

# ANNUAL REPORT 2004



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## ● AIR GREENLAND AND THE COMMUNITY OF GREENLAND

Greenland's infrastructure has a decisive role to play in the future development of the community. This does not mean that the transport sector should control this development. However, the transport sector of the future should live up to the demands made by ever-changing settlement patterns and commercial development. This is a long-term task, where decisions concerning changes will have an effect on development over the next 10-20 years.

Today, Air Greenland undertakes a large part of the task of passenger transport, freight of certain types of goods and postal services. It is our belief that this task will increase over the coming decades, not at least because part of the future business sector invol-

ves increased tourism. This is reflected in our mission and vision.

### MISSION

- Air Greenland aims to become the motorway net of Greenland by offering fast, efficient and profitable flights in Greenland and to the rest of the world.
- Air Greenland intends to participate actively in activities that promote commercial development, including tourism in Greenland, and which have a natural connection to air transport.

### VISIONS

- Air Greenland wants to be at the forefront in the development of the Greenlandic community by being the

preferred company to develop the infrastructure now and in the future.

- We must be an efficient company with products based upon a high level of safety, good, visible customer services, proven quality and competitive prices.
- We aspire to remain Greenland's most attractive workplace, presenting challenges to the abilities and creativity of our employees and contributing to in-service training for the benefit of present and future generations of employees.

The fact that we make up such a large portion of the infrastructure also means that we have an obligation to take a





special look at our undertaking. We must, of course, ensure that our company is sound and able to generate profits that will enable us to continue to work for the community, investing in the future to keep pace with changes in the world around us.

At the same time, we realise that we have a role to play in the economy of the country. With the special knowledge we have of air transport, of running hotels and of running travel agencies we are prepared to take part in the debate concerning the future traffic structure and to give advice on solutions we believe can benefit the economy of Greenland in accordance with the guidelines that are laid out for the future. This also involves working towards continued reductions in transport costs.

This understanding of our role is incorporated in our demands to ourselves for the future.

The Air Greenland group is an important part of daily life in Greenland. The group is a part of Greenland's image and our operations as an international transport and service company should respect and promote Greenlandic values and emphasize that we are a part of the community of Greenland.

This has formed the basis of a series of undertakings for our organization in 2005.

**WE INTEND TO**

- contribute that proposals for traffic structure which aim at more efficient and cheaper solutions for the community. This includes regular evaluation of whether it is possible to profitably open new routes.
- contribute to increasing the number of cheaper domestic fares in Greenland through a flexible price structure that stimulates the desire to travel.
- actively take part in increasing the

flow of tourists to Greenland, including expansion and rationalization of the infrastructure to ensure that tourism becomes a self-accelerating business. An important part of this is to promote Greenland abroad.

- contribute to develop cultural and sports activities in Greenland.
- operate a profitable, efficient and safe company.
- contribute to the education of the future inhabitants of Greenland, to enable them to take over positions as employees and executives in the Air Greenland group, respecting the individual regardless of sex, age, religion, sexual orientation, education or race.
- care for and respect the surrounding environment.

Naturally, there are things we would like to be measured by on a daily basis. These are:

- Punctuality of flights
- Publication of flight schedules and traffic programmes 12 months in advance
- Providing the quality that customers expect every time they are in contact with us
- Openness in what we do and what our views are

Basically, we want to be credible, responsible and innovative with respect to the work we do for the community in Greenland.

We look forward to undertaking these tasks.

#### **THIS YEAR'S PROFIT**

2004 was a good year with record profits for the company. Growth in all fields of business, continued moderate rise in cost levels, better exploitation of production resources and the low rate

of interest affected the company's earnings in a positive direction compared to 2003. In particular, advanced purchase of fuel provided some protection against enormous price increases in 2004. This year's profits have enabled the initiation of a price reform that started with lower prices on transatlantic routes and the introduction of campaign offers. These initiatives will continue in 2005.

The financial foundation for development of the company and for fulfilment of its economic role has therefore been established and we are ready to handle the assignments that come our way in the next 10-20 years.

## ● THE BOARD OF DIRECTORS



Chairman Director  
Peter Grønvold Samuelsen  
Wager Earners Pension Fund SISA  
(Greenland Home Rule)



Director Alfred E. R. Jakobsen  
Directorate of Environment and Nature  
(Greenland Home Rule)



Former Director Lars Tybjerg  
Ministry of Finance and Commerce  
(Danish State)



Director Mads Kofod  
Bornholmstrafikken  
(Danish State)



Director Kristian Kirchheiner  
SAS (SAS)



Flight Technician Lars Thue Christiansen  
Air Greenland Inc.  
(Employee Representative)



Flight Technician  
Mogens Due Woldsgaard  
Air Greenland Inc.  
(Employee Representative)



Captain Sten Andersen  
Air Greenland Inc.  
(Employee Representative)

*(Bracketed text indicates "appointed by")*

● MANAGEMENT GROUP



Flemming Knudsen  
President



Ove Nielsen  
Financial Director



Hans Jørgen Mørch  
Director of  
Sales and Marketing



Hans Peter Hansen  
Director of Charter and Cargo



Svend Hardenberg  
Director of Human Resources &  
Management Assistant



Wilhelm von Platen  
Director of Flight Operations



Peter Bjerre  
Technical Director



Morten Nielsen  
Director of Customer Services

## ● ENDORSEMENT

We have this day presented the annual report and statement of accounts for 2004 for Air Greenland Inc.

The annual report and statement of accounts have been prepared in accor-

dance with The Danish Company Accounts Act. We deem the accounting principles employed to be appropriate, accurately reflecting the concern and the parent company's assets and liabilities, financial situation and result.

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

Nuuk, March 09th, 2004

**Management:**

Flemming Knudsen  
President

**Board of Directors:**

Peter Grønvold Samuelsen  
Chairman

Alfred E. R. Jakobsen

Kristian Kirchheiner

Lars Thue Christiansen

Lars Tybjerg

Mogens Due Woldsgaard

Mads Kofod

Sten Andersen



## ● AUDITOR'S REPORT

### **TO THE SHAREHOLDERS OF AIR GREENLAND INC.**

We have audited the financial statements for 2004 for Air Greenland Inc. reported in accordance with the accounting provisions laid out in the legislation.

The directors of the company are responsible for the financial statements. Our responsibility is to present a conclusion based on our audit of the financial statements.

### **THE AUDIT**

We have carried out our audit in accordance with generally accepted Danish

auditing standards. These standards demand that we plan and conduct the audit with a view to reach a high degree of assurance that the financial statements do not include any significantly misleading information. The audit includes random examination of the information supporting the figures and information contained in the financial statements. Furthermore, the audit includes our assessment of the accounting methods used and any significant estimates made by the directors, as well as an evaluation of the presentation of the financial statements as a whole.

It is our opinion, that the audit has pro-

vided sufficient basis for our conclusion.

The audit has not resulted in any qualification.

### **CONCLUSION**

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.2004 and of the result of the company's activities and cash flow for the year 2004 in accordance with the accounting provisions laid out in the legislation.

Nuuk, March 09th, 2004

### **Deloitte**

State Authorized Public Accountants

Per Jansen  
State Authorized Public Accountant

Ole Sonntag  
State Authorized Public Accountant

In 2004, Air Greenland achieved the highest level of profits in the company's history. This was not due to any one reason, but to a series of strategic initiatives intended to contribute to spread the risks of the company's revenue base and to increase the productivity of the capital apparatus.

At the same time, the company experienced that a series of transactions concerning fuel prices together with signing of new contracts resulted in increased profits compared to 2003.

The improved revenue basis made it possible to initiate changes in the company's price structure for passenger transport.

- Transatlantic fares were reduced on April 5th 2004 by 10% on economy class and by 6% on Nanoq class following the positive effect of being the sole operator on the transatlantic route between Greenland and Denmark.
- Prices on domestic fares remained unchanged for the fourth year in a row (net price before taxes and charges) which in effect equals a fall of 10% taking inflation into account.
- An increased number of campaign tickets were offered, closing with a campaign in the fourth quarter of 2004, where 9,000 single flights were offered at greatly reduced prices.

The result of these changes has made travel cheaper and also given more people the opportunity to travel. These initiatives will continue to be a part of the company's policy of contributing to reducing transport costs.

A ruling in the case which was brought by the competition authorities against Air Greenland in 2001 concerning the



new price concept on domestic routes was given in the company's favour. The other side has appealed the ruling to the high court, where the case is now pending.

### DOMESTIC SERVICES

Domestic services in areas with free competition cover Narsarsuaq, Nuuk, Maniitsoq, Sisimiut, Kangerlussuaq, Aasiaat, Ilulissat, Qaarsut and Kulusuk.

The most significant single event in 2004 concerned the take over of the postal transport services in the competitive areas. Following negotiations with Tele Post, arrangements have been made to ensure a level of service that is satisfactory for both parties and which has resulted in Tele Post giving up operations with its own aircrafts.

At the same time, the company experienced a slight increase in the amount of cargo carried in 2004. This, together with a slight increase in passenger traf-

fic meant that the company continued to expand the traffic programme through regular adjustments of the basic traffic programme, based on the concept of the most possible same-day connections. The basic concept behind our 12-month advance traffic programme has been maintained and can be combined with a flexible expansion of production when needs arise.

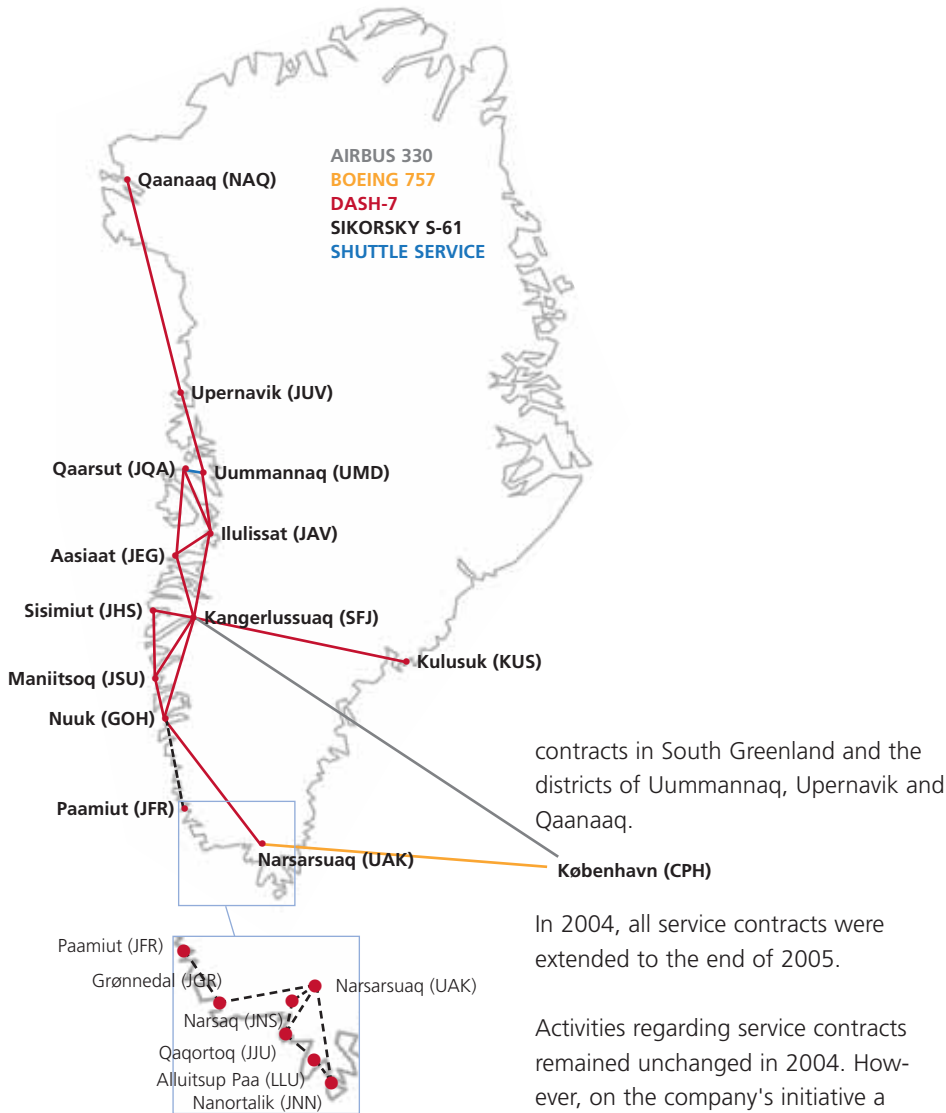
Nuuk Airport celebrated its 25th anniversary in 2004. This was celebrated in collaboration with Mittarfeqarfiit with an open house arrangement at Nuuk Airport. The celebrations, which included short flights with DASH-7, were very successful. 2004 was also the 25th anniversary of the introduction of the DASH-7 in Greenland. This event was celebrated with formation flights over Nuuk. During these 25 years, the DASH-7 aircraft have proved that they are unsurpassable under the conditions found in this country and they will be able to serve Greenland for many years to come.

### TRANSATLANTIC FLIGHTS – EXTERNAL ROUTES

Transatlantic services comprise flights between Kangerlussuaq or Narsarsuaq and Copenhagen.

The company experienced an increase in both cargo and passenger volume in 2004. This made it possible to increase the number of flights in the peak summer holiday season to meet increased demand.

The US Air Force contract for flight services between Copenhagen and Pituffik in 2004 was a success from the start. The capacity on Norsaq (Airbus 330) enabled the requirements for both passenger, and not least cargo transport to Pituffik to be handled so that the minimum requirements of the contract were more than fulfilled.



An agreement concerning weekend charter from Copenhagen with My Travel Airways, combined with an increased own production, resulted in improved utilization of the two transatlantic aircraft. Use of Kunuunnguaq (Boeing 757) in particular increased considerably.

**SERVICE CONTRACTS**

Activities includes the DASH-7 service to Upernavik and Qaanaaq. In addition, the company has helicopter service

contracts in South Greenland and the districts of Uummannaq, Upernavik and Qaanaaq.

In 2004, all service contracts were extended to the end of 2005.

Activities regarding service contracts remained unchanged in 2004. However, on the company's initiative a change was made towards the end of the year concerning flights to Upernavik and Qaanaaq. The existing agreement was combined with the DASH-7 service to Pituffik (Thule Air Base). This provided more efficient services of Northwest Greenland and resulted in savings for the Home Rule of Greenland. This also provided travellers to Upernavik, Pituffik and Qaanaaq with a same-day connection in a northern direction from Denmark and the rest of the west coast. A fixed-price agreement regarding emergency helicopter

services in South Greenland during ice-locked periods was replaced by a need-based agreement. The agreement takes effect in 2005 and is expected to halve the government's annual costs.

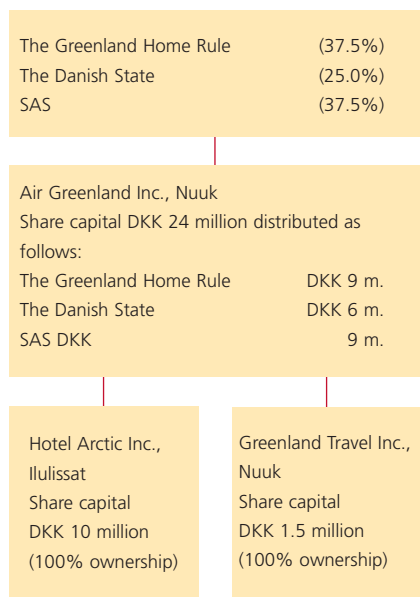
**CHARTER AGREEMENTS**

Air Greenland provides year-round services to a wide variety of companies and public institutions in Greenland such as the Health Service, Tele Greenland and the police force, as well as performing a series of tasks for the community. Activities in this field increased in 2004 compared to the previous year.

The company replaced its King Air 200 aircraft in the last quarter of 2004 with a new King Air B200, with a special and improved installation to enable stretcher transport. The replacement was made following a long-felt desire to provide stretcher patients with less stressful transport. The aircraft is also faster.

International market conditions have once again stimulated interest in mineral prospecting. This has resulted in increased activity in 2004 both for scientific as well as commercial exploration. The activity is expected to continue over the next 3-5 years and as a consequence, the company has decided to increase the helicopter capacity and has placed an order for two Eurocopter AS 350s for delivery in 2005 and 2006.

**Shareholder and group structure is as follows:**



Hotel Arctic



Greenland Travel

**SHAREHOLDER AND GROUP RELATIONSHIP**

The company is owned today by the government of Greenland (The Greenland Home Rule), the Danish State and SAS. Assistant Director Petrus H. Billmann retired from the board in 2004 and was replaced by Director Alfred E. R. Jakobsen from the Directorate of Environment and Nature (Both represent the Home Rule of Greenland). Director Kristian Kirchner (SAS) was newly elected to the board.

**SUBSIDIARY COMPANIES**

**Hotel Arctic, Ilulissat**

The hotel was able to maintain a comparatively good level of earnings in 2004.

The hotel expanded its position as Greenland's leading four-star hotel in 2004 and has continued to invest in refurbishment of rooms as well as expansion and improvement of its conference facilities and a series of service facilities connected to the company's kitchen and storerooms. Modernization of rooms in the original wing will continue and is expected to reach comple-

tion in 2007. This is seen as a natural extension of the work required to maintain and expand the hotel's level of service.

Introduction of seasonal prices for hotel rooms, combined with new and more competitive transport prices has increased the opportunity for tourism. The number of tourist nights in 2004 was 21% higher than 2003, making it the largest sector followed by conferences and layover nights.

The hotel's training policy enables employment of more skilled Greenlanders in the hotel business. At the end of the year, eight people were training to be cooks, waiters, receptionists and office workers. The hotel is going to investigate the sustainability of increased capacity for hotel rooms and conferences. This would enable the hotel to accommodate the considerable growth that is anticipated in the demand for precisely the level of service and quality that has made Hotel Arctic known, even outside Greenland. The designation of Ilulissat Ice Fjord as a World Heritage site will be incorporated in the hotel's international marketing efforts.

**Greenland Travel**

The continued change in the travel industry, not at least the airlines' desire to reduce dependency upon travel agents through, e.g. internet booking, affected the situation for 2004. Dedicated efforts to increase Greenland Travel's tourism-related activities entailed a short-term increase in investments, but also an expansion of non-tourist related activity. This activity will be expanded further in the next three to five years. In spite of the tourism measures, Greenland Travel achieved satisfactory results in 2004.

## ● MARKET DEVELOPMENT

Air Greenland experienced a positive development in passenger volume in 2004 as well as in 2003. The positive development is evident both on transatlantic routes to and from Denmark as well as on domestic routes in Greenland.

There has been a significant increase in passenger volume on transatlantic routes which can partially be contributed to campaign efforts resulting in sales through tour operators, travel agents and Air Greenland's own eTravel booking system. Sales campaigns throughout 2004 offering tickets at reduced prices have proven to be a powerful instrument in increasing passenger volume at different times of the year. The four campaigns that took place in 2004 showed – in common with other markets – that there is a degree of price elasticity in the market in Greenland. This can also be seen in the number of passengers who are increasingly taking advantage of the cheaper, red tickets.

An additional explanation for the increase in passenger volume can be found in the general price reduction which took place on April 5th, 2004. This lowered the price of green tickets on transatlantic routes by 10% which resulted in a lower yield per passenger transported. This lower average yield

has been compensated to a degree by the increase in passenger volume. Please see the diagrams on the inside of the cover.

### TOURISM

Despite considerable efforts, the tourist sector has not shown any notable increase in 2004 with the exception of some isolated campaigns aimed at the Danish market in the spring and autumn months. A wide range of measures were taken in 2004, such as a simplification of restrictions, lower off-peak prices and co-operation agreements with Maersk Air and SAS concerning prices for conjunction tickets to and from abroad. These measures are expected to contribute positively to Air Greenland's long term strategy to increase the flow of tourists to Greenland.

Cooperation between Greenland Tourism and Arctic Umiaq Line regarding promotion of Greenland in Denmark continued in 2004 with more focus on the travel products sold by travel agents and tour operators. The focus on the foreign markets has primarily been on supporting the individual tour operator's own marketing in his own geographic region through joint financing of advertisements, sales campaigns etc.

### MAIN FEATURES OF STRATEGY FOR TOURISM

Adaptation of flight schedules, prices and regulations to make them internationally competitive

Assurance of same-day connections to and from destinations abroad during the peak season

Provision of relevant schedules to destinations that Air Greenland considers to be areas of growth for tourism and to ensure the development of incoming facilities at these destinations on a regular basis

Dedicated efforts in selected markets, with Germany, England, France and Japan as primary markets

Standard packages aimed at foreign markets, where everything from transportation, accommodation and excursions is included in the package price

In addition, focus will be placed on MICE products (meetings, incentives, conferences, events)

Expansion of cooperation with other airlines to ensure optimal prices in all the most important markets

Long-term PR/marketing measures in cooperation with foreign operators to put focus on Greenland as a destination

Ensure continuity in the food chain (aircraft, ship, hotel and incoming) by investing in all fields of business over a period of five to ten years.



The "Pof" (OY-POF) is shown here on a job in Mongolia. It was painted red on its way home to Greenland.

## DISTRIBUTION OF TICKETS

IN % OF TURNOVER 2001 2002 2003 2004

	2001	2002	2003	2004
Air Greenland's ticket offices	17.1%	18.7%	19.2%	21.7%
Travel agents or ticket offices in Denmark	25.1%	26.4%	28.2%	28.5%
Travel agents or ticket offices in Greenland	51.6%	50.4%	46.9%	46.1%
Travel agents or ticket offices abroad	1.5%	1.7%	3.4%	2.1%
Other	4.7%	2.9%	2.3%	1.5%
Total turnover	100.0%	100.0%	100.0%	100.0%

Coordination of the distribution of aircraft seats and ship space between Air Greenland and Arctic Umiaq Line took place in 2004, in order to achieve efficient use of the combined capacity in connection with the allocation of places to tour operators.

In 2004, Air Greenland developed a long-term strategy for tourism which is to be implemented through efforts to attract new tourists to Greenland from old and new markets (see the column on the left).

### THE CHARTER MARKET IN GREENLAND

Activities increased significantly in 2004 compared to 2003. The increase was mainly due to the exploration sector.

Air Greenland continued the replacement of the small helicopters by ordering two completely new units from Eurocopter. One will be delivered in the spring of 2005 and the next will be delivered in the spring of 2006.

The AS 350 fleet will then look like this:

4 AS 350 B3

2 AS 350 B2

The exploration sector in particular is pleased with these new helicopters as they have a significantly improved lifting capacity which is extremely useful in connection with e.g. drilling programmes.

2004 was the year when the company replaced its King Air 200 with a newer King Air B200 with professional ambulance equipment installed.

Air Greenland's Twin Otter OY-POF was sent to Mongolia during autumn on a 10-week international mission for the Danish National Survey and Cadastre. This 2-year project is based on charting and flying techniques which were developed for a DASH-6 (Twin Otter) in Greenland and presented an opportunity for Air Greenland to show the extent of its capabilities outside Greenland. The Twin Otter carried out about 300 hours of aerial gravimetry, covering half of Mongolia. The project took place in the fourth quarter of 2004 and will continue in the fourth quarter of 2005.

### THE CHARTER MARKET OUT OF COPENHAGEN

As we have mentioned previously, charter operations between Copenhagen and Pituffik started in February using the Airbus 330-200. The contract with the US Air Force means that we fly 13 rotations a year between Copenhagen and Pituffik. We have had the pleasure at our first evaluation to be awarded top marks from the Department of Defense in the USA.

Our agreement with My Travel concerning the Boeing 757 has fully lived up to our expectations.



### CARGO AND POST

2004 was the year when the free fall in cargo volume finally stopped. We even experienced a small increase. Happily, we reached an agreement in the spring of 2004 with POST Greenland concerning domestic flights with post in Greenland.

### SERVICE CONTRACTS

Several of the government service contracts should have expired in 2004, but the Greenland Home Rule wanted to extend all contracts under the same terms until December 31st, 2005 and the company has agreed. In consensus with Greenland's Home Rule, the service contract to and from Qaanaaq was merged with the US Air Force's charter flights to and from Pituffik.

## ● ECONOMIC DEVELOPMENT

The group earned profits of DKK 104.8 million before tax and DKK 64.7 million after tax. Compared to 2003, profits improved by DKK 48.1 million and DKK 29.3 million respectively.

This year's profits were a considerable improvement on the original expectations for the year which were published in the annual report for 2003. This is due to better development than expected in most areas combined with continued focus on cost reduction. The company's areas of business all surpassed the expectations that were expressed when the budgets for 2004 were prepared. Exploitation of the capacity on scheduled transatlantic and domestic traffic improved thanks to increased numbers of passengers, greater volume of cargo and take over of transportation of post. Activities connected with the Thule contract and the agreement with My Travel Airways were greater than anticipated.

Increased exploration activity in Greenland resulted in a significantly higher production for this sector than expected. It was possible to achieve better exploitation of the equipment without increasing the organisation's fixed costs and the productivity gain therefore had a direct affect on the profits. Furthermore, advanced purchase of fuel and the low exchange rate of the US dollar meant that the company in part avoided the negative effects of high fuel prices in particular which otherwise hit the industry hard. The continued low rate of interest and improved cash flow derived from operations also increased profits compared to expectations.

The improved result also applies to the company's subsidiary companies, which both experienced increased activity exceeding budget expectations.

After carrying forward this year's profit, the group's equity capital amounts to DKK 289.0 million.

### THE PARENT COMPANY

Profits were better in the parent company this year compared to 2003 by DKK 47.5 million excluding income from capital investments in associated companies and before tax.

The increase in earnings is the result of earnings of DKK 32.0 million for aviation activities outside Greenland (transatlantic and charter) and improved earnings of DKK 15.5 million on domestic flights in Greenland.

The improvement in earnings of DKK 32.0 million on aviation activities outsi-

de Greenland is the result of a continued focus on scheduled flights to and from Greenland and improved exploitation of the aircraft capacity through increased charter activity. As we wrote in the annual report for 2003, the company has taken over flights between Pituffik (Thule Air Base) and Copenhagen for the US Air Force, flying once a month with the Airbus 330. In addition, the company's agreement with My Travel Airways regarding use of free capacity has developed in a positive direction. The improved earnings are in part also due to the fact that the company decided to give up the Copenhagen-Akureyri route in 2003.

Earnings derived from domestic services in Greenland improved by DKK 15.5





million due to increased charter activity for the exploration sector and improved earnings on scheduled flights, in that the company succeeded in re-establishing cooperation with Post Greenland regarding flying with the post on domestic routes. The agreement has resulted in improved exploitation of capacity and has thereby made a positive contribution to earnings.

The company flew with 5% more passengers in 2004 and the resulting additional earnings have in part been given back to the passengers in the form of overall price reductions on transatlantic routes, increased usage of cheaper tickets and cheaper campaign tickets.

#### **SUBSIDIARY COMPANIES**

Hotel Arctic, Ilulissat, made a profit before tax of DKK 3.1 million which is the same as 2003, despite losing an important regular conference customer. The Air Greenland group company is pleased with the hotel's high standard and good reputation. The profit for the year is considered to be satisfactory. Greenland Travel A/S made a profit before tax of DKK 2.0 million which is

an improvement of DKK 0.5 million compared to 2003. Turnover has not been entirely satisfactory, since sales have been affected by hard competition from internet sales. The company's decision to initiate new activities and to expand, offering more destinations has proved to be right. The result is considered to be satisfactory.

#### **FINANCING AND LIQUIDITY**

The group's liquidity improved during 2004 by DKK 57.5 million.



## ● PRODUCT DEVELOPMENT

An important step was taken in 2004 when Air Greenland's new, online booking system called eTravel was introduced in the spring. Passengers are able to make bookings for up to four people on the same reservation on the internet with eTravel. eTravel is a fast and easy way for passengers to make the bookings that the travel agent usually makes. Customers can achieve significant savings by making their own bookings. The charge for booking through eTravel is DKK 100 per person.

Other important initiatives included sales campaigns for greatly reduced tickets which were a great success in 2004. These campaigns contributed to an increase in exploitation of otherwise empty seats in off-peak periods in 2004. Excess capacity has been utilized to a higher degree to offer more customers the opportunity for cheaper travel. The experiences made from these campaigns will be used to target the future prices to meet the market-demands.

Easy access to Air Greenland's traffic programme was made available in 2004 through the company's official home page [www.airgreenland.com](http://www.airgreenland.com). In-flight service on the transatlantic routes

has been modified and now includes a TV channel with cartoons for children. The profile implementation which began in 2002 is now complete at Air Greenland's stations and at the same time the new logo and the new profile have been implemented in all significant areas.

Air Greenland has established a newsletter at [www.airgreenland.com](http://www.airgreenland.com) to which customers may subscribe. The newsletter functions as a source of general information and travel offers. Several thousand customers have already chosen to subscribe.

Air Greenland continued to increase the level of information to customers and the public in general in 2004. The company still works together with GIF (Greenland's Sports Association), Katuaq and NAPA to publish the sports and culture magazine "Papiit" that focuses on the company's sponsorships. A full-colour booklet about Air Greenland was distributed in 2004 to every household in Greenland, providing information about the company's activities. Another folder was published in connection with the 25th anniversary of the DASH-7 in Greenland explaining the history of the aircraft.

### SELECTED SPONSORSHIPS IN 2004

25th anniversary concert for Qarsoq  
Angu  
Anton Burrows  
Arctic Circle Race  
Arctic Circle Race – Medical Conference  
Barok Film: The Journals of Knud Rasmussen  
Settlement Conference 2004  
Child and Youth Project "Lige i Øjet"  
Children's Day in Sisimiut  
Children's Developing Countries Calender  
Chilly Friday  
Denmarks Radio  
DDR  
Greenland Houses in Denmark  
The Greenland Society  
The Yellow House in Qaqortoq  
Queen Ingrid's Hospital's 50th anniversary  
Friends of Animals, Greenland  
Hunters in Ittoqqortoormiit  
The film "Circus Polar Bear"  
Film production of A Ass Alaa  
First Night Festival Pituffik  
Arctic Charr fishing in Greenland – tourist project  
The people's gift to the Crown Prince Couple  
Greenlandic Children's Association  
Gardar Foundation  
GIF  
Global EdVenture in Greenland  
Greenland Adventure Race  
Greenland in Tivoli  
Greenland's National Museum and Archive  
Greenland on Tour  
Igalaaq Project – Tour to Japan  
Ilulissat Orienteering Greenland  
INULI  
Katuaq  
The Narsarsuaq Club  
The Cancer Society



Autism Course  
 The Association of Crisis Centers  
 Lions Club  
 Melting Barricades  
 Mælkebøtten  
 NAPA  
 Operation Santa Clause 2004, Pituffik  
 Pisunneq 2004  
 Project Mikisoq  
 Princess Margrethe's Children's Home  
 Qaamaneq  
 Santa Claus of Greenland  
 Seminar on Reconciliation and Culture  
 Support for Saattut  
 Malik Swimming Pool  
 Tusaat Sikorsuit TV  
 TV programme about Greenland's relationship with Iceland  
 TV Series – Defence (Danish TV2)  
 Ulf Fleischer  
 UNESCO celebrations of Ilulissat Ice Fjord  
 Warehouse Radio

**SPONSORSHIPS**

Air Greenland supports sports and culture with millions through reduced prices and is thereby one of the largest – if not the largest – sponsor of sports and culture in Greenland. These sponsorships are given to GIF and Katuaq, but Air Greenland also supports other activities in Greenland. Apart from the agreements with GIF and Katuaq, some 150-200 sponsored tickets are given annually to causes worthy of support. Four times a year, the sponsor committee evaluates the many hundreds of applications received by the company and awards tickets to many interesting projects.



## ● CUSTOMER SERVICES

In order to maintain continuity and ensure focus on customer related teamwork, we carried out the following training activities in the customer services department in 2004.

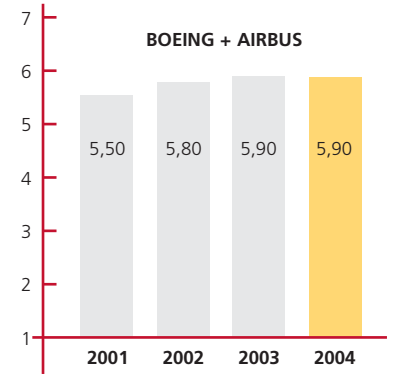
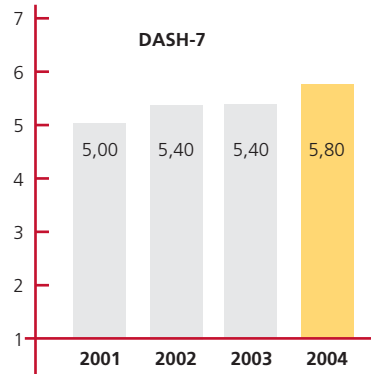
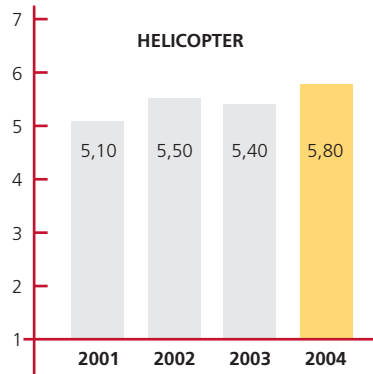
### THE CABIN

The new organisation which combines cabin personnel and station personnel has existed for a year now. Therefore we wanted to evaluate the new organi-

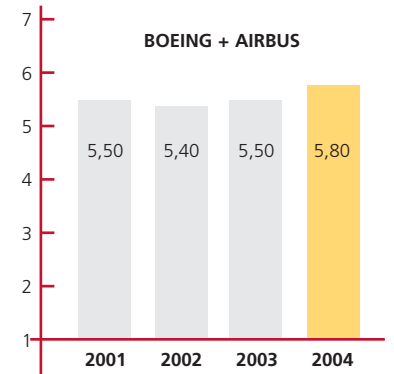
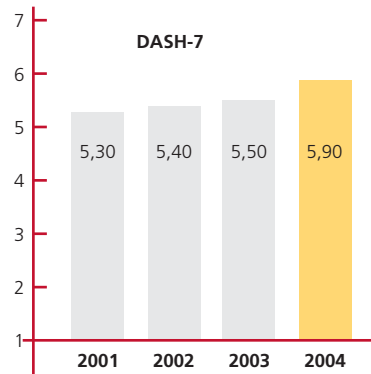
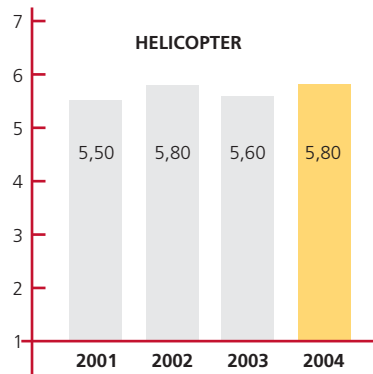
zation and to further develop the work processes that were initiated in the spring of 2003. We focused on customer services and teamwork.

The charts on this page indicate how our customers evaluate different aspects of Air Greenland's service on different routes. Seven is the highest score and one is the lowest score.

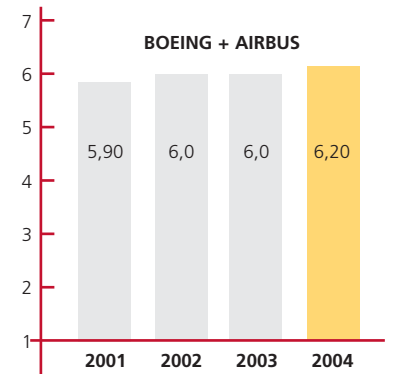
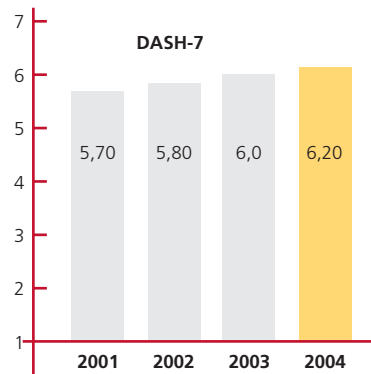
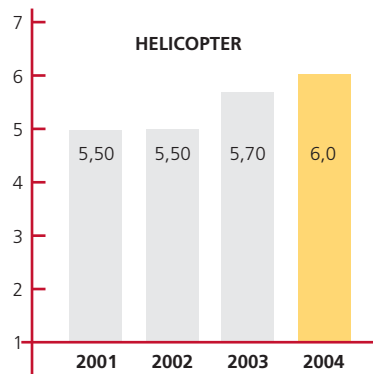
### GENERAL SATISFACTION



### AIRPORT SERVICE



### SERVICE ON BOARD





### **The cabin crew**

The first courses in 2003 worked purposefully with a model that exposed the importance of working together towards a common goal. We wanted to follow up in 2004 by evaluating the processes in the cabin based on each crew's working day and problems. The aim was to optimize customer services through an understanding of the entire service chain and the basic elements of personal service in each product.

### **Cabin Crew Managers**

As we are still of the opinion that leadership of each cabin team is critical for how the customer evaluates our service, we intend to continue to support the development of our Cabin Crew Managers.

### **Midlevel Managers**

In 2002 and 2003 we focused on the overall management of the service organization, taking specific measures at area manager and station manager level. It was therefore natural to turn our focus to the midlevel managers who have the daily contact with both customers and staff.

It is of utmost importance that these managers understand and follow the basic managerial values that have been laid out for the service organization. It is also very important that these managers are capable of motivating and involving the staff in a committed manner.

### **THE STATION IN COPENHAGEN**

The Station in Copenhagen is in many ways a junction where the interaction between colleagues, suppliers and customers often requires good teamwork and a fast pattern of response. Our employees at this station have received training in these skills.

### **MANIITSOQ AIRPORT**

Customer Services extended cooperation with Mittarfeqarfiit in 2004 with regard to handling of passengers and aircraft at Maniitsoq Airport.

### **CUSTOMER SATISFACTION**

Customer services carried out a customer satisfaction survey in 2004. According to the answers, many areas have improved over the years and some have deteriorated. Customer Services

will continue to focus on customer satisfaction in the years to come.

## ● PERSONNEL

Air Greenland is still one of Greenland's most attractive work places, where daily challenges to the skills and competence of our employees are key factors in the company's continued development in this field.

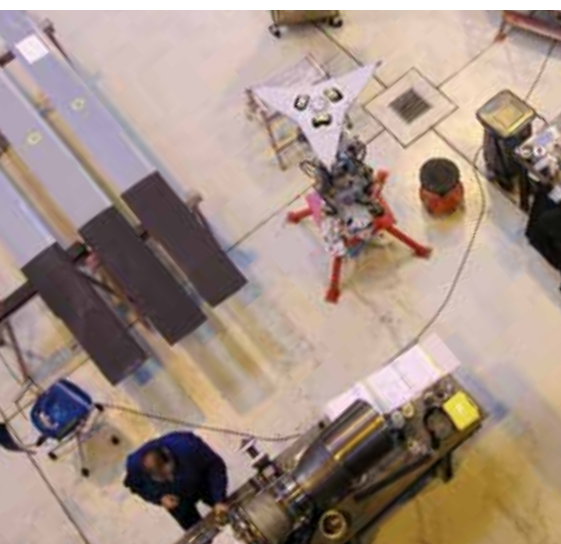
On January 1st, 2004 we combined the company's two larger training departments where about 70% of the employees regularly update their skills and qualifications. This action was taken in order to pool resources and to revise the company's training system. One of the spin-offs we have seen already is the establishment of a school service arrangement, where school children get the opportunity to spend a whole day with Air Greenland and gain insight into our world. The arrangement became a reality on December 14th, 2004 when an 8th grade school class was given a trail run of the concept and its contents. The contents and the course of events have now been modified and we expect to make this a general offer to schools in Nuuk.

Children from other towns on the coast will also have the opportunity of a teaching day at Air Greenland when they are on study tours in Nuuk.

During the last half of 2004, the training department worked intensively to develop a mandatory procedure for all employees in the company – a "company day". The aim of the project was to reinforce inter-departmental and inter-workplace solidarity within the company. It is important to the further development of the company that employees are given both time and space to become familiar with what binds the company together, namely our history, our culture and our values. The company day is planned to run in 2005 and 2006. Once all employees have taken part in the company day, it will be modified and become an introduction course for new employees.

### STAFF EMPLOYEES

	Greenland	Denmark
<b>Number</b>	400	77
<b>Percent</b>	83,86	16,14



### MEDARBEJDERE

	Permanent staff employees number	%	Seniority years
<b>Pilots</b>	86	18,03	12
<b>Cabin crew</b>	58	12,16	4
<b>Flight</b>	63	13,21	16
<b>Leading technicians</b>	16	3,35	17
<b>Station personnel</b>	63	13,21	8
<b>Semi-skilled workers</b>	37	7,76	9
<b>Individual employees</b>	140	29,35	9
<b>Trainees, candidates, apprentices</b>	14	2,94	1
<b>Total employees</b>	477	100,0	10



The debate about the future traffic infrastructure will have a decisive impact on Air Greenland in the future. Not just in 2005, but for the next 10 to 20 years.

The debate has elements of local politics as well as general economics. The debate should also be seen in the light of anticipated future settlement patterns and the anticipated growth within private trade and industry. Growth of export activities and other earners of foreign exchange are of particular interest in this context.

Air Greenland takes part in this debate because, among our tasks, is the development of the economic traffic structure that the entire community of Greenland will require in the future. We will have to earn the profits necessary for improvement and renewal. But it is still in our interest to find viable solutions that the community can afford and which support development.

It is not, and has never been, our task to make political decisions, but only to clearly express our views of the options. We have done this by participating in the political work regarding traffic. The answers we gave at the hearing which was held in the autumn of 2004 reflect our opinions:

- We can expand our scheduled services over a ten-year period with our existing capital apparatus; both with regard to our own aircraft and to the government's airports.
- Efficiency and productivity improvements will be reflected in lower prices once the company has achieved the necessary earnings.
- We believe that, areas under service contracts can be managed in a different way and at a lower cost in the long term than at present.
- We believe that in future, traffic

should be based on one main airport with high regularity and capacity supplemented by distribution traffic with same-day connections. This would include expansion of traffic to nearby countries.

- We believe, that tourism will become one of the leading foreign exchange earning industries in Greenland.

The next 10 years could well be spent creating a cohesive commercial structure and infrastructure which will create added value for the community.

2005 will be the year when Air Greenland goes ahead in the areas where political decisions are not required before we start.

From 2005 we intend to increase our efforts within tourism with the aim to increase the number of tourists to Greenland by 5,000 compared to present numbers. This aim should be achieved within the next three to five years. This will be facilitated by increasing the number of transatlantic flights with the possibility of travelling to Greenland without having to stop in Copenhagen on the way there and back. This will increase sales opportunities in Europe in particular.

It will also be facilitated by being more active, either alone or with a business-partner, in receiving tourists in Greenland and through a combination of the excursions and experiences offered to tourists – including facilities in the form of hotels and the like.

The group is also ready to invest about DKK 50 million in the development of tourism over the next three years.

On March 1st, 2005 the company reduced the price of the so-called red ticket on transatlantic routes and domestic rou-

tes with 7% and 14% respectively. This is part of our effort to create a balance between earnings and providing more people with the opportunity to travel.

#### TRANSATLANTIC TRAFFIC

During the peak season, production will be increased so that we can live up to our aim of increased tourism. At the same time, production in Narsarsuaq will be increased compared with previous plans, because the repairs to the runway will be completed this spring.

As sales increase, it will be possible to expand production so that the season can be extended.





The price reduction on the red tickets is expected to have a positive effect. The surcharge for Nanoq Class has been increased at the same time, so that it now reflects the actual cost.

We will investigate the possibility of other destinations during 2005. However, we must expect the sparse numbers of passenger to limit the possibilities.

#### **DOMESTIC ROUTES**

The number of domestic flights will be increased regularly in accordance with increased demand as a result of the tourism strategy and the effects of the price reductions on red tickets and sales campaigns.

The task is still to create same-day connections where passenger numbers make this possible.

The volume of mail and cargo combined is expected to increase marginally in 2005. Therefore, the company will work, to a greater extent, on solutions that increase the level of service for this group of customers.

#### **INTERNET BOOKING**

Like other airlines, we have started to use internet booking. The introduction was not without problems and we had a slow start. However, during the last months of 2004 there was a significant increase in the number of customers who used the system. We will continue to expand this activity, not least because it is cost effective for customers because of the reduced charges. The aim is to develop a ticket-less system in due course.

#### **CUSTOMER SERVICES**

Work with improving and modifying our customer services on the ground and in the air is an ongoing process. Even with very positive customer satisfaction surveys we are aware that smaller modifications of service on board in particular should be undertaken on a regular basis.

On around May 1st 2005, customer services will be able to present customers with a new complaint processing system via our home page. The system will involve faster processing of various customer enquiries and ensure that all enquiries are processed by the responsible departments.

One of the areas that will receive special attention in 2005 is the flow of information to customers when there are irregularities. The aim is to ensure that customers promptly receive the best possible information.

#### **SERVICE CONTRACTS**

All service contracts have been extended until the end of 2005 and, at the moment, we expect that an invitation to submit tenders will be sent out in the spring of 2005 concerning 2006 and at least the next five to ten years.

The company is going to submit tenders and in this regard we are prepared to look at more untraditional solutions that would lessen the cost of service

contracts for the community in the long run. It is hoped that efficiency measures can result in maintaining the present level of user charges and at the same time reduce the cost of the service contracts and maintain an acceptable level of service.

As part of our considerations, we have already pointed out that service contracts can be gradually transferred to general scheduled services as traffic increases. More specifically, we have suggested removing Upernavik from the Qaanaaq DASH-7 agreement and including it in the scheduled commercial traffic on the coast.

#### **CHARTER AND CARGO**

Apart from the previously mentioned service contracts, the charter and cargo department is focusing on a new agreement with the health services in Greenland and on agreements with the fishing industry to fly fish out of Greenland. Furthermore, a good year for charter is also anticipated in connection with exploration.







to affect efficiency and exploitation of

#### **TECHNICAL DEPARTMENT**

Maintenance of the aircraft and the helicopters is obviously a very important, but also a very high cost element for an airline. The technical department carried out efficiency improvements and organization changes in 2004. In 2005 we are going to concentrate on better control of the heavy maintenance on the DASH-7. We expect a general 10% reduction in overtime on heavy maintenance compared to 2004. A 5% reduction of overtime has already been achieved in 2003.

All our mechanics were given extra training in our maintenance system in 2004. The system is being adapted for Air Greenland, to make it more user-friendly for the mechanics.

It is our vision that any maintenance of the company's aircraft and helicopters that can be carried out in Greenland in an economically justifiable manner, should be carried out in Greenland.

#### **TECHNICAL TRAINING DEPARTMENT**

There was a great deal of activity in the training department in 2004. Focus areas for 2005 for the technical training department include carrying out further training of the mechanics. Plans have also been made for integrated decision training for pilots and certain mechanics and we expect to complete Glass Cockpit training for everyone with an M-licence.

#### **PERSONNEL**

The Human Resources department wishes to further reinforce the training department so that it continues to coordinate non-authority regulated training and education.

#### **ORGANISATION**

Air Greenland's success depends on a flexible and rapidly adaptable organisation which is able to adjust to changing circumstances at short notice. We attach importance to creating jobs locally when this is competitive. In 2004, the company took on most of the pilots who had been trained with support from the government of Greenland and we expect that the last of them will be taken on by our company in 2005.

It is also our aim to increase employment of local labour in other areas of education. Our industry is international and our success depends on maintaining an internationally recognized company with internationally recognized proficiencies.

This makes demands on the training of young people in Greenland. We regularly discuss these demands with the education system in Greenland.

#### **EXPECTATIONS FOR 2005**

Increased activity with diversification into other fields of business is expected

the capital apparatus in a positive direction.

A part of the tourist effort will only create limited results in the short term. Nevertheless it will further expand the company's position. This also applies to the two subsidiary companies Hotel Arctic and Greenland Travel.

Part of the achieved gain has already been returned in connection with the company's price reductions in 2004 and reductions on March 1st, 2005 will reduce further earnings.

Rising fuel prices and the general trend of costs will contribute to increased expenditure in 2005, but it will not be necessary for the company to introduce a fuel surcharge.

On this basis and with the current prospects the Air Greenland group expects that profits before tax in 2005 will be in the region of DKK 50 million.

## ● THE FLEET

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AIRBUS 330-200

Number: 1



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BOEING 757-236 ER

Number: 1



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DHC-7 (DASH-7)

Number: 6



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DHC-6-300 (TWIN OTTER)

Number: 2



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BEECH SUPER KING AIR B200

Number: 1



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SIKORSKY S-61N

Number: 2



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BELL 212

Number: 4



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AS 350 B2/B3 ECUREUIL

Number B2: 2

Number B3: 2





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

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

### IN GENERAL

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

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

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

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

Revenue is carried in the statement of

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

### CONSOLIDATED ACCOUNTS

The consolidated accounts include Air Greenland Inc. (parent company) and those companies (associated companies) that are controlled by the parent company cf. concern relationship on page 13. Control is achieved when the parent company, either directly or indirectly, owns more than 50% of the voting rights or can otherwise exercise or actually exercises controlling influence. Companies, where the concern directly or indirectly owns between 20% and 50% of the voting rights and exercises considerable, but not controlling influence, are considered associated companies.

### CONSOLIDATION PRINCIPLES

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

The concern accounts include 100% of the items included in the subsidiaries' accounts.

Capital participation in subsidiaries is offset with a proportionate share of the current value of the subsidiaries' net activities at time of acquisition.

### CONVERSION OF FOREIGN CURRENCY

Transactions in foreign currency are first entered at the current exchange rates on the day of the transaction.

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

### DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Changes in current value of derivative financial instruments that do not fulfill the conditions required for securing instruments are recorded regularly in the statement of income as financial

items. Derivative financial instruments used are foreign-exchange forward contracts.

## **STATEMENT OF INCOME**

### **TRAFFIC REVENUE**

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

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

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

### **OTHER OPERATING REVENUE**

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

### **OPERATING EXPENDITURE**

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

### **PERSONNEL/PAYROLL COSTS**

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



### **FINANCIAL ITEMS**

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

### **EXTRAORDINARY ITEMS**

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

### **TAX**

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

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

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

Deferred tax is recorded and calculated according to the balance-orientated debt method on all provisional differences between the accounting and the fiscal values of assets and liabilities. The fiscal value of assets is calculated based on the expected use of the asset in

question. Changes in deferred tax pertaining to changes in tax rates are carried in the statement of income.

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

**BALANCE  
GOODWILL AND CONCERN  
GOODWILL**

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

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

**FIXED ASSETS**

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

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



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

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

The most essential components are written off at the rate in which they are used, up to the next maintenance check. When a component is sent for a maintenance check, it will be written off and costs of the maintenance check

<b>SCRAP VALUE</b>		
	<b>Year</b>	<b>in %</b>
Buildings	20-35	0-25
Aircraft and essential components	6-12	0-25
Other components	6-12	20
Other equipment, vehicles and inventory	3-5	0

will be activated and written off up to the next maintenance check. This method ensures that maintenance costs are accrued at the same rate as the components are used.

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

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

Profit or loss on disposal of fixed assets

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

OY-GRL, Boeing 757-236ER, has been leased on a 12-year contract with an option to purchase the aircraft by redeeming the debt remaining on the leasing contract at the expiration of the leasing period equal to DKK 28 million (10%). According to IAS No. 17, this is a financial lease and the acquisition of the aircraft in 1998 has therefore been carried as an asset under tangible fixed assets at DKK 279,664 thousand and the leasing obligation has been carried as a long-term bank debt of an equivalent amount.

As of December 31st, 2004, the value of the aircraft after depreciation amounted to DKK 156,018 thousand and the debt amounted to DKK 158,876 thousand.

#### **CAPITAL INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

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

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

Subsidiaries and associated companies with a negative intrinsic book value are measured at zero and any receivables from these companies are written off with the parent company's share of the

negative intrinsic book value insofar as they are estimated to be unrecoverable. When the booked negative intrinsic value is higher than the receivables, the remaining amount is carried under provision for commitments insofar as the parent company has a legal or actual obligation to cover the obligations of the company in question.

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

#### **INVENTORIES AND STOCK**

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

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

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

#### **RECEIVABLES**

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

#### **ACCRUALS**

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

#### **OTHER SECURITIES AND SHARES**

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

#### **EQUITY**

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

#### **MORTGAGES**

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

#### **LEASING OBLIGATIONS**

Leasing obligations pertaining to financial leased assets are carried in the balance as debts and are measured after the first entry at amortized cost price. The interest portion of the leasing payments is carried over the period of the contract in the statement of income as a financial expenditure.

#### **OTHER FINANCIAL OBLIGATIONS**

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

#### **PROVISIONS**

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

## CASH FLOW STATEMENT

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

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

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

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

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

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

## SEGMENT INFORMATION

The concern's company construction corresponds to the concern's business segments, and information for each segment is therefore evident in the figures for the parent company as well as each subsidiary's annual report.

## FINANCIAL HIGHLIGHTS

Financial highlights have been prepared in accordance with The Association of Danish Finance Analyst's "Recommendations & Key Figures 1997".

$$\begin{aligned} \text{Profit ratio} &= \frac{\text{Result before financial items} \times 100}{\text{Net turnover}} \\ \text{Rate of return} &= \frac{\text{Result before financial items} \times 100}{\text{Balance sheet total}} \\ \text{Equity share} &= \frac{\text{Result for the year} \times 100}{\text{Average equity}} \\ \text{Equity share} &= \frac{\text{Equity} \times 100}{\text{Balance sheet total}} \end{aligned}$$

## STATEMENT OF INCOME FOR 2004

(1,000 DKK)	Parent Company			Group	
	2004	2003	Note	2004	2003
Traffic revenue	716.908	684.091		716.908	684.091
Other operating revenue	66.381	69.427		121.658	116.584
Operating revenue	783.289	753.518	<b>1</b>	838.566	800.675
Operating expenses	(348.060)	(377.894)	<b>2</b>	(366.942)	(389.334)
Personnel/payroll costs	(221.079)	(212.098)	<b>3</b>	(247.013)	(237.512)
Depreciation	(109.865)	(103.145)	<b>4</b>	(113.474)	(106.975)
Income before financial items	104.285	60.381		111.137	66.854
Income in subsidiaries before tax	5.142	4.606	<b>11</b>	-	-
Return on other capital holdings	-	(24)		(2)	(41)
Other financial income	2.916	3.061	<b>5</b>	3.240	3.426
Depreciation financial assets					(100)
Other financial expenses	(7.574)	(11.340)	<b>6</b>	(9.606)	(13.455)
Income before tax	104.769	56.684		104.769	56.684
Taxes	(40.077)	(21.319)	<b>7</b>	(40.077)	(21.319)
Profit/loss for the year	64.692	35.365		64.692	35.365

### Proposal for distribution of the year's profit:

Dividend for the year	0
Reserve for net write up of capital holdings	3.222
Brought forward	61.470
Total	64.692



## BALANCE SHEET, AS AT 31ST DECEMBER 2004

(1,000 DKK)	Parent Company			Group	
	2004	2003	Note	2004	2003
<b>Assets</b>					
Goodwill	-	-	<b>8</b>	-	-
Intangible fixed assets	-	-		-	-
Buildings	120.744	124.348	<b>9,10</b>	176.085	178.376
Aircraft incl. aircraft components	278.193	281.903	<b>9,10</b>	278.193	281.903
Other aircraft components	25.784	26.259	<b>9,10</b>	25.784	26.259
Other equipment, vehicles and inventory	14.869	12.034	<b>9,10</b>	21.364	17.171
Tangible fixed assets	439.590	444.544		501.426	503.709
Capital holdings in subsidiaries	30.427	27.205	<b>11</b>	-	-
Other securities and capital holdings	16	16	<b>11,12</b>	51	54
Other long-term accounts receivable	11.275	11.276	<b>11,12</b>	11.275	11.276
Financial fixed assets	41.718	38.497		11.326	11.330
<b>Total fixed assets</b>	<b>481.308</b>	<b>483.041</b>		<b>512.752</b>	<b>515.039</b>
Stocks and inventories	23.636	25.093	<b>13</b>	26.349	27.245
Accounts receivable	31.128	25.647		40.159	33.893
Accounts receivable, subsidiaries	828	-		-	-
Other accounts receivable	14.503	16.820		15.212	17.845
Deferred tax asset	-	-	<b>15</b>	-	685
Prepaid expenses and accrued income	2.698	2.479		4.461	3.320
Accounts receivable	49.157	44.946		59.832	55.743
Liquid assets	166.668	117.782		177.972	129.440
<b>Total current assets</b>	<b>239.461</b>	<b>187.821</b>		<b>264.153</b>	<b>212.428</b>
<b>Total assets</b>	<b>720.769</b>	<b>670.862</b>		<b>776.905</b>	<b>727.467</b>

## BALANCE SHEET, AS AT DECEMBER 31<sup>ST</sup> 2004

(1,000 DKK)

Liabilities and equity	Parent Company			Group	
	2004	2003	Note	2004	2003
Capital stock	24.000	24.000	<b>14</b>	24.000	24.000
Reserve for net write-up of capital holdings	11.524	8.302		-	-
Revaluation reserve	8.263	8.263		8.263	8.263
Retained earnings	249.312	187.842		260.836	196.144
Net adjustment of security instruments	(4.063)	-		(4.063)	-
<b>Equity</b>	<b>289.036</b>	<b>228.407</b>		<b>289.036</b>	<b>228.407</b>
Deferred tax	83.739	51.755	<b>15</b>	87.988	54.768
Provisions	83.739	51.755		87.988	54.768
Mortgage loans	35.162	38.726		60.915	64.326
Bank debt	-	8.024		7.534	16.291
Leasing commitments	137.193	158.875		137.193	158.875
<b>Long-term debt</b>	<b>172.355</b>	<b>205.625</b>	<b>17</b>	<b>205.642</b>	<b>239.492</b>
Current portion of long-term debt	23.687	30.282		25.680	32.116
Bank debt	-	8.935		-	8.935
Accounts payable, suppliers	38.683	39.239		50.628	53.338
Accounts payable, subsidiaries	619	532		-	-
Corporation tax	6.173	-		6.173	-
Other current liabilities	70.952	61.992	<b>18</b>	75.230	65.677
Provisions	35.525	44.095		36.528	44.734
<b>Current liabilities</b>	<b>175.639</b>	<b>185.075</b>		<b>194.239</b>	<b>204.800</b>
<b>Total liabilities</b>	<b>347.994</b>	<b>390.700</b>		<b>399.881</b>	<b>444.292</b>
<b>Total liabilities and equity</b>	<b>720.769</b>	<b>670.862</b>		<b>776.905</b>	<b>727.467</b>

Commitments, Contingencies and Forward contracts

**18-20**

Other notes

**21-24**

## STATEMENT OF EQUITY AT DECEMBER 31<sup>ST</sup> 2004

### Parent Company

	Share capital	Net write-up of capital investment	Revaluation-reserve	Result brought forward	Net adj. of security instruments	Total
Share capital						
Equity 01.01.2003	24.000	5.642	8.263	155.137	(1.791)	191.251
Distributed dividend	-	-	-	-	-	-
Profit/loss for the year	-	2.660	-	32.705	-	35.365
Net adjust. Security instruments	-	-	-	-	1.791	1.791
Equity 31.12.2003	24.000	8.302	8.263	187.842	-	228.407
Distributed dividend	-	-	-	-	-	-
Profit/loss for the year	-	3.222	-	61.470	-	64.692
Net adjust. Security instruments	-	-	-	-	(4.063)	(4.063)
Equity 31.12.2004	24.000	11.524	8.263	249.312	(4.063)	289.036

### Group

	Share capital	Net write-up of capital investment	Revaluation-reserve	Result brought forward	Net adj. of security instruments	Total
Share capital						
Equity 01.01.2003	24.000	1.486	8.263	159.293	(1.791)	191.251
Distributed dividend	-	-	-	-	-	-
Profit/loss for the year	-	(1.486)	-	36.851	-	35.365
Net adjust. Security instruments	-	-	-	-	1.791	1.791
Equity 31.12.2003	24.000	-	8.263	196.144	-	228.407
Distributed dividend	-	-	-	-	-	-
Profit/loss for the year	-	-	-	64.692	-	64.692
Net adjust. Security instruments	-	-	-	-	(4.063)	(4.063)
Equity 31.12.2004	24.000	-	8.263	260.836	(4.063)	289.036

## CASH FLOW STATEMENT FOR 2004

(1,000 DKK)

	Parent Company			Group	
	2004	2003	Note	2004	2003
Income before financial items	104.285	60.381		111.137	66.854
Depreciation tangible assets	61.005	58.541		64.614	62.371
Change in working capital	(6.896)	(762)	<b>22</b>	(9.302)	1.269
	158.394	118.160		166.449	130.494
Net interest and dividend gains	2.916	3.061		3.240	3.426
Net interest etc. loss	(7.574)	(11.340)		(9.606)	(13.455)
Paid taxes	-	-		-	-
Net financing from the year's operations	153.736	109.881		160.083	120.465
Net investments tangible assets	(60.827)	(44.533)		(67.107)	(48.481)
Net sales tangible assets	4.776	1.620		4.776	1.620
Net investments in financial assets	-	(31)		-	(31)
Net sales financial assets	1	2.345		1	2.345
Liquidity effect of investments	(56.050)	(40.599)		(62.330)	(44.547)
Loans and amortization of long-term debt, net	(39.865)	(55.355)		(40.286)	(57.138)
Dividend	-	-		-	-
Liquidity effect of financing	(39.865)	(55.355)		(40.286)	(57.138)
Changes in cash and cash equivalents	57.821	13.927		57.467	18.780
Liquid funds at January 1st	108.847	94.920		120.505	101.725
Liquid funds at December 31st	166.668	108.847		177.972	120.505
Liquid funds include:					
Liquid assets	166.668	117.782		177.972	129.440
Bank debt	-	(8.935)		-	(8.935)
Total liquid funds	166.668	108.847		177.972	120.505

# NOTES TO ANNUAL REPORT

(1,000 DKK)	Parent Company		Group	
	2004	2003	2004	2003
<b>1. Operating revenue</b>				
Passenger, (excl. passenger taxes) domestic flights	239.458	238.156	239.458	238.156
Charter, domestic	79.194	69.706	79.194	69.706
Cargo, domestic	32.679	30.437	32.679	30.437
Carriage of mail, domestic	14.625	7.442	14.625	7.442
Passenger, cargo, and mail outside Greenland	279.696	292.265	279.696	292.265
Charter outside Greenland	33.600	7.539	33.600	7.539
Other traffic revenue	37.656	38.546	37.656	38.546
	<b>716.908</b>	<b>684.091</b>	<b>716.908</b>	<b>684.091</b>
Public payment for flights in Greenland	59.413	59.093	59.413	59.093
Other revenue	6.968	10.334	6.968	10.334
Revenue from hotels	-	-	27.805	26.993
Revenue from ticket sales	-	-	27.472	20.164
	<b>66.381</b>	<b>69.427</b>	<b>121.658</b>	<b>116.584</b>
<b>Total revenue</b>	<b>783.289</b>	<b>753.518</b>	<b>838.566</b>	<b>800.675</b>
<b>2. Operating expenses</b>				
Flights in Greenland:				
- Air traffic taxes to third parties	66.303	65.497	66.303	65.497
- Distribution costs	14.931	22.654	14.931	22.654
- Passenger taxes collected	(40.671)	(36.643)	(40.671)	(36.643)
	<b>40.563</b>	<b>51.508</b>	<b>40.563</b>	<b>51.508</b>
<b>3. Salaries and related costs</b>				
Wages and salaries	201.518	193.350	225.401	216.883
Pension contributions	926	319	1.038	404
Other expenses for social security	18.635	18.429	20.574	20.225
<b>Total salaries and related costs</b>	<b>221.079</b>	<b>212.098</b>	<b>247.013</b>	<b>237.512</b>
Hereof salary and value of benefits paid to the President and Board of Directors	3.663	4.276	3.663	4.276
Average number of employees	463	456	546	538

## NOTES TO ANNUAL REPORT

(1.000 DKK)

	Parent Company		Group	
	2004	2003	2004	2003
<b>4. Depreciation</b>				
Intangible assets	-	-	-	92
Real estate	5.898	5.588	7.638	7.310
Aircraft and components	44.409	40.499	44.409	40.499
Other components	4.002	3.038	4.002	3.038
Other equipment, vehicles and inventory	6.860	7.530	8.697	9.546
Leasing costs aircraft	48.860	44.604	48.860	44.604
Loss (profit) on sale of fixed assets	(164)	1.886	(132)	1.886
<b>Total Depreciation</b>	<b>109.865</b>	<b>103.145</b>	<b>113.474</b>	<b>106.975</b>
<b>5. Financial income</b>				
Interest, cash in banks	2.655	2.544	2.928	2.773
Other interest	261	517	312	653
	2.916	3.061	3.240	3.426
<b>6. Other financial expenses</b>				
Interest, bank debts	367	2.089	370	2.097
Interest, leases	4.450	6.314	4.450	6.314
Interest and amortization, mortgages	2.746	2.919	4.607	4.869
Other interest	11	18	179	175
	7.574	11.340	9.606	13.455
<b>7. Taxes</b>				
Tax breakdown:				
Taxes paid during the year	6.173	-	6.173	-
Contingent tax on the year's income	31.984	20.860	33.904	22.568
Adjustment contingent tax for previous years	-	-	-	(1.249)
Tax, subsidiaries	1.920	459	-	-
	40.077	21.319	40.077	21.319

## NOTES TO ANNUAL REPORT

(1.000 DKK)

	Parent Company		Group	
	2004	2003	2004	2003
Reconciliation of tax percentage:				
Tax percentage, Greenland	37,1%	37,1%	37,1%	37,1%
Adjustment for previous years	0,0%	0,0%	0,0%	0,0%
Double taxation of subsidiaries' profit	1,2%	0,8%	1,2%	3,0%
Loss carried forward from previous years	0,0%	0,0%	0,0%	-2,2%
Non-deductible expenses	0,0%	0,0%	0,0%	0,0%
<b>Tax percentage for the year</b>	<b>38,3%</b>	<b>37,9%</b>	<b>38,3%</b>	<b>37,9%</b>

### 8. Intangible fixed assets

	Goodwill	Total
Purchase price at 01.01.2004	1.100	1.100
Additions	-	-
Disposal	(1.100)	(1.100)
<b>Purchase price at 31.12.2004</b>	<b>-</b>	<b>-</b>
Depreciated 01.01.2004	(1.100)	(1.100)
Depreciation	-	-
Depreciation of assets disposed	1.100	1.100
<b>Total depreciation 31.12.2004</b>	<b>-</b>	<b>-</b>
<b>Book value at 31.12.2004</b>	<b>-</b>	<b>-</b>
Book value at 31.12.2003	-	-

## NOTES TO ANNUAL REPORT

(1.000 DKK)

### Parent Company

	Buildings	Aircraft & components	Other components	Other equip., vehicles & inventory	Total
<b>9. Fixed assets</b>					
Purchase price at 01.01.2004	227.661	622.247	59.916	83.550	993.374
Additions	3.975	43.630	3.527	9.695	60.827
Disposals	(2.366)	(18.845)	-	(633)	(21.844)
Purchase price at 31.12.2004	229.270	647.032	63.443	92.612	1.032.357
Revaluation 01.01.2004	-	8.263	-	-	8.263
Revaluation	-	-	-	-	-
Revaluation 31.12.2004	-	8.263	-	-	8.263
Depreciated 01.01.2004	103.313	348.607	33.657	71.516	557.093
Depreciation	5.898	44.409	4.002	6.860	61.169
Depreciation of assets disposed	(685)	(15.914)	-	(633)	(17.232)
Book value 31.12.2004	108.526	377.102	37.659	77.743	601.030
Book value 31.12.2004	120.744	278.193	25.784	14.869	439.590
Regnskabsmæssig værdi 31.12.2003	124.348	281.903	26.259	12.034	444.544
Booked value 31.12.2004 includes:					
Leasing assets		156.018			156.018

See: note 20, Leasing commitments

There is no official assessment of real estate in Greenland.



## NOTES TO ANNUAL REPORT

(1.000 DKK)

	<b>Group</b>				
	Buildings	Aircraft & components	Other components	Other equip., vehicles & inventory	Total
<b>10. Tangible fixed assets</b>					
Purchase price at 01.01.2004	294.676	622.247	59.916	107.613	1.084.452
Additions	7.028	43.630	3.527	12.922	67.107
Disposals	(2.366)	(18.845)	-	(2.159)	(23.370)
<b>Purchase price at 31.12.2004</b>	<b>299.338</b>	<b>647.032</b>	<b>63.443</b>	<b>118.376</b>	<b>1.128.189</b>
Revaluation 01.01.2004	-	8.263	-	-	8.263
Revaluation	-	-	-	-	-
<b>Revaluation 31.12.2004</b>	<b>-</b>	<b>8.263</b>	<b>-</b>	<b>-</b>	<b>8.263</b>
Depreciated 01.01.2004	116.300	348.607	33.657	90.442	589.006
Depreciation	7.638	44.409	4.002	8.697	64.746
Depreciation of assets disposed	(685)	(15.914)	-	(2.127)	(18.726)
<b>Total depreciation 31.12.2004</b>	<b>123.253</b>	<b>377.102</b>	<b>37.659</b>	<b>97.012</b>	<b>635.026</b>
<b>Book value 31.12.2004</b>	<b>176.085</b>	<b>278.193</b>	<b>25.784</b>	<b>21.364</b>	<b>501.426</b>
Book value 31.12.2003	178.376	281.903	26.259	17.171	503.709
Booked value 31.12.2004 includes:					
Leasing assets		156.018			156.018

See also: Note 20, Leasing commitments.

There is no official assessment of real estate in Greenland.

Purchase price for buildings in Hotel Arctic Inc., Ilulissat includes capitalized building interest.

# NOTES TO ANNUAL REPORT

(1.000 DKK)

## Parent Company

	Cap. holdings in subsidiaries	Deposit	Other securities and cap. holdings	Total
<b>11. Financial fixed assets</b>				
Purchase price at 01.01.2004	18.903	11.276	16	30.195
Additions	-	-	-	-
Disposals	-	(1)	-	(1)
Purchase price at 31.12.2004	18.903	11.275	16	30.194
Revaluation at 01.01.2004	8.824	-	-	8.824
Revaluation	2.700	-	-	2.700
Write-back of revaluation	-	-	-	-
Revaluation at 31.12.2004	11.524	-	-	11.524
Write-downs at 01.01.2004	522	-	-	522
Write-downs	-	-	-	-
Write-back of write-downs	(522)	-	-	(522)
Write-downs at 31.12.2004	-	-	-	-
Book value at 31.12.2004	30.427	11.275	16	41.718
Book value at 31.12.2003	27.205	11.276	16	38.497

Percent	Nominal value	Equity
---------	---------------	--------

### Subsidiaries:

Hotel Arctic Inc., Ilulissat	100%	10.000	21.786
Greenland Travel Inc.	100%	1.500	8.641

Income from subsidiaries consists of the following:

	2004	2003
Income Hotel Arctic Inc., Ilulissat	3.140	3.083
Income Greenland Travel Inc.	2.002	1.523
Total result subsidiaries before tax	5.142	4.606
Tax of subsidiaries	(1.920)	(459)
Total profit/loss of subsidiaries	3.222	4.147

## NOTES TO ANNUAL REPORT

(1.000 DKK)

### Group

	Deposit	Other securities and cap. holdings	Total
<b>12. Financial fixed assets</b>			
Purchase price at 01.01.2004	11.276	141	11.417
Additions	-	-	-
Disposals	(1)	(100)	(101)
Purchase price at 31.12.2004	11.275	41	11.316
Revaluation at 01.01.2004	-	13	13
Revaluation	-	-	-
Write-back of revaluation	-	(3)	(3)
Revaluation at 31.12.2004	-	10	10
Depreciation at 01.01.2004	-	100	100
Depreciation	-	-	-
Write back of depreciation	-	(100)	(100)
Depreciation at 31.12.2004	-	-	-
Book value at 31.12.2004	11.275	51	11.326
Book value at 31.12.2003	11.276	54	11.330

### Parent Company

### Group

	2004	2003	2004	2003
<b>13. Inventories</b>				
Specification:				
Components	23.316	24.319	23.316	24.319
Sales stocks aircraft and components	16	409	16	409
Other inventories	304	365	3.017	2.517
Total inventories	23.636	25.093	26.349	27.245

## NOTES TO ANNUAL REPORT

(1.000 DKK)

### 14. Equity

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

The shares are not divided into privileged classes. Each shareholding of DKK 1,000 has one vote.

(1.000 DKK)

	Parent Company		Group	
	2004	2003	2004	2003
<b>15. Contingent tax</b>				
Breakdown of contingent tax:				
Tangible fixed assets	85.118	75.608	89.395	78.265
Financial fixed assets	2.590	1.394	2.594	1.362
Current assets and short-term debt	(3.969)	(5.587)	(3.404)	(5.350)
Tax deficit carried forward	-	(19.660)	(597)	(20.194)
	<b>83.739</b>	<b>51.755</b>	<b>87.988</b>	<b>54.083</b>
Specification of movements:				
Contingent tax January 1st	51.755	30.895	54.083	32.764
Adjustment of previous years	-	-	-	(1.249)
Allocation to reserves	31.984	20.860	33.905	22.568
Contingent tax December 31st	<b>83.739</b>	<b>51.755</b>	<b>87.988</b>	<b>54.083</b>
Specification of contingent tax:				
Deferred tax	83.739	51.755	87.988	54.768
Deferred tax asset	-	-	-	(685)
	<b>83.739</b>	<b>51.755</b>	<b>87.988</b>	<b>54.083</b>

## NOTES TO ANNUAL REPORT

(1.000 DKK)	<b>Parent Company</b>			
	Due within 1 year	Due after 1 year	Amortized debt total	Nominal debt Total
<b>16. Long-term debt</b>				
Mortgage debt	2.004	35.162	37.166	37.166
Leasing commitments	21.683	137.193	158.876	158.876
Long-term debt at 31.12.2004	23.687	172.355	196.042	196.042
Long-term debt at 31.12.2003	30.282	205.625	235.907	235.907
The following are due after more than 5 years:				
Mortgage debt		25.860		
Leasing commitments		41.091		
		66.951		

(1.000 DKK)	<b>Group</b>			
	Due within 1 year	Due after 1 year	Amortized debt total	Nominal debt Total
<b>17. Long-term debt</b>				
Mortgage debt	3.266	60.915	64.181	64.181
Bank debt	731	7.534	8.265	8.265
Leasing commitments	21.683	137.193	158.876	158.876
Long-term debt at 31.12.2004	25.680	205.642	231.322	231.322
Long-term debt at 31.12.2003	32.116	239.492	271.608	271.608
The following are due after more than 5 years:				
Mortgage debt		45.803		
Bank debt		4.507		
Leasing commitments		41.091		
		91.401		

(1.000 DKK)	<b>Parent Company</b>		<b>Group</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>18. Other liabilities</b>				
Wages, taxes, social security dues etc.	13.168	12.365	14.014	13.266
Holiday pay	24.369	22.520	26.373	24.268
Forward contracts	2.468	-	2.468	-
Other liabilities	30.947	27.107	32.375	28.143
	70.952	61.992	75.230	65.677

## NOTES TO ANNUAL REPORT

(1.000 DKK)

	Parent Company		Group	
	2004	2003	2004	2003
<b>19. Mortgage liabilities</b>				
Debts in real estate are secured by mortgage.				
Mortgages deposited as security for bank debts and debts in real estate	132.858	134.822	190.278	194.062
Book value of mortgaged real estate	100.944	103.768	153.955	153.774
Mortgages on aircraft deposited as security for bank debt, nom.	251.675	272.475	251.675	272.475
Book value of mortgaged aircraft	236.411	258.280	236.411	258.280
DKK 2,174,000 of the Groups available balance has been deposited in favour of Rejsegarantifonden and other supplier-credits.			2.171	1.672
<b>20. Leasing commitments</b>				
Operational lease of aircraft from 2005 – 2007				
Annual cost of operational leases	49.144	45.388	49.144	45.388

Furthermore, a contract has been entered into for the financial lease of aircraft OY-GRL which has been dealt with in the annual report as a tangible asset and a leasing commitment respectively. As security for the DKK 158.876 thousand leasing obligation, a pledge of nom. DKK 236.675 thousand has been given in other aircraft with a book value of DKK 212.557 at December 31st 2004, whereof the book value of OY-GRL at December 31st 2004 was DKK 156.018 thousand.

The leasing contract expires on April 28th 2010 at which time the remaining debt in the lease will be DKK 27,940 thousand.

	Parent Company		Group	
	2004	2003	2004	2003
<b>21. Contractual commitments</b>				
At the balance sheet date, future contracts in USD have been bought to cover aircraft maintenance costs.	39.872	-	39.872	-
Contracts for the delivery of two new helicopters in 2005 and 2006 have been signed.	24.112		24.112.	

## NOTES TO ANNUAL REPORT

	2004	2003	2004	2003
<b>22. Change in working capital</b>				
Change in inventories	1.457	(2.197)	896	(2.021)
Change in accounts receivable	(4.211)	753	(4.774)	(153)
Change in current liabilities	(4.142)	682	(5.424)	3.443
<b>Change in working capital</b>	<b>(6.896)</b>	<b>(762)</b>	<b>(9.302)</b>	<b>1.269</b>
<b>23. Fees paid to public accountant</b>				
Operating expenses include the following fees paid to the company's public accountant:				
Audit	575	590	815	843
Adjustment of previous years	13	103	75	163
Public accountant for other services	328	88	415	118
<b>Total</b>	<b>916</b>	<b>781</b>	<b>1.305</b>	<b>1.124</b>

### 24. Associated parties

Associated parties with controlling influence upon the Air Greenland group:

- None

Other associated parties, with which the Air Greenland group has had transactions in 2004:

- Greenland Home Rule
- SAS
- Board and management

Transactions between associated parties and the Air Greenland group in 2004:

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

### 25. Shareholders

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

- Greenland Home Rule, 3900 Nuuk (37.5%)
- Scandinavian Airlines System Inc., 2700 Kastrup (37.5%)
- The Danish State (25%)

## FINANCIAL HIGHLIGHTS

(million DKK)	2000	2001	2002	2003	2004
Operating revenue	647,5	688,9	677,2	800,7	838,6
Primary operating income	8,2	32,5	57,5	66,9	111,1
Income before taxes	-9,2	17,6	43,9	56,7	104,8
Profit/loss for the year	-5,9	10,2	26,8	35,4	64,7
Assets	552,9	532,0	519,1	503,7	501,4
Equity	156,0	166,2	191,3	228,4	289,0
Equity + reserves	704,8	699,8	715,3	727,5	776,9
Investments in fixed assets	27,5	55,1	36,6	48,5	67,1
Number of employees (December 31st)	584	528	543	530	548
Net profit ratio	1,3%	4,7%	8,5%	8,3%	13,3%
Rate of return	1,2%	4,6%	8,0%	9,2%	14,3%
Return on invested	-3,7%	6,3%	15,0%	16,9%	25,0%
Solvency ratio	22,1%	23,7%	26,7%	31,4%	37,2%

The key figures have been adjusted following a change in accounting principles in 2002.

## STATISTICS

	Unit	2000	2001	2002	2003	2004
Length of scheduled service network	Km	22.836	17.012	14.551	14.924	13.301
Number of towns served	Towns	26	24	20	21	21
Kilometres flown, scheduled	1000	4.798	4.071	3.926	4.653	4.375
Airborne hours, total	Hours	20.257	16.890	15.275	15.068	16.892
Airborne hours, scheduled	Hours	12.314	9.794	9.394	10.151	9.928
Available tonne-kilometre, scheduled	1000	48.482	41.901	47.125	79.370	73.927
Revenue tonne-kilometre, scheduled	1000	28.477	24.374	27.245	44.755	45.456
Total load factor, scheduled	Percent	58,7%	58,2%	57,8%	56,4%	61,5%
Number of passengers carried	1000	308	260	260	311	318
Available seat-kilometre, scheduled	1000	406.558	352.055	386.781	595.852	547.354
Revenue seat-kilometre, scheduled	1000	237.523	210.734	252.983	389.011	392.095
Cabin factor, scheduled	Percent	58,4%	59,9%	65,4%	65,3%	71,6%
Average length of passenger flight	Km	770	809	974	1.252	1.235

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Print:  
Nørhaven AVS

Photos:  
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