



# ATLANTIC AIRWAYS



## Half Year Report 2012

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## Second quarter of 2012 in brief

### Financial highlights

- ❑ Revenue in the second quarter of 2012 was DKK 122.8 million, compared with DKK 118.8 million in the second quarter of 2011
- ❑ Earnings before depreciation (EBITDA) in the second quarter of 2012 were DKK 24.7 million, compared with DKK 22.9 million in the second quarter of 2011
- ❑ Net financial items in the second quarter of 2012 amounted to DKK -2.4 million, compared with DKK -0.5 million in the second quarter of 2011.
- ❑ Total depreciation in the second quarter of 2012 was DKK 15.4 million, compared with DKK 10.6 million in the second quarter of 2011
- ❑ The result before tax in the second quarter of 2012 was DKK 6.9 million, compared with DKK 12.1 million in the second quarter of 2011
- ❑ Net result after tax in the second quarter of 2012 was DKK 5.7 million, compared with DKK 9.9 million in the same period the previous year

### Traffic development

- ❑ The number of passengers carried on scheduled flights in the second quarter of 2012 was 54,670, compared with 54,350 in the second quarter of 2011
- ❑ The load factor on scheduled services in the second quarter of 2012 was 71%, compared with 81% in the second quarter of 2011
- ❑ The total number of aircraft block hours operated was 1,708 in the second quarter of 2012, compared to 2,225 in the second quarter of 2011
- ❑ Block hours sold on ACMI and other charter operations in the second quarter of 2012 totalled 421, compared with 598 in the second quarter of 2011
- ❑ Block hours for helicopter activity amounted to 271 in the second quarter of 2012, compared with 163 in the second quarter of 2011

## First half of 2012 in brief

### Financial highlights

- ❑ Total revenue in the first half of 2012 was DKK 214.7 million, compared with DKK 203.3 million in the first half of 2011
- ❑ Earnings before depreciation (EBITDA) in the first half of 2012 were DKK 31.7 million, compared to DKK 32.2 million in the first half of 2011
- ❑ Net financial items amounted to DKK -3.9 million in the first half of 2012, compared with DKK -2.8 million in the first half of 2011
- ❑ Total depreciation in the first half of 2012 was DKK 26.2 million, compared with DKK 20.2 million in the first half of 2011
- ❑ The result before tax in the first half of 2012 was DKK 1.7 million, compared with DKK 9.5 million in the first half of 2011
- ❑ The net result after tax in the first half of 2012 was DKK 1.4 million, compared with DKK 7.8 million in the same period the previous year

### Traffic development

- ❑ The number of passengers carried on scheduled flights in the first half of 2012 was 90,923, compared with 87,707 in the first half of 2011
- ❑ The load factor on scheduled services in the first half of 2012 was 72%, compared with 77% in the first half of 2011
- ❑ The total number of aircraft block hours operated was 3,225 in the first half of 2012, compared with 3,925 in the first half of 2011
- ❑ There were 703 block hours sold on ACMI and other charter operations in the first half of 2012, compared with 1,092 in the first half of 2011
- ❑ Block hours for helicopter activity totalled 456 in the first half of 2012, compared with 291 in the first half of 2011

## Highlights for the second quarter 2012

### Lower profit in first half

Revenue increased 3% to DKK 122.8 million in Q2 2012 from DKK 118.8 million in the corresponding period in 2011. The increase is mainly attributable to an increase in the helicopter segment.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) for the second quarter of 2012 increased 8% from DKK 22.9 million to DKK 24.7 million in the corresponding period last year.

However, the result before tax (EBT) for the second quarter of 2012 was DKK 6.9 million, compared with DKK 12.1 million last year and the result after tax for the second quarter of 2012 was DKK 5.7 million, compared with DKK 9.9 million last year.

The main explanatory factors for the lower result in Q2 are higher capital costs (because of the new Airbus 319) and lower contribution from charter and ACMI activity in Europe. However, lower contribution from scheduled services due to seasonality and lower load factor, as well as increased fuel costs and strengthening US dollar had an impact too.

EBITDA for the first half of 2012 were DKK 31.7 million, compared with DKK 32.2 million for the first half of 2011, a decrease of 2%. The result before tax for the first half of 2012 amounted to DKK 1.7 million, compared with DKK 9.5 million in 2011 and the result after tax DKK 1.4 million, compared with DKK 7.8 million last year.

In addition to the explanatory factors mentioned above there has also been costs related to the phasing in of the new Airbus A 319 and the leased AW 139 helicopter for offshore operations as well as costs related to managing two new aircraft types.

The phase-in of the new fixed-wing aircraft type has been successfully completed. The operation meets expectations and supports a lower unit cost, but traffic development in Q 2 was lower than expected and resulted in a lower load factor while fuel and dollar cost increased. In general the experience from the first four months is positive, however a full-year cycle will provide a better understanding of the overall impact.

“The introduction of a factory-new Airbus 319 equipped with RNP AR navigational aid system has changed the aviation environment in the Faroe Islands. It supports our goal to improve regularity and lower unit cost in order to provide The Faroese people with the best service possible. We have not seen the full impact yet but improved regularity, enhanced safety, greater comfort, new destinations, reduced CO2 emissions and lower unit costs are some of the benefits we will optimise in the future,” says Magni Arge, CEO. “In the second quarter the helicopter operation has shown a solid potential through its additional involvement in offshore operations and we look forward to support the Statoil consortium during its exploration campaign in Faroese waters.”

Oil activity – helicopter operation included - and fluctuations related to holiday seasons will support the traffic development in Q 3 and campaigns to support the traffic in Q4 is expected to increase the traffic in the second half of 2012.

Outlook for charter and ACMI are still lower but in Q3 agreements regarding capacity provisions for tour operators out of Denmark as well as air logistic support to offshore activity are in place while outlook for Q4 is more speculative.

Fuel prices and external economic factors are unpredictable and can still have a significant impact. Severe disruptions and irregularity from adverse weather in July is expected to cause higher cancellations and diversion costs in Q3 compared to the corresponding period last year. We remain cautious in our guidance as to financial performance in 2012 and expect a result closer to the 2010 levels rather than 2011.

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## Financial highlights and key ratios

	Q2 2012	Q2 2011	YTD 2012	YTD 2011	FY 2011
<b>INCOME STATEMENT (DKK 1,000)</b>					
Net sales	122.804	118.833	214.714	203.169	435.523
Other income	0	0	0	115	115
<b>Result before depr., amort. and impairm. (EBITDA)</b>	<b>24.673</b>	<b>22.902</b>	<b>31.710</b>	<b>32.221</b>	<b>74.359</b>
Depreciations, amortisations and impairment	-15.398	-10.567	-26.150	-20.200	-43.071
<b>Result before financial items (EBIT)</b>	<b>9.275</b>	<b>12.335</b>	<b>5.560</b>	<b>12.021</b>	<b>31.288</b>
Net financial items	-2.357	-527	-3.892	-2.814	-4.103
Share of profit/loss of associates	-17	310	-17	310	310
<b>Result before tax (EBT)</b>	<b>6.901</b>	<b>12.118</b>	<b>1.651</b>	<b>9.517</b>	<b>27.495</b>
Tax	-1.242	-2.181	-297	-1.713	-4.949
<b>Profit</b>	<b>5.659</b>	<b>9.937</b>	<b>1.354</b>	<b>7.804</b>	<b>22.546</b>
<b>BALANCE SHEET (DKK 1,000)</b>					
<b>Assets</b>					
Total non-current assets	389.512	239.900	389.512	239.900	241.095
Total current assets	140.475	161.423	140.475	161.423	141.086
<b>Total assets</b>	<b>529.987</b>	<b>401.323</b>	<b>529.987</b>	<b>401.323</b>	<b>382.181</b>
<b>Equity and liabilities</b>					
Total equity	232.394	222.467	232.394	222.467	249.626
Total non-current liabilities	170.079	69.960	170.079	69.960	64.393
Total current liabilities	127.515	108.896	127.515	108.896	68.162
<b>Total equity and liabilities</b>	<b>529.987</b>	<b>401.323</b>	<b>529.987</b>	<b>401.323</b>	<b>382.181</b>
<b>Cash flows (DKK 1,000)</b>					
Net cash flow from operating activities	30.374	22.834	57.810	68.911	83.065
Net cash flow used in investing activities**	-10.297	-163	-174.584	25.437	575
Net cash flow from financing activities	-9.283	-9.708	108.948	-60.668	-66.212
<b>Cash flows for the period</b>	<b>10.794</b>	<b>12.964</b>	<b>-7.826</b>	<b>33.680</b>	<b>17.428</b>
**Of this purchase of property, plant and equipment	-10.240	-257	-172.272	25.499	1.051
<b>Financial ratios</b>					
EBITDAR (DKK 1,000)	26.423	25.088	35.064	35.750	81.709
EBITDAR margin (%)	22%	21%	16%	18%	19%
Return on investment (%)	2%	3%	1%	3%	8%
Current ratio (%)	110%	148%	110%	148%	207%
Solvency ratio (%)	44%	55%	44%	55%	65%
Return on equity before tax (%)	3%	6%	1%	4%	12%
Return on equity after tax (%)	2%	5%	1%	3%	9%
Income/cost ratio (%)	1,06	1,11	1,01	1,05	1,07
<b>Shares</b>					
Number of shares (1,000)	1035	1035	1035	1035	1035
Earnings after tax per share (DKK)	5,47	9,60	1,31	7,54	21,78
Dividend per share (DKK)	-	-	-	-	7
Share price end of period (DKK)	118	107	118	107	100
Share price end of period/Earnings after tax per share (P/E)	21,58	11,14	90,22	14,19	4,59
<b>Traffic statistics</b>					
Capacity - scheduled flight (ASK) (1,000)	97.994	90.062	163.318	154.459	336.806
Traffic - scheduled flight (RPK) (1,000)	69.751	73.317	117.260	118.843	260.969
Load factor (%)	71%	81%	72%	77%	77%
Passengers carried on scheduled flight	54.670	54.350	90.923	87.707	193.450
Total number of passengers	70.039	72.675	115.633	122.562	260.457
Block hours	1.979	2.388	3.681	4.216	8.813
<b>Other</b>					
Number of full-time employees	168	161	168	161	166
Aircraft operated as at 30 June**	4	4	4	4	4
Helicopters operated as at 30 June	3	2	3	2	2

\*\*Fleet in service, excluding aircraft leased out

## Management's Review

Aviation in Europe is still struggling as the economic environment is volatile, fuel prices remain high and the dollar has gained considerable strength versus the euro. These conditions are evident in the market for capacity provision in Europe, which is very competitive. Not only is demand decreasing, but also during recent years capacity seems to keep growing, as it is not the financial performance of airlines that determines aircraft deliveries, but rather the decisions made by leasing companies. Business traffic – apart from oil related movements – is stagnating or weakening, while there is some growth in leisure traffic and with this development comes also the challenge of dealing with an increasing seasonal fluctuation between summer and winter.

The economic climate in the Faroe Islands has improved, with growth in fishery, salmon export and a reduction in income tax, which is expected to support spending. However the decline in unemployment remains slow. The expected inclusion in the ECAA (European Common Aviation Area) is still pending but according to the Government the agreement is likely to be ratified in the near future.

Two big challenges Atlantic Airways faced in the second quarter were the implementation of the Airbus operation and the start-up of air logistic support for Statoil, when it decided to start the exploration drilling in Faroese waters.

The Airbus 319 has performed well and met expectations. The entire phase-in programme went as planned and the operation now relies on Atlantic Airways personnel, who all have completed line training. From a technical point of view, the aircraft has performed well and reliability is close to 100% in Q 2.

Operational costs are in line with expectations. The economic benefits of using the more efficient Airbus 319 has in Q2 been partly offset by rising fuel prices, a stronger US dollar, lower passenger growth than expected and lower utilization of the Avro RJ fleet. However, the passengers have experienced lower fares and an improved regularity.

The RNP AR (navigational aid system), which Atlantic Airways launched as the very first carrier in Europe, has proved its efficiency. The company has been awarded the lowest possible minima to approach Vágur Airport, sector length is shorter than originally expected and the approach/departure procedures have worked perfectly well. All in all we see this as a considerable improvement in the service to and from the Faroe Islands. RNP AR procedures have supported higher traffic regularity (the system proved its importance most especially in challenging weather in July), and the company is saving fuel and reducing CO2 emissions, and has enhanced safety in its operations to and from Vágur Airport.

Customers have in general expressed a high level of satisfaction with the new aircraft design, interior and comfort.

Prior to the introduction of the Airbus, the company announced a reduction in its fuel surcharge, as the fuel burn per passenger was reduced, and at the same time also introduced lower entry prices and a more liberal pricing concept in general. The proactive initiatives to provide the people of Faroe Islands lower fares and easier access to travel was well received, but the number of passengers in Q2 did not increase in comparison with the year before. One of the reasons for this was seasonal fluctuation in relation to the date of Easter and the late start of school holidays in the Faroe Islands (moved from 24 to 29 June). The holiday traffic will most likely be added to the figures for July and August.

There was a certain overlap of capacity from the Avro RJ operation on Copenhagen and the new Airbus operation in April, and it led to a considerably lower load factor. However, this overlap was adjusted in May and June, when the load factor increased by 10%. The new direct weekly summer service to Barcelona from the Faroe Islands has been very well received and was only made possible because of the range the Airbus can provide. It has replaced some traffic, which previously went via Copenhagen and London to Southern Europe.

The contribution from scheduled service operations was not only affected by the lower load factor and lower fares, but indeed also by further increases in the cost of fuel and US currency. Hedging facilities could not prevent an increase of fuel cost on scheduled services, amounting to DKK 3.3 million in H1.

The Airbus introduction and phase-in has in general worked well and we look forward to taking further advantage of the new aircraft type as we gain more experience on this operation. Improved utilisation and increased load of passengers and cargo will both contribute to lower unit costs and improved competitiveness. Furthermore, the costs related to the introduction will decrease in the second half of 2012.

The charter and ACMI segment has been very difficult and competitive in Europe during the first half of 2012. Demand for ACMI is low and competition fierce. There has been some ad hoc activity and activity for tour operators increased in June and will stay at a relatively high level during high season. Contribution from this segment is related to the number of block hours and yield per hour, and both are at a lower level than in the corresponding period the year before. However the turnover from the segment remains around the same level as in the first half of 2011, as most of the production includes the full cost of operation and the risk related to fuel cost. This is not the case when the proportion of ACMI activity is more significant.

The helicopter operation is on a different level and scale compared with the previous year. The SAR and domestic service contract is running well and as planned, and since the middle of March, a contract for the provision of helicopter assistance to Statoil has been in place. In relation to this contract, the company leased in additional AW 139 helicopter capacity. The air logistic support for Statoil was activated fully in June, when the exploration campaign started and Atlantic Airways now provides both helicopter, fixed wing and other air logistic support to Statoil. The operation runs well and proves the high standard of service Atlantic Airways is able to provide to the oil and gas industry.

As both the Airbus operation and the expanded helicopter operation are safely established and anchored in Q2, the company expects to be able to further improve utilisation and efficiency in these operations in Q3.

### Traffic Development

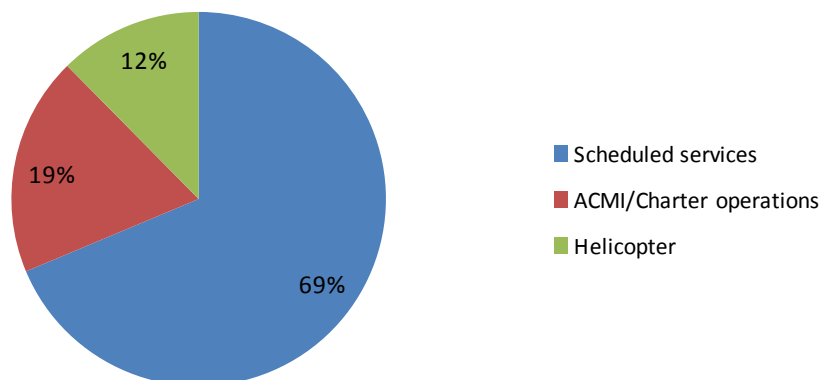
The total fleet activity (the number of block hours) decreased by 13% in the first half of 2012 compared with the same period last year. Fixed-wing and rotor-wing aircraft were airborne for a total of 3,681 block hours in the first half of 2012, compared with 4,216 block hours in the first half of 2011.

The new A 319, with its increased capacity, caused an expected reduction in number of block hours in relation to scheduled services. However it was further negatively affected in the fixed-wing segment by reduced ACMI/charter activity.

ACMI/charter decreased from 1,092 block hours to 703 block hours in the first half of 2012. Demand for ACMI operations on behalf of other airlines has been significantly lower in the first half, compared with the first half of 2011. Scheduled fleet production decreased by 11% to 2,523 block hours because of the adjusted seat capacity after the A 319 entered the fleet in March 2012. However, in the same period, supply of available seat-kilometres on scheduled services increased by 6% and by 9% in the second quarter, compared with the same periods in the previous year.

Helicopter activity was higher than for the same period last year, and increased from 291 to 456 hours.

### H1 2012 fleet production





**Traffic information**

	Q2 2012	Q2 2011	Change	Change	YTD 2012	YTD 2011	Change	Change	2011
<b>Passengers</b>	<b>pass</b>	<b>pass</b>	<b>pass</b>	<b>%</b>	<b>pass</b>	<b>pass</b>	<b>pass</b>	<b>%</b>	<b>pass</b>
Scheduled services	54.670	54.350	320	1%	90.923	87.707	3.216	4%	193.450
Helicopter	2.585	1.446	1.139	79%	3.572	2.227	1.345	60%	5.343
<b>Block hours</b>	<b>hours</b>	<b>hours</b>	<b>hours</b>	<b>%</b>	<b>hours</b>	<b>hours</b>	<b>hours</b>	<b>%</b>	<b>hours</b>
Scheduled services	1.287	1.627	-340	-21%	2.523	2.833	-311	-11%	6.115
ACMI/Charter operations	421	598	-177	-30%	703	1.092	-390	-36%	2.075
<b>Aircraft in total</b>	<b>1.708</b>	<b>2.225</b>	<b>-517</b>	<b>-23%</b>	<b>3.225</b>	<b>3.925</b>	<b>-700</b>	<b>-18%</b>	<b>8.189</b>
Helicopter	271	163	108	66%	456	291	165	57%	624
	<b>1.979</b>	<b>2.388</b>	<b>-409</b>	<b>-17%</b>	<b>3.681</b>	<b>4.216</b>	<b>-536</b>	<b>-13%</b>	<b>8.813</b>

**Scheduled services**

Passenger numbers on scheduled services increased by 4% in the first half, compared with the first half of the previous year, and increased by 1% in the second quarter, compared with the second quarter of 2011. Passenger numbers in the second quarter were negatively impacted by the seasonal effects of the Easter period and a later school holiday start, in June.

The load factor on scheduled services decreased in the first half from 77% to 72%, compared with the first half of 2011, and decreased from 81% to 71% in the second quarter of 2012, compared with the same period last year, owing to increased seat capacity since the new Airbus 319 aircraft entered service. Adjustment of capacity led to an improved load factor in May and June, compared with April, when the load factor was considerably lower than the year before.

**Charter/ACMI operations**

Charter/ACMI activity decreased by 36% in the first half of 2012, from 1,092 to 703 block hours sold, compared with the first half of 2011, and decreased by 30% in the second quarter of 2012, from 598 to 421 block hours. Atlantic Airways has provided service in several charter segments, such as ad hoc flights in Europe for various clients, ski-charters for tour operators in Denmark, and air logistics support for Statoil in connection with oil exploration in Faroese waters since June 2012. Demand for ACMI operations on behalf of other airlines has been significantly lower in the first half of 2012, compared with the same period last year.

Contribution to the overall result from charter/ACMI is in general related to the number of hours sold and average yield per hour, while turnover is significantly influenced by the type of charter operations. ACMI operations generate lower turnover as the customer carries a large proportion of flight expenses, while ad hoc, corporate charters and charter operations on behalf of tour operators include all operational costs.

**Helicopter Operations**

Our helicopter activity has in the first half of 2012 been based on the two Bell 412 helicopters in ownership and on a leased AW 139 helicopter. The two Bell 412 helicopters provide the Faroese government with SAR operations and domestic services under contract, and the AW 139 helicopter provides offshore support to Statoil.

In January 2012, Atlantic Airways signed a four-year contract with the Faroese Ministry of Fishery and the Ministry of Industry to provide helicopter Search and Rescue (SAR) coverage 24 hours a day (24/7) and domestic transport to the most remote islands. This contract includes a considerable upgrade to the standard of SAR and crisis support.

In January 2012, Atlantic Airways won a tender with Statoil to provide helicopter and other air logistic support in connection with oil exploration in Faroese waters in 2012. The exploration drilling started in June 2012 and is estimated to last for 4-5 months.

Contribution from helicopter operations do not necessarily correlate only to the number of hours flown, but also to contracts including standby services, such as the SAR contract.



### **Other income**

Ancillary revenues and revenues from duty-free sales, as well as freight transportation decreased by 1% in the first half of 2012, compared with the same period in 2011. Duty-free income increased 6% in the first half, while income from the freight segment decreased by 16%, mainly due to a sharp decrease in mail transport.

### **Fleet development**

Four fixed-wing aircraft were in service at the end of the first half of 2012. In March 2012 the last BAE 146-200 was returned and replaced by a new Airbus 319. The Airbus entered service on 28 March and has primarily served the main route between the Faroe Islands and Copenhagen, and in addition the weekly summer route between the Faroe Islands and Barcelona, as well as a weekly charter operation between Copenhagen and Greece.

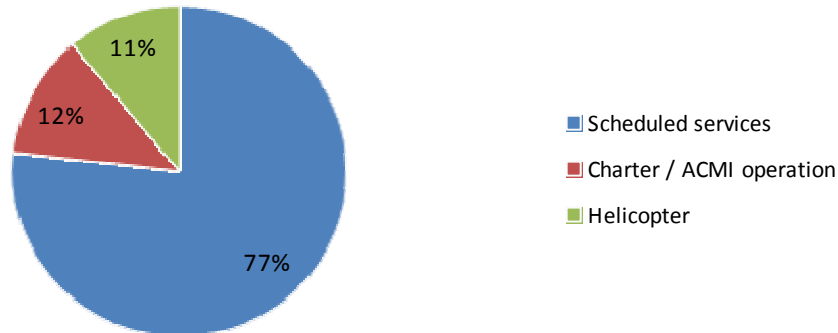
The introduction of the new aircraft was also an historic moment, as Atlantic Airways became the first airline in Europe to introduce RNP AR 0.1. The Performance Based Navigation system (RNP AR 0.1) will enhance safety, improve regularity, lower minima, and diminish fuel burn at the primary destination Vágur Airport in the Faroe Islands.

In addition, the company has leased out two BAE 146-200 aircraft on lease/purchase contracts.

The company has not identified a need for leasing in capacity during the summer season 2012, as the company's new Airbus will provide extra capacity.

At the end of the first half of 2012, the helicopter fleet consisted of two Bell 412 helicopters and one AW 139. The AW 139 helicopter is leased in on a short-term arrangement to support Statoil's oil exploration in Faroese Waters in 2012.

## Business area Percentages of Total Revenue H1 2012



### Financial Statement, 1 April – 30 June 2012

Total revenue for the second quarter of 2012 increased 3% to DKK 122.8 million, from DKK 118.8 million in the second quarter of 2011.

Revenue from scheduled services decreased by DKK 4.4 million in the second quarter of 2012, compared with the same period in 2011, owing to lower passenger yield, lower fuel surcharges and a decrease in income from freight and mail transportation.

Revenue from fixed-wing ACMI/charter operations increased by DKK 0.7 million in the second quarter of 2012, compared with the second quarter of 2011, despite lower overall ACMI/charter activity. This increase was due to growth in demand for ad hoc flights and contracted flights for tour operators and other group travel customers. However, contribution from ACMI/charter operations decreased in the second quarter of 2012, compared with the second quarter of 2011.

Revenue from helicopter operations increased by DKK 7.7 million in the second quarter of 2012, owing to the new SAR contract and increased offshore activity. The contribution from helicopter operations was also higher in the second quarter, compared with the second quarter last year.

Flight expenses increased by DKK 0.3 million in the second quarter of 2012 compared with the same period last year.

The EBITDA result was DKK 24.7 million in the second quarter of 2012, compared with DKK 22.9 million in the second quarter of 2011, an increase of 8%.

Depreciation for the second quarter of 2012 was DKK 15.4 million, compared with DKK 10.6 million in the second quarter of the previous year.

Net financial items amounted to DKK -2.4 million in the second quarter of 2012, compared with DKK 0.5 million in the second quarter of 2011.

The result before tax in the second quarter of 2012 was DKK 6.9 million, compared with DKK 12.1 million in the same period the previous year.

The result after tax in the second quarter of 2012 was DKK 5.7 million, compared with DKK 9.9 million in the second quarter of 2011.

## **Financial Statement, 1 January – 30 June 2012**

Total revenue for the first half of 2012 increased 6%, by DKK 11.4 million, from DKK 203.3 million in the first half of 2011 to DKK 214.7 million in the first half of 2012.

Revenue from scheduled service increased by DKK 2.2 million in the first half of 2012, compared with the first half of 2011, owing to an increase in the number of passengers and increased duty-free sales. However, income from freight and mail transportation decreased in the same period.

Revenue from fixed-wing ACMI/charter operations decreased by DKK 0.7 million in the first half of 2012, compared with the same period last year. Demand for ACMI operations has decreased significantly, while demand for ad hoc flights and contracted flights for tour operators and other group travel customers has increased. Likewise, the contribution from ACMI/charter operations decreased significantly in the first half of 2012 compared with the same period the previous year.

Income from helicopter operations increased by DKK 9.8 million in the first half of 2012 because of the higher service level in the new SAR contract and due to increased offshore activity. Contribution from helicopter operations has also increased in the first half of 2012, compared with 2011.

Flight expenses increased by DKK 8.9 million in the first half of 2012 compared with the same period last year.

The increase is mainly caused by higher fuel prices, increased airport and route charges and increased passenger-related costs in connection with the increase in the number of scheduled passengers.

Fuel costs have increased by DKK 7.8 million in the first half of 2012, driven by higher fuel prices, the movement of the US dollar, increased ad hoc charter activity, and the impact of the European Emissions Trading Scheme, in which aviation was included from January 1, 2012. Fuel expenditure has been partly offset by higher fuel surcharges, as well as fuel and currency hedging.

Employee costs were DKK 46.5 million in the first half of 2012, compared with DKK 43.5 million in the same period in 2011. The number of full-time equivalent employees was 168 in the first half of 2012, compared with 161 during the first half of 2011. The increase in employee cost is partly due to temporary activity related to the phase-in of the new Airbus and the offshore helicopter operation.

EBITDA was DKK 31.7 million in the first half of 2012, compared with DKK 32.2 million in the first half of 2011, or a decrease of 2%.

Depreciation for the first half of 2012 was DKK 26.2 million, compared with DKK 20.2 million in the first half of the previous year.

Net financial items amounted to DKK -3.9 million in the first half of 2012, compared with DKK -2.8 million in the first half of 2011.

The result before tax for the first half of 2012 was DKK 1.7 million, compared with DKK 9.5 million for the same period last year.

The result after tax for the first half was DKK 1.4 million, compared with DKK 7.8 million for the first half of 2011.

## **Balance Sheet**

Total non-current assets increased by DKK 148 million to DKK 390 million, compared with the end of 2011, mainly due to the delivery of the new A319 aircraft.

Cash and cash equivalents decreased by DKK 8 million in the first half of the year, to DKK 91 million.

Total current assets decreased by DKK 1 million in the first half of the year to DKK 140 million compared with year-end 2011.

Total equity as of 30 June 2012 was DKK 232 million, resulting in an equity ratio of 44%.

The company's total liabilities as of 30 June 2012 were DKK 298 million, of which non-current liabilities were DKK 170 million. Total liabilities at year-end 2011 were DKK 133 million. The increase in liabilities in the first half comes mainly from the financing of the A319.

The balance sheet total as of 30 June 2012 was DKK 530 million, which is DKK 148 million higher than at the beginning of the year.

## **Shares**

On 30 June 2012 the company's share price was DKK 118 and the total market value of the company's share capital amounted to DKK 122 million, which is 47% below the company's equity value. At the end of 2011 the share price was DKK 100.

## **Events after 30 June 2012**

There have been no events from the balance sheet date up to today that may affect the true and fair view of the financial statement for the first half of 2012.

## **Outlook for 2012**

Oil activity and fluctuations related to holiday seasons will support traffic development in Q3 and campaigns to support traffic in Q4 are expected to increase this in the second half of 2012. The Airbus operation is expected to support a lower unit cost and decrease irregularity, as well as opening up new initiatives in the leisure segment during winter 2012.

Outlook for charter and ACMI are still lower but in Q3 capacity provisions for four operators out of Denmark, as well as air logistic support to offshore activity, are stable, while outlook for Q4 is more questionable.

As the Airbus operation is capable of providing the bulk of capacity for the scheduled winter operation, a weak market for charter and capacity provision will call for a further adjustment of fleet and capacity during the winter.

The outlook for helicopter activity is promising, with an expected high level of offshore activity in Q3.

Fuel prices and external economic factors are still unpredictable and are capable of having a significant impact. Severe disruptions and irregularity from adverse weather in July is expected to cause higher cancellations and diversion costs in Q3 compared to the corresponding period last year. We remain cautious in our guidance as to financial performance in 2012 and expect a result closer to the 2010 levels rather than 2011.

## **Risk management**

The important risk factors, which may affect the profit and loss account as well as the balance sheet and long-term objectives, were assessed at length in the 2011 Annual Report and included: economic conditions in the Faroese and international markets, increased competition, changes in oil prices, changes in the price of carbon emission permits, demand for airline travel, demand for fixed-wing and rotor-wing charter operations, currency fluctuations, the general level of costs, the weather and traffic disruption, operations and accidents, regulation, technology, financial risk, credit risk, liquidity risk and interest rate risk.

The Board of Directors and Executive Management incorporate the identification and management of risks as an integral part of their activities. By identifying substantial areas of risk, as well as areas of opportunity, at an early point, Atlantic Airways is able to act accordingly and take due measures in its operations.

### **Auditing**

The report for the first half of the year 2012 has been reviewed, but not audited, by the auditing firm NOTA P/F.

### **Financial calendar 2012**

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<b>3 August 2012</b>	<b>Interim Statement Q2 2012</b>
<b>1 November 2012</b>	<b>Interim Statement Q3 2012</b>

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## Management's Statement

The Board of Directors and the Management have today discussed and approved the condensed interim financial statement of Atlantic Airways P/F for the period 1 January – 30 June 2012.

The interim financial statement, which has not been audited by the company's independent auditor, has been prepared in accordance with IAS 34 "Interim Financial Statements" as adopted by the EU and additional disclosure requirements for interim financial statements of listed companies.

We consider the accounting policies appropriate. It is our opinion that the interim financial statement gives a true and fair view of the Company's assets and liabilities and financial position as at June 30, 2012, results, changes in equity and cash flows for the period of 1 January – 30 June 2012.

In addition, we also consider the Management's review to give a true and fair presentation of the development in the Company's activities and financial affairs, the result for the period and the Company's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Company.

Sørvágur the 3rd of August 2012

### Management:

\_\_\_\_\_  
Magni Arge  
CEO

\_\_\_\_\_  
Marius Davidsen  
CFO

### Board of directors

\_\_\_\_\_  
Bjarni Askham Bjarnason  
Chairman

\_\_\_\_\_  
Kaj Johannesen  
Vice-chairman

\_\_\_\_\_  
Jens Wittrup Willumsen

\_\_\_\_\_  
Tezz Tordsdotter Ohlsson

\_\_\_\_\_  
Ingi S. Joensen

\_\_\_\_\_  
Olaf S. Poulsen

## **Independent Auditor's Review Report**

### **To the shareholders of P/F Atlantic Airways**

We have reviewed the accompanying condensed interim balance sheet of P/F Atlantic Airways as of 30 June 2012 and the related condensed interim statements of income, changes in equity and cash flows and notes for the half-year period then ended.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the EU. Our responsibility is to express an opinion on this condensed interim financial information based on our review.

### **Basis of review**

We conducted our review in accordance with International Standard on Review Engagement 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' and additional requirements under Faroese Audit Regulations. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Opinion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information do not give a true and fair view in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the EU.

Tórshavn the 3rd of August 2012

### **NOTA**

State Authorized Public Accountants P/F

Jørmann Petersen  
State Authorized Public Accountant



## Company Information

### **P/F Atlantic Airways**

Vágar Airport  
FO-380 Sørvágur  
Faroe Islands  
Tel + 298 34 10 00  
Fax +298 34 10 01  
Established 1987  
Reg. no. 1223  
VAT Number 379778  
Domicile municipality: Sørvágur  
Website: [www.atlantic.fo](http://www.atlantic.fo)  
Email: [ir@atlantic.fo](mailto:ir@atlantic.fo)

### **Share**

Stock Exchange:  
VMF Market on NASDAQ OMX Iceland &  
NASDAQ OMX Copenhagen  
ISIN code FO 0000000062  
Share Capital DKK 103.500.000  
No. of Shares 1.035.000

### **Board of directors**

Bjarni Askham Bjarnason, Chairman  
Kaj Johannesen, Vice Chairman  
Jens Wittrup Willumsen  
Tezz Tordsdotter Ohlsson  
Ingi S. Joensen  
Olaf S. Poulsen

### **Management**

Magni Arge, CEO  
Marius Davidsen, CFO

### **Auditor**

P/F NOTA, State Authorized Public Accountants

## Income Statement

<i>(DKK 1,000)</i>	Note	HI 2012	HI 2011	Q2 2012	Q2 2011	2011
Net sales	4	214.714	203.169	122.804	118.833	435.523
Other income		0	115	0	0	115
<b>Total revenue</b>	3,4,6	<b>214.714</b>	<b>203.284</b>	<b>122.804</b>	<b>118.833</b>	<b>435.638</b>
Flight expenses	5	-136.475	-127.603	-73.763	-73.415	-270.660
Employee expenditures	7	-46.529	-43.460	-24.368	-22.516	-90.618
Total operating expenses		-183.004	-171.063	-98.131	-95.931	-361.278
<b>Result before depreciation, amort. and impairment (EBITDA)</b>		<b>31.710</b>	<b>32.221</b>	<b>24.673</b>	<b>22.902</b>	<b>74.359</b>
Depreciations, amort. and impairment	8,12,13	-26.150	-20.200	-15.398	-10.567	-43.071
<b>Result before financial items (EBIT)</b>		<b>5.560</b>	<b>12.021</b>	<b>9.275</b>	<b>12.335</b>	<b>31.288</b>
Financial income	9	2.214	2.940	1.575	1.772	5.599
Financial expenses	10	-6.106	-5.755	-3.933	-2.299	-9.702
Net financial items		-3.892	-2.814	-2.357	-527	-4.103
Share of profit/loss of associates	16	-17	310	-17	310	310
<b>Result before taxes (EBT)</b>		<b>1.651</b>	<b>9.517</b>	<b>6.901</b>	<b>12.118</b>	<b>27.495</b>
Taxes	11	-297	-1.713	-1.242	-2.181	-4.949
<b>Net Profit / Loss for the year</b>		<b>1.354</b>	<b>7.804</b>	<b>5.659</b>	<b>9.937</b>	<b>22.546</b>
Attributable to:						
Shareholders of Atlantic Airways P/F		1.354	7.804	5.659	9.937	22.546
<b>Earnings per share</b>	29					
Earnings per share (DKK) (EPS)		1,32	7,62	5,53	9,71	22,02
Diluted earnings per share (DKK) (EPS-D)		1,32	7,62	5,53	9,71	22,02

Atlantic Airways P/F has not had any discontinuing operations during these periods.

## Statement of comprehensive income

<b>(DKK 1,000)</b>	<b>H1 2012</b>	<b>H1 2011</b>	<b>Q2 2012</b>	<b>Q2 2011</b>	<b>2011</b>
<b>Net Profit / Loss for the year</b>	<b>1.354</b>	<b>7.804</b>	<b>5.659</b>	<b>9.937</b>	<b>22.546</b>
<b>Other comprehensive income</b>					
Value adjustm. of cash flow hedges	-14.221	-6.364	-4.422	-4.202	8.880
Tax of value adjustm. of cash flow hedges	2.560	1.145	796	756	-1.598
Available-for-sale financial assets	0	-187	-81	-173	-270
Tax of available-for-sale financial assets	0	0	0	0	0
<b>Other comprehensive income after tax</b>	<b>-11.661</b>	<b>-5.405</b>	<b>-3.707</b>	<b>-3.619</b>	<b>7.012</b>
<b>Total comprehensive income</b>	<b>-10.307</b>	<b>2.399</b>	<b>1.952</b>	<b>6.318</b>	<b>29.558</b>
Attributable to:					
Shareholders of Atlantic Airways P/F	-10.307	2.399	1.952	6.318	29.558

Atlantic Airways P/F has not had any discontinuing operations during these periods.

## Balance Sheet as at 30 June

*(DKK 1,000)*

<b>ASSETS</b>	<b>Note</b>	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>31.12.2011</b>
<b>Intangible assets</b>	12	<b>6.856.995</b>	<b>5.096.879</b>	<b>6.177</b>
Aircraft and maintenance	13	321.777.555	114.507.713	99.336
Spare parts	13	13.512.882	12.238.035	11.445
Operating equipment	13	9.755.455	7.097.034	7.290
Hangar, buildings and land	13	35.991.938	37.614.963	36.809
Prepaid aircraft acquisitions	15	0	60.915.592	78.405
<b>Total tangible assets</b>		<b>381.037.830</b>	<b>232.373.337</b>	<b>233.284</b>
Investment in associates	16	479.061	495.885	496
Other shares	17	1.137.791	1.159.791	1.138
Long-term receivables		0	774.105	0
<b>Other non-current assets</b>		<b>1.616.852</b>	<b>2.429.781</b>	<b>1.634</b>
<b>Total non-current assets</b>		<b>389.511.677</b>	<b>239.899.997</b>	<b>241.095</b>
<b>Inventories</b>	18	<b>3.213.350</b>	<b>3.777.950</b>	<b>3.201</b>
Trade receivables	19	38.335.028	35.251.761	22.248
Prepayments		6.327.656	3.090.906	2.760
Other receivables		736.701	2.390.348	1.948
Other shares "available-for-sale"		706.500	789.750	707
Derivatives		409.720	1.297.194	11.651
<b>Total receivables</b>		<b>46.515.605</b>	<b>42.819.960</b>	<b>39.313</b>
<b>Cash and cash equivalents</b>	27	<b>90.746.525</b>	<b>114.824.790</b>	<b>98.572</b>
<b>Total current assets</b>		<b>140.475.480</b>	<b>161.422.701</b>	<b>141.086</b>
<b>TOTAL ASSETS</b>		<b>529.987.156</b>	<b>401.322.697</b>	<b>382.181</b>

## Balance Sheet as at 30 June

		<i>(DKK 1,000)</i>		
<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>31.12.2011</b>
Share capital	20	103.500.000	103.500.000	103.500
Share premium reserve	20	23.500.000	23.500.000	23.500
Value adjustm. of cash flow hedges	20	-2.345.909	-3.185.211	9.315
Revaluation reserve shares	22	234.000	317.250	234
Retained earnings	23	107.505.614	98.334.492	106.077
Proposed dividend	30	0	0	7.000
<b>Total equity</b>		<b>232.393.705</b>	<b>222.466.531</b>	<b>249.626</b>
Mortgage loans	24	144.450.036	42.045.933	36.502
Provisions for deferred taxes	11	25.628.899	27.913.851	27.891
<b>Total non-current liabilities</b>		<b>170.078.935</b>	<b>69.959.784</b>	<b>64.393</b>
Mortgage loans	24	18.382.500	10.382.500	10.383
Trade payables	24	27.932.448	28.438.819	23.485
Current income tax liabilities	11	6.970.291	0	6.970
Deferred income and accruals	24	70.958.693	64.893.465	27.032
Derivatives	24	3.270.584	5.181.598	291
<b>Total current liabilities</b>	24	<b>127.514.516</b>	<b>108.896.382</b>	<b>68.162</b>
<b>Total liabilities</b>	24	<b>297.593.451</b>	<b>178.856.166</b>	<b>132.555</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>529.987.156</b>	<b>401.322.697</b>	<b>382.181</b>

### Other notes

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## Statement of Changes in Equity

(DKK 1,000)	Share		Hedging reserve	Revaluation		Proposed dividend	Total
	Share capital	premium reserve		reserve shares	Retained earnings		
<b>Equity at 01.01.2011</b>	<b>103.500</b>	<b>23.500</b>	<b>2.033</b>	<b>504</b>	<b>90.450</b>	<b>7.500</b>	<b>227.487</b>
Result for the period	-	-	-	-	7.804	-	7.804
Value adjustm. of cash flow hedges	-	-	-3.882	-	-	-	-3.882
Tax of value adjustm. of cash flow hedges	-	-	699	-	-	-	699
Transfers to flight expences	-	-	-2.482	-	-	-	-2.482
Tax of transfer to flight expences	-	-	447	-	-	-	447
Revaluation reserve shares	-	-	-	-187	-	-	-187
Tax of revaluation reserve shares	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>2.398</b>
Proposed dividend	-	-	-	-	-	-	-
Dividend transferred to liabilities	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-7.500	-7.500
Dividends Own shares	-	-	-	-	81	-	-
<b>Equity at 30.06.2011</b>	<b>103.500</b>	<b>23.500</b>	<b>-3.185</b>	<b>317</b>	<b>98.335</b>	<b>0</b>	<b>222.467</b>
<b>Equity at 01.01.2012</b>	<b>103.500</b>	<b>23.500</b>	<b>9.315</b>	<b>234</b>	<b>106.077</b>	<b>7.000</b>	<b>249.626</b>
Result for the period	-	-	-	-	1.354	-	1.354
Value adjustm. of cash flow hedges	-	-	-14.455	-	-	-	-14.455
Tax of value adjustm. of cash flow hedges	-	-	2.602	-	-	-	2.602
Transfers to flight expences	-	-	234	-	-	-	234
Tax of transfer to flight expences	-	-	-42	-	-	-	-42
Revaluation reserve shares	-	-	-	0	-	-	0
Tax of revaluation reserve shares	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>-10.307</b>
Proposed dividend	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-7.000	-7.000
Dividends Own shares	-	-	-	-	75	-	75
<b>Equity at 30.06.2012</b>	<b>103.500</b>	<b>23.500</b>	<b>-2.346</b>	<b>234</b>	<b>107.506</b>	<b>0</b>	<b>232.394</b>
<b>Breakdown of changes in share capital</b>							
(DKK 1,000)			<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Share capital at the beginning of the year			103.500	103.500	103.500	103.500	103.500
Increase of share capital			-	-	-	-	-
<b>Total</b>			<b>103.500</b>	<b>103.500</b>	<b>103.500</b>	<b>103.500</b>	<b>103.500</b>

The notes 20-23 and 29 are an integral part of the Statement of Changes in Equity

## Cash Flow Statement

(DKK 1,000)	Note	HI 2012	HI 2011	2011
<b>Net profit/loss for the period</b>		<b>1.354</b>	<b>7.804</b>	<b>22.546</b>
Depreciations		26.150	20.200	43.071
Taxes		297	1.713	4.949
<b>Adjustments</b>		<b>26.448</b>	<b>21.913</b>	<b>48.020</b>
+/- trade receivables		-16.087	1.203	14.206
+/- prepayments		-3.568	-1.344	-1.013
+/- other receivables		1.211	-1.593	-1.128
+/- Inventories		-13	-1.112	-534
+/- investment in associates and other shares		17	-1.084	-310
+/- trade payables		4.447	8.202	3.249
+/- deferred income and accruals		44.002	34.922	-1.971
<b>Changes in operating assets and liabilities</b>		<b>30.009</b>	<b>39.194</b>	<b>12.499</b>
<b>Cash flow from operating activities</b>		<b>57.810</b>	<b>68.911</b>	<b>83.065</b>
Purchase of intangible, tangible assets and prepaid aircraft	12,13,15	-174.707	-42.129	-67.717
Sale of intangible and tangible assets	12,13,15	122	67.566	68.291
<b>Cash flows from investing activities</b>		<b>-174.584</b>	<b>25.437</b>	<b>575</b>
Changes of long-term loans	24	115.948	-53.168	-58.712
Foreign exchange effect on cash		0	0	0
Paid dividends		-7.000	-7.500	-7.500
<b>Cash flows from financing activities</b>		<b>108.948</b>	<b>-60.668</b>	<b>-66.212</b>
<b>Total cash flows for the period</b>		<b>-7.826</b>	<b>33.680</b>	<b>17.428</b>
Cash and cash equivalents at the beginning of the period		<b>98.572</b>	<b>81.145</b>	<b>81.145</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>90.747</b>	<b>114.825</b>	<b>98.572</b>

The notes 8-28 are an integral part of the Cash Flow Statement

The company has in addition to the cash and cash equivalents access to DKK 50 million in credit facilities.



## Notes

### 1. Accounting Principles

#### Reporting entity

Atlantic Airways P/F (the “Company”) is a limited liability company incorporated and domiciled in Faroe Islands. The address of the Company’s registered office is at Vágur Airport in Sørvágur, Faroe Islands. The financial statements of the Company as at June 30, 2012 and for the period January 1, to June 30, 2012 comprise the Company and the Company’s interests in associates. Atlantic Airways is an airline company focused on passenger transportation and is formed of three business divisions: Schedule Services, Charter Services and Helicopter Services. Schedule Services and Charter Services have 4 aircraft in service as at June 30, 2012, excluding aircraft leased out, supported by 156 employees with the operational base at Vágur. In the Helicopter Services there are 3 helicopters in service as at 30 June 2012 supported by 12 people with the operational base at Vágur. The Company is listed on the NASDAQ OMX Iceland and NASDAQ OMX Copenhagen stock exchanges.

#### Statement of compliance

The condensed interim financial statement for the period 1 January – 30 June 2012 have been prepared in accordance with IAS 34 “Interim Financial Statements”, as adopted by the EU, and in accordance with the guidelines for companies listed on the NASDAQ OMX Iceland and NASDAQ OMX Copenhagen.

These condensed interim financial statement were approved by the Board of Directors on August 3, 2012.

#### Significant accounting principles

The accounting policies applied by the Company in these condensed financial statements are the same as those applied by the Company in its annual report for the year ended 31 December 2011.

The annual report for 2011, which is available at the Company’s website [www.atlantic.fo](http://www.atlantic.fo), contains a full description of the accounting policies.

### 2. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Based on a review of the estimated useful life and the residual value of spare parts, the company has changed the estimated useful life of Bae 146 spare parts from 17 years to 3 years and Avro RJ spare parts from 17 years to 10 years with effect from 1 January 2012. The changes is estimated to increase depreciation as follows:

2012: DKK 0.3 million  
2013: DKK 0.3 million  
2014: DKK 0.3 million

## Notes

### 3. Business segment

#### Segment information

<b>(DKK 1,000)</b>	<b>Aircraft Services</b>		<b>Helicopter Services</b>		<b>Total</b>	
	<b>H1 2012</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>H1 2011</b>
<b>Income statement</b>						
Net sales	190.535	188.904	24.180	14.265	214.714	203.169
Other income	0	115	0	0	0	115
<b>Total revenue from external customers</b>	<b>190.535</b>	<b>189.019</b>	<b>24.180</b>	<b>14.265</b>	<b>214.714</b>	<b>203.284</b>
Operating expenses	190.199	177.084	18.955	14.179	209.154	191.263
<b>Operating result</b>	<b>335</b>	<b>11.935</b>	<b>5.225</b>	<b>86</b>	<b>5.560</b>	<b>12.021</b>
Effects of associated companies	-	-	-	-	-17	310
Financial income	2.210	2.938	4	2	2.214	2.940
Financial expenses	-5.599	-4.992	-507	-763	-6.106	-5.755
<b>Result before tax</b>	<b>-3.054</b>	<b>9.882</b>	<b>4.721</b>	<b>-675</b>	<b>1.651</b>	<b>9.517</b>
<b>Income tax expense</b>					-297	-1.713
<b>Profit</b>					<b>1.354</b>	<b>7.804</b>
<b>Balance sheet</b>						
Segment assets	474.620	343.993	54.888	56.833	529.508	400.827
Investment in associates	-	-	-	-	479	496
Segment liabilities and equity	509.425	375.416	20.563	25.906	529.987	401.323
<b>Cash flows</b>						
Cash flows from operating activities	54.007	47.256	3.804	21.655	57.810	68.911
Cash flows from investing activities	-172.801	-32.594	-1.783	58.031	-174.584	25.437
Cash flows from financing activities	111.229	-10.168	-2.281	-50.500	108.948	-60.668
<b>Other</b>						
Depreciations and amortisation	21.488	15.808	4.663	4.392	26.150	20.200

#### Geographical segments

Revenue comprises the following markets:

	<b>Faroe Islands</b>		<b>Europe</b>		<b>Total</b>	
	<b>H1 2012</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>H1 2011</b>	<b>H1 2012</b>	<b>H1 2011</b>
Total revenue from external customers	119.857	110.830	94.858	92.454	214.714	203.284

## Notes

<b>4. Total revenue (DKK 1,000)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Passenger transport	139.183	135.901
Charter activity (fixed wing and rotor wing)	30.485	27.076
Cargo and mail	5.505	6.525
Other	20.355	19.921
SAR and Inter-Island services	19.187	13.746
Other income	0	115
<b>Total</b>	<b>214.714</b>	<b>203.284</b>

<b>5. Flight expenses (DKK 1,000)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Aircraft fuel	-43.649	-35.807
Aircraft maintenance	-9.869	-11.434
Passenger/aircraft charges	-28.206	-24.732
Handling and catering costs	-11.833	-10.104
Cancellations and diversions	-3.085	-4.330
Other costs	-39.833	-41.197
<b>Total</b>	<b>-136.475</b>	<b>-127.603</b>

<b>6. Specification of numbers of passengers:</b>	<b>HI 2012</b>	<b>HI 2011</b>
Passengers fixed wing, scheduled services	90.923	87.707
Passengers fixed wing, charter	21.138	32.628
<b>Passengers fixed wing</b>	<b>112.061</b>	<b>120.335</b>
Passengers by Helicopters	3.572	2.227
<b>Total passengers</b>	<b>115.633</b>	<b>122.562</b>

<b>Block hours:</b>		
Aircraft, block hours, scheduled services	2.523	2.833
Aircraft, block hours, charter	703	1.092
<b>Total aircraft block hours</b>	<b>3.225</b>	<b>3.925</b>
Helicopters	456	291
<b>Total airborne hours</b>	<b>3.681</b>	<b>4.216</b>

<b>Income overseas:</b>		
Export value in DKK	94.857.823	92.453.836
Export value in %	45%	46%

## Notes

<b>7. Employee expenditures (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Wages and salaries	-40.604.398	-37.407.505
Pensions	-3.160.589	-3.206.317
Expenses for social security	-1.150.002	-1.241.727
Other employee expenditures	-1.613.879	-1.604.194
Bonus	0	0
Share-based payments	0	0
<b>Total</b>	<b>-46.528.867</b>	<b>-43.459.743</b>

Number of employees	168	161
---------------------	-----	-----

<b>8. Depreciation, amort. and impairments (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Amortisation of intangible assets	-1.646.362	-1.267.356
Impairments of intangible assets	0	0
Depreciation of tangible assets	-24.504.068	-18.932.835
Impairments of tangible assets	0	0
Depreciation of assets held for sale	0	0
Impairments of assets held for sale	0	0
<b>Total depreciation, amortisation and impairments</b>	<b>-26.150.430</b>	<b>-20.200.191</b>

<b>9. Financial income (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Interest, cash, etc.	402.424	512.517
Dividends	0	0
Other interest income	111.336	261.076
Currency adjustments	1.700.013	2.166.600
<b>Total</b>	<b>2.213.773</b>	<b>2.940.193</b>

<b>10. Financial expenses (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Interest on long term loans	-3.049.787	-1.269.825
Other interest expenses	-793.814	-794.235
Currency adjustments	-2.262.492	-3.690.508
<b>Total</b>	<b>-6.106.093</b>	<b>-5.754.568</b>

## Notes

<b>11. Income tax (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Taxes	0	-967.785
Changes in deferred taxes during the period	-297.191	-745.228
<b>Total taxes</b>	<b>-297.191</b>	<b>-1.713.013</b>
Deferred taxes as of Jan 1st	27.891.438	28.314.121
Changes in deferred taxes during the period	297.191	745.228
Taxes recognised in equity	-2.559.730	-1.145.498
Transferred to assets held for sale	0	0
<b>Deferred tax at the end of the period</b>	<b>25.628.899</b>	<b>27.913.851</b>
Taxes from net profit/loss for the period:		
Calculated 18% tax of result before taxes	297.147	1.713.014
Dividend from other shares	0	0
<b>Total</b>	<b>297.147</b>	<b>1.713.014</b>
<b>Effective tax percent</b>	<b>18%</b>	<b>18%</b>
Provisions for deferred tax comprises:		
Property, plant and equipment	38.065.917	28.650.279
Financial assets	21.791	43.764
Receivables	-63.000	-81.000
Derrivatives	-514.956	-699.192
Tax loss carried forward	-11.880.853	0
Transferred to assets held for sale	0	0
<b>Total</b>	<b>25.628.899</b>	<b>27.913.851</b>

## Notes

### 12. Intangible assets (DKK)

<b>2012</b>	<b>Development expenditures</b>	<b>Software</b>	<b>Total</b>
Acquisition value as of Jan 1st	2.107.885	15.440.079	17.547.964
Additions during the period	1.769.479	556.983	2.326.462
Disposal during the period	0	0	0
<b>Acquisition value as of June 30th</b>	<b>3.877.364</b>	<b>15.997.062</b>	<b>19.874.425</b>
Amortisations as of Jan 1st	0	-11.371.069	-11.371.069
Amortisations during the period	-435.501	-1.210.861	-1.646.362
Amortisations of disposal	0	0	0
<b>Amortisations as of June 30th</b>	<b>-435.501</b>	<b>-12.581.930</b>	<b>-13.017.431</b>
<b>Book value as at June 30th 2012</b>	<b>3.441.863</b>	<b>3.415.132</b>	<b>6.856.995</b>

<b>2011</b>	<b>Development expenditures</b>	<b>Software</b>	<b>Total</b>
Acquisition value as of Jan 1st	-	14.557.412	14.557.412
Additions during the period	-	895.018	895.018
Disposal during the period	-	0	0
<b>Acquisition value as of June 30th</b>	<b>-</b>	<b>15.452.430</b>	<b>15.452.430</b>
Amortisations as of Jan 1st	-	-9.088.195	-9.088.195
Amortisations during the period	-	-1.267.356	-1.267.356
Amortisations of disposal	-	0	0
<b>Amortisations as of June 30th</b>	<b>-</b>	<b>-10.355.551</b>	<b>-10.355.551</b>
<b>Book value as at June 30th 2011</b>	<b>-</b>	<b>5.096.879</b>	<b>5.096.879</b>

## Notes

### 13. Tangible assets (DKK)

<b>2012</b>	<b>Aircraft and maintenance</b>	<b>Spare parts</b>	<b>Operating Equipment</b>	<b>Hangar, buildings and land</b>	<b>Total</b>
Acquisition value as of Jan 1st	238.463.825	33.839.483	19.791.215	47.411.386	339.505.909
Additions during the period	244.418.622	2.752.383	3.614.382	0	250.785.387
Disposal during the period	-5.317.355	-27.393	-663.800	0	-6.008.548
Transfer to/from assets held for sale	0	0	0	0	0
<b>Acquisition value as of June 30th</b>	<b>477.565.093</b>	<b>36.564.473</b>	<b>22.741.797</b>	<b>47.411.386</b>	<b>584.282.748</b>
Depreciations and write-downs as of Jan 1st	-139.128.165	-22.394.850	-12.501.159	-10.602.275	-184.626.449
Depreciations and write-downs during the period	-21.976.237	-664.960	-1.045.698	-817.173	-24.504.068
Depreciations and write-downs of disposal	5.316.864	8.220	560.516	0	5.885.600
Transfer to/from assets held for sale	0	0	0	0	0
<b>Depreciations and write-down as of June 30th</b>	<b>-155.787.538</b>	<b>-23.051.590</b>	<b>-12.986.341</b>	<b>-11.419.448</b>	<b>-203.244.918</b>
<b>Book value as at June 30th 2012</b>	<b>321.777.555</b>	<b>13.512.882</b>	<b>9.755.456</b>	<b>35.991.938</b>	<b>381.037.830</b>

<b>2011</b>	<b>Aircraft and maintenance</b>	<b>Spare parts</b>	<b>Operating Equipment</b>	<b>Hangar, buildings and land</b>	<b>Total</b>
Acquisition value as of Jan 1st	372.135.441	39.396.732	19.844.781	47.214.671	478.591.624
Additions during the period	8.486.140	0	943.650	103.455	9.533.245
Disposal during the period	-142.716.171	-4.531.178	-1.209.663	0	-148.457.012
Transfer to/from assets held for sale	0	0	0	0	0
<b>Acquisition value as of June 30th</b>	<b>237.905.410</b>	<b>34.865.554</b>	<b>19.578.768</b>	<b>47.318.126</b>	<b>339.667.857</b>
Depreciations and write-downs as of Jan 1st	-186.375.003	-22.588.920	-12.483.019	-8.722.112	-230.169.054
Depreciations and write-downs during the period	-16.386.097	-562.376	-1.003.311	-981.051	-18.932.835
Depreciations and write-downs of disposal	79.363.403	523.777	1.004.596	0	80.891.776
Transfer to/from assets held for sale	0	0	0	0	0
<b>Depreciations and write-down as of June 30th</b>	<b>-123.397.697</b>	<b>-22.627.519</b>	<b>-12.481.734</b>	<b>-9.703.163</b>	<b>-168.210.113</b>
<b>Book value as at June 30th 2011</b>	<b>114.507.713</b>	<b>12.238.035</b>	<b>7.097.034</b>	<b>37.614.963</b>	<b>171.457.744</b>



## Notes

<b>14. Insurance value (DKK)</b>	<b>Insurance value</b>	<b>Carrying amount</b>
Aircraft and helicopters	648.000.000	335.290.437
Other equipment	*	45.747.393
<b>Total</b>		<b>381.037.830</b>

\*Replacement value

### 15. Prepaid aircraft acquisitions

Prepaid aircraft acquisitions in the balance sheet as at June 30, 2011 is for the purchase of one Airbus A319 aircraft, which was delivered in March 2012.

### 16. Investment in associates (DKK)

	<b>Investment in associates*</b>
<b>2012</b>	
Acquisition value as of Jan 1st	570.000
Additions during the period	0
Disposal during the period	0
<b>Acquisition value as of June 30th</b>	<b>570.000</b>
Revaluations and share of result as of Jan 1st	-74.114
Revaluations during the period	0
Share of result acc. to the latest financial statement	-16.824
Additions during the period	0
Disposal during the period	0
<b>Revaluations as of June 30th</b>	<b>-90.938</b>
<b>Book value as at June 30th 2012</b>	<b>479.061</b>
<b>2011</b>	
Acquisition value as of Jan 1st	570.000
Additions during the period	0
Disposal during the period	0
<b>Acquisition value as of June 30th</b>	<b>570.000</b>
Revaluations and share of result as of Jan 1st	-253.941
Revaluations during the period	
Share of result acc. to the latest financial statement	179.827
Additions during the period	0
Disposal during the period	0
<b>Revaluations as of June 30th</b>	<b>-74.114</b>
<b>Book value as at June 30th 2011</b>	<b>495.886</b>

## Notes

### Summary of aggregate financial information for investments in associates

<b>P/F Green Gate Incoming</b>		<b>P/F Gjáargarður</b>		<b>Total</b>
<i>Domicile: Tórshavn</i>		<i>Domicile: Gjógv</i>		
<i>Share capital: 500.000 DKK</i>		<i>Share capital: 1.200.000 DKK</i>		
<i>Company's portion: 49%</i>		<i>Company's portion: 27%</i>		
Assets	1.319.861	Assets	10.178.871	11.498.732
Equity	640.353	Equity	612.179	1.252.532
Liabilities	679.508	Liabilities	9.566.692	10.246.200
Net profit	-262.069	Net profit	413.297	151.228
<i>Company's portion</i>		<i>Company's portion</i>		
Equity	313.773	Equity	165.288	479.061
Net profit	-128.414	Net profit	111.590	-16.824

\*According to the latest financial statements.

### 17. Other shares (DKK)

<b>2012</b>	<b>Other shares</b>
Acquisition value as of Jan 1st	1.137.791
Additions during the period	0
Disposal during the period	0
<b>Acquisition value as of June 30th</b>	<b>1.137.791</b>
Revaluations and share of result as of Jan 1st	0
Revaluations during the period	0
Share of result acc. to the latest financial statement	0
Additions during the period	0
Disposal during the period	0
<b>Revaluations as of June 30th</b>	<b>0</b>
<b>Book value as at June 30th 2012</b>	<b>1.137.791</b>
<b>2011</b>	<b>Other shares</b>
Acquisition value as of Jan 1st	1.159.791
Additions during the period	0
Disposal during the period	0
<b>Acquisition value as of June 30th</b>	<b>1.159.791</b>
Revaluations and share of result as of Jan 1st	0
Revaluations during the period	0
Share of result acc. to the latest financial statement	0
Additions during the period	0
Disposal during the period	0
<b>Revaluations as of June 30th</b>	<b>0</b>
<b>Book value as at June 30th 2011</b>	<b>1.159.791</b>

## Notes

<b>18. Inventories (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Inventories	3.213.350	3.777.950
Write-downs of inventories	0	0
<b>Inventories total</b>	<b>3.213.350</b>	<b>3.777.950</b>

<b>19. Trade receivables (DKK)</b>	<b>HI 2012</b>	<b>HI 2011</b>
Trade receivables	38.685.028	35.701.761
Write-downs of trade receivables	-350.000	-450.000
<b>Trade receivables total</b>	<b>38.335.028</b>	<b>35.251.761</b>

## 20. Equity

### Share capital

The share capital amounting to DKK 103.500.00 is divided in 1.035.000 shares of DKK 100. The shares are not divided in different categories.

### Share premium reserve

Share premium comprises premium on issue of shares.

### Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

### Revaluation reserve shares

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity as revaluation reserve shares.

### Retained earnings

Retained earnings from the year and previous years.

### Proposed dividend

Proposed dividends for the year is disclosed as a separate item under equity named: Proposed dividend. Proposed dividends are recognised as a liability when the proposed dividends are adopted at the annual general meeting.

## 21. Own shares

	Number		Nominal value		% of Share capital	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011	30.06.2012	30.06.2011
1. Jan 12	11.111	11.111	1.111.100	1.111.100	1%	1%
Addition	0	0	0	0	0%	0%
Disposal	0	0	0	0	0%	0%
<b>30-jun-12</b>	<b>11.111</b>	<b>11.111</b>	<b>1.111.100</b>	<b>1.111.100</b>	<b>1%</b>	<b>1%</b>

## Notes

<b>22. Revaluation reserve shares (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Reserve as of Jan 1st	234.000	504.000
Adjustment for the period	0	-186.750
Revaluations	0	0
<b>Reserve at the end of the period</b>	<b>234.000</b>	<b>317.250</b>

<b>23. Retained earnings (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Retained earnings opening	106.076.839	90.450.248
+ Dividend own shares	75.147	80.514
+ Net profit	1.353.628	7.803.729
- proposed dividend	0	0
<b>Total</b>	<b>107.505.614</b>	<b>98.334.492</b>

## 24. Non-current and current liabilities (DKK)

	<b>Liab. Jun. 30th 2012</b>	<b>Short term liab. 0-1 year</b>	<b>Due for payment after 5 years</b>	<b>Liab. Jun. 30th 2011</b>
Mortgage loans	162.832.536	18.382.500	80.000.000	52.428.433
Provision for deferred taxes	25.628.899	0	0	27.913.851
Trade payables	27.932.448	27.932.448	0	28.438.819
Current income tax liabilities	6.970.291	6.970.291	0	0
Deferred income and accruals	70.958.693	70.958.693	0	64.893.465
Derivatives	3.270.584	3.270.584	0	5.181.598
Liabilities ass. with assets held for sale	0	0	0	0
<b>Total non-current and current liab.</b>	<b>297.593.451</b>	<b>127.514.516</b>	<b>80.000.000</b>	<b>178.856.166</b>
Specified as follows:				
<b>Current liabilities</b>	<b>127.514.516</b>			<b>108.896.382</b>
<b>Non-current liabilities</b>	<b>170.078.935</b>			<b>69.959.784</b>

The company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (H1 2011: the same).

## 25. Mortgaging and contingent liabilities etc.

Aircraft with a book value as at 30 June 2012 of DKK 321 million are mortgaged.

The company is obligated to pay a sum of DKK 5.4 million a year until 30 September 2013 for the lease of one aircraft. The leasing rate in 2013 is amounting to DKK 3.6 million. Furthermore, the company is obligated to pay a sum of EURO 0.1 million per month until November 2012 for the short-term lease of a AW 139 helicopter.

## Notes

### 26. Related parties

<b>Control:</b>	<b>Basis of influence</b>
Vinnumálaráðið (Ministry of Industry), Tinganes, 100 Tórshavn	Majority shareholder

#### **Significant influence:**

The Company has in H1 2012 provided helicopter services to the Faroese Ministry of Industry amounted to DKK 5.1 million (H1 2011: DKK 4.3 million) and to the Faroese Ministry of Fisheries amounted to DKK 13.0 million (H1 2011: DKK 9.2 million). The Company has not granted loans, provided security, recourse guarantee or guarantee obligations to the principal shareholder.

All transactions are priced on an arm's length basis.

The Company has not traded with, granted loans, provided security, recourse guarantee or guarantee obligations to the Board of Directors, the Board of Executives or to non-group enterprises in which the parties concerned are interested.

#### **Associated company's**

P/F Green Gate Incoming	(Note 16)
P/F Gjáargarður	(Note 16)

The Company has not been involved in trade of particular importance with associated companies. The Company has not granted loans, provided security, recourse guarantee or guarantee obligations to the associated companies

Transactions with associates are priced on an arm's length basis.

<b>27. Cash and cash equivalents (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Cash and cash equivalents	90.746.525	114.824.790
<b>Total</b>	<b>90.746.525</b>	<b>114.824.790</b>

<b>28. Additional cash flow information (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Interest paid	-3.843.601	-2.064.060
Tax paid	0	0
Interests received	513.760	773.593
<b>Total</b>	<b>-3.329.841</b>	<b>-1.290.467</b>

## Notes

<b>29. Earnings per share (DKK)</b>	<b>H1 2012</b>	<b>H1 2011</b>
Net Profit/Loss for the year	<b>1.353.628</b>	<b>7.803.729</b>
Number of shares	1.035.000	1.035.000
Number of own shares	11.111	11.111
<b>Total (Excluding own shares)</b>	<b>1.023.889</b>	<b>1.023.889</b>

Earnings per share (DKK) (EPS)	1,32	7,62
Diluted earnings per share (DKK) (EPS-D)	1,32	7,62

The calculation of earnings per share is based on the profit after tax and on the weighted average number of shares in issue during the period.

### 30. Dividend

The Annual General Meeting on 17 April 2012 decided to distribute a dividend of DKK 7 million for the financial year 2011. The dividend was paid on 27 April 2012. A dividend of DKK 7.5 million were distributed to Atlantic Airways' shareholders the previous year.

### 31. Seasonality

The airline industry is highly seasonal. Revenue from scheduled services are normally higher in the third quarter and lower in first and fourth quarter due to significantly higher demand during the summer. A breakdown of the company's income statement during five quarters is specified below.

	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>
<b>INCOME STATEMENT (DKK 1,000)</b>					
<b>Total Revenue</b>	122.804	91.910	98.443	133.910	118.833
Flight expenses	-73.763	-62.712	-62.761	-80.296	-73.415
Employee expenditures	-24.368	-22.161	-23.258	-23.901	-22.516
<b>Result before depr., amort. and impairm. (EBITDA)</b>	<b>24.673</b>	<b>7.037</b>	<b>12.425</b>	<b>29.713</b>	<b>22.902</b>
Depreciations, amortisations and impairment	-15.398	-10.752	-12.013	-10.858	-10.567
<b>Result before financial items (EBIT)</b>	<b>9.275</b>	<b>-3.715</b>	<b>412</b>	<b>18.855</b>	<b>12.335</b>
Net financial items	-2.357	-1.535	-305	-984	-527
Share of p/l of ass. companies	-17	0	0	0	310
<b>Result before tax (EBT)</b>	<b>6.901</b>	<b>-5.250</b>	<b>107</b>	<b>17.872</b>	<b>12.118</b>
Tax	-1.242	945	-19	-3.217	-2.181
<b>Profit</b>	<b>5.659</b>	<b>-4.305</b>	<b>88</b>	<b>14.655</b>	<b>9.937</b>

### 32. Events after the end of the first half

There have been no events from the balance sheet date until today that might affect the true and fair view of the financial statement for the first half of 2012.

## Definitions

**ACMI**

Leasing of Aircraft, Crew, Maintenance and Insurance. The lessee has to bear a significant portion of direct costs related to the charter – hereunder fuel cost and airport fees.

**Airborne hours**

Number of flown hours.

**ASK: Available seat kilometres**

The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

**Block hours**

Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

**C-checks**

Heavier maintenance checks.

**Current ratio (%)**

Total current assets, end of period divided by total current liabilities.

**EBT**

Earnings before tax.

**EBIT**

Earnings before interest and tax.

**EBITDAR**

Operating income before interest, tax, depreciations, amortizations and leasing cost.

**EBITDAR margin**

Earnings before interest, tax, depreciations, amortizations and leasing cost as a percentage of revenue.

**EBITDA**

Operating income before interest, tax, depreciations and amortizations.

**ETS**

EU Emission Trading Scheme.

**Load factor**

RPK divided by ASK. Describes the utilisation of the available seats.

**Return on equity (%)**

Profit/loss after tax, end of period divided by average equity.

**Return on investment (%)**

Profit/loss before financial items divided by total assets.

**RPK: Revenue Passenger Kilometres**

Number of paying passengers multiplied by the distance they are flown in kilometers.

**Sale of Block hours**

ACMI/Charter hours (non-scheduled flights).

**Solvency ratio (%)**

Equity, end of period divided by total assets.