHC 8 in May 2010, the Air Greenland route between Nuuk and Keflavik (Reykjavik) was initiated. The route had two weekly flights until and including October and in the Christmas period. It started again in March 2011 with two weekly flights and good connections with Icelandair to North America and Europe. The route quickly became a success with fine occupancy, but it is not known how much of this is due to moving our own customers from the Copenhagen route.

Domestic Traffic

There was a limited fall in domestic traffic, although there was an increase on the route Narsarsuaq-Kangerlussuaq after the stop of direct transatlantic flights from South Greenland. The lack of passenger development internally in Greenland shows that the municipalities and the public sector in particular have focused on travel expenses. This tendency is expected to continue in 2011.

Transatlantic Traffic

In 2010 Air Greenland flew at least four times a week between Copenhagen and Kangerlussuaq and also once a week between Narsarsuaq and Copenhagen up to the end of April 2010. During the summer period we flew up to twelve times a week between Denmark and Greenland. In spite of tough competition from Air Iceland, occupancy has been good with a reasonable cabin factor. The Copenhagen-Narsarsuaq route has made a significant loss for many years, so year round flights on this route were discontinued in 2010. Services to South Greenland are now provided through Kangerlussuaq in the winter and directly in peak summer season using rented aircraft.

Distribution and Sales

Our online sales were a great success in 2010. In addition to online reservations made by private travellers and travel agents, sales to businesses through the business portal were also promoted.

The development of the portion of reservations made in the various systems speaks for itself and the upward trend seen in previous years continues:

Average	2009	2010
Private web sales	25%	26%
Business portal	14%	18%
Total direct web sales	39%	44%

Efforts in connection with the business portal are now bearing fruit without stealing business from private web sales. The aim is that 50 per cent of all reservations will go through these two channels in 2012.

In 2010 the responsible E-sales department continued to work on developing E-marketing together with an external bureau in order to generate more traffic and therefore more sales to the web site. As a result of this, there was a significant increase in number of visits to the web site during the year.

From January 1st 2010 Air Greenland Travel returned to Greenland Travel. At the same time, Air Greenland opened a call centre, which handles support for the web site, customers from the business portal and direct sales over the phone.

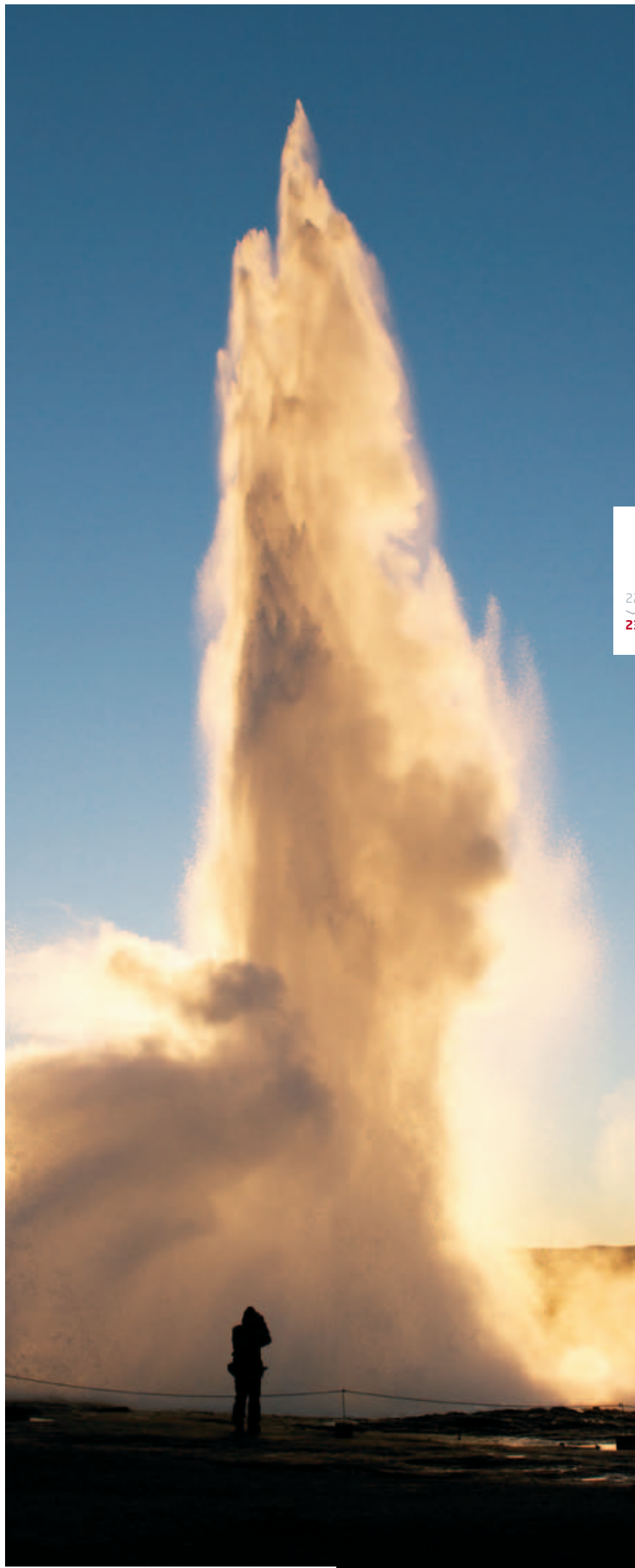
Challenges to Systems

There were considerable challenges in connection with our reservation and inventory system Navitaire during 2010. We had planned to gain a good connection to the global distribution systems GDS (Amadeus, Sabre etc.), where the agents could look forward to being able to book tickets with Air Greenland. At the same time, because it would considerably increase our international distribution in particular, it would also have opened doors for cooperation agreements with other airlines. Unfortunately, we ascertained that the assurances we had been given about the distribution system from Navitaire, could not be honoured. Work has now been initiated to evaluate the system, after which a decision will be made concerning how to continue.

International Focus

In August a Key Account Manager was employed, with focus on international sales on key markets such as Germany, Sweden, Norway and the USA. Air Greenland sees a large potential here to grow the transatlantic traffic, both via Copenhagen and via Iceland.

A series of new customer services was launched during 2010 and the beginning of 2011. Machine check-in is already available at Copenhagen and coming products are web check-in, text-message services and automatic itinerary updates with re-booking via e-mail and text-message.



Marketing

2010 was the great 50th anniversary year for Air Greenland. The anniversary coordinator travelled all round the country and held kaffemiks for Air Greenland's customers and the respective town's citizens in close cooperation with the local employees. In Nuuk there was an anniversary kaffemik in Katuaq, the culture centre and a great proportion of the citizens of Nuuk dropped in on November 6th for concerts, speeches, coffee and cake. The last kaffemik of the year was in December at the airport in Copenhagen. Other activities held to mark the 50 years included campaign prices, an anniversary web site with photo and story contests and concerts in Nuuk, Qaqortoq and Sisimiut.

The Competition

The main competition comes from Air Iceland and Icelandair because these draw in travellers to foreign destinations from Nuuk, Ilulissat and Narsarsuaq.

Air Iceland gradually expanded its timetable in 2010 and introduced year round flights to Nuuk beginning with the winter time table 2010/2011. Winter flights are planned from Ilulissat to Reykjavik from next winter. It is estimated that Air Iceland and Icelandair's share of the market for travel abroad is around 15 per cent with a rising tendency, while Air Greenland's share of the market is declining. The competition from Air Iceland and Icelandair will be met both with new timetables and new prices.

Service Contracts

The arrangement with service contracts with Greenland's government expired formally on December 31st, 2010, but Air Greenland and the government have entered into an agreement to continue for two years under the terms of the present contract. It is expected that Greenland's government will put these contracts out to tender during this two-year period and Air Greenland will work to attain a ten-year duration on the new generation service contracts, which would give a better time horizon for investments in new material. The SAR (Search and Rescue) contract, which today is an integrated part of the service contracts, has also been extended with two years.

Charter

After the company's Boeing 757 was phased out, charter sales on the large aircraft have naturally been significantly reduced. The Airbus 330 is particularly difficult to sell to Danish tour operators because of its seating configuration which gives a very high seat price. There are, however, a couple of reasonable charter series with the Air-

bus 330, partly between Copenhagen and Thule Air Base for the US Air Force, partly a series with Hurtigruten for changeover of cruise passengers between Copenhagen and Kangerlussuaq.

It was a good year for domestic charter flights in Greenland and the high level of activity which was expected within mineral exploration proved to be correct. At the same time, after a pause of several years in Greenland, oil exploration started again and Air Greenland rented a dedicated DHC 7 aircraft for about five months to Cairn Energy, an oil company.

During 2010, the tourist segment righted itself after a significant drop as a consequence of the financial crisis. The helicopters for heli-skiing and for tourist flights in the Disko Bay regained a good part of the lost activities.

DHC 6 Twin Otter

2010 was the last year with Twin Otter operations with Air Greenland and one of the two aircraft was sold in the autumn of 2010.

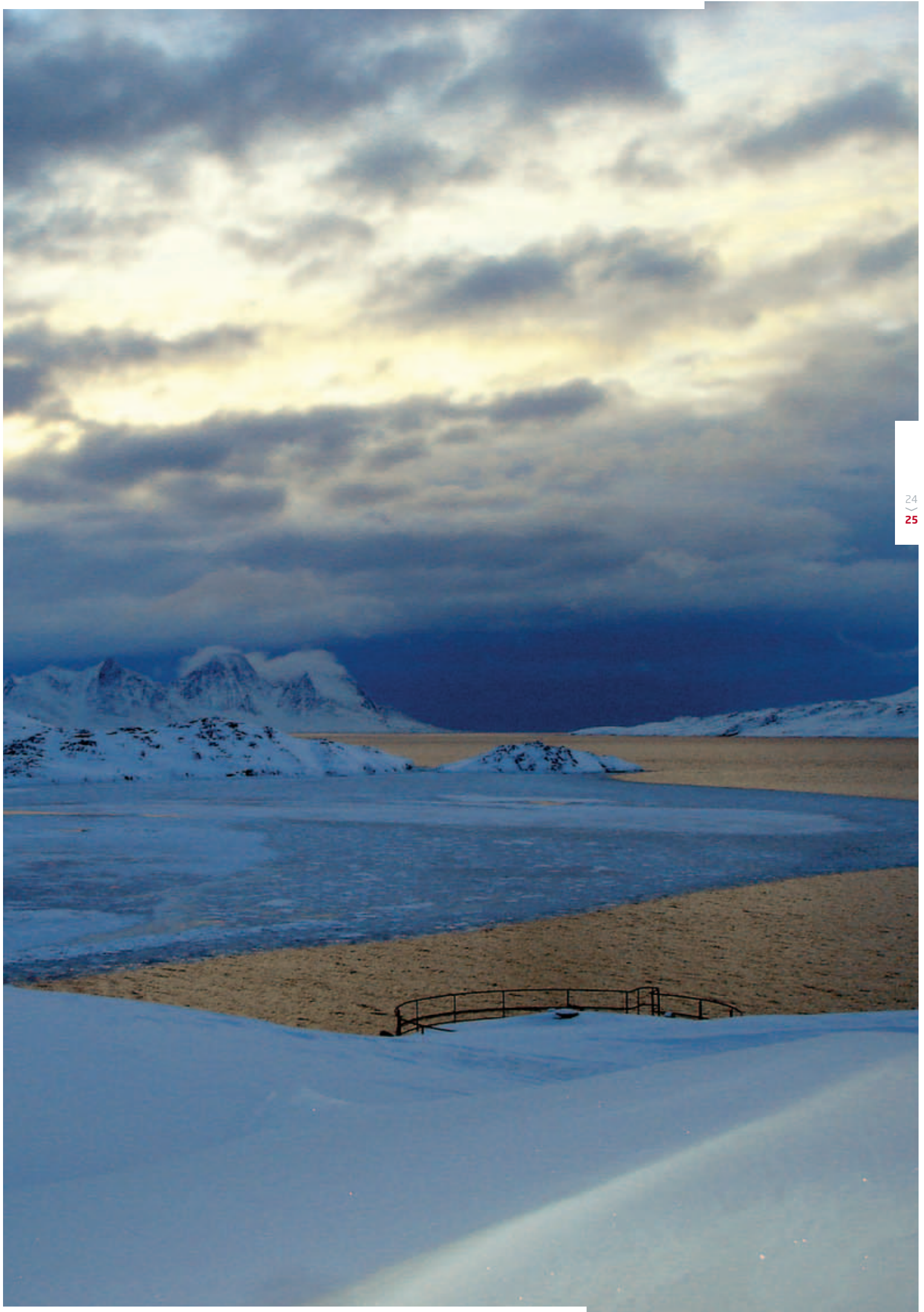
The other aircraft will continue to fly in Greenland, because Air Greenland expects to sell the aircraft to the Icelandic company Norlandair and at the same time buy a share of this company. Norlandair already operates two Twin Otters and the company has a great deal of experience with operations, particularly in Northeast Greenland.

Mail and cargo

Cargo turnover in 2010 remained at a good level, which is probably more due to the high level of exploration activity in Greenland than increased quantities of food to Greenlandic stores.

Mail turnover fell with about 10 per cent, more or less as expected, but it seems as though the level is now stable.

The level of activity for cargo is not expected to change and it is hoped there will be a more modest fall in mail turnover than we have seen in recent years.



Operations and Production

Punctuality for 2010 was only at 62 per cent for all departures within 15 minutes in relation to the timetable. This is a fall in punctuality compared to 2009, where punctuality was at 67.5 per cent and a good way from the internal goal of an average punctuality of 75 per cent.

2010 started with the introduction of a new timetable with more efficient use of aircraft and routes. This resulted in savings in flying hours on the DHC 7, with no detrimental effect on connections and numbers of seats. However, keeping to the new timetable proved to be difficult and this had a direct effect on the poor punctuality for 2010.

The timetable was changed several times during the year in an attempt to improve punctuality and this worked. November and December's punctuality was however poor again due to the winter weather in Denmark, which resulted in many delays out of Copenhagen. From March 2011 the timetable will be adjusted to provide greater operational reliability.

Projects

Implementation of the DHC 8 in May had a great knock-on effect on the aircraft department. It was necessary to retrain a great number of pilots from one aircraft type to another. During the year, 12 pilots were retrained for the DHC 8 and six for the DHC 7. In addition, four were trained for the Bell 212 and two for the AS350 helicopters.

From May – October the aircraft department also participated with four pilots in offshore flying in cooperation with Cougar Helicopters.

PUNCTUALITY, % OF DEPARTURES WITHIN 15 MIN.

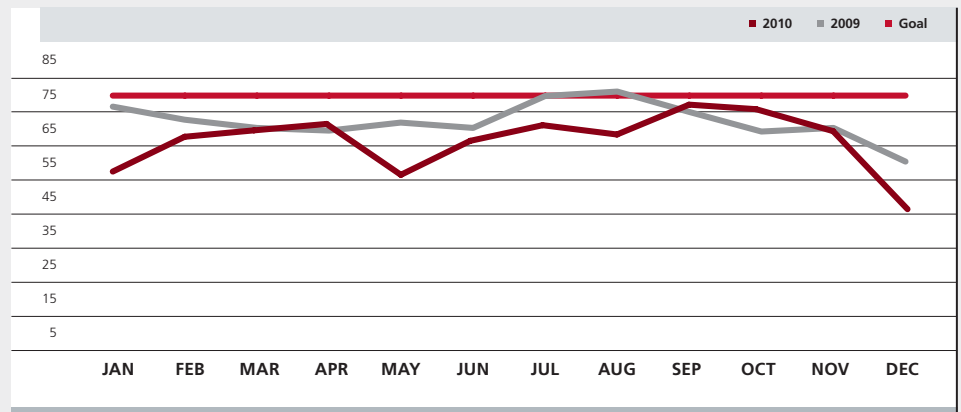


Figure 7



Technically Speaking

The DHC 8 aircraft were implemented into the fleet in May 2010 as planned. It was a great challenge for the technical department, which had to maintain regular operations and at the same time, do without mechanics and engineers for months while they were away training with the Norwegian company Widerøe.

The DHC 8 aircraft have operated better than expected and another aircraft of the same type will be taken into use in 2011.

There are less than 50 operational DHC 7 aircraft left in the world and it is becoming harder to obtain ordinary spare parts. This is reflected in the prices, which increased significantly in 2010.

The point has now been reached where certain spare parts are impossible to obtain, regardless of price. For this reason, it has been decided to cannibalize one of the company's DHC 7s to provide the necessary parts for the rest of the DHC 7 aircraft in the fleet. It is expected that another DHC 7 will have to be dismantled at a later date and the parts used to keep the four remaining DHC 7s in the air.

Space and streamlining

The expansion of Hangar 2 in Nuuk started as planned in 2010. A dedicated hangar was much needed for heavy maintenance of the helicopter fleet because the expansion of the Bell 212 and AS350 fleet means plenty of hangar space will be required in the years to come.

Following the employment of a new Maintenance Manager in spring, there was a change in the organisation and a consequent streamlining of the department. The MCS (Manpower Control System), which is a prerequisite for a good overview over maintenance work, has now, after several years with teething troubles, finally become operational and it is expected that MCS will be a valuable tool in the planning of maintenance work in the future.

Record number of trainees

Air Greenland is a huge place for training and in 2010 there were 15 aircraft mechanic trainees in the company. This high number of aircraft mechanic trainees is a record in the history of Air Greenland and it is a guarantee for the opportunity to recruit locally-trained mechanics in the years to come.

There have been years where recruiting engineers was a problem and it was necessary to employ engineers who were not qualified in the airline industry and give them further training with Air Greenland. Thus there are two engineers presently undergoing training in Air Greenland's engineering department.



Expectations for 2011

Air Greenland's expectations for 2011 are cautious. Profits are expected to be around DKK 43 million including income derived from subsidiaries and this is lower in comparison to the profit/loss for 2010.

Expectations are subject to considerable uncertainty, in particular with regard to scheduled commercial operations. The considerable uncertainty is mainly due to the increased competition from Air Iceland.

It is Air Greenland's opinion that the company must work to achieve a general reduction of its costs in order to enable a reduction of the average ticket price over a period of years. Because of the complexity of the country's infrastructure and the fact that 75 per cent of the company's passenger turnover comes from traffic to/from Nuuk, Sisimiut and Ilulissat, travel activities from these three towns play a decisive role for the ability to maintain country-wide and cohesive flight schedules. Future services in the country are deeply dependent upon the decisions that will be made on a national level following the Transport Commission's findings.

The pressure of taxation from Mittarfeqarfiit is one of the major challenges for Air Greenland, because the way the tax structure is designed distorts competition with regard to flights to and from Denmark via Kangerlussuaq as opposed to via Keflavik. The same applies to taxes and charges on domestic routes, where e.g. taxes and charges constitute 26 per cent of the total ticket price between Sisimiut and Nuuk on a restricted ticket. Looking to the future, it is Air Greenland's opinion that considerable changes need to be made to the composition of the tax structure so that more consideration is taken to the new situation regarding competition with regard to flights to, from and in Greenland.

The management is still taking active steps with relation to the global financial crisis, including the home market in Greenland, and has undertaken a risk assessment. The major risk is considered to be falling numbers of passengers, as a result of, among other things, continued high taxes and charges from Mittarfeqarfiit, increased competition from other airlines and not least cost cuts in public institutions in Greenland which constitute an important customer segment.

Furthermore, there is still great concern that the EU, from November 2008, interprets the rules for damages and payable compensation in connection with delays far more stringently than previously. For Air Greenland this applies to travellers from Denmark and Iceland to Greenland. Related expenditure would certainly result in price increases since this is the only way in which the demands for compensation can be covered. Air Greenland already finds that amounts payable for compensation in connection with delays over three hours are far in excess of what is reasonable.

In 2011 management will continue to work towards better flexibility and efficiency, both with regard to the areas governed by collective labour agreements and for the rest of the fields of production, including changes in the fleet. It is imperative this improvement takes place if Air Greenland is to maintain its competitiveness.

Management will follow developments regarding revenue closely and take action in accordance with the scenarios laid out in the risk assessment, so we can quickly and efficiently adjust both capacity and costs to suit the actual situation.

In addition, management is looking forward to the Transport Commission's report and to the decisions which will be made on a national level concerning the infrastructure that have an effect on air traffic, since this is pivotal for the company's planning and for the future of transport services in the country.

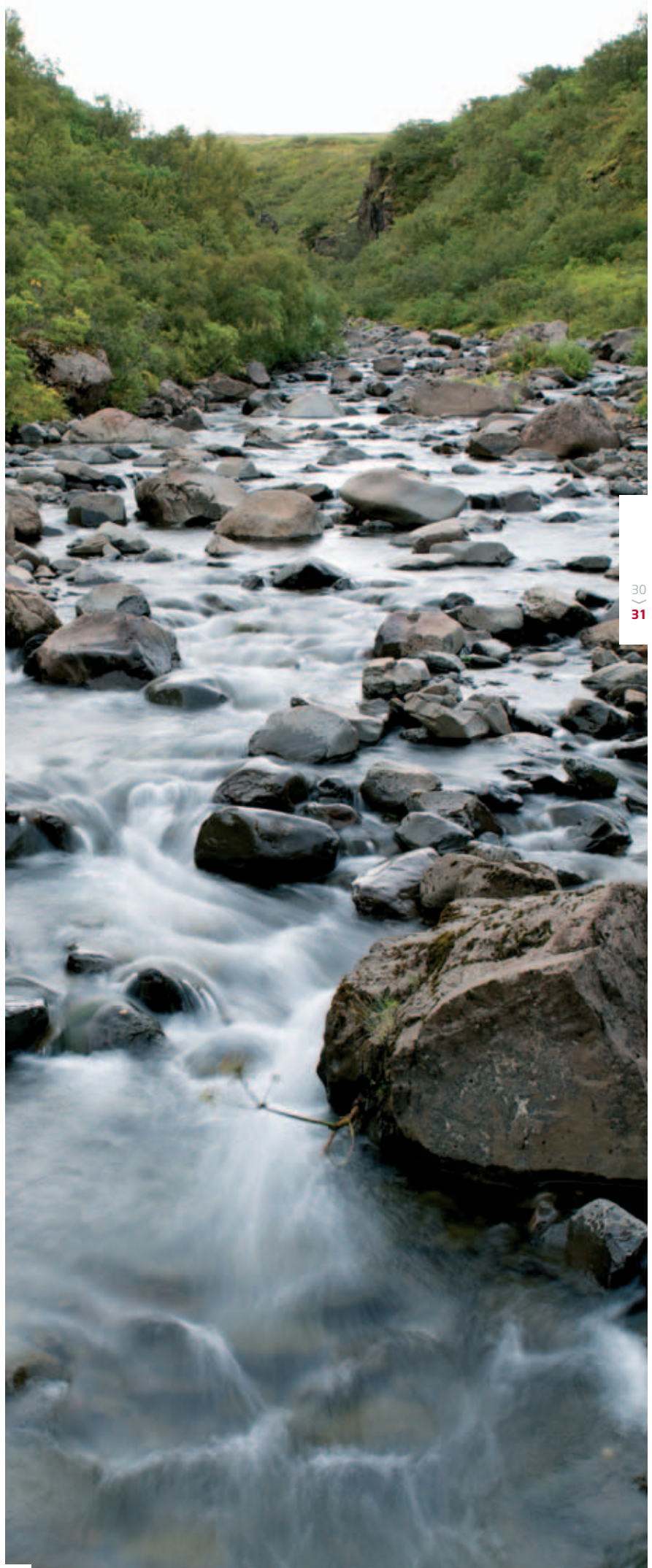
Expected growth

The charter area is expected to achieve growth as a consequence of the continued, high level of exploration activity in the mineral sector as well as the scientific field. The offshore area is expected to grow and Cairn Energy is expected to have at least the same level of operations in 2011 as there was in 2010. This will contribute to a continued, positive development with regard to Air Greenland's sub-contracting activity to the direct supplier of helicopter transport, Cougar Helicopters. In 2011 Air Greenland expects to contribute with charter flights with DHC 7s, to help with handling, hangar facilities, helicopter pilots, hotel accommodation and, for the first time, also aircraft mechanics.

Air Greenland has decided that the offshore area is a natural field of business for the company and acknowledges that this will require considerable adjustments in the helicopter fleet, in competences and in the organisation. This will be a guiding principle for the company's business plans over coming years to prepare Air Greenland, so that it can provide services to the oil companies that have been granted concessions in the assigned fields on the Greenlandic shelf.

The increasing offshore activity has created an enormous need for expanding the existing SAR preparedness and this will require investments in new equipment. There should be no doubt that Air Greenland is ready to invest in modern SAR helicopters, provided there is consensus concerning the length, extent, finances and profitability of the future SAR preparedness. Air Greenland is active in making its competence and experience available to those authorities that are responsible for SAR preparedness in Greenland.

The usual demand is expected from the regular, year-round customers - Tele, DMI/Ice Centre and the health authorities. In the building and construction sector, there is high activity surrounding the construction of a hydroelectric plant in Ilulissat, where Air Greenland expects to carry out some helicopter work in 2011.



Accounting Principles

The annual report and statement of accounts have been prepared in accordance with The Danish Company Accounts Act, Class C (large).

The statement of accounts has been prepared in accordance with the same accounting principles as last year.

In general

Assets are carried on the balance sheet when it is probable that some future economic advantage will accrue to the concern and the value of the asset can be ascertained with assurance.

Liabilities are carried on the balance sheet when the concern, as a result of previous events, has a legal or actual liability and it is probable that future economic advantages will be removed from the concern and the value of the liability can be ascertained with assurance.

Assets and liabilities are first entered at cost price. Evaluation after the first entry is carried out as described for each item below.

Risks and losses that can be predicted before the annual accounts are presented and which confirm or invalidate conditions as at balance sheet date have been taken into account.

Revenue is carried in the statement of income at the rate in which it is earned whilst expenditure is carried with the amount that is relevant to the accounting year. Value adjustments of financial assets and liabilities are carried in the statement of income as financial revenue or financial expenditure.

Consolidated accounts

The consolidated accounts include Air Greenland Inc. (parent company) and those companies (associated companies) that are controlled by the parent company. Control is achieved when the parent company, either directly or indirectly, owns more than 50% of the voting rights or can otherwise exercise or actually exercises controlling influence. Companies, where the concern directly or indirectly owns between 20% and 50% of the voting rights and exercises considerable, but not controlling influence, are considered associated companies.

Consolidation principles

The consolidated accounts have been prepared based on the accounts for Air Greenland Inc. and its subsidiaries. The consolidated accounts have been prepared by aggregating uniform items. Inter-company receipts and expenditure, shareholdings, debit and credit accounts and non-netted profits and losses have been eliminated under consolidation. The accounts used for consolidation have been prepared in accordance with the concern's accounting principles.

The concern accounts include 100% of the items included in the subsidiaries' accounts. Capital participation in subsidiaries is offset with a proportionate share of the current value of the subsidiaries' net activities at time of acquisition.

Conversion of foreign currency

Transactions in foreign currency are first entered at the current exchange rates on the day of the transaction. Receivables, debts and other monetary items in foreign currency, which are outstanding at the balance sheet date, are converted to the rate of exchange at balance sheet date. Differences pertaining to adjustments between currency rates at transaction date and currency rates at balance sheet date are carried in the statement of income under financial items. Assets bought in foreign currency are converted to historic rates of exchange.

Derivative financial instruments

Derivative financial instruments are first entered in the balance at cost price and thereafter at current value. Derivative financial instruments are carried under other accounts receivable and other current liabilities respectively.

Changes in the current value of derivative financial instruments, which are classified as and fulfil the conditions for securing the current value of a carried asset or a carried liability, are carried in the statement of income together with changes in the value of the secured asset or the secured liability.

Changes in the current value of derivative financial instruments, which are classified as and fulfil the conditions for securing the current value of future transactions, are carried directly with the equity. When a secured transaction is realized, the changes are carried together with the items in question.

Changes in current value of derivative financial instruments that do not fulfil the conditions required for securing instruments are recorded regularly in the statement of income as financial items. Derivative financial instruments used are foreign-exchange forward contracts, interest rate swaps and fuel price hedging.



Statement of Income

Traffic revenue

Net turnover from sale of tickets, cargo and mail and charter traffic has been carried in the statement of income when the transport has taken place.

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

Tickets sold, but not used before expiry, are included as income.

Other operating revenue

Other operating revenue includes income of a secondary nature compared to the concern's main activities, including public payment for domestic air traffic, hotel-keeping, fees for ticket sale, rental of business premises, airport revenue etc.

Operating expenditure

Operating expenditure includes aircraft maintenance, fuel, purchase of capacity, provision to agents, taxes and costs in connection with passenger accommodation, premises, administration, sales and marketing.

Personnel/payroll costs

Payroll expenditure includes all the costs for salaries and wages, including pensions and other social costs.

Financial items

Financial items include interest income and interest expenditure, the interest portion of payments on financial leases, realized and unrealized exchange gains and losses relating to securities, commitments and transactions in foreign currency, redemption fees for mortgages and cash rebates etc.

Extraordinary items

Extraordinary items include income and expenditure deriving from occurrences, which are not a part of the group's normal operations and therefore cannot be expected to recur.

Tax

Tax for the year consists of tax payable and changes in deferred tax and is included in the statement of income with the part that pertains to the taxable earnings for the year and directly with equity with that part that pertains to items recorded with equity. That part of the tax that is recorded in operating costs and pertains to the extraordinary result of the year is carried here, whilst the remaining part is carried with the ordinary result for the year.

In Greenland, dividend paid during the year is tax deductible. The tax value of allocated dividend in the annual accounts is therefore recorded directly in the equity, in accordance with the above.

Tax payable and tax receivable respectively is recorded in the balance as estimated tax on the taxable income of the year.

Deferred tax is recorded and calculated according to the balance-orientated debt method on all provisional differences between the accounting and the fiscal values of assets and liabilities. The fiscal value of assets is calculated based on the expected use of the asset in question. Changes in deferred tax pertaining to changes in tax rates are carried in the statement of income.

Deferred tax assets, including the fiscal value of conveyable fiscal losses, are carried in the balance with the probable realizable value of the asset, either by being offset against deferred tax or as net tax assets.



Balance

Goodwill and concern goodwill

Goodwill and concern goodwill is written-off according to the straight-line method over its estimated life span, which is determined based on the management's experience in each field of business. Goodwill is usually written-off over 5 years, but can be written-off over up to 20 years.

The book value of goodwill is regularly evaluated and is written down to recoverable value, when the book value exceeds expected future net earnings from the business or activity, which is pertaining to the goodwill.

Fixed assets

Buildings, aircraft including essential components, other aircraft components as well as other equipment, vehicles and inventory are measured at cost price after deduction of accumulated depreciation.

The cost price includes purchase price, costs directly attributable to the acquisition and costs for preparing the asset until that point, when the asset is ready to be taken into use. The cost price of assets produced by the company itself includes direct and indirect costs for materials, components, sub-suppliers and wages. For financial leased assets, the cost price is the lower of the current value of the asset and the current value of future leasing instalments. The cost price of buildings built by the company includes interest on building loans.

Depreciation is based on cost price after deduction of expected residual value at the end of the period of use. The straight-line method of depreciation is used, however, cf. the following regarding essential aircraft components, based on the following evaluation of the asset's expected life span and scrap value:

The value of Air Greenland's aircraft can be separated into partly the aircraft itself and partly the essential components. The aircraft are depreciated on a straight-line basis according the above-mentioned principles.

The essential components are written off at the rate in which they are used, up to the next maintenance check. When a component is sent for a maintenance check, it will be written off and costs of the maintenance check will be activated and written off up to the next maintenance check. This method ensures that maintenance costs are accrued at the same rate as the components are used.

Assets with a unit cost price of less than DKK 50,000 are recorded as expenditures at the time of purchase. EDP purchases are, regardless of cost price, written off over 3 years.

Fixed assets are written down to their recoverable value, when this is lower than the book value.

Profit or loss on disposal of fixed assets is calculated as the difference between the sales price after deduction of sales costs and the book value at the transaction date. Profit or loss is entered in the statement of income together with depreciation.

	Period of depreciation	Scrap value
Buildings	20-35 Year	0-25 %
Aircraft and essential components	6-12 Year	0-25 %
Other components	6-12 Year	20 %
Other equipment, vehicles and inventory	3-10 Year	0 %

Capital investment in subsidiaries and associated companies

Capital investment in subsidiaries and associated companies is recorded and measured according to the equity method. This means that the capital share in the balance is measured as the relative share of the company's intrinsic value with addition or deduction of non-depreciated positive or negative concern goodwill respectively and with addition or deduction of unrealized inter-company profit and loss.

The parent company's share of the concern's result after elimination of unrealized inter-company profit and loss and with addition or deduction of inter-company depreciation on concern goodwill and negative concern goodwill respectively is carried in the statement of income.

Subsidiaries and associated companies with a negative intrinsic book value are measured at zero and any receivables from these companies are written off with the parent company's share of the negative intrinsic book value insofar as they are estimated to be unrecoverable. When the booked negative intrinsic value is higher than the receivables, the remaining amount is carried under provision for commitments insofar as the parent company has a legal or actual obligation to cover the obligations of the company in question.

Net write up of capital shares in subsidiaries and associated companies is transferred to reserve for net write up of capital shares insofar as the book value is higher than the cost price.

Inventories and stock

Aircraft components are measured at cost price, calculated as the average purchase prices or net realization value, whichever is lower. The components are booked as expenditures in the rate at which they are used.

Other inventories and stocks are measured at cost price, calculated according to the FIFO method, or net realization value, whichever is lower.

Net realization value for inventories and stocks is calculated as expected sales price with deduction of finishing costs and sales costs.

Receivables

Receivables are measured at redemption cost price, which is normally the same as nominal value, with deduction of depreciation to meet an expected loss.

Accruals

Accruals carried under assets consist of paid expenditure pertaining to the following accounting year. Provisions are measured at redemption cost price, which is usually the nominal value.

Other securities and shares

Securities carried under financial assets consist of listed shares and are measured at current price (stock exchange listing) at the balance sheet date. Other financial assets are measured at cost price.

Equity

Dividend is carried as a debt at the date of adoption at the annual general meeting. The proposed dividend is shown as a separate item under equity.

Mortgages

A mortgage is measured at the time the loan is raised at cost price, equal to the amount received after deduction of transaction costs. Subsequently, the mortgage debt is measured at amortized cost price, equal to the capital value using the effective interest method.

Leasing obligations

Leasing obligations pertaining to financial leased assets are carried in the balance as debts and are measured after the first entry at amortized cost price.

The interest portion of the leasing payments is carried over the period of the contract in the statement of income as a financial expenditure.

Other financial obligations

Other financial obligations are carried at amortized cost price, which is usually the same as nominal value.

Provisions

Provisions carried under accounts payable consist of receivables pertaining to the following accounting year. Provisions are measured at amortized cost price, which is usually the same as nominal value.

Cash flow statement

The cash flow statement for the parent company and the concern is presented according to the indirect method and shows cash flow from operating activities, investments and financing as well as the parent company and the subsidiaries' liquid asset at the beginning and end of the year.

Cash flow from acquisition and disposal of companies is shown separately in the cash flow statement for investment activities. The cash flow statement includes cash flow from acquisition of companies from the date of the transaction and cash flow from disposal of companies is included up the date of the transaction.

Cash flow derived from operating activities is calculated as the result of the year, adjusted for non-cash operating items, changes in operating capital and tax payments.

Cash flow from investment activities consists of payments in connection with acquisition and disposal of companies and activities, and acquisition and disposal of intangible, tangible and financial fixed assets.

Cash flow from financial activities consists of changes in size or composition of the concern's equity capital and costs connected herewith, and raising of loans, instalments paid on interest-bearing debts and payment of dividend.

Liquid assets consist of cash and bank balances and short-term securities with minimum exchange risk, after deduction of short-term bank debts.

Financial highlights

Financial highlights have been prepared in accordance with The Association of Danish Finance Analyst's "Recommendations & Key Figures 2005".

Profit ratio (EBIT margin)

(Result for the year x 100) /

Turnover

Rate of return

(Result before financial items x 100) /

Balance sheet total

Equity share

(Result for the year x 100) /

Average equity

Solvency ratio

(Equity x 100) / Total assets



Statement of Income January 1st to December 31st

(1,000 DKK)

	Parent Company			Group	
	2010	2009	Note	2010	2009
Traffic revenue	918,357	913,610		918,357	913,610
Other operating revenue	145,179	150,114		216,156	199,303
Operating revenue	1,063,536	1,063,724	1	1,134,513	1,112,913
Operating expenses	(524,274)	(494,835)	2	(550,930)	(515,331)
Personnel/payroll costs	(352,078)	(370,612)	3	(381,690)	(394,281)
Depreciation	(135,215)	(147,845)	4	(141,729)	(153,285)
Income before financial items	51,969	50,432		60,164	50,016
Income in subsidiaries	3,863	(1,768)	10	-	-
Income from capital investments in associated companies	-	(745)	10	1,207	(384)
Return on other capital holdings	-	(15)		(5)	(8)
Other financial income	5,174	9,307	5	5,402	9,894
Other financial expenses	(773)	(3,308)	6	(4,275)	(6,679)
Income before tax	60,233	53,903		62,493	52,839
Taxes	(19,154)	(17,141)	7	(21,414)	(16,077)
Profit/loss for the year	41,079	36,762		41,079	36,762
Proposal for distribution of the year's profit:					
Dividend for the year	-				
Reserve for net write up of capital holdings	3,863				
Brought forward	37,216				
Total	41,079				

Balance Sheet, as at December 31st

(1,000 DKK)

Assets	Parent Company			Group	
	2010	2009	Note	2010	2009
Goodwill	-	-		736	1,021
Intangible fixed assets	-	-	8	736	1,021
Buildings	147,037	141,404		242,924	237,620
Aircraft incl, aircraft components	232,973	319,408		232,973	319,408
Other components	20,899	13,435		20,899	13,435
Other equipment, vehicle and inventory	25,567	24,470		40,529	39,347
Tangible fixed assets under construction	-	-		874	1,897
Tangible fixed assets	426,476	498,717	9	538,199	611,707
Capital holdings in subsidiaries	61,650	57,787		-	-
Capital investments in associated companies	188	188		3,224	2,321
Accounts receivable, subsidiaries	2,424	-		-	-
Accounts receivable, associated companies	7,000	8,000		10,803	11,857
Other securities and capital holdings	-	-		31	36
Other long-term accounts receivable	11,570	11,564		11,803	11,788
Deferred tax asset	-	-	13	1,995	863
Financial fixed assets	82,832	77,539	10	27,856	26,865
Total fixed assets	509,308	576,256		566,791	639,593
Stocks and inventories	115,860	37,481	11	118,322	40,186
Accounts receivable	81,235	76,645		92,463	80,941
Accounts receivable, subsidiaries	7,317	5,459		-	-
Accounts receivable, associated companies	829	1,057		1,126	1,461
Other accounts receivable	48,892	14,057		49,992	14,551
Prepaid expenses and accrued income	2,633	7,199		2,760	7,613
Accounts receivable	140,906	104,417		146,341	104,566
Liquid assets	229,751	246,590		239,594	259,359
Total current assets	486,517	388,488		504,257	404,111
Total assets	995,825	964,744		1,071,048	1,043,704

Balance Sheet, as at December 31st

(1,000 DKK)					
	Parent Company			Group	
Liabilities and equity	2010	2009	Note	2010	2009
Capital stock	24,000	24,000	12	24,000	24,000
Reserve for net write-up of capital holdings	21,935	18,072		674	-
Revaluation reserve	8,263	8,263		8,263	8,263
Retained earnings	538,537	501,321		559,798	519,393
Equity	592,735	551,656		592,735	551,656
Deferred tax	135,415	125,959	13	140,629	130,668
Provisions	135,415	125,959		140,629	130,668
Mortgage loans	-	-		16,448	18,236
Bank debt	-	567		37,461	39,614
Long-term debt	-	567	14	53,909	57,850
Current portion of long-term debt	-	41,091	14	3,338	44,332
Bank debt	-	-		2,920	3,009
Accounts payable, suppliers	82,744	62,804		86,772	67,273
Accounts payable, subsidiaries	842	912		-	-
Accounts payable, associated companies	9	708		9	773
Corporation tax	9,698	12,204		12,177	12,204
Other current liabilities	81,668	78,602	15	85,692	85,698
Provisions	92,714	90,241		92,867	90,241
Current liabilities	267,675	286,562		283,775	303,530
Total liabilities	267,675	287,129		337,684	361,380
Total liabilities and equity	995,825	964,744		1,071,048	1,043,704
Commitments, Contingencies and Forward contracts			16-18		
Other notes			19-22		

Statement of Equity

(1,000 DKK)

Parent Company

	Share capital	Net write-up of capital investment	Revaluation reserve	Result brought forward	Total
Equity 01.01.2009	24,000	20,585	8,263	462,046	514,894
Distributed dividend	-	-	-	-	-
Profit/loss for the year	-	(2,513)	-	39,275	36,762
Equity 31.12.2009	24,000	18,072	8,263	501,321	551,656
Distributed dividend	-	-	-	-	-
Profit/loss for the year	-	3,863	-	37,216	41,079
Equity 31.12.2010	24,000	21,935	8,263	538,537	592,735

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	Share capital	Net write-up of capital investment	Revaluation reserve	Result brought forward	Total
Equity 01.01.2009	24,000	-	8,263	482,631	514,894
Distributed dividend	-	-	-	-	-
Profit/loss for the year	-	-	-	36,762	36,762
Equity 31.12.2009	24,000	-	8,263	519,393	551,656
Distributed dividend	-	-	-	-	-
Profit/loss for the year	-	674	-	40,405	41,079
Equity 31.12.2010	24,000	674	8,263	559,798	592,735

Cash Flow Statement

(1,000 DKK)

	Parent company			Group	
	2010	2009	Note	2010	2009
Income before financial items	51,969	50,432		60,164	50,016
Depreciation tangible assets	85,970	98,032		92,484	103,472
Change in working capital	(10,028)	38,302	19	(18,435)	44,864
	127,911	186,766		134,213	198,352
Net interest and dividend gains	5,174	9,307		5,402	9,894
Net interest etc, loss	(773)	(3,295)		(4,275)	(6,679)
Paid taxes	(12,204)	(16,730)		(12,612)	(17,386)
Net financing from the year's operations	120,108	176,048		122,728	184,181
Net investments intangible assets	-	-		-	-
Net investments tangible assets	(126,826)	(140,035)		(131,830)	(147,922)
Net sales tangible assets	32,967	1,194		33,009	1,203
Net investments in financial assets	(2,486)	(50)		(29)	(655)
Net sales financial assets	1,056	1		1,381	871
Liquidity effect of investments	(95,289)	(138,890)		(97,469)	(146,503)
Loans and amortization of long-term debt, net	(41,658)	(25,513)		(44,935)	(24,142)
Dividend	-	-		-	-
Liquidity effect of financing	(41,658)	(25,513)		(44,935)	(24,142)
Changes in cash and cash equivalents	(16,839)	11,645		(19,676)	13,536
Liquid funds at January 1st	246,590	234,945		256,350	242,814
Liquid funds at December 31st	229,751	246,590		236,674	256,350
Liquid funds include:					
Liquid assets	229,751	246,590		239,594	259,359
Bank dept	-	-		(2,920)	(3,009)
Total liquid funds	229,751	246,590		236,674	256,350

Notes to Annual Report

(1,000 DKK)

	Parent company		Group	
	2010	2009	2010	2009
1. Operating revenue				
Passenger (excl. passenger taxes) domestic flights	306,551	290,519	306,551	290,519
Charter, domestic	159,065	141,459	159,065	141,459
Cargo, domestic	34,182	34,873	34,182	34,873
Carriage of mail, domestic	17,189	18,869	17,189	18,869
Passenger, charter and mail outside Greenland	318,346	329,730	318,346	329,730
Charter outside Greenland	30,689	38,023	30,689	38,023
Other traffic revenue	52,335	60,137	52,335	60,137
Traffic Income	918,357	913,610	918,357	913,610
Public payment for service contracts	115,076	115,076	115,076	115,076
Other revenue	17,450	12,046	17,450	12,466
Revenue from hotels	-	-	41,847	34,898
Revenue from ticket sales	12,653	22,992	41,783	36,863
Other Operating Revenue	145,179	150,114	216,156	199,303
Total revenue	1,063,536	1,063,724	1,134,513	1,112,913
2. Operating expenses				
Flights in Greenland:				
- Air traffic taxes to third parties	112,700	102,681	112,700	102,681
- Distribution costs	7,069	6,908	7,069	6,908
- Passenger taxes collected	(62,232)	(60,274)	(62,232)	(60,274)
	57,537	49,315	57,537	49,315

Notes to Annual Report

(1,000 DKK)

	Parent company		Group	
	2010	2009	2010	2009
3. Salaries and related costs				
Wages and salaries	308,106	325,760	336,593	348,614
Pension contributions	9,374	9,266	9,839	9,390
Other expenses for social security	34,598	35,586	35,258	36,277
Total salaries and related costs	352,078	370,612	381,690	394,281
Hereof salary and value of benefits paid to:				
- Management	3,185	6,947	3,185	6,947
- Board of directors	738	644	738	644
	3,923	7,591	3,923	7,591
Average number of employees	574	624	664	694
4. Depreciation				
Intangible assets	-	100	285	285
Real estate	8,025	7,829	10,794	10,375
Aircraft and aircraft components	62,082	77,698	62,082	77,698
Other components	5,325	3,166	5,325	3,166
Other equipment, vehicles and inventory	11,536	9,765	15,038	12,531
Leasing costs aircraft	49,233	49,802	49,233	49,802
Leasing other vehicles	12	11	12	11
Loss (profit) on sale of fixed assets	(998)	(526)	(1,040)	(583)
Total depreciation	135,215	147,845	141,729	153,285
5. Financial income				
Interest, cash in banks	3,251	7,772	3,482	8,148
Interest, subsidiaries	91	-	-	-
Interest, associated companies	400	450	476	550
Gain on currency exchange	1,229	878	1,229	984
Other interest	203	207	215	212
	5,174	9,307	5,402	9,894

Notes to Annual Report

(1,000 DKK)

	Parent company		Group	
	2010	2009	2010	2009
6. Other financial expenses				
Interest, bank debts	3	1	37	3
Interest, leases	347	2,850	347	2,850
Interest and amortization, mortgages	-	-	3,312	3,260
Loss on currency exchanges	295	62	357	62
Other interest	128	395	222	504
	773	3,308	4,275	6,679
7. Taxes				
Tax paid during the year	9,698	12,204	12,585	12,199
Contingent tax on the year's income	9,456	4,937	8,828	3,893
Adjustment of deferred tax from previous years, change of tax percentage	-	-	1	(15)
	19,154	17,141	21,414	16,077

Notes to Annual Report

(1,000 DKK)

Parent company

8. Intangible fixed assets	Parent company	
	Goodwill	Total
Purchase price at 01.01.2010	1,425	1,425
Additions	-	-
Disposal	-	-
Purchase price at 31.12.2010	1,425	1,425
Depreciated 01.01.2010	(404)	(404)
Depreciation	(285)	(285)
Depreciation of assets disposed	-	-
Total depreciation 31.12.2010	(689)	(689)
Book value at 31.12.2010	736	736

Notes to Annual Report

(1,000 DKK)

Parent company

	Buildings	Aircraft & components	Other components	Other equip., vehicles & inventory	Total
9. Tangible Fixed Assets					
Purchase price at 01.01.2010	283,943	929,312	67,175	112,388	1,392,818
Additions	16,014	84,562	13,217	13,033	126,826
Transferred to inventories	-	(406,258)	(2,143)	(282)	(408,683)
Disposal	(2,571)	(76,974)	-	(2,119)	(81,664)
Purchase price at 31.12.2010	297,386	530,642	78,249	123,020	1,029,297
Revaluation 01.01.2010	-	8,263	-	-	8,263
Revaluation	-	-	-	-	-
Revaluation 31.12.2010	-	8,263	-	-	8,263
Depreciated 01.01.2010	142,539	618,167	53,740	87,918	902,364
Depreciation	8,025	62,082	5,325	11,536	86,968
Depreciation of assets disposed	-	(326,627)	(1,715)	(211)	(328,553)
Transferred to inventories	(215)	(47,690)	-	(1,790)	(49,695)
Depreciation 31.12.2010	150,349	305,932	57,350	97,453	611,084
Book value 31.12.2010	147,037	232,973	20,899	25,567	426,476

Notes to Annual Report

(1,000 DKK)

Group

	Buildings	Aircraft & components	Other components	Other equip., vehicles & inventory	Tangible fixed assets under construction	Total
9. Tangible fixed assets						
Purchase price at 01.01.2010	403,025	929,312	67,175	149,235	1,897	1,550,644
Transferred	276	-	-	1,621	(1,897)	-
Additions	18,178	84,562	13,217	14,999	874	131,830
Transferred to inventories	-	(406,258)	(2,143)	(282)	-	(408,683)
Disposals	(2,571)	(76,974)	-	(2,446)	-	(81,991)
Purchase price at 31.12.2010	418,908	530,642	78,249	163,127	874	1,191,800
Revaluation 01.01.2010	-	8,263	-	-	-	8,263
Revaluation	-	-	-	-	-	-
Revaluation 31.12.2010	-	8,263	-	-	-	8,263
Depreciated 01.01.2010	165,405	618,167	53,740	109,888	-	947,200
Depreciation	10,794	62,082	5,325	15,038	-	93,239
Transferred to inventories	-	(326,627)	(1,715)	(211)	-	(328,553)
Depreciation of assets disposed	(215)	(47,690)	-	(2,117)	-	(50,022)
Total depreciation 31.12.2010	175,984	305,932	57,350	122,598	-	661,864
Book value 31.12.2010	242,924	232,973	20,899	40,529	874	538,199

Notes to Annual Report

(1,000 DKK)

Parent company

	Capital holdings in subsidiaries	Capital holdings in associated companies	Accounts receivable in associated companies	Deposit	Other securities and capital holdings	Total
10. Financial fixed assets						
Purchase price at 01.01.2010	38,903	1,000	-	8,000	11,564	59,467
Additions	-	-	2,466	-	20	2,486
Disposals	-	-	(42)	(1,000)	(14)	(1,056)
Purchase price at 31.12.2010	38,903	1,000	2,424	7,000	11,570	60,897
Revaluation 01.01.2010	18,884	(812)	-	-	-	18,072
Revaluation	3,863	-	-	-	-	3,863
Write-back of revaluation	-	-	-	-	-	-
Revaluation 31.12.2010	22,747	(812)	-	-	-	21,935
Book value 31.12.2010	61,650	188	2,424	7,000	11,570	82,832
				Percent	Nominal value	Equity
Subsidiaries and associated companies:						
Hotel Arctic Inc., Ilulissat				100%	30,000	45,746
Greenland Travel Inc.				100%	1,500	17,850
Arctic Umiaq Line Inc.				50%	2,000	376
Income from subsidiaries consists of the following:		2010	2009			
Income Hotel Arctic Inc., Ilulissat		1,580	(1,986)			
Income Greenland Travel Inc.		4,244	(1,304)			
Return internal profit		299	458			
Total result subsidiaries before tax		6,123	(2,832)			
Tax of subsidiaries		(2,260)	1,064			
Total profit/loss of subsidiaries		3,863	(1,768)			

Notes to Annual Report

(1,000 DKK)

Group

	Capital holdings in associated companies	Accounts receivable in associated companies	Deposit	Other securities and capital holdings	Total
10. Financial fixed assets					
Purchase price at 01.01.2010	2,550	12,160	25	11,788	26,523
Additions	-	-	-	29	29
Disposals	-	(1,357)	(10)	(14)	(1,381)
Purchase price at 31.12.2010	2,550	10,803	15	11,803	25,171
Revaluation 01.01.2010	(229)	(303)	11	-	(521)
Revaluation	1,207	-	5	-	1,212
Write-back of revaluation	(304)	303	-	-	(1)
Reclassification	-	-	-	-	-
Revaluation 31.12.2010	674	-	16	-	690
Book value 31.12.2010	3,224	10,803	31	11,803	25,861

Parent Company

Group

	2010	2009		2010	2009
11. Inventories					
Components	39,698	37,196		39,698	37,196
Sales stocks aircraft and components	75,834	12		75,834	12
Other inventories	328	273		2,790	2,978
	115,860	37,481		118,322	40,186

Notes to Annual Report

(1,000 DKK)

	Parent Company		Group	
	2010	2009	2010	2009
12. Equity				
The capital stock of DKK 24 million consists of 40 shares of DKK 500,000, 384 shares of DKK 10,000 and 160 shares of DKK 1,000.				
The shares are not divided into classes with special rights. Each share of DKK 1,000 has one vote.				
The share capital has remained unchanged for the past 5 years.				
13. Contingent tax				
Breakdown of contingent tax:				
Tangible fixed assets	131,175	124,153	136,114	128,411
Financial fixed assets	5,531	4,302	5,459	4,237
Current assets and short-term debt	(1,291)	(2,496)	(2,939)	(2,843)
	135,415	125,959	138,634	129,805
Specification of movements:				
Contingent tax January 1st	125,959	121,022	129,805	125,929
Acquisition of company	9,456	4,937	8,828	4,289
Adjustment of previous years allocation to reserves	-	-	1	(413)
	135,415	125,959	138,634	129,805
Specification of contingent tax:				
Deferred tax	135,415	125,959	140,629	130,668
Deferred tax asset	-	-	(1,995)	(863)
	135,415	125,959	138,634	129,805

Notes to Annual Report

(1,000 DKK)

Group

	Due within 1 year	Due after 1 year	Amortized debt total	Nominal debt total
14. Long-term debt				
Mortgage debt	1,788	16,448	18,236	18,255
Bank debt	1,550	37,461	39,011	39,082
Long-term debt at 31.12.2010	3,338	53,909	57,247	57,337
The following are due after more than 5 years:				
Mortgage debt		8,841		
Bank debt		30,690		
		39,531		

Notes to Annual Report

(1,000 DKK)

	Parent Company		Group	
	2010	2009	2010	2009
15. Other liabilities				
Wages, taxes, social security dues etc.	25,012	27,624	25,894	28,450
Holiday pay	32,323	33,415	34,968	35,491
Other liabilities	24,333	17,563	24,830	21,757
	81,668	78,602	85,692	85,698
16. Mortgage liabilities				
Debts in real estate are secured by mortgage				
Mortgages deposited as security for bank debts and debts in real estate	86,250	86,817	148,220	148,787
Book value for mortgaged real estate	66,268	60,572	160,312	144,051
Mortgages on aircraft deposited as security for bank debt, nom	15,000	251,675	15,000	251,675
Book value of mortgaged aircraft	3,849	115,376	3,849	115,376
DKK 2,910,000 of the Groups available balance has been deposited in favour of Rejsegarantifonden and other supplier-credits	1,748	1,399	3,259	2,910

Notes to Annual Report

(1,000 DKK)

	Parent Company		Group	
	2010	2009	2010	2009
17. Leasing commitments				
Operational lease of aircraft from 2009-2014	100,381	149,063	100,381	149,063
Of which due within 1 year	48,121	48,856	48,121	48,856
Due after 5 years	-	-	-	-
18. Contractual commitments				
A contract has been signed for the delivery of 1 DCH 8 in 2011	30,873	-	30,873	-
19. Change in working capital				
Change in inventories	1,751	(932)	1,994	(1,496)
Change in accounts receivable	(36,489)	29,089	(41,785)	26,637
Change in current liabilities	24,710	10,145	21,356	19,723
	(10,028)	38,302	(18,435)	44,864
20. Fees paid to public accountant				
Operating expenses include the following fees paid to the company's public accountant:				
Audit	950	884	1,282	1,146
Adjustment of previous years	183	5	206	4
Public accountant for other services	505	258	997	436
	1,638	1,147	2,485	1,586

Notes to Annual Report

(i 1.000 DKK)

21. Associated parties

Associated parties with controlling influence upon the Air Greenland group:

- None

Other associated parties, with which the Air Greenland group has had transactions in 2010:

- Government of Greenland
- SAS
- Board and management

Transactions between associated parties and the Air Greenland group in 2010:

- Government of Greenland: Service contracts (cf. annual report), transport of patients for the Health Authorities, sale of tickets, payment of taxes and operation of heliport/airports with Mittarfeqarfiit etc.
- SAS: Payment for tickets, handling and maintenance at Kastrup of the Airbus 330-200 etc.
- Inter-company transactions
- There is an incentive programme for management, which is result-orientated.

Air Greenland had the following transactions with associated parties in 2010

	Buying value	Market value		Receivable	Payable
Government of Greenland	250,308	202,236		6,116	14,563
SAS	1,898	22,645		262	2,628
Katuaq where the Chairman of the Board of Directors is also the Managing Director	1,081	737		101	207

22. Shareholders

The following shareholders own more than 5% of the company's share capital:

- Government of Greenland, 3900 Nuuk (37,5%)
- Scandinavian Airlines System Inc., 2700 Kastrup (37,5%)
- The Danish State (25%)

CSR Reporting in Accordance with UN's Global Compact Principles

Air Greenland, Parent Company	Indicator
<p>1 Access to transport Access to transportation is the company's effort to be available to our stakeholders and our role within the infrastructure. We measure four parameters:</p> <p>a Customer satisfaction b Image c Development in passenger numbers – air transport</p> <p>d Complaints</p>	<p>N/A 2010 N/A 2010 (Sold seat km) 2009: 458,534 (1000tonne-km) 2010: 450,883 (1000tonne-km) Fall in %: 1.67</p> <p>310 inquiries</p> <ul style="list-style-type: none"> • Baggage handling: 144 • Flight delays: 71 • Flight cancellations: 35 • Personal service on board: 15 • In-flight service: 10 • Information: 7 • Booking: 4 • Beyond Air Greenland's control: 4 • Boarding: 2 • Traffic on the tarmac: 1
<p>2 Development of competences Development of competences is the company's focus on development of employees and training of young people in the functions within the company's scope:</p> <p>a Perceived access to competence development (MTU)</p> <p>b Cost of courses / Number of employees This item includes both mandatory and non-mandatory courses.</p> <p>c Share of internal recruitments to management posts Internal is defined as employees who have had a minimum of three month's prior employment in the group before appointment to a management post.</p>	<p>64 compared to DK EEI 65</p> <p>572 employees 7,182 t. DKK Of which: mandatory courses: 2,217 t DKK non-mandatory courses: 4,965 t DKK</p> <p>100 % 8 out of 8 management posts are filled by employees recruited internally within the group</p>

CSR Reporting in Accordance with UN's Global Compact Principles

Air Greenland, Parent Company	Indicator
<p>d Keeping employees / employee turnover.</p> <p>e Employee satisfaction index (MTU). Data is based on an employee satisfaction survey carried out in the autumn of 2010.</p> <p>f Number of trainees / apprentices + interns</p>	<p>16.8 % The number of employees who have left 71 (out of 571 employees)</p> <p>Job satisfaction 76 compared to DK EEI 71 Loyalty 81 compared to DK EEI 75</p> <p>29</p>
<p>3 Involvement in the local community The company is active in the local community in Greenland with various sponsorships and donations, voluntary work etc.</p> <p>a Contribution: sponsorships and donations</p>	<p>Charter sponsor subsidy: 1,244 t. DKK Regular sponsorships: 2,651 t. DKK Ad hoc sponsorships: 232 t. DKK</p>
<p>4 Climate/environment The company has calculated its CO₂ footprint for 2011 based on data from 2010.</p> <p>a CO₂ footprint</p> <p>b Electricity and fuel consumption</p>	<p>79.782 tonnes CO₂ emissions</p> <p>CO₂ from electricity consumption is included in the above Aircraft fuel 68.336 tonnes CO₂ emissions Automobiles and ground equipment 379 tonnes CO₂ emissions</p>
<p>5 Employee rights and human rights The company makes sure that the rights of employees and human rights are observed and the company also works to ensure incorporation in the community and equal rights.</p> <p>a Share of the workforce with local ties, based on the definition of the term "resident" in accordance with Landsting's Law nr. 27 of October 30th, 1992 concerning the regulation of the influx of labour to Greenland.</p> <p>b Share of women in the extended management group</p> <p>c Compliance result – gap-analysis</p>	<p>90.7 % 518 out of 571 employees</p> <p>20.4 % 11 women out of a management group of 54 employees</p> <p>N/A 2010</p>

CSR Reporting in Accordance with UN's Global Compact Principles

Air Greenland, Parent Company	Indicator
<p>6 Anti-corruption In 2011 the company will go through its compliance with legislation in this field.</p>	<p>N/A 2010</p>
<p>7 Responsible supplier management In 2011 the company will go through its compliance with legislation in this field. The company's code of conduct was not presented to suppliers in 2010.</p>	<p>N/A 2010</p>
<p>8 Working environment and safety</p> <ul style="list-style-type: none"> a Sickness absence b Number of work accidents / near-accidents – statistics for number of reports to the Danish Working Environment Authority c Perceived working environment (MTU item 38) 	<p>N/A 2010</p> <p>5 reportings</p> <p>66 compared to DK EEI 70</p>
<p>Notes: DK EEI: Comparative figures based on the European Employee Index</p>	





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