



Annual Report 2012

Air Greenland A/S
A/S Reg. Nr. 30672
GER Nr. 56996710
www.airgreenland.com

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Greenland

air greenland 

FINANCIAL HIGHLIGHTS (DKK million)

	2008	2009	2010	2011	2012
Net revenue	1,152.1	1,112.9	1,134.5	1,175.3	1,166.7
Income before financial income and expenses	74.6	50.0	60.2	75.6	112.8
Income before tax	83.1	52.8	62.5	75.0	106.8
Profit/loss for the year	56.7	36.8	41.1	51.3	71.4
Tangible fixed assets	568.2	611.7	538.2	917.5	939.1
Equity	514.9	551.7	592.7	653.4	697.6
Balance sheet total	1,011.3	1,043.7	1,071.0	1,314.4	1,318.0
Dividend for the year	-	-	-	30.0	-
Investments in tangible fixed assets	115.6	147.9	131.8	464.8	132.3
Number of employees (December 31st)	669	668	643	629	626
Profit ratio	6.5%	4.4%	5.3%	6.4%	9.7%
Return on invested capital incl goodwill	8.8%	6.8%	7.5%	8.4%	10.9%
Financial gearing	0.4	0.3	0.3	0.1	3.5
Return on equity	11.6%	6.9%	7.2%	8.2%	10.6%
Solvency ratio	50.9%	52.9%	55.3%	49.7%	52.9%

STATISTICS

	Unit	2008	2009	2010	2011	2012
Length of scheduled service network	Km	14,235	14,235	16,400	16,348	17,178
Number of towns serviced	Towns	21	21	21	21	22
Kilometres flown, scheduled	1000	5,195	4,972	5,073	5,228	5,619
Airborne hours, total	Hours	24,056	22,583	22,453	24,542	22,655
Airborne hours, scheduled	Hours	11,696	11,076	11,276	11,524	12,256
Available ton/kilometre, scheduled	1000	82,185	74,539	78,584	76,097	78,628
Sold ton/kilometre, scheduled	1000	53,542	49,934	48,843	48,111	47,961
Total load factor, scheduled	Percent	65.1	67.0	62.2	63.2	61.0
Number of passengers	1000	421	399	393	390	390
Available seat/kilometre, scheduled	1000	604,333	578,207	585,143	561,728	565,886
Sold seat/kilometre, scheduled	1000	485,351	458,534	450,883	442,452	446,840
Cabin factor, scheduled	Percent	80.3	79.3	77.1	78.8	79.0
Average length of passenger's flight	Km	1,154	1,149	1,147	1,134	1,145

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About the Company

THE COMPANY

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THE BOARD



Jens Wittrup Willumsen
Chairman of the Board
(Government of Greenland)



Julia Pars
Director
Katuq Cultural Center
(Government of Greenland)



Lars Tybjerg
Director
(Danish State)



Bjarne Eklund
Director
(Danish State)



Leif Rasmussen
President & CEO
SAS Cargo Group
(SAS)



Benny Zakrisson
Executive
Vice president
SAS Group
(SAS)



Claus Motzfeldt
Flight Technician
Air Greenland
(Employee representative)



Elisabeth Fisker
Station Manager
Air Greenland
(Employee representative)



Niels C. Frederiksen
Head of Department
Air Greenland
(Employee representative)

DIREKTION



Michael Binzer
CEO
(Air Greenland)

AUDITOR

Deloitte State Authorized
Public Accountants



Endorsements

We have today presented the annual report of Air Greenland A/S for the period 1 January - 31 December 2012.

The annual report has been prepared in accordance with the Greenlandic Financial Statements Act. We deem the accounting policies employed to be appropriate, accurately reflecting the Group's and the Parent Company's assets and liabilities, financial position, profit and loss and cash flows.

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

Nuuk, 19 March, 2013

MANAGEMENT

Michael Binzer
Chief Executive Officer

BOARD OF DIRECTORS

Jens Wittrup Willumsen
Chairman of the Board

Bjarne Eklund

Claus Motzfeldt

Julia Pars

Leif Rasmussen

Niels C. Frederiksen

Lars Tybjerg

Benny Zakrisson

Elisabeth Fisker

Independent Auditor's Report

To the shareholders of Air Greenland A/S

We have audited the annual report of Air Greenland A/S for the financial year 1 January to 31 December 2012, which comprises the statement by Management on the annual report, management commentary, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and the notes for the Group as well as the Parent. The annual report is prepared in accordance with the Greenlandic Financial Statements Act.

Management's responsibility for the annual report

Management is responsible for the preparation of an annual report that gives a true and fair view in accordance with the Greenlandic Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of an annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Greenlandic audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report is free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 31 December 2012, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with the Greenlandic Financial Statements Act.

Nuuk, 19 March 2013

Deloitte

Statsautoriseret Revisionspartnerselskab

Per Jansen
State Authorised Public Accountant

Ole Sonntag
State Authorised Public Accountant

Management Report



Highlights

Best result

2012 was an eventful year for Air Greenland, and financially, the company has delivered its best result ever. The financial performance is a direct result of a number of initiatives across the Group, which overall has contributed to a significant improvement in the Group's robustness.

Competitiveness

Air Greenland's competitiveness was one of the things that the Qarsoq 2012 strategic plan aimed to improve. A large number of the major structural measures regarding the aircraft and helicopter fleet have recently been implemented to reduce complexity, ensure fewer aircraft types (fewer parts, certifications, training, technical/operational), and to achieve a market-adapted timetable, organisation and skills, so that the level of costs has generally been lowered. The lower costs should also lead to lower prices, especially for scheduled traffic, to the benefit of customers, competitiveness and future growth. Competitiveness is adversely affected by the existing level of taxes and fees, which remains high. For a passenger, this means that a domestic ticket is made up of almost 30% taxes.

2012 was the year when a significant proportion of the previous years' fleet changes proved their worth. For scheduled traffic, which accounted for 3.4% more tonne/km ATK (total produced capacity) compared to 2011, and in spite of this increased production, the associated production variable costs have declined. Although there has been, among other things, a rise in fuel prices and taxes, it was possible to reduce the production variable cost per ATK by a total of 7.8%. This is due to the implemented changes from an operational to financial lease on the A330, fewer aircraft types, the effect of the DHC-8 instead of the DHC-7, and the effect of individual extra costs in 2011.

Unfortunately, the demand has not increased correspondingly, which can be seen by the fact that the load per cent has fallen by 2.3 percentage points. The lower utilization should be read in conjunction with the lower activity, as in 2012, but also a result of Air Greenland finding higher availability in a competitive market necessary.

COST DEVELOPMENT IN AREAS OF COMPETITION

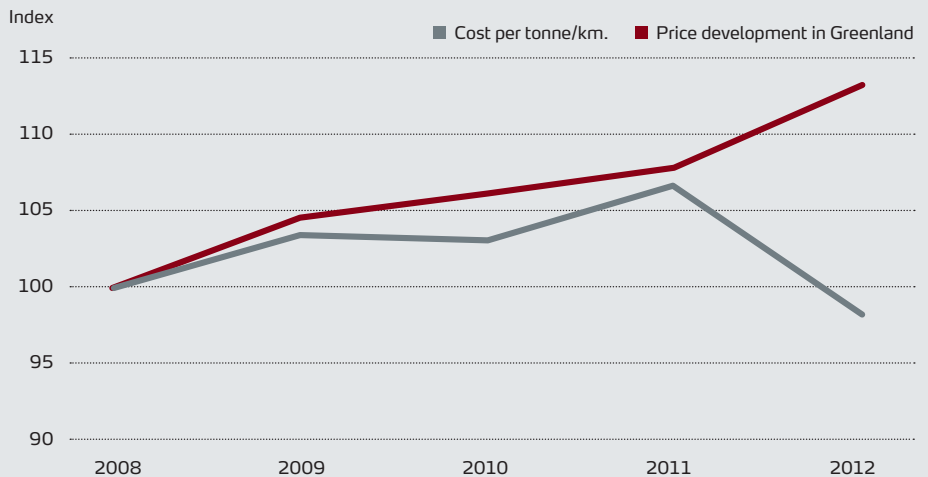


Figure 1

Taxes

From Air Greenland's point of view, tax increases are a burden that has contributed to a declining demand that is contrary to the political desire to stimulate both local traffic and tourism. The company is very concerned about the developments in taxes to Mittarfeqarfiit, and considers it uncertain whether earnings in Mittarfeqarfiit can meet the desire in the long term to finance the investment backlog, in that the number of flights and passengers at most airports simply gives no basis for a tax reliant operation.

In 2012, two changes were introduced, the latter with effect from 2013, and here there are tax increases of 6.6%, which is above the general price index of 4.8%. Air Greenland is working to reduce its costs in order to keep ticket prices reasonable, but find that the tax structure undermines this effort. The increases are placed on the type of taxes included in the base price of the ticket, while passenger taxes that are clear to the passenger on the ticket, are more or less unchanged. Therefore, there is no transparency in tax increases.

Another concern is the consideration of inflation. The Greenlandic economy is under pressure, which, among other things, can be felt on demand. Tax increases, beyond the price index, only boost inflation further.

Infrastructure

The company must note that despite intense dialogue with Naalakkersuisut, various committees from Inatsisartut, the Ministry of Housing, Infrastructure and Transport, and municipalities, it has failed to get clarification of the future transport infrastructure. The recommendations of the Transport Commission has not resulted in clear priorities that Air Greenland can use as a basis for the coming years investments in the aircraft and helicopter fleet. Especially when it comes to helicopters for operating the service contract areas and this vacuum is a challenge, because it is difficult to invest without having clear plans to work with. Therefore, Air Greenland would like to see infrastructure planning clarified with a minimum time horizon of 10 years, so that the necessary investments can be made in time.

Service contracts

In the autumn of 2012, Air Greenland had service contracts extended by a further two years after a lengthy process in which the round of tendering was cancelled, and in addition received a contract on a route from the west coast to the east coast, which the company has not operated since 1999. The Government of Greenland wanted to get an interconnected service across Greenland in the same economic framework as the previous contracts from 2005, which based on price developments obviously means a significant deterioration in economic factors associated with the contracts. In general, the public authorities got more traffic for the same money than under previous contracts, although it must be mentioned that a number of service contract areas in the new contracts will have another traffic service compared to the old contracts. In Disko Bay and South Greenland, the S-61 helicopter has been replaced with the smaller B212. In South Greenland the start of the new service contracts in early 2013 has caused certain challenges and a great deal of discussion, both because of extremely bad weather and more wind sensitive helicopters. Dialogue with key stakeholders in South Greenland in this period has been intensified, which Air Greenland will continue in 2013.

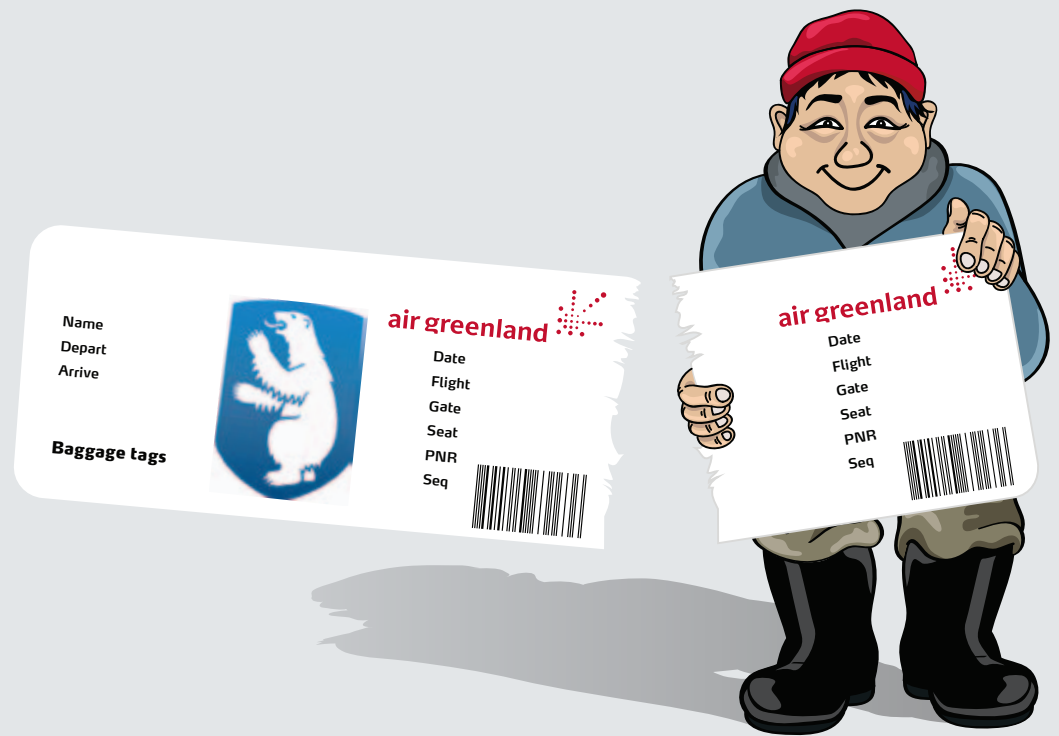


Figure 2

Air Greenland is dedicated to continuing to clarify the quality and value creation by having the company as a supplier. In the coming years, more of the company's CSR activities will be channelled to the outermost regions, which, among other things, include a more comprehensive communication of what the service contracts are. The message that the passenger pays only a small portion of the total ticket price, while the Government of Greenland pays the majority, is an especially important one.

SAR contract

After prolonged negotiations, Air Greenland reached an agreement with the Danish government on a Search & Rescue contract (SAR - emergency preparedness), in force for 2013 and 2014. The contract involves the placement of an S-61 helicopter manned 24 hours a day, seven days a week based in Kangerlussuaq.

When this SAR Agreement comes into force, it will mean that for the first time Greenland will have a dedicated SAR emergency preparedness 24 hours a day, seven days a week, which is not dependent on the scheduled traffic in a service contract district. With this agreement, Air Greenland has further opportunities for professional training of crew, which means better sea rescue preparedness. This is complemented with a B212 eight hours a day six days a week, but with a helicopter that also operates a service contract with the Government of Greenland in South Greenland, which means rescue opera-

tions can cause disruption to normal flights. This B212 helicopter will be based in Qaqortoq.

In 2012, there were 11 SAR operations using the S-61 under extremely difficult conditions. The operations were carried out professionally and in good cooperation with the police.

Oil and mineral exploration

2012 saw visits from many foreign delegations, with a focus on new business opportunities that are represented by the oil and minerals industries. For Air Greenland, these new business areas equate to opportunities for growth and increased earnings if the time horizon of the projects is resolved in time to allow investments in aircraft and helicopter equipment, as well as the skills being identified, qualified and decided upon.

The year was marked by a limited activity in the area of oil exploration, where only seismic surveys and soil samples were taken in contrast to 2010 and 2011, when actual test borings were conducted. The drawn out analyses and the preparatory work for drilling means large fluctuations in the oil industry's requirement for flights each year. Overall, however, it creates activity over a longer period. Air Greenland has to make its investments according to this reality.

In 2012, the level of activity in the mineral area was lower than 2011, primarily due to lack of clarification of a number of mineral companies preconditions for the exploration programme. Thus, the late feedback from the authorities to companies concerning the rights and obligations had a large impact on the initiation of the programmes. The result of this was that very few mineral companies commissioned helicopter services in May and June, which naturally had a negative impact on Air Greenland's earnings in this business area.

In 2012, Air Greenland was audited by oil and mineral companies, which indicates that the companies have a desire to use the company's services in future exploration. Feedback from the independent auditors is that Air Greenland has a very high standard of operations and processes, which has been an explicit goal in the previous strategy period.

EC225 project

Throughout 2012, there has been intensive work to cover everything from potential customers, alternative employment opportunities, funding, technical and operational specifications, as well as potential business partners. The company has set up an interdisciplinary working group composed of experienced people with specific offshore skills, commercial, technical and operational backgrounds. The group, among other things, has been on a number of visits to specific operators with Search &

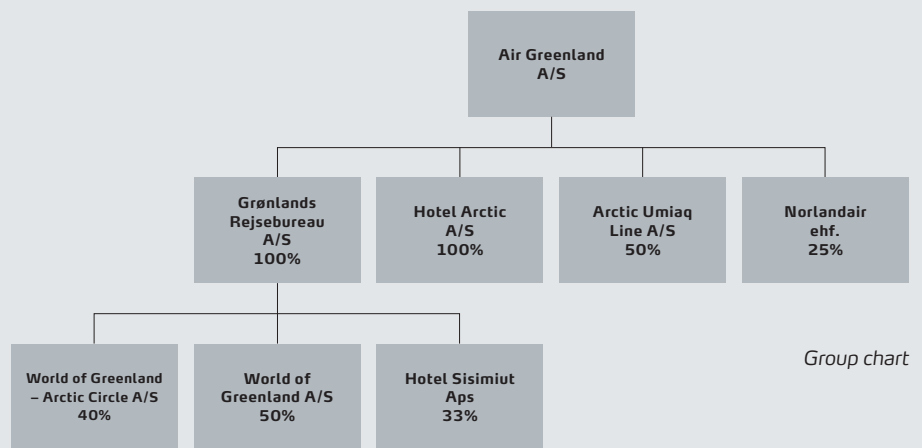
Rescue, as well as offshore activities, including Svalbard, northern Norway and Esbjerg.

Work to create a solid business case has been complicated by the fact that potential customers with a foot in Greenland have not yet published their drilling programmes, which is why alternative scenarios have taken up much of the work.

During 2013, we will work with three scenarios for helicopters:

- Phasing in and operation of helicopters in Air Greenland as a result of the identified customer/customers with activities on the Greenlandic shelf
- The helicopters will be leased out to an alternative customer somewhere else in the world until oil exploration on the Greenlandic shelf is intensified
- The helicopters are sold

These helicopters are also suitable for search and rescue, SAR.



Group chart

Figure 3

Tourism

The Air Greenland Group has a number of wholly or partially-owned companies (Figure 3), which are primarily engaged in tourism. A fundamental prerequisite for these investments is that they support the development of passenger traffic to, from and within Greenland. Recognising that tourism in Greenland can only grow if the entire value chain surrounding the tourist experience, hotel places and transportation are linked in terms of capacity, the Air Greenland Group has decided to have a strategy for its subsidiaries, where the value chain relationships are crucial. Air Greenland would prefer to make any investments in these business areas in cooperation with other professional operators in these companies. The value chain is illustrated in Figure 4.

Qarsoq 2012

2012 was the last year of Air Greenland's current five-year strategy, Qarsoq 2012. Figure 5 is a summary of the main objectives in the strategy period. In many ways, Qarsoq 2012 was a change strategy with a strong focus on structural changes in the aircraft and helicopter fleet. In addition, focus was very much aimed at internal measures that could enhance the customer experience. Service courses, price differentiation and price reductions, as well as a prioritising a serious approach to cost reduction initiatives in the strategy period.

In general, the achievement level of Qarsoq 2012 was high. In many ways, it can be said that the basis for the coming years' commitment to the further development of the commercial transformation is in place and the road is paved for the coming three-year Qarsoq 2015 strategy, which was finally adopted by the Board in December 2012.

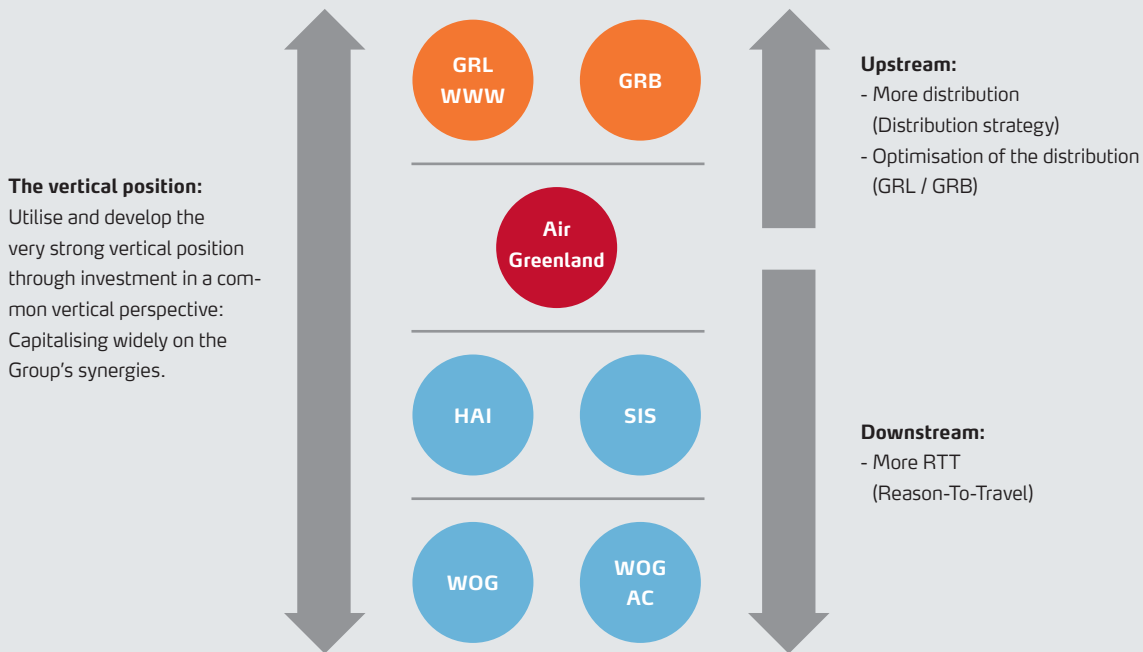


Figure 4

QARSOQ 2012 RESULTS

- A330 transition from operating lease to finance lease
- Purchased: 5 DHC-8s, 4 B212s helicopters, 4 AS350s helicopters
- Sold: B757/Kunuunnguaq, 3 DHC-7s, 2 DHC-6s, 4 B222s helicopters
- Subsidiaries: Acquired 25% of Norlandair (contribution of Twin Otter), start-up of World of Greenland Arctic Circle, expansion of the Hotel Arctic conference centre
- Phasing out of scheduled traffic with the S-61 helicopter
- Resolution on and the implementation and start-up of a new distribution system
- New routes (Iceland & Canada) and larger contracts (service contracts and SAR)
- Systematised image-raising activities (public meetings, committees, municipalities, customers)
- Implementation of pricing strategy with differentiation
- Frontline service courses - I & II for more than 250 people
- New HR organisation with employee performance appraisals, employee satisfaction surveys and development initiatives in health and well-being
- Value programme – Qarsoq Day, Culture Night
- Electronic Flight Bag (EFB) - electronic handling of routines in the operative context
- Business Intelligence solution in place in relation to financial reporting
- KPI management of all core units
- Lean MRO processes, work processes and time recording in the technical department
- SMS - Safety Management System established

Figure 5

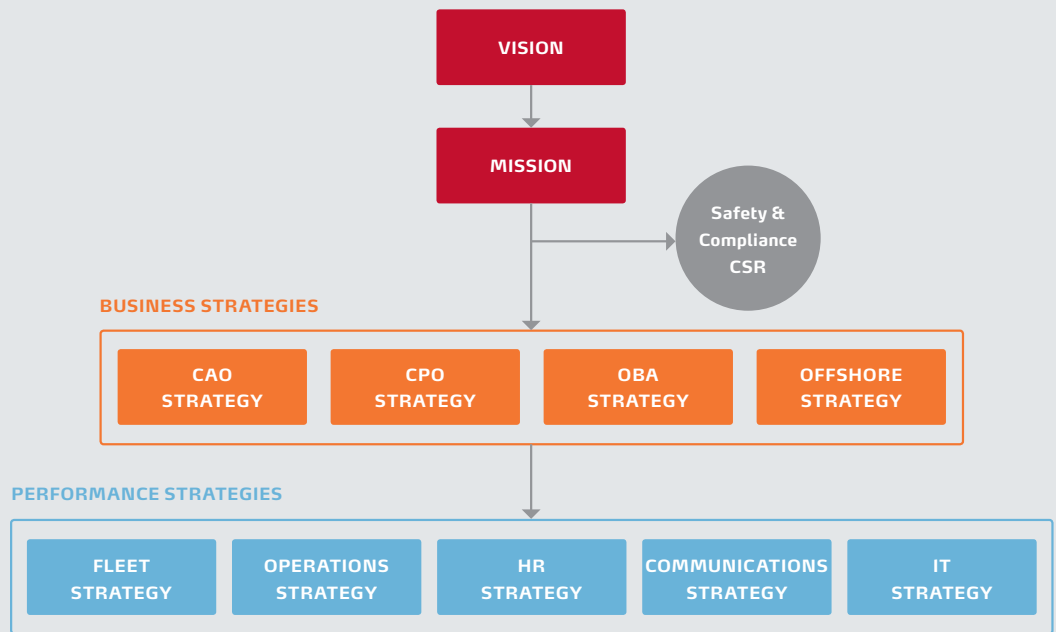


Figure 6

Qarsoq 2015

The focal point of Air Greenland’s new three-year strategy will be to build on the previous introspective work and have a heavier outward-looking perspective of priorities and efforts. This means that the strategy is based on the commercial areas that will guide and manage the supportive function areas, see Figure 6.

The strategy was developed on top of 2012 with internal resources, which is made through a traditional approach in four phases: analysis, comparison to the existing strategy, development of a new strategy and then a subsequent implementation. Since all the 70 persons with leadership responsibilities within the Group have been an integral part of the development of the strategy, the goal is to implement faster than would otherwise have been the case. The eight focus areas identified that the plan is based on and relates to are illustrated in Figure 7.

<p>FOCUS AREAS</p> <ul style="list-style-type: none"> ▪ Reduce costs ▪ Focus on competition ▪ Customer and market orientation ▪ Optimisation of capacity ▪ Macroeconomic conditions ▪ Employee motivation, culture, communication and values ▪ Growth requirements ▪ Distribution <p>OVERALL OBJECTIVES</p> <ul style="list-style-type: none"> ▪ 7.5% return (combination of equity and borrowed capital) ▪ Revenue must grow by DKK 115 million in the scheduled and charter area (exclusive EC225 offshore) ▪ Identify and reduce unit costs by 5% (2012 is the baseline) ▪ Air Greenland is the leading workplace in terms of environment and skills development ▪ Air Greenland is active in servicing the offshore sector with a profitable operating economy 	<p>VISION</p> <ul style="list-style-type: none"> ▪ We make Greenland accessible <p>MISSION</p> <ul style="list-style-type: none"> ▪ We develop our traffic system, so it creates value for customers and Air Greenland ▪ We attract and develop the right employees ▪ We are aware of our corporate social responsibility and we take it seriously
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Figure 7

WINNING PROJECTS 2013

Distribution Strategy
Market Intelligence
Dash 7 in the charter market
The USAF contract
Phasing in of the EC-225

Figure 8

Winning projects 2013

The priorities of the winning projects in 2013, see Figure 8, are based on the commercial areas in the service area that will be working intensively with the phasing in of the new Amadeus Altea platform distribution system and the opportunities this opens up such as cooperation with other airlines. In addition, we will work to ensure healthy earnings on the aircraft type DHC-7, which is ideal for the short runways along the coast and a combination of air cargo and crew changes, which is especially the case for the oil and mineral industry.

The contract with the U.S. Air Force concerning services on Thule Air Base are out for tender in 2013, which naturally involves a large focus on securing this very important project for the company's A330 and a 14-day charter with DHC-8. US Air Force have given a fantastic review of the company's overall performance, which is not unimportant when the contract is put out for tender in the spring of 2013 for a new five-year period, as past performance will be a significant part of the award criteria in the tender documents.

In conclusion, ensuring the commercial basis for investment in the two EC-225 offshore helicopters is a priority project, as this business area is expected to contribute a significant portion of the company's future commercial development.

Internal factors

In the course of 2012, two collective agreements were entered into with employee organisations. As part of the overall efforts to limit costs in the company, there were expectations of tough negotiations. Despite three rounds of negotiations, with a subsequent strike notice, Air Greenland went to the conciliation board with the Danish Service Union (Serviceforbundet), before agreement was reached concerning the cabin area. Collective bargaining with SIK was conducted in a good tone and within the agreed time frame.

On the employee side, more than 250 employees have completed frontline service courses. Work to support customer needs is an integral part of the commitment to increase staff competence to make decisions when unforeseen situations arise.

All managers have helped to develop the coming strategic plan through a combination of team and strategy processes, which has focused on the interdisciplinary items and supports a process of transformation. This approach to strategy and teamwork can best be described as holistic leadership development, which should encourage interdisciplinary cooperation across the organisation.

Economic Development

The Group made a profit of DKK 106.8 million before tax and DKK 71.4 million after tax. Compared to 2011, the results are respectively DKK 31.7 million and DKK 20.1 million higher. The result was positively affected by gains from the sale of fixed assets of DKK 22.5 million, which is primarily an effect of the change in the domestic fleet from DHC-7 to DHC-8.

The profit for the year is satisfactory, especially in a year with lower charter activity than seen in recent years, and it also shows that the recent years' cost reductions and significant investments have resulted in that even in years of relatively low activity, satisfactory results can be delivered.

The parent company

Profit before tax excluding income from investments in subsidiaries and associated companies for 2012 is DKK 23.6 million better than in 2011. The parent company's revenue including other operating income of DKK 1,099.5 million is DKK 10.8 million lower than 2011. Revenue from charter flights and other operating income in Greenland showed a decrease of DKK 50.2 million in 2012, mainly due to lower activity in oil and mineral exploration, but in large was partly offset by higher service sales.

Service revenue, consisting of passenger, cargo and mail revenue increased overall by DKK 39.1 million compared to 2011. The increase in revenue is due to more passengers and a higher average price per kilometre flown. In January and March 2012, number four and five DHC-8 went into service, and the revised fleet meant that the timetable was changed so that passengers now flew more directly between towns in Greenland, rather than having more than one stop as previously. The revised route resulted in fewer passengers measured as passengers on single routes, but in exchange, passengers flew longer on average and of course the overall travel time was shorter.

The external costs have decreased overall by DKK 18.8 million, despite price increases for fuel and aviation insurance of DKK 13.3 million and DKK 4.0 million respectively. The savings are primarily attributable to additional non-recurrent costs in 2011, a modified domestic fleet, but also a lower charter activity and not least continued focus on cost reduction.

Depreciation decreased by DKK 19.5 million, of which the profit on the sale of fixed assets amounted to DKK 17.6 million. The cost of operating leases for aircraft was reduced by DKK 28.7 million, primarily due to the company's A330 transition from an operational to financial lease in September 2011. Similarly, depreciation of aircraft, including aircraft components, increased by DKK 26.2 million due to depreciation partly on the company's A330, and partly on the company's five DHC-8.

In 2012, there were six fewer full-time employees than in 2011, and total labour costs have decreased by DKK 1.1 million. The average wage per full-time employee has increased by 0.8%, primarily due to an overall lower activity that has resulted in a reduced need for wage variables in combination with a general wage restraint.

Subsidiaries

In 2012, Greenland Travel turned the loss from 2011 into a profit before tax of DKK 4.5 million. Included in the year's profit is repayment of VAT and tax on labour costs for the period 1997-2005 from the Danish tax authorities, and if the result is cleared of items relating to previous years, the profit is DKK 1.0 million, which is considered satisfactory.

The primary reason for this improvement is the adaptation of operating costs and improved work processes and routines.

Revenue from leisure is status quo in relation to 2011. In the course of the year online booking and payment of leisure products has been setup on Greenland Travel's website, where leisure customers 24/7 can buy and pay for the package holidays that Greenland Travel offer. Approximately 30% of the package holidays sold are purchased online, and the goal is that 75% of package holiday sales are made online.

In 2012, Greenland Travel experienced a decline in sales of tickets to the business segment. The decline is due to fewer customers, but also that cheaper products are being purchased. Air Greenland is going over to the new distribution system in 2013, and as a result, Greenland Travel is setting up a new and professional business portal in the first quarter of 2013, which can meet all the needs that corporate clients and public institutions have for the administration of travel policies and travel budgets, while still offering new options for self-service.

The Danish market for the more expensive leisure travel was been under pressure in 2012, and this also affected the two incoming companies World of Greenland and World of Greenland - Arctic Circle. World of Greenland comes out of 2012 with a positive result, which is satisfactory, considering the situation. World of Greenland - Arctic Circle's annual result is negative, which is unsatisfactory.

Hotel Sisimiut comes out of 2012 with satisfactory results.

In 2012, Hotel Arctic has also turned a loss in 2011 to a satisfactory profit before tax of DKK 2.2 million. The net result includes profit on the sale of fixed assets of DKK 1.2 million.

There is growth in the occupancy rate of 4.4% compared to last year. The company has had a stable year with the expected demand, but are under pressure from the sharp increases in all basic goods, including energy (oil +19% and electricity +17%).

The Hotel's guest day is divided in courses and conferences by 35% compared with 33% in 2011, business travellers, as well as transit guests make up 30% compared to 37% in 2011, and tourists make up 35% compared to 30% in 2011. 2012 saw a remarkable growth in the tourism sector, namely 22% compared to 2011.

The number of guests who have residence in Greenland was 48% compared to 49% in 2011. The remaining guests came from Denmark, 21% compared to 22% in 2011, from other European countries, 18% unchanged for 2011, and from the rest of the world, 13% compared to 11% in 2011. Hotel Arctic continues to contribute strongly with currency-generating activities.

The hotel has by virtue of the high standard, the location and the good service managed to position itself as one of Greenland's leading hotels. The hotel's standard and service is also competitive internationally.

Associated companies

Ownership of the Arctic Umiaq Line A/S is shared equally with Royal Arctic Line A/S and the result for 2012 shows a loss before tax and a deficit guarantee of DKK 6.5 million. The loss will be covered by the Government of Greenland, after which the annual profit after tax is DKK 0. In 2012, the Government of Greenland put forward a new deficit guarantee for the years 2012 to 2016 for a total of DKK 59.7 million, maximised in the years 2012 to 2016 with DKK 7.3 million, 10.5 million, 16.3 million, 12.2 million and 13.4 million, against Arctic Umiaq Line A/S guaranteed operation of commercial coastal navigation in these years. The Royal Arctic Line A/S and Air Greenland's assessment is that it is not possible to operate commercial coastal navigation without subsidies.

In 2012, Air Greenland chose to buy a 25% stake in Icelandic Norlandair ehf., who primarily operate charter flights with their three DHC-6 aircraft and a King Air in inaccessible areas. It was another good year for the company's fourth full year with a profit after tax of DKK 5.0 million, which is an improvement of DKK 1.7 million. Cooperation between Air Greenland and Norlandair means that the customer has an effectively coordinated overall solution with the best possible backup, which is required when operating in inaccessible areas.

The same level of activity is expected in 2013, where there will be scheduled flights between Iceland and Greenland, which are associated with Air Greenland's takeover of the service contract to and from Nerlerit Inaat/Constable Point.

Financing and liquidity

Liquidity in the parent company has improved by DKK 4.6 million, and in 2012 the operating income contributed with DKK 180.4 million. Cash flow from operations was used for capital expenditures of net DKK 102.8 million, repayment of long-term debt obligations of DKK 43.0 million, as well as payment of dividends for DKK 30.0 million.



Market Development



Figure 9

Increased competition

In 2012, Air Greenland has more or less maintained its passenger market share of approx. 90% of the total passenger market. The initiatives that Air Greenland has taken to counter the increasing competition have worked, just as the consequences of the global economy must also be deemed to have had an influence.

Competition is not only on passenger products, but also increasingly on cargo products, and Nuuk in particular has experienced a greater range of Icelandic products in the shops. In addition, there is also increasing competition in the Charter area with several new operators coming to the Greenlandic shelf in connection with the ever increasing mineral exploration. This trend is expected to increase in the future, which is why competitiveness is a constant focus area for the company.

Measured by the number of passengers (Figure 9 shows the number of passengers divided by months for domestic and Atlantic), the summer months remain the most sought after, and it has proven to continue challenging for the company to extend the season to also produce positive earnings on scheduled routes outside of summer and festive periods. The year's strong performance was primarily due to cost reductions and the average earnings per ticket have been higher, while growth in volume has only been limited.

In general, 2012 was a satisfactory year, but it is clear that earnings on scheduled routes are under pressure and will be in the future as a result of the Greenlandic economy and increasing competition.

Domestic traffic

From 2012, the DHC-8 has been the primary aircraft on domestic routes, and the aircraft has proved to be a worthy successor to the DHC-7. The goal for the company is to reduce the unit cost per available seat/kilometre, and here the DHC-8 has proved to be a good investment. Passengers have mainly noticed it by more and quicker flights.



2012 has shown a decline in passenger numbers, but this is primarily because the scheduled routes have changed as a result of the use of the DHC-8. In the previous DHC-7-based route structure there were less direct routes than is the case with the DHC-8, and it meant that the same passenger had to fly several routes to reach the same destination, whereas the current DHC-8 structure means shorter travelling time.

Transatlantic traffic

In 2012, Air Greenland flew four or five times a week between Copenhagen and Kangerlussuaq, and during the summer there have been up to 12 weekly flights between Denmark and Greenland. Additional production for both Kangerlussuaq and summer flights to Narsarsuaq was carried out by JetTime with a Boeing 737. For the 2013 season, JetTime's Boeing 737 will service Narsarsuaq, while no extra production capacity will be required for Kangerlussuaq for the ordinary traffic program, because from March 2013, the company's A330 will have 278 seats compared with the current 245.

The demand for 2012 has remained in line with 2011.

Competition

As interest in Greenland's underground grows, the interest in the country's transportation also increases. Since 2007, Air Greenland has experienced increasing competition, and Iceland as a gateway to Greenland has especially proven to be a competitive factor. Also in 2012, the competition has been evident, but there are indications that in 2012 the market found a price level that is proportionate with the overall market demand. The company notes that the competition also offers access to new markets that Air Greenland cannot reach, so the current competitive scenario is said to be conducive to the overall development.

SALES DISTRIBUTION OF ONLINE SALES

Average	2009	2010	2011	2012
Private web sales	25%	26%	28%	29%
Business portal	14%	18%	14%	13%
Direct web sales in total	39%	44%	42%	44%

Figure 10

The company's concession on services on the Copenhagen-Greenland route has been extended to September 2017 by the Danish authorities.

When it comes to the close airspace, there was an agreement between Iceland and Greenland in 2012 on more liberalised access to Greenlandic and Icelandic airspace. An agreement that Air Greenland cannot take much advantage of, as access to a number of small Icelandic destinations is not relevant. However, Icelandic airlines can make better use of the agreement to operate Greenland destinations, and the company expects continued increased competition, especially from Air Iceland, but also from charter operators.

The continued downturn in the Greenlandic economy is felt on demand and market behaviour. Cheaper travel products are being purchased than before. From March 2013, the company's Airbus will have a reduced range of business class seats (54-30), but in return a wider range of economy class seats to meet the demand.

Price reductions

In 2011, price reductions were implemented on routes between Nuuk and Copenhagen of between 9 and 33%, or a total of DKK 30 million, which was also maintained in 2012. Air Greenland has a strong position in the competition, and with a journey time of six hours between the Greenlandic coast and Copenhagen, the product has proved to meet passenger needs for short travel times.

Distribution

At the end of 2012, a large set of agreements was signed with Amadeus IT Group S.A. for the application of Amadeus' Altea platform for the company's future distribution. In terms of resources, large parts of 2012 have been used to analyse, negotiate and implement the platform, which finally has a go live date in April 2013.

With Altea, Air Greenland can again work to industry standards and will achieve a more visible and global distribution, as opposed to the company's current closed system that has been in operation since October 2007. The system is a prerequisite for creating growth. In relation to the company's commercial development, this is one of the most important initiatives and investments in order to compete for the Greenlandic airspace.

The investment in Altea meets the demand, for example, from the large business travel agents that, among other things, service the oil and mineral companies globally. In addition, it also opens up for growth in leisure traffic through increased visibility in foreign markets. As requested by Greenland travellers connecting to/from Danish domestic airports, it is again possible to buy interconnected travel from, among other places, the provinces and Scandinavia, which in addition to ensuring the tagging of luggage, also offers passengers a number of extended rights in relation to the current system.

Online sales have returned to 2010 levels, but with a distribution that indicates that particularly the private customer market in Greenland has taken the opportunity to book their travel online for themselves. Air Greenland's relationship with agents and travel agencies remains a focus area, which, among other things, the investment in Amadeus Altea platform is witness to. With the special characteristics of the market in Greenland there is still a need for a strong agent link.

Canada

In 2012, the company reintroduced its route to Iqaluit in Nunavut, Canada. The route was closed in 2001 due to declining demand mainly caused by the reorganising of purchasing patterns in Greenland. With the increased focus on Greenland's underground, it is estimated that there is again a demand that justifies a direct route to Canada. With the DHC-8 in the fleet, it is possible to operate the route in 1:45 and already in 2012 a small margin was made on the route, despite the fact that in 2012 the primary segments of the oil and mineral industry did not materialise due to limited activity in Greenland.

The route will continue in the coming years, and the season is already extended in 2013. The company is staying flexible regarding the route's adjustments in relation to the specific activities in Greenland, so that the season and supply is synchronised with the actual activities in the country. There is an expectation that already in 2013 there will be more activity in the Greenland underground and off its coasts.

Iceland

In 2012, the route Nuuk-Keflavik was operated in the high season, while the service was not operated over Christmas. With two weekly connections and an adjustment to the international traffic in Keflavik, the goal of the route was to create connections for travellers who have destinations outside of Denmark, for example, North America and Europe.

Mail and cargo

The company's important agreement with Posten (previously Post Danmark) was extended in 2012 for a two-year period, with an option for an extension of up to three additional years.

Developments in cargo volume confirm that the demographics are changing and there is a further concentration around big towns, while demand is reduced in the peripheral areas.

In 2012, all transport of mail and cargo was handled by the DHC-8, which, among other things, was made possible by the two new aircraft in the company's fleet that are better configured to take cargo shipments. The restructuring has generally been well received by the market, although it has required a restructuring of packing patterns and purchasing patterns for a number of the largest cargo customers.

The company's cargo strategy is built around a core set of agreements with major business partners that make up the cornerstones of the strategy. As something new, dedicated work on the strategy was launched in 2012, focusing on cargo and earnings from this business area. A customer survey of cargo customers was also conducted in order to optimise the product range.

Market knowledge

There is a continued focus on the development and efforts to obtain knowledge of customers and passengers, which in 2012 led to an increased number of customer and market studies - both for passengers and cargo customers, just as the adaptation of the in-flight product from 2013 was done through input from opinion formers and passengers who fly regularly.

In the latter half of 2012, the company participated in the "Big Arctic Five" campaign in partnership with Visit Greenland. The campaign's purpose was to make contact with potential travellers. The result far exceeded expectations and for Air Greenland it is part of the long-term efforts to obtain knowledge of customer needs and travel patterns.

Charter

The Charter Division's revenue declined quite substantially in 2012, mainly due to the following three factors:

- No exploration drilling for hydrocarbons
- London Mining, who are exploring for iron ore in Godthåbsfjord, prioritised preparation of their application for the establishment of a mine rather than pursuing exploration activities
- The hydroelectric power plant at Paakitsoq near Ilulissat had mast mounting and cabling completed in 2011, and had very reduced flying needs in 2012

In 2012, the Charter Division earned in the region of DKK 100 million from customers outside Greenland and Denmark.

Hydrocarbon exploration

There was, as mentioned, no exploration wells in 2012, where the focus was shifted geographically to the new concession areas in Melville Bay, where intensive 3D seismic data was shot by several companies, some of which had merged.

The need for crew changes on the of seismic ships is far less than is required on a drilling rig, so it was quite limited how many flights were needed to the area where we also had competition from Air Iceland.

The seismic companies also chose not to use helicopters for crew changes, as they sailed crew between the ships and the mainland.

There are no planned exploration wells in 2013, but three companies have tentative plans to drill in 2014, namely Husky Energy, Cairn Energy and Shell.

There are plans for further seismic surveys in 2013, just as there is an expectation to start activity on the new concession areas in North-east Greenland.

Mineral exploration

The exploration season came later in 2012 than normal - according to the companies this was due to a slower processing of applications for drilling permits, etc., than they have been accustomed to.

In 2012, there were several companies that worked with actual applications for mining, including our largest customer in 2011, London Mining, as well as Tanbreez who are looking for rare earth metals at Kringlerne in South Greenland and True North Gems who want to mine rubies at Fiskensæset.

GME (Greenland Mining & Energy) and Angel Mining did virtually no exploration, but were replaced by several new players in the market, namely West Melville Metals, looking for iron ore in South Greenland, KGHM international, who have restarted exploration for molybdenum at Mestersvig, North American Nickel,

looking for nickel at Maniitsoq, as well as Red Rock Resources, looking for iron ore and other metals near Thule Air Base.

The primary type of aircraft that these companies use is the small, but very sturdy AS-350 helicopter.

Inatsisartut has now adopted the new Large Scale Project Act that creates preconditions, for example, that London Mining have better chances of getting their application for extraction of iron ore in Godthåbsfjord approved.

In addition, it seems that the new players from 2012 will return and continue their work, just as Greenland's own exploration company NunaMinerals has made very promising gold discoveries in South Greenland, so the Charter Division believes there will be a higher level of activity in both 2013 and the rest of the new strategy period in 2014-15.

Upgrading and organisation

In line with the increasing activity and not least higher demands for parameters such as CSR and compliance with, for instance, requirements from oil and gas companies (OGP), it was decided to upgrade and reorganise the charter sales function.

In addition, we have started a restructuring to ensure that administrative routines also come to run optimally, where a so-called Personal Digital Assistant (PDA) system has already introduced to ensure that customers can be invoiced immediately after the flight, which is very important for the company's liquidity. The system also enables us to keep customers constantly informed about their flight hour consumption.

The restructuring means that in addition to the charter director, an actual administrator has been hired, who has operational responsibility for this part, plus a sales manager who can focus on customers, development of the individual Key Account Managers, as well as ensuring optimum communication with the stakeholders within the company.



Operations

PUNCTUALITY DISTRIBUTED PER MONTH IN 2012 COMPARED WITH 2011

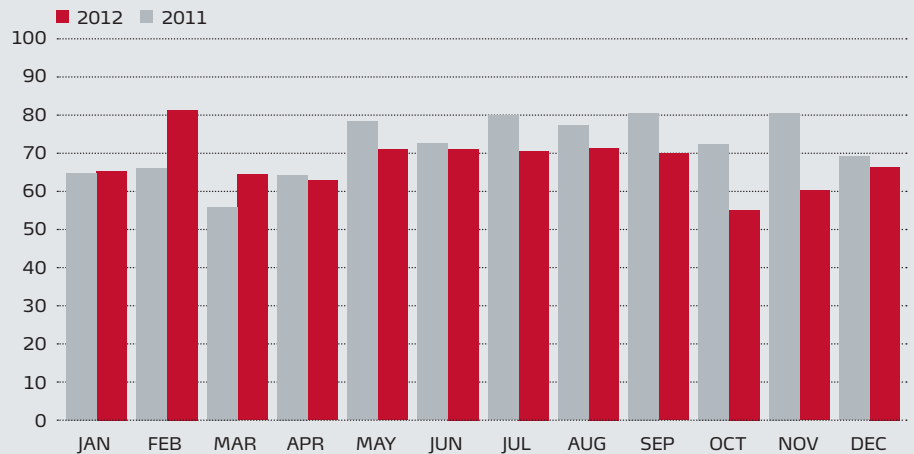


Figure 11

Punctuality

The annual punctuality, measured on all the flights internally/externally within 0:15 compared to published timetables is shown in Figure 11.

For the whole of 2012, there is a comprehensive punctuality of 66.3%, a decline compared to 2011, which was 71.7%.

On transatlantic routes we have a higher requirement for punctuality. The target is 90% of all flights within 0:15 hours out of Copenhagen, and 75% out of Kangerlussuaq, as shown in Figure 12.

The annual result for the on-time performance was not satisfactory. The overall target for all flights is 75% on-time for all completed flights. The actual figures include delays due to weather, as we haven't so far separated these causes from delays resulting from technical problems, for example. However, it is now possible, and from 1 January 2013 the recording routines have been changed, so the reasons for irregularities are included. There is still focus on optimising work processes that can minimise our delays. This cooperation takes place across departments which influence the day's flights.

TRANSATLANTIC	TARGET	0-15 MIN.	16-30 MIN.	31- MIN
Departure CPH	90%	89.0%	6.1%	4.9%
Arrival SFJ	90%	84.9%	8.6%	6.5%
Departure SFJ	75%	57.3%	15.9%	26.8%
Arrival CPH	75%	56.6%	16.6%	26.9%

Figure 12

The requirement for higher punctuality across the Atlantic should be read in conjunction with the company's other timetables. A very large proportion of domestic traffic in Greenland are incoming and departing flights to/from the transatlantic route, so the greater the punctuality is across the Atlantic, the less knock-on effect it has on the domestic traffic and its punctuality.

During August we managed, jointly with Mittarfeqarfiit and the Danish Transport Authority, to agree on a plan for the adjustment of the so-called PAPI approach lights, which had previously been adjusted for the DHC-7 and could not be used by the DHC-8. At the end of the year, Mittarfeqarfiit had completed work on adjusting the PAPI lights to the DHC-8 standard, and Air Greenland expects to operate Uummannaq/Qaarsut in the dark with the DHC-8 again in early 2013.

This year's inspection from the Danish Transport Authority went satisfactory, without comments.

In 2012, Air Greenland registered 257 customer complaints. Most complaints are typically received in Nuuk and Copenhagen. This is a significant improvement compared to 2011, when Air Greenland received 391 inquiries.

Implementation of Air Greenland's big Electronic Flight Bag (EFB) venture started in 2012. Since June, both Air Greenland's employees and suppliers have been working hard to get the system adapted to Greenland. When the system is fully implemented, it means, among other things, that the cockpit will be paperless. This applies to weather reports, flight plans, reporting, weight and balance calculations, takeoff and landing calculations, manuals, fuel documentation and more. In addition, the EFB system communicates with the rest of the company's IT systems, providing new opportunities to keep statistics and optimisation in all areas of operations. The system is iPad based, which in addition to the high degree of user friendliness, ensures an economically attractive solution. This means in practice that where pilots used to have to carry around 15 kgs of manuals and fill out a lot of paperwork in the course of a working day, now they just need to bring a fully charged iPad, which contains everything. With its ambitious EFB solution, Air Greenland has assumed a leading position in the industry in the implementation of advanced IT solutions. The test phase started in early 2013, and after six months of testing, a solution is expected to be approved by the Danish Transport Authority.

Technically speaking

There has, as in previous years, been focus on actively using the Manpower Control System (MCS) in the planning of heavy maintenance. This has now produced results in terms of better planning and management, and, not least, it has provided a better view, reduction of overtime and a reduction of temporary freelance mechanics.

With MCS, you can see how much time is spent on planned work, error correction, as well as the execution of major changes (modifications) per aircraft.

MCS is applied to both the aircraft in operation (Line Maintenance) and the aircraft that are scheduled for major overhaul (Base Maintenance). Through several inspections it will be possible to create a historical database that makes advance planning for inspections more precise.

Flight fleet changes

2012 was the year when Air Greenland phased in another two aircraft for domestic traffic; the DHC-8 model. Air Greenland now has five of this aircraft type, and they are all configured identically in terms of both technical and operational equipment.

An economic comparison of the aircraft type with Air Greenland's previous aircraft, the DHC-7, where 2009 is the base year and the 2013 timetable is the basis of comparison shows that a high double-digit million saving has been achieved with this change. In addition, it would not be possible to increase the amount of passengers and size of the route network, if the company had not made this change. It has meant that the introduction of the aircraft type has lowered the company's operating costs and therefore unit costs.

In 2011, Air Greenland took over their A330 Norsaq on a financial lease, and in 2011 decided to add an additional 33 seats to the aircraft to adapt to the current market situation.

Part of the company's soul - the two remaining almost 50-year-old S-61 helicopters - had their last working day in scheduled traffic on 31 December. The two helicopters are not quite allowed to retire yet, as one will be the backbone of SAR preparedness from 1 January 2013. The other helicopter will be a backup and used for spare parts. The plan is that the helicopters are finally phased out by the end of 2014, when the current SAR contract with the state expires.

Two of the company's faithful work horses, the DHC-7, have been sold during 2012, and with the sale of the two aircraft, Air Greenland now has three DHC-7 left, one of which is devoted to the service contract for the Government of Greenland in the north and east. The second is used as a charter aircraft and scheduled route backup, and the third, which is parked, is expected to be operational when the need is there. The plan preliminary is to keep the three remaining DHC-7s, primarily with the intention of charter projects and until more DHC-8s can be purchased.

Fleet

The DHC-8 effect made a great difference, and it has been found that less than half of the components were replaced on the DHC-8 compared to the DHC-7 for the same number hours flown. This means a reduction of the work processes in several areas of the technical department.

In 2012, it finally succeeded to sell the B222 helicopter fleet to an Australian buyer, and thus another project in Qarsoq 2012 was completed, namely to reduce the number of aircraft types in the company.



Expectations for 2013

There are moderate expectations for scheduled traffic activity in 2013, which is expected to be on par with 2012, of course, depending on market competition. Therefore, focus will continue to be on an efficient flow of traffic, including ensuring good use of the extra seats in the company's A330, which in March 2013 will be reconfigured from 245 seats to 278. Although the additional seats make it possible to reduce the number of flights in the low season, there are no plans for this.

We expect an increased charter activity, primarily with the small AS-350 helicopters, as many exploration applications with the Bureau of Mineral and Petroleum (BMP) are expected to be ready for the season, which was not the case for 2012. Despite increased competition, Air Greenland expects to continue to have a significant market share as a result of customers' experience with the company's delivery reliability, flexibility and not least the ability to handle the unexpected.

The lower activity from the oil companies in 2012 is expected to continue in 2013, and there will only be minor seismic surveys. The oil companies will use 2013 to analyse data and prepare their next drilling programme, and the expectation is that at least one oil company will launch a two-year drilling programme from 2014.

There will be sharp focus on the new two-year service contracts and SAR agreement to deliver a satisfactory performance in close dialogue with the customer. Especially the phasing out of the S-61 to the smaller B212 requires dialogue, because in some cases the B212 is more weather sensitive, but in return the end customer is usually offered many more and more direct flights than with the S-61, and the customer will get a shorter travel time. Air Greenland continuously evaluates the need for any renewal or replacement of the B212, since this type of helicopter is aging, with the risk of a further rise in prices for spare parts.

Distribution from April is via the Amadeus Altea platform, and a number of cooperation agreements with other airlines will be in place during the year. The company does not expect to feel the full effect of the measure in 2013, while, however, there will be major improvements for passengers as early as summer 2013.

The company expects a profit in the range of DKK 75 million before tax.



Risks

The sixth DHC-8

Air Greenland wants to buy an additional DHC-8, preferably with the same configuration as the current five DHC-8s. The aircraft is no longer produced, and due to an increasing interest in the aircraft type, and a limited number of aircraft, it has proved more difficult to find a suitable one than expected. It can briefly be replaced with the DHC-7, but the consequences are higher production costs and a long-term limitation in operating additional charter projects.

Market development

The market is under pressure with demands for lower prices, while there are fewer customers travelling as a result of the economic slow-down in the Greenlandic society. This trend is expected to continue, especially in a number of domestic routes in Greenland, where the settlement pattern and the local economy is very important to demand.

Mineral exploration

There are expectations of an increase in mineral exploration, including the construction of large mines. Such projects can lead to a significant need for a foreign workforce, which could lead to the law having to be changed and further processed, including the underlying agreements between Greenland and Denmark, which could mean the postponement of projects.

Increasing competition from Iceland

Competition from Iceland is expected to continue, and in line with increased activity and changes in air traffic patterns as a result of mineral and oil exploration, Air Greenland must fight to retain its market share and pricing will naturally be under pressure.

New transatlantic operator

Since 2009, Air Greenland has been the only operator on the Copenhagen – Kangerlussuaq route. With increased mineral and oil exploration, it is likely that periodically there will be direct scheduled flights to Kangerlussuaq from another or other operators. There is also expected to be an increase in charter flights, also by foreign operators.

EU compensation rules/Passenger rights

In June 2012, there was an important and principled verdict to the company's and air traffic's advantage. The case was brought against Air Greenland as a result of the labour dispute that the company went through in January 2011. The action related to Council Regulation (EC) 261/04 on air passenger rights concerning, among other things, cancellations and long delays of flights. The company complies with the regulation, but the question concerned passenger access to special compensation as a result of the cancellations and delays resulting from the conflict.

Air Greenland won the case and the verdict concluded that the conflict is to be considered as "extraordinary circumstances" beyond the company's control - whether a conflict is announced or not announced, and whether it is the company or the union that initiates a conflict when the company has done what may reasonably be required to alleviate the effects of a cancellation/delay. In addition, it was determined that this Regulation only covers the leg of the journey departing from the EU, and that a delay/cancellation of an onward connection in Greenland will not be covered by the Regulation and thus any compensation obligation.

Air Greenland has an annual cost in the region of DKK 15-20 million for passenger irregularities, where costs are incurred for meals, ground transportation and accommodation, and in some cases compensation under EU rules set out in Council Regulation (EC) 261/04. The Regulation only applies to travel from Denmark/Iceland to Greenland, but not return or internally in Greenland. Air Greenland will also have costs for meals, accommodation and land transportation on the other routes, even though the company is not legally obliged to do so.

The Regulation gives passengers a number of rights, but also often makes an expectation of the payment of compensation. This has led to aviation authorities in general experiencing an increasing number of complaints related to the Regulation and the airlines' interpretation. Air Greenland is also experiencing an increasing number of complaints, because in many respects the Regulation is very unclear and rather than building on the written word, it is based more on changes through case law (verdicts/decisions). Regulation interpretation becomes increasingly more stringent and detrimental to the airlines. With the current knowledge of the legal situation it is not expected to incur more costs in 2013, but in line with the Regulation getting more and more publicity, we can expect a continued increase in the number of complaints. The Regulation is expected to be updated in 2014-15.

Fuel/Dollar

Aviation fuel is a very weighty cost, so an increase in world prices of aviation fuel in dollars is the single biggest factor affecting Air Greenland's costs. Air Greenland tries to counter this with a conservative hedging policy, which guarantees against cost and price increases of at least 50% of fuel consumption for the transatlantic aircraft over the year, while aviation fuel for the domestic and charter fleet is dependent on the price policy from the exclusive distributor of fuel, KNI Polaroil that is obviously also influenced by world prices.

Insurance

In 2012, the company's fixed wing fleet was insured collectively in a pooling cooperation with SAS and TAP, mediated through SAS' co-ownership of Air Greenland. Since 1 December 2011, the helicopter fleet has been insured separately. This construction has increased costs compared to the years before 2011, when the entire fleet was part of a pool, which has not been possible to continue.



Report on Corporate Social Responsibility

Air Greenland supports the UN Global Compact's ten principles for responsible running of a company. The principles, which deal with workers and human rights, climate and environment and anti-corruption, along with a business-driven approach are the basis of the company's prioritisation of corporate social responsibility.

For many years, Air Greenland has maintained a tradition of acting in an energy conscious manner, to assume a large responsibility for training and to get involved in the community. Since adhering to the UN Global Compact in 2010, this work became more structured and strategic. This development is most recently reflected by our corporate social responsibility finding a place in the renewed mission in Air Greenland's future strategy Qarsoq 2015, which, among other things, states "We are aware of our corporate social responsibility and we take it very seriously".

Air Greenland's CSR policy continues to cover all essential areas of human and workers rights, anti-corruption, climate and environment, health and safety, responsible supply chain management and also stakeholder dialogue as a priority. The policy is published on www.airgreenland.com.

In 2012, many resources were used to communicate the principles and concepts of the CSR policy and strategy for specific projects and messages that increasingly involve and engage employees. A series of workshops were held in the first half of the year with each of the departments, where employees were presented with the company's overall position and priorities of corporate social responsibility, and they worked very specifically and practically with the ideas and efforts that would be relevant to their department. The intranet is also used to articulate initiatives and examples of corporate social responsibility, and at the manager meeting in November, there was a special focus on this area with discussions and, not least, participation and presentations by two guests, Naalakkersuisoq of Finance, Malina Abelsen (IA) and CEO of Novozymes and the President of WWF Denmark, Steen Risgaard.

Stakeholder dialogue

Air Greenland's image in Greenland has previously suffered as people perceived the company as being closed and having very little interest in customers. To support the company's growing commercial and customer-oriented focus, there has therefore in recent years been, in the company's opinion, very proactive and open dialogue with all stakeholders. The company has increasingly experienced support in the public debate, which is considered to be caused by the objective of transparency that Air Greenland has wanted to represent in its external dialogue.

AIR GREENLAND MEETS THE PUBLIC

- Regular meetings with relevant Inatsisartut committees, municipal councils, large customers, authorities and others, is part of the annual cycle.
- All press inquiries are answered as soon as possible, letters to the editor and blog entries concerning the company are answered.
- Our Facebook profile is used actively to inform and involve about 7000 "friends", which the page now has.
- Other contact interfaces include Air Greenland's newsletter and participation in radio and television news and discussion programs.
- In the autumn of 2012, the national television station KNR broadcast two 30 minute television documentaries in prime time dealing with "Life in Air Greenland". The two programs described daily life at the company with news reports and interviews, and they gave a good insight into many work tasks.
- The large exposure of Air Greenland in the media was also supplemented this year by a number of direct meetings with the population in many parts of Greenland. There were six public meetings in 2012, of which one was in Ilulissat, Sisimiut, Tasiilaq, Nuuk and two in Qaqortoq. These public meetings were very well attended and through written evaluations, the participants expressed great satisfaction with both the form and content.

Figure 13

WHAT WE SUPPORTED IN 2012

Sponsorships	Amount in DKK
GIF agreement (support for associations and GIF)	1,000,000
Katuaq	450,000
Branding Greenland (travel pool with a view of getting foreign press to GRL)	400,000
Gift certificates for tourism-related competitions (e.g. Big Arctic Five).....	150,000
Arctic Circle Race	136,000
Team Greenland	125,000
Main sponsor of the Akisuanerit music festival	80,000
NAPA	50,000
Cultural Centre Taseralik	50,000
Cultural Centre Sermermiut	50,000
The North Atlantic House's Business Club	32,000
Cancer CD	30,000
Nakuusa Children's Panel.....	30,000
Greenland in Tivoli	15,000

Figure 14

Involvement in the local community

Air Greenland involves themselves in the local community in many different ways. It is to give positive publicity about the Group, it helps to increase employee satisfaction, and it helps to reinforce the perception of Air Greenland as a socially responsible company.

Air Greenland remains an important supporter of, in particular, cultural and sporting life in Greenland, see Figure 14.

In addition, employees are encouraged and motivated to become personally involved in voluntary work for the benefit of society. The CSR policy states that all employees may use up to one working day each in the course of a year on social responsibility work. In 2012, a large number of employees again took part in the litter collection day in Nuuk, which was part of a large environmental project, Saligaatsoq. An actual recording of this type of effort in the attendance system is not yet in place, because

THE SAPIIK PROJECT

Sapiik (brave) is the name of the Association of Greenlandic Children's (Foreningen Grønlandske Børn) project in Nuuk, Ilulissat and Qaqortoq targeted at 9th and 10th grade students to increase the proportion who continue in education after secondary school. There is a particular focus on the classes where there are also students from settlements. Air Greenland has chosen to engage specifically in this project, as it harmonises perfectly with the CSR's prioritising of education and development. In addition, the project is suitable for the involvement of employees who feel that their efforts are making a difference to young people. Specifically, both in Nuuk and Qaqortoq open house events have been held for the Sapiik project's youngsters, who on a guided tour of the hangar, were told about training opportunities and presented with different types of work tasks. There are plans for follow-up in 2013 of those students who wanted to gain more insight into the company through a work experience day. In Ilulissat, it is Hotel Arctic's young chefs who have been instrumental in the Group's commitment, by arranging, in cooperation with the project staff from the Association of Greenlandic Children, more baking and cooking evenings at one of the town's schools.

Air Greenland continues its commitment to the Sapiik project in 2013 and wants to expand cooperation with the Association of Greenlandic Children to include students from the east coast.

Figure 15

a higher priority is given to use resources to motivate employees to get engaged. The goal is to eventually have detailed specified criteria for the types of volunteer work that is relevant to quantify, and then start recording.

In 2012, Air Greenland initiated a close cooperation with the Association of Greenlandic Children (Foreningen Grønlandske Børn) on the so-called Sapiik project; see the description in Figure 15. It has been a natural extension of the company's desire for increased focus on education in its community involvement. Both sides are ready to strengthen and develop this partnership in the future, and it is our ambition for 2013 to also involve students from the east coast of Greenland, where Air Greenland would like to engage further in connection with our service contract in the area that the company has for the next two years.

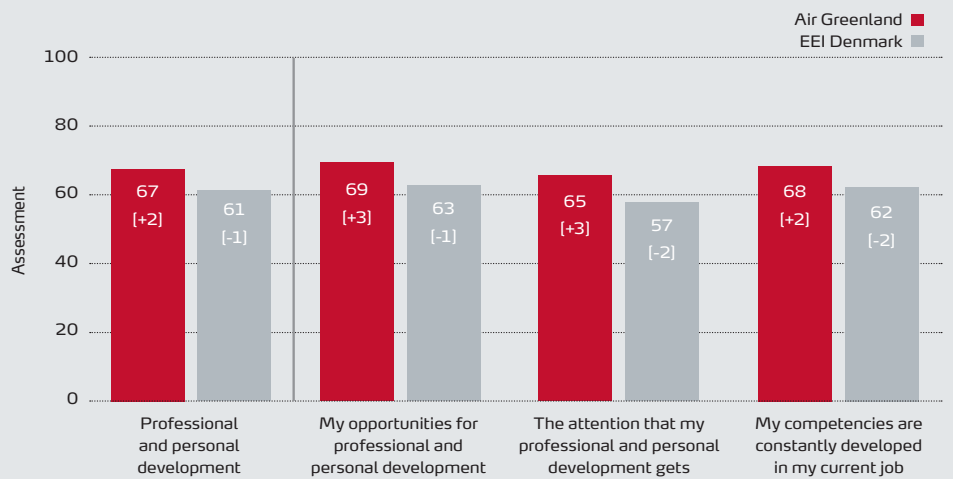
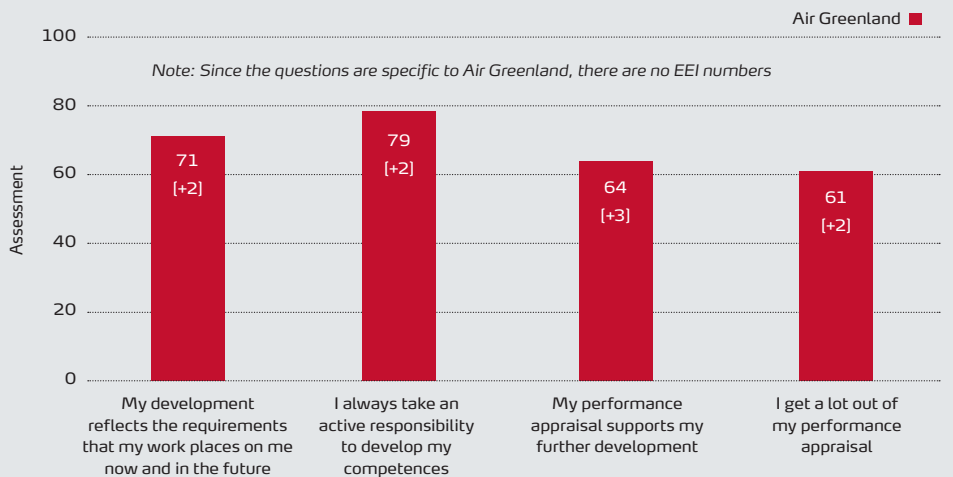


Figure 16



Figures in brackets show changes from 2011.

Figure 17

Development of competencies

In a period characterised by efficiency improvements and cost reductions, it is remarkable that in the employee satisfaction survey Air Greenland can observe an increase of two to three points on all the indicators in professional and personal development. The effect of the various measures such as greater visibility were put into practice, a new employee appraisal concept with the possibility of group appraisals, as well as individual feedback on course wishes were some of the initiatives.

The comprehensive series of training courses continued in 2012 for Air Greenland, Hotel Arctic and Greenland Travel's employees on customer contact, additional skills and a common understanding of good service. The so-called frontline II courses are just like the first part, conducted by internal instructors and during the year 250 employees completed the two-day course. The requirement to provide excellent service is incorporated into, among other things, the employee development concept and user surveys in the future. In 2013, a further 6 or 7 courses will be held for frontline staff, and the course will be adapted to include the "back stage" staff, where, for example, administrative staff and charter pilots will be included.

14 participants from different levels and departments underwent a 14-day IPMA project management course with subsequent certification. Over the last four years, Air Greenland has trained 40 certified project managers. Since the overall project management skills in the company are now assessed to be in place, training will be established in 2013 for selected project managers with a background in the Prince2 model. After certification, participants will work on developing a project model, tailored to Air Greenland.

As a result of the oil companies' increased interest in Greenland, Air Greenland has a requirement that all key people in the company have to undergo training in Safety Management Systems (SMS). The top management, as well as some key people went through such a course at EASTO, just as everyone in production went through an e-learning course in SMS (approximately 250 people).

Training costs in 2012 were DKK 27,961 per employee, which covers both mandatory (DKK 9.8 million) and non-mandatory training and apprenticeships (DKK 6.0 million). The total increase amounts to DKK 2.2 million, of which the non-mandatory training cost, amounted to DKK 1.1 million as a result of general training and frontline training, as well as implementation of the new Amadeus distribution system. Mandatory training has also increased by DKK 1.1 million, primarily as a result of the transition to the new DHC-8 aircraft.

One of the reasons why the company chose to invest large resources in the internal development of competence, is the desire to constantly raise the level and ensure that employees have the right tools, skills and knowledge to make decisions, while ensuring a good internal recruitment base for management positions, which so far can be said to have been a success. In 2012, 9 out of 10 positions were filled by internal candidates.

Training

For many years, the training of trainees and apprentices has been a priority for Air Greenland, and this focus has been sharpened with training and development as a common thread in the CSR work. In 2012, Air Greenland had 26 trainees, compared with 27 in 2011. The restructuring of the traffic assistant programme has especially meant a decrease in the number of trainees. The length of the programme has been reduced from two to one year, which has meant that we no longer have two teams in the programme (five + five), but only one team per year (five). This gives room and resources for the company to increase the number of trainees in the future from administrative and technical programmes, so that we not only train for "ourselves" by virtue of the very aviation-specific programmes, but also to a greater extent than previously for the benefit of the wider community.

EMPLOYEE SATISFACTION SURVEY JOB SATISFACTION

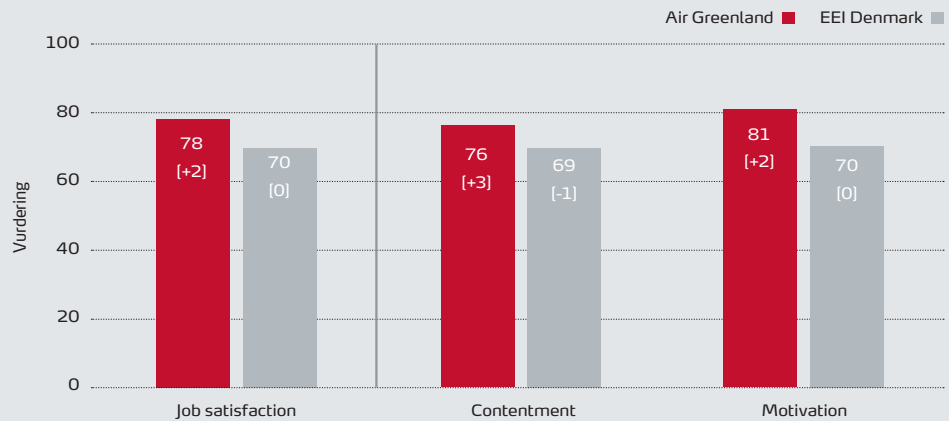


Figure 18

In light of the successful experience of work experience placements/thesis writing for higher education, we will have increased the focus in 2013 on making ourselves available for work experience placements and thesis writing for the Greenlandic students in Denmark and Greenland. In this context, contact has been established with the student organisation Avalak and places of study, and we are targeting our efforts at job and recruitment fairs. We see this work as Air Greenland's contribution in maintaining the link and the desire to return to Greenland of students who are educated abroad.

Employee satisfaction

High job satisfaction means loyal and stable employees, which in turn means preservation and accumulation of knowledge and skills in the company. In other words, it's good business to have satisfied employees. Therefore, Air Greenland works purposefully towards employee satisfaction. For the third consecutive year the company has conducted a satisfaction survey, and again in 2012 the response rate was very high, 86%, which is a strong indication that employees want to make their views known. The results showed an increase in job satisfaction from an already high score of 76 to 78. For Greenlandic companies, the average was 73, see Figure 18.

Climate and the environment

In 2012, Air Greenland focused on climate and environmental efforts. This was partly because it is natural to explore opportunities for savings on electricity and fuel consumption, and partly because Air Greenland has a goal of reducing its negative environmental impact.

Our greatest environmental impact is CO₂ emissions from aircraft, but also the most difficult to reduce, because runway and weather conditions in Greenland limit the ability to choose more environmentally friendly aircraft.

As an airline, Air Greenland has a responsibility to work to reduce its CO₂ footprint by working in fuel savings, for example, in route planning, speed and the like, this could, among other things, be achieved by replacing some of the DHC-7 aircraft with the more environmentally friendly DHC-8s.

The effect can be seen by the fact that Air Greenland has flown almost 400,000 km more compared to 2011, while CO₂ emissions have fallen by 2,451 tonnes. Isolated to competitive routes in Greenland since 2010, CO₂ emissions have decreased by 7%, see Figure 19.

At Hotel Arctic, the effects of the hydropower plant that they were linked to on 1 November 2012 can slowly be seen. In the future, CO₂ emissions at Hotel Arctic concerning electricity consumption will be 0 kg/CO₂.

CO₂ EMISSIONS PER AVAILABLE TONNE KILOMETRE, ATK, IN COMPETITION ROUTES

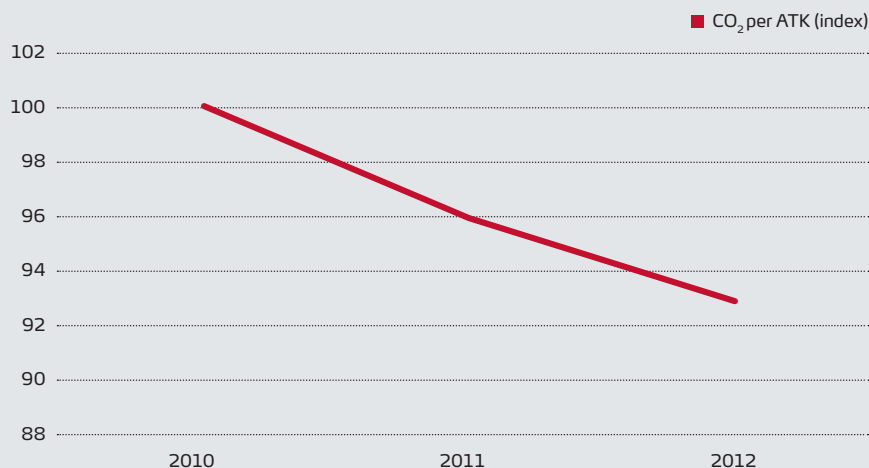


Figure 19

Diversity

Air Greenland sees diversity as a strength in the workplace and has chosen to quantify and report on the parameters of workforce with local ties and women in leadership.

In 2012, the company worked with a clear and well-defined disability policy. The work resulted in, among other things, a focus on the area of new buildings, as well as a revised advertising profile.

The proportion of the workforce with local ties was 92% this year compared to 89.6% last year. 'Workforce with local ties' is defined by an Act of the Landsting (Parliament) about regulating the workforce. This increase should be viewed in the context that several employees have achieved the "status" of workforce with local ties, based on the definition.

The proportion of women in the extended management group remains unchanged at 24%.

The work environment and safety

During 2012, work was done with the results of the health & safety risk assessment (APV). Based on this, a training programme has been launched, primarily for cargo and loading staff. An expert in the work environment has been round and taught posture and lifting techniques, both at the base areas and to cabin staff. Reports have also been prepared with recommendations in the field. An extensive renovation programme is underway at the headquarters

in Nuuk with, among other things, a view of improving the physical work environment. Virtually all of the administrative functions are or will be affected.

A new health and safety officer has been hired. The plan is that the existing work environment and safety organisation must have greater responsibility for a strategic approach to environmental work in the future. In 2013, the ambition is to get clarification of whether an ISO certification in environmental and health and safety is the most appropriate way to go when considering the effort, resources and expected benefits and results.

Air Greenland's new time recording system has been in operation throughout 2012, which meant that for the first time the company could collect statistics on sickness absence from all areas. In 2012, the total sickness absence was 3.0%, including long-term illness. Overall, it is considered satisfactory. During 2013, a revised health policy will be prepared, which will incorporate compassionate conversations and other initiatives to reduce sickness absence.

For the first time the company can quantify in detail both employee satisfaction and absenteeism. On a departmental level, it is clear that there is a correlation between high satisfaction and low absenteeism - as evidenced by Air Greenland's overall result with high satisfaction and low absenteeism.

By the same token, the high activity around health and wellbeing schemes is maintained. Again in 2012, a project was launched about individual training and dietary advice, as well as continuing to give grants to sport and exercise for employees.

In 2012, Air Greenland had eight accidents at work/near misses, compared to four the year before. There have been no potentially fatal accidents. The five incidents were among loading staff, and covers shock and fall injuries. The area is - as described earlier - a focus area.

Each accident/near accident is analysed to assess whether there is a trend or accidents can be avoided in the future by preventive measures. Again this year, the company has, for example, approached Mittarfeqarfiiit concerning the icy apron to prevent fall injuries for employees and passengers.

The work environment area is also included in the two-day introductory course that Air Greenland gives to all new employees, along with, among other things, a review of strategy, values and safety.

Employee assessment of the work environment for satisfaction was quantified at 68, which is an increase of two points. Renovation of the administration building is estimated to result in an increase in the year to come.

Anti-corruption

Air Greenland has assessed that there is not a current need for a comprehensive policy on anti-corruption, since the general principles in this area are already part of the overall CSR policy. The company has now fully implemented a gift policy, and in connection with Christmas, for example, the policy and its consequences are brought to the attention of all employees. When employees by virtue of their position receive gifts from customers, suppliers or business partners, the gifts are handed into the HR department where they are distributed for internal competitions, prizes for raffles and the like. A list of gifts and what they are used for is available on the intranet.

Air Greenland is a member of the organisation Transparency Greenland, because we recognise anti-corruption principles and work towards a greater degree of transparency in relation to the social conditions/insight in the company for stakeholders, etc. Air Greenland believes it is a good idea to enhance transparency in the decision-making process, as part of the preparation for the new sectors: mining, oil and gas exploration and construction.

Responsible management of suppliers

In 2012, Air Greenland introduced a purchasing policy and purchasing rules. The purpose of the purchasing policy is to ensure that Air Greenland can implement the best and cheapest purchasing for the benefit of the purchasing unit and the Group as a whole. When asking for quotes and inviting tenders or supply of goods and services, Air Greenland's requirement for CSR must be evident. It can either be made as minimum requirements in that part of the tender process, which deals with the selection of suitable bidders that must commit suppliers to respect fundamental social, environmental and ethical guidelines, or they can be included as a sub-criterion in relation to the final choice of supplier. The decision on where in the process requirements are enforced is taken in each case on the basis of a discussion between the purchasing department and the relevant business area.

Purchasing has to take into account reducing the company's environmental impact and to promote the development and use of cleaner products for the benefit of the surrounding environment and the working environment.

Appropriate and recognised recommendations are used for environmental and energy efficient purchases by the preparation of requirement specifications to establish minimum requirements, and choose products that as far as possible have an eco-label and/or are energy-friendly, as well as products which are intended to reduce waste, and where the products are packed appropriately for transport. In addition, the focus is on changing purchasing habits that are suitable for supply by ship rather than plane.

So far the focus has been on local businesses and competitiveness, which has led to several purchasing areas being relocated from abroad to Greenland, both large and small. Production of business cards and purchase of consumables for domestic flights will be purchased in Greenland, even with remarkable cash savings as a result, in addition to a significant service improvement.

The key element is supply chain management and the purchasing department has therefore prepared a supplier evaluation procedure used to compare suppliers, as well as develop supplier relationships on several parameters, where CSR in total counts for 25%.



The Fleet



Airbus 330-200
Number: 1

DHC-8 (DASH 8)
Number: 5



DHC-7 (DASH 7)
Number: 3

Beech Super King Air B200
Number: 1



Sikorsky S-61N
Number: 2

Bell 212
Number: 8



AS 350 B2/B3 Ecureuil
Number: 12



Accounting Policies

This annual report has been prepared in accordance with the provisions of the Greenlandic Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

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

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

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

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

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise Air Greenland A/S (Parent) and the group enterprises (subsidiaries) that are controlled by the Parent, in accordance with the group overview on page 12. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associated companies, see group overview on page 12.

Basis of consolidation

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

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

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

Business combinations

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

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises, provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet separately under deferred income, and they are recognised in the income statement when such adverse development is realised.

Profits or losses from divestment of investments

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the book value of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

Foreign currency translation

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

When recognising foreign subsidiaries and associated companies that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

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

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

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

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

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associated companies are classified directly as equity.



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D.C. GEN

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NO 2 GEN A B C

TEMP

AMPH OIL

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X100 PRI

HYD PRESS

AUX X100

CAUTION PANEL

EMER

DIM

EMER CHIP DETECTOR

PITCH

CHANNEL

ROLL

YAW

RIGHT

RIGHT

TAIL WHEEL LOCK

PULL TO LOCK

AFCS

ENG

AFT

FWD

YAW TRIM

RETURN TO PITCH

AFT

NAV

WPT

FPL

CALC

DIR

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LT TEST

VHF COMM

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720

TEST

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ADF

OFF

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ON SLING FOR FLIGHT

SAFE

AUTO

HOOK UNLOCKED

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TEST

HEAR

500

COCKPIT VOICE RECORDER

USE OF GPS LIMITED TO DAY VFR ONLY

CLARIFIER

TEST

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Income Statement

Traffic revenue

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

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

Tickets sold that are not used before they are outdated are recognised as income.

Public payment for domestic air traffic is included in revenue.

Other operating income and expenses

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

Other external expenses

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

Staff costs

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

Financial income and expenses

These items comprise interest income and expenses, the interest portion of financial lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, amortisation premium and allowance on mortgage debt etc as well as tax surcharge and tax relief under the tax prepayment scheme.

Extraordinary items

These items comprise income and expenses which stem from events outside the Group's ordinary activities, and which are therefore expected to be non-recurring.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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

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

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

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



Balance Sheet

Goodwill and goodwill on consolidation

Goodwill is amortised straight-line over its estimated useful life, which is determined based on the experience gained by Management for each business area. The period of amortisation is usually five years, however, in certain circumstances it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer period of amortisation is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and book value.

Fixed tangible assets

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

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

Interest expenses on loans for financing the manufacture of tangible fixed assets are included in cost if they relate to the manufacturing period. All other financing costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of estimated useful lives and scrap values of the assets, see however below for essential air-

craft components:

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

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

Assets with a cost of less than DKK 50,000 are recorded as expenses in the income statement at the time of purchase. IT purchases are, regardless of cost, capitalised and depreciated over 3 years.

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

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

Investments in subsidiaries and associated companies

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

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

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

Subsidiaries and associated companies with a negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

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

The purchase method is applied in the acquisition of investments in subsidiaries and associated companies; see above description under consolidated financial statements.

Inventories

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

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

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

Receivables

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

Prepayments

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

Other investments

Securities recognised under current assets comprise listed bonds and investments measured at fair value (quoted price) at the balance sheet date.

Other financial assets are measured at cost.

Dividend

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

Mortgage debt

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

Lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities and, at the time of inception of the lease, measured at the present value of the future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

Other financial liabilities

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

Deferred income

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

Cash flow statement

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

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows to acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

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

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

Cash flow from financing activities comprise changes in the size or composition of the Parent's share capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

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

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

Key figures	Calculation formula	Ratios reflect
Profit ratio (EBIT margin) (%)	$\frac{\text{Gross profit (EBIT)}}{\text{Revenue}}$	The enterprise's operating gearing
Return on invested capital including goodwill (%)	$\frac{\text{NOPAT}}{\text{Average invested capital incl. goodwill}}$	The return generated by the enterprise on investors' funds
Financial gearing (%)	$\frac{\text{Net interest-bearing debt}}{\text{Equity}}$	The enterprise's financial gearing
Return on equity (%)	$\frac{\text{Profit/loss for the year}}{\text{Average equity}}$	The enterprise's return on capital invested in the enterprise by the owners
Solvency ratio (%)	$\frac{\text{Equity}}{\text{Total assets}}$	The enterprise's financial strength

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





Statement of Income January 1st to December 31st

(DKK 1,000)	Parent Company			Group	
	2012	2011	Note	2012	2011
Net revenue	1,084,590	1,086,250	1	1,151,355	1,150,806
Other operating revenue	14,926	24,031		15,346	24,451
Other external costs	(549,651)	(568,452)	2	(571,618)	(594,917)
Staff costs	(363,105)	(364,176)	3	(392,724)	(395,228)
Amortisation, depreciation and write-downs	(83,832)	(103,358)	4	(89,520)	(109,553)
Income before financial income and expenses	102,928	74,295		112,839	75,559
Income from investments in subsidiaries	4,935	(756)	10	-	-
Income from investments in associated companies	426	186	10	461	674
Other financial income	4,912	7,806	5	5,116	8,279
Other financial expenses	(8,477)	(6,301)	6	(11,598)	(9,560)
Income before tax	104,724	75,230		106,818	74,952
Taxes	(33,300)	(23,928)	7	(35,394)	(23,650)
Profit for the year	71,424	51,302		71,424	51,302
Proposal for distribution of the year's profit:					
Dividend for the year	-				
Reserve for net revaluation of investments according to the equity method	5,182				
Revaluation reserves	(4,880)				
Brought forward	71,122				
	71,424				

Balance Sheet at December 31st 2012

(DKK 1,000)	Parent Company			Group	
	2012	2011	Note	2012	2011
Goodwill and goodwill on consolidation	-	-		166	451
Intangible fixed assets	-	-	8	166	451
Buildings	155,121	159,966		245,568	253,899
Aircraft incl. major components	594,058	603,291		594,058	603,291
Other aircraft components	29,695	23,228		29,695	23,228
Other equipment, vehicles and inventory	23,614	24,159		33,828	37,127
Tangible fixed assets under construction	35,906	-		35,906	-
Tangible fixed assets	838,394	810,644	9	939,055	917,545
Investments in subsidiaries	65,831	60,896		-	-
Investments in associated companies	8,362	8,115		11,921	11,639
Accounts receivable, subsidiaries	2,096	2,260		-	-
Accounts receivable, associated companies	4,000	5,000		7,087	8,445
Other securities and investments	-	-		37	20
Other accounts receivable	542	374		777	620
Deferred tax assets	-	-	13	2,288	2,442
Fixed asset investments	80,831	76,645	10	22,110	23,166
Total fixed assets	919,225	887,289		961,331	941,162
Stocks and inventories	36,295	44,866	11	39,432	47,555
Accounts receivable, sales and services	91,615	73,615		101,653	82,301
Accounts receivable, subsidiaries	6,288	6,585		-	-
Accounts receivable, associated companies	591	1,107		1,111	1,107
Other accounts receivable	6,726	44,090		9,546	44,935
Prepayments	3,561	3,813		3,898	3,996
Accounts receivable	108,781	129,210		116,208	132,339
Cash	181,820	177,241		201,032	193,336
Total current assets	326,896	351,317		356,672	373,230
Total assets	1,246,121	1,238,606		1,318,003	1,314,392

Balance Sheet at December 31st 2012

(DKK 1,000)	Parent Company			Group	
	2012	2011	Note	2012	2011
Share capital	24,000	24,000	12	24,000	24,000
Reserve for net revaluation of investments according to the equity method	26,547	21,365		1,630	1,348
Revaluation reserve	3,383	8,263		3,383	8,263
Nettoregulering af sikringsinstrumenter	2,623	-		2,623	-
Retained earnings	641,071	569,949		665,988	589,966
Proposal for dividend for the year	-	30,000		-	30,000
Equity	697,624	653,577		697,624	653,577
Deferred tax liabilities	182,394	149,803	13	188,430	155,123
Provisions	182,394	149,803		188,430	155,123
Mortgage loans	5,384	5,384		21,365	23,666
Lease commitments	94,483	124,680		94,483	124,680
Bank debt	-	-		31,302	32,593
Long-term liabilities other than provisions	99,867	130,064	14	147,150	180,939
Current portion of long-term liabilities other than provisions	28,320	41,096	14	31,881	44,665
Other bank debts	-	-		403	3,083
Trade payables	60,710	74,004		66,324	78,855
Accounts payable, subsidiaries	916	283		-	-
Accounts payable, associated companies	219	-		482	294
Corporation tax	673	-		2,090	1,041
Other liabilities	88,367	109,576	15	96,552	116,612
Deferred income	87,031	80,203		87,067	80,203
Current liabilities	266,236	305,162		284,799	324,753
Total liabilities other than provisions	366,103	435,226		431,949	505,692
Total equity and liabilities	1,246,121	1,238,606		1,318,003	1,314,392
Commitments, contingencies and forward contracts etc.			16-18		
Other notes			19-22		

Statement of Changes in Equity at December 31st 2012

(DKK 1,000)

Parent Company

	Share capital	Reserve for net revaluation according to the equity method	Revaluation reserve	Net adjustment of hedging instruments	Results brought forward	Proposed dividend for the year	Total
Equity at January 1 st 2011	24,000	21,935	8,263	-	538,537	-	592,735
Profit for the year	-	(570)	-	-	51,872	-	51,302
Proposed dividend to shareholders	-	-	-	-	(30,000)	30,000	-
Deferred tax on the dividends	-	-	-	-	9,540	-	9,540
Equity at December 31 st 2011	24,000	21,365	8,263	-	569,949	30,000	653,577
Distributed dividend	-	-	-	-	-	(30,000)	(30,000)
Value adjustment, derivative financial instruments	-	-	-	2,623	-	-	2,623
Profit for the year	-	5,182	(4,880)	-	71,122	-	71,424
Proposed dividend to shareholders	-	-	-	-	-	-	-
Deferred tax on dividend for the year	-	-	-	-	-	-	-
Equity at December 31 st 2012	24,000	26,547	3,383	2,623	641,071	-	697,624

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	Share capital	Reserve for net revaluation according to the equity method	Revaluation reserve	Net adjustment of hedging instruments	Results brought forward	Proposed dividend for the year	Total
Equity at January 1 st 2011	24,000	674	8,263	-	559,798	-	592,735
Profit for the year	-	674	-	-	50,628	-	51,302
Proposed dividend to shareholders	-	-	-	-	(30,000)	30,000	-
Deferred tax on dividend for the year	-	-	-	-	9,540	-	9,540
Equity at December 31 st 2011	24,000	1,348	8,263	-	589,966	30,000	653,577
Dividend paid to shareholders	-	-	-	-	-	(30,000)	(30,000)
Value adjustment, derivative financial instruments	-	-	-	2,623	-	-	2,623
Profit for the year	-	282	(4,880)	-	76,022	-	71,424
Proposed dividend to shareholders	-	-	-	-	-	-	-
Deferred tax on dividend for the year	-	-	-	-	-	-	-
Equity at December 31 st 2012	24,000	1,630	3,383	2,623	665,988	-	697,624

Cash Flow Statement for 2012

(DKK 1,000)	Parent Company			Group	
	2012	2011	Note	2012	2011
Income before financial income and expenses	102,928	74,295		112,839	75,559
Amortisation, depreciation and write-downs	76,261	67,088		81,949	73,283
Change in working capital	4,800	92,639	19	902	98,837
	183,989	234,022		195,690	247,679
Financial income received	4,912	7,806		5,116	8,279
Financial expenses paid	(8,477)	(6,301)		(11,598)	(9,549)
Paid taxes	(36)	(9,698)		(889)	(11,200)
Cash flows from operating activities	180,388	225,829		188,319	235,209
Purchase etc. of tangible fixed assets	(130,917)	(462,325)		(132,335)	(464,769)
Sale of tangible fixed assets	26,906	10,729		29,165	12,084
Purchase etc. of fixed asset investments	(168)	(7,741)		(168)	(7,754)
Sale of fixed assets investments	1,164	13,360		1,369	13,554
Dividend received	179	-		179	-
Cash flows from investing activities	(102,836)	(445,977)		(101,790)	(446,885)
Loans, long-term liabilities	-	256,900		-	257,467
Instalments on long-term liabilities	(42,973)	(89,262)		(46,153)	(92,212)
Dividend paid	(30,000)	-		(30,000)	-
Cash flows from financing activities	(72,973)	167,638		(76,153)	165,255
Changes in cash and cash equivalents	4,579	(52,510)		10,376	(46,421)
Cash and cash equivalents at January 1 st	177,241	229,751		190,253	236,674
Cash and cash equivalents at December 31 st	181,820	177,241		200,629	190,253
Cash and cash equivalents include:					
Cash	181,820	177,241		201,032	193,336
Other bank debt	-	-		(403)	(3,083)
Total cash and cash equivalents	181,820	177,241		200,629	190,253

Notes to the Annual Report

(DKK 1,000)	Parent Company		Group	
	2012	2011	2012	2011
1. Net revenue				
Passenger revenue, domestic flights in Greenland	621.466	582.188	621.466	582.188
Charter revenue, flights in Greenland	179.831	223.064	179.831	223.064
Cargo, flights in Greenland	77.664	77.470	77.664	77.470
Carriage of mail, Greenland	24.133	24.513	24.133	24.513
Public payment for service contracts	115.076	115.076	115.076	115.076
Revenue, hotel operations	-	-	42.595	40.207
Revenue, ticket sales	11.797	11.251	35.967	35.600
Other traffic revenue	54.623	52.688	54.623	52.688
	1.084.590	1.086.250	1.151.355	1.150.806
2. Other external costs				
Flights in Greenland:				
- Air traffic taxes to third parties	113.885	119.423	113.885	119.423
- Distribution costs	4.711	6.688	4.711	6.688
- Passenger taxes collected	(56.370)	(64.286)	(56.370)	(64.286)
	62.226	61.825	62.226	61.825

Notes to the Annual Report

(DKK 1,000)

	Parent Company		Group	
	2012	2011	2012	2011
3. Staff costs				
Salaries and wages	319,177	319,828	347,961	350,467
Pensions	9,805	9,550	10,095	9,841
Other social contributions	34,123	34,798	34,668	34,920
	363,105	364,176	392,724	395,228
Of this, total remuneration to the Parent Company's:				
- Management	3,281	2,932	3,281	2,932
- Board of Directors	1,667	942	1,667	942
	4,948	3,874	4,948	3,874
Average number of employees	565	571	651	655

Management is remunerated in accordance with a contract, with a regular monthly salary incl. pension and a company car.

Furthermore, there is a cash-based incentive programme for the company's management. The incentive programme is based on the achievement of individual goals and of financial goals for the company. The maximum payment for 2011 is set at DKK 400 thousand.

The CEO of the company has handed in his resignation effective from 1 April, 2013 in accordance with his term of notice. The salary will be recognized on a continuing basis over the resignation period, whereas the severance payment covering 12 months' salary has been recognized in the annual report as staff costs and other liabilities, respectively.

The annual remuneration to the parent company's management is specified as follows:

	2012	2011
Salaries	2,597	2,522
Pension	208	100
Bonus	400	388
Adjustment of provision for severance pay	76	(78)
	3,281	2,932

Incentive programmes have not been established for the Board of Directors.

Notes to the Annual Report

(DKK 1,000)	Parent Company		Group	
	2012	2011	2012	2011
4. Amortisation, depreciation and write-downs				
Goodwill	-	-	285	285
Buildings	8,977	8,531	11,847	11,365
Aircraft and components	72,334	46,367	72,334	46,367
Other aircraft components	1,728	1,540	1,728	1,540
Other equipment, vehicles and inventory	12,121	11,980	15,822	15,669
Operating lease, aircraft stock	7,571	36,267	7,571	36,267
Operating lease, other equipment	-	3	-	3
Earnings on sales of tangible fixed assets	(18,899)	(1,330)	(20,067)	(1,943)
	83,832	103,358	89,520	109,553
5. Other financial income				
Interest, cash at bank	1,436	2,356	1,530	2,520
Interest, subsidiaries	66	109	-	-
Interest, associated companies	250	338	380	471
Capital gains	2,973	4,824	2,973	5,108
Other interest	187	179	233	180
	4,912	7,806	5,116	8,279
6. Other financial expenses				
Interest, bank debt	4	-	28	18
Interest, leasing	7,181	2,619	7,181	2,619
Interest and amortisation, mortgages	-	-	2,979	3,112
Capital losses	1,214	3,572	1,239	3,572
Other interest	78	110	171	239
	8,477	6,301	11,598	9,560
7. Tax on profit for the year				
Current tax	709	-	1,938	514
Deferred tax on profit for the year	32,591	23,928	33,456	22,719
Adjustment of deferred tax from previous years	-	-	-	417
	33,300	23,928	35,394	23,650

Notes to the Annual Report

(DKK 1,000)	Parent Company		Group	
	Goodwill and goodwill on consolidation	Total	Goodwill and goodwill on consolidation	Total
8. Intangible fixed assets				
Cost at January 1 st 2012	-	-	1,425	1,425
Additions	-	-	-	-
Disposals	-	-	-	-
Cost at December 31 st 2012	-	-	1,425	1,425
Amortisation and write-downs, January 1 st 2012	-	-	974	974
Amortisation for the year	-	-	285	285
Reversed amortisation at year-end	-	-	-	-
Amortisation and write-downs at December 31 st 2012	-	-	1,259	1,259
Book value at December 31 st 2012	-	-	166	166

Notes to the Annual Report

(DKK 1,000)

Parent Company

	Buildings	Aircraft and components	Other components	Other equipment vehicles & inventory	Prepayments for tangible fixed assets	Total
9. Tangible fixed assets						
Cost at January 1 st 2012	318,846	896,206	77,153	125,119	-	1,417,324
Additions	4,924	70,316	8,195	11,576	35,906	130,917
Disposals	(1,546)	(93,512)	-	(4,427)	-	(99,485)
Cost at December 31 st 2012	322,224	873,010	85,348	132,268	35,906	1,448,756
Revaluation at January 1 st 2012	-	8,263	-	-	-	8,263
Revaluation for the year	-	(4,880)	-	-	-	(4,880)
Revaluation at December 31 st 2012	-	3,383	-	-	-	3,383
Depreciation and write-downs at January 1 st 2012	158,880	301,178	53,925	100,960	-	614,943
Depreciation for the year	8,977	72,334	1,728	12,121	-	95,160
Reversed depreciation at year-end	(754)	(91,177)	-	(4,427)	-	(96,358)
Depreciation and write-downs at December 31 st 2012	167,103	282,335	55,653	108,654	-	613,745
Book value December 31 st 2012	155,121	594,058	29,695	23,614	35,906	838,394
Book value includes:						
Assets held under finance leases	-	247,061	-	-	-	247,061
Interest expenses	-	-	-	-	-	-

Notes to the Annual Report

(DKK 1,000)

Group

	Buildings	Aircraft and components	Other components	Other equipment vehicles & inventory	Prepayments for tangible fixed assets	Total
9. Tangible fixed assets (contd.)						
Cost at January 1 st 2012	440,720	896,206	77,153	166,922	-	1,581,001
Transferred	5,398	70,316	8,195	12,524	35,906	132,339
Additions	(3,492)	(93,512)	-	(4,969)	-	(101,973)
Cost at December 31 st 2012	442,626	873,010	85,348	174,477	35,906	1,611,367
Revaluation at January 1 st 2012	-	8,263	-	-	-	8,263
Revaluation for the year	-	(4,880)	-	-	-	(4,880)
Revaluation at December 31 st 2012	-	3,383	-	-	-	3,383
Depreciation and write-downs at January 1 st 2012	186,821	301,178	53,925	129,795	-	671,719
Depreciation for the year	11,847	72,334	1,728	15,822	-	101,731
Reversed depreciation at year-end	(1,610)	(91,177)	-	(4,968)	-	(97,755)
Depreciation and write-downs at December 31 st 2012	197,058	282,335	55,653	140,649	-	675,695
Book value at December 31 st 2012	245,568	594,058	29,695	33,828	35,906	939,055
Book value includes:						
Assets held under finance leases	-	247,061	-	-	-	247,061
Interest expenses	2,494	-	-	-	-	2,494

Notes to the Annual Report

(DKK 1,000)

Parent Company

	Investments in subsidiaries	Investments in associated companies	Accounts receivable in subsidiaries	Accounts receivable in associated companies	Other receivables	Total
10. Fixed asset investments						
Cost at January 1 st 2012	38,903	8,741	2,260	5,000	374	55,278
Additions	-	-	-	-	168	168
Disposals	-	-	(164)	(1,000)	-	(1,164)
Cost at December 31 st 2012	38,903	8,741	2,096	4,000	542	54,282
Net revaluation at January 1 st 2012	21,993	(626)	-	-	-	21,367
Depreciation and write-downs for the year	4,935	247	-	-	-	5,182
Reversed revaluation	-	-	-	-	-	-
Net revaluation December 31 st 2012	26,928	(379)	-	-	-	26,549
Book value December 31 st 2012	65,831	8,362	2,096	4,000	542	80,831
			Nominal value	Equity		
Subsidiaries and associated companies:	Percent					
Hotel Arctic Inc, Ilulissat	100%	30,000	47,506			
Greenland Travel Inc	100%	1,500	19,669			
Arctic Umiaq Line Inc	50%	2,000	376			
Norlandair ehf., Akureyri	25%	7,180	30,288			
Profit/loss from subsidiaries consists of the following:	2012	2011				
Profit before tax, Hotel Arctic Inc, Ilulissat	2,249	333				
Profit/loss before tax, Greenland Travel Inc	4,480	(1,666)				
Elimination of internal profit	299	299				
Profit/loss from subsidiaries before tax	7,028	(1,034)				
Tax of subsidiaries	(2,093)	278				
Profit/loss from subsidiaries after tax	4,935	(756)				

Notes to the Annual Report

(DKK 1,000)

Group

	Investments in associated companies	Accounts- receivable in associated companies	Other investments	Other accounts receivable	Total
10. Fixed asset investments (contd.)					
Cost at January 1 st 2012	10,291	8,445	15	620	19,371
Additions	-	-	-	168	168
Disposals	-	(1,358)	-	(11)	(1,369)
Cost at December 31 st 2012	10,291	7,087	15	777	18,170
Net revaluation at January 1 st 2012	1,348	-	5	-	1,353
Depreciation and write-downs for the year	282	-	17	-	299
Reversed revaluation	-	-	-	-	-
Revaluation at December 31 st 2012	1,630	-	22	-	1,652
Book value at December 31 st 2012	11,921	7,087	37	777	19,822

Parent Company

Group

	2012	2011		2012	2011
11. Stocks and inventories					
Store of spare parts	36,027	37,748		36,027	37,748
Sales stocks and components, aircraft	-	6,804		-	6,804
Other inventories	268	314		3,405	3,003
	36,295	44,866		39,432	47,555

12. Share capital

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

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

The share capital has remained unchanged for the past 5 years.

Notes to the Annual Report

<i>(DKK 1,000)</i>	Parent Company		Group	
	2012	2011	2012	2011
13. Deferred tax				
Provisions for deferred tax consist of the following items:				
Intangible assets	-	-	(162)	-
Tangible fixed assets	177,994	158,198	183,835	163,363
Financial assets	6,997	5,349	6,997	5,349
Current assets	(2,671)	(359)	(2,731)	(400)
Short term debts	74	(5,687)	100	(5,667)
Tax losses brought forward	-	-	(1,897)	(2,266)
Provisions for dividend	-	(7,698)	-	(7,698)
	182,394	149,803	186,142	152,681
Net value is recognised in the balance sheet as follows:				
Deferred tax assets	-	-	(2,288)	(2,442)
Deferred tax liabilities	182,394	149,803	188,430	155,123
	182,394	149,803	186,142	152,681
Specification of movements:				
Deferred tax at January 1 st	149,803	135,415	152,681	138,634
Deferred tax for the year	32,591	23,928	33,456	23,602
Tax base of provision for dividend	-	(9,540)	-	(9,540)
Adjustment of previous years' tax	-	-	5	(15)
Deferred tax at December 31 st	182,394	149,803	186,142	152,681

Notes to the Annual Report

(DKK 1,000)

Parent Company

	Due within 1 year	Due after 1 year	Amortised debt, total	Nominal debt, total
14. Long term liabilities other than provisions				
Mortgage debt	-	5,384	5,384	5,384
Lease commitments	28,320	94,483	122,803	122,803
Long term liabilities other than provisions at December 31st 2012	28,320	99,867	128,187	128,187
Due after more than 5 years:				
Mortgage debt		5,384		
Lease commitments		-		
		5,384		
Group				
	Due within 1 year	Due after 1 year	Amortised debt, total	Nominal debt, total
Mortgage debt	2,301	21,365	23,666	23,682
Lease commitments	28,320	94,483	122,803	122,803
Bank debt	1,260	31,302	32,562	32,621
Long term liabilities other than provisions at December 31st 2012	31,881	147,150	179,031	179,106
Due after more than 5 years:				
Mortgage debt		11,973		
Lease commitments		-		
Bank debt		25,600		
		37,573		

Notes to the Annual Report

(DKK 1,000)	Parent Company		Group	
	2012	2011	2012	2011
15. Other liabilities				
Wages, A-tax, social and health contributions, etc.	15,005	27,974	15,790	28,553
Holiday pay	35,289	34,184	38,158	37,043
Other liabilities	38,073	47,418	42,604	51,016
	88,367	109,576	96,552	116,612
16. Mortgage liabilities				
Mortgage debt is secured by mortgage on properties.				
Mortgage deeds registered to the owner on properties deposited as security for bank debt and mortgage debt, nom.	91,635	91,635	153,212	153,212
Book value for mortgaged real estate	100,881	101,015	188,253	192,399
Mortgage deeds on aircraft deposited as security for bank debt, nom.	15,000	15,000	15,000	15,000
Book value of mortgaged aircraft	5,318	4,745	5,318	4,745
Cash deposited in favour of Rejsegarantifonden and other supplier credits	2,203	2,203	3,713	3,713

Notes to the Annual Report

(DKK 1,000)	Parent Company			Group	
	2012	2011		2012	2011
17. Lease commitments					
Operating lease of aircraft 2012 - 2016	21,390	22,478		21,390	22,478
Due within 1 year	6,352	7,484		6,352	7,484
Due after 5 years	-	-		-	-
<p>In addition, a finance lease on OY-GRN has been entered into which has been accounted for as a tangible fixed asset and a lease commitment, respectively, in the annual report. OY-GRN, which has been recorded at DKK 247,061 thousand at 31 December 2012, has been provided as security for the lease commitment of DKK 122,802 thousand.</p> <p>The lease may be terminated at two years' notice and expires on 7 October, 2016 at which time the outstanding debt will be DKK 16,977 thousand.</p>					
18. Contractual commitments					
Contract for delivery of aircraft up until 2014	323,549	322,413		323,549	322,413
<p>Capitalised prepayments of DKK 35,906 thousand are included under other accounts receivable.</p>					
19. Changes in working capital					
Change in stocks and inventories	8,571	71,334		8,123	71,107
Change in accounts receivable	23,052	11,694		18,754	14,002
Change in current liabilities	(26,823)	9,611		(25,975)	13,728
Change in working capital, total	4,800	92,639		902	98,837
20. Fees to the auditors appointed by the AGM					
Fees paid to the Parent Company's auditors appointed by the AGM for the FY:					
Statutory audit	938	925		1,175	1,210
Adjustment to previous years	200	130		200	130
Other services	751	1,135		982	1,464
	1,889	2,190		2,357	2,804

Notes to the Annual Report

(DKK 1,000)

21. Related parties

Related parties with controlling influence on Air Greenland Group:

- None

Other related parties with which the Air Greenland Group has had transactions in 2012:

- Government of Greenland, shareholder
- SAS, Kastrup, shareholder
- Board and management

Transactions between other related parties and the Air Greenland Group in 2012:

- Government of Greenland: Service contracts (cf. the management report) transport of patients for the Health Authorities, sale of tickets, payment of traffic duties and operation of heliports/airports with Mittarfeqarfiit etc.
- SAS: Payment for tickets, handling and maintenance at Copenhagen Airport, Kastrup of the Airbus 330-200 etc.
- Intra-group transactions.
- There is an incentive programme for management, which is result-oriented.

Air Greenland has had the following transactions with related parties in 2012:

	Market value	Acquisition value	Receivable	Payable
Government of Greenland	190,868	206,410	6,568	13,563
SAS	697	18,969	35	3,424
Katuaq, where a member of the board is a director	1,456	536	34	-

22. Shareholders

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

- Government of Greenland (37.5%)
- Scandinavian Airlines System A/S, 2700 Kastrup (37.5%)
- The Danish State (25%)



The Members of the Board and their Competences

Jens Wittrup Willumsen (born 1960):

Chairman of the Board (appointed by the Government of Greenland) since 2011.

Education: MSc in Business Economics.

Career: Until the end of 2006, he held a number of leading positions within sales and marketing, primarily in SAS, where he has held positions in the commercial area – most recently as Deputy CEO and Senior Vice President Commercial Scandinavian Airlines Denmark A/S.

In the last 10 years, Jens has also been very committed to several boards – both as a member and as a chairperson.

Since the end of 2006, he has chosen to concentrate his activities on investments in a series of companies and holding various directorships.

Competences: Strategy and leadership, sales and marketing, economics, organisation and development, communication, experience in the airline industry.

Jens W. Willumsen is a member of the following boards: Visit Denmark - Chairman. SKAKO A/S (OMX) - ordinary member. Mediehuset Ingeniøren - Chairman. FDM Travel - ordinary member. Atlantic Airways - Deputy Chairman. In addition, Jens is a board member of a number of small businesses.

Julia Pars (born 1968):

Member of the board (appointed by the Government of Greenland) since 2007 (Chairperson until 2011).

Education: Academy Profession Degree in Tourism, MBA from Henley Business School, international certified Organisation and Relation System Coach and NLP Master Practitioner.

Career: Has held several positions with Greenland Tourism A/S, most recently as Information Manager (2002-2006). In 2007, Julia took over the post of Director of Katuaq – Greenland's Cultural Centre.

Competences: Strategy and leadership, project management, communication, PR, financial management, sponsor and event marketing, organisation and leadership development.

Seats on boards: Serves as member of the board of The Royal Greenland Foundation, an observer for the Government of Greenland on the board of Nordens Hus (Thorshavn) and is a member of the committee of representatives of North Atlantic House in Copenhagen.

Bjarne Eklund (born 1940):

Served on the board (appointed by the Danish State) since 2012.

Education: Graduated as a forwarding agent and shipper in 1960.

Career: From 1967 to 1995 he held a number of positions at Varig Brazilian Airlines, the most recent as European Director based in London. From 1995 to 2001 he was CEO of the Danish Tourist Board, after which he held the post of Chairman of the Danish Tourist Board until 2003.

Competences: Strategy, leadership (including international), organisation, tourism, aviation.

Seats on boards: Is the Chairman of the Education Travel Agency and board member of Have PR A/S, and he holds several honorary positions concerning sport and integration. In the period from 2008 to 2011, he served as a self-appointed member of Air Greenland's Board of Directors. Furthermore, for a period of more than 10 years he served on the board of Visit Greenland, as both Chairman and Board Member.

Lars Tybjerg (born 1939):

Member of the board (appointed by the Danish State) since 1993, at which time he was Department Manager with responsibility, among others, for relations with Greenland.

Education: Master of Political Science.

Career: In the period 1966-2002, he worked in the Danish Ministry of Finance, the Ministry of Trade and the Ministry of State, and especially with policy-making in economics, public spending and government borrowing - with periods at the embassy in Washington D.C., as Executive Director of Østbanken in London, as well as a director of Hypotekbanken and Fiskeribanken. 2008-2013 Director of the Ethics Invest fund.

Competencies: Economy, budget, finance (including banking and credit).

Seats on boards: For a number of years he has served on the board of Lønmodtagernes Dyrtdidsfond, the European Investment Bank and the Nordic Investment Bank from the late 1980s to 2003, and in shorter periods of Fiskeribanken and Hypotekbanken.

Leif Rasmussen (born 1948):

Served on the board (appointed by SAS) since 2012.

Education: Studied HD-R at Copenhagen Business School, Accounting and Finance at the Merchant School in Copenhagen, as well as Cornell University. Hospitality single subject, Financial Management, Properties Management, Human Resources and Service Management. He has undergone the SAS Leadership Programme.

Career: He has had a long career at SAS Hotels and he has been CEO of several SAS hotels. He was employed at SAS Airline Denmark from 1991 to 1999 as Marketing and Sales Director respectively, Vice President.

In the period 2000 to 2009, Leif Rasmussen held the position as registered director and COO of Copenhagen Airport and later, among others, the post of CEO and Country Manager for Carlson Wagonlit Travel. In 2009, Leif returned to SAS Airline as President & CEO of SAS Cargo Group A/S.

Competencies: Strategy and leadership, administration, economics, organisation and development, sales and marketing, communications, as well as industry experience in aviation and hospitality.

Seat on boards: Leif has held a number of board positions as respectively chairman and board member within aviation, tourism and the like, and on the board of Malmö Cargo Terminal since 2009 and also from 2009 to 2011 as Chairman of Spirit Air Cargo Handling Group AB. From 1994 to 1997 Leif represented SAS Airline on the then 'Grønlandsfly' Board.

Benny Zakrisson (born 1959):

Member of the board (appointed by SAS) since 2010.

Education: Master of Law, Stockholm University.

Career: Since 1990, he has held a range of management and senior management posts in SAS, including Senior Vice-President, Corporate Advisory SAS Group (2003-2007) and Vice-President Corporate Advisory/Finance SAS Group (1993-2003). At present, he holds the post of Executive Vice President with the SAS Group, with responsibility for infrastructure and M&A.

Competences: Leadership, economics, organisation and development, and aviation.

Seats on boards: iCell AB (publ), Scandic Hotels AB, ITELL (publ), SAS Cargo, Estonian Air, Spirit and others.

Niels C. Frederiksen (born 1970):

Employee-appointed member of the board since 2009.

Education: Qualified AFIS operator and Dispatcher.

Career: Has been employed by Air Greenland since 1999 both in Operations (most recently as Department Manager for four years) in Charter. After 5 years as manager of the Charter Division, he took up the position as Head of Operations on 1 January 2013.

Competencies: Operations, sales, administration and aviation.

Claus Motzfeldt (born 1969):

Employee-appointed member of the board since 2005.

Education: Qualified as a flight mechanic in 1993.

Career: Spent his apprenticeship with Air Greenland and was subsequently taken on as a flight mechanic. In 1995, he was appointed Inspector and since 1996, he has acted in the capacity of Lead Mechanic.

Competences: Operations, production and aviation.

Seats on boards, positions of trust: Claus has been involved in union policy as Vice-Chairman for the Flight Technicians at Air Greenland (1996-2008) and member of the board of the Danish Union of Metal Workers, Section 16 (2007-2009).

Elisabeth Fisker (born 1962)

Employee-appointed member of the board since 2009.

Education: Qualified as AFIS operator in Kastrup in 1984.

Career: Apart from a short spell with Greenland Travel in Ilulissat, Elisabeth has been employed at Air Greenland since 1986, first as a traffic assistant and then as a station leader – a post she still holds today.

Competences: Leadership, traffic, operations, administration and aviation.



CSR Indicators

Air Greenland Parent Company	2012	2011
1 Access to transport a) Development in passenger numbers - air transport (Sold seats km) b) Complaints	446,840 257 inquiries	442,452 391 inquiries
2 Development of competences Development of competences is the company's Focus on development of employees and training of young people in the functions with the company's scope: a) Perceived professional and personal development (indicator is measured as a part of the employee satisfaction survey) b) Cost of courses / Number of employees c) Share of internal recruitment to management posts. Internal is defined as employees that have a minimum of 3 months of employment within the group prior to appointment to a management post. d) Employee retention / employee turnover e) Number of trainees / apprentices	 67 565 employees 15,802 t DKK Of which: Mandatory courses: 9,800 t DKK Not mandatory courses: 6,002 t DKK 90 % 9 out of 10 management posts are filled by employees recruited within the company 11.0% 60 employees left the company (out of 574 employees) 26	 65 574 employees 13,594 t. DKK Of which: Mandatory courses: 8,741 t DKK Not mandatory courses: 4,853 t DKK 80 % 12 out of 15 management posts are filled by employees recruited within the company 10.8% 59 employees left the company (out of 574 employees) 27

CSR Indicators

Air Greenland Parent company	2012	2011
3 Involvement in the local community a) Contributions - sponsorships and donations	Charter sponsor subsidy: 993 t DKK Regular sponsorships: 2,317 t DKK Ad hoc sponsorships: 676 t DKK	Charter sponsor subsidy: 124 t DKK Regular sponsorships: 1,160 t DKK Ad hoc sponsorships: 351 t DKK
4 Climate / Environment The company's CO ₂ footprint consists of CO ₂ emissions from aircraft, automobiles & ground equipment and buildings. a) CO ₂ footprint	78,685 tonnes of CO₂ emissions, Of which: Aircraft fuel: 75,080 tonnes Automobiles & ground equipment: 385 tonnes Buildings: 3,220 tonnes	80,143 tonnes CO₂ emissions, Of which: Fuel aircraft 77,531 tonnes Automobiles & ground equipment: 342 tonnes Buildings: 2,270 tonnes
5 Employee rights and human rights a) Percentage of the workforce with local ties based on the definition of the term "resident" in accordance with Act No. 27 of 30th October 1992 concerning the regulation of the influx of labour to Greenland. b) Percentage of women in the extended management group (management group is defined as head of department, department manager, functional manager and director)	92% 24%	89.6% 24.1%
6 Work environment and safety a) Sickness absence b) Number of work accidents / near accidents – statistics for the number of reports to the Danish Working Environment Authority c) Perceived working environment (indicator measured in employee job satisfaction survey)	3.02% 8 incident reports 68	N/A 4 incident reports 66

