

air greenland 



ANNUAL
REPORT 2008

FINANCIAL HIGHLIGHTS (million DKK)

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|-------|-------|---------|---------|---------|
| Operating revenue | 838.6 | 869.7 | 1,011.7 | 1,074.7 | 1,152.1 |
| Primary operating income | 111.1 | 71.9 | 94.8 | 70.7 | 74.6 |
| Income before taxes | 104.8 | 67.8 | 90.8 | 73.2 | 83.1 |
| Profit/loss for the year | 64.7 | 40.8 | 75.0 | 49.3 | 56.7 |
| Assets | 501.4 | 503.2 | 566.8 | 554.8 | 568.2 |
| Equity | 289.0 | 334.7 | 408.9 | 458.2 | 514.9 |
| Equity and reserves | 776.9 | 809.4 | 865.0 | 972.9 | 1,011.3 |
| Investments in fixed assets | 67.1 | 72.5 | 108.8 | 83.4 | 115.6 |
| Number of employees (December 31st) | 548 | 569 | 613 | 620 | 669 |
| Net profit ratio | 13.3% | 8.3% | 9.4% | 6.6% | 6.5% |
| Rate of return | 14.3% | 8.9% | 11.0% | 7.3% | 7.4% |
| Return of invested | 25.0% | 13.1% | 20.2% | 11.4% | 11.7% |
| Solvency ratio | 37.2% | 41.4% | 47.3% | 47.1% | 50.9% |

STATISTICS

| | Unit | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| Length of scheduled service network | Km | 13,301 | 13,578 | 13,527 | 17,922 | 14,235 |
| Number of towns served | towns | 21 | 21 | 21 | 22 | 21 |
| Kilometres flown, scheduled | 1000 | 4,375 | 4,578 | 4,806 | 5,247 | 5,195 |
| Airborne hours, total | hours | 16,892 | 17,994 | 21,084 | 23,136 | 24,056 |
| Airborne hours, scheduled | hours | 9,928 | 10,431 | 10,877 | 11,738 | 11,696 |
| Available tonne-kilometre, scheduled | 1000 | 73,927 | 75,881 | 77,993 | 86,322 | 82,185 |
| Revenue tonne-kilometre, scheduled | 1000 | 45,456 | 48,554 | 49,485 | 51,301 | 53,542 |
| Total load factor, scheduled | percent | 61.5% | 64.0% | 63.4% | 59.4% | 65.1% |
| Number of passengers carried | 1000 | 318 | 343 | 372 | 403 | 421 |
| Available seat-kilometre, scheduled | 1000 | 547,354 | 554,939 | 573,325 | 641,339 | 604,333 |
| Revenue seat-kilometre, scheduled | 1000 | 392,095 | 427,174 | 441,422 | 468,752 | 485,351 |
| Cabin factor, scheduled | Procent | 71.6% | 77.0% | 77.0% | 73.1% | 80.3% |
| Average length of passenger flight | Km | 1,235 | 1,244 | 1,188 | 1,162 | 1,154 |

Content



| | | | |
|----|---------------------------------------|----|-----------------------|
| 05 | AIR GREENLAND AND SOCIETY | 30 | EXPECTATIONS FOR 2009 |
| 08 | THE BOARD OF DIRECTORS | 32 | THE FLEET |
| 09 | ENDORSEMENT | 34 | ACCOUNTING PRINCIPLES |
| 10 | THE INDEPENDENT AUDITOR'S ENDORSEMENT | 36 | STATEMENT OF INCOME |
| 12 | ECONOMIC DEVELOPMENT | 38 | THE BALANCE SHEET |
| 14 | MANAGEMENT REPORT | 42 | STATEMENT OF INCOME |
| 18 | SPONSORSHIPS | 44 | BALANCE |
| 20 | TECHNICALLY SPEAKING | 45 | STATEMENT OF EQUITY |
| 22 | HUMAN RESOURCES | 46 | CASH FLOW STATEMENT |
| 24 | OPERATIONS | 47 | NOTES |
| 26 | MARKET DEVELOPMENT | | |

Air Greenland and Society

Air Greenland's annual report for 2008 presents both the group's annual accounts with accompanying notes and the management's and the board's report for the past year and their expectations for 2009.

With its role as an employer of large numbers of employees and its operations of scheduled flights, training programmes, tourism development as well as the servicing of mineral exploration companies, researchers and other charter flight customers, Air Greenland is a major player in Greenlandic society. In a country like Greenland with its unique infrastructure, the population, as well as the business community, is completely dependent on air transport of people and freight. Air Greenland's potential for running commercial operations is, in turn, also completely dependent on the conditions imposed by political priorities. Therefore, the Air Greenland group makes sure that it remains in constant dialogue and close cooperation with relevant groups of authorities, politicians, owners and customers in order to foster reciprocal understanding and to create growth and results for the benefit of our customers.

Market adjustments

Because Air Greenland continues to experience competition from other airlines, we will, in future,

subject our entire service network to a detailed analysis in order to ensure a commercial justification for each individual route. If we discover that there are routes with no commercial basis, we will enter into discussions with the Greenland Home Rule Government with a view to introducing such measures as routes that would only be serviced for part of the year or price-reducing subsidies.

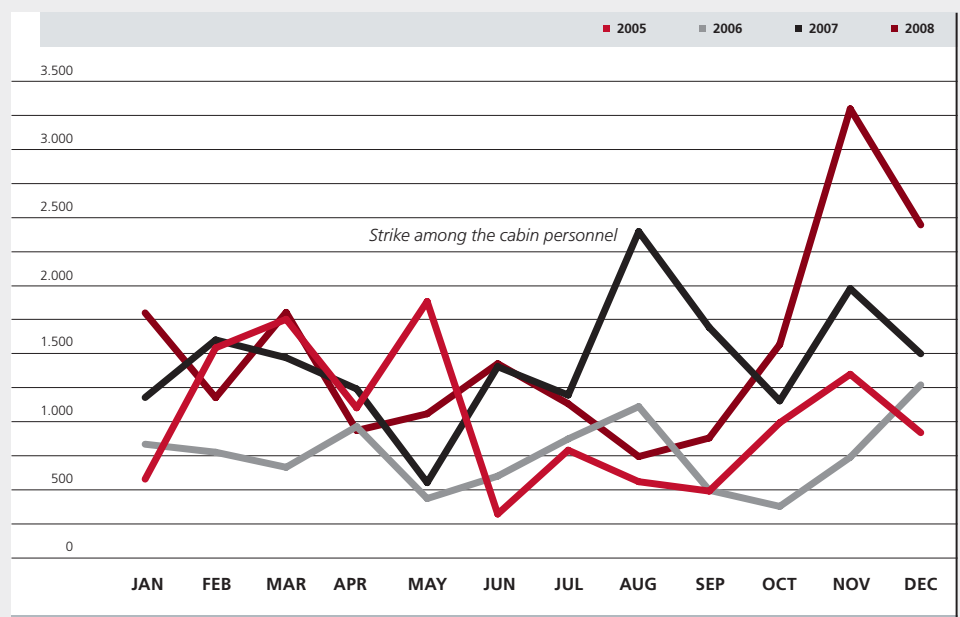
Political plan remains a high priority

As mentioned in the annual report for 2007, the company attaches enormous significance to political decisions concerning infrastructure developments that encompass a future long-term investment plan for airports, airport equipment and safety equipment. Our concern is that the company maintains a stable basis for making planning decisions, especially on costly investments in aircraft.

Air Greenland will continue to spar actively with Greenland Home Rule Government on the essential prioritization of future investments that will ensure the framework in which air traffic will operate. We firmly believe that a well-functioning infrastructure is a prerequisite for progressive commercial development in Greenland, developments which we would very much like to contribute to.

PASSENGER ACCOMMODATION (FOOD, HOTEL, TAXI)

(1,000 DKK)



Mittarfeqarfiit / Greenlandic Airport Authority

Air Greenland's monthly meetings with the Greenlandic Airport Authority ensure a constructive and close dialogue on the ever-increasing challenges that we meet. International air traffic safety requirements are ever-increasing, and the unique weather conditions in the Arctic make special demands on equipment and behaviour. Both the Greenlandic Airport Authority and Air Greenland are acutely aware of the necessity of prioritizing resources and investments within the areas of purchases, capital investments and maintenance of safety equipment. Air Greenland emphasizes its willingness to contribute even more if necessary to ensure that the job gets done.

Rescue preparedness

The present airborne rescue preparedness programme must be considered a minimal programme which is shared between Air Greenland's two S-61 helicopters situated in Narsarsuaq and Ilulissat. During maintenance of one of the helicopters, the entire rescue preparedness programme is taken over by the remaining helicopter which is permanently stationed in Narsarsuaq. Moreover, a Bell 212 helicopter, situated in Nuuk and equipped with a hoist, is available for rescue operations during daylight hours. We are of the opinion that the present rescue preparedness programme can, at best, manage individual rescue tasks from small ships. With this in mind, it can be of some concern to note the ever-increasing number of cruise ships plying the coast of Greenland in the spring, summer and autumn. If there is a call to perform rescue operations from these ships, they will be of a significantly larger scope than what we have been used to. We are prepared to enter into a concrete dialogue on the creation of a comprehensive rescue preparedness programme that would cover the whole of Greenland's enormous area and long coast-line.

Training – a high priority

Training is, and will remain, one of the most important areas for Air Greenland and Greenlandic society in the years to come. As one of the most important employers in Greenland, we feel committed to invest large financial and human resources in training Greenlandic youth for the many positions that the group comprises. Therefore, we have started an





"We are pleased to see that Air Greenland takes its responsibilities seriously and that the company perceives Greenland with human and cultural eyes; such a perception is important for our mutual future,"
Ejvind Elsner, Managing Director of Atlantic Music

ambitious plan to determine how key positions such as pilots, mechanics, station personnel and administrative staff can be staffed with local candidates in future. On top of this, a number of management talents have been spotted with a view to creating a group of local candidates who can take over a major managerial responsibility for the group in the longer term.

Air Greenland is subject to the international air traffic rules laid down by the European Aviation Safety Agency, EASA, which is one of the contributing reasons that the level of training of the company's employees matches that of other airlines. All vacant positions are posted locally, and we hire local labour for all positions when the applicant possesses the requisite qualifications. One of the greatest barriers to the employment of more local labour is the requirement of further education. And the level of education in the areas that we require: finance, quality management, service network, pricing as well as the technical and operative sectors, does not provide us with an adequate flow of qualified, local applicants.

As a direct consequence of this bottle-neck, Air Greenland, in cooperation with Greenland Home Rule Government and the vocational schools, is proactively attempting to attract the right candidates before they complete their educations in order to offer them a supplementary education – often within the company itself. Our intention is to continue these efforts in the coming years so that the company can live up to its vision to be the most attractive employer in Greenland.

Environment

As of 2012, air traffic will be included in the principles embodied in the Kyoto protocol dealing with CO₂ emissions. In accordance with an EU directive, airlines flying into and out of the EU are already required to prepare a system for reporting their CO₂ emissions starting in 2010. Air Greenland is included in this directive on its routes between Denmark and Greenland. The system is based on quota trades, and it will, to a certain degree, increase the airlines' expenses.

Air Greenland supports these efforts to improve the environment and is therefore not seeking an exemption from this EU directive even though we

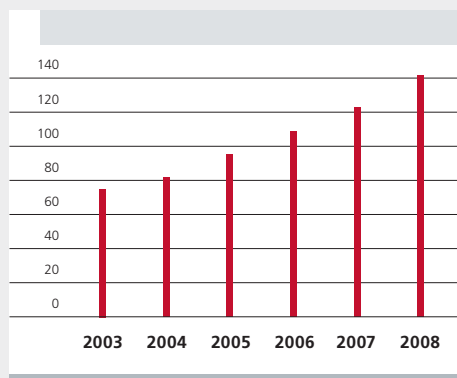
could, without a great deal of trouble, manage to achieve exemption with our current levels of traffic to and from Copenhagen.

At the same time, the Greenland Government is making concerted efforts to create an environmental policy for Greenland, and Air Greenland is actively participating in these efforts.

Air Greenland's value for society in Greenland

It is no easy task to put figures on the value of Air Greenland for society in Greenland. However, in the figure and list below, we have provided a number of concrete figures for our actual contribution in the form of taxes, traineeships, sponsorships and, not least of all, the level of education.

DEVELOPMENTS IN TOTAL TAX PAID TO GREENLAND OVER FIVE YEARS (DKK million)



VALUES FOR SOCIETY

- Air Greenland offers training as flight mechanic, steward and stewardess, logistics assistant, traffic assistant, terminal assistant, it-supporter, stock-room assistant, office assistant, canteen assistant, etc.
- Air Greenland works together with Greenland Home Rule Government on the selection and recommendation of trainees for pilot training
- Since 1970, Air Greenland has trained approximately 50 flight mechanics and approximately 100 traffic assistants
- In 2008, Air Greenland spent DKK 3.7 million on sponsorships for sport, culture and humanitarian activities
- Air Greenland participates actively in Branding Greenland.

BOARD OF DIRECTORS



Julia Pars
Chairman of the Board, Director
Katuq Cultural Centre
(Greenland Home Rule)



Lars Tybjerg
Former director
Økonomi- og Erhvervsministeriet
(Danish State)



Mads Kofod
Director
Bornholmstrafikken
(Danish State)



Björn Nordgren
Vice President SAS
(SAS)



Bjarne Eklund
Director
(Greenland Home Rule)



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



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



Sten Andersen
Captain
Air Greenland Inc.
(Employee Representative)



MANAGEMENT

Michael Binzer
Chief Executive Officer
Air Greenland



Ove Nielsen
Chief Financial Officer
Air Greenland

The board of directors



Endorsement

We have this day presented the annual report and statement of accounts for January 1st – December 31st 2008 for Air Greenland Inc.

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

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

Nuuk, March 12th 2009

MANAGEMENT

Michael Binzer
Chief Executive Officer

Ove Nielsen
Chief Financial Officer

BOARD OF DIRECTORS

Julia Pars
Chairman

Lars Tybjerg

Mads Kofod

Björn Nordgren

Bjarne Eklund

Claus Motzfeldt

Mogens Due Woldsgaard

Sten Andersen



The independent auditor's endorsement

To the shareholders of Air Greenland Inc.

We have audited the annual report of Air Greenland Inc. for the financial year January 1st – December 31st 2008 consisting of management review, management report, profit and loss statement, balance sheet, statement of changes in equity, cash flow analysis and notes. The annual report and statement of accounts have been prepared in accordance with The Danish Company Accounts Act.

Management's responsibility for the annual report

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

Auditor's responsibility and the audit

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

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

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

Our audit has not resulted in any qualification.

Conclusion

We deem the accounting principles employed to be appropriate, accurately reflecting the concern and the assets and liabilities, financial situation and result at December 31st 2008. In our opinion, the financial statements give a true and fair view of the company's activities and cash flow for the year 2008 in accordance with the accounting provisions laid out in the legislation.

Nuuk, March 12th 2009

Deloitte

State Authorized Public Accountants

Per Jansen

State Authorized Public Accountant

Ole Sonntag

State Authorized Public Accountant

"Air Greenland paves the way for business in Greenland by supporting social initiatives that contribute to a total and increased social responsibility."

Kristine Winberg, Chairman of Nanuborn



Financial developments

The group's profit before tax was DKK 83.1 million and DKK 56.7 million after tax. The profit was respectively DKK 9.9 million and DKK 7.4 million better than in 2007.

The profit for the year more than lived up to the expectations mentioned in the annual report for 2007. The increase was mainly the result of an increase in turnover of DKK 74.4 million, of which DKK 36.4 million stems from charter activity in Greenland and DKK 34.3 million stems from flights outside of Greenland.

The parent company

The profit for 2008 is DKK 11.0 million better than in 2007 exclusive of income from capital participation in associated companies and tax.

The impact on the profit of this increase in turnover of DKK 74.4 million (+7%) was negatively influenced by high oil prices despite the fuel surcharge levied on our customers, which did not cover the entire price increase. Apart from the increase in charter activities in 2008, the company has flown 4% more passengers and, at the same time, improved its cabin factor (sold seat-kilometer/offered seat-kilometer) by 7 percentage points. In 2007, the cabin factor fell by 4 percentage points, primarily as a result of our route to Baltimore and increased competition from SAS. Seen in this light, the realized cabin factor and the number of passengers are satisfactory.

Subsidiaries

The profit for the year at A/S Hotel Arctic, Ilulissat was zero. This is DKK 2.3 million lower before tax than in 2007; an unsatisfactory result. Seen in terms of profit, 2008 did not live up to the expectations that we had when we made the decision to invest significant amounts in an expansion of capacity. The last of the four modernization phases was completed in 2008, resulting in lower profits than expected. These modernizations, including a new wing of 33 rooms and a recently opened top-standard conference centre, ensure that the hotel is ready for the future. However, we are concerned about the impact of the current global economic crisis.

Greenland Travel A/S had a profit before tax of DKK 2.0 million which is DKK 0.8 million lower than in 2007. Thus the profit did not live up to our expectations which were profits on the same order as in 2007. The newly established associated company World of Greenland – Arctic Circle contributed negatively to the year's profit.

In August of 2008, Greenland Travel A/S bought the activities of Nordic Adventure and continued these activities under the same name, but as a department under Greenland Travel A/S. The purchase of Nordic Adventure has strengthened the company's product portfolio outside of Greenland and will contribute to Greenland Travel's ability to offer its customers a broader range of new products.

Associated companies

Ownership of Arctic Umiaq Line A/S is shared equally with Royal Arctic Line A/S, and the company had a loss in 2007 of DKK -5.2 million before tax and deficit guarantee. The deficit guarantee, which is provided by Rederifviklingselskabet of April 1st 2006 A/S, (the liquidation company for shipping companies) amounted to DKK 5.0 million, so the loss for the year was an unsatisfactory DKK -0.2.

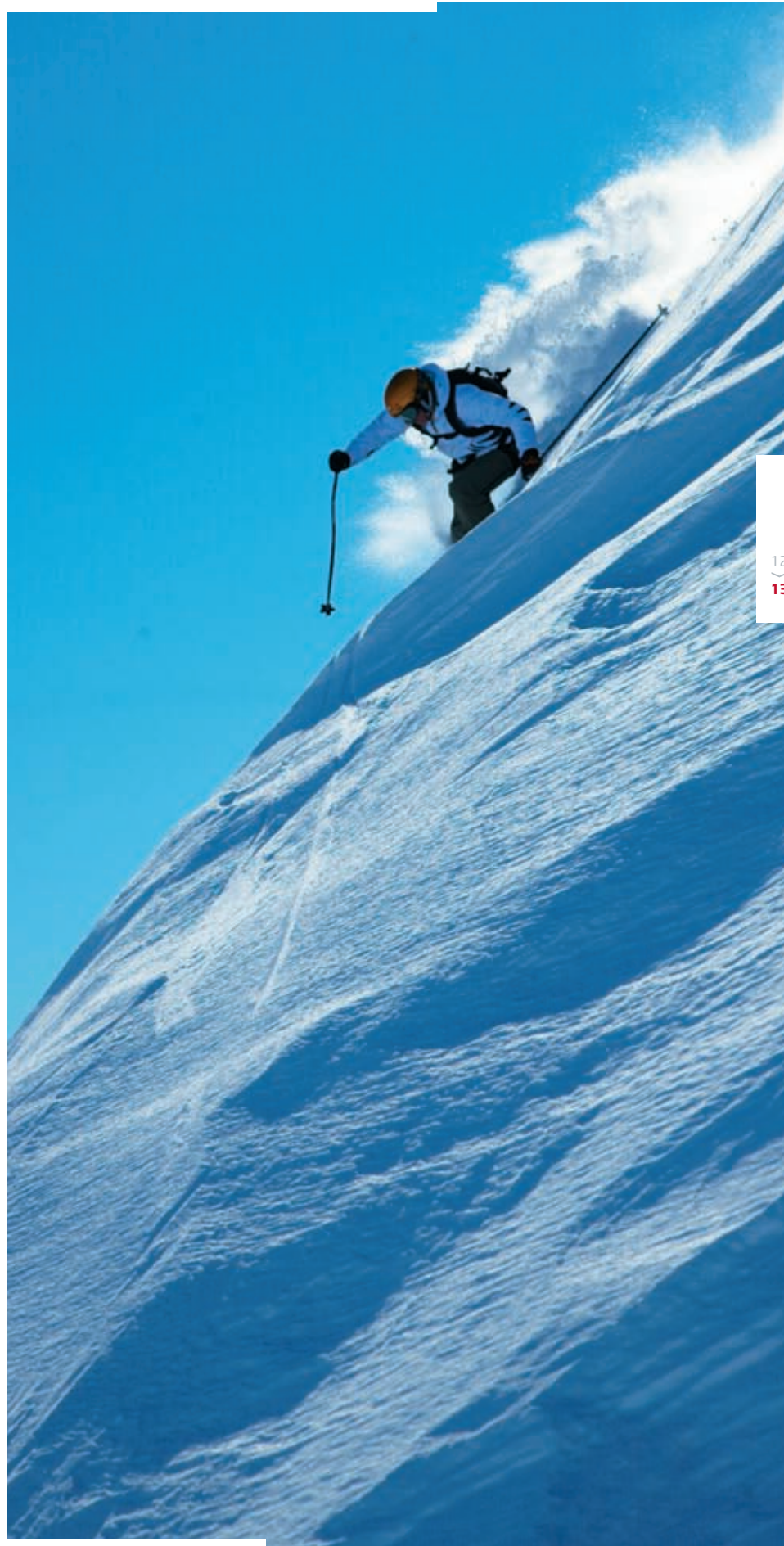
The Rederifviklingselskabet of April 1st 2006 A/S has provided a deficit guarantee for 2007, 2008 and 2009 covering a total of DKK 15.0 million, with a maximum of DKK 5.0 million annually, against the company's guarantee to operate commercial passenger shipping along the coast during these years. Negotiations concerning the period after 2009 have already begun with Greenland Home Rule Government.

Greenland Travel A/S owns 50% of World of Greenland (WOG) as well as 40% of World of Greenland – Arctic Circle (WOGAC). Both companies will be providing incoming services and doing their part to develop tourism in their own areas as well as to deliver quality products. WOG has produced a most satisfactory profit of DKK 1.0 million for Greenland Travel, and the focus on product development is encouraging. WOGAC produced an unsatisfactory loss of DKK -0.7 million for Greenland Travel. It should be noted that 2008 was the company's first fiscal year.

Financing and liquidity

Liquidity in the parent company remains basically unchanged and, in 2008, profit from operations contributed DKK 129.5 million. This liquidity was used for capital investments of net DKK 104.7 million and repayment of a loan by DKK 24.5 million.

For further information about the company's financial development, please see the accounts.



Management Report

Qarsoq 2012

A great deal of energy has gone into ensuring that Air Greenland's five-year strategy plan, Qarsoq 2012, gets off to a good start. The first phase has included an adjustment of the organization that will enable us to live up to the ambitions in the plan. Commercial activities in particular have been strengthened because our vision for Air Greenland in 2012 is to position the company in such a way that it will be commercially oriented, willing to invest and with roots in Greenland. As of today, our organization reflects the group's commercial activities and is trimmed to meet the demands of Qarsoq 2012. A strengthened focus on customers has led to a decision in 2008 to hold focus group interviews with our major customers in Qaqortoq, Nuuk, Sisimiut and Ilulissat. We have also performed a major online customer study to discover the wishes, travel habits and willingness to buy among more than 4000 domestic and foreign customers. Data from these customer studies will be used to fine-tune and develop all links in Air Greenland's share of the travel chain, ranging from booking to check-in to the trip itself and follow-up sales. It is our clear goal in 2009 to ensure that our customers will come to experience more information, openness and customer focus in their meeting with Air Greenland.

At a works council seminar held on October 7th 2008 in Nuuk, a process involving all employees at Air Greenland was instituted. Our purpose was to ask our employees to come forward with suggestions for a catalogue of ideas on expense minimization and extra earnings in future. Subsequently, a number of employee meetings were held that resulted in far more than 100 concrete suggestions, all of which have now been collected into one catalogue per business activity so that each individual area will have the opportunity to evaluate and comment on them. In 2009, all the suggestions will be responded to and evaluated in terms of the effort involved and the financial outcome. We expect that all these suggestions can contribute to a cushioning of the effect of various crises' impact on Air Greenland. The management is extremely grateful for and proud of the commitment and wealth of ideas that this work has resulted in so far.

Key Performance Indicators (KPI)

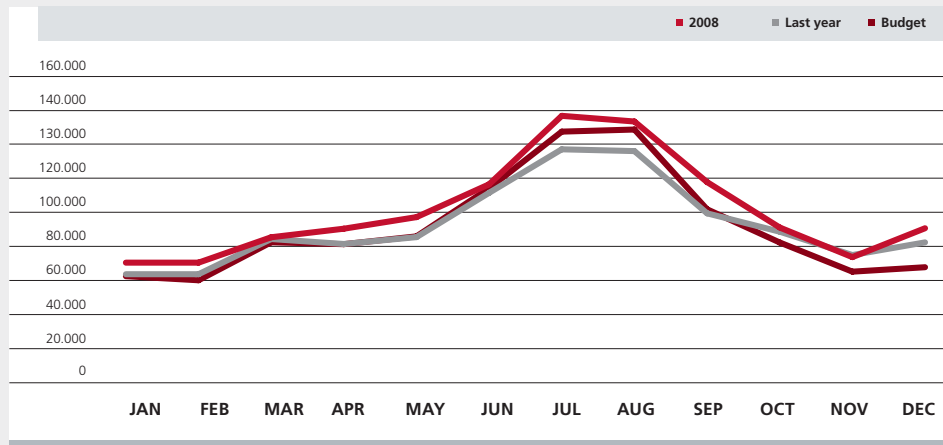
2008 was the year where a number of indicators of the company's state of health, also known as KPI, were identified and which serve as a sort of traffic signal for our business. KPI are used to give us an overview of the state of our performance within particular business activities.

RESULTS ACHIEVED IN 2008 AMONG QARSOQ 2012'S PROJECTS:

- The commercial organization was strengthened with the appointment of a Chief Commercial Officer, CCO, a network/revenue manager and an e-sales manager
- An HR Manager and a communications employee were hired
- New managing reporting techniques have been implemented containing among other things Key Performance Indicators, KPI
- A management development programme for all managers and middle managers has been held with the Danish Centre for Leadership
- We won the five-year contract with the U.S. Air Force for air traffic to and from Thule Air Base in competition with SAS
- New prices between Copenhagen and Narsarsuaq were approved
- Longer business hours in Ilulissat in 2008
- Co-operation agreement with Airlift
- New intranet implemented
- Decision in principle taken by the board of directors on possible purchase of new helicopters; the next step is contingent on future service contracts
- Two Bell 212s have been purchased
- Addition of three AS350 helicopters
- Establishment of new company in charge of incoming services in Kangerlussuaq/Sisimiut

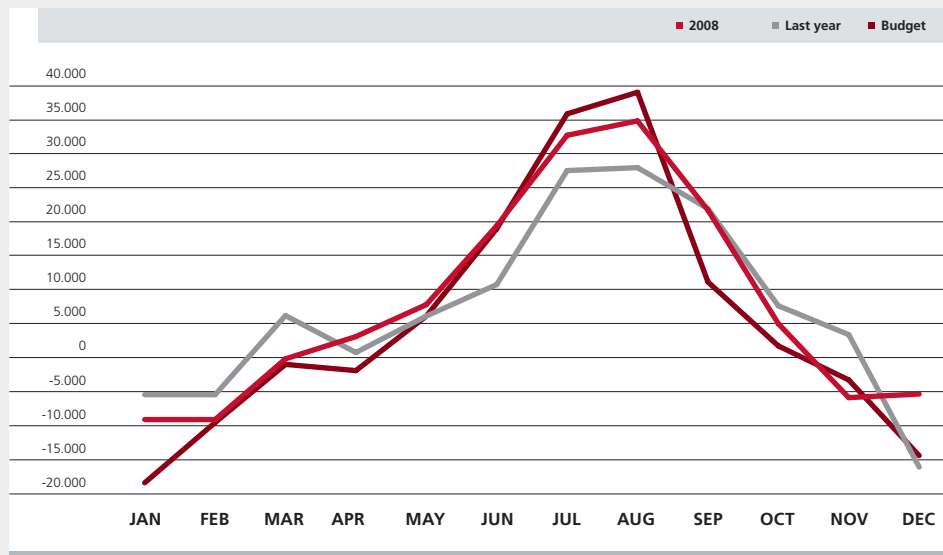
TURNOVER

(DKK million)



PROFIT

(DKK million)



Safety

Safety has always been our first priority at Air Greenland, and we are continually striving to optimise safety and security for our customers and staff. The job of developing and implementing a Safety Management System (SMS) has so far resulted in the completion of our Safety Management Manual that was instituted on January 1st 2009.

The Flight Safety Group at Air Greenland consists of representatives from the various employee groups, otherwise known as flight safety advisors. At the group's regularly held meetings, they go through the reports that are written about even the slightest incident that could potentially impact safety and security. The group works actively to reinforce a culture where everything gets reported in order to share knowledge and to learn from each others' experiences.

Communication

In 2008, a communication strategy, which supports the business strategy in Qarsoq 2012, was developed. This strategy has been followed up by concrete policies and action plans. Among the results of our efforts within the area of communication that have been most visible for our employees is the revitalization of Air Greenland's intranet. On this network, which has been given the name Insite, all employees now have access to news about the group, blogs from two managing directors, debate forums, documents, manuals, bulletin boards, flight schedules and a great deal more. Insite is also available extranet so our employees can also use it from private computers, an obvious improvement especially for the crews on our planes and helicopters. In 2009, communication will be directed even more towards our customers' wishes and needs; for example, by means of a more active and interactive website www.airgreenland.gl, news letters to subscribers and sms solutions for cell phones.

Charter activities

In 2008, charter activities constituted one of Air Greenland's most important business areas as mining exploration activities, the International Polar Year and our local customers were all extremely busy. From the point of view of turnover as well as earnings, 2008 was the best year for the charter business in Air Greenland's history.

We are in the process of renewing our fleet. Three of the company's Bell 222 helicopters are expected to be taken out of service in 2009 in order to prepare them for sale. We have invested in two used Bell 212, a type that we already own five of. The last Bell 222 is expected to be replaced at the end of 2009 or the start of 2010 at which time the number of different helicopter types will be three as opposed to the present four types.

Thule/Pituffik

In September 2008, Air Greenland won a contract with the U.S. Air Force for flights to and from Thule Air Base for the next five years. The route to Thule was won in close competition with SAS and represents a significant contribution to the economic operation of Air Greenland's Airbus 330.

Airports

In certain respects, the infrastructure of Greenland has been a limiting factor for the efficient movement of goods and people to, from and within Greenland. Airports in particular have not managed to keep up with the growth in the number of passengers over the past 25 years. The airport terminal in Kangerlussuaq is a good example of physical facilities no longer being able to match our customers' needs or the smooth operation of Air Greenland's schedule. In particular, travelling through Kangerlussuaq in the summer months gives many customers a negative experience. Therefore, we are very pleased to note that an expansion of the terminal facilities in Kangerlussuaq has been started, and that work is expected to be completed in time for summer traffic 2010. In our opinion, the relevant authorities should take note of these developments and start on major renovation of the airport facilities in Nuuk and Ilulissat, both of which are handling increasing numbers of passengers.

Weather

For long periods of 2008, there were many, deep and turbulent low pressure systems that contributed to disturbances in air traffic – particularly during the spring and autumn. Accommodation expenses, provision of meals and extra departures have also added to our expenses; so much so, that for certain routes, it is impossible to earn money all year round.

Baggage check

From the middle of March 2009, and after unremitting efforts, we have managed to enter into an agreement on checking baggage through between Aalborg /Aarhus and Greenland. This agreement, an obvious improvement in service, has taken a long time to realise and has been complicated by internal competition between SAS and Air Greenland. Furthermore, the booking system that Air Greenland introduced in 2007 has created problems because it is not compatible with other airlines' booking systems.

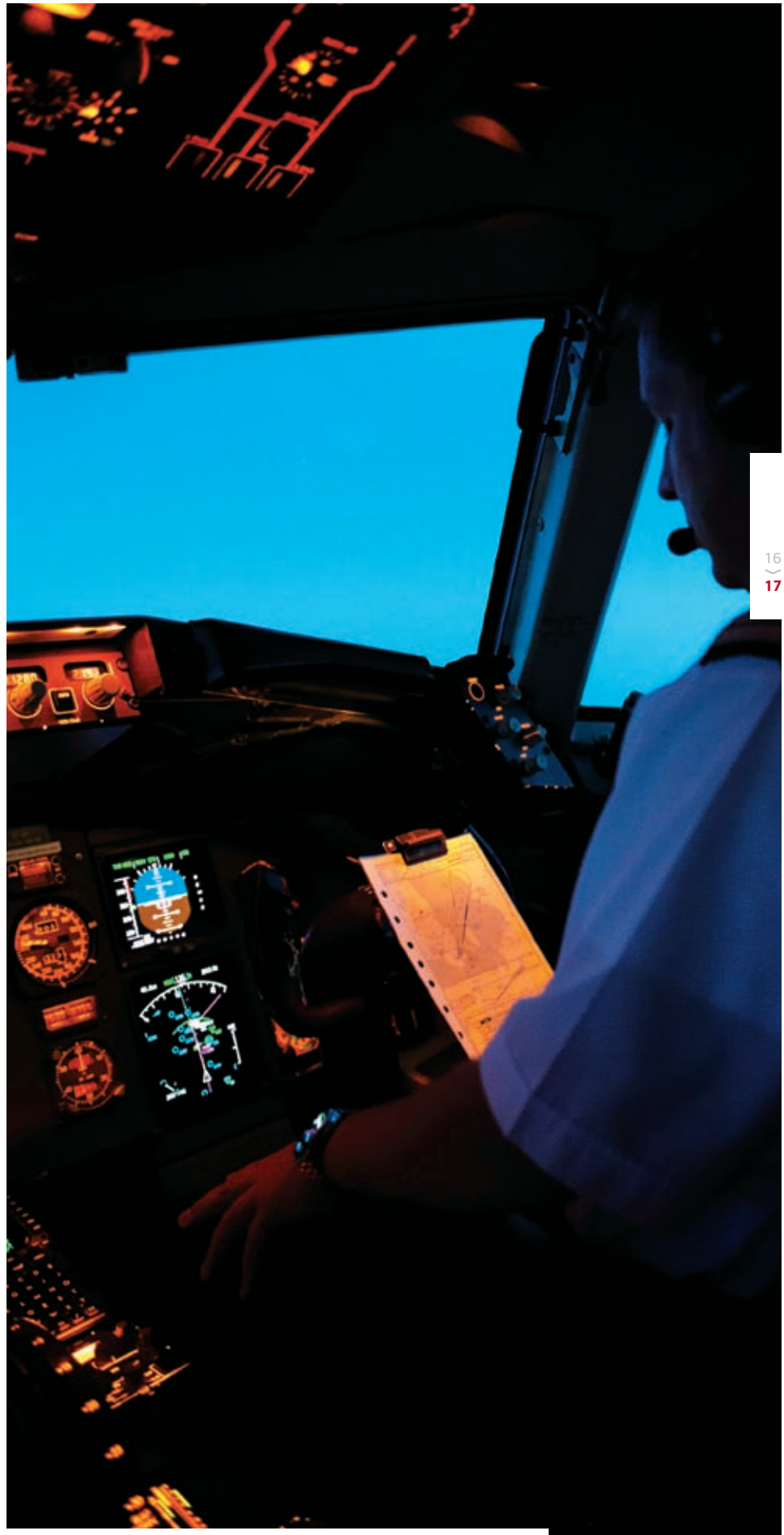
Fuel prices

The price for fuel has fluctuated enormously in 2008, which has obviously had a major impact on Air Greenland's expenses. These prices are subject to a number of different factors depending on whether we buy fuel in Copenhagen or in Greenland.

The prices of fuel in Copenhagen were very high during the first three quarters of 2008. Therefore, in the summer, Air Greenland found it necessary to increase the fuel surcharge on overseas routes. During the autumn, the market price of fuel fell in Copenhagen, but because we did not receive approval from the authorities to levy the surcharge at the start of 2008, we have not yet found it reasonable to lower the surcharge again.

On the other hand, domestic fuel prices in Greenland have displayed a nearly opposite tendency with low prices at the start of the year and increases later. Air Greenland buys its fuel in Greenland primarily from two suppliers: Mittarfeqarfiit in most airports and heliports and Statoil in Kangerlussuaq. Mittarfeqarfiit buys its fuel from Pilersuisoq which is responsible for supplying oil to Greenland. On July 1st 2008, the price of fuel delivered by Mittarfeqarfiit rose by more than 12% leading to a price increase on domestic flights by 0.8%. On January 1st, prices went up again on fuel delivered by Mittarfeqarfiit.

Because of ice blocking passage into the harbour at Kangerlussuaq, Statoil receives fuel once a year. This fuel was purchased during the summer of 2008 while the world market price was at its highest, and Air Greenland has thus been hit with a price increase of nearly 28% as of October 1st.





Sponsorships

Sponsorships are an essential element in our efforts to profile Air Greenland and the group. Air Greenland is Greenland's national carrier and perceives working actively for sport, culture, tourism, humanitarian organisations and a variety of projects as a natural part of its activities in Greenland. Sponsorships are meant to support Air Greenland's image. In other words, by means of its sponsorships of a variety of activities, Air Greenland wishes to profile itself. These efforts can take the form of championships, sports events, meets and other events, advertising and other initiatives that make Air Greenland's sponsorship visible.

Sponsorship activities and support

In 2008, Air Greenland spent a total of DKK 3.7 million on sponsorships.

As a part of Air Greenland's marketing, we have entered into a sponsorship agreement with a number of organisations and associations in Air Greenland's market. Air Greenland is the main sponsor for Greenland's Athletic Association, Team Greenland, Arctic Circle Race and Katuaq – Greenland's Culture Centre – and is thereby also sponsor for NAPA (Nordic Institute in Greenland) and the culture institutes Sermermiut and Taseralik. Furthermore, Air Greenland has supported a number of humanitarian institutions such as the youth organisation Nanubørn and Neriuffik – the Greenland Cancer Society.

Sponsorship policy

At the end of 2008, Air Greenland's sponsorship committee decided to change its sponsorship policy on the following points:

Strategy

- to enter into few, major, long-term agreements in three core areas that Air Greenland wishes to concentrate on in future: culture, sport and humanitarian organisations
- to take active advantage of the sponsorship agreement
- to enter into projects that do not conflict with Air Greenland's values and desired image
- to strive for exclusivity

Criteria for choosing sponsorships

Sponsorships must contribute to:

- strengthen Air Greenland's position, relations and image with relevant target groups
- create added value for the parties to the sponsorship agreement and Air Greenland's customers
- testify to Air Greenland's commitment to social responsibility
- ensure that socially relevant projects are realised
- motivate and create value for Air Greenland's employees





Technically speaking

In 2008, as in other years, Air Greenland has not been able to employ enough certified mechanics. In turn, this has led to the need to have much work performed as overtime. We are making all possible efforts to train four flight mechanics per year so that we will eventually be able to rely on a supply of local labour in this area.

Partially as a result of Qarsoq 2012, some organisational changes have been made in the technical department during the year. For example, we have now employed a technical charter coordinator and a production engineer; a new logistics manager has been recruited internally. These improvements are part of our efforts to implement a Man Power Control System the aim of which is to determine expenses per aircraft; at the same time, we also expect to achieve significant logistical savings in the next few years.


There remain great challenges in acquiring important spare parts for the DHC-7 fleet. Among other things, this lack of parts means that we can not operate more than five DHC-7s at a time.

The company's Airbus 330-200 "Norsaq" celebrated its 10th birthday in 2008; this meant that we had to perform a major 10-year check of the aircraft. Furthermore, the landing gear had to be replaced due to age; the price for these improvements amounted to more than DKK 20 million.

EASA Subpart I approval was achieved before the end of the year. This is a project that Air Greenland had been working on for two years, and it was a great day when Air Greenland received the approval from SLV (Danish Civil Aviation Administration)/EASA. This approval means that Air Greenland can now renew its own airworthiness certificates for its fleet of aircraft. Previously, this was done by the Danish CAA

In 2008, we unfortunately experienced a helicopter breakdown. Fortunately, the two pilots on board were able to walk away from the wreck. The helicopter was from 2006 and had been leased from the Helicopter Transportation Group. The insurance company declared the damage total, and Air Greenland has bought the wreck from the insurance company for spare parts.

2008 was also a year when we experienced an influx of helicopters to our charter fleet: two factory-new Eurocopters AS350B3+, and a used AS350B3 from 2002 plus two Bell 212 helicopters.

A group of people, including men, women, and children, are walking on what appears to be an airfield or tarmac. In the background, a red airplane is visible. The scene is outdoors with a cloudy sky. A red rectangular box is overlaid on the left side of the image, containing text. A green light flare is visible at the bottom center of the image.

"Thanks to Air Greenland,
we receive lots of foreign visitors year after year,"
Arctic Circle Race, Sisimiut

Human Resources

In 2008, we hired an HR Manager. Our development activities have intensified with the aim of ensuring a continual flow of competent and satisfied employees. The first initiatives to define a clear and long-term HR strategy were taken in 2008.

Training

In 2008, Air Greenland entered into an agreement with the Danish Centre for Leadership to deliver a mandatory and comprehensive leadership training course for all of the approximately 70 leaders in the group. The goal was to ensure joint principles of good leadership in Air Greenland and a joint tool box containing leadership tools such as basic project management, situational management, appreciative leadership communication and a revised version of Air Greenland's employee development concept. In continuation of these initiatives, 2009 will see the introduction of training entitled "New Leader in Air Greenland", which will focus on strengthening the new leaders in the organisation so that they will be able to practice management according to Air Greenland's management principles.

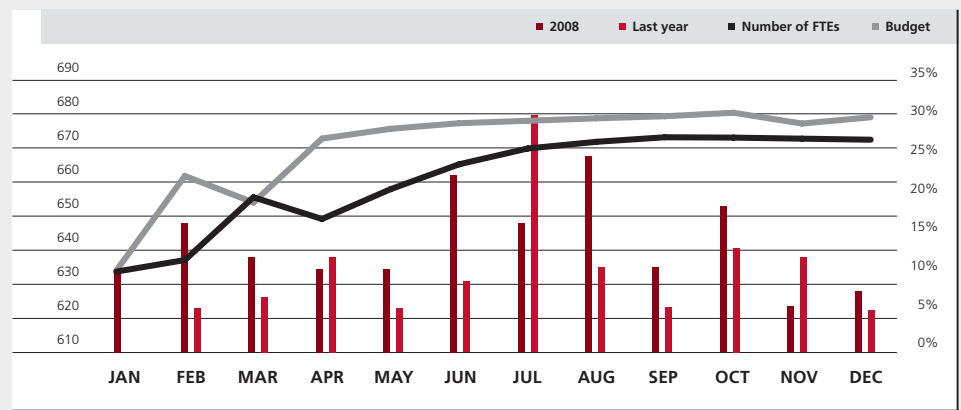
Apart from legally required and technical training programmes held in 2008 and which will continue in 2009, we will also focus on more general areas of development that will ensure cooperation and contribute to a psychologically and professionally healthy working climate. Among other initiatives, we can mention teambuilding and appreciative communication courses for our lead mechanics, cultural sensitivity for new employees from abroad, language training and first aid courses.

Retaining staff

Air Greenland is striving to be one of Greenland's most attractive places to work and offers a number of schemes whose aim is to recruit and retain employees. For example, our welfare fund that supported a variety of activities ranging from football tournaments to social team-building activities in 2008. A fitness and wellness programme has also been set up that offers a number of attractive fitness and wellness schemes.

In order to ensure a successful run-in experience for new employees at Air Greenland, we have developed and introduced a "Qarsoq-day". Among other things, it includes an introduction to the history of the company, Qarsoq 2012, our values, the types of aircraft we fly and our personnel policies.

THE NUMBER OF EMPLOYEES AND THE RATE OF THEIR TURNOVER



Cooperation

Cooperation between and across management and the individual professional groups within the company is perceived as one of the crucial factors for Air Greenland's operations and development. On this background, 25 participants from all professional groups and the management at Air Greenland held a seminar on cooperation. The result from this seminar was a re-evaluated and thoroughly discussed set of standing orders for the works council.

HR facts

In 2008, the staff turnover was 14.5%

Air Greenland has 606 employees. If we include the 100% owned subsidiaries Hotel Arctic and Greenland Travel, we employ 678 employees.

In 2008, six traffic trainees, one mechanic and 18 cabin attendants completed their training at Air Greenland.

For the time being, the following are being trained at the company:

11 traffic trainees

9 flight mechanic trainees

1 auto mechanic trainee

1 cargo trainee

2 terminal trainees

1 TNI – office trainee

1 NI-2 trainee

2 canteen and cafeteria assistants

1 IT supporter



Operations

Regularity

As in previous years, 2008 has also had its share of challenges as far as regularity is concerned. In the previous year, we have had an aggregate average regularity of 61%, the same as in 2007. We have thus not yet reached our goal of 75% regularity.

There are several factors that impact the result negatively. The three most significant are weather, technical problems and conditions of runways and landing equipment.

That weather is one of the most disturbing factors is reflected in the differences in regularity during the winter and the summer periods. It is striking that during the period from October to March, we had an average regularity of 53.7%, while during the summer months, regularity increased to 67.5%. Technical problems are also a source of many of our delays, not least of all on the DHC-7. In this connection, we should mention that during the summer peak season, we were flying 5 DHC-7 instead of 6 since the sixth was being inspected. Furthermore, it is particularly during the autumn months that we have problems with runways and landing equipment, and this problem has also negatively impacted regularity. The localizers in Nuuk and Kangerlussuaq have been out of order for lengthy periods, and this has affected the ability to land and to make optimal flight plans (these two airports could not be used as alternative airports). Furthermore, the airports in Kangerlussuaq, Nuuk and Sisimiut have, at certain periods, had difficulty keeping themselves free of snow and ice, meaning that our planes could not land on them.

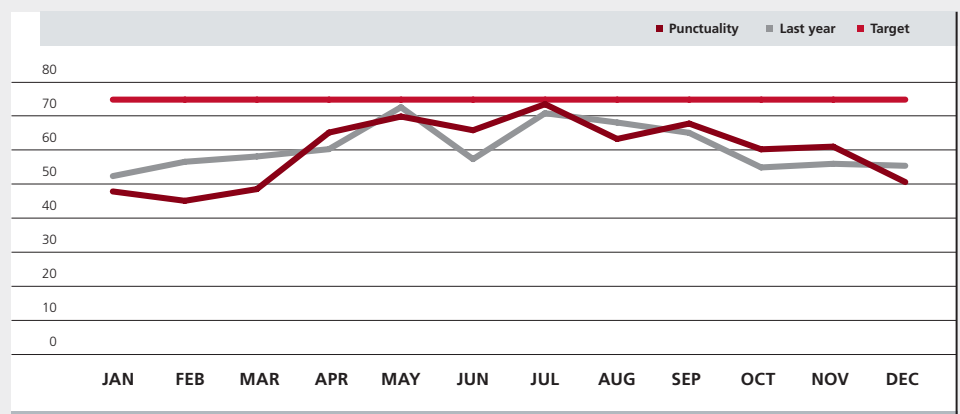
Air Greenland is continually on the look-out for initiatives that can help improve our regularity. In 2008, a working group was set up which will continue its work until the middle of 2009 in an attempt to find ways to ensure that our flights are on time. This group is concentrating primarily on overseas traffic between Copenhagen and Kangerlussuaq, but since domestic traffic inside Greenland also affects overseas traffic, this is also being included to a certain degree.

Customer service

In 2008, we did all that we could to ensure that we provided the best possible service for our passengers before, during and after their trip. For example, after having heard what our passengers had been requesting for several years, at the end of 2008 we entered into a cooperative effort with Royal Greenland to use many more Greenlandic products in our menus on overseas routes.

In more down-to-earth terms, in 2008, we have exerted ourselves – in cooperation with Mittarfeqarfiit – to work for an expansion of their facilities at Kangerlussuaq.

PUNCTUALITY, % OF DEPARTURES WITHIN 15 MINUTES



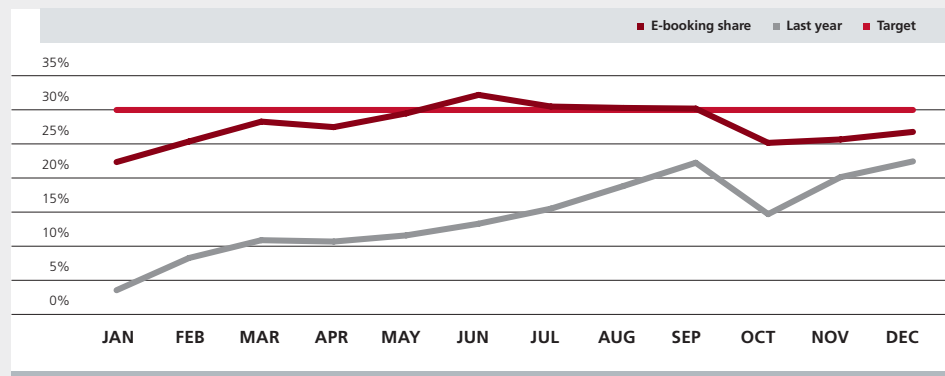
"My boyfriend and I travel a great deal with Air Greenland, and I would like to take this opportunity to thank your for an excellent in-flight magazine. There are some super pictures and interesting news articles."

Denise Schroeder, passenger



Market development

DEVELOPMENT OF E-SALES' SHARE OF TOTAL SALES DURING THE YEAR



Despite increased competition, we have had good load factors on our aircraft in 2008. Towards the end of the year, the global economic crisis began to make itself felt in certain parts of our market. To begin with, we noticed it among such partners as agents, tour operators and travel agencies that reduced their personnel by 5-10%. The general impact of this recession on Greenland and Air Greenland is not known, but the company has prepared itself for increased competition in 2009 on scheduled flights and a fall in demand from mining exploration companies for charter services. Domestic and international traffic from Greenland is expected to decrease slightly in 2009. Yield development (the average earnings per seat) in 2008 were on the same level as in 2007 both domestically and internationally.

We have had a good summer despite the weather and irregularity, but were hard hit by cancelled and delayed flights from October to December – in Greenland as well as above the Atlantic. Domestically, the Kulusuk flights were the hardest hit. On Atlantic routes, there were 12 cases of irregularity resulting from weather conditions and technical problems. These problems had a great impact on our expenses and had a strong negative influence on the profit for the year.

Distribution

On October 1st 2007, Air Greenland changed to a new reservation system based on an industry-wide demand that before June 1st 2008, all airlines should change from distribution of paper tickets to either e-tickets or ticketless.

In general, our passengers have been pleased with the options that the new system gives them, primarily the easy access to booking and paying for a trip via the internet. Unfortunately, the system has also created a few disadvantages which are now being corrected. Mostly, the problems have centered on cooperating with other airlines and the EuroBonus programme about through checking of baggage.

Companies, whose employees travel, can sign up for an online company portal with associated credit, thus allowing the companies to become independent of travel agencies when they book their business trips.

Approximately 28% of all trips on Air Greenland are sold on the internet, and to ensure that this distribution channel is given the proper focus, an e-sales department was set up in 2008. Its mission is to promote and develop this online channel. Our goal is to have 50% of our total distribution via the internet in 2012.



Domestic traffic in Greenland

In 2008, domestic traffic on competitive routes (routes that are not included in service contracts with the authorities) grew by 5.5%.

However, this growth has been hampered by limited capacity in the Dash-7 fleet combined with opening duties at Greenland's air fields. Air Greenland is convinced that extending the opening hours of the busiest airports will provide for a higher degree of capacity utilization to the advantage of the society as a whole, the airport authority and Air Greenland.

Overseas traffic


In 2008, Air Greenland flew four times a week between Kangerlussuaq and Copenhagen and once a week between Narsarsuaq and Copenhagen - all year round. During the summer, we flew up to 12 times a week between Denmark and Greenland. Despite stiff competition from SAS and Air Iceland, our load factors have been good with a reasonable cabin factor. The challenge facing Air Greenland is that our competitors fly only during the attractive high season, while Air Greenland flies all year. In order to have a reasonable business on a yearly basis, good earnings in the summer are needed in order to maintain the same price level during the less attractive low season. The Narsarsuaq-Copenhagen route has had major losses for the past several years.

In order to maintain a year-round service to southern Greenland, we found it necessary to increase ticket prices by approximately 30% on this route so that overseas trips from southern Greenland now cost approximately the same as for trips to and from the rest of western Greenland. The alternative would have been to close down the route during the winter.

Air Greenland started a new route between Kangerlussuaq and Baltimore/Washington during the summer of 2007. Because of the negative earnings in 2007, poor booking rates in 2008 and the low dollar rate, we decided to close the route in March 2008.

Service contracts

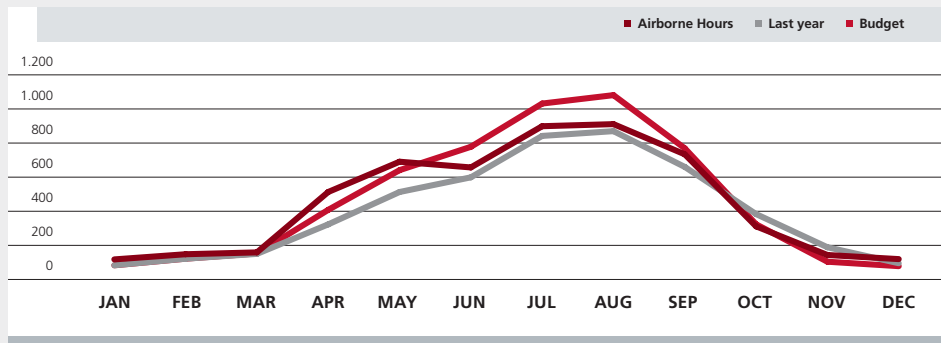
The agreement on service contracts that Air Greenland had for the past three years with Greenland's Home Rule Government continued unchanged in 2008. There are now two years left in the agreement, and, at the end of the year, there was an introductory meeting about the next agreement period and the coming invitation to tender. Within a few years, it will be necessary to replace parts of Air Greenland's helicopter fleet; therefore, we have asked the Greenland Government to consider tendering ten-year service contracts which, in the event that we win them, would provide us with a comfortable basis on which to invest in a new fleet of helicopters.



"Thank you all for a lot of good work and a lot fun in 2008. I hope I will get to see and work with many of you next year."

Project Manager Karen Hanghaj, Hudson Resources

CHARTER FLIGHT HOURS



Charter

Once again, Air Greenland has had a good charter year even though scientific and mining exploration activities are on the wane. On the other hand, other major customers have exceeded our expectations, and we have also had a good season with heliskiing.

The Norwegian shipping company, Hurtigruten, has been using Air Greenland's Boeing 757 every Thursday in the period from May to September to transfer their passengers to and from their cruise ship Fram in Kangerlussuaq. This agreement will continue in 2009. Thomas Cook Airways Scandinavia (previously My Travel Airways) has used the Boeing a total of 97 times on its fixed charter operations to the Canary Islands, to Hurghada, Egypt and to a number of ski destinations in the Alps. Sterling's bankruptcy in the autumn resulted in a number of extra flights during the winter of 2008 and the spring of 2009.

Post and freight

In total, post and freight have developed as expected. However, problems of irregularity have impacted freight negatively because there were, at times, long delays caused by too little capacity. The volume of packages being sent continues to increase while the volume of mail is falling. This is a natural development as e-mail and the internet are replacing mail, and growing internet trading increases the volume of packages.



Expectations for 2009

Our customer

As previously mentioned, 2008 was a year focused on internal processes, organisation and work routines. In 2009, we will shift the focus to THE CUSTOMER and the measurable parameters our customers have told us about by means of the large customer study and the focus group interviews that Air Greenland carried out in 2008. One of the major things that we will actively be working with in 2009 is the totality of the customer's travel process and the time spent on it. Information and communication with our customers are thus a central part of our focus since these are essential for the customer. One of the concrete initiatives we are working on is an SMS solution which can inform the customer of delays and cancellations immediately.

Profit and risk evaluation

The profit for the company in 2009 is expected to be on the order of DKK 55 million, but there are important qualifications attached to this amount. The management has attempted to take a proactive role vis-à-vis the special financial conditions the world is now experiencing by performing an expanded risk evaluation. The two most important uncertainties are earning potential in the traffic and charter divisions, both of which are directly impacted by the global recession. The demand for both tourist and professional charter services will be significantly influenced by the global crisis that, in turn, is influencing people's desire to travel to exotic destinations. The charter area will suffer because falling raw material prices are making it less attractive to explore for minerals.

During the first six months of 2009, the management will closely follow the development of earnings in the company and will act on the basis of risk scenarios so that we can quickly and efficiently adjust capacity and expense levels to meet the current situation.

DEFINED WINNER PROJECTS IN 2009 IN QARSOQ 2012:

- Drawing up of a price and structure policy based on more price classes than formerly used and regulated by the customers' demand
- Continued development of the booking system from Navitaire and the associated help system – not least of all, an improvement of our sales processes
- As an adjunct to the booking system, a close look at the opportunities for an expansion of cooperative sales efforts with other airlines
- A system for checking baggage through to Danish domestic airports is a major wish from our customers, and we expect to have entered into agreements on such a system during the first six months of 2009
- From a control point of view, we have to find a way to calculate actual profit or loss on the charter business with its own bottom line
- Although the present service contracts don't expire before 2010, we have already entered into a dialogue with Greenland Home Rule Government about future contracts
- We are working goal-directed on plans for fleet replacement. In 2009, we expect to have acquired the first replacement DASH-7 for use in our domestic services in Greenland; thus, it can be part of the schedule no later than the summer of 2010
- Work continues on our new management reporting system that was introduced in 2008. In 2009, we will be working on communicating this system to the entire company
- An aggregate IT strategy for the entire group will be set up and instituted
- The HR strategy decided on will result in concrete activities and policies.

Focus areas

Air Greenland has defined its strategic priorities as a number of “winner projects”. These projects are meant as concrete initiatives that can either start or end during 2009, and they will be allocated the requisite resources. All the projects support Qarsoq 2012s plan to further commercialise Air Greenland’s activities. In particular, we will be working to identify what each individual business area and each individual route can contribute so that transparency in the company’s activities increases.

New price structure

One of the most important projects in Qarsoq 2012 is the implementation of dynamic pricing in Air Greenland. We have established a new function / department known as network/revenue management whose job it will be to focus more actively on demand, fine-tuning of production and our prices in a more dynamic manner. This new structure will help us to achieve our goals for turnover and earnings while, at the same time, ensure long-term survival and growth for Air Greenland. Its job is also to improve Air Greenland’s image with our business as well as private customers. The plan is to launch a new structure no later than during the summer of 2009. We have already made several small changes in the price structure and control philosophy (capacity management on booking classes). Since 2001-2002, Air Greenland has had a policy of equal availability on red and green tickets, i.e. if a “green seat” is being offered, then there will always be an empty “red seat”. We have already changed this policy in an attempt to meet demand and take better advantage of individual flights. We can now create better space on the attractive departures by holding back on the number of red tickets offered. If you pay more or book in advance, you will be able to get a seat on the most attractive departures.

This change came into effect in the autumn of 2008 as a first step towards a more dynamic pricing system based on a pattern of demand that states: High demand = high price close to departure time, low demand = low price as departure time approaches.

Freight

A decision has now been made to break with our former freight partner in Copenhagen. Instead, we have chosen to work with WFS (World Freight Services) on ground handling of all freight and post from Denmark to Greenland. The start-up date with WFS was March 1st 2009. This initiative will save us DKK 0.6 million per year and provide better service.

Runway repair

During the period April 30th – June 15th 2009, the runway at Narsarsuaq will be under repair, and it will therefore not be possible to land our Boeing there. However, Air Greenland will maintain its traffic to southern Greenland by creating extra connections between Kangerlussuaq and Narsarsuaq on Tuesdays and Thursdays that will also connect to the flight to Copenhagen.

During the summer of 2009, we will also be offering extra flights between Denmark and Greenland in order to meet the sharpened competition.

The Fleet

Airbus 330-200

Number: 1



Boeing 757-236 ER

Antal: 1

DHC-7 (DASH-7)

Number: 6



DHC-6 (TWIN OTTER)

Number: 2

Beech Super King Air B200

Number: 1



Sikorsky S-61N

Number: 2

Bell 212

Number: 6



Bell 222

Number: 4

AS 350 B2/B3 Ecureuil

Number: 10





Accounting principles

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

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

In general

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

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

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

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

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

Consolidated accounts

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

Consolidation principles

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

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

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

Conversion of foreign currency

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

Derivative financial instruments

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

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

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

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



Statement of Income

Traffic revenue

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

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

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

Other operating revenue

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

Operating expenditure

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

Personnel/payroll costs

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

Financial items

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

Extraordinary items

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

Tax

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

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

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

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

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



Balance

Goodwill and concern goodwill

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

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

Fixed assets

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

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

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

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

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

Arne Fleischer

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

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

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

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

| | Period of depreciation | Scrap value |
|--|------------------------|-------------|
| Buildings | 20-35 Year | 0-25 % |
| Aircraft and essential components | 6-12 Year | 0-25 % |
| Other components | 6-12 Year | 20 % |
| Other equipment, vehicles and inventory | 3-5 Year | 0 % |

obligation has been carried as a long-term bank debt of an equivalent amount.

As of December 31st, 2007, the value of the aircraft after depreciation amounted to DKK 85.391 thousand and the debt amounted to DKK 66.604 thousand.

Capital investment in subsidiaries and associated companies

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

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

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

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

Inventories and stock

Aircraft components are measured at cost price, calculated as the average purchase prices or net realization value, whichever is lower. The components are booked as expenditures in the rate at which they are used. Other inventories and stocks are measured at cost price, calculated according to the FIFO method, or net realization value, whichever is lower.

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

Receivables

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

Accruals

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

Other securities and shares

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

Equity

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

Mortgages

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

Leasing obligations

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

Other financial obligations

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

Provisions

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

Cash flow statement

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

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

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

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

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

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

Financial highlights

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

Profit ratio

$(\text{Result before financial items} \times 100) /$
Net turnover

Rate of return

$(\text{Result before financial items} \times 100) /$
Balance sheet total

Equity share

$(\text{Result for the year} \times 100) /$
Average equity

Solvency ratio

$(\text{Equity} \times 100) / \text{Balance sheet total}$



"Hi to all of you in Greenland. We would like to thank you for all the help you gave us at Svea. You have done a great job! You are all welcome to come again."

Fire and Rescue at Svea Airport, Norway.

Best regards Ørjan Larsen and Viggo Engen.



Statement of income for 2008

(1,000 DKK)

| | Parent Company | | | Group | |
|---|----------------|-----------|-------|-----------|-----------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| Traffic revenue | 956,075 | 869,103 | | 956,075 | 869,103 |
| Other operating revenue | 146,971 | 159,510 | | 195,984 | 205,575 |
| Operating revenue | 1,103,046 | 1,028,613 | 1 | 1,152,059 | 1,074,678 |
| Operating expenses | (552,154) | (518,581) | 2 | (573,393) | (539,952) |
| Personnel/payroll costs | (336,356) | (296,452) | 3 | (357,552) | (316,534) |
| Depreciation | (143,077) | (147,339) | 4 | (146,496) | (147,448) |
| Income before financial items | 71,459 | 66,241 | | 74,618 | 70,744 |
| Income in subsidiaries | 2,432 | 2,560 | 12 | - | - |
| Income from capital investments in associated companies | (65) | (2) | 12,13 | 194 | (343) |
| Return on other capital holdings | - | - | | (37) | 16 |
| Other financial income | 13,674 | 8,633 | 5 | 15,156 | 9,620 |
| Other financial expenses | (4,386) | (5,174) | 6 | (6,797) | (6,810) |
| Income before tax | 83,114 | 72,258 | | 83,134 | 73,227 |
| Taxes | (26,431) | (22,978) | 7 | (26,451) | (23,947) |
| Profit/loss for the year | 56,683 | 49,280 | | 56,683 | 49,280 |
| Proposal for distribution of the year's profit: | | | | | |
| Dividend for the year | 0 | | | | |
| Reserve for net write up of capital holdings | 2,367 | | | | |
| Brought forward | 54,316 | | | | |
| Total | 56,683 | | | | |

Balance sheet, as at December 31st 2008

(1,000 DKK)

| Assets | Parent Company | | | Group | |
|---|----------------|----------------|-------|------------------|----------------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| Goodwill | 158 | 258 | 8,9 | 1,306 | - |
| Intangible fixed assets | 158 | 258 | | 1,306 | - |
| Buildings | 136,149 | 131,731 | 10,11 | 218,557 | 185,115 |
| Aircraft incl, aircraft components | 281,833 | 293,501 | 10,11 | 281,833 | 293,501 |
| Other components | 16,612 | 18,704 | 10,11 | 16,612 | 18,704 |
| Other equipment, vehicle and inventory | 23,155 | 24,047 | 10,11 | 35,034 | 30,314 |
| Tangible fixed assets under construction | - | - | 11 | 16,138 | 27,153 |
| Tangible fixed assets | 457,749 | 467,983 | | 568,174 | 554,787 |
| Capital holdings in subsidiaries | 59,555 | 37,123 | 12 | - | - |
| Capital investments in associated companies | 933 | 998 | 12,13 | 2,351 | 1,657 |
| Accounts receivable, associated companies | 8,000 | 9,000 | 12,13 | 12,467 | 12,575 |
| Other securities and capital holdings | 16 | 16 | 12,13 | 45 | 86 |
| Other long-term accounts receivable | 11,527 | 11,763 | 12,13 | 11,746 | 11,977 |
| Deferred tax asset | - | - | | 434 | - |
| Financial fixed assets | 80,031 | 58,900 | | 27,043 | 26,295 |
| Total fixed assets | 537,938 | 527,141 | | 596,523 | 581,082 |
| Stocks and inventories | 36,549 | 33,965 | 14 | 38,690 | 36,928 |
| Accounts receivable | 79,204 | 87,753 | | 84,159 | 92,177 |
| Accounts receivable, subsidiaries | 8,865 | 12,935 | | - | - |
| Accounts receivable, associated companies | 2,180 | 297 | | 2,625 | 332 |
| Other accounts receivable | 36,353 | 9,081 | | 37,053 | 9,903 |
| Prepaid expenses and accrued income | 6,904 | 4,302 | | 7,366 | 4,700 |
| Accounts receivable | 133,506 | 114,368 | | 131,203 | 107,112 |
| Liquid assets | 234,945 | 234,684 | | 244,909 | 247,766 |
| Total current assets | 405,000 | 383,017 | | 414,802 | 391,806 |
| Total assets | 942,938 | 910,158 | | 1,011,325 | 972,888 |

Balance sheet, as at December 31st 2008

(1,000 DKK)

| | Parent Company | | | Group | |
|--|----------------|----------------|--------------|------------------|----------------|
| Liabilities and equity | 2008 | 2007 | Note | 2008 | 2007 |
| Capital stock | 24,000 | 24,000 | 15 | 24,000 | 24,000 |
| Reserve for net write-up of capital holdings | 20,587 | 18,220 | | - | - |
| Revaluation reserve | 8,263 | 8,263 | | 8,263 | 8,263 |
| Retained earnings | 462,044 | 407,728 | | 482,631 | 425,948 |
| Equity | 514,894 | 458,211 | | 514,894 | 458,211 |
| Deferred tax | 121,022 | 111,321 | 16 | 126,363 | 116,890 |
| Provisions | 121,022 | 111,321 | | 126,363 | 116,890 |
| Mortgage loans | - | - | | 19,921 | 21,510 |
| Bank dept | 567 | 567 | | 37,375 | 33,471 |
| Leasing commitments | 41,091 | 66,604 | | 41,091 | 66,604 |
| Long-term dept | 41,658 | 67,171 | 17,18 | 98,387 | 121,585 |
| Current portion of long-term dept | 25,513 | 24,486 | | 27,937 | 26,785 |
| Bank dept | - | - | | 2,095 | 2,744 |
| Accounts payable, suppliers | 54,904 | 59,712 | | 57,891 | 61,499 |
| Accounts payable, subsidiaries | 524 | 279 | | - | - |
| Accounts payable, associated companies | 7 | - | | 136 | - |
| Corporation tax | 16,730 | 15,073 | | 17,386 | 22,563 |
| Other current liabilities | 71,530 | 75,548 | 19 | 77,447 | 74,866 |
| Provisions | 96,156 | 98,357 | | 88,789 | 87,745 |
| Current liabilities | 265,364 | 273,455 | | 271,681 | 276,202 |
| Total liabilities | 307,022 | 340,626 | | 370,068 | 397,787 |
| Total liabilities and equity | 942,938 | 910,158 | | 1,011,325 | 972,888 |
| Commitments, Contingencies and Forward contracts | | | 20-22 | | |
| Other notes | | | 23-26 | | |

Statement of equity at December 31st 2008

(1,000 DKK)

Parent Company

| | Share capital | Net write-up of capital investment | Revaluation reserve | Result brought forward | Total |
|--------------------------|---------------|------------------------------------|---------------------|------------------------|---------|
| Equity 01.01.2007 | 24,000 | 15,833 | 8,263 | 360,835 | 408,931 |
| Distributed dividend | - | - | - | - | - |
| Profit/loss for the year | - | 2,387 | - | 46,893 | 49,280 |
| Equity 31.12.2007 | 24,000 | 18,220 | 8,263 | 407,728 | 458,211 |
| Distributed dividend | - | - | - | - | - |
| Profit/loss for the year | - | 2,367 | - | 54,316 | 56,683 |
| Equity 31.12.2008 | 24,000 | 20,587 | 8,263 | 462,044 | 514,894 |

Group

| | Share capital | Net write-up of capital investment | Revaluation reserve | Result brought forward | Total |
|--------------------------|---------------|------------------------------------|---------------------|------------------------|---------|
| Equity 01.01.2007 | 24,000 | - | 8,263 | 376,668 | 408,931 |
| Distributed dividend | - | - | - | - | - |
| Profit/loss for the year | - | - | - | 49,280 | 49,280 |
| Equity 31.12.2007 | 24,000 | - | 8,263 | 425,948 | 458,211 |
| Distributed dividend | - | - | - | - | - |
| Profit/loss for the year | - | - | - | 56,683 | 56,683 |
| Equity 31.12.2008 | 24,000 | - | 8,263 | 482,631 | 514,894 |

Cash flow statement for 2008

(1,000 DKK)

| | Parent company | | | Group | |
|---|----------------|-----------|------|-----------|----------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| Income before financial items | 71,459 | 66,241 | | 74,618 | 70,744 |
| Depreciation tangible assets | 96,293 | 88,299 | | 99,711 | 93,930 |
| Change in working capital | (32,497) | 38,057 | 23 | (25,520) | (285) |
| | 135,255 | 192,597 | | 148,809 | 164,389 |
| Net interest and dividend gains | 13,674 | 8,633 | | 15,160 | 9,620 |
| Net interest etc, loss | (4,386) | (5,174) | | (6,797) | (6,810) |
| Paid taxes | (15,073) | (12,058) | | (22,768) | (12,525) |
| Net financing from the year's operations | 129,470 | 183,998 | | 134,404 | 154,674 |
| Net investments intangible assets | - | - | | (1,425) | - |
| Net investments tangible assets | (86,977) | (91,050) | | (115,617) | (83,422) |
| Net sales tangible assets | 1,018 | 526 | | 2,638 | 1,481 |
| Net investments in financial assets | (20,000) | (10,022) | | (1,398) | (14,601) |
| Net sales financial assets | 1,236 | - | | 1,236 | - |
| Liquidity effect of investments | (104,723) | (100,546) | | (114,566) | (96,542) |
| Loans and amortization of long-term debt, net | (24,486) | (23,520) | | (22,046) | 767 |
| Dividend | - | - | | - | - |
| Liquidity effect of financing | (24,486) | (23,520) | | (22,046) | 767 |
| Changes in cash and cash equivalents | 261 | 59,932 | | (2,208) | 58,899 |
| Liquid funds at January 1st | 234,684 | 174,752 | | 245,022 | 186,123 |
| Liquid funds at December 31st | 234,945 | 234,684 | | 242,814 | 245,022 |
| Liquid funds include | | | | | |
| Liquid assets | 234,945 | 234,684 | | 244,909 | 247,766 |
| Bank dept | - | - | | (2,095) | (2,744) |
| Total liquid funds | 234,945 | 234,684 | | 242,814 | 245,022 |

Notes to annual report

(1,000 DKK)

| | Parent company | | | Group | |
|--|------------------|------------------|------|------------------|------------------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| 1. Operating revenue | | | | | |
| Passenger (excl. passenger taxes) domestic flights | 299,626 | 283,922 | | 299,626 | 283,922 |
| Charter, domestic | 158,205 | 121,850 | | 158,205 | 121,850 |
| Cargo, domestic | 37,475 | 34,287 | | 37,475 | 34,287 |
| Carriage of mail, domestic | 20,155 | 21,885 | | 20,155 | 21,885 |
| Passenger, charter and mail outside Greenland | 351,504 | 318,437 | | 351,504 | 318,437 |
| Charter outside Greenland | 41,925 | 40,695 | | 41,925 | 40,695 |
| Other traffic revenue | 47,185 | 48,027 | | 47,185 | 48,027 |
| | 956,075 | 869,103 | | 956,075 | 869,103 |
| Public payment for service contracts | 115,116 | 122,648 | | 115,116 | 122,648 |
| Other revenue | 10,663 | 11,549 | | 11,083 | 11,969 |
| Revenue from hotels | - | - | | 34,231 | 30,066 |
| Revenue from ticket sales | 21,192 | 25,313 | | 35,554 | 40,892 |
| | 146,971 | 159,510 | | 195,984 | 205,575 |
| Total revenue | 1,103,046 | 1,028,613 | | 1,152,059 | 1,074,678 |
| 2. Operating expenses | | | | | |
| Flights in Greenland: | | | | | |
| - Air traffic taxes to third parties | 108,576 | 99,215 | | 108,576 | 99,215 |
| - Distribution costs | 7,990 | 15,288 | | 7,990 | 15,288 |
| - Passenger taxes collected | (61,667) | (57,969) | | (61,667) | (57,969) |
| | 54,899 | 56,534 | | 54,899 | 56,534 |

Notes to annual report

(1,000 DKK)

| | Parent company | | | Group | |
|--|----------------|----------------|------|----------------|----------------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| 3. Salaries and related costs | | | | | |
| Wages and salaries | 296,185 | 263,052 | | 316,504 | 282,975 |
| Pension contributions | 7,852 | 6,626 | | 8,014 | 6,679 |
| Other expenses for social security | 32,319 | 26,774 | | 33,034 | 26,880 |
| Total salaries and related costs | 336,356 | 296,452 | | 357,552 | 316,534 |
| Hereof salary and value of benefits paid to: | | | | | |
| - Management | 5,561 | 3,435 | | 5,561 | 3,435 |
| - Board of directors | 662 | 675 | | 662 | 675 |
| | 6,223 | 4,110 | | 6,223 | 4,110 |
| Average number of employees | 606 | 588 | | 695 | 671 |
| 4. Depreciation | | | | | |
| Intangible assets | 100 | 100 | | 119 | - |
| Real estate | 7,818 | 7,037 | | 10,271 | 8,576 |
| Aircraft and aircraft components | 74,245 | 66,916 | | 74,245 | 68,275 |
| Other components | 3,147 | 4,537 | | 3,147 | 4,537 |
| Other equipment, vehicles and inventory | 9,475 | 8,966 | | 11,335 | 10,800 |
| Leasing costs aircraft | 46,750 | 58,956 | | 46,750 | 53,434 |
| Leasing other vehicles | 34 | 84 | | 34 | 84 |
| Loss (profit) on sale of fixed assets | 1,508 | 743 | | 594 | 1,742 |
| Total depreciation | 143,077 | 147,339 | | 146,495 | 147,448 |
| 5. Financial income | | | | | |
| Interest, cash in banks | 12,567 | 7,969 | | 13,508 | 8,689 |
| Interest, associated companies | 500 | 500 | | 636 | 500 |
| Other interest | 607 | 164 | | 1,012 | 431 |
| | 13,674 | 8,633 | | 15,156 | 9,620 |

Notes to annual report

(1,000 DKK)

| | Parent company | | | Group | |
|---|----------------|--------|------|--------|--------|
| | 2008 | 2007 | Note | 2008 | 2007 |
| 6. Other financial expenses | | | | | |
| Interest, bank debts | - | - | | 3 | 27 |
| Interest, leases | 4,286 | 4,808 | | 4,286 | 4,808 |
| Interest and amortization, mortgages | - | - | | 2,304 | 1,815 |
| Interest to subsidiaries | - | 309 | | - | - |
| Other interest | 100 | 57 | | 204 | 160 |
| | 4,386 | 5,174 | | 6,797 | 6,810 |
| 7. Taxes | | | | | |
| Tax breakdown: | | | | | |
| Tax paid during the year | 16,730 | 15,073 | | 17,412 | 22,563 |
| Contingent tax on the year's income | 9,701 | 7,905 | | 9,575 | 1,384 |
| Adjustment of deferred tax from previous years, change of tax percentage | - | - | | (536) | - |
| | 26,431 | 22,978 | | 26,451 | 23,947 |

Notes to annual report

(1,000 DKK)

Parent company

| | Goodwill | Total |
|-----------------------------------|----------|-------|
| 8. Intangible fixed assets | | |
| Purchase price at 01.01.2008 | 500 | 500 |
| Additions | - | - |
| Disposal | - | - |
| <hr/> | | |
| Purchase price at 31.12.2008 | 500 | 500 |
| <hr/> | | |
| Depreciated 01.01.2008 | (242) | (242) |
| Depreciation | (100) | (100) |
| Depreciation of assets disposed | - | - |
| <hr/> | | |
| Total depreciation 31.12.2008 | (342) | (342) |
| <hr/> | | |
| Book value at 31.12.2008 | 158 | 158 |
| <hr/> | | |
| Book value at 31.12.2007 | 258 | 258 |

(1,000 DKK)

Group

| | Goodwill | Total |
|-----------------------------------|----------|-------|
| 9. Intangible fixed assets | | |
| Purchase price at 01.01.2008 | - | - |
| Additions | 1,425 | 1,425 |
| Disposal | - | - |
| <hr/> | | |
| Purchase price at 31.12.2008 | 1,425 | 1,425 |
| <hr/> | | |
| Depreciated 01.01.2008 | - | - |
| Depreciation | (119) | (119) |
| Depreciation of assets disposed | - | - |
| <hr/> | | |
| Total depreciation 31.12.2008 | (119) | (119) |
| <hr/> | | |
| Book value at 31.12.2008 | 1,306 | 1,306 |
| <hr/> | | |
| Book value at 31.12.2007 | - | - |

Notes to annual report

(1,000 DKK)

Parent company

| | Buildings | Aircraft & components | Other components | Other equip., vehicles & inventory | Total |
|-------------------------------------|----------------|-----------------------|------------------|------------------------------------|------------------|
| 10. Fixed assets | | | | | |
| Purchase price at 01.01.2008 | 258,958 | 795,699 | 66,131 | 109,047 | 1,229,835 |
| Additions | 12,236 | 64,988 | 1,055 | 8,698 | 86,977 |
| Disposal | - | (30,756) | - | (1,411) | (32,167) |
| Purchase price at 31.12.2008 | 271,194 | 829,931 | 67,186 | 116,334 | 1,284,645 |
| Revaluation 01.01.2008 | - | 8,263 | - | - | 8,263 |
| Revaluation | - | - | - | - | - |
| Revaluation 31.12.2008 | - | 8,263 | - | - | 8,263 |
| Depreciated 01.01.2008 | 127,227 | 510,461 | 47,427 | 85,000 | 770,115 |
| Depreciation | 7,818 | 74,245 | 3,147 | 9,475 | 94,685 |
| Depreciation of assets disposed | - | (28,345) | - | (1,296) | (29,641) |
| Depreciation 31.12.2008 | 135,045 | 556,361 | 50,574 | 93,179 | 835,159 |
| Book value 31.12.2008 | 136,149 | 281,833 | 16,612 | 23,155 | 457,749 |
| Book value 31.12.2007 | 131,731 | 293,501 | 18,704 | 24,047 | 467,983 |
| Booked value 31.12.2008 includes: | | | | | |
| Leasing assets | | 85,391 | | | 85,391 |
| See: note 18, Leasing commitments. | | | | | |

Notes to annual report

(1,000 DKK)

Group

| | Buildings | Aircraft & components | Other components | Other equip., vehicles & inventory | Tangible fixed assets under construction | Total |
|--|----------------|-----------------------|------------------|------------------------------------|--|------------------|
| 11. Tangible fixed assets | | | | | | |
| Purchase price at 01.01.2008 | 331,608 | 812,454 | 66,131 | 126,218 | 27,153 | 1,363,564 |
| Transferred | 27,153 | - | - | - | (27,153) | - |
| Additions | 16,992 | 64,988 | 1,055 | 16,444 | 16,138 | 115,617 |
| Disposals | (783) | (30,756) | - | (1,881) | - | (33,420) |
| Purchase price at 31.12.2008 | 374,970 | 846,686 | 67,186 | 140,781 | 16,138 | 1,445,761 |
| Revaluation 01.01.2008 | - | 8,263 | - | - | - | 8,263 |
| Revaluation | - | - | - | - | - | - |
| Revaluation 31.12.2008 | - | 8,263 | - | - | - | 8,263 |
| Depreciated 01.01.2008 | 146,493 | 527,216 | 47,427 | 95,904 | - | 817,040 |
| Depreciation | 10,271 | 74,245 | 3,147 | 11,335 | - | 98,998 |
| Depreciation of assets disposed | (351) | (28,345) | - | (1,492) | - | (30,188) |
| Total depreciation 31.12.2008 | 156,413 | 573,116 | 50,574 | 105,747 | - | 885,850 |
| Book value 31.12.2008 | 218,557 | 281,833 | 16,612 | 35,034 | 16,138 | 568,174 |
| Book value 31.12.2007 | 185,115 | 293,501 | 18,704 | 30,314 | 27,153 | 554,787 |
| Booked value 31.12.2008 includes: Leasing assets | | 85,391 | | | | 85,391 |
| See: note 18, Leasing commitments. | | | | | | |
| Purchase price for buildings in Hotel Arctic Inc., Ilulissat, includes capitalized building interest. | | | | | | |

Notes to annual report

(1,000 DKK)

Parent company

| | Capital holdings in subsidiaries | Capital holdings in associated companies | Accounts receivable in associated companies | Deposit | Other securities and capital holdings | Total |
|--|----------------------------------|--|---|---------|---------------------------------------|---------|
| 12. Financial fixed assets | | | | | | |
| Purchase price at 01.01.2008 | 18,903 | 1,000 | 9,000 | 11,763 | 16 | 40,682 |
| Additions | 20,000 | - | - | - | - | 20,000 |
| Disposals | - | - | (1,000) | (236) | - | (1,236) |
| Purchase price at 31.12.2008 | 38,903 | 1,000 | 8,000 | 11,527 | 16 | 59,446 |
| Revaluation 01.01.2008 | 18,220 | (2) | - | - | - | 18,218 |
| Revaluation | 2,432 | (65) | - | - | - | 2,367 |
| Write-back of revaluation | - | - | - | - | - | - |
| Revaluation 31.12.2008 | 20,652 | (67) | - | - | - | 20,585 |
| Book value 31.12.2008 | 59,555 | 933 | 8,000 | 11,527 | 16 | 80,031 |
| Book value 31.12.2007 | 37,123 | 998 | 9,000 | 11,763 | 16 | 58,900 |
| | | | | Percent | Nominal value | Equity |
| Subsidiaries and associated companies | | | | | | |
| Hotel Arctic Inc., Ilulissat | | | | 100% | 30.000 | 46.025 |
| Greenland Travel Inc. | | | | 100% | 1.500 | 13.530 |
| Arctic Umiaq Line Inc. | | | | 50% | 2.000 | 1.866 |
| Income from subsidiaries consists of the following | | 2008 | 2007 | | | |
| Income Hotel Arctic Inc., Ilulissat | | 20 | 2.361 | | | |
| Income HeliGreenland Inc. | | - | (2.014) | | | |
| Income Greenland Travel Inc. | | 2,033 | 2,781 | | | |
| Return internal profit | | 399 | 400 | | | |
| Total result subsidiaries before tax | | 2,452 | 3,528 | | | |
| Tax of subsidiaries | | (20) | (968) | | | |
| Total profit/loss of subsidiaries | | 2,432 | 2,560 | | | |

Notes to annual report

(1,000 DKK)

Group

| | Capital holdings in associated companies | Accounts receivable in associated companies | Deposit | Other securities and capital holdings | Total |
|-----------------------------------|--|---|---------|---------------------------------------|---------|
| 13. Financial fixed assets | | | | | |
| Purchase price at 01.01.2008 | 2,000 | 12,574 | 11,977 | 41 | 26,592 |
| Additions | 500 | 893 | 5 | - | 1,398 |
| Disposals | - | (1,000) | (236) | - | (1,236) |
| Purchase price at 31.12.2008 | 2,500 | 12,467 | 11,746 | 41 | 26,754 |
| Revaluation 01.01.2008 | (343) | - | - | 45 | (298) |
| Revaluation | 194 | - | - | - | 194 |
| Write-back of revaluation | - | - | - | (41) | (41) |
| Revaluation 31.12.2008 | (149) | - | - | 4 | (145) |
| Book value 31.12.2008 | 2,351 | 12,467 | 11,746 | 45 | 26,609 |
| Book value 31.12.2007 | 1,657 | 12,575 | 11,977 | 86 | 26,295 |

Parent Company

Group

| | 2008 | 2007 | 2008 | 2007 |
|--------------------------------------|--------|--------|--------|--------|
| 14. Inventories | | | | |
| Specification: | | | | |
| Components | 36,268 | 33,718 | 36,268 | 33,718 |
| Sales stocks aircraft and components | 11 | 16 | 11 | 16 |
| Other inventories | 270 | 231 | 2,411 | 3,194 |
| Total inventories | 36,549 | 33,965 | 38,690 | 36,928 |

Notes to annual report

(1,000 DKK)

| | Parent Company | | Group | |
|---|----------------|---------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| 15. Equity | | | | |
| The capital stock of DKK 24 million consists of 40 shares of DKK 500,000, 384 shares of DKK 10,000 and 160 shares of DKK 1,000. | | | | |
| The shares are not divided into classes with special rights. Each share of DKK 1,000 has one vote. | | | | |
| The share capital has remained unchanged for the past 5 years. | | | | |
| 16. Contingent tax | | | | |
| Breakdown of contingent tax: | | | | |
| Tangible fixed assets | 117,506 | 108,482 | 122,427 | 114,081 |
| Financial fixed assets | 5,101 | 4,348 | 5,037 | 4,254 |
| Current assets and short-term debt | (1,585) | (1,509) | (1,535) | (1,445) |
| | 121,022 | 111,321 | 125,929 | 116,890 |
| Specification of movements: | | | | |
| Contingent tax January 1st | 111,321 | 103,416 | 116,890 | 115,506 |
| Acquisition of company | 9,701 | 7,905 | 9,575 | 1,384 |
| Adjustment of previous years Allocation to reserves | - | - | (536) | - |
| Contingent tax December 31st | 121,022 | 111,321 | 125,929 | 116,890 |
| Specification of contingent tax: | | | | |
| Deferred tax | 121,022 | 111,321 | 126,363 | 116,890 |
| Deferred tax asset | - | - | (434) | - |
| | 121,022 | 111,321 | 125,929 | 116,890 |

Notes to annual report

(1,000 DKK)

Parent Company

| | Due within 1 year | Due after 1 year | Amortized debt total | Nominal debt total |
|--|----------------------|---------------------|-------------------------|-----------------------|
| 17. Long-term debt | | | | |
| Mortgage debt | - | 567 | 567 | 567 |
| Leasing commitments | 25,513 | 41,091 | 66,604 | 66,604 |
| Long-term debt at 31.12.2008 | 25,513 | 41,658 | 67,171 | 67,171 |
| Long-term debt at 31.12.2007 | 24,486 | 67,171 | 91,657 | 91,657 |
| The following are due after more than 5 years: | | | | |
| Mortgage debt | | 567 | | |
| Leasing commitments | | - | | |
| | | 567 | | |

(1,000 DKK)

Group

| | Due within 1 year | Due after 1 year | Amortized debt total | Nominal debt total |
|--|----------------------|---------------------|-------------------------|-----------------------|
| 18. Long-term debt | | | | |
| Mortgage debt | 1,589 | 19,921 | 21,510 | 21,510 |
| Bank debt | 835 | 37,375 | 38,210 | 38,210 |
| Leasing commitments | 25,513 | 41,091 | 66,604 | 66,604 |
| Long-term debt at 31.12.2008 | 27,937 | 98,387 | 126,324 | 126,324 |
| Long-term debt at 31.12.2007 | 26,785 | 121,585 | 148,370 | 148,370 |
| The following are due after more than 5 years: | | | | |
| Mortgage debt | | 12,614 | | |
| Bank debt | | 4,147 | | |
| Leasing commitments | | - | | |
| | | 16,761 | | |

Notes to annual report

(1,000 DKK)

| | Parent Company | | Group | |
|---|----------------|---------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| 19. Other liabilities | | | | |
| Wages, taxes, social security dues etc. | 22,976 | 19,108 | 24,096 | 20,106 |
| Holiday pay | 29,184 | 27,403 | 30,511 | 28,979 |
| Other liabilities | 19,370 | 29,037 | 22,840 | 25,781 |
| | 71,530 | 75,548 | 77,447 | 74,866 |
| 20. Mortgage liabilities | | | | |
| Debts in real estate are secured by mortgage. | | | | |
| Mortgages deposited as security for bank debts and debts in real estate | 86,817 | 86,817 | 148,787 | 148,787 |
| Book value for mortgaged real estate | 63,055 | 65,288 | 146,534 | 119,574 |
| Mortgages on aircraft deposited as security for bank debt, nom | 251,675 | 251,675 | 251,675 | 251,675 |
| Book value of mortgaged aircraft | 127,018 | 167,884 | 127,018 | 167,884 |
| DKK 2,909,000 of the Groups available balance has been deposited in favour of Rejsegarantifonden and other supplier-credits | 1,398 | 1,289 | 2,909 | 2,799 |

Notes to annual report

(1,000 DKK)

| | Parent Company | | Group | |
|---|----------------|----------|----------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| 21. Leasing commitments | | | | |
| Operational lease of aircraft from 2007-2014 | 198,917 | 232,980 | 198,917 | 232,980 |
| Of which due within 1 year | 49,672 | 47,409 | 49,672 | 47,409 |
| Due after 5 years | 1,463 | 4,522 | 1,463 | 4,522 |
| <p>Furthermore, a contract has been entered into for the financial lease of aircraft OY-GRL, which has been dealt with in the annual report as a tangible asset and a leasing commitment respectively. As security for the DKK 66,604 thousand leasing obligation, a pledge of nom. DKK 236,675 thousand has been given in other aircraft with a book value of DKK 127,018 thousand at December 31st 2008, whereof the book value of OY-GRL at December 31st 2007 was DKK 85,391 thousand.</p> <p>The leasing contract expires on April 28th 2010, at which time the remaining debt in the lease will be DKK 27,940 thousand.</p> | | | | |
| 22. Contractual commitments | | | | |
| There has been no contractual commitments for deliveries. | - | - | - | - |
| 23. Change in working capital | | | | |
| Change in inventories | (2,584) | (4,043) | (1,762) | (3,502) |
| Change in accounts receivable | (19,138) | (42,400) | (23,913) | (44,252) |
| Change in current liabilities | (10,775) | 84,500 | 155 | 47,469 |
| Change in working capital | (32,497) | 38,057 | (25,520) | (285) |
| 24. Fees paid to public accountant | | | | |
| Operating expenses include the following fees paid to the company's public accountant: | | | | |
| Audit | 800 | 786 | 1,078 | 1,095 |
| Adjustment of previous years | 58 | 12 | 38 | 57 |
| Public accountant for other services | 608 | 136 | 931 | 338 |
| | 1,466 | 934 | 2,047 | 1,490 |

Notes to annual report

(1,000 DKK)

25. Associated parties

Associated parties with controlling influence upon the Air Greenland group:

- None

Other associated parties, with which the Air Greenland group has had transactions in 2008:

- Greenland Home Rule
- SAS
- Board and management

Transactions between associated parties and the Air Greenland group in 2008:

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

Air Greenland had following transactions with associated parties in 2008:

| | Buying value | Market value | | Receivable | Payable |
|---|--------------|--------------|--|------------|---------|
| Greenland Home Rule | 244,991 | 186,347 | | 7,824 | 13,695 |
| SAS | 4,031 | 26,341 | | 352 | 3,011 |
| Katuaq where the Chairman of the Board of Directors is also the Managing Director | 2,540 | 532 | | 185 | - |

26. Shareholders

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

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



Air Greenland Inc.

A/S Reg. Nr. 30672

Cvr. Nr. 56996710

www.airgreenland.com

P.O. Box 1012

3900 Nuuk

Greenland