



# Group Consolidated Annual Report 2021

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**ATLANTIC  
AIRWAYS**

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Photo: Nicolás Vera-Ortiz



# Management's Report



The board of directors and the executive management have today presented the group and annual report of P/F Atlantic Airways for the financial year 1 January to 31 December 2021.

The group consolidated annual report has been presented in accordance with the Faroese Financial Statements Act. We consider the accounting policies used appropriate, and in our opinion the group accounts and annual accounts provide a true and fair view of the group's and company's assets and liabilities and its financial position as on 31 December 2021 and of the company's results of its activities in the financial year 1 January to 31 December 2021.

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

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

Sørvágur, the 18th of March 2022

## Executive Management:

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Jóhanna á Bergi  
*CEO*

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Marius Davidsen  
*CFO*

## Board of Directors:

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Niels Mortensen  
*Chairman*

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Kaj Johannessen  
*Vice-chairman*

---

Esther Dahl

---

Annika Larsen Black

---

Andrass Weihe

---

Jens Eystein í Løðu





# Independent Auditor's Report



## TO THE SHAREHOLDERS OF P/F ATLANTIC AIRWAYS

### Report on the annual accounts

We have audited the consolidated annual accounts of P/F Atlantic Airways for the financial year 1 January – 31 December 2021, which comprise accounting policies used, profit and loss account, balance sheet, statement of change in equity, cash flow statement and notes. The consolidated annual accounts are prepared in accordance with the Faroese Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2021 and of the results of the company's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with the Faroese Financial Statements Act.

### Basis for opinion

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

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

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the

group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.



# Independent Auditor's Report (Continued)



- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management
- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Tórshavn, 18th of March 2022

**P/F JANUAR**

Løggilt grannskoðanarvirki P/F

Heini Thomsen  
Statsaut. revisor

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

## Statement on the management's review

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

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

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

## Company Information



### P/F Atlantic Airways, Faroe Islands

Vágar Airport  
FO-380 Sørvágur  
Faroe Islands  
Tel + 298 34 10 00  
Fax +298 34 10 01  
Website: atlantic.fo  
Registration no. 1223  
VAT Number 379778  
Fiscal year: 1 January – 31 December

### The board

Niels Mortensen, *Chairman*  
Kaj Johannessen, *Vice Chairman*  
Esther Dahl  
Annika Larsen Black  
Andrass Weihe  
Jens Eystein í Løðu

### Management

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

### Auditor

P/F Januar, *State Authorized Public Accountants*

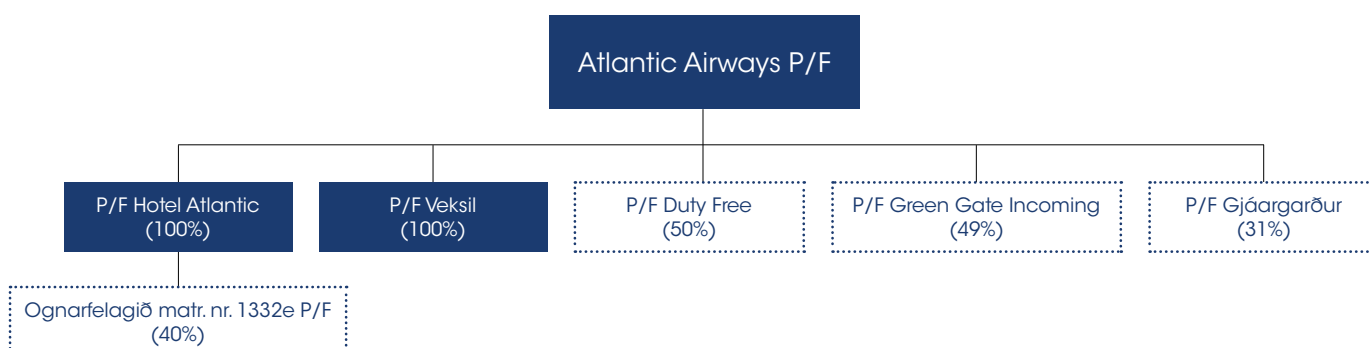
### Subsidiary

P/F Hotel Atlantic  
P/F Veksil, á Hálsi 23, 380 Sørvágur

### Assosierað feløg

P/F Duty Free, the Airport, 380 Sørvágur  
P/F Greengate, Niels Winthersgøta 5, 100 Tórshavn  
P/F Gjáargarður, Dalavegur 20, 476 Gjógv

## Group Overview





## Highlights and Key Figures – Group



<b>Income Statement (DKK 1,000)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net sales	446,822	292,818	570,692	545,896	507,828
Result before financial items (EBIT)	-2,612	-115,268	13,480	25,137	13,242
Net financial items	-8,640	-12,907	-4,001	-5,379	-9,168
<b>Result after tax</b>	<b>-9,617</b>	<b>-104,571</b>	<b>7,831</b>	<b>16,201</b>	<b>3,341</b>
<b>Balance Sheet (DKK 1,000)</b>					
Total assets	742,520	764,939	572,227	602,720	627,748
Equity	254,877	245,734	258,630	242,047	232,384
<b>Cash Flows (DKK 1,000)</b>					
Net cash flow from operating activities	53,678	-72,912	47,625	81,797	51,162
Net cash flow used in investing activities	-7,683	-35,461	-22,335	-29,807	-11,206
Net cash flow from financing activities	-31,096	127,000	-31,096	-31,096	-31,096
<b>Cash flows for the period</b>	<b>14,899</b>	<b>18,627</b>	<b>-5,806</b>	<b>20,894</b>	<b>8,861</b>
<b>Employees</b>					
Number of full-time employees in average	184	160	195	184	180
<b>Financial Ratios in %</b>					
EBIT margin	-0.6	-39.4	2.4	4.6	2.6
Current ratio (%)	165.0	157.4	166.0	142.0	143.0
Solvency ratio (%)	34.3	32.1	45.2	40.2	37.0
Return on equity (%)	-3.8	-41.5	3.1	6.8	1.0

*The Key Figures and ratios have mainly been calculated in accordance with recommendations from the Danish Society of Investment Professionals.*

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



Photo: Nicolás Veira-Ortiz



## Our origin and objective

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

Since the company's establishment in 1987, it has grown from a small company with one aircraft and limited capabilities to a company, which operates several aircraft and helicopters. At year-end 2021, Atlantic Airways had 138 full-time equivalent employees, and operated 3 aircraft and 2 helicopters. Not counting leased aircraft.

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

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

The scheduled flights are divided into Denmark, NORTH and SUN routes, in addition to a new route to Paris and an intended route to New York in the future. All aviation has been severely limited the last two years because of Covid-19.

The number of low-price tickets has increased significantly, both on the Denmark routes and on the NORTH routes. The NORTH routes have improved connection between the Faroe Islands and the neighbouring countries of Iceland, Norway and Scotland significantly. Helicopter rescue services and scheduled services are today conducted with modern helicopters, which has increased the service level significantly for the remoter parts of the islands, health services, sailors and other travellers.

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

## The History of Atlantic Airways in Brief

Atlantic Airways was formed in 1987 and has continually developed airline travel to and from the Faroe Islands since the first operation in 1988 on 28 March. The number of departures to Copenhagen has increased to four per day before the Corona pandemic, both morning and evening. Since 1995, the company has stepwise established flight connections to the neighbouring countries Norway, Iceland and UK and France as well as connections to southern Europe. This continued development has increased passenger numbers at the Vágur Airport from around 46,000 in 1994 to more than 338,000 in 2019 before the corona pandemic hit in 2020. Additionally, the company has been at the forefront in promoting the Faroe Islands abroad as a tourist destination, as well as in developing local tourism.

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

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

## Operations 2021

In terms of operations, 2021 was a better year than expected, although the operational result was a deficit. The full-year result for Atlantic Airways was a deficit of DKK 9.6 million in 2021 compared to a deficit of DKK 104.6 million in 2020. The pre-tax result was a deficit of DKK 11.7 million in 2021, compared to a deficit of DKK 127.5 million in 2020. Earnings before interest, depreciation and amortization (EBITDA) was a profit of DKK 43 million compared to a deficit of DKK 63 million in 2020. Total revenue for the year 2021 was 410.2 million in 2021, compared to DKK 289.6 million in 2020. A 42% increase (121 million).

The Group result after tax was also a deficit of DKK 9.6 million in 2021, compared to a deficit of DKK 104.6 million in 2020. The Group earnings before interest, depreciation and amortization (EBITDA) was a profit of DKK 49.2 million compared to a deficit of DKK 65.4 million in 2020.

## Working our way out of the corona situation

The last two years have been challenging for the aviation industry and Atlantic Airways. The significant drop in passenger numbers and income because of the Covid-19 pandemic meant that it was necessary to lower the number of airline employees and operating expenses, and to adapt the activities to the crisis. The continuing impact from the pandemic and the changing travel recommendations meant that the airline's shareholder infused DKK 100 million into the airline share capital in order to strengthen the capital base.

Following the limited activities in the first half of 2021 because of the strict travel and quarantine recommendations, things slowly began to improve in the summer of 2021, as more people were vaccinated and recommendations were more lenient. Flights resumed to eight destinations and the number of passengers started growing again, despite the fact that there is some way to go still to reach the same passenger numbers from before the pandemic.

## One of the newest fleets in Europe

The corona pandemic also entailed the need to reduce the fleet from four to three aircraft after the Airbus A319 aircraft joined the Latitude HUB SA airline on the Canary Islands on a 4-year long-term lease contract.

Atlantic Airways has one of the newest fleets in Europe. The airline has three Airbus A320 aircraft and two AW 139 helicopters. Two of the aircraft are Airbus A320neo, which are

the more energy-efficient of their kind. All the aircraft are equipped with the state-of-the-art Airbus navigational system RNP AR 0.1, which has improved regularity these last years in the route to and from Vágar airport.

## Ready for future growth in the aviation industry

There are indications that the tourism industry is recovering. Interest in the Faroe Islands as a tourist destination is great and it is expected that many passengers will arrive in the coming years, especially foreign tourists. That is why it is important to make sure that the airline is competitive and to make the necessary adjustments. Atlantic Airways has established its objectives for 2022-2025 and measures have been put into place to support travel destinations and to improve the airline's operations.

## Emphasising sustainability

Atlantic Airways emphasises sustainability and its goal is to fly as environmentally sustainable as possible. Sustainability is on the agenda in all the airline's departments, which are working diligently and continuously along the sustainable line. In the last twelve years, the CO<sub>2</sub>-emission for each seat on the airline's route network has dropped by 48%, because of the new and improved larger and more environmentally friendly aircraft. The airline also undertakes campaigns to reduce fuel consumption on each flight. The airline is encompassed by the EU CO<sub>2</sub>-quotas for aviation within the EU and EFTA countries and - from 2021 onwards - is also encompassed by CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which is a Global Market-Based Measure regarding carbon emission.

## Goals and objectives

Atlantic Airways exists to connect the Faroe Islands to the world for the benefit of the Faroese people and Faroese society, all the while providing foreigners with more opportunities to visit the Faroe Islands, and to tie the islands closer together, as well as for safety. Atlantic Airways operates a regular, flexible and diverse route network from the Faroe Islands with competitive prices. The airline uses state of the art technology and equipment, and it uses fully modern communication services. The customer is at the centre of all our activities. We work closely with customers and the community to better our services and experiences.

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

### A safe and reliable air bridge

With the pandemic raging, Atlantic Airways has been a safe and reliable air bridge to the surrounding world for companies, hospital patients, leisure travellers and other travellers, while our aircraft also have transported Covid-19 vaccines to the Faroese society. The airline has actively participated in the fight against the pandemic through Covid checks for passengers, a system for corona fee, in addition to on-going co-operation with the health authorities, and has provided travellers with advice and help to change tickets.

### Codeshare co-operation

The airline is also working purposefully to strengthen co-operation with other airlines. Atlantic Airways and KLM and Air France entered into a codeshare agreement, which means that several of Atlantic Airways' main scheduled flights also carry the KLM and Air France flight numbers, enabling travellers to travel all the way to the Faroe Islands, and it entails that the Faroe Islands make the list of all KLM and Air France travel destinations around the world. Atlantic Airways intends to make more such agreements in the future.

### Hilton Garden Inn Faroe Islands

The subsidiary, P/F Hotel Atlantic, operates the new Hilton Garden Inn hotel in the capital, which features 130 rooms and five meeting and conference rooms. The hotel is part of the world-famous Hilton chain of hotels, which has some 123 million customers, and which is capable of attracting customers to the Faroe Islands from e.g. the USA and Asia, where the

Hilton chain is particularly strong. P/F Hotel Atlantic leases the building from P/F Ognarfelagið matr. nr. 1332e, of which the company owns 40% together with the pension company LÍV, which owns 60%.

Because of the corona pandemic, an agreement was made concerning exemption from payment in the corona pandemic period, which is intended to secure liquidity through the pandemic. The hotel has been popular both with Faroese and foreign visitors, which is why the result has been a profit in 2021. This partnership with an international chain of hotels is expected to increase marketing of the Faroe Islands as a travel destination and thereby encouraging other and more groups of travellers to come and visit the Faroe Islands.

### Financial Outlook 2022

The effects of the corona pandemic are expected to wane as the year progresses. The airline expects the positive developments in the latter half of 2021 to continue in 2022. Furthermore, the airline expects a positive result in 2022's operations. Faroese interest in travelling to other countries continues to be great and interest in the Faroe Islands as a travel destination is expected to increase again, especially to travellers from our neighbouring countries. The result may be affected by an increasing fuel price, the war in Ukraine, the Covid pandemic and other risk that are mentioned under the heading Risk management in the annual report.



## Operational Review



The total number of passengers on the company's scheduled services increased from 148,717 passengers in 2020 to 200,511 passengers in 2021. The severe effect of the Covid-19 pandemic continued in the first half of 2020, while flight traffic improved significantly in the second half of 2021 compared to 2020, as more and more people were vaccinated against Covid-19. However, the number of passengers in 2021 was 41% lower than in 2019, the last year before the pandemic affected global aviation. The fixed-wing fleet was airborne for 4,984 block hours in 2021 compared to 4,335 block hours in 2020. The change is 15% (+649 hours). The fixed-wing fleet was airborne 44% fewer hours compared to 2019.

The total fleet production was 5,748 block hours in 2021 compared to 5,060 block hours in 2020. The increase is 14% in 2021 compared to 2020. Compared to 2019, total production was 41% lower in 2021.

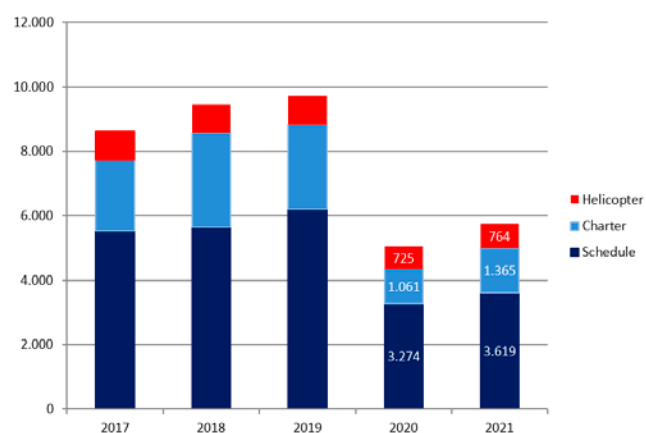
Scheduled services accounted for 63% of total fleet productions in 2021, ACMI/charter operations for 24% and helicopter services accounted for 13%. In 2020, scheduled services accounted for 65% of fleet production, ACMI/charter operations for 21% and helicopter services accounted for 14%.

Scheduled services increased by 11% from 3,274 block hours in 2020 to 3,619 block hours in 2021. Scheduled services decreased by 42% in 2021 compared to 2019.

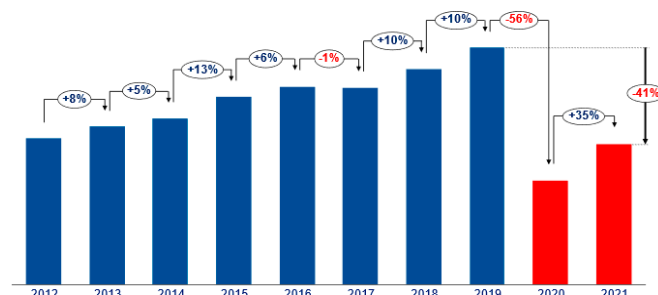
ACMI/charter operations increased by 29% from 1,061 block hours in 2020 to 1,365 block hours in 2021. This is 48% lower than in 2019.

Helicopter operations increased by 5% from 725 block hours in 2020 to 764 block hours in 2021. Helicopter operations decreased by 16% compared to 2019.

Production in block hours 2017-2021



Number of passengers



### Scheduled services

The total number of passengers carried on scheduled services increased by 35% in 2021 to 200,511 passengers. The increase was 51,794 passengers, which is from the second half of 2021, when the number of passengers started going up again after the corona pandemic. The effects of the corona pandemic, however, remain significant. The number of passengers in 2021 was 41% lower in 2021 compared to 2019, the last year before Covid-19 changed aviation. The number

### Traffic information

	2021	2020	Change	Change
Passengers	Pass.	Pass.	Pass.	%
Scheduled services	200,511	148,717	51,794	35%
Helicopter services	11,463	9,975	1,488	15%
Block hours	Hours	Hours	Hours	%
Scheduled services	3,619	3,274	345	11%
Charter operations	1,365	1,061	304	29%
<b>Total fixed wing</b>	<b>4,984</b>	<b>4,336</b>	<b>649</b>	<b>15%</b>
Helicopter operations	764	725	39	5%
<b>Total production</b>	<b>5,748</b>	<b>5,060</b>	<b>688</b>	<b>14%</b>

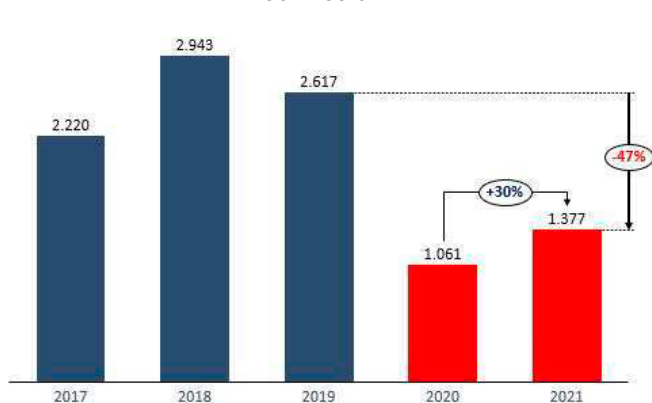
## Operational Review (Continued)



of travel destinations in 2021 was 8 compared to an intended 12 travel destinations in 2020 and 10 destinations in 2019.

The seasonal fluctuations in scheduled traffic are usually high. Frequencies to Danish airports vary from 15 per week during the traditionally low-activity winter season to 35 per week during high season in the summer season. Because of the corona pandemic, the number of departures has decreased significantly in 2021.

Block hours



### Charter operations

Charter/ACMI activity increased from 1,061 block hours in 2020 to 1,365 block hours in 2021. The increase is, however, significantly lower than the pre-Covid level.

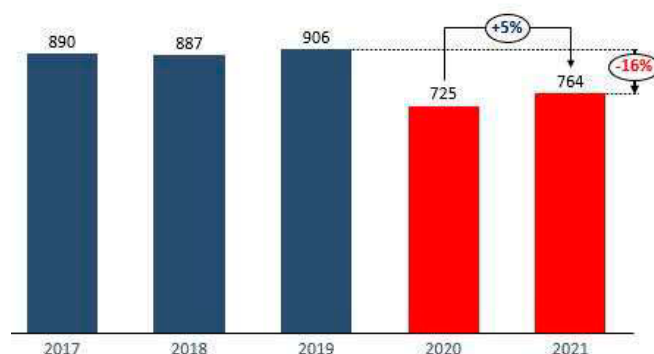
The airline leases out excess capacity not needed for scheduled services is sold to Charter/ACMI activity in order to improve profitability. In 2021, the airline provided services such as charter series for various tour operators in Denmark and ad hoc flights in Europe, in addition to ACMI flights. Very few ACMI flights were in the first half of 2021, because of the sharpened travel recommendations and other measures in the fight against the corona pandemic, while ACMI flights improved somewhat in the second half of 2021.

### Helicopter operations

In 2021, helicopter operations were predominantly Search-and-Rescue (SAR) on behalf of the Faroese Ministry of Fishery and domestic transport to the most remote islands on behalf of SSL, the National Faroese Transport Company using two modern AW 139 helicopters. The helicopters have been prepared for Search-and-Rescue (SAR) coverage 24 hours a day all year. The company's helicopters were airborne for 764 block hours in 2021 compared to 725 block hours in 2020. Activities have been lower than before

the Covid pandemic. In 2021, helicopter operations were 16% lower than in 2019. The contribution in this segment is primarily reflected in the level of provided helicopter capacity agreements in terms of search and rescue and domestic flights

Block hours



There is a ten-year contract with the Faroese Ministry of Fishery and the Ministry of Foreign Affairs and Trade to provide helicopter Search and Rescue (SAR) and domestic transport to the most remote islands. The contract is in effect from 2016-2025. The service has improved significantly with these two new AW 139 helicopters, which can reach the 200 nautical mile limit of Faroese territorial waters, where they can perform rescue operations for 30 minutes. The helicopters have 14 seats, compared with 9 seats on the old Bell 412 helicopters.

The SAR service was called out on 50 occasions in 2021 compared to 47 occasions in 2020. The airline has provided domestic helicopter services in the Faroe Islands since 1994 and SAR operations since 2001.

### Other income

Together with Vágur airport, Atlantic Airways has established the company P/F Duty Free, which operates duty-free sales in the airport. Atlantic Airways also owns the subsidiary P/F Hotel Atlantic, which opened a new hotel in Tórshavn in the summer of 2020. The new hotel – called Hilton Garden Inn Faroe Islands – is operated in collaboration with the international hotel chain Hilton.

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

## The fleet

Three fixed-wing aircraft were in service at year-end 2021. Two Airbus A320neo and one Airbus A320. One of them are in the airline’s ownership, while the airline leases on a long-term contract the two A320neo aircraft, which have at least 15% lower oil usage and CO2 emissions than other Airbus aircraft of the same size. The A320 seat 174 passengers and the average age is approximately three years.

In addition to this, the airline owns an Airbus A319 aircraft, which is on a long-term lease of four years to the airline Latitude HUB SA on the Canary Islands. The lease started in the summer of 2021.

In 2019, Atlantic Airways signed a contract for the purchase of two new Airbus A320neo aircraft from the Airbus factory. The new A320neo were scheduled to arrive in the fleet in 2023 and 2024. As a consequence of the Covid-19 pandemic, it has been agreed that the aircraft will instead arrive in the summer of 2027 and the autumn of 2028, respectively.

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

## The fleet 31 December 2021 (excl. aircraft leased-out)

Fleet year-end	Number	Ownership	Production year
A320neo	2	0	2019/2020
A320	1	1	2016
AW139	2	2	2015/2016

At year-end 2021, the helicopter fleet consisted of two Agusta Westland AW 139 helicopters. The average age of the rotor wing fleet is approximately six years.







NVO OPERATION  
PERMITTED  
AW179

Photo: Nicolás Vera-Cruz

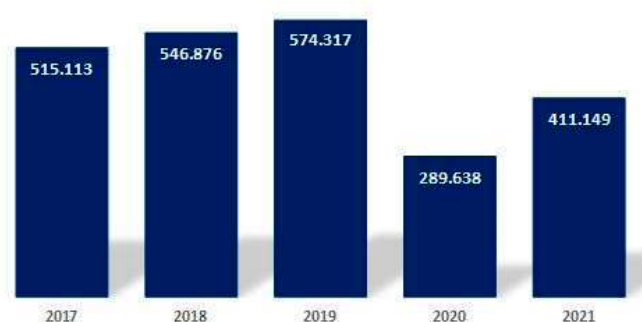


## Financial statement, 1 January – 31 December 2021

### Revenue

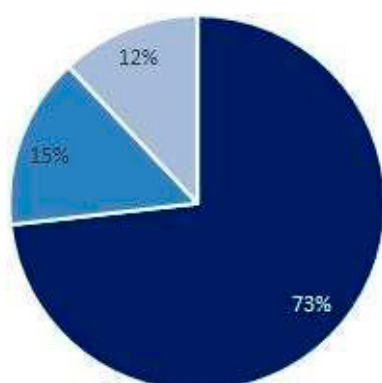
Atlantic Airways total revenues was DKK 410.2 million in 2021 compared to DKK 289.6 million in 2020. The increase was DKK 120.5 million, which come from increased income and sustainable activities following the harrowing effects of the global pandemic in 2020.

Income (DKK 1,000)



Income distribution

■ Scheduled ■ Charter ■ Helicopter



### Operating expenses

Operating expenses increased by DKK 25 million in 2021 to DKK 273 million compared to 2020. The increase is from an increase in flight activities in 2021 compared to 2020.

Fuel is one of the main operating expenses in aviation. In 2021, fuel costs – including CO2 quota expenses – amounted to 15% of the total operating expenses, compared to 18% in 2020. The airline has a hedging policy for fuel expenses.

### Employee expenses

Employee expenses amounted to DKK 94.4 million in 2021, compared to 104.4 million in 2020. The number of full-time equivalent employees was 138 in 2021 compared to 146 in 2020. The employees who were terminated are not part of the number of full-time equivalent employees.

### Depreciations

Depreciation and impairment amounted to DKK 48 million in 2021 compared to DKK 49 million in 2020.

### Financial items

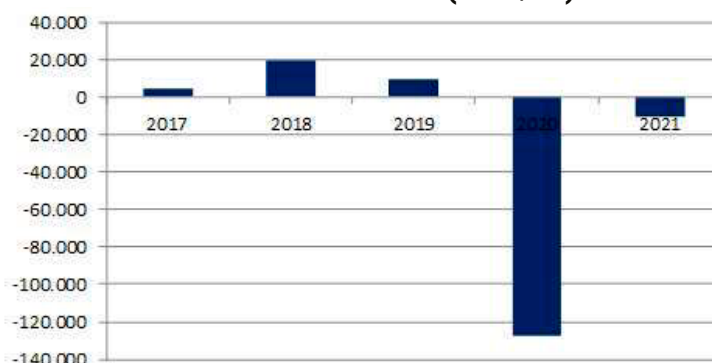
Net financial items amounted to DKK -6 million including result from associated companies, compared to DKK -16 million in 2020.

The result before tax was a deficit of DKK 10.2 million compared to a deficit of DKK 127.5 million in 2020.

The result after tax was a deficit of DKK 8.3 million compared to a deficit of DKK 104.6 million in 2020.

Return on equity after tax was -3 per cent in 2021 compared to -43 per cent in 2020.

Result before tax (DKK 1,000)



## Events after the End of the Financial Year

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

### Balance sheet

#### Assets

Total non-current assets decreased by DKK 38 million in 2021 from DKK 528 million at the start of the year to DKK 490 at year-end 2021.

Total current assets increased by DKK 5 million in 2021 from DKK 205 million by the start of the year to DKK 210 million at year-end 2021.

Available cash and cash equivalents at year-end 2021 were DKK 177 million compared to DKK 166 million at the start of the year. Available cash and cash equivalents for the Group at year-end 2021 were DKK 181 million compared to DKK 170 million at the start of the year.

#### Equity

Total equity as of 31 December was DKK 255 million and an equity ratio of 36%. Compared to the start of the year, equity has increased by DKK 9 million and the equity ratio increased by 2%. The change in equity is from change in value adjustments of derivative financial assets.

#### Liabilities

The company's total liabilities as of 31 December was DKK 434 million compared to DKK 437 at the end of the previous year. Long-term debt has decreased from DKK 341 million from the start of the year to DKK 304 million by the end of 2021.

### Balance sheet

The balance sheet total as of 31 December 2021 was DKK 713 million, which is DKK 20 million lower than the previous year.

### Going concern disclosure

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

### Allocation of profit/loss

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



## Aviation industry and global economy

Despite the fact that global aviation increased in 2021 relative to 2020, it is still far from the pre-Covid levels. In the last two years, the global pandemic as well as the measures to reduce the impact of the pandemic have led to the greatest recession in aviation history. According to the International Air Transport Association (IATA), global aviation dropped 58% in 2021 compared to 2019, a total of 61% in Europe alone compared to 2019.

The positive developments that we saw in 2021 are expected to continue in 2022, despite the negative effect that the Omicron variant will impose, particularly on the first half of 2022. As travel restrictions are slowly lifted, the momentum in international flights is expected to pick up. Domestic flights and flights between neighbouring countries will recover faster than trans-continental flights. Competition in the aviation industry remains fierce, while increasing fuel prices continue to have an effect on the industry.

The commercial airline industry is linked to the strength of the economy in the countries, from which the passengers come. IMF (The International Monetary Fund) expects a 4.9% economic increase in 2022 compared to 5.9% in 2021.

## Faroese economy

The global pandemic has had less of an impact on the Faroese economy than previously expected. The Faroese Economic Council estimates that the Faroese GDP in current prices increased 8.2% in 2021 compared to -2.8% in 2020. The 2022 increase is estimated to be 3.3% in current prices. Domestic consumption has been higher than expected and unemployment is low. The Economic Council expects that the greatest challenge to tourism will be a lack of work force. A lack of housing is also a significant bottleneck in the economy. The Economic Council adds that the Russian invasion into Ukraine means that the situation is uncertain at the moment, which may well have an impact on the world economy as well as the Faroese economy. This uncertainty has not been considered in the projections of economic growth.

## Scheduled services

Traffic will be limited in the first half of the year because of the Omicron variant, however, it is expected that the effect of the corona pandemic will diminish as the year progresses. That is why there will be more departures and the list of destinations in 2022 will include even more travel destinations compared to 2021. It is estimated that the total number of

passengers will be similar to the passenger numbers in 2019. In the summer, the airline will fly to nine destinations: Copenhagen, Billund, Aalborg, Reykjavík, Oslo, Edinburgh, Paris, Barcelona and Mallorca, in addition to flights to Gran Canaria in the winter.

The Faroese people's desire for travel remains great and the number of foreign travellers is also expected to increase, particularly travellers from the neighbouring countries. Interest in the Faroe Islands as a travel destination continues to be big, which is why it is estimated that passenger numbers will slowly increase in the coming years.

The Faroese tourism industry is ready and prepared for further growth in tourism now that several more hotel rooms have been added as well as new aircraft.

## Charter operations

Atlantic Airways' charter activities are based on using excess capacity not needed for scheduled services in order to improve profitability. The tight travel restrictions and quarantine requirements relating to the corona pandemic have had a negative impact on European charter operations. The effects of the pandemic are expected to diminish in 2022, which is why the airline expects an increase in charter operations in 2022 compared to 2021.

## Helicopter operations

Atlantic Airways connects the islands through scheduled helicopter flights to the remote islands and creates safety with helicopter Search and Rescue. As part of a ten-year contract with the Faroese Ministry of Fishery and the Ministry of Foreign Affairs and Trade, two relatively new AW139 helicopters provide domestic transport to the most remote islands and helicopter Search and Rescue (SAR) coverage 24 hours a day. Production in 2022 will be higher than in 2021.

## Financial forecast 2022

Atlantic Airways expects that the positive developments in the airline industry in the second half of 2021 will continue in 2022. It is estimated that the operations will improve compared to 2021 and that 2022 operations will show a profit. The increasing fuel price, the war in Ukraine, the Covid pandemic and any new variants, the competition on the Copenhagen route and any other risks that are mentioned in the annual report in the section 'Risk management', however, may have an adverse effect on the result on the financial performance and this guidance.







# Ownership



## Share capital

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

## Shareholder

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

## Dividend

The board of directors propose that no dividend will be distributed to the shareholder at the Annual General Meeting in April 2022 in line with the proposal for the renationalization acts of the Faroese Parliament from February 2014. No dividend was paid out in 2021 for the financial year 2020.

## Capital and share structure

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



In this part is the statement on corporate governance. This statement forms part of the management's review in Atlantic Airways' Annual Report for the period 1 January – 31 December 2021.

Atlantic Airways was delisted from the stock exchanges in Copenhagen and Reykjavik in 2014, which meant that the company is no longer subject to any recommendations on Corporate Governance. However, Atlantic Airways has nonetheless chosen to follow the Danish Recommendations on Corporate Governance and to comply with the recommendations where possible. A comprehensible table overview of the company's compliance with the Danish Recommendations, as well as explanations of departures, is provided on the company's website.

The Danish Recommendations on Corporate Governance were last updated in December 2020 and are valid from the fiscal year 2021. The full version of the Danish Recommendations on Corporate Governance can be found on the website. The following subsections address main aspects of corporate governance in Atlantic Airways.

## Annual General Meeting

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

## Board of Directors

The Board ensures a prudent organization of the company's business and manages the company's general affairs as well as ensures that the best interests of the company's shareholders are guarded. The Board seeks to promote the long-term development of the company and endeavours to keep the organization and operations consistent with the company's mission and strategy.

The Board of Directors consists of 6 members. Two of the members are elected by the employees. Election of board

members among the staff is conducted every four years in accordance with relevant legislation. The other 4 board members are elected at the Annual General Meeting.

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

The Chairman's role is to organize and chair the meetings, to act as a contact person to the executive management, prepare the meeting agenda and ensure timely release of meeting material to members before the meetings, ensure notice to the entire Board of meetings, ensure that the most significant issues of the company are addressed, ensure that legal requirements of the Board are met and to act as an external spokesman. The main duty of the deputy chairman is to step in as acting Chairman of the Board, should this become necessary, in addition to being an active partner to the chairman.

The Board of Directors appoints the CEO and other members of the Executive Management.

The Board of Directors convene when the Chairman deems it necessary or when one of the members or the management requests it.

The Board of Directors has held 11 meetings in 2021.

## Board of directors

### Niels Mortensen, Chairman of the Board

**Born:** 28 October 1966  
**Address:** Traðavegur 12, FO-100 Tórshavn, Faroe Islands  
**Joined the Board:** March 2013  
**Special skills:** Commercial experience  
**Chief Occupation:** CEO of SMS P/F and NM Holding  
**Experience:** Danske Bank 1987–1992, P/F SMS 1992–  
**Other board duties:** P/F Hotel Atlantic (Chairman), P/F Ognarfelagið matr. nr. 1332e (CEO and board member), P/F Petur Larsen and P/F Duty Free  
**Education:** Niels Brock Business School, Danske Bank  
**Expiry of the current election period:** April 2022  
*Considered independent of the Company*

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

Chairman of the Board 1 January – 8 March 2013  
 Vice-chairman 2009–2012, and from 14 May 2013  
 Chairman of the Nomination Committee 2013  
 Chairman of the Audit Committee  
**Born:** 8 November 1960  
**Address:** Inni á Fløtum 13, FO-180 Kaldbak, Faroe Islands  
**Joined the Board:** April 2009  
**Special skills:** Expertise in financial and accounting matters, Governmental matters  
**Chief Occupation:** CEO of P/F Farcod, P/F Enniberg og P/F Ametyst and P/F Havborg.  
**Experience:** CEO of P/F Enniberg since 2016. Advisor in the Ministry of Transport, Infrastructure and Labour 2015 – 2016. Advisor in the Ministry of Finance 2013 – 2015. Advisor in the Ministry of the Interior 2008 – 2013. Senior Bank clerk in Føroya Banki (Bank Nordik) 2000 – 2008. Member of the chairmanship of the Faroese Council of Economic Advisers 2006 – 2009. Economist at Landsbanki Føroya 1993 – 2000 and Managing Director of Menningargrunnur Ídnaðarins 1990 – 1993. Examiner in economics at the Faroese University (Fróðskaparsetur Føroya) since 2001. Examiner in managerial economics at the Faroese Business College since 2009 – 2013.  
**Other board duties:** P/F Enniberg, P/F Farcod, P/F Havborg, P/F SMS, P/F Miðlon, P/F Dvølján, Norriq Holding A/S, Investeringsselskabet af 5. oktober 2012 Aps and P/F Atlantic Petroleum.  
**Education:** Mr. Johannessen has a MSc in Economics and Business Administration from Copenhagen Business School 1990, specializing in Financing, International Business and Management Accounting  
**Expiry of the current election period:** April 2022  
*Considered independent of the Company*

### Eystein í Løðu, Member of the Board

**Born:** 5 July 1973  
**Address:** Smiðjuvegur 14, FO-386 Bøur  
**Joined the Board:** April 2019  
**Special skills:** Employee of Atlantic Airways  
**Chief Occupation:** Safety Manager  
**Experience:** Employee of Atlantic Airways since 1994, except 2000–2001.  
**Other board duties:** None  
**Education:** Flight mechanic and psychotherapist  
**Expiry of the current election period:** April 2023  
*Considered dependent of the Company as employee representative*

### Esther Dahl, Member of the Board

**Born:** 20 September 1970 (female)  
**Address:** Hornavegur 27, FO-450 Oyri, Faroe Islands  
**Joined the Board:** May 2020  
**Special skills:** Commercial experience, experience concerning the labour market  
**Chief Occupation:** HR- & HTU- and communication manager, Faroe Ship  
**Experience:** HR- & HTU- manager, Klaksvíkar sleipistöð, 2019–2022. Advisor in the Faroese Employer's Association 2005–2019 (particularly labour market, contract negotiations and shipping). Ad head of section, the Prime Minister's Office (foreign affairs) 2000–2005. Faroese ambassador to Bruxelles 1998–2000.  
**Other board duties:** Council member Sunda municipality since 2020. Member of the Council on working environment (since 2006), Competition Council of the Faroes (since 2006).  
**Education:** Cand. negot  
**Expiry of the current election period:** April 2022  
*Considered independent of the Company*

### Andrass Weihe, Member of the Board

**Born:** 30 March 1986  
**Address:** Torkilsgøta 15, FO-188 Hoyvík, Faroe Islands  
**Joined the Board:** June 2020  
**Special skills:** Atlantic Airways employee  
**Chief Occupation:** Freight and cargo in Atlantic Airways  
**Experience:** Employee of Atlantic Airways since 2007  
**Other board duties:** None  
**Education:** Examined freight forwarder 2018  
**Expiry of the current election period:** April 2023  
*Considered dependent of the Company as employee representative*

### Annika Larsen Black, Member of the Board

**Born:** 11 June 1963  
**Address:** Nicolai Mohrsgøta 8, FO-188 Hoyvík, Faroe Islands  
**Joined the Board:** April 2021  
**Special skills:** Commercial experience in sales and marketing and project management  
**Chief Occupation:** Manager of Hotel Djurhuus  
**Experience:** Co-ordinator, Yrkisdepilin, 2021–2022, education co-ordinator Vestmanna upper secondary school 2017–2021, project management MICE Faroe Islands 2016–2020, sales manager, Smyril Line 2009–2013, sale and service 62N 2007–2008, sales and marketing manager Flogfelag Føroya 1995–2007.  
**Other board duties:** None  
**Education:** Master of project management and process optimisation (MPF)  
**Expiry of the current election period:** April 2022  
*Considered dependent of the Company as employee representative*

## Audit Committee

The Board has not formed a separate Audit Committee. The Board of Directors decided at a board meeting in March 2010 in accordance with Article 29 of the Faroese Audit Act that the Board executes the activity of the Audit Committee. Kaj Johannesen is chairman of the audit committee.

## Executive Management

The Executive Management of Atlantic Airways is made up of the Chief Executive Officer and the Chief Financial Officer, who are responsible for the daily operations of the company. The CEO is also “Accountable Manager” for the airline and as such has the ultimate responsibility to comply with the standards and requirements set by the aviation authorities.

### Jóhanna á Bergi, CEO

**Born:** 29 September 1970

**Address:** Traðagøta 18, FO-700 Klaksvík, Faroe Islands

**Experience:** Mrs. Á Bergi has been CEO of Atlantic Airways since September 2015. CEO of Faroe Ship P/F 2006-2015, Sales and Marketing Director of JFK 1998-2006 and Sales Manager at Faroe Seafood 1994-1998.

**Other board duties:** P/F Hotel Atlantic, Visit Faroe Islands P/F, Føroya Grunnurin and Norðoya Íløgufelag, P/F Norðoyatunnilin

**Education:** Mrs. Á Bergi has a MSc in Management from Robert Gordon University 2004. Export and Marketing from the Danish School of Export and Marketing 1994

### Marius Davidsen, CFO

**Born:** 31 July 1958

**Address:** Í Fornanum 3, FO-380 Sørvágur, Faroe Islands

**Experience:** Mr. Davidsen has been CFO of Atlantic Airways since January 2005. Mr. Davidsen has been involved with Atlantic Airways since it commenced operations in 1987/88. Financial manager since 1988 and deputy for the CEO since June 1993. Mr. Davidsen is also CEO of Duty Free P/F

**Other board duties:** P/F Hotel Atlantic

**Education:** Mr. Davidsen is educated from Business School in Tórshavn

## Authorized Signatories

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

## Remuneration of Board and Management

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

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

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

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

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

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

Remuneration of Executive Management may be comprised of fixed pay, value-based bonus and pension. The total level for the non-variable elements in the remuneration is established in consideration of market level, as e.g. the company’s size and course of development are taken under consideration. Remuneration to Executive Management is currently only comprised of fixed pay and pension, corresponding to a pre-defined part of the fixed remuneration.



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

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

The Board and the Executive Management set out and approve overall policy, procedures, and control on important areas in connection with the presentation of accounts.

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

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

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

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

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

## General and specific risks

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

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

## Fuel

As an essential and highly consumable resource in our operations, fuel is a material cost to the company. The volatility in the jet fuel price can significantly impact fuel costs and the operating results. Jet fuel costs represented 20% of the operating expenses and fuel is settled in USD. Historically, there have been significant changes in fuel prices and operations are affected differently from year to year.

In order to manage the risk exposure of fuel price volatility, and subsequent impacts on the company's expenses, the Board has approved a policy to hedge fuel in DKK. Use of hedging means that the fuel cost per period is not as low as the spot-based price when prices decrease, however when spot prices increase the fuel cost also rises more slowly.

## CO<sup>2</sup>-emissions

In 2012 aircraft operators became part of the European Emission Trading Scheme or EU ETS in short. Initially, the scheme

encompassed all aviation in the EU and EFTA countries and to and from these countries. Later the EU restricted the scheme to only encompass aviation in the EU and EFTA countries in the years 2013 to 2023. Flights to and from the Faroe Islands are therefore not covered at the moment, however, the airline's flights in and between EU and EFTA countries, primarily charter flights, is encompassed by the EU ETS scheme.

It is necessary for the company to purchase carbon emission permits for its flights in EU and EFTA countries. A minor quota of free CO<sub>2</sub> emission allowances has been allocated to the company because of historical rights. The CO<sub>2</sub> market has historically been volatile. In 2018, the price of CO<sub>2</sub>-quotas increased from 8 EUR/tCO<sub>2</sub> to 80 EUR/tCO<sub>2</sub>.

In addition to the EU ETS emission scheme, the aviation industry will also be encompassed by CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), which is a Global Market-Based Measure regarding carbon emission for international aviation. The CORSIA measure is primarily based on the notion that an increase in CO<sub>2</sub> emissions from 2021 will be offset through purchase of so-called offsetting permissions "Carbon Offsetting." According to this new measure, Atlantic Airways must – from 2021 to 2029 – buy offsetting permissions in relation to how much the international flights exceed the emissions in the base years (2019/2020 average). The offsetting will be based on own emissions in the base year times the percentage growth of emission from global aviation relative to the base year. After 2029, the measure will also take into account growth in emission from the individual airline itself. When global aviation will resume again, the CORSIA measure will start to have an effect on the airline's expenses.

## Weather and traffic disruption

The company is exposed to various disruptive factors such as adverse weather conditions (crosswind, turbulence, fog, frost and snow), volcanic ash and congested airports. Especially weather conditions across the Faroe Islands hamper flight operations and increase costs. In 2021, the airline's cost of cancellations and disruption was DKK 3.3 million due to cancellations compared to DKK 1.7 million in 2020. Additionally, the airline's operations will be affected by EU legislation concerning compensation in special cases of delay. The modern RNP AR 0.1 navigational system has improved regularity significantly and expenses related to delays and cancellations.

## Risk management (Continued)

### Currency risk

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

The Board has approved a policy to hedge USD currency exposure from aircraft leasing.

### Interest rate risk

The company is exposed to interest rate risks through investments and financing. As of 31 December 2021, the company had DKK 335 million in interest-bearing liabilities. The majority of the interest-bearing liabilities is in fixed interest. The company's total equity is still high in proportion to total assets. The equity ratio was 36 at year-end.

### Liquidity risk

The company aims to maintain sufficient reserves of cash and cash equivalents in order to meet its liquidity requirements. In 2020, the global pandemic, Covid-19, had a negative effect on the airline's liquidity, which has improved somewhat recently, after the Faroese Government in December of 2020 strengthened the share capital with DKK 100 million. The 2022 liquidity has been positive. The parent company's liquidity on 31 December 2021 was DKK 173 million and DKK 181 million for the Group. The company has in addition access to DKK 30 million in credit facilities. The company's credit facility was unused as of 31 December 2021. Liquidity is deemed sufficient. Cash at hand is usually affected by seasonal fluctuations.

### Market competition

The airline's main revenues stem from the scheduled flights between the Faroe Islands and Copenhagen. The competition with excess capacity has affected the income and result of the airline. Negative effect of the competitive situation on the airline's profitability is expected to be visible in 2022.

## Knowledge and Human resources

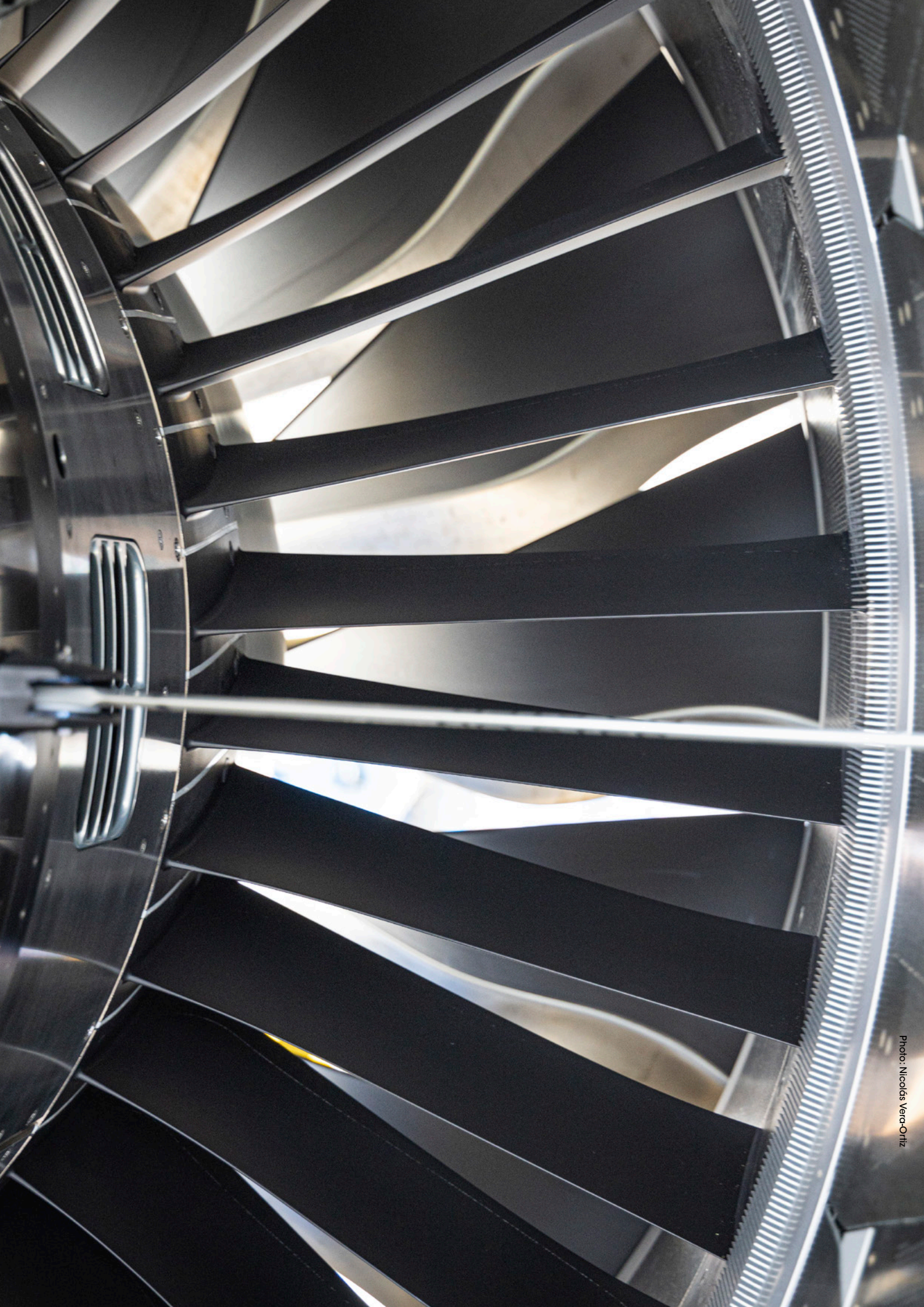
Atlantic Airways' knowledge resources, here in particular human resources, are vital for the competitiveness of the company. The company considers relevant knowledge and work experience of great importance in all core areas of airline activity. Our objective is to develop and retain our qualified personnel and to be the company of first choice among the best people on the Faroese job market.

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

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

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







## CSR in Atlantic Airways 2021

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

Atlantic Airways is one of the largest enterprises in the Faroe Islands with 138 employees. We are linking the Faroe Islands with the world through scheduled connections to several destinations. Atlantic Airways also runs a helicopter operation providing domestic services and SAR operations in Faroese territories. Also, we play an important role in developing tourism in the Faroe Islands.

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

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

## BUSINESS OPERATIONS

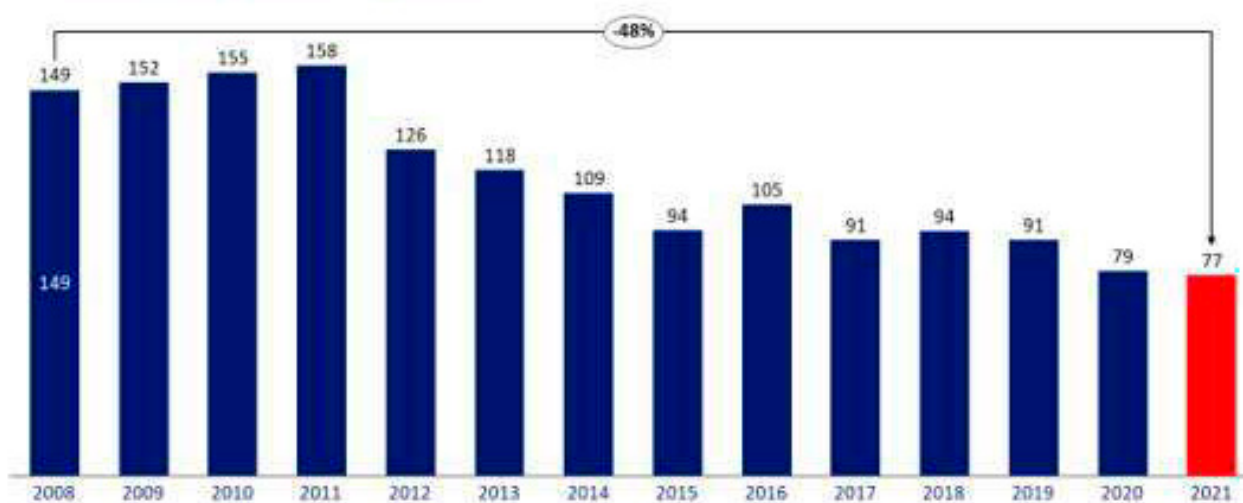
### Environment

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

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

The airline has two new Airbus A320neo aircraft, which are the most energy-efficient of its kind. The aircraft's fuel consumption and CO2 emissions are at least 15% lower than other Airbus aircraft of the same size. In 2021, average CO2 consumption for each seat was in scheduled service was 72 kilos, compared with the average consumption per passenger on the scheduled services in 2008. In 2021, the total CO2 emissions from Atlantic Airways' scheduled services was 23,596 tonnes.

**Fuel burn per seat 2008-2021**  
Scheduled service (kilo/seat)



# Corporate Social Responsibility (CSR) (Continued)



Atlantic Airways has registered all its fuel consumption and CO2 emission from aircraft since 2010 because of environmental demands from EU authorities.

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

## Health and Safety

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

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

## Safety management

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

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

Within the technical environment, there is a strong focus to learn from mistakes and reduce human error events, which compromise the safety of the operating environment. This is systemized through the Maintenance Error Management System (MEMS), which encourages and facilitates incident reporting and investigation, utilizing human error events as learning tools.

Based on several years of reporting and investigation, the company has identified five 'Key Behaviours for Line and Base maintenance work, which is being fostered within the maintenance and inspection work processes to reduce mishaps and maintain safety.

*These Key Behaviours are:*

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

## Compliance management

Compliance management is the company's exercise to ensure that the outcome of the activities in operations and maintenance meets the regulatory, customer and company requirements. The quality policy is the foundation under the compliance management.

The performance of the compliance management system is evaluated 4 times per year by senior management. The evaluation is based on Key Performance Indicators from all departments, as well as the independent compliance monitoring reports from both internal and external (e.g. the aviation authorities) audits.



# Corporate Social Responsibility (CSR) (Continued)



## WORKPLACE

### Employee satisfaction and well-being

Atlantic Airways is a major employer in the Faroe Islands, offering our employees highly skilled and international careers in an interesting industry.

At Atlantic Airways, we focus on our employees' satisfaction and well-being. Knowing that satisfied and motivated employees are more productive and efficient, we have initiated surveys among staff groups to measure job satisfaction and well-being. In 2021, a survey was conducted among all staff groups focusing on mental work environment and workplace environment. The survey showed that employee satisfaction is high. Based on the survey, we have developed action plans focusing on improvements of key areas.

### Education

The airline is the only one of its kind in the Faroe Islands and we see this as a core responsibility to develop local talent in the Faroese work market. In a small society as the Faroese, it is central to be able to make it attractive for young people to either stay in the Faroe Islands or to return after their education abroad. Thus, we offer several education opportunities and also reach out to Faroese students abroad to promote the idea of a career with us.

### Competence development

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

Our competence development activities can be divided into mandatory training and additional training. In 2021, the airline's expenses on mandatory and additional training were DKK 3.2 million.

# Corporate Social Responsibility (CSR) (Continued)



## COMMUNITY

### Developing the Faroe Islands together

As an active company in the Faroese community, Atlantic Airways exists to connect the Faroe Islands to the surrounding world and to tie the islands closer together and for safety. Atlantic Airways operates a regular, flexible and diverse route network from the Faroe Islands with competitive prices. We work closely with customers and the community to better our services and experiences. The reliable scheduled services allow our passengers, young & old, strong & weak, people & cargo to travel for purposes of business & culture, fun & serious and in joy & sadness. For us, it is of the utmost importance that The Faroe Islands is a good place to live and work. This is why we stay in regular contact with local interest groups to find solutions and ideas as to how we may improve our services and products.

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

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

### Sponsorships and donations

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

In sports, most sponsorships are centred on national teams and national unions rather than local teams, and we also want to cultivate great talents that can make a name for themselves outside of the Faroe Islands.

The company has been the main sponsor of the Faroese National Football Team since 1995. Atlantic Airways also supports the national teams in handball, volleyball, swimming, chess. There is a general agreement in place with the ÍSF (National Sport Union) to support the smaller unions' international activities.

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

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

The annual report of Atlantic Airways P/F for the period 1 of January to 31 of December 2021 has been prepared in accordance with the Faroese Financial Statements Act, Class C large. The annual report is prepared according to the same accounting principles as the previous year and in Danish Kroner (DKK).

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

### Recognition and measurement in general

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

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

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

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

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

### Foreign currency transactions

Transactions in foreign currencies are translated to the func-tional currency of the company at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in the income statement.

Receivables, liabilities and other financial items in foreign

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

### Derivative financial instruments

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

Changes in current value of the derivative financial instru-ments that are intended for at fulfil the requirements of hedg-ing the current value of a recognised asset or liability are rec-ognised in the income statement together with any changes in current value of the hedged asset or liability.

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

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

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

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

### Consolidation

The consolidated financial statements compromise the par-ent company, Atlantic Airways, and its subsidiaries, where Atlantic Airways directly or indirectly holds more than half



## Accounting Principles (Continued)



of the voting rights in an undertaking or otherwise has power to control management and operating policy decisions. Companies, where the Group own between 20% and 50% of the voting rights, and has significant influence, but not controlling power, are associated companies. See group structure.

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

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

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

In connection with the acquisition of new enterprises, the acquisition method is applied, by which the acquirees' identifiable assets and liabilities are measured at fair value at the time of acquisition. Costs for restructuring which are recognised in the acquiree before the acquisition date and which have not been agreed upon as part of the acquisition, are recognised in the preacquisition balance sheet and thereby forms part of the measurement of goodwill. Restructuring decided by the acquiree is recognised in the profit and loss account. The tax effect of the revaluations carried out is taken into consideration. Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

## The profit and loss account

### Net turnover

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

### Other operating income

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

### Operating costs

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

### Staff costs

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

### Depreciation, amortisation and write-down

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

### Net financials

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

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

### Results from equity investments in group enterprise and associate

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

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

### Tax of the annual result

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

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

The current Faroese corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

## The balance sheet

### **Intangible fixed assets**

#### **Development projects, patents, and licences**

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

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

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

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

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

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

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

	<b>Useful life</b>	<b>Residual Value</b>
Buildings	5–25 years	0
Aircraft and helicopters	15–17 years	0
Other machinery, material and furniture	3–15 years	0

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

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

### **Leasing contracts**

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

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

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets. Previously recognised write-down is reversed when the condition for the write-down no longer exist. Write-down relating to goodwill is not reversed.

### **Investment property**

Current value of hedging is based on market price if it is available. If there is no market price available, the current value is assessed to discount the difference between the future price according to the hedging, and the current future price for the remaining amount by using a risk free interest rate based on government bonds.

### **Financial fixed assets**

#### **Equity investments in group enterprise and associate**

Equity investments in group enterprise and associate recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction



or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

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

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

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession. Profit or loss in connection with the sale of group enterprise and associate are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

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

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprise and associate, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with

the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

### **Other securities and equity investments**

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

### **Inventories**

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

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

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

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

### **Debtors**

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

### **Accrued income and deferred expenses**

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

## Securities and equity investments

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

## Available funds

Available funds comprise cash at bank and in hand.

## Equity

### Revaluation reserves

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

### Reserves for net revaluation as per the equity method

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

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates. It is not possible to recognise the reserves with a negative amount.

### Corporate tax and deferred tax

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

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

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

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

## Other liabilities

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

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

### Accrued expenses and deferred income

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

### The cash flow statement

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

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

#### **Cash flow from operating activities**

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

#### **Cash flow from investment activities**

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

#### **Cash flow from financing activities**

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

### Segment information

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



# Mortgaging and contingent liabilities



## Parent company

Aircraft and helicopters with a book value as at 31 of December 2021 of DKK 405 million are mortgaged for DKK 711 million.

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

*The leasing obligations are:*

In the year 2022: DKK 45.3 million.

After 5 years: DKK 49.8 million.

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

The company has provided guarantees for DKK 2.4 million. Of cash at hand DKK 2.5 million is guaranteed.

The company has rented administration facilities from Vagar Airport in the new Terminal building.

The agreement may not be terminated until 2022. The yearly payment is 0.8 million.

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

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

## Group

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

As guarantee for debt to credit institutions, P/F Hotel Atlantic has given a DKK 30 million guarantee, in addition to goods and service assets, inventory, operating inventory and machinery and permits for an accounting value of DKK 36,791 thousand at 31 December 2021.

## Adjustments

Depreciation, amortisation and write-down  
Income from equity investment in associate  
Tax on ordinary results  
Deferred tax

## Change in working capital

Change in inventories  
Change in debtors  
Change in trade creditors and other liabilities  
Other changes in working capital

# Income Statement 2021



(DKK 1,000)	Note	Group		Atlantic Airways	
		2021	2020	2021	2020
Net sales	1	446,822	292,818	401,294	285,312
Other income		8,896	4,326	8,896	4,326
Operating expenses		-293,455	-252,853	-273,162	-247,788
Employee expenditures	3	-113,078	-109,684	-94,364	-104,435
<b>Result before depreciation, amort. and impairment (EBITDA)</b>		<b>49,185</b>	<b>-65,393</b>	<b>42,664</b>	<b>-62,585</b>
Depreciations, amort. and impairment		-51,797	-49,875	-47,856	-49,262
<b>Result before financial items (EBIT)</b>		<b>-2,612</b>	<b>-115,268</b>	<b>-5,192</b>	<b>-111,847</b>
Financial income	4	604	371	196	156
Financial expenses		-11,811	-14,750	-10,911	-14,386
Share of profit/loss of subsidiaris		0	0	1,695	-2,928
Share of profit/loss of associates		2,567	1,472	2,484	1,472
<b>Result before taxes (EBT)</b>		<b>-11,252</b>	<b>-128,175</b>	<b>-11,728</b>	<b>-127,533</b>
Income tax	5	1,635	23,604	2,111	22,962
<b>Net Profit / Loss for the year</b>		<b>-9,617</b>	<b>-104,571</b>	<b>-9,617</b>	<b>-104,571</b>
<b>Proposed distribution of the results</b>					
Result of the year brought forward				-9,617	-104,571
<b>Total</b>				<b>-9,617</b>	<b>-104,571</b>

## Balance sheet 31 December 2021



Assets (DKK 1,000)	Note	Group		Atlantic Airways	
		2021	2020	2021	2020
<b>Intangible assets</b>					
Software	6	896	2,322	464	1,842
<b>Intangible assets</b>		<b>896</b>	<b>2,322</b>	<b>464</b>	<b>1,842</b>
Aircraft and maintenance	7	404,711	445,243	404,711	445,243
Hangar, buildings and land	8	24,221	22,507	24,221	22,507
Operating equipment	9	51,918	57,297	17,269	20,893
Prepaid aircraft acquisitions	10	8,391	8,391	8,391	8,391
Spare parts	11	1,258	1,469	1,258	1,469
<b>Total tangible assets</b>		<b>490,499</b>	<b>534,907</b>	<b>455,850</b>	<b>498,503</b>
Investment in subsidiaries	12	0	0	24,944	21,750
Investment in associates	13	11,582	9,015	8,299	5,815
Other shares	15	213	213	213	213
Subordinated loan	14	12,800	12,800	0	0
<b>Total financial assets</b>		<b>24,595</b>	<b>22,028</b>	<b>33,456</b>	<b>27,778</b>
<b>Total non-current assets</b>		<b>515,990</b>	<b>559,257</b>	<b>489,770</b>	<b>528,123</b>



## Balance sheet 31 December 2021 (Continued)



Assets (DKK 1,000)	Note	Group		Atlantic Airways	
		2021	2020	2021	2020
<b>Current assets</b>					
Inventories		178	131	178	131
<b>Inventories in total</b>		<b>178</b>	<b>131</b>	<b>178</b>	<b>131</b>
Trade receivables		14,535	7,259	12,724	6,466
Receivables subsidiaries		0	0	6,987	6,500
Receivables associates		208	0	208	0
Deferred income tax	16	363	713	0	0
Other receivables		18,168	17,691	16,876	15,611
Derivatives	17	5,883	0	5,883	0
Prepayments	18	2,765	10,359	2,650	10,288
<b>Total receivables</b>		<b>41,922</b>	<b>36,022</b>	<b>45,328</b>	<b>38,865</b>
Other shares		21	21	21	21
Shares in total		21	21	21	21
Cash and cash equivalents		184,409	169,508	176,868	166,055
<b>Total current assets</b>		<b>226,530</b>	<b>205,682</b>	<b>222,395</b>	<b>205,072</b>
<b>TOTAL ASSETS</b>		<b>742,520</b>	<b>764,939</b>	<b>712,165</b>	<b>733,195</b>

# Balance sheet 31 December 2021 (Continued)



Equity and liabilities (DKK 1,000)	Note	Group		Atlantic Airways	
		2021	2020	2021	2020
<b>Equity and liabilities</b>					
Share capital	19	104,500	104,500	104,500	104,500
Revaluation reserve		1,640	1,640	1,640	1,640
Reserve for net. val. acc- to the equity method		6,587	4,020	6,504	4,020
Value adjustm. of cash flow hedges		-3,419	-22,179	-3,418	-22,179
Retained earnings		145,569	157,753	145,651	157,752
<b>Total equity</b>		<b>254,877</b>	<b>245,734</b>	<b>254,877</b>	<b>245,733</b>
<b>Provisions</b>					
Deferred income tax liabilities	20	22,737	20,730	22,737	20,730
<b>Total provisions</b>		<b>22,737</b>	<b>20,730</b>	<b>22,737</b>	<b>20,730</b>
<b>Debt</b>					
Mortgage loans		327,615	367,823	303,508	340,823
<b>Total long-term debt</b>	<b>21</b>	<b>327,615</b>	<b>367,823</b>	<b>303,508</b>	<b>340,823</b>
Mortgage loans	21	33,989	31,096	31,096	31,096
Trade payables		23,061	18,678	20,469	16,370
Debt to subsidiaries		0	0	1,425	0
Debt to associates					
Current income tax liabilities	23	173	0	0	0
Other debt		32,756	27,878	30,741	25,443
Deferred income and accruals	24	47,312	42,222	47,312	42,222
Derivatives	22	0	10,778	0	10,778
<b>Total short-term debt</b>		<b>137,291</b>	<b>130,652</b>	<b>131,043</b>	<b>125,909</b>
<b>Total liabilities</b>		<b>464,906</b>	<b>498,475</b>	<b>434,551</b>	<b>466,732</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>742,520</b>	<b>764,939</b>	<b>712,165</b>	<b>733,195</b>

2 Auditors remuneration

25 Mortgaging and contingent liabilities etc.

# Statement of Changes in Equity



(DKK 1,000)	Group					
	Share capital	Revaluation reserves	Reserve for net. val. acc. to the equity method	Hedging reserve	Retained earnings	Total
<b>Equity as at 1 January 2020</b>	<b>103,500</b>	<b>1,640</b>	<b>11,548</b>	<b>-13,854</b>	<b>155,795</b>	<b>258,629</b>
Result for the period	0	0	0	0	-104,570	-104,570
Increase of share capital	1,000	0	0	0	99,000	100,000
Revaluation reserve for net. val. acc. to the equity method	0	0	-7,528	0	7,528	0
Value adjustm. of cash flow hedges	0	0	0	8,325	0	8,325
<b>Equity 1 January 2021</b>	<b>104,500</b>	<b>1,640</b>	<b>4,020</b>	<b>-22,179</b>	<b>157,753</b>	<b>245,734</b>
Result of the year	0	0	0	0	-9,617	-9,617
Revaluation reserve for net. val. acc. to the equity method	0	0	2,567	0	-2,567	0
Value adjustm. of cash flow hedges	0	0	0	18,760	0	18,760
	<b>104,500</b>	<b>1,640</b>	<b>6,587</b>	<b>-3,419</b>	<b>145,569</b>	<b>254,877</b>

(DKK 1,000)	Atlantic Airways					
	Share capital	Revaluation reserves	Reserve for net. val. acc. to the equity method	Hedging reserve	Retained earnings	Total
<b>Equity as at 1 January 2020</b>	<b>103,500</b>	<b>1,640</b>	<b>11,226</b>	<b>-13,854</b>	<b>156,117</b>	<b>258,629</b>
Increase of share capital	1,000	0	0	0	99,000	100,000
Result for the period	0	0	-7,206	0	-97,365	-104,571
Value adjustm. of cash flow hedges	0	0	0	-8,325	0	-8,325
<b>Equity 1 January 2021</b>	<b>104,500</b>	<b>1,640</b>	<b>4,020</b>	<b>-22,179</b>	<b>157,752</b>	<b>245,733</b>
Result for the period	0	0	0	0	-9,617	-9,617
Revaluation reserve for net. val. acc. to the equity method	0	0	2,484	0	-2,484	0
Value adjustm. of cash flow hedges	0	0	0	18,761	0	18,761
	<b>104,500</b>	<b>1,640</b>	<b>6,504</b>	<b>-3,418</b>	<b>145,651</b>	<b>254,877</b>



# Cash flow statement



(DKK 1,000)	Note	Group	
		2021	2020
<b>Net profit/loss for the period</b>		<b>-9,617</b>	<b>-104,571</b>
Adjustments	26	47,595	24,798
Changes in operating assets and liabilities	27	15,700	6,861
Cash flow from earnings before financial items		53,678	-72,912
Cash flow ordinary operations		53,678	-72,912
<b>Cash flow from operating activities</b>		<b>53,678</b>	<b>-72,912</b>
Purchase of intangible assets		0	-692
Purchase of tangible assets		-7,950	-44,727
Sale of intangible assets		267	958
Paid dividends from associates		0	9,000
<b>Cash flows from investing activities</b>		<b>-7,683</b>	<b>-35,461</b>
Proceeds from new loans		0	27,000
Repayments of long-term loans		-31,096	0
Paid in share capital		0	100,000
<b>Cash flows from financing activities</b>		<b>-31,096</b>	<b>127,000</b>
<b>Total cash flows for the period</b>		<b>14,899</b>	<b>18,627</b>
Cash and cash equivalents at the beginning of the period		169,508	150,881
<b>Cash and cash equivalents at the end of the period</b>		<b>184,407</b>	<b>169,508</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents		184,407	169,508
<b>Cash and cash equivalents at the end of the period</b>		<b>184,407</b>	<b>169,508</b>

## Overview of Notes



1. Segment information
2. Specification of numbers of passengers
3. Auditor's remuneration
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1. Segment information (DKK 1,000)	Aircraft Services		Helicopter Services		Total	
	2021	2020	2021	2020	2021	2020
<b>Income statement</b>						
Net sales	352,822	236,280	48,723	49,032	401,546	285,312
Other income	10,778	4,731	0	0	10,778	4,731
<b>Total revenue</b>	<b>363,600</b>	<b>241,011</b>	<b>48,723</b>	<b>49,032</b>	<b>412,323</b>	<b>290,043</b>
Operating expenses	374,389	359,176	43,125	42,714	417,514	401,890
<b>Operating result</b>	<b>-10,789</b>	<b>-118,166</b>	<b>5,598</b>	<b>6,318</b>	<b>-5,191</b>	<b>-111,848</b>
Effects of subsidiaries	-	-	-	-	1,695	-2,928
Effects of associated companies	-	-	-	-	2,484	1,472
Financial income	51	32	0	0	51	32
Financial expenses	-6,925	-9,990	-3,841	-4,271	-10,766	-14,261
<b>Result before tax</b>	<b>-17,663</b>	<b>-128,124</b>	<b>1,757</b>	<b>2,047</b>	<b>-11,727</b>	<b>-127,533</b>
Income tax	-	-	-	-	2,111	22,962
<b>Profit</b>					<b>-9,617</b>	<b>-104,571</b>
<b>Geographical segments</b>						
Revenue comprises the following markets:						
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Total revenue</b>	<b>219,883</b>	<b>168,347</b>	<b>192,440</b>	<b>121,696</b>	<b>412,323</b>	<b>290,043</b>

## 2. Specification of numbers of passengers

	Atlantic Airways	
	2021	2020
Passengers, scheduled services	200,511	148,717
Passengers, ACMI/charter operations	39,165	30,129
<b>Passengers, fixed wing</b>	<b>239,676</b>	<b>178,846</b>
Passengers, helicopter	11,463	9,975
<b>Total passengers</b>	<b>251,139</b>	<b>188,821</b>
<b>Block hours</b>		
Block hours, scheduled services	3,619	3,274
Block hours, ACMI/charter operations	1,365	1,061
<b>Block hours, fixed wing</b>	<b>4,984</b>	<b>4,335</b>
Block hours, helicopter	764	725
<b>Total block hours</b>	<b>5,748</b>	<b>5,060</b>



	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>3. Auditors remuneration (DKK 1,000)</b>				
Total remuneration to P/F Januar, State Authorized Public Accountants	263	259	226	227
Remuneration reg. the compulsory audit	157	150	125	125
Other services	106	109	101	102
<b>Total</b>	<b>263</b>	<b>259</b>	<b>226</b>	<b>227</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>4. Employee expenditures (DKK 1,000)</b>				
Wages	98.118	95.372	81.862	90.543
Pensions	10.328	9.957	8.606	9.350
Other employee expenditures	4.632	4.355	3.896	4.542
<b>Total</b>	<b>113.078</b>	<b>109.684</b>	<b>94.364</b>	<b>104.435</b>
Management	2.586	2.494	2.586	2.494
Board	1.063	885	1.063	885
<b>Total</b>	<b>3.649</b>	<b>3.379</b>	<b>3.649</b>	<b>3.379</b>
<b>Number of employees in average</b>	<b>184</b>	<b>160</b>	<b>138</b>	<b>146</b>

Remuneration of the Management comprises two managers.

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>5. Financial income</b>				
Other financial income	459	247	51	32
Financial income, subsidiaries	145	124	145	124
<b>Total</b>	<b>604</b>	<b>371</b>	<b>196</b>	<b>156</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>6. Income tax</b>				
Taxes	173	0	0	0
Changes in deferred taxes during the period	-1,808	-23,604	-2,111	-22,962
<b>Total taxes</b>	<b>-1,635</b>	<b>-23,604</b>	<b>-2,111</b>	<b>-22,962</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>7. Software (DKK 1,000)</b>				
Acquisition value as of Jan 1st	20,886	20,194	20,397	19,706
Additions during the period	0	692	0	692
<b>Acquisition value as of December 31st</b>	<b>20,886</b>	<b>20,886</b>	<b>20,397</b>	<b>20,398</b>
Amortisations as of Jan 1st	-18,564	-16,504	-18,556	-16,504
Amortisations during the period	-1,426	-2,060	-1,377	-2,052
<b>Amortisations as of December 31st</b>	<b>-19,990</b>	<b>-18,564</b>	<b>-19,933</b>	<b>-18,556</b>
<b>Book value as at December 31st 2021</b>	<b>896</b>	<b>2,322</b>	<b>464</b>	<b>1,842</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>8. Aircraft and maintenance (DKK 1,000)</b>				
Acquisition value as of Jan 1st	707,559	712,435	707,559	712,435
Additions during the period	657	3,248	657	3,248
Disposal during the period	0	-8,123	0	-8,123
<b>Acquisition value as of December 31st</b>	<b>708,216</b>	<b>707,560</b>	<b>708,216</b>	<b>707,560</b>
Depreciations and impairments as of Jan 1st	-262,318	-229,073	-262,318	-221,811
Depreciations and impairments during the period	-41,187	-40,506	-41,187	-40,506
Depreciations and impairments of disposal	0	7,262	0	0
<b>Depreciations and impairments as of December 31st</b>	<b>-303,505</b>	<b>-262,317</b>	<b>-303,505</b>	<b>-262,317</b>
<b>Book value as at December 31st 2021</b>	<b>404,711</b>	<b>445,243</b>	<b>404,711</b>	<b>445,243</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>9. Hangar, buildings and land (DKK 1,000)</b>				
Acquisition value as of Jan 1st	45,577	45,577	45,577	45,577
Additions during the period	3,675	0	3,675	0
<b>Acquisition value as of December 31st</b>	<b>49,252</b>	<b>45,577</b>	<b>49,252</b>	<b>45,577</b>
Revaluations as of Jan 1st	2,000	2,000	2,000	2,000
<b>Revaluations as of December 31st</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
Depreciations and impairments during the period	-25,070	-23,109	-25,070	-23,109
Depreciations and impairments of disposal	-1,961	-1,961	-1,961	-1,961
<b>Depreciations and impairments as of December 31st</b>	<b>-27,031</b>	<b>-25,070</b>	<b>-27,031</b>	<b>-25,070</b>
<b>Book value as at December 31st 2021</b>	<b>24,221</b>	<b>22,507</b>	<b>24,221</b>	<b>22,507</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>10. Operating equipment (DKK 1,000)</b>				
Acquisition value as of Jan 1st	84,606	45,192	47,598	41,991
Additions during the period	3,618	40,760	1,480	6,952
Disposal during the period	-1,338	-1,346	-2,058	-1,346
<b>Acquisition value as of December 31st</b>	<b>86,886</b>	<b>84,606</b>	<b>47,020</b>	<b>47,597</b>
Depreciations and impairments as of Jan 1st	-27,309	-23,431	-26,704	-23,431
Depreciations and impairments during the period	-8,729	-5,127	-4,837	-4,522
Depreciations and impairments of disposal	1,070	1,249	1,790	1,249
<b>Depreciations and impairments as of December 31st</b>	<b>-34,968</b>	<b>-27,309</b>	<b>-29,751</b>	<b>-26,704</b>
<b>Book value as at December 31st 2021</b>	<b>51,918</b>	<b>57,297</b>	<b>17,269</b>	<b>20,893</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>11. Pre-paid aircraft acquisitions</b>				
Acquisition value as of Jan 1st	8,391	7,672	8,391	7,672
Additions during the period	0	719	0	719
<b>Acquisition value as of December 31st</b>	<b>8,391</b>	<b>8,391</b>	<b>8,391</b>	<b>8,391</b>
<b>Book value as at December 31st 2021</b>	<b>8,391</b>	<b>8,391</b>	<b>8,391</b>	<b>8,391</b>

Prepaid aircraft acquisitions in the balance sheet for 2021, are for the purchase of two Airbus A320 aircraft, which will be delivered in 2027 and 2028.

## Notes



	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>12. Spare parts (DKK 1,000)</b>				
Acquisition value as of Jan 1st	3,354	3,354	3,354	3,354
<b>Acquisition value as of December 31st</b>	<b>3,354</b>	<b>3,354</b>	<b>3,354</b>	<b>3,354</b>
Amortisations as of Jan 1st	-1,886	-1,664	-1,886	-1,664
Amortisations during the period	-210	-221	-210	-221
<b>Depreciations and impairments as of December 31st</b>	<b>-2,096</b>	<b>-1,885</b>	<b>-2,096</b>	<b>-1,885</b>
<b>Book value as at December 31st 2021</b>	<b>1,258</b>	<b>1,469</b>	<b>1,258</b>	<b>1,469</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>13. Investment in subsidiaries (DKK 1,000)</b>				
Acquisition value as of Jan 1st	0	0	25,000	25,000
Additions during the period	0	0	1,500	0
<b>Acquisition value as of December 31st</b>	<b>0</b>	<b>0</b>	<b>26,500</b>	<b>25,000</b>
Revaluations as of Jan 1st	0	0	-3,250	-323
Share of result before amortisations of goodwill	0	0	1,694	-2,927
<b>Revaluations as of December 31st</b>	<b>0</b>	<b>0</b>	<b>-1,556</b>	<b>-3,250</b>
<b>Book value as at December 31st 2021</b>	<b>0</b>	<b>0</b>	<b>24,944</b>	<b>21,750</b>

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

	Equity portion	Equity	Net profit	Book value in Atlantic Airways P/F
P/F Hotel Atlantic	100%	23,493	1,682	23,493
P/F Veksil	100%	1,451	739	1,451
<b>Total</b>		<b>24,944</b>	<b>2,421</b>	<b>24,944</b>



	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>14. Investment in associates (DKK 1,000)</b>				
Acquisition value as of Jan 1st	4,995	4,995	1,795	1,795
<b>Acquisition value as of December 31st</b>	<b>4,995</b>	<b>4,995</b>	<b>1,795</b>	<b>1,795</b>
Revaluations as of Jan 1st	4,020	11,548	4,020	11,548
Share of result acc. to the latest financial statement	2,567	1,472	2,484	1,472
Dividends paid during the period	0	-9,000	0	-9,000
<b>Revaluations as of December 31st</b>	<b>6,587</b>	<b>4,020</b>	<b>6,504</b>	<b>4,020</b>
<b>Book value as at December 31st 2021</b>	<b>11,582</b>	<b>9,015</b>	<b>8,299</b>	<b>5,815</b>

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

	Equity portion	Equity	Net profit	Book value in Atlantic Airways P/F
P/F Duty Free	50%	12,013	6,268	6,006
P/F Greengate Incoming	49%	2,225	-1,256	1,091
P/F Gjáargarður	30.5%	3,942	-114	1,202
<b>Total</b>		<b>18,180</b>	<b>4,898</b>	<b>8,299</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>15. Subordinated loan (DKK 1,000)</b>				
Acquisition value as of Jan 1st	12,800	12,800		
<b>Acquisition value as of December 31st</b>	<b>12,800</b>	<b>12,800</b>		
<b>Book value as at December 31st</b>	<b>12,800</b>	<b>12,800</b>		
Comprised of:				
Subordinated loan to P/F Ognarfelagið matr. nr. 1332e	12,800	12,800		
<b>Total</b>	<b>12,800</b>	<b>12,800</b>		

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>16. Investment in other shares (DKK 1,000)</b>				
Acquisition value as of Jan 1st	1,213	1,213	1,213	1,213
<b>Acquisition value as of December 31st</b>	<b>1,213</b>	<b>1,213</b>	<b>1,213</b>	<b>1,213</b>
Revaluations as of Jan 1st	-1,000	-1,000	-1,000	-1,000
<b>Revaluations as of December 31st</b>	<b>-1,000</b>	<b>-1,000</b>	<b>-1,000</b>	<b>-1,000</b>
<b>Book value as at December 31st 2021</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>17. Deferred income tax (DKK 1,000)</b>				
Deferred income tax as of Jan 1st	713	70	0	0
Deferred income tax in the period	-350	643	0	0
<b>Total as of December 31st</b>	<b>363</b>	<b>713</b>	<b>0</b>	<b>0</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>18. Derivatives (DKK 1,000)</b>				
Currency hedges	585	0	585	0
Swap derivatives (jetfuel)	5,298	0	5,298	0
<b>Total as of December 31st</b>	<b>5,883</b>	<b>0</b>	<b>5,883</b>	<b>0</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>19. Prepayments (DKK 1,000)</b>				
Prepayments reg. rentals	134	119	134	119
Other prepayments	2,631	10,240	2,516	10,169
<b>Total as of December 31st</b>	<b>2,765</b>	<b>10,359</b>	<b>2,650</b>	<b>10,288</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>20. Share capital (DKK 1,000)</b>				
Share capital as of Jan 1st	104,500	103,500	104,500	103,500
Increase of share capital	0	1,000	0	1,000
<b>Total as of December 31st</b>	<b>104,500</b>	<b>104,500</b>	<b>104,500</b>	<b>104,500</b>

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

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>21. Deferred income tax liabilities (DKK 1,000)</b>				
Deferred income tax liabilities as of Jan 1st	20,730	45,520	20,730	45,520
Deferred income tax in the period	-2,111	-22,962	-2,111	-22,962
Income tax recognized in equity	4,118	-1,828	4,118	-1,828
<b>Total as of December 31st</b>	<b>22,737</b>	<b>20,730</b>	<b>22,737</b>	<b>20,730</b>

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

	Group			
	Liab. Dec. 31st 2021	Short-term debt.	Long-term debt Dec. 31st 2021	Due for payment after 5 years
Mortgage loans	361,604	33,989	327,615	177,752
<b>Total long-term debt</b>	<b>361,604</b>	<b>33,989</b>	<b>327,615</b>	<b>177,752</b>

	Atlantic Airways			
	Liab. Dec. 31st 2021	Short-term debt.	Long-term debt Dec. 31st 2021	Due for payment after 5 years
Mortgage loans	334,604	31,096	303,508	169,073
<b>Total long-term debt</b>	<b>334,604</b>	<b>31,096</b>	<b>303,508</b>	<b>169,073</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>23. Derivative financial instruments, liabilities (DKK 1,000)</b>				
Forward currency hedges	0	680	0	680
Jet fuel swap transactions	0	10,098	0	10,098
<b>Total as of December 31st</b>	<b>0</b>	<b>10,778</b>	<b>0</b>	<b>10,778</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>24. Income tax (DKK 1,000)</b>				
Calculated income tax during the period	173	0	0	0
<b>Total as of December 31st</b>	<b>173</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Group		Atlantic Airways	
	2021	2020	2021	2020
<b>25. Prepayments, liabilities (DKK 1,000)</b>				
Prepayments, ticket fares	47,312	42,222	47,312	42,222
<b>Total as of December 31st</b>	<b>47,312</b>	<b>42,222</b>	<b>47,312</b>	<b>42,222</b>

## 26. Mortgaging and contingent liabilities etc.

### Atlantic Airways

Fixed-wing aircraft and helicopters with a book value, as at 31st of December 2021, of DKK 405 million are mortgaged amounting to DKK 711 million.

The company has in place two operating leases regarding 2 A320 neo aircraft.

*The leasing obligations are:*

In 2022: DKK 45.3 million.

After 5 years: DKK 49.8 million.

The company has guaranteed creditors of the associated company, that the operation and cash flow are acceptable for continuing operations in the subsidiary for six years starting as of 1 December 2021.

The company has provided guarantees for DKK 2.4 million.

Of the cash and cash equivalent, DKK 2.5 million are mortgaged.

The company has entered into a contract with Airbus regarding purchase of two A320 neo aircraft, of which the first will be delivered in 2027 and the second in 2028.

The company is the parent company in terms of joint-taxation and is responsible for all tax claims and interest in the jointly-taxed companies.

### Group:

P/F Hotel Atlantic has entered into an agreement concerning the lease of a building in Tórshavn from P/F Ognarfelagið matr. nr. 1332e. The lease can be terminated with a written notice of 24 months, however no sooner than 20 years after the agreement came into effect, which was in 2020.

As collateral for the debt to the credit institution, P/F Atlantic Airways has put forward a business mortgage of DKK 30 million. The business mortgage encompasses goods and service receivables, depositories, operating inventory and operating equipment as well as permits for an accounting value of DKK 36,791 thousand as of 31 December 2021.



	Group	
	2021	2020
<b>27. Adjustments (DKK 1,000)</b>		
Depreciations, amort. and impairments	51,797	49,875
Income from shares in associated companies	-2,567	-1,472
Income tax during the period	173	0
Deferred income tax liabilities	-1,808	-23,605
<b>Total</b>	<b>47,595</b>	<b>24,798</b>

	Group	
	2021	2020
<b>28. Changes in operating assets and liabilities (DKK 1,000)</b>		
Changes in inventories	-47	81
Changes in trade receivables	1,844	3,296
Changes in trade payables and other debt	13,903	3,447
Other changes in operating assets and liabilities	0	37
<b>Total</b>	<b>15,700</b>	<b>6,861</b>



